

A CUT ABOVE

GUARDIAN ACUITY ASSET MANAGEMENT
UNIT TRUST FUNDS

ANNUAL REPORT 2012

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Guardian Acuity Asset Management Limited (GAAM) was formed on June 17th 2011 for the purpose of bringing together the expertise of the two joint venture partners, Ceylon Guardian Investment Trust PLC and Acuity Partners (Pvt) Ltd. Ceylon Guardian's contribution to the venture comes through their fund management expertise, while Acuity brings in their partner network and reach in marketing and distribution of financial products.

The company is an authorised unit trust management company, accredited by the Securities and Exchange Commission of Sri Lanka, holding licenses for two unit trust funds - namely the Guardian Acuity Fixed Income Fund and the Guardian Acuity Equity Fund. The company markets a range of investment plans under the brands MoneyMax and MoneyMaker which are structured using these two licensed funds as the underlying investment vehicles.

The Board of Directors of GAAM comprises directors drawn from the two joint venture partner companies, who carry with them a wealth of experience in the financial services industry.

Fund Information

Fund Manager

Guardian Acuity Asset Management Limited

61, Janadhipathi Mawatha, Colombo 01



Promoters

Acuity Partners (Pvt) Limited

53, Dharmapala Mawatha, Colombo 03



Ceylon Guardian Investment Trust PLC

61, Janadhipathi Mawatha, Colombo 01



Ceylon Guardian Investment Trust PLC

Distributors

Hatton National Bank

479, T.B Jaya Mawatha, Colombo 10



Bartleet Religare Securities

65, Braybrooke Place, Colombo 02



Trustee & Custodian

Deutsche Bank

86, Galle Road, Colombo 03

Bankers

Deutsche Bank

Auditors

Ernst & Young

201, De Saram Place, Colombo 10

Registrar

SSP Corporate Services Limited

No. 101, Inner Flower Road, Colombo 03

Money Max Investment Plans

Money Max comprises three savings plans meant for investors who wish to save for their long term financial aspirations. The three plans are Money Max Dhaksha, Money Max Dheerga and Money Max Pragathi. All three savings plans have varying recommended exposure to the fixed income fund and equity fund depending on the risk tolerance for each savings objective.

Invest in your son's or daughter's future

This savings plan is meant for investors who want to create the assets necessary to support their children's education. The Money Max Dhaksha Savings Plan recommends a combination of equity and fixed income exposures to save for your child's education needs depending on the time horizon of the investment.



MONEY MAX
DHAKSHA SAVINGS
PLAN

The investment plan for entrepreneurs

This savings plan is for investors who want to save for events such as investing in new business ventures, buying a new vehicle or acquiring new assets. It has a combination of fixed income and equity investments which is more suited for an investor who can set aside capital for the long term and has a higher tolerance for risk.



MONEY MAX
PRAGATHI SAVINGS
PLAN

A pension plan for your future

This savings plan is designed for retirement. It is more weighted towards fixed income and less weighted to equity investments. This plan is more suited for an investor with low risk taking ability and building of savings towards a retirement fund. Capital preservation and annual payout is a prerequisite. Suitable for investors who require an investment with low volatility and regular dividend payout to meet life's obligations on an annual basis.



MONEY MAX
DEERGA
SAVINGS PLAN

Money Maker

This investment plan allows the more sophisticated investor to select his own preferences in investing in the equity or fixed income fund.



Customised Portfolio Management

Our company also offers customised portfolio management services to high networth clients and institutional investors, who wish to have a dedicated portfolio management strategy.

Chairman's Message

We are pleased to submit to our unit holders the first annual report of the Guardian Acuity Asset Management Unit Trust Funds. Guardian Acuity Asset Management was formed as a joint venture between Ceylon Guardian Investment Trust PLC of Carson Cumberbatch Group and Acuity Partners Limited, the investment banking arm of HNB and DFCC. The joint venture brings together the fund management expertise of Guardian Fund Management and the marketing and distribution strengths of Acuity Partners.

The Company launched an equity growth fund and a fixed income fund in February 2012 with the aim of allowing investors to participate in the opportunities in the Sri Lankan capital markets and the investment strategies of the company. The performances of both funds have been well above market returns and have given unit holders a high return on their investments. The funds were launched under very challenging times, given the lower levels of investor participation in the stock market and a rising interest rate environment. However, with the anticipated rapid development of Sri Lankan capital markets we expect the unit trust industry to grow significantly over the medium term with investors needing a professionally managed and cost effective mechanism to access the capital markets. Creating investor awareness about unit trust products remains an urgent need.

Sri Lanka's economy continued to grow in 2012 amidst the global economy still struggling to recover. Despite the economy growing at a slower pace compared to the previous two years of economic growth of around 8%, we are confident of the long term potential of Sri Lanka and the sustainability of its economic development plans. We believe the benefits of the long term development plans for Sri Lanka will flow through to its capital markets and investors will benefit through high returns. We are encouraged by the steps taken in the last Budget to increase the level of listings in the equity and debt markets, through tax reliefs.



I would like to thank the unit holders for the confidence and trust placed with the management, and the regulators for supporting our entry into the Unit Trust industry. I would also like to thank the management team, members of our staff and my colleagues on the Board for their valuable contributions.

CHANDIMA GUNAWARDENA

Chairman

The Board of Directors

CHANDIMA GUNAWARDENA
Chairman



RAJENDRA THEAGARAJAH
Director

KRISHNA SELVANATHAN
Director

TYRONE DE SILVA
Director

RUVINI FERNANDO
Executive Director



RAY ABEYWARDENA
Executive Director



CHANDIMA GUNAWARDENA

Chandima Gunawardena is a Director of Carson Cumberbatch PLC and Bukit Darah PLC and serves as a Non Executive/Non Independent Director of the Carson/Bukit Darah Group, sector holding Companies and most of its subsidiaries in Sri Lanka and overseas. Since assuming Non Executive status in the group he currently serves as an advisor to the group's strategic planning and management forums and serves on Board Committees including its Audit Committees of the group in Sri Lanka and overseas. Mr. Gunawardena has over four decades of experience in varied fields of business and commercial activities and has held senior positions in corporate, mercantile and state institutions. He was appointed to the Carson Group Directorate in 1990. He has served in the Management Committee of the Ceylon Chamber of Commerce for over 10 years and was a Founder Council member of the Sri Lanka Institute of Directors (SLID) and continued to serve in the council for over 10 years. He is a Fellow of the Chartered Institute of Management Accountants, UK.

RAJENDRA THEAGARAJAH

Rajendra Theagarajah was appointed Managing Director of Hatton National Bank PLC in December 2005, and has been a member of HNBs Corporate Management since 1997. He counts over 26 years in Banking including overseas assignments. He is a Director of Lanka Financial Services Bureau Ltd, HNB Assurance PLC, Acuity Stockbrokers (Private) Ltd, and Sithma Development (Pvt) Ltd, as well as the Chairman of Acuity Securities Ltd and Acuity Partners (Pvt) Ltd. He is a past Chairman of Sri Lanka Banks Association (Guarantee) Ltd, Financial Ombudsman Sri Lanka (Guarantee) Ltd and the Asian Bankers Association. Further, he is a Member of the Sri Lanka Accounting & Auditing Standards Monitoring Board, Ceylon Chamber of Commerce and Chartered Institute of Management Accountants Governing Board, Sri Lanka, as well as Council Member of the Institute of Directors of Sri Lanka. He is also an Independent Non-Executive Director of Carson Cumberbatch PLC and a Director of the Colombo Stock Exchange. He is a Fellow of the Chartered Institute of Management Accountants (CIMA), UK and Fellow of the Institute of Chartered Accountants (CA), Sri Lanka. He holds a Masters in Business Administration from the University of Cranfield and is a fellow of the Institute of Bankers (FIB, Hons) Sri Lanka.

KRISHNA SELVANATHAN

Krishna Selvanathan is a Director of Carsons Management Services (Private) Limited, Ceylon Guardian Investment Trust PLC and Lion Brewery (Ceylon) PLC. He is a member of the Investment Sector Management Team. He holds a BA Degree in Accounting & Finance and Business Administration from the University of Kent, UK.

TYRONE DE SILVA

Tyrone de Silva is a Senior Vice President and Head of Corporate Banking for DFCC Bank and its commercial banking subsidiary – DFCC Vardhana

Bank. He also oversees the Investment Banking business of the Bank, which is carried out through Acuity Partners. He began his career at DFCC in 1989 and has been involved throughout in the Bank's Corporate Finance and Capital Markets businesses. He has also participated in DFCC's corporate structuring transactions including the setting up or acquisition of subsidiaries and associates of the DFCC Group. He is also responsible for transaction execution and overseeing the administration and monitoring of the Bank's share portfolio. Tyrone is a member of DFCC's Credit, Investment and ALCO Committees. He also serves as Director on the Boards of other DFCC Group companies and those in which DFCC has a significant interest. Prior to his career at DFCC, Tyrone was employed as a foreign exchange and money broker for a period of seven years. He holds a Masters Degree in Business Administration from the University of Warwick (UK). He is also a Graduate Member of the Institute of Mechanical Engineers (UK).

RUVINI FERNANDO

Ruvini Fernando is CEO of Guardian Fund Management Limited, a subsidiary of Carson Cumberbatch PLC, and a Director of The Sri Lanka Fund. She has over 20 years experience in management accounting, finance, research analysis, strategic planning and investments. She was a former visiting faculty member of the MBA programme of the Postgraduate Institute of Management (PIM); and is a representative of the Carsons Group Investment companies on the Board of Durdans Medical & Surgical Hospital (Private) Limited. She is a Fellow of the Chartered Association of Certified Accountants (ACCA), UK and an Associate of the Chartered Institute of Management Accountants (CIMA), UK and holds a Masters in Business Administration from the PIM, University of Sri Jayewardenepura.

RAY ABEYWARDENA

Ray Abeywardena is the Managing Director/Group CEO of Acuity Partners, the investment banking firm offering services in stock broking, fixed income securities, venture capital, corporate finance, margin trading and asset management. Prior to being appointed as Group CEO, Ray served as the CEO/Managing Director of Acuity Stockbrokers (Pvt) Ltd from 2001 to end 2008, which emerged as the No. 1 stock broking firm in Sri Lanka in 2008. From 1998 to 2000, Ray functioned as the Managing Director of Forbes ABN Amro Securities - a joint venture between ABN Amro Asia Ltd and the Forbes & Walkers Group. From 1994 to 1997, he served as CEO of Forbes & Walker Stock Brokers and headed the sales team. He has served on the directorates of Forbes & Walker Ltd, Forbes Research Ltd and Forbes Air Services Ltd, and has over two decades experience in the financial services industry as well as extensive Senior Management experience of over 15 years. Ray currently serves on the Board of Directors of Acuity Partners and Acuity Securities and Asian Alliance PLC, Lanka Ventures PLC and is the Chairman of Acuity Stockbrokers. He is also a past Chairman of the Colombo Stock Brokers Association. Ray is a passed finalist in CIM (UK) with an MBA from the University of Wales, UK.

The Management Team



Left to right Standing

AMILA PATHIRANA (Marketing and Business Development Manager), **SUMITH PERERA** (Fund Manager),
THARINDA JAYAWARDANA (Head of Research)

Left to right Seated

PASAN ABEYGUNAWARDENA (Head of Portfolio Operations), **RUVINI FERNANDO** (Executive Director),
RAY ABEYWARDENA (Executive Director)

RUVINI FERNANDO

Profile under Directors' profile

RAY ABEYWARDENA

Profile under Directors' profile

SUMITH PERERA

Fund Manager, Guardian Fund Management Ltd. Has over 7 years experience in the field of Asset Management working as a Fund Manager for CAAM Saudi Fransi LLC (Kingdom of Saudi Arabia), Investment Analyst for Eagle NDB Fund Management (Sri Lanka) and as a Financial Analyst for John Keells Stockbrokers. He holds a Bsc (Hons) in Economics and Business Finance from Brunel University, UK and is an Associate Member of the Chartered Institute of Management Accountants.

THARINDA JAYAWARDANA

Head of Research, Guardian Fund Management Ltd. Has over 5 years of experience in investment research. Before joining the Carsons Group, he worked as a research analyst at JB Securities (Pvt) Ltd. He is a CFA charter holder and an associate member of the Chartered Institute of Management Accountants. He also holds BSc Degree from the University of Sri Jayawardenepura specializing in Finance.

PASAN ABEYGUNAWARDENA

Head of Portfolio Operations, Guardian Fund Management with over 9 years experience in Asset Management. He worked as Manager Investment Operations in Eagle NDB Fund Management and as Senior Operations Officer at CAAM Saudi Fransi LLC. Holds a Bsc (Gen) in Applied Science from Sri Jayawardenapura University and is an Associate Member of the Chartered Institute of Management Accountants.

AMILA PATHIRANA

Marketing and Business Development Manager, Guardian Acuity Asset Management Limited. He has over 10 years of experience in the marketing arena in varying fields. His previous experience includes working with organizations such as Etisalat, Lanka Bell, Cargills and Leo Burnett Solutions. He is an Associate Member of the Chartered Institute of Marketing, U.K. and an Associate Member of the Institute of Certified Management Accountants, Australia. Currently he is reading for the Masters Degree in Business Administration from the Postgraduate Institute of Management - Sri Lanka.

Economic & Market Review

“An overall drop in interest rates and a stable economic climate is required to push forward corporate expansion plans.....”

GDP growth

Sri Lanka is expected to record a GDP growth of 6.4% for year 2012 amidst unfavorable weather conditions on the domestic front, coupled with the impact of poor global economic conditions. The estimated GDP forecast of 6.4% is below the 8% levels achieved over the prior two years which was brought about with the end to the 30 year war in the country. The strong post war growth trajectory which the economy experienced had begun to exert pressures on the local economy specifically with regard to exchange rate movements and monetary policy. The Central Bank addressed the imbalances in the economy in 1Q 2012 by tightening monetary policy and having a more market driven exchange rate policy. The resulting sudden and steep depreciation in the exchange rate, subdued global demand and higher interest costs resulted in the overall slow-down of economic activity in 2012.

Agriculture recorded strong growth of 11.5% and 9.1% in the 1Q 2012 and 2Q 2012 largely on account of growing from a low base in the previous year where the sector recorded -5.06% and 1.92% respectively. However, the delay in the north-west monsoon rainfall saw the sector

output decline by -0.5% in 3Q 2012 where paddy output fell by 38.2%. The shock to the agricultural sector is expected to sustain into 4Q 2012 further weakening the contribution from agriculture to overall economic growth.

The Industry sector which makes up approximately 30% of the economy progressively fell from a strong 10.8% growth in 1Q 2012 to 7.3% in the third quarter. The 3Q 2012 performance of 7.3% was relatively moderate in comparison to the 10.8% achieved in 3Q 2011. The largest contributing sub-sector to the industry sector is manufacturing which slowed down significantly in 3Q 2012 to 3.3% from 7.7% in 3Q 2011. This was largely attributable to higher domestic energy prices, tightening of monetary policy, significant rupee depreciation which led to weaker domestic demand and subdued demand for Sri Lankan exports due to global economic factors. The construction sub-sector continued to grow significantly with 3Q 2012 recording 16.5% on the back of large scale construction projects such as hotels, apartment complexes and road construction.

The Service sector recorded growth rates of 5.8%, 4.5% and 4.6 % for the first three quarters of 2012 respectively in comparison to 9.5%, 8.8% and 7.8% in the previous year. The significant slow-down of this key sector which contributes approximately 59% to the overall economic growth is largely attributed to a drop in sub-sectors of wholesale & retail trade and also transport & communication. The wholesale & retail trade recorded a slower growth of 2.2% for 3Q 2012 compared to 9.5% in 3Q 2011. Policy measures introduced by the monetary board with the intent of discouraging the import of consumer goods to reduce a bloated trade

REAL GDP - QUARTERLY GROWTH



deficit saw the import trade sub-sector recording -1.2% for 3Q 2012. Global demand factors resulted in the decline of the export sub-sector which is dominated by textile & garments and food, beverage & tobacco. Transport & communication subsector decelerated to 7.8% in the 3Q 2012 from 9.9% in the previous year.

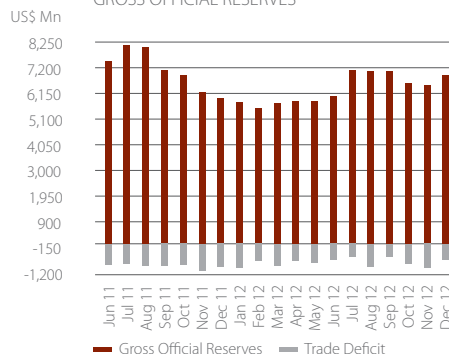
External sector pressure

The swelling trade deficit in 2011 which had exerted tremendous pressure on the Balance of Payments saw a YOY reduction of 4.1% to US\$ 9.3 billion for 2012. Although still relatively high, the trade account saw a significant improvement since 1Q 2012 where it recorded a cumulative US\$2.6 billion deficit which was a staggering 46% increase YOY.

Exports declined YOY by 7.4% in 2012 to US\$ 9.8 billion with a drop in all key export categories. Poor global demand saw earnings from industrial exports, which comprises approximately 75% of total exports, decline by 7.8% YOY. The main sub category for industrial exports being textile and garments declined due to prevailing weak economic conditions in key markets of USA and Europe.

Imports expenditure declined to US\$ 19.1 billion in 2012 which was a drop of 5.8% from 2011. Policy actions introduced at the start of the year with an aim to curtail imports were very effective particularly on the import of consumer goods which recorded a drop of 18% in 2012. Import of intermediate goods also declined in 2012 by 5.7% to US\$ 11.6

GROSS OFFICIAL RESERVES



billion. Lower prices prevailing in international markets for cotton and wheat resulted in lower import costs for these intermediate items. However, import of fuel increased to US\$ 5 billion compared to US\$ 4.8 billion for the previous year. Import of Investment goods continued to increase by 4.8% YOY for 2012 to record an import value of US\$ 4.5 billion.

Worker remittances continues to help offset the large trade deficit by displaying strong growth in 2012 with an increase of 16.3% to US\$ 6.0 billion. Further flows that have helped attain an expected BOP surplus for 2012 were tourism earnings of US\$ 1.0 billion, CSE inflows of US\$ 305 million, foreign inflows to Government securities of US\$ 843 million, Government long term loans of US\$ 2.9 billion and commercial bank borrowing amounting to US\$ 973 million.

From August 2011 to December 2011, the country experienced a considerable drain on foreign reserves which had reduced by 26% largely due to exchange rate interventions.

Economic & Market Review

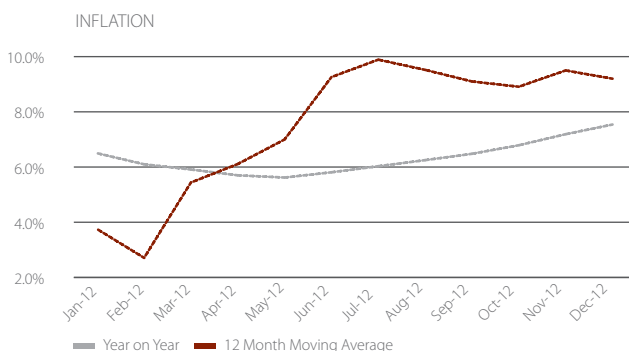
A series of policy actions introduced by the Central Bank to address these issues included adopting a more flexible exchange rate, increasing policy rates and limiting credit growth for banks. Gross official reserves recovered to US\$ 6.9 billion by end 2012 which amounted to 4.3 months of imports.

Fiscal deficit

Government revenue grew by 7.6% for the 9 months of 2012 with the overall slowdown affecting tax collections, while recurrent expenditure grew by 9.1% in the same period. The fiscal deficit is expected to decline to 6.6% which is an improvement from 6.9% in 2011 as a result of more controlled capital expenditure in 2H2012. There has been a gradual decline in the fiscal deficit over the last two years which has seen a considerable improvement from 8% in 2010. The total outstanding debt was Rs.6,262 billion as at Sep 2012 translating into a debt/GDP ratio of approximately 81% with foreign currency debt exposure increasing to 48% of total debt.

Inflation

The CCPI has seen an overall upward movement in 2012. The index recorded an annual average of 7.6% for December 2012 compared to the previous year December 2011 figure of 6.7%. Inflation throughout the year has been in line with Central Bank's target of below 10%. However, the YOY CCPI has been closer to 9% levels since June 2012 largely on account of

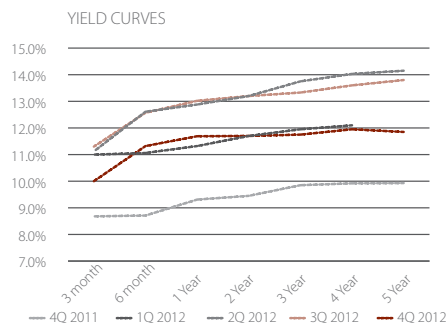
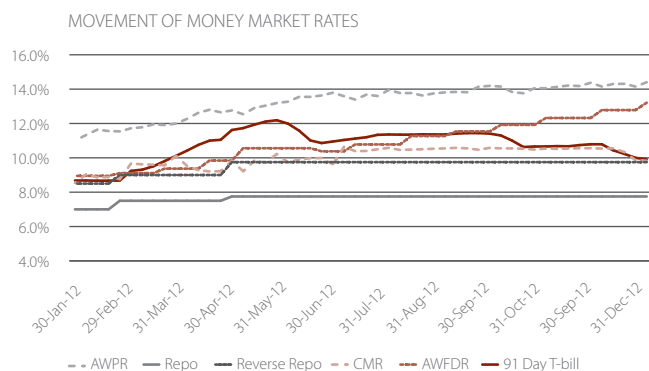


movements in the sub-indices of food, transportation, housing, water & electricity, gas & other fuels.

The food component of the CCPI which represents 41% of the overall index was 9.0% YOY in December 2012 and had been on the higher side due to supply side factors stemming from adverse weather conditions. The upward adjustment of energy prices, depreciation of the rupee and increase in duties of imported food items also contributed to the overall index movement.

Monetary policy

The Central Bank aggressively adjusted policy rates upwards in February and April of 2012 in order to reduce pressure on the LKR and to address the high credit growth that was prevailing at the start of the year. Broad money supply (M2b) grew at a rate of 22.8% and net credit to the private sector accelerated to 35.2% by the end of 1Q2012. Net credit to government and corporations also were growing at high rates of 51.2% and 94.2% respectively at this time. In order to curb excessive credit growth the Central Bank raised repo and reverse repo rates twice by a cumulative 75 basis points and 125 basis points respectively. Furthermore, the Central Bank also imposed a ceiling on credit expansion for commercial banks.



By October 2012, broad money supply had slowed down to 18.2% and net credit to private sector had also decelerated to 23.5%. In the December 2012 monetary policy review, the Monetary Board was of the view that the slowdown in credit utilization, expected moderation in inflation and the need to support the economy to realize its growth potential required a reduction in policy rates by 25 basis points for both the repo and reverse repo and the removal of the credit ceiling.

Revisions in Central Bank of Sri Lanka key policy rates							
	Jul 10	Aug 10	Jan 11	Apr 11	Feb 12	Apr 12	Dec 12
Repurchase Rate	7.25%	7.25%	7.00%	7.00%	7.50%	7.75%	7.50%
Reverse Repurchase Rate	9.50%	9.00%	8.50%	8.50%	9.00%	9.75%	9.50%
Statutory Reserve Ratio	7.00%	7.00%	7.00%	8.00%	8.00%	8.00%	8.00%

The weighted average 364 day Treasury bill yield announced at the weekly auctions started the year at 9.31%, reached a high of 13.36% in September 2012 and closed the year at 11.69%. Overall money market liquidity levels were volatile in the first half of the year but remained on the lower side thereafter. This coupled with market concerns on fiscal deficit numbers resulted in a great deal of bond market volatility

particularly in the latter half of the year. The liquid five year bonds were trading at approximately 10.15% at the start of the year and reached a high of 14.38% levels in August before closing the year at 11.85%.

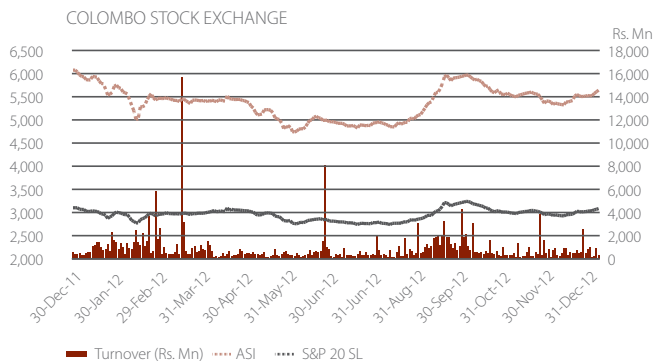
The yield curve which plots interest rates at a particular point in time of government securities with varying maturity dates shows the movement and volatility in rates throughout the year. The yield curve of 1Q 2012 shows a parallel shift up across all maturities by over 200 basis points which was a reaction to the upward revision in policy rates in 1Q2012 and overall expectation of a further rise in interest rates. At this time Commercial Banks Average Weighted Fixed Deposit Rates (AWFDR) had increased by 89 basis points to 9.84%. The 2Q2012 yield curve shows a continuation of the movement with further steepening and selling pressure on the longer end of the curve. However, with a downward policy revision in December 2012

Economic & Market Review

the yield curve dropped by an average 150 basis points across the curve and flattened due to buying pressure building up on the longer end, indicating further expectation for rates to reduce. However, throughout the year AWFDR continued to increase and closed the year at 13.21% which may be explained by commercial banks maintaining deposit rates high to reduce outflow of deposits to competing banks and also reacting to state banks offering very high deposit rates despite government security yields declining.

Interest rate outlook

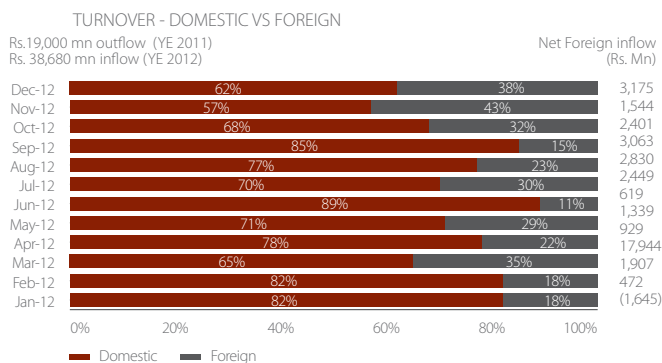
The rate cut announced by the Central Bank is an initial step in the direction of future monetary expansion. Government securities are expected to further decline in 1Q2013 in line with the Central Bank's policy rate decision and increased liquidity levels in the market. Commercial bank fixed deposit rate trends will depend on competition amongst banks and monitoring of state bank fixed deposit rates.



Equity market review

The All Share Index (ASI) and the S&P 20 SL Index both declined in 2012 by 7.10% and 0.52% respectively. Retail activity was relatively subdued throughout the year largely on account of higher interest rates. Foreign activity was buoyant for 2012 with a record inflow of Rs. 38.60 billion which included the entry of Malaysia's sovereign wealth fund, Khazanah, investing an initial Rs. 14.5 billion into John Keells Holdings. Foreign activity was focused on specific counters displaying strong fundamentals. Overall market activity was relatively low with average daily turnover of Rs. 883 million for 2012 compared to Rs.2,286 million in 2011.

The ASI reached a high of 6,074.87 on the first trading day for the year and recorded declines of 10.77% and 8.38% for 1Q 2012 and 2Q 2012 respectively. In 2Q 2012 the market hit a low of 4,737.75 for the year which was a drop of 22.01% from its peak on the first trading day of the year. The ASI gathered upward momentum thereafter and gave a return of 20.26% in 3Q 2012. However, short lived retail participation saw the market declining in the last quarter by 5.51%.



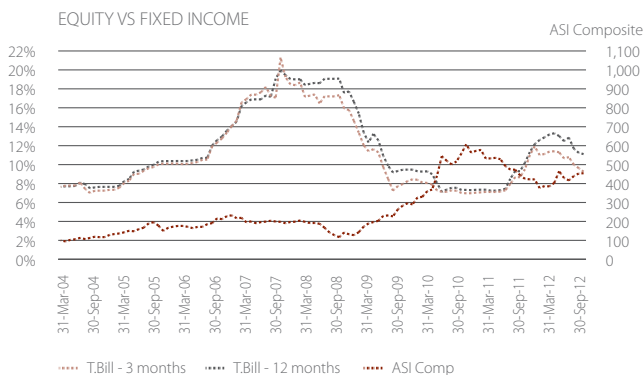
The top performing sectors for 2012 were beverage, food & tobacco, health care and telecommunications. A surge in defensive counters related to food, beverage and tobacco such as Ceylon Tobacco and Nestle saw this sector provide extraordinary returns. The most significant sectors to see price declines were land and property, manufacturing and hotels and travels. Declines in these sectors were largely attributable to higher interest rates, rising energy prices and growth in tourist arrivals not leading to higher occupancy levels.

Sector	Performance
BEVERAGE FOOD AND TOBACCO	31.48%
HEALTH CARE	-0.90%
TELECOMMUNICATIONS	-1.49%
DIVERSIFIED HOLDINGS	-4.56%
PLANTATIONS	-6.47%
HOTELS AND TRAVELS	-8.77%
BANKS FINANCE AND INSURANCE	-11.63%
MANUFACTURING	-19.99%
LAND AND PROPERTY	-20.11%
CONSTRUCTION AND ENGINEERING	-21.70%
POWER AND ENERGY	-22.52%
MOTORS	-42.28%
ASPI	-7.10%

Economic & Market Review

Equity market outlook

The equity market outlook shows significant potential in the medium to long term with listed companies benefitting from the accelerated development of the country and its bright economic prospects. However, we anticipate significant volatility in the short term with key variables such as interest rates, inflation, corporate earnings and foreign activity in the CSE driving equity market performance. The key sectors that will benefit from performance going forward are banks, finance & insurance sector, diversified sector, beverage, food and tobacco sector and healthcare. An overall drop in interest rates and a stable economic climate is required to push forward corporate expansion plans and reactivate retail investor participation. At the same time, rising energy and fuel costs which are inflationary would negatively affect corporate earnings.



		PER (X)		
		Historic	1 Yr Fwd	2 Yr Fwd
Country	Index	Current Year	2013 Earnings	2014 Earnings
Sri Lanka	ASPI	12.36	11.76	9.20
Pakistan	Karachi Index	10.24	7.43	6.55
Malaysia	KLCI	14.44	14.56	13.36
Indonesia	JSX Composite	18.34	14.70	12.37
India	BSE Sensex	16.42	15.54	13.47
Thailand	SET	18.40	14.10	12.45
Hong Kong	Hang Seng	11.99	11.35	10.33
Singapore	Straits Times	10.38	14.85	13.66
USA	Dow Jones	13.68	12.54	11.46
UK	FTSE	17.56	12.03	10.89
Japan	Nikkei	23.95	21.94	17.74
China	SSE Composite	13.41	10.48	9.19

AN OVERVIEW OF THE
GUARDIAN ACUITY ASSET MANAGEMENT
UNIT TRUST FUNDS

THE GUARDIAN ACUITY
EQUITY FUND

THE GUARDIAN ACUITY
FIXED INCOME FUND

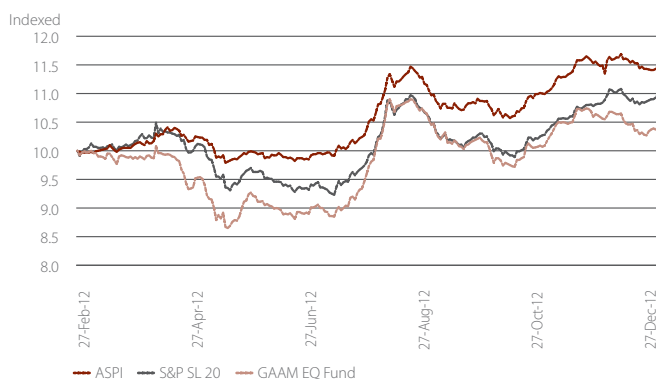
Guardian Acuity Equity Fund

Fund Facts

Fund Objective	To achieve medium to long term capital appreciation		
Fund Asset Allocation	Equity	Maximum 95%	Minimum 40%
	Fixed Income	40%	5%
Fund Strategy	The Fund will invest in a diversified portfolio of stocks on the Colombo Stock Exchange with an exposure to growth sectors of the economy		
Fund Fee Structure	Front End Fee	N/A	
	Management Fee	2.25% p.a.	
	Exit Fee in 1st Year	2.00%	
	Trustee Fee	0.25% p.a. +15,000 p.m	
Fund Features	Minimum Subscription	Rs.1000	
	Fund Structure	Open Ended	
	Switching	Daily Valuation	
	Dividend	Allowed	
		Discretion of Manager	

Guardian Acuity Equity Fund Review

The Guardian Acuity Equity Fund which was launched on 27th February 2012, closed the year with a redemption unit price of Rs. 11.09. This translated to unit holders having a gain of 10.90% from inception based on redemption price. The All Share Index (ASI) appreciated by 3.04% since inception of the fund in comparison to the fund performance of 10.90% which resulted in the fund outperforming the ASI by 7.86%.

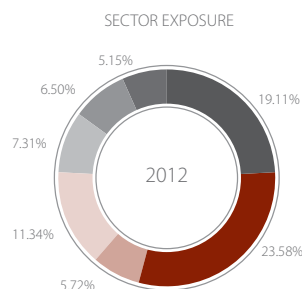


	December	3 Month	Since Inception*
GAAM EQ Fund	4.52%	-3.31%	10.90%
All Share Index	5.45%	-5.51%	3.04%
S & P SL 20	4.87%	-4.80%	4.39%

The fund maintained an equity exposure of 78.27% as at year end with the balance invested in interest earning instruments. In 1H2012 when the market was weak, the fund increased equity exposure as opportunities became apparent where fundamentally strong counters were trading at significant discounts to their intrinsic values. This strategy of aggressively increasing allocation when markets were weakening paid off, as markets rebounded in 2H2012.

As at 31st December 2012, the highest sector exposures of the fund were to beverage, food & tobacco, banks finance & insurance and diversified holdings of 23.58%, 19.11% and 11.34% respectively. The top five holdings of the fund were John Keells holdings, Commercial Bank, Ceylon Tobacco Company, Asiri Hospitals Holdings and Aitken Spence Hotel Holdings.

As at 31st December 2012, the total net asset value of the fund was Rs. 34.93 million with 63 unit holders in the fund



■	Banks, Finance & Insurance 2012 - (19.11%)
■	Beverage, Food & Tobacco 2012 - (23.58%)
■	Construction & Engineering 2012 - (5.72%)
■	Diversified Holdings 2012 - (11.34%)
■	Health Care - 2012 - (7.31%)
■	Hotels & Travels - 2012 - (6.50%)
■	Manufacturing - 2012 - (5.15%)

Guardian Acuity Equity Fund

GAAM Equity Fund Insights

- Guardian Fund Management being a bottom up equity investor follows a fundamental value based strategy. We will expose the fund to companies that promise strong above average growth potential derived from good business models, dynamism of the management team and the ability to generate steady positive cash-flows.
- The expense ratio is the fee required to ensure the operation of the fund each year. This expense is borne by the unit holders on an ongoing basis and is quantified in annual terms. The largest components are generally investment management fees, trustee fees and audit fees. The expense ratio for Guardian Acuity Fixed Income Fund is 3.51% as at 31st December 2012. Generally, the expense ratio declines as the fund size increases.
- Equity as an asset class has significantly outperformed the 364 day Treasury bill and inflation over a 10 year time horizon. The return for the All Share Price Index over the last 10 years has been 21.3% in comparison to the 364 day Treasury bill of 11.5% and inflation of 10.1%.

CAGR of Equity, Fixed Income & Inflation			
	Last Year (2012)	Last Five years	Last Ten years
Fixed Income*	9.3%	12.9%	11.5%
Equity**	-7.3%	17.3%	21.3%
Inflation***	9.2%	8.0%	10.1%

* 364 day Treasury Bill Auction Rates

** Movement in All Share Price Index

*** Movement of CCPI

**INDEPENDENT AUDITORS' REPORT
TO THE UNIT HOLDERS OF GUARDIAN ACUITY EQUITY FUND
Report on the Financial Statements**

We have audited the accompanying financial statements Guardian Acuity Equity Fund which comprise of the statement of financial position as at 31 December 2012, and the statement of comprehensive income, statement of movement in unitholder's fund and statement of cash flows for the 10 months period then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Guardian Acuity Asset Management Limited, the Managers and the Trustee of the Unit Trust are responsible for the preparation and fair presentation of these financial statements in accordance with Sri Lanka Accounting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Scope of Audit and Basis of Opinion

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Sri Lanka Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting policies used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit. We therefore believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion, so far as appears from our examination, the Fund maintained proper accounting records for the 10 months period ended 31 December 2012 and the financial statements give a true and fair view of the Fund's state of affairs as at 31 December 2012 and its profits and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

Report on Other Legal and Regulatory Requirements

In our opinion, these financial statements also comply with the requirements of Section 151(2) of the Companies Act No. 07 of 2007, Unit Trust Deed and Unit Trust code of the Securities and Exchange Commission of Sri Lanka.



23 March 2013
Colombo

Guardian Acuity Equity Fund

Statement of Comprehensive Income

10 months period ended 31 December 2012

	Notes	2012 Rs.
Income		
Interest income	4	844,349
Dividend income		574,721
Net realised gain on financial assets held at fair value through profit and loss		390,741
Net change in unrealised gains on financial assets held at fair value through profit and loss		3,282,427
		<hr/> 5,092,238
Expenses		
Management fees		(643,674)
Trustee and custodian fees		(246,814)
Audit fees		(171,360)
Bank charges		(1,000)
Debit interest		(861)
Transaction cost		(412,185)
		<hr/> (1,475,894)
Net profit before tax		3,616,344
Income tax expense		-
Net profit after tax for the period		<hr/> 3,616,344
Total comprehensive income for the period		3,616,344

The accounting policies and notes on pages 26 through 35 form an integral part of the financial statements.

Statement of Financial Position

as at 31 December 2012

	Notes	2012
		Rs.
Assets		
Cash and cash equivalents	5	114,674
Financial assets held for trading	6	27,494,521
Financial assets - loans and receivables	7	6,509,924
Other receivables	8	1,177,253
Income tax receivable		84,435
Total Assets		35,380,807
Unitholders' funds & liabilities		
liabilities		
Accrued expenses	9	367,484
Total liabilities (excluding net assets attributable to unitholders)		367,484
Unitholders' funds		
Net assets attributable to unitholders		35,013,323
Total Unitholders' funds & liabilities		35,380,807

These financial statements were approved by the management company and adopted by the trustee.

Sgd.
DIRECTOR
MANAGEMENT COMPANY

Sgd.
DIRECTOR
MANAGEMENT COMPANY

Sgd.
TRUSTEE

The accounting policies and notes on pages 26 through 35 form an integral part of the financial statements.

23 March 2013
Colombo

Guardian Acuity Equity Fund

Statement of Movement in Unitholders' Fund

10 months period ended 31 December 2012

	2012
	Rs.
Unitholders' funds as at 01 February	-
Total comprehensive income for the period	3,616,344
Received on creation of units	32,316,443
Paid on redemption of units	(919,464)
Net increase due to unitholders' transactions	31,396,979
Unitholders' funds as at 31 December	35,013,323

The accounting policies and notes on pages 26 through 35 form an integral part of the financial statements.

Cash Flow Statement

10 months period ended 31 December 2012

	2012
	Rs.
Cash flows from operating activities	
Interest received	758,251
Dividend received	574,721
Management fees and trustee fees paid	(694,364)
Other expenses paid	(414,046)
Equity investments	(25,379,347)
Treasury bill repos	(6,117,520)
Net Cash used in Operating Activities	(31,272,305)
Cash flows from financing activities	
Cash received on creation of units	32,306,443
Cash paid on redemption of units	(919,464)
Net cash generated from financing activities	31,386,979
Net increase in cash and cash equivalents	114,674
Cash and cash equivalents at the beginning of the year	-
Cash and cash equivalents at the end of the year	114,674

The accounting policies and notes on pages 26 through 35 form an integral part of the financial statements.

Guardian Acuity Equity Fund

Notes to the Financial Statements

10 months period ended 31 December 2012

1. General information

Guardian Acuity Equity Fund is an open ended unit trust fund approved by the Securities and Exchange Commission of Sri Lanka. The fund was launched on 27 February 2012.

The fund is managed by Guardian Acuity Asset Management Limited which is incorporated and domiciled in Sri Lanka. The registered office of the management company is located at No 61, Janadhipathi Mawatha, Colombo 01. The trustee of the fund is Deutsche Bank AG having its place of business at No 86, Galle Road, Colombo 03.

The investment objective of the fund is to achieve long term capital appreciation through investing prudently in a portfolio of listed shares.

2. Accounting policies

2.1 Basis of preparation

The financial statements are prepared in accordance with and comply with the Sri Lanka Accounting Standards issued by the Institute of Chartered Accountants of Sri Lanka and adopted as directed by the Securities and Exchange Commission of Sri Lanka.

The financial statements have been prepared on the historical cost basis whereby transactions are recorded at the values prevailing on dates when the assets were acquired, the liabilities incurred, or the unit capital obtained. The financial statements are presented in Sri Lankan rupees. The statement of financial position is presented broadly in order of liquidity basis.

2.1.1 Statement of compliance

These financial statements have been prepared in accordance with Sri Lanka Accounting Standards (SLFRSs and LKASs) which are effective from 01 January 2012.

2.2 Summary of significant accounting policies

2.2.1 Financial instruments – initial recognition and subsequent measurements

Financial Assets within the scope of LKAS 39 are classified as Financial Assets at Fair Value through Profit or Loss and Loans and Receivables as appropriate. The Fund determines the classification of its Financial Assets at initial recognition.

2.2.1.1 Date of recognition

All financial assets are initially recognized on the trade date, i.e. the date that the fund becomes a party to the contractual provisions of the instrument. This includes purchases of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place.

2.2.1.2 Initial measurement of financial instruments

The classification of financial instruments at initial recognition depends on their purpose and characteristics and the management intention in acquiring them. All financial assets are measured initially at the fair value plus transaction costs, except in the case of financial assets recorded at fair value through profit or loss.

2.2.1.3 Financial assets held for trading

Financial assets or financial liabilities held for trading are recorded in the Statement of Financial Position at fair value. Changes to the fair values of financial assets or financial liabilities held for trading is recorded in 'Net Trading Income'. Included in this classification are debt securities that have been acquired principally for the purpose of selling or repurchasing in the near term.

2.2.1.4 Financial assets - loans and receivables

Loans and receivables are non derivative financial assets with fixed or determinable payments that are not quoted on an active market. Loan and receivables in the statement of financial position comprise treasury bill reverse repurchase agreements.

After initial measurement, loans and receivable are subsequently measured at amortised cost using the effective interest rate, less allowance for impairment. The amortization is included in the "interest income" in the statement of comprehensive income. The losses arising from impairment is recognised in the statement of comprehensive income in "credit loss expense".

2.2.1.5 Derecognition of financial assets

A financial asset is derecognised when,

- 1) The rights to receive cash flows from the asset have expired.
- 2) The fund has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either,

- The fund has transferred substantially all the risks and rewards of the asset or
- The fund has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

2.2.1.6 Determination of fair value

The fair value for financial instruments traded in active markets at the reporting date is based on their average quoted market price or average dealer price quotations without any deduction for transaction costs.

2.2.1.7 Financial assets carried at amortised cost

The fund reviews its financial investments classified as loans and receivables at each reporting date to assess whether they are impaired. In particular management judgment is required in the estimation of the amount and timing of future cash flows when determining the impairment loss. These estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance.

Guardian Acuity Equity Fund

Notes to the Financial Statements

10 months period ended 31 December 2012

2.2.2 Recognition of income

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the fund and the revenue can be reliably measured. The following specific criteria must also be met before revenue is recognised.

Interest income

For all financial instruments measured at amortised cost, interest income is recorded using the effective interest rate (EIR), which is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset. Interest income of treasury bills, repurchase agreements and corporate debt securities are recognised at gross of notional tax credit or withholding tax.

2.2.3 Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at bank and interest accrued on cash held in bank with an original maturity of three months or less.

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above.

2.2.4 Income tax

Current tax assets and liabilities for the current and prior year are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date. The fund is liable to pay income tax at the rate of 10% in accordance with the Inland Revenue Act No.10 of 2006.

2.2.5 Expenses

The management, trustee and custodian fees of the fund as per the explanatory memorandum is as follows,

Management fee	- 2.25% p.a. of net asset value (Calculated on daily basis)
Trustee fee & Custodian fee	- 0.25% p.a. of net asset value and a fixed sum of Rs. 15,000 per month. (Calculated on daily basis)

2.2.6 Accrued expenses

Payables are initially recognised at fair value, which is the fair value of the consideration to be paid in the future for service received, whether or not billed to the fund, and subsequently at amortised cost.

2.2.7 Unitholders' funds and net assets attributable to unit holders

Unitholders' funds has been calculated as the difference between the carrying amounts of the assets and the carrying amounts of the liabilities, other than those due to Unitholders, as at the balance date.

Units can be issued and redeemed based on the fund's net asset value per unit, calculated by dividing the net assets of the fund calculated in accordance with the valuation guidelines issued by the Unit Trust Association of Sri Lanka and approved by the Securities and Exchange Commission of Sri Lanka, by the number of units in issue. Income not distributed is included in net assets attributable to unit holders.

3. Financial instruments and risk management

(a) Financial instruments

The Trust's principal financial assets comprise investments in trading securities, loans & receivables and cash at bank. The main purpose of these financial instruments is to generate a return on the investment made by Unitholders. The Trust's principal financial liabilities comprise amounts attributable to Unitholders, which are the amounts owed to Unitholders of the Trust. The trust has receivables and payables which arise directly from its operations.

In accordance with LKAS 39 Financial Instruments: Recognition and Measurement, the Trust's receivables are classified as 'loans and receivables'. Trading securities are classified as 'held for trading', meaning they are valued at fair value through profit or loss. Amounts attributable to Unitholders are classified as 'other financial liabilities' and are carried at the redemption amount being net asset value. Payables are designated as 'other financial liabilities' at amortised cost.

(b) Financial risk management objectives, policies and processes

Risks arising from holding financial instruments are inherent in the Trust's activities, and are managed through a process of ongoing identification, measurement and monitoring. The Trust is exposed to credit risk, market risk, price risk and liquidity risk.

The manager also monitors information about the total fair value of financial instruments exposed to risk, as well as compliance with established investment restrictions stated in the explanatory memorandum of the fund. These investment restrictions reflect the investment strategy of the Trust, as well as the level of risk that the trust is willing to accept, with additional emphasis on selected industries. This information is prepared and reported to relevant parties within the Manager on a regular basis as deemed appropriate, including the compliance manager, key management, investment committee and ultimately the Trustees.

Credit risk

The fund is also subject to credit risk on its bank balance. The credit risk exposure on these instruments is not deemed to be significant.

Market risk

Market risk represents the risk that the value of the Trust's investments will fluctuate as a result of changes in market prices.

Guardian Acuity Equity Fund

Notes to the Financial Statements
10 months period ended 31 December 2012

This risk is managed by ensuring that all investment activities are undertaken in accordance with established investment restrictions and investments strategies.

Within the underlying investment portfolio, diversification is achieved at a number of levels. The diversified portfolio is invested across a range of market sectors.

Price risk

Price risk is the risk that the fair value of the Trust's investment in trading securities will fluctuate as a result of changes in the price of the Trust's investments in trading securities. Price risk exposure arises from the trust's investment portfolio.

Price risk is caused by volatility in trading activity of securities listed on the Colombo Stock Exchange.

The table below shows the impact on the statement of Comprehensive Income and Statement of Financial Position due to a reasonably possible change in the price of the Trust's investment in trading securities, with all other variables held constant:

31 December 2012	
Increases/(decreases) on amounts attributable to Unitholders/Profit before tax	
Change in price of the Trust's investment in trading securities:	LKR
+10%	2,749,452
-10%	(2,749,452)

The above figures are calculated across the entire investment portfolio on an annual basis. There is a corresponding change to the fair value of trading securities within the Statement of Financial Position.

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market interest rates.

The Trust's exposure to interest rate risk primarily arises from changes in interest rates applicable to the balance held at the bank.

Foreign exchange risk

Foreign exchange risk is the risk that the value of a financial instrument will fluctuate as a result of changes in foreign exchange rates.

The Trust is not exposed to foreign exchange risk due to trading securities denominated in Sri Lankan Rupees.

Liquidity risk

Liquidity risk is the risk that the Trust will encounter difficulty in raising funds to meet its obligation to pay Unitholders.

Due to the nature of a unit trust, it is unlikely that a significant number of unitholders would exit at the same time. However to control liquidity risk, the Trust's investments under normal market conditions are readily convertible to cash. In addition, the Trust invests within established limits to ensure there is no concentration of risk.

Receivables outstanding at balance sheet date are due to be settled within 3 days of balance sheet date. Due to the short term nature of these financial instruments, carrying value approximates fair value.

Guardian Acuity Equity Fund

Notes to the Financial Statements

10 months period ended 31 December 2012

4. Gross income 2012 Rs.

Interest on Treasury bill repurchase agreement (4.1)	844,349
	844,349

4.1 Interest on treasury bill repurchase agreements has been accounted for gross of notional tax.

5. Cash and cash equivalents 2012 Rs.

Cash at bank	114,674
	114,674

6. Financial assets - held for trading

investment in equity shares

2012
Rs.

Cost as at 31 december	24,212,094
Provision for appreciation of marketable securities	3,282,427
	27,494,521
Market value as at 31 december	

Company	Number of Shares	2012	
		Market Value Rs.	%
Banks, Finance and Insurance			
Central Finance Company PLC	8,000	1,298,400	4.72%
Commercial Bank of Ceylon PLC	29,736	3,062,808	11.14%
People's Leasing and Finance PLC	70,800	934,560	3.40%
Sampath Bank PLC	6,885	1,380,443	5.02%
Beverage, Food and Tobacco			
Cargills (Ceylon) PLC	11,500	1,673,250	6.09%
Ceylon Tobacco Company PLC	3,243	2,691,690	9.79%
Distilleries Company of Sri Lanka PLC	12,279	2,038,314	7.41%
Nestle Lanka PLC	1,150	1,832,525	6.67%
Diversified Holdings			
John Keells Holdings PLC	18,010	3,960,399	14.40%
Health Care			
Asiri Hospital Holdings PLC	232,050	2,552,550	9.28%
Hotels and Travels			
Aitken Spence Hotel Holdings PLC	31,075	2,271,582	8.26%
Manufacturing			
Piramal Glass Ceylon PLC	300,000	1,800,000	6.55%
Construction & Engineering			
Access Engineering PLC	111,000	1,998,000	7.27%
		27,494,521	100.00%

7. Financial investments - loans and receivables

	2012 Rs.
Treasury Bill Repurchase Agreement (Maturity less than 3 months)	6,509,924
	6,509,924

Guardian Acuity Equity Fund

Notes to the Financial Statements

10 months period ended 31 December 2012

8. Accrued income and other receivables

	2012 Rs.
Amount receivable on creation of units	10,000
Receivables from securities sold	1,167,253
	1,177,253

9. Accrued expenses

	2012 Rs.
Management fee payable	146,481
Trustee fee and custodian fee payable	49,643
Audit fee	171,360
	367,484

10. Contingencies

There are no material contingencies existing as at the balance sheet date that require adjustments to or disclosure in the financial statements.

11. Post balance sheet events

There have been no material events occurring after the balance sheet date that require adjustments to or disclosure in the financial statements.

12. Capital commitments

The fund does not have significant capital commitments at the balance sheet date.

13. Units in issue and unit price

	Units 2012
Units at the beginning of the year	-
Units sold	3,205,736
Units redeemed	85,315
Net increase in units	3,120,421
Units at the end of the year	3,120,421

Units in issue and deemed to be in issue as at 31 December 2012 is 3,120,421 and the creation and redemption Unit price as at this date is Rs.11.29 and Rs. 11.09.

As per the net assets in the Balance Sheet the price per unit as at 31st December 2012 is Rs.11.22

14. Related Party Transactions

The following institutions have been identified as related parties to the Fund in accordance with Sri Lanka Accounting Standards LKAS 24.

Company	Names of Directors	Nature of Transactions
Guardian Acuity Asset Management Limited (Management Company)	Mr. D. C. R Gunawardana Mr. R. Theagarajah Mr. K. Selvanathan Mr. T. De Silva Ms. R. Fernando Mr. R. Abeywardana	Fund has paid Rs. 643,674/- as management fees during the period. The fee payable as at 31 December is Rs. 146,481/-
Deutsche Bank (Trustee)		Fund has paid Rs. 246,814/- as trustee and custodian fees during the period. The fee payable as at 31 December 2012 is Rs. 49,643/-
Acuity Securities Ltd (Subsidiary of Acuity Partners (Pvt) Ltd)	Mr. R. Theagarajah Mr. D. Rodrigo Mr. M. Paiva Mr. R. Abeywardana Mr. H. S. Fernando	Total interest income received from Acuity Securities Ltd is Rs. 428,012/-
Ceylon Guardian Investment Trust PLC (Joint Venture partner in management company)	Mr. I. Paulraj Mr. D. C. R. Gunawardana Mr. V. M. Fernando Mr. K. Selvanathan Mr. A. de Z. Gunasekara Ms. M. A. R. C. Cooray Mr. W. Knight	Ceylon Guardian Investment Trust PLC hold 1,250,000 units in Guardian Acuity Equity Fund (Value of units as at 31 December 2012 is Rs. 13,862,500/-)
Ceylon Investment PLC (Subsidiary of Ceylon Guardian Investment Trust PLC)	Mr. I. Paulraj Mr. D. C. R. Gunawardana Mr. V. M. Fernando Ms. M. A. R. C. Cooray Mr. K. Selvanathan Mr. A. de Z. Gunasekara Mr. A. P. Weeratunge	Ceylon Investment PLC hold 1,250,000 units in Guardian Acuity Equity Fund (Value of units as at 31 December 2012 is Rs. 13,862,500/-)
Guardian Fund Management (Fund Management Company of Ceylon Guardian Investment Trust PLC and Ceylon Investment PLC)		Guardian Fund Management Limited Staff hold 189,764 units in Guardian Acuity Equity Fund (Value of units as at 31 December 2012 is Rs. 2,104,482/-)

Guardian Acuity Fixed Income Fund

Fund Facts

Fund Objective	To provide a high annual income for a low level of risk	
Fund Strategy	The fund will strategically invest in a portfolio of high quality fixed income securities in order to maximize the fund yield for a low level of risk	
Allowed Instruments	Government Securities Corporate Debt Asset Backed Securities	
Fund Fee Structure	Front End Fee	N/A
	Management Fee	0.60% p.a.
	Trustee Fee	0.15% p.a.
Fund Features	Minimum Subscription	Rs.1000
	Fund Structure	Open Ended
		Daily Valuation
	Switching	Allowed
	Dividend	Annual

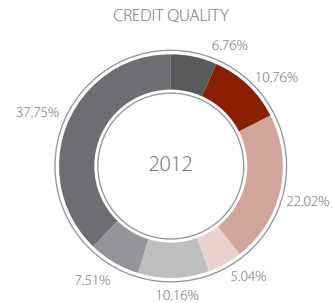
Guardian Acuity Fixed Income Fund Review

The Guardian Acuity Fixed Income Fund which was launched on 27th February 2012 provided a return of 10.09% to its investors by 31st December 2012. This works out to an annualized return of 11.96%. The fund had a focus on high yielding commercial paper and promissory notes of issuers with a minimum investment grade credit rating in order to enhance returns to its investors, through high quality instruments. By year end the fund had an exposure of 53.49% to these two types of short term debt instruments. The fund also invested in fixed deposits across various high quality banks with shorter term maturities initially as interest rates were rising but eventually pushed out to longer tenors as it became apparent interest rates were peaking in order to sustain the returns of the fund. A smaller exposure of approximately 7% to government securities in the form of overnight repos and Treasury bills were maintained in December 2012 to ensure adequate fund liquidity.

	December	3 Month	Since Inception
GAAM FI Fund	1.10%	3.28%	10.09%
NDBIB-CRISIL 91 Day T-Bill Index	1.06%	2.91%	9.81%
GAAM FI-Annualized	12.96%	12.74%	11.96%

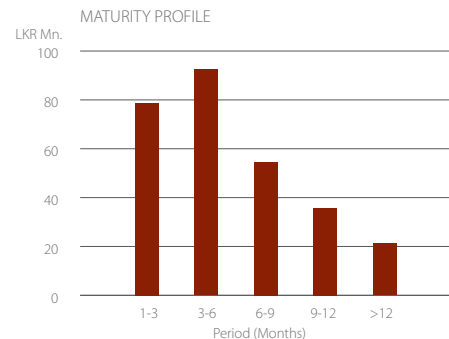
The Fund distinguishes itself from other unit trusts by emphasizing on investing in high credit quality companies of minimum investment grade to increase the capital protection for its investors. Debt instruments of companies with an A (lka) rating assigned by Fitch Rating Lanka was the riskiest entity in the fund thus exposing investors to a high quality of debt issuers. The maturity profile of the fund is weighted more towards the 3-6 month bucket due to attractive yields offered for instruments maturing in this period. Approximately one-third of the fund will mature in the 6 to 12 month bucket where the fund has locked into attractive yields which is expected to sustain the return of the fund.

As at 31st December 2012, the total net asset value of the fund was Rs. 282.22 million with 56 unit holders in the fund.



Gov: Sec 2012 - (6.76%)
AA+(lka)* 2012 - (10.76%)
AA(lka)* 2012 - (22.02%)
AA-(lka)* 2012 - (5.04%)
AA-** 2012 - (10.16%)
A+(lka)* 2012 - (7.51%)
A(lka)* 2012 - (37.75%)

* Fitch Ratings Lanka ** RAM Ratings Lanka



Guardian Acuity Fixed Income Fund

GAAM Fixed Income Fund Insights

- The fund has a focus on high quality short term debt instruments with a majority of investments below one year
- The fund has maintained exposure to strong debt issuers with the lowest rating of A which is defined as high quality as opposed to BBB and BB which are considered good quality and speculative quality respectively.
- Unlike Equity there is no index for income funds to be benchmarked. Our performance tables show the recently launched 91 Day T-Bill NDBIB CRISIL index purely as an indication for 91 day T-bill rate movements.
- The expense ratio is the fee required to ensure the operation of the fund each year. This expense is borne by the unit holders on an ongoing basis and is measured in annual terms. The largest components are investment management fees, trustee fees and audit fees. The expense ratio for Guardian Acuity Fixed Income Fund is 0.80%.
- The current yield of the fund is the return that an investor receives for the day (after expenses) the calculation takes place. This yield is a good indication of the return an investor can expect in the short term.

**INDEPENDENT AUDITORS' REPORT
TO THE UNIT HOLDERS OF GUARDIAN ACUITY FIXED INCOME FUND
Report on the Financial Statements**

We have audited the accompanying financial statements Guardian Acuity Fixed Income Fund which comprise of the statement of financial position as at 31 December 2012, and the statement of comprehensive income, statement of movement in unitholder's fund and statement of cash flows for the 10 months period then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Guardian Acuity Asset Management Limited, the Managers and the Trustee of the Unit Trust are responsible for the preparation and fair presentation of these financial statements in accordance with Sri Lanka Accounting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Scope of Audit and Basis of Opinion

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Sri Lanka Auditing Standards. Those standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting policies used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit. We therefore believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion, so far as appears from our examination, the Fund maintained proper accounting records for the 10 months period ended 31 December 2012 and the financial statements give a true and fair view of the Fund's state of affairs as at 31 December 2012 and its profits and cash flows for the period then ended in accordance with Sri Lanka Accounting Standards.

Report on Other Legal and Regulatory Requirements

In our opinion, these financial statements also comply with the requirements of Section 151(2) of the Companies Act No. 07 of 2007, Unit Trust Deed and Unit Trust code of the Securities and Exchange Commission of Sri Lanka.



23 March 2013
Colombo

Guardian Acuity Fixed Income Fund

Statement of Comprehensive Income

10 months period ended 31 December 2012

	Notes	2012 Rs.
Income		
Interest income	4	23,220,795
Net trading income		96,597
Net realised gains		43,844
		23,361,236
Expenses		
Management fees		(1,110,127)
Trustee and custodian fees		(285,581)
Audit fees		(137,088)
Bank charges		(8,049)
Other expenses		(4,000)
		(1,544,845)
Net profit before tax		21,816,391
Income tax expense		(2,193,603)
Net profit after tax for the period		19,622,788
Total comprehensive income for the period		19,622,788

The accounting policies and notes on pages 44 through 55 form an integral part of the financial statements.

Statement of Financial Position

as at 31 December 2012

	Notes	2012
		Rs.
Assets		
Cash and cash equivalents	5	45,033
Financial assets held for trading	6	9,886,896
Financial assets - loans and receivables	7	273,016,589
Other receivables		1,500
Total Assets		282,950,018
Unit holders' funds & liabilities		
Liabilities		
Accrued expenses	8	535,615
Income tax payable		339,699
Total liabilities (excluding net assets attributable to unit holders)		875,314
Unit holders' funds		
Net assets attributable to unitholders		282,074,704
Unitholders' funds & liabilities		282,950,018

These financial statements were approved by the management company, and adopted by the trustee.

Sgd.
DIRECTOR
MANAGEMENT COMPANY

Sgd.
DIRECTOR
MANAGEMENT COMPANY

Sgd.
TRUSTEE

The accounting policies and notes on pages 44 through 55 form an integral part of the financial statements.

23 March 2013
Colombo

Guardian Acuity Fixed Income Fund

Statement of Movement in Unitholders' Fund

10 months period ended 31 December 2012

	2012 Rs.
Unitholders' funds as at 01 February	-
Total comprehensive income for the period	19,622,788
Received on creation of units	263,332,996
Paid on redemption of units	(881,080)
Net increase due to unitholders' transactions	262,451,916
Unitholders' funds as at 31 December	282,074,704

The accounting policies and notes on pages 44 through 55 form an integral part of the financial statements.

Cash Flow Statement

10 months period ended 31 December 2012

	2012
	Rs.
Cash flows from operating activities	
Interest received	9,534,361
Management fees and trustee fees paid	(997,181)
Other expenses paid	(12,049)
Investments in treasury bills	(45,123,826)
Investments in commercial papers	(111,774,341)
Investments in treasury bill repos	(9,327,585)
Investments in commercial paper repos	(27,000,000)
Investments in unquoted debentures	(20,000,000)
Investments in promissory notes	(32,500,000)
Investments in fixed deposits	(88,000,000)
Proceeds from sales/maturities of treasury bills	35,795,238
Proceeds from maturities of commercial papers	15,000,000
Proceeds from maturities of commercial paper repos	12,000,000
Net Cash Flows used in Operating Activities	(262,405,383)
Cash flows from financing activities	
Cash received on creation of units	263,331,496
Cash paid on redemption of units	(881,080)
Net cash generated from financing activities	262,450,416
Net increase in cash and cash equivalents	45,033
Cash and cash equivalents at the beginning of the period	-
Cash and cash equivalents at the end of the period	45,033

The accounting policies and notes on pages 44 through 55 form an integral part of the financial statements.

Guardian Acuity Fixed Income Fund

Notes to the Financial Statements

10 months period ended 31 December 2012

1. General Information

Guardian Acuity Fixed Income Fund is an open ended unit trust fund approved by the Securities and Exchange Commission of Sri Lanka. The fund was launched on 27 February 2012.

The fund is managed by Guardian Acuity Asset Management Limited which is incorporated and domiciled in Sri Lanka. The registered office of the management company is located at No. 61, Janadhipathi Mawatha, Colombo 01. The trustee of the fund is Deutsche Bank AG having its place of business at No 86, Galle Road, Colombo 03.

The investment objective of the fund is to provide an annual income by investing in a portfolio of fixed income securities with a low level of risk by investing with high credit quality institutions and instruments.

2. Accounting Policies

2.1 Basis of Preparation

The financial statements are prepared in accordance with and comply with the Sri Lanka Accounting Standards comprising LKAS and SLFRS's issued by the Institute of Chartered Accountants

of Sri Lanka and adopted as directed by the Securities and Exchange Commission of Sri Lanka.

The financial statements have been prepared on a historical cost basis, except for financial assets classified as Held for Trading all of which have been measured at fair value. The financial statements are presented in Sri Lankan Rupees. The statement of financial position is presented broadly in order of a liquidity basis.

2.1.1 Statement of compliance

These financial statements have been prepared in accordance with Sri Lanka Accounting Standards (SLFRSs and LKASs) which are effective from 01 January 2012.

2.2 Summary of Significant Accounting Policies

2.2.1 Financial instruments – initial recognition and subsequent measurements

Financial Assets within the scope of LKAS 39 are classified as Financial Assets at Fair Value Through Profit or Loss and Loans and Receivables as appropriate. The Fund determines the classification of its Financial Assets at initial recognition.

2.2.1.1 Date of recognition

All financial assets are initially recognized on the trade date, i.e the date that the fund becomes a party to the contractual provisions of the instrument. This includes purchases of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place.

2.2.1.2 Initial measurement of financial instruments

The classification of financial instruments at initial recognition depends on their purpose and characteristics and the management intention in acquiring them. All financial assets

are measured initially at the fair value plus transaction costs, except in the cases of financial assets recorded at fair value through profit or loss.

2.2.1.3 Financial Assets Held for Trading

Financial assets or financial liabilities held for trading are recorded in the Statement of Financial Position at fair value. Changes to the fair values of financial assets or financial liabilities held for trading is recorded in 'Net Trading Income'. Included in this classification are debt securities that have been acquired principally for the purpose of selling or repurchasing in the near term.

2.2.1.4 Financial assets - loans and receivables

Loans and receivables are non derivative financial assets with fixed or determinable payments that are not quoted on an active market. Loans and receivables in the statement of financial position comprise commercial papers, trust certificates and treasury bill reverse repurchase agreements.

After initial measurement, loans and receivable are subsequently measured at amortised cost using the effective interest rate, less allowance for impairment. The amortization is included in the "interest income" in the statement of comprehensive income. The losses arising from impairment is recognised in the statement of comprehensive income in "credit loss expense".

2.2.1.5 Derecognition of financial assets

A financial asset is derecognised when,

- 1) The rights to receive cash flows from the asset have expired.
- 2) The fund has transferred its rights to receive cash flows

from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either,

- The fund has transferred substantially all the risks and rewards of the asset or
- The fund has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset

2.2.1.6 Determination of Fair Value

The fair value for financial instruments traded in active markets at the reporting date is based on their average quoted market price or average dealer price quotations without any deduction for transaction costs.

2.2.1.7 Financial Assets Carried at Amortised Cost

The fund reviews its financial investments classified as loans and receivables at each reporting date to assess whether they are impaired. In particular management judgment is required in the estimation of the amount and timing of future cash flows when determining the

Guardian Acuity Fixed Income Fund

Notes to the Financial Statements

10 months period ended 31 December 2012

impairment loss. These estimates are based on assumptions about a number of factors and actual results may differ, resulting in future changes to the allowance.

2.2.2 Recognition of income

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the fund and the revenue can be reliably measured. The following specific criteria must also be met before revenue is recognised.

Interest Income

For all financial instruments measured at amortised cost, interest income is recorded using the effective interest rate (EIR), which is the rate that exactly discounts the estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset. Interest income of treasury bills reverse repurchase agreements, commercial papers and corporate debt securities are recognised at gross of notional tax credit or withholding tax.

2.2.3 Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at bank and interest accrued on cash held in bank with an original maturity of three months or less.

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above.

2.2.4 Income tax

Current tax assets and liabilities for the current and prior year are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date. The fund is liable to pay income tax at the rate of 10% in accordance with the Inland Revenue Act No.10 of 2006.

2.2.5 Expenses

The management fee and trustee fee of the fund as per the explanatory memorandum is as follows,

Management fee	- 0.60% p.a. of net asset value (Calculated on daily basis)
Trustee fee	- 0.15% p.a. of net asset value (Calculated on daily basis)

2.2.6 Accrued expenses

Payables are initially recognised at fair value, which is the fair value of the consideration to be paid in the future for service received, whether or not billed to the fund, and subsequently at amortised cost.

2.2.7 Unitholders' funds and net assets attributable to unit holders

Unitholders' funds has been calculated as the difference between the carrying amounts of the assets and the carrying amounts of the liabilities, other than those due to Unitholders, as at the balance sheet date.

Units can be issued and redeemed based on the fund's net asset value per unit, calculated by dividing the net assets of the fund calculated in accordance with the valuation guidelines issued by the Unit Trust Association of Sri Lanka and approved by the Securities and Exchange Commission of Sri Lanka, by the number of units in issue. Income not distributed is included in net assets attributable to unit holders.

3. Financial Instruments and Risk Management

(a) Financial Instruments

The Fund's principal financial assets comprise investments in trading securities and cash at bank. The main purpose of these financial instruments is to generate a return on the investment made by Unitholders. The Fund's principal financial liabilities comprise amounts attributable to Unitholders, which are the amounts owed to Unitholders of the Fund. The Fund also has derivative financial instruments and various other financial instruments such as receivables and payables which arise directly from its operations.

In accordance with LKAS 39 Financial Instruments: Recognition and Measurement, the Fund's receivables are classified as 'loans and receivables'. Trading securities are classified as 'held for trading', meaning they are valued at fair value through profit or loss. Amounts attributable to Unitholders are classified as 'other financial liabilities' and are carried at the redemption amount being net asset value. Payables are designated as 'other financial liabilities' at amortised cost.

(b) Financial risk management objectives, policies and processes

Risks arising from holding financial instruments are inherent in the Fund's activities, and are managed through a process of ongoing identification, measurement and monitoring. The Fund is exposed to credit risk, market risk and liquidity risk.

Financial instruments of the Fund comprise investments in trading securities for the purpose of generating a return on the investment made by Unitholders.

The manager also monitors information about the total fair value of financial instruments exposed to risk, as well as compliance with established investment mandate limits. These mandate limits reflect the investment strategy and market environment of the Fund, as well as the level of risk that the Fund is willing to accept, with additional emphasis on selected industries. This information is prepared and reported to relevant parties within the Manager on a regular basis as deemed appropriate, including the compliance manager, other key management, investment committee and ultimately the Trustees.

Guardian Acuity Fixed Income Fund

Notes to the Financial Statements

10 months period ended 31 December 2012

Concentration of risk arises when a number of financial instruments or contracts are entered in to with the same counterparty, or where a number of counterparties are engaged in similar business activities, or activities in the same geographic region, or have similar economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economics, political or other conditions.

Credit risk

Credit risk is the risk that the counterparty to the financial statement will fail to discharge an obligation and cause the Trust to incur a financial loss.

The Trust's exposure to credit risk from its financial assets arises from default of the counterparty, with the current exposure equal to the carrying amount of financial assets as at the balance sheet date. The credit risk exposure on these instruments is not deemed to be significant. It is the trust's policy to invest in financial instruments with reputable counterparties with high credit quality.

The credit ratings of the counterparties with which the Trust places investments are as set out below:

Counterparty	Rating Agency	Credit Rating
Central Finance PLC	Fitch Ratings	A+(lka)
Peoples Leasing Company PLC	Fitch Ratings	AA-(lka)
Hayleys PLC	RAM Ratings	AA-
Sampath Leasing and Finance	Fitch Ratings	A(lka)
Singer Sri Lanka PLC	Fitch Ratings	A(lka)
Hatton National Bank PLC	Fitch Ratings	AA-(lka)
DFCC Bank	Fitch Ratings	AA(lka)
People's Bank	Fitch Ratings	AA+(lka)
National Development Bank PLC	Fitch Ratings	AA(lka)

The Fund is also subject to credit risk on its bank balance. The credit risk exposure on these instruments is not deemed to be significant.

Market risk

Market risk represents the risk that the value of the Fund's investments portfolios will fluctuate as a result of changes in market prices.

This risk is managed by ensuring that all investment activities are undertaken in accordance with established mandate limits and investments strategies.

Price risk

Price risk is the risk that the fair value of the Fund's investment in trading securities in fluctuate as a result of changes in the prices of the Fund's investments in trading securities.

According to the Fund Manager a hypothetical 100 basis points change in the yield rates of the held for trading financial assets at 31 December 2012 would impact net income by approximately Rs.64,949/-

The above figures are calculated across the entire investment portfolio on an annual basis. There is a corresponding change to the fair value of trading securities within the Statement of Financial Position.

Interest rate risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate as a result of changes in market interest rates.

The Fund's exposure to interest rate risk primarily arises from changes in interest rates applicable to the financial assets. In unit trust valuation, short term instruments are valued at cost plus accrued basis and long term instruments are valued at mark to market basis.

Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulty in raising funds to meet its obligation to pay Unitholders.

Due to the nature of a unit trust, it is unlikely that a significant number of unitholders would exit at the same time. However to control liquidity risk, the Fund investments in financial instruments, which under normal market conditions are readily

convertible to cash. In addition, the Fund invests within established limits to ensure there is no concentration of risk.

Due to the short term nature of these financial instruments, carrying value approximates to fair value.

Guardian Acuity Fixed Income Fund

Notes to the Financial Statements

10 months period ended 31 December 2012

4. Gross Income

	2012 Rs.
Interest on	
Fixed Deposits	9,021,853
Treasury Bill Reverse Repurchase Agreements	1,314,917
Treasury Bills (4.1)	1,724,231
Debentures	1,926,038
Promissory Notes	2,992,469
Commercial Paper Repos	1,326,205
Commercial Papers	4,915,082
	23,220,795

4.1 Interest on Treasury Bill Repurchase Agreements has been accounted for Gross of Notional Tax.

5. Cash and Cash Equivalents

	2012 Rs.
Cash at Bank	45,033
	45,033

6. Financial Assets - Held for Trading

	2012 Rs.
Government debt securities	9,886,896
	9,886,896

7. Financial Investments - Loans and Receivables

2012
Rs.

Treasury Bill Reverse Repurchase Agreement (Maturity less than 3 months)	9,329,968
Commercial Papers (Note 7.1)	100,123,575
Commercial Paper Repos (Note 7.2)	15,784,726
Promissory Notes (Note 7.3)	35,193,222
Fixed Deposits (Note 7.4)	91,355,545
Unquoted Debentures (Note 7.5)	21,229,553
	<hr/>
	273,016,589
	<hr/>
7.1 Commercial Papers	
Hayleys PLC	28,725,861
Sampath Leasing & Finance	29,919,642
Singer Sri Lanka PLC	41,478,072
	<hr/>
	100,123,575
	<hr/>
7.2 Commercial Paper Repos	
NDB Bank PLC	15,784,726
	<hr/>
	15,784,726
	<hr/>
7.3 Promissory Notes	
People's Leasing and Finance PLC	35,193,222
	<hr/>
	35,193,222
	<hr/>
7.4 Fixed Deposits	
Hatton National Bank	14,364,304
DFCC	46,564,463
People's Bank	30,426,778
	<hr/>
	91,355,545
	<hr/>
7.5 Unquoted Debentures	
Central Finance PLC	21,229,553
	<hr/>
	21,229,553
	<hr/>

Guardian Acuity Fixed Income Fund

Notes to the Financial Statements
10 months period ended 31 December 2012

8. Accrued Expenses

	2012
	Rs.
Management fee Payable	320,104
Trustee Fee and Custodian Fee Payable	78,423
Audit Fee	137,088
	535,615

9. Contingencies

There are no material contingencies existing as at the Balance Sheet date that require adjustments to, or disclosure in the Financial Statements.

10. Post Balance Sheet Events

There have been no material events occurring after the Balance Sheet date that require adjustments to or disclosure in the Financial Statements.

11. Capital Commitments

The Fund does not have significant Capital Commitments at the Balance Sheet date.

12. Units in Issue and Unit Price

Transactions in units for the year ended 31 December are summarised as follows:

	Units
	2012
Units at the beginning of the year	-
Units sold	25,697,433
Units redeemed	84,218
Net decrease in units	25,613,215
Units at the end of the year	25,613,215

Units in issue and deemed to be in issue as at 31 December 2012 is 25,613,215/- and the creation and redemption Unit price as at this date is Rs.11.02

As per the net assets in the Balance Sheet the price per unit as at 31st December 2012 is Rs.11.01

13. Related Party Transactions

The following institutions have been identified as related parties to the Trust in accordance with Sri Lanka Accounting Standards LKAS 24.

Name of Company	Names of Directors	Nature of Transactions
Guardian Acuity Asset Management Limited (Management Company)	Mr. D. C. R. Gunawardana Mr. R. Theagarajah Mr. K. Selvanathan Mr. T. De Silva Ms. R. Fernando Mr. R. Abeywardana	Fund has paid Rs.1,110,127/- as management fees during the period. The fee payable as at 31 December 2012 is Rs.320,104/-. Guardian Acuity Asset Management Limited hold 3,745,318 units in Guardian Acuity fixed Income Fund (Value of the units as at 31 December 2012 is Rs. 41,273,408/-)
Deutsche Bank (Trustee)		Fund has paid Rs. 285,581/- as trustee fees during the period. The payable as at 31 December 2012 is Rs. 78,423/-
Acuity Partners (Pvt) Ltd (Joint Venture partner in management company)	Mr. R. Theagarajah Mr. N. Fonseka Mr. R. Abeywardana Mr. J. Alles Mr. T. De Silva Mr. D. Ellepola Mrs. M. Gunawardhena Mr. M. Paiva	Acuity Partners (Pvt) Ltd holds 2,500,000 units in Guardian Acuity Fixed Income Fund (Value of the units as at 31 December 2012 is Rs.27,550,000/-)
Acuity Securities Ltd (Subsidiary of Acuity Partners (Pvt) Ltd.)	Mr. R. Theagarajah Mr. D. Rodrigo Mr. M. Paiva Mr. R. Abeywardana Mr. H. S. Fernando	Total interest income received from Acuity Securities Ltd is Rs.463,857
Ceylon Guardian Investment Trust PLC (Joint Venture partner in management company)	Mr. I. Paulraj Mr. D. C. R. Gunawardana Mr. V. M. Fernando Mr. K. Selvanathan Mr. A. de Z. Gunasekara Ms. M. A. R. C. Cooray Mr. W. Knight	Ceylon Guardian Investment Trust PLC hold 3,750,000 units in Guardian Acuity Fixed Income Fund (Value of the units as at 31 December 2012 is Rs. 41,325,000/-)

Guardian Acuity Fixed Income Fund

Notes to the Financial Statements

10 months period ended 31 December 2012

Name of Company	Names of Directors	Nature of Transactions
Ceylon Investment PLC (Subsidiary of Ceylon Guardian Investment Trust PLC)	Mr. I. Paulraj Mr. D. C. R. Gunawardana Mr. V. M. Fernando Ms. M. A. R. C. Cooray Mr. K. Selvanathan Mr. A. de Z. Gunasekara Mr. A. P. Weeratunge	Ceylon Investment PLC hold 3,750,000 units in Guardian Acuity Fixed Income Fund (Value of the units as at 31 December 2012 is Rs. 41,325,000/-)
HNB Assurance PLC (Subsidiary of Hatton National Bank PLC, one of the ultimate parent companies of Acuity Partners (Pvt) Ltd)	Mr. K. Balasundaram Mr. P. de Silva Mr. R. Theagarajah Dr. R. Jayamaha Mr. M. de Silva Mr. M. U. de Silva Mr. S. Ratwatte Mr. M. Jayasekera Mr. J. Alles	HNB Assurance PLC hold 1,998,002 units in Guardian Acuity Fixed Income Fund (Value of the units as at 31 December 2012 is Rs. 22,017,982/-)
Hatton National Bank PLC (Joint Parent company of Acuity Partners (Pvt) Ltd)	Dr. R. Jayamaha Mr. R. Theagarajah Ms. P. C. Cooray Mr. N. G. Wickramaratne Ms. M. A. R. C. Cooray Dr. W. W. Gamage Dr. L. R. Karunaratne Mr. L. U. D. Fernando Mr. D. T. S. H. Mudalige Ms. D. S. C. Jayawardena Mr. R. S. Captain	Total interest income received from Hatton National Bank PLC Ltd is Rs.2,442,665/- Balance of outstanding fixed deposits maintained with Hatton National Bank PLC amounts to Rs.14,364,304/-

Name of Company	Names of Directors	Nature of Transactions
DFCC Bank PLC (Joint Parent company of Acuity Partners (Pvt) Ltd)	Mr. J. M. S. Brito Mr. A. S. Abeyewardene Dr. L. P. Chandradasa Mr. G. K. Dayasri Mr. A. N. Fonseka Mrs. H. M. N. S. Gunawardana Mr. C. R. Jansz Mr. J. E. A. Perumal Mr. R. B. Thambiyah	Balance of outstanding fixed deposits maintained with DFCC Bank PLC amounts to Rs.46,564,463/- Total interest income received from DFCC Bank PLC Ltd is Rs.1,472,210/-
Guardian Fund Management-Staff (Fund Management Company of Ceylon Guardian Investment Trust PLC and Ceylon Investment PLC)		Guardian Fund Management Limited staff hold 122,097 units in Guardian Acuity Fixed Income Fund (Value of the units as at 31 December 2012 is Rs. 1,345,513)

