

Guardian Acuity Equity Fund

Open Ended Growth Fund

July 2017

HIGHLIGHT

The fund recorded a -1.46% return for the month and 1.00% return for 3 Months. The YTD return of the fund was 8.36% vs. Benchmark ASPI return of 6.57%, recording a 1.79% outperformance.

RETURNS*

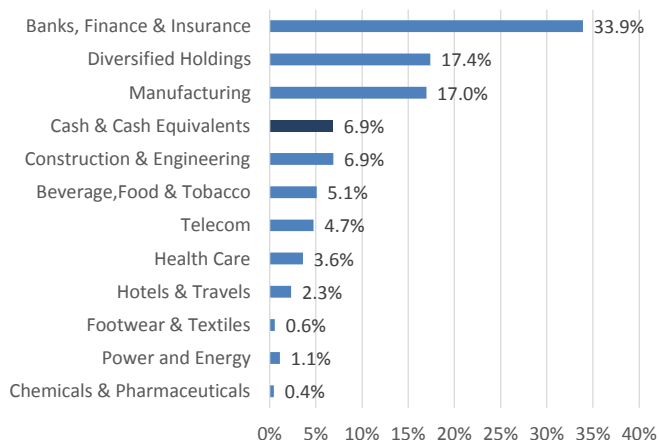
| PERIOD* | FUND | BENCHMARK ASPI | S&P SL 20 |
|-------------------------|--------|----------------|-----------|
| 2017 July | -1.46% | -1.63% | -3.11% |
| 3 Months | 1.00% | 0.41% | 0.65% |
| Year To Date (YTD 2017) | 8.36% | 6.57% | 9.00% |
| Since Inception Cum. | 81.01% | 21.20% | 28.94% |
| Since Inception CAGR | 11.55% | 3.61% | 4.80% |

* Performances are based on month end prices as of 31st July 2017. Performance data included in this document represents past performance and is no guarantee of the future results.

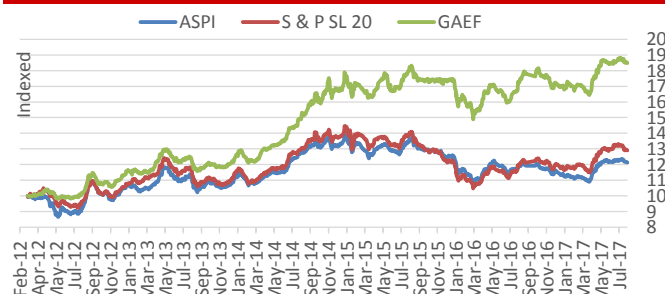
TOP 5 HOLDINGS BASED ON NAV

| STOCK | TICKER | % OF NAV |
|----------------------------------|----------|----------|
| TOKYO CEMENT COMPANY (LANKA) PLC | TKYO.N/X | 7.87% |
| PEOPLE'S LEASING & FINANCE PLC | PLC.N | 5.53% |
| MELSTACORP LIMITED | MELS.N | 5.52% |
| ACCESS ENGINEERING PLC | AEL.N | 5.41% |
| CARGILLS (CEYLON) PLC | CARG.N | 5.09% |

SECTOR ALLOCATION (WITH CASH & CASH EQUIVALENTS)



GAEF VS. THE MARKET



Investors are advised to read and understand the contents of the Explanatory Memorandum before investing. Among others, investors should consider the fees and the charges involved.



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Fund Manager

Continued improvement in the global economy coupled with signs of reducing political risk in Europe after the victory of pro EU candidate in the French presidential election, pushed developed equity markets up during the month of July. Meanwhile US, EU and Japanese central banks kept their policy rates on hold which positively affected emerging markets together with better than expected economic growth in China (6.9% yoy) and a weakening US dollar.

Improvement in global risk appetite had a trickledown effect on frontier markets including Sri Lanka. Foreigners remained net buyers for the 6th consecutive month recording an Rs.3.6 bn inflow in July taking YTD inflow close to Rs.26 bn. However, though the CSE maintained the positive momentum to start off the month of July with foreign interest, the All Share Price Index retreated to close the month with a 1.6% decline. Successive rights issue announcements by the largest listed banks COMB and HNB had a negative bearing on the banking sector index, whilst weak earnings performance by several blue-chip companies including CCS, LLUB affected mainly by weak economic conditions and recent floods.

Against this backdrop, the fund dropped by 1.46% in July whilst benchmark ASPI dropped by 1.63%. Stocks that contributed to the decline included Chevron Lubricant, Sampath Bank, Peoples' Leasing and Dialog Axiata. Chevron's Q2 2017 net profits dropped by 34% yoy due to severe competition and weak demand conditions which dragged down both sales and margins of the company. Sampath Bank share price tumbled with the right issue announcement in the last week of the month. But we believe the bank will be in a better footing after the right issue which will result in an improvement in capital adequacy essential for the growth of the business. For the year to date, the fund returned 8.36%, outpacing the benchmark ASPI return of 6.57% and since inception your fund delivered 11.55% annualized return, well outpacing the ASPI return of 3.61%.

We expect the current declining interest rates environment and recent Hambantota Port deal will have a positive impact on the macro economy which in turn is positive for the stock market. However this has been overshadowed by the uncertainty in new taxation policies and volatility in the political arena which we believe is a short term phenomenon. Therefore with a medium to long term view, your fund continues to invest in stocks that are selected in line with our value and growth oriented stock picking strategy.

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 | GACUEQI: SL |
| Fund Size as of 31-07-2017 | LKR 449.85Mn |
| Minimum Investment | LKR 1,000 |
| Redemption Price as at 31-07-2017 | LKR 18.1012 |

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