

# Guardian Acuity Equity Fund

Open Ended Growth Fund

December 2016



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## COMMENTARY

By Fund Manager  
**Asanka Jayasekara**

## HIGHLIGHT

The fund recorded a 0.71% return for the month and a -5.21% return for the quarter. The YTD return was -2.66%. Therefore, YTD performance has outperformed the benchmark ASPI by 7.01%.

### RETURNS\*

PERIOD*	FUND	BENCHMARK ASPI	S&P SL 20
2016 December	0.71%	-0.21%	0.85%
3 Months	-5.21%	-4.69%	-3.34%
YTD 2016	-2.66%	-9.66%	-3.56%
Since Inception Cum.	67.04%	13.73%	18.30%
Since Inception CAGR	11.17%	2.69%	3.53%

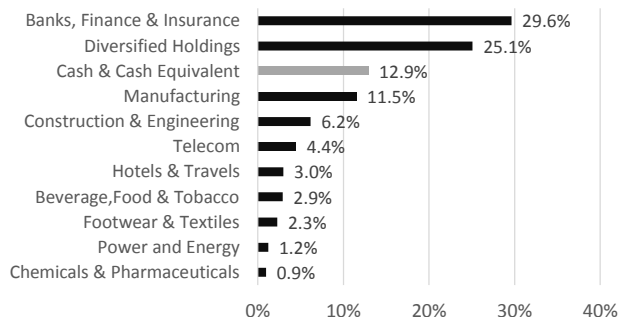
Note : ASPI (Benchmark) and S&P SL 20 are based on CSE data as of 30th December 2016

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

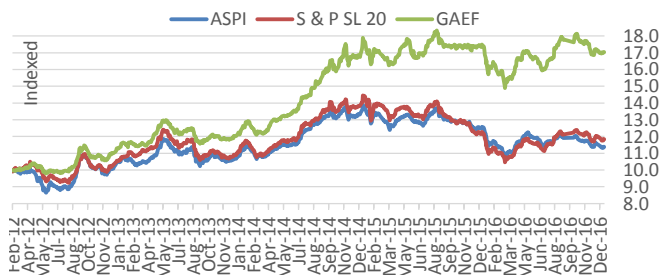
### TOP 5 HOLDINGS BASED ON NAV

STOCK	TICKER	% OF NAV
SAMPATH BANK PLC	SAMP.N	7%
MELSTACORP LIMITED	MELS.N	6%
ACCESS ENGINEERING PLC	AEL.N	4%
DIALOG AXIATA PLC	DIAL.N	4%
NATIONAL DEVELOPMENT BANK PLC	NDB.N	4%
Total Stocks		30

### SECTOR ALLOCATION (WITH CASH)



### GAEF VS. THE MARKET



The December market movement (-0.21%) was a continuation of the last two months negative trend, ending the year with negative growth of 9.7% for the ASPI. Both global and local situation was not favourable for the Colombo Bourse. The US dollar shows strong signs of strengthening with President-elect Trump's infrastructure driven growth plan and reflation in the US economy. Further to this, elevated interest rates and policy uncertainty affected to investor sentiment on the local front.

The fund posted a positive return of 0.71% for the month, outperforming ASPI growth of -0.21% due to our selected overweight in Bank, Finance & Insurance sector and Construction & Engineering Sector. However for the year 2016 (12 months), despite the 7.01% out performance against ASPI, the fund's return dropped by 2.66%. At the stock level, our position in Sampath Bank, Tokyo Cement, Cargills, Access Engineering and Alumex were the highest contributors to relative outperformance of the year.

Looking forward to 2017, the first few months will be critical as the impact of most of the fiscal and monetary measures taken in the latter part of 2016 will materialize and show in terms of government revenue growth, pressure on exchange rate and interest rate and growth of consumer spending. Improvements in these macro-economic variables is vital to gain investor confidence and maintain sustainable market growth. The key long term driver of the market is company profits and on average we have seen most of the companies report earnings growth of 15% -20% p.a. for the last 9 months. Further, the Sri Lankan average Price to Earnings multiple is currently 12 times, which is low if you compare it with peer countries such as Pakistan, Vietnam, Indonesia, Thailand, which are trading around 15 to 20 times multiple. Even if we look at the Sri Lankan market's historical Price to Earnings ratio now we are at an attractive level. Though we see equity valuations remaining attractive domestically and relative to regional peers, investor sentiment will be a key driver in achieving these returns. Therefore the equity market will remain challenged until the economic outlook improves but as an equity investor it is good to have a position in stocks for the medium term because of the current attractive valuations.

## 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 of 31-12-2016  
Minimum Investment  
NAV Per Unit as of 31-12-2016

27th February 2012  
GACUEQ: SL  
LKR 418.73 Mn  
LKR 1,000  
LKR 16.8690

### 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