

Guardian Acuity Equity Fund

Open Ended Growth Fund
AUGUST 2016



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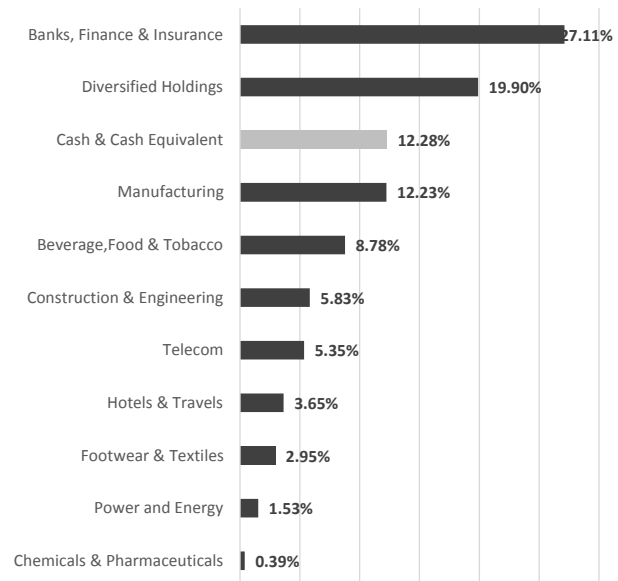
HIGHLIGHT

"The fund has delivered 6.8% return for the month by outperforming benchmark index (ASPI) by 4.7% and recorded 1.9% positive return year to date compared to -5.31% return on the All Share Price Index of CSE."

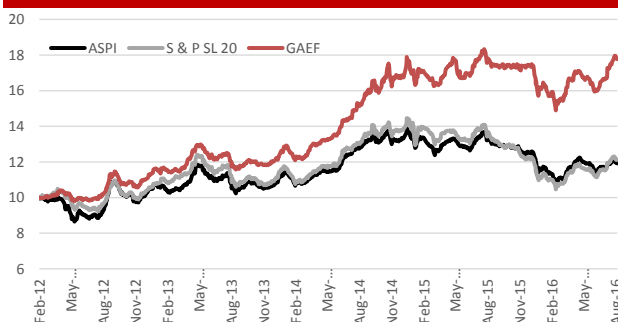
| RETURNS | | | |
|----------------------|--------|----------------|-----------|
| PERIOD | FUND | BENCHMARK ASPI | S&P SL 20 |
| 2016 August | 6.82% | 2.10% | 5.00% |
| 3 Months | 7.49% | -0.34% | 4.66% |
| YTD 2016 | 1.91% | -5.31% | -1.12% |
| Since Inception Cum. | 74.88% | 19.20% | 21.30% |
| Since Inception CAGR | 13.19% | 3.97% | 4.37% |

| TOP 5 HOLDINGS BASED ON NAV | | | |
|-------------------------------|--------|----------|--|
| STOCK | TICKER | % OF NAV | |
| SAMPATH BANK PLC | SAMP.N | 7.38% | |
| DISTILLERIES COMPANY | DIST.N | 7.25% | |
| DIALOG AXIATA PLC | DIAL.N | 5.35% | |
| JOHN KEELLS PLC | JKH.N | 4.71% | |
| COMMERCIAL BANK OF CEYLON PLC | COMB.N | 4.45% | |
| Total Stocks | | 29 | |

SECTOR ALLOCATION (WITH CASH)



GAEF VS. THE MARKET



Disclaimer: Performance data included in this document represents past performance and is no guarantee of the future results. Investment returns and principal values may fluctuate depending on various factors and forces, affecting capital markets.



COMMENTARY

By Fund Manager

Asanka Jayasekara

The month started with positive sentiment towards emerging and frontier markets as foreign investors expected central banks in developed markets to continue its stimulus to ward off an economic slowdown, thereby boosting demand for riskier assets. But this has changed in the later part of the month as the US fed's hawkish tone (indicating policy rate hike) showed a divergence between EU and US monetary policies and created doubts in emerging and frontier market investors' mind.

Similarly, Colombo bourse extended its positive momentum during the month of August as net foreign inflows continued in selected blue chips including John Keells Holdings, Distilleries and Commercial Bank. Accordingly the month ended with a net foreign inflow of around Rs 1 bn taking the total net foreign inflow over the past 2 months to over Rs.2.5 bn. The notable success of USD1.5 bn government bond sale during July also played a key role in boosting overall investor confidence. Accordingly the benchmark ASPI closed the month with a 2.1% gain at 6,528 points.

Against this backdrop, the fund returned 6.8% outperforming the benchmark return by 4.7% for the month, aided by timely equity allocation calls and sound stock selections recommended by our dedicated research team. For the year, the fund has returned a positive 1.9% compared to a negative 5.3% on the benchmark All Share Price index. The fund's timely overweight positions in construction sector players, Tokyo Cement and Alumex proved to be a winner during the month generating the highest contribution to performance with the expectation of a revival in the construction related activities in the economy. Further Distilleries, Sampath Bank and JKH were among the top contributors to the fund's outperformance.

Ongoing key policy drives, now with the guidance of IMF, is expected to further uplift overall confidence in the market and bring the country gradually on track for much needed fiscal consolidation. Further with Sri Lanka stepping up its game in trade, by going full steam ahead on negotiating free trade agreements with three of its major trading partners India, China and Singapore, the country will be in a better position to exploit its unique geo-economic position and facilitate higher FDI inflows.

ABOUT THE FUND

Guardian Acuity Equity Fund is a growth fund which invests in a diversified portfolio of listed equity securities with the objective of achieving medium to long term capital appreciation.

FUND SNAPSHOT

Inception Date
Bloomberg Code
Fund Size
Minimum Investment
Redemption Price as at 31-08-2016

27th February 2012
GACUEQI: SL
LKR 421.87 Mn
LKR 1,000
LKR 17.4880

FUND FEES

Management Fee*
Custodian & Trustee Fee*
Exit Fee**

2.25%
0.30%
2.00%

*As a percentage of NAV

**If withdrawn prior to 1 year