

Guardian Acuity Money Market Fund

Open Ended Money Market Fund

October 2016



Tel: +94 112039377 E-mail: info@guardianacuity.com

HIGHLIGHT

"The fund gave a return of 0.89% for the month of October while the 91 day Treasury bill index increased by 0.63% for the same period. The fund is currently providing a tax free current yield of 10.53% p.a. to its investor".



COMMENTARY
By Fund Manager,
Sashika Wickramaratne

RETURNS

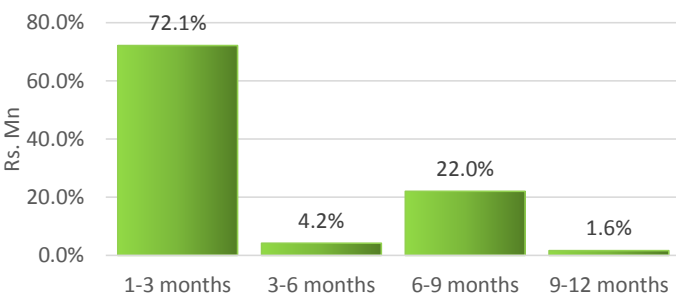
PERIOD	FUND	NDBIB-CRISIL 91 T-BILL INDEX	ANNUALISED FUND RETURN
2016 October	0.89%	0.63%	10.53%
3 Months	2.71%	2.21%	10.52%
YTD 2016	7.96%	6.47%	9.53%
Since Inception Cum.	54.91%	45.49%	11.74%

* Performances are based on month end prices

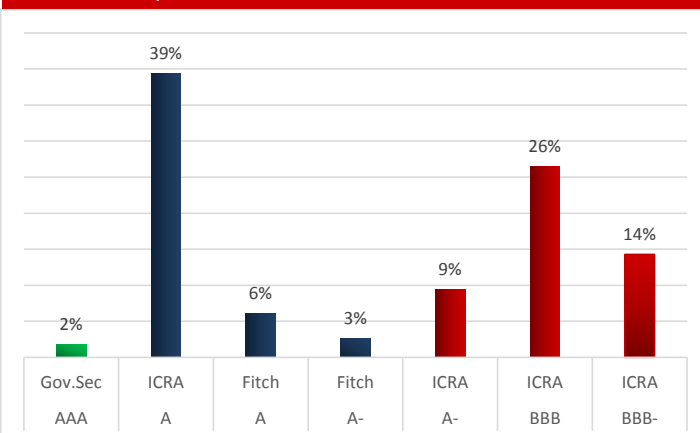
KEY INDICATORS

Average Maturity	(Months)	2.64
Duration	(Months)	0.16
Expense Ratio	%	0.78%
Unit Price as at 31 Oct. 2016	Rs.	13.4522

MATURITY PROFILE



FUND CREDIT QUALITY



ASSET

Fixed Deposits	%	48%
Commercial Papers	%	42%
Securitization	%	7%
Government Securities	%	2%

FUND PERFORMANCE

The fund gave a return of 0.89% for the month of October while the 91 day Treasury bill index increased by 0.63% for the same period. The fund is currently providing a tax free current yield of 10.53% p.a. to its investors.

INTEREST RATES AND THE ECONOMY

Forex reserves marginally dropped to 6,460 million dollars in September 2016, from 6,598 million in August. After Brexit and due to the quantitative easing program in Japan, foreign inflows into the local government security market regained momentum from July to September. However, with odds for another US Fed rate hike increase either in December or early next year, in October we observed foreign selling in the government securities market. If the US increase its Fed rate, the cost of servicing foreign borrowings in the next 12 months will increase and the Central Bank will have to increase the domestic rates to maintain the same interest rate gap between US and SL to attract foreigners into the local government security market.

Amidst a continuous upward adjustment in market interest rates, private sector credit growth marginally decelerated to 27.3% in September from 28.5% in the previous month. To evaluate the real impact of the July rate hike we have to monitor the September and October credit growth data and see whether another rate hike is needed to cool down the private sector credit demand.

The increase in Value Added Tax (VAT), the removal of certain exemptions applicable on VAT and the Nation Building Tax (NBT) with effect from 01 November 2016 will ease the pressure on rates from fiscal side. Against the above backdrop, we are of the view that there is further room for rates to move up. Hence, we will stay short until December to evaluate the impact of the US Fed rate hike and the fiscal budget of 2017/18.

ABOUT THE FUND

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 SNAPSHOT

Inception Date
Bloomberg Code
Fund Size 31 Oct. 2016
Minimum Investment

27th February 2012
GUAACFI SL Equity
LKR 5,044.26Mn
LKR 1,000

FUND FEES

Management Fee*
Custodian & Trustee Fee*
*As a percentage of NAV

0.6% p.a.
0.15% p.a.

Disclaimer: Performance data included in this document represents past performance and is no guarantee of the future results. Investment returns and principal values may fluctuate depending on various factors and forces, affecting capital markets.