

Guardian Acuity Equity Fund

Open Ended Growth Fund

2016 January

Guardian Acuity Asset Management Limited

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FUND DESCRIPTION

Guardian Acuity Equity Fund is a growth fund which invests in a diversified portfolio of listed equity securities with the objective of achieving medium to long term capital appreciation. The fund selects equity counters based on a bottom up selection process with a bias towards companies that promise strong growth potential under the prevailing economic conditions.

FUND PERFORMANCE

Period	GAEF	ASPI	S&P SL 20
2016 January	-6.88%	-8.04%	-8.93%
3 Months	-7.95%	-9.97%	-13.17%
YTD 2016	-6.88%	-8.04%	-8.93%
Since Inception Cum.	59.80%	15.77%	11.72%
Since Inception CAGR	12.69%	3.80%	2.87%

FUND SNAPSHOT

Inception Date	27th February 2012
Bloomberg Code	GACUEQI: SL
Fund Size	LKR 364.8 mn
Minimum Investment	LKR 1,000
Unit price (As at 29-01-2016)	LKR 15.98

FUND FEES

Management Fee*	2.25%
Custodian & Trustee Fee*	0.30%
Exit Fee**	2.00%

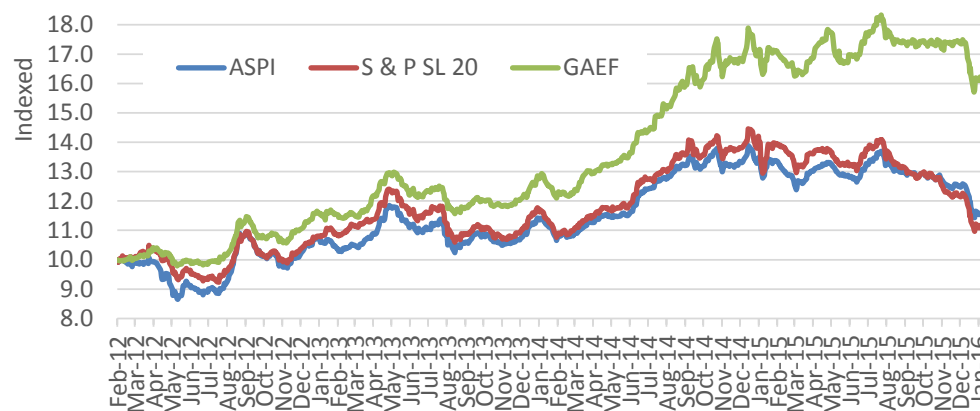
*As a percentage of NAV

**If withdrawn prior to 1 year

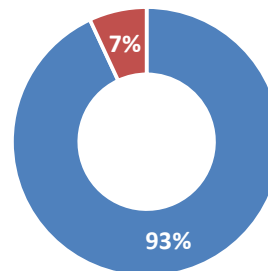
TOP 5 HOLDINGS

STOCK	% OF NAV
Distilleries Company	9.53%
Sampath Bank	7.07%
Asiri Hospital Holding PLC	6.07%
Seylan Bank	5.95%
Dialog Axiata PLC	5.64%

GAEF Vs. Market



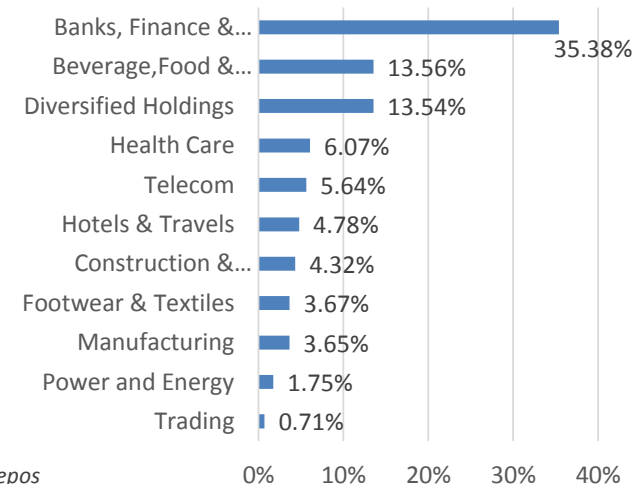
Asset Allocation



■ Equity ■ Other**

** Includes the value of Overnight Repos

Sector Allocation



FUND MANAGER'S COMMENT

Fund Performance & market outlook

Equity markets around the world are undergoing a correction as investors sell out from equities with concerns on weakening oil prices, increases in US interest rates and a slowing Chinese economy. The GAAM Equity fund has fallen by 6.88% for the month of January compared to the All Share Price Index drop of 8.04%. Foreign investors have been net sellers in January to the value of Rs. 2.2 billion. With the steep fall in share prices a number of fundamentally strong stocks are trading at attractive prices from the perspective of a long term investor. However, with global market conditions remaining volatile the CSE is also expected to experience further volatility in the short term.

Fund exposure and our stock picks

The fund is taking the opportunity to rebalance its holdings and position itself with stocks that provide greater upside. Exposure was increased to a mobile telecom operator with the highest subscriber market share. The revenue composition is expected to change with data contribution to revenue increasing over the next 2-3 years. With internet and smart phone penetration increasing rapidly in Sri Lanka this mobile operator is expected to benefit at bottom line levels. Furthermore, capital expenditure into infrastructure development by the company should see EBITDA margins improving in the short term. The fund has already built a sizeable exposure to the company and may increase further as prices weaken.

The fund's largest exposure being to the banking sector was negatively impacted through announced budget proposals. Some of these proposals included ceasing leasing operations, increasing VAT and Income Tax. With the withdrawal of these proposals the negative impact was greatly mitigated. However, this sector being the most liquid sector in the CSE has attracted significant foreign interest in the past. With foreign net selling prevailing the overall banking sector share prices continue to weaken but we see strong potential from this sector in the medium term.