

ANNUAL REPORT 2016

HFC UNIT TRUST

HFC INVESTMENT SERVICES LIMITED

A SUBSIDIARY OF HFC BANK (GHANA) LIMITED



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HFC UNIT TRUST
ANNUAL REPORT 2016

THE MANAGER

Name:	HFC Investment Services Limited (HFC Investments)
Country of Incorporation:	Ghana
Registration Number:	50,533
Nature of Corporate Form:	Limited liability, wholly-owned subsidiary of the HFC Bank (Ghana) Ltd.
Registered Office:	Ebankese No. 35 Sixth Avenue, North Ridge P. O. Box CT. 4603 Cantonments, Accra
Principal Place of Business:	No. 48 A, Sixth Avenue North Ridge, Accra
Date of Incorporation:	7th July, 1993 (Name changed from Home Finance Investment Fund Limited to HFC Investment Services Limited on 1st October, 2001).
Capitalization (as at December 31 2016)	
Authorized:	10,000,000 (Ten million) Ordinary shares of no Par value
Issued:	2,346,400 shares
Auditors:	Ernst and Young G 15 White Avenue Airport Residential Area P.O. Box 16009 Accra

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NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Twenty Third Annual General Meeting of Unitholders will be held at the Osu Presby Church Hall, Accra at 12:00 noon on Tuesday 6th June, 2017 to transact the following businesses:

AGENDA

1. To receive the report of the Manager for the Year 2016.
2. To receive the Audited Statement of Income and Expenditure of HFC Unit Trust for the financial year ended December 31, 2016 together with the Trustees and Auditors report there on.
3. To authorize the Manager to fix the remunerations of the Auditors for Year 2017.

A Unitholder has the right to appoint a proxy to attend and vote on his/her behalf at the Meeting. Such a proxy need not be a Unitholder. A copy of the instrument appointing the proxy may be deposited at any time prior to the commencement of the Meeting at the principal place of business of the Manager.

HFC Investments
No. 48 A, Sixth Avenue
North Ridge, Accra

Dated 15th May 2017
By Order of the Manager.

HFC Investments

STATEMENT OF TRUSTEES RESPONSIBILITIES

The Trust Deed requires the Trustees to prepare financial statements for each financial period, which gives a true and fair view of the state of affairs of the HFC Unit Trust. In preparing the financial statements, the Trustees are required to:

1. Select suitable accounting policies and apply them consistently,
2. Make judgments and estimates that are responsible and prudent,
3. State whether applicable accounting standards have been followed, subject to any material departures, disclosed and explain them in the financial statements, and
4. Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Investment Trust will continue in business.

The Trustees are responsible for keeping proper accounting records, which disclose with reasonable accuracy at any time the financial position of the HFC Unit Trust, which will ensure that the financial statements comply with the Trust Deed and Securities Industry Act, 2016 (Act 929). They are also responsible for safeguarding the assets of the Investment Trust and taking reasonable steps for the prevention and detection of fraud and other irregularities.

The statements should be read in conjunction with the statement of the Auditors' responsibilities as set out on page 12, the respective responsibilities of the Trustees and the Auditors in relation to the financial statements.

REPORT OF THE TRUSTEES TO THE UNIT HOLDERS OF THE HFC UNIT TRUST FOR THE YEAR ENDED 31 DECEMBER, 2016

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 14th May, 1991 and all regulations for the time being in force under the Unit Trust and Mutual Funds Regulations, 2001, (L.I. 1695).



Dated this **30th** Day of **March, 2017**

For: UNIVERSAL MERCHANT BANK (GHANA) LIMITED

FUND MANAGER'S REPORT FOR THE YEAR ENDED 31 DECEMBER, 2016

Economic overview

The global economy remained fragile with an uncertain outlook for the most part of 2016 which led to a growth of 3.1%. Economic activity in Sub-Saharan Africa was less robust on the back of falling commodity prices globally. Notable among the events in 2016 were the election of Donald Trump as the President of the United States and the United Kingdom's exit from the European Union, dubbed Brexit.

The Ghanaian economic environment experienced some turbulence typified by rising public debt, a banking sector saddled with Non Performing Loans, continued depreciation of the cedi and a prolonged power crisis. GDP growth for 2016 was 3.60% against a revised projection of 4.10%.

Performances of key macroeconomic indicators are highlighted below;

1. Inflation

Headline inflation rate closed 2015 at a rate of 17.70% but steadily trended downwards to close the year 2016 at 15.40%.

2. Interest rate

The 91-Day Treasury bill opened the year at 22.79% but dropped to 16.43% in December 2016. The 182-Day Treasury bill also dipped from 24.36% in January 2016 to 17.64% in December 2016. The 1-Year note which commenced the year at 23.0% declined to 21.0% as at close of the year 2016.

3. Exchange rate

The Ghana Cedi depreciated by 9.50% against the Dollar and 5.30% to the Euro but appreciated by 10.0% against the Pound Sterling.

4. Stock Market

The stock market has been bearish for two consecutive years leading to capital losses by investors. The benchmark GSE Composite Index recorded a negative 15.33% on the back of weak earnings by most listed companies and concerns about macroeconomic stability. The GSE Financial Stock Index returned a negative 19.93% as a result of the challenges of non-performing loans that faced the Banking Industry in Ghana. Market capitalization stood at GH¢52,690.99 million at year end 2016 reflecting a decline of 7.80% on a year-on-year basis.

Fund Performance

Your fund recorded significant growth in the year 2016. The net fund value increased by 55.7%, from GHS79,155,654.08 in 2015 to GH¢123,236,574.61 for 2016; mainly attributable to the superior returns earned on the fund's underlying assets, strategic focused marketing and your sustained patronage in helping contribute to making it a money market fund of choice.

The fund recorded an annual yield of 24.76% as against 25.76% recorded in 2015. This performance compares favourably however with the 12-month average for both the 91 and 1-Year GOG rates of 22.16% and 23.09% respectively. As a result of new subscriptions, the number of unit holders increased from 25,774 to 29,763 representing a growth of 15.48% over the period.

Portfolio Review and Asset Mix

With a changing trend in the market characterized by falling rates, a moderate posture was adopted in our asset allocation strategy by skewing the portfolio to higher yielding but moderate risk assets with a longer maturity profile.

An active re-balancing strategy was therefore implemented to change the structure of the portfolio. As at the reporting date, long term fixed deposits had the highest allocation of 69.10%, with Corporate Notes/Bonds recording a slowdown from a prior year exposure of 18.85% to 11.49%. Holdings in GOG Bills/Notes reduced from 11.67% in 2015 to close the year 2016 at 9.54%.

Outlook for 2017

We are optimistic about the growth prospects of the fund and the positive returns that will be associated with it. In the medium to long term, our economy is projected to be on a positive growth trajectory. Your fund is well positioned to reap from already implemented strategies aimed at consolidating the gains made in the prior year. Portfolio re-alignment will be actively pursued and secondary market opportunities sought, to generate additional income lines for the fund.

We remain positive that given the fund's underlying assets and their inherent quality, the HFC Unit Trust would once again lead the way in producing superior returns on investments for you, our cherished unit holders. We will not relent in our efforts to also provide superior advisory services to help diversify your fund portfolio, and to further enrich the relationship we have.

We wish you a successful and productive 2017.

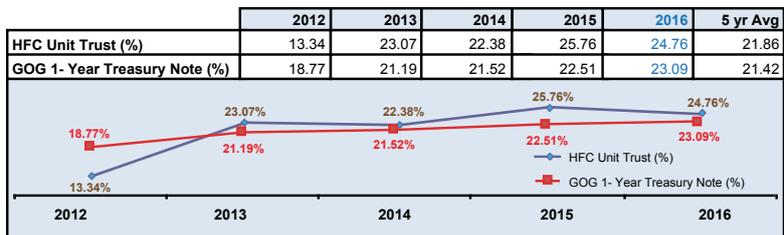
Thank you.



PETER LARBI-YEBOAH
CHIEF EXECUTIVE OFFICER

HIGHLIGHTS OF FUND STATISTICS

HFC Unit Trust Returns vrs Benchmark Indicators



No. of Unit Holders



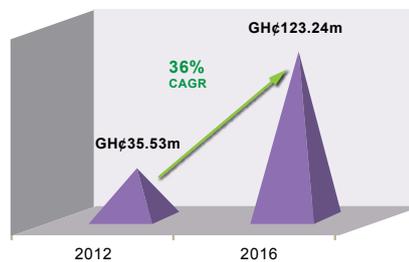
Fund Value



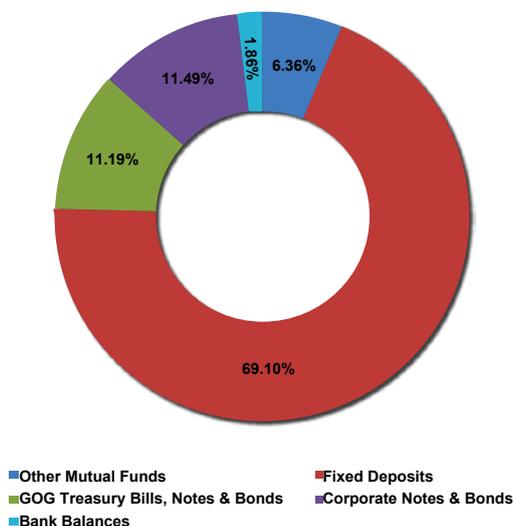
2016 Return (YTD)

24.76%

Fund Growth (GH¢'m)



Portfolio/ Asset Mix (Fund Value 2016)





INDEPENDENT AUDITOR'S REPORT TO THE UNIT HOLDERS OF THE HFC UNIT TRUST ON FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER, 2016

Opinion

We have audited the financial statements of HFC Unit Trust which comprise the statement of assets and liabilities as at December 31, 2016, and the income and distribution account and statement of movement in net assets and issued units for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and explanatory notes as set out on pages 19–20.

In our opinion, the financial statements give a true and fair view of the financial position of HFC Real Estate Investment Trust as at December 31, 2016 and of its financial performance and its cash flows for the year then ended and are in accordance with International Financial Reporting Standards and in the manner required by Unit Trust and Mutual Funds Regulations, 2001, (L.I. 1695) and the Companies Act, 1963 (Act 179).

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

Responsibilities of The Trustees for the Financial Statements

The Trustees are responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards and for such internal control as the Trustees determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Trustees are responsible for assessing the Funds ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Trustees either intends to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

The Trustees are responsible for overseeing the Funds financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are 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 International Standards on Auditing 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 International Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
2. Obtain an understanding of internal control relevant 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 Funds internal control.
3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Trustees.

4. Conclude on the appropriateness of the Trustees' 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 Funds 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 Company to cease to continue as a going concern.
5. 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 the Trustees 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.

Report on Other Legal and Regulatory Requirements

1. The Companies Act, 1963, (Act 179) requires that in carrying out our audit we consider and report to you on the following matters. We confirm that:
2. 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,
3. In our opinion proper books of accounts have been kept by the Trust, so far as appears from our examination of those books, and

The Trust's Statement of Assets and Liabilities and Income and Distribution Account are in agreement with the books of accounts.



.....
Signed by: F. Bruce-Tagoe (ICAG/P/1087)
For and on behalf of:
PKF (ICAG/F/2017/039)
Chartered Accountants
Farrar Avenue
P. O. Box GP 1219,
Accra.

30th March 2017



FINANCIAL
STATEMENTS
AS AT 31ST DECEMBER
2016

STATEMENT OF ASSETS AND LIABILITIES

AS AT 31 DECEMBER 2016

	Note	2016		2015	
		Market Value GH ¢	% Net Assets	Market Value GH ¢	% Net Assets
SHORT TERM FUNDS					
Cash at Bank and on Call	8	1,717,468	1.47	3,724,803	5.00
Held to maturity investments	7	105,324,781	90.16	65,069,598	87.35
HFC Future Plan		1,180,000	1.01	730,000	0.98
HFC Equity Trust		736,900	0.63	536,900	0.72
Stanbic Income Fund Trust		200,000	-	200,000	-
HFC REIT		546,160	0.47	546,160	0.73
		<u>107,987,841</u>	<u>92.44</u>	<u>67,082,658</u>	<u>90.05</u>
Total Short Term Funds		109,705,309	93.91	70,807,461	95.05
Total Investments		109,705,309	93.91	70,807,461	95.05
Other Assets in Excess of Liabilities		7,119,698	6.09	3,685,263	4.95
Total Net Assets		<u>116,825,007</u>	<u>100.00</u>	<u>74,492,724</u>	<u>100.00</u>

STATEMENT OF ASSETS AND LIABILITIES

AS AT 31 DECEMBER 2016

		2016	2015
	Notes	GH ¢	GH ¢
Assets:			
Total Investments		109,705,309	70,807,461
Receivables			
HFC REIT Current Account		-	4,496
HFC Equity Trust Current Account		-	656
HFC Future Plan Current Account		-	447
HFC ISL Current Account		138,078	122,493
Prepaid	10	8,065	29,948
Interest	11	7,540,179	4,136,004
Total Assets		<u>117,391,631</u>	<u>75,101,505</u>
Liabilities			
Amount Due to Managers		47,000	66,194
Management Fund	12	480,868	381,595
Accrued Charges		38,756	160,992
Total Liabilities		<u>566,624</u>	<u>608,781</u>
Net Assets		<u>116,825,007</u>	<u>74,492,724</u>

SIGNED FOR HFC INVESTMENT SERVICES LIMITED MARCH 30, 2017.



CHIEF EXECUTIVE OFFICER



Director

INCOME AND DISTRIBUTION ACCOUNTS

FOR THE YEAR ENDED 31 DECEMBER 2016

		2016	2015
	Notes	GH ¢	GH ¢
Investment Income			
Fixed Deposit		15,982,497	9,211,436
Treasury Bills		1,502,034	1,029,382
Call Account		234,302	200,591
Bonds		4,754,584	5,219,094
Other Income		28,260	96,486
Total Income		<u>22,501,677</u>	<u>15,756,989</u>
Expenses			
Management Fees		1,959,562	1,344,795
Auditors Remuneration		32,000	28,100
Other Expenses	5	340,824	156,093
		<u>2,332,386</u>	<u>1,528,988</u>
Transfer to Management Fund	12	20,169,291 (201,693)	14,228,001 (142,280)
Net Investment Income		<u>19,967,598</u>	<u>14,085,721</u>

ACCUMULATED NET INVESTMENT INCOME

FOR THE YEAR ENDED 31 DECEMBER 2016

	2016	2015
	GH ¢	GH ¢
Balance at 1st January	48,956,190	34,870,469
Net Investment Income	<u>19,967,598</u>	<u>14,085,721</u>
Balance at 31st December	<u>68,923,788</u>	<u>48,956,190</u>

STATEMENT OF MOVEMENT IN NET ASSETS FOR THE YEAR ENDED 31 DECEMBER 2016

	Notes	2016	2015
		GH ¢	GH ¢
Net Investment Income		19,967,598	14,085,721
Change In Unrealised Gains	9	0	(23,079)
Net Increase in Net Assets Resulting from Operations		19,967,598	14,062,642
Capital Transactions			
Value of Units Sold and Converted		66,239,245	36,918,427
Value of Units Disinvested		(43,874,560)	(34,159,719)
Net Proceeds from Capital Transactions		22,364,685	2,758,708
Total Increase in Net Assets		42,332,283	16,821,350
Net Assets			
Balance at 1st January		74,492,724	57,671,374
Total Increase in Net Assets		42,332,283	16,821,350
Balance at 31st December		116,825,007	74,492,724

STATEMENT OF MOVEMENT IN ISSUED UNITS FOR THE YEAR ENDED 31 DECEMBER 2016

	Notes	2016	2015
		GH ¢	GH ¢
Number of Units at 1st January		372,619,868	366,082,081
Number of Units Issued during the year		172,695,541	120,954,697
		545,315,409	487,036,778
Number of Units disinvested during the year		(115,930,153)	(114,416,910)
Number of Units at 31st December		429,385,256	372,619,868

CAPITAL ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2016

	2016		2015	
	UNITS	GH ¢	UNITS	GH ¢
Balance at 1st January	372,619,868	25,566,531	366,082,081	22,807,823
Value of Units sold & Converted	172,695,541	66,239,245	120,954,697	36,918,427
	545,315,409	91,805,776	487,036,778	59,726,250
Value of Units Disinvested	(115,930,153)	(43,874,560)	(114,416,910)	(34,159,719)
Value of the Trust Fund at 31December	429,385,256	47,931,216	372,619,868	25,566,531

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2016

5. Other expenses comprise of the following:

	2016	2015
	'GH¢	'GH¢
Bank Charges	192,700	56,247
Impairment Loss General Expenses	148,124	99,846
	<u>340,824</u>	<u>156,093</u>

6. Other Income

	2016	2015
	'GH¢	'GH¢
Profit on Sale of Shares	-	23,290
Overprovision of Expense	-	73,196
	<u>-</u>	<u>96,486</u>

7. Held to maturity investments

	2016	2015
	'GH¢	'GH¢
Treasury bills	10,605,768	7,727,765
Fixed Deposits	79,589,931	43,763,765
Bonds	15,129,082	13,578,068
	<u>105,324,781</u>	<u>65,069,598</u>

8. Cash at bank and on call

	2016	2015
Description	'GH¢	'GH¢
Cash at Bank	693,047	724,803
Cash on Call	1,024,421	3,000,000
	<u>1,717,468</u>	<u>3,724,803</u>

9. Unrealized gains / (losses) on investments

	2016	2015
Description	'GH¢	'GH¢
Market Value of Investments	-	-
Cost of Investments	-	-
Change in Unrealised gains	-	-
Add Unrealised gains from previous years	-	23,079
Transfer to Income	-	(23,079)
Unrealised gains as at 31 December	<u>-</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2016

10. Prepaid

This relates to advertising expenditure amortised over the duration of the rentals.

11. Interest receivable

Description	2016	2015
	'GH¢	'GH¢
Treasury bills	557,278	246,766
Fixed Deposits	5,822,998	3,014,968
Call	-	25,479
Housebonds	1,159,903	848,791
	<u>7,540,179</u>	<u>4,136,004</u>

12. Management fund

Description	2016	2015
	'GH¢	'GH¢
Balance at 1 January	381,595	239,315
Payments made during the year	(102,420)	-
Charge for the year	201,693	142,280
Balance at 31 December	<u>480,868</u>	<u>381,595</u>

Transfers to the Management fund are made in accordance with the Trust Deed. The Trustees shall be paid out of this fund.

13. Contingent Liabilities

There was no contingent liability at the end of the year.

ADMISSION FORM

Annual General Meeting to be held at the Osu Presby Church Hall, Accra at 12:00 noon on Tuesday 6th June, 2017.

A Unitholder who is unable to attend an Annual General Meeting (AGM) is allowed to vote by proxy. The Proxy form on the next page has been prepared to enable you to exercise your right to vote in case you cannot personally attend the meeting.

Provision has been made on the form for the Chairman of the meeting to act as your proxy, but if you wish, you may insist in the blank space on the form (marked**) the name of any person whether a Unitholder or not, who will attend the meeting and vote on your behalf instead of the Chairman of the Meeting.

Please sign the proxy form on the next page and post it so as to reach the address in the front not later than 6th June, 2017.

If executed by a Body Corporate, the proxy form should bear its common seal or be signed on behalf by a director.

IMPORTANT:

- a) The name of the Unitholder must be written in BLOCK LETTERS on the Proxy form where marked (**)
- b) This admission form must be produced by the Unitholder or his/her proxy in order to obtain admission to the Annual General Meeting.
- c) Unitholders or their Proxies are requested to sign the admission form before attending the meeting.
- d) In case of joint holders, each joint holder should sign.

HFC Unit Trust / Proxy Form

Annual General Meeting to be held at the Osu Presby Church Hall, Accra at 12:00 noon on Tuesday 6th June, 2017.

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 6th June 2017
 and at any adjournment thereof.

Dated this 15th day of May 2017.

.....
 Unit Holder(s) Signature

Resolution	For	Against
To adopt the 2016 Manager's Report		
To approve the accounts and distribution statement for the financial year ended 31st December, 2016.		
To authorize the Manager to Fix the Auditor's Remuneration		

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)

We are driven by our vision of building **successful communities**



School block for **Manchie Community, Accra**

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