Guardian Acuity Equity Fund

Open Ended Growth Fund

December 2020

Tel: +94 112039377 E-mail: info@guardianacuity.com

HIGHLIGHT

The fund recorded a 5.78% return for the month and 11.54% return for 3 Months. The YTD return of the fund was 4.32% vs.benchmark ASPI return of 10.52%.

RETURNS*

PERIOD*	FUND	BENCHMARK ASPI	S&P SL 20	ASTRI
2020 December	**5.78%**	8.50%	7.51%	8.50%
3 Months	**11.54%**	13.19%	7.10%	13.23%
Year To Date (YTD 2020)	**4.32%**	10.52%	-10.18%	10.66%
Since Inception Cum.	**81.24%**	23.69%	-10.74%	36.53%
Since Inception CAGR	**6.95%**	2.43%	-1.28%	3.58%

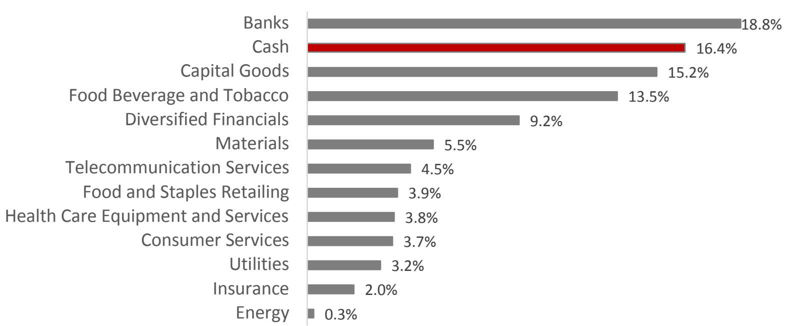
Note : All Share Price Index (ASPI) ,All Share Total Return Index(ASTRI) & S&P Srilanka 20 Index (S&P SL 20) are based on CSE data as of 31st December 2020

**** Performances are based on month end prices as of 31st December2020. Performance data included in this document represents past performance and is no guarantee of the future results.***

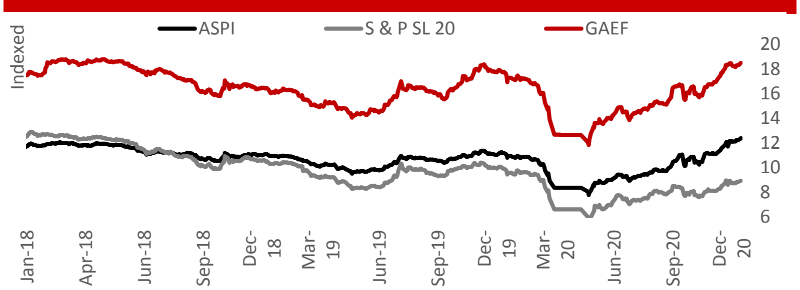
TOP 5 HOLDINGS BASED ON NAV

STOCK	TICKER	% OF NAV
HEMAS HOLDINGS PLC	HEMS.N0000	8.02%
COMMERCIAL BANK OF CEYLON PLC	COMB.N0000	7.32%
JOHN KEELLS HOLDINGS PLC	JKH.N0000	7.18%
SAMPATH BANK PLC	SAMP.N0000	6.93%
DISTILLERIES COMPANY OF SRI LANKA PLC	DIST.N0000	6.58%

SECTOR ALLOCATION (WITH CASH & CASH EQUIVALENTS)



GAEF VS. THE MARKET



Asanka Jayasekara
Senior Fund Manager

Despite the concern over the rising new infection rates topping the previous highs, Equity markets around the world continued to soar in December on back of the COVID 19 vaccine rollouts and promise of continuous monetary and fiscal support. Emerging market equities were the biggest winner among all (MSCI EM index up 6.1%) as falling dollar, election of Joe Biden and recovery in global trading activities had an additional tailwind effect on them.

Similarly, the Colombo bourse also continued to rally in December recording a 8.5% growth in the ASP index and a 7.5% growth in the S&P SL20 index. Full year return (CY2020) of the broad based ASPI just entered into double digit, 10.5%, for the first time in five years. However the same period return of the large cap liquid stock index, S&P SL20, still at negative 10.2%, recording the widest performance gap (21%) between two indices since launch of the S&P SL20 in 2012. This clearly showed the market rally we have seen over the past few months was mainly driven by mid cap stocks. Within the midcap, manufacturing companies are benefitted compared to service oriented companies which is a global trend during the pandemic period. At the same time, due to this economic fallout and new import restrictions, some players especially large players in some manufacturing industries were able to gain the market share away from small and medium size players and sourced commodity based raw materials at lower prices which helped them to post better than expected earnings in the recent quarters. Similarly, a few companies were directly benefited from the new set of demand dynamics stemming from COVID 19. Thereby, those mid cap companies outperformed the liquid large cap companies particularly the banking sector which had not recovered to the pre-COVID level, recording a -16.2% growth during the twelve month period.

Against this back drop, the fund returned 5.8% in December and 4.3% for CY 2020, underperforming the benchmark ASPI, albeit outperforming the S&P SL 20 index by a significant percentage in CY 2020 . The underperformance against ASPI was mainly attributable to negative performance of the banking sector and portfolio's less exposure to the above mentioned mid cap stocks. Given the short term nature of the profit jumps of those companies and the medium term investment mandate of the fund, it was not justifiable to hold a significant weight on those stocks which shot up above our valuations based on medium term normalized earnings which factored the secular changes identified under new policy directions and novel market dynamics. The significant outperformance against S&P SL 20 index was largely derived from focused stock selection strategy and active rebalancing of the fund.

Going forward, the current ultra-low interest rates and beginning of rollout of vaccination will keep the market afloat as this leaves investors with little choice but to remain in stock market. However, the long term prospect of the stock market highly correlates with economic stability of the country. The structural changes required to come out from Sri Lanka's macroeconomic challenges is essential. More than ever, the emphasis will have to be on how policy makers addressing them going forward.

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 31-12-2020	LKR 352.37Mn
Minimum Investment	LKR 1,000
Redemption Price as at 31-12-2020	LKR 18.1242

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.