

# Guardian Acuity Equity Fund

Open Ended Growth Fund

March 2019

## HIGHLIGHT

The fund recorded a -4.91% return for the month and -9.03% return for 3 Months. The YTD return of the fund was -9.03% vs. benchmark ASPI return of -8.18%.

## RETURNS\*

PERIOD*	FUND	BENCHMARK ASPI	S&P SL 20	ASTRI
2019 March	-4.91%	-4.45%	-8.06%	-4.40%
3 Months	-9.03%	-8.18%	-12.64%	-8.07%
Year To Date (YTD 2019)	-9.03%	-8.18%	-12.64%	-8.07%
Since Inception Cum.	46.65%	1.47%	-7.33%	11.52%
Since Inception CAGR	5.55%	0.21%	-1.07%	1.55%

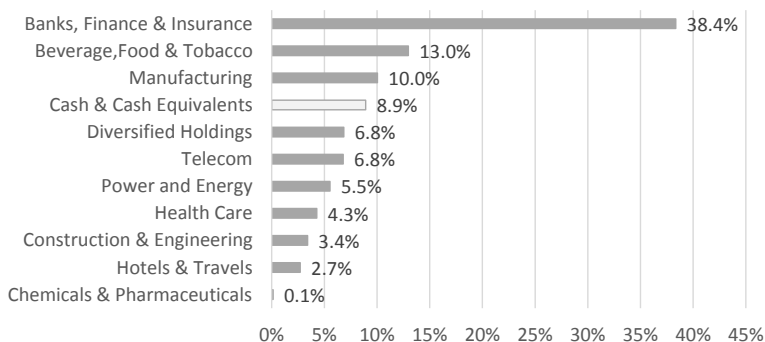
Note : All Share Price Index (ASPI) ,All Share Total Return Index(ASTRI) & S&P Srilanka 20 Index (S&P SL 20) are based on CSE data as of 29th March 2019

\* Performances are based on month end prices as of 29th March 2019. Performance data included in this document represents past performance and is no guarantee of the future results.

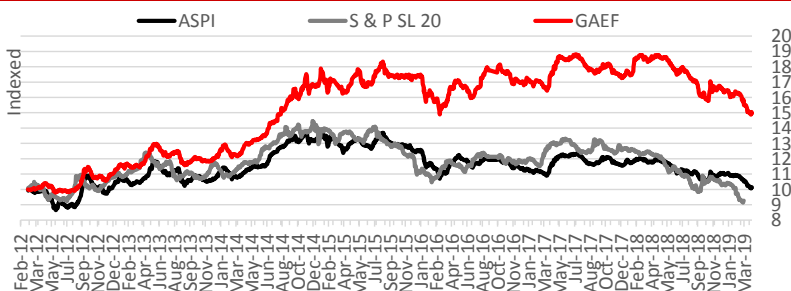
## TOP 5 HOLDINGS BASED ON NAV

STOCK	TICKER	% OF NAV
CARGILLS (CEYLON) PLC	CARG.N	11.09%
CENTRAL FINANCE COMPANY PLC	CFIN.N	9.25%
PEOPLE'S LEASING & FINANCE PLC	PLC.N	8.64%
CEYLINCO INSURANCE PLC	CINS.N	7.52%
HEMAS HOLDINGS PLC	HHL.N	6.85%

## 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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Senior Fund Manager

The first quarter of 2019 brought the investor confidence back in equities as both developed and emerging markets gained back the losses from 2018. As we discussed in previous months' fact sheets, the policy rate hikes of the federal reserves (that could hinder the economic growth) and the escalating trade war rhetoric between US and China triggered the market drop last year. In the same way those factors set the stage for recovery in this quarter with the fed's signalling of holding further rate hikes and the constructive trade talks between US and China.

Conversely, Colombo bourse fell by 4.45% (All Share Price Index) in March, recording a 8.18% drop for the first quarter of 2019. This is the third consecutive month of negative growth (ASPI) and the highest month on month drop since January 2016. Foreign selling pressure eased off to some extent compared to previous months, albeit Rs 1.2bn net outflow recorded in March (vs Rs 2.6bn in Feb and Rs 2.3bn in Jan). Higher deposit rates offered by finance companies after Central Bank increased FD ceiling rates in January forced retail investors to move out of stock investments though the valuations were really attractive.

Against this back drop, the fund recorded a 4.91% drop, compared to the benchmark ASPI's drop of 4.45% and the more liquid S&P 20 index's drop of 8.06%. Sampath Bank (-22.3%), Central Finance (-6.1%) and People's Leasing (-6.3%) were the top contributors to fund's negative return. Sampath Bank announced another right issue (Rs 12.1bn) in early March following two right issues done in June and December 2017 with the purpose of raising capital adequacy level in line with BASL III requirements. The right price, Rs 136, came up with a steep discount to the market price which was trading around Rs 230. As a result the market price dropped immediately below Rs 190 and settled at Rs 180 level.

We witnessed some improvement in the economy during the month. The 2019 National budget targets a 4.5% deficit, a 0.8% drop from deficit of 2018 and IMF welcomed this by agreeing to extend its USD 1.5bn extended fund facility (EFF) by one year. Further the Central Bank successfully raised USD 2.4bn by issuing new sovereign bonds during the month. These together with remittance flow for festival season strengthened the rupee against USD by 4.6% during the month. Inflation remained subdued and is expecting to remain single digit level going forward allowing interest rates (lending and deposit) to be brought down to stimulate the economic activities. These developments along with the tailwinds from improved risk appetite of foreign investors are positive to the equity market but the time it takes to unfold and boost the investor sentiment is not predictable.

## 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 31-03-2019	LKR 253.96 Mn
Minimum Investment	LKR 1,000
Redemption Price as at 31-03-2019	LKR 14.6645

## FUND FEES

Management Fee*	2.25% p.a.
Custodian & Trustee Fee*	0.30% p.a.
Exit Fee**	2.00% p.a.

\*As a percentage of NAV

\*\*If withdrawn prior to 1 year