

Guardian Acuity Money Market Gilt Fund

Open Ended Money Market Gilt Fund

2016 February

Guardian Acuity Asset Management Limited

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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
2016 February	0.54%	0.43%	6.37%
3 Months	1.54%	1.35%	6.19%
YTD 2016	1.01%	0.87%	6.15%
Since Inception	5.88%	5.49%	6.28%

FUND SNAPSHOT

Inception Date	24th March 2015
Fund Size	LKR 1,332.26 mn
Minimum Investment	LKR 1,000

KEY INDICATORS

Current Yield* (Net of fees)	6.47%
Average Maturity (Months)	0.66
Expense Ratio	0.49%
Unit price (As at 29-02-2016)	LKR 105.88
<i>*Yield on existing assets of the fund.</i>	

FUND FEES

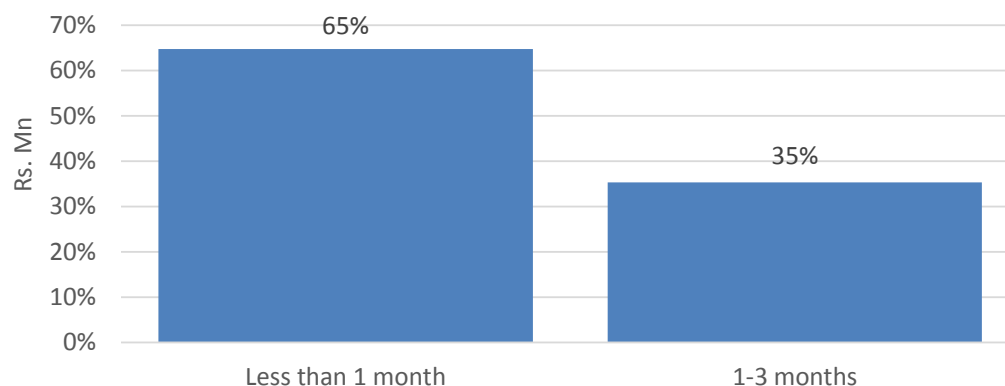
Management Fee**	0.25%
Custodian & Trustee Fee**	0.18%
<i>**As a percentage of NAV</i>	

FUND MANAGER'S COMMENT

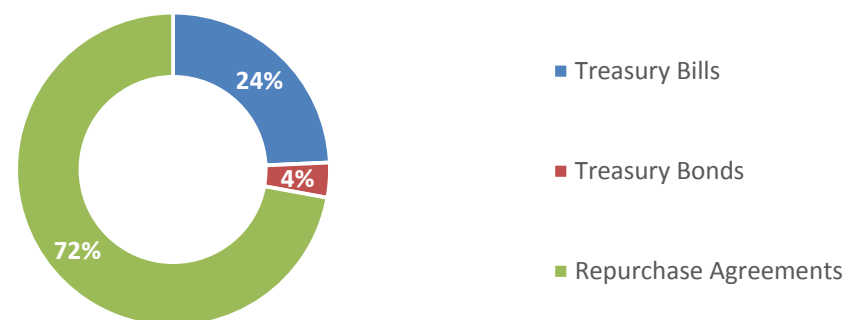
Fund performance & outlook

The fund gave a return of 0.54% for the month of February while the 91 day Treasury bill index increased by 0.43% for the same period. The fund is currently providing a tax free current yield of 6.47% 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.

Maturity Profile



Asset Allocation



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.

In February CBSL increased the policy rates by 50 basis points to cool down the credit growth which mainly fuelled the credit demand. Accordingly the SDR (Statutory Deposit Rate) & SLR (Statutory Lending Rate) increased to 7% and 8.5% respectively. Credit growth peaked during November and December growing at 27% and 25% YoY.

The short term Treasury bill rates moved up by 50 – 60 basis points in response to the policy rate hike and we expect the short term rates to further move up at least by another 50 basis points, since still the shorter end of the yield curve remains flat compared to the steepening longer end.