

Guardian Acuity Money Market Fund

Open Ended Money Market Fund

September 2017

HIGHLIGHT

"The fund is currently providing a Tax Free current yield of 11.37% p.a. to its investor".**



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



Sashika Wickramaratne
Fund Manager

Interest rates are on a downward trend with the strong foreign reserves position and lower government borrowings.

The foreign reserves dipped by USD 420mn in September, but remained strong to record a USD 7.3bn reserve level, from USD 7.7bn in August. High demand for rice and refined petroleum imports on the back of bad weather condition to add pressure on reserves in the coming months, but with proceeds of Hambantota port sale we expect reserves to cover at least 4.0 months of imports by 2017. Official reserves now cover 4.4 months of imports, compared to 4.5 months in August.

Government revenue increased by 18.1% YoY for the 6M 2017 with tax revenue increasing by 19.6% and non-tax revenue also improving by 0.7% YoY during the period. Overall, Government revenue for the 7M 2017 was 13.8% of GDP (12.9% of GDP 7M 2016) indicating the positive impact of the VAT hike. However, the Government expenditure was up 13.0% YoY for the 7M 2017, 19.1% of GDP (18.6% of GDP 7M 2016). Data indicates that interest payments for the month resulted in the steep increase in expenditure. We forecast the fiscal deficit to come in at 5.1% of GDP for 2017, above the Government's target of 4.7% given the expenditure pressure amidst delays in implementing the Inland Revenue Act.

From August 2017 to January 2018 there are no Government bond maturities. However, the CBSL is conducting bond auctions in a small scale to meet funding requirement for the bond maturities in 2018. This gives the indication of prudent public debt management by the CBSL and there will not be any significant drain in market liquidity if there is higher a government borrowing requirement.

Private sector credit growth dropped to 18.0% in August 2017 after hitting a peak of 28.5% in July 2016. Policy rate hikes in July 2016, February 2017 and increase in taxes have weakened credit demand.

On this back drop we expect the rates to remain at this level till the year end of 2017

ASSET ALLOCATION

Fixed Deposits	59.54%
Commercial Papers	38.70%
Government Securities	1.76%

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	27th February 2012
Bloomberg Code	GUAACFI SL Equity
Fund Size 30 September 2017	LKR 4,884.47 Mn
Minimum Investment	LKR 1,000

FUND FEES

Management Fee*	0.6% p.a.
Trustee Fee*	0.15% p.a.

*As a percentage of NAV

RETURNS***

PERIOD	FUND	NDBIB-CRISIL 91 T-BILL INDEX	ANNUALISED FUND RETURN/CAGR*
2017 September	0.94%	0.77%	11.47%
3 Months	2.92%	2.47%	11.60%
YTD 2017	8.85%	7.05%	11.84%
Since Inception Cum.	71.79%	57.96%	10.15%*

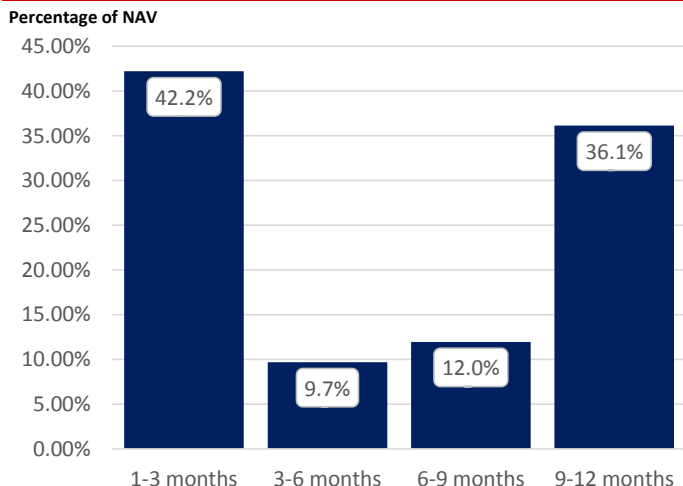
** Current yield based on last 07 days average up to 30th September 2017. The current yield/ return is variable and subject to change.

*** Performances are based on month end prices as of 30th September 2017. Performance data included in this document represents past performance and is no guarantee of the future results.

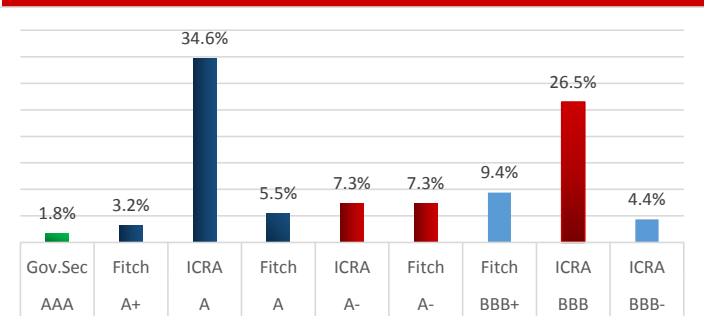
KEY INDICATORS

Average Maturity	(Months)	5.63
Duration	(Months)	0.34
Expense Ratio	%	0.79%
NAV Per Unit as of 30-09-2017	Rs.	14.9173

MATURITY PROFILE



FUND CREDIT QUALITY



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.