Guardian Acuity Money Market Fund

Open Ended Money Market Fund

2016 March

Guardian Acuity Asset Management Limited

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Current Yeild: 8.07%

FUND DESCRIPTION

Guardian Acuity Money Market Fund is an open ended unit trust which invests in a portfolio of investment grade securities that are maturing within 365 days.

FUND PERFORMANCE

Period	GAMMF	NDBIB-CRISIL 91 Day T-Bill Index	GAMMF-Annualized
2016 March	0.71%	0.32%	8.40%
3 Months	1.93%	1.19%	7.73%
YTD- 2016	1.93%	1.19%	7.73%
Since Inception	46.25%	38.28%	11.30%

FUND SNAPSHOT

Inception Date	27th February 2012
Fund Size	LKR 4,367.41 mn
Minimum Investment	LKR 1,000

KEY INDICATORS

Average Maturity (Months)	1.57
Duration	0.12
Expense Ratio	0.78%
Unit Price (As at 31-03-2016)	12.70

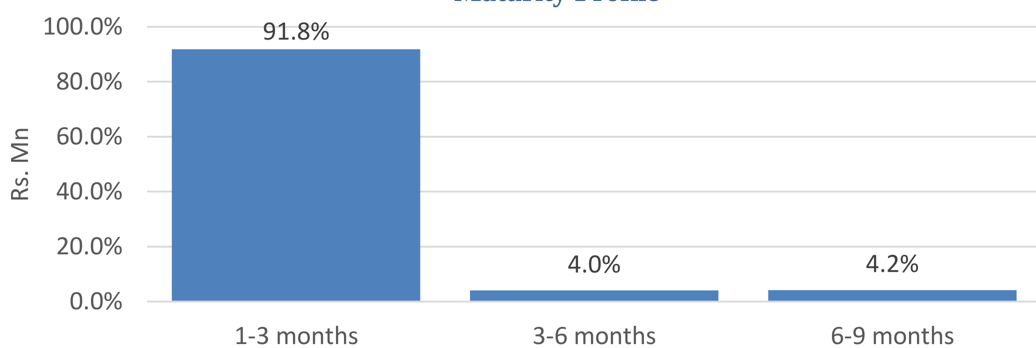
**Yield on existing assets of the fund.*

FUND FEES

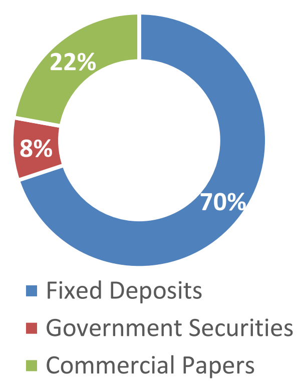
Management Fee**	0.60%
Trustee Fee**	0.15%

***As a percentage of NAV*

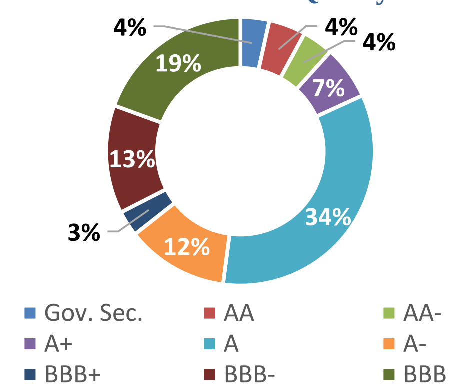
Maturity Profile



Asset Allocation



Fund Credit Quality



FUND MANAGER'S COMMENT

Fund performance & outlook

The fund gave a return of 0.71% for the month of March while the 91 day Treasury bill index increased by 0.32% for the same period. The fund is currently providing a tax free current yield of 8.07% p.a. to its investors. In February we expect the running yield to increase with the upward movement in interest rate. Our money market funds will effectively track interest rate movements going forward as we have kept our maturities relatively short.

FUND MANAGER'S COMMENT- Cont'd

Interest Rates and the Economy

The current gross official reserve level of USD 6.2 billion is equivalent to 66% of the foreign loan repayment requirement for the year. Uncertainty prevailing in the global capital markets and the Sri Lankan sovereign rating downgrade (from BB- to B+ by Fitch ratings) make the refinancing of foreign loans costly.

The current Market Repo rates (8.18%) and Call Money Market rates (8.14%) have breached the policy corridor (Standard Deposit rate of 7.5% and Standard Lending Rate of 8.0%) and also the primary dealers are starting to borrow from central bank during the 3rd week of March (Excess liquidity turned negative Rs.19 billion). However, the Central Bank injected market liquidity by purchasing treasury bills in the market, and as a result over the first week of April liquidity has increased to Rs.57 billion. Increase in liquidity will cool down the pressure on short term rates but credit growth will continue to accelerate. Acceleration in credit growth will fuel import demand which will eventually aggravate the pressure on rupee which touched Rs.150 at the end of March. The only remedy to reverse the rising trend in interest rates will be to raise foreign borrowings as indicated by the Central Bank governor. Hence, we feel that over the next 2 months Central Bank will consider to increase policy rates if they are unable to raise foreign debt.