

Interim Report

11th July 2014 – 31st December 2014

ASSETLINE

Assetline Capital (Pvt) Limited

**Assetline Mutual Funds - Interim Report for the Period
11th July 2014 to 31st December 2014**

Table of Contents

	Page
1) Corporate Information	3
2) Fund Manager's Report	4
3) Fund Report of Assetline Income Fund	5
- Fund Performance – Assetline Income Fund (AINF)	6
- Financial Statements	7
4) Fund Report of Assetline Gilt Edged Fund	12
- Fund Performance – Assetline Gilt Edged Fund (AGEF)	13
- Financial Statements	14
5) Fund Report of Assetline Income Plus Growth Fund	19
- Fund Performance – Assetline Income Plus Growth Fund (AIPG)	20
- Financial Statements	21

Assetline Mutual Funds - Interim Report & Financial Statements for the period 11th July 2014 to 31st December 2014

Corporate Information

Assetline Mutual Funds: *Assetline Income Fund*
 Assetline Gilt Edged Fund
 Assetline Income Plus Growth Fund

Management Company & Registrar

Assetline Capital (Private) Limited

Registered Office:

No. 75, Hyde Park Corner
Colombo 02
Sri Lanka

Principal Place of Business:

No. 120, 120A, Pannipitiya Road
Battaramulla
Sri Lanka

Board of Directors of the Management Company

Mr. T.D. Molligoda – Chairman
Mr. W.S.K. De Silva – Director
Mr. D.M.R.K. Dissanayake – Director
Mr. S.D.R.B. Ekanayake – Managing Director

Trustee & Custodian

Deutsche Bank AG
No. 86, Galle Road
Colombo 03
Sri Lanka

Auditors & Tax Consultants

PricewaterhouseCoopers
No. 100, Braybrooke Place
Colombo 02
Sri Lanka

Bankers

Deutsche Bank AG
No. 86, Galle Road
Colombo 03
Sri Lanka

Sampath Bank PLC
No. 110, Sir James Peiris Mawatha
Colombo 02
Sri Lanka

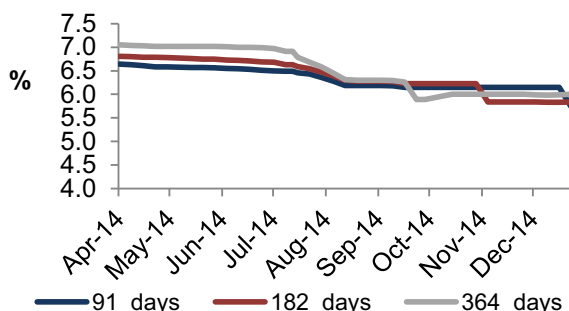
Fund Manager's Report

It is with great pleasure that the first interim report of the Assetline Mutual Funds is presented to our investors for the period 11th July 2014 to 31st December 2014. From its launch in July 2014, the three funds namely, Assetline Income Fund, Assetline Gilt Edged Fund and Assetline Income Plus Growth Fund were able to attract a total of 301 account holders and assets under management (AUM) of Rs.2.4 billion as at 31st December 2014.

Economic Review

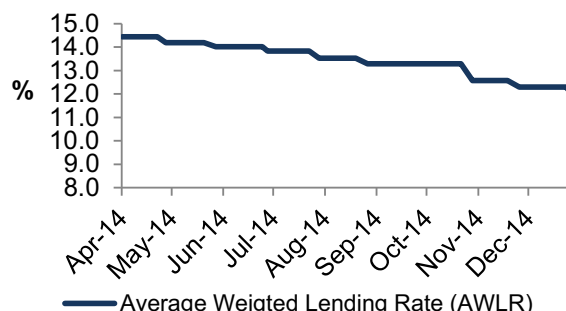
The 364-day bill which stood at 7.05% in March 2014 fell to 5.89% in September 2014 and edged up marginally to 6.00% in December 2014.

Treasury Bill Auction Rates
1st April 2014 to 31st December 2014



Source: Central Bank of Sri Lanka

Weighted Average Lending Rate
1st April 2014 to 31st December 2014



Source: Central Bank of Sri Lanka

The ASI witnessed steady growth up to November 2014, however it was highly volatile from there on due to the political environment. ASI peaked for the period to 7,548.23 points on 18th November 2014, and ended at 7,298.95 points on 31st December 2014.

Assetline Capital takes this opportunity to convey its sincere gratitude to the Securities and Exchange Commission of Sri Lanka, the Trustees Messers Deutsche Bank AG and our market counterparties for their contribution and to all our investors for having faith in recently launched mutual funds. The Company is confident that the Assetline Mutual Funds will repay your trust by continuing to deliver superior performance in the future.


.....
Deepta Ekanayake
Managing Director
Assetline Capital (Pvt.) Ltd.
Management Company

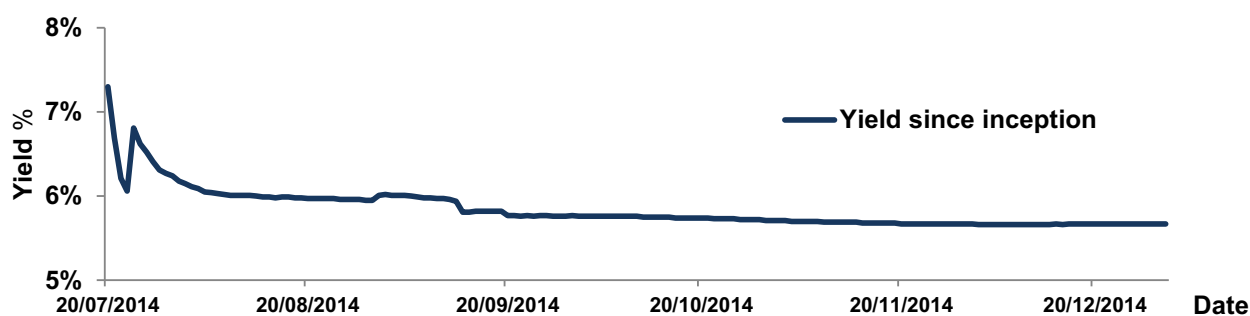
Fund Report of Assetline Income Fund

Fund Performance – Assetline Income Fund (AINF)

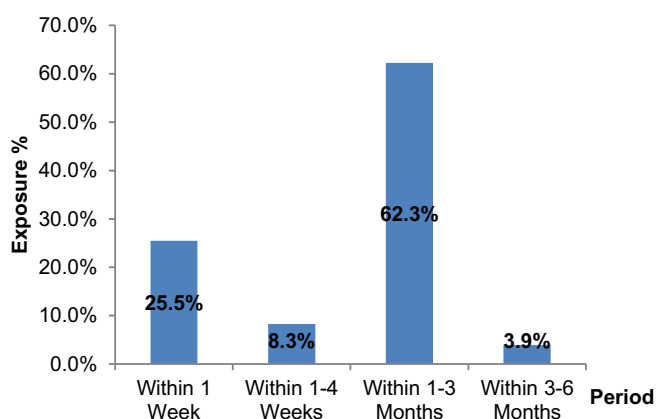
The assets under management of the fund, from its launch on 11th July 2014, has grown to Rs.1.98 billion as at 31st December 2014 and the number of unit holders as at that date amounted to 200. The annualized return of the fund from its inception and for the last 30 days stood at 5.67% and 5.60% respectively for the period ending 31st December 2014.

The investments were at all times carried out as per the set investment policy which was reviewed periodically and clear credit rating limits were set to maintain a balance between the risk and return profile.

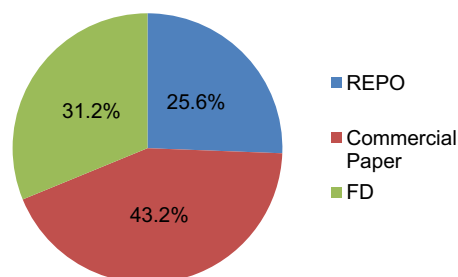
Yield Movement



Maturity Profile



Fixed Income Instrument-wise Breakdown



ASSETLINE INCOME FUND

Statement of comprehensive income

(all amounts in Sri Lanka Rupees)

	Notes	For the period from 11 July 2014 to 31 December 2014
Income		
Interest income from loans and receivables	1	35,672,376
Total net investment income		35,672,376
Expenses		
Management fee		(3,269,701)
Trustee and custodian fee		(1,415,811)
Audit fee		(101,280)
Other operating expenses		(34,975)
Total operating expenses		(4,821,767)
Net operating profit		30,850,609
Finance cost		
Interest expenses		Nil
Profit after deductions and before tax		30,850,609
Income tax expense		(2,734,854)
Increase in net assets attributable to unitholders		28,115,755

ASSETLINE INCOME FUND

Statement of financial position

(all amounts in Sri Lanka Rupees)

	Notes	As at 31 December 2014
ASSETS		
Current assets		
Cash and cash equivalents		1,090,378
Loans and receivables	2	1,987,260,045
Income tax receivables		3,176,492
Total assets		1,991,526,915
LIABILITIES		
Current liabilities		
Accrued Expenses and other payables		7,521,645
Liabilities (excluding net assets attributable to unitholders)		7,521,645
UNITHOLDERS' FUNDS		
Net assets attributable to unitholders		1,984,005,270
Total unitholders' funds and liabilities		1,991,526,915



Managing Director
Management Company

ASSETLINE INCOME FUND

Statement of changes in unitholders' funds

(all amounts in Sri Lanka Rupees)

For the period from
11 July 2014 to
31 December 2014

Unitholders' funds at beginning of the period

Nil

Increase in net assets attributable to unitholders

28,115,755

Received on unit creations

1,994,772,095

Distributions to unitholders

Nil

Paid on unit redemptions

(38,882,581)

Unitholders' funds at end of the period

1,984,005,270

ASSETLINE INCOME FUND

Statement of cash flows

(all amounts in Sri Lanka Rupees)

For the period from
11 July 2014 to
31 December 2014

Cash flows from operating activities

Proceeds from sale of loans and receivables	8,065,584,928
Purchase of loans and receivables	(10,032,329,200)
Interest received	11,980,111
Management fees paid	-
Other expenses paid	(34,975)

Net cash outflow from operating activities

(1,954,799,136)

Cash flows from financing activities

Proceeds from subscription by unitholders	1,994,772,095
Payments for redemptions by unitholders	(38,882,581)
Net cash from financing activities	1,955,889,514

Net increase in cash and cash equivalents

1,090,378

Cash and cash equivalents at beginning of the period

Nil

Net increase in cash and cash equivalents

1,090,378

Cash and cash equivalents at end of the period

1,090,378

ASSETLINE INCOME FUND

Notes to the financial statements

(All amounts in notes are shown in Sri Lanka Rupees)

1 Interest income from loans and receivables

For the period from 11
July 2014 to 31
December 2014

Interest income from loans and receivables:

Interest on repurchase agreements	8,941,950
Interest on fixed deposits	11,106,312
Interest on commercial paper	15,624,114
	35,672,376

2 Loans and receivables

31 December 2014

- Interest receivable from:

Repurchase agreements	254,005
Fixed deposits	9,987,135
Commercial paper	10,274,633

- Repurchase agreements	503,583,272
- Fixed deposits	613,161,000
- Commercial paper	850,000,000

Total loans and receivables	1,987,260,045
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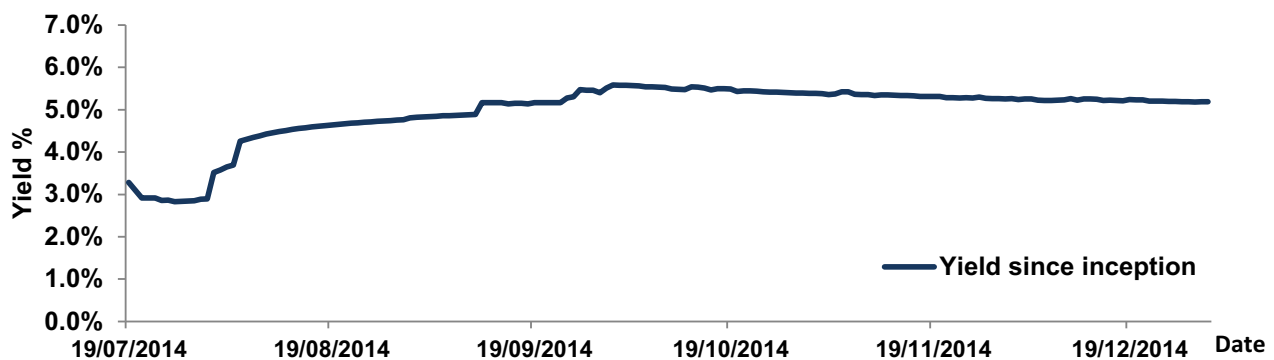
Fund Report of Assetline Gilt Edged Fund

Fund Performance – Assetline Gilt Edged Fund (AGEF)

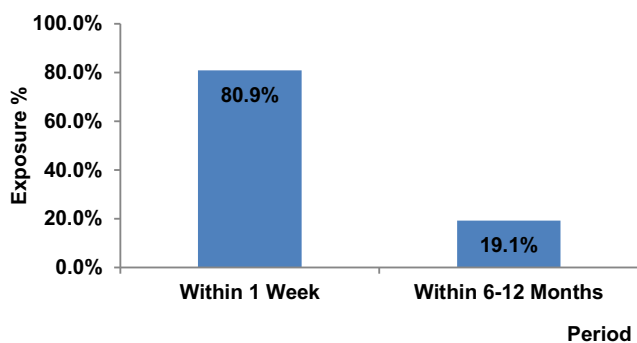
The assets under management of the fund, from its launch on 11th July 2014, has grown to Rs.188.5 million as at 31st December 2014 and the number of unit holders as at that date amounted to 28. The annualized return of the fund from its inception and for the last 30 days stood at 5.19% and 4.83% respectively for the period ending 31st December 2014.

Since the inception of the fund the Treasury Bill and Bond rates were flat, hence Investments of the fund were on short term positions.

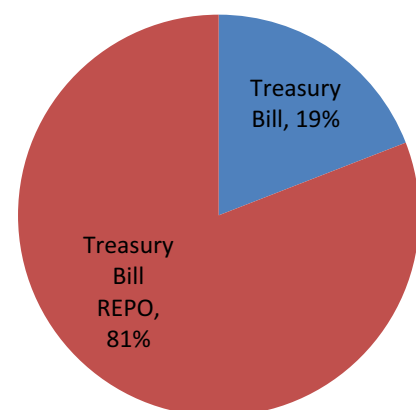
Yield Movement



Maturity Profile



Fixed Income Instrument-wise Breakdown



ASSETLINE GILT EDGED FUND

Statement of comprehensive income

(all amounts in Sri Lanka Rupees)

	Notes	For the period from 11 July 2014 to 31 December 2014
Income		
Interest income from financial assets not held at fair value through profit or loss	1	3,322,606
Net gains on financial assets held at fair value through profit or loss	2	1,085,056
Total net investment income		4,407,662
Expenses		
Management fee		(352,231)
Trustee and custodian fee		(295,751)
Audit Fees		(101,890)
Other operating expenses		(12,400)
Total operating expenses		(762,272)
Net operating profit		3,645,390
Finance cost		
Interest expenses		Nil
Profit after deductions and before tax		3,645,390
Income tax expense		(351,965)
Increase in net assets attributable to unitholders		3,293,424

ASSETLINE GILT EDGED FUND

Statement of financial position

(all amounts in Sri Lanka Rupees)

	Notes	As at 31 December 2014
ASSETS		
Current assets		
Cash and cash equivalents		33,985
Loans and receivables	3	153,162,707
Financial assets held at fair value through profit or loss	4	36,125,525
Total assets		189,322,217
LIABILITIES		
Current liabilities		
Accrued expenses and other payables		1,101,837
Liabilities (excluding net assets attributable to unitholders)		1,101,837
UNITHOLDERS' FUNDS		
Net assets attributable to unitholders		188,220,379
Total unitholders' funds and liabilities		189,322,217



Managing Director
Management Company

ASSETLINE GILT EDGED FUND

Statement of changes in unitholders' funds

(all amounts in Sri Lanka Rupees)

For the period from
11 July 2014 to
31 December 2014

Unitholders' funds at beginning of the period	Nil
Increase in net assets attributable to unitholders	3,293,424
Received on unit creations	185,227,000
Distribution to unitholders	Nil
Paid on unit redemptions	(300,045)
Unitholders' funds at end of the period	188,220,379

ASSETLINE GILT EDGED FUND

Statement of cash flows

(all amounts in Sri Lanka Rupees)

For the period from
11 July 2014 to
31 December 2014

Cash flows from operating activities

Purchase of financial assets at fair value through profit or loss	(36,000,000)
Proceeds from sale of loans and receivables	1,636,719,008
Purchase of loans and receivables	(1,788,857,438)
Interest received	3,257,861
Management fees paid	-
Other expenses paid	(12,400)

Net cash outflow from operating activities

(184,892,970)

Cash flows from financing activities

Proceeds from subscription by unitholders	185,227,000
Payment for redemption by unitholders	(300,045)
Net cash from financing activities	184,926,955

Net increase in cash and cash equivalents

33,985

Cash and cash equivalents at beginning of the period

Nil

Net increase in cash and cash equivalents	33,985
Cash and cash equivalents at end of the period	33,985

ASSETLINE GILT EDGED FUND

Notes to the financial statements

(All amounts in notes are shown in Sri Lanka Rupees)

1 Interest income from financial assets not held at fair value through profit or loss

	For the period from 11 July 2014 to 31 December 2014
Interest income from loans and receivables:	
Interest on repurchase agreements	3,322,606

2 Net gains on financial assets held at fair value through profit or loss

	For the period from 11 July 2014 to 31 December 2014
Net gains on financial assets designated as at fair value through profit or loss	1,085,056
Net realised gains on financial assets at fair value through profit or loss	959,531
Net unrealised gains on financial assets at fair value through profit or loss	125,525
	1,085,056

3 Loans and receivables

	31 December 2014
Interest receivable from:	
Repurchase agreements	64,745
Treasury bills	959,531
Repurchase agreements	152,138,430
	153,162,707

4 Financial assets held at fair value through profit or loss

	31 December 2014
Designated at fair value through profit or loss:	
<i>Treasury bills</i>	36,125,525
Total designated at fair value through profit or loss	36,125,525

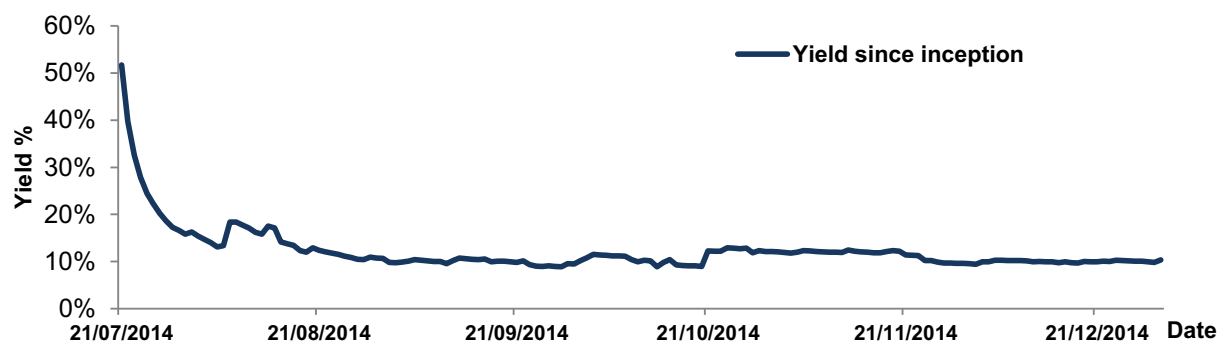
Fund Report of Assetline Income Plus Growth Fund

Fund Performance – Assetline Income Plus Growth Fund (AIGF)

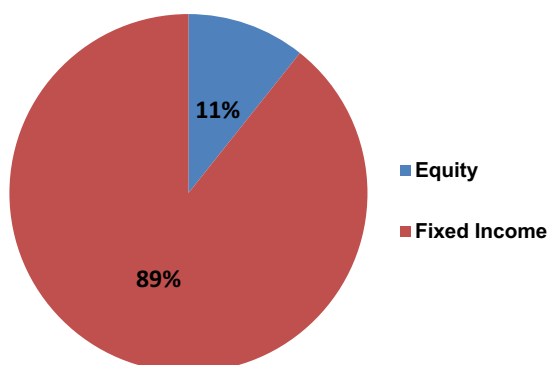
The assets under management of the fund, from its launch on 11th July 2014, has grown to Rs.178.87 million as at 31st December 2014 and the number of unit holders as at that date amounted to 73. The annualized return of the fund from its inception and for the last 30 days stood at 10.36% and 14.19% respectively for the period ending 31st December 2014.

With the expectation of medium term interest rate pick-up, most funds allocated for fixed income would be invested in short positions and would be converted to equity when prices are attractive for corporates' which are backed by stable earnings.

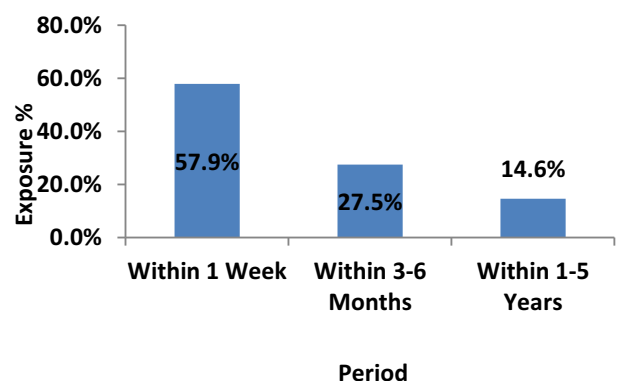
Yield Movement



Investment Breakdown



Fixed Income Investment: Maturity Profile



ASSETLINE INCOME PLUS GROWTH FUND

Statement of comprehensive income

(all amounts in Sri Lanka Rupees)

	Notes	For the period from 11 July 2014 to 31 December 2014
Income		
Interest income from financial assets not held at fair value through profit or loss	1	3,319,742
Dividend income		10,986
Net gains on financial assets held at fair value through profit or loss	2	4,139,405
Total net investment income		7,470,132
Expenses		
Management fee		(1,016,596)
Trustee & custodian fee		(320,725)
Audit fee		(101,890)
Other operating expenses		(25,150)
Total operating expenses		(1,464,360)
Net operating profit		6,005,772
Finance cost		
Interest expenses		Nil
Profit after deductions and before tax		6,005,772
Income tax expense		(185,515)
Increase in net assets attributable to unitholders		5,820,257

ASSETLINE INCOME PLUS GROWTH FUND

Statement of financial position

(all amounts in Sri Lanka Rupees)

	Notes	As at 31 December 2014
ASSETS		
Current assets		
Cash and cash equivalents		1,675,044
Loans and receivables	3	134,103,702
Financial assets held at fair value through profit or loss	4	44,591,160
Income tax receivables		35,076
Total assets		180,404,982
LIABILITIES		
Current liabilities		
Accrued Expenses and other payables		1,682,079
Liabilities (excluding net assets attributable to unitholders)		1,682,079
UNITHOLDERS' FUNDS		
Net assets attributable to unitholders		178,722,903
Total unitholders' funds and liabilities		180,404,982



Managing Director
Management Company

ASSETLINE INCOME PLUS GROWTH FUND

Statement of changes in unitholders' funds

(all amounts in Sri Lanka Rupees)

For the period from
11 July 2014 to
31 December 2014

Unitholders' funds at beginning of the period

Nil

Increase in net assets attributable to unitholders

5,820,257

Received on unit creations

172,902,647

Distribution to unit holders

Nil

Paid on unit redemptions

Nil

Unitholders' funds at end of the period

178,722,903

ASSETLINE INCOME PLUS GROWTH FUND

Statement of cash flows

(all amounts in Sri Lanka Rupees)

For the period from
11 July 2014 to
31 December 2014

Cash flows from operating activities

Proceeds from sale of financial instruments held at fair value through profit or loss	18,897,851
Purchase of financial assets at fair value through profit or loss	(59,426,510)
Proceeds from sale of loans and receivables	2,333,086,529
Purchase of loans and receivables	(2,466,808,586)
Dividend received	10,986
Interest received	3,037,278
Management fees paid	-
Other expenses paid	(25,150)
Net cash outflow from operation activities	(171,227,603)

Cash flows from financing activities

Proceeds from subscription by unitholders	172,902,647
Payments for redemptions by unitholders	-
Net cash inflow from financing activities	172,902,647

Net increase in cash and cash equivalents

1,675,044

Cash and cash equivalents at beginning of the period

Nil

Net increase in cash and cash equivalents

1,675,044

Cash and cash equivalents at end of the period

1,675,044

ASSETLINE INCOME PLUS GROWTH FUND

Notes to the financial statements

1 Interest income from financial assets not held at fair value through profit or loss

For the period from
11 July 2014 to
31 December 2014

Interest income from loans and receivables:

Interest on repurchase agreements	2,968,046
Interest on bank deposits	351,696
	3,319,742

2 Net Gains on financial assets held at fair value through profit or loss

Net gains recognised in relation to financial assets held at fair value through profit or loss:

For the period from
11 July 2014 to
31 December 2014

Net gains on financial assets held for trading	1,546,746
Net gains on financial assets designated as at fair value through profit or loss	2,592,659
	4,139,405

Net realised gains on financial assets at fair value through profit or loss	1,665,547
Net unrealised gains on financial assets at fair value through profit or loss	2,473,858
	4,139,405

(a) Net realised gains on financial assets at fair value through profit or loss:

Gains on disposal of equity securities	1,208,471
Interest income on debentures	457,076
	1,665,547

3 Loans and receivables

31 December 2014

Interest receivables from:

Repurchase agreements	71,166
Fixed deposits	310,478
Fixed deposits	43,000,000
Repurchase agreement	90,722,058
Total loans and receivables	134,103,702

ASSETLINE INCOME PLUS GROWTH FUND

Notes to the financial statements (Contd)

4 Financial assets held at fair value through profit or loss

	31 December 2014
Financial assets held for trading	
<i>Equity securities (see note (a) below)</i>	19,197,682
Total financial assets held for trading	19,197,682
Designated at fair value through profit or loss:	
<i>Debentures (see note (b) below)</i>	25,393,478
Total designated at fair value through profit or loss	25,393,478
Total financial assets held at fair value through profit or loss	44,591,160

a) Investment in equity securities:

31 December 2014

Company	Number of shares	Cost	Market value	Percentage of net assets
ACL Cables PLC	15,000	1,167,936	1,146,000	0.6%
Aitken Spence Hotel Holdings PLC	5,000	404,480	392,500	0.2%
Central Finance Company PLC	12,532	3,038,667	3,133,000	1.8%
Ceylon Investment PLC	1,000	101,120	97,500	0.1%
AIA Insurance PLC	10,205	3,031,851	3,081,910	1.7%
Panasian Power PLC	20,802	50,484	66,566	0.0%
Renuka Holdings PLC	17,538	503,369	552,447	0.3%
Sampath Bank PLC	10,000	2,352,557	2,363,000	1.3%
Seylan Bank PLC	15,000	902,496	862,500	0.5%
Serendib Hotels PLC	6,732	217,523	220,810	0.1%
Serendib Hotels PLC - Non-voting	19,118	405,398	445,449	0.2%
Dolphin Hotels PLC	30,000	1,627,526	1,656,000	0.9%
United Motors Lanka PLC	50,000	5,056,000	5,180,000	2.9%
		18,859,407	19,197,682	10.7%

b) Investment in debentures

	Maturity date	Cost	Market value
People's Leasing & Finance PLC	23-Sep-18	1,930,000	2,183,399
Softlogic Finance PLC	29-Aug-19	10,970,000	12,451,854
Merchant Bank of Sri Lanka PLC	12-Nov-19	5,000,000	5,397,529
Lanka Orix Leasing Company Ltd	24-Nov-19	5,000,000	5,360,695
		22,900,000	25,393,478