

Guardian Acuity Money Market Gilt Fund

Open Ended Money Market Fund
November 2016






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HIGHLIGHT

"The fund gave a return of 0.78% for the month of November while the 91 day Treasury bill index increased by 0.71% for the same period. The fund is currently providing a tax free current yield of 9.51% p.a. to its investors".



COMMENTARY
By Fund Manager,
Sashika Wickramaratne

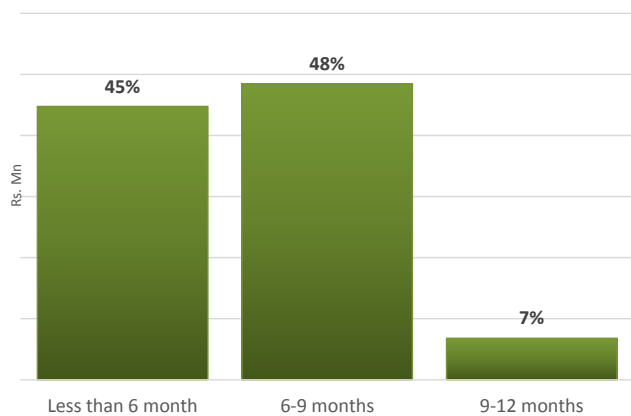
RETURNS*			
PERIOD	FUND	NDBIB-CRISIL 91 T-BILL INDEX	ANNUALISED FUND RETURN
2016 November	0.78%	0.71%	9.51%
3 Months	2.37%	2.21%	9.51%
YTD 2016	7.82%	7.23%	8.52%
Since Inception Cum.	13.02%	12.62%	7.70%

*Performances are based on month end prices. The current yield/ return is variable and subject to change. Performance data included in this document represents past performance and is no guarantee of the future results.

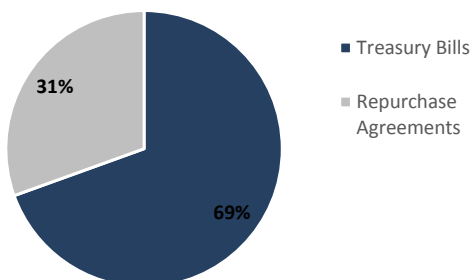
KEY INDICATORS

Average Maturity	(Months)	5.15
Expense Ratio	%	0.50%
Unit Price as at 30 Nov 2016	Rs.	113.0206

MATURITY PROFILE



ASSET ALLOCATION



INTEREST RATES AND THE ECONOMY

Gross Official Reserves in October declined to US\$ 6.07Bn from 6.46Bn in September due to seasonal dollar demand. Despite the decline, reserves are sufficient to service the expected USD 5.9 billion foreign dollar repayment in the next 12M. Also the government is targeting to sell 80% of the Hambanthota port to China and expecting to receive USD 1 billion in January 2017 and the pressure on interest rates from the external side will ease if the deal is successful.

However, if the US increase its Fed rate in December, 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 25.6% in September from 27.3% in the previous month. To evaluate the real impact of the July rate hike we have to monitor the October and November 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) and the income tax of certain sectors, the removal of certain exemptions applicable on VAT, Nation Building Tax (NBT) and Corporate tax in the 2017 budget, the pressure on interest rates from fiscal side will ease in next year.

In this back drop we will stay short for another month and make decision to go longer after evaluating the impact of the fed rate hike, success of the Hambanthota port deal and the October and November private sector credit data.

FUND PERFORMANCE

The fund gave a return of 0.78% for the month of November while the 91 day Treasury bill index increased by 0.71% for the same period. The fund is currently providing a tax free current yield of 9.51% p.a. to its investors.

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 SNAPSHOT

Inception Date	24th March 2015
Fund Size 30 Nov 2016	LKR 678.60Mn
Minimum Investment	LKR 1,000

FUND FEES

Management Fee*	Max 0.30% p.a.
Custodian & Trustee Fee*	Max 0.20% p.a.

*As a percentage of NAV