

Guardian Acuity Equity Fund

Open Ended Growth Fund

2016 April

Guardian Acuity Asset Management Limited

61, Janadhipathi Mawatha, Colombo, Sri Lanka

Tel: +94112039377, E-mail: info@guardianacuity.com, Website: www.guardianacuity.com

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 April	8.10%	7.32%	7.21%
3 Months	3.57%	2.78%	4.05%
YTD 2016	-3.55%	-5.49%	-5.24%
Since Inception Cum.	65.50%	18.98%	16.24%
Since Inception CAGR	12.83%	4.25%	3.67%

FUND SNAPSHOT

Inception Date	27th February 2012
Bloomberg Code	GACUEQI: SL
Fund Size	LKR 410.23 mn
Minimum Investment	LKR 1,000
Unit price (Subscription Price as at 29-04-2016)	LKR 16.89

FUND FEES

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

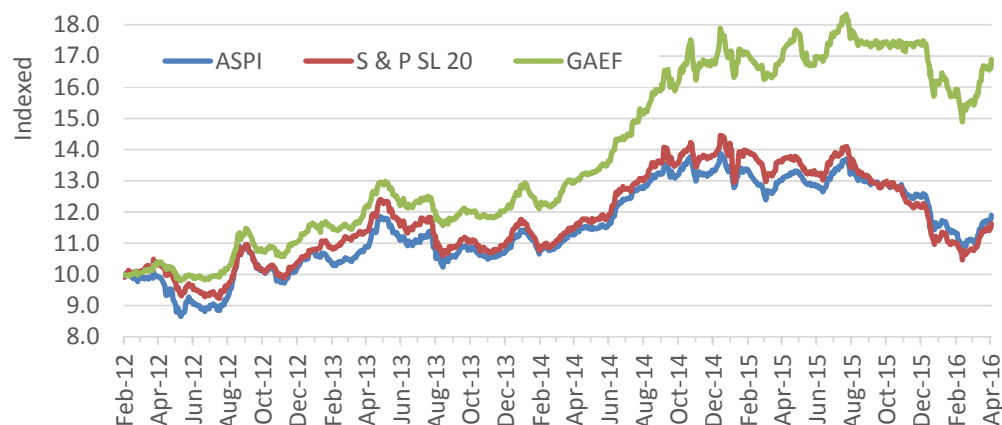
*As a percentage of NAV

**If withdrawn prior to 1 year

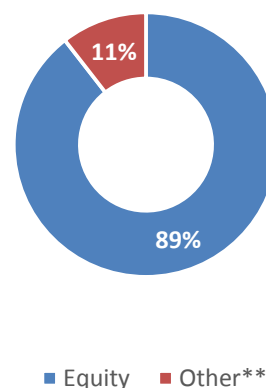
TOP 5 HOLDINGS

STOCK	% OF NAV
Distilleries Company	8.41%
Sampath Bank	7.72%
Seylan Bank	5.63%
Dialog Axiata PLC	5.26%
Aitkan Spence Hot. Holdings	4.46%

GAEF Vs. Market

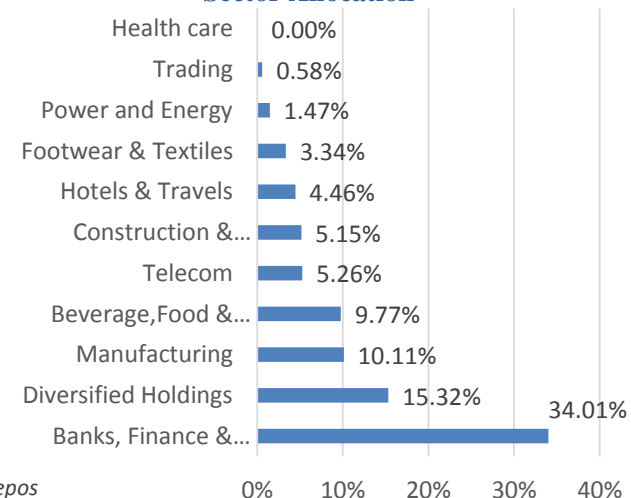


Asset Allocation



** Includes the value of Overnight Repos

Sector Allocation



FUND MANAGER'S COMMENT

Currently we are seeing a shift in global investor preferences towards emerging markets due to the cautious policy stance of the US Federal Reserve. As a result over the last 3 months, we saw positive net funds inflows to emerging market equities as well as fixed income, particularly Indonesia, Philippine, Thailand and India. However, the global market continues to grapple with the residual effects of recent macroeconomic challenges.

The CSE followed a gradual trend upwards during the month of April to close with a 7.32% gain in the index erasing the YTD loss down to 5.5%. Investor sentiments rebounded ahead of the earnings season triggered mainly by the expectations that agreement with IMF will be announced soon coupled with return of net foreign inflows in the debt market. Ambiguity over the implementation of new fiscal proposals was overridden by the positivity brought in by announcement of the IMF deal, whilst Central Banks' decision to hold policy rates further strengthened market momentum towards the latter part of the month. However retail participation was predominant during the month indicating institutions & foreigners are still on the sidelines awaiting more clarity on the economic direction.

The fund was up by 8.10% during the month beating the benchmark ASPI growth of 7.32%. This has helped to reduce the year to date negative return of our fund to 3.55% and our fund is now outperforming the market index by approx 2%. Over the longer term for the last four years, our fund has been outperforming the index on average by 8.6%, giving our investors a 12.8% p.a. average return despite extremely volatile market conditions.

In particular, Aitken Spence Hotels, Seylan Bank and Ceylinco Insurance non voting were the top three contributors to the month's outperformance. Seylan Bank has made a Rs 720mn profit for the first quarter of 2016, a 4% growth compared to corresponding period last year. It was a rough quarter for the bank, as their bond portfolio made a mark to market loss (unrealised loss) of Rs 2.3 bn due to increase in the secondary market bond rates (~ 230bps) as a results of heavy foreign selling in the domestic government security market. However, so far during the second quarter bond yields have come down by 50-70 bps and if this trend continues the bank would be able to reverse the mark to market losses made during the first quarter.

We think the global and local backdrop will remain challenging over the short term. Especially the new VAT increase could be a drag on expected corporate revenue growth in the short term but a necessary measure to improve the fiscal situation of the country. Overall stability of the macro-economic conditions can be expected after proper fiscal consolidation. The execution of such policies will improve business and investor confidence in future.