

PERFORMANCE

| | <u>QTD</u> | <u>YTD</u> |
|---|------------------|---------------|
| FCA Ghana Equity Only Portfolio Gross Return | -2.15% | 9.03% |
| GSE Composite Index | -5.66% | 4.38% |
| 1-Year GOG Bond | 5.73% | 15.04% |
| | | |
| <u>Sector Returns</u> | <u>Portfolio</u> | <u>GSE-CI</u> |
| Agro Processing | 13.90% | 13.5% |
| Beverages | -49.90% | -50.0% |
| Consumer Goods | -13.90% | -17.8% |
| Distribution & Trading | 13.50% | 12.5% |
| Financials | 24.20% | 20.6% |
| Food | -25.90% | -26.0% |
| Oil & Gas | 2.80% | 2.9% |
| Pharmaceutical | 0.00% | -1.9% |
| Manufacturing | N/A | -8.5% |

NARRATIVE

Market Update, Security Winners and Losers

The distribution of asset returns for Q3 was still skewed towards fixed income. While the first 3 quarters of 2014 was a difficult period of relative performance for the GSE-CI, compared to other African markets, the FCA Model Portfolio gained significantly. The Ghana Stock Exchange Composite Index (GSE-CI) shed off significantly to close with Q3 loss of -5.66% and YTD performance of 4.38%. The FCA Equity Model Portfolio close with Q3 loss of -2.15% and YTD of 9.03% while the 1 Year GOG Bond returned 5.73% for Q3 and YTD of 15.04%. The GSE YTD marginal gain was achieved on the back of strong performance by ETI, HFC, SWL, EBG and SOGEGH, on the flip side however, PZC, GGBL, ACI, ALW and UTB were the main losers. The good news is that FCA had significant exposure in most of the best performing equities during the quarter. Market sentiment remained in the bearish camp during Q3 but the stock market does not look frothy on a near term basis. Our near term outlook for the equity market is still guarded as volatility in the equity market is expected due to increasing interest rates.

We held investments in equity, government bonds and bills, bank fixed deposits and REITs. The high interest rates during the quarter meant investments in fixed income were the clear winners. In the equity market, consumer sectors were the losers while the financial sector continues to be a consistent winner for us.

Cedi Rallies

After hitting a low of 3.89 cedis to the dollar in August and winning the title for 2014's biggest currency loser, the cedi rallied to around 3.1 per dollar at the end of September. The cedi temporarily overshot on the downside as speculators bet on its continued fall while the Bank of Ghana's forex rules in February also exacerbated the fall of the cedi. However, the IMF program and the successful eurobond has compel the speculators to dump dollars, allowing the cedi to rebound upward. However, we expect seasonal (Christmas) and structural factors to take over to weaken the cedi in Q4, hopefully not at a higher pace. In Q2, we were not certain on the direction of the economy as there were no clear policy measures to reduce the fiscal and current account twin deficits. However, if the IMF program is successful, IMF oversight would help restrain Ghana's fiscal profligacy and help reduce the fiscal deficit. We are not certain on the current account deficit as Ghana is net importer while oil production volumes are too small to change this equation. Ghana's economy is in a slow patch with August inflation hitting 15.9% and the Policy Rate being maintained at 19% to help the cedi rally. Short term rates witnessed sharp increases with the 91-Day and 182-Day ending Q2 2014 at 25.06% and 26.36% respectively compared with 24.08% and 21.28% respectively at the end of Q2 2014 while the 1-year rate has remain flat at 22.5%.

NARRATIVE (CONT.)

Our Portfolio Strategy

We maintained our bearish thesis on consumer staples and reduced the size of our basket there. Financials and Energy continue to be our favourite sectors, with high emphasis on banking stocks and less on insurance. This is because we still see regulatory oversight in the banking sector to be strong and seemingly improving. The reward potential is that leading banks trade with low trailing PEs (4x - 8x) and in some cases offering high dividend yield of 5%. The equity market has drop so low YTD that we don't see further downside. In response to this, we have created a behavioural technique to prevent us from buying more seemingly cheap stock (a possible value trap) or from selling in desperation. In our Balanced Portfolio, our strategy was overweighting our exposure to the low end of the yield curve due to higher yields.

Economic Outlook

We believe that the economy's short term risks arising from huge current account and fiscal deficits is minimised compared with our Q2 position. The cedi has rallied but rates are still high; will we see drop in Policy Rate? We do not expect the BOG to act in Q4. The cedi is rallying and the bull thesis on the economy is reviving; the energy crisis will improve as Ghana has signed the MCA pack to address her energy needs while the Atuabo gas project is near completion. The economy will shrink this year (as reported by IMF). We still expect a series of supply shocks such as low oil production from the Jubilee Field and low Gold production from the largest mining firm, AngloGold in Obuasi as short term challenges.

FOCUSED GHANA EQUITY ONLY COMPOSITE

ANNUAL DISCLOSURE PRESENTATION

| ANNUAL PERFORMANCE RESULTS | | |
|----------------------------|----------------|----------------|
| Year End | COMPOSITE | GSE-CI |
| 2014 Q3 | -2.15% | -5.66% |
| 2014 Q2 | 0.29% | -0.55% |
| 2014 Q1 | 11.30% | 11.19% |
| 2013 FY | 87.47% | 78.81% |
| 2013 Q4 | 6.46% | 5.62% |
| 2013 Q3 | 9.08% | 7.45% |
| 2013 Q2 | 12.06% | 8.47% |
| 2013 Q1 | 44.02% | 44.49% |
| 2012 FY | 22.27% | 23.81% |
| 2012 Q4 | 11.83% | 15.69% |
| 2012 Q3 | 1.00% | 0.23% |
| 2012 Q2 | -1.30% | -0.14% |
| 2012 Q1 | 10.54% | 8.03% |
| 2011 FY | 5.67% | -3.10% |
| 2011 Q4 | -14.11% | -12.94% |
| 2011 Q3 | -0.34% | -7.61% |
| 2011 Q2 | 16.57% | 10.96% |
| 2011 Q1 | 5.16% | 7.15% |
| 2010 FY | 42.11% | 32.25% |
| 2010 Q4 | 8.49% | 7.80% |
| 2010 Q3 | 8.46% | 3.71% |
| 2010 Q2 | 12.15% | 9.59% |
| 2010 Q1 | 7.68% | 7.93% |
| Cumulative | 166.96% | 136.75% |