

Guardian Acuity Equity Fund

Open Ended Growth Fund

November 2016

HIGHLIGHT

The fund recorded a -3.29% return for the month and a -5.16% return for the quarter. The YTD return was -3.34%. Therefore, YTD performance has outperformed the benchmark ASPI by 6.13%.

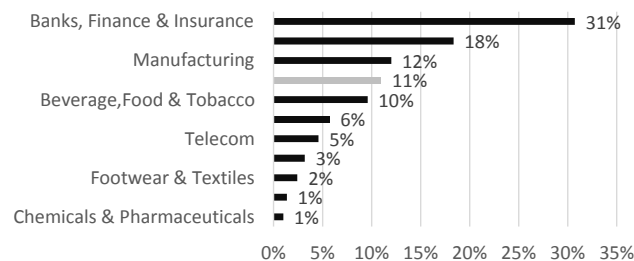
RETURNS*			
PERIOD*	FUND	BENCHMARK ASPI	S&P SL 20
2016 November	-3.29%	-2.62%	-2.61%
3 Months	-5.16%	-4.40%	-3.29%
YTD 2016	-3.34%	-9.48%	-4.37%
Since Inception Cum.	65.86%	13.96%	17.31%
Since Inception CAGR	11.21%	2.78%	3.41%

* Performances are based on month end prices. Performance data included in this document represents past performance and is no guarantee of the future results.

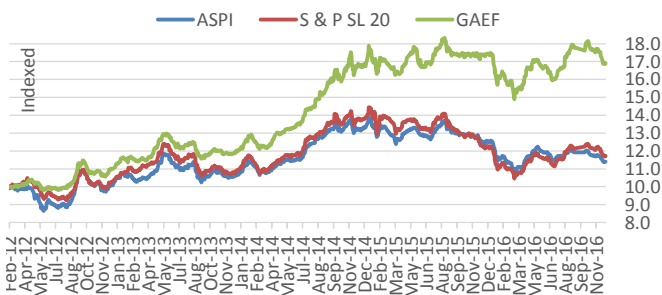
TOP 5 HOLDINGS BASED ON NAV

STOCK	TICKER	% OF NAV
SAMPATH BANK PLC	SAMP.N	7%
DISTILLERIES COMPANY OF SRI LANKA PLC	DIST.N	7%
DIALOG AXIATA PLC	DIAL.N	5%
JOHN KEELLS HOLDINGS PLC	JKH.N	4%
NATIONAL DEVELOPMENT BANK PLC	NDB.N	4%
Total Stocks		31

SECTOR ALLOCATION (WITH CASH)



GAEF VS. THE MARKET



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COMMENTARY

By Fund Manager

Asanka Jayasekara

Emerging and Frontier equity markets dropped during the month over uncertainty surrounding Donald Trump's economic policies and their impacts after his surprise win of the US presidential election. EM Investors were worried about Trump's protectionist & anti-trade policies, call for stronger US dollar and higher interest rates, which could slow down the growth in Asian economies. However on the contrary, some of investment veterans like Mark Mobius believe emerging market (EM) equities will do better in the future, benefitting from a stronger US economy. Given US is the largest economy, any pickup in growth will invariably have a positive spill over effect on the rest of the economies, especially emerging and frontier economies. Further OPEC's first oil production cut after 2008 created some optimism in emerging markets again.

Similarly, November was a critical month for Sri Lanka as the 2nd budget of the new government was presented on 10th with a lot of new tax revenue proposals to bring down the budget deficit to 4.6% level. Key proposals like increase in corporate taxes, WHT, excise duties on motor vehicles & ethanol, telecom levies and introduction of new taxes such as financial transaction levy, capital gains taxes on immovable properties etc, together with the recent increase in VAT would have a negative impact on corporates profitability and disposal income of the general public in the short term. However these corrective measures were needed, and investors and the business community expect that these measure would help to stabilize the economy in the medium term. But retail investors reacted to this negatively, thereby the CSE All Share Price Index decreased by 2.6% during the month despite foreigners being net buyers during the month. Accordingly, the fund also dropped by 3.3% for the month and year to date.

We believe, current relative valuations of the overall market, in terms of historical and peer countries, is attractive even after adjusting for negative or flat corporate earnings growth in next year. At individual stock level, there are many undervalued shares which are more attractive given their robust business model. Therefore with the improvement in macroeconomic conditions, market could be more buoyant going forward.

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 as at 30-11-2016
Minimum Investment
Redemption Price as at 30-11-2016

27th February 2012
GACUEQI: SL
LKR 400.84 Mn
LKR 1,000
LKR 16.5861

FUND FEES

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

2.25% p.a.
0.3% p.a.
2% p.a.

*As a percentage of NAV

**If withdrawn prior to 1 year