

# Guardian Acuity Equity Fund

Open Ended Growth Fund

August 2018

## HIGHLIGHT

The fund recorded a -4.26% return for the month and -7.38% return for 3 Months.

The YTD return of the fund was -2.22% vs. Benchmark ASPI return of -4.54%, recording a 2.32% outperformance.

## RETURNS\*

PERIOD*	FUND	BENCHMARK ASPI	S&P SL 20	ASTRI
2018 August	-4.26%	-1.09%	-3.13%	-1.06%
3 Months	-7.38%	-4.97%	-9.47%	-4.90%
Year To Date (YTD 2018)	-2.22%	-4.54%	-12.05%	-4.24%
Since Inception Cum.	66.88%	11.02%	9.26%	21.79%
Since Inception CAGR	8.18%	1.62%	1.37%	3.07%

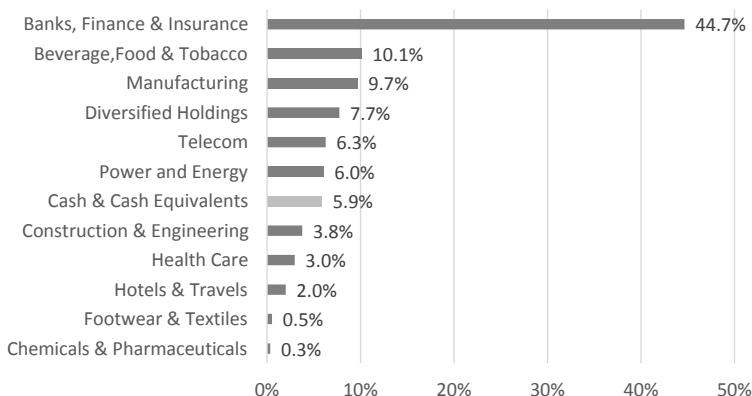
Note : All Share Price Index (ASPI) ,All Share Total Return Index(ASTRI) & S&P Srilanka 20 Index (S&P SL 20) are based on CSE data as of 31st August 2018

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

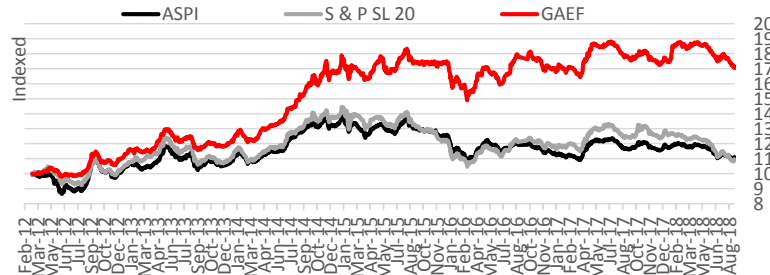
## TOP 5 HOLDINGS BASED ON NAV

STOCK	TICKER	% OF NAV
CARGILLS (CEYLON) PLC	CARG.N	10.12%
NATIONS TRUST BANK PLC	NTB.N	9.18%
SAMPATH BANK PLC	SAMP.N	8.71%
CENTRAL FINANCE COMPANY PLC	CFIN.N	7.41%
PEOPLE'S LEASING & FINANCE PLC	PLC.N	7.05%

## SECTOR ALLOCATION (WITH CASH & CASH EQUIVALENTS)



## GAEF VS. THE MARKET



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.



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Senior Fund Manager

August added more fuel to the current trade tensions as US threatened to apply a 25% tariff on USD 200 bn of Chinese goods instead of previously announced 10% tariff. The reintroduction of sanctions against Iran and imposition of new tariffs on Turkey's aluminium and steel by US also elevated trade tensions to new levels in August. This brought down most emerging market and developed market equities except for the US market as strong US economic data overshadowed the geopolitical turmoil.

Colombo was no exception, net foreign selling continued with the month recording a net foreign outflow of Rs 1.66 bn with considerable selling witnessed in heavyweight John Keells Holdings. CSE's All Share Price Index dropped by 1.09% and S&P 20, the more liquid 20 large cap stock index, dropped 3.13% during the month. The weak sentiment was exacerbated by a number of amendments to the Finance Act giving effect to several delayed new tax proposals announced under Budget 2018 including debt repayment levy on the banking & finance sector ( a 7% levy on the same financial VAT base) and telco tower levy. Furthermore the announcement of the removal of floor rate for voice charges which could negatively impact on margins of the telco operators. However, towards end of the month the CSE showed some recovery driven by announcements on EPF's plans to resume investment in CSE which has been halted since 2015.

Against this back drop, the fund fell by 4.26% in August and 2.22% for the year to date. This month's underperformance is mainly attributable to 15% drop in Dialog Axiata and 5% drop in Sampath bank share prices. The new tower levy would have 400-500mn impact on Dialog if it is passed in parliament. Removal of floor rate on call charges triggered concerns from investors pushing the share price down to the lowest level in 2018. The floor rate was first introduced in 2010 as a solution to the industry crisis that was experiencing unhealthy price competition during 2008-2010 period. Being the market leader and having the country's best mobile customer base, Dialog will not benefit from any kind of price war as inelastic demand for voice calls and gaining a low value incremental market share have less value addition than loss in profit margin. However, it is too early to predict the reactions of the other operators or quantify any impact but we maintain a degree of cautiousness, thereby, with the announcement, we immediately reduced the exposure to Dialog prior to the price drop.

We continue to maintain our value oriented stock picking strategy and focus on medium to long term horizon to give better return to our investors.

## 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 31-08-2018	LKR 362.65 Mn
Minimum Investment	LKR 1,000
Redemption Price as at 31-08-2018	LKR 16.6875

## FUND FEES

Management Fee*	2.25% p.a.
Custodian & Trustee Fee*	0.30% p.a.
Exit Fee**	2.00% p.a.

\*As a percentage of NAV

\*\*If withdrawn prior to 1 year