

# UBA Equity Fund

annual report & accounts 2008

# CONTENTS

Notice Of Meeting

Fund Manager's Report

Statement Of Fund Manager's Responsibilities

Statement Of Trustee's Responsibilities

Report Of The Trustees

Certification Of Accounts By Directors Of The Manager

Report Of The Independent Auditors

Financial Statements

Statement Of Value Added

Management And Administration



## Notice of Meeting

NOTICE IS HEREBY GIVEN that the 1st Annual General Meeting of the UBA Equity Fund will be held at the Protea Hotel, Lekki, Lagos, Lagos State on July 09, 2009 at 11.00am to transact the following ordinary business:

1. To receive and consider the Audited Financial Statements for the period ended 31 March 2008 and the report of the Manager thereon.
2. To authorize the Managers to appoint and fix the remuneration of the Auditors for the ensuing year.

### AND THE FOLLOWING SPECIAL BUSINESS

To consider and if thought fit pass the following resolutions to be proposed and passed as Special Resolutions:

That the Trust Deed dated 23 May 2006 between UBA Asset Management Limited and Union Trustees Limited ("The Trust Deed") shall be amended as follows:

- (i.) By the replacement of clause 16 (C) of the Trust Deed with a new clause 16(C) as stated below:

#### Old Clause

"the value of the part of the Fund so invested in the shares of a particular company to exceed one-twentieth of the total value of the Fund"

#### New Clause

"the value of the part of the Fund so invested in the shares of a particular company to exceed one-tenth of the total value of the Fund"

- (ii) The amendment of the text of clause 27.4.2 of the Trust Deed (which relates to incentive fee payable to the manager) such that the sub-clause shall after amendment read as follows:

#### Clause 27.4.2

"an annual incentive fee of not exceeding 20% of the total returns in excess of 10% of the Funds net asset value.

- (iii.) By the replacement of clause 4.2 and 12.1 of the Trust Deed (which relates to proportions of asset allocation) with a new clause 4.2 and 12.1 as shown in the table hereunder:

Asset Class	Allocation Proportion
Quoted Equities	Min: 60% Max: 90%
Money Market Instruments	Min: 10% Max: 40%

Dated this 18th day of June, 2009.

BY ORDER OF THE MANAGER

Sam Adikamkwu  
Company Secretary  
57 Marina, Lagos.

#### Notes:

1. A Unit-holder entitled to attend and vote may appoint a proxy to attend and vote instead of himself/herself/itself. A proxy need not be a Unit-holder.

2. All proxies should be stamped by the Commissioner of Stamp Duties and should be deposited at the office of the Fund Manager, UBA Asset Management Limited, UBA House (9th Floor) 57 Marina, Lagos not less than 48 hours before the time fixed for the meeting.

### STATEMENT OF TOTAL RETURN

For the period ended 31 March 2008

	N'000
Trading Income	600,761
Other Income	272,081
Total Investment Income	872,842
Operating Expenses	155,932
Net Income	716,910



## FUND MANAGER'S REPORT UBA EQUITY FUND

### BACKGROUND INFORMATION OF THE FUND

The UBA Equity Fund is an actively managed open-ended unit trust scheme whose primary objective is to achieve long term capital appreciation of its assets by investing a minimum of 80% of the assets in a select equities of Nigerian quoted companies. The Trust Deed allows a maximum of 20% of the Fund's total assets to be invested in quality money market securities to ensure liquidity.

The UBA Equity Fund which was launched in September 2006 is registered with the Securities and Exchange Commission and is listed by memorandum on the Nigerian Stock Exchange.

The UBA Equity Fund is managed by UBA Asset Management Limited (UAML), a wholly owned subsidiary of United Bank for Africa Plc.

### REVIEW OF EQUITIES MARKET

In year 2006, the Nigerian Stock Market experienced a massive boost partly driven by the knock-on effect of the banking consolidation exercise. With the success of public issues in 2006 and 2007, investors took interest in the capital market as an alternative to the money market as a source of financing and returns.

In 2007 the stock market recorded its best performance in ten years as the NSE All Share Index appreciated by 74.73% to close the year at 57,990.22 points.

This globally acclaimed performance was premised on an environment of strong confidence in the prevailing macro-economic policies and sector reforms.

The market recorded a modest performance in the first quarter of 2008 with a return of 8.67%. In January 2008, the market slowed down because of the various private placement offers as investors realigned their portfolios in favour of private placements.

However, the bears returned in mid March after the market attained a new record high in 2007.

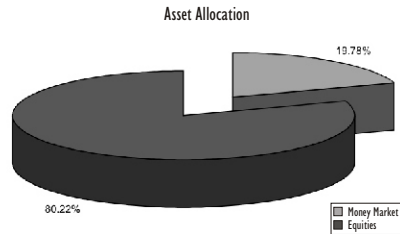
### REVIEW OF MONEY MARKET

During the period under review, interest rates on money market securities moved in tandem with the inflow of funds and the Monetary Policy Rate. As part of liquidity management strategy, the CBN in its first meeting of 2008, retained the MPR at 9.5% in order to drive core inflation down to single digit. Interest rates across all tenors hovered around 18% at the close of first quarter 2008.

At the foreign exchange market, the value of the Naira appreciated steadily due to the country's favourable balance of payment position and the lower demand pressure on foreign exchange. The Naira exchange rates for the Dollar ranged from N116 N118 at the official market.

### ASSET ALLOCATION OF THE FUND

As at March 31, 2008, 80.22% of the funds were invested in equities while the balance of 19.78% was invested in money market securities.



### PERFORMANCE OF THE FUND

The Fund recorded a net income of =N=716.9 million for the period. Net income per unit holder stood at 32kobo/share. The Fund achieved a return of 21% per annum compared to 21.28% projected for 2008.

### EQUITIES MARKET OUTLOOK

We expect an impressive return in 2008, although not as high as 74% return posted in 2007. We note that the Nigerian market being an emerging market, has huge earnings growth potential.

The envisaged improved performance in the equity market will be enhanced by the following factors:

- The release of audited full year results with impressive benefit.
- Higher growth in earnings than the recent growth in share capital especially from the banking and insurance sectors.
- The huge construction works going on in the country to improve the level of infrastructure.
- A rebound of the market from the bearish trend which started on March 5, 2008.

### MONEY MARKET OUTLOOK

We expect an upward review of the MPR from 9% to 10% as an attempt by the CBN to bring down the inflationary pressure in the economy.

Interest rates are expected to trend upward as banks compete aggressively to mobilize funds in preparation for the December year-end.

We project a stable exchange rate of N116 N117 for the Dollar at the official market.

## STATEMENT OF FUND MANAGER'S RESPONSIBILITIES

The responsibilities of the Manager to the Fund are as follows:

1. To carry on and conduct the business of the Fund in a proper and efficient manner and in particular, to diligently carry out the purpose for which Units are issued.
2. To act with prudence in relation to all moneys and accounts kept for the purpose of the Fund.
3. To keep proper books of accounts and prepare financial statements for the Fund and therein make true and proper entries of all affairs.
4. To issue jointly with the Trustees, certificates evidencing the purchase of Units of the Fund.
5. To invest the portfolio pool in a manner consistent with the investment objective of the Fund and investment guidelines.
6. To pay out of the Fund all expenses incurred or to be met in connection with the management of the Fund.
7. To appoint, with the consent of the Trustees, the Auditors to the Fund.
8. To make periodic returns to the Securities and Exchange Commission as may be specified from time to time.
9. To periodically avail unit-holders with information relating to the performance of the Fund

To convene Annual General Meeting of the Fund.

## STATEMENT OF TRUSTEE'S RESPONSIBILITIES

The Trustees responsibilities to the Fund are as follows:

1. To jointly issue (with the Manager) certificates evidencing ownership of units of the Fund.
2. To ensure there is a legal separation of the Funds assets and that the legal entitlement of investors to such assets is assured.
3. To ensure that the management of the Fund is carried out in accordance with the Trust Deed and the Investment and Securities Act.
4. To enquire into and prepare a report on the administration of the Fund by the Manager during each accounting year.
5. To grant its consent to the appointment of the Auditors for the Fund.
6. To send copies of the Annual Accounts of the Fund to all unit-holders.
7. To make the Trust Deed available for inspection by the unit-holders during normal business hours at its Head Office.
8. To consent to the convening of General Meeting of the Fund.
9. To Chair or nominate the Chairman at every General Meeting convened for the Fund.
10. To approve the Form of Proxy used for Meetings.

## REPORT OF THE TRUSTEES

For the Period Ended 31 March, 2008

The Trustees present their report on the affairs of the UBA Equity Fund ("the Fund") together with the Auditors Report and Financial Statements for the period ended 31 March 2008.

### Principal Activities and Business Review:

The Fund opened for subscription on 5th June 2006 and commenced investment activities in October 2006.

The Fund was registered under the Collective Investment Scheme by the Securities and Exchange Commission in accordance with the provisions of Section 160 of the Investments and Securities Act [2007] to provide investors and/or their beneficiaries and dependants with long-term capital appreciation and income distribution through investment in a select portfolio of securities and instruments specified in Clause 4.2 of the Trust Deed.

The Fund is listed by memorandum on the floor of the Nigerian Stock Exchange and maintains its assets separate from the assets of the Manager.

### Performance of the Fund:

The performance of the Fund as a function of its net asset value is as follows:

**31 March 2008**

**N '000**

Net Asset Value 2,935,398

There were 216 additional investors to the Fund while 820 Unit-holders withdrew their investments from the pool. A total 1,080,957,514 Units were allocated while 1,206,853,810 Units were redeemed during the period.

### Operating Results:

**31 March 2008**

**N '000**

Net Income for the period 716,910

Parties to the Fund:

### The following are the parties to the Fund:

Union Trustees Limited	-	Trustees
UBA Asset Management Limited	-	Managers
UBA Registrars Limited	-	Registrars
Akintola Williams Deloitte	-	Auditors

### BY ORDER OF THE TRUSTEES

Union Trustees Limited  
160/162 Broad Street  
Lagos Island  
Lagos.



Henry Onyemem  
June 2009

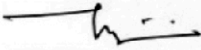


## **CERTIFICATION OF THE ACCOUNTS**

### **BY THE DIRECTORS OF THE FUND MANAGER**

We hereby certify the accounts and state that neither the Manager nor any other person acting on its behalf has:

1. Transferred units to another person for sale, resale or subsequent transfer to the Manager for sale or resale;
2. Acquired or disposed of investments for account of the Trust otherwise than through a recognized Stock Exchange except where such investment consist of money market instruments or cash deposits; or
3. Acquired units for a price higher than the prevailing bid price; or
4. Disposed of units for a price lower than the prevailing offer price.



**Director**  
**UBA Asset Management Limited**



**Director**  
**UBA Asset Management Limited**

## REPORT OF THE INDEPENDENT AUDITORS TO THE UNIT HOLDERS OF UBA EQUITY FUND

We have audited the financial statements of **UBA Equity Fund** as at 31 March 2008 set out on pages 2 to 9 which have been prepared on the basis of the significant accounting policies on page 2 and other explanatory notes on pages 7 to 9.

### Fund Managers' Responsibility for the Financial Statements

The Fund Managers are responsible for the preparation and fair presentation of these financial statements in accordance with the Investments and Securities Act CAP S124 LFN 2007, This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### Auditors' Responsibility

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

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

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

### Opinion

In our opinion, the Fund has kept proper accounting records and the financial statements are in agreement with the records in all material respects and give in the prescribed manner, information required by the Investments and Securities Act CAP S124 LFN 2007. The financial statements give a true and fair view of the financial position of **UBA Equity Fund** as at 31 March 2008, and of its financial performance and its cash flows for the period then ended in accordance with the Statement of Accounting Standards issued by the Nigerian Accounting Standards Board, the rules and regulations issued by the Securities and Exchange Commission, and the Trust Deed.

*Akintola Williams Deloitte*

Chartered Accountants  
Lagos, Nigeria

12 February, 2009

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Member of Deloitte Touche Tohmatsu



## STATEMENT OF TOTAL RETURN

For the period ended 31 March 2008

	Notes	18 Months to 31-Mar 2008 N'000
Net gains on trading activities	2	600,761
Other investment income		<u>272,081</u>
Total Income		872,842
Operating expenses	4	<u>(153,649)</u>
Net income before taxation		719,193
Taxation	5	<u>(2,284)</u>
Net increase in Unitholders' funds from investment activities		<u><u>716,910</u></u>

## STATEMENT OF MOVEMENTS IN UNITHOLDERS' FUNDS

For the period ended

		31 March 2008 2008 N'000
Net assets as at 1 October 2006	10	2,409,790
Amounts received on creation of units		1,546,260
Amounts paid on cancellation of units		<u>(1,737,561)</u>
		2,218,488
Net increase in Unitholders' funds from investment activities		<u>716,910</u>
Net assets as at 31 March 2008	10	<u><u>2,935,398</u></u>

The accounting policies on page -- and the notes on pages -- to -- form an integral part of these financial statements.



## PORTFOLIO STATEMENT

As at 31 March 2008

	Holding (No. of shares)	Market value N'000	Percentage of net assets
Airline Services	257,230	7,197	0.24%
Banking	23,286,427	627,227	20.9%
Brewery	2,000,000	104,020	3.5%
Building materials	6,500,000	365,614	12.2%
Conglomerates	13,574,125	463,213	15.4%
Real estate	7,592,300	194,363	6.5%
Food/beverages	8,425,000	650,300	21.6%
Total trading securities	61,635,082	2,411,935	80.2%
Money market investments		594,900	19.8%
Total Investments		3,006,835	100%



## BALANCE SHEET

As at 31 March 2008

	Notes	2008 N'000
Bank balance		24,950
Money market investments	6	594,900
Trading securities	7	2,411,935
Receivable	8	<u>148</u>
<b>Total assets</b>		<b>3,031,933</b>
Creditors	9	<u>(96,535)</u>
Net assets		<u><u>2,935,398</u></u>
Represented by:		
Unitholders' equity		2,218,488
Retained earnings	10	<u>716,910</u>
Unitholders' funds		<u><u>2,935,398</u></u>

The accounting policies on page -- and the notes on pages -- to -- form an integral part of these financial statements.

## STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of the financial statements are set out below:

**A. Basis of accounting**

The financial statements are prepared in compliance with Nigerian Statements of Accounting Standards (SAS). The financial statements are presented in the functional currency, Nigerian Naira (N) rounded to the nearest thousand and prepared under the historical cost convention as modified by the inclusion of investments at market value

**b. Income recognition**

**i. Dividend**

Dividend is regarded as earned when the quoted price of the related security is adjusted to reflect the value of the dividend, and is stated gross of withholding tax. Scrip dividend is recognised on the basis of the market value of the shares on the date they are quoted.

**ii. Interest**

Interest income is recognised on an accrual basis.

**iii. Trading income**

Realised and unrealised gains and losses from trading and holding of trading securities are reported in the statement of total return

**C. Trading Securities**

Trading securities comprise debt and equity securities and are carried at market values.

**d. Basis of investment valuation**

Trading securities are traded on the floor of the Nigeria Stock Exchange and are carried at market prices quoted on the daily official list of the exchange as at the balance sheet date. Unrealised appreciation/depreciation due to increase/decrease in carrying value is included as part of net gains or loss in the statement of total returns. Realised surplus or deficits on part sales on investments are arrived at by deducting the average cost of such investment from the sales proceeds.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 March 2008

### 1 THE UBA EQUITY FUND

The operation of the UBA Equity Fund ("The Fund") commenced in September 2006. The Fund is an open-ended unit trust or mutual fund scheme, which provides unit holders access to investments in approved portfolio. It is under the management of UBA Asset Management Limited with Union trustees Limited as the Trustees.

	<b>2008</b>
	<b>N'000</b>
<b>2 NET GAINS ON TRADING ACTIVITIES</b>	
Net income from trading activities	374,856
Unrealised capital gains for the period	225,905
	<u>600,761</u>
<b>3 OTHER INVESTMENT INCOME</b>	
Dividend income	22,836
Other Income	5,398
Interest income	243,847
	<u>272,081</u>
<b>4 OPERATING EXPENSES</b>	
Manager's fees (See note 14)	50,579
Trustee fee	750
Registrar's fees	1,417
Auditors' remuneration	1,000
Initial Public Offer expenses	92,213
Others	7,690
	<u>153,649</u>
<b>5 TAXATION</b>	
Tax attributable to franked investment income	<u>2,284</u>

The Fund is exempt from paying capital gains tax. Withholding tax on dividend income is regarded as the final tax.

### 6 MONEY MARKET INVESTMENT

These comprise of short term money market investments with Nigerian banks and financial institutions

### 7 TRADING SECURITIES

Trading securities comprise debt and equity securities listed on the Nigerian Stock Exchange (NSE). See portfolio statement on page 7 for sectorial analysis.

	<b>2008</b>
	<b>N'000</b>
<b>8 DEBTORS</b>	
Interest receivable	<u>148</u>
	<u>148</u>



## NOTES TO THE FINANCIAL STATEMENTS

### 9 CREDITORS

Accrued expenses	62,907
Due to Fund Manager	1,726
Taxation Payable	321
Due to stockbroker	33
Unreconciled Initial Subscription difference	11,392
Other creditors	20,156
	96,535

### 10 UNITHOLDERS' FUNDS

	No of units	Unitholders equity N'000	Retained earnings N'000	Total N'000
Balance as at 1st September 2006	2,409,790,000	2,409,790	-	2,409,790
Amounts received on creation of units	1,080,957,514	1,546,260	-	1,546,260
Amounts paid on cancellation of units	(1,206,853,810)	(1,737,561)	-	(1,737,561)
Transfer from statement of total return	-	-	716,910	716,910
	2,283,893,703	2,218,488	716,910	2,935,398

### 11 STATISTICAL INFORMATION

	2008
Gross income (N'000)	872,842
Number of units	2,283,893,703
Gross income per Unit (N)	0.38

### 12 RELATED PARTY TRANSACTIONS

During the period, the following related party activities existed:

UBA Asset Management Limited (UAML) acted as the Fund Manager during the period.  
UBA Plc provided banking services to the Fund.

Units held by related parties:

Parties related to the manager held units in the Fund as at the end of the period are as follows:

	Number of Units
UBA Cooperative Society	500,000
UBA Staff Pension Fund	469,260,000

These transactions were done at arm's length.

### 13 MANAGEMENT FEES

Management Fees	2008 N'000
1st Quarter	9,795
2nd Quarter	7,042
3rd Quarter	7,904
4th Quarter	8,142
5th Quarter	8,920
6th Quarter	8,776
Total	<u>50,579</u>

#### Management & Incentive Fees

The management fee for the period ended 31 March 2008 is calculated as 1% of the net asset value of the fund, payable quarterly in arrears. The total quarterly Management fees earned for the year is N 50.58 million. This represents 3.9% of the Gross income for the period.

### STATEMENT OF VALUE ADDED

	2008 N'000	%
Net earnings Y	<u>872,842</u>	
Value added	<u>872,842</u>	100
Applied as follows:		
Fund manager and other parties to the fund	153,649	18
Government as taxes	2,284	0
Retained earnings	<u>716,910</u>	82
Value added	<u>872,842</u>	100

## MANAGEMENT AND ADMINISTRATION

**The Fund has no employees of its own.**

### **Directors of the Fund manger**

Tony Elumelu  
Abdulrahman Yinusa  
Chika Mordi  
Suzanne Iroche  
Godwin Ize-Iyamu  
Emmanuel Nnorom

### **Manager**

UBA Asset Management Limited  
Head Office/ Lagos Office  
9th Floor, UBA House  
57 Marina, Lagos.  
P. O. Box 75524, Victoria Island,  
Lagos  
Telephone: (01) - 2807437; 2807774  
E-Mail: [ubaassetmgt@ubagroup.com](mailto:ubaassetmgt@ubagroup.com)  
Website: [www.ubaassetmgt.com](http://www.ubaassetmgt.com)

### **Auditors**

Akintola Williams Deloitte  
(Chartered Accountants)  
235, Ikorodu Road  
Ilupeju  
Lagos.

### **Registrars**

UBA Registrars Limited  
97/105, Broad Street  
Lagos Island  
Lagos

### **Trustees**

Union Trustees Limited  
160/162, Broad Street  
Lagos Island  
Lagos



## Notes



## Notes



## UBA EQUITY FUND MANAGED BY UBA ASSET MANAGEMENT LIMITED

### PROXY CARD

I/We .....  
of .....  
Being a holder/holders of Units in UBA Equity Fund hereby appoint ..... of  
..... or failing him/her the Chairman of the Meeting as my/our proxy to vote for me/us and on my/our  
behalf as he deems fit or as specified in the boxes below in relation to the resolutions to be submitted to the unitholders at the Annual General Meeting of  
the Fund to be held on Thursday, the 9th of July, 2009 and at any adjournment thereof:  
Dated this ..... day of ....., 2009.  
Signature(s) of Unitholder(s) ..... No. of Units: .....

That the Trust Deed dated 23 May 2006 between UBA Asset Management Limited and Union Trustees Limited ("The Trust Deed") be amended as follows:

S/N	Resolutions	For	Against						
1	<p>The replacement of clause 16(C) of the Trust Deed with a new clause 16(C) as stated below;</p> <p>Old Clause  "the value of the part of the fund so invested in the shares of a particular company to exceed one-twentieth of the total value of the Fund".</p> <p>New Clause  "the value of the part of the fund so invested in the shares of a particular company to exceed one-tenth of the total value of the Fund".</p>								
2	<p>The amendment of the text of clause 27.4.1 and 27.4.2 of the Trust Deed (which relates to management and incentive fee payable to the manager) such that the sub-clause shall after amendment read as follows:</p> <p>Clause 27.4.1  "an annual management fee of 1.5% of the Net Asset Value of the Fund. The Management Fee shall be subject to any increase consented to by the Trustee and the commission; and"</p> <p>Clause 27.4.2  "an annual incentive fee of not exceeding 20% of the total returns in excess of 10% of the Funds net asset value.</p>								
3	<p>The replacement of clause 4.2 and 12.1 of the Trust Deed (which relates to proportions of asset allocation) with a new clause 4.2 and 12.1 as shown in the table below:</p> <p>UBA Equity Fund</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="background-color: #333; color: white;">Asset Class</th> <th style="background-color: #333; color: white;">Proportion of Asset Allocation</th> </tr> </thead> <tbody> <tr> <td>Quoted Equities</td> <td>Min: 60% Max: 90%</td> </tr> <tr> <td>Money Market Instruments</td> <td>Min: 10% Max: 40%</td> </tr> </tbody> </table>	Asset Class	Proportion of Asset Allocation	Quoted Equities	Min: 60% Max: 90%	Money Market Instruments	Min: 10% Max: 40%		
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Quoted Equities	Min: 60% Max: 90%								
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