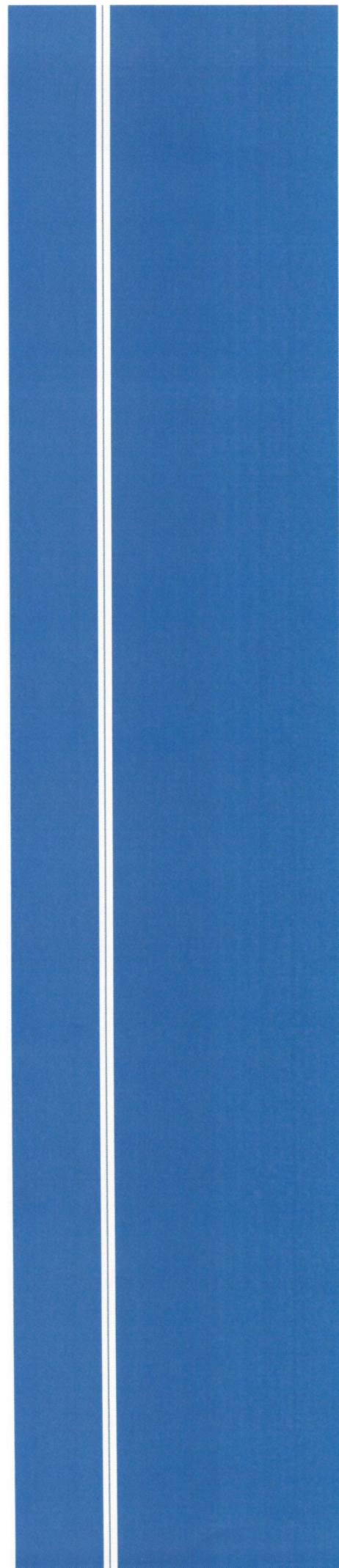


# **NDB Wealth Gilt Edged Fund**

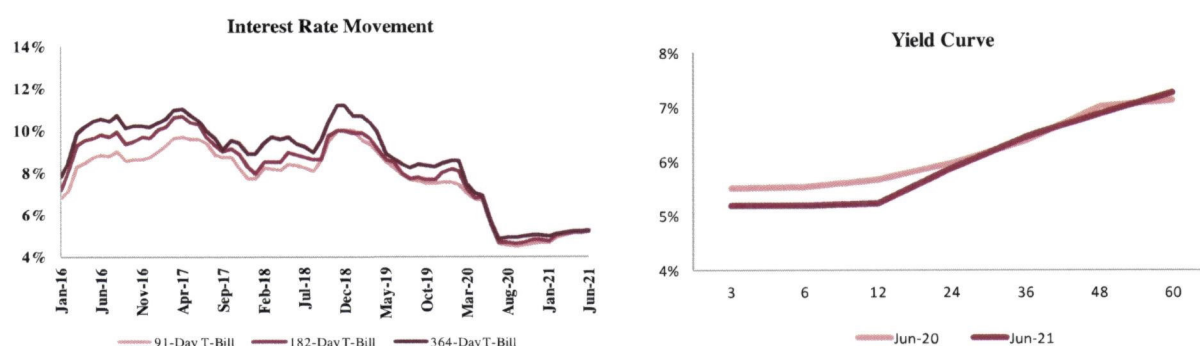
Financial Statements for the Period  
Ended 30<sup>th</sup> June 2021



## Fund Review 1<sup>st</sup> Half 2021 - NDB Wealth Gilt Edged Fund

The Central Bank of Sri Lanka (CBSL) held its policy rates stable during the period under review, with a view of maintaining an accommodative monetary policy stance, to support the ongoing recovery of the economy hampered by the Covid-19 pandemic. Accordingly, the Standing Lending Facility Rate (SLF) and the Standing Deposit Facility Rate (SDF) were maintained at 5.50% and 4.50% respectively while the Statutory Reserve Ratio (SRR) was maintained at 2.00% during the first half of the year. However, interest rates saw upward pressure across the yield curve with the benchmark 364-day Treasury bill rate edging up to 5.23% by the end of June 2021 from lows of 4.98% seen at the beginning of the year (Source: Central Bank of Sri Lanka).

Overall, macro-economic weakness, the depreciating rupee and the heavy external debt servicing burden continued to deter foreign investors from the local market, with foreign investors continuing to exit out of Rupee denominated government securities and foreign holding of local Treasury bills and bonds declining to a historic low of LKR 2.49 bn as of 30<sup>th</sup> June 2021 (Source: Central Bank of Sri Lanka).



Source: Central Bank of Sri Lanka

Credit to the private sector recovered considerably during the period under review on the back of Central Bank's loose monetary policy stance, leading to historically low lending rates driving private sector demand for credit. On the fiscal front, overall budget deficit for 2021 is expected to expand significantly, amidst the continued impact of the pandemic leading to slower growth, fragile revenue collections and the escalation of expenditure.

During the year period review the NDB Wealth Gilt Edged Fund yielded the following returns commensurate with the risk parameters and the objective of the Fund:

	NDB Wealth Gilt Edged Fund	*364-day T-bill Rate <sup>*6-month avg.</sup>
Performance - 1 <sup>st</sup> Half 2021	1.94% (after fees)	N/A
Annualized Performance - 1 <sup>st</sup> Half 2021	3.88% (after fees)	5.13%

\*Source: Central Bank of Sri Lanka

We expect interest rates to see upward pressure during the second half of the year owing to fiscal slippage, the high debt servicing burden and the increasing demand for credit from the private sector. Further, inflationary pressures stemming from rising global commodity prices, the Rupee depreciation and demand side factors may prompt policymakers to engage in appropriate policy action in terms of monetary tightening.

**NDB WEALTH GILT EDGED FUND**  
**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**  
**FOR THE PERIOD ENDED 30 JUNE 2021**

	Note	2021 LKR	2020 LKR
Interest income	1	1,525,507	2,283,645
		<u>1,525,507</u>	<u>2,283,645</u>
Expenses	2	(403,393)	(433,272)
<b>Profit before tax</b>		<u>1,122,114</u>	<u>1,850,373</u>
Income tax expense	3	-	-
<b>Profit for the year</b>		<u>1,122,114</u>	<u>1,850,373</u>
<b>Other comprehensive income/ expense, net of income taxes</b>		-	-
<b>Total comprehensive income for the year</b>		<u>1,122,114</u>	<u>1,850,373</u>
<b>Increase in net assets attributable to unitholders</b>		<u>1,122,114</u>	<u>1,850,373</u>

**NDB WEALTH GILT EDGED FUND  
STATEMENT OF FINANCIAL POSITION  
AS AT 30 JUNE 2021**

	Note	30.06.2021 LKR	31.12.2020 LKR
<b>Assets</b>			
Cash at bank		164,965	113,491
Financial assets measured at amortised cost	4	59,435,742	65,804,852
Income tax recoverable	5	-	-
<b>Total assets</b>		<u>59,600,707</u>	<u>65,918,343</u>
<b>Liabilities</b>			
Accrued expenses	6	<u>175,699</u>	<u>213,106</u>
<b>Total liabilities</b>		<u>175,699</u>	<u>213,106</u>
<b>Net assets attributable to unitholders</b>		<u>59,425,007</u>	<u>65,705,237</u>
<b>Unitholders' Fund</b>			
Unit capital		29,275,324	34,722,868
Retained earnings		<u>30,149,683</u>	<u>30,982,368</u>
<b>Net assets attributable to unitholders</b>	7	<u>59,425,007</u>	<u>65,705,237</u>



.....  
Director  
NDB Wealth Management Ltd  
Fund Management Company



.....  
Director  
NDB Wealth Management Ltd  
Fund Management Company

**NDB WEALTH GILT EDGED FUND  
STATEMENT OF CHANGES IN UNITHOLDERS' FUND  
FOR THE PERIOD ENDED 30 JUNE 2021**

	Unit capital	Investments in revaluation reserve	Retained earnings	Total
	LKR	LKR	LKR	LKR
<b>Balance as at 1 January 2020</b>	36,395,285	-	24,870,363	61,265,648
Net increase due to creations and redemptions of units	(1,672,417)	-	(444,546)	(2,116,962)
Increase in net assets attributable to unit holders	-	-	6,556,551	6,556,551
<i>Other comprehensive income</i>				
Loss arising on fair value changes on investment in treasury bonds	-	-	-	-
Total comprehensive income for the year	-	-	6,556,551	6,556,551
<b>Balance as at 31 December 2020</b>	34,722,868	-	30,982,368	65,705,237
Net decrease due to creations and redemptions of units	(5,447,544)	-	(1,954,799)	(7,402,343)
Increase in net assets attributable to unit holders	-	-	1,122,114	1,122,114
<i>Other comprehensive income</i>				
Loss arising on fair value changes on investments	-	-	-	-
Total comprehensive income for the year	-	-	1,122,114	1,122,114
<b>Balance as at 30 June 2021</b>	<u>29,275,324</u>	<u>-</u>	<u>30,149,683</u>	<u>59,425,007</u>



**NDB WEALTH GILT EDGED FUND  
STATEMENT OF CASH FLOWS  
FOR THE PERIOD ENDED 30 JUNE 2021**

	<b>2021</b>	<b>2020</b>
	<b>LKR</b>	<b>LKR</b>
<b>Cash flows from operating activities</b>		
Interest received	1,099,545	2,049,154
Management fees paid	(201,563)	(166,010)
Other expenses paid	(239,237)	(169,878)
<b>Net cash generated from operating activities</b>	<u>658,745</u>	<u>1,713,266</u>
<b>Cash flows from financing activities</b>		
Proceeds from issue of units	274,000	5,170,395
Payments on redemption of units	(7,676,343)	(3,944,782)
<b>Net cash used in financing activities</b>	<u>(7,402,344)</u>	<u>1,225,612</u>
Net increase/ (decrease) in cash and cash equivalents	(6,743,600)	2,938,878
Cash and cash equivalents at the beginning of the year	<u>65,708,561</u>	<u>61,437,681</u>
Cash and cash equivalents at the end of the period	<u><u>58,964,962</u></u>	<u><u>64,376,560</u></u>
<b>Cash and cash equivalents at the end of the year comprises of:</b>		
Cash and cash equivalents	164,962	124,521
Treasury bills under repurchase agreements	<u>58,800,000</u>	<u>64,252,039</u>
	<u><u>58,964,962</u></u>	<u><u>64,376,560</u></u>

**NDB WEALTH GILT EDGED FUND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 30 JUNE 2021**

	<b>2021</b>	<b>2020</b>
	<b>LKR</b>	<b>LKR</b>
<b>1. Interest income</b>		
Repurchase agreements - long term	1,485,229	2,282,845
Repurchase agreements - short term	40,278	800
	<u>1,525,507</u>	<u>2,283,645</u>
<b>2. Operating expenses</b>		
Management fee	197,371	198,579
Trustee fee	62,310	62,690
Custodian fee	16,397	16,497
Audit fee	44,550	106,920
Professional fee	70,515	41,736
Bank charges	12,250	6,850
	<u>403,393</u>	<u>433,272</u>
<b>3. Income tax expense</b>		
	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>

The fund is deemed as conducting an eligible investment business and is treated as a tax pass through vehicle in accordance with the new Inland Revenue Act No. 24 of 2017 effective from 1 April 2018. Hence no provision for the income tax was made in the financial statements.

**NDB WEALTH GILT EDGED FUND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 30 JUNE 2021**

	<b>30.06.2021</b>	<b>As a % of net</b>	<b>31.12.2020</b>	<b>As a % of net</b>
	<b>LKR</b>	<b>assets</b>	<b>LKR</b>	<b>assets</b>
<b>4. Financial instruments at amortised cost</b>				
Treasury bills under repurchase agreements (Note 4.1)	59,435,742	100%	65,804,852	100%
	<u>59,435,742</u>	<u>100%</u>	<u>65,804,852</u>	<u>100%</u>
<b>4.1 Treasury bills under repurchase agreements</b>				
Bank Of Ceylon	700,071	1%	15,606,619	2%
Union Bank PLC	8,109,986	14%	-	-
First Capital Treasuries PLC	50,625,685	85%	50,198,233	98%
	<u>59,435,742</u>	<u>100%</u>	<u>65,804,852</u>	<u>100%</u>



**NDB WEALTH GILT EDGED FUND**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE PERIOD ENDED 30 JUNE 2021**

	<b>30.06.2021</b>	<b>31.12.2020</b>
	<b>LKR</b>	<b>LKR</b>
<b>5. Income tax recoverable</b>		
Withholding Tax Recoverable	7,948,400	7,948,400
Notional Tax Credit Recoverable	1,061,681	1,061,681
	<u>9,010,081</u>	<u>9,010,081</u>
<b>Less :</b>		
Impairment Allowance for Notional Tax & WHT Recoverable	(9,010,081)	(9,010,081)
Balance at 30 June	<u>-</u>	<u>-</u>
<b>6. Accrued expenses</b>		
Management fees	32,091	36,284
Trustee fees	10,130	11,453
Custodian fees	2,666	3,014
Audit fees	44,550	89,100
Tax consultancy fee	86,262	73,255
	<u>175,699</u>	<u>213,106</u>

**7. Net assets attributable to unitholders**

Movements in the number of units and net assets attributable to unitholders during the year were as follows:

	<b>30.06.2021</b>	<b>31.12.2020</b>	<b>30.06.2021</b>	<b>31.12.2020</b>
	<b>Units</b>	<b>Units</b>	<b>LKR</b>	<b>LKR</b>
Opening balance	3,560,501	3,667,453	65,705,237	61,265,648
Units issued during the period	14,551	538,760	274,000	9,472,025
Units redeemed during the period	(409,791)	(645,712)	(7,676,343)	(11,588,988)
Increase in net assets attributable to unitholders	-	-	1,122,114	6,556,551
Closing balance	<u>3,165,265</u>	<u>3,560,501</u>	<u>59,425,007</u>	<u>65,705,237</u>

The creation price was LKR 19.0122 (2020 - LKR. 17.4654) per unit and the redemption price was LKR 19.0122 (2020 - LKR. 17.4654) per unit as at 30 June 2021.

**8. Distributions for the period**

There were no distributions for the period ended 30 June 2021.

**9. Contingencies**

There were no material contingencies existing at the reporting date that require adjustments to or disclosures in the financial statements.

**10. Events after the reporting date**

There have been no material events occurring after the reporting date that require adjustments to or disclosures in the financial statements.

**11. Capital Commitments**

There were no capital commitments at the end of the reporting date.

## **NDB Wealth Gilt Edged Fund**

For the period ended 30 June 2021

	NAV as per valuation as at 30.06.2021	60,178,811
Add:	Audit Fee & Tax Consultant Fee - Over Provision Adjustment	121,888
	Write off - amount payable on redemption of units	18,949
Less:	Tax Refunds as per valuation	(894,641)
	<b>NAV as per Financial Statements</b>	<u>59,425,007</u>
	(Net Assets attributable to Unit holders)	