

Guardian Acuity Equity Fund

Open Ended Growth Fund

August 2017

HIGHLIGHT

The fund recorded a -3.45% return for the month and -3.34% return for 3 Months. The YTD return of the fund was 4.62% vs. Benchmark ASPI return of 2.61%, recording a 2.01% outperformance.

RETURNS*

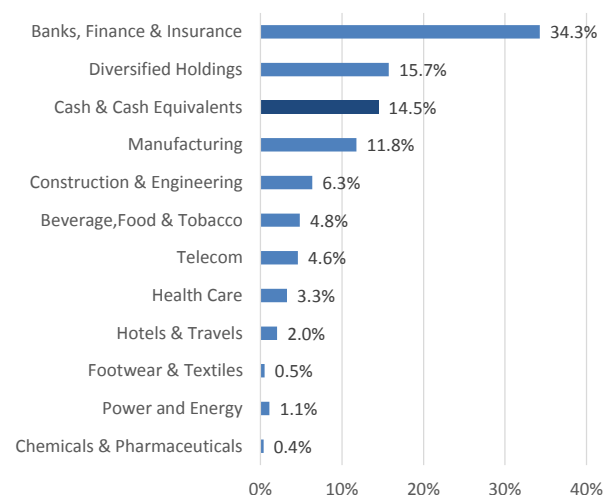
PERIOD*	FUND	BENCHMARK ASPI	S&P SL 20
2017 August	-3.45%	-3.72%	-3.28%
3 Months	-3.34%	-4.25%	-3.48%
Year To Date (YTD 2017)	4.62%	2.61%	5.42%
Since Inception Cum.	74.76%	16.69%	24.71%
Since Inception CAGR	10.66%	2.84%	4.09%

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

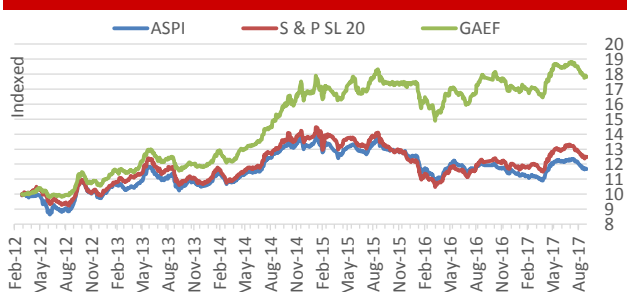
TOP 5 HOLDINGS BASED ON NAV

STOCK	TICKER	% OF NAV
PEOPLE'S LEASING & FINANCE PLC	PLC.N	5.37%
ACCESS ENGINEERING PLC	AEL.N	5.14%
TOKYO CEMENT COMPANY (LANKA) PLC	TKYO.N/X	5.03%
CARGILLS (CEYLON) PLC	CARG.N	4.82%
MELSTACORP LIMITED	MELS.N	4.78%

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.

CEYLON
GUARDIAN
A CAYMAN COMMONWEALTH COMPANY

ACUITY
Partners (Pvt) Ltd



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



Asanka Jayasekara
Fund Manager

Developed equity markets remained flat during the month despite strong economic growth registered in most of the developed countries. Escalating US-North Korea tension, terrorist attack in Spain and Hurricane Harvey held back the market momentum. However emerging market continued its momentum by recording a 2.1% growth (MSCI EM index) during the month thanks to the positive development in Chinese economy and a weak dollar.

The market extended negative sentiment during month of August as foreign and local participation remained relatively weak. Daily turnover came down to Rs 634mn, 8% drop compared to July month. Uncertainties around the upcoming new tax bill and suboptimal earnings growth numbers recorded during the 2nd quarter, partly reasoned by the impact from extreme weather conditions, also dragged down overall investor sentiment. Amidst the slowdown in foreign purchases heavyweights John Keells Holdings, Nestle Lanka, Hemas Holdings, Melstacorp Limited recorded price declines which were the key laggards to the index performance during the month. Accordingly the benchmark ASPI recorded a steep decline till mid-month, after which some stability was witnessed particularly following an announcement by the state minister finance that share market gains will not be taxed under the new Inland Revenue Act. The index closed the month with a 3.72% drop, whilst foreigner remained net buyers to the tune of Rs.1.7 bn.

Similarly the fund dropped by 3.45% during the month, reducing the year to date return to 4.62%. Share prices of Melstacorp (-11.3%), Alumex(-12.5%) and Chevron Lubricants (-11.3%) dropped significantly during the month after reported disappointing first quarter earnings. These stocks were the main contributors to the negative performance of the fund. Melstacorp has been struggling over the past several months with increases in ethanol imported tax which eroded their core business margins resulted in 41% yoy profit drop in Q1FY18. Alumex faced similar pressure on their margin due to rise in the aluminum billet prices in the world market. Further, significant increase in operating costs and finance cost resulted in Alumex's net profit 58% lower than the previous year first quarter. Conversely, strong performance in prices of Sampath bank (up 12%) and People's Insurance (up 10%) contributed positively to the fund's performance of the month.

The new Inland revenue act is a key catalyst for the stock market as it has long term impacts for the country's sustainable development. Our investment management team is persistently analyzing new changes and evaluating the impact on specific sectors and the overall economy. Further, we are also looking for clarification on tax implications on Unit trust. However, officials have made statements in public forums that most of these taxes are to be effective from 1st April 2018, including unit trust taxes. Therefore we will have a dialogue with our investors once we get the clarification on the same.

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 31-08-2017	LKR 460.98Mn
Minimum Investment	LKR 1,000
Redemption Price as at 31-08-2017	LKR 17.4763

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