

Guardian Acuity Equity Fund

Open Ended Growth Fund

May 2018

HIGHLIGHT

The fund recorded a -1.97% return for the month and -1.82% return for 3 Months. The YTD return of the fund was 5.58% vs. Benchmark ASPI return of 0.46%, recording a 5.12% outperformance.

RETURNS*				
PERIOD*	FUND	BENCHMARK ASPI	S&P SL 20	ASTRI
2018 May	-1.97%	-2.03%	-2.54%	-1.97%
3 Months	-1.82%	-2.34%	-3.86%	-2.20%
Year To Date (YTD 2018)	5.58%	0.46%	-2.85%	0.69%
Since Inception Cum.	80.18%	16.83%	20.69%	28.06%
Since Inception CAGR	9.86%	2.52%	3.05%	4.03%

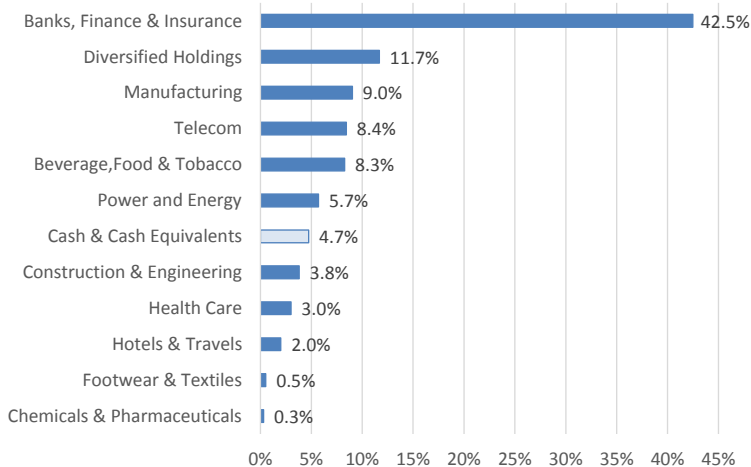
Note : All Share Price Index (ASPI) ,All Share Total Return Index(ASTRI) & S&P Srilanka 20 Index (S&P SL 20) are based on CSE data as of 31st May 2018

* Performances are based on month end prices as of 31st May 2018. Performance data included in this document represents past performance and is no guarantee of the future results.

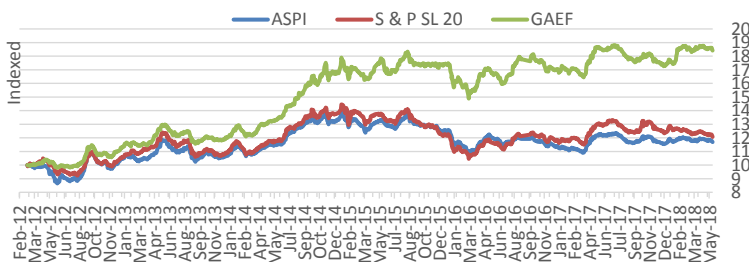
TOP 5 HOLDINGS BASED ON NAV

STOCK	TICKER	% OF NAV
DIALOG AXIATA PLC	DIAL.N	8.44%
CARGILLS (CEYLON) PLC	CARG.N	8.27%
SAMPATH BANK PLC	SAMP.N	7.88%
NATIONS TRUST BANK PLC	NTB.N	7.32%
CENTRAL FINANCE COMPANY PLC	CFIN.N	6.31%

SECTOR ALLOCATION (WITH CASH & CASH EQUIVALENTS)



GAEF VS. THE MARKET



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Asanka Jayasekara
Fund Manager

Developed and emerging equity market returns diverged again in May as a US led developed equity market recovery recorded 1.4% growth whilst emerging market equities (MSCI EM) dropped by 2.2%. Despite the negative impact on consumption caused by higher fuel prices, US equities performed well as the first quarter financials surprised the market with record profits. US S&P 500 index recorded a revenue growth of 8% (yoy) and an earnings growth of 26% (yoy) which was mainly driven by tax cuts and growth in business activities. However, emerging market equities retreated with the impact of rising dollar and risk off mode of the investors.

Against this backdrop, Colombo bourse also recorded a negative growth of 2.03% (ASPI) in May. The continuous net foreign inflow trend (excluding strategic deals) we have seen since June 2016 has been reversed in May with significant outflows recorded in JKH and Aitken Spence Holdings resulted in a net foreign outflow of Rs 438mn for the month. Selling pressure on JKH shares were mainly triggered with the news of possible removal of JKH from the MSCI Frontier 100 index due to failure to meet the minimum liquidity requirement (however it remains on the broader MSCI frontier index). Investor sentiment was also weakened with the fuel price hike of approximately 15-17% which will have a negative impact on already dampened disposal income of consumers and cost of production/sales. However, if fuel prices are revised every two months based on a formula (as per the finance minister), it will be a positive move that will benefit the economy in the long run. Further floods and heavy rains in some part of the country and weak quarterly earnings reported for March quarter also had a negative bearing in investor sentiment.

The fund also dropped by 1.97% inline with market drop (ASPI) of 2.03%. MelstaCorp, Lanka Hospitals and Access Engineering were the key contributors for the drop. However MelstaCorp released its quarterly earnings in early June, recording a 162% net profit growth (Rs 3.2bn) in reported basis and 72% in recurring basis (Rs 2.7bn). Distilleries and Aitken Spence (a subsidiary and an associate company of Melsta respectively) showed a significant turnaround in their core businesses, liquor and liesure respectively. The banking sector and the telecom sector stocks were the top positive contributors to the fund in May. Despite many negative factors including political instability, natural disasters, increasing cost of living and elevated interest rates, the market still holds or swings around 4,500 level (ASPI) because of the attractive valuations and signs of improving macro economic condition. Therefore we encourage our investors to be patient and maintain a medium term focus to gain the upturn.

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 31-05-2018	LKR 437.16Mn
Minimum Investment	LKR 1,000
Redemption Price as at 31-05-2018	LKR 18.0180

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.