

# Guardian Acuity Equity Fund

Open Ended Growth Fund

May 2020

## HIGHLIGHT

The fund recorded a 8.93% return for the month and -13.73% return for 3 Months. The

YTD return of the fund was -22.40% vs. benchmark ASPI return of -20.92%.

PERIOD*	FUND	BENCHMARK ASPI	S&P SL 20	ASTRI
2020 May	8.93%	6.02%	3.53%	6.02%
3 Months	-13.73%	-13.34%	-23.40%	-13.34%
Year To Date (YTD 2020)	-22.40%	-20.92%	-31.35%	-20.89%
Since Inception Cum.	34.82%	-11.50%	-31.79%	-2.40%
Since Inception CAGR	3.68%	-1.47%	-4.53%	-0.29%

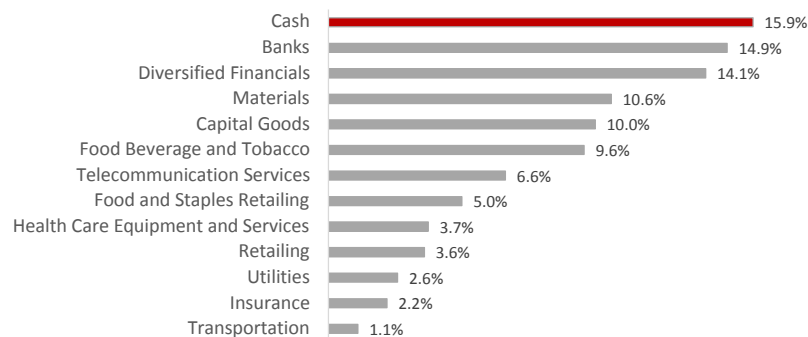
Note : All Share Price Index (ASPI) ,All Share Total Return Index(ASTRI) & S&P Srilanka 20 Index (S&P SL 20) are based on CSE data as of 29th May 2020

\* Performances are based on month end prices as of 29th May 2020. Performance data included in this document represents past performance and is no guarantee of the future results.

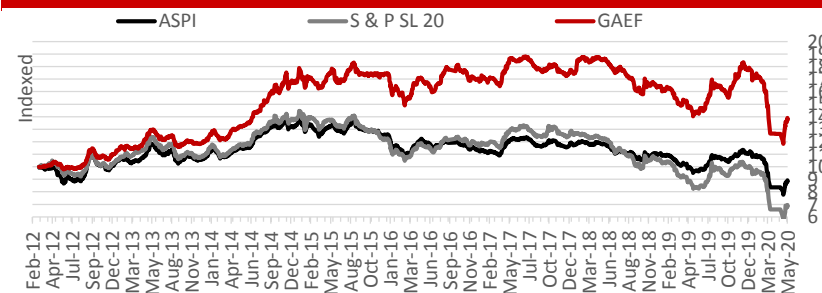
## TOP 5 HOLDINGS BASED ON NAV

STOCK	TICKER	% OF NAV
CENTRAL FINANCE COMPANY PLC	CFIN.N0000	7.66%
DISTILLERIES COMPANY OF SRI LANKA PLC	DIST.N0000	7.23%
DIALOG AXIATA PLC	DIAL.N0000	6.63%
PEOPLE'S LEASING & FINANCE PLC	PLC.N0000	6.47%
COMMERCIAL BANK OF CEYLON PLC	COMB.N0000	5.85%

## SECTOR ALLOCATION (WITH CASH & CASH EQUIVALENTS)



## GAEF VS. THE MARKET



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**Asanka Jayasekara**  
Senior Fund Manager

Global equity markets continued to catch up to the pre-Covid levels despite the economic data starting to reveal the damage already done to the real economy and lofty valuation of most developed markets with the long-decade upswing. An unprecedented level of monetary and fiscal stimulus, amounting to USD 10 trillion and counting, has been released into the global economy within just two months which is three times more than the response to the 2008 financial crisis. This is the primary force behind the rally although other factors such as reopening of economies, and positive news on coronavirus therapies and vaccines has been providing some tailwinds.

Similarly, the Colombo bourse bounced back during the month after resuming trading on 11th May. The broad based index ASPI recorded a 6.0% growth while more liquid S&P 20 index recorded a 3.5% growth. But the year to date drop still stands at 20.9% for ASPI and 31.4% for S&P 20 index. Unlike other markets, Sri Lankan equities hadn't performed well over the past five year period till the pre-Covid impact, leading to historically low valuations. Yet the drop due to the pandemic is more than those foreign markets pushing the prices of some well-run businesses into unprecedented low levels. As a result, local investors activated and absorbed Rs5.8 bn foreign selling spree during the month.

Against this backdrop, the fund grew 8.93% in May outperforming the benchmark ASPI's growth of 6.02%. The three top contributors to fund's growth in May were Dialog Axiata, Distilleries and Lanka Hospitals, all which have a lower elasticity of demand for their goods and services. Similarly, finance companies, which bear a significant share of the Covid's economic pain, were the main detractors from the fund's performance.

We think the current quarter (Q2) would be the worst quarter for the businesses under this pandemic situation assuming that Sri Lanka could successfully prevent a second wave of infections. However, given the inherent uncertainty we remain neutral on the short term outlook of the market, but we are optimistic about medium term outlook which is backed by attractive valuations. Based on our investment philosophy we advise our investors to invest and stay invested with a medium term view to get the best out of equity markets.

## ABOUT THE FUND

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

## FUND SNAPSHOT

Inception Date	27th February 2012
Bloomberg Code	GACUEQI: SL
Fund Size as of 31-05-2020	LKR 254.77Mn
Minimum Investment	LKR 1,000
Redemption Price as at 31-05-2020	LKR 13.4832

## 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

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.