

Strategy Overview

The strategy manager will invest in USD fixed income instruments issued by the Republic of Sri Lanka. This is a single underlying & fixed maturity pooled strategy.

Coupons received over the life of the strategy would be reinvested into USD-denominated ETFs with underlying securities of a better or equivalent credit quality as the Government of Sri Lanka over the life of the strategy.

Recommended For

This strategy is deemed suitable for investors who are looking to invest into international government bonds issued by the Republic of Sri Lanka and who are looking to buy it in fractional, smaller amounts than the USD 200,000 minimum notional amount, and holding to maturity¹

Underlying

Republic of Sri Lanka 5.75% 18. April 2023
(ISIN: USY8137FAK40)

Market Commentary

Sri Lanka USD Government Bonds keep getting battered in their most recent sell off. US Secretary of State Pompeo added some oil to the fire that was already burning down SRILAN bond prices since September, by making remarks that China has engaged in predatory lending practices with regards to Sri Lanka.

Sri Lanka government is going through an unprecedentedly challenging time from a debt perspective. A country that is heavily reliant on tourism income, and has come to a total standstill in 2020, after finally recovering post the 2016 terror attacks in the last year, the country is running dry on foreign reserves, with a ratio of almost 2:1 (14bn of USD Bonds vs. 7.3bn official foreign reserves). The market has not taken it lightly.

From a risk/reward situation here: One of the bonds that hit the sweet spot for us is the SRILAN 5.75% 18. April 2023. As of 29. October, the indicative ask price of 58.00 would give a 31.5% Yield to Maturity.

Its recovery is relying heavily on external funding, and the outlook is more than uncertain with many travel restrictions across the world still in place and the political environment at home deteriorating. At the same time, Sri Lanka has become an important strategic partner/target for China in it's one belt one road initiative, who cannot afford to let the country descend into chaos.

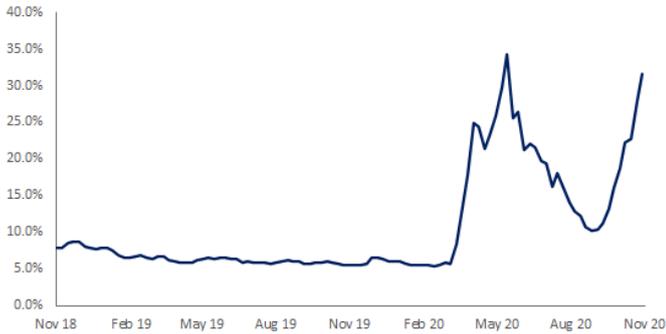
Graph (Price)



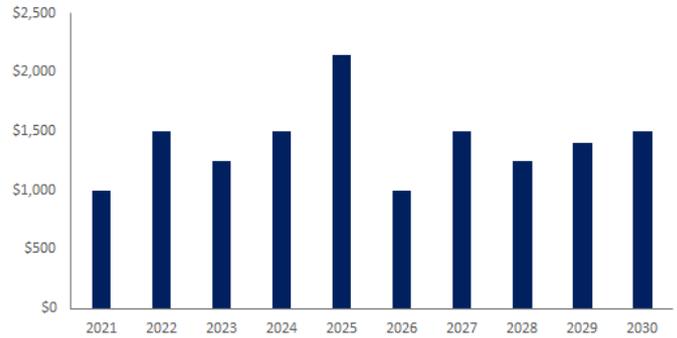
Dealing Information

Minimum Subscription: **USD 12K**
 Subscription Frequency: **Weekly**²
 Redemption: **Not allowed before maturity**
 Management Fee: **0.1% per month**
 Target Launch Size: **USD 116K**²
 Broker: **Saxo Markets**

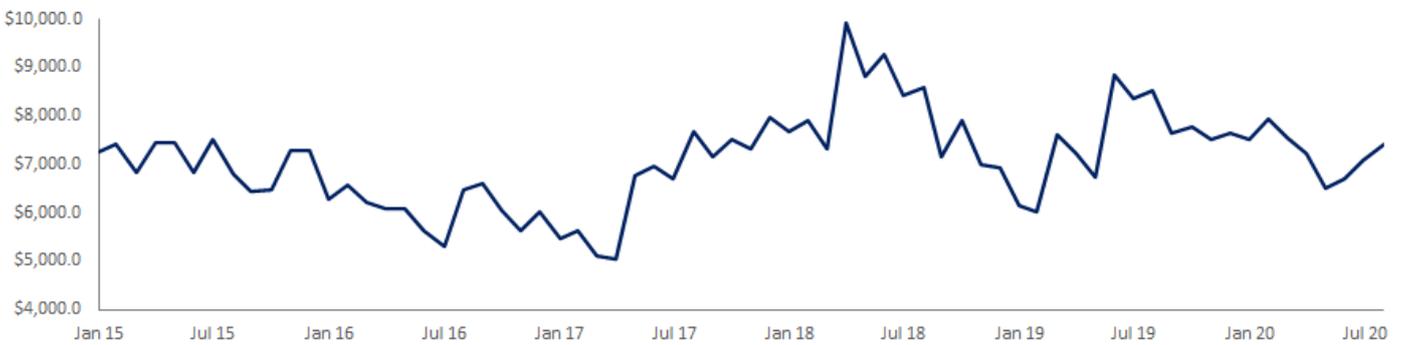
Graph (Mid Yield-to-Maturity)



Debt Repayment Schedule (\$mm)



Sri Lanka USD Foreign Reserve (\$mm)



Underlying Information

Yield-to-Maturity: **30.6%**
 Credit Rating: **CCC+**
 Coupon: **5.75%**

1. Provision for extension of maturity - In the event of the Republic of Sri Lanka entering into a default or restructuring event prior to maturity on 18 April 2023 or the scheduled maturity settlement date thereafter, the maturity of the strategy automatically extends. In a default or restructuring event lenders enter into negotiations with the borrower to negotiate debt extension or recoveries, or in a default event, the proceedings are to be distributed by the administrators. In such event, the strategy manager has the option to sell the held securities at the prevailing market rate, which may trade at a substantial discount to the par value of the underlying bond securities.
2. Subscriptions may be subject to book building process, which can lead to a delay in subscription settlement. Target launch size applicable for book building process and states out the minimum size of consolidated orders prior to launch of first/new tranches of the strategy, subject to strategy manager’s discretion.

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