



AN INTERVIEW WITH THE FUND MANAGER

What was the investment climate like in 2014?

The economic environment in 2014 was buffeted by various challenges. The Cedi suffered a depreciation of about 32% compared with 12.81% in 2013 and inflation of 17% compared with 13.5% in 2013. This led to the central bank pegging the policy rate at 21%, which had been 16-18% for a number of months. In a bid to make Cedi investments attractive to investors, Treasury yields went up significantly – from 19.23% and 19.18% in January to 25.81% and 26.41% for the 91 and 182 days, respectively, by year end. The equities market also had its fair share of challenges. The market closed the year with a return of 5.4%, which pales in comparison to 2013's return of 78.81%. The non-financial sector was hardest hit on the market. Companies in the manufacturing segment of the market were affected by the erratic power supply, while others in addition were impacted by increased volatility on the currency market. This led to their poor showing on the market causing investors to shy away from companies in that sector.

What contributed to ArkFund's growth and Performance in 2014?

ArkFund recorded a growth of about 14% in 2014, resulting in an Assets Under Management (AUM) value of GHC 4.6m against GHC 4.0m in 2013. This growth was largely on account of the Fund's investment returns as the Fund recorded a net outflow position by year end. The Fund's positions in high yielding fixed-income investments were

especially instrumental in shielding the Fund against the price declines in the equity portfolio. In 2014, the Fund sold down a portion of its stock positions in line with the mandate of the Fund. This was to reduce the level of risk present in the portfolio to ensure that shareholders investments were cushioned from price declines.

On a sector basis, financial stocks were the largest contributor to performance. This was followed closely by energy holdings and lastly the consumer staples sector. As earlier indicated, the consumer staples sector was faced with a myriad of challenges – escalating manufacturing costs, erratic power supply and forex issues among others. It was against this backdrop that the Fund remained underweight in the consumer staples sector. The fixed-income investments of the Fund were mostly at the short end of the yield curve to enable the Fund to keep pace with the rapid changes in interest rates. Also note worthy was our exposure to Certificates of Deposit, which tend to yield higher returns than Treasury bill investments.

What values drive the Fund?

We believe that no matter how you define **PROSPERITY** – wealth, wellbeing, peace of mind – our investment decisions should help you get there. The investment decisions we make in ArkFund are structured to promote **SUSTAINABILITY** – sustainability in wealth creation, sustainability of the environment and sustainability of your investments.



ENVIRONMENTAL SENSITIVITY is at the core of our existence as we believe that bringing awareness and action to environmental issues goes a long way to effect a positive change in society. We also laud the idea of **SOCIAL RESPONSIBILITY** and believe in giving back to society to make an impact. Databank ArkFund takes a balanced approach to managing your investments so that your capital is protected to ensure the **SAFETY** of your investment.

What should ArkFund investors expect in 2015?

In 2015, we anticipate a modest return on the equities market. We believe this occurrence will be chiefly dependent on sustained economic stability. We expect that the equity market will close the year within the band of 8% to 15%, mainly on the assumption that the IMF program that Ghana signed on to in April 2015 will instill some fiscal discipline in the Ghanaian economy in the medium to long term. Secondly, we believe that the IMF program will unlock donor funding which hitherto had ceased in the wake of Ghana's deteriorating macroeconomic climate. We anticipate that these will serve as trigger points to renewing the confidence of foreign investors whose participation in the equity market has been significant over the years. The Financials sector is expected to continue to drive performance in 2015. However, we believe that some choice picks in the non-financials space could also deliver sterling returns on the market.

On the fixed-income front, we expect rates to remain at best at current levels – all else being equal. It is believed that the IMF program, which will see the release of US\$ 918 million over a three-year period, will hardly resolve the worsening economic situation in the country in the short term.

This view is essentially based on our to government revenue characterized by low commodity prices, slower economic output, worsening Balance of Payments position and reduced foreign exchange inflows. As such we believe these will prolong government's reliance on short-term debt to improve its liquidity position, which will make rates stick downwards in 2015. Our strategy therefore for the Fund in 2015, will be to selectively pick some names in the non-financials sectors to enhance the returns on fixed-income portfolio. Thus, the strategy for fixed-income investments will largely be to continue to take positions at the short end of the yield curve to keep up with changes in interest rates.

Are there any additional thoughts you would like to share with shareholders?

We continue to appreciate the faith and confidence of shareholders over the past five years. We cannot overemphasize the need to sustain the growth of your investments. To help you achieve your investment goals, we encourage you to develop a systematic investment plan and invest regularly in ArkFund while we grow your wealth with expertise.