

Guardian Acuity Equity Fund

Open Ended Growth Fund

2016 March

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 March	-2.48%	-1.94%	-1.39%
3 Months	-10.78%	-11.93%	-11.62%
YTD 2016	-10.78%	-11.93%	-11.62%
Since Inception Cum.	53.10%	10.87%	8.42%
Since Inception CAGR	10.97%	2.55%	1.99%

FUND SNAPSHOT

Inception Date	27th February 2012
Bloomberg Code	GACUEQI: SL
Fund Size	LKR 362.21 mn
Minimum Investment	LKR 1,000
Unit price (Subscription Price as at 31-03-2016)	LKR 15.53

FUND FEES

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

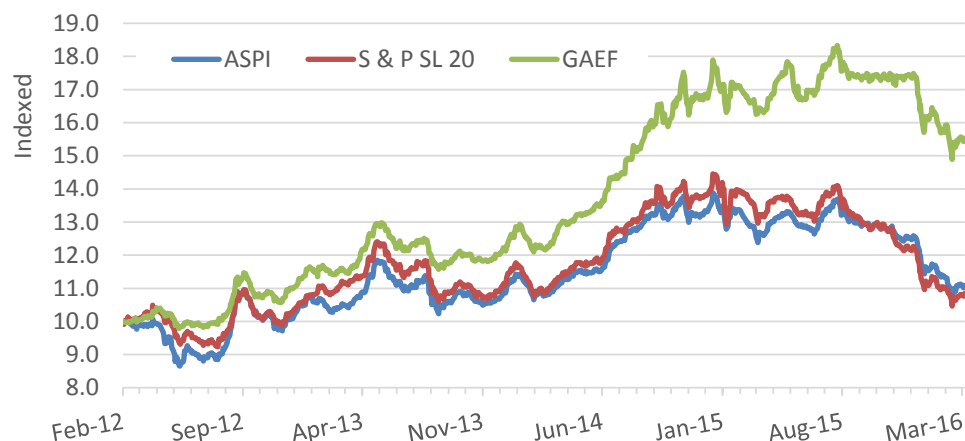
*As a percentage of NAV

**If withdrawn prior to 1 year

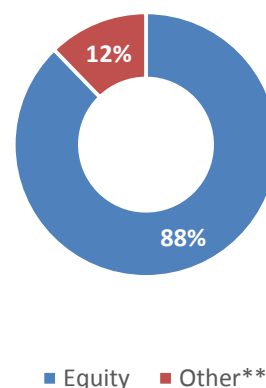
TOP 5 HOLDINGS

STOCK	% OF NAV
Distilleries Company	9.08%
Sampath Bank	6.75%
Asiri Hospital Holding PLC	6.41%
Seylan Bank PLC	5.73%
Dialog Axiata PLC	5.68%

GAEF Vs. Market

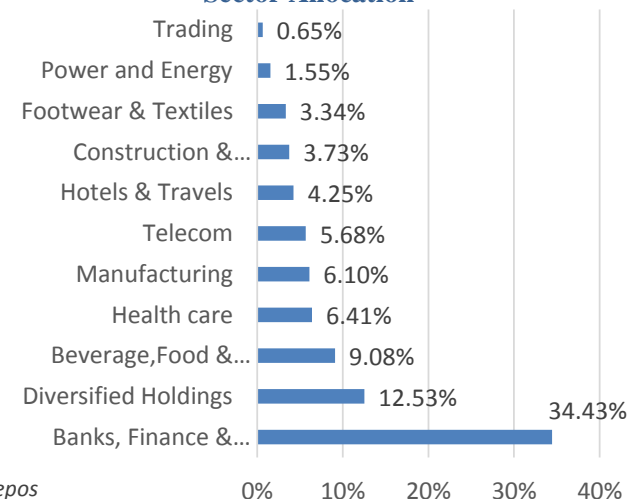


Asset Allocation



** Includes the value of Overnight Repos

Sector Allocation



FUND MANAGER'S COMMENT

March proved to be another volatile month for the market with the announcement of capital gain taxes. The All Share Price Index touched a two year low of 5,860 level during the first half of the month recording a drop of 5.32% and bounced back to 6,000 levels with strong demand from local and foreign institutional buyers. The index yet closed the month with a 1.94% decline. The capital gains tax may have more psychological impact on investors than the real loss of return. However, recently the SEC chairman disclosed to the media that they have received positive signals from the government for their proposal to not impose capital gains taxes for share trading and instead to re-impose the share transaction levy which was removed from recent budget. Foreign investors were net sellers for the month leading to a net outflow of Rs 509 mn but average daily turnover increased to Rs. 895mn from Rs 670mn of previous month.

The fund slightly underperformed the benchmark recording a 2.48% decline for the month. The main contributor to the negative growth was Ceylinco Insurance non voting share which dropped by 21% during the month with very low volume. Ceylinco Insurance is one of the largest life and general insurers in Sri Lanka which recorded a 11% revenue (GWP) growth and a 33% net profit growth for the CY 2015. General Insurance showed impressive improvements in claim ratio and expense ratio which led to a 85% net profit growth for the segment. Life insurance segment's profit before tax was flat even though net profit grew by 53% due to lower taxes compared to last year. Other main detractor was Distilleries Company (DIST) which is the highest weighted stock in the portfolio. Even though the DIST's share price dropped by 16% year to date (4% for the month), DIST showed an unprecedented volume growth of 17% and revenue growth of 23% (YoY) for the first 9 month of FY16 following the curbing of illicit liquor and favourable excise tax increase when compared with soft liquor. However core profit growth was 6% for the same period due to compression of operating margins as the company absorbed part of the tax increases and also increased the incentives for retailers. We expect Distilleries will gradually pass the cost increases and improve the margins going forward.

GAAM's bottom up stock selection strategy guided us to maintain the fund's overweighting in Banking, Finance & Insurance, Food& Beverage and Manufacturing sectors. Given various headwinds we are seeing in global and local economic growth, we will carefully rebalance the portfolio to capture the future growth of good businesses. Generally equity generates superior returns in the medium to long term and to capitalise on that return, investors should enter the market at the bottom part of the cycle.