

Stanbic Income Fund Trust

(Formerly, Stanbic Income Fund)

Annual Report 2013



Stanbic

Investment Management Services
A subsidiary of Stanbic Bank Ghana Ltd

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Stanbic Income Fund Trust

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
215 South Liberation Link
Airport City, 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
215 South Liberation Link
Airport City, Accra
P. O. Box CT2344
Cantonments,
Accra –Ghana.

BANKERS:

Stanbic Bank Ghana Limited
215 South Liberation Link
Airport City, Accra
P. O. Box CT2344
Cantonments,
Accra –Ghana.

Report of the Manager to the unitholders of Stanbic Income Fund Trust

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 2013.

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 2013, 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.

Signed on behalf of **Stanbic Investment Management Services Ltd** by:

Portfolio Manager's Report

Introduction

The year 2013 saw an improved return on the Stanbic Income Fund Trust (SIFT) over that of 2012. SIFT recorded a return of 22% in 2013 compared to 16% in the year 2012. SIFT has thus returned a total of 71% in the three years to 2013.

Total assets under management also grew by 27% in 2013 to GHS 6.04million from GHS 4.77 million in 2012 mainly from growth in net investment income. The number of unit holders as at year end increased to 781.

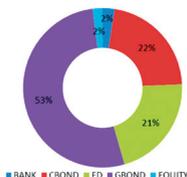
Economic Outturn and Market Review

While the Ghanaian economy registered growth in 2013 things were not wholly rosy. The stock market returned 79% and GDP growth was a 5.8%. Strong fundamentals of listed companies based on full year 2012 performances combined to increase demand for Ghanaian equities yielding the performance in 2013. The growth story was not all rosy, inflation increased from 8.8% in January to 13.5% in December 2013, driven by the upward adjustments in petroleum and utility prices. The budget and trade deficits remained disturbingly large at 11% and 9% of GDP respectively. Fiscal deficits were underpinned by revenue and grants shortfalls, higher spending on wages and salaries as well as growing interest costs. The local currency lost 25% against the US dollar as lower external prices of Ghana's main exports; cocoa and gold, and a high import bill put pressure on the current account.

In order to rein in the cedi and by extension inflation the Central Bank raised its monetary policy rate by 100 basis points to 16.5%. Interest rates on government securities however declined from an average of 23% in January to an average of 17% to 19% in December. The average rates on the 91 days and 182 days treasury bills were 22.5% and 22.6% respectively. The 1 year note and 2 year notes averaged 22%.

Investments and Performance

Portfolio Asset Mix



The net assets of the Fund as at 2013 was GHS5.96million, a growth of 26% from GHS 4.75million in 2012. 50% of the funds were invested in government notes (GHS 3.01million) and 21% in corporate notes (GHS1.23million) at a weighted average return of 22.9% and 25.1% respectively. Equity exposures remained marginal at 2% with a value of GHS 0.13million. Total amount invested in money market securities was GHS1.21million representing 21% of net assets.



Returns

SIFT made a net return of 22% in 2013 better than that of 2012 (16%) with a normalised return of 22% and a 3-year return of 71% from inception. Returns were driven by investments in the secondary market within the fixed income asset class Net investment gain in 2013 grew by 62% to GHS1.1million from GHS0.68million as total expense ratio declined from 2.34% in 2012 to 2.3% in 2013.

Portfolio Manager's Report cont.

Outlook

The economic outlook for 2014 is weak as the twin deficits burden maintains a destabilising influence on positive economic outcomes. These deficits have fuelled inflation and a key challenge will be to put the brakes on increasing wage expectations and by extension even higher inflation. It is anticipated that the first half of the year would see a significant upward movement in interest rates which may remain stable in the second half of the year as Bank of Ghana works to improve the economic situation of the country. The stock market is expected to continue its performance in 2013 on the back of strong fundamentals of listed stocks driven by the financial services sector.

Our mandate remains simple. Even in challenging economic environments, we will continue to identify under-priced assets across the relevant asset classes in order to generate real gains for our clients. SIMS is confident in its abilities to create wealth for our growing client in whatever economic climate that we find ourselves in.

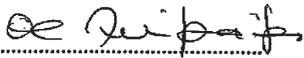
Thank you

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

16.04.14

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 2013, 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 16.

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.

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 2013, 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).

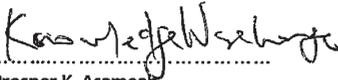
Report of the independent auditors to the unitholders of Stanbic Income Fund (cont.)

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 2013, income and distribution account, portfolio statement and capital account for the year then ended are in agreement with the books of account.



Prosper K. Asamoah

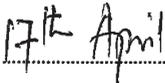
Practising Certificate Licence No: ICAG/P/1072

KnowledgeWarehouse

Licence Number: ICAG/F/2014/093

Chartered Accountants

Accra, Ghana



, 2014

Statement of Net Assets as at 31st December 2013

Description	Note	No. of Share	Price at 31-Dec-13(GH¢)	Market Value at 31-Dec-13(GH¢)	% of Net Assets
Shares					
<i>Banking</i>					
Standard Chartered Bank Limited		5,300	14.94	79,182	1.33
SOGEGH		50,000	0.75	37,500	0.63
Ghana Commercial Bank		1,000	4.85	4,850	0.08
<i>Food & Household Products</i>					
Fan Milk Ltd		77	6.62	510	0.01
<i>Consumer Goods</i>					
PZ Cussons		4,300	0.79	3,397	0.06
Total Shares				125,439	2.11
Medium Term Funds					
GOG Bonds				3,006,827	50.41
Short Term Funds					
Cash at Bank				146,131	2.45
Corporate Bonds				1,230,000	20.62
Fixed Deposits				1,211,407	20.31
Total				2,587,538	43.38
Total Investments				5,719,804	95.90
Other Assets in Excess of Liabilities				245,165	4.10
Total Net Assets				5,964,969	100.00

The notes on pages 16 and 18 are an integral part of these financial statements.

Statement of Assets and Liabilities as at 31st December 2013

	Note	2013 GH¢	2012 GH¢
ASSETS			
Total Investments		5,719,804	4,553,349
Interest Receivable:			
Fixed Deposits		68,898	42,599
Corporate Bonds		91,770	50,581
GOG Bonds		161,209	114,614
Treasury Bills & Notes		-	12,024
Total Receivables		321,877	219,818
Total Assets		6,041,681	4,773,167
LIABILITIES			
Accrued Fund Management Fees		67,941	8,011
Accrued Trustee Fees		1,271	11,581
Accrued Audit Fees		7,500	7,000
Total Liabilities		76,712	26,592
NET ASSETS		5,964,969	4,746,575

The financial statements on pages 9 to 18 were approved by **Stanbic Investment Management Services Ltd** and signed on its behalf by:



Director

16/04/2014



Director

16/04/2014

The notes on pages 16 and 18 are an integral part of these financial statements.

Income and Distribution Accounts for the year ended 31st December 2013

		2013 GH¢	2012 GH¢
INCOME			
Gross Dividend Income		5,096	9,805
Less: Withholding Tax		(408)	(784)
		-----	----
Net Dividend Income		4,688	9,021
Interest Income	4	1,173,735	794,595
Other Income	5	29	2,116
		-----	-----
Total Income		1,178,452	805,732
		-----	-----
EXPENSES			
Fund Management Fees		110,305	92,646
Trustees Fees		13,809	11,581
Audit Fees		7,500	7,000
Other Expenses	7	7,521	399
		-----	-----
Total Expenses		139,135	111,626
		-----	-----
NET INVESTMENT INCOME		1,039,317	610,933
Net Realised Gain on Investments		28,857	12,724
Unrealised Gain on Investments	6	32,642	54,012
		-----	-----
NET INVESTMENT GAINS		1,100,816	677,669
		=====	=====

The notes on pages 16 and 18 are an integral part of these financial statements.

Statement of Movement in Net Assets for the year ended 31st December 2013

	2013 GH¢	2012 GH¢
Operations:		
Net Investment Income	1,039,317	610,933
Net Realised Gain on Investments	28,857	12,724
Unrealised Gain/ (Loss) on Investments	32,642	54,012
	-----	-----
Net increase in net assets resulting from operations	1,100,816	677,669
	-----	-----
Capital Transactions:		
Proceeds from units issued	1,584,598	3,288,947
Units Redeemed	(1,467,020)	(3,052,844)
	-----	-----
Net proceeds from capital transactions	117,578	236,103
	-----	-----
Total Increase in Net Assets	1,218,393	913,772
	-----	-----
Net Assets:		
Balance as of 1st January	4,746,575	3,832,803
Total Increase in Net Assets	1,218,393	913,772
	-----	-----
Balance as of 31st December	5,964,969	4,746,575
	=====	=====

The notes on pages 16 and 18 are an integral part of these financial statements.

Statement of Movement in Issued Units for the year ended 31st December 2013

	2013	2012
Number of Units in issue at 1st January	3,401,161	3,188,106
Number of Units issued during the year	1,017,704	2,653,269
	-----	-----
Number of Units redeemed during the year	4,418,865 (923,558)	5,841,375 (2,440,214)
	-----	-----
Number of Units in issue at 31st December	3,495,307 =====	3,401,161 =====

Capital Account for the year ended 31st December 2013

	2013	2012
	GH¢	GH¢
Value of Units in issue at 1st January	3,828,249	3,592,146
Value of Units issued during the year	1,584,598	3,288,947
	-----	-----
Value of Units redeemed during the year	5,412,847 (1,467,020)	6,881,093 (3,052,844)
	-----	-----
Value of Units in issue at 31st December	3,945,827	3,828,249
	=====	=====

Portfolio Summary as at 31st December 2013

Description	No. of Shares at 31-Dec-12	Value at 31-Dec-12(GH¢)	No. of Shares at 31-Dec-13	Value at 31-Dec-13(GH¢)	Purchases During The Year(GH¢)	Sales During The Year(GH¢)
Banking:						
Standard						
Chartered Bank	10,800	124,200	5,300	79,182	-	62,301
SOGEGH Ghana	50,000	24,000	50,000	37,500	-	-
Commercial Bank	-	-	1,000	4,850	50,85	-
Food & Household Products:						
Fan Milk Ltd	10,077	35,773	77	510	-	65,306
Consumer Goods:						
PZC	-	-	4,300	3,397	2,488	-
Total		183,973		125,439	7,573	127,607

The notes on pages 16 and 18 are an integral part of these financial statements.

Notes forming part of the financial statements for the year ended 31st December 2013

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 2011 cont.

4. INTEREST INCOME

	2013 GH¢	2012 GH¢
Interest on Fixed Deposits	340,683	304,644
Interest on GOG Bonds	629,706	193,648
Interest Corporate Bonds	150,129	174,177
Treasury Bills & Notes	53,217	122,126
	-----	-----
	1,173,735	794,595
	=====	=====

5. OTHER INCOME

	2013 GH¢	2012 GH¢
Interest on Call Deposits	29	2,116
	===	====

6. UNREALISED GAIN ON INVESTMENTS

	2013 GH¢	2012 GH¢
Net Opening Value	183,973	109,946
Cost of Purchases	7,573	107,747
	-----	-----
Less Redemption/Sale	91,546 (98,749)	217,693 (87,732)
	-----	-----
Net Book Value at 31st December	92,797	129,961
Market Value at 31st December	125,439	183,973
	-----	-----
Increase in Market Value of quoted investments	32,642	54,012
	=====	=====

7. OTHER EXPENSES

	2013 GH¢	2012 GH¢
Bank Charges	438	399
Printing and Stationery	5,450	-
AGM Expenses	1,633	-
	-----	-----
	7,521	399
	=====	=====

Notes forming part of the financial statements for the year ended 31st December 2013 cont.

8. BID PRICE OF UNITS

The bid price of units on the accounting date ended 31 December, 2013 was GH¢1.7066 (2012: GH¢1.3952).

9. NUMBER OF UNITHOLDERS

The number of unit-holders as of 31 December, 2013 was 781 (2012: 680).

10. CONTINGENT LIABILITIES

There were no contingent liabilities as of the reporting date, and as of 31 December 2012.

Stanbic Income Fund / Proxy Form

Annual General Meeting to be held at the Stanbic Heights, Plot 215 South Liberation link, Airport City, Accra, Ghana on Wednesday, May 21st, 2014 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 _____ 2014

Unitholder(s) Signature _____

Resolution	For	Against
1. To receive the Report of the Manager of the Fund for the year 2013.		
2. To consider the Trustees Report and the Report of Auditors for the year ended December 31, 2013.		
3. To receive and adopt the Audited Financial Statements for the year ended December 31, 2013.		
4. To authorise the Manager to fix the remuneration of the Auditor		
5. To obtain unitholders approval for the use of electronic media as a mode of publication and communication.		

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)

