

Guardian Acuity Money Market Gilt Fund

Open Ended Money Market Fund
May 2018

HIGHLIGHT

The fund is currently providing a current yield of 8.59% p.a. to its investors".**



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Fund Manager

RETURNS***

PERIOD	FUND	NDBIB-CRISIL 91 T-BILL INDEX	ANNUALISED FUND RETURN/CAGR*
2018 May	0.72%	0.64%	8.49%
3 Months	2.12%	2.07%	8.40%
YTD 2018	3.48%	3.17%	8.41%
Since Inception Cum.	29.10%	28.19%	8.34%*

** Current yield based on last 07 days average up to 31st May'2018. The current yield/return is variable and subject to change

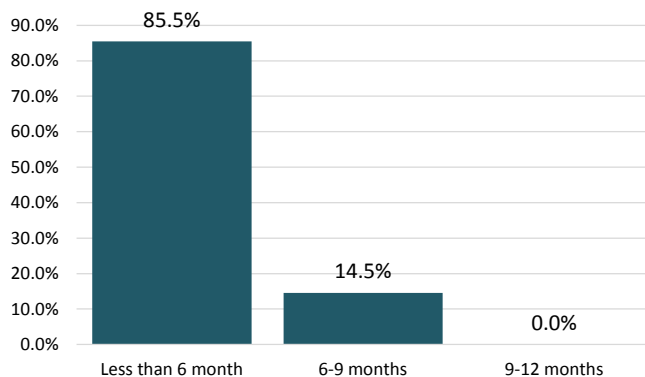
*** Performances are based on month end prices as of 31st May 2018. Performance data included in this document represents past performance and is no guarantee of the future results.

KEY INDICATORS

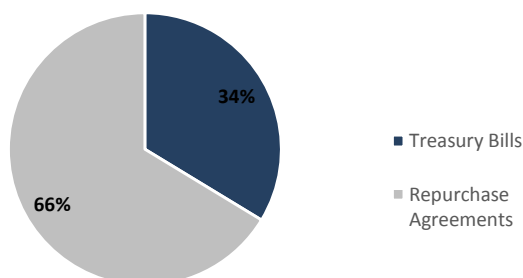
Average Maturity	(Months)	1.67
Expense Ratio	%	0.50%
Unit Price as at 31 st May 2018	Rs.	129.1030

MATURITY PROFILE

Percentage of Assets



ASSET ALLOCATION



Despite the policy rate cut in March treasury bill rates were trending upwards till May due to higher government borrowings. One year treasury bill rate touched 9.73% in 25th May 2018 from 9.45% in 23rd February 2018. However, the private sector credit growth has slightly accelerated by recording a 15.29% growth in March compared to 14.64% in February. In the recent bill auctions government has accepted lower volumes than the amount matured during the same period, hence, in June 1st week one year treasury bill rate settled down at 9.49%.

Gross official reserves surge to USD 9.9 billion in April 2018 from USD 7.3 billion in the previous month after successfully completing the USD 2.5 billion sovereign bond issuance. Further USD 505 million is yet to receive from the remaining tranches of IMF extended funding facility and USD 828 million is also yet to receive from Hambantota port sale.

However, During the next 12 months period the expected net drain in foreign reserves is around USD 6.9 billion (both principal & interest payments). Adverse weather conditions and rising fuel prices can worsen the situation further causing higher import demand.

The cost of rollover of existing debt will also be challenging since US has indicated a 1% rate hike in 2018 after the latest FOMC meeting (revised up from previous 75 basis).

Foreign selling in the local government security market is posing pressure on reserves as well as government security rates. Foreign selling will continue if our rates are not sufficient to their comparative rates after adjusting for country risk premiums and expected currency depreciation.

Foreign holding in government securities dropped to Rs.307.0 billion (USD 2 billion) in May 2018 from Rs.321.0 billion in March 2018. Current US 10 year treasury bond is trading at 2.957% and the Sri Lankan 10 year treasury bond rate is trading at 10.65%, having a 7.69% spread against the US 10Y bond rate (spread has increased from 7.45% in May 2019)

On this back drop we expect short term rates to slightly come down if government borrowings taper off. And if foreign selling settles down long term rates will remain at these levels.

ABOUT THE FUND

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 as at 31st May 2018	LKR 1,036.70Mn
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

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.