

**PERFORMANCE**

	QTD	YTD
<b>FCA Ghana Equity Only Portfolio Gross Return</b>	<b>2.36%</b>	<b>11.61%</b>
<b>GSE Composite Index</b>	<b>1.00%</b>	<b>5.40%</b>
<b>1-Year GOG Bond</b>	<b>5.73%</b>	<b>21.64%</b>
<b><u>Sector Returns</u></b>	<b><u>Portfolio</u></b>	<b><u>GSE-CI</u></b>
Agro Processing	27.70%	27.1%
Beverages	-48.40%	-48.4%
Consumer Goods	-41.60%	-43.7%
Distribution & Trading	19.40%	14.3%
Financials	26.10%	25.6%
Food	-20.70%	-20.7%
Oil & Gas	0.00%	0.0%
Pharmaceutical	N/A	1.7%
Manufacturing	N/A	-12.7%

**NARRATIVE**

**Market Update, Security Winners and Losers**

The distribution of asset returns for Q4 was still skewed towards fixed income. We had equity market losses in 2014, but despite this, our relative performance was best during this difficult market environment. Even when Ghana's macro events were at their worst, we made a bit of money. We believe that a further wobble in the equity market in Q1 2015 wouldn't really faze us as it might create more valuations that are attractive for us. The Ghana Stock Exchange Composite Index (GSE-CI) shed off significantly to close with Q4 gain of 1.0% and YTD performance of 5.4%.

The FCA Equity Model Portfolio closed with Q4 gain of 2.36% and YTD of 11.61% while the 1 Year GOG Bond returned 5.73% for Q4 and YTD of 21.64%. The GSE YTD marginal gain was achieved on the back of strong performance by HFC, ETI, SCB, EBG and SWL, on the flip side however, ACI, PZC, ALW, SPL and GGBL were the main losers. The good news is that FCA had significant exposure in most of the best performing equities during the year. Market sentiment remained in the bearish camp during Q4 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 to improve due to expected rate drop.

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, con-

sumer sectors were the losers while the financial sector continues to be a consistent winner for us.

**Nervous 2014**

The economic state for Ghana was mixed in 2014 - panic in the first half, followed by recovery. The main culprits were the cedi and falling oil prices. 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 falling oil prices has helped to reduce Ghana's import bill to reduce our current account deficit. Ghana's economy was in a slow patch with November inflation hitting 17% and the Policy Rate being increased to 21% to curb inflationary pressures. Short term rates witnessed stability with the 91-Day, 182-Day and 1-year ending Q4 2014 at 25.81%, 26.41% and 22.5% respectively compared with 25.06%, 26.36% and 22.5% respectively at the end of Q3 2014.

**Our Portfolio Strategy**

On the subject of valuation, its been harder to find stocks to buy in the past year. We were still able to find undervalued companies through hard work and extensive screening and searching, but the opportunities were small, often illiquid and they don't tend to stick around for very long. Although our pace of stock purchases slackened from June 2014, we will increase our purchases in January 2015. We maintained our bearish thesis on consumer staples and reduced the size of our basket there while Pharmacy was unloaded. Financials and

## NARRATIVE (CONT.)

Energy continue to be our favourite sectors, with exposure in financials above 50%. Note that over 50% of the capitalization in the GSE market universe is financials.

For 2015, we have trimmed numerous bank positions while PBC has been unloaded from our portfolio. In some cases, the trims followed price appreciation that had increased position weights beyond our targets; while the unloading resulted from our decision to lower target weight due to our perception that PBC's risk was increasing. 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 discussed the cedi more thoroughly in our September Newsletter. In summary, we think the worst of the currency

crisis is over, although Ghana does need to agree and stick to an IMF program that will help to curb spending in 2015 and the 2016 election year. We expect the cedi to depreciate in 2015, but at around 12% annual rate that has existed for the past decade. Because Ghana is net importer of crude, we expect the current lower crude prices to lower current account deficits, budget deficits and inflation, while boosting GDP and international reserves. Consequently, we believe that the economy's short term risks arising from huge current account and fiscal deficits is minimised.

## FOCUSED GHANA EQUITY ONLY COMPOSITE

### ANNUAL DISCLOSURE PRESENTATION

ANNUAL PERFORMANCE RESULTS		
Year End	COMPOSITE	GSE-CI
<b>2014 FY</b>	<b>11.61%</b>	<b>5.40%</b>
2014 Q4	2.36%	1.00%
2014 Q3	-2.15%	-5.66%
2014 Q2	0.29%	-0.55%
2014 Q1	11.30%	11.19%
<b>2013 FY</b>	<b>87.47%</b>	<b>78.81%</b>
2013 Q4	6.46%	5.62%
2013 Q3	9.08%	7.45%
2013 Q2	12.06%	8.47%
2013 Q1	44.02%	44.49%
<b>2012 FY</b>	<b>22.27%</b>	<b>23.81%</b>
2012 Q4	11.83%	15.69%
2012 Q3	1.00%	0.23%
2012 Q2	-1.30%	-0.14%
2012 Q1	10.54%	8.03%
<b>2011 FY</b>	<b>5.67%</b>	<b>-3.10%</b>
2011 Q4	-14.11%	-12.94%
2011 Q3	-0.34%	-7.61%
2011 Q2	16.57%	10.96%
2011 Q1	5.16%	7.15%
<b>2010 FY</b>	<b>42.11%</b>	<b>32.25%</b>
2010 Q4	8.49%	7.80%
2010 Q3	8.46%	3.71%
2010 Q2	12.15%	9.59%
2010 Q1	7.68%	7.93%
<b>Cumulative</b>	<b>169.13%</b>	<b>137.17%</b>