

Guardian Acuity Money Market Gilt Fund

Open Ended Money Market Fund
October 2016



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HIGHLIGHT

"The fund gave a return of 0.80% 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 9.41% p.a. to its investors".



COMMENTARY
By Fund Manager,
Sashika Wickramaratne

RETURNS*

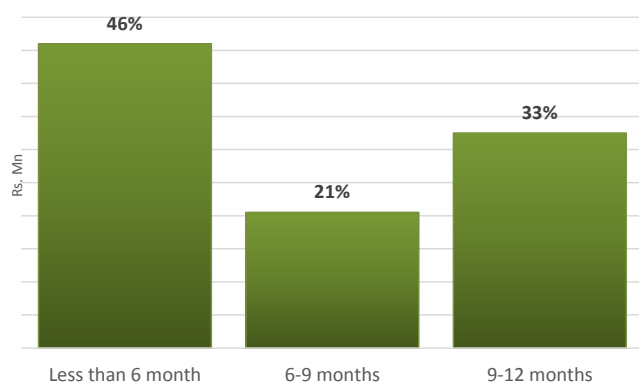
PERIOD	FUND	NDBIB-CRISIL 91 T-BILL INDEX	ANNUALISED FUND RETURN
2016 October	0.80%	0.63%	9.41%
3 Months	2.42%	2.21%	9.41%
YTD 2016	6.99%	6.47%	9.24%
Since Inception Cum.	12.14%	11.82%	7.55%

*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.

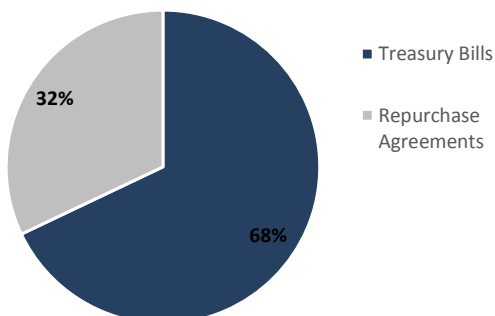
KEY INDICATORS

Average Maturity	(Months)	5.58
Expense Ratio	%	0.50%
Unit Price as at 31 Oct 2016	Rs.	112.1440

MATURITY PROFILE



ASSET ALLOCATION



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 August 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 to stay short until December to evaluate the impact of the US Fed rate hike and the fiscal budget of 2017/18.

FUND PERFORMANCE

The fund gave a return of 0.80% 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 9.41% 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 31 Oct 2016	LKR 688.37Mn
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