

# ANNUAL REPORT 2020

**EDC GHANA FIXED INCOME UNIT TRUST**



## EDC GHANA FIXED INCOME UNIT TRUST

### FINANCIAL STATEMENTS 31<sup>ST</sup> DECEMBER 2020

Ecobank Head Office Building, 2nd Floor  
2, Morocco Lane, Off the Independence Avenue  
P.O. Box AN 16746  
Accra- Ghana  
Tel: (233) 0302634165 / 0302634150  
Email: edc-clientservice@ecobank.com

# AGM

## Notice of Virtual Annual General Meeting (AGM)

Notice is hereby given that the **8<sup>th</sup> Annual General Meeting of the Unit Holders of EDC Ghana Fixed Income Unit Trust** will be held virtually and streamed live on <https://www.edcghanaagm.com> on **Wednesday August 18, 2021 at 11:00 a.m.** for the following purposes:

1. To receive the Report of the Fund Manager for the year ended December 31, 2020;
2. To receive and adopt the Audited Financial Statements together with the reports of the Trustees and Auditors for the year ended December 31, 2020; and
3. To authorize the Directors of EDC Investments Limited (EIL) to determine the fees of the Auditors for the year 2021.

**Dated this 30th day of June 2021**

**BY ORDER OF THE FUND MANAGER**

**Lawfields Consulting**

**Secretary**

### NOTES

#### General:

1. In compliance with imposition of Restrictions Act 2020 (Act 1012), the Registrar General's Department and Securities and Exchange Commission (SEC) directives and guidelines on holding virtual Annual General Meeting (AGM) and as part of measures to contain COVID-19, attendance and participation by Unit Holders or their proxies in this year's AGM of the Unit Trust, shall be strictly virtual (by online participation).
2. A Unit Holder is entitled to attend and vote or may appoint a proxy to attend (via online participation) and vote on his or her behalf either online or by post. Such proxy need not be a Unit Holder. For a proxy to be valid for the purposes of the meeting, it must be completed and submitted via [trust@umbcapital.com](mailto:trust@umbcapital.com) or deposited at Universal Merchant Bank, SSNIT

# AGM

## Notice of Virtual Annual General Meeting (AGM) - (cont'd)

Emporium Building, Airport, 2nd Floor Corporate Banking – Custody Service not less than 48 hours before the meeting.

3. A copy of the Proxy Form can be downloaded from <https://www.edcghanaagm.com> and may be filled, signed and sent via email to [trust@umbcapital.com](mailto:trust@umbcapital.com) not less than forty-eight (48) hours before the commencement of the meeting.
4. The appointment of the proxy will not prevent a Unit Holder from subsequently attending and voting at the meeting (via online participation). Where a Unit Holder attends the meeting in person (participates online), the proxy appointment shall be deemed to be revoked.
5. An electronic version of the Unit Trust's Annual Report consisting the Financial Statement, Directors', Fund Managers' and Trustee and Auditors Reports for the year ended 31<sup>st</sup> December 2020 may be accessed at EDC's dedicated AGM website at <https://www.edcghanaagm.com>.
6. Unit Holders are also encouraged to send in any questions in advance of the AGM by mailing them to [trust@umbcapital.com](mailto:trust@umbcapital.com). Answers to the questions will be provided at the AGM.
7. In accordance with SEC guidelines, Unit Holders are hereby informed that the Fund Manager shall amend its Constitution and the Trust Deed of the Unit Trust to provide for the holding of all meetings including Annual General Meetings by virtual means where the Directors of EIL deem it necessary so to do.

### Accessing and Voting at the Virtual AGM

8. To access and vote at the Virtual AGM, a unique token number will be sent to Unit Holders by email and/or SMS from EDC to give access to the meeting. Unit Holders who do not receive this token can contact our client care team on: [edc-clientservice@ecobank.com](mailto:edc-clientservice@ecobank.com) or call 0302634165/0302634150 to be sent the unique token any time before the date of the AGM.
9. To gain access to the Virtual AGM, Unit Holders must visit [edcghanaagm.com](https://www.edcghanaagm.com) and input their unique token number on the portal to join in and vote electronically during the meeting.
10. Further assistance on accessing the meeting and voting electronically can be found on <https://www.edcghanaagm.com>.

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EDC Investments limited

# Secure the future you want

Invest in the EDC Ghana Fixed Income Unit Trust  
Start with as little as GH¢ 50.

Contact us on: 2nd Floor, New Ecobank Head Office,  
2 Morocco Lane, Off the Independence Avenue  
Telephone: 0302634165  
Email: [edc-clientservice@ecobank.com](mailto:edc-clientservice@ecobank.com)



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The Pan African Bank

## PARTICULARS OF SERVICE PROVIDERS

DIRECTORS OF FUND MANAGER	Mr. Paul-Harry O. S Aithnard (Chairman) Mrs. Rosemary Yeboah Mr. Marcel Yondo-Nkembe Mr. Paul Mante (Managing Director) - EIL
FUND MANAGER	EDC Investments Limited 2 Morocco Lane Off independence Avenue 2nd Floor Ecobank Ghana Head Office P. O. Box AN 16746 Accra Ghana
TRUSTEE	Universal Merchant Bank SSNIT Emporium Building Airport 2 <sup>nd</sup> Floor Corporate Banking- Custody Service
AUDITORS	John Kay and Co. Chartered Accountants 7 <sup>th</sup> Floor, Trust Towers Farrar Avenue, Adabraka P.O. Box 16088 Airport, Accra
BANKERS	Ecobank Ghana Limited Ring Road Central Accra.

## REPORT OF BOARD OF DIRECTORS OF THE FUND MANAGER TO THE MEMBERS OF EDC GHANA FIXED INCOME UNIT TRUST

The Board of Directors of EDC Investments Limited (Fund Managers) presents the report and audited financial statements of EDC Ghana Fixed Income Unit Trust for the year ended 31 December, 2020.

### FINANCIAL STATEMENTS

The results for the year ended 31 December 2020 are set out in the attached financial statements.

The Board of Directors of the Fund Manager considers the state of the affairs of the Unit Trust to be satisfactory

### NATURE OF BUSINESS

EDC Ghana Fixed Income Unit Trust is a unit trust registered in Ghana. It is licensed by the Securities and Exchange Commission, Ghana and authorized to operate

as a Unit Trust, in line with the Unit Trust and Mutual Fund Regulation, 2001 (L.I. 1695).

EDC Ghana Fixed Income Unit Trust is an open-ended unit trust offered to investors who are seeking current income on a steady basis while preserving capital. The Unit Trust's objective is to outperform short term interest rates being offered on Government securities. The Unit Trust shall be wholly invested in fixed income securities.

### DIVIDEND DISTRIBUTION POLICY

The Unit Trust does not distribute income. All income earned are reinvested.

Unit holders should be aware that the unit trust aims to achieve capital preservation and income, and as such income is reinvested to take advantage of the effects of compounding.

	2020 GH¢	2019 GH¢
Government Notes and Bonds	1,437,272,875	816,430,844
Non-Sovereign Bonds	294,754,423	287,602,038
Corporate Bonds	54,558,294	52,403,208
Fixed Deposits	-	113,764,639
Treasury Bills	14,368,194	-
Others	62,092,804	5,938,311
Cash and cash equivalent	45,775,814	9,298,702
	-----	-----
	1,908,822,404	1,285,437,742
	=====	=====



## REPORT OF BOARD OF DIRECTORS OF THE FUND MANAGER TO THE MEMBERS OF EDC GHANA FIXED INCOME UNIT TRUST

iii. Below are the asset allocation percentages for the year ended:

	<b>2020</b>	<b>2019</b>
	<b>%</b>	<b>%</b>
Government Notes and Bonds	76	64
Non-Sovereign Bonds	15	22
Corporate Bonds	3	4
Fixed Deposits	0	9
Treasury Bills	1	0
Others	3	0
Cash	2	1
	----	----
<b>Total Investments</b>	<b>100</b>	<b>100</b>
	===	===

### APPROVAL OF FINANCIAL STATEMENTS

The financial statements of the Unit Trust, were approved by the Board of Directors of EDC Investment Limited (Fund Manager) on 30<sup>th</sup> April 2021 and signed on its behalf by:



.....  
DIRECTOR



.....  
DIRECTOR

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF EDC GHANA FIXED INCOME UNIT TRUST



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### OPINION

We have audited the accompanying financial statements of EDC Ghana Fixed Income Unit Trust, which comprise the statement of financial position as at 31 December 2020, the statement of profit or loss and other comprehensive income and the statement of movement in net assets 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 20 to 30.

In our opinion, the financial statements give a true and fair view of the financial position of EDC Ghana Fixed Income Unit Trust as at December 31, 2020 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS), and Unit Trust and Mutual Funds Regulations, 2001 (L.I 1695)

### BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

We are independent of the Unit Trust in accordance with the International Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants (IESBA) and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion..

### RESPONSIBILITIES OF THE BOARD OF DIRECTORS EDC INVESTMENT LTD FOR THE FINANCIAL STATEMENTS

The Board of Directors of EDC Investments Ltd is responsible for the preparation of the financial statements

that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Companies Act 2019, (Act 992) of Ghana, Unit Trust and Mutual Funds Regulations, 2001 (L.I 1695) and for such internal control as Board of Directors of EDC Investments Ltd determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Board of Directors of EDC Investments Ltd is also responsible for overseeing the Unit Trust's financial reporting process.

In preparing the financial statements, the Board of Directors of EDC Investments Ltd is responsible for assessing the Unit Trust's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Board of Directors of EDC Investments Ltd either intends to liquidate the Unit Trust or to cease operations, or has no realistic alternative but to do so.

### AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objective is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

- As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:
- Obtain an understanding of internal control relevant

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF EDC GHANA FIXED INCOME UNIT TRUST



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to the audit 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 Unit Trust's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Board of Directors of EDC Investments Ltd.
- Conclude on the appropriateness of Board of Directors' of EDC Investments Ltd use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Unit Trust's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Unit Trust to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

### KEY AUDIT MATTER

In accordance with ISAs, this part of our report is intended to describe the matters communicated with those

charged with governance that we have determined, in our professional judgement, were most significant in the audit of the financial statements.

### 1. Income Recognition

Income is an important measure of performance and represents a material item in the unit trust's income and distribution account. The trust generates income from investment of members' funds. Given that some of the unit trust's investments will mature beyond 31 December 2020, the cut-off date of 31 December 2020 is significant to ensure that amounts that will accrue after this date are not recognized as income in the current financial statements. In this regard, we consider income recognition as key audit matter.

How the matter was addressed in our audit  
Our audit procedures included the following;

1. We reviewed the design and implementation of controls over the unit trust's investment valuation procedures and income recognition
2. For a sample of significant investments, we obtained evidence of their existence, their particulars and recomputed the income recognized on these investments to verify their accuracy.
3. Evaluated the adequacy of the accounting policies and the disclosures on income recognized in the unit trust's income and distribution account.

### 2. Impact of COVID-19

The COVID-19 pandemic had significant impact on management's assumptions and judgments of the financial statement. The pandemic led to significant economic, accounting and regulatory developments that affected the operations of the trust during 2020. These developments also affected our overall approach to the audit. We therefore consider the impact of COVID-19 as a key audit matter.

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF EDC GHANA FIXED INCOME UNIT TRUST



**John Kay & Co.**

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Airport, Accra

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E-mail: jkayal@yahoo.com

How the matter was addressed in our audit  
Our audit procedures included the following;

1. Reviewed policies and directives from Government of Ghana and the Securities and Exchange Commission applicable to the operations of the trust to confirm compliance
2. Reviewed the credit risk assessment of the trust's assets as a result of COVID-19 and reviewed the adequacy of impairment provisions made for the trust's assets
3. Performed procedures to ensure income is not recognized on assets that are impaired as a result of the COVID-19 pandemic.

Report on Other Legal and Regulatory Requirements

The Companies Act, 2019, (Act 992) requires that in carrying out our audit we consider and report to you on the following matters. We confirm that:

- 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 accounts have been kept by the Unit Trust so far as it appears from our examination of those books.
- The Unit Trust's Statement of Assets and liabilities and income and Distribution Accounts are in agreement with the books of Account.

The engagement partner on the audit resulting in this Independent Auditor's Report is John Armstrong Yao Klinogo (ICAG/P/1116)

For and on behalf of John Kay & Co. (ICAG/F/2021/128)  
Chartered Accountants  
Accra.

## PORTFOLIO MANAGER'S REPORT 2020



**Emmanuel Owusu** - Portfolio Manager

### THE GLOBAL ECONOMIC ENVIRONMENT

The economic ruins of the COVID-19 pandemic were shared globally. It took away lives across all countries and disrupted global economic growth. Estimates so far indicate that the pandemic caused global economic growth to shrink by 3.3% in 2020. In response to the low inflation environment alongside slowdown in economic activities, central banks in major economies pursued accommodative monetary policies to ease the tightness in financial conditions to remediate and lessen the economic impacts. One year on, these policies coupled with breakthroughs from scientific research leading to development of vaccines have facilitated some economic recovery. The Global economy is thus projected to recover by 3% to 6% in 2021 and 2022 underpinned by resumption in global travel, manufacturing and supply chain activities. Nevertheless, we are not out of the woods entirely as new variants pose some risk to economic recoveries made.

### THE DOMESTIC ECONOMY

In Ghana, the situation was not different as households, local businesses and the general economy were impacted by the pandemic. Economic activities slowed on the back of lockdown measures and restriction on gatherings. This together with the transient closedown of major markets

due to fumigation exercises led to hikes in food prices and inflation.

The Ghanaian economy is estimated to have grown by 0.4% in 2020 compared to an average growth of 7% realized between 2017 and 2019, largely reflecting the impact of the pandemic. Despite the industry sector contracting by an average of 3.5% in 2020, the economy was supported by a 7.2% growth in the Agriculture sector while the Services sector slowed to a 1.5% growth.

On the onset of Covid-19 in Ghana, the Government and the Central Bank instituted a number of fiscal and monetary policies to lessen the impact of the pandemic. The Central Bank for instance, reduced the Monetary Policy Rate (MPR) by 150 basis points to 14.50% in March 2020. The MPC further announced a 200bps reduction in the Cash Reserve Requirement (CRR) of deposit money banks and lowered the Capital Conservation Buffer by 150 basis points to 11.5%. These measures were geared at bolstering liquidity in the banking system and providing incentives for increased lending to critical sectors of the economy. This was part of the broader strategy of the Bank of Ghana to mitigate downside risks posed by the pandemic on economic activities. The policy rate remained unchanged at 14.50% for the rest of the year 2020.

Headline inflation rose sharply from 7.9% in December 2019 to 11.4% in July 2020 mainly due to panic-buying episodes preceding the COVID – 19 partial lockdown measures which exerted significant pressures on food prices.

However, with the gradual lifting of restrictions, food price pressures eased, and headline inflation gradually declined to 10.4% in December 2020, 40bps shy of the 6%-10% inflation target.

The Impact of the pandemic threw the Government's 2020 budget out of synch and laid bare our structural vulnerabilities as expenditure levels increased. This led to a revision of the 2020 fiscal targets through the mid-year budget review. Expenditure for the period exceeded the programmed target by 2.4%, reflecting the unanticipated expenses incurred to mitigate the negative impact of COVID-19. Consequently, total expenditure for the period

## PORTFOLIO MANAGER'S REPORT 2020

amounted to GHS 100 Bn compared to a target of GHS 98 Bn. Total revenue and grants amounted to GHS 55 Bn marginally higher than the revised target of GHS 54 Bn. The higher than expected expenditure resulted in an overall broad cash budget deficit of 11.7% of GDP against a target of 11.4%. The primary balance recorded a deficit of 5.3% compared to the revised target deficit of 4.6%.

This high deficit pushed the public debt stock to GHS 291 Bn (76.1% of GDP) at the end of 2020 compared to GHS 218 Bn (62.4%) at the end of 2019. Of this debt stock, domestic debt amounted to GHS 150 (39.1% of GDP), while the external debt was GHS 142 Bn (37% of GDP).

Regarding External sector developments and as mentioned earlier, the pandemic disrupted supply chain activities and led to declines in export and import activities. Nevertheless, the trade account recorded a surplus of USD 2 Bn (3% of GDP) albeit lower than 2019's trade balance of USD 2.3 Bn (3.4% of GDP). The decline in the surplus was driven largely by a 7.8% contraction in total exports receipts especially from crude oil exports. In addition, total imports contracted by 7.3%. The overall balance of payments recorded a deficit of USD 0.63 Bn in 2020 compared with a surplus of USD 1.34 Bn in 2019. At the end of 2020, Gross international reserves stood at USD 8.62 Bn equivalent to 4.1 months of import. An improved reserve coupled with reduced pressure on the dollar for imports, Eurobond inflow, the USD 1 Bn IMF Rapid Credit Facility and the BoG's forward auctions propped up the Cedi's performance against other major currencies. At

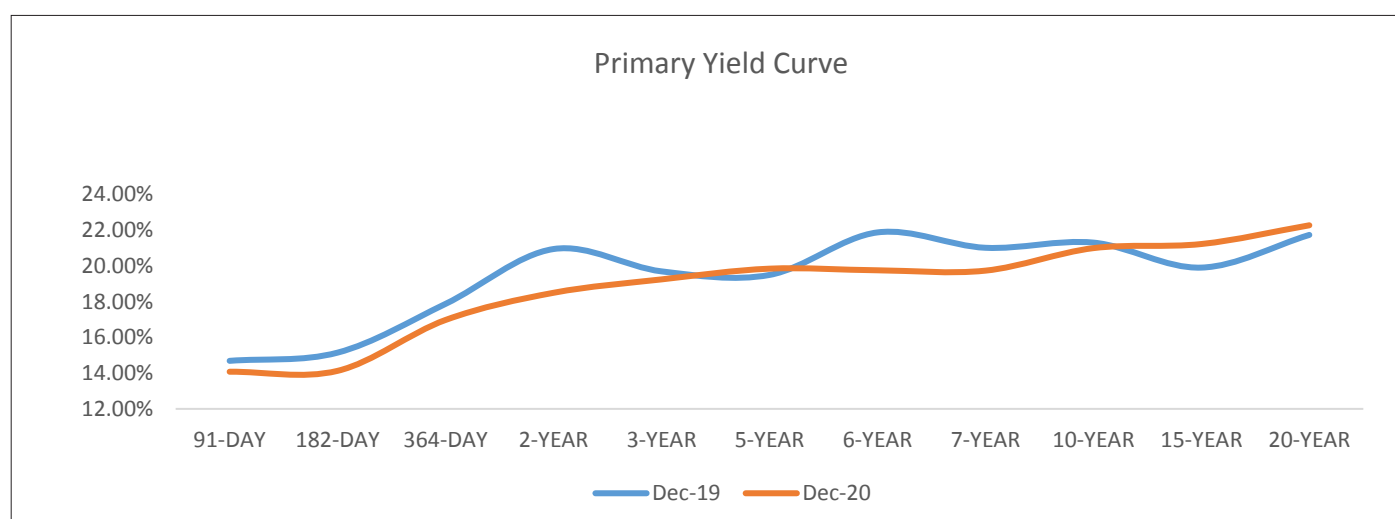
the end of 2020, the Cedi depreciated against the USD, the British Pound, and the Euro by 3.9%, 7.1% and 12.1% respectively. This compares favorably to 2019's depreciation of 12.9%, 15.7% and 11.2% for the USD, GBP and Euro respectively.

### THE FIXED INCOME MARKET IN 2020

In the earlier episodes of the pandemic when global economic conditions weakened and growth projections worsened, financial market conditions responded likewise resulting in tightening of yields on emerging and developing market bonds. This subsequently eased somewhat reflecting the decisive monetary, financial, and fiscal policies instituted to stabilize investor sentiments.

The situation was not that different in Ghana, as yields inched up in the first quarter of 2020; however, inflows from the Eurobond Issuance, the Rapid Credit Facility from the IMF and increased liquidity from Fund Managers led to the decline in yields. Government further suppressed rates on Money Market and Benchmark issuances, a move to reduce borrowing cost.

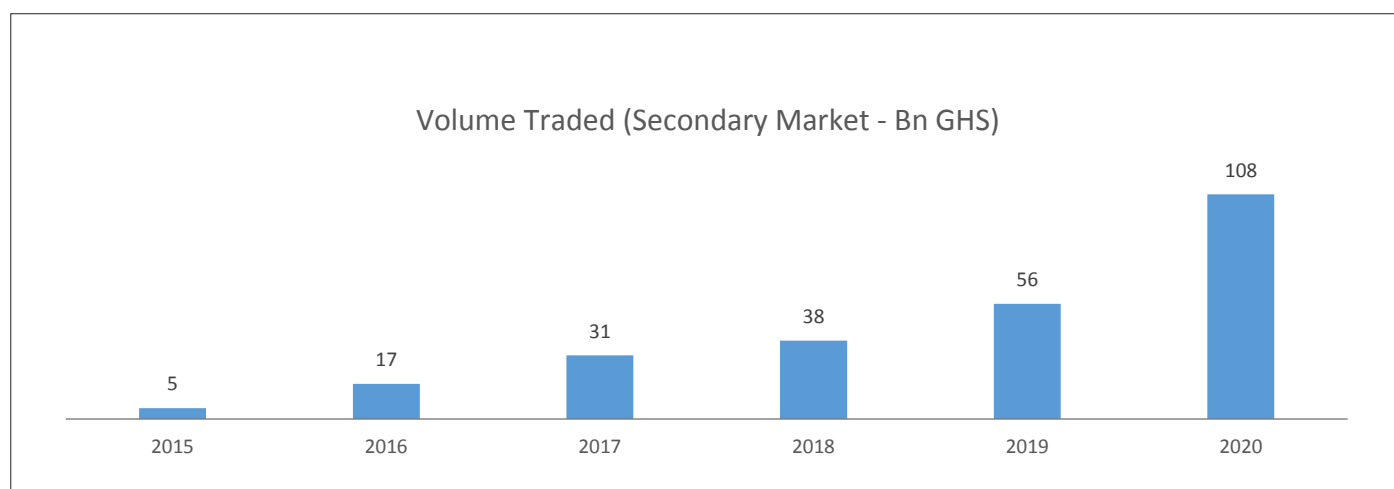
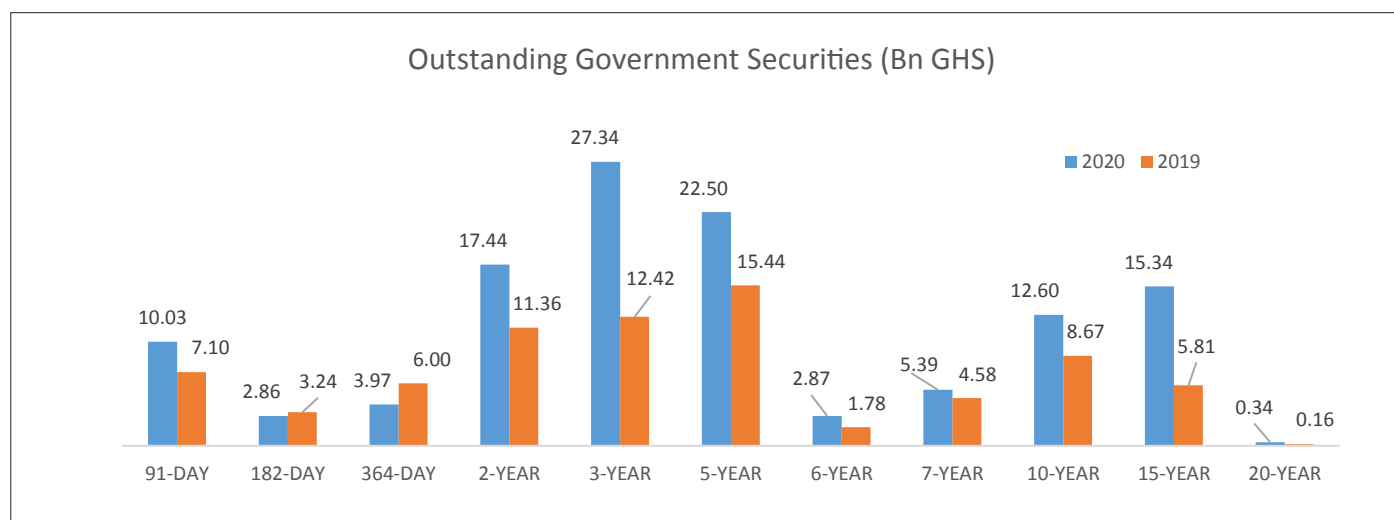
On a year-on-year basis, yields broadly declined. The 3 Months, 6 Months and 364-Day Treasury bills declined to 14.08%, 14.13% and 16.98% at the end of December 2020 from 14.69%, 15.15% and 17.88% at the end of December 2019, respectively. With the exception of the 5, 15 and 20 Year bonds, all other Government securities declined in yields, obviously posing reinvestment risk to investors.



## PORTFOLIO MANAGER'S REPORT 2020

Regarding Market activities, the Fixed Income market continued to see major growth in relation to the total volumes of trades executed and liquidity. In 2020, the market finally broke GHS 100 Bn ceiling with a total trade volume of 108 Bn GHS, compared to 2019's trade volume

of 55 Bn GHS. The trade volume was supported by increased market players, efficiency, and increased bond issuances. More so, at the end of 2020, total outstanding Government Securities stood at GHS 120 Bn, 58% greater than 2019's outstanding issuances.



### PORTFOLIO STRUCTURE

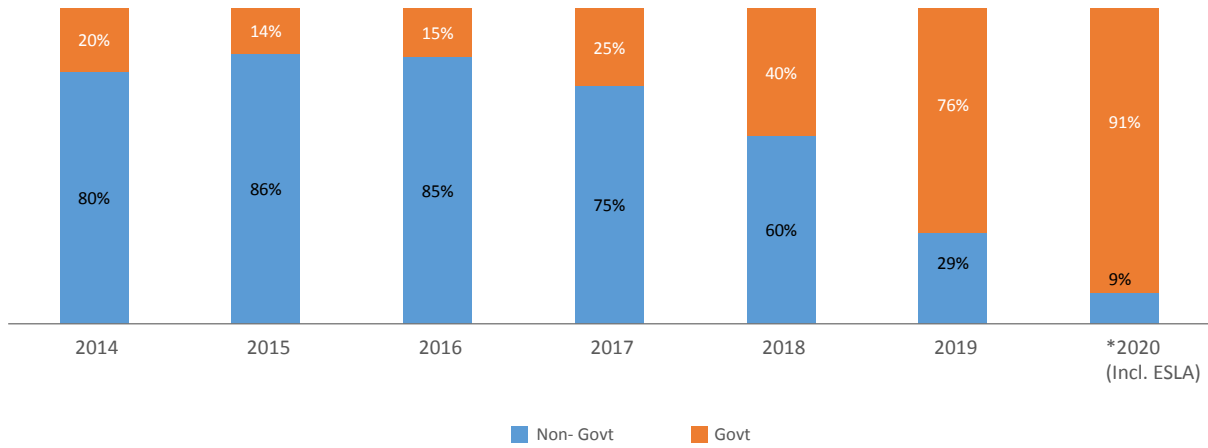
The Objective of the EDC Ghana Fixed Income Unit Trust is to achieve current income on a steady basis while preserving capital. The aim is to outperform short term interest rates being offered on Government Securities (Government of Ghana 1-year Treasury note) net of fees. The Fund invests 100% of its assets in a well-diversified portfolio of fixed income securities.

The Fund in 2020 was well within its mandate to invest 100% of its Assets Under Management (AUM) in fixed income securities. Since 2016 and in anticipation of the financial industry crisis experienced in Ghana, the fund managers took tactical steps in a general de-risking of the fund. This decision to de-risk is reflected in our current fund structure with significant government exposure. This increase in our treasury exposure also provided us with immense trading and liquidity opportunities and positioned the fund safely during the Covid-19 pandemic.

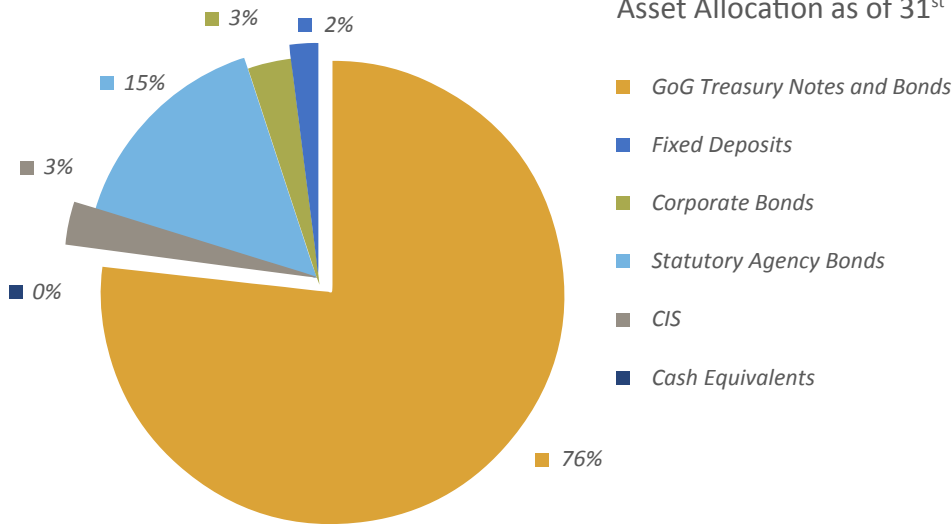


## PORTFOLIO MANAGER'S REPORT 2020

Asset Mix Evolution



Asset Allocation as of 31<sup>st</sup> December 2020



### PORTFOLIO PERFORMANCE

The Trust returned 16.58% in 2020 reflecting the declining yields observed on the market. Since inception, the Unit

Trust has posted a Compounded Annual Growth Rate of 21% resulting in a cumulative performance of 419.99% as against a benchmark return of 355.94%.



## PORTFOLIO MANAGER'S REPORT 2020



**At the end of 2020, the Cedi depreciated against the USD, the British Pound, and the Euro by 3.9%, 7.1% and 12.1% respectively. This compares favorably to 2019's depreciation of 12.9%, 15.7% and 11.2% for the USD, GBP and Euro respectively.**

### ASSET UNDER MANAGEMENT

The assets of the Fund continued its growth trajectory in 2020, growing by 48% from GHS 1.29 billion to GHS 1.91 billion; and thus maintaining its position as the largest fund in Ghana. Total subscriptions recorded for the Full Year 2020 amounted to GHS 1.1 billion and total redemptions of GHS 727 million. The client base of the fund grew by 36% from 41,124 in 2019 to 56,107 as at the end of 2020.

### COVID-19 DEVELOPMENT, OUTLOOK & STRATEGY.

Since the turn of the year, global growth momentum has strengthened underscored by the continuous policy support, the rollout of vaccines and relaxation of restrictions, particularly in advanced economies. These factors have helped boost prospects of a rebound in economic activity which has also been witnessed in the revised global growth projections by the IMF. Global growth projections have increased from 5.5% to 6%; nonetheless, the emergence of new variants and vaccine supply challenges in emerging markets pose some uncertainty which could undermine the recovery process.

Locally, the recovery process from the pandemic has gained some momentum and is expected to record an average growth rate of 5% from 2021 to 2024. The Bank of Ghana's updated Composite Index of Economic Activity (CIEA) registered a strong annual growth of 26.8% in March 2021. Latest GDP figures as recorded by the Ghana Statistical Service have also confirmed recovery in Q1 2021 (3.1% year-on-year) albeit at a slower pace in comparison to Q4 2020 growth (3.3% year-on-year). This was underpinned by a 4.3%, 1.3% and 4% growth in the Agriculture, Industry and Service Sectors respectively.

The economic recovery projected by the Government is expected to be supported by fiscal discipline and consolidation with the deficit projected to decline to 9.5% of GDP with a corresponding primary deficit of 1.3% of GDP. Total revenues and grants are estimated at GHS 72.5 billion (16.7% of GDP), while total expenditures and arrears payment are estimated at GHS 113.8 billion (26.2% of GDP). The projected fiscal consolidation path is mainly due to expected increased revenue mobilization made up of both revenue administration efficiency and new revenue measures. In the next 4 Years, the Government has a projected average revenue and expense of GHS 87 Mn against GHS 121 Mn Respectively.

Headline inflation is expected to remain within the medium term target of 6% - 10% having dropped from 10.4% in December 2020 to 7.5% as of May 2021, driven by lower food prices and base drift effects. Correspondingly, the central bank cut the prime rate from 14.5% to 13.5% reflecting the muted inflationary pressures and economic recovery witnessed in the first half of 2021. Due to this, we expect borrowing rates and yields on securities to remain subdued in 2021 underpinned by excess liquidity on the market, Eurobond issuance and high appetite for government issuances.

On the currency front, we expect the Cedi to remain relatively stable supported by rebound in crude oil prices, increased foreign direct investment, and flows from the GHS 3 Bn Eurobond issuance in April 2021 and expected inflow from the annual cocoa syndication loan.

We continue to urge you our valued clients to continue to invest with confidence in the Fund. We remain committed to enhancing the value of your investments and your Fund will be well positioned to take advantage of the upside potential on Fixed Income instruments without compromising the Fund's objectives. We remain committed to you and appreciate your custom and look forward to your continued support.

**Emmanuel Owusu - Portfolio Manager**

## REPORT OF THE TRUSTEES TO THE UNIT HOLDERS OF THE EDC GHANA FIXED INCOME UNIT TRUST FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER 2020

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 and all regulations for the time being in force under the Securities Industry Act, 2016 (Act 929) and the Unit Trusts and Mutual Funds Regulations, 2001 (LI 1695).

Dated:

30/04/2021



For: UNIVERSAL MERCHANT BANK LIMITED



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- Click **Pay Bill**
- Select **EDC Investment** under the **Investment** option
- Select **Account** and **Product**
- Fill details (EDC account number, amount and email)
- Click **Pay** and input **PIN** to validate transaction

Terms and Conditions apply

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## STATEMENT OF FINANCIAL ASSETS DESIGNATED THROUGH PROFIT OR LOSS AS AT 31<sup>ST</sup> DECEMBER 2020

### FIXED INTEREST SECURITIES

#### TREASURY BILLS

364 - Day Treasury Bills

### STATUTORY AGENCY BILLS & BONDS

7 - Year Statutory Agency Bonds

10 - Year Statutory Agency Bonds

182 - Day Cocoa Bills

### GoG TREASURY NOTES & BONDS

2 - Year Fixed Rate Notes

3 - Year Fixed Rate Notes

5 - Year Fixed Rate Notes

6 - Year Fixed Rate Bonds

7 - Year Fixed Rate Notes

10 - Year Fixed Rate Notes

15 - Year Treasury Note

### CORPORATE BONDS

3 - Year Fixed Rate Notes

5 - Year Fixed Rate Notes

5 - Year Floating Rate Notes

6 - Year Floating Rate Notes

7 - Year Fixed Rate Notes

### RECEIVABLES

Corporate Bonds

Receivables on Secondary Trades

### OTHERS

Other Collective Investment Schemes

Call Deposits

Funds on Call

Funds on Call

	Market Value GH¢	Percentage of Net Asset (%)
	14,368,194	0.76
	-----	----
	14,368,194	0.76
	-----	----
	15,568,270	0.82
	273,613,578	14.41
	5,572,575	0.29
	-----	----
	294,754,423	15.53
	-----	----
	140,177,721	7.39
	233,084,256	12.28
	192,649,225	10.15
	128,148,450	6.75
	126,217,732	6.65
	348,187,831	18.34
	268,807,660	14.16
	-----	----
	1,437,272,875	75.72
	-----	----
	21,407,652	1.13
	10,919,028	0.58
	13,409,730	0.71
	3,387,684	0.18
	5,434,200	0.29
	-----	----
	54,558,294	2.87
	-----	----
	56,637,581	2.98
	4,419,562	0.23
	-----	----
	1,035,66	0.05
	-	0.00
	-----	----
	1,035,661	0.05
	-----	----
	45,775,814	2.41
	-----	----
	45,775,814	2.41
	-----	----

## STATEMENT OF FINANCIAL ASSETS DESIGNATED THROUGH PROFIT OR LOSS AS AT 31<sup>ST</sup> DECEMBER 2020

### FIXED INTEREST SECURITIES

	Market Value GH¢	Percentage of Net Asset (%)
TOTAL FINANCIAL ASSETS	1,908,822,404	100.56
TOTAL FINANCIAL & OTHER LIABILITIES	(10,156,254)	(0.54)
IMPAIRMENT LOSS(PROVISION)	(545,582)	(0.03)
	-----	----
TOTAL INVESTMENT IN FINANCIAL ASSETS	1,898,120,568	100
	=====	===

## STATEMENT OF FINANCIAL POSITION AS AT 31<sup>ST</sup> DECEMBER 2020

### FIXED INTEREST SECURITIES

	Note (s)	2020 GH¢	2019 GH¢
<b>Financial Assets</b>			
Cash and cash equivalents	11	45,775,814	9,298,702
Non-pledged financial assets at fair value Through Profit or Loss	12	1,862,501,008	1,275,615,008
		-----	-----
<b>Total Financial Assets</b>		1,908,276,822	1,284,913,710
		=====	=====
Represented by:			
Members' Fund		1,898,120,568	1,283,250,057
		-----	-----
		1,898,120,568	1,283,250,057
		-----	-----
Financial & Other Liabilities			
Accounts payables	13	10,156,254	1,663,65
		-----	-----
		10,156,254	1,663,653
		-----	-----
<b>Total Members' Fund &amp; Financial Liabilities</b>		1,908,276,822	1,284,913,710
		=====	=====




## STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER 2020

REVENUE	Note (s)	2020 GH¢	2019 GH¢
Interest Income	9	267,787,800	175,789,198
Total Revenue		----- 267,787,800	----- 175,789,198
Expenses			
Investment Management Fees		31,193,893	22,173,176
Trustee Fees		5,069,008	3,602,771
General Administrative Expenses	14	89,970	66,654
Audit Fees		50,000	45,600
Total Operating Expenses		----- 36,402,871	----- 25,888,201
Operating Profit Before Tax		231,384,929	149,900,997
Impairment Provision		(21,550)	(524,032)
Increase in Net Assets Available for Redemptions		----- 231,363,379 =====	----- 149,376,965 =====

## ACCUMULATED NET INVESTMENT INCOME FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER 2020

	2020 GH¢	2019 GH¢
Balance as at 1 January	358,154,235	208,777,270
Transfer from income and distribution statement	231,363,379	149,376,965
Balance as at 31 December	----- 589,517,614 =====	----- 358,154,235 =====

## STATEMENT OF MOVEMENTS IN NET ASSETS FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER 2020

	2020 GH¢	2019 GH¢
Change in Net Assets from Operations		
Change in:		
Net Investment Income	231,363,379	149,376,965
	-----	-----
Net Change in Net Assets from Operations	231,363,379	149,376,965
	-----	-----
Change in Net Assets from Capital Transactions		
Proceeds from Issue of Shares	1,110,831,321	834,076,936
Share Redemption	(727,324,189)	(513,147,610)
	-----	-----
Net Change in Net Assets from Capital Transactions	383,507,132	320,929,326
	-----	-----
<b>Net Additions to Net Assets</b>	<b>614,870,511</b>	<b>470,306,291</b>
	=====	=====
Analysis of Changes in Cash and Cash Equivalents for the Year		
At 1 January	1,283,250,057	812,943,766
Net Additions to Net Assets	614,870,511	470,306,291
	-----	-----
<b>At 31 December</b>	<b>1,898,120,568</b>	<b>1,283,250,057</b>
	=====	=====

## STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER 2020

2020	CAPITAL TRANSACTION GH¢	INVESTMENTS GH¢	TOTAL GH¢
Balance at 1 January	925,095,822	358,154,235	1,283,250,057
Net income from operations	-	231,363,379	231,363,379
Unit Issue	1,110,831,321	-	1,110,831,321
Units Redemption	(727,324,189)	-	(727,324,189)
	-----	-----	-----
<b>At 31 December</b>	<b>1,308,602,954</b>	<b>589,517,614</b>	<b>1,898,120,568</b>
	=====	=====	=====
2019	CAPITAL TRANSACTION GH¢	INVESTMENTS GH¢	TOTAL GH¢
Balance at 1 January	604,166,496	208,777,270	812,943,766
Net income from operations	-	149,376,965	149,376,965
Unit Issue	834,076,936	-	834,076,936
Units Redemption	(513,147,610)	-	(513,147,610)
	-----	-----	-----
<b>At 31 December</b>	<b>925,095,822</b>	<b>358,154,235</b>	<b>1,283,250,057</b>
	=====	=====	=====

## MOVEMENTS IN ISSUED SHARES FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER 2020

	<b>2020</b>	<b>2019</b>
	<b>No. of Units</b>	<b>No. of Units</b>
Balance at 1 January	293,653,350	214,851,690
Issued during the year	229,973,823	200,070,468
Redemption during the year	(151,329,834)	(121,268,808)
	-----	-----
<b>Balance at 31 December</b>	<b>372,297,339</b>	<b>293,653,350</b>
	=====	=====

## STATEMENT OF CASHFLOW FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER 2020

	<b>2020</b>	<b>2019</b>
	<b>GHC</b>	<b>GHC</b>
<b>Cash Flows from Operating Activities:</b>		
Interest in Net Assets Attributable to Unit Holders	231,363,379	149,376,965
Adjusted for:		
Interest Accrued	(71,688,609)	(38,717,554)
Interest Income	(196,101,285)	(136,985,716)
Interest Income	(100,318)	(85,928)
Change in Liabilities	8,492,601	(5,461,308)
	-----	-----
	<b>(28,034,232)</b>	<b>(31,873,541)</b>
	-----	-----
<b>Cash Flow from Investing Activities</b>		
Interest	196,101,285	137,071,644
Purchase of Financial Asset	(515,097,073)	(499,910,443)
	-----	-----
	<b>(318,995,788)</b>	<b>(362,838,799)</b>
	=====	=====
<b>Cash Flow from Financing Activities</b>		
Proceeds from Issuance of Units	1,110,831,321	834,076,936
Amount Paid on Redemption of Units	(727,324,189)	(513,147,610)
	-----	-----
	<b>383,507,132</b>	<b>320,929,326</b>
	-----	-----
<b>Net Increase (Decrease) In Cash and Cash Equivalent</b>	<b>36,477,112</b>	<b>(73,783,014)</b>
Cash and Cash Equivalent at 1 January, 2020	9,298,702	83,081,716
	-----	-----
<b>Cash and Cash Equivalent at 31 December</b>	<b>45,775,814</b>	<b>9,298,702</b>
	=====	=====



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## EDC Ghana Fixed Income Unit Trust



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## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER 2020

### NOTES TO FINANCIAL STATEMENTS

#### 1. REPORTING ENTITY

EDC Ghana Fixed Income Unit Trust is a Unit Trust investment vehicle whose primary objective is to obtain contributions from unit holders and invest same for their benefit. EDC Ghana Fixed Income Unit Trust is a Unit Trust registered and operating in the Republic of Ghana. The address and registered office of the promoters can be found on page 2 of the financial statements.

The Unit Trust is an open-ended investment Unit Trust primarily involved in investing unit holders contributions in, investment-grade debt securities, with the objective of providing members with above-average returns over medium to long term.

The investment activities of the Unit Trust are managed by EDC Investments Limited, and the trustee services of the Unit Trust is delegated to Universal Merchant Bank (Ghana) Limited.

#### 2. BASIS OF ACCOUNTING

##### a. Basis of preparation

*These financial statements have been prepared in accordance with the Unit Trust and Mutual Funds Regulations, 2001 (L.I. 1695) and comply with the International Financial Reporting Standards (IFRS).*

##### b. Functional and presentation Currency

These financial statements are presented in Ghana cedi, which is the Unit Trust's functional currency. All amounts have been stated in full.

##### c. Use of judgements and estimates

In preparing these financial statements, the Unit Trust's management has made judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

#### 3. ACCOUNTING POLICIES

The following principal accounting policies have been consistently applied during the year in the preparation of the Unit Trust's financial statements.

##### i. Purchase of Share Units

Applicants complete standard application forms which are

sent to the office of the Manager. Telephone or electronic requests must be confirmed in writing. Application for units is at the discretion of the Board of Directors of the Fund Manager. Cheques are cleared first before the processing of applications by the Manager. Payments for units shall be made in Ghana Cedis; however, applicants can settle their payments with easily convertible currencies but bear the foreign exchange transaction cost.

##### ii. Investment Income Recognition

###### (a) Interest income

Interest income, including interest income from non-derivative financial assets at Fair Value Through Profit or Loss (FVTPL), are recognised in profit or loss, using effective interest method. The effective interest is the rate that exactly discounts the estimated future cash payments or receipts, without consideration of future credit losses, over the expected life of the financial instrument or through to the next market-based re-pricing date to the net carrying amount of the financial instrument on initial recognition.

Interest received or receivable and interest paid or payable are recognised in the profit or loss as interest income or interest expense, respectively.

##### iii. Financial Instruments

###### (a) Non-derivative financial instruments

Non-derivative financial instruments comprise loans and receivables, held-to-maturity and available-for-sale. The Fund Manager determines the appropriate classification of its financial assets and liabilities at initial recognition.

Non-derivative financial instruments are recognised initially at fair value plus, for instrument not at fair value through profit and loss, any directly attributable transaction cost. Subsequent to initial recognition non-derivative financial instruments are measured at amortised cost using the effective interest rate method, less impairment losses, if any.

Non-derivative financial instruments are derecognised when the rights to receive cash flows from the financial assets have expired or where the Unit Trust has transferred substantially all risks and rewards of ownership.

Non-derivative financial instruments are categorised as follows:

- Loans, advances and receivables – these are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market other

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER 2020

than (a) those classified as held for trading and those that the Unit Trust on initial recognition designates at fair value through profit and loss; (b) those that the Unit Trust upon initial recognition designates as available-for-sale; or (c) those for which the holder may not recover substantially all of its initial investment, other than because of credit deterioration.

Loans and receivables are carried at amortised cost using effective interest rate method less appropriate allowances for doubtful receivables. Allowances for doubtful receivables represents the Unit Trust's estimate of incurred losses arising from the failure or inability of customers to make payments when due. These estimates are based on aging of customer's balances, specific credit circumstances, and the company's receivables historical experience. Regular way purchases and sales of loans and receivables are recognised on contractual settlement

Available-for-sale – these are intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates, or equity prices. Investment securities and treasury bills with a maturity of 182 days or less are classified as available-for-sale.

Available-for-sale financial assets are carried at fair value. Gains and losses arising from changes in the fair value of available-for-sale financial assets are recognised directly in equity until the financial asset is derecognised or impaired, at which time the cumulative gain or loss previously recognised in equity is recognised in the profit or loss account.

However, interest calculated using the effective interest method is recognised in the profit and loss account. Dividends on available-for-sale equity instruments are recognised in the profit and loss account when the Unit Trust's right to receive payment is established.

Regular way purchases and sales of available-for-sale financial assets are recognised on trade-date, i.e. the date on which the Unit Trust commits to purchase or sell the asset.

Held-to-maturity – Held-to-maturity assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that management has the positive intention and ability to hold to maturity. Were the Unit Trust to sell more than an insignificant amount of held-to-maturity assets, the entire category would have to be reclassified as available-for-sale. Treasury bills with an original maturity of more than 182 days, treasury notes

and other government bonds are classified as held-to-maturity.

Held-to-maturity assets are carried at amortised cost using effective interest rate method. Regular way purchases and sales of financial assets held-to-maturity are recognised on trade-date, i.e. the date on which the Unit Trust commits to purchase or sell the asset.

### **(b) Derivative financial instruments**

A derivative is a financial instrument that changes its values in response to changes in the underlying variable, requires no or little net initial investment and is settled at a future date. Derivatives are mainly used to manage exposures to foreign exchange, interest rate and commodity price risk. The classification of derivatives is determined upon initial recognition and is monitored on a regular basis.

Derivatives are initially recognised at fair value plus directly attributable transaction costs. These are subsequently measured at fair value on a regular basis and at each reporting date as a minimum. The fair values of exchange-traded derivatives are based on respective market prices, while the fair value of the over-the-counter derivatives are determined using accepted mathematical models based on market data and assumptions. Derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative. Any gains or losses arising from changes in fair values of derivatives that do not qualify for hedge accounting are recognised directly in the income statement.

### **(c) Financial Liabilities**

Financial liabilities, other than trading liabilities and financial liabilities designated at fair value, are carried at amortised cost using the effective interest method. Financial liabilities are initially recognised at fair value plus transaction costs and subsequently measured at amortised cost. Financial liabilities are derecognised when they are redeemed or otherwise extinguished.

### **(d) Off setting**

Financial assets and liabilities are set off and the net amount presented in the statement of financial position when, and only when, the Unit Trust has a legal right to set off the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously. Income and expenses are presented on a net basis when permitted by the accounting standards, or for gains and losses arising from a group of similar transactions

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER 2020

### **(e) Amortised cost measurement**

The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method, of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment.

### **(f) Hedge Accounting**

Hedge accounting is the method that recognises the proportionate offsetting effects of a hedging instrument on the changes in value of the hedged item. Hedge accounting applies only when a hedging relationship can be demonstrated between a hedged item and a hedging instrument. Such method generally applies for transactions that are carried out to eliminate or mitigate risks. The effectiveness of such hedges is demonstrated at inception and verified at regular intervals and at least on a quarterly basis, using prospective and retrospective testing.

Recognition of hedged transactions depends on the hedged categories.

### **Fair value hedges**

Fair value hedges are used to mitigate foreign currency and interest rate risks of recognised assets and liabilities. The changes in fair values of hedging instruments are recognised in the income statement. Hedged items are also stated at fair value in respect of the risk being hedged, with any gain or loss being recognised in the income statement.

The fair values of financial instruments are determined using market prices for quoted instruments and widely accepted valuation techniques for other instruments. Valuation techniques include discounted cash flows, standard valuation models based on market parameters and dealer quotes for similar instruments. When fair values of unquoted instruments cannot be measured with sufficient reliability, such instruments are carried at cost less impairments, if applicable.

### **Cash flow hedges**

Cash flow hedges are used to mitigate foreign currency risks of highly probable forecast transactions, such as anticipated future export sales, purchases of equipment and raw materials, as well as the variability of expected interest payments and receipts. The effective part of the

changes in fair value of hedging instruments is recognised against equity, while any ineffective part is recognised immediately in the income statement. When the hedged item results in the recognition of a non-financial asset or liability, the gains or losses previously recognised against equity are included in the measurement cost of the asset or the liability. Otherwise the gains or losses previously recognised against equity are removed from equity and recognised in the income statement at the same time as the hedged transaction.

### **(g) Effective Interest Rate**

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

### **(h) Determining fair value**

Where the classification of a financial instrument requires it to be stated at fair value, this is determined by reference to the quoted bid price or asking price (as appropriate) in an active market wherever possible. Where no such active market exists for the particular asset, the Group uses a valuation technique to arrive at the fair value, including the use of prices obtained in recent arms' length transactions, discounted cash flow analysis, option pricing models or other valuation techniques commonly used by market participants.

### **(i) Impairment of financial assets**

The Unit Trust assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of the Unit Trust about the following loss events:

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER 2020

- I. Significant financial difficulty of the borrower;
- II. A breach of contract, such as default or delinquency in interest or principal repayments;
- III. The Unit Trust granting to the borrower, for economic or legal reasons relating to the borrower's financial difficulty, a concession that The Unit Trust would not otherwise consider;
- IV. It becoming probable that the borrower will enter bankruptcy or other financial reorganization;
- V. The disappearance of an active market for that financial asset because of financial difficulties; or
- VI. Observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets including::

- Adverse changes in the payment status of borrowers; or
- National or local economic conditions that correlate with defaults on the assets of The Unit Trust.

The estimated period between a losses occurring and its identification is determined by management for each identified portfolio. In general, the periods used vary between three months and twelve months. In exceptional cases, longer periods are warranted.

#### **iv. Foreign Currency**

Transactions in foreign currencies during the period are converted into cedis at exchange rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into cedis at exchange rates ruling at the financial year-end. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated into cedis at the exchange rates at the date on which the fair value was determined. Foreign currency differences arising on retranslation are recognised in profit or loss as net foreign exchange losses, except for those arising on financial instruments at FVTPL, which are recognised as a component of net gains from financial instruments at FVTPL.

#### **v. Transfer values**

Transfer values represent the capital sums paid to and from the Unit Trusts on the basis of when the member liability is accepted or discharged.

#### **vi. Cash and Cash Equivalents**

Cash and cash equivalents comprises deposits with banks and highly liquid financial assets with maturity of three months or less from the date of acquisition that are subject so an insignificant risk of changes in their value and are used by the Unit Trust in the management of short term commitment, other than cash collateral provided in respect of derivatives and security borrowing transactions.

#### **vii. Fees and Commission**

Fees and commissions expenses are recognised in profit or loss as the related services are performed.

### **4. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)**

In the current year, the Trust has applied a number of amendments to IFRSs issued by the International Accounting Standards Board (IASB) that are mandatorily effective for the accounting period that begins on or after 1 January 2019.

The nature and the effect of these changes are disclosed below. Although these new standards and amendments applied for the first time in 2019, they did not have a material impact on the annual financial statements of the Trust.

Together with the revised Conceptual Framework published in March 2018, the IASB also issued Amendments to References to the Conceptual Framework in IFRS Standards. The document contains amendments to IFRS 2, IFRS 3, IFRS 6, IFRS 14, IAS 1, IAS 8, IAS 34, IAS 37, IAS 38, IFRIC 12, IFRIC 19, IFRIC 20, IFRIC 22, and SIC-32. Not all amendments, however update those pronouncements with regard to references to and quotes from the framework so that they refer to the revised Conceptual Framework. Some pronouncements are only updated to indicate which version of the framework they are referencing to (the IASC framework adopted by the IASB in 2001, the IASB framework of 2010, or the new revised framework of 2018) or to indicate that definitions in the standard have not been updated with the new definitions developed in the revised Conceptual Framework.

It was effective for Annual periods beginning on or after 1 January 2020.

#### **Definition of a Business (Amendments to IFRS 3)**

The amendments in Definition of a Business (Amendments to IFRS 3) are changes to Appendix A Defined terms, the application guidance, and the illustrative examples of IFRS 3 only. They:



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER 2020

- clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs;
- narrow the definitions of a business and of outputs by focusing on goods and services provided to customers and by removing the reference to an ability to reduce costs;
- add guidance and illustrative examples to help entities assess whether a substantive process has been acquired;
- remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs; and
- add an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business.
- Applicable to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020.

### Definition of Material (Amendments to IAS 1 and IAS 8)

The amendments in Definition of Material (Amendments to IAS 1 and IAS 8) clarify the definition of 'material' and align the definition used in the Conceptual Framework and the standards.

It was effective for annual reporting periods beginning on or after 1 January 2020

### Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)

The amendments in Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7) clarify that entities would continue to apply certain hedge accounting requirements assuming that the interest rate benchmark on which the hedged cash flows and cash flows from the hedging instrument are based will not be altered as a result of interest rate benchmark reform.

It was effective for annual reporting periods beginning on or after 1 January 2020

### Covid-19-Related Rent Concessions (Amendment to IFRS 16)

The amendment provides lessees with an exemption from assessing whether a COVID-19-related rent concession is

a lease modification.

It was effective for Annual reporting periods beginning on or after 1 June 2020.

## 5. STANDARDS ISSUED BUT NOT YET EFFECTIVE

### IFRS 17 Insurance Contracts

IFRS 17 requires insurance liabilities to be measured at a current fulfilment value and provides a more uniform measurement and presentation approach for all insurance contracts. These requirements are designed to achieve the goal of a consistent, principle-based accounting for insurance contracts. IFRS 17 supersedes IFRS 4 Insurance Contracts as of 1 January 2023.

### Applying IFRS 9 'Financial Instruments' with IFRS 4 'Insurance Contracts' (Amendments to IFRS 4)

Amends IFRS 4 Insurance Contracts provide two options for entities that issue insurance contracts within the scope of IFRS 4:

- an option that permits entities to reclassify, from profit or loss to other comprehensive income, some of the income or expenses arising from designated financial assets; this is the so-called overlay approach;
- an optional temporary exemption from applying IFRS 9 for entities whose predominant activity is issuing contracts within the scope of IFRS 4; this is the so-called deferral approach.

The application of both approaches is optional and an entity is permitted to stop applying them before the new insurance contracts standard is applied.

### Classification of Liabilities as Current or Non-Current (Amendments to IAS 1)

The amendments aim to promote consistency in applying the requirements by helping companies determine whether, in the statement of financial position, debt and other liabilities with an uncertain settlement date should be classified as current (due or potentially due to be settled within one year) or non-current.

Effective for annual reporting periods beginning on or after 1 January 2023.

### Reference to the Conceptual Framework (Amendments to IFRS 3)

The amendments update an outdated reference to the Conceptual Framework in IFRS 3 without significantly

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER 2020

changing the requirements in the standard.

Effective for annual reporting periods beginning on or after 1 January 2022

Property, Plant and Equipment — Proceeds before Intended Use (Amendments to IAS 16)

The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the cost of producing those items, in profit or loss.

Effective for annual reporting periods beginning on or after 1 January 2022

Onerous Contracts — Cost of Fulfilling a Contract (Amendments to IAS 37)

The amendments specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (examples would be direct labour, materials) or an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

Effective for annual reporting periods beginning on or after 1 January 2022

**Annual Improvements to IFRS Standards 2018–2020**  
Makes amendments to the following standards:

- IFRS 1 – The amendment permits a subsidiary that applies paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported by its parent, based on the parent's date of transition to IFRSs.
- IFRS 9 – The amendment clarifies which fees an entity includes when it applies the '10 per cent' test in paragraph B3.3.6 of IFRS 9 in assessing whether to derecognise a financial liability. An entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf.
- IFRS 16 – The amendment to Illustrative Example 13
- IFRS 16 removes from the example the illustration of the reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives are illustrated in that example.
- IAS 41 – The amendment removes the requirement in paragraph 22 of IAS 41 for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique.

These are effective for annual reporting periods beginning on or after 1 January 2022.

### Amendments to IFRS 17

Amends IFRS 17 to address concerns and implementation challenges that were identified after IFRS 17 Insurance Contracts was published in 2017. The main changes are:

- Deferral of the date of initial application of IFRS 17 by two years to annual periods beginning on or after 1 January 2023
- Additional scope exclusion for credit card contracts and similar contracts that provide insurance coverage as well as optional scope exclusion for loan contracts that transfer significant insurance risk
- Recognition of insurance acquisition cash flows relating to expected contract renewals, including transition provisions and guidance for insurance acquisition cash flows recognised in a business acquired in a business combination
- Clarification of the application of IFRS 17 in interim financial statements allowing an accounting policy choice at a reporting entity level
- Clarification of the application of contractual service margin (CSM) attributable to investment-return service and investment-related service and changes to the corresponding disclosure requirements
- Extension of the risk mitigation option to include reinsurance contracts held and non-financial derivatives
- Amendments to require an entity that at initial recognition recognises losses on onerous insurance contracts issued to also recognise a gain on reinsurance contracts held
- Simplified presentation of insurance contracts in the

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER 2020

statement of financial position so that entities would present insurance contract assets and liabilities in the statement of financial position determined using portfolios of insurance contracts rather than groups of insurance contracts

- Additional transition relief for business combinations and additional transition relief for the date of application of the risk mitigation option and the use of the fair value transition approach

Effective for annual reporting periods beginning on or after 1 January 2023

Extension of the Temporary Exemption from Applying IFRS 9 (Amendments to IFRS 4)

The amendment changes the fixed expiry date for the temporary exemption in IFRS 4 Insurance Contracts from applying IFRS 9 Financial Instruments, so that entities would be required to apply IFRS 9 for annual periods beginning on or after 1 January 2023.

Classification of Liabilities as Current or Non-current — Deferral of Effective Date (Amendment to IAS 1)

The amendment defers the effective date of the January 2020 amendments by one year, so that entities would be required to apply the amendment for annual periods beginning on or after 1 January 2023.

Interest Rate Benchmark Reform — Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)

The amendments in Interest Rate Benchmark Reform — Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16) introduce a practical expedient for modifications required by the reform, clarify that hedge accounting is not discontinued solely because of the IBOR reform, and

introduce disclosures that allow users to understand the nature and extent of risks arising from the IBOR reform to which the entity is exposed to and how the entity manages those risks as well as the entity's progress in transitioning from IBORs to alternative benchmark rates, and how the entity is managing this transition.

Effective for annual reporting periods beginning on or after 1 January 2021.

### 6. RELATED PARTIES AND KEY CONTRACTORS

#### *a. Transaction with Trustee*

The Trustee of the Unit Trust is Universal Merchant Bank Limited, a Bank incorporated in Ghana and duly licensed by the Security and Exchange Commission of Ghana as a unit trust fund trustee. Under the investment management agreement, the Trustee receive a Trusteeship fee at an annual rate of 0.325% of the net asset value attributable to members of the Unit Trust. The total Trustee fees charged during the year amounted to GH¢ 5,069,008. Included in the payables were Trustee fee of GH¢ 1,488,334.

#### *b. Fund Managers*

EDC Investments Limited, an investment management company incorporated in Ghana and duly licensed by the Security and Exchange Commission of Ghana is the fund manager of the Unit Trust. It has the responsibility of implementing the investment strategy and objectives as stated in the Unit Trusts' investment management policy manual. Under the unit trust management agreement, the fund managers receive a management fee at an annual rate of 2% of the net asset value attributable to members of the Unit Trust. The management fees incurred during the year amounted to GH¢ 31,193,893. Included in the payables as at 31 December 2020 were fund management fees payable of GH¢ 8,588,568..



## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER 2020

### 7. CONTRIBUTION

	2020 GH¢	2019 GH¢
Balance as at 1 January	925,095,822	604,166,496
Contribution during the year	1,110,831,321	834,076,936
	-----	-----
	2,035,927,143	1,438,243,432
Redemptions	(727,324,189)	(513,147,610)
	-----	-----
	1,308,602,954	925,095,822
	=====	=====

### 8. REDEMPTIONS

	2020 GH¢	2019 GH¢
Redemption Paid	727,324,189	513,147,610
	-----	-----
	727,324,189	513,147,610
	=====	=====

### 9. INTEREST INCOME

	2019 GH¢	2018 GH¢
Cash and Cash Equivalent	12,329	265,445
Debt Securities	260,660,290	9,922,798
Held to Maturity	7,293,001	167,169,778
Unrealised gains	100,318	85,928
Charges on Transfer to Customers	-	(1,305,875)
Charges on Investments	(278,138)	(262,948)
	-----	-----
	267,787,800	175,789,198
	=====	=====

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER 2020

### 10. FINANCIAL INSTRUMENTS

Analysis of changes in fair value of financial instrument through profit or loss

2020	Balance 1/1/2020 GH¢	Purchase/ (Sales) GH¢	Accrued interest GH¢	Change in fair value GH¢	Value at 31/12/2020 GH¢
Ghana Government					
Securities	816,430,844	558,877,776	61,964,255	-	1,437,272,875
Statutory Agency Bonds	287,602,038	336,583	6,815,802	-	294,754,423
Treasury Bills	-	13,679,997	688,197	-	14,368,194
Fixed and Time Deposits	118,834,502	(118,834,502)	-	-	-
Corporate Bond	51,879,176	458,763	2,220,355	-	54,558,294
CIS	868,448	66,895	-	100,318	1,035,661
	-----	-----	-----	-----	-----
	1,275,615,008	454,585,512	71,688,609	100,318	1,801,989,447
	=====	=====	=====	=====	=====
2019	Balance 1/1/2019 GH¢	Purchase/ (Sales) GH¢	Accrued interest GH¢	Change in fair value GH¢	Value at 31/12/2019 GH¢
Ghana Government					
Securities	338,008,905	449,485,792	28,936,147	-	816,430,844
Statutory Agency Bonds	188,054,023	93,267,549	6,280,466	-	287,602,038
Treasury Bills	319,379	(319,379)	-	-	-
Fixed and Time Deposits	152,060,995	(34,658,957)	1,432,464	-	118,834,502
Corporate Bond	357,790,437	(8,283,073)	2,371,812	-	51,879,176
CIS	753,272	29,248	-	85,928	868,448
	-----	-----	-----	-----	-----
	736,987,011	499,521,180	39,020,889	85,928	1,275,615,008
	=====	=====	=====	=====	=====

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER 2020

### 11. CASH AND CASH EQUIVALENTS

	2020 GH¢	2019 GH¢
Cash and Bank Balances	9,298,702	9,298,702
	-----	-----
	9,298,702	9,298,702
	=====	=====

### 12. FINANCIAL ASSETS DESIGNATED AS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2020 GH¢	2019 GH¢
Debt Securities	1,781,013,016	1,141,289,378
Held to Maturity Securities	19,940,769	73,066,064
Investment Receivables	61,057,143	61,783,5986
Collective Investment Scheme	1,035,662	868,448
Impairment Provision	(545,582)	(524,032)
	-----	-----
	1,862,501,008	1,275,615,008
	=====	=====

### 13. PAYABLE UNDER SERVICE LEVEL AGREEMENTS

	2020 GH¢	2019 GH¢
Investment Management Fees	8,588,568	1,050,526
Trustee Fees	1,488,334	538,234
Audit Fees	50,000	45,600
VAT On Audit Fees	9063	8,265
Due to EDC Investment Ltd	10,289	11,028
Other Payables	10,000	10,000
	-----	-----
	10,156,254	1,663,65
	=====	=====

### 14. GENERAL ADMINISTRATIVE EXPENSES

	2020 GH¢	2019 GH¢
AGM Expenses	24,806	6,804
Legal Assistance Cost	10,000	10,000
Marketing Expenses	11,515	24,888
Office Stationery	34,586	16,697
VAT On Audit Fees	9,063	8,265
	-----	-----
	89,970	66,654
	=====	=====

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31<sup>ST</sup> DECEMBER 2020

### 15. TAXATION

Income of approved unit trust scheme or mutual fund is exempt from tax under the income tax act, 2015 (Act 896) as amended by Act 2017 (Act 941).

The Fund currently withholds taxes on payment made to Directors and other service providers.

### 16. TRANSACTIONS THROUGH STOCK BROKERS

The Unit Trust's transactions were done through EDC Stockbrokers Limited.

### 17. EVENT AFTER REPORTING PERIOD

There were no events after the reporting period

### 18. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved by the Directors of the Fund Manager, EDC Ghana Investment Ltd and authorized for issue on 30<sup>th</sup> April 2021.

EDC Investments Limited



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## PROXY FORM

### EDC Ghana Fixed Income Unit Trust

Ecobank Head Office Building, 2nd Floor  
2, Morocco Lane, Off the Independence Avenue  
P.O. Box AN 16746  
Accra- Ghana  
Tel: (233) 0302634165 / 0302634150  
Email: edc-clientservice@ecobank.com

I/We ..... of .....  
being a member(s) of **EDC Ghana Fixed Income Trust (the "Unit Trust")** hereby  
appoint.....of..... as my/our proxy  
to attend on my/our behalf, the **8<sup>th</sup> Annual General Meeting of the Trust**, to be held at **<https://www.edcgghanaagm.com>**  
on **Wednesday August 18, 2021 at 11:00 a.m.** for the following purposes and to vote on my/our behalf on matters  
as directed below:

I/We direct that my/ our votes(s) be cast on the specified resolution as indicated by an 'X' in the appropriate space.

RESOLUTIONS	FOR	AGAINST
1. To receive the report of the Fund Manager for the year ended December 31, 2020.		
2. To receive and adopt the Audited Financial Statements together with the reports of the Trustees and Auditors for the year ended December 31, 2020;		
3. To authorize the Directors of EDC Investments Limited (EIL) to determine the fees of the Auditors for the year 2021.		

Unit Holder's Signature: .....Date .....2021

#### Notes

1. A proxy need not be a Unit Holder of the Unit Trust.
2. Unless otherwise instructed, the proxy will vote as he sees fit.
3. To be valid, this form must be filled, signed and sent via email to [trust@umbcapital.com](mailto:trust@umbcapital.com) not less than forty-eight (48) hours before the commencement of the meeting.
4. In the case of joint holders, the signature of only one of the joint holders is required.
5. In the case of a body corporate, the form must be under seal or under the hand of a duly authorized officer.
6. The completion of and return of a proxy form does not prevent a Unit Holder from attending the meeting and voting thereat.

EDC Investments Limited

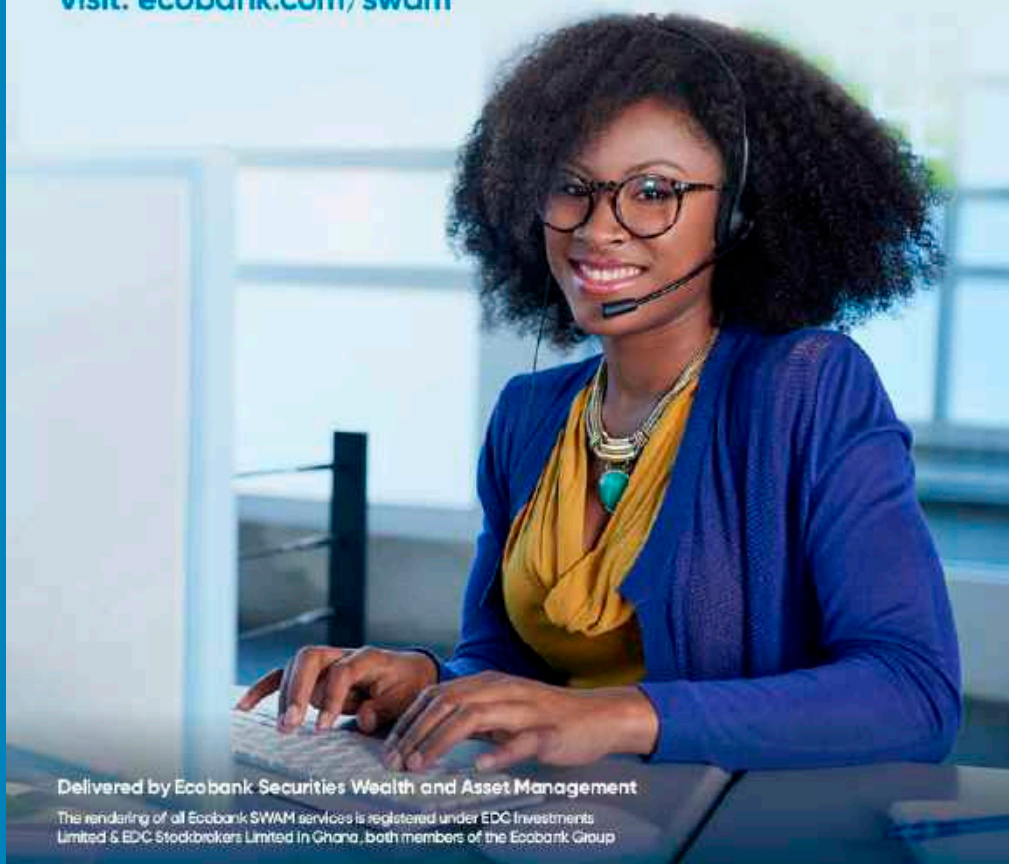
# Resolve your concerns quickly and effectively

Kindly reach out to us using the below channels for timely and appropriate responses to your concerns.

1. For enquiries and feedback kindly email **[edc-clientservice@ecobank.com](mailto:edc-clientservice@ecobank.com)**
2. If you are not satisfied and wish to escalate your complaint kindly send email to **[complaints-edcgh@ecobank.com](mailto:complaints-edcgh@ecobank.com)**

To speak to a helpdesk representative, please call **+233 302 634154**

Visit: **[ecobank.com/swam](http://ecobank.com/swam)**



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