Guardian Acuity Equity Fund

Open Ended Growth Fund

February 2018

Tel: +94 112039377   E-mail: info@guardianacuity.com

Asanka Jayasekara
Fund Manager

HIGHLIGHT

The fund recorded a 4.08% return for the month and 6.65% return for 3 Months. The YTD return of the fund was 7.54% vs. Benchmark ASPI return of 2.87%, recording a 4.67% outperformance.

RETURNS*

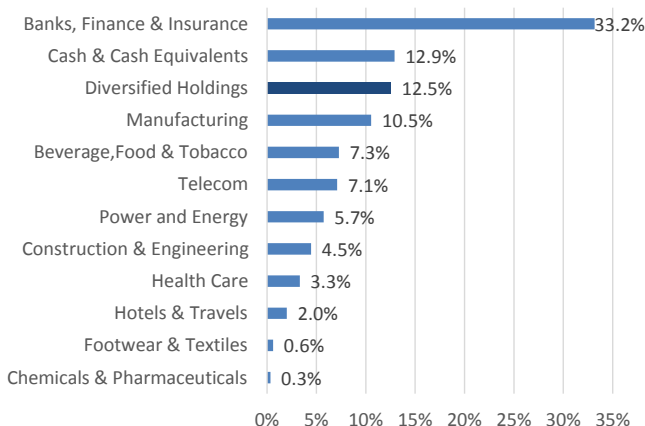| PERIOD*	FUND	BENCHMARK ASPI	S&P SL 20
2018 February	**4.08%**	1.16%	-0.99%
3 Months	**6.65%**	2.18%	-0.40%
Year To Date (YTD 2018)	**7.54%**	2.87%	1.05%
Since Inception Cum.	**83.52%**	19.63%	25.53%
Since Inception CAGR	**10.63%**	3.03%	3.86%

Note : ASPI (Benchmark) and S&P SL 20 are based on CSE data as of 28th February 2018

* Performances are based on month end prices as of 28th February 2018. Performance data included in this document represents past performance and is no guarantee of the future results.
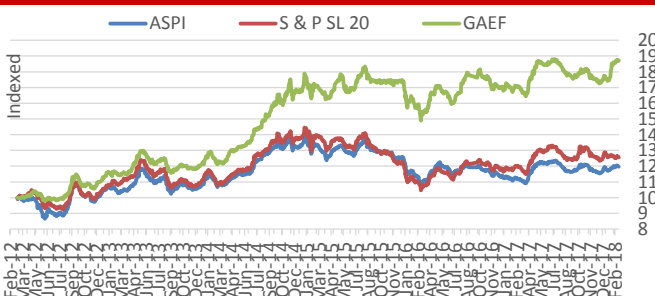
TOP 5 HOLDINGS BASED ON NAV

STOCK	TICKER	% OF NAV
CARGILLS (CEYLON) PLC	CARG.N	7.27%
DIALOG AXIATA PLC	DIAL.N	7.10%
MELSTACORP LIMITED	MELS.N	6.99%
PEOPLE'S LEASING & FINANCE PLC	PLC.N	6.24%
CENTRAL FINANCE COMPANY PLC	CFIN.N	5.74%

SECTOR ALLOCATION (WITH CASH & CASH EQUIVALENTS)

Sector	%
Banks, Finance & Insurance	33.2%
Cash & Cash Equivalents	12.9%
Diversified Holdings	12.5%
Manufacturing	10.5%
Beverage,Food & Tobacco	7.3%
Telecom	7.1%
Power and Energy	5.7%
Construction & Engineering	4.5%
Health Care	3.3%
Hotels & Travels	2.0%
Footwear & Textiles	0.6%
Chemicals & Pharmaceuticals	0.3%

GAEF VS. THE MARKET

Global equity markets showed volatility in early February after fifteen months of strong growth. Both developed and Emerging markets ended the month with negative return (DM -3.5% and EM -3.9%) with the expectation that developed central banks may tighten their monetary policy sooner than expected. Chinese fourth quarter GDP growth was stronger than expected (6.8% YOY), which shows that China can maintain its rapid growth despite restriction in loan growth by the authorities. This has brought some positivity back to the emerging markets.

Similarly, Colombo bourse zigzagged between gains and losses during a politically eventful month as the much awaited local government election was conducted mid-month. The uncertainty created following the defeat of the ruling coalition from the local poll dragged the index down, yet the subsequent affirmation that the existing government would continue for the remaining 2 year period brought back some confidence as the broader ASPI closed with a 1.16% gain. Softlogic Holdings saw renewed investor interest following the announcement of a private placement and a rights issue, whilst Janashakthi Insurance also announced sale of its General Insurance arm and a share buyback plan during the month. Foreigners continued to buy shares as the month recorded about Rs 2 bn net inflow with top inflows being witnessed in Soflogic Holdings, Colombo Cold Stores, Commercial Bank.

Against this backdrop, your fund recorded 4.08% return for February, outperforming the ASPI growth of 1.16%. The return drove mainly by investment in Insurance, diversified, and Food & Beverage (BFT) sectors whist investments in Construction (C&E) and Power & Energy sectors contributed negatively . The fund's year to date return was 7.54% vs ASPI of 2.87%.

Current attractive valuations of the CSE holds back the performance of the market despite political volatility in the country. We expect market will react positively once the political situation shows more stability. However we have to closely monitor government actions toward fiscal and monetary policies since populist measure to please the general public may harm the policy discipline built thus far.

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	27th February 2012
Bloomberg Code	GACUEQI: SL
Fund Size as of 28-02-2018	LKR 448.19Mn
Minimum Investment	LKR 1,000
Unit price as of 28-02-2018	LKR 18.3519

FUND FEES

Management Fee*	2.25% p.a.
Custodian & Trustee Fee*	0.3% p.a.
Exit Fee**	2% p.a.

*As a percentage of NAV

**If withdrawn prior to 1 year

Investors are advised to read and understand the contents of the Explanatory Memorandum before investing. Among others, investors should consider the fees and the charges involved.