

# GUARDIAN ACUITY ASSET MANAGEMENT LTD

Unit Trust Funds

Interim Report  
For the Six Months Ended 30th June 2017

## Fund Information

		<b>Guardian Acuity Equity Fund</b>	<b>Guardian Acuity Money Market Fund</b>	<b>Guardian Acuity Money Market Gilt Fund</b>
<b>Fund Objective</b>		To achieve medium to long term capital appreciation	To provide an annual income for a low level of risk	To provide a secure annual income by investing in a portfolio of government securities
<b>Fund Strategy</b>		The Fund will invest in a diversified portfolio of stocks on the Colombo Stock Exchange with an exposure to growth sectors of the economy	The fund will strategically invest in a portfolio of money market securities in order to maximize the fund yield for a low level of risk	The fund will invest in a portfolio of a government securities to provide a secure annual income
<b>Fund Fee Structure</b>	Front End Fee	Nil	Nil	Nil
	Management Fee	2.25% p.a	0.60%p.a	Maximum 0.3% of NAV p.a
	Trustee Fee	0.25%p.a+Rs.15,000 p.m	0.15% p.a	Maximum 0.2% p.a based on the Fund size + Rs.25,000/-p.m
	Exit Fee	2% p.a in 1 <sup>st</sup> Year, 0% thereafter	Nil	Nil
<b>Fund Structure</b>	Minimum Subscription	Rs.1,000/-	Rs.1,000/-	Rs.1,000/-
	Fund Structure	Open Ended	Open Ended	Open Ended
	Switching	Allowed	Allowed	Allowed
	Dividend	-	Annual	Annual
	Initial Offer Price	Rs.10/-	Rs.10/-	Rs.100/-
	Inception date	27 Feb 2012	27 Feb 2012	24 Mar 2015
<b>Liquidity</b>	Redemption period	Within T+3 days	Within T+3 days	Within T+3 days

## Service Providers

### Fund Manager

Guardian Acuity Asset Management Ltd  
No.61, Janadhipath Mawatha  
Colombo 01.

### Trustee and Custodian

Deutsche Bank AG, Filiale Colombo  
86, Galle Road  
Colombo 03

### Promoters

Acuity Partners (Pvt) Ltd  
53, Dharmapala Mawatha  
Colombo 03



### Banker

Deutsche Bank AG, Filiale Colombo  
86, Galle Road  
Colombo 03

Ceylon Guardian Investment Trust PLC  
No.61, Janadhipath Mawatha  
Colombo 01.



### Auditors

Messrs. Ernst and Young  
201, De Saram Place, Colombo 10

### Registrar

Guardian Acuity Asset Management Ltd  
No.61, Janadhipath Mawatha  
Colombo 01.

### Distributors



Selected Branches of Hatton National Bank  
479, T.B Jayah Mawatha, Colombo 10

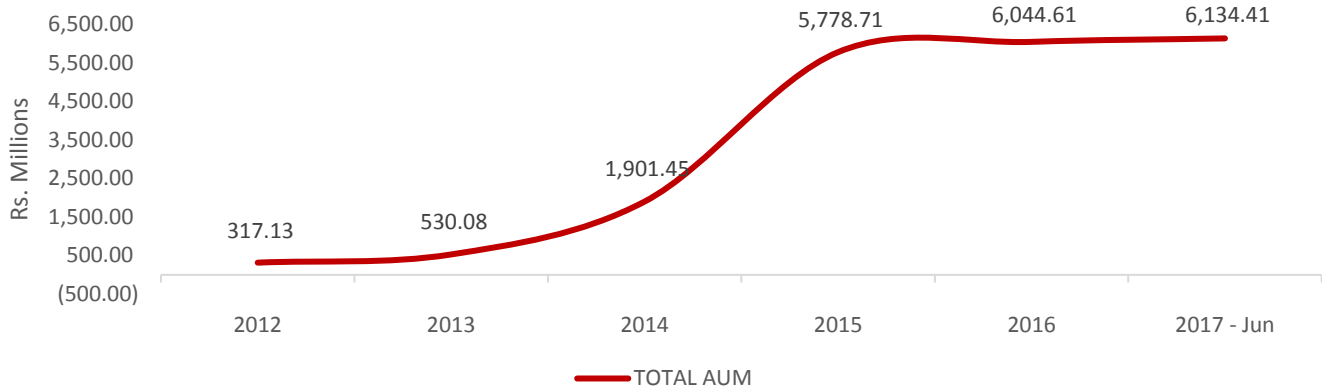
Bartleet Religare Securities (Pvt) Ltd

Accede Capital (Pvt) Ltd

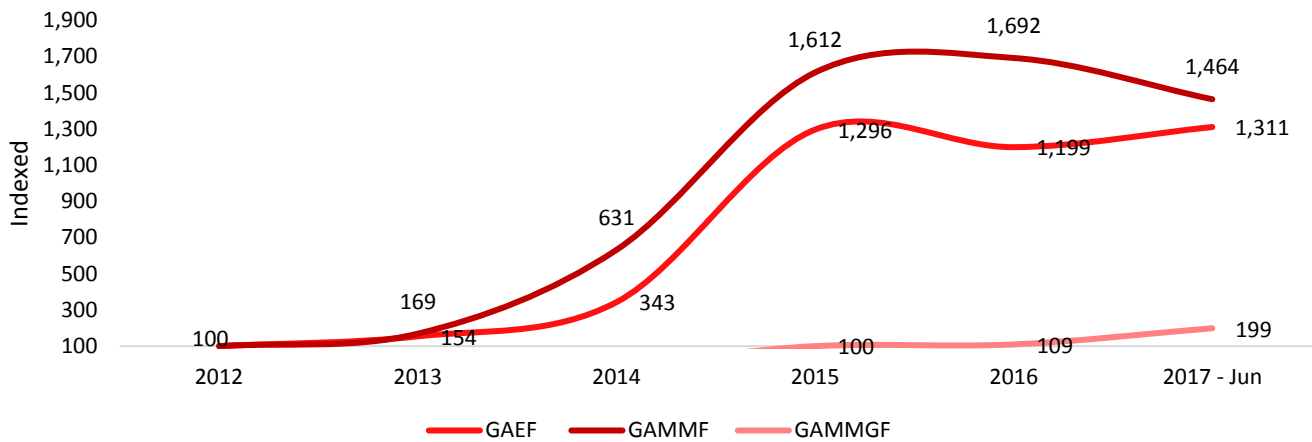
Alliance Finance Co. PLC

# Business Growth

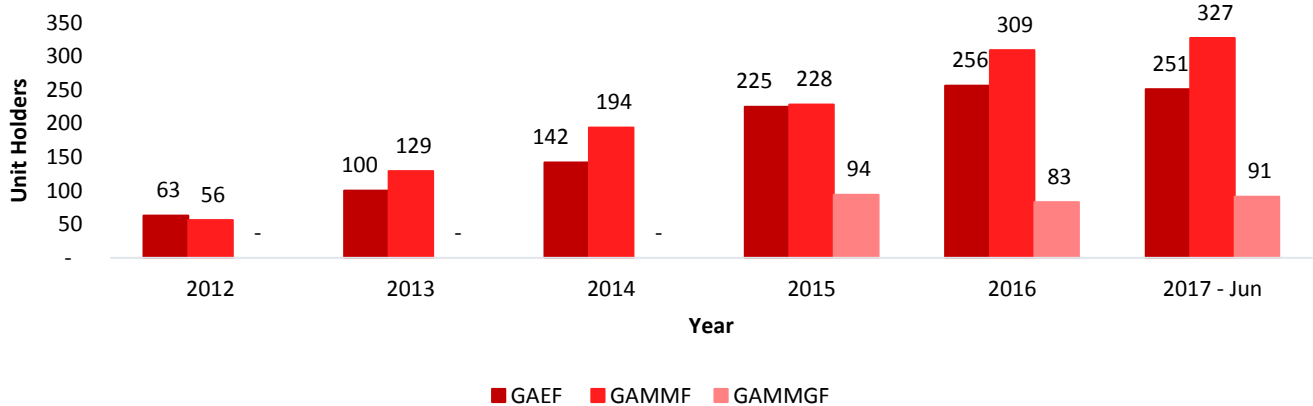
## Assets under Management



## Net Fund Flows



## No. of Unit Holders



## ECONOMY & MARKETS

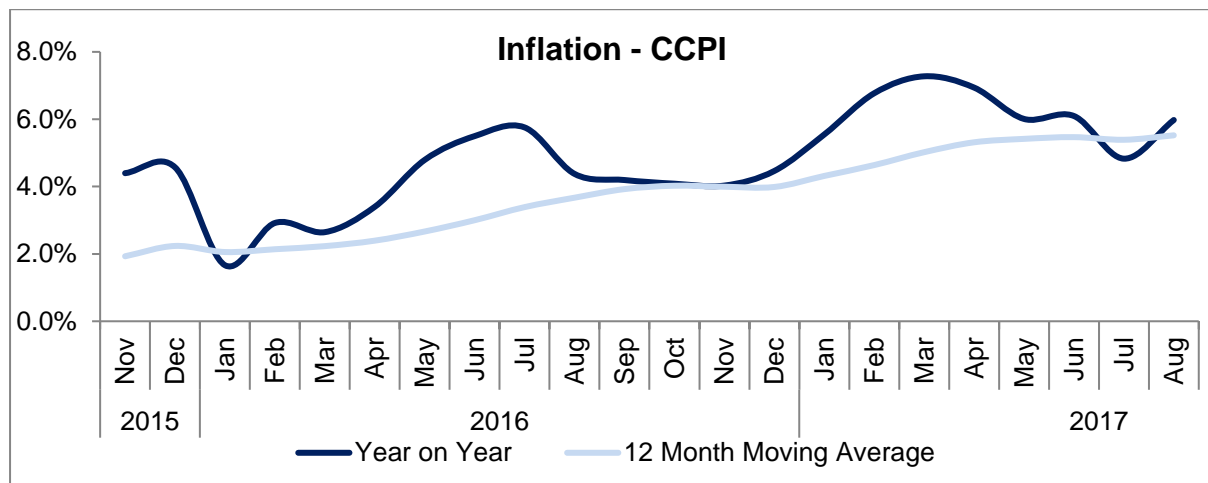
The Sri Lankan economy grew by 3.8%, in real terms, in the Q1 2017 compared to the growth of 5.3% recorded in the last quarter of 2016. Economic growth was mainly supported by the expansion of Industry and Services related activities, which grew by 6.3% and 3.5%, respectively. Meanwhile, Agriculture related activities recorded a drop of 3.2% impacted by unfavourable weather conditions. The prolonged drought prevailed in Eastern, North-Central and North-Western provinces from September 2016 affected the Cereals, rice, sugar, tobacco, coconut, tea and rubber production of the country.

Within the Industry segment, construction activities, mining and quarrying activities showed a significant growth in the first quarter. Among the sub activities of services, financial service activities have shown significantly higher growth rate of 14.9% while wholesale and retail trade recorded 4.5% growth.

The Asian Development Bank (ADB) expects the Sri Lankan economy to rebound by achieving a 5.0% growth in 2017 compared to 4.4% in 2016.

### Inflation

Inflation, as measured by the change in the Colombo Consumer Price Index (CCPI) (2013=100), increased to 6.1% in June 2017 from 4.5% in December 2016, on year-on-year basis. Both Food and Non-food categories contributed towards the year-on-year inflation in June 2017. The drought situation, the demand pressure of the economy stemming from higher private sector credit growth (18.6% YoY in June 2017) and an increase in indirect taxes (VAT from 12% to 15%) caused inflation to increase in the 1st half of 2017.



Source: [www.statistics.gov.lk](http://www.statistics.gov.lk)

## External sector performance

Income from exports grew by 5.2% to USD 5,397.6 million. Industrial exports, which accounts for 75% the country's export income marginally grew by 1.5% to USD 4,065.8 million during the first half of 2017. Within the industrial sub segment, earnings from textiles and garments, which account for 58% of industrial exports, declined by 5.2% during the first half affected the overall export growth during the period. Drop in garment exports is due to the decline in demand from USA and EU markets.

Expenditure on imports increased by 8.9% to USD 10,151 million during the first half of 2017. Expenditure on consumer goods and intermediary goods increased by 5.5% to USD 2,223.9 million and 11.9% to USD 5,349.0, respectively, while import expenditure on investment goods marginally increased by 0.8% to USD 2,447.2 million.

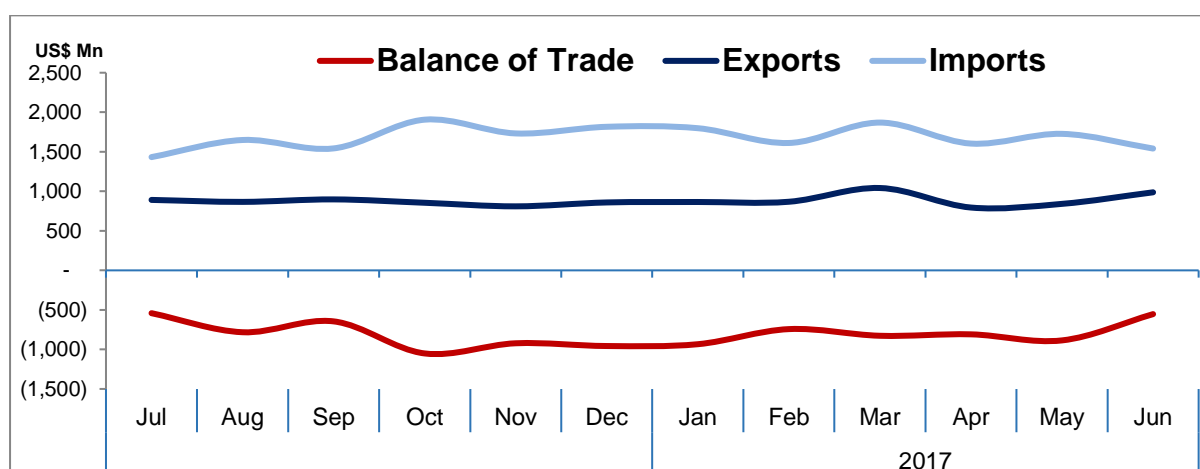
The country's fuel Import bill, which accounts for 30% of the intermediary goods increased by 37.9% to USD 1,624.5 million. This was caused by rising oil prices and higher oil consumption due to lower hydro power generation as a result of the drought situation in the country.

During the first half the workers' remittances declined by 7.2% to USD 3,354.7 million primarily due to the adverse economic and geopolitical conditions prevailing in the Middle Eastern region.

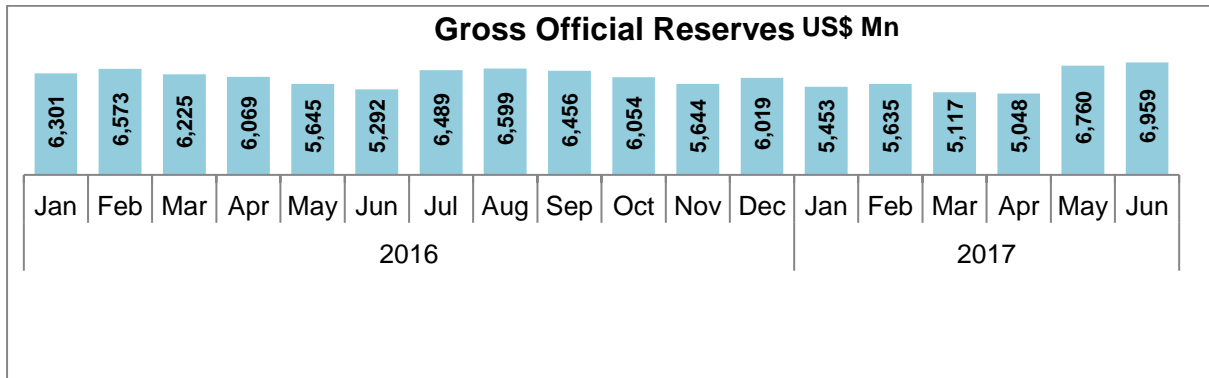
Inflows to the financial account elevated with the receipts of USD 1.5 billion, sovereign bond proceeds, USD 450 million syndicated loan facility and USD 729.8 million foreign investments to the government securities market.

Widening trade deficit and drop in worker remittances increased the foreign borrowing requirement of the country and also created exchange rate pressure. However, with receipt of sovereign bond proceeds and the syndicated loan proceeds towards the later part of the first half help to boost the reserve level of the country.

The overall BOP recorded a surplus of USD 1,563.4 million during the 1st half of 2017, compared to a deficit of USD 1,186.1 million during the corresponding period of 2016.



Source: [www.cbsl.gov.lk](http://www.cbsl.gov.lk), weekly report, 4.3 official reserves and Press releases and speeches 25.08.2017

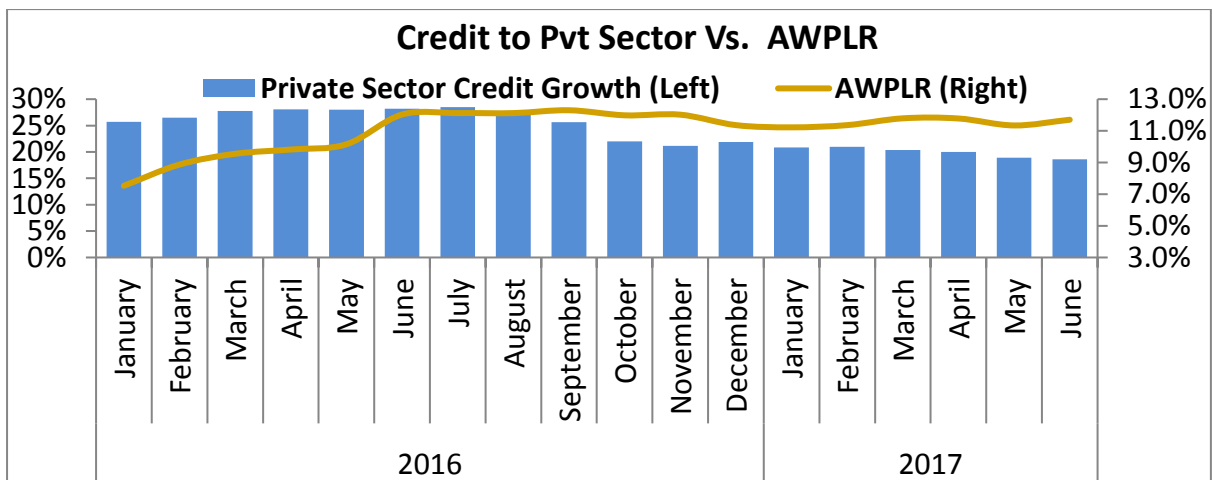


Source: [www.cbsl.gov.lk](http://www.cbsl.gov.lk), weekly report, external sector

#### Credit Growth

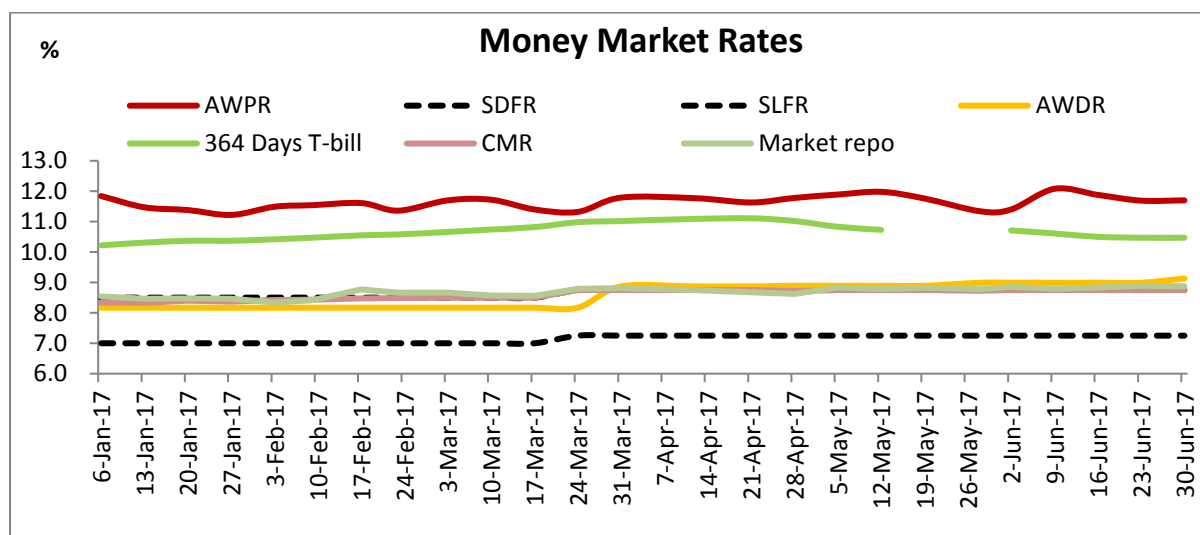
At the end of first half of 2017 the private sector credit slowed down to 18.6% year on year basis from 20.9% in January and the credit demand from SOEs touched 13.7% on year on year basis in June after reporting a drop of 1.8% in January 2017, while the government credit demand slowed down to 11.4% year on year basis from 13.1% in January. Higher SOE borrowings in the initial 3 months of 2017 higher private sector credit demand created pressure on rates but towards the last 3 months of the first half the pressure on rates eased off with the slowdown in credit growth.

On 24th March 2017 CBSL increased the policy rates by 25 basis points and which helped to curtail the private sector credit growth during the first half of 2017. The credit demand from SOEs increased due to higher thermal power generation during the first quarter of 2017 due to the adverse weather condition in the country. The government credit demand slowed down due to increasing government revenue helped by the tax increases in 2016.



Source: [www.cbsl.gov.lk](http://www.cbsl.gov.lk), weekly report, 2.2 money supply

## Interest Rates



As a result of the rate increase in March 2017 standing deposit facility rate and standing lending facility rate increased 7.25% and 8.75%, respectively. Treasury bill rate continued to increase from 10.37% at the end January to 11.02% in April. However, due to lower government borrowings as a result of higher tax revenue collections the one year Treasury bill rate drop down to 10.47% in June 2017.

In line with the Treasury bill rate increase, the Average Weighted Prime Lending Rate (AWPLR) increased from 11.88% at the mid of June compared to 11.22% in January, however, towards the end of June 2017 AWPLR decreased to 11.70% due to lower slowdown in private sector credit growth. Average Weighted Deposit Rate increased to 9.13% towards the end of June from 8.17% in January.

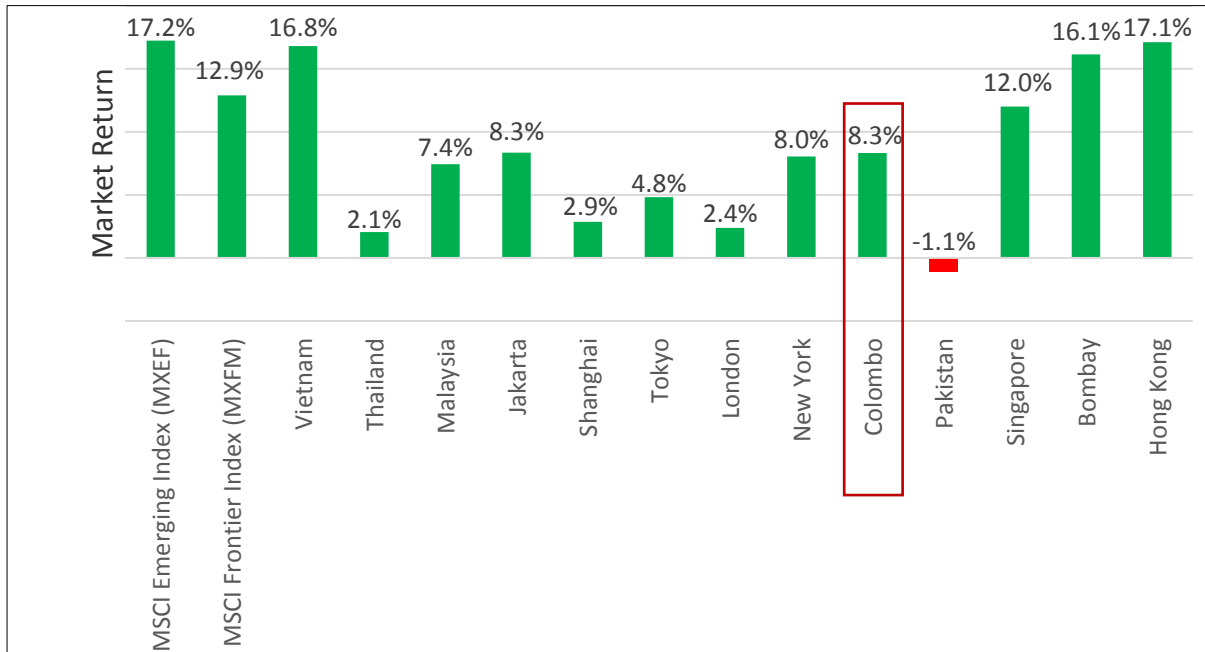
We expect the interest rates to come off during the second half of the year due to improved gross official reserve levels and lower government borrowings.

Source: [www.cbsl.gov.lk](http://www.cbsl.gov.lk)



## Equity Market Review

### Global Stock Markets Performance -1H 2017



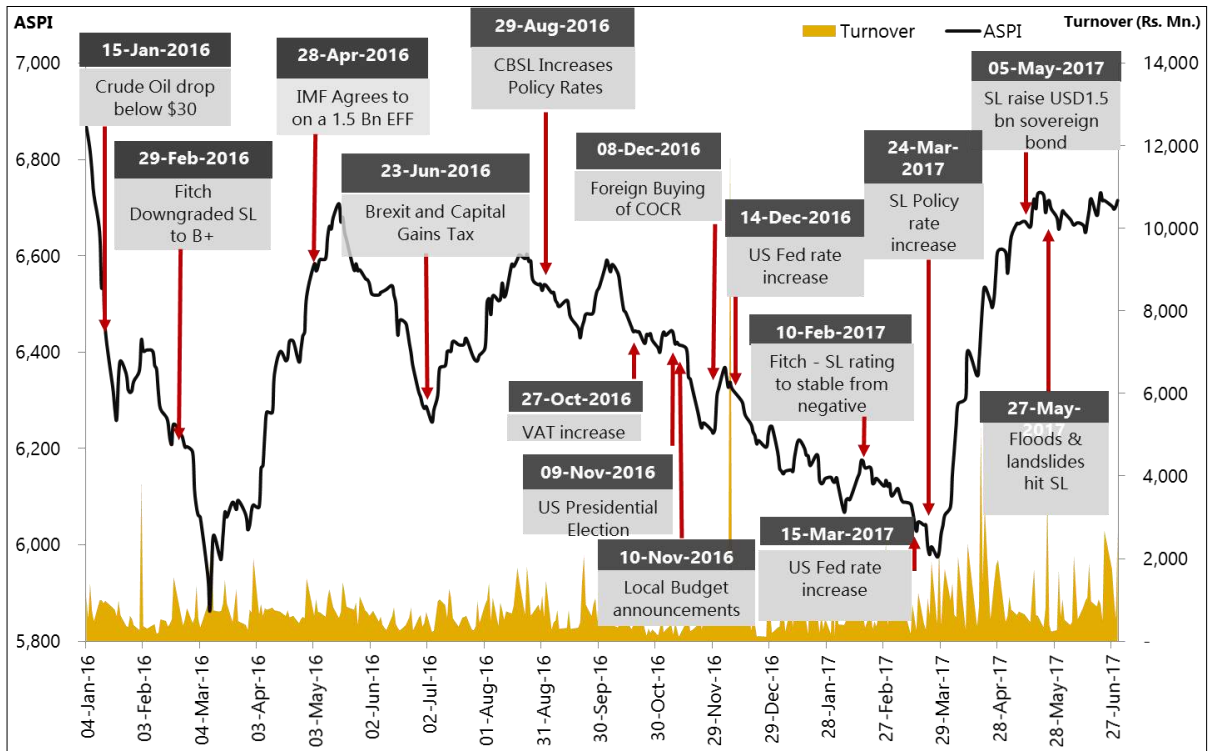
Source: Bloomberg

Equity markets around the world recorded strong growth during the first half of 2017. The world economy showed solid growth during the period despite growing geopolitical tensions and terrorist activities. Strong corporate earnings coupled with favourable monetary policies adopted by major central banks propelled the developed and emerging countries' stock markets in 1H 2017. Political stability in Euro zone with pro-euro candidate elected as president in France was a major relief to the investor community. However second half of the year can be more volatile for the global stock markets. Few broad themes that could impact the markets would be more hawkish approach of many central banks (reducing Quantitative Easing programs and increasing policy rates) including EU and US, political stability in developed markets, geopolitical tensions and growth in Chinese and other developed economies.

## CSE All Share Price Index Movement and Key Global and Local Events

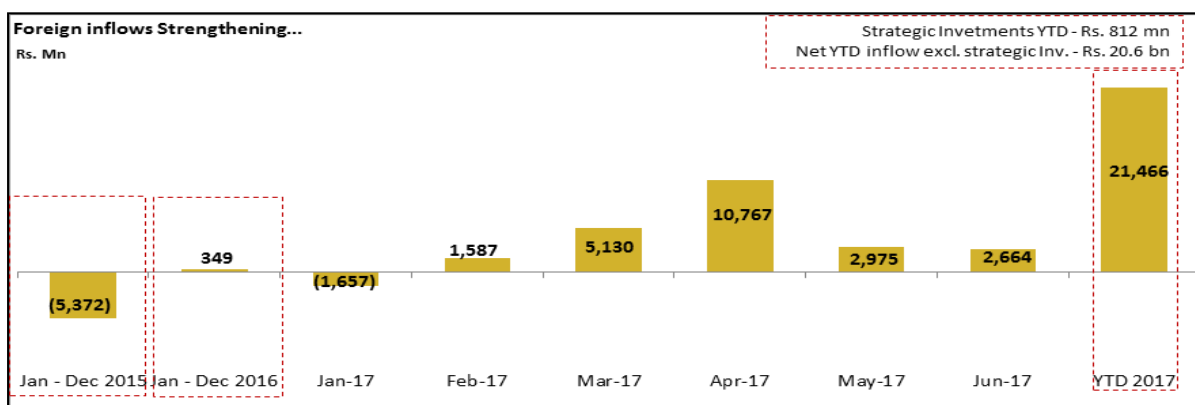
Source: CSE, GFM Research

Local investors breathed a sigh of relief in the first half of 2017 after two consecutive negative years



in Colombo Stock Exchange. The All Share Price Index advanced by 8.3% during the period and S&P SL 20 index gained 12.5%. Sri Lanka also experienced significant inflows due to global equity market optimism, whereas investments to the CSE recorded more than Rs 21bn net inflows during the first six month of the year.

## Net Foreign Inflows to Colombo Stock Exchange

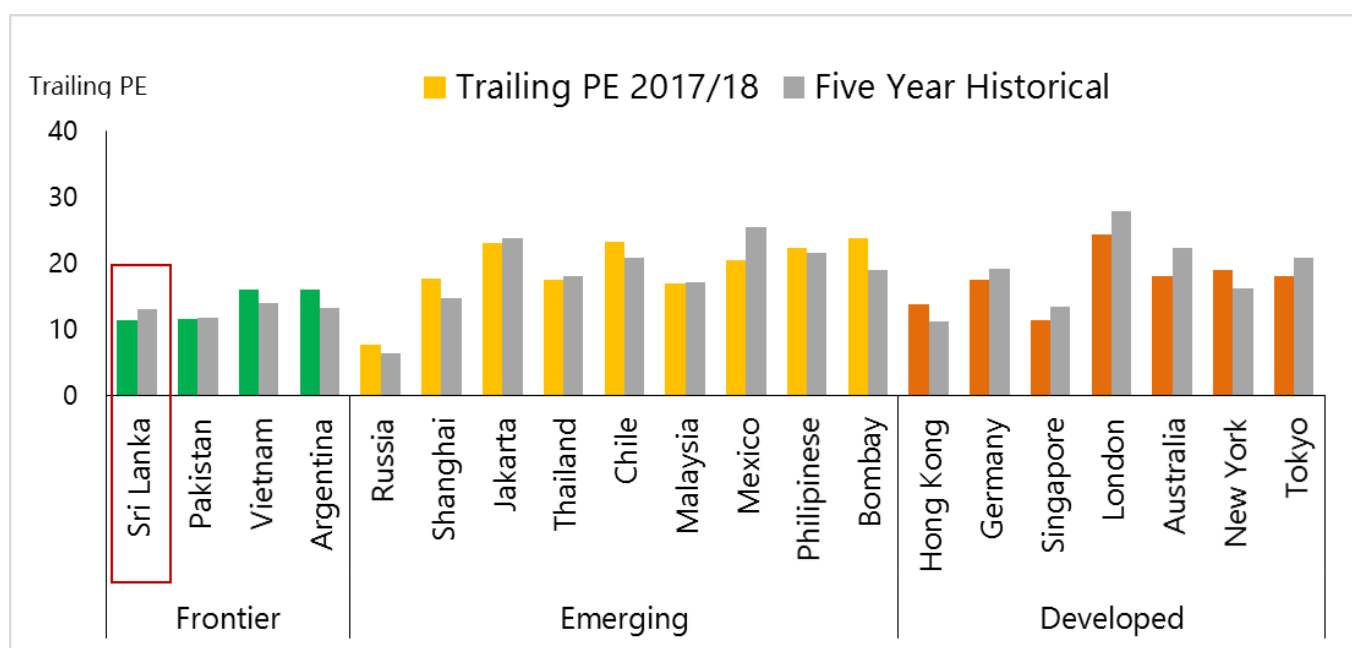


Source: CSE, GFM Research

Foreign inflows drove the market up despite the low economic growth and severe drought situation in first quarter and devastating floods and Landslides in second quarter of the year. This has directly

affected to the corporate earning together with prevailing high interest rates situation in the country. Cumulative net earnings of listed corporates showed a 4.6% growth in the June quarter of 2017 as a result of two largest sectors of CSE, Banking, Finance & Insurance and Diversified, recorded a growth of 14.5% and 28.9% respectively. Nevertheless, 9 out of 19 sectors of CSE had a negative growth including prominent sectors such as Beverage, Food & Tobacco (-1.4%), manufacturing (-31.1%) and hotels & Travels (Rs -1.2bn) for the same period.

### Relative Valuation of CSE and other stock markets (as at 15/09/2017)



Source : Bloomberg

The above events and conditions that affected corporate earnings are of a temporary nature and thereby unlikely to continue to the future. Therefore current relative valuation of Colombo Stock Exchange is very attractive for both local and foreign investors in comparison to CSE's historical average price to earnings (P/E) ratio as well as peer countries' P/E ratios.

## Fund Performance Review

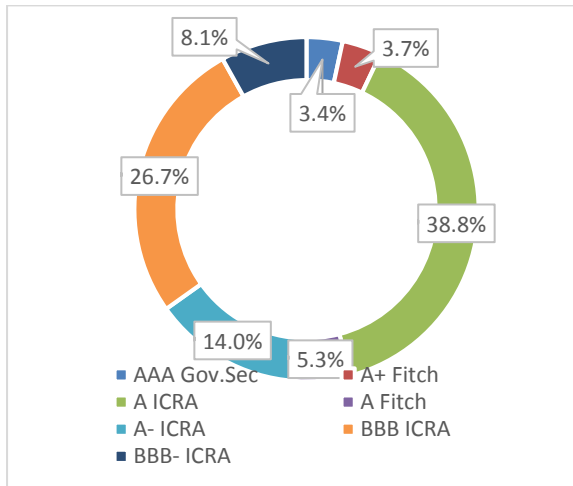
### Guardian Acuity Money Market Fund

For the first half of 2017 the Guardian Acuity Money Market Fund provided a return of 5.76% which works out to an annualized return of 11.62%. The NDBIB-CRISIL 91 Day T-bill Index gave a return of 4.47% for the same time period. The fund had a focus on fixed deposits, government securities, commercial papers and other money market instruments with issuers of investment grade rating and above.

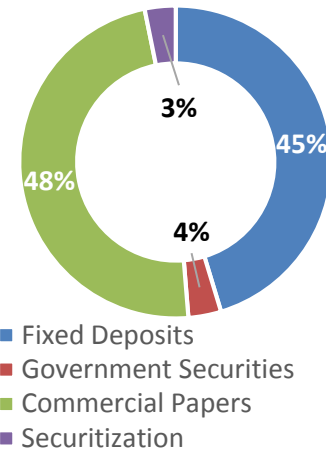
Period	GAMM	NDBIB-CRISIL 91 Day T-Bill Index	GAMM-Annualised
YTD-2017	5.76%	4.47%	11.62%
Since Inception	66.91%	54.15%	12.52%

The average maturity of the fund was 1.89 months as at 30<sup>th</sup> June 2017. The fund had an exposure of 45% to fixed deposits and 48% to commercial papers. Prevailing low level of excess liquidity level in the market provided the fund with opportunities to get attractive deposit rates from financial institutions.

### FUND CREDIT QUALITY

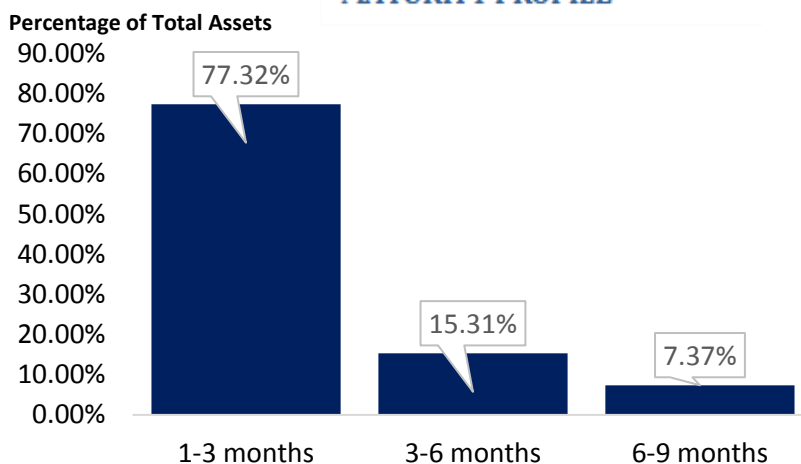


### ASSET ALLOCATION



Rating	Fitch rating	ICRA	Gov. Sec	Total
Gov. Sec.	-	-	3.4%	3.4%
A+	3.7	-	-	3.7%
A	5.3	38.8%	-	44.1%
A-	-	14.0%	-	14.0%
BBB-	-	8.1%	-	8.1%
BBB	-	26.7%	-	26.7%
<b>Total</b>	<b>8.9%</b>	<b>87.7%</b>	<b>3.4%</b>	<b>100.0%</b>

### MATURITY PROFILE



The Fund has an emphasis of investing in high credit quality companies of minimum investment grade to ensure capital protection for its investors. A shorter maturity profile as depicted in the chart above allows the fund to take advantage of a rising interest rate environment and provide higher returns to investors. As expected CBSL increased the fixed deposit ceiling rate from 13.11% to 13.55% in the first week of July.

With interest rates increasing in the first half of the year yield to investors was around 11.20% - 11.60%, however, with overall rates expect to drop the yield of the fund should also decline with the market rates in the second half.

As at 30<sup>th</sup> June 2017, the total net asset value of the fund was Rs. 4,131 million with 327 unit holders in the fund. The subscription and redemption price for the fund on 30<sup>th</sup> June 2017 was Rs.14.4937.

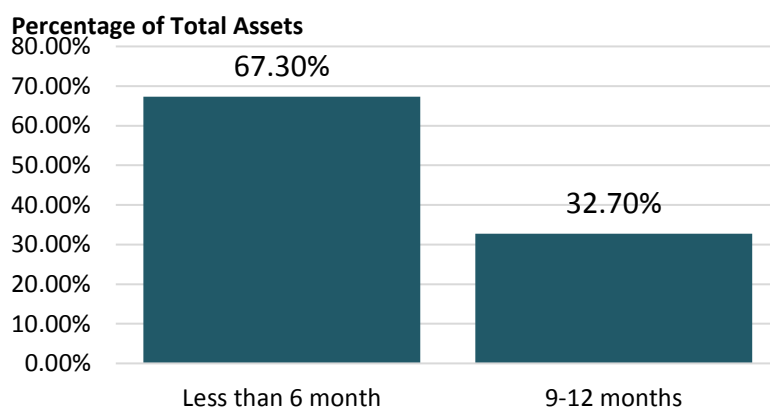
**Guardian Acuity Money Market Gilt Fund**

Period	GAMGF	NDBIB-CRISIL 91 Day T-Bill Index	GAMMGF-Annualized
YTD-2017	4.64%	4.47%	9.36%
Since Inception	19.22%	18.48%	8.46%

For first half of 2017 Guardian Acuity Money Market Gilt Fund provided a return of 4.64% which works out to an annualized return of 9.36%. The NDBIB-CRISIL 91 Day T-bill Index gave a return of 4.47% for the same time period. The average maturity of the fund was 4.69 months as at 30<sup>th</sup> June 2017. The fund followed the strategy of investing over 3 to 6 months horizon till June 2017 and in July we change our strategy by extending investments over 6 to 12 months horizon to get the benefit of the elevated interest rate environment.

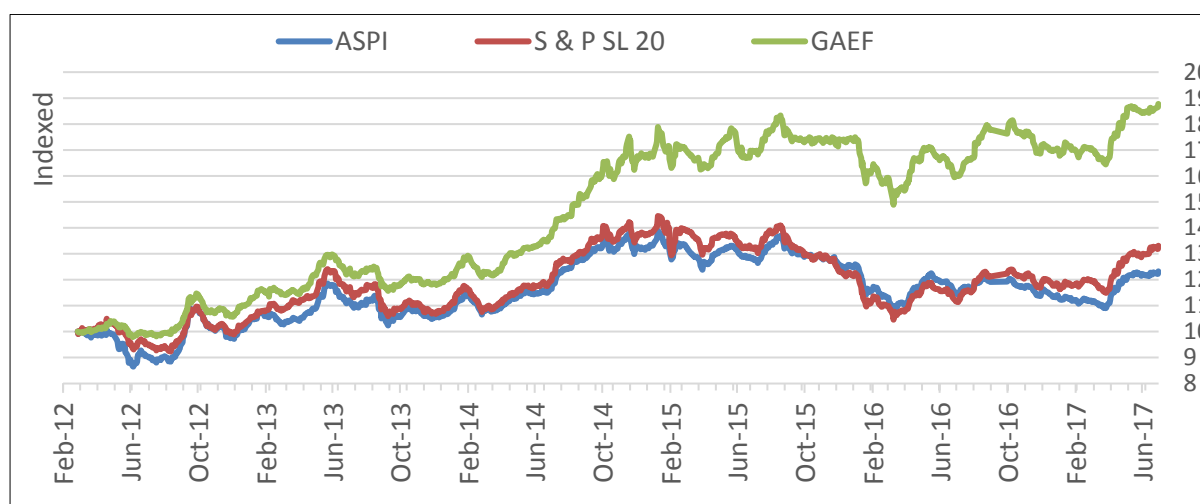
The fund had an exposure of 46% to repurchase agreements with underlying government securities and 54% directly to Treasury bills.

**MATURITY PROFILE**



As at 30<sup>th</sup> June 2017, the total net asset value of the fund was Rs.1, 545.51 million with 91 unit holders in the fund. The subscription and redemption price for the fund on this date was Rs.119.2207.

## Guardian Acuity Equity Fund



The fund returned 9.97% for the first half of 2017, outpacing the benchmark All Share Price Index growth of 8.33%. This enabled the fund to maintain its since inception annualized return (CAGR) at 12.06%, well ahead of the 3.98% growth of benchmark ASPI.

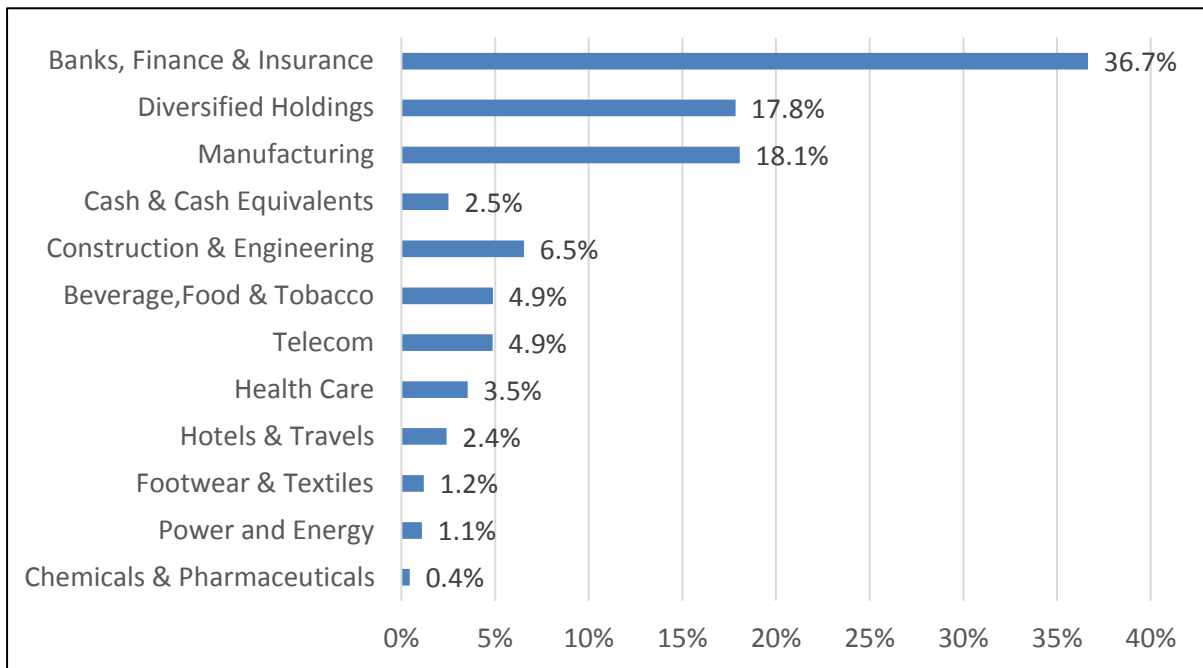
### Equity Fund Performance Summary

PERIOD	FUND	BENCHMARK ASPI	S&P SL 20
<b>1H 2017</b>	<b>9.97%</b>	8.33%	12.50%
<b>Since Inception Cum.</b>	<b>83.70%</b>	23.20%	33.09%
<b>Since Inception CAGR</b>	<b>12.06%</b>	3.98%	5.50%

At the stock level, top relative contributors of the fund were Tokyo Cement (voting and non voting), Ceylinco Insurance (non voting), Alumex, Melstacorp and Sampath Bank

At the stock level, top relative contributors of the fund were our selected investments in construction related manufacturing companies (Tokyo Cement and Alumex), Banking Finance & Insurance sector stocks (Ceylinco Insurance and Sampath Bank) and Diversified Holdings (Melstacorp and John Keells Holding). Most of these investments performed well during period due to improvement in their core businesses with solid topline and bottom line growth. Therefore we continue to hold some of these well performing businesses but will trim down the exposure levels in some counters depending on the price level they reach in the future. On the flip side, Aitken Spence Hotels Holding and Central Finance were the top two detractors of the fund performance which have below 3% weight in the fund. Aitken Spence Hotels are suffering losses due increased in operating costs and finance cost with their recent expansion in capacity which will take time to breakeven. Though this is common phenomenon in this sector, we remain mindful of the risk of pricing pressure from mid tier properties when we evaluate the investment opportunities in top listed hotels in CSE.

### Sector Allocation of The Fund (as at 30<sup>th</sup> June 2017)



We expect the current declining interest rates environment and recent Hambantota Port deal will have a positive impact on the macro economy which in turn is positive for the stock market. However this has been overshadowed by the uncertainty in new taxation policies and volatility in the political arena which we believe is a short term phenomenon. Therefore with a medium to long term view, the fund continues to invest in stocks that are selected in line with our value and growth oriented stock picking strategy.

# GUARDIAN ACUITY EQUITY FUND

Financial Statements



**Guardian Acuity Equity Fund****STATEMENT OF FINANCIAL POSITION**

As at	Notes	30-Jun-17 Rs.	30-Jun-16 Rs.	31/12/2016 (Audited) Rs.
<b>ASSETS</b>				
Cash and Cash Equivalents	2	186,735	14,809,968	191,633
Financial Assets Held for Trading	3	446,177,969	330,788,712	364,658,207
Financial Assets - Loans and Receivables	4	11,081,449	32,942,771	53,124,861
Other Receivables	5	1,436,176	1,379,432	1,794,121
Income Tax Receivable		1,171,172	763,714	967,046
<b>Total Assets</b>		<b>460,053,501</b>	<b>380,684,597</b>	<b>420,735,868</b>
<b>UNIT HOLDERS' FUNDS &amp; LIABILITIES</b>				
<b>LIABILITIES</b>				
Accrued Expenses	6	1,222,291	1,050,438	1,281,605
<b>Total Liabilities ( Excluding net assets attributable to Unit Holders)</b>		<b>1,222,291</b>	<b>1,050,438</b>	<b>1,281,605</b>
<b>UNIT HOLDERS' FUNDS (Net Assets Attributable to Unit Holders)</b>				
		<b>458,831,209</b>	<b>379,634,160</b>	<b>419,454,263</b>
<b>Total Unit Holders' Funds and Liabilities</b>		<b>460,053,501</b>	<b>380,684,597</b>	<b>420,735,868</b>

These Financial Statements were approved by the Management Company

The accompanying notes form an integral part of the Financial Statements.

The statement of Financial Position as at 30th June 2017 and comparatives as at 30th June 2016 along with related statements of comprehensive income and unitholders funds' have been drawn up from unaudited accounts.

Sgd.  
Director  
Management Company

Sgd.  
Director  
Management Company

26/09/2017  
Colombo

**Guardian Acuity Equity Fund****STATEMENT OF COMPREHENSIVE INCOME**

<b>For the six months ended</b>	<b>Notes</b>	<b>30-Jun-17 Rs.</b>	<b>30-Jun-16 Rs.</b>
<b>INCOME</b>			
Interest Income	1	2,041,262	1,521,821
Dividend Income		10,949,741	6,458,802
Net Realised Gain on Sale of Investments		1,827,519	(208,472)
Net Change in Unrealized Gains on Financial Assets held at Fair Value through Profit and Loss		34,328,680	(36,961,960)
		<b>49,147,202</b>	<b>(29,189,809)</b>
<b>EXPENSES</b>			
Management Fees		(4,924,786)	(4,448,486)
Trustee and Custodian Fees		(719,368)	(645,162)
Audit Fees		(128,000)	(116,186)
Bank Charges		(39,408)	(17,830)
Transaction Cost		(1,676,941)	(1,791,562)
Other Expenses		(201,683)	(426,951)
		<b>(7,690,186)</b>	<b>(7,446,176)</b>
<b>PROFIT BEFORE TAX</b>		<b>41,457,016</b>	<b>(36,635,985)</b>
Income Tax Expense		-	-
<b>NET PROFIT AFTER TAX FOR THE PERIOD</b>		<b>41,457,016</b>	<b>(36,635,985)</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>		<b>41,457,016</b>	<b>(36,635,985)</b>

The accompanying notes form an integral part of the Financial Statements.

**Guardian Acuity Equity Fund****STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUND**

<b>For the six months ended</b>	<b>30-Jun-17</b>	<b>30-Jun-16</b>	<b>31/12/2016 (Audited)</b>
	<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>
<b>UNIT HOLDERS' FUNDS AS AT 01 JANUARY</b>	419,454,263	453,270,482	453,270,482
Total Comprehensive Income for the Period	41,457,016	(36,635,985)	(12,986,176)
Received on Creation of Units	61,538,447	50,291,145	85,776,547
Paid on Redemption of Units	(63,618,516)	(87,291,482)	(106,606,590)
Net Increase due to Unitholders' Transactions	(2,080,069)	(37,000,337)	(20,830,043)
<b>UNIT HOLDERS' FUNDS AS AT</b>	<b>458,831,209</b>	<b>379,634,160</b>	<b>419,454,263</b>

The accompanying notes form an integral part of the Financial Statements.

## NOTES TO THE FINANCIAL STATEMENTS

For the six months ended		30-Jun-17	30-Jun-16
		Rs.	Rs.
<b>1 INTEREST INCOME</b>			
Interest income on			
Treasury Bill Reverse Repurchase Agreement		1,285,098	1,521,821
Fixed Deposit		756,164	-
		<b>2,041,262</b>	<b>1,521,821</b>

Interest on Treasury Bill Reverse Repurchase Agreements has been accounted for Gross of Notional Tax.

As at	30-Jun-17	30-Jun-16	31/12/2016 (Audited)
	Rs.	Rs.	Rs.
<b>2 CASH AND CASH EQUIVALENTS</b>			
Cash at Bank	186,735	14,809,968	191,633
	<b>186,735</b>	<b>14,809,968</b>	<b>191,633</b>

As at	30-Jun-17		Holding as a % of Net Asset Value	30-Jun-16		Holding as a % of Net Asset Value	31/12/2016 (Audited)		Holding as a % of Net Asset Value
	No of shares	Fair value		No of shares	Fair value		No of shares	Fair value	

**3 FINANCIAL ASSETS - HELD FOR TRADING****3.a Investment in Equity shares****Banks, Finance and Insurance**

Central Finance Company PLC	87,420	7,955,220	2%	432,449	7,135,409	2%	87,420	8,742,000	2%
Ceylinc Insurance PLC	21,700	19,677,560	4%	244,220	15,141,640	4%	21,700	15,841,000	4%
Commercial Bank of Ceylon PLC - Non Voting	25,000	2,670,000	1%	135,305	16,466,619	4%	-	-	-
Commercial Bank of Ceylon PLC - Voting	119,664	16,657,229	4%	42,300	9,559,800	3%	105,305	15,269,225	4%
HNB Assurance PLC	99,480	6,466,200	1%	-	-	-	-	-	-
LB Finance PLC	136,649	18,461,280	4%	-	-	-	-	-	-
National Development Bank PLC	-	-	-	-	-	-	110,500	17,238,000	4%
People's Insurance PLC	645,960	13,888,140	3%	21,700	16,889,110	4%	284,470	5,404,930	1%
People's Leasing Company PLC	1,455,000	26,190,000	6%	225,200	3,648,240	1%	655,000	11,266,000	3%
Sampath Bank PLC	117,860	33,755,104	7%	-	-	-	112,031	29,172,872	7%
Seylan Bank PLC - Non Voting	252,688	15,363,430	3%	-	-	-	244,220	14,408,980	3%
Seylan Bank PLC - Voting	51	4,769	0%	123,031	28,051,068	7%	50	4,500	0%
Union Bank of Colombo PLC	432,449	6,659,715	1%	50	4,450	0%	432,449	6,659,715	2%
		<b>167,748,646</b>	<b>36%</b>		<b>96,896,335</b>	<b>25%</b>		<b>124,007,222</b>	<b>30%</b>

**Beverage, Food and Tobacco**

Cargills (Ceylon) PLC	111,184	22,347,984	5%	36,998	5,660,694.00	1%	62,684	12,185,770	3%
Distilleries Company of Sri Lanka PLC	-	-	-	159,562	33,045,290	9%	-	-	-
		<b>22,347,984</b>	<b>5%</b>		<b>38,705,984</b>	<b>10%</b>		<b>12,185,770</b>	<b>3%</b>

**Chemicals & Pharmaceuticals**

CIC Holdings PLC - Voting	-	-	-	-	-	-	16,500	1,508,100	0%
CIC Holdings PLC - Non Voting	35,622	2,030,454	0%	-	-	-	35,622	2,422,296.00	1%
		<b>2,030,454</b>	<b>0%</b>					<b>3,930,396</b>	<b>0%</b>

**Construction & Engineering**

Access Engineering PLC	911,389	23,422,697	5%	651,389	14,330,558	3.76%	751,389	18,634,447	4%
MTD Walkers PLC	174,074	6,527,775	1%	174,074	6,127,404.80	0.02	174,074	7,137,034	2%
		<b>29,950,472</b>	<b>7%</b>		<b>20,457,963</b>	<b>0.11</b>		<b>25,771,481</b>	<b>6%</b>

**Diversified Holdings**

Aitken Spence PLC	201,826	13,703,985	3%	201,826	14,127,820	4%	201,826	13,118,690	3%
Expolanka Holdings PLC	1,850,000	12,580,000	3%	1,335,000	8,677,500.00	2%	2,575,000	16,222,500	4%
Hemas Holdings PLC	-	-	-	162,091	13,939,826	4%	139,091	13,630,918	3%
John Keells Holdings PLC	75,296	13,462,925	3%	130,296	17,589,960	5%	115,296	16,717,920	4%
Melstacorp PLC	373,248	25,492,838	6%	-	-	-	458,248	27,174,106	6%
Richard Peiris Company PLC	100,000	1,020,000	0%	-	-	-	300,000	2,400,000	1%
Softlogic Holdings PLC	1,209,475	15,360,333	3%	936,603	12,082,179	3%	1,209,475	15,723,175	4%
		<b>81,620,081</b>	<b>14%</b>		<b>66,417,285</b>	<b>17%</b>		<b>104,987,309</b>	<b>25%</b>

**Footwear & Textiles**

Hayleys Fabric PLC	352,298	5,495,849	1%	671,869	11,959,268	3%	631,869	9,478,035	2%
Textured Jersey Lanka PLC	-	-	-	405,000	14,458,500	4%	-	-	-
		<b>5,495,849</b>	<b>1%</b>		<b>26,417,768</b>	<b>7%</b>		<b>9,478,035</b>	<b>2%</b>

**Health Care**

Lanka Hospitals Corporation PLC	249,337	16,181,971	4%	-	-	-	-	-	-
		<b>16,181,971</b>	<b>4%</b>						

**Hotels and Travels**

Aitken Spence Hotel Holdings PLC	290,575	11,041,850	2%	290,575	15,691,050	4%	290,575	12,523,783	3%
		<b>11,041,850</b>	<b>2%</b>		<b>15,691,050</b>	<b>4%</b>		<b>12,523,783</b>	<b>3%</b>

**Manufacturing**

ACL Cables PLC	150,000	8,475,000	2%	-	-	-	150,000	9,075,000	2%
Alimex PLC	800,000	19,840,000	4%	800,000	13,440,000	4%	800,000	16,160,000	4%
Chevron Lubricants PLC	110,000	18,370,000	4%	-	-	-	-	-	-
Swisstek (Ceylon) PLC	-	-	-	60,000	3,714,000	1%	-	-	-
Tokyo Cement Company (Lanka) PLC-Non Voting	244,113	16,965,854	4%	275,000	9,790,000	3%	203,428	10,476,542	2%
Tokyo Cement Company (Lanka) PLC-Voting	252,000	19,026,000	4%	250,000	10,200,000	3%	210,000	12,432,000	3%
		<b>82,676,854</b>	<b>18%</b>		<b>37,144,000</b>	<b>4%</b>		<b>48,143,542</b>	<b>11%</b>

## NOTES TO THE FINANCIAL STATEMENTS

**Power & Energy**

Lanka IOC PLC	160,174	4,805,220.00	1%	-	-	-	160,174.00	5,077,516	1%
Vallibel Power Erathna PLC	-	-	-	700,000	5,880,000	2%	-	-	-
		<b>4,805,220</b>	<b>1%</b>		<b>5,880,000</b>	<b>2%</b>		<b>5,077,516</b>	<b>1%</b>

**Telecommunications**

Dialog Axiata PLC	1,856,549	22,278,588	5%	2,016,967	20,976,457	6%	1,766,967	18,553,154	4%
		<b>22,278,588</b>	<b>5%</b>		<b>20,976,457</b>	<b>6%</b>		<b>18,553,154</b>	<b>4%</b>

**Trading**

Singer Sri Lanka PLC	-	-	-	20,017	2,201,870	1%	-	-	-
					<b>2,201,870</b>	<b>1%</b>			
		<b>446,177,969</b>	<b>97%</b>		<b>330,788,712</b>	<b>87%</b>		<b>364,658,207</b>	<b>86%</b>

As at	30-Jun-17	30-Jun-16	31/12/2016 (Audited)
	Rs.	Rs.	Rs.

**4 FINANCIAL INVESTMENTS - LOANS AND RECEIVABLES**

Treasury Bill Reverse Repurchase Agreement (Less than 3 months)	11,081,449	32,942,771	53,124,861
	<b>11,081,449</b>	<b>32,942,771</b>	<b>53,124,861</b>

**5 ACCRUED INCOME AND OTHER RECEIVABLES**

Amount Receivable on creation of units	2,000	591,000	419,000
Accrued Dividend Income	1,434,176	788,432	822,631
Receivable from Securities Sold	-	-	552,490
	<b>1,436,176</b>	<b>1,379,432</b>	<b>1,794,121</b>

**6 ACCRUED EXPENSES**

Fund Manager Payable	876,648	744,021	808,946
Trustee Fee and Custodian Fee Payable	127,345	110,744	119,442
Audit Fee	120,009	128,033	254,928
Other Payables	98,289	67,639	98,289
	<b>1,222,291</b>	<b>1,050,438</b>	<b>1,281,605</b>

**7 UNITS IN ISSUE AND UNIT PRICE**

Units in issue and deemed to be in issue as at 30 June 2017 is 24,642,031.68 (30 June 2016 : 23,918,183.92) and the creation and redemption Unit price as at this date is Rs.18.7751 (30 June 2016 : Rs.16.00) and Rs.18.3695 (30 June 2016: Rs.15.69) respectively.

As at	30-Jun-17	30-Jun-16	31/12/2016 (Audited)
	Rs.	Rs.	Rs.

**8 RECONCILIATION BETWEEN THE NET ASSET VALUE AS PER FINANCIAL STATEMENTS AND THE PUBLISHED NET ASSET VALUE**

Net Asset Value as per Financial Statements	458,831,209	379,634,160	419,454,263
Income Tax Receivables	(1,171,172)	(763,714)	(967,046)
Audit Fee Adjustment	-	-	(41,369)
Published Net Asset Value	<b>457,660,038</b>	<b>378,870,445</b>	<b>418,445,848</b>
Number of units outstanding	24,642,032	23,918,184	24,822,792
Net Asset Value per Unit	18.5723	15.8403	16.8573

# GUARDIAN ACUITY MONEY MARKET FUND

Financial Statements

**Guardian Acuity Money Market Fund**

**STATEMENT OF FINANCIAL POSITION**

As at	Notes	30-Jun-17 Rs.	30-Jun-16 Rs.	31/12/2016 (Audited) Rs.
<b>ASSETS</b>				
Cash and Cash Equivalents	2	578,357	171,187	324,327
Financial Assets Held for Trading	3	-	48,542,200	0
Financial Assets - Loans and Receivables	4	4,133,052,253	4,807,868,506	4,779,243,981
Other Receivables		253,507	91,808	864,076
Income Tax Receivable		8,379,589	3,254,908	6,873,117
<b>Total Assets</b>		<b>4,142,263,706</b>	<b>4,859,928,609</b>	<b>4,787,305,501</b>
<b>UNIT HOLDERS' FUNDS &amp; LIABILITIES</b>				
<b>LIABILITIES</b>				
Bank Overdraft		-	563,314	-
Accrued Expenses	5	2,640,771	3,056,902	5,627,769
<b>Total Liabilities ( Excluding net assets attributable to Unit Holders)</b>		<b>2,640,771</b>	<b>3,620,216</b>	<b>5,627,769</b>
<b>UNIT HOLDERS' FUNDS (Net Assets Attributable to Unit Holders)</b>		<b>4,139,622,935</b>	<b>4,856,308,393</b>	<b>4,781,677,732</b>
<b>Total Unit Holders' Funds and Liabilities</b>		<b>4,142,263,706</b>	<b>4,859,928,609</b>	<b>4,787,305,501</b>

These Financial Statements were approved by the Management Company.

The accompanying notes form an integral part of the Financial Statements.

The statement of Financial Position as at 30th June 2017 and comparatives as at 30th June 2016 along with related statements of comprehensive income and unitholders funds' have been drawn up from unaudited accounts.

Sgd.  
Director  
Management Company

Sgd.  
Director  
Management Company

26/09/2017  
Colombo

**Guardian Acuity Money Market Fund****STATEMENT OF COMPREHENSIVE INCOME**

<b>For the six months ended</b>	<b>Notes</b>	<b>30-Jun-17 Rs.</b>	<b>30-Jun-16 Rs.</b>
<b>INCOME</b>			
Interest Income	1	246,568,937	227,673,878
Unrealized Gain/(Loss) on Financial Assets Held for Trading		-	97,269
		<b>246,568,937</b>	<b>227,771,147</b>
<b>EXPENSES</b>			
Management Fees		(11,278,403)	(13,689,388)
Trustee and Custodian Fees		(3,177,730)	(3,767,515)
Audit Fees		(102,073)	(242,287)
Bank Charges		(181,745)	(86,334)
Other Expenses		(590,268)	(196,106)
		<b>(15,330,219)</b>	<b>(17,981,630)</b>
<b>PROFIT BEFORE TAX</b>		<b>231,238,718</b>	<b>209,789,517</b>
Income Tax Expense		(23,123,872)	(20,978,952)
<b>NET PROFIT AFTER TAX FOR THE PERIOD</b>		<b>208,114,846</b>	<b>188,810,566</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>		<b>208,114,846</b>	<b>188,810,566</b>

The accompanying notes form an integral part of the Financial Statements.



**Guardian Acuity Money Market Fund****STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUND**

<b>For the six months ended</b>	<b>30-Jun-17</b>	<b>30-Jun-16</b>	<b>31/12/2016 (Audited)</b>
	<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>
<b>UNIT HOLDERS' FUNDS AS AT 01 JANUARY</b>	<b>4,781,677,732</b>	<b>4,551,506,276</b>	<b>4,551,506,276</b>
Total Comprehensive Income for the Period	208,114,846	188,810,566	459,796,593
Dividend Payment for the Period	-	-	-
Received on Creation of Units	5,986,691,505	2,904,052,487	6,691,670,462
Paid on Redemption of Units	(6,836,861,148)	(2,788,060,935)	(6,921,295,599)
Net Increase due to Unit Holders' Transactions	(850,169,643)	115,991,552	(229,625,137)
<b>UNIT HOLDERS' FUNDS AS AT 30 JUNE</b>	<b>4,139,622,935</b>	<b>4,856,308,393</b>	<b>4,781,677,732</b>

The accompanying notes form an integral part of the Financial Statements.

## NOTES TO THE FINANCIAL STATEMENTS

For the six months ended	30-Jun-17 Rs.	30-Jun-16 Rs.
<b>1 INTEREST INCOME</b>		
Interest income on		
Fixed Deposits	137,601,723	145,228,759
Treasury Bill Reverse Repurchase Agreements	6,400,678	8,835,693
Treasury Bills	-	1,709,598
Commercial Paper	86,946,283	71,899,828
Securitization	15,620,254	-
	<b>246,568,937</b>	<b>227,673,878</b>

Interest on fixed income securities has been accounted for Gross of Notional Tax & With Holding Tax.

As at	30-Jun-17 Rs.	30-Jun-16 Rs.	31/12/2016 (Audited) Rs.
<b>2 CASH AND CASH EQUIVALENTS</b>			
Cash at Bank	578,357	171,187	324,327
	<b>578,357</b>	<b>171,187</b>	<b>324,327</b>

	30-Jun-17 Rs.	Holding as a % of Net Asset Value	30-Jun-16 Rs.	Holding as a % of Net Asset Value	31-Dec-16 Rs.	Holding as a % of Net Asset Value
<b>3 FINANCIAL ASSETS-HELD FOR TRADING</b>						
Government Debt Securities	-	-	48,542,200	1%	-	-
	-	-	<b>48,542,200</b>	<b>1%</b>	-	-

	30-Jun-17 Rs.	Holding as a % of Net Asset Value	30-Jun-16 Rs.	Holding as a % of Net Asset Value	31-Dec-16 Rs.	Holding as a % of Net Asset Value
<b>4 FINANCIAL ASSETS-LOANS AND RECEIVABLES</b>						
Treasury Bill Reverse Repurchase Agreement	140,061,025	3%	106,901,226	3%	7,857,608	0%
Commercial Papers	1,987,771,403	48%	1,894,559,657	39%	1,611,342,246	34%
Fixed Deposits	1,872,933,121	45%	2,806,407,623	58%	2,817,866,202	59%
Securitization	132,286,703	3%	-	-	342,177,925	7%
	<b>4,133,052,253</b>	<b>100%</b>	<b>4,807,868,506</b>	<b>100%</b>	<b>4,779,243,981</b>	<b>100%</b>

	30-Jun-17 Rs.	30-Jun-16 Rs.	31/12/2016 (Audited) Rs.
<b>5 ACCRUED EXPENSES</b>			
Fund Manager Payable	1,999,450	2,302,011	2,529,474
Trustee Fee and Custodian Fee Payable	563,352	648,600	712,688
Audit Fee	67,863	93,290	269,130
Other Payables	10,106	13,000	2,116,477
	<b>2,640,771</b>	<b>3,056,902</b>	<b>5,627,769</b>

**6 UNITS IN ISSUE AND UNIT PRICE**

Units in issue and deemed to be in issue as at 30 June 2017 is 286,036,245.15 (30 June 2016: 373,518,144.15) and the creation and redemption Unit price as at this date is Rs.14.4937 (30 June 2016: Rs.12.99).

As at	30-Jun-17 Rs.	30-Jun-16 Rs.	31/12/2016 (Audited) Rs.
<b>7 RECONCILIATION BETWEEN THE NET ASSET VALUE AS PER FINANCIAL STATEMENTS AND THE PUBLISHED NET ASSET VALUE</b>			
Net Asset Value as per Financial Statements	4,139,622,935	4,856,308,393	4,781,677,732
Income Tax Receivables	(8,379,589)	(3,254,908)	(6,789,739)
Other Adjustments	-	(39,574)	-
Published Net Asset Value	<b>4,131,243,346</b>	<b>4,853,013,911</b>	<b>4,774,887,993</b>
Number of units outstanding	285,036,245	373,518,144	348,427,468
Net Asset Value per Unit	14.4937	12.9927	13.7041

# GUARDIAN ACUITY MONEY MARKET GILT FUND

Financial Statements

**Guardian Acuity Money Market Gilt Fund**

**STATEMENT OF FINANCIAL POSITION**

As at	Notes	30-Jun-17 Rs.	30-Jun-16 Rs.	31/12/2016 (Audited) Rs.
<b>ASSETS</b>				
Cash and Cash Equivalents	2	79,243	97,741	180,800
Financial Assets Held for Trading	3	841,837,754	423,930,000	518,521,900
Financial Assets - Loans and Receivables	4	705,102,795	81,427,932	333,117,918
Other Receivables		-	-	6,000
Income Tax Receivable		940,910	216,709	702,492
<b>Total Assets</b>		<b>1,547,960,702</b>	<b>505,672,382</b>	<b>852,529,110</b>
<b>UNIT HOLDERS' FUNDS &amp; LIABILITIES</b>				
<b>LIABILITIES</b>				
Accrued Expenses	5	619,408	317,304	518,637
<b>Total Liabilities ( Excluding net assets attributable to Unit Holders)</b>		<b>619,408</b>	<b>317,304</b>	<b>518,637</b>
<b>UNIT HOLDERS' FUNDS (Net Assets Attributable to Unit Holders)</b>				
		<b>1,547,341,294</b>	<b>505,355,078</b>	<b>852,010,473</b>
<b>Total Unit Holders' Funds and Liabilities</b>		<b>1,547,960,702</b>	<b>505,672,382</b>	<b>852,529,110</b>

These Financial Statements were approved by the Management Company.

The accompanying notes form an integral part of the Financial Statements.

The statement of Financial Position as at 30th June 2017 and comparatives as at 30th June 2016 along with related statements of comprehensive income and unitholders funds' have been drawn up from unaudited accounts.

Sgd.  
Director  
Management Company

Sgd.  
Director  
Management Company

26/09/2017  
Colombo

**Guardian Acuity Money Market Gilt Fund****STATEMENT OF COMPREHENSIVE INCOME**

<b>For the six months ended</b>	<b>Notes</b>	<b>30-Jun-17 Rs.</b>	<b>30-Jun-16 Rs.</b>
<b>INCOME</b>			
Interest Income	1	55,136,784	36,171,362
Unrealized Gain/(Loss) on Financial Assets Held for Trading		522,641	255,788
		<b>55,659,426</b>	<b>36,427,150</b>
<b>EXPENSES</b>			
Management Fees		(1,299,052)	(1,134,808)
Trustee and Custodian Fees		(1,150,246)	(1,007,905)
Audit Fees		(67,847)	(77,374)
Bank Charges		(64,400)	(37,569)
Other Expenses		(325,268)	(196,106)
		<b>(2,906,813)</b>	<b>(2,453,762)</b>
<b>PROFIT BEFORE TAX</b>		<b>52,752,612</b>	<b>33,973,387</b>
Income Tax Expense		(5,275,261)	(3,397,339)
<b>NET PROFIT AFTER TAX FOR THE PERIOD</b>		<b>47,477,351</b>	<b>30,576,049</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>		<b>47,477,351</b>	<b>30,576,049</b>

The accompanying notes form an integral part of the Financial Statements.

**Guardian Acuity Money Market Gilt Fund****STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUND**

<b>For the six months ended</b>	<b>30-Jun-17</b>	<b>30-Jun-16</b>	<b>31/12/2016 (Audited)</b>
	<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>
<b>UNIT HOLDERS' FUNDS AS AT 01 JANUARY</b>	<b>852,010,473</b>	<b>777,676,308</b>	<b>777,676,308</b>
Total Comprehensive Income for the Period	47,477,351	30,576,049	62,654,556
Received on Creation of Units	2,045,166,137	883,107,531	1,475,802,792
Paid on Redemption of Units	(1,397,312,668)	(1,186,004,810)	(1,464,123,183)
Net Increase due to Unit Holders' Transactions	647,853,469	(302,897,279)	11,679,609
<b>UNITHOLDERS' FUNDS AS AT 30 JUNE</b>	<b>1,547,341,294</b>	<b>505,355,078</b>	<b>852,010,473</b>

The accompanying notes form an integral part of the Financial Statements.

## NOTES TO THE FINANCIAL STATEMENTS

For the six months ended	30-Jun-17 Rs.	30-Jun-16 Rs.
<b>1 INTEREST INCOME</b>		
Interest income on		
Treasury Bill/Bond Reverse Repurchase Agreements	29,154,165	24,455,307
Treasury Bills	25,982,620	10,951,639
Treasury Bonds	-	764,415
	<b>55,136,784</b>	<b>35,406,947</b>

Interest on Treasury Bill Reverse Repurchase Agreements and Treasury Bills has been accounted for Gross of Notional Tax.

As at	30-Jun-17 Rs.	30-Jun-16 Rs.	31/12/2016 (Audited) Rs.
<b>2 CASH AND CASH EQUIVALENTS</b>			
Cash at Bank	79,243	97,741	180,800
	<b>79,243</b>	<b>97,741</b>	<b>180,800</b>

As at	30-Jun-17 Rs.	Holding as a % of Net Asset Value	30-Jun-16 Rs.	Holding as a % of Net Asset Value	31/12/2016 (Audited) Rs.	Holding as a % of Net Asset Value
<b>3 FINANCIAL ASSETS-HELD FOR TRADING</b>						
Government Debt Securities	841,837,754	54%	423,930,000	84%	518,521,900	61%
	<b>841,837,754</b>	<b>54%</b>	<b>423,930,000</b>	<b>84%</b>	<b>518,521,900</b>	<b>61%</b>

As at	30-Jun-17 Rs.	Holding as a % of Net Asset Value	30-Jun-16 Rs.	Holding as a % of Net Asset Value	31/12/2016 (Audited) Rs.	Holding as a % of Net Asset Value
<b>4 FINANCIAL ASSETS-LOANS AND RECEIVABLES</b>						
Treasury Bill Reverse Repurchase Agreement	705,102,795	46%	81,427,932	16%	333,117,918	39%
	<b>705,102,795</b>	<b>46%</b>	<b>81,427,932</b>	<b>16%</b>	<b>333,117,918</b>	<b>39%</b>

As at	30-Jun-16 Rs.	30-Jun-16 Rs.	31/12/2016 (Audited) Rs.
<b>5 ACCRUED EXPENSES</b>			
Fund Manager Payable	285,278	112,203	151,684
Trustee Fee and Custodian Fee Payable	234,124	119,403	152,384
Audit Fee	100,006	85,699	214,569
	<b>619,408</b>	<b>317,304</b>	<b>518,637</b>

**6 UNITS IN ISSUE AND UNIT PRICE**

Units in issue and deemed to be in issue as at 30 June 2017 is 12,963,450.08 (as at 30 June 2016 - 4,647,084.92) and the creation & redemption Unit price as at this date is Rs.119.2207 ( 30 June 2016 - Rs.108.70).

As at	30-Jun-17 Rs.	30-Jun-16 Rs.	31/12/2016 (Audited) Rs.
<b>7 RECONCILIATION BETWEEN THE NET ASSET VALUE AS PER FINANCIAL STATEMENTS AND THE PUBLISHED NET ASSET VALUE</b>			
Net Asset Value as per Financial Statements	1,547,341,294	505,355,078	852,010,473
Income Tax Receivables	(940,910)	(216,709)	(702,492)
Unrealised (Gain)/Loss on Financial Assets Held for Trading	(889,340)	(255,788)	(366,699)
Other Adjustments	-	248,875	(176,449)
Published Net Asset Value	<b>1,545,511,044</b>	<b>505,131,456</b>	<b>850,764,833</b>
Number of units outstanding	12,963,450	4,647,085	7,469,316
Net Asset Value per Unit	119.2207	108.6986	113.9013