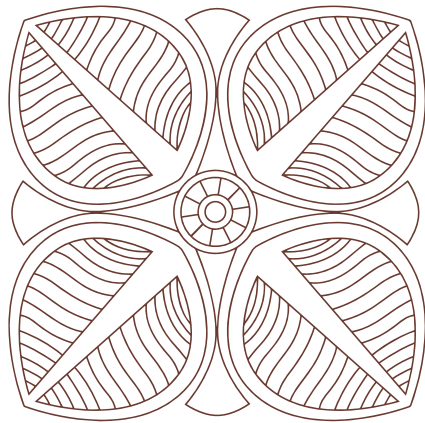


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LYNEAR

LYNEAR WEALTH DYNAMIC OPPORTUNITIES FUND
ANNUAL REPORT

2024

Our singular passion is to grow your wealth

LYNEAR is a boutique asset manager serving a broad spectrum of institutional clients and high net worth individuals, offering tailored investment solutions to meet client objectives. Our exceptional team possesses extensive experience across multiple markets and market conditions allowing us to serve you as a trusted financial advisor, risk conscious portfolio builder and experienced investment manager.

We function like a true 'old fashioned' partnership, with emphasis on integrity, confidentiality and client service. These core principles form the foundation of our business as we work to manage your investments and deliver the best outcome on your portfolio.

Our History

Founded by four partners with pioneering expertise in analysis of Sri Lankan and international markets, LYNEAR was established in 2013 to provide a select clientele with bespoke wealth management services. Each founder brings to the partnership unique strengths and perspectives and are bound by shared values of compliance and integrity, diligence and independence, and utmost discretion.

Our Process

Our rigorous investment process has been crafted by our expert team of professionals with expansive experience globally and locally and founded firmly upon our values of integrity, drive, rigour, innovation and respect.

Our research team and portfolio managers study economic and industry trends, as well as screen stocks for value, growth and quality, before in-depth research into selected securities.

The Investment Committee meets regularly to review securities and make tactical calls on asset allocations.

The portfolio managers combine the list of approved securities to build suitable portfolios and invest or divest from securities at appropriate risk/return thresholds.

Our Governance

Integrity is one of our core values. As such, we implement a meticulous governance structure to ensure that our clients' interests are always foremost, benchmarking against international best practices, while complying with financial market codes of ethics and regulations of Sri Lanka.

LYNEAR Wealth Management (Pvt) Ltd claims compliance with the CFA Institute Asset Manager Code of Professional Conduct. This claim has not been verified by the CFA Institute.



Dr Indrajit Coomaraswamy
Chairman

Indrajit Coomaraswamy has a Bachelor of Arts (Honours) in Economics and Master of Arts in Economics from the University of Cambridge and a Doctor of Philosophy in Economics from the University of Sussex.

Dr Coomaraswamy is the former Governor of the Central Bank of Sri Lanka. He was a member of the Monetary Policy Consultative Committee of the Central Bank of Sri Lanka from 2013 to 2015 and an Advisor to the Ministry of Development Strategies and International Trade from 2015 to 2016. Prior to this, Dr Coomaraswamy held several senior level positions at the Commonwealth Secretariat in London. He joined the Commonwealth Secretariat in 1990 as Chief Officer - Economics in the International Finance and Markets section and progressed to become the Director of the Economics Affairs Division and Deputy Director, Secretary General's office before leaving in 2008. Thereafter, he returned as Interim Director of the Commonwealth Secretariat's Social Transformation Program Division in 2010.

He was a Non-Executive Independent Director of John Keells Holdings PLC and currently serves as a Non-Executive Independent Director of Tokyo Cement PLC and Dialog Axiata PLC.



Sanjay Kulatunga
CEO & Co-Founder

Sanjay Kulatunga has a Master of Business Administration from the University of Chicago Booth School of Business. He is also a CFA Charterholder.

Kulatunga, a former Regional Analyst at Jardine Fleming Hong Kong, was a Founder Director of Amba Research Lanka, a knowledge process outsourcing company that provided investment research and analytics support services to the global capital markets industry. He has held the positions of CEO, Executive Director and Founder in assorted industries, including manufacturing, leisure and finance.

He has sat on the boards of several listed and unlisted organisations involved in logistics, retail, property development and hospitality as Non-Executive Director. He is currently an Independent Director of Expolanka PLC, a global diversified conglomerate rooted in Sri Lanka. Kulatunga has served as President of the CFA Society of Sri Lanka, a Commissioner of the Securities and Exchange Commission of Sri Lanka, the Board of Investment (BOI) of Sri Lanka and on the Financial Sector Stability Consultative Committee of the Central Bank of Sri Lanka. Kulatunga serves as a Trustee of the Geoffrey Bawa and Lunuganga Trust. He also serves as the Honorary Consul General for Sweden in Sri Lanka.



Dr Naveen Gunawardane
Managing Director & Co-Founder

Naveen Gunawardane has a Bachelor of Science in Physics, a Master of Science in Physics and a Doctor of Philosophy in Particle Physics from Imperial College London.

Gunawardane is the former Head of Investment Banking at CAL, a leading full-service investment bank in Sri Lanka, where he was instrumental in launching Sri Lanka's first Quantitative Equity Fund. He was previously a Director and Head of Quantitative Services at Amba Research Lanka, an independent financial services knowledge process outsourcing firm, where he was responsible for developing quantitative investment and trading strategies for Amba's clients. Gunawardane began his career in finance at Goldman Sachs London, as a member of its risk management team. He has also lectured at the Mathematics Department of the University of Colombo.



Dr Kemal De Soysa
Director & Co-Founder

Kemal de Soysa has a Master of Arts in Natural Sciences, and a Doctor of Philosophy in History of Science from the University of Cambridge.

De Soysa is the former Director and Country Head of Amba Research Lanka, the largest independent capital markets specialist outsourcing firm that serviced a majority of the top 15 buy-side and sell-side firms. He managed the Sri Lanka-based operation and was a member of the Group Executive Committee.

During his decade-long career at Amba, he served in various capacities in the equity research domain, including as Head of Equity Research Delivery at Amba Research India and Vice President at Amba Research Costa Rica. De Soysa is the Executive Director of International Distillers Limited, a family-owned company with interests in the beverage industry.



Zaffar Jeevunjee
Director & Co-Founder

Zaffar Jeevunjee is a CFA Charterholder. He has a Bachelor of Science in Physics and a Minor in Economics from the Massachusetts Institute of Technology (MIT).

Jeevunjee sits on the Boards of unlisted companies in a diverse array of industries, ranging from livestock and plantations, to construction and power, to packaging. He is a former Senior Vice President of Amba Research Lanka, a leading provider of offshore research and analytics services to the global financial and corporate sectors, and oversaw all buy-side research out of the organisation. Jeevunjee began his career at Credit Suisse First Boston as a Structured Products Analyst.



Shamindra Perera
Non-Executive Director

Shamindra Perera has a Master of Arts in Engineering from the University of Cambridge and a Master of Business Administration from the University of Chicago Booth School of Business. He is one of the first two CFA Charterholders from Sri Lanka.

Perera is the Founder of Excubed, a UK based fintech startup that is currently developing a technology-driven business solution to level the playing field in pension fund investment in the UK. He was previously Managing Director of Russell Investments (UK), responsible for overseeing its institutional business comprising assets worth USD30 billion.

During his two-decade long career at Russell he has worked in research, portfolio management, asset allocation, investment strategy design and business leadership out of its Sydney, Singapore and London offices. Perera's experience spans advice and fund management for pension funds, sovereign wealth funds, family offices and intermediaries including private banks in UK, Europe, Middle East, Africa, Asia and Australia. Perera began his career as an invest analyst at Capital Development and Investment Company (CDIC), Sri Lanka's first venture capital fund; was Senior Manager Capital Markets of Seylan Merchant Bank, conceptualising and launching Sri Lanka's first stock market margin trading operation; and Vice President - Strategic Investments of Asia Capital, where he was involved in its journey from stockbroker to investment bank.



Chanaka Wickramasuriya, CFA
*Unit Trust Investment Committee
Chairman*

Chanaka has a long track record in Private Equity as a Joint Managing Partner of Ironwood Capital Partners from September 2014 to April 2019 and a Partner with Aureos Capital and LR Global Lanka. From 2009 to 2011 he was a Partner at Aureos Capital, where he oversaw the development and functioning of the overall Global Portfolio Management process. During this time, he was also seconded to the Aureos' China office and oversaw portfolio management and investment in 4 transactions. From 2000 to 2006 he was a Partner based at Aureos' Colombo office where he worked on investment transactions, exits, and sat as a Board Representative for 10 transactions in Sri Lanka. From 2006 to 2009 he functioned as Country Head of Fitch Ratings in Colombo. Chanaka was also the Managing Partner of LR Global Lanka Private Equity Fund.

Chanaka Wickramasuriya graduated Summa Cum Laude with a BSc in Electrical Engineering from The Rutgers College of Engineering and is also a Chartered Financial Analysts (CFA).



Dr Naveen Gunawardane
*Chief Investment Officer & Co-
Founder*

Naveen is the former Head of Investment Banking at CAL, a leading full-service investment bank in Sri Lanka. He was previously a Director and Head of Quantitative Services at Amba Research Lanka, an independent financial services knowledge process outsourcing firm, where he was responsible for developing quantitative investment and trading strategies for Amba's clients. Naveen began his career in finance at Goldman Sachs London, as a member of its risk management team. He has also lectured at the Mathematics Department of the University of Colombo.

Naveen Gunawardane has a Bachelor of Science in Physics, a Master of Science in Physics and a Doctor of Philosophy in Particle Physics from Imperial College London.



Jinali Weeraman

Jinali has been with LYNEAR Wealth Management for over 2 years working as a Research Analyst covering apparel, telecommunication, technology, and manufacturing companies. She has a sound understanding in financial statement analysis, modelling, and valuations. At LYNEAR, she has also been trained in value investment philosophy and portfolio construction.

Jinali graduated from the University of London with a BSc. in Accounting and Finance (First Class Honors) and has a certificate in Advanced Diploma in Financial Markets from the Colombo Stock Exchange.



Ravindra Witharane

Ravindra has been working in the Treasury Front Office at the National Savings Bank, Colombo for a period of 4 years, dealing in Fixed Income products including Government Securities and Repurchase Agreements. He also worked at Standard Chartered Bank, Colombo for over 7 years, which consisted of 4 years of exposure to Treasury Back Office function, 2 years of regulatory reporting to CBSL and 1 year of Excel based MIS work.

Ravindra graduated from Northwood University, Midland Michigan with a Bachelor of Business Administration and is a CIMA passed finalist. He also has a certificate in Treasury Operations from the CBSL - Centre of Banking Studies.

Dear Investor,

We are pleased to present the Audited Financial Statements of LYNEAR Wealth Dynamic Opportunities fund (the Fund) for the year ended 31st March 2024.

The fund reported a Profit after Tax of Rs. 107.8 Mn and yielded a return of 27.6% for the period and outperformed the benchmark by 3.9%, that is the S&P SL20 Index which returned 23.7% over the same period. During the year funds under management grew to Rs. 1,172.8 Mn on 31st March 2024, from Rs. 258.8Mn on 31st March 2023.

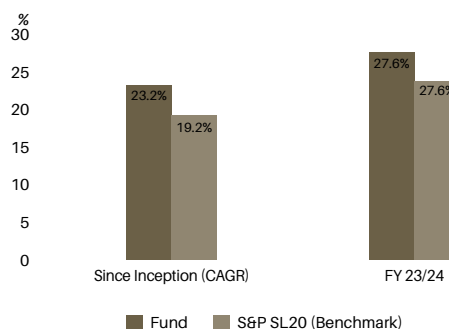
While the fund mandate allows us to allocate up to 90% of the AUM to fixed income or equities, we have been overweight in equities since the beginning of the financial year. We were expecting strong equity market returns during the first half on the back of executive board approval for the IMF Extended Fund Facility and clarity on the domestic debt restructuring plan. Our belief was validated by market indices recording sharp gains during the period.

The announcement of the Domestic Debt Optimization (DDO) primarily impacted CBSL G-Sec holdings and Superannuation Funds. However, the severity of the DDO was much less than anticipated, especially with no major impact on the banking system, leading to significant upward momentum in the equity market from June to August 2023. Our overweight exposure to the financial services sector allowed us to benefit from this movement.

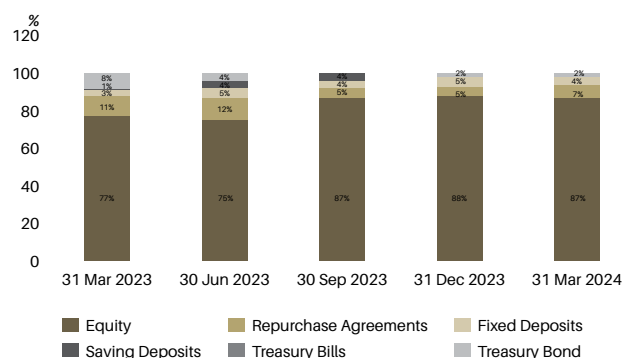
The equity market entered a period of consolidation from September 2023 onwards driven by negative sentiment surrounding the delayed IMF 2nd tranche and tax hikes. However, we remained overweight on equities, though we altered our sector exposures. Towards the end of the financial year, we began to see improved sentiment across the equity market, primarily due to declining market interest rates, which led to a shift in fund flows from fixed income to equities. The notable improvement in macroeconomic variables throughout the fiscal year also supported the upward momentum in equities

While we expect the economy to continue recovering and stabilizing, and remain bullish on equities, we will stay dynamic in our equity allocation due to speculations around key events such as elections and reforms.

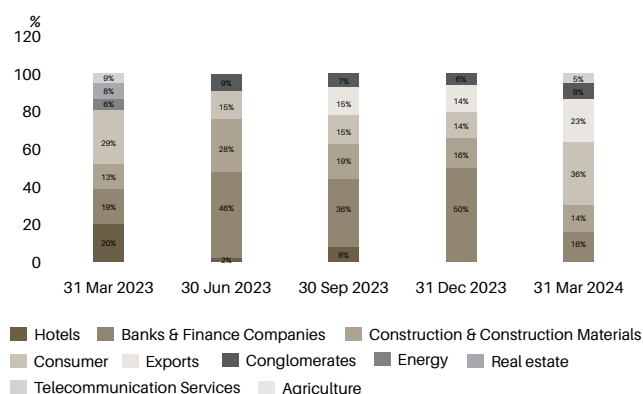
Fund Performance



Quarterly asset allocation as a percentage of NAV from 31st March 2023 to 31st March 2024



Quarterly sector allocation from 31st March 2023 to 31st March 2024

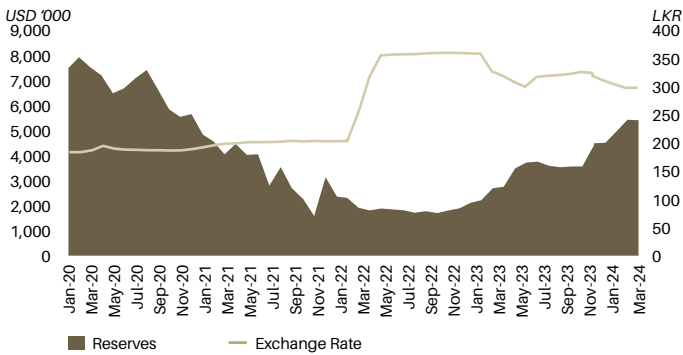


Source: LYNEAR Wealth Dynamic Opportunities fund factsheets

Investment Environment

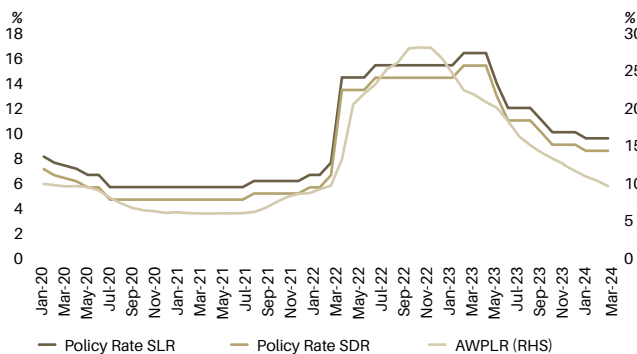
In the year ending March 2024, Sri Lanka experienced a faster than expected recovery supported by challenging economic reforms. The key economic variables began to normalize, and the macroeconomic outlook began to improve.

During the year, headline inflation significantly dropped from the previous year’s peak levels of 70% to low single digits due to numerous policy actions, base effects and low aggregate demand in the economy. The BoP improved with increased tourism receipts and foreign currency remittances, resulting in strong net foreign currency inflows. Foreign currency reserves reached USD 5 billion by April 2024, resulting in the rupee appreciating by approximately 8%, aided by the macroeconomic advancements CBSL relaxed the import restrictions on most of the items.



Source: Central Bank of Sri Lanka

Sri Lanka also achieved commendable progress in the IMF’s Extended Fund Facility and the Domestic Debt Optimization. The Central Bank of Sri Lanka reduced key interest rates by 700 basis points each to support economic rebound resulting in lower prime lending rates.



Source: Central Bank of Sri Lanka

The State-Owned-Enterprise reforms have progressed steadily, though outcomes on divestitures or partnerships are pending, possibly due to transaction complexities and upcoming elections. The authorities are urged to expedite the SOE reform process. Energy sector reforms continued, and the country is now likely to see liberalization of the electricity sector. Government is also in the process of institutionalizing economic best practices by seeking to pass the Public Finance Management bill and the Economic Transformation bill, following the enactment of the new Central Bank of Sri Lanka act.

Towards the end of the fiscal year, the gradual normalization of key economic variables began to drive recovery in economic growth. There were early signs of recovery in badly hit sectors such as import trade and construction. Though there is material room for further recovery, consumer spending is gradually increasing.

In our view 2023/24 has set a tentative foundation for a long-term economic recovery. However, we are cognizant of the risks to the recovery in the form of potential deviations from prudent economic policies that have been implemented since Sri Lanka defaulted on its external sovereign debt. Therefore, we will strive to remain dynamic in our investment decision making, while being cautiously optimistic of the economic outlook of Sri Lanka.



LYNEAR

Financial Reports



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**TO THE UNIT HOLDERS OF LYNEAR WEALTH
DYNAMIC OPPORTUNITIES FUND**

Report on the audit of the financial statements

Opinion

We have audited the financial statements (herein after referred to as financial statements) of LYNEAR Wealth Dynamic Opportunities Fund ("the Fund"), which comprise the statement of financial position as at 31 March 2024, and the statement of profit or loss and other comprehensive income, the statement of changes in unit holders' funds and the statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Fund as at 31 March 2024, and of its financial performance and its cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Basis for Opinion

We conducted our audit in accordance with Sri Lanka Auditing Standards (SLAuSs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Fund in accordance with the Code of Ethics for Professional Accountants issued by CA Sri Lanka ("Code of Ethics"), and we have fulfilled our other ethical responsibilities in accordance with the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

The fund manager is responsible for the other information. The other information generally comprises the report of the manager but does not include in the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information included in the Fund managers' commentary and we will not, express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, on other information that we obtain prior to the date of this audit report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have not been provided with other information and we have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

The fund manager is responsible for the preparation of financial statements that give a true and fair view in accordance with Sri Lanka Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Fund Manager is responsible for assessing the fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless fund manager either intends to liquidate the fund or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the fund's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee

Deloitte.

that an audit conducted in accordance with SLAuSs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SLAuSs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by fund manager.
- Conclude on the appropriateness of fund manager's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Legal and Regulatory Requirements

The financial statements are prepared and presented in accordance with and comply with the requirements of the Collective Investment Scheme code (CIS code) of the Securities and Exchange Commission of Sri Lanka and the trust deed.

Deloitte Associates

Deloitte ASSOCIATES
Chartered Accountants
Colombo



16 July 2024

Statement of Profit or loss and Other Comprehensive Income

	Note	2023/2024 Rs.	2022/2023 Five months period ended Rs.
Investment income			
Dividend income	6.1	22,550,226	1,274,843
Interest income	6.2	14,510,646	3,182,290
Gain on sale of financial assets recognised through profit or loss - measured at fair value	9.2	87,582,640	3,256,938
Gain on fair valuation of financial assets recognised through profit or loss - measured at fair value	9.3	53,969,137	8,473,214
Total investment income		178,612,649	16,187,285
Expenses			
Management fee		(11,624,373)	(873,479)
Trustee fee		(1,711,734)	(137,368)
Audit fee		(442,413)	(251,667)
Tax consultancy fee		(110,328)	(95,811)
Transaction costs		(48,245,187)	(7,201,898)
Performance fee		(8,155,234)	(303,621)
Printing cost		(200,000)	-
Bank charges		(251,783)	(76,956)
		(70,741,052)	(8,940,800)
Net profit before taxation		107,871,597	7,246,485
Income tax expenses	7	-	-
Profit for the year		107,871,597	7,246,485
Increase in net assets attributable to unit holders		107,871,597	7,246,485

Figures in bracket indicate deductions.

The attached notes from 1 to 20 form an integral part of these financial statements.

	Note	31.03.2024 Rs.	31.03.2023 Rs.
Assets			
Cash at bank	8	59,140,385	33,081,333
Financial assets recognised through profit or loss - measured at fair value	9	973,352,010	185,747,206
Financial assets at amortised cost	10	131,003,455	37,351,285
Other receivables	11	9,320,977	2,613,144
Total assets		1,172,816,827	258,792,968
Unit holders' funds and liabilities			
Liabilities			
Accrued expenses and other liabilities	12	76,251,049	41,523,595
Total liabilities		76,251,049	41,523,595
Unit holders' funds			
Net assets attributable to unit holders		1,096,565,778	217,269,373
		1,096,565,778	217,269,373
Total unitholders' funds and liabilities		1,172,816,827	258,792,968
Net assets per unit (Rs.)	13	134.2086	105.1871

The attached notes from 1 to 20 form an integral part of these financial statements.

The Management Company of LYNEAR Wealth Dynamic Opportunities Fund is responsible for the preparation and presentation of these financial statements in accordance with the Sri Lanka Accounting Standards.

Approved by the Fund Management Company and the Trustee on 16 July 2024.

Director of LYNEAR Wealth
Management Company

Director of LYNEAR Wealth
Management Company

Deutsche Bank
Trustee

Statement of Changes in Unitholders Funds

	Unitholders' capital	Increase in net assets attribute to unitholders	Net assets attributable to unitholders
	Rs.	Rs.	Rs.
Balance as at 1 November 2022	-	-	-
Increase due to unit creation during the period	210,635,136	-	210,635,136
Decrease due to unit redemption during the period	(612,248)	-	(612,248)
Increase in net assets attributable to unit holders	-	7,246,485	7,246,485
Balance as at 31 March 2023	210,022,888	7,246,485	217,269,373
Increase due to unit creation during the period	776,630,137	-	776,630,137
Decrease due to unit redemption during the period	(5,205,328)	-	(5,205,328)
Increase in net assets attributable to unit holders	-	107,871,597	107,871,597
Balance as at 31st March 2024	981,447,696	115,118,082	1,096,565,778

Figures in bracket indicate deductions.

The attached notes from 1 to 20 form an integral part of these financial statements.

	2023/2024	2022/2023
	Rs.	Five months period ended Rs.
Cash Flows from Operating Activities		
Interest received	1,819,976	1,614,246
Dividend received	19,470,796	255,247
Management fees and trustee fees paid	(11,789,487)	(734,436)
Other expenses paid	(57,444,320)	(7,277,971)
Investments in T-Bonds	-	(16,107,164)
Sale proceeds from T-Bonds	20,324,275	-
Investments in T-Bills	(37,838,355)	(9,733,310)
Sale proceeds from redeemed of T-Bills	19,000,000	10,000,000
Investments in REPOs	(13,162,842,734)	(1,381,375,147)
Maturity Proceeds in REPO's	13,120,800,306	1,350,890,138
Investments in fixed deposits	(38,120,000)	(6,375,000)
Investments in shares	(2,468,115,264)	(359,752,537)
Sale proceeds from equity securities	1,849,288,852	241,238,533
Net Cash used in Operating Activities	(745,445,954)	(177,357,401)
Cash Flows from Financing Activities		
Cash received on creation of units	776,710,335	211,050,982
Cash paid on redemption of units	(5,205,328)	(612,248)
Net Cash Generated from Financing Activities	771,505,006	210,438,734
Net increase in cash and cash equivalents	26,059,052	33,081,333
Cash and cash equivalents at the beginning of the period	33,081,333	-
Cash and Cash Equivalents at the end of the period	59,140,385	33,081,333

Figures in bracket indicate deductions.

The attached notes from 1 to 20 form an integral part of these financial statements.

1. Reporting entity

Lynear Wealth Dynamic Opportunities Fund is an Open-Ended Equity and Fixed Income Fund approved by the Securities and Exchange Commission of Sri Lanka 5 October 2022.

The registered office/ place of business of the unit trust is located at No. 3/1, Lake Crescent, Colombo 02. Lynear Wealth Management (Pvt) Limited is the Managing Company of Lynear Wealth Dynamic Opportunities Fund. Deutsche Bank AG has been appointed as the Trustee and Custodian and their registered office/ place of business is located at Level 21, One Galle Face Tower, 1A, Centre Road, Galle Face, Colombo 2, Sri Lanka.

1.1 Principal activities

The unit trust engages in investment in a diversified pool of listed equity securities and fixed income securities on behalf of its unit holder.

The objective of Lynear Wealth Dynamic Opportunities Fund is to maximize risk adjusted returns on a medium to long term basis by actively investing in a portfolio of listed equity securities & fixed income securities according to the parameters stated in the Collective Investment Scheme code (CIS code).

There were no significant changes in the nature of the principle activities of the unit trust during the period under review.

1.2 Approval of financial statements

The financial statements of the fund for the period ended 31 March 2024 were authorized for issue by the Fund Management Company on 16 July 2024.

2. Basis of preparation

2.1 Statement of compliance

The financial statements of the Unit trust which comprise the statement of financial position, statement of profit or loss and other comprehensive income, statement of changes in unit holders' funds, statement of cash flows and notes thereto have been prepared in accordance with the Sri Lanka Accounting Standards (SLFRS and LKAS) laid down by the Institute of Chartered Accountants of Sri Lanka and adopted as directed by the Securities and Exchange Commission of Sri Lanka.

The statement of financial position is presented on a liquidity basis and assets and liabilities are presented in decreasing order of liquidity and are not distinguished between current and non-current.

2.2 Basis of measurement

The financial statements have been prepared on the historical cost basis and applied consistently with no adjustments being

made for inflationary factors affecting the financial statements, except for the financial assets at fair value through profit or loss.

2.3 Functional and presentation currency

The financial statements are presented in Sri Lankan Rupees, which is the unit trust's functional currency.

2.4 Use of estimates and judgments

The preparation of financial statements in conformity with the Sri Lanka Accounting Standards requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised during the period in which the estimate is revised and in any future periods affected.

Information about significant areas of estimation, uncertainty and critical judgments in applying accounting policies that have the most material effect on the amounts recognised in the financial statements are described in the relevant Notes as follows.

- Recognition and measurement of financial instruments (Note 4.1.1 to 4.1.5)
- Identification, measurement and assessment of impairment (Note 4.1.6)

2.5 Going concern

The management has made an assessment of the unit trust's ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, fund manager is not aware of any material uncertainties that may cast significant doubt upon the unit trust's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

2.6. New amendments to the Sri Lanka accounting

2.6.1 Standards issued but not effective as at Reporting date

The Institute of Chartered Accountants of Sri Lanka (CA Sri Lanka) has issued following new amendments to the Sri Lanka Accounting Standards which will become applicable for financial periods beginning after on or after 01 January 2024. Accordingly, the fund has not applied the following new amendments to the standard in preparing these financial statements.

- Definition of accounting estimates (Amendments to LKAS 8) Accounting Policies, Changes in Accounting Estimates and Errors clarifies how companies shall distinguish changes in accounting policies from changes in accounting estimates. The amendments introduce a new definition for accounting estimates clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty. Additionally, the amendments also clarify the relationship between accounting policies and accounting estimates by specifying that an entity develops an accounting estimate to achieve the objective set out by an accounting policy. Further, it emphasises that a change in accounting estimate that results from new information or new developments are not the correction of an error and the effects of a change in an input or a measurement technique used to develop an accounting estimate change in accounting estimates if they do not result from the correction of prior period errors.

3. Materiality and aggregation

Each material class of similar item is presented separately in the financial statements. Items of dissimilar nature or function are presented separately unless they are immaterial.

4. Material accounting policies

4.1 Financial instruments

4.1.1 Initial recognition

Financial assets and liabilities are initially recognized on the trade date, i.e. the date that the Fund becomes a party to the contractual provisions of the instrument. This includes purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the marketplace.

4.1.2 Initial measurement of financial instrument

The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments. At initial recognition, the Fund measures a financial asset at its fair value plus transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in the statement of profit or loss.

4.1.3 Measurement categories of financial assets and liabilities

The Fund classifies all its financial assets in the following measurement categories:

- those to be measured at amortised cost
- those to be measured at fair value through profit or loss

Financial liabilities of the Fund are measured at amortised cost, and includes all financial liabilities, other than those measured at fair value through profit or loss. These financial liabilities of the Fund include accrued expenses and other payables.

4.1.4 Subsequent measurement

Amortised cost: A debt instrument is measured at amortised cost if it is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and its contractual terms give rise to cash flows that are sole payments of principal and interest on the principal amount outstanding.

Debt instruments at amortised cost in the statement of financial position comprise of investments in Resale agreements against Government Securities and fixed deposits. Any gain or loss arising on de-recognition is recognised directly in profit or loss and presented in realised gain/(loss) on debt instruments held at amortised cost.

Fair value through profit or loss: A financial asset is measured at fair value through profit or loss if:

- its contractual terms do not give rise to cash flows on specified dates that are sole payments of principal and interest on the principal amount outstanding
or
- it is not held within a business model whose objective is either to collect contractual cash flows, or to both collect contractual cash flows and sell
or
- at initial recognition, it is irrevocably designated as measured at fair value through profit or loss when doing so to eliminate or significantly reduces a measurement or recognition inconsistency that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss is recognised in profit or loss and presented net within unrealised gains/(losses) in the period in which it arises. Financial assets at fair value through profit or loss at statement of financial position comprise of investment in Listed Equity Securities and Government Securities.

4.1.5 Financial liabilities

(a) Initial recognition and measurement

The Fund determines the classification of its financial liabilities at initial recognition.

The Fund's financial liabilities comprise of accrued expenses and other payables in the statement of financial Position.

(b) Subsequent measurement

The measurement of financial liabilities depends on their classification as described below:

Other financial liabilities

After initial recognition, other financial liabilities are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in the profit or loss and other comprehensive income statement when the liabilities are derecognised as well as through the EIR amortisation process.

4.1.6 Identification, measurement and assessment of impairment

The Fund assesses on a forward-looking basis, the expected credit losses (ECLs) associated with its debt instruments not held at fair value through profit or loss. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Fund expects to receive, discounted at an approximation of the original effective interest rate.

ECLs are recognized in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures from which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

The Fund uses the ratings from either Fitch Rating Lanka Limited to determine the significant deterioration in credit risk and to estimate the ECLs.

Impairment loss on assets carried at amortised cost is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the asset's original effective interest rate. Impairment loss is recognised in profit or loss if any. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

4.1.7 Sale and repurchase agreements

Securities sold subject to repurchase agreements (repos) remain on the statement of financial position, the counterparty liability is included under borrowings. Securities purchased

under agreements to resell (reverse repos) are recorded as loans and advances. The difference between sale and repurchase price is treated as interest and accrued over the life of the agreements using the effective interest method.

4.1.8 De-recognition

A financial asset is de-recognised when,

- (1) The rights to receive cash flows from the asset have expired.
- (2) The Fund has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either,
 - The Fund has transferred substantially all the risks and rewards of the asset or
 - The Fund has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

4.1.9 Offsetting of financial instruments

Financial assets and financial liabilities are offset, and the net amount reported in the statement of financial position if, and only if:

- there is a currently enforceable legal right to offset the recognised amounts and
- there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously

4.2 Provision

A provision is recognised if, as a result of a past event, the unit trust has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

4.3 Commitments and contingencies

All discernible risks are accounted for in determining the amount of all known liabilities.

Contingent liabilities are possible obligations the existence of which will be confirmed only by uncertain future events or present obligations where the transfer of economic benefit is not probable or cannot be reliably measured. Contingent liabilities are not recognised in the statement of Financial Position but are disclosed unless they are remote.

4.4 Interest

Interest income and expenses on financial instruments which are measured at amortised cost are recognised in profit or loss using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to

the carrying amount of the financial asset or liability. When calculating the effective interest rate, the unit trust estimates future cash flows considering all contractual terms of the financial instrument, but not future credit losses.

Interest income and expenses presented in the statement of profit or loss include interest on financial assets and financial liabilities measured at amortised cost calculated on an effective interest basis and contractual interest received or receivable on treasury bonds, debentures and securitization papers which have been measured at fair value through profit or loss.

No interest income recognized on treasury bills which have been measured at fair value through profit or loss since no contractual interest income. The gain realized by the discount on the purchase date from the maturity/sale is accounted under realized gain/loss.

Fair value changes on all other financial assets and liabilities carried at fair value through profit or loss, are presented in net trading income in the statement of comprehensive income.

4.5 Gain / (loss) on securities

i. Unrealised gains / (losses) on financial assets at fair value through profit or loss

Unrealised gains / (losses) on financial assets at fair value through profit or loss includes all gains and losses that arise from changes in fair value of the financial assets at fair value through profit or loss as at the reporting date.

ii. Realised gains / (losses) on financial assets at fair value through profit or loss

Realised gains / (losses) on financial assets at fair value through profit or loss includes realised trading gains and losses on sale of quoted equity securities and government securities.

4.6 Income tax expenses

The provision for income tax is based on the elements of income and expenditure as reported in the financial statements and computed in accordance with the provisions of Inland Revenue Act.

The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date. The fund is not liable to pay income tax as at the reporting date in accordance with the Inland Revenue Act No. 24 of 2017 and subsequent amendments thereto. The fund's income generated through investment business are treated as "pass through vehicles" under the provisions of Inland Revenue Act No. 24 of 2017 and subsequent amendments thereto.

4.7 Expenses

The management, trustee and custodian fees of the fund as per the trust deed is as follows,

Management fee - A Fixed Fee of 1.50%p.a. (on Net Asset Value of the Fund) paid monthly and a Performance fee of 10% of excess returns over the growth in the S&P Sri Lanka 20 index calculated daily and paid out annually by 31st December.

Trustee fee - 0.20% p.a. (on Net Asset Value of the Fund) with a minimum charge of Rs. 20,000 per month.

4.8 Unit holders' funds

Unit holders' funds have been calculated as the difference between the carrying amounts of the assets and the carrying amounts of the liabilities, other than those due to unit holders as at the reporting date.

4.9 Statement of cash flows

The statement of cash flows has been prepared using the "Direct Method" of preparing cash flows in accordance with the Sri Lanka Accounting Standard LKAS 7 - "Statement of Cash Flows". Cash and cash equivalents comprise short term, highly liquid investments that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

4.10 Presentation

Assets and liabilities are grouped by nature and listed in an order that reflects their relative liquidity and maturity pattern. Where appropriate, the material accounting policies are disclosed in the succeeding notes.

4.11 Events occurring after the reporting period

Events occurring after the reporting period are those events, favorable and unfavorable, that occur between the reporting date and the date the financial statements are authorised for issue.

All material and important events that occurred after the reporting date have been considered and appropriate disclosures are made in the financial statements.

5. Comparative information

The comparative information is re-classified wherever necessary to conform with the current year's classification in order to provide a better presentation. However, the fund is established in current financial year. Hence, no comparative information to be presented.

6. Investment Income

6.1 Dividend Income

	2023/2024	2022/2023
	Rs.	Five month period Rs.
Dividend income	22,550,226	1,274,843

6.2 Interest Income on

	2023/2024	2022/2023
	Rs.	Five month period Rs.
Financial assets - at fair value through profit and loss	211,218	801,282
Financial assets - at amortised cost	13,489,741	2,223,267
Interest income from saving accounts	809,687	157,741
	14,510,646	3,182,290

7. Income Tax Expenses

Fund is not liable to pay income tax as at the reporting date. The fund's income generated through investment business is treated as "pass through vehicles" under the provisions of Inland Revenue Act No. 24 of 2017 and subsequent amendment thereto.

8. Cash at Bank

	2023/2024	2022/2023
	Rs.	Five month period Rs.
Deutsche Bank - Savings A/C	59,140,330	30,821,225
DFCC Money Market Savings A/C	55	2,260,108
	59,140,385	33,081,333

The above balance represents as at 31 March 2024 and 31 March 2023 is with credit rating of (A-) and above.

8.1 Bank balances are maintained only to settle day to day operations. Excess cash balances are reviewed on a daily basis and transferred to the saving account. Remaining cash at bank represents the money market account with DFCC.

9. Financial Assets Recognised Through Profit or Loss - Measured at Fair Value

	31.03.2024 Rs.	31.03.2023 Rs.
Equity securities (Note 9.1)	953,758,547	168,110,354
Government securities - Treasury bonds	-	17,636,852
Government securities - Treasury bills	19,593,463	-
	973,352,010	185,747,206

9.1 Equity Securities

Name of the Stock / Company	31.03.2024					
	Number of shares	Market price of shares Rs.	Market value of shares Rs.	Cost of the investment	Unrealized gain/loss Rs.	Percentage holding of each investment against the net asset value of the fund
Access Engineering PLC	1,054,037	22.60	23,821,236	20,676,325	3,144,911	2%
ACL Cables PLC	644,329	84.10	54,188,069	49,461,573	4,726,496	5%
B P L Holdings PLC	1,010,662	20.00	20,213,240	19,995,229	218,011	2%
Central Finance Company PLC	517,000	106.75	55,189,750	54,032,165	1,157,585	5%
Ceylon Tobacco Company PLC	68,083	1,228.25	83,622,945	70,263,551	13,359,394	8%
Chevron Lubricants Lanka PLC	855,829	107.75	92,215,575	84,813,589	7,401,986	8%
Dialog Axiata PLC	3,769,995	11.70	44,108,942	41,355,827	2,753,114	4%
Distilleries Company of Sri Lanka PLC	700,000	26.90	18,830,000	18,403,840	426,160	2%
Ex-pack Corrugated Cartons PLC	2,282,454	14.30	32,639,092	31,033,538	1,605,554	3%
Hatton National Bank PLC - Voting	342,134	180.00	61,584,120	53,835,208	7,748,912	6%
Hatton National Bank PLC - Non voting	223,628	150.25	33,600,107	29,262,013	4,338,094	3%
Hela Apparel Holdings PLC	8,686,525	6.10	52,987,803	50,088,680	2,899,123	5%
Hemas Holding PLC	500,000	80.40	40,200,000	37,920,000	2,280,000	4%
Hayleys Fabric PLC	2,069,373	41.10	85,051,230	87,619,324	(2,568,094)	8%
Haycarb PLC	779,835	76.50	59,657,378	60,291,221	(633,843)	5%
Janashakthi Insurance PLC	91,725	43.80	4,017,555	3,793,468	224,087	0%
PGP Glass Ceylon PLC	1,631,595	29.50	48,132,053	44,417,133	3,714,919	4%
Sunshine Holdings PLC	891,599	59.50	53,050,141	52,434,252	615,888	5%
Tokyo Cement Company (Lanka) PLC - Non voting	1,272,639	43.90	55,868,852	56,878,195	(1,009,343)	5%
Vallibel One PLC	688,722	50.50	34,780,461	33,300,301	1,480,160	3%
	28,080,164		953,758,547	899,875,432	53,883,114	

9.1 Equity Securities (Contd.)

Name of the Stock / Company	31.03.2023					
	Number of shares	Market price of shares	Market value of shares	Cost of the investment	Unrealized gain/loss	Percentage holding of each investment against the net asset value of the fund
		Rs.	Rs.		Rs.	
Access Engineering PLC	608,342	14.20	8,638,456	9,873,815	(1,235,359)	4%
Aitken Spence Hotel Holdings PLC	196,155	59.90	11,749,685	10,859,125	890,560	5%
Allumex PLC	1,618,121	8.20	13,268,592	11,149,930	2,118,662	6%
Chevron Lubricants Lanka PLC	65,700	91.60	6,018,120	6,311,405	(293,285)	3%
Dialog Axiata PLC	735,200	10.40	7,646,080	7,717,086	(71,006)	4%
Distilleries Company of Sri Lanka PLC	543,118	19.60	10,645,113	11,073,594	(428,481)	5%
Galadari Hotels (Lanka) PLC	286,857	14.50	4,159,427	3,796,173	363,254	2%
Hatton National Bank PLC - Voting	177,658	129.50	23,006,711	20,945,598	2,061,113	11%
Hemas Holding PLC	233,497	65.00	15,177,305	14,227,684	949,621	7%
John Keells Hotels PLC	653,422	18.90	12,349,676	10,831,239	1,518,437	6%
Lanka IOC PLC	62,670	171.50	10,747,905	10,863,008	(115,103)	5%
Pan Asia Banking Corporation PLC	264,618	12.50	3,307,725	3,441,646	(133,921)	2%
Prime Lands Residencies PLC	1,660,238	8.00	13,281,904	12,343,132	938,772	6%
Seylan Bank PLC - Voting	15,654	33.30	521,278	602,615	(81,337)	0.2%
Seylan Bank PLC - Non voting	197,412	22.50	4,441,770	3,955,289	486,481	2%
Singer (Sri Lanka) PLC	475,493	15.00	7,132,395	6,136,562	995,833	3%
Sunshine Holdings PLC	234,317	45.00	10,544,264	10,625,722	(81,458)	5%
The Kingsbury PLC	552,924	9.90	5,473,948	5,341,067	132,881	3%
	8,581,396		168,110,354	160,094,690	8,015,664	

9.2 Gain on sale of financial assets recognised through profit or loss -measured at fair value

	2023/2024	2022/2023
	Rs.	Five month period Rs.
Proceeds on sales of equity securities	1,855,791,428	243,643,698
Average cost of equity securities sold	(1,772,366,579)	(240,653,450)
Net realized gain on equity securities	83,424,850	2,990,248
Proceeds on maturity of T-Bills	19,000,000	10,000,000
Cost of T-Bills matured	(18,330,915)	(9,733,310)
Net realized gain on Treasury Bills	669,085	266,690
Proceeds on maturity of T-Bonds	20,324,275	-
Cost of T-Bonds matured	(16,835,570)	-
Net realized gain on Treasury Bonds	3,488,705	-

9.3 Gain on fair valuation of financial assets recognised through profit or loss -measured at fair value

	2023/2024 Rs.	2022/2023 Five month period Rs.
Treasury bills	86,023	457,550
Equity securities	53,883,114	8,015,664
	53,969,137	8,473,214

10. Financial Assets at Amortised Cost

	31.03.2024 Rs.	31.03.2023 Rs.
Fixed deposits (Note 10.1)	50,147,149	6,842,908
Repurchase agreements (Note 10.2)	80,856,306	30,508,377
	131,003,455	37,351,285

10.1 Fixed Deposits

Name of the financial institution	31.03.2024		31.03.2023	
	Value - Net as at 31 March 2024 Rs.	Percentage exposure to each issuer against the net asset value of the fund	Value - Net as at 31 March 2023 Rs.	Percentage exposure to each issuer against the net asset value of the fund
DFCC Bank PLC	8,664,760	1%	6,842,908	3%
NDB PLC	4,658,077	0.4%	-	-
Senkadagala Finance PLC	29,259,002	3%	-	-
Vallibel Finance PLC	7,565,310	1%	-	-
	50,147,149		6,842,908	

10.2 This represent investment in resale agreements entirely backed by Government securities. No impairment provisions derived through these investments.

11. Other Receivables

	2023/2024 Rs.	2022/2023 Five month period Rs.
Dividend receivable	408,618	205,572
Cash receivables on equity sales	8,907,741	2,405,165
Interest receivable	4,618	2,407
	9,320,977	2,613,144

12. Accrued Expenses and Other Liabilities

	2023/2024 Rs.	2022/2023 Five month period Rs.
Management fee payable	1,608,557	238,849
Performance fee payable	-	303,621
Audit fee payable	398,734	251,667
Trustee fee payable	214,474	37,562
Tax consultancy fee payable	206,139	95,811
Payable on equity purchases	73,319,366	40,179,356
Front end fee accrual	496,045	415,846
WHT payable	6,524	823
Printing charges payable	1,000	-
Accrued bank charges	210	60
	76,251,049	41,523,595

13. Net Assets Per Unit

	31.03.2024 Rs.	31.03.2023 Rs.
Net assets (Rs.)	1,096,565,778	217,269,373
Total number of units	8,170,605	2,065,551
Net assets per unit (Rs.)	134.2086	105.1871

13.1 Net Assets Attributable to Unitholders

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

	No. of Units	Rs.
Balance as at 1 April 2023	2,065,551	217,269,373
Increase due to unit creation during the period	6,147,967	776,630,137
Decrease due to unit redemption during the period	(42,914)	(5,205,328)
Increase in net assets attributable to unitholders	-	107,871,597
Balance as at 31 March 2024	8,170,605	1,096,565,778
Balance as at 1 November 2022	-	-
Increase due to unit creation during the period	2,071,624	210,635,136
Decrease due to unit redemption during the period	(6,073)	(612,248)
Increase in net assets attributable to unit holders	-	7,246,485
Balance as at 31 March 2023	2,065,551	217,269,373

Published NAV of the unit trust is Rs 1,096,565,778 Hence there is no difference between the published NAV Net Assets as per statement of financial position.

14. Analysis of Financial Instrument by Measurement basis

The following tables compare the fair values of the financial instruments with their carrying values.

As at 31 March 2024	Measured at fair value Rs.	Amortized cost Rs.	Carried at cost Rs.	Total Rs.
Assets				
Financial assets				
Cash at bank	-	59,140,385	-	59,140,385
Financial assets recognised through profit or loss - measured at fair value	973,352,010	-	-	973,352,010
Financial assets at amortised cost	-	131,003,455	-	131,003,455
Total	973,352,010	190,143,840	-	1,163,495,850
Liabilities				
Accruals and other payables	-	-	76,251,049	76,251,049
Total	-	-	76,251,049	76,251,049
As at 31 March 2023	Measured at fair value Rs.	Amortized cost Rs.	Carried at cost Rs.	Total Rs.
Assets				
Financial assets				
Cash at bank	-	33,081,333	-	33,081,333
Financial assets recognised through profit or loss - measured at fair value	185,747,206	-	-	185,747,206
Financial assets at amortised cost	-	37,351,285	-	37,351,285
Total	185,747,206	70,432,618	-	256,179,824
Liabilities				
Accruals and other payables	-	-	41,523,595	41,523,595
Total	-	-	41,523,595	41,523,595

15. Determining of Fair Value and Hierarchy of Fair Value

The following tables show an analysis of financial instruments at fair value and by level of fair value hierarchy.

	Level 1 Rs.	Level 2 Rs.	Level 3 Rs.	Total fair value Rs.
As at 31 March 2024				
Financial assets measured at fair value				
Financial assets recognised through profit or loss - measured at fair value				
- Government securities - Treasury bills	-	19,593,463	-	19,593,463
- Government securities - Treasury bonds	-	-	-	-
- Equity securities	953,758,547	-	-	953,758,547
Total financial assets measured at fair value	953,758,547	19,593,463	-	973,352,010
As at 31 March 2023				
Financial assets measured at fair value				
Financial assets recognised through profit or loss - measured at fair value				
- Government securities - Treasury bills	-	-	-	-
- Government securities - Treasury bonds	-	17,636,852	-	17,636,852
- Equity securities	168,110,354	-	-	168,110,354
Total financial assets measured at fair value	168,110,354	17,636,852	-	185,747,206

Level 1 - Financial instruments that are measured in whole or partly by reference to published quotes in an active market. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange and those prices represent actual and regularly occurring market transactions on an arm's length basis.

Level 2 - Financial instruments that are measured at fair value on a regular basis. As market quotes generally are not readily available or accessible for these securities, their fair value measures are determined using relevant information generated by the market transactions involving comparable securities.

Level 3 - Financial Instruments that are not supported by observable market prices information.

Due to the nature of the short term maturity, Carrying value of the financial asset at amortised cost is approximated to its fair value.

16. Financial Risk Management

Overview

The fund has exposure to the following risks via financial instruments.

- Market risk
- Liquidity risk
- Credit risk
- Operational risk

This note presents information about the fund's exposure to each of the above risks and the objectives, policies and processes for measuring and managing risk.

16.1 Risk Management Framework

The Board of Directors of the fund management company has the overall responsibility for the establishment and oversight of the fund's risk management framework. The managing company reviews wide-ranging risk categories that includes market, liquidity, credit and operational risk and, manage these risks prudently. This process consists of identifying and analysing the risk confronted by the unit trust, to set appropriate risk limits and controls and to monitor risk and adherence to limits.

16.1(a) Market Risk

Market risk is the risk that changes in market prices, such as interest rates will affect the fund's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

Management of market risk includes the following elements.

- Overall authority for managing market risk is vested with the Board of Directors of the Fund Managing Company.
- The operational authority for managing market risk is vested with the investment/portfolio managers.

16.1(a) Market Risk

Price & Market yield Sensitivity as follows:

	Increase / (decrease) in basis points	Effect on the profit for the period 2023/2024 Rs.	Effect on the profit for the five month period 2022/2023 Rs.
Increase in share price	+1%	9,537,585	1,681,104
Decrease in share price	-1%	(9,537,585)	(1,681,104)
Increase in T-Bill market yield	+0.5%	(19,755)	-
Decrease in T-Bill market yield	-0.5%	19,795	-
Increase in T-Bond market yield	+0.5%	-	(173,548)
Decrease in T-Bond market yield	-0.5%	-	176,302

16. Financial Risk Management (Contd.)

16.1(b) Liquidity Risk

Liquidity risk is the risk that the fund will not have adequate financial resources to meet fund's obligations as when they fall due. This risk arises from mismatches in the timing of cash flows.

Management of liquidity risk includes the following elements:

Taking steps to ensure, as far as possible, that it will always have adequate financial resources to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the fund's reputation.

Maturity analysis of the financial assets and financial liabilities

As at 31 March 2024	Carrying amount Rs.	Up to 3 months Rs.	3 Months to 1 year Rs.	1-3 years Rs.	3-5 years Rs.	Over 5 years Rs.
Assets						
Cash at bank	59,140,385	59,140,385	-	-	-	-
Financial assets recognised through profit or loss - measured at fair value						
Government securities - treasury bills	19,593,463	19,593,463	-	-	-	-
Equity securities	953,758,547	953,758,547	-	-	-	-
Financial assets at amortised cost						
Fixed deposits	50,147,149	-	7,565,310	33,917,079	8,664,760	-
Repurchase agreement	80,856,306	80,856,306	-	-	-	-
Total financial assets	1,163,495,850	1,113,348,701	7,565,310	33,917,079	8,664,760	-

Other than fixed deposit expected cash flow would be same as above. The expected undiscounted cash flow for fixed deposit are as follows,

As at 31 March 2024	Up to 3 months Rs.	3 Months to 1 year Rs.	1-3 years Rs.	3-5 years Rs.	Over 5 years Rs.
Fixed deposits	-	8,081,200	43,817,500	15,937,500	-

As at 31 March 2023	Carrying amount Rs.	Up to 3 months Rs.	3 Months to 1 year Rs.	1-3 years Rs.	3-5 years Rs.	Over 5 years Rs.
Assets						
Cash at bank	33,081,333	33,081,333	-	-	-	-
Financial assets recognised through profit or loss - measured at fair value						
Government securities - treasury bills	-	-	-	-	-	-
Government securities - treasury bonds	17,636,853	795,580	276,560	4,471,262	12,093,451	-
Equity securities	168,110,354	168,110,354	-	-	-	-
Financial assets at amortised cost						
Fixed deposits	6,842,908	-	-	-	6,842,908	-
Repurchase agreement	30,508,377	30,508,377	-	-	-	-
Total financial assets	256,179,825	232,495,644	276,560	4,471,262	18,936,359	-

Other than treasury bonds and fixed deposit expected cash flow would be same as above. The expected undiscounted cash flow for treasury bond and Fixed deposit are as follows,

As at 31 March 2023	Up to 3 months Rs.	3 Months to 1 year Rs.	1-3 years Rs.	3-5 years Rs.	Over 5 years Rs.
Government securities - Treasury bonds	2,025,000	6,275,000	29,500,000	12,125,000	-
Fixed deposits	-	-	-	15,937,500	-

16.1(c) Credit Risk

Credit risk is the risk of financial loss to the fund if a client or counterparty to a financial instrument fails to meet its contractual obligations and arises principally from the fund's investment in corporate debt securities and investment in reverse repo agreements.

Management of credit risk includes the following components:

- The Fund manager monitor financial instruments' fair values, credit risk exposures and ensures compliance with regulatory requirements and investment limits tailored to the Fund's strategy and market conditions.

16. Financial Risk Management (Contd.)

16.1(c) Credit Risk (Contd.)

Credit quality by class of financial assets

As at 31 March 2024

	12 Months expected credit losses	Life time expected credit losses not credit impaired	Life time expected credit losses credit impaired	Total
	Rs.	Rs.	Rs.	Rs.
Assets				
Cash at bank	59,140,385	-	-	59,140,385
Financial assets - at amortised cost	131,003,455	-	-	131,003,455
Total financial assets	190,143,840	-	-	190,143,840

As at 31 March 2023

	12 Months expected credit losses	Life time expected credit losses not credit impaired	Life time expected credit losses credit impaired	Total
	Rs.	Rs.	Rs.	Rs.
Assets				
Cash at bank	33,081,333	-	-	33,081,333
Financial assets - at amortised cost	37,351,285	-	-	37,351,285
Total financial assets	70,432,618	-	-	70,432,618

There are no any differences in the net exposure to the credit risk and the maximum exposure to the credit risk for the above financial assets.

As at 31 March 2024, the fair value of assets measured at amortized cost is Rs. 131,003,455 (Fixed deposits Rs. 50,147,149 and Repurchase agreements Rs. 80,856,306).

As at 31 March 2023, The fair value of assets measured at amortized cost is Rs. 40,709,138 (Fixed deposits Rs. 10,200,761 and Repurchase agreements Rs. 30,508,377).

16.1(d) Analysis of concentration risk

The following table shows the risk concentration by sector for the components of the statement of financial position.

As at 31 March 2024	Cash at bank	Financial assets - at fair value	Financial assets - at amortised cost	Total financial assets
	Rs.	Rs.	Rs.	Rs.
Sector wise breakdown				
Government	-	19,593,463	80,856,306	100,449,769
Corporate	59,140,385	953,758,547	50,147,149	1,063,046,081
Total	59,140,385	973,352,010	131,003,455	1,163,495,850

As at 31 March 2023	Cash at bank	Financial assets - at fair value	Financial assets - at amortised cost	Total financial assets
	Rs.	Rs.	Rs.	Rs.
Sector wise breakdown				
Government	-	17,636,852	30,508,377	48,145,229
Corporate	33,081,333	168,110,354	6,842,908	208,034,595
Total	33,081,333	185,747,206	37,351,285	256,179,824

Credit quality analysis of financial investments

As at 31 March 2024	Risk Status	Amortised cost	Fair value through profit or loss	Total
		Rs.	Rs.	Rs.
Government securities	Risk free	80,856,306	19,593,463	100,449,769
Fixed Deposits				
AA+ to A+	Low risk	-	-	-
A to BBB	Medium risk	50,147,151	-	50,147,151
Below BBB	High risk	-	-	-

As at 31 March 2023	Risk Status	Amortised cost	Fair value through profit or loss	Total
		Rs.	Rs.	Rs.
Government securities	Risk free	30,508,377	17,636,852	48,145,229
Fixed Deposits				
AA+ to A+	Low risk	6,842,908	-	6,842,908
A to BBB	Medium risk	-	-	-
Below BBB	High risk	-	-	-

16. Financial Risk Management (Contd.)

16.1(e) Credit Quality by Counterparties wise

The funds' maximum exposure to credit risk can be analysed as follows;

Issuer Name	Instrument Type	Fair Value (Rs.)	Exposure (as of 31.03.2024)	Rating	
Government of Sri Lanka	Government Securities	100,449,769	9%	AAA	Sovereign
DFCC Bank PLC	Fixed deposits	8,664,760	1%	A-	Fitch
NDB PLC	Fixed deposits	4,658,077	0.4%	A-	Fitch
Senkadagala Finance PLC	Fixed deposits	29,259,002	3%	BBB	Fitch
Vallibel Finance PLC	Fixed deposits	7,565,312	1%	BBB+	LRA

Issuer Name	Instrument Type	Fair Value (Rs.)	Exposure (as of 31.03.2023)	Rating	
Government of Sri Lanka	Government Securities	48,145,229	4%	AAA	Sovereign
DFCC Bank PLC	Fixed deposits	6,842,908	1%	A+	Fitch

16.1 (f) Operational Risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the fund's involvement with financial instruments, including processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behavior.

The fund's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the business reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each business unit. This responsibility is supported by the development of overall fund's standards for the management of operational risk in the following areas:

- Requirements for appropriate segregation of duties, including the independent authorisation of transactions
- Requirements for the reconciliation and monitoring of the transaction
- Compliance with regulatory and other legal requirements
- Development of business contingency plans
- Training and professional development
- Ethical and business standards
- Risk mitigation

17. Related Party Disclosures

The Fund carries out transactions with parties who are defined as related parties as per Sri Lanka Accounting Standard (LKAS 24), "Related Party Disclosure", in the ordinary course of its business. The details of such transactions are reported below. The pricing applicable to such transactions is comparable with what is applied to transactions between the Fund and its unrelated customers.

17.1 Transaction with Managing Company

Company Name and Nature of Relationship	Nature of Transaction	Transaction Value 2023/2024	Transaction Value 2022/2023	Outstanding Balance	
				31.03.2024 Rs.	31.03.2023
LYNEAR Wealth Management (Pvt) Ltd (Managing Company)	Investment in unit trust	57,300,000	54,799,221	(132,138,010)	(54,799,221)
	No. of units as of 31 March 2024 is 1,001,812 (31 March 2023: 536,248)				
	Management fee	11,624,373	873,479	(1,608,557)	(238,849)
	Performance fee	8,155,234	303,621	-	(303,621)
	Front end fee payable	-	-	(496,045)	(415,846)

17.2 Transaction with Related Funds

LYNEAR Wealth Management (Pvt) Ltd manages another licensed unit trust namely LYNEAR Wealth Income Fund, which is treated as a related fund. However, other than below transactions there were no any transaction between the funds during the period. The Fund sold treasury bonds to Lynear Wealth Income Fund and the details of transaction are as follows:

ISIN	Settlement Date	Face Value	Coupon rate	Selling Yield	Settlement Value
LKB00325A156	10-Jul-23	5,000,000	22.50%	15.75%	5,985,820
LKB00426E154	10-Jul-23	5,000,000	22.50%	15.50%	5,948,795

17.3 Transactions with Key Management Personnel (KMP) and their close family members (CFM)

According to Sri Lanka Accounting Standard LKAS 24 - "Related Party Disclosures", Key Management Personnel, are those having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any Director (whether executive or otherwise) of that entity. Accordingly, the Board of Directors of Managing company has been classified as key management personnel of the entity.

Close Family Members of a Key Management Person are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the Entity. They may include;

- The individual's domestic partner and children;
- Children of the individual's domestic partner; and
- Dependents of the Individual or the individual's domestic partner

17. Related Party Disclosures (Contd.)

17.3 Transactions with Key Management Personnel (KMP) and their close family members (CFM) (Contd.)

Close family members are related parties to the Entity.

Name of KMP/ CFM	Relationship	Nature of the transaction	2023/2024	As of 31.03.2024		As of 31.03.2023	
			Value of Unit Investments Rs.	No of Unit Holdings	Value of Unit Holdings Rs.	No of Unit Holdings	Value of Unit Holdings Rs.
Dr N J W Gunawardane	Director of the Managing Company	Individual unit investments	-	1,000	132,901	1,000	102,190
Mr Sanjay Kulatunga	Director of the Managing Company	Individual unit investments	-	1,000	132,901	1,000	102,190
Mr Z S Jeevunjee & Mrs N Jeevunjee	Director of the Managing Company & His Mother	Joint unit investments	-	1,000	132,901	1,000	102,190
Mr Z S Jeevunjee & Mrs S M G Jeevunjee	Director of the Managing Company & His Spouse	Joint unit investments	29,500,000	316,973	41,535,020	94,605	9,667,758
Mrs Maria Tasneem Moosajee	Spouse of Mr S S Kulatunga (Director)	Individual unit investments	-	1,000	132,901	1,000	102,190

17.4 Directorships in Other Companies

The Directors of LYNEAR Wealth Management Company (Managing Company of the Unit Trust) are also Directors of the following companies (as of 31 March 2024).

Name of the company	Relationship	Dr Indrajit Coomaraswamy	Mr Sanjay Kulatunga	Dr Naveen Gunawardane	Dr Kemal De Soysa	Mr Zaffar Jeevunjee	Mr Shamindra Perera
LYNEAR Partners Pvt Ltd	Related party through KMP	-	Director	Director	Director	Director	-
Navitas (Private) Limited	Related party through KMP			Director			
Invictus (Private) Limited	Related party through KMP			Director			
Muhudu Vally (Private) Limited	Related party through KMP		Director				
Expolanka Holdings PLC	Related party through KMP	-	Director	-	-	-	-
Tasz Holding Pvt Ltd	Related party through KMP	-	Director	-	-	-	-
Mayna Holding Pvt Ltd	Related party through KMP	-	Director	-	-	-	-

Name of the company	Relationship	Dr Indrajit Coomaraswamy	Mr Sanjay Kulatunga	Dr Naveen Gunawardane	Dr Kemal De Soysa	Mr Zaffar Jeevunjee	Mr Shamindra Perera
International Distillers Ltd	Related party through KMP	-	-	-	Director	-	-
Sun Tan Beach Resorts Pvt Ltd	Related party through KMP	-	-	-	Director	-	-
Jaywise Construction Pvt Ltd	Related party through KMP	-	-	-	-	Director	-
Jaywise Investments Pvt Ltd	Related party through KMP	-	-	-	-	Director	-
Adplast Pvt Ltd	Related party through KMP	-	-	-	-	Director	-
Mazaa Property Pvt Ltd	Related party through KMP	-	-	-	-	Director	-
Switz Lanka (Pvt) Ltd	Related party through KMP	-	-	-	-	CEO	-
Tokyo Cement PLC	Related party through KMP	Director	-	-	-	-	-
Dialog Axiata PLC	Related party through KMP	Director	-	-	-	-	-
Gamini Corea Foundation	Related party through KMP	Director	-	-	-	-	-
South Asia Policy Research Institute	Related party through KMP	Director	-	-	-	-	-

18. Transaction with Trustee

Company Name and Nature of Relationship	Nature of Transaction	Transaction	Transaction	Outstanding Balance	
		2023/2024 Rs.	2022/2023 Rs.	31.03.2024 Rs.	31.03.2023
Deutsche Bank AG, Colombo Branch	Trustee fee	1,711,734	137,368	(214,474)	(37,562)

(Trustee and Custodian has not invested in the Fund)

19. Capital Commitments and Contingent Liabilities

There were no material capital commitments and contingent liabilities as at the reporting date which require disclosure in the financial statements.

20. Events Occurred After the Reporting Period

There were no material events after the reporting period, which require adjustments to or disclosures in the financial statements.

Declaration by Trustees and Managing Company

This declaration is issued in line with SEC circular No. 02/2009 on Guidelines for Trustees and Managing Companies of Unit Trust Funds, by the Trustees and Management Company.

Deutsche Bank AG, the Trustee and LYNEAR Wealth Management (Pvt) Limited, the Managers of the LYNEAR Wealth Dynamic Opportunities Fund hereby declare that;

1. The requirements of the Guidelines for Trustees and Managing Companies of Unit Trust Funds set by the Securities and Exchange Commission of Sri Lanka have been complied with during the period.
2. The transactions were and will be carried out at an arm's length basis on terms which are best available for the fund, as well as act, at all times, in the best interest of the fund's unit holders.



Director of LYNEAR Wealth
Management Company



Director of LYNEAR Wealth
Management Company



DEUTSCHE BANK AG
Colombo Branch

Trustee

Name of the Fund (Unit Trust)

LYNEAR Wealth Dynamic Opportunities Fund

Managing Company

LYNEAR Wealth Management (Pvt) Limited
3/1 Lake Crescent, Colombo 02, Sri Lanka
Telephone: 0117-345678
www.lynearwealth.com

Trustee & Custodian of the Fund

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Bankers

Deutsche Bank

Auditors

Deloitte Associates, Chartered Accountants
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Lawyers

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