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Asia Securities Money Market Fund

Interim Report

*For the six months ended
30th September 2022*

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MID YEAR FUND REVIEW for the six months ended 30th September 2022

Dear Investor,

It is with great pleasure we present our mid – year review for the Asia Securities Money Market Fund. The return of your Fund stood at 5.32% during the six months ended 30th September 2022 compared to 7.64% during the six months ended 30th September 2021. The main reason for dismal fund performance was a result of the fund having to experience large redemptions from clients due to sudden and significant increase in interest rates in April 2022. As a result, the fund had a significantly higher net fund outflow rate, leaving with no options to reinvest and reprice at higher yields.

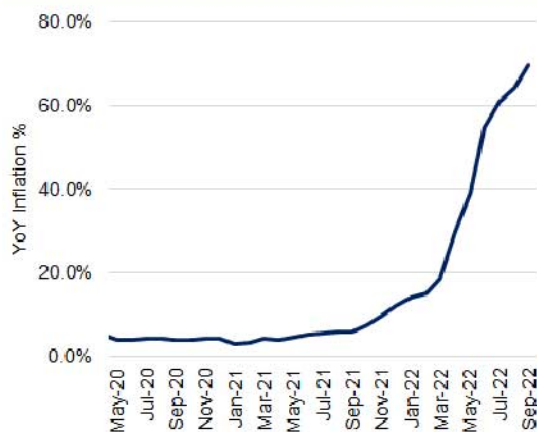
Economic Review

The six month period under review was a challenging year for the entire economy, in line with what was experienced in FY21/FY22 – as political unrest and economic uncertainty continued to disrupt activity across a multitude of sectors. During the same period, several Island wide curfews were implemented which continued to fracture a fragile economy. This led to an economic degrowth for the quarter ending June 2022 of -8.4%.

Concerns on runaway inflation have materialized, with CCPI inflation picking up to 69.8% in September 2022, vs. 18.7% in March 2022. The pick – up in inflation was largely driven by food inflation, hike in utility and fuel prices, and general increase in price of goods due to currency depreciation. Food inflation was one of the significant factors which we believe was due to supply side disruptions and shortage in food supplies due to low crop yields driven by a ban on fertilizer imports, high fuel costs and the unavailability of fuel to transport crops.

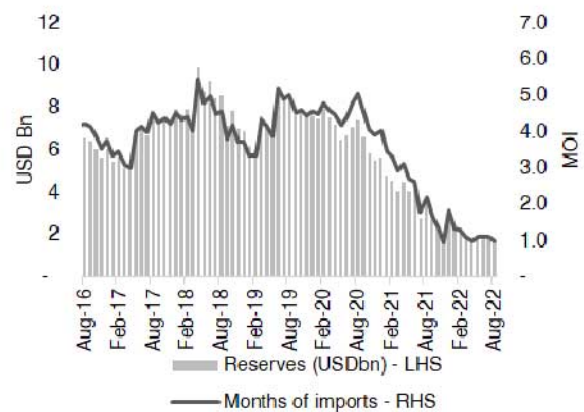
Credit to the private sector show cased a slower pickup – increasing by 11.6% YoY in August 2022 vs. YoY growth of 15.0% in August 2021. Notably, credit to the government sector continues to burgeon – growth in credit to the government sector in August 2021 was 20.9% YoY - indicating severe fiscal slippage especially during a high interest rate environment.

Fig 1: CCPI Inflation on an upward trend



Source: Department of Census and Statistics

Fig 2: Foreign currency reserves are at historic lows



Source: Central Bank of Sri Lanka

MID YEAR FUND REVIEW for the six months ended 30th September 2022

Reserves came under severe stress during the last 6M, as our import bill continued to rise amidst minimal bi-lateral and multilateral funding support. As a result, reserves dropped to 1.0x months of Imports in August 2022 from 2.2x months of imports recorded during August 2021. To control this rapid decline in reserves, the GoSL continued to limit outflows by keeping import restrictions in place. Import restrictions are likely to continue till reserve position improves with an increase in dollar denominated inflows. However, we highlight that significant support from bilateral / multilateral lenders is required to address the current foreign reserve crisis.

With this risk narrative playing out, market rates have picked up sharply. The 1Y T-bill increased to 29.85% (an increase of 1,757bps since March 2022), and the 10Y T-bond rates increased to 30.09% (an increase of 1,467bps since March 2022) as at September 2022.

During the year under review, the Asia Securities Money Market Fund yielded the following returns commensurate with the risk parameters and the objective of the Fund:

Table 1: Return Summary of the Fund

	Annualized return %	AER %
Sep 2022	8.58	8.86
Aug 2022	6.58	6.74
July 2022	4.93	5.02
Jan - Sep 2022	6.10	6.24
1H FY22/23	5.32	5.43

Outlook

As economic risks intensify, multiplied by the low reserves, fiscal slippage and threat of debt restructuring we expect the economy to see weak growth in the near term. However, we expect market rates to come down if inflation continues to recede from its peak in September 2022. These factors are likely to also result in the Central Bank of Sri Lanka being dovish on policy rates in the near term.

We see two potential pathways for Sri Lanka to avert the current foreign currency reserve crisis – 1) Negotiate a bailout package from a global multilateral funding agency such as the International Monetary Fund (IMF) and renew terms on outstanding contingencies and debt commitments and 2) a rapid recovery in tourism which could boost our reserve position with an increase in dollar inflows coupled with strong support from bi-lateral funding partners.

We emphasize that despite our view of market interest rates may come down in the near future, we expect your fund to see a gradual upward revision in returns in the near term as we are continuing to reprice our fund at market rates.

Note: All other data mentioned are sourced from the Central Bank of Sri Lanka

**ASIA SECURITIES
MONEY MARKET FUND
INTERIM FINANCIAL STATEMENTS
FOR THE PERIOD ENDED
30 SEPTEMBER 2022**

ASIA SECURITIES MONEY MARKET FUND
STATEMENT OF COMPREHENSIVE INCOME
period ended 30 September 2022

	Notes	For the Period Apr 22 - Sep 22 Rs.	For the Period Apr 21 - Sep 21 Rs.
INCOME			
Interest Income	3	79,621,969	71,718,836
EXPENSES			
Management Fees		(2,174,490)	(4,401,932)
Trustee & Custodian Fees		(1,620,475)	(1,556,181)
Audit Fees		(183,092)	(135,552)
Other Expenses		(41,425,068)	(22,320)
		(45,403,125)	(6,115,985)
NET PROFIT BEFORE INCOME TAX		34,218,844	65,602,851
Income Tax Expense	4	-	-
NET PROFIT AFTER INCOME TAX FOR THE PERIOD		34,218,844	65,602,851
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		34,218,844	65,602,851

**ASIA SECURITIES MONEY MARKET FUND
STATEMENT OF FINANCIAL POSITION
As at 30 September 2022**

	Notes	As at 30 Sep 2022 Rs.	As at 31 Mar 2022 Rs.
ASSETS			
Cash and cash equivalents	5	157,473,938	12,012,164
Financial assets - Amortised Cost	6	664,413,775	6,118,436,492
Other Receivable	7	40,646	-
		<u>821,928,360</u>	<u>6,130,448,656</u>
LIABILITIES			
Accrued Expenses	8	995,846	5,577,915
Borrowings		188,713,228	689,732,542
Total Liabilities		189,709,073	695,310,457
UNIT HOLDERS' FUNDS			
Net Assets Attributable to Unit holders		632,219,287	5,435,138,199
		<u>821,928,360</u>	<u>6,130,448,656</u>

**Director
Asia Securities
Wealth Management (Pvt) Limited**

**Director
Asia Securities
Wealth Management (Pvt) Limited**

**Trustees
Hatton National Bank**

ASIA SECURITIES MONEY MARKET FUND
STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUND
As at 30 September 2022

	Period ended 30.09.2022	Period ended 30.09.2021
	Rs.	Rs.
UNITHOLDERS' FUNDS AS AT PERIOD START	5,435,138,199	378,286,767
Audit adjustment	-	-
Unitholders' fund as per FS	5,435,138,199	378,286,767
Total Comprehensive Income for the Period	34,218,844	65,602,851
Received on Creation of Units	1,242,857,253	6,109,737,043
Paid on Redemption of Units	(6,079,995,009)	(1,515,560,040)
Net Increase / (decrease) due to Unit holders' Transactions	(4,837,137,756)	4,594,177,003
Dividend paid	-	-
UNITHOLDERS' FUNDS AS AT PERIOD END	<u><u>632,219,287</u></u>	<u><u>5,038,066,620</u></u>

ASIA SECURITIES MONEY MARKET FUND
CASH FLOW STATEMENT
As at 30 September 2022

	Period ended 30.09.2022	Period ended 30.09.2021
	Rs.	Rs.
Cash Flows from Operating Activities		
Interest Received	271,692,313	7,149,885
Other income received	3,026,000	5,758,726
Management Fees and Trustee Fees Paid	(6,811,152)	(4,163,389)
Audit Fees Paid	-	-
Other Expenses Paid	(174,299)	(22,319)
Net Investment in Commercial Papers	2,470,000,000	(1,812,140,000)
Net Investment in Trust Certificates	340,000,000	(184,000,000)
Net Investment in Repurchase Agreement	46,568,555	(2,617,559)
Net Investment in Fixed deposits	2,087,000,000	(2,377,272,644)
Net Investment in Treasury Bills	313,608,845	-
Net Cash Flow generated from Operating Activities	<u>5,524,910,263</u>	<u>(4,367,307,299)</u>
Cash Flows from Financing Activities		
Cash Received on Creation of Units	1,242,857,253	6,109,737,043
Cash Paid on Redemption of Units	(6,079,995,009)	(1,515,560,040)
Interest paid for Borrowings	(35,350,076)	-
Capital Paid for Borrowings	(506,960,654)	-
Dividend Distribution	-	-
Net Cash generated from Financing Activities	<u>(5,379,448,489)</u>	<u>4,594,177,000</u>
Net Increase in Cash and Cash Equivalents	145,461,774	226,869,701
Cash and Cash Equivalents at the beginning of the year	12,012,164	6,993,479
Cash and Cash Equivalents at the end of the period	<u>157,473,938</u>	<u>233,863,180</u>

ASIA SECURITIES MONEY MARKET FUND
 NOTES TO THE FINANCIAL STATEMENTS FOR THE Y/E 2022/2023
 As at 30 September 2022

1 All figures are provisional and unaudited. Comparatives figures are presented for the last 6 months period as the Asia Securities Money Market Fund started operations on 23rd December 2020.

2 Income is recognised on an accrual basis.

	For the Period April 22 - Sep 22	For the Period April 21 - Sep 21
3 GROSS INCOME	Rs.	Rs.
Interest on Repurchase Agreements	6,871,563	6,590,620
Interest on Treasury Bills	4,007,148	-
Interest on Fixed Deposits	24,079,484	25,158,438
Interest on Commercial Papers	16,306,070	26,414,497
Interest on Trust Certificate	23,718,115	5,902,075
Interest on HNB Money Market	1,710,307	561,846
Placement fee income	2,929,281	7,091,359
	<u>79,621,969</u>	<u>71,718,835</u>
4 INCOME TAX EXPENSES		
Provision for the current year	<u>-</u>	<u>-</u>

No Income tax is recognised in the financial statements as the fund has considered all income as being pass through its unit holders

	9/30/2022	3/31/2022
	Rs.	Rs.
5 Cash at Bank	25,000	25,000
HNB Money Market Savings	157,448,938	11,987,164
	<u>157,473,938</u>	<u>12,012,164</u>

ASIA SECURITIES MONEY MARKET FUND
 NOTES TO THE FINANCIAL STATEMENTS FOR THE Y/E 2022/2023
 As at 30 September 2022

6 FINANCIAL INVESTMENTS - LOANS AND RECEIVABLES

	Notes	30.09.2022	31.03.2022
		Rs.	Rs.
Repurchase Agreements	6.1	-	46,577,933
Investment in Fixed deposits	6.2	217,357,096	2,383,725,099
Investment in Commercial Papers	6.3	48,716,930	2,632,537,868
Investment in Trust Certificates	6.4	347,330,132	686,747,427
Investment in Treasury Bills	6.5	49,576,796	365,569,648
Placement fee receivable		1,432,822	3,278,515
		<u>664,413,775</u>	<u>6,118,436,490</u>
		30.09.2022	31.03.2022
6.1 Repurchase Agreements			
Wealth Trust Securities		-	46,577,933
		<u>-</u>	<u>46,577,933</u>
6.2 Fixed deposits			
Asia Asset Finance PLC			113,177,014
Ideal Finance Ltd			291,433,014
L.B Finance PLC			103,812,603
Mercentile Investments			104,513,288
LOLC Development Finance		163,277,096	506,304,875
Merchant Bank of SriLanka			52,281,521
Prime Finance PLC			105,843,836
Richards Peries Finance PLC		54,080,000	311,654,329
Singer Finance Lanka PLC			285,826,274
Siyapatha Finance PLC			155,758,123
Vallibel Finance PLC			353,120,224
		<u>217,357,096</u>	<u>2,383,725,099</u>

ASIA SECURITIES MONEY MARKET FUND
 NOTES TO THE FINANCIAL STATEMENTS FOR THE Y/E 2022/2023
 As at 30 September 2022

	30.09.2022	31.03.2022
	Rs.	Rs.
6.3 Commercial papers		
Abans Finance PLC		104,386,986
Asia Securities (Pvt) Ltd	48,716,930	154,783,724
First Capital Holdings PLC		26,093,151
Janshakthi PLC		742,631,575
LOLC Holdings PLC		1,013,953,288
Softlogic Holding PLC		590,689,144
	<u>48,716,930</u>	<u>2,632,537,868</u>
6.4 Trust Certificates		
Asia Asset Finance PLC	-	52,210,246
Singer Finance Lanka PLC		144,381,972
Mercentile Investments		53,567,123
Commercial Credit & Finance PLC	347,330,132	436,588,086
	<u>347,330,132</u>	<u>686,747,427</u>
6.5 Treasury Bills		
First Capital	49,576,796	295,569,648
JB Giltedge Fund	-	70,000,000
	<u>49,576,796</u>	<u>365,569,648</u>
7 Other Receivables		
Receiveble from Trustee	40,646	-
	<u>40,646</u>	<u>-</u>

ASIA SECURITIES MONEY MARKET FUND
 NOTES TO THE FINANCIAL STATEMENTS FOR THE Y/E 2022/2023
 As at 30 September 2022

	30.09.2022	31.03.2022
	Rs.	Rs.
8 ACCRUED EXPENSES		
Management Fee Payable	274,374	2,557,319
Trustee & Custodian Fee Payable	117,344	850,585
Audit Fee Payable	526,046	342,955
Advance Receipts- Placement Fee	78,082	1,827,056
	<u>995,846</u>	<u>5,577,915</u>
9 Borrowings	9/30/2022	3/31/2022
Loans received against fixed deposits	188,713,228	689,732,542
	<u>188,713,228</u>	<u>689,732,542</u>
9.1		
Singer Finance PLC	-	130,906,884
LOLC Development Finance PLC	141,546,225	355,202,987
Siyapatha Finance PLC	-	112,684,329
Richard Pieris Finance PLC	47,167,003	-
LB Finance PLC	-	90,938,342
	<u>188,713,228</u>	<u>689,732,542</u>

10 Contingencies

There were no significant contingencies existing as at the reporting date that required adjustments to or disclosures in the financial statements

11 Events occurring after reporting date

There have been no significant events occurring after the reporting date that required adjustment to or disclosures in the financial statements

12 Capital commitments

There were no significant capital and financial commitments as at the reporting date.

13 Units in issue and unit price

No. of units in issue and deemed to be in issue as at 30 September 2022 was 56,140,981.48 and net assets value per unit as at 30 September 2022 was Rs. 11.2612

CORPORATE INFORMATION

Trustee & Custodian

Hatton National Bank PLC
No. 479, T. B. Jayah Mawatha,
Colombo 10,

Auditors

Price Waterhouse Coopers
100, Braybrooke Place,
Colombo 02,

Bankers

Hatton National Bank PLC
No. 479, T. B. Jayah Mawatha,
Colombo 10,

Lawyers

Nithya Partners
97/A, Galle Main Rd,
Colombo 03,

Managers & Registrars

Asia Securities Wealth Management (Pvt) Limited
4th Floor Lee Hedges Tower
No. 479, Galle Road
Colombo 3

ASIA SECURITIES WEALTH MANAGEMENT (PVT) LIMITED

Board of Directors

Mr. Dumith Fernando - Chairman
Mr. Avancka Herat - Executive Director

Management Team

Mr. Avancka Herat - Chief Executive Officer
Mrs. Pushpika Jeevaratne - Head of Compliance
Mrs. Imesha Abeywardhena - Asst. Fund Manager

