

Stanbic Income Fund Trust

(Formerly, Stanbic Income Fund)

Annual Report 2012



Stanbic

Investment Management Services

A subsidiary of Stanbic Bank Ghana Ltd

Table of contents

Table of contents

I N D E X	P a g e
Trustees, Officials, Etc.	2
Report of the Manager	3
Report of the Portfolio Manager	4-5
Report of the Trustees	6
Report of the Independent Auditors	7 - 8
Statement of Net Assets	9
Statement of Assets and Liabilities	10
Income and Distribution Account	11
Statement of Movement in Net Assets	12
Statement of Movement in Issued Units/Capital Account	13
Capital Account	14
Portfolio Summary	15
Notes Forming Part of the Financial Statements	16-17

Stanbic Income Fund

Trustees and Officials, etc.

TRUSTEES:

Merchant Bank (Ghana) Ltd
57 Examination Loop
North Ridge, P. O. Box 401,
Accra –Ghana.

LEGAL ADVISORS:

Doreen Illiasu
Stanbic Bank Ghana Limited
3rd Floor, Valco Trust House
Castle Road, Ridge –Accra
P. O. Box CT2344
Cantonments,
Accra –Ghana.

INDEPENDENT AUDITORS:

KnowledgeWarehouse
(Chartered Accountants)
2nd Floor, RND Plaza
53 Baatsona – Spintex Road
P. O. Box SK1016,
Tema –Ghana.

MANAGER:

Stanbic Investment Management Services Ltd
3rd Floor, Valco Trust House
Castle Road, Ridge –Accra
P. O. Box CT2344
Cantonments,
Accra –Ghana.

BANKERS::

Stanbic Bank Ghana Limited
3rd Floor, Valco Trust House
Castle Road, Ridge –Accra
P. O. Box CT2344
Cantonments,
Accra –Ghana.

Report Of the Manager to the unitholders of Stanbic Income Fund

The Manager and the Trustees present the audited financial statements and report on the performance of the Stanbic Income Fund Trust for the year ended 31st December 2012.

Nature of Fund

The Stanbic Income Fund Trust is an authorised unit trust as defined in the Unit Trusts and Mutual Funds Regulations, 2001 (L.I. 1695). The Fund offers and redeems units to subscribers and from unit holders respectively on an ongoing basis. Units are sold and redeemed at a price computed in accordance with the terms of the scheme particulars.

Investment Objectives

The primary objective of The Fund is to maximize short-term income as well as long-term sustainable income and capital appreciation of its assets, by investing in a portfolio of fixed income securities including Government bonds, treasuries and Corporate Debt Securities.

Investment Policy

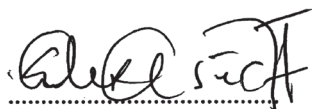
Under normal market conditions, at least 75% of The Fund's total assets will be invested in fixed income of corporate and governmental issuers in Ghana or other regulated markets. A maximum of 15% of the fund will be invested in equities on any organised African exchange. The Manager may employ short-term tactical deviations from this policy asset mix of up to 20% of the Fund's total assets.

Manager's Responsibility for the Financial Statements

The Manager is responsible for the preparation and fair presentation of the financial statements, comprising the statement of assets and liabilities as of 31 December 2012, income and distribution account, portfolio statement and capital account for the year then ended, and notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes in accordance with Ghana National Accounting Standards and in the manner required by the Unit Trusts and Mutual Funds Regulations, 2001 (L.I. 1695).


The Manager's responsibilities include: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of these financial statements that are free from material misstatements, whether due to fraud or error, selecting and applying appropriate accounting policies, making accounting estimates that are reasonable in the circumstances.

The Manager and the Trustees have made an assessment of the Fund's ability to continue as a going concern and have no reason to believe the Fund will not operate into the foreseeable future. The results for the year are as set out in the attached financial statements. The Manager and the Trustees consider the state of affairs of the Fund to be satisfactory.



Director

26-04-2013



Director

26-04-2013

Portfolio Manager's Report

Introduction

The Stanbic Income Fund Trust (SIFT) made a net return of 16% in the year 2012 with a growth in assets of 24% over that of 2011.

This gain was within a turbulent macro-economic environment with budget overruns, currency volatility and increasing interest rates.

Economic Outturn and Markets Review

As in other election years, economic gains in the previous years were eroded in the year 2012 as government expenditure exceeded budgetary allocations and revenues fell short of projections. GDP growth for 2012 was 8% in spite of a crippling power crisis and a ballooning public sector wage bill. The unfortunate mix of fiscal slippage and a tight election race led to the government absorbing fuel subsidies while implementing a new salary structure. This resulted in an overall budget deficit of 12% for 2012 from a deficit of 4.7% in 2011.

The cedi did not fare much better. In January it lost 5% and this had increased to 9% by end of the first quarter and 20% by mid-year 2012. The cedi then firmed up in the second half of the year to a full year 19% depreciation. The central bank in a bid to curtail the situation increased interest rates from a low of 11% in January 2012 to over 19% by the end of May 2012. As at June 2012, interest rates on treasury bills had exceeded 23% which was the highest since 2010. End of year prices on Government securities for 2012 was between 22.9% and 23%. Year-on-year inflation on the contrary remained stable averaging 9.1% in the year 2012 with a low of 8.6% in February and a high of 9.5% in August. The sudden spike in interest rates adversely impacted SIFT's performance in the first half of the year. The fund had to sell off government notes invested in the fourth quarter of 2011 and early 2012 in the mid of 2012 so as to benefit from the new higher market rates.

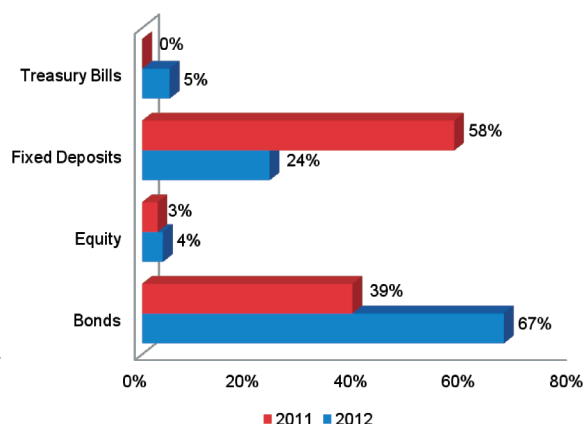
The Central Bank's prime rate signalled the macroeconomic trend as it trended upwards from 12.5% at the beginning of the year to 13.5% by the end of the first quarter and then to 15% by mid-year till year end.

In spite of the uncertainties in the financial market the stock market returned a robust 23.8% in 2012 as the strong fundamentals of listed companies and listed markets in developed economies combined to increase demand for Ghanaian equities.

Investments and Performance

Portfolio Asset Mix

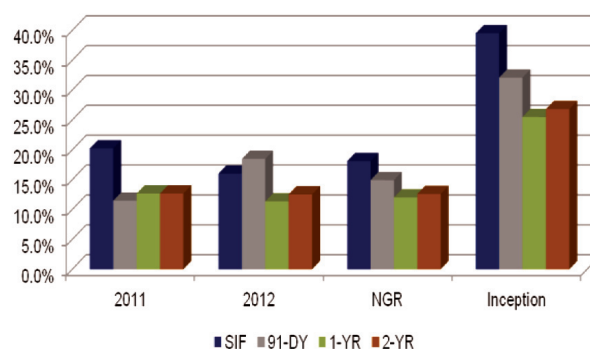
SIFT grew by 24% in 2012 from a net asset position of GHS3.8 million to GHS4.7 million. The distribution of the assets as at year end 2012 was GHS3.2 million in bonds, GHS0.2 million in equities GHS1.1 million in fixed deposits and GHS0.2 million in treasury bills. Due to the likelihood of interest rates declining in the year preceding elections, the fund held 67% of assets in bonds (39% in 2011) at yields averaging 23% in the second half of the year. Equity allocations remained minimal to reduce pricing volatility. Growth in assets in 2012 is attributed to a net capital inflow of GHS0.2 m (26%) and a net investment gain of GHS0.7 m (74%).



Portfolio Manager's Report cont.

Returns

SIFT made a net return of 16% in 2012 (20% in 2011). The fund price moved from 1.2026 in 2011 to 1.3952 at year end 2012. The fund's performance was slowed in the first half of the year as it unwound from the long term low interest rate position to the short end of the market at new market rates. SIFT returns compared unfavourably to the 91-Day treasury bill rate benchmark but surpassed the 1 year note and 2 year note benchmarks. SIFT's cumulative return of 39.5% from inception to 2012 however outpaced all the comparable benchmarks over the same period.



Investment	2011	2012	Normalised Growth Rate	Inception
SIFT Full Year Return	20.3%	16.0%	18.1%	39.5%
91-DAY quarterly average	11.5%	18.5%	14.9%	32.1%
1-YEAR at beginning of period	12.7%	11.4%	12.0%	25.5%
2-YEAR at beginning of period	12.7%	12.6%	12.6%	26.8%

Outlook

2013 appears to be a difficult year for the government as public sector salaries and wages already consuming under 70% of total government revenues remain. Additional pressure will be placed on the government purse as public sector agitations on the single spine salary structure implementation continues and discussions on a new minimum wage for 2013 begins.

It is expected that the government would take measures to correct the macroeconomic deficiencies which is likely to slow economic activity. The major focus on government in 2013 would be a downsizing of government expenditure and strict adherence to budgetary allocations whiles maximising revenue collections.

In view of this, interest rates on government securities are likely to remain stable and decline in the later part of the year as fiscal consolidation materialises. Inflation is also expected to move in a similar pattern. External shocks may pull up surprises for the economy impacting negatively on the country's foreign exchange reserves. This is likely to weaken the cedi and impact on monetary policy direction.

In 2013, the strategy of playing along the yield curve, identifying appropriately priced fixed income securities and diversifying the fund's investment base will be maintained in order to create long term value for our valued unit holders.

Thank you

Kwabena Boamah
Portfolio Manager

Report of the Trustees to the unitholders of Stanbic Income Fund

In our opinion, according to the information made available to us and the explanations provided, we confirm that in all material respects, the Manager has managed the scheme during the period covered by these financial statements in accordance with the Trust Deed dated 31st December, 2009 and all regulations for the time being in force under the Unit Trust and Mutual Funds Regulations, 2001, (L.I. 1695).

Signed on behalf of Merchant Bank (Ghana) Ltd by:


.....
Director

29-04-2013
.....
Date

Report of the independent auditors to the unitholders of Stanbic Income Fund

Report on the Financial Statements

We have audited the financial statements of Stanbic Income Fund Trust, which comprise the statement of assets and liabilities as of 31 December 2012, income and distribution account, portfolio statement and capital account for the year then ended, and notes to the financial statements which include a summary of significant accounting policies and other explanatory notes as set out on pages 14 to 15.

Manager's Responsibility for the Financial Statements

The Manager is responsible for the preparation and fair presentation of these financial statements in accordance with the Ghana National Accounting Standards and in the manner required by the Unit Trusts and Mutual Funds Regulations, 2001 (L.I. 1695). This responsibility includes: designing, implementing and maintaining internal controls 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.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Manager, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Report of the independent auditors to the unitholders of Stanbic Income Fund (cont.)

Opinion

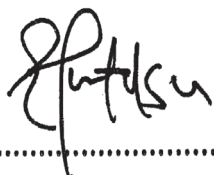
In our opinion, the financial statements give a true and fair view of the financial position of Stanbic Income Fund Trust as of 31st December 2012, and of its financial performance for the year then ended in accordance with the Ghana National Accounting Standards and in the manner required by the Unit Trusts and Mutual Funds Regulations, 2001 (L.I. 1695).

Report on Other Legal and Regulatory Requirements

Compliance with the requirements of Part 9 of schedule 8 of the Unit Trusts and Mutual Funds Regulations, 2001 (L.I. 1695).

We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit.

In our opinion, proper books of account have been kept, and the statement of assets and liabilities as of 31 December 2012, income and distribution account, portfolio statement and capital account for the year then ended are in agreement with the books of account.



Patrick Kofi Dzakpasu (ICAG/P/1176)
KnowledgeWarehouse(ICAG/F/0004)
(Chartered Accountants)
Accra - Ghana.

30th April 2013.

Statement of Net Assets as at 31st December 2012

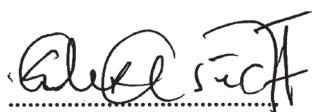
Description	Note	No. of Shares	Price at 31-Dec-12(GH¢)	Market Value at 31-Dec-12(GH¢)	% of Net Assets
Shares					
Banking					
Standard Chartered Bank Limited		10,800	11.50	124,200	2.62
SG-SSB Bank Ltd		50,000	0.48	24,000	0.51
Food & Household Products					
Fan Milk Ltd		10,077	3.55	35,773	0.75
Total Shares				183,973	3.88
Medium Term Funds					
GOG Bonds				2,236,700	47.12
Short Term Funds					
Cash at Bank				15,528	0.33
Corporate Bonds				800,000	16.85
Fixed Deposits				1,086,123	22.88
Treasury Bills & Notes				231,025	4.87
Total				2,132,676	44.93
Total Investments				4,553,349	95.93
Other Assets in Excess of Liabilities				193,226	4.07
Total Net Assets				4,746,575	100.00

The notes on pages 14 and 15 are an integral part of these financial statements.

Statement of Assets and Liabilities as at 31st December 2012

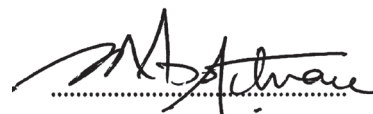
	Note	2012 GH¢	2011 GH¢
ASSETS			
Total Investments		4,553,349	3,723,964
Interest Receivable:			
Fixed Deposits		42,599	54,952
Corporate Bonds		50,581	7,662
GOG Bonds		114,614	61,388
Treasury Bills & Notes		12,024	-
Total Receivables		219,818	124,002
Total Assets		4,773,167	3,847,966
LIABILITIES			
Accrued Fund Management Fees		8,011	5,939
Accrued Trustee Fees		11,581	4,724
Accrued Audit Fees		7,000	4,500
Total Liabilities		26,592	15,163
NET ASSETS		4,746,575	3,832,803

The financial statements on pages 9 to 15 were approved by Stanbic Investment Management Services Ltd and signed on its behalf by:



Director

26-04-2013



Director

26-04-2013

The notes on pages 14 and 15 are an integral part of these financial statements.

Income and Distribution Accounts for the year ended 31st December 2012

		2012 GH¢	2011 GH¢
INCOME			
Gross Dividend Income		9,805	400
Less: Withholding Tax		(784)	(32)
		-----	----
Net Dividend Income		9,021	368
Interest Income	4	794,595	304,952
Other Income	5	2,116	505
		-----	-----
Total Income		805,732	305,825
		-----	-----
EXPENSES			
Fund Management Fees		92,646	36,442
Trustees Fees		11,581	4,724
Audit Fees		7,000	4,500
Other Expenses	6	83,572	7,285
		-----	-----
Total Expenses		194,799	52,951
		-----	-----
NET INVESTMENT INCOME			
		610,933	252,874
Net Realised Gain on Investments		12,724	2,550
Unrealised Gain/(Loss) on Investments		54,012	(14,767)
		-----	-----
NET INVESTMENT GAINS		677,669	240,657
		=====	=====

The notes on pages 14 and 15 are an integral part of these financial statements.

Statement of Movement in Net Assets for the year ended 31st December 2012

	2012 GH¢	2011 GH¢
Operations:		
Net Investment Income	610,933	252,874
Net Realised Gain on Investments	12,724	2,550
Unrealised Gain/(Loss) on Investments	54,012	(14,767)
	-----	-----
Net increase in net assets resulting from operations	677,669	240,657
	-----	-----
Capital Transactions:		
Proceeds from units issued	3,288,947	4,046,791
Units Redeemed	(3,052,844)	(454,645)
	-----	-----
Net proceeds from capital transactions	236,103	3,592,146
	-----	-----
	-----	-----
Total Increase in Net Assets	913,772	3,832,803
	-----	-----
Net Assets:		
Balance as of 1st January	3,832,803	-
Total Increase in Net Assets	913,772	3,832,803
	-----	-----
Balance as of 31st December	4,746,575	3,832,803
	=====	=====

The notes on pages 14 and 15 are an integral part of these financial statements.

Statement of Movement in Issued Units for the year ended 31st December 2012

	2012	2011
Number of Units in issue at 1st January	3,188,106	-
Number of Units issued during the year	2,653,269	3,619,236
	-----	-----
	5,841,375	3,619,236
Number of Units redeemed during the year	(2,440,214)	(431,130)
	-----	-----
Number of Units in issue at 31st December	3,401,161	3,188,106
	=====	=====

Capital Account for the year ended 31st December 2012

	2012 GH¢	2011 GH¢
Value of Units in issue at 1st January	3,592,146	-
Value of Units issued during the year	3,288,947	4,046,791
	-----	-----
Value of Units redeemed during the year	6,881,093 (3,052,844)	4,046,791 (454,645)
	-----	-----
Value of Units in issue at 31st December	3,828,249 =====	3,592,146 =====

Portfolio Summary as at 31st December 2012

Description	No. of Shares at 31-Dec-11	Value at 31-Dec-11(GH¢)	No. of Shares at 31-Dec-12	Value at 31-Dec-12(GH¢)	Purchases During The Year(GH¢)	Sales During The Year(GH¢)
Banking:						
Standard Chartered Bank	1,800	81,864	10,800	124,200	82,879	96,467
CAL Bank Ltd	15,000	4,200	0	-	-	3,989
SG-SSB Bank Ltd	0	-	50,000	24,000	24,868	-
Food & Household Products:						
Fan Milk Ltd	10,077	23,882	10,077	35,773	-	-
Total		109,946		183,973	107,747	100,456

The notes on pages 14 and 15 are an integral part of these financial statements.

Notes forming part of the financial statements for the year ended 31st December 2012

1. REPORTING ENTITY

Stanbic Income Fund Trust (SIFT) is authorised to operate a Unit Trust under the Securities Industry Act, 1993, PNDCL 333, and duly licensed by the Securities and Exchange Commission (SEC) with Licence No. SEC.CIS/UT.12/13. The address and scheme particulars of SIFT can be found on page 2 of the annual report.

2. BASIS OF ACCOUNTING

These financial statements have been prepared under the historical cost convention as modified by the revaluation of quoted investments and in accordance with Ghana National Accounting Standards.

3. ACCOUNTING POLICIES

The following accounting policies have been consistently applied in dealing with items that are considered material in relation to the financial statements of the fund:

(a) Investments

- Quoted investments are stated at market value based on quoted prices. Changes in market values are recognised in the income & distribution accounts.
- Medium and Short-term investments are stated at cost.

(b) Income

Dividends are recognised when received. Dividends are accrued if the qualifying dates fall within the year under review. Interest income is accounted for on the accrual basis.

(c) Comparative Figures

Where necessary the comparative information has been restated to agree to the current year presentation.

(d) Events after the reporting period

Events subsequent to the reporting date are reflected only to the extent that they relate directly to the accounts and the effect is material.

Notes forming part of the financial statements for the year ended 31st December 2012 cont.

4. INTEREST INCOME

	2012 GH¢	2011 GH¢
Interest on Fixed Deposits	304,644	121,205
Interest on GOG Bonds	193,648	176,085
Interest Corporate Bonds	174,177	7,662
Treasury Bills & Notes	122,126	-
	-----	-----
	794,595	304,952
	=====	=====

5. OTHER INCOME

	2012 GH¢	2011 GH¢
Interest on Call Deposits	2,116	505
	=====	====

6. OTHER EXPENSES

	2012 GH¢	2011 GH¢
Bank Charges	399	173
Interest Paid on Redemption	83,173	7,112
	-----	-----
	83,572	7,285
	=====	=====

7. BID PRICE OF UNITS

The bid price of units on the accounting date ended 31 December, 2012 was GH¢1.3952 (2011: GH¢1.2026).

8. NUMBER OF UNITHOLDERS

The number of unit-holders as of 31 December, 2012 was 680 (2011: 551).

9. CONTINGENT LIABILITIES

There were no contingent liabilities as of the reporting date, and as of 31 December 2011.

Stanbic Income Fund Trust / Proxy Form

Annual General Meeting to be held at the Ghana College of Physicians and Surgeons, near Ridge Round about -Accra, Ghana on Tuesday, June 18th, 2013 at 10:00 a.m.

I/we** _____ being a Unitholder(s) hereby appoint

_____ or failing him/her the Chairman of the Meeting as my/our proxy to act and vote for me/us and on my/our behalf at the Annual General Meeting of the Fund to be held on 18th June 2013 and at any adjournment thereof

Dated this _____ day of _____ 2013

Unitholder(s) Signature

Resolution	For	Against
1. To receive the Report of the Manager of the Fund for the year 2012.		
2. To consider the Trustees Report and the Report of Auditors for the year ended December 31, 2012.		
3. To receive and adopt the Audited Financial Statements for the year ended December 31, 2012.		
4. To authorise the Manager to fix the remuneration of the Auditor		

Please indicate with an "X" in the appropriate square how you wish your votes to be cast on the resolution set out above.

Unless otherwise instructed the proxy will vote for or abstain from voting at his/her discretion.

(Do not complete this form if you will attend the meeting)