

Guardian Acuity Equity Fund

Open Ended Growth Fund

April 2020

HIGHLIGHT

The fund recorded a -0.19% return for the month and -26.46% return for 3 Months.

The YTD return of the fund was -28.76% vs. benchmark ASPI return of -25.41%.

RETURNS*

PERIOD*	BENCHMARK			
	FUND	ASPI	S&P SL 20	ASTRI
2020 April	-0.19%	0.00%	0.00%	0.00%
3 Months	-26.46%	-22.90%	-31.31%	-22.88%
Year To Date (YTD 2020)	-28.76%	-25.41%	-33.69%	-25.38%
Since Inception Cum.	23.77%	-16.52%	-34.11%	-7.94%
Since Inception CAGR	2.64%	-2.18%	-4.97%	-1.01%

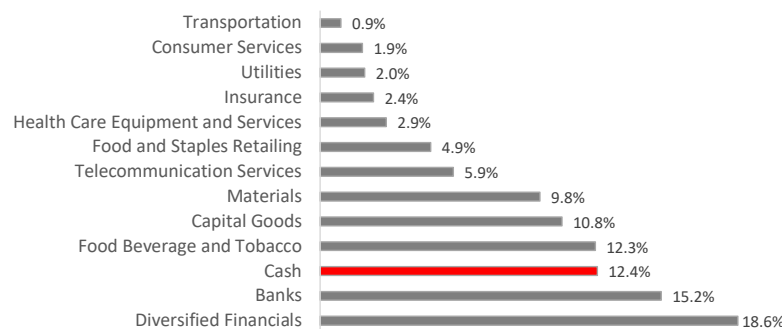
Note : All Share Price Index (ASPI) ,All Share Total Return Index(ASTRI) & S&P Srilanka 20 Index (S&P SL 20) are based on CSE data as of 20th March 2020

* Performances are based on month end prices as of 30th April 2020. Performance data included in this document represents past performance and is no guarantee of the future results.

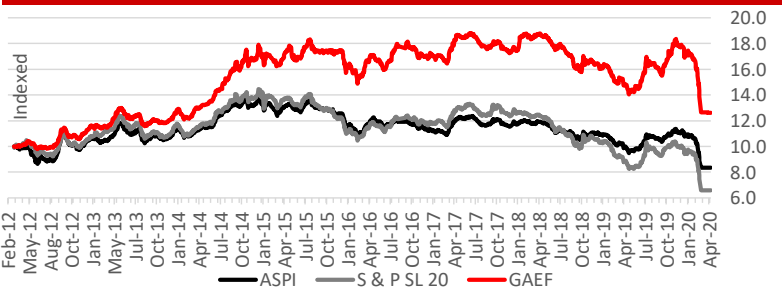
TOP 5 HOLDINGS BASED ON NAV

STOCK	TICKER	% OF NAV
CENTRAL FINANCE COMPANY PLC	CFIN.N0000	9.77%
PEOPLE'S LEASING & FINANCE PLC	PLC.N0000	8.85%
DISTILLERIES COMPANY OF SRI LANKA PLC	DIST.N0000	6.60%
DIALOG AXIATA PLC	DIAL.N0000	5.94%
HEMAS HOLDINGS PLC	HHL.N0000	5.60%

SECTOR ALLOCATION (WITH CASH & CASH EQUIVALENTS)



GAEF VS. THE MARKET



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



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Senior Fund Manager

The world economy, which was under debate of whether it was heading into a recession or not, was brought to a standstill suddenly by COVID 19 virus, making the recession inevitable. The global equity markets reacted fast to the expected impact of the pandemic albeit there wasn't a proper estimate of the same. The key global equity markets started to fall since the third week of February and reached a bottom in the second half of March (In March: US S&P 500 -12%, UK FTSE ASI -15%, MSCI EM -15%) before bouncing back to the current levels in April (In April: US S&P 500 +13%, UK FTSE ASI +5%, MSCI EM +9%).

Against this backdrop, the Colombo bourse followed a similar trend until 20th March, recording a drop of 18.3% for the month of March, when the market was closed by authorities due to the curfew situation in the country. Since then, investor sentiment hasn't been reflected in the CSE as it's been closed throughout April. Yet, almost all the sectors of the CSE have been affected by shutting down the local and global economies.

The banking and finance sector is hit by a multitude of factors. A sharp deterioration in the credit quality of the existing loan book is the biggest challenge faced by the sector. The new concessionary working capital loan scheme introduced by the Central Bank, albeit it is necessary to prevent some businesses from going under, is bringing additional risk to the balance sheet. Further, the sector will bear the foregone interest cost of the debt moratorium given to their customers. A few relief measures given by the central bank, in particular, a refinancing facility, reduction in SRR, and relaxation on capital requirements and NPL classification rules, together with gains from currency depreciation may negate the impact to some extent. Other sectors that involve manufacturing are facing a shortage of labour and raw materials, and nonessentials' manufacturers are not getting orders from retailers. Most manufacturers are in a tighter cash situation due to difficulty in recovery of receivables, and fixed overheads. However, these industries and retail traders which expose to the local economy will start to recover as soon as the economy opens up but will take few quarters to reach pre-COVID level.

The local and global economy has been through periods of major disruptions in the past. But it recovered eventually and the stock market was a precursor for that as investors react to events before they happen. However, we continue to maintain a degree of caution and stick to our investment strategy with a medium term outlook while staying nimble to gain market opportunities.

ABOUT THE FUND

Guardian Acuity Equity Fund is a growth fund which invests in a diversified portfolio of listed equity securities with the objective of achieving medium to long term capital appreciation.

FUND SNAPSHOT

Inception Date	27th February 2012
Bloomberg Code	GACUEQ: SL
Fund Size as of 30-04-2020	LKR 232.61Mn
Minimum Investment	LKR 1,000
Redemption Price as at 30-04-2020	LKR 12.3772

FUND FEES

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

*As a percentage of NAV

**if withdrawn prior to 1 year