

Guardian Acuity Equity Fund

Open Ended Growth Fund

October 2016



Tel: +94 112039377 E-mail: info@guardianacuity.com

HIGHLIGHT

The fund recorded a -2.68% return for the month and a 4.76% return for the quarter. Therefore, quarterly performance has outperformed the benchmark ASPI by 4.52%.

RETURNS*

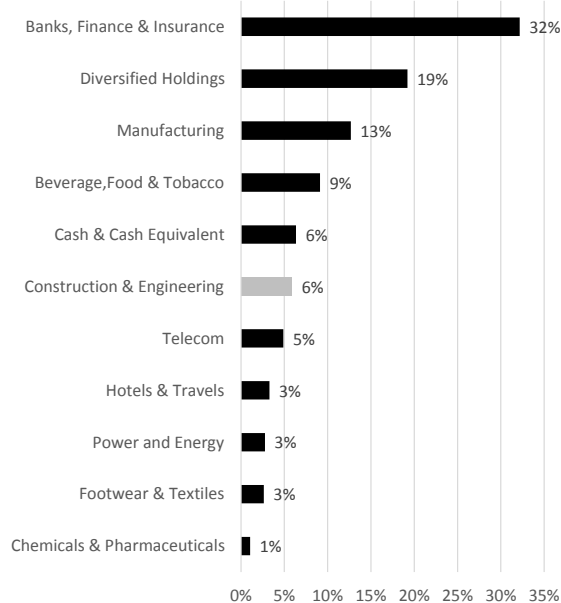
PERIOD*	FUND	BENCHMARK ASPI	S&P SL 20
2016 October	-2.68%	-1.92%	-1.59%
3 Months	4.76%	0.24%	4.26%
YTD 2016	-0.06%	-7.04%	-1.81%
Since Inception Cum.	71.50%	17.03%	20.45%
Since Inception CAGR	12.22%	3.42%	4.06%

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

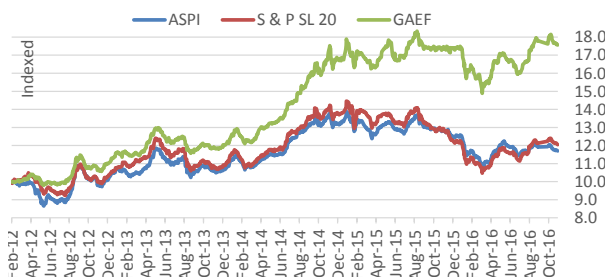
TOP 5 HOLDINGS BASED ON NAV

STOCK	TICKER	% OF NAV
SAMPATH BANK PLC	SAMP.N	8%
DISTILLERIES COMPANY OF SRI LANKA PLC	DIST.N	7%
DIALOG AXIATA PLC	DIAL.N	5%
COMMERCIAL BANK OF CEYLON PLC	JKH.N	5%
JOHN KEELLS HOLDINGS PLC	COMB.N	5%
Total Stocks		33

SECTOR ALLOCATION (WITH CASH)



GAEF VS. THE MARKET



COMMENTARY
By Fund Manager
Ananka Jayasekara

Global equity markets started the month with a positive sentiment as the US Fed delayed the rate hike during its September meeting and OPEC decided to limit the oil output thereby stabilising crude oil prices. The latter part of the month saw a wave of caution hit equity markets coupled with a global government bond sell off, including Sri Lankan government securities, due to the prospect of interest rate increases in the UK, Japan and US with better economic data. Also, speculation mounted around the US election outcome after the FBI reopened Hillary Clinton's email investigation there by increasing the odds of a Trump win which would negatively affect emerging markets' economies. Markets were further affected by dropping crude oil prices as investors doubted OPEC's ability to enforce the production cut.

The Colombo stock exchange performance derailed from the second week of the month and followed a gradual downward trend ahead of the budget proposals for 2017 to be announced on 10th November. CSE activity levels dried up as investors stayed on the sidelines amidst speculation on possible imposition of capital gains tax and other tax increases which offset the enthusiasm brought in by several solid earnings announcements in the second quarter. Accordingly the ASPI closed with a 1.92% decline during the month of October. Nevertheless on a positive note, foreigners remain net buyers for the 4th consecutive month with inflows being recorded on a number of blue-chips including John Keells Holding, Hemas, Commercial Bank & HNB.

Against this back drop, the fund dropped by 2.68% during the month which made the year to date return -0.06%. From a long term perspective, from our launch date of February 2012, the average returns from your fund is 12.22% p.a. From a sector perspective, overweighting in Banking, Finance & Insurance, Diversified holdings, Manufacturing and Construction sectors was negatively affected as those sector indices dropped more than the general market. This kind of market dynamics is inevitable when market liquidity dries up and increases downward pricing pressure on liquid counters. However, typically when market conditions normalise this trend will reverse.

At a forward earnings multiple of 10.9, the market looks attractive for long term investors. Therefore when sentiment improves and economic activity picks up, we expect equity markets to show a strong recovery, and therefore advise investors to take up their equity investments in the fund at the current attractive prices.

ABOUT THE FUND

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.

FUND SNAPSHOT

Inception Date
Bloomberg Code
Fund Size as at 31-10-2016
Minimum Investment
Redemption Price as at 31-10-2016

27th February 2012
GACUEQI: SL
LKR 416.5 Mn
LKR 1,000
LKR 17.1501

FUND FEES

Management Fee*
Custodian & Trustee Fee*
Exit Fee**

2.25% p.a.
0.3% p.a.
2% p.a.

*As a percentage of NAV

**If withdrawn prior to 1 year