Vetiva S&P Nigerian Sovereign Bond Exchange Traded Fund

Annual Report

31 December 2018

Fund information

Directors of the Fund Manager

Chuka Eseka	Chairman
Olaolu Mudasiru	Non Executive Director
Damilola Ajayi	Managing Director/CEO

Transfer Agent
Central Securities Clearing
Systems Plc
12th Floor NSE Building
2/4 Customs Street
Lagos

Custodian
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Services)
UBA House (12th Floor)
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Bankers
UBA Plc
UBA House (12th Floor)
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Fund Manager
Vetiva Fund Managers Limited
Plot 266b Kofo Abayomi Street
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Trustee
UTL Trust Management
Services Limited
47, Marina, ED Building
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Auditor:

KPMG Professional Services
KPMG Tower
Bishop Aboyade Cole Street
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FUND MANAGER'S REPORT

For the year ended 31 December 2018

The Fund Manager presents its report on the affairs of Vetiva S&P Nigerian Sovereign Bond Exchange Traded Fund (the Fund) , together with the financial statements and auditor's report for the year ended 31 December 2018.

BACKGROUND INFORMATION

The Vetiva S&P Nigerian Sovereign Bond Exchange Traded Fund (the Fund)") is an open-ended exchange traded fund issued by Vetiva Fund Managers Limited ("VFM" or "Fund Manager") and listed on the Nigerian Stock Exchange on 24 October 2016. The ETF seeks to track the S&P Nigerian Sovereign Bond Index and to replicate, to the extent possible, the price and yield performance of the FGN Bond securities constituting the S&P Nigerian Sovereign Bond Index, net of expenses.

INVESTMENT OBJECTIVE

The investment objective of the Fund Manager in respect of the ETF Securities, is to substantially replicate, the price and yield performance of the S&P Nigerian Sovereign Bond Index, net of expenses. The ETF seeks to track the S&P Nigerian Sovereign Bond Index.

INVESTMENT STRATEGY

The Vetiva S&P Nigerian Sovereign Bond ETF seeks to replicate, to the extent possible, the price and yield performance of the FGN Bond securities constituting the S&P Nigerian Sovereign Bond Index, net of expenses. Hence, the Vetiva S&P Nigerian Sovereign Bond ETF employs an indexing investment approach and is structured as an Optimized ETF investing in only a representative sample comprising the most liquid and actively traded securities in the S&P Nigerian Sovereign Bond Index. The Fund Manager will pursue the objective of replicating, as far as practicable, the price and yield performance of the S&P Nigerian Sovereign Bond Index, by holding a market-value-weighted portfolio of securities on behalf of unit holders that substantially represents the component securities of the benchmark Index. The Fund Manager has introduced a filter such that the ETF will consist of only on-the-run FGN Bonds and FGN Bonds that have been off-the-run for a maximum of 2 years to mitigate the risk of holding illiquid securities. There is no guarantee or assurance of exact or identical replication at any time of the performance of the S&P Nigerian Sovereign Bond Index.

OPERATING RESULTS

The Net Asset Value of the Fund as at 31 December 2018 is as follows;

	31 December 2018	31 December 2017
Net Assets Value	508,696,862	527,109,211

The operating result for the year ended 31 December 2018 is as follows;

	31 December 2018	31 December 2017
Profit for theyear	63,330,673	62,827,263

PROPOSED DISTRIBUTION

The Board of directors of the Fund Manager has recommended a distribution of N13 per unit holding for the year ended 31 December 2018. However, the distribution has not been effected as at 31 December 2018. Withholding tax will be deducted at the time of payment. An interim distribution of N3 per unitholding was paid out for the period ended 30 June 2018.

MARKET REVIEW

Overview

Real Economy:

Nigeria's post-recession recovery has been slow and below potential. Between 2010 and 2014, the economy grew at a CAGR of 4.8% y/y but has grown just 0.8% y/y and 1.8% y/y in 2017 and 2018E. We attribute this to the structural weakness of our mono-commodity economy and a struggle to recover from the stagflation and foreign exchange (FX) crisis of 2016. Consumer wallets are still severely weak amid a significant loss of spending power since the end of 2015 and industries must still battle high costs and high interest rates. Federal Government spending has been substantial thanks to a series of record budgets, but the fiscal multiplier has been weak due to the lag time of capital expenditure projects and the underperformance of social investment programs. Unsurprisingly, our near-term outlook is muted as the structural weakness meets political uncertainty in early 2019. Overall, we project growth of 2.7% y/y in 2019, just about equal to estimated population growth, and look beyond 2019 for true structural adjustment that can transform Nigeria's economic growth trajectory. Meanwhile, the key economic headwinds in 2019 are currency volatility, policy instability, and severe fiscal strain as a result of excessive spending.

Inflation:

Inflation declined from 15.4% at the end of 2017 to 11.4% in December 2018 supported by a more stable exchange rate environment and a high base effects from the previous year. This trend was evident across both major sub-indices as food inflation fell from 19.4% in 2017 to 13.6% at the end of 2018 while core inflation dropped to 9.8% in December 2018 from 12.2% recorded in 2017. Consequently, average inflation for the year 2018 printed at 12.15% y/y, much lower than the 16.6% average recorded in 2017. This moderation was driven mainly by abating food prices and exchange rate stability enjoyed in 2018.

We expect residual domestic food price pressure in the first half of 2019 (post-2018 harvest) as Nigeria feels some of the effects of the disruption to farming activities caused by recent flooding and herdsmen violence. Likewise, we anticipate an uptick in global food prices, which have been relatively tame in 2018. Thus, we foresee food inflation coming under pressure once again after its recent reprieve—month-on-month food inflation down from 1.6% in June to 0.8% in October. On the core inflation front, we expect election spending to induce greater substantial pressure in Q1'19 even as we note that 2019 inflation would have the weakest base in recent years (as 2018 inflation was relatively mild). However, the deciding factor for 2019 inflation would be the implementation of the proposed minimum wage hike, which has been agreed by the presidency and labour unions but must be adopted by the Nigerian Governors' Forum. Our base scenario includes the effect of a minimum wage hike in H2'19 and brings our 2019 average inflation forecast to 12.6%. In comparison, our bull forecast (no minimum wage hike) is 10.3% and the International Monetary Fund projection is 12.4%.

Currency:

Despite operating a multiple exchange rate system, Nigeria's foreign exchange (FX) market remained in a relatively stable position through 2018. The "Investors & Exporters" (NAFEX) window continued to fare well, with trading volumes remaining sturdy through the year, initially supported by autonomous flows in the first half of the year but later receiving much stronger liquidity support from the CBN through sustained interventions in the market to counter pressure from capital reversals that heightened in H2'18. Thus, despite monetary tightening in the U.S. and consequent capital outflows, the naira has held firm against the dollar in comparison to frontier market peers, thanks to the central bank's unconventional foreign exchange market. Reserves have however expectedly suffered from the apex bank defending the currency, falling from $48 billion in July to below $42 billion in November but re-stabilizing at $43 billion in December.

While the currency is expected to remain stable through the election season, the outlook for the FX market post-elections has become more uncertain since the fourth quarter of 2018 amid an increased volatility in oil prices and sustained outlook of tighter monetary policy across Advanced Economies. While election clouds will begin to dissipate by the end of Q1'19, the outlook for capital inflows remains unimpressive, as the U.S. Federal Reserve's hiking path and the end of QE in Europe will keep capital inflows capped. Given that the CBN's support has kept the naira at its current level, amid substantial depreciation pressure, determining the path of the exchange rate in 2019 is therefore a case of determining whether such CBN support is sustainable. With the sustained volatility in oil prices and expectation of prices averaging $60/bbl, we anticipate a depreciation by the second half of the year, and forecast a mild year-end depreciation of 7.5%, to bring the closing exchange rate to c.390/$1. Overall, we believe that currency depreciation is a matter of when, rather than if, once the demand-supply equation of the currency and inflation differential between the U.S. and Nigeria are accounted for.

Monetary Policy:

The Monetary Policy Committee (MPC) of the Central Bank of Nigeria (CBN) closed 2018 by maintaining the status quo as all eleven attending committee members voted to hold policy levers at their previous levels. CBN Governor Godwin Emefiele was quick to emphasize that the HOLD decision was not a passive choice but an "expression of confidence in policy choices made so far in light of recent improvements in inflation and the economy".

We do not foresee any monetary easing in 2019 as price and exchange rate stability would remain atop the CBN agenda. We expect the apex bank to increase its monetary policy rate to 14.5% by year-end in order to maintain positive real interest rates following mild currency depreciation and a minimum wage implementation in H2'19. Finally, we anticipate continued focus of the Monetary Policy Committee on getting commercial banks to extend credit to the real sector on the back of its Real Sector Support Facility (RSSF).

FIXED INCOME & MONEY MARKETS

Review and Outlook

Whilst our expectation for lower yields materialized in the first half of 2018 amid lower inflation rates, fixed income yields had risen 113bps between the end of December 2017 and the end of November 2018. This was as a result of sell offs in emerging market and a rise in global interest rates combined with political uncertainty that coloured the second half of the year which led to significant capital exit.

We foresee higher yields in 2019 with an increased budget financing gap supportive of bond supply and also driven by a contractionary monetary policy higher inflation expectation. Whilst moderate economic fundamentals and political stability post-election is expected to drive a return of foreign investor interest, we highlight that expected slowdown in global economic growth due to trade wars and continued monetary tightening across major world economies.

Auditors

Messrs. KPMG Professional Services having satisfied the relevant corporate rules on their tenure in office, have indicated their willingness to continue in office as auditor to the Fund. Therefore, the auditor will be re-appointed by the Fund Maanger and Trustees of the Fund.

BY ORDER OF THE BOARD OF DIRECTORS OF THE FUND MANAGER

Chuka Eseka
Chairman
(FRC/2013/ICAN/00000003262)
Vetiva Fund Manager Limited
29 March, 2019

Damilola Ajayi
MD / CEO
(FRC/2013/ICAN/00000004412)
Vetiva Fund Manager Limited
29 March, 2019

Statement of Fund Manager's responsibilities in relation to the financial statements for the year ended 31 December 2018

The Fund Manager accepts responsibility for the preparation of the annual financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) and in the manner required by the Financial Reporting Council of Nigeria Act, 2011.

The Fund Manager further accepts responsibility for maintaining adequate accounting records as required by the Financial Reporting Council of Nigeria Act 2011 and for such internal control as the Fund Manager determines is necessary to enable the preparation of financial statements that are free from material misstatements whether due to fraud or error.

The Fund Manager has made an assessment of the Fund's ability to continue as a going concern and has no reason to believe the Fund will not remain a going concern in the year ahead.

SIGNED ON BEHALF OF THE BOARD OF DIRECTORS OF THE FUND MANAGER BY:

Chuka Eseka
Chairman
(FRC/2013/ICAN/00000003262)
Vetiva Fund Manager Limited
29 March, 2019

Damilola Ajayi
Managing Director
(FRC/2013/ICAN/00000004412)
Vetiva Fund Manager Limited
29 March, 2019

Certification of Accounts by Directors of the Fund Manager

The Directors of the Fund Manager accept responsibility for the preparation of the annual financial statements that give a true and fair view in accordance with the International Financial Reporting Standards (IFRS) and in the manner required by the Financial Reporting Council Act of Nigeria (FRC) Act, 2011 and hereby certify that neither the Fund Manager nor any other person acting on its behalf has:

i. transferred units to another person for sale, resale or subsequent transfer to the Fund Manager for sale or resale; or

ii. acquired or disposed of investments for account of the Trust otherwise than through a recognized stock exchange except where such investments consist of money market instruments or cash deposits; or

iii. disposed of units to another person for a price lower than the current bid price; or

iv. acquired units for a price higher than the current offer price.

Chuka Eseka
Chairman
(FRC/2013/ICAN/00000003262)
Vetiva Fund Manager Limited
29 March, 2019

Damilola Ajayi
Managing Director
(FRC/2013/ICAN/00000004412)
Vetiva Fund Manager Limited
29 March, 2019

UTL TRUST
MANAGEMENT SERVICES LIMITED
...Since 1966

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mails@utltrustees.com
www.utltrustees.com

TRUSTEE'S REPORT

The Trustee presents its report on the affairs of the Vetiva S&P Nigerian Sovereign Bond Exchange Traded Fund ("the Fund"), together with the audited financial statements for the year ended 31 December 2018.

Principal Activity:

The Fund was registered under the collective Investment Scheme by the Securities and Exchange Commission in accordance with the provisions of section160 of the Investment and Securities Act (2007). The Fund was designed to replicate the price and yield performance of the NSE S&P Nigerian Sovereign Bond Index as far as is practicable, by holding a portfolio of securities that substantially represents all of the component securities of the NSE S&P Nigerian Sovereign Bond Index in the same weighting as the NSE S&P Nigerian Sovereign Bond Index as specified in clause14.1of the Trust Deed dated 7 July 2015.

The Fund is listed on the floor of the Nigerian Stock Exchange and maintains its assets separate from the assets of the manager. The Scheme has been administered in accordance with provisions of the Investment and Securities Act (2007) and the Fund's Trust Deed.

Results:

The results for the year are extracted from the financial records prepared by the Fund Manager and duly audited in accordance with the provision of section 169(2) of the Investment and Securities Act of 2007.

The Net Asset Value of the Fund as at 31 December 2018 is as follows;

In thousands of Naira	31 December 18	31 December 17
Net Assets Value	508,696,862	527,109,211

The operating result for the year ended 31 December 2018, is as follows;

In thousands of Naira	31 December 18	31 December 17
Profit/ (Loss) for the year	63,330,673	62,827,263

Directors' and related parties' interest in the units of the Fund:

None of the Directors of Vetiva Fund Managers Limited held any direct or in direct beneficial interest in the units of the Fund as at 31 December 2018.

None of the directors of UTL Trust Management Services Limited has any direct or indirect beneficial interest in the units of the Fund.

Olufunke Aiyepola (Mrs.)
FRC/2013/NBA/00000003285
UTL Trust Management Services Limited
29 March 2019

Abuja
Plot 75, Ralph Shodeinde Street,
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Port-Harcourt
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26, Aba Road, Port-Harcourt
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D/L: 08123927001

UTL TRUST
MANAGEMENT SERVICES LIMITED

Statement of Trustees' responsibilities

The Trustees' responsibilities to the Fund are as follows:

- To ensure that the basis on which the sale, issue repurchase or cancellation, as case may be, of participatory interests effected by or on behalf of the Fund is carried out in accordance with the investment and Securities Act, SEC Rules and Regulations and the Trust Deed.
- To ensure that the selling or repurchase price or participatory interest is calculated in accordance with the Investment and Securities Act, SEC Rules and Regulations and the Trust Deed.
- To carry out the instructions of the Manager unless they are inconsistent with the Investment and Securities Act, any applicable law or the Trust Deed.
- To verify that the income accruals of the Fund are applied in accordance with the Investments and Securities Act, SEC Rules and Regulations and the Trust Deed.
- To verify that in transactions involving the underlying portfolio any consideration is remitted to it within time limits which are acceptable market practice in the context of a particular transaction.
- To enquire into and prepare a report on the administration of the Fund by the Manager during each annual accounting period in which it shall be stated whether the Fund has been administered in accordance with the provisions of the Investment and Securities Act, Custody Agreement and Trust Deed.
- To state the reason for non-compliance and outline the steps taken by the Manager to rectify the situation where the Manager does not comply with the limitations and provisions referred to in the Trust Deed.
- To send report on the administration of the Fund to the Commission and to the Manager in good time to enable the Manager include a copy of the report in its annual report of the Fund.
- To ensure that there is legal separation of underlying portfolio and that the legal entitlement of investors to such underlying portfolio is assured.
- To ensure that the underlying portfolio are properly safeguarded and administered in accordance with relevant laws of the Commission
- Whenever it becomes necessary for the Trustee to enforce the terms and condition of the Trust Deed, the Trustee shall do so, within ten (10) working days and shall inform the Commission not later than ten (10) working days after the breach.
- To ascertain that the monthly and other periodic returns/reports relating to the Fund are sent by the manager to the commission.
- To monitor the register of the holders.
- To generally monitor the activities of the Manager on behalf of and in the interest of the holders.
- To take all steps and execute all documents which are necessary to secure acquisition or disposal properly made by the Manager in accordance with the Trust Deed and the Custody Agreement.

BY ORDER OF THE TRUSTEES
UTL Trust Management Services Limited

Olufunke Aiyepola (Mrs.)
FRC/2013/NBA/00000003285
UTL Trust Management Services Limited
29 March 2019

KPMG

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INDEPENDENT AUDITOR'S REPORT

To the Unit holders of Vetiva S & P Nigerian Sovereign Bond Exchange Traded Funds

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Vetiva S & P Nigerian Sovereign Bond Exchange Traded Funds ("the Fund"), which comprise the statement of financial position as at 31 December, 2018, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes, comprising significant accounting policies and other explanatory information, as set out on pages 13 to 37.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Fund as at 31 December, 2018, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and in the manner required by the Financial Reporting Council of Nigeria Act, 2011.

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)* together with the ethical requirements that are relevant to our audit of the financial statements in Nigeria and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Valuation of Financial assets at fair value through Profit or Loss

The Fund's investment in debt securities measured at fair value through Profit or loss make up 99% of the total assets of the Fund (2017: 98%). In addition, the income earned on these debt securities account for over 99%of the Funds total revenue for the year (2017:99%).Therefore due to the significance of the account balance, any potential misstatements could have a material impact on the Fund's financial position and performance. This made the audit of these quoted equity securities a significant audit focus area.

KPMG

Procedures

Our audit procedures included but were not limited to the following:

- We checked the existence of investments in debt securities at year end by agreeing the portfolio investment holdings to confirmation of the Fund's investment holdings received from the custodian;
- We checked the prices applied by the Fund in measuring the fair value of debt securities to externally available quoted prices; and
- We recalculated the fair value of the Investments In debt securities and compared our calculation to the amount recorded by the Fund.

The Fund's accounting policy on financial assets at fair value through profit or loss and related disclosures and risks are shown in Notes 3 (b) and 4 respectively.

Other Information

The Board of Directors of the Trustee and the Board of Directors of the Fund Manager are responsible for the other information which comprises the Fund information, Fund manager's report, Statement of Fund Manager's Responsibilities in relation to the financial statements, Certification of accounts by the Directors of the Fund Manager, Trustees report, Statement of Trustee's responsibilities and other National disclosures but does not include the financial statements and our audit report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors of the Fund Manager for the Financial Statements

The Board of Directors of the Fund Manager are responsible for the preparation of financial statements that give a true and fair view in accordance with IFRSs and in the manner required by the Financial Reporting Council of Nigeria Act, 2011 and for such internal control as the directors determine 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 directors are responsible for assessing the Fund's 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 directors either intend to liquidate the Fund or to cease operations, or have no realistic alternative but to do so.

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 ISAs 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 ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- 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.
- 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 Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of directors' 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 Fund's 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 Fund to cease to continue as a going concern.
- 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 Board of Directors of the Trustee and the Board of Directors of the Fund Manager 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.

We also provide The Board of Directors of the Trustee and the Board of Directors of the Fund Manager with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with The Board of Directors of the Trustee and the Board of Directors of the Fund Manager, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Kabir O. Okunlola
FRC/ICAN/2012/00000000428
For: KPMG Professional Services
Chartered Accountants
29 March 2019
Lagos, Nigeria

INSTITUTE OF CHARTERED ACCOUNTANTS OF NIGERIA
36/ICAN
0255040

Statement of financial position

As at 31 December 2018

	Note	31-Dec-18	31-Dec-17
		N	N
Assets			
Cash and cash equivalents	12	3,189,692	8,436,956
FGN Bonds	13	507,122,953	521,801,025
Other assets	15	2,173,233	1,816,528
Total assets		**512,485,878**	**532,054,509**
Liabilities			
Accounts payable	16	3,789,016	4,945,298
		3,789,016	**4,945,298**
Net assets attributable to unitholders		**508,696,862**	**527,109,211**
Represented by:			
Unitholders' equity	17(b)(ii)	448,512,527	448,512,527
Retained earnings	17(b)(ii)	62,209,311	53,444,203
Fair value (deficit)/reserve	17(b)(ii)	(2,024,976)	25,152,481
Total		**508,696,862**	**527,109,211**

The accompanying notes are an integral part of these financial statements.

These financial statements were approved by the Board of Directors of the Fund Manager on 29 March, 2019 and signed on its behalf by:

Chuka Eseka
(FRC/2013/ICAN/00000003262)
Chairman
Vetiva Fund Managers Limited

Damilola Ajayi
(FRC/2013/ICAN/00000004412)
Managing Director/CEO
Vetiva Fund Managers Limited

Additionally certified by:

Ayodeji Oshin
(FRC/2013/ICAN/00000003264)
Chief Financial Officer
Vetiva Fund Managers Limited

Statement of profit or loss and other comprehensive income

For the year ended 31 December 2018

	Notes	31-Dec-18	31-Dec-17
Interest income	7	73,856,799	73,007,590
Other income	8	18,721	892,500
Total revenue		**73,875,520**	**73,900,090**
Expenses			
Other operating expenses	9	(10,537,921)	(11,063,931)
Total expenses		**(10,537,921)**	**(11,063,931)**
Profit before tax		**63,337,599**	**62,836,159**
Income tax expense	10	(6,926)	(8,896)
Profit for the year		**63,330,673**	**62,827,263**
Other comprehensive income			
Items that are or may be reclassified to profit or loss			
Fair value reserves -FVOCI			
Net change in fair value of FGN Bonds	17(b)	(27,177,457)	40,639,484
Total comprehensive profit for the year		**36,153,216**	**103,466,747**
Basic and diluted earnings per unit (kobo)		**1,799**	**1,785**

The accompanying notes are an integral part of these financial statements.

Statements of changes in net assets attributable to unitholders

As at 31 December 2018

In naira	Note	Unitholders' equity	Retained earnings	Fair value reserves	Total equity
Balance as at 1 January 2018		448,512,527	53,444,203	25,152,481	527,109,211
Total comprehensive income for the year:					
Profit for the year		-	63,330,673	-	63,330,673
Fair value changes on OCI financial assets					
- net change	17(b)(ii)	-	-	(27,177,457)	(27,177,457)
Total comprehensive income for the year		**-**	**63,330,673**	**(27,177,457)**	**36,153,216**
Transactions with owners, recorded directly in equity:					
Redemptions of unitholders' equity	17(b)(ii)	-	-	-	-
Distribution to unit holders	17(b)(ii)	-	(54,565,565)	-	(54,565,565)
Total distribution and redemption to unit holders		**-**	**(54,565,565)**	**-**	**(54,565,565)**
Balance as at 31 December 2018		**448,512,527**	**62,209,311**	**(2,024,976)**	**508,696,862**

As at 31 December 2017

In naira	Note	Unitholders' equity	Retained earnings	Fair value reserves	Total equity
Balance as at 1 January 2017		645,990,800	6,140,794	(15,487,003)	636,644,591
Total comprehensive income for the year:					
Profit for the year	17(b)(ii)	-	62,827,263	-	62,827,263
Fair value changes on OCI financial assets		-	-	-	-
- net change	17(b)(ii)	-	-	40,639,484	40,639,484
Total comprehensive income for the year			**62,827,263**	**40,639,484**	**103,466,747**
Transactions with owners, recorded directly in equity:					
Redemption to unitholder's equity	17(b)(ii)	(197,478,273)	(3,202,597)	-	(200,680,870)
Distribution of unitholders	17(b)(ii)	-	(12,321,257)	-	(12,321,257)
Total distribution and redemption to unit holders		**(197,478,273)**	**(15,523,854)**	**-**	**(213,002,127)**
Balance as at 31 Deccember 2017		**448,512,527**	**53,444,203**	**25,152,481**	**527,109,211**

The accompanying notes are an integral part of these financial statements.

Statement of cashflows

For the year ended 31 December 2018

	Note	31-Dec-18	31-Dec-17
		N	N
Cash flows from operating activities			
Profit for the year		63,330,673	62,827,263
Income tax expense	10	6,926	8,896
Profit before tax		63,337,599	62,836,159
Adjustments for:			
Interest income	7	(73,856,799)	(73,007,590)
Other income	8	(18,721)	(892,500)
		(10,537,921)	**(11,063,931)**
Changes in:			
Accounts payable	16	(1,137,561)	(1,229,697)
Other assets	15	(356,705)	(1,816,528)
Investment securities	13	(12,499,385)	157,355,267
Cash used in operations		**(24,531,572)**	**143,245,111**
Interest received	7	73,856,799	73,007,590
Withholding tax paid	10	(6,926)	(8,896)
Net cash generated from operating activities		**49,318,301**	**216,243,805**
Cash Flows from financing activities			
Distribution paid to unitholders	17(b)(ii)	(54,565,565)	(12,321,257)
Outflows on redemption of units	17(b)(ii)	-	(200,680,870)
Net Cash flow generated from financing activities		**(54,565,565)**	**(213,002,127)**
Net (decrease)/increase in cash and cash equivalents		(5,247,264)	3,241,678
Cash and cash equivalents at 1 January		8,436,956	5,195,278
Cash and cash equivalents at 31 December	12	**3,189,692**	**8,436,956**

The accompanying notes are an integral part of these financial statements.

Notes to the Financial Statements

1 Reporting entity

Vetiva S&P Nigerian Sovereign Bond Exchange Traded Fund (the "Fund") is an open ended exchange traded Fund that operates in Nigeria. The address of the Fund's registered office is 266b Kofo Abayomi Street, Victoria Island Lagos. It was approved by the Securities and Exchange Commission ("SEC") in July 2015. The Fund commenced operations and units of the Fund were first traded on the Nigerian Stock Exchange in October 2015. The Fund is not a legal entity but is constituted and exists under the Trust Deed with UTL Trust Management Services Limited as its Trustees. The Fund tracks the NSE S&P Nigerian Sovereign Bond Index.

The Vetiva S&P Nigerian Sovereign Bond ETF is designed to track the performance of the constituent companies of the NSE S&P Nigerian Sovereign Bond Index and to replicate the price and yield performance of the Index. The NSE S&P Nigerian Sovereign Bond Index comprises of the top 10 companies in the S&P Nigerian Sovereign Bond sector listed on the Nigerian Stock Exchange ("NSE") in terms of market capitalization and liquidity and is a price index weighted by adjusted market capitalization.

2 Basis of Preparation

(a) ***Statement of compliance***

The financial statements have been prepared in accordance with International Financial Reporting Standards and in the manner required by the Financial Reporting Council of Nigeria Act, 2011. The financial statements were authorized for issue by the Board of Directors of the Fund Manager on 29 March, 2019.

(b) ***Basis of measurement***

The financial statements have been prepared using appropriate accounting policies, supported by reasonable judgements and stimates. The Fund Managers have a reasonable expectation, based on an appropriate assessment of a comprehensive range of factors, that the Fund has adequate resources to continue to continue as going concern for the foreseeable future.

The financial statements have been prepared on a historical cost basis, except financial instruments measured at fair value through other comprehensive income, other financial instruments that are initially measured at fair value and subsequently at amortised cost. The Fund applies the accrual method of accounting where all income is recognized when earned and all expenses recognized once incurred.

Historical cost is generally based on the amount of cash and cash equivalent paid or received or fair value of consideration received or paid in exchange for assets and liabilities.

- **(c) Functional and presentation currency**

  The financial statements are presented in Naira which is the functional currency of the Fund..

- **(d) Reporting period**

  The financial statements have been prepared for the 12 months period ended 31 December 2018

- **(e) Use of estimates and judgements**

  In preparing these financial statements, management has made judgments, estimates and assumptions that affect the application of the accounting policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

  The estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognized in the period which the estimates are revised and in any future periods affected.

  Information about critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the financial statements are described in note 5 to the financial statements.

3 Statement of significant accounting policies

(a) Changes in accounting policys

The Fund has consistently applied the accounting policies as set out in Note 3 to all periods presented in these financial statements, except for:

(i) IFRS 15 Revenue from contracts with customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is

Notes to the Financial Statements

recognised. It replaced IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations. Under IFRS 15, revenue is control-based and is recognised when performance obligation in the contract are met.

The Fund adopted IFRS 15 using the cumulative effect method (without practical expedients), with the effect of initially applying this standard recognised at the date of initial application (i.e. 1 January 2018). Accordingly, the information presented for 2017 has not been restated – i.e. it is presented, as previously reported, under IAS 18 and related interpretations, Additionally, the disclosure requirements in IFRS 15 have not generally been applied to comparative information.

Interest income: This is computed based on the effective interest method.
Dividend income: This is recognised when the right to receive income has been established.
IFRS 15 did not have a significant impact on the Fund's accounting policies with respect to revenue recognition.

(ii) IFRS 9

IFRS 9 sets out requirements for recognizing and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 Financial Instruments: Recognition and Measurement.

As a result of the adoption of IFRS 9, the Fund has adopted consequential amendments to IAS 1 Presentation of Financial Statements which require impairment of financial assets to be presented in a separate line item in the statement of profit or loss and OCI.

The transition to IFRS 9 has no impact on the opening balance of retained earnings as investment securities, measured at FVTOCI (Fair Value Through Other Comprehensive Income), are not subject to ECL impairment under IFRS 9.

(a) Classification and measurement of financial assets and financial liabilities

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, FVOCI and FVTPL. The classification of financial assets under IFRS 9 is generally based on the business model in which the financial asset is managed and its contractual cashflow characteristics. IFRS 9 replaces the previous IAS 39 categories of held to maturity, loans and receivables, available for sale and fair value through profit or loss. Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification.
IFRS 9 largely retains the existing requirements in IAS 39 for the classification and measurement of financial liabilities.
The adoption of IFRS 9 has not had a significant effect on the Fund's accounting policies related to financial liabilities and derivative financial instruments.
The following table and the accompanying notes below explain the original measurement categories under IAS 39 and the new measurement categories under IFRS 9 for each class of the Fund's financial assets and financial liabilities as at 1 January 2018.
The effect of adopting IFRS 9 on the carrying amounts of the financial assets at 1 January 2018 relates solely to the new impairment requirements.

FS Line	Original classification under IAS 39	New Classification under IFRS 9	Original carrying amount under IAS 39	New carrying amount under IFRS 9	Transition Adjustments
Accounts receivable	Loans and receivables	Amortised Cost	1,816,528	1,816,528	-
Sovereign debt	Available for Sale	FVOCI	521,801,025	521,801,025	-
Cash and Cash equivalents	Loans and receivables	Amortised Cost	8,436,956	8,436,956	-
Total financial asset			**532,054,509**	**532,054,509**	-
Account payable	Amortised Cost	Amortised Cost	4,945,298	4,945,298	-
Net assets attributatble to unitholders	Amortised Cost	Amortised Cost	527,109,211	527,109,211	-
Total financial liabilities			**532,054,509**	**532,054,509**	-

Notes to the Financial Statements

(b) Impairment of financial assets

IFRS 9 replaces the incurred loss model in IAS 39 with an expected credit loss (ECL) model. The new impairment model applies to financial assets measured at amortised cost, contract assets and debt investments at FVOCI, but not to financial assets at FVTPL. Under IFRS 9, credit losses are recognized earlier than under IAS 39.

For assets in the scope of the IFRS 9 impairment model, impairment losses are generally expected to increase and become more volatile. The Fund has determined that the application of IFRS 9's impairment requirements at 1 January 2018 results in no additional allowance for impairment as investment securities, measured at FVTPL (Fair Value Through Profit or Loss), are not subject to ECL impairment under IFRS 9.

(c) Transition

Changes in accounting policies resulting from the adoption of IFRS 9 have been applied retrospectively, except as described below.

The Fund has used an exemption not to restate comparative information for prior periods with respect to classification and measurement (including impairment) requirements. Accordingly, the information presented for 2017 does not generally reflect the requirements of IFRS 9, but rather those of IAS 39.

The following assessments have been made on the basis of the facts and circumstances that existed at the date of initial application.

Financial assets at fair value through profit or loss are recognised and measured initially at fair value with transaction costs recognised immediately in profit or loss. Financial assets and financial liabilities not at fair value through profit or loss are recognised and measured initially at fair value plus transaction costs that are directly attributable to their acquistion or issue.

(i) Classification

Policy applicable from 1 January 2018

Financial assets measured at amortised cost:

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

– the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and

– the contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI.

Financial assets measured at FVOCI:

A debt instrument is measured at FVOCI only if it meets both of the following conditions and is not designated as at FVTPL:

– the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and

– the contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI.

On initial recognition of an equity investment that is not held for trading, the Fund may irrevocably elect to present subsequent changes in fair value in OCI. This election is made on an investment-by-investment basis.

Financial liabilities at amortised cost:

Other financial liabilities: retirement benefits payable, deposit for accounting units and other liabilities.

Business Model Assessment

The Fund makes an assessment of the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

– the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets;

– how the performance of the portfolio is evaluated and reported to the Fund's management;

– the risks that affect the performance of the business model (and the financial assets held within that business model) and its strategy for how those risks are managed;

– the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about

Notes to the Financial Statements

future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Fund's stated objective for managing the financial assets is achieved and how cash flows are realised.

Assessment of whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

In assessing whether the contractual cash flows are SPPI, the Fund considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition.

(ii) Reclassifications

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Fund changes its business model for managing financial assets.

Policy applicable before 1 January 2018

The Fund classified its financial assets into one of the following categories:
- loans and receivables;
- held-to-maturity;
- available-for-sale; and
- at FVTPL, and within this category as:

held-for-trading; or designated as at FVTPL

Financial liabilities at amortised cost:

Other financial liabilities: retirement benefits payable, deposit for accounting units and other liabilities.

(iii) Derecognition of Financial Assets

The Fund derecognises a financial asset when the contractual rights to the cash flows from the financial asset expires or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Fund neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.
On de-recognition of an asset, the difference between the carrying amount of the asset and the consideration received is recognised in statement of changes in net assets available for benefits.

Derecognition of Financial Liabilities

The Fund derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire.

(iv) Modification of Financial Assets/Liabilities

Applicable from 1 January 2018

Financial Assets

If the terms of a financial asset are modified, then the Fund evaluates whether the cash flows of the modified asset are substantially different.

If the cash flows are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised and a new financial asset is recognised at fair value plus any eligible transaction costs. Any fees received as part of the modification are accounted for as follows:
- fees that are considered in determining the fair value of the new asset and fees that represent reimbursement of eligible transaction costs are included in the initial measurement of the asset; and
- other fees are included in profit or loss as part of the gain or loss on derecognition.

If cash flows are modified when the borrower is in financial difficulties, then the objective of the modification is usually to maximise recovery of the original contractual terms rather than to originate a new asset with substantially different terms. If the Fund plans to modify a financial asset in a way that would result in forgiveness

Notes to the Financial Statements

of cash flows, then it first considers whether a portion of the asset should be written off before the modification takes place.

This approach impacts the result of the quantitative evaluation and means that the derecognition criteria are not usually met in such cases.

If the modification of a financial asset measured at amortised cost or FVOCI does not result in derecognition of the financial asset, then the Fund first recalculates the gross carrying amount of the financial asset using the original effective interest rate of the asset and recognises the resulting adjustment as a modification gain or loss in profit or loss. For floating-rate financial assets, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification. Any costs or fees incurred and fees received as part of the modification adjust the gross carrying amount of the modified financial asset and are amortised over the remaining term of the modified financial asset.

Financial liabilities

The Fund derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability derecognised and consideration paid is recognised in profit or loss. Consideration paid includes non-financial assets transferred, if any, and the assumption of liabilities, including the new modified financial liability.

If the modification of a financial liability is not accounted for as derecognition, then the amortised cost of the liability is recalculated by discounting the modified cash flows at the original effective interest rate and the resulting gain or loss is recognised in profit or loss. For floating-rate financial liabilities, the original effective interest rate used to calculate the modification gain or loss is adjusted to reflect current market terms at the time of the modification. Any costs and fees incurred are recognised as an adjustment to the carrying amount of the liability and amortised over the remaining term of the modified financial liability by re-computing the effective interest rate on the instrument.

Policy applicable before 1 January 2018

Financial assets

If the terms of a financial asset were modified, then the Fund evaluated whether the cash flows of the modified asset were substantially different. If the cash flows were substantially different, then the contractual rights to cash flows from the original financial asset were deemed to have expired. In this case, the original financial asset was derecognised and a new financial asset was recognised at fair value.

If the terms of a financial asset were modified because of financial difficulties of the borrower and the asset was not derecognised, then impairment of the asset was measured using the pre-modification interest rate .

Financial Liabilities

The Fund derecognised a financial liability when its terms were modified and the cash flows of the modified liability were substantially different. In this case, a new financial liability based on the modified terms was recognised at fair value. The difference between the carrying amount of the financial liability extinguished and consideration paid was recognised in profit or loss.

Consideration paid included non-financial assets transferred, if any, and the assumption of liabilities, including the new modified financial liability.

If the modification of a financial liability was not accounted for as derecognition, then any costs and fees incurred were recognised as an adjustment to the carrying amount of the liability and amortised over the remaining term of the modified financial liability by re-computing the effective interest rate on the instrument.

(v) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Fund currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.
Income and expenses are presented on a net basis only when permitted under IFRS, or for gains and losses arising from a Fund of similar transactions such as in the Fund's trading activity.

Notes to the Financial Statements

(vi) Fair value measurement
Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Fund has access at that date. The fair value of a liability reflects its non-performance risk.
The fair value of the financial instruments have been determined as follows:

Market quoted financial instruments
When one is available, the Fund measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as 'active' if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis (for example, Nigerian Stock Exchange) and broker quotes from Bloomberg and Reuters.

Unquoted financial instruments
If there is no quoted price in an active market, then the Fund uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.
The best evidence of the fair value of a financial instrument on initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received. If the Fund determines that the fair value on initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique for which any unobservable inputs are judged to be insignificant in relation to the measurement, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value on initial recognition and the transaction price. Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

Amortised cost measurement
The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment.

Impairment
Policy applicable after 1 January 2018
The Fund recognises loss allowances for Expected Credit Loss on the following financial assets that are debt instruments and are not measured at FVTPL.
No impairment loss is recognised on equity investments.
The Fund measures loss allowances at an amount equal to lifetime ECL, except for debt investment securities that are determined to have low credit risk at the reporting date for which they are measured as 12-month ECL.
12-month ECL are the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Financial instruments for which a 12-month ECL is recognised are referred to as 'Stage 1 financial instruments'.
Life-time ECL are the ECL that result from all possible default events over the expected life of the financial instrument. Financial instruments for which a lifetime ECL is recognised but which are not credit-impaired are referred to as 'Stage 2 financial instruments'.

Measurement of ECL
ECL are a probability-weighted estimate of credit losses. They are measured as follows:
– financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Fund expects to receive);
– financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows.

Restructured financial assets
If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is made of whether the financial asset should

Notes to the Financial Statements

be derecognised and ECL are measured as follows:

– If the expected restructuring will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset.

– If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is included in calculating the cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reporting date using the original effective interest rate of the existing financial asset.

Credit Impaired Financial Assets

At each reporting date, the Fund assesses whether financial assets carried at amortised cost are credit?impaired (referred to as 'Stage 3 financial assets'). A financial asset is 'credit?impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

– significant financial difficulty of the borrower or issuer;
– a breach of contract such as a default;
– it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
– the disappearance of an active market for a security because of financial difficulties.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for ECL are presented in the statement of financial position as follows:

– financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets;

– debt instruments measured at FVOCI: no loss allowance is recognised in the statement of financial position because the carrying amount of these assets is their fair value. However, the loss allowance is disclosed and is recognised in the fair value reserve.

Policy applicable before 1 January 2018

Objective evidence of impairement

At each reporting date, the Fund assessed whether there was objective evidence that financial assets not carried at FVTPL were impaired. A financial asset of the Fund is 'impaired' when objective evidence demonstrated that a loss event had occurred after the initial recognition of the asset(s) and that the loss event had an impact on the future cash flows of the asset(s) that could be estimated reliably.

Objective evidence that financial assets were impaired included:

– significant financial difficulty of a borrower or issuer;
– default or delinquency by a borrower;
– indications that a borrower or issuer would enter bankruptcy;
– the disappearance of an active market for a security; or
– observable data relating to the Funds assets, such as adverse changes in the payment status of borrowers or issuers in the Fund, or economic conditions that correlated with defaults in the Fund.

In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost was objective evidence of impairment.

The Fund considered evidence of impairment for held-to-maturity investment securities at both a specific asset and a collective level. All individually significant held-to-maturity investment securities were assessed for specific impairment. Those found not to be specifically impaired were then collectively assessed for any impairment that had been incurred but not yet identified (IBNR). Held-to-maturity investment securities that were not individually significant were collectively assessed for impairment by holding together held-to-maturity investment securities with similar credit risk characteristics.

In making an assessment of whether an investment in sovereign debt was impaired, the Fund considered the following factors:

– The market's assessment of creditworthiness as reflected in the bond yields.
– The rating agencies' assessments of creditworthiness.
– The country's ability to access the capital markets for new debt issuance.
– The probability of debt being restructured, resulting in holders suffering losses through voluntary or mandatory debt forgiveness.
– The international support mechanisms in place to provide the necessary support as 'lender of last resort' to that country, as well as the intention, reflected in public statements, of governments and agencies to use those

Notes to the Financial Statements

mechanisms. This included an assessment of the depth of those mechanisms and, irrespective of the political intent, whether there was the capacity to fulfil the required criteria.

Individual or collective impairment

An individual measurement of impairment was based on management's best estimate of the present value of the cash flows that were expected to be received. In estimating these cash flows, management made judgements about a debtor's financial situation. Each impaired asset was assessed on its merits, and the workout strategy and estimate of cash flows considered recoverable were independently approved by the Credit Risk function.

The collective allowance for Funds of homogeneous debt securities was established using a formula approach based on historical loss rate experience. Management applied judgement to ensure that the estimate of loss arrived at on the basis of historical information was appropriately adjusted to reflect the economic conditions and product mix at the reporting date.

In assessing the need for collective loss allowance, management considered factors such as credit quality, portfolio size, concentrations and economic factors. To estimate the required allowance, assumptions were made to define how inherent losses were modelled and to determine the required input parameters, based on historical experience and current economic conditions. The accuracy of the allowance depended on the model assumptions and parameters used in determining the collective allowance.

Reversal of Impairment

For assets measured at amortised cost: If an event occurring after the impairment was recognised caused the amount of impairment loss to decrease, then the decrease in impairment loss was reversed through profit or loss.

– For available-for-sale debt security: If, in a subsequent period, the fair value of an impaired debt security increased and the increase could be related objectively to an event occurring after the impairment loss was recognised, then the impairment loss was reversed through profit or loss; otherwise, any increase in fair value was recognised through OCI.

Presentation

Impairment losses were recognised in profit or loss and reflected in an allowance account against loans and receivables or held-to-maturity investment securities. Interest on the impaired assets continued to be recognised through the unwinding of the discount.

Impairment losses on available-for-sale investment securities were recognised by reclassifying the losses accumulated in the fair value reserve in equity to profit or loss. The cumulative loss that was reclassified from equity to profit or loss was the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss previously recognised in profit or loss. Changes in impairment attributable to the application of the effective interest method were reflected as a component of interest income.

(ix) Write off

The Fund writes off an investment debt security, either partially or in full, and any related allowance for impairment losses, when Fund Credit determined that there are no realistic prospect of recovery.

Specific financial instruments

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits and call deposits with original maturities of three months or less, which are subject to insignificant risk of changes in their fair value, and are used by the Fund in the management of its short-term retirement benefits payments and other similar commitments.

Financial assets carried at redemption value

These are securities with fixed redemption value that have been acquired to match the obligations of the Fund, or specific part thereof. In accordance with the requirements of IAS 26:Accounting and Reporting by Retirement Benefit Plan, these securities are carried at amounts based on their ultimate redemption value assuming a constant rate of return to maturity. This measurement is similar to amortised cost.

Retirement benefits payables

Retirement benefits payable comprises the entitlements of members who ceased employment with the employer during the year end, but have not been paid by that date. Other payables are payable on demand or short time frames of less than 30 days. They are measured at amortised cost.

Notes to the Financial Statements

Deposit for accounting units

Deposits for accounting units represent contributions received but not yet unitised and are deferred. It is credited as contribution once it is unitised less administrative charges.

(b) Revenue

(i) Investment income

Interest income

Policy appliacable from 1 January 2018

Interest income are recognised in profit or loss using the effective interest method. The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to the gross carrying amount of the financial asset or the amortised cost of the financial liability.

When calculating the effective interest rate for financial instruments , the Fund estimates future cash flows considering all contractual terms of the financial instrument, but not ECL.

The calculation of the effective interest rate includes transaction costs and fees and points paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability.

Amortised cost and gross carrying amount

The 'amortised cost' of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured on initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount and, for financial assets, adjusted for any expected credit loss allowance (or impairment allowance before 1 January 2018).

The 'gross carrying amount of a financial asset' is the amortised cost of a financial asset before adjusting for any expected credit loss allowance.

Calculation of interest income

The effective interest rate of a financial asset or financial liability is calculated on initial recognition of a financial asset or a financial liability. In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability. The effective interest rate is revised as a result of periodic re-estimation of cash flows of floating rate instruments to reflect movements in market rates of interest.

Presentation

Interest income calculated using the effective interest method presented in the statement of profit or loss and OCI includes:

– interest on financial assets and financial liabilities measured at amortised cost;

– interest on debt instruments measured at FVOCI;

Interest expense presented in the statement of profit or loss and OCI includes:

– financial liabilities measured at amortised cost; and

Interest income and expense on all trading assets and liabilities are considered to be incidental to the Fund's trading operations and are presented together with all other changes in the fair value of trading assets and liabilities in net trading income.

Interest income and expense on other financial assets and financial liabilities at FVTPL are presented in net income from other financial instruments at FVTPL.

Policy applicable before 1 January 2018

Interest Income

Interest income is recognised in the statement of changes in net assets as it accrues, using the effective interest rate method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset (or, when appropriate, a shorter period) to the gross carrying amount of the financial instrument. When calculating the effective interest rate, the Fund estimates future cash flows considering all contractual terms of the financial instrument, but not future credit losses.

Notes to the Financial Statements

(c) Dividend income

Dividend income is recognised in profit or loss on the date on which the right to receive the payment is established. For quoted equity securities, this is usually the ex-dividend date. Dividend income from equity securities are recognised in profit or loss as seperate line item.

(d) Net gains/(losses) from financial assets at fair value through profit or loss

Net gain from financial assets at fair value includes all realised and unrealised fair value changes and is determined as the difference between the fair value at year end or consideration received (if sold during the period) and the fair value as at the prior year end or cost (if the investment was acquired during the period). It does not include interest or dividend income.

(e) Expenses

Expenses comprising management fee, custodian fees, registrar fees, trustee's fees, auditor's fees, and other expenses are recognised over the period in which the services are rendered, in accordance with the substance of the Trust Deed and relevant agreements.

(f) Transaction costs

Transaaction costs are incurred to acquire financial assets or liabilities. They include the bid-ask spread, fees and commissions paid to agents, advisers, brokers and dealers, levies by regulatory agencies and securities exchanges.

Transaction costs incurred on financial assets or liabilities other those designated at fair value through profit or loss are capitalised as part of the carrying amount of the financial asset or financial liability on initial recognition, and amortised over the life of the financial instrument.

Transaction costs incurred for financial assets and liabilities classified as fair value through profit or loss are expensed when incurred.

(g) Taxation

The Fund is exempt from paying income taxes under the current system of taxation in Nigeria. However, dividend income and interest income on fixed interest and dividend income received by the Fund are subject to withholding tax in Nigeria and represent final income tax on the profit for the period. During the period, the withholding tax rate was 10%.

(h) Capital

Equity attributable to unitholders

The Fund classifies financial instruments issued as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instruments.

The Fund's units in issue are financial instruments issued by the Fund and on liquidation of the Fund, the Unitholders are entitled to the residual net assets. They rank pari passu in all material respects and have identical terms and conditions. The units provide the investors with the right to require redemption for cash at a value proportionate to the investor's share in the Fund's net assets at each redemption date and also in the event of the Fund's liquidation.

A puttable financial instrument that includes a contractual obligation for the Fund to repurchase or redeem that instrument for cash or another financial asset is classified as equity if it meets all the of the following conditions

- It entitles the holder to a pro rata share of the Fund's net assets in the event of the Fund's liquidation;
- It is in the class of instruments that is subordinate to all other classes of assets of instruments;
- All financial instruments in the class of instruments that is subordinate to all other classes of instruments have identical features;
- Apart from the contractual obligation for the Fund to repurchase or redeem the instrument for cash or another financial assets, the instruments does not include any other features that would require classification as a liability; and
- The total expected cash flows attributable to the instruments over its life are based substantially on the profit or loss, the change in the recognized net assets or the change in the fair value of the recognized and unrecognised net assets of the Fund over the life of the instrument.

Notes to the Financial Statements

The Fund's units meet these conditions and are classified as equity.

(ii) Repurchase of units

When units recognised as equity are redeemed, the par value of the units is presented as a deduction from capital. Any premium or discount to par value is recognised as an adjustment to retained earnings.

(i) Earnings per unit

The Fund present basic and diluted earnings per unit data for its units. Basic earning per unit is calculated by dividing the profit or loss attributable to unit holders of the Fund by the total number of units outstanding during the period.

(j) Contingent liabilities

A contigent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the control of the Fund. Contigent liabilities are disclosed in the financial statements.

(k) Standards and interpretations issued but not yet effective

The Fund has consistently applied the accounting policies set out in notes 3(a) - 3(i) to all periods presented in these financial statements.

4 Financial risk management and fair value disclosures

Introduction and overview

The Fund has exposure to the following risks from financial instrument:

- Market risk
- Credit risk
- Liquidity risk

Risk management framework

The Fund Manager has discretionary authority to manage the asset of the Fund in line with the Fund's investment objectives and in compliance with the target asset allocation and composition of the portfolio as stipulated by the investment committee quarterly.

In instances where the portfolio has diverged from the target asset allocation, the Fund Manager is obliged to take actions to rebalance the composition of the portfolio in line with established targets and within the prescribed time limit.

The Fund uses different methods to measure the various types of risks and the means of managing them are documented below:

a Market risk

Market risk is the risk that changes in market prices, such as interest rates and equity prices, will adversely affect the Fund's income or the fair value of its holding of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return. The Fund's market risk is affected by changes in actual market prices.

The Fund does not have transactions in any other currency except the Fund's functional currency in Naira. Hence, it is not exposed to foreign exchange risk.

The Fund's investment in interest linked financial assets is limited to fixed rate instruments like placements and bank balances; hence it is not exposed to fluctuations in market interest rate.

(i) Market price risk

The Fund's strategy for the management of market risk is driven by the Fund's investment objectives. The Fund's investment objectives, policies and processes are aimed at instituting a model that objectively identifies, measures and manages market risks in the Fund. The Fund's market position are monitored on a periodic basis by the investment committee. The investments of the Fund are subject to normal market fluctuations and the risk inherent in investment in financial instruments. The market risk is managed and reduced through a careful selection of securities within the limits of investment objectives and strategy. In addition, the risk is managed through diversification of assets held while the rebalancing policy in place allows for bringing within limit any security

Notes to the Financial Statements

which may have exceeded its limit as a result of market established limits.

An overview of the Fund's investment portfolio as at 31 December 2018 is shown in note 16

The sensitivity analyses set out below show the impact of a 1%, 2% and 5% increase and decrease in the value of equities carrying value based on the exposure to equity price risk at the reporting date.

	31 December 2018	31 December 2017
Carrying value	507,122,953	521,801,025
Impact of price movement on profit and net assets attributable to unitholders:		
Percentage impact	**Impact (N)**	**Impact (N)**
1	5,071,230	5,218,010
2	10,142,459	10,436,021
5	25,356,148	26,090,051
(1)	(5,071,230)	(5,218,010)
(2)	(10,142,459)	(10,436,021)
(5)	(25,356,148)	(26,090,051)

b Credit risk

Credit risk is the risk that a counterparty to a financial instrument will fail to discharge an obligation or commitment it has to the Fund resulting in a financial loss.

The Fund is subject to credit risk from its holdings in money market placements. The Fund limits this exposure to credit loss by placing funds with banks and investing in securities issued by entities with high credit quality and by diversifying among a number of issuers.

All transactions in securities conducted on the Exchange are settled within T+2 days, and settlements are made through regulated brokers. The risk of default is considered minimal given that the transactions are executed on an exchange.

The Fund's cash is held with the custodian, UBA Global Investor Services, a subsidiary of United Bank for Africa PLC which is rated 'Aa-' (2016: 'Aa-') based on Agusto & Co ratings.

Outstanding dividends are due from highly rated companies whose stocks are presently trading on the floor of the Nigerian Stock Exchange ('NSE'). The Exchange ensures that all declared dividends declared are paid.

In line with the Trust Deed, the Fund is not authorized to engage in securities lending.

c Liquidity risk

Liquidity risk is the risk that the Fund will encounter difficulties in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Fund's Trust Deed provides for daily creation and cancellation of units and it is therefore exposed to liquidity risk of meeting unit holders' redemptions. Liquidity risk is managed by investing the Fund's assets in investments that are traded in an active market and can be easily disposed. In addition, the Fund aims to retain sufficient cash and cash equivalent positions to maintain liquidity.

As at 31 December 2018, the Fund's investments are considered readily realizable and highly liquid; therefore, the Fund's exposure to liquidity risk is considered minimal. The following were the contractual maturities of financial liabilities at the reporting date. The amounts are gross and undiscounted.

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31 December 2018	Note	Carrying amount	Contractual cashfow Total	Less than 3 months	3 - 9 months	> 9 months
Cash and cash equivalents	12	3,189,692	3,189,692	3,189,692	-	-
Treasury bills	13	51,300,063	53,190,000	31,480,000	21,710,000	-
Investment securities	13	455,822,890	434,491,000	-	36,019,000	398,472,000
Total financial assets		**510,312,645**	**490,870,692**	**34,669,692**	**57,729,000**	**398,472,000**
Accounts payable	14	3,789,016	3,789,016	3,789,016	-	-
Total financial liabilities		**3,789,016**	**3,789,016**	**3,789,016**	-	-
Gap (assets - liabilities)		**506,523,629**	**487,081,676**	**30,880,676**	**57,729,000**	**398,472,000**

31 December 2017	Note	Carrying amount	Total	Less than 3 months	3 - 9 months	> 9months
Cash and cash equivalents	12	8,436,956	8,436,956	8,436,956	-	-
Treasury bills	13	59,833,671	64,100,000	1,928,986	57,904,685	-
Investment securities	13	461,967,354	434,491,000	-	-	434,491,000
Total financial assets		**530,237,981**	**507,027,956**	**10,365,942**	**57,904,685**	**434,491,000**
Accounts payable	14	4,945,298	4,945,298	4,945,298	-	-
Total financial liabilities		**4,945,298**	**4,945,298**	**4,945,298**	-	-
Gap (assets - liabilities)		**525,292,683**	**502,082,658**	**5,420,644**	**57,904,685**	**434,491,000**

d Concentration risk

Concentration risk refers to any single exposure or group of exposures large enough to cause credit losses which threaten the fund's capital adequacy or ability to maintain its core operations. It is the risk that common factors within a risk type or across risk types cause credit losses or an event occurs within a risk type which results to credit losses.

A breakdown of the Fund's investment portfolio as at 31 December 2018 is shown in note 16.

5 Uses of estimates and judgments

(a) Critical accounting judgment in applying the Fund's accounting policies

(i) Financial asset and liability classification

The Fund's accounting policies guide scope for assets and liabilities to be designated on inception into different accounting categories in certain circumstances.

- The unit holders interest is classified as equity, as the Fund has determined that it has met the criteria for this designation set out in note 3(g)(i).

(ii) Valuation of financial instruments

The Fund's accounting policy on fair value measurement is discussed in note 3(a)(iv).

The Fund measures fair value using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

(i) Level 1 : Quoted market price (unadjusted) in an active market for an identical instrument.

(ii)Level 2 : Valuation techniques based on observable inputs, either directly; (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using : quoted market prices in active markets

Notes to the Financial Statements

for similar instruments ; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.

(iii)Level 3 : Valuation techniques using significant unobservable inputs. This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instruments' valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Fair values of financial assets and financial liabilities that are traded in active markets are based on quoted prices or dealer price quotations. For all other financial instruments the Fund determines fair values using valuation techniques. Valuation techniques include net present value and discounted cashflow models, comparison to similar instruments for which market observable prices exist and other valuation models. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other premia used in estimating discount rates, bonds and equity prices, foreign currency exchange rates, equity and equity index prices volatilities and correlations. The objective of valuation technique is to arrive at a fair value determination that reflects the price of the financial instruments at reporting date that would have been determined by market participants acting at arm's length.

Availability of observable market prices and model inputs reduces the need for management judgment and estimation and reduces the uncertainty associated with determination of fair value. Availability of observable market prices and inputs varies depending on the produce and market and is prone to changes based on specific events and general conditions in the financial markets.
The table below analyses financial instruments measured at fair value at the end of the reporting period by the level in the fair value hierarchy into which the fair value measurement is categorised.

31 December 2018

	Note	Level 1	Level 2	Level 3	Total
Investment securities	13	507,122,953	-	-	507,122,953
		507,122,953	**-**	**-**	**507,122,953**

31 December 2017

	Note	Level 1	Level 2	Level	Total
Investment securities	13	521,801,025	-	-	521,801,025
		521,801,025	**-**	**-**	**521,801,025**

(b) Financial instruments not measured at fair value

The financial assets not measured at fair value include cash and cash equivalent, receivables and payables. These are short-term financial assets and financial liabilities whose carrying amounts approximate fair value, because of their short-term nature and the high credit quality of counterparties.

Notes to the Financial Statements

6 Classification of financial assets and liabilities

The table below shows the categories into which the line items of financial instruments have been classified:

31 December 2018

	Note	FVOCI	Amortized cost	Other financial liabilities	Total carrying amount
Cash and cash equivalents	12	-	3,189,692	-	3,189,692
Investment securities	13	507,122,953	-	-	507,122,953
Other assets	15	-	2,173,233	-	2,173,233
		507,122,953	**5,362,925**	-	**512,485,878**
Accounts payable	16	-	-	3,789,016	3,789,016
		-	-	(3,789,016)	508,696,862

31 December 2017

	Note	FVOCI	Amortized cost	Other financial liabilities	Total carrying amount
Cash and cash equivalents	12	-	8,436,956	-	8,436,956
Investment securities	13	521,801,025	-	-	521,801,025
Other assets	15	-	1,816,528	-	1,816,528
		521,801,025	**10,253,484**	-	**532,054,509**
Accounts payable	16	-	-	4,945,298	4,945,298
		-	-	(4,945,298)	527,109,211

Notes to the Financial Statements

7 Interest income

	31-Dec-2018	31-Dec-2017
Interest income on financial instruments measured at FVOCI		
Treasury bills	8,634,804	19,285,616
FGN Bonds	65,142,973	53,633,018
	73,777,777	**72,918,634**
Interest income on financial instruments measured at amortized cost		
Placements	79,022	88,956
	79,022	**88,956**
Total	**73,856,799**	**73,007,590**

8 Other income

	31-Dec-2018	31-Dec-2017
Other income	18,721	892,500
	18,721	**892,500**

9 Other operating expenses

	31-Dec-2018	31-Dec-2017
Auditors Fees	1,320,000	1,200,000
Custodian Fees	207,181	197,456
Bank Charges	73,882	3,073
Trustees Fees	357,349	318,910
Registrars/ Transfer Agent fees	367,920	356,581
NSE Listing Fees	616,783	886,187
NSE Index Licensing Fees (see note (i))	4,898,276	5,736,467
Other Miscellaneous Fees	497,457	402,710
Management fees	2,199,073	1,962,548
Total	**10,537,921**	**11,063,932**

(i) NSE Index Licensing fees is a quarterly charge of US$3,750 for index licensing on the Nigerian Stock Exchange.

10 Income tax expense

The Fund is exempt from paying income taxes under the current system of taxation in Nigeria. However, dividend income and interest income on fixed deposits received by the Fund are subject to withholding tax in Nigeria and represent final income tax on the profit for the year. During the year, the withholding tax rate was 10%.

	31-Dec-2018	31-Dec-2017
Withholding tax on dividend and interest income	6,926	8,896
	6,926	**8,896**

11 Earnings per unit

Profit per unit is calculated by dividing the loss for the year by the number of units as at year end.

	31-Dec-2018	31-Dec-2017
Profit for the year	63,330,673	62,827,263
Number of units as at year end (see note 17(b)(i))	3,520,359	3,520,359
Earnings per unit (kobo)	**1,799**	**1,785**

The Fund does not have any dilutive potential units. Therefore, basic earnings per unit and diluted earnings per unit are the same for the Fund.

Notes to the Financial Statements

12 Cash and cash equivalents

Cash and cash equivalents comprise:

	31-Dec-2018	31-Dec-2017
Cash balances with banks	3,189,692	3,861,909
Short term placements	-	4,575,047
	3,189,692	**8,436,956**

13 Investment securities

	31-Dec-2018	31-Dec-2017
(a) Analysis of investment securities		
At fair value through other comprehensive income:		
FGN Bonds (see note (d) below)	455,822,890	461,967,354
Treasury bills (see note (d) below)	51,300,063	59,833,671
Total	**507,122,953**	**521,801,025**

	31-Dec-2018	31-Dec-2017
Current	51,300,063	59,833,671
Non current	455,822,890	461,967,354
Balance, end of year	**507,122,953**	**521,801,025**

(b) The movement in fair value changes was as follows:	31-Dec-2018	31-Dec-2017
Balance, beginning of the year	25,152,481	(15,487,003)
Changes in the year		
net change	(27,177,457)	40,639,484
Balance, end of year	**(2,024,976)**	**25,152,481**

(d) Cashflow movement

	31-Dec-2018	31-Dec-2017
Opening balance	521,801,025	638,516,808
Net fair value changes in OCI	(27,177,457)	40,639,484
Net changes in financial assets	12,499,385	(157,355,267)
Closing balance	**507,122,953**	**521,801,025**

Notes to the Financial Statements

14 Investment portfolio

The concentration of the investment portfolio of the Fund was as follows:

31-Dec-2018

Investment series	Market Value (N)	% of quoted securities	% of total investments
16%JUN19 BOND PUR STBC	36,450,476	8.00	7.19
15.54%FEB20 BOND PUR STBC	66,689,324	14.63	13.15
16.39%JAN22 BOND PUR STBC	56,520,090	12.40	11.15
14.20%MAR24 BOND PUR STBC	71,971,550	15.79	14.19
12.5%JAN26 BOND PUR STBC	36,099,965	7.92	7.12
12.1493%JUL34 BOND PUR STBC	48,633,348	10.67	9.59
12.4%MAR36 BOND PUR STBC	29,024,100	6.37	5.72
FGN 16.2499% FGN APR 2037	59,132,453	12.97	11.66
FGN 16.2499% FGN APR 2037	32,254,065	7.08	6.36
16.2884% FGN MAR2 027	19,047,518	4.18	3.76
Total FGN Bonds	**455,822,889**	**100**	**90**
TBILLS MTY 3 JAN 2019/STANBIC/VETIVA	8,142,096	16	1.61
TBILLS 14-02-19@12.15%/IBTC	4,777,350	9	0.94
TBILLS MTY 14 FEB 2019/STANBIC	6,206,795	12	1.22
NTB MTY 17.01.19 @ 12.6% /UBA	12,108,522	24	2.39
NTB MTY 12.09.19 @ 14.9% / GTB	9,854,945	19	1.94
NTB MTY 09.05.19 @ 13.2% / UBA	10,210,356	20	2.01
Total Treasury Bills	**51,300,064**	**100**	**10**
Total Debt Securities	**507,122,953**		**100**

31-Dec-2017

Investment series		Market value (N)	% of quoted secrities	% of total investments
FGN Bond -	12.40% 18-Mar-2036	32,675,365	7.07	6.26
FGN Bond -	12.149% 18-Jul-2034	52,774,889	11.42	10.11
FGN Bond -	12.50% 14-Mar-2026	38,268,893	8.28	7.33
FGN Bond -	14.20% 14-Mar-2024	73,220,569	15.85	14.03
FGN Bond -	16.39% 13-Jan-2022	58,568,435	12.68	11.22
FGN Bond -	15.54% 13-Feb-2020	68,222,076	14.77	13.07
FGN Bond -	16.00% 29-Jun-2019	36,853,802	7.98	7.06
FGN Bond -	16.2499% Apr 2037	65,600,975	14.20	12.57
FGN Bond -	16.2499% Apr 2037	35,782,350	7.75	6.86
Total FGN Bonds		**461,967,354**	**100.00**	**88.53**
Treasury Bills - 16.8% 15-Jul-2018		7,315,112	12	1.40
Treasury Bills - 16% 22-Mar-2018		1,928,986.30	3	0.37
Treasury Bills - 16% 14-Jun-2018		19,481,095.89	33	3.73
Treasury Bills - 17.45% 12-Apr-2018		2,092,718.35	3	0.40
Treasury Bills - 15.65% 16-Aug-2018		4,150,309.04	7	0.80
Treasury Bills - 17.25% 3-May-2018		20,909,510.96	35	4.01
Treasury Bills - 13.50% 5-Apr-2018		3,955,938.86	7	0.76
Total Treasury Bills		**59,833,671**	**100**	**11**
Total Debt Securities		**521,801,025**		**100**

Notes to the Financial Statements

15 Other assets

	31-Dec-2018	31-Dec-2017
Prepayment	2,173,233	1,816,528
Total	**2,173,233**	**1,816,528**

16 Accounts payable

	31-Dec-2018	31-Dec-2017
Management fees payable	1,075,495	1,962,548
Audit fee payable	1,320,000	1,200,000
Custodian fee payable	319,669	112,488
Trustee fee payable	174,768	318,910
Payable to registrar	762,632	394,712
NSE Index Listing Fees	-	886,187
Other liabilities	136,452	70,453
	3,789,016	**4,945,298**

	31-Dec-2018	31-Dec-2017
Current	3,789,016	4,945,298
Non current	-	-
Balance, end of year	**3,789,016**	**4,945,298**

(b) Cashflow movement

	31-Dec-2018	31-Dec-2017	Changes
Management fees payable	1,075,495	1,962,548	(887,053)
Audit fee payable	1,320,000	1,200,000	120,000
Custodian fee payable	319,669	112,488	207,181
Trustee fee payable	174,768	318,910	(144,142)
NSE Index Listing Fees	-	886,187	(886,187)
Other liabilities	136,452	70,453	65,999
Net cash movement	**3,789,016**	**4,945,298**	**(1,156,282)**

(ii)Movement in account payable

	31-Dec-2018	31-Dec-2017
Opening balance	4,945,298	7,067,495
Change in account payable	(1,137,561)	(1,229,697)
Reversal of over provision	(18,721)	(892,500)
Closing balance	**3,789,016**	**4,945,298**

17 Unitholder's equity

(a)The Vetiva S&P Nigerian Sovereign Bond ETF is authorised and registered in Nigeria as a Unit Trust Scheme under Section 160 of the Investment and Securities Act (ISA). The Fund is governed by a Trust Deed with UTL Trust Management Services Limited as Trustees. The Fund's total unit capital as at year ended 31 December 2018 was 3,520,359 units.

The rights accruing to unitholders of the Fund are as follows:

* The units may be redeemed at any time by the unitholders at the net asset value per unit less expenses directly attributable to redemption of units.
* Redeemable units carry a right to receive notice of, attend and vote at meetings of unitholders.
* All units rank pari-passu with the same rights and benefits at meetings of the Fund.

(b) The analysis of movements in the number of units and net assets attributable to unitholders during the year were as follows:

Notes to the Financial Statements

(i) Number of units

	2018	2017
Balance at beginning of year	3,520,359	5,070,359
Subscription of units during the year (units)	-	-
Redemption during the year (units)	-	(1,550,000)
Balance at 31 December	**3,520,359**	**3,520,359**

(ii) Net assets attributable to unitholders

31 December 2018	Unitholders' equity	Retained earnings	Fair value reserves	Total
Opening balance	448,512,527	53,444,203	25,152,481	527,109,211
Redemption of units during the year	-	-	-	-
Fair value changes on investment securities	-	-	(27,177,457)	(27,177,457)
Distribution to unit holders	-	(54,565,565)	-	(54,565,565)
Profit for the year	-	63,330,673	-	63,330,673
As at 31 December 2018	**448,512,527**	**62,209,311**	**(2,024,976)**	**508,696,862**
Net asset value per unit (Naira)				**144.50**

31 December 2017	Unitholders' equity	Retained earnings	Fair value reserves	Total
Opening balance	645,990,800	6,140,794	(15,487,003)	636,644,591
Redemption of units by unitholders	(197,478,273)	(3,202,597)	-	(200,680,870)
Fair value changes on investment securities	-	-	40,639,484	40,639,484
Distribution to unitholders	-	(12,321,257)	-	(12,321,257)
Profit for the year	-	62,827,263	-	62,827,263
As at 31 December 2017	**448,512,527**	**53,444,203**	**25,152,481**	**527,109,211**
Net asset value per unit (Naira)				**149.73**

(c) Distribution paid to unitholders

The amount paid to unitholders of the fund is payable semi-annually in accordance with the Trust Deed of the Fund. The amount paid in 2018 was N54.6 million (2017: 12.32 million)

18 Related party transactions

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions, or one other party controls both. The Fund's key related party is its Fund Manager; Vetiva Fund Managers Limited. Other related parties include the entities in the Vetiva Group and the key management personnel of the Fund Manager.

The following summarizes the total unit holding of related parties:

Name	Unit held as at 31-Dec-2018
Vetiva Capital Management Limited	70
Vetiva Securities Limited	41,919
Vetiva Fund Managers Limited	496,879
Vetiva Nominees	25,264
Vetiva Exxon Mobil -ESP	2,070,905
Vetiva Trustees Limited-EFL Trust	101,033
Key management personnel	Nil

Notes to the Financial Statements

(a) ***Transaction with related parties***

i. Management fees

The Fund is managed by Vetiva Fund Managers Limited ("the Fund Manager"), an investment management company incorporated in Nigeria and domiciled in Lagos. Under the terms of the management agreement , the Fund appointed Vetiva Fund Managers Limited as an Investment Manager to provide fund management services to the Fund. Vetiva Fund Managers Limited receives a fee based on an annual rate of 0.4% of the net asset value of the Fund accrued daily and payable quarterly. Under the Trust deed, the annual management fees and other fees and expenses of each of the Fund, should not exceed 3% of the Net Asset Value of the Fund or any other limit as may be set by the commission from time to time. Total management fee for the year amounted to N2.2 million (2017: 1,962,548)

ii. UBA Plc (Global Investors Services)

UBA Plc (Global Investors Services) remains the Fund's Custodian. Under the custodial service agreement, the custodian fees shall be 0.0375% of the net assets value under custody. These fees shall be paid out of the Fund. Total Custodian fees for the the year was N207,181 (2017:197,456).

iii. **UTL Trust Management Services Limited**

UTL Trust Management Services Limited remains the Fund's Trustee. Under the Trust deed, the trustee is entitled to an annual fee of 0.065% of the value of the net asset value under custody, accrued on a daily basis, and payable semi-annually in arrears. The annual fees shall accrue on a daily basis. Total Trustees fees for the year was N357,349 (2017: 318,910).

19 Contingencies

There were no contingent assets and liabilities as at 31 December 2018.

20 Claims and litigations

There were no claims and litigations as at 31 December 2018.

21 Events after the reporting date

There are no events after the reporting that require recognition and/or disclosure in the financial statements.

22 Capital commitments after reporting date

The Fund had no capital commitments as at 31 December 2018.

Other National Disclosures

Value Added Statement

	31-Dec-18	%	31-Dec-17	%
	N		N	
Total revenue	73,875,520		73,007,590	
Total comprehensive loss for the	**73,875,520**	**100**	**73,007,590**	**100**
Applied to pay:				
-Government tax	6,926		8,896	
- Fund Manager and other parties to the Fund	10,537,921	14	11,063,931	15
- Retained in the Fund to augment reserves	63,330,673	86	62,827,263	85
Value added	**73,875,520**	**100**	**73,900,090**	**100**

Three-Year Financial Summary
Year Ended 31 December

Statement of financial position

	2018	2017	2016
	N	N	N
Cash and cash equivalents	3,189,692	8,436,956	5,195,278
Investment securities	507,122,953	521,801,025	638,516,808
Prepayment	2,173,233	1,816,528	-
Total assets	**512,485,878**	**532,054,509**	**643,712,086**
Accounts payable	(3,789,016)	(4,945,298)	(7,067,495)
Net assets	**508,696,862**	**527,109,211**	**636,644,591**
Unitholders' funds	**508,696,862**	**527,109,211**	**636,644,591**

Statement of profit or loss and other comprehensive income

	2018	2017	2016
	N	N	N
Interest income	73,856,799	73,007,590	32,500,509
Other income	18,721	892,500	26,000
Total revenue	**73,875,520**	**73,900,090**	**32,526,509**
Operating expenses	(10,537,921)	(11,063,931)	(26,385,715)
Total expenses	**(10,537,921)**	**(11,063,931)**	**(26,385,715)**
Profit before tax	**63,337,599**	**62,836,159**	**6,140,794**
Income tax expense	(6,926)	(8,896)	-
Profit for the year	**63,330,673**	**62,827,263**	**6,140,794**

The financial information presented above reflects historical summaries based on International Financial Reporting Standards. .