

**INTERIM REPORT 2016**  
FOR THE SIX MONTH ENDED 30<sup>TH</sup> JUNE 2016

**GUARDIAN ACUITY ASSET MANAGEMENT LTD**  
UNIT TRUST FUNDS

## FUND INFORMATION

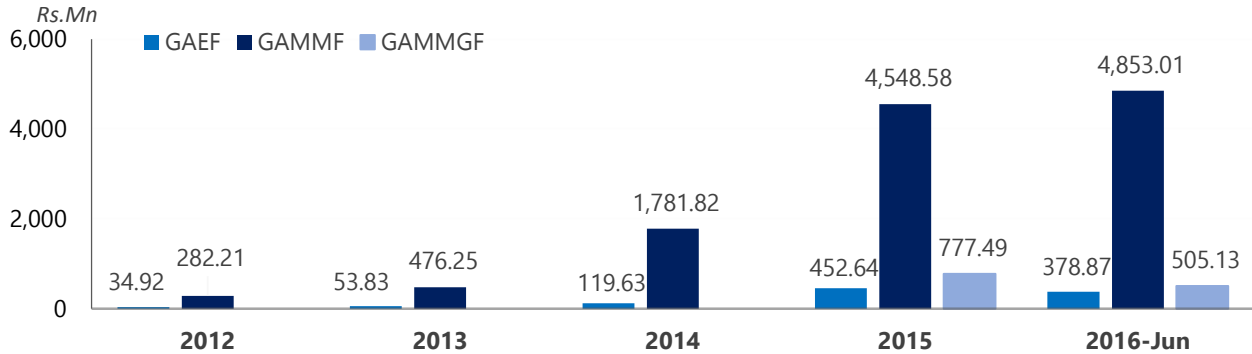
		GUARDIAN ACUITY EQUITY FUND	GUARDIAN ACUITY MONEY MARKET FUND	GUARDIAN ACUITY MONEY MARKET GILT FUND
<b>Fund Objective</b>		To achieve medium to long term capital appreciation	To provide an annual income for a low level of risk	To provide a secure annual income by investing in a portfolio of government 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 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
	Minimum Subscription	Rs.1,000/-	Rs.1,000/-	Rs.1,000/-
<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/-
<b>Liquidity</b>	Redemption Period	Within T+3 Days	Within T+3 Days	Within T+3 Days

## SERVICE PROVIDERS

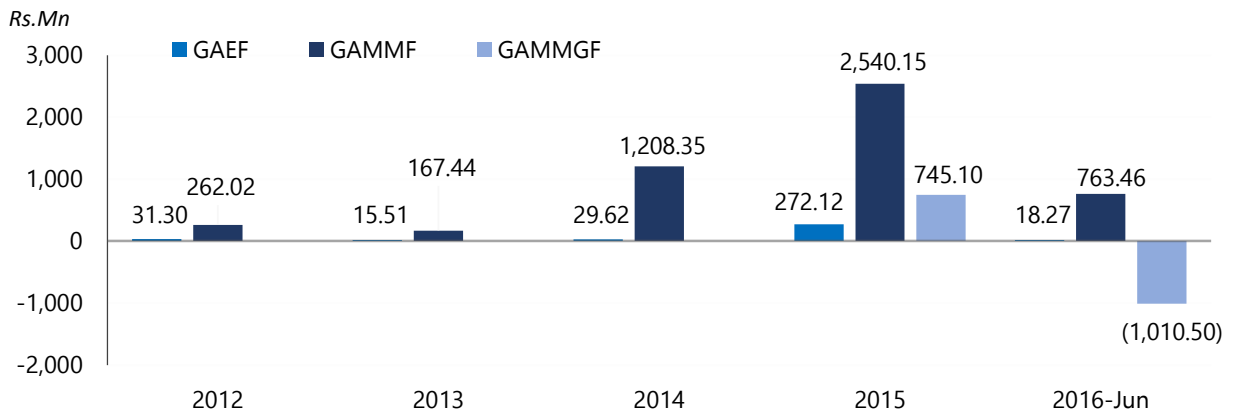
<p><b>FUND MANAGER</b></p> <p>Guardian Acuity Asset Management Limited No.61, Janadhipathi Mawatha, Colombo 01</p>	<p><b>TRUSTEE &amp; CUSTODIAN</b></p> <p>Deutsche Bank AG, Filiale Colombo 86, Galle Road, Colombo 03</p>
<p><b>PROMOTERS</b></p> <p>Acuity Partners (Pvt) Ltd 53, Dharmapala Mawatha, Colombo 03</p> <p></p>	<p><b>BANKER</b></p> <p>Deutsche Bank AG, Filiale Colombo Hatton National Bank Commercial Bank DFCC Bank</p>
<p>Ceylon Guardian Investment Trust PLC 61, Janadhipathi Mawatha, Colombo 01</p> <p></p>	<p><b>AUDITORS</b></p> <p>Ernst &amp; Young 201, De Saram Place, Colombo 10</p> <p><b>REGISTRAR</b></p> <p>Guardian Acuity Asset Management Ltd No.61, Janadhipathi Mawatha, Colombo 01</p> <p><b>Distributors</b></p> <p>Selected Branches of Hatton National Bank 479, T.B Jaya Mawatha, Colombo 10</p> <p></p> <p>Bartleet Religare Securities (Pvt) Ltd Accede Capital (Pvt) Ltd Alliance Finance Co. PLC</p>

## BUSINESS GROWTH

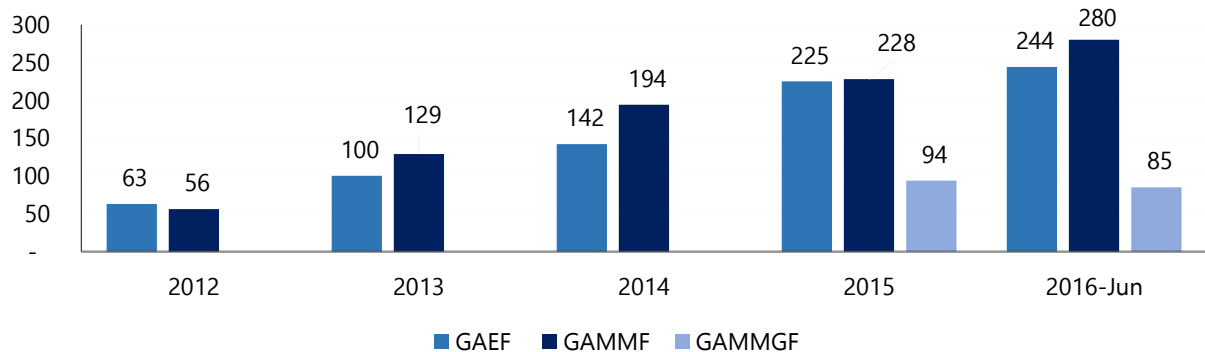
Asset under Management (AUM), net subscriptions and number of investors of three unit trust funds have continuously grown as follows



## NET FUND INFLOWS



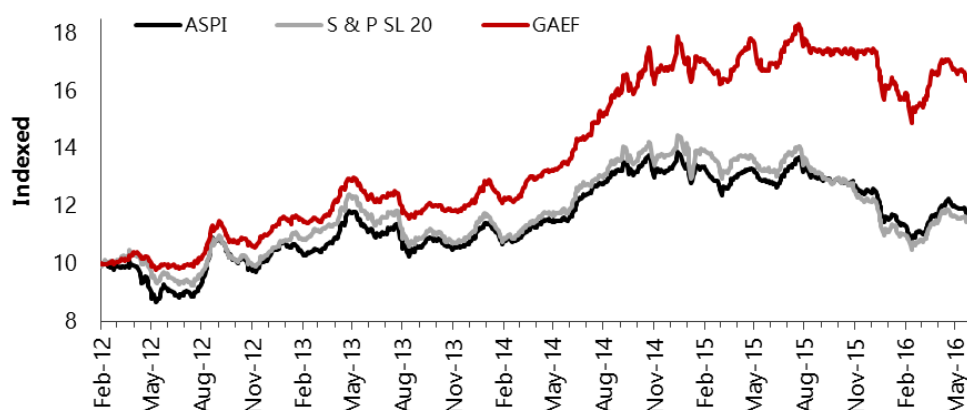
## NO: OF INVESTORS



**NOTE:** **GAEF:** Guardian Acuity Equity Fund, **GAMMF-** Guardian Acuity Money Market Fund, **GAMMGF-** Guardian Acuity Money Market Gilt Fund

## FUND PERFORMANCE

### Guardian Acuity Equity Fund



The fund outperformed the benchmark ASPI on a YTD basis but remained in negative territory recording -8.6% return for the period. Despite this negative returns, the fund maintained its significant (since inception) out performance by recording 10.9% annualised return compared to the ASPI return of 3.2%.

FUND PERFORMANCE			
Period	GAEF	ASPI	S&P SL 20
1H 2016	-8.57%	-8.87%	-8.98%
Since Inception Cum.	56.90%	14.73%	11.66%
Since Inception CAGR	10.93%	3.21%	2.57%

At stock level, the main detractors were Distilleries, Aitken Spence, Seylan Bank (Non-Voting) and Hayleys Fabrics which were roughly down 15-25% during the first half of 2016. Main reason for the sharp drop was not because of fundamental weakness but due to a continuous foreign selling spree. Our top relative contributors were Asiri Hospitals, Textured Jersey and Ceylon Cold Stores which recorded positive growth for the holding period.

All the stocks in the portfolio have been thoroughly researched and we don't see any fundamental reason for share prices to go further down. Markets tend to rally upwards when investors believe that current and potential weaknesses in the macro economy are only temporary rather than permanent impediments. On the positive side, with the final agreement being reached with the IMF on the USD1.5 bn extended fund facility, we believe the country will gradually fall on track for much needed fiscal consolidation. Although measures like the VAT hike could hurt business growth over the short term, it will assist government to achieve its much needed revenue targets and improve overall fiscal position, which is vital in deciding interest rate direction as well. The ongoing key policy drives if implemented successfully, now with the guidance of IMF, would improve overall confidence in the market. In the short term, the main risk is current hawkish tone of the US fed which could change the risk appetite of foreign investors. This would encourage investors to pull out from emerging markets to some extent. However current attractive valuations will definitely encourage long-term investors and we highly recommend our existing and prospective investors to increase their equity allocation now to gain the maximum returns.

## GUARDIAN ACUITY MONEY MARKET FUND

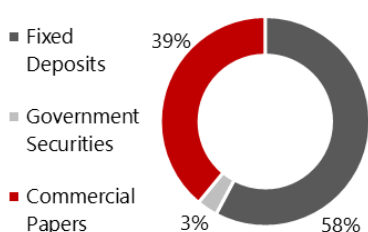
For the first half of 2016 the Guardian Acuity Fixed Income Fund provided a return of 4.25% which works out to an annualized return of 8.53%. The NDBIB-CRISIL 91 Day T-bill Index gave a return of 3.44% for the same time period. The fund had a focus on fixed deposits, government securities, commercial papers and other money market instruments with issuers of investment grade rating and above.

FUND PERFORMANCE			
Period	GAFIF	NDBIB-CRISIL 91 Day T-Bill Index	GAFIF-Annualised
YTD-2016	4.25%	3.44%	8.53%
Since Inception	49.59%	41.34%	11.42%

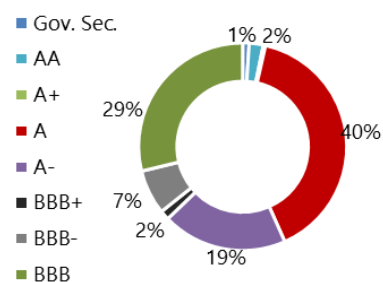
The average maturity of the fund was 4.63 months as at 30<sup>th</sup> June 2016. The fund had an exposure of 58% to fixed deposits and 39% to commercial papers. Prevailing low level of excess liquidity level in the market provided the fund with opportunities to get attractive deposit rates from financial institutions.

Rating	Fitch rating	ICRA	Gov. Sec	Total
Gov. Sec.	-	-	1%	1%
AA	2%	-	-	2%
A	-	40%	-	40%
A-	11%	8%	-	19%
BBB+	1%	-	-	1%
BBB-	-	7%	-	7%
BBB	-	29%	-	29%
<b>Total</b>	<b>15%</b>	<b>84%</b>	<b>1%</b>	<b>100%</b>

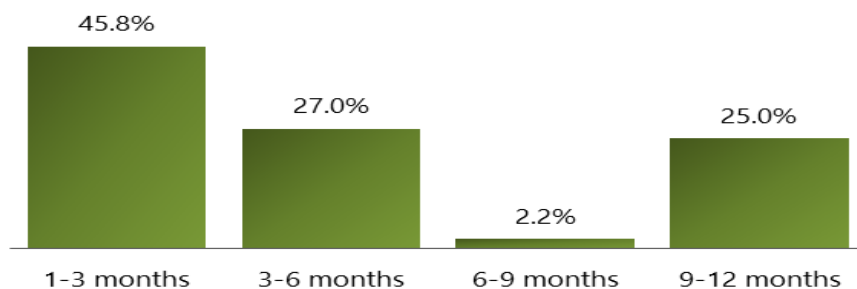
### ASSET ALLOCATION



### FUND CREDIT QUALITY



### 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. Returns earned from unit trusts are tax free in the hands of unit holders and therefore corporate investors enjoy a substantial saving when considering corporate tax. The maturity profile has been structured keeping in mind the potential for increasing interest rates. 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 at 30<sup>th</sup> June 2016, the total net asset value of the fund was Rs. 4,853 million with 280 unit holders in the fund. The subscription and redemption price for the fund on 30<sup>th</sup> June 2016 was Rs.12.99.

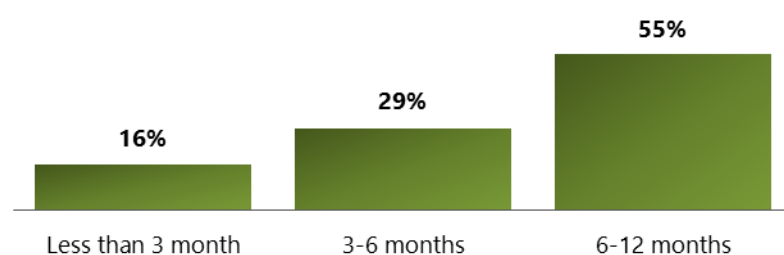
### GUARDIAN ACUITY MONEY MARKET GILT FUND

FUND PERFORMANCE			
Period	Fund	NDBIB-CRISIL 91 Day T-Bill Index	GAMMGF- Annualized
YTD 2016	3.70%	3.44%	7.42%
Since Inception	8.70%	8.63%	6.84%

For the first half of 2016 the Guardian Acuity Money Market Gilt Fund provided a return of 3.7% which works out to an annualized return of 7.42%. The NDBIB-CRISIL 91 Day T-bill Index gave a return of 3.44% for the same time period. The average maturity of the fund was 6.23 months as at 30<sup>th</sup> June 2016. The fund followed the strategy of investing over 6 to 12 months horizon under the current elevated interest rate environment.

The fund had an exposure of 16% to repurchase agreements with underlying government securities and 84% directly to Treasury bills. Returns earned from unit trusts are tax free in the hands of unit holders and therefore corporate investors enjoy a substantial saving when considering corporate tax.

### MATURITY PROFILE



As at 30<sup>th</sup> June 2016, the total net asset value of the fund was Rs.505.13 million with 85 unit holders in the fund. The subscription and redemption price for the fund on this date was Rs.108.70.

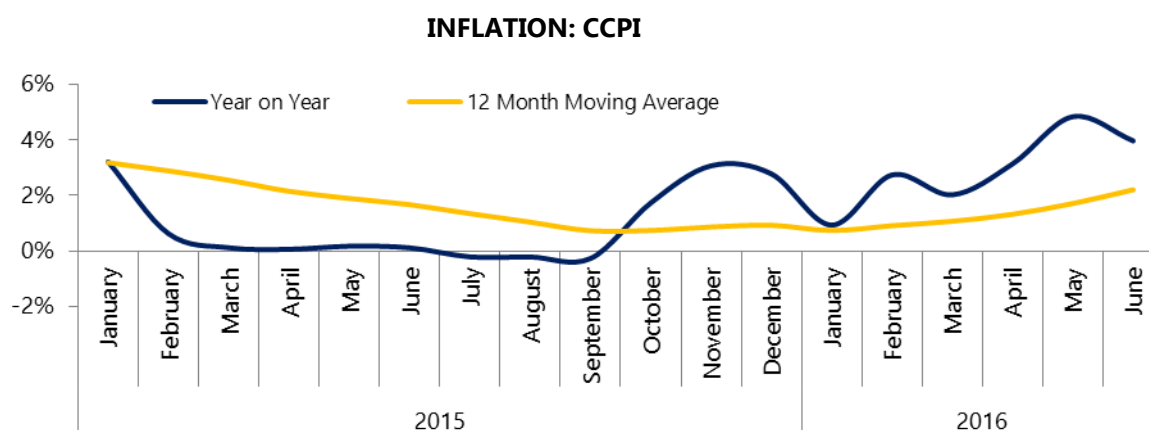
## ECONOMY & MARKETS

The Sri Lankan economy grew by 5.5%, in real terms, in the Q1 2016 compared to the growth of 2.5% recorded in the last quarter of 2015. Economic growth was mainly supported by the expansion of Industry and Services related activities, which grew by 8.3% and 4.9%, respectively. Meanwhile, Agriculture related activities recorded a moderate growth of 1.9% during this period due the contribution from tea decreasing by 11.6%. Within the Industry segment, rubber and plastic products have shown a considerable growth rate of 7.0% while textile and wearing apparel have shown a 1.9% growth. Among the sub activities of services, financial service activities have shown significantly higher growth rate of 15.9% while wholesale and retail trade recorded 5.7% growth.

The Asian Development Bank (ADB) expects the Sri Lankan economy to rebound by achieving a 5% growth in 2016 compared to 4.8% in 2015.

### INFLATION

Inflation, as measured by the change in the Colombo Consumer Price Index (CCPI) (2006=100), increased to 6.0% in June 2016 from 2.8% in December 2015, on year-on-year basis. Both Food and Non-food categories contributed towards the year-on-year inflation in June 2016. The demand pressure in the economy stemming from excessive private sector credit growth (28.2% YoY in June 2016), a rupee depreciation of 9.1% against the US dollar on a year-on-year and an increase in indirect taxes (VAT from 12% to 15%) caused inflation to increase in the 1<sup>st</sup> half of 2016.



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

### EXTERNAL SECTOR PERFORMANCE

Industrial Exports declined by 4.2% to USD 3,981 million during the first half of 2016 led by lower export performance recorded in petroleum products, transport equipment and spices. Export earnings from petroleum products, which mainly comprise bunker and aviation fuel, decreased considerably by 41% YoY owing to lower bunkering quantities and lower bunkering prices. Export earnings from transport equipment decreased by 67% in the 1<sup>st</sup> half of 2016 owing to drop in cruise ship exports.

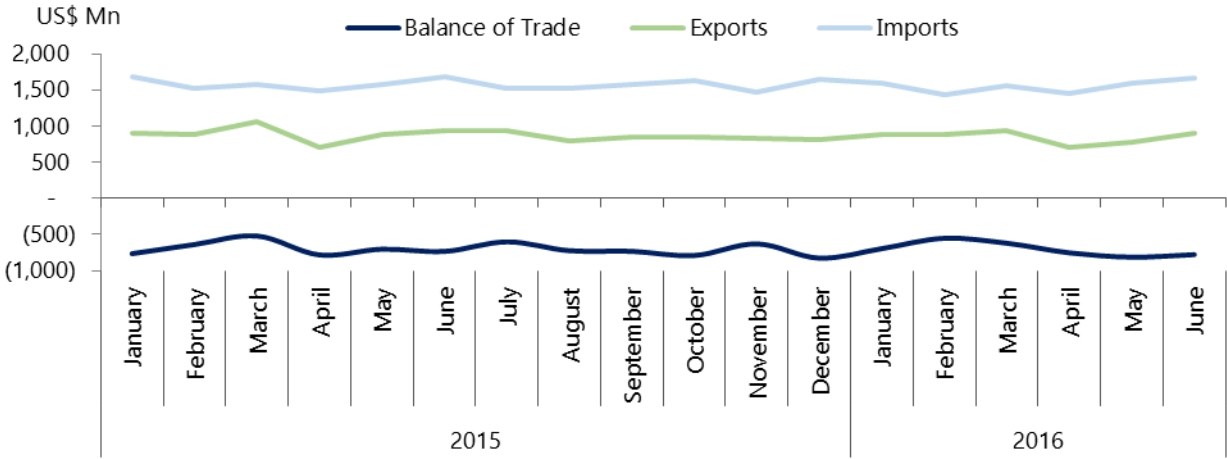
Expenditure on imports dropped by 2.4% to USD 9,321 million during the first half of 2016. Import expenditure on vehicles, wheat and fertilizer declined significantly during the first half of 2016. Reflecting



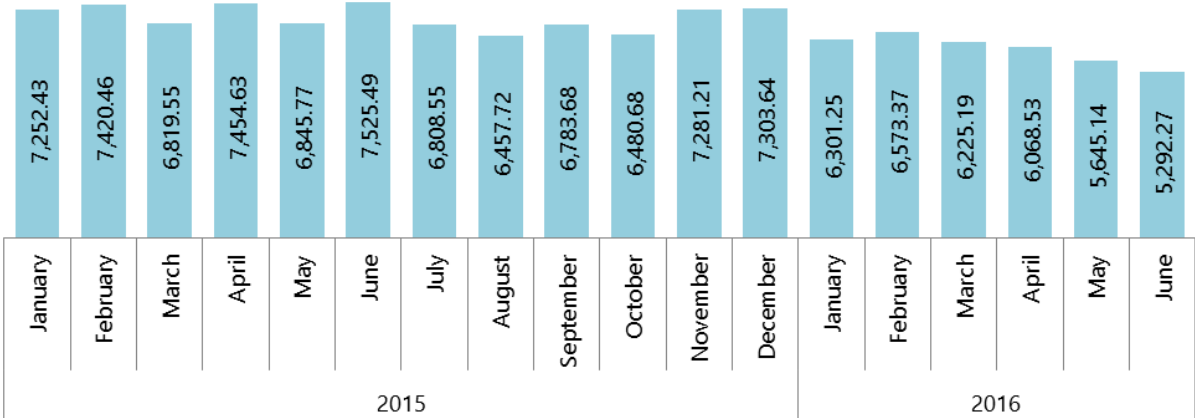
the impact of the policy measures taken by the government to curtail vehicle imports, transport equipment imports dropped by 43.5% to USD 291 million in the first half of 2016.

Inflows to the financial account elevated with the receipts of USD 168 million, the first tranche of the IMF Extended Fund Facility (IMF-EFF), USD 300 million syndicated loan facility and USD 1.4 billion foreign investments to the government securities market. Following the Brexit and the quantitative easing program in Japan the odds for a US Fed rate decreased and the foreign investments in the Sri Lankan government securities market rebounded. This resulted in a net inflow of foreign investments in Government securities in June 2016 compared to continuous outflows experienced during the first quarter of the 2016.

The overall BOP recorded a deficit of USD 1,186 million during the 1<sup>st</sup> half of 2016, compared to a deficit of USD 792 million during the corresponding period of 2015.



**GROSS OFFICIAL RESERVES (USD MN)**

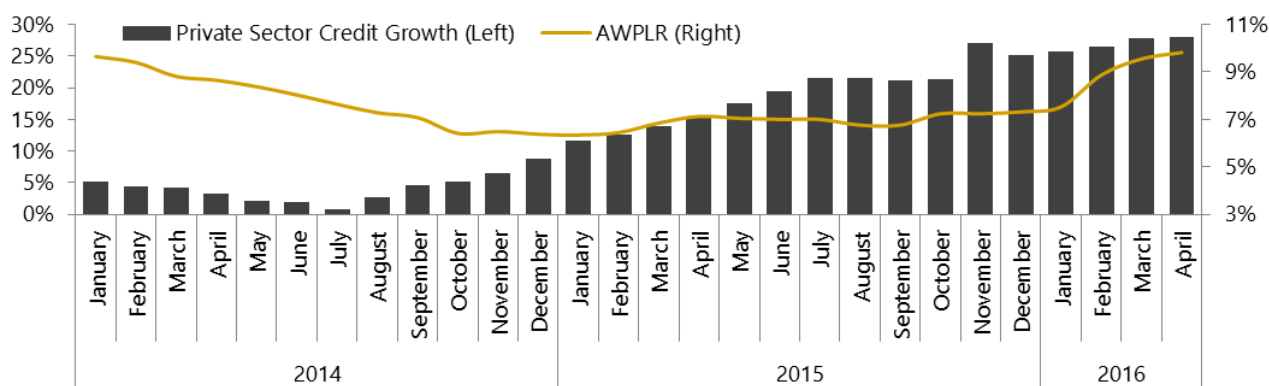


Source: [www.cbsl.gov.lk](http://www.cbsl.gov.lk)

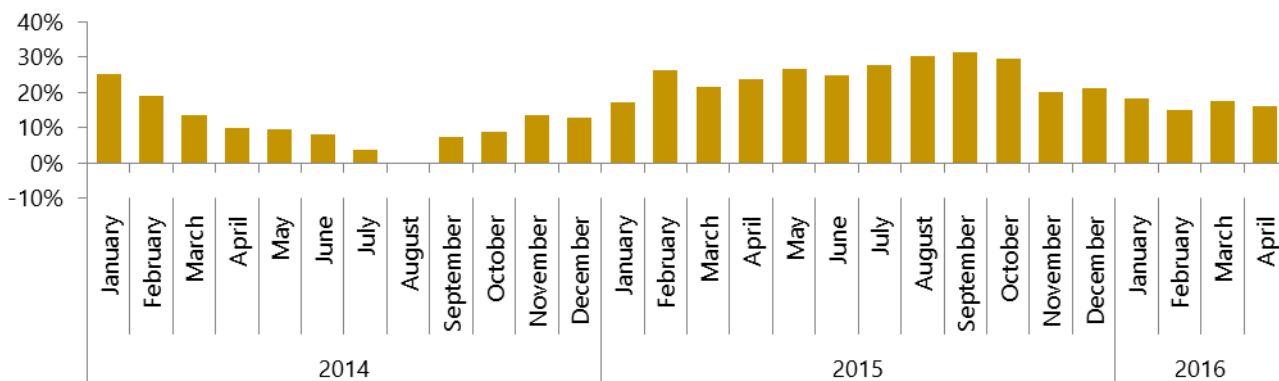
## CREDIT GROWTH

At the 1<sup>st</sup> quarter of 2016 the private sector credit growth touched 27.7% year on year basis from 25% in January and the total government related credit demand (credit to government sector plus SOEs) remained 18% year on year. During the 1<sup>st</sup> quarter CBSL increased the policy rates by 50 basis points with an effort to curb the credit growth but it was not successful since there had been sufficient level of liquidity in the system since the central bank injected liquidity via purchasing treasury bonds. As a result, the credit to private sector growth on a year on year basis continued to be at 28% till June 2016 and the total government related credit demand slowed down to 15% on year on year basis following the tax increases in the 2<sup>nd</sup> quarter of 2016.

### CREDIT TO PVT SECTOR VS. AWPLR



### CREDIT TO GOVERNMENT



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

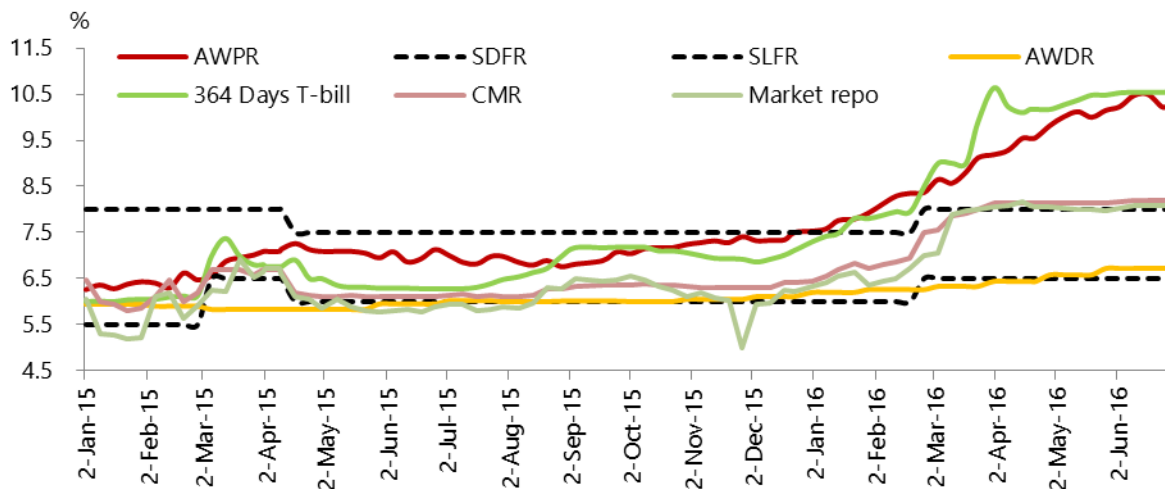
## INTEREST RATES

Central Bank increased the policy rates by 50 basis points in February as a result the Standing facility deposit rate and standing facility lending rate increased 6.5% and 8.0%, respectively. In response to the policy rate hike Treasury bill rate continued to increase from 7.8% at the end January to 10.55% in June.

In line with the Treasury bill rate increase, the Average Weighted Prime Lending Rate (AWPLR) increased from 7.92% at the end of January to 10.23% in June, however, the Average Weighted Deposit Rate only increased to 6.7% from 6.2% during the same period. We expect the tightening cycle to be maintained

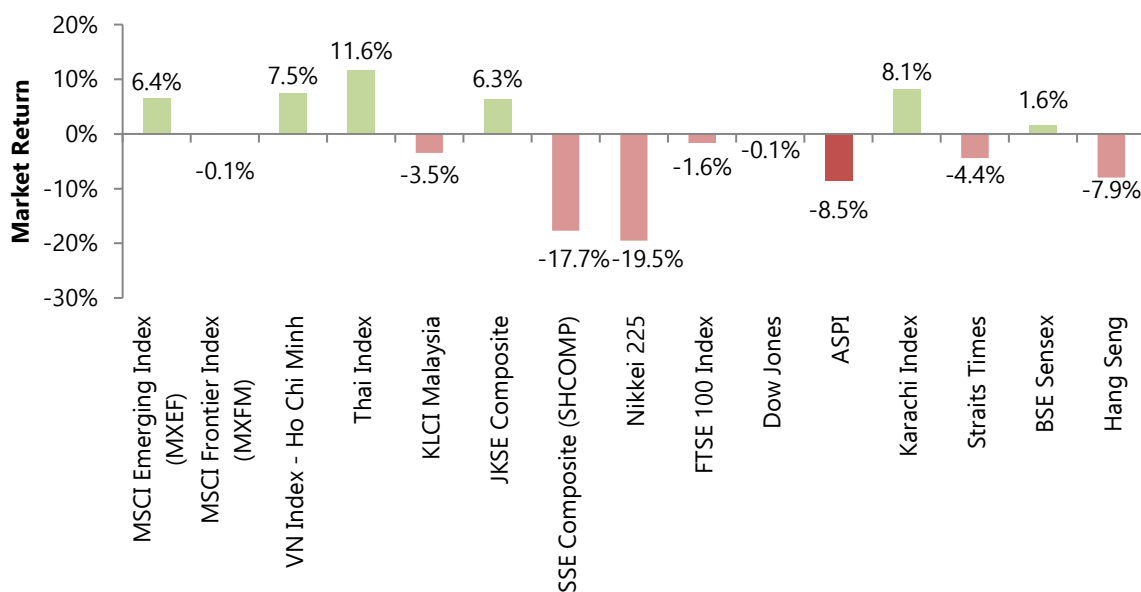
until credit growth decelerates to more sustainable levels of around 18%. Based on this we feel, interest rates will remain at elevated levels providing good investment opportunities for our money market funds.

### MONEY MARKET RATES



Source: www.cbsl.gov.lk

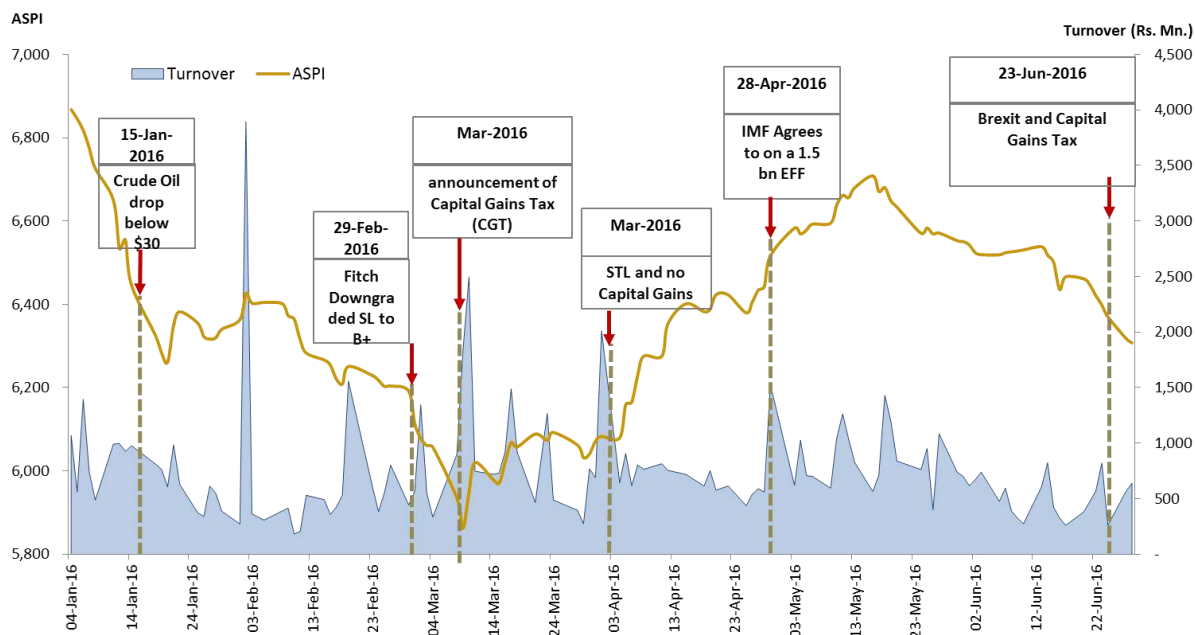
### EQUITY MARKET



Source: Bloomberg

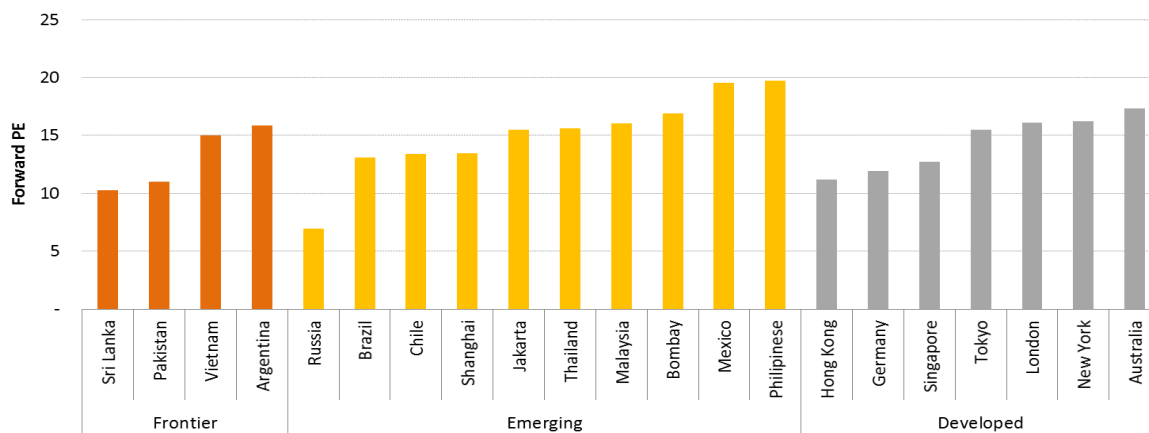
The year 2016 started on a negative note for emerging and frontier markets as US fed rate hike in later part of December 2015 and global growth concerns led to a significant capital outflows from these equity markets in January. From there onwards, the year has been overshadowed by macroeconomic and geopolitical events ranging from dropping oil price to unexpected result of Brexit (EU referendum to exit from European Union). This created significant volatility in the equity markets throughout the first six months of the year. Despite fragile investor sentiment and uncertainty with the Brexit vote, emerging market equities as represented by MSCI EM Index are back in the black, up 6.4% for 1H 2016, due to most

of the central banks injecting fresh stimulus to offset downside economic risk which in turn increases risk appetite and demand for emerging and frontier market equities. However frontier market equities were in negative territory recording -0.1% return (1H 2016) with lagging effect to emerging markets.



Source; CSE, GFM research

Against this backdrop, the Colombo Stock Exchange (CSE) suffered from continuous foreign outflow of Rs 6.4 bn (net) year to date (YTD). On the local front, unclear policy direction, possible imposition of capital gains taxes and elevated interest rates have dampened investor sentiment and appetite. Accordingly, the All Share Price index (ASPI) and S&P 20 index fell by 8.9% and 9.0% respectively in 1H 2016. Construction & Engineering sector and Diversified Holdings were the biggest losers in the first half recording -17.9% and -15.6% return whilst Telecommunication sector, Banking, Finance & Insurance sector and Footwear & textile sector recorded negative returns ranging from -11.1% to -10.3%. Healthcare sector and Beverage, Food and Tobacco sector performed relatively well during the period recording a 9.7% positive return and -0.3% return.



Source: Bloomberg

However, fundamentals of the Colombo Stock Exchange got stronger during the period by recording 10.62% year on year (YoY) aggregate earnings growth in 1Q 2016. This brought down the forward Price to Earnings ratio (P/E) to 11 times making the CSE more attractive to foreign and local investors in comparison to peer countries and historical levels. But considering other economic factors, the state of fundamentals still appears mixed, but we have begun to see evidence on a number of fronts that the worst may be behind us.

**GUARDIAN ACUITY EQUITY FUND**

INTERIM FINANCIAL STATEMENTS

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

As at	Notes	30-Jun-16 Rs.	30-Jun-15 Rs.	31-Dec-15 Rs.
<b>ASSETS</b>				
Cash and Cash Equivalents	2	14,809,968	232,208	2,187,569
Financial Assets Held for Trading	3	330,788,712	310,262,011	385,878,157
Financial Assets - Loans and Receivables	4	32,942,771	42,440,047	37,249,692
Other Receivables	5	1,379,432	406,301	28,555,810
Income Tax Receivable		763,714	406,328	625,367
<b>Total Assets</b>		<b>380,684,597</b>	<b>353,746,895</b>	<b>454,496,594</b>
<b>UNIT HOLDERS' FUNDS &amp; LIABILITIES</b>				
<b>LIABILITIES</b>				
Accrued Expenses	6	(1,050,438)	(854,564)	(1,226,112)
Amount Payable on Redemption of Units		-	(55,844)	-
<b>Total Liabilities ( Excluding net assets attributable to Unit Holders)</b>		<b>(1,050,438)</b>	<b>(910,408)</b>	<b>(1,226,112)</b>
<b>UNIT HOLDERS' FUNDS (Net Assets Attributable to Unit Holders)</b>		<b>(379,634,160)</b>	<b>(352,836,487)</b>	<b>(453,270,482)</b>
<b>Total Unit Holders' Funds and Liabilities</b>		<b>(380,684,597)</b>	<b>(353,746,895)</b>	<b>(454,496,594)</b>

These Financial Statements were approved by the Management Company, and adopted by the Trustee.

The accounting policies and notes form an integral part of the Financial Statements.

Sgd.  
 Director  
 Management Company

Sgd.  
 Director  
 Management Company

26 September 2016  
 Colombo

## Guardian Acuity Equity Fund

### STATEMENT OF COMPREHENSIVE INCOME

For the six months ended	Notes	30-Jun-16 Rs.	30-Jun-15 Rs.
<b>INCOME</b>			
Interest Income	1	1,521,821	1,427,810
Dividend Income		6,458,802	3,106,480
Net Realised Gain on Sale of Investments		(208,472)	(4,411,734)
Net Change in Unrealized Gains on Financial Assets held at Fair Value through Profit and Loss		(36,961,960)	10,608,460
		<b>(29,189,809)</b>	<b>10,731,016</b>
<b>EXPENSES</b>			
Management Fees		(4,448,486)	(2,771,650)
Trustee and Custodian Fees		(645,162)	(440,935)
Audit Fees		(116,186)	(113,414)
Bank Charges		(17,830)	(18,150)
Transaction Cost		(1,791,562)	(2,503,036)
Other Expenses		(426,951)	(129,978)
		<b>(7,446,176)</b>	<b>(5,977,163)</b>
<b>PROFIT BEFORE TAX</b>		<b>(36,635,985)</b>	<b>4,753,853</b>
Income Tax Expense		-	-
<b>NET PROFIT AFTER TAX FOR THE PERIOD</b>		<b>(36,635,985)</b>	<b>4,753,853</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>		<b>(36,635,985)</b>	<b>4,753,853</b>

The accounting policies and notes form an integral part of the Financial Statements.



## Guardian Acuity Equity Fund

### STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUND

For the six months ended	30-Jun-16	30-Jun-15	31-Dec-15
	Rs.	Rs.	Rs.
<b>UNIT HOLDERS' FUNDS AS AT 01 JANUARY</b>	453,270,482	119,829,474	119,829,474
Total Comprehensive Income for the Period	(36,635,985)	4,753,853	6,304,378
Received on Creation of Units	50,291,145	238,369,766	374,321,451
Paid on Redemption of Units	(87,291,482)	(10,116,606)	(47,184,821)
Net Increase due to Unitholders' Transactions	(37,000,337)	228,253,160	327,136,630
<b>UNIT HOLDERS' FUNDS AS AT 30 JUNE</b>	<b>379,634,160</b>	<b>352,836,487</b>	<b>453,270,482</b>

The accounting policies and notes form an integral part of the Financial Statements.

**Guardian Acuity Equity Fund**

**NOTES TO THE FINANCIAL STATEMENTS**

For the six months ended		30-Jun-16	30-Jun-15
		Rs.	Rs.
<b>1 INTEREST INCOME</b>			
Interest income on			
Treasury Bill Reverse Repurchase Agreement		1,521,821	1,427,810
		<b>1,521,821</b>	<b>1,427,810</b>

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

As at	30-Jun-16	30-Jun-15	31-Dec-15
	Rs.	Rs.	Rs.
<b>2 CASH AND CASH EQUIVALENTS</b>			
Cash at Bank	14,809,968	232,208	2,187,569
	<b>14,809,968</b>	<b>232,208</b>	<b>2,187,569</b>

As at	30-Jun-16		30-Jun-15		Holding as a % of Net Asset Value	31-Dec-15		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	42,300	9,559,800	3%	-	-	-	47,000	11,891,000	3%
Commercial Bank OF Ceylon PLC	135,305	16,466,619	4%	47,883	7,685,159	2%	98,883	13,863,342	3%
Nations Trust Bank PLC	-	-	0%	172,824	16,798,493	5%	192,824	16,640,711	4%
People's Leasing and Finance PLC	-	-	0%	361,866	8,431,478	2%	-	-	-
Sampath Bank PLC	123,031	28,051,068	7%	102,746	26,642,154	8%	120,046	29,771,520	7%
Seylan Bank (Voting)	50	4,450	0%	512,540	43,517,904	12%	177,450	16,857,750	4%
Seylan Bank (Non-Voting)	244,220	15,141,640	4%	-	-	-	365,720	26,697,560	6%
Union Bank	432,449	7,135,409	2%	475,959	11,280,228	3%	475,959	9,614,372	2%
Ceylinco Insurance PLC (Non-Voting)	21,700	16,889,110	4%	22,000	14,740,000	4%	22,000	17,600,000	4%
People's Insurance Limited	225,200	3,648,240	1%	-	-	-	-	-	-
		<b>96,896,335</b>	<b>25%</b>		<b>129,095,416</b>	<b>36%</b>		<b>142,936,255</b>	<b>31%</b>

**Beverage, Food and Tobacco**

Ceylon Tobacco Company PLC	-	-	-	-	-	-	34,576	14,577,242	3%
Cargills (Ceylon) PLC	36,998	5,660,694	1%	-	-	-	-	-	-
Distilleries Company of Sri Lanka PLC	159,562	33,045,290	9%	128,347	34,653,690	10%	163,562	40,236,252	9%
Renuka Foods PLC	-	-	-	283,820	7,237,410	2%	-	-	-
		<b>38,705,984</b>	<b>10%</b>		<b>41,891,100</b>	<b>12%</b>		<b>54,813,494</b>	<b>12%</b>

**Guardian Acuity Equity Fund**

**NOTES TO THE FINANCIAL STATEMENTS**

As at	30-Jun-16		Holding as a % of Net Asset Value	30-Jun-15		Holding as a % of Net Asset Value	31-Dec-15		Holding as a % of Net Asset Value
	No of shares	Fair value		No of shares	Fair value		No of shares	Fair value	
<b>3 FINANCIAL ASSETS - HELD FOR TRADING</b>									
<b>3.a) Investment in Equity shares</b>									
<b>Construction &amp; Engineering</b>									
MTD Walkers PLC	174,074	6,127,405	2%	-	-	-	174,074	8,912,585	2%
Access Engineering PLC	651,389	14,330,558	4%	800	19,040	0.01%	400,000	9,240,000	2%
Tokyo Cement Company (Lanka) PLC-Vc	250,000	10,200,000	3%	-	-	-	-	-	-
Tokyo Cement Company (Lanka) PLC-Nr	275,000	9,790,000	3%	-	-	-	-	-	-
		<b>40,447,963</b>	<b>11%</b>		<b>19,040</b>	<b>0.01%</b>		<b>18,152,585</b>	<b>4%</b>
<b>Diversified Holdings</b>									
Aitken Spence PLC	201,826	14,127,820	4%	203,326	19,925,948	6%	224,326	21,692,324	5%
Hemas Holdings PLC	162,091	13,939,826	4%	181,091	14,849,462	4%	181,091	16,823,354	4%
	130,296	17,589,960	5%	32,996	6,727,884	2%	37,709	6,716,100	1%
Softlogic Holdings PLC	936,603	12,082,179	3%	786,603	12,192,347	3%	936,603	14,517,347	3%
Expolanka Holdings PLC	1,335,000	8,677,500	2%	-	-	-	-	-	-
		<b>66,417,285</b>	<b>17%</b>		<b>53,695,641</b>	<b>15%</b>		<b>59,749,125</b>	<b>13%</b>
<b>Footwear &amp; Textiles</b>									
Hayleys MGT Knitting Mills PLC	671,869	11,959,268	3%	733,320	12,979,764	4%	733,320	16,426,368	4%
Textured Jersey Lanka PLC	405,000	14,458,500	4%	450,000	12,600,000	4%	450,000	15,975,000	4%
		<b>26,417,768</b>	<b>7%</b>		<b>25,579,764</b>	<b>8%</b>		<b>32,401,368</b>	<b>8%</b>
<b>Health Care</b>									
Asiri Central Hospital Limited*	-	-	-	-	-	-	11,235	1,856,359	0%
Asiri Hospital Holdings PLC	-	-	-	982,399.00	19,549,740	6%	1,067,399	25,617,576	6%
	-	-	-	-	<b>19,549,740</b>	<b>6%</b>	-	<b>27,473,935</b>	<b>6%</b>
<b>Hotels and Travels</b>									
Aitken Spence Hotel Holdings PLC	290,575	15,691,050	4%	290,875	21,931,975	6%	290,875	19,779,500	4%
		<b>15,691,050</b>	<b>4%</b>		<b>21,931,975</b>	<b>6%</b>		<b>19,779,500</b>	<b>4%</b>

## Guardian Acuity Equity Fund

### NOTES TO THE FINANCIAL STATEMENTS

As at									
	No of shares	Fair value	Holding as a % of Net Asset Value	No of shares	Fair value	Holding as a % of Net Asset Value	No of shares	Fair value	Holding as a % of Net Asset Value
<b>3 FINANCIAL ASSETS - HELD FOR TRADING</b>									
<b>3.a) Investment in Equity shares</b>									
<b>Land &amp; Property</b>									
Colombo Land & Development Cc	-	-	-	-	-	-	-	-	-
		-	-		-	-		-	-
<b>Manufacturing</b>									
Kelani Tyres PLC	-	-	-	-	-	-	-	-	-
Swisstek (Ceylon) PLC	60,000	3,714,000	1%	-	-	-	-	-	-
Alimex PLC	800,000	13,440,000	4%	-	-	-	-	-	-
		<b>17,154,000</b>	<b>5%</b>						
<b>Telecommunications</b>									
Dialog Axiata PLC	2,016,967	20,976,457	6%	-	-	-	2,016,967	21,581,549	5%
		<b>20,976,457</b>	<b>6%</b>					<b>21,581,549</b>	<b>5%</b>
<b>Power &amp; Energy</b>									
Vallibel Power Erathna PLC	700,000	5,880,000	2%	700,000.00	6,650,000	2%	700,000	6,230,000	1%
Pan Asian Power PLC	-	-	-	1,100,000.00	3,630,000	1%	-	-	-
Laugfs Gas Ltd	-	-	-	59,654.00	2,314,575	1%	-	-	-
		<b>5,880,000</b>	<b>2%</b>		<b>12,594,575</b>	<b>4%</b>		<b>6,230,000</b>	<b>1%</b>
<b>Trading</b>									
Singer Sri Lanka PLC	20,017	2,201,870	1%	46,167.00	5,904,759	2%	20,017	2,760,346	1%
		<b>2,201,870</b>	<b>1%</b>		<b>5,904,759</b>	<b>2%</b>		<b>2,760,346</b>	<b>1%</b>
		<b>330,788,712</b>	<b>87%</b>		<b>310,262,011</b>	<b>88%</b>		<b>385,878,157</b>	<b>85%</b>

**Guardian Acuity Equity Fund****NOTES TO THE FINANCIAL STATEMENTS**

<b>As at</b>	<b>30-Jun-16</b>	<b>30-Jun-15</b>	<b>31-Dec-15</b>
	<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>
<b>4 FINANCIAL INVESTMENTS - LOANS AND RECEIVABLES</b>			
Treasury Bill Reverse Repurchase Agreement (Less than 3 months)	32,942,771	42,440,047	37,249,692
	<b>32,942,771</b>	<b>42,440,047</b>	<b>37,249,692</b>
<b>5 ACCRUED INCOME AND OTHER RECEIVABLES</b>			
Amount Receivable on creation of units	591,000	166,000	422,500
Accrued Dividend Income	788,432	233,305	-
Receivable from Securities Sold	-	-	233,310
Other Receivable	-	6,996	27,900,000
	<b>1,379,432</b>	<b>406,301</b>	<b>28,555,810</b>
<b>6 ACCRUED EXPENSES</b>			
Fund Manager Payable	(744,021)	(632,615)	(871,971)
Trustee Fee and Custodian Fee Payable	(110,744)	(94,445)	(124,515)
Audit Fee	(128,033)	(127,504)	(165,743)
Other Payables	(67,639)	-	(63,883)
	<b>(1,050,438)</b>	<b>(854,564)</b>	<b>(1,226,112)</b>

**7 UNITS IN ISSUE AND UNIT PRICE**

Units in issue and deemed to be in issue as at 30 June 2016 is 23,918,183.92 (2015 :20,581,022.25) and the creation and redemption Unit price as at this date is Rs.16.00(2015: Rs.17.30 ) and Rs.15.69(2015:Rs.16.96 ) respectively.

**GUARDIAN ACUITY MONEY MARKET FUND**

INTERIM FINANCIAL STATEMENTS

**Guardian Acuity Money Market Fund**  
**STATEMENT OF FINANCIAL POSITION**

As at	Notes	30-Jun-16 Rs.	30-Jun-15 Rs.	31-Dec-15 Rs.
<b>ASSETS</b>				
Cash and Cash Equivalents	2	171,187	248,901	23,754
Financial Assets Held for Trading	3	48,542,200	77,067,175	49,180,850
Financial Assets - Loans and Receivables	4	4,807,868,506	3,145,052,964	4,502,400,418
Other Receivables		91,807	35,448	3,050,104
Income Tax Receivable		3,254,908	1,835,057	253,307
<b>Total Assets</b>		<b>4,859,928,608</b>	<b>3,224,239,545</b>	<b>4,554,908,433</b>
<b>UNIT HOLDERS' FUNDS &amp; LIABILITIES</b>				
<b>LIABILITIES</b>				
Bank Overdraft		(563,314)	(138,944)	-
Accrued Expenses	5	(3,056,902)	(2,005,856)	(3,402,157)
<b>Total Liabilities ( Excluding net assets attributable to Unit Holders)</b>		<b>(3,620,216)</b>	<b>(2,144,800)</b>	<b>(3,402,157)</b>
<b>UNIT HOLDERS' FUNDS (Net Assets Attributable to Unit Holders)</b>		<b>(4,856,308,393)</b>	<b>(3,222,094,745)</b>	<b>(4,551,506,276)</b>
<b>Total Unit Holders' Funds and Liabilities</b>		<b>(4,859,928,608)</b>	<b>(3,224,239,545)</b>	<b>(4,554,908,433)</b>

These Financial Statements were approved by the Management Company, and adopted by the Trustee.

The accounting policies and notes form an integral part of the Financial Statements.

Sgd.  
 Director  
 Management Company

Sgd.  
 Director  
 Management Company

26 September 2016  
 Colombo

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

For the six months ended	Notes	30-Jun-16 Rs.	30-Jun-15 Rs.
<b>INCOME</b>			
Interest Income	1	227,673,878	90,176,790
Unrealized Gain/(Loss) on Financial Assets Held for Trading		97,269	-
		<b>227,771,147</b>	<b>90,176,790</b>
<b>EXPENSES</b>			
Management Fees		(13,689,388)	(6,643,681)
Trustee and Custodian Fees		(3,767,515)	(1,843,644)
Audit Fees		(242,287)	(75,327)
Bank Charges		(86,334)	(149,112)
Other Expenses		(196,106)	(129,978)
		<b>(17,981,630)</b>	<b>(8,841,742)</b>
<b>PROFIT BEFORE TAX</b>		<b>209,789,517</b>	<b>81,335,048</b>
Income Tax Expense		(20,978,952)	(8,133,505)
<b>NET PROFIT AFTER TAX FOR THE PERIOD</b>		<b>188,810,566</b>	<b>73,201,543</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>		<b>188,810,566</b>	<b>73,201,543</b>

The accounting policies and 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-16</b>	<b>30-Jun-15</b>	<b>31-Dec-15</b>
	<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>
<b>UNIT HOLDERS' FUNDS AS AT 01 JANUARY</b>	<b>4,551,506,275</b>	<b>1,782,365,841</b>	<b>1,782,365,841</b>
Total Comprehensive Income for the Period	188,810,566	73,201,543	213,429,273
Dividend Payment for the Period	-	(63,682,711)	(63,682,711)
Received on Creation of Units	2,904,052,487	1,612,200,252	3,716,575,619
Paid on Redemption of Units	(2,788,060,935)	(181,990,180)	(1,097,181,746)
Net Increase due to Unit Holders' Transactions	115,991,552	1,430,210,072	2,619,393,873
<b>UNIT HOLDERS' FUNDS AS AT 30 JUNE</b>	<b>4,856,308,393</b>	<b>3,222,094,745</b>	<b>4,551,506,276</b>

The accounting policies and notes form an integral part of the Financial Statements.

**Guardian Acuity Money Market Fund**

**NOTES TO THE FINANCIAL STATEMENTS**

For the six months ended		30-Jun-16	30-Jun-15
		Rs.	Rs.
<b>1</b>	<b>INTEREST INCOME</b>		
	Interest income on		
	Fixed Deposits	145,228,759	62,166,334
	Treasury Bill Reverse Repurchase Agreements	8,835,693	9,267,414
	Treasury Bills	1,709,598	1,464,124
	Unquoted Debentures	-	794,795
	Commercial Paper	71,899,828	15,526,821
	Securitization	-	957,303
		<b>227,673,878</b>	<b>90,176,790</b>

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

As at		30-Jun-16	30-Jun-15	31-Dec-15
		Rs.	Rs.	Rs.
<b>2</b>	<b>CASH AND CASH EQUIVALENTS</b>			
	Cash at Bank	171,187	248,901	23,754
		<b>171,187</b>	<b>248,901</b>	<b>23,754</b>

<b>3</b>	<b>FINANCIAL ASSETS-HELD FOR TRADING</b>	Holding as a % of		Holding as a %			
		30-Jun-16	Net Asset Value	30-Jun-15	of Net Asset Value	31-Dec-15	of Net Asset Value
		Rs.		Rs.		Rs.	
	Government Debt Securities	48,542,200	1%	77,067,175	2%	49,180,850	1%
		<b>48,542,200</b>	<b>1%</b>	<b>77,067,175</b>	<b>2%</b>	<b>49,180,850</b>	<b>1%</b>

<b>4</b>	<b>FINANCIAL ASSETS-LOANS AND RECEIVABLES</b>	Holding as a % of		Holding as a %			
		30-Jun-16	Net Asset Value	30-Jun-15	of Net Asset Value	31-Dec-15	of Net Asset Value
		Rs.		Rs.		Rs.	
	Treasury Bill Reverse Repurchase Agreement	106,901,226	2%	279,377,292	9%	248,497,860	5%
	Commercial Papers	1,894,559,657	39%	524,004,189	16%	1,299,116,296	29%
	Fixed Deposits	2,806,407,623	58%	2,334,464,553	72%	2,954,786,262	65%
	Securitization	-	-	7,206,930	0.2%	-	-
		<b>4,807,868,506</b>	<b>99%</b>	<b>3,145,052,964</b>	<b>98%</b>	<b>4,502,400,418</b>	<b>99%</b>

**Guardian Acuity Money Market Fund**  
**NOTES TO THE FINANCIAL STATEMENTS**

	30-Jun-16	30-Jun-15	31-Dec-15
	Rs.	Rs.	Rs.
<b>5 ACCRUED EXPENSES</b>			
Fund Manager Payable	(2,302,011)	(1,500,175)	(2,349,623)
Trustee Fee and Custodian Fee Payable	(648,600)	(416,304)	(652,028)
Audit Fee	(93,290)	(89,377)	(159,500)
Other Payables	(13,000)	-	(241,006)
	<b>(3,056,902)</b>	<b>(2,005,856)</b>	<b>(3,402,157)</b>

**6 UNITS IN ISSUE AND UNIT PRICE**

Units in issue and deemed to be in issue as at 30 June 2016 is 373,518,144.15 (2015: 267,998,987.89) and the creation and redemption Unit price as at this date is Rs.12.99 (2015: Rs.12.02).

**GUARDIAN ACUTY MONEY MARKET GILT FUND**

INTERIM FINANCIAL STATEMENTS

**Guardian Acuity Money Market Gilt Fund**  
**STATEMENT OF FINANCIAL POSITION**

As at	Notes	30-Jun-16 Rs.	30-Jun-15 Rs.	31-Dec-15 Rs.
<b>ASSETS</b>				
Cash and Cash Equivalents	2	97,741	115,861	763,022
Financial Assets Held for Trading	3	423,930,000	341,380,832	395,212,218
Financial Assets - Loans and Receivables	4	81,427,932	400,475,800	381,768,939
Other Receivables		-	73,518	1,000
Income Tax Receivable		216,709	103,641	389,082
<b>Total Assets</b>		<b>505,672,382</b>	<b>742,149,652</b>	<b>778,134,261</b>
<b>UNIT HOLDERS' FUNDS &amp; LIABILITIES</b>				
<b>LIABILITIES</b>				
Accrued Expenses	5	(317,304)	(376,670)	(457,953)
<b>Total Liabilities ( Excluding net assets attributable to Unit Holders)</b>		<b>(317,304)</b>	<b>(376,670)</b>	<b>(457,953)</b>
<b>UNIT HOLDERS' FUNDS (Net Assets Attributable to Unit Holders)</b>		<b>(505,355,078)</b>	<b>(741,772,982)</b>	<b>(777,676,308)</b>
<b>Total Unit Holders' Funds and Liabilities</b>		<b>(505,672,382)</b>	<b>(742,149,652)</b>	<b>(778,134,261)</b>

These Financial Statements were approved by the Management Company, and adopted by the Trustee.

The accounting policies and notes form an integral part of the Financial Statements.

Sgd.  
 Director  
 Management Company

Sgd.  
 Director  
 Management Company

26 September 2016  
 Colombo

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

For the six months ended	Notes	30-Jun-16 Rs.	30-Jun-15 Rs.
<b>INCOME</b>			
Interest Income	1	36,171,362	13,836,247
Unrealized Gain/(Loss) on Financial Assets Held for Trading		255,788	-
		<b>36,427,150</b>	<b>13,836,247</b>
<b>EXPENSES</b>			
Management Fees		(1,134,808)	(474,064)
Trustee and Custodian Fees		(1,007,905)	(469,193)
Audit Fees		(77,374)	(65,688)
Bank Charges		(37,569)	(27,452)
Other Expenses		(196,106)	-
		<b>(2,453,762)</b>	<b>(1,036,397)</b>
<b>PROFIT BEFORE TAX</b>		<b>33,973,387</b>	<b>12,799,850</b>
Income Tax Expense		(3,397,339)	(1,279,985)
<b>NET PROFIT AFTER TAX FOR THE PERIOD</b>		<b>30,576,049</b>	<b>11,519,865</b>
<b>TOTAL COMPREHENSIVE INCOME FOR THE PERIOD</b>		<b>30,576,049</b>	<b>11,519,865</b>

The accounting policies and 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-16</b>	<b>30-Jun-15</b>	<b>31-Dec-15</b>
	<b>Rs.</b>	<b>Rs.</b>	<b>Rs.</b>
<b>UNIT HOLDERS' FUNDS AS AT 01 JANUARY</b>	<b>777,676,308</b>	-	-
Total Comprehensive Income for the Period	30,576,049	11,519,865	37,636,758
Received on Creation of Units	883,107,531	810,448,477	1,201,149,036
Paid on Redemption of Units	(1,186,004,810)	(80,195,360)	(461,109,486)
Net Increase due to Unit Holders' Transactions	(302,897,279)	730,253,117	740,039,550
<b>UNITHOLDERS' FUNDS AS AT 30 JUNE</b>	<b>505,355,078</b>	<b>741,772,982</b>	<b>777,676,308</b>

The accounting policies and notes form an integral part of the Financial Statements.

**Guardian Acuity Money Market Gilt Fund**  
**NOTES TO THE FINANCIAL STATEMENTS**

For the six months ended	30-Jun-16 Rs.	30-Jun-15 Rs.
<b>1 INTEREST INCOME</b>		
Interest income on		
Treasury Bill Reverse Repurchase Agreements	24,455,307	9,028,767
Treasury Bills	10,951,639	4,807,480
Treasury Bonds	764,415	-
	<b>36,171,362</b>	<b>13,836,247</b>

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

As at	30-Jun-16 Rs.	30-Jun-15 Rs.	31-Dec-15 Rs.
<b>2 CASH AND CASH EQUIVALENTS</b>			
Cash at Bank	97,741	115,861	763,022
	<b>97,741</b>	<b>115,861</b>	<b>763,022</b>

As at	30-Jun-16 Rs.	Holding as a % of Net Asset Value	30-Jun-15 Rs.	Holding as a % of Net Asset Value	31-Dec-15 Rs.	Holding as a % of Net Asset Value
<b>3 FINANCIAL ASSETS-HELD FOR TRADING</b>						
Government Debt Securities	423,930,000	84%	341,380,832	46%	395,212,218	51%
	<b>423,930,000</b>	<b>84%</b>	<b>341,380,832</b>	<b>46%</b>	<b>395,212,218</b>	<b>51%</b>

As at	30-Jun-16 Rs.	Holding as a % of Net Asset Value	30-Jun-15 Rs.	Holding as a % of Net Asset Value	31-Dec-15 Rs.	Holding as a % of Net Asset Value
<b>4 FINANCIAL ASSETS-LOANS AND RECEIVABLES</b>						
Treasury Bill Reverse Repurchase Agreement	81,427,932	16%	400,475,800	54%	381,768,939	49%
	<b>81,427,932</b>	<b>16%</b>	<b>400,475,800</b>	<b>54%</b>	<b>381,768,939</b>	<b>49%</b>

As at	30-Jun-16 Rs.	30-Jun-15 Rs.	31-Dec-15 Rs.
<b>5 ACCRUED EXPENSES</b>			
Fund Manager Payable	(112,203)	(151,996)	(164,779)
Trustee Fee and Custodian Fee Payable	(119,403)	(148,845)	(159,974)
Audit Fee	(85,699)	(65,688)	(133,200)
Payable on redemption of units	-	(10,141)	-
	<b>(317,304)</b>	<b>(376,670)</b>	<b>(457,953)</b>

**6 UNITS IN ISSUE AND UNIT PRICE**

Units in issue and deemed to be in issue as at 30 June 2016 is 4,647,084.92 (as at 30 June 2015 - 7,296,699.10) and the creation & redemption Unit price as at this date is Rs.108.70 (30 June 2015- Rs.101.64).

**7 COMMENCEMENT OF THE FUND**

Guardian Acuity Money Market Gilt Fund was launched on 24th March 2015 with the approval of Securities & Exchange Commission of Sri Lanka. Therefore, the comparative interim financial statements are from 24th March 2015 to 30th June 2015 (98 days).