Lanka Rating Agency Limited

STABILITY RATING REPORT

CAL ISLAMIC INCOME FUND
[CATEGORY: INCOME FUND]

Date	Rating Type	Action	Rating	Outlook	Rating Watch
17-Nov-26	Stability Rating	Initial	A (f)	Stable	-

FUND STABILITY REPORT

Nov'26

CAL Islamic Income Fund

Fund Facts (NOV-26)

Fund	**CAL Islamic Income Fund**
Fund Category	Shariah Income Market
Launch Date	5/11/2026
Fund Size (LKR mln) as of 5th Nov 2026	1,305.98
Fund Management Company	**Capital Alliance Investments Limited**
Rating of Fund Management Company	N/A
Fund Manager	Vevaashgar Vathanatheesan
Peer Universe	Income Funds

History

	SEP'26	AUG'26	JUL'26	JUN'26	MAY'26
Fund Size (LKR mln)	1,158.89	1,036.64	973.27	953.64	853.00
Category Size (LKR mln)	352,353.17	338,979.90	318,936.69	295,244.51	282,167.69
Fund NAV (LKR/Unit)	10.54	10.47	10.40	10.32	10.25
Fund Dividend (LKR/Unit)	N/A	N/A	N/A	N/A	N/A
WAM (Days)	124	138	144	135	172
Duration (Days)	219	238	245	214	N/A

Asset Allocation Summary

	SEP'26	JUN'26	MAR'26
Wakala Deposits	68.0%	68.1%	51.3%
Mudarabah Savings Account	32.0%	31.9%	48.6%
Total	**100.0%**	**100%**	**100%**

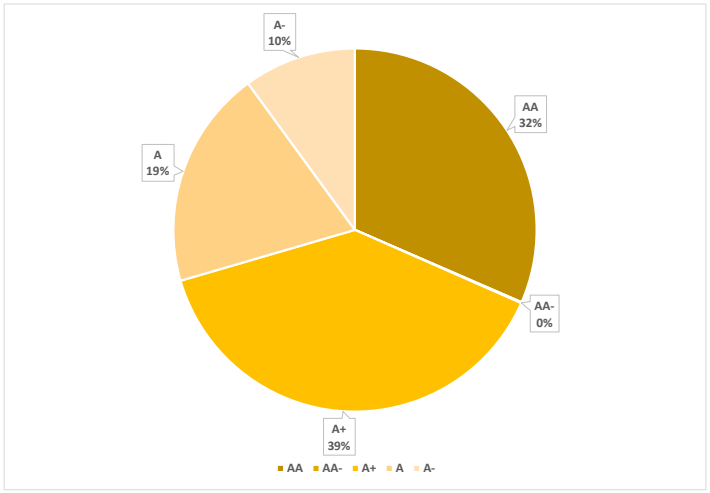
Fund's Objective

The Fund's objective is to provide investors with a steady and regular income, using fixed income instruments that are compliant with Shariah principles.

Asset Manager (SEP-26)

Year of Incorporation	2000
Islamic Income Funds	1
Money Market Funds	1
Growth Fund (equity)	1
Other Open-ended Funds	9
Close-ended Funds	3
CEO	Mr. G R De Silva
CIO	-
Asset Under Management (LKR mln)	**211,893.04**

Credit Quality (SEP-26)

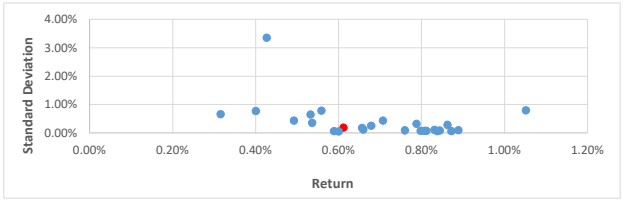


Return Summary

Period	CAL Money Market Fund	Peer Avg	Fund SD.	Peer SD.
3QCY26	2.13%	2.23%	0.06%	0.25%
2QCY26	1.98%	2.16%	0.05%	0.27%
Annualized - 3QCY26	8.53%	8.94%	0.06%	0.25%
Annualized - 2QCY26	7.91%	8.64%	0.05%	0.27%
Annualized (8 mon - Feb to Sep)	8.44%	7.78%	0.12%	0.41%

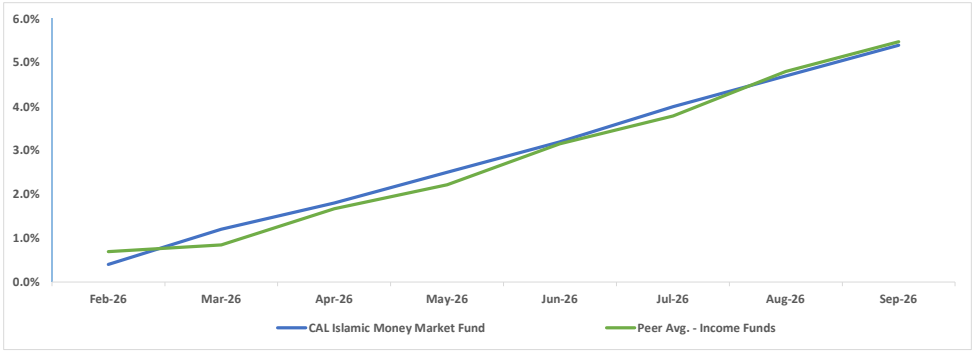
Risk

Return | Standard Deviation Analysis | 8 months



Performance

CAL Islamic Money Market Fund|PeerAvg. |SEP-26 (Cumulative Monthly Returns)



Commentary

CAL Money Market Fund ("The Fund"), launched in February 2026, is characterized by a medium risk profile. Objective of the Fund was to provide investors with a regular and steady income through investment in Shariah-compliant fixed income instruments. The Fund invested in Shariah-compliant commercial papers and asset-backed Shariah-compliant securities rated BBB- and higher. As of September 2026, the asset allocation of the Fund comprises Wakala Deposits (~68.0%) and Mudarabah Savings Account (~32.0%). As of September 2026, the Weighted Average Maturity ("WAM") stood at 124 days. The Fund has slightly underperformed in terms of returns compared to conventional income funds. The Fund posted an annualized return of ~8.53% for 3QCY26 as compared to peer average (~8.94%) for 3QCY26. The Fund holds a market share of ~0.33% in its category as of September 2026. As of September 2026, the Fund's unit holding pattern reflects a concentration of ~92.0% among the top 10 investors. Its mandate permits four instrument categories, Sukuk, Shariah-compliant commercial papers, asset-backed securities, and Mudarabah/Wakala deposits, each capped at up to 97% of Scheme value. The Fund has adhered to its approved investment policy and market expectations till now. Any significant changes in the asset allocation, credit risk, maturity profile, or returns compared to the peers will have an impact on the fund's rating. Management's decision to convert the fund from a money market fund to an income fund is intended to achieve higher returns, as Shariah-compliant instruments with shorter tenors do not generate sufficient yield relative to conventional money market funds. However, the conversion carries certain drawbacks. The absence of a limit on portfolio tenor and of any restriction on the credit quality of eligible assets exposes the fund to greater interest rate risk, market risk, and credit risk.

*** Monthly returns for both the fund and the peer average are based on changes in NAV per unit, rounded to two decimal places. For February, the fund's return is measured from its launch price of 10.00 on 9 February 2026.*

Stability Ratings Explained

The Stability rating is based on a detailed quantitative assessment of fund's portfolio and qualitative assessment of fund management. It provides the investors with an objective measure as to the main areas of risk to which the income funds are exposed, which is credit risk, liquidity risk and interest rate risk.

Credit Risk

- The foremost factor is credit risk, having the highest weight in the rating matrix. The opinion is based on review of various factors, including the fund's investment policies regarding credit risk exposure towards various market segments, individual and cumulative credit quality of the investment portfolio, the diversification of assets across investment types and issuers, and weighted average maturity.

Market Risk

- The more complex part of evaluating a fund's stability involves determining the fund's sensitivity to the changing market conditions. LRA assess market risk in the nexus of variables affecting the market value of the underlying portfolio. Market value can fluctuate due to a number of variables largely including interest rate, liquidity and operating environment.

Liquidity Risk

- The liquidity of a security refers to the speed at which that security can be sold for approximately the price at which the fund has it valued. Securities which are less liquid are subject to greater price variability. While analyzing the liquidity of investment portfolio, LRA considers the types of investments in the portfolio, the maturity structure, and secondary market liquidity.

Historical Returns Volatility

- Funds having operational history of six-months or more, the variability in returns is gauged on standardized basis through coefficient of variation for each fund in a category. The coefficient of variation is calculated by dividing standard deviation of fund's monthly returns by average monthly return (SD of Monthly Returns/Average Monthly Return).

Asset Manager

- Management scoring is derived from the asset manager rating of the company managing the fund. LRA reviews the policies and procedures developed by the management to meet its investment objectives. Therefore, an assessment of the fund manager's qualification and experience, asset management company's capabilities and track record are an integral part to the fund rating process.

FUND STABILITY RATING SCALE	
Symbols	**Definitions**
AAA(f)	An exceptionally strong capacity to maintain relative stability in returns and possesses negligible exposure to risks.
AA+(f) AA(f) AA-(f)	A very strong capacity to maintain relative stability in returns and possesses low exposure to risks. This capacity may, nevertheless, be more vulnerable to changes in circumstances or in economic conditions.
A+(f) A(f) A-(f)	A fund with stable performance generally in line with its peers with strong capacity to respond to future opportunities or stress situations.
BBB+(f) BBB(f) BBB-(f)	An adequate capacity to maintain relative stability in returns and possesses high exposure to risks. This capacity may be impacted adversely by changes in circumstances or in economic conditions.
BB+(f) BB(f) BB-(f)	A low capacity to maintain stability in returns and possesses very high exposure to risks.
B(f)	A very low capacity to maintain stability in returns and possesses very high exposure to risks.

The fund stability rating scale of AAA to B is appended by the letter (f) to denote fund ratings and to differentiate it from the nomenclature used for issue and issuer ratings

Rating Watch

Alerts to the possibility of a rating change subsequent to, or in anticipation of some material identifiable event. But it does not mean that a rating change is inevitable. A watch should be resolved within foreseeable future, but may continue if underlying circumstances are not settled.

Rating Outlooks

Indicates the potential and direction of a rating in response to a) trends in economic and/or fundamental business/financial conditions and/or deviation from expected trend. It is not necessarily a precursor to a rating change. 'Stable' outlook means a rating is not likely to change. 'Positive' means it may be raised. 'Negative' means it may be lowered. Where the trends have conflicting elements, the outlook may be described as 'Developing'.

Disclosure

Name of Fund	CAL Islamic Income Fund
Sector	Mutual Funds
Type of Relationship	Solicited
Purpose of the Rating	Stability Rating
Applicable Criteria	Stability Rating Methodology – Jun-24
Related Research	Sector Study | Mutual Funds Stability - May-26
Rating Analysts	Vidula Wanigasekara| vidula@lra.com.lk | +077 790 7364

Regulatory and Supplementary Disclosure

(Rules applicable to Credit Rating Agencies, No. 19 of 2021 - issued on 15th March 2022)

Rating Team Statements

(1) Credit Rating Agency means a body corporate engaged in the business of assessing and evaluating the credit- worthiness of any issuer or a specific issue of securities. (https://www.sec.gov.lk/credit-rating-agency/)

2) Conflict of Interest

i. LRA shall not engage in any other business which in the view of the Commission creates a conflict of interest unless prior written approval of the Commission is obtained (Section 35- Rules applicable to Credit Rating Agencies)

Restrictions

(3) LRA is not entitled to outsource any part of its work, which has a direct bearing on the function of rating. (Section 24- Rules applicable to Credit Rating Agencies). The LRA shall enter into a written agreement with the party to whom any work is outsourced. Such agreement contains an undertaking from the party to whom any work is outsourced that they comply with the laws, rules and directives that the LRA is bound to follow. (Section 25- Rules applicable to Credit Rating Agencies).

(4) LRA cannot appoint any individual as a member of the Rating Committee who has a business development function of the LRA, or who initiates or participates in discussions regarding fees or payments with any Client of LRA. (Section 28- Rules applicable to Credit Rating Agencies).

Conduct Of Business

(5) Prior to the commencement of a rating or during such process LRA does not promise, assure or guarantee to a client that a particular rating will be assigned. (Section 39- Rules applicable to Credit Rating Agencies).

(6) LRA performs a rigorous and formal periodic review of all its methodologies. Such methodologies are made available to the Commission for perusal, upon request. (Section 41- Rules applicable to Credit Rating Agencies).

Independence & Conflict of interest

(7) LRA receives compensation from the entity being rated or any third party for the rating services it offers. The receipt of this compensation has no influence on LRA´s opinions or other analytical processes. In all instances, LRA is committed to preserving the objectivity, integrity and independence of its ratings.

(8LRA does not engage in any other business which in the view of the Commission creates a conflict of interest unless prior written approval of the Commission is obtained (Section 35- Rules applicable to Credit Rating Agencies).

(9) LRA structure its rating teams and processes to promote continuity, consistency and avoid bias in the rating process. (Section 47- Rules applicable to Credit Rating Agencies).

Monitoring and review

(10) For purposes of transparency, LRA publishes sufficient information about an entity/security rated, frequency of default and whether a rating grade assigned has changed over time. The definitions and computation methods for the default rates stated in the default studies are also be disclosed. (Section 44- Rules applicable to Credit Rating Agencies).

LRA maintains the following records pertaining to Clients:

a) all internal records to support its credit rating opinions.

b) all particulars relating to Clients at its office which shall include the name and registered address and contact numbers of such Client, names and addresses of their directors as at the date of rating, its issued share capital and the nature of business; and

c) a written record of all complaints received from Clients and action taken thereon by the Credit Rating Agency.

(Section 48- Rules applicable to Credit Rating Agencies).

(11) LRA ensures confidentiality of all non-public information entrusted to it by Clients at all times including such Client's identity and transaction carried out for such Client unless and to the extent such disclosure is required by law, or unless authorized by the Client to disclose such information (Section 50- Rules applicable to Credit Rating Agencies).

(12) LRA does not destroy, conceal or alter any records, property or books relating to the business of the LRA which are in its possession or under its control with the intention of defeating, preventing, delaying or obstructing the carrying out of any examination. (Section 53- Rules applicable to Credit Rating Agencies).

Proprietary Information

(13) All information contained herein is considered proprietary by LRA. Hence, none of the information in this document can be copied or, otherwise reproduced, stored or disseminated in whole or in part in any form or by any means whatsoever by any person without LRA's prior written consent.