Guardian Acuity Money Market Gilt Fund

Open Ended Money Market Gilt Fund

2015 December

Guardian Acuity Asset Management Limited
61, Janadhipathi Mawatha, Colombo, Sri Lanka
Tel: +94112039377, E-mail: info@guardianacuity.com, Website: www.guardianacuity.com

FUND DESCRIPTION

The fund objective is to provide a secure annual income by investing in a portfolio of Government securities maturing within 365 days. The fund will maintain a minimum level of liquidity and look to invest in Treasury bills, Treasury bonds and repurchase agreements

FUND PERFORMANCE

Period	GAMMGF	NDBIB-CRISIL 91 Day T-Bill Index	GAMMGF-Annualized
2015 December	0.53%	0.47%	6.21%
3 Months	1.59%	1.68%	6.31%
Since Inception	4.82%	5.02%	6.24%

FUND SNAPSHOT

Inception Date	24th March 2015
Fund Size	LKR 777.49 mn
Minimum Investment	LKR 1,000

KEY INDICATORS

Current Yield* (Net of fees)	6.15%
Average Maturity (Months)	2.58
Expense Ratio	0.48%
Unit price (As at 31-12-15)	LKR 104.82

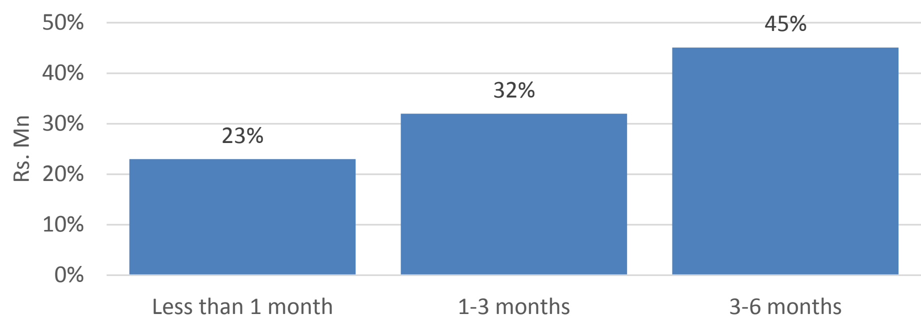
**Yield on existing assets of the fund.*

FUND FEES

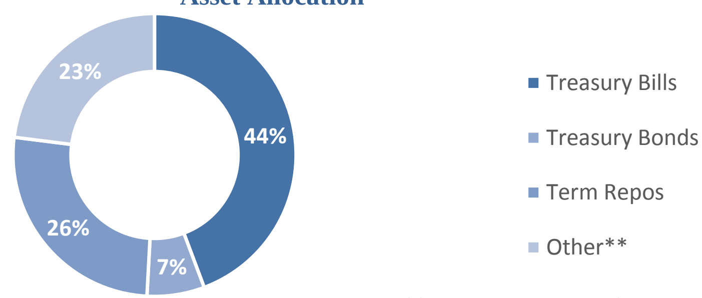
Management Fee**	0.25%
Custodian & Trustee Fee**	0.24%

***As a percentage of NAV*

Maturity Profile



Asset Allocation



***Includes the value of Overnight Repos*

FUND MANAGER'S COMMENT

Fund performance & outlook

The fund gave a return of 0.53% for the month of December while 91 day Treasury bill index was increased by 0.47% for the same period. The fund is currently providing a tax free current yield of 6.15% to its investors. In January we expect the running yield to increase with expected upward movement in interest rate.

Macro factors : Interest Rates and the Economy

Higher levels of liquidity (injected money via T bill purchases) in the market helped to keep the shorter term rates lower in December. However, the Treasury Bond rates increased by 50-100 basis points in December with the Fed rate hike of 0.25%. The current gross official reserve level of USD 7.3 billion is equivalent to 64%% of the foreign loan repayment requirement and the ability of raising further foreign debt seems to be challenging with cost of foreign funding increasing. Hence, to control the pressure on the exchange rate the CBSL raised the Statutory Reserve Ratio from 6.0% to 7.5% in the December policy meeting to mop up the excess liquidity in the system in order to control the credit growth which fuels the import demand. Hence, the short term rates will move up in January 2016 when the excess liquidity is insufficient to meet the credit demand. Hence, we are expecting a policy rate hike in the next 2 policy meetings if CBSL fails to raise foreign funding in the next 2 month period to meet its foreign repayment requirement. The fund is well positioned to capitalize on any rate hike due to the shorter maturity profile of the fund.