

Guardian Acuity Equity Fund

Open Ended Growth Fund

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COMMENTARY

By Fund Manager
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HIGHLIGHT

The fund recorded a -0.31% return for the month and a -2.90% return for the quarter. The YTD return was -0.31%. Therefore, YTD performance has outperformed the benchmark ASPI by 1.22%.

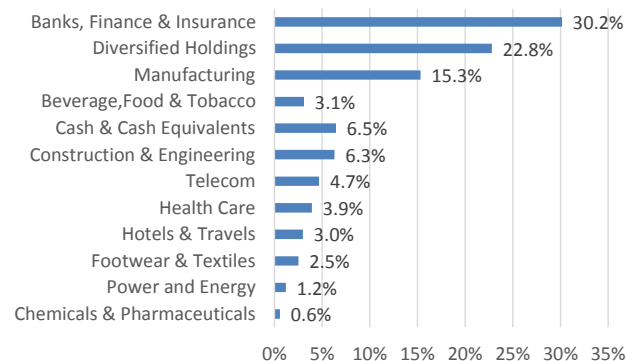
PERIOD*	FUND	BENCHMARK ASPI	S&P SL 20
2017 January	-0.31%	-1.53%	-0.20%
3 Months	-2.90%	-4.31%	-1.98%
YTD 2017	-0.31%	-1.53%	-0.20%
Since Inception Cum.	66.52%	11.98%	18.07%
Since Inception CAGR	10.89%	2.32%	3.43%

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

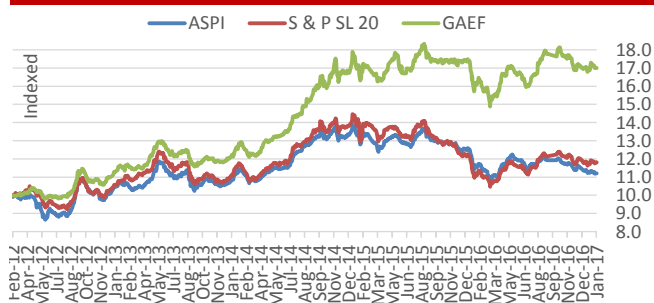
TOP 5 HOLDINGS BASED ON NAV

STOCK	TICKER	% OF NAV
SAMPATH BANK PLC	SAMP.N	7%
MELSTACORP LIMITED	MELS.N	6%
TOKYO CEMENT COMPANY (LANKA) PLC	TKYO.N/X	6%
DIALOG AXIATA PLC	DIAL.N	5%
ACCESS ENGINEERING PLC	AEL.N	5%
Total Stocks		31

SECTOR ALLOCATION (WITH CASH & CASH EQUIVALENTS)



GAEF VS. THE MARKET



2017 started positively for equity markets throughout the world except in Europe and few other countries including Sri Lanka. Most of the emerging and frontier markets reacted positively with the prospect of continued accommodative monetary policy, President Trump's policy of driving the economy via fiscal stimulus and his displeasure with a 'strong dollar' will improve the appetite for risky assets.

The CSE started off the year on a subdued note amidst a number of pressing concerns including the gradual pickup in secondary market bond yields, depreciation pressure on the rupee and foreign fund outflows. Some recovery was witnessed during mid-month with the news of Sri Lanka regaining EU trade concessions, however this failed to restore investor confidence due to concerns over country's drought situation and unstable political backdrop. Thereby benchmark ASPI closed the month with a 1.53% drop. Foreigners were net sellers to the tune of Rs. 1.6 bn with notable outflows in heavy weights John Keells Holdings & Nestle Lanka during the month. All the sectors in CSE showed a negative growth during month except plantation sector which reported 5.3% return due to favourable movement in tea and palm oil prices. Stock selection played a key role in the outperformance of your fund for the month. Melstacorp, Hayleys Fabric, Sampath Bank and Alumex were the top positive contributors to the performance and main detractors were NDB, Spence, Central Finance and JKH.

Your fund outperformed the Benchmark ASPI by 1.22% recording a -0.31% return for the month. Over the last three years on a longer horizon the fund gave investors an 8.79% (vs ASPI of -0.62%) annual average return and over five years (since inception) it gave a 10.89% (vs ASPI of 2.32%) annual average return.

Valuations of the companies in the portfolio remain attractive on both relative multiple of earnings and net assets (P/E and P/BV) and intrinsic value basis, and dividend yield is also at a reasonable level. We continue to hold our key positions in Banking, Food and Beverage and construction sectors and selected companies in other sectors. However we remain cautious about the current drought situation of the country and volatility in the political arena. We encourage investors to enter the fund with a long horizon outlook since company earnings continue to be strong despite weak market conditions.

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	27th February 2012
Bloomberg Code	GACUEQ: SL
Fund Size as of 31-01-2017	LKR 404.90Mn
Minimum Investment	LKR 1,000
Redemption Price as at 31-01-2017	LKR 16.6519

FUND FEES

Management Fee*	2.25% p.a.
Custodian & Trustee Fee*	0.3% p.a.
Exit Fee**	2% p.a.

*As a percentage of NAV

**If withdrawn prior to 1 year