

GUARDIAN ACUITY ASSET MANAGEMENT LIMITED
Unit Trust Funds

Interim Report 2018

Fund Information

		Guardian Acuity Equity Fund	Guardian Acuity Money Market Fund	Guardian Acuity Money Market Gilt Fund
Fund Objective		To achieve medium to long term capital appreciation	To provide an annual income for a low level of risk	To provide a secure annual income by investing in a portfolio of government securities
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	The fund will strategically invest in a portfolio of money market securities in order to maximize the fund yield for a low level of risk	The fund will invest in a portfolio of a government securities to provide a secure annual income
Fund Fee Structure	Front End Fee	Nil	Nil	Nil
	Management Fee	2.25% p.a	0.60%p.a	Maximum 0.3% of NAV p.a
	Trustee Fee	0.25%p.a+Rs.15,000 p.m	0.15% p.a	Maximum 0.2% p.a based on the Fund size + Rs.25,000/-p.m
	Exit Fee	2% p.a in 1 st Year, 0% thereafter	Nil	Nil
Fund Structure	Minimum Subscription	Rs.1,000/-	Rs.1,000/-	Rs.1,000/-
	Fund Structure	Open Ended	Open Ended	Open Ended
	Switching	Allowed	Allowed	Allowed
	Dividend	-	Annual	Annual
	Initial Offer Price	Rs.10/-	Rs.10/-	Rs.100/-
	Inception date	27 Feb 2012	27 Feb 2012	24 Mar 2015
Liquidity	Redemption period	Within T+3 days	Within T+3 days	Within T+3 days

Service Providers

Fund Manager

Guardian Acuity Asset Management Ltd
No.61, Janadhipath Mawatha
Colombo 01.

Trustee and Custodian

Deutsche Bank AG, Filiale Colombo
86, Galle Road
Colombo 03

Promoters

Ceylon Guardian Investment Trust PLC
No.61, Janadhipath Mawatha
Colombo 01.



Banker

Deutsche Bank AG, Filiale Colombo
86, Galle Road
Colombo 03

Auditors

Messrs. Ernst and Young
201, De Saram Place, Colombo 10

Registrar

Guardian Acuity Asset Management Ltd
No.61, Janadhipath Mawatha
Colombo 01.

Distributors



Selected Branches of Hatton National Bank
479, T.B Jayah Mawatha, Colombo 10

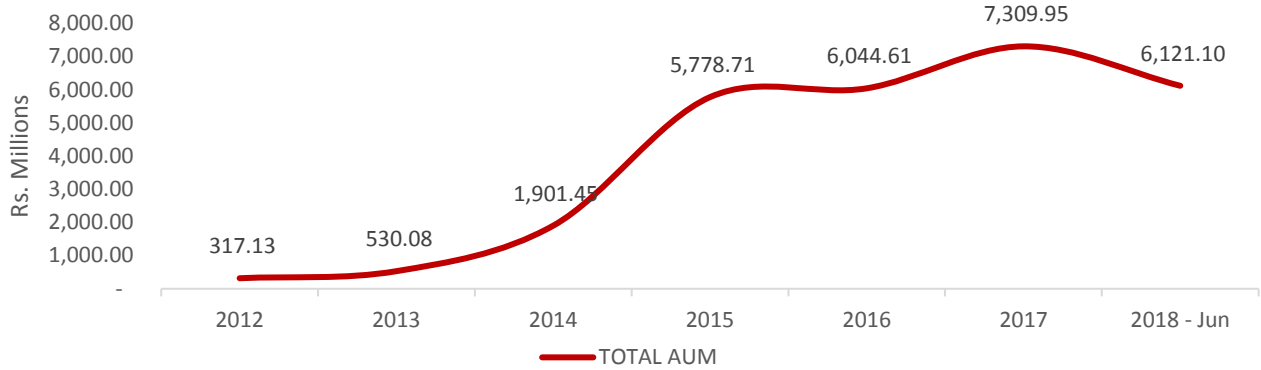
Bartleet Religare Securities (Pvt) Ltd

Accede Capital (Pvt) Ltd

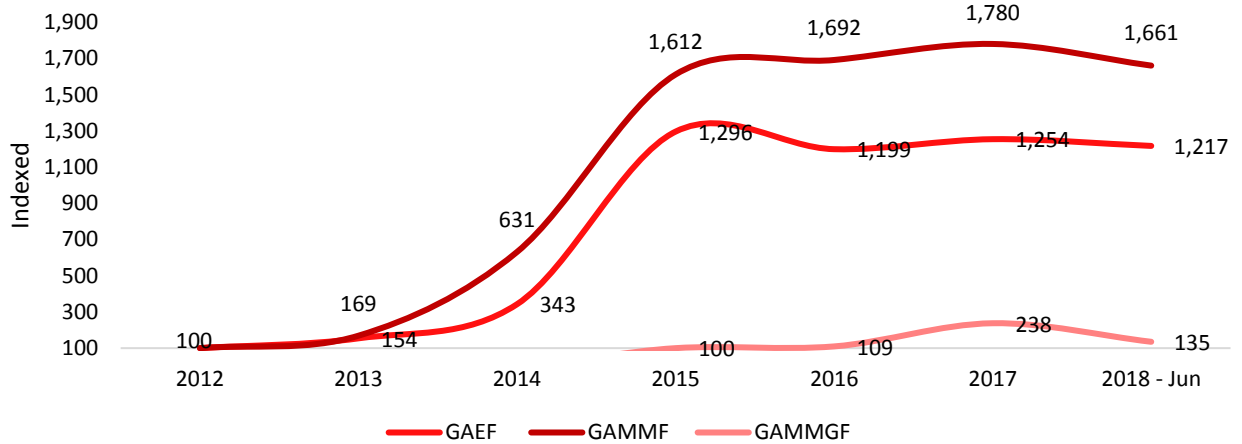
Alliance Finance Co. PLC

Business Growth

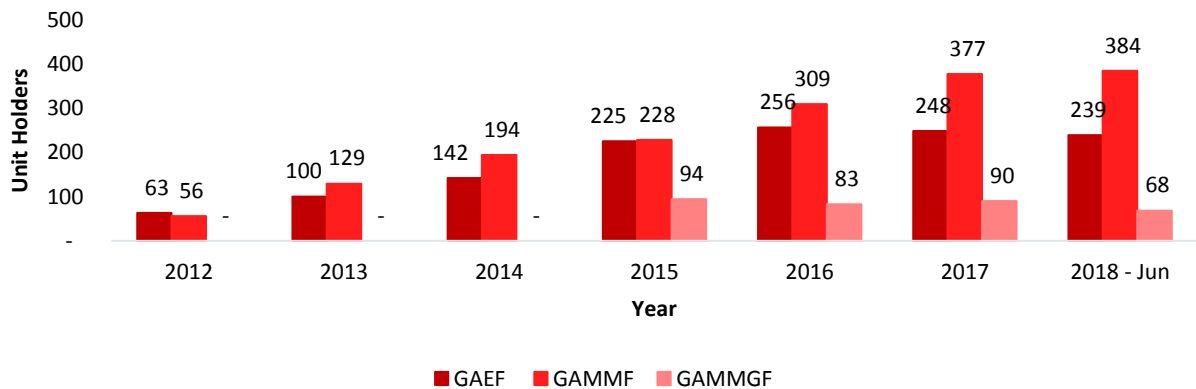
Assets under Management



Net Fund Flows



No. of Unit Holders



ECONOMY & MARKETS

GDP grew by 3.2% in the first quarter of 2018, a slowdown compared to 3.8% in the corresponding period last year.

Agriculture expanded by 4.8% in the first quarter compared to a 4.2% growth in the corresponding period last year. Rice production increased by 56.6%, and vegetables by 22.3% due to favourable weather conditions.

Industry activities expanded by 1.0%. The manufacturing sector alone has expanded by 2.8% during this period, which was largely contributed by the growth of sub activities of manufacture of food, beverages and tobacco, manufacture of textile and wearing apparels and Leather related products.

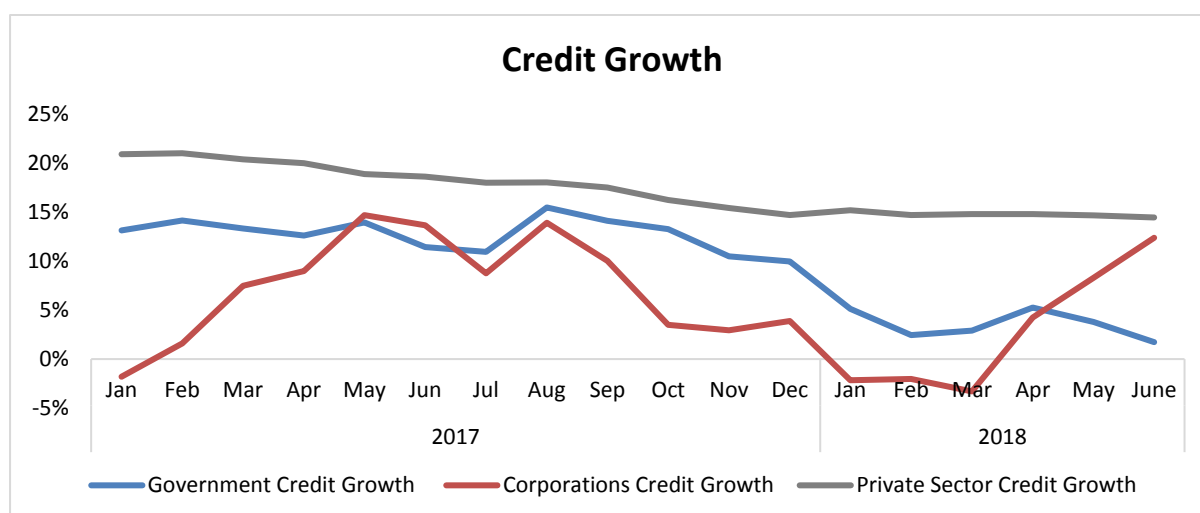
Services sector which makes the highest contribution (53.6%) to the overall GDP grew by 4.4% in the first quarter. Financial services sector mainly contributed to the service sector growth by growing by 12.2% and whole sale and retail trade grew by 5.44%.

Credit Growth

The broad money supply (M2b) grew by 14.9% YoY in June 2018. The credit extended to private sector by commercial banks remained the key driver of broad money growth, marginally increased to 14.94% YoY in June 2018, compared to a growth of 14.4% in December 2017. In absolute terms, the monthly increase in private sector credit increased to Rs.82.6 billion in June starting from Rs.59.9 billion in December 2017.

The net credit obtained by the government decelerated to 2.0% YoY, in June from 10.0% in December 2017. The deceleration in the credit to government sector was mainly due to the increase in Value Added Tax, Nations Building Tax, income tax of certain sectors, and the removal of some exemptions applicable on VAT, Nation Building Tax and Corporate tax.

Credit to corporations grew by 12.4% YoY in June 2018, accelerated compared to 3.9% December 2017. Increasing global crude oil prices, delay in implementation of the fuel pricing formula were the main causes for the growth in credit to corporations.



Source: www.cbsl.gov.lk

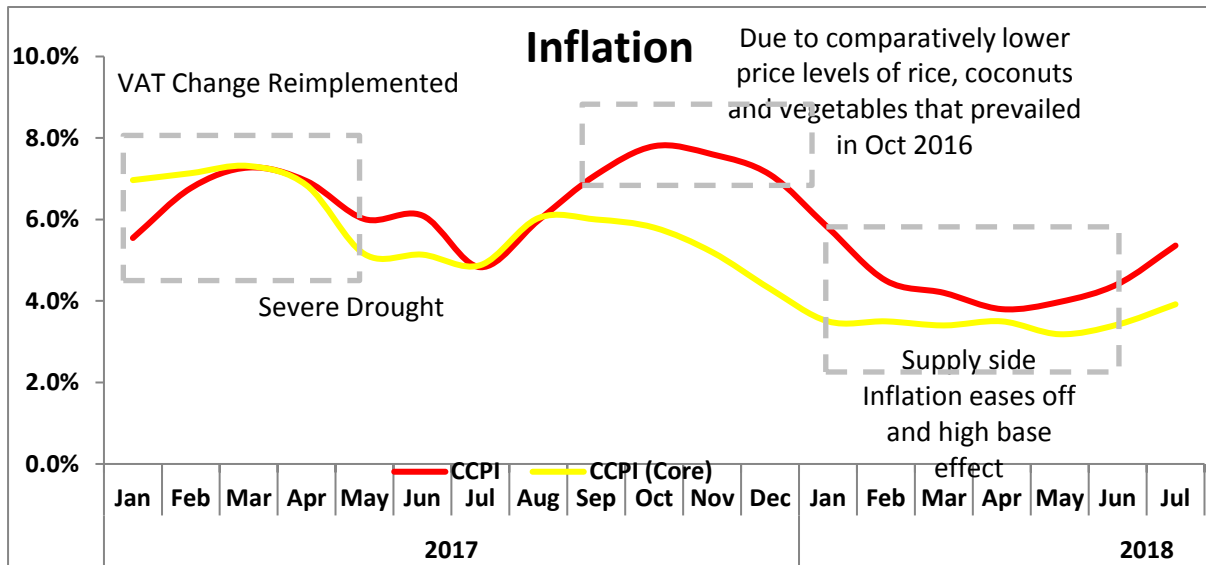
Inflation

Inflation, as measured by the change in the Colombo Consumer Price Index (CCPI) (2006=100), increased to 4.4% in June 2018 from 7.1% in December 2017, on year-on-year basis.

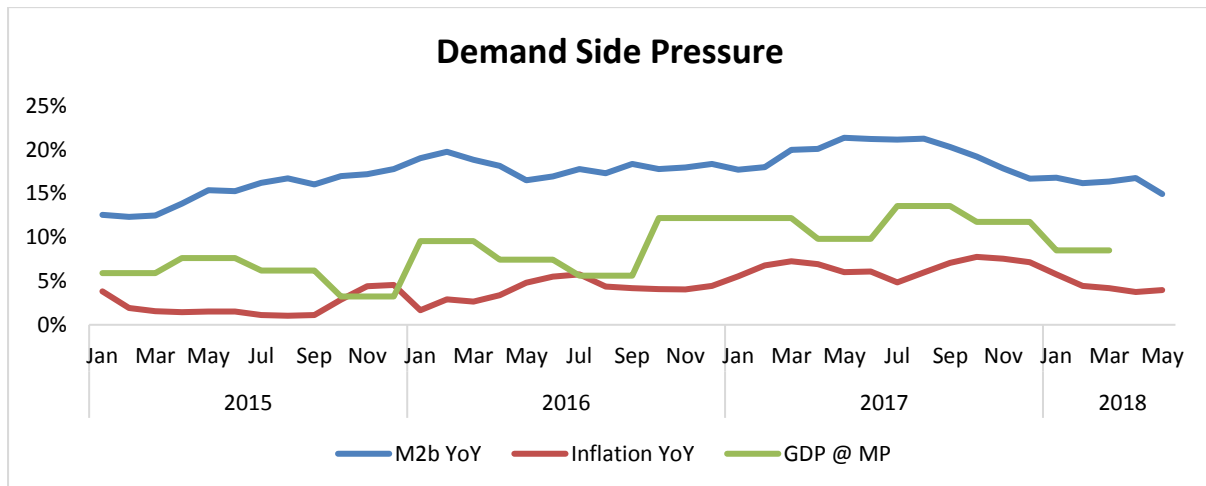
Food inflation drop to 2.9% from 14.4% in December 2017. Food inflation eased off due to supply side improvements supported by favourable weather conditions.

Non-food inflation increased to 5.0% in June 2018 compared to 4.2% in December 2017, but remains at benign levels.

Inflation in housing, water, electricity, and gas and other fuels, and transport sub sector categories of the non-food inflation affected by the fuel price increase in the domestic market.



Source: www.statistics.gov.lk



Slowdown in GDP growth, increase in taxes, and slowdown in credit growth has weakened the demand side pressure of the economy. Slowdown in demand side sets the stage to reduce the interest rates. However, external sector developments are not in favour of such a move.

External sector performance

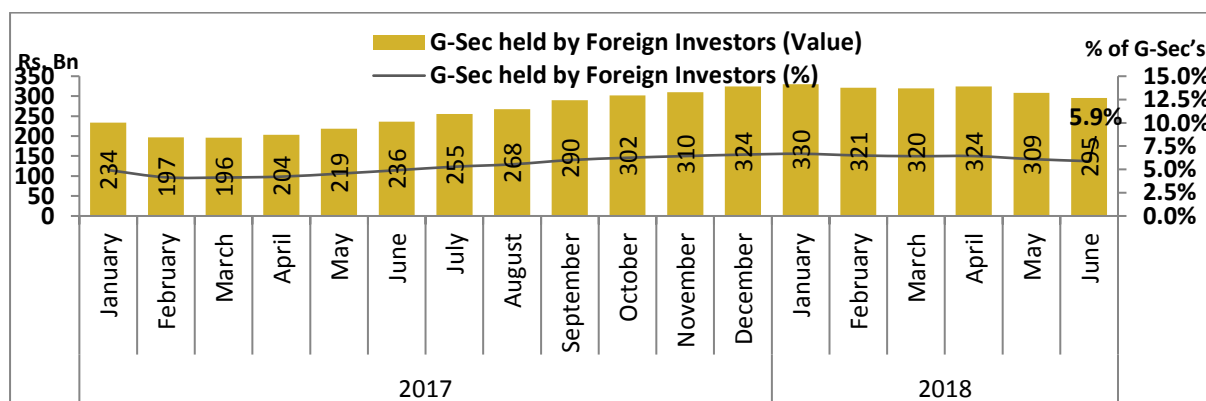
2018 Jan-May exports witnessed an improvement of 6.7% to USD 4,707.5 million contributed by the increase in industrial exports. Industrial exports grew by 9.6% to USD 3,632.9 million mainly on account of food beverage and tobacco, textile and garments, rubber products and petroleum products. Agriculture exports mainly coconuts and rubber has reported a decline while tea exports improved marginally by 1.6% YoY led by price growth.

Expenditure on imports for 2018 Jan-May recorded a growth of 11.8% to USD 9,621.6 million. Increase in imports was mainly due to the higher expenditure on vehicle imports and fuel. Vehicle imports grew by 110% to USD 665.9 million and fuel import bill rose by 23% to USD 1,750.9 million, reflecting elevated import prices in the global market. Expenditure on fertilizer saw a significant increase due to measures taken by the government to fulfill the domestic fertilizer shortfall. The gold imports spiked to 126% in Jan-Apr 2018 as gold was imported for trading. However, 15% import tax imposed on gold from mid-April led May gold imports to drop to USD 0.1mn (-99.7% YoY)

As a result, during the first 5 months trade deficit widened to 17.1% to USD 4,914 million.

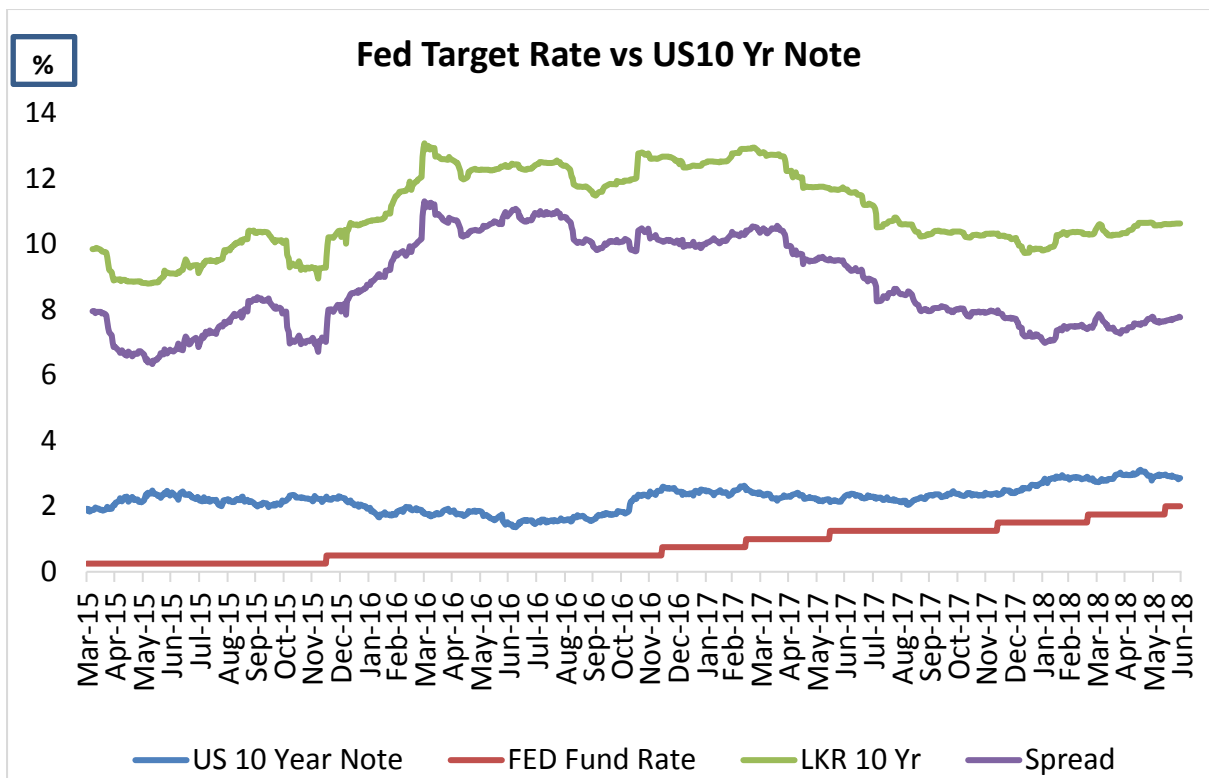
Worker remittances marginally grew by 3.3% USD 3100 million supported by the economic recovery in Saudi region with the surge in oil prices.

During the first 5 months inflows to the government security market decrease to USD 505 million in the first 5 months compared to USD 572 million during the corresponding period last year.

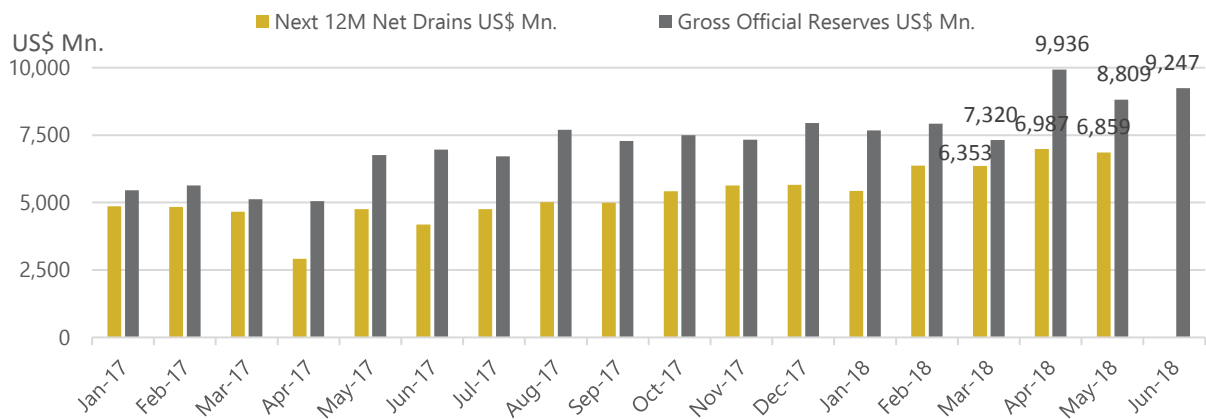


Source: www.cbsl.gov.lk

In June US 10 year treasury bond was trading at 2.835% and the Sri Lankan 10 year treasury bond rate traded at 10.72%, had a 7.885% spread against the US 10Y bond rate. Future secondary market bond rates should move along with the US fed rate hikes to maintain the current foreign holding in government securities. In June Federal Reserve increased their policy rates by another 25 basis points for the second time in 2018 to 1.5%-1.75%, indicating two more further hikes this year.



Sri Lanka's gross official reserves stood at USD 9.2Bn as at end June 2018, equivalent to 5.0 months of imports. The expected net drain in foreign reserves are around USD 6.987. The LKR has depreciated by 3.9% against the USD for 2018 YTD.



Source: www.cbsl.gov.lk

Interest Rates

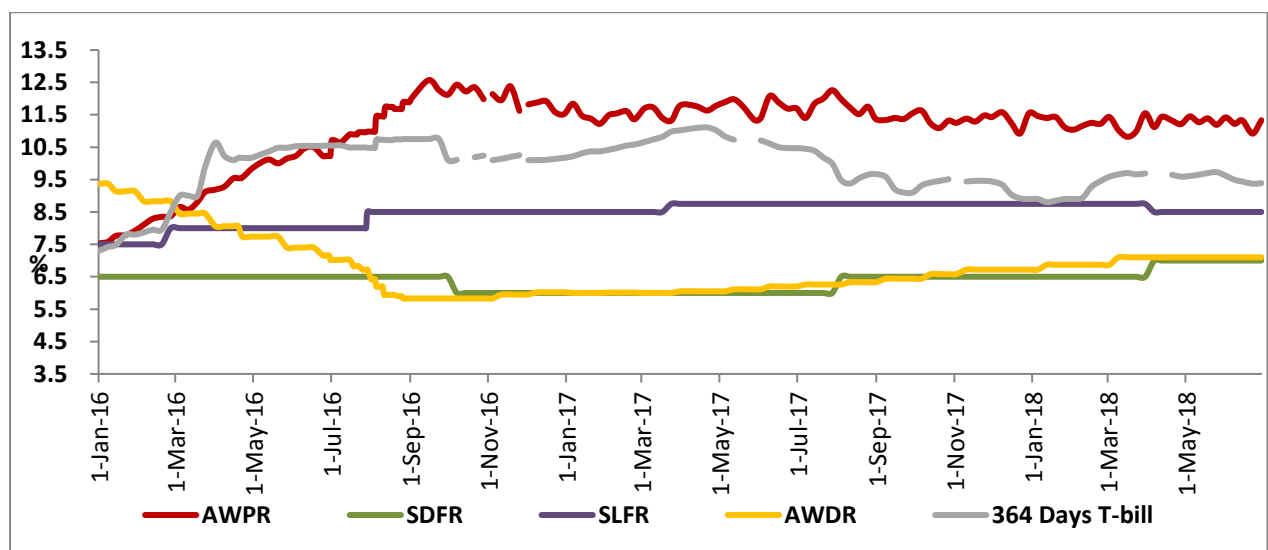
Policy corridor remained unchanged during the first six months of 2018 with Standing Facility Deposit rate (SDR) and Standing Facility Lending rate (SLR) remained 7.25% and 8.75%, respectively.

The one year Treasury bill rates increased to 9.69% in March 2018 from 8.90% at the start of the year. However, with slowdown in government borrowings one year Treasury bill rate dropped down to 9.39% in the last week of June 2018.

Weighted Average Prime Lending rate marginally came down 11.33% in June 2018 compared to 11.55% in December 2017 reflecting the weakening private sector credit demand.

The overall liquidity in the system drop from Rs.9.73 billion in December 2017 to an injection (negative liquidity level) of Rs.33.7 billion in June 2018.

Since the US and other regional countries are increasing their rates we feel the Sri Lankan interest rates to move up in line with them.



Source: www.cbsl.gov.lk

Equity Market Review

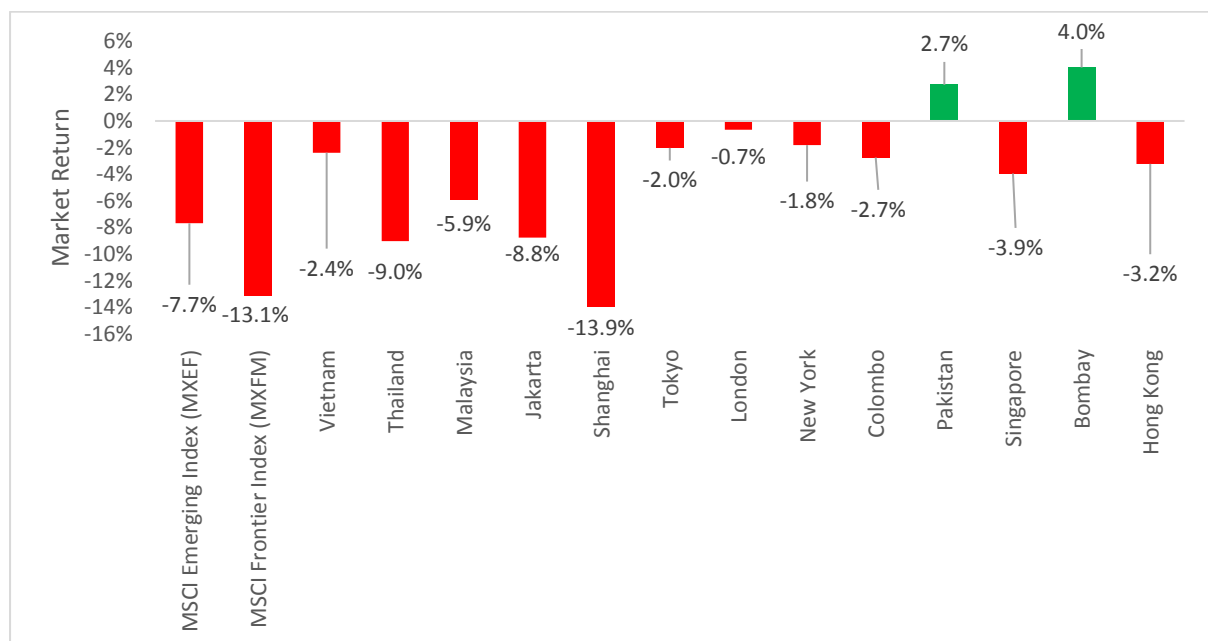
Global Stock Markets Performance -1H 2018

The year started with strong performances in many stock markets in the world and some stock markets hit multiple new all-time highs for the first month of the year. Thereafter, most markets started to experience volatility and developed markets broadly ended with negative returns whilst emerging & frontier markets posted a lower but positive return. However, in the second quarter, most developed equity markets turned green with strong corporate earnings releases but emerging market continued to go down to end the first half in negative territory. A multitude of ongoing factors such as dollar strengthening, trade war rhetoric, rising bond yields and strong growth in US economy & recovery in European economies attributed to this divergence performance between developed and emerging markets.

Exhibit 01: Returns of Key Stock Markets and Indices for 1H 2018

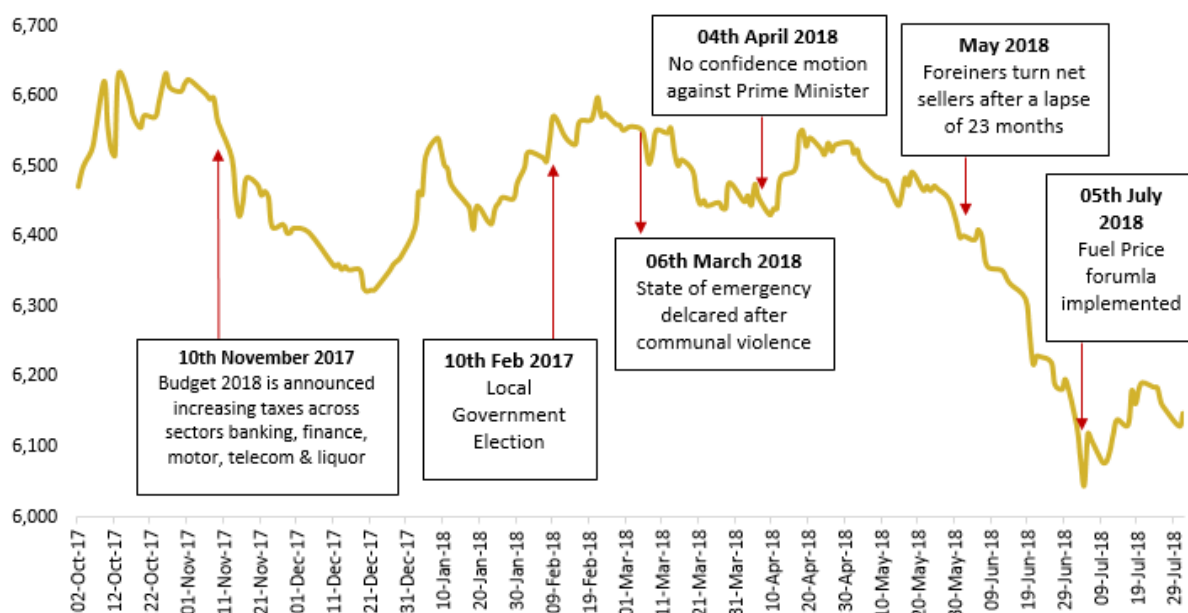
Source: Bloomberg, GFM research

This trend may continue to the second half of the year. Healthy growth in the economy and in corporate earnings will benefit the US and developed markets. The emerging markets may face continuous volatility with stronger dollar and trade tensions going forward.



Colombo Stock Exchange Performance -1H 2018

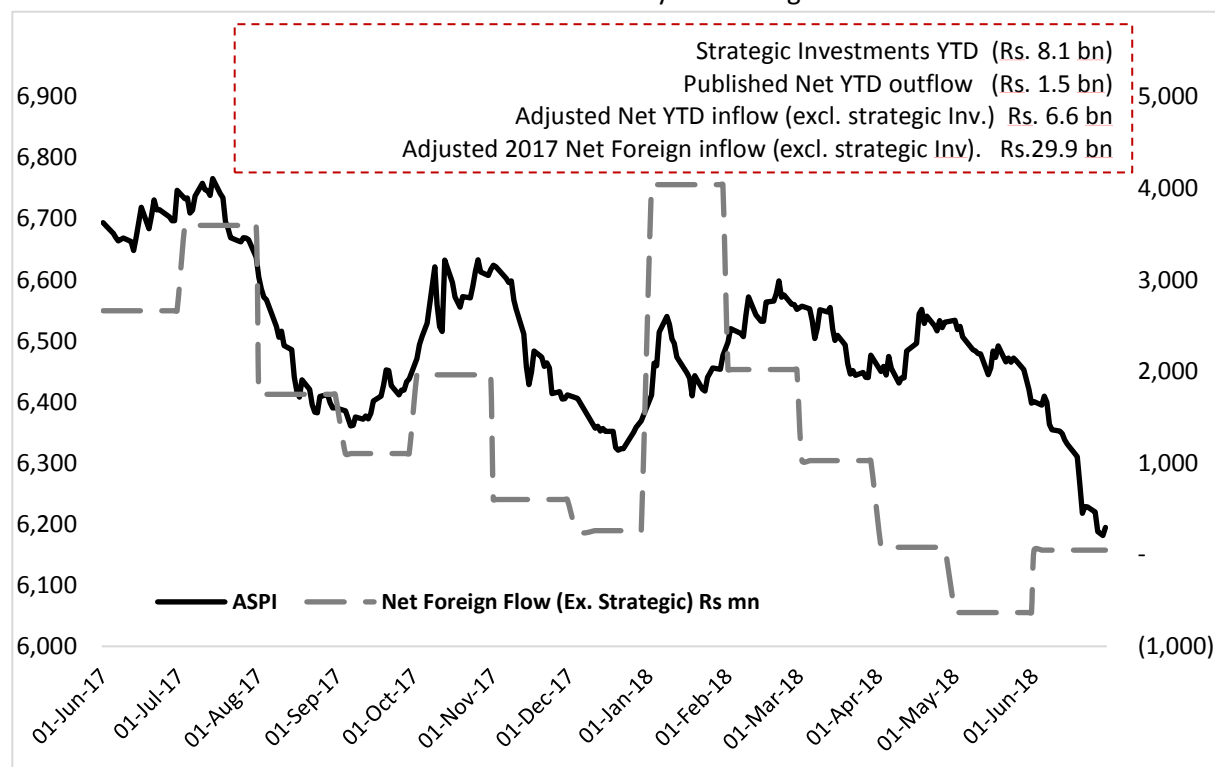
Exhibit 02: Movement in All Share Price Index and Key Events that Affected to the Market



Source: CSE daily, GFM research

In line with the movements in emerging market equities, CSE recorded positive return of 1.69% for the first quarter of the year. However, in second quarter, CSE also experienced the significant foreign selling pressure ending the continuous net foreign inflow trend (excluding strategic deals) that we have seen since June 2016. Though the first half's reported net foreign inflow was negative Rs 1.6bn, if we adjust for strategic transactions such as the exit of Orix from LOLC (-Rs 12.8bn), the Softlogic private placement with Samena Capital (+Rs 3.1bn) and acquisition of 4.5% stake in Ceylinco Insurance by Mitsui Sumitomo Insurance of Japan, the adjusted net foreign inflow is still positive but trending downward. However overall negative sentiment due to low economic growth, weak quarterly earnings, various tax increases, volatility in political arena, dragged the market (ASPI) down by 4.36% in Q2 to end first half with a negative return of 2.74%.

Exhibit 03: All Share Price Index Movement vs. Monthly Net Foreign Inflow Movement



Source: CSE daily, GFM research

Foreign investors' behaviour is likely to remain important for the market performance going forward. The direction of the rupee, change in global investment appetite and political uncertainty will influence the foreign trading calls as we witness the same in other emerging equity markets recently. Unfortunately, these factors are pulled by different forces which are currently almost impossible to predict. However, compared to other markets, the relieving factor for the CSE is the valuations which touch historical low levels and are attractive compared to peer countries thereby discouraging long-term value based investors to exit.

Guardian Acuity Equity Fund

Fund Review and Financials
For the six months ended 30th June 2018

Guardian Acuity Equity Fund (Inception: 27th Feb., 2012)

Fund Manager

Asanka Jayasekara

Fund Objective and Benchmark

The Fund is a growth fund which invests in a diversified portfolio of listed equity securities in Colombo Stock Exchange with the objective of achieving medium to long term capital appreciation.

Commentary

For the six month ending June 30, 2018, the fund returned 2.12%, outperforming the benchmark ASPI return of – 2.74%. The S&P SL 20, the index that represent the largest and most liquid companies in the CSE, dropped by 7.70% for the six month period. Active stock selection strategy was the main driver of the fund's outperformance. Among the core holdings, Cargills Ceylon, Dialog Axiata and Ceylinco Insurance were the top three relative contributors to the fund's excess performance. Cargills recorded 7% revenue growth in Q1 FY19 with similar growth contribution from both retail and FMCG segments. Group's net profit dropped by 6% as a result of deterioration in retail margins due to expansion cost and aggressive discount promotions. However overall performance of the company is at satisfactory level amid challenging economic environment. Dialog recorded an impressive revenue growth (yoy) of 17% and profit growth of 46% in 1H 18. High growth momentum in data drives the revenue and profitability of the company which will be the growth engine going forward. However, adhoc taxes and regulatory concerns remain the key risks to the company's performance. Ceylinco Insurance, our main insurance sector exposure, performed well in the first half of 2018 recording a revenue growth of 12% in life insurance and 10% in general insurance. One off surplus gained due to the change in the valuation method of life policy liabilities boosted the bottom line by 91% in 1H 2018 and shareholder equity by 30%. Apart from our core holdings, our trading calls- Janashakthi Insurance and Softlogic Holdings – paid well for the fund's excess return in the first half.

Main detractors of the fund performance were Chevron Lubricant and Access Engineering. Both stocks faced heavy selling pressure due to the deterioration in earnings and negative sentiment in the market. Chevron Lubricant, the largest lubricant manufacturer in Sri Lanka, is going through many changes in their business model and organisational structure after continuously losing market share and eroding margins due to intense competition and elevated base oil prices over the last several quarters. However current share price of LLUB still commands a good dividend yield and a better relative value. Similarly, Access Engineering also faced many head winds with the slowdown in the construction industry. Further to this, rising input costs, currency depreciation, higher finance cost and tax increases eroded the margins which brought down the net profits (recurring) by 40% in FY18 despite a decent revenue growth of 27%. We expect this margin pressure will ease off to some extent with a rebound in construction activities in the medium term.

Positive development in macro economy, mainly from fiscal side and foreign reserve levels, was overshadowed by the volatility in political arena and some inconsistent policy decisions which triggered investor nerves and boosting volatility throughout the first half. However, we believe these short term volatilities will create opportunities for long term investors to build their portfolios, though selectivity remains important. Therefore, we are bullish on Sri Lankan equities with a medium to long term outlook given current valuations of the market as overall and at individual stock level show a low relative multiples compared to peer countries and our own recent history.

FUND SNAPSHOT

RETURNS

PERIOD	FUND	BENCHMARK (ASPI)	S&P SL 20	ASTRI
6 months (2018)	2.12%	-2.74%	-7.70%	-2.50%
Since Inception Cum.	74.27%	13.11%	14.66%	24.00%
CAGR	9.16%	1.96%	2.18%	3.45%

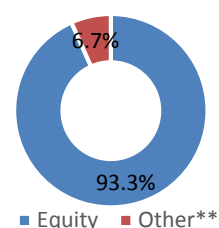
KEY INDICATORS

Expense Ratio (%)	2.62%
NAV per unit (30-06-2018)	17.6104

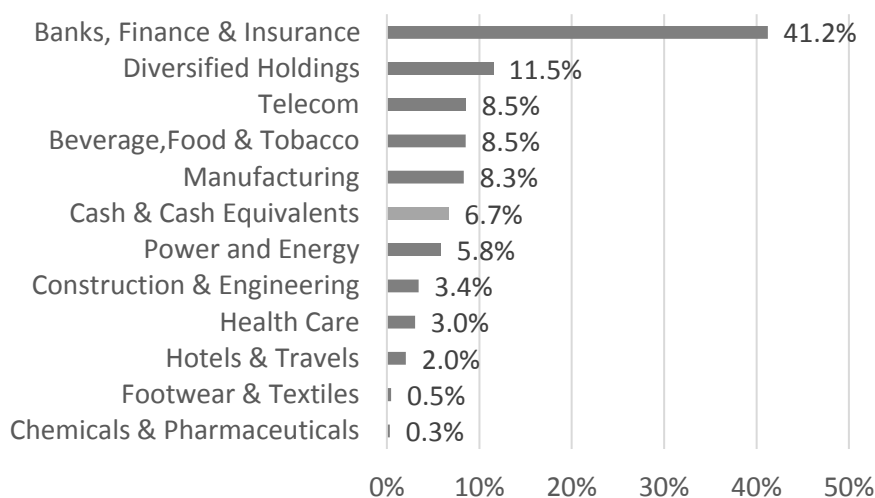
TOP 5 HOLDINGS BASED ON NAV

STOCK	TICKER	% OF NAV
DIALOG AXIATA PLC	DIAL.N	8.55%
CARGILLS (CEYLON) PLC	CARG.N	8.54%
SAMPATH BANK PLC	SAMP.N	8.09%
NATIONS TRUST BANK PLC	NTB.N	7.52%
CENTRAL FINANCE COMPANY PLC	CFIN.N	6.36%

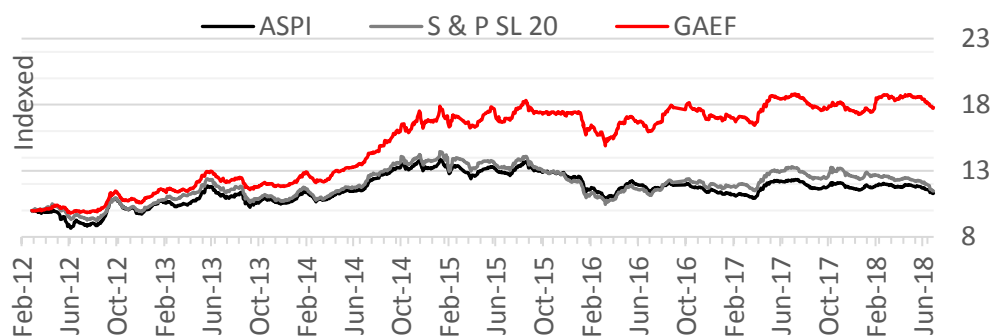
ASSET ALLOCATION



SECTOR ALLOCATION (WITH CASH & CASH EQUIVALENTS)



GAEF VS. THE MARKET



Guardian Acuity Equity Fund

STATEMENT OF FINANCIAL POSITION

As at	Notes	30-Jun-18 Rs.	30-Jun-17 Rs.	31/12/2017 (Audited) Rs.
ASSETS				
Cash and Cash Equivalents	3	707,351	186,735	39,972
Financial Assets Held for Trading	4	394,437,471	446,177,969	405,901,544
Financial Assets - Loans and Receivables	5	28,251,794	11,081,449	15,089,365
Other Receivables	6	200,500	1,436,176	17,895,978
Income Tax Receivable		1,415,008	1,171,172	1,329,480
Total Assets		425,012,123	460,053,501	440,256,339
UNIT HOLDERS' FUNDS & LIABILITIES				
LIABILITIES				
Accrued Expenses	7	1,320,492	1,222,291	1,303,249
Total Liabilities (Excluding net assets attributable to Unit Holders)		1,320,492	1,222,291	1,303,249
UNIT HOLDERS' FUNDS (Net Assets Attributable to Unit Holders)		423,691,631	458,831,209	438,953,091
Total Unit Holders' Funds and Liabilities		425,012,123	460,053,501	440,256,339

These Financial Statements were approved by the Management Company

The accompanying notes form an integral part of the Financial Statements.

The statement of Financial Position as at 30th June 2018 and comparatives as at 30th June 2017 along with related statements of comprehensive income and unitholders funds' have been drawn up from unaudited accounts.


Director
Management Company


Director
Management Company

26/09/2018
Colombo

Guardian Acuity Equity Fund**STATEMENT OF COMPREHENSIVE INCOME**

For the six months ended	Notes	30-Jun-18 Rs.	30-Jun-17 Rs.
INCOME			
Interest Income	1	1,537,391	2,041,262
Dividend Income		11,272,764	10,949,741
Net Realised Gain on Sale of Investments		29,203,834	1,827,519
Net Change in Unrealized Gains on Financial Assets held at Fair Value through Profit and Loss		(24,274,650)	34,328,680
		17,739,339	49,147,202
EXPENSES			
Management Fees		(5,032,099)	(4,924,786)
Trustee and Custodian Fees		(732,815)	(719,368)
Audit Fees		(175,872)	(128,000)
Bank Charges		(16,346)	(39,408)
Transaction Cost		(2,145,257)	(1,676,941)
Other Expenses		-	(201,683)
		(8,102,389)	(7,690,186)
PROFIT BEFORE TAX		9,636,950	41,457,016
Income Tax Expense	2	-	-
NET PROFIT AFTER TAX FOR THE PERIOD		9,636,950	41,457,016
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		9,636,950	41,457,016

The accompanying notes form an integral part of the Financial Statements.

Guardian Acuity Equity Fund**STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUND**

For the six months ended	30-Jun-18	30-Jun-17	31/12/2016 (Audited)
	Rs.	Rs.	Rs.
UNIT HOLDERS' FUNDS AS AT 01 JANUARY	438,953,091	419,454,263	419,454,263
Total Comprehensive Income for the Period	9,636,950	41,457,016	7,248,557
Received on Creation of Units	2,115,000	61,538,447	93,775,056
Paid on Redemption of Units	(27,013,410)	(63,618,516)	(81,524,785)
Net Increase due to Unitholders' Transactions	(24,898,410)	(2,080,069)	12,250,271
UNIT HOLDERS' FUNDS AS AT	423,691,631	458,831,209	438,953,091

The accompanying notes form an integral part of the Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended		30-Jun-18	30-Jun-17
		Rs.	Rs.
1 INTEREST INCOME			
Interest income on			
Treasury Bill Reverse Repurchase Agreement		1,440,257	1,285,098
Fixed Deposit		-	756,164
Savings Interest		97,134	-
		1,537,391	2,041,262

Interest on Treasury Bill Reverse Repurchase Agreements has been accounted for Gross of Notional Tax until 31st March 2018

		30-Jun-18	30-Jun-17
		Rs.	Rs.
2 INCOME TAX EXPENSE*			
Interest Income			
- Repurchase Agreements		706,482	1,285,098
- Savings A/C		54,532	756,164
		761,014	2,041,262
Expenses			
- Management Fees		2,525,254	4,924,786
- Trustee & Custodian Fees		367,276	719,368
- Bank Charges		11,246	39,408
- Audit Fees		63,647	128,000
- Other Expenses		-	201,683
		2,967,423	6,013,245
Profit Before Tax		(2,206,409)	(3,971,983)
Taxation @ 10%		-	-

* Income Tax Expense for 2018 has been calculated for the 3 months of 01st January 2018 to 31st March 2018.

** Unrealized Gain / (Loss) on FVTPL Financial Assets, Realized Gain / (Loss) on FVTPL Financial Assets and Dividend Income are not considered for the Income Tax Expense Computation as they are exempt.

As at	30-Jun-18	30-Jun-17	31/12/2017
	Rs.	Rs.	(Audited) Rs.
3 CASH AND CASH EQUIVALENTS			
Cash at Bank	707,351	186,735	39,972
	707,351	186,735	39,972

As at	30-Jun-18		Holding as a % of Net Asset Value	30-Jun-17		Holding as a % of Net Asset Value	31/12/2017 (Audited)		Holding as a % of Net Asset Value
	No of shares	Fair value		No of shares	Fair value		No of shares	Fair value	
4 FINANCIAL ASSETS - HELD FOR TRADING									
4.a) Investment in Equity shares									
Banks, Finance and Insurance									
Central Finance Company PLC	275,676	26,905,978	6%	87,420	7,955,220	2%	238,220	21,987,706	5%
Ceylinc Insurance PLC	21,200	20,140,000	5%	21,700	19,677,560	4%	21,200	17,492,120	4%
Commercial Bank of Ceylon PLC - Non Voting	-	-	-	25,000	2,670,000	1%	-	-	-
Commercial Bank of Ceylon PLC - Voting	84,188	10,355,124	2%	119,664	16,657,229	4%	119,664	16,250,371	4%
HNB Assurance PLC	-	-	-	99,480	6,466,200	1%	99,480	7,212,300	2%
Janashakthi Insurance Company PLC	8,000	176,000	0%	-	-	-	1,120,000	17,584,000	4%
LB Finance PLC	136,649	16,438,875	4%	136,649	18,461,280	4%	136,649	16,684,843	4%
Nations Trust Bank PLC	353,403	31,806,270	7%	-	-	-	84,155	6,564,090	1%
Nations Trust Bank PLC - Convertible Non Voting	15,015	1,426,425	0%	-	-	-	-	-	-
People's Insurance PLC	300,000	6,600,000	2%	645,960	13,888,140	3%	645,960	14,857,080	3%
People's Leasing Company PLC	1,715,000	26,239,500	6%	1,455,000	26,190,000	6%	1,715,000	29,155,000	7%
Sampath Bank PLC	112,886	34,215,747	8%	117,860	33,755,104	7%	69,170	21,836,969	5%
Seylan Bank PLC - Non Voting	-	-	-	252,688	15,363,430	3%	-	-	-
Seylan Bank PLC - Voting	-	-	-	51	4,769	0%	-	-	-
Union Bank of Colombo PLC	-	-	-	432,449	6,659,715	1%	432,449	5,708,327	1%
	174,303,918	41%		167,748,646	36%		175,332,806	40%	
Beverage, Food and Tobacco									
Cargills (Ceylon) PLC	180,782	36,084,087	8%	111,184	22,347,984	5%	158,184	31,620,982	7%
	36,084,087	8%		22,347,984	5%		31,620,982	7%	
Chemicals & Pharmaceuticals									
CIC Holdings PLC - Non Voting	35,622	1,364,323	0%	35,622.00	2,030,454	0%	35,622	1,688,483	0%
	1,364,323	0%		2,030,454	0%		1,688,483	0%	
Construction & Engineering									
Access Engineering PLC	911,389	14,491,085	3%	911,389	23,422,697	5%	911,389	21,417,642	5%
MTD Walkers PLC	-	-	-	174,074	6,527,775.00	1%	-	-	-
	14,491,085	3%		29,950,472	7%		21,417,642	5%	
Diversified Holdings									
Aitken Spence PLC	101,826	5,244,039	1%	201,826	13,703,985	3%	201,826	11,019,700	3%
Expolanka Holdings PLC	1,850,000	7,400,000	2%	1,850,000	12,580,000.00	3%	1,850,000	9,805,000	2%
John Keells Holdings PLC	70,000	10,325,000	2%	75,296	13,462,925	3%	25,296	3,756,456	1%
Melstacorp PLC	489,248	25,685,520	6%	373,248	25,492,838	6%	373,248	22,208,256	5%
Richard Peiris Company PLC	-	-	-	100,000	1,020,000	0%	-	-	-
Softlogic Holdings PLC	-	-	-	1,209,475	15,360,333	3%	1,959,475	24,493,438	6%
	48,654,559	11%		81,620,081	14%		71,282,849	16%	

NOTES TO THE FINANCIAL STATEMENTS

Footwear & Textiles									
Hayleys Fabric PLC	210,348	1,956,236	0%	352,298	5,495,849	1%	210,348	2,839,698	1%
	1,956,236	0%		5,495,849	1%		2,839,698	1%	
Health Care									
Lanka Hospitals Corporation PLC	249,337	12,865,789	3%	249,337	16,181,971	4%	249,337	15,458,894	4%
	12,865,789	3%		16,181,971	4%		15,458,894	4%	
Hotels and Travels									
Aitken Spence Hotel Holdings PLC	290,575	8,659,135	2%	290,575	11,041,850	2%	290,575	8,571,963	2%
	8,659,135	2%		11,041,850	2%		8,571,963	2%	
Manufacturing									
ACL Cables PLC	-	-	-	150,000	8,475,000	2%	-	-	-
Alumex PLC	430,000	6,063,000	1%	800,000	19,840,000	4%	630,000	11,655,000	3%
Chevron Lubricants PLC	185,000	14,152,500	3%	110,000	18,370,000	4%	185,000	22,015,000	5%
Tokyo Cement Company (Lanka) PLC-Non Voting	98,312	3,145,984	1%	244,113	16,965,854	4%	98,312	5,800,408	1%
Tokyo Cement Company (Lanka) PLC-Voting	-	-	-	252,000	19,026,000	4%	-	-	-
Ceylon Grain Elevators PLC	192,796	11,856,954	3%	-	-	-	-	-	-
	35,218,438	8%		82,676,854	18%		39,470,408	9%	
Power & Energy									
Lanka IOC PLC	308,531	10,150,669.90	2%	160,174.00	4,805,220	1%	502,953	14,082,684	3%
LVL Energy Fund PLC	1,600,000	14,560,000.00	3%	-	-	-	-	-	-
	24,710,670	6%		4,805,220	1%		14,082,684	3%	
Telecommunications									
Dialog Axiata PLC	2,544,312	36,129,230	9%	1,856,549	22,278,588	5%	1,856,549	24,135,137	5%
	36,129,230	9%		22,278,588	5%		24,135,137	5%	
	394,437,471	93%		446,177,969	93%		405,901,544	92%	

As at	30-Jun-18	30-Jun-17	31/12/2017 (Audited)
	Rs.	Rs.	Rs.

5 FINANCIAL INVESTMENTS - LOANS AND RECEIVABLES

Treasury Bill Reverse Repurchase Agreement (Less than 3 months)	28,251,794	11,081,449	15,089,365
	28,251,794	11,081,449	15,089,365

6 ACCRUED INCOME AND OTHER RECEIVABLES

Amount Receivable on creation of units	7,000	2,000	38,000
Accrued Dividend Income	193,500	1,434,176	1,857,978
Investments in Initial Public Offering - LVL Energy Fund Limited	-	-	16,000,000
	200,500	1,436,176	17,895,978

7 ACCRUED EXPENSES

Fund Manager Payable	806,042	876,648	851,588
Trustee Fee and Custodian Fee Payable	243,883	127,345	124,746
Audit Fee	141,976	120,009	226,000
Other Payables	128,590	98,289	100,915
	1,320,492	1,222,291	1,303,249

8 UNITS IN ISSUE AND UNIT PRICE

Units in issue and deemed to be in issue as at 30 June 2018 is 24,004,253.35 (30 June 2017 : 24,642,031.68) and the creation and redemption Unit price as at this date is Rs.17.7944 (30 June 2017 : Rs.18.7751) and Rs.17.4264 (30 June 2017: Rs.18.3695) respectively.

As at	30-Jun-18	30-Jun-17	31/12/2017 (Audited)
	Rs.	Rs.	Rs.

9 RECONCILIATION BETWEEN THE NET ASSET VALUE AS PER FINANCIAL STATEMENTS AND THE PUBLISHED NET ASSET VALUE

Net Asset Value as per Financial Statements	423,691,631	458,831,209	438,953,091
Income Tax Receivables	(1,415,008)	(1,171,172)	(967,046)
Audit Fee Adjustment	-	-	(41,369)
Dividend Write Off	447,800	-	448,785
Published Net Asset Value	422,724,423	457,660,038	438,393,461
Number of units outstanding	24,004,253	24,642,032	25,405,487
Net Asset Value per Unit	17.6104	18.5723	17.2559

10 EFFECT OF SLFRS 9 - FINANCIAL INSTRUMENTS

SLFRS 9 – “Financial Instruments” is applicable for financial periods beginning on or after 1st January 2018. This standard replaces LKAS 39 – “Financial Instruments: Recognition & Measurement”. However, CA Sri Lanka has granted an option to prepare interim financial statements continuing the application of LKAS 39 during the financial year commencing on or after 1st January 2018, through “Statement of Alternative Treatment (SoAT) on the Figures in the Interim Financial Statements”. Accordingly, these financial statements have been prepared by applying LKAS 39 in accordance with the said option granted.

Guardian Acuity Money Market Fund

Fund Review and Financials
For the six months ended 30th June 2018

Guardian Acuity Money Market (Inception: 27th Feb., 2012)

Fund Manager

Sashika Madushan Wickramaratne

Fund Objective and Benchmark The Fund aims to preserve capital, maintain liquidity and generate a sound level of income. The Fund's benchmark is the NDBIB-CRISIL 91 Day T-bill Index.

Commentary

The fund's annualized return for the first half was 11.11% higher than the indicative benchmark NDBIB-CRISIL 91 Day T-bill Index return of 7.77%. The better duration maturity management and asset allocation of the fund was instrumental in the strong returns of the fund. The fund focussed on a very short maturity profile during the first half of the year and allocated more funds to fixed deposits (72.37%) with the strategy of reinvesting the funds at expected higher rates in an upward interest rate environment.

We reduce exposure to financial institutions that are having higher micro finance exposures despite these institutions having a better credit ratings considering the economic slowdown in the country. Even though the fund's investments into BBB institutions increased from 34% to 38% during the first half of 2018, the institutions were carefully selected through a strong credit evaluation process that is practiced by Guardian.

Fund will continue to maintain a short maturity profile during the second half of 2018 as we expect the interest rates to move up further due to external pressures.

FUND SNAPSHOT

RETURNS

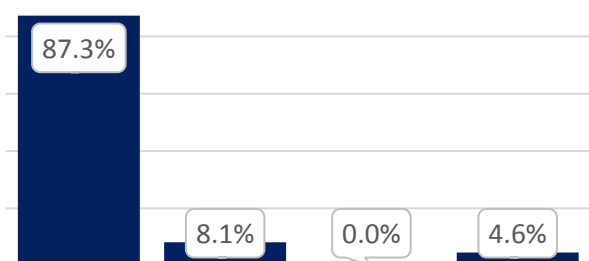
PERIOD	FUND	NDBIB-CRISIL 91 T-BILL INDEX	ANNUALISED FUND RETURN/CAGR*
6 months (2018)	5.51%	3.85%	11.11%
Since Inception Cum.	86.44%	67.90%	10.32%*

KEY INDICATORS

Avg. Maturity (Months)	1.79
Duration (Months)	0.14
Expense Ratio (%)	0.79%
NAV per unit (30-06-2018)	16.1896

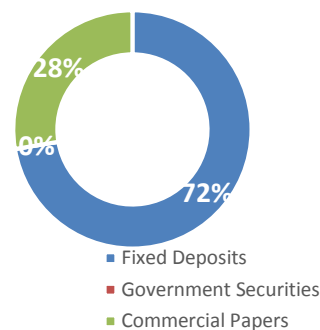
MATURITY PROFILE

Percentage of Assets

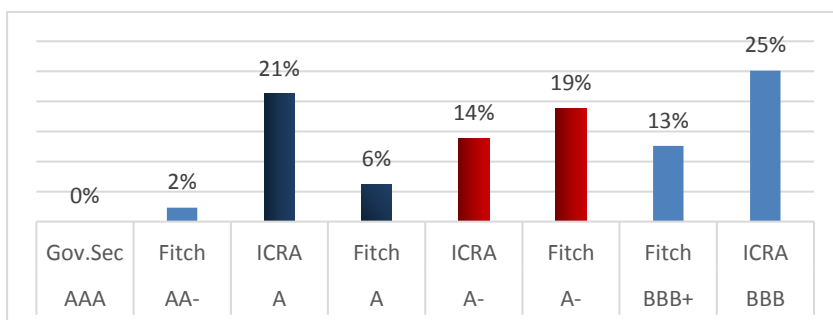


1-3 months 3-6 months 6-9 months 9-12 months

ASSET ALLOCATION



FUND CREDIT QUALITY



Guardian Acuity Money Market Fund

STATEMENT OF FINANCIAL POSITION

As at	Notes	30-Jun-18 Rs.	30-Jun-17 Rs.	31/12/2017 (Audited) Rs.
ASSETS				
Cash and Cash Equivalents	3	236,126,142	578,357	7,117,211
Financial Assets - Loans and Receivables	4	4,408,979,376	4,133,052,253	5,018,676,264
Other Receivables		12,175,113	253,507	2,274,107
Income Tax Receivable		14,975,366	8,379,589	10,377,721
Total Assets		4,672,255,997	4,142,263,706	5,038,445,303
UNIT HOLDERS' FUNDS & LIABILITIES				
LIABILITIES				
Bank Overdraft		-	-	-
Accrued Expenses	5	2,965,885	2,640,771	3,479,840
Total Liabilities (Excluding net assets attributable to Unit Holders)		2,965,885	2,640,771	3,479,840
UNIT HOLDERS' FUNDS (Net Assets Attributable to Unit Holders)		4,669,290,112	4,139,622,935	5,034,965,463
Total Unit Holders' Funds and Liabilities		4,672,255,997	4,142,263,706	5,038,445,303

These Financial Statements were approved by the Management Company.

The accompanying notes form an integral part of the Financial Statements.

The statement of Financial Position as at 30th June 2018 and comparatives as at 30th June 2017 along with related statements of comprehensive income and unitholders funds' have been drawn up from unaudited accounts.


Director
Management Company


Director
Management Company

26/09/2018
Colombo

Guardian Acuity Money Market Fund**STATEMENT OF COMPREHENSIVE INCOME**

For the six months ended	Notes	30-Jun-18 Rs.	30-Jun-17 Rs.
INCOME			
Interest Income	1	284,046,152	246,568,937
Unrealized Gain/(Loss) on Financial Assets Held for Trading		-	-
		284,046,152	246,568,937
EXPENSES			
Management Fees		(13,931,857)	(11,278,403)
Trustee and Custodian Fees		(3,925,349)	(3,177,730)
Audit Fees		(184,450)	(102,073)
Bank Charges		(205,325)	(181,745)
Other Expenses		(911,112)	(590,268)
		(19,158,094)	(15,330,219)
PROFIT BEFORE TAX		264,888,058	231,238,718
Income Tax Expense	2	(14,802,356)	(23,123,872)
NET PROFIT AFTER TAX FOR THE PERIOD		250,085,702	208,114,846
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		250,085,702	208,114,846

The accompanying notes form an integral part of the Financial Statements.

Guardian Acuity Money Market Fund**STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUND**

For the six months ended	30-Jun-18	30-Jun-17	31/12/2017 (Audited)
	Rs.	Rs.	Rs.
UNIT HOLDERS' FUNDS AS AT 01 JANUARY	5,034,965,463	4,781,677,732	4,781,677,732
Total Comprehensive Income for the Period	250,085,702	208,114,846	477,365,123
Dividend Payment for the Period	-	-	-
Received on Creation of Units	6,677,222,891	5,986,691,505	10,814,580,882
Paid on Redemption of Units	(7,292,983,945)	(6,836,861,148)	(11,038,658,273)
Net Increase due to Unit Holders' Transactions	(615,761,053)	(850,169,643)	(224,077,391)
UNIT HOLDERS' FUNDS AS AT 30 JUNE	4,669,290,112	4,139,622,935	5,034,965,463

The accompanying notes form an integral part of the Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended	30-Jun-18 Rs.	30-Jun-17 Rs.
1 INTEREST INCOME		
Interest income on		
Fixed Deposits	170,745,594	137,601,723
Treasury Bill Reverse Repurchase Agreements	7,167,655	6,400,678
Commercial Paper	103,134,829	86,946,283
Securitization	-	15,620,254
Savings Interest	2,998,074	-
	284,046,152	246,568,937

Interest on fixed income securities has been accounted for Gross of Notional Tax & With Holding Tax.

	30-Jun-18 Rs.	30-Jun-17 Rs.
2 INCOME TAX EXPENSE*		
Interest Income		
- Commercial Papers	68,626,094	86,946,283
- Fixed Deposits	82,566,606	137,601,723
- Repurchase Agreements	6,953,066	6,400,678
- Securitization	-	15,620,254
	158,145,767	246,568,937
Expenses		
- Management Fees	7,671,898	11,278,403
- Trustee Fees	2,161,584	3,177,730
- Bank Charges	123,900	181,745
- Audit Fees	50,755	102,073
- Other Expenses	114,072	590,268
	10,122,208	15,330,219
Profit Before Tax	148,023,559	231,238,718
Taxation @ 10%	14,802,356	23,123,872

* Income Tax Expense for 2018 has been calculated for the 3 months of 01st January 2018 to 31st March 2018.

As at	30-Jun-18 Rs.	30-Jun-17 Rs.	31/12/2017 (Audited) Rs.
3 CASH AND CASH EQUIVALENTS			
Cash at Bank	236,126,142	578,357	7,117,211
	236,126,142	578,357	7,117,211

4 FINANCIAL ASSETS-LOANS AND RECEIVABLES						
Treasury Bill Reverse Repurchase Agreement	-	0%	140,061,025	3%	251,386,282	5%
Commercial Papers	1,218,169,981	28%	1,987,771,403	48%	2,285,887,414	45%
Fixed Deposits	3,190,809,395	72%	1,872,933,121	45%	2,481,402,568	49%
Securitization	-	0%	132,286,703	3%	-	0%
	4,408,979,376	100%	4,133,052,253	100%	5,018,676,264	100%

	30-Jun-18 Rs.	30-Jun-17 Rs.	31/12/2017 (Audited) Rs.
5 ACCRUED EXPENSES			
Fund Manager Payable	2,198,361	1,999,450	2,567,452
Trustee Fee and Custodian Fee Payable	619,396	563,352	723,388
Audit Fee	118,732	67,863	189,000
Other Payables	29,396	10,106	-
	2,965,885	2,640,771	3,479,840

6 UNITS IN ISSUE AND UNIT PRICE

Units in issue and deemed to be in issue as at 30 June 2018 is 287,487,058.06 (30 June 2017: 286,036,245.15) and the creation and redemption Unit price as at this date is Rs.16.1896 (30 June 2017: Rs.14.4937).

As at	30-Jun-18 Rs.	30-Jun-17 Rs.	31/12/2017 (Audited) Rs.
7 RECONCILIATION BETWEEN THE NET ASSET VALUE AS PER FINANCIAL STATEMENTS AND THE PUBLISHED NET ASSET VALUE			
Net Asset Value as per Financial Statements	4,669,290,112	4,139,622,935	5,034,965,463
Income Tax Receivables	(14,975,366)	(8,379,589)	(10,377,721)
Other Adjustments	-	-	20,084
Published Net Asset Value	4,654,314,746	4,131,243,346	5,024,607,826
Number of units outstanding	287,487,058	285,036,245	327,462,406
Net Asset Value per Unit	16.1896	14.4937	15.3441

8 EFFECT OF SLFRS 9 - FINANCIAL INSTRUMENTS

SLFRS 9 – "Financial Instruments" is applicable for financial periods beginning on or after 1st January 2018. This standard replaces LKAS 39 – "Financial Instruments: Recognition & Measurement". However, CA Sri Lanka has granted an option to prepare interim financial statements continuing the application of LKAS 39 during the financial year commencing on or after 1st January 2018, through "Statement of Alternative Treatment (SoAT) on the Figures in the Interim Financial Statements". Accordingly, these financial statements have been prepared by applying LKAS 39 in accordance with the said option granted.

Guardian Acuity Money Market Gilt Fund

Fund Review and Financials
For the six months ended 30th June 2018

Guardian Acuity Money Market Gilt Fund (Inception: 24th March 2015)

Fund Manager

Sashika Madushan Wickramaratne

Fund Objective and Benchmark

The Fund aims to preserve capital, maintain liquidity and generate a sound level of income. The Fund's benchmark is the NDBIB-CRISIL 91 Day T-bill Index.

Commentary

The fund's annualized return for the first half was 8.48% higher than the benchmark NDBIB-CRISIL 91 Day T-bill Index return of 7.77%. Outperformance against the benchmark explains the better duration maturity management and asset allocation of the fund. Fund focussed on a very short maturity profile during the first half and allocate more funds to repurchase agreements 85.50% to reinvest the funds at high rates in an upward interest rate environment.

Treasury bills rates were trending upwards during the first quarter of 2018 and then started to come off due to lower government borrowings compared to the amount matured. The steepness of the long end of the yield curve increased due to heavy foreign selling in local government security market. This created the opportunity for banks and other non-bank primary dealers to investment medium term bonds by borrowing at lower rates for shorter tenures. As a result, the 1 month to 3 months repurchase agreement rates were attractive compared to the Treasury bill rates, hence, the fund allocated more investments into reverse repurchase agreements in the first half.

Fund will continue to maintain a short maturity profile and to maintain similar asset allocation during the second half of 2018 as we expect interest rates to move up further due to external pressures.

FUND SNAPSHOT

RETURNS

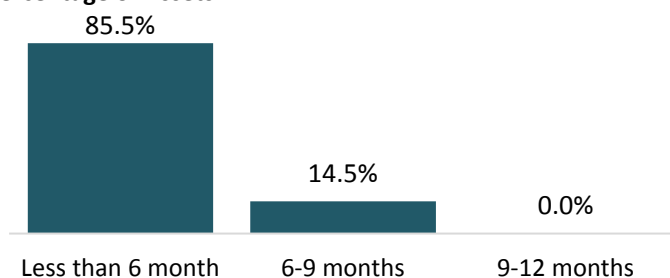
PERIOD	FUND	NDBIB-CRISIL 91 T-BILL INDEX	ANNUALISED FUND RETURN/CAGR*
6 months (2018)	4.20%	3.85%	8.48%
Since Inception Cum.	30.01%	29.04%	8.35%*

KEY INDICATORS

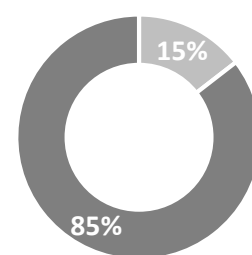
Avg. Maturity (Months)	1.56
Expense Ratio (%)	0.50%
NAV per unit (30-06-2018)	130.0070

MATURITY PROFILE

Percentage of Assets

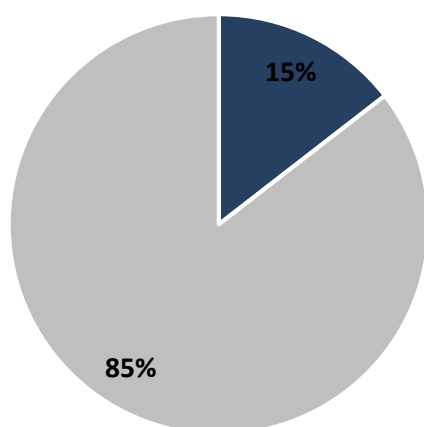


ASSET ALLOCATION



- Treasury Bills
- Repurchase Agreements

FUND CREDIT QUALITY



- Treasury Bills
- Repurchase Agreements

Guardian Acuity Money Market Gilt Fund

STATEMENT OF FINANCIAL POSITION

As at	Notes	30-Jun-18 Rs.	30-Jun-17 Rs.	31/12/2017 (Audited) Rs.
ASSETS				
Cash and Cash Equivalents	3	345,013	79,243	1,680,518
Financial Assets Held for Trading	4	151,498,283	841,837,754	535,206,350
Financial Assets - Loans and Receivables	5	892,652,177	705,102,795	1,314,247,759
Other Receivables		-	-	6,000
Income Tax Receivable		1,440,834	940,910	702,492
Total Assets		1,045,936,306	1,547,960,702	1,851,843,119
UNIT HOLDERS' FUNDS & LIABILITIES				
LIABILITIES				
Accrued Expenses	6	477,381	619,408	828,430
Total Liabilities (Excluding net assets attributable to Unit Holders)		477,381	619,408	828,430
UNIT HOLDERS' FUNDS (Net Assets Attributable to Unit Holders)				
		1,045,458,925	1,547,341,294	1,851,440,598
Total Unit Holders' Funds and Liabilities		1,045,936,306	1,547,960,702	1,852,269,029

These Financial Statements were approved by the Management Company.

The accompanying notes form an integral part of the Financial Statements.

The statement of Financial Position as at 30th June 2018 and comparatives as at 30th June 2017 along with related statements of comprehensive income and unitholders funds' have been drawn up from unaudited accounts.


Director
Management Company


Director
Management Company

26/09/2018
Colombo

Guardian Acuity Money Market Gilt Fund

STATEMENT OF COMPREHENSIVE INCOME

For the six months ended	Notes	30-Jun-18 Rs.	30-Jun-17 Rs.
INCOME			
Interest Income	1	82,312,720	55,136,784
Unrealized Gain/(Loss) on Financial Assets Held for Trading		(3,002,166)	522,641
Realized Gain/(Loss) on Financial Assets Held for Trading		(45,040)	-
		79,265,515	55,659,426
EXPENSES			
Management Fees		(2,240,698)	(1,299,052)
Trustee and Custodian Fees		(1,732,702)	(1,150,246)
Audit Fees		(105,978)	(67,847)
Bank Charges		(64,250)	(64,400)
Other Expenses		(68,003)	(325,268)
		(4,211,631)	(2,906,813)
PROFIT BEFORE TAX		75,053,883	52,752,612
Income Tax Expense	2	(5,190,069)	(5,275,261)
NET PROFIT AFTER TAX FOR THE PERIOD		69,863,815	47,477,351
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		69,863,815	47,477,351

The accompanying notes form an integral part of the Financial Statements.

Guardian Acuity Money Market Gilt Fund**STATEMENT OF MOVEMENT IN UNIT HOLDERS' FUND**

For the six months ended	30-Jun-18	30-Jun-17	31/12/2017 (Audited)
	Rs.	Rs.	Rs.
UNIT HOLDERS' FUNDS AS AT 01 JANUARY	1,851,440,598	852,010,473	852,010,473
Total Comprehensive Income for the Period	69,863,815	47,477,351	125,181,223
Received on Creation of Units	2,581,053,954	2,045,166,137	3,586,121,137
Paid on Redemption of Units	(3,456,899,442)	(1,397,312,668)	(2,711,872,234)
Net Increase due to Unit Holders' Transactions	(875,845,488)	647,853,469	874,248,903
UNITHOLDERS' FUNDS AS AT 30 JUNE	1,045,458,925	1,547,341,294	1,851,440,598

The accompanying notes form an integral part of the Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended	30-Jun-18 Rs.	30-Jun-17 Rs.
1 INTEREST INCOME		
Interest income on		
Treasury Bill/Bond Reverse Repurchase Agreements	60,478,841	29,154,165
Treasury Bills	21,833,878	25,982,620
	82,312,720	55,136,784

Interest on Treasury Bill Reverse Repurchase Agreements and Treasury Bills has been accounted for Gross of Notional Tax.

	30-Jun-18 Rs.	30-Jun-17 Rs.
2 INCOME TAX EXPENSE*		
Interest Income		
- Treasury Bill/Bond Reverse Repurchase Agreements	39,329,017	29,154,165
- Treasury Bills	14,475,065	25,982,620
Unrealized Gain/(Loss) on Financial Assets Held for Trading	671,950	522,641
	54,476,032	55,659,426
Expenses		
- Management Fees	1,429,266	1,299,052
- Trustee Fees	1,061,417	1,150,246
- Bank Charges	50,925	64,400
- Audit Fees	33,736	67,847
- Other Expenses	-	325,268
	2,575,344	2,906,813
Profit Before Tax	51,900,689	52,752,612
Taxation @ 10%	5,190,069	5,275,261

* Income Tax Expense for 2018 has been calculated for the 3 months of 01st January 2018 to 31st March 2018.

As at	30-Jun-18 Rs.	30-Jun-17 Rs.	31/12/2017 (Audited) Rs.
3 CASH AND CASH EQUIVALENTS			
Cash at Bank	345,013	79,243	1,680,518
	345,013	79,243	1,680,518

As at	30-Jun-18 Rs.	Holding as a % of Net Asset Value	30-Jun-17 Rs.	Holding as a % of Net Asset Value	31/12/2017 (Audited) Rs.	Holding as a % of Net Asset Value
4 FINANCIAL ASSETS-HELD FOR TRADING						
Government Debt Securities	151,498,283	14%	841,837,754	54%	535,206,350	29%
	151,498,283	14%	841,837,754	54%	535,206,350	29%

As at	30-Jun-18 Rs.	Holding as a % of Net Asset Value	30-Jun-17 Rs.	Holding as a % of Net Asset Value	31/12/2017 (Audited) Rs.	Holding as a % of Net Asset Value
5 FINANCIAL ASSETS-LOANS AND RECEIVABLES						
Treasury Bill Reverse Repurchase Agreement	892,652,177	85%	705,102,795	46%	1,314,247,759	71%
	892,652,177	85%	705,102,795	46%	1,314,247,759	71%

As at	30-Jun-18 Rs.	30-Jun-17 Rs.	31/12/2017 (Audited) Rs.
6 ACCRUED EXPENSES			
Fund Manager Payable	218,165	285,278	396,286
Trustee Fee and Custodian Fee Payable	185,715	234,124	315,144
Audit Fee	73,501	100,006	117,000
	477,381	619,408	828,430

7 UNITS IN ISSUE AND UNIT PRICE

Units in issue and deemed to be in issue as at 30 June 2018 is 8,030,797.24 (as at 30 June 2017 - 12,963,450.08) and the creation & redemption Unit price as at this date is

As at	30-Jun-18 Rs.	30-Jun-17 Rs.	31/12/2017 (Audited) Rs.
8 RECONCILIATION BETWEEN THE NET ASSET VALUE AS PER FINANCIAL STATEMENTS AND THE PUBLISHED NET ASSET VALUE			
Net Asset Value as per Financial Statements	1,045,458,925	1,547,341,294	1,851,440,598
Income Tax Receivables	(1,440,834)	(940,910)	(1,134,402)
Unrealised (Gain)/Loss on Financial Assets Held for Trading	41,646	(889,340)	(2,960,520)
Other Adjustments	-	-	(51,972)
Published Net Asset Value	1,044,059,737	1,545,511,044	1,847,293,704
Number of units outstanding	8,030,797	12,963,450	14,806,677
Net Asset Value per Unit	130.0070	119.2207	124.7609

9 EFFECT OF SLFRS 9 - FINANCIAL INSTRUMENTS

SLFRS 9 – “Financial Instruments” is applicable for financial periods beginning on or after 1st January 2018. This standard replaces LKAS 39 – “Financial Instruments: Recognition & Measurement”. However, CA Sri Lanka has granted an option to prepare interim financial statements continuing the application of LKAS 39 during the financial year commencing on or after 1st January 2018, through “Statement of Alternative Treatment (SoAT) on the Figures in the Interim Financial Statements”. Accordingly, these financial statements have been prepared by applying LKAS 39 in accordance with the said option granted.