VETIVA BANKING EXCHANGE TRADED FUND

ANNUAL REPORT

31 December 2023

CONTENTS

Fund information

Directors of the Fund Manager
Chuka Eseka (Chairman)
Oyelade Eigbe (Managing Director)
Damilola Ajayi (Non- Executive Director)
Abiodun Adeniran (Non-Executive Director)
Olutade Olaegbe (Non-Executive Director)

Fund Manager
Vetiva Fund Managers Limited
Plot 266b KofoAbayomi Street
Victoria Island
Lagos, Nigeria
Tel: +234 1 461 7251-3, +234 1 270 9657-8
Email: funds@vetiva.com
Website: www.vetiva.com

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

Trustee
UTL Trust Management Services Ltd
47, Marina, ED Building (2nd Floor)
Lagos

Custodian
UBA Plc (Global Investor Services)
UBA House (12th Floor)
57 Marina
Lagos

Auditor
KPMG Professional Services
KPMG Tower
Bishop Aboyade Cole Street
Victoria Island
Lagos
www.kpmg.com/ng

Bankers
UBA Plc
UBA House (12th Floor)
57 Marina
Lagos

Fund Manager's Report
For the year ended 31 December 2023

The Fund Manager presents its report on the affairs of Vetiva Banking Exchange Traded Fund ("the Fund") together with the financial statements and auditor's report for the period ended 31 December 2023

Background Information

The Vetiva Banking Exchange Traded Fund ("the Fund") is an open-ended exchange traded fund established in July 2015 and registered with the Securities and Exchange Commission ("SEC"). The underlying objective of the Fund is to enable unit holders obtain market exposure to the constituent companies of the NSE Banking Index in an easily tradable form, as listed ETF securities are traded on the floors of the Nigerian Stock Exchange (NGX), or any other licensed exchange on which the Fund may be listed subsequently. The Fund aims to replicate, as practicably as possible, the price and yield performance of the NSE Banking Index.

The Fund invests its assets in the portfolio of securities that comprise the NSE Banking Index.

The NGX Banking Index is managed by the NGX and was created to provide an investable benchmark to capture the performance of the banking sectors, this index comprises the most capitalized and liquid banks in Nigeria.

The components are subject to the above rules on a semi-annual basis and rebalanced accordingly.

Operating Results

	31 December 2023	31 December 2022
	NGN	NGN
Profit before tax	43,863,248	30,873,992
Income tax expense	(4,516,089)	(2,961,821)
Profit for the year	**39,347,159**	**27,912,171**
Earnings per unit (kobo) (basic and diluted)	**46**	**33**

PROPOSED DISTRIBUTION

The Board of directors of the Fund Manager has recommended a final distribution of 8.00 kobo per unit holding for the year ended 31 December 2023 having paid an interim distribution of 27.00 Kobo per unitholding (2023 Total distribution: 23.00 Kobo per unit). Withholding tax will be deducted at the time of payment.

NIGERIAN MACROECONOMIC REVIEW AND OUTLOOK:

Real Economy:
Since the Russian invasion of Ukraine, geopolitics has been a major determinant of global macro-outcomes. While anxieties over inflation and recession linger, whispers of a slowdown of both in major economies offer some potential relief. However, simmering tensions in the Middle East, particularly between Israel and Hamas, cast a shadow over this fragile optimism. A potential escalation could disrupt energy markets, pushing up commodity prices and reigniting inflationary pressures. This, in turn, could force central banks to reconsider their dovish stance and raise interest rates, further dampening global growth. The global economic landscape in 2024 is painted with mixed hues. According to the International Monetary Fund, growth in advanced economies could remain sluggish in 2023 (+1.5% y/y) and 2024 (+1.4% y/y) vis-à-vis the 2.6% expansion in 2022. This estimate is driven by weaker growth in the euro area amid stronger momentum in the United States of America. Growth in the United States is expected to slow from 2.1% in 2023 to 1.5% in 2024 due to slowing wage growth, exhaustion of savings accumulated during the pandemic, and tight monetary policy. Inflation in advanced economies has declined by 4ppts – 8ppts yet remains above the targets of their respective central banks. All major central banks raised rates by +25bps in their last Monetary Policy meetings leaving interest rates at multi-decade highs.

Emerging and developing economies are expected to record lower growth outcomes in 2023 and 2024 due to weaker external demand and tighter financing conditions. Unlike most advanced economies, many emerging economies have either held or cut rates.

In Nigeria, Despite the key reforms executed in 2023, growth for the year slowed when compared to the previous year with FY 2023 GDP printing at 2.74% y/y compared to 3.10% y/y in 2022. The Services sector was a major laggard in the period driven by a sharp slump in the Transport services sub-sector (FY'23; -30.17% y/y) following the new administration's decision to end the nearly five-decade-long subsidy on gasoline. This contributed to high transport prices, elevated cost of doing business, and compressed consumer demand. We note that the Trade sub-sector also felt the brunt of this directive as trade volumes depleted and the sector contracted by 1.66% y/y, coupled with the notable depreciation of the naira and a crippling cash crunch in Q1'23. The telecoms (ICT) and finance sectors remained the delight of the services sector. ICT expanded by 7.91% y/y, though slower than the 9.76% recorded in FY'22, amid mobile money penetration, the absence of restrictions on SIM registrations, and sustained digital adoption across sectors. On the flip side, we saw the financial services sector benefit from the Q1'23 cash crunch as it accelerated digital payment adoption. This combined with an elevated interest rate environment supported a 26.53% y/y (FY'22: 16.36% y/y) growth in the financial services sector.

Also impacted by the above-stated factors were the Manufacturing and Agriculture sectors where growth weakened to 1.40% y/y (FY'22: 2.45% y/y) and 1.13% y/y (FY'22: 1.88% y/y) respectively. While higher consumer prices and weakened household demand pressures impacted both sectors, we note that insecurity and the resultant displacement of farmers in food-producing regions continue to inhibit the latter. The Oil & Gas sector on the other hand recorded an improvement as a strong growth in oil production (up 15.7% y/y in Q4) supported a milder contraction of -2.2% y/y in the sector (FY'22: -19.22% y/y).

Going forward, in 2024, we expect growth in the agricultural sector to slow, following the transfer of quasi-fiscal interventions from the Central Bank to relevant agencies. As a result, we mark down our growth for crop production; however, a rebound in livestock could support growth for the wider agricultural sector. Given the macro headwinds and divestments in the Consumer Goods space, we could see weaker growth numbers in manufacturing. While the cash shortage and election season kept real estate activities in limbo in 2023, we expect budget execution and clarity on policy direction to buoy public construction in 2024. Beyond local demand, external demand could also keep the cement sector in the arena of growth.

On the services leg, we expect modest performances in trade, manufacturing, and transport, due to the sustained impact of elevated PMS prices and Naira depreciation. Finance and ICT may continually outperform. However, headwinds could emerge from the synchronization of Bank Verification Numbers (BVN) with the National Identification Numbers (NIN) exercise, which could slow growth in the latter sector. Tying these together, we see room for a 3.41% uptick in the non-oil sector in 2024 (2023E: 3.09%). Given the idiosyncratic risks associated with the oil sector, we adopt a scenario approach in arriving at our FY'24 growth estimates. Adopting a baseline oil production scenario of 1.45 mb/d implies a +0.6% y/y expansion in the oil sector which translates into a 3.2% y/y expansion in overall real GDP growth.

Nigeria has a couple of refinery projects in the works from the Dangote refinery to the existing refineries (Port-Harcourt, Warri, and Kaduna Refineries). While our growth estimate excludes any ramp-up in refining capacity, our models show that an improvement in national refining capacity by 50,000 b/d could add +0.1% to GDP.

Fund Manager's Report (Cont'd)

Inflation:
In 2023, the removal of subsidies led to a surge in headline inflation. Empirical evidence shows us that a shock in the PMS price has a significant impact on headline inflation for up to 15 months. As a result, we retain our bearish outlook on inflation in H1'24. Our empirical analysis shows us that this passthrough could fizzle out by mid-2024.

On the global scene, supply chain pressures and COVID-19 cases were key drivers of commodity prices and inflation. The anticipated normalization in supply chains supports the view that commodity prices could be lower in 2024. On the flip side, geopolitics in the Middle East has raised concerns about further spikes in oil prices, should war escalate in that territory.

On the back of these twin possibilities, our baseline forecast rests on the argument that whether oil prices rise or fall, the Naira could remain weak in 2024 due to the hazy outlook on oil production, exports, and remittances of NNPC into the federation account. As a result, this could induce upward adjustments in PMS prices. While this may keep inflation elevated, we could see some moderation in Q3'24 due to high base effects. So far in 2023, PMS prices averaged N459/litre. Our baseline scenario suggests a PMS price average of N700/litre in 2024 (Oct'23: N626/litre). Consequently, we expect inflation to rise from an expected average of 24.5% in 2023 to 33% in 2024.

Currency:
Despite Nigeria's wider trade surplus, the Naira weakened considerably in both the official and parallel markets in 2023. While we had anticipated a positive feedback loop from subsidy removal to exchange rates, the published financial statements of the Central Bank made it clear that Nigeria's net reserve position is substantially weaker than previously anticipated due to huge encumbrances (FX forwards, OTC futures, and Swaps). As of 2016, encumbrances amounted to $8.6 billion, barely 32% of gross reserves.

These encumbrances have risen to $31.6 billion in 2022, making up 98% of gross reserves. When we computed Nigeria's net external reserve, we concluded that Nigeria's net reserve was at most $22 billion due to the unknown value of commitments due in the short term. JP Morgan estimates that sizeable amounts of these commitments could be short-term and thus, net reserves could be as low as $3.7 billion. Given the low net reserve position, the apex bank had little firepower to defend the Naira and consequently decided to allow market participants in the Nigerian Autonomous Foreign Exchange Market (NAFEM) to determine the closing exchange rate in the official market by adopting the weighted average of daily exchange rate at which deals were consummated in the market.

In October, the Minister of Finance alluded to an expected inflow of $10 billion. While the inflows were allegedly expected from the securitization of future oil & gas revenues, this has yet to materialize. More so, foreign exchange inflows have reduced drastically, amounting to an average monthly inflow of $1.2 billion in 2023, compared to $2.4 billion in 2019 (pre-pandemic) and $3.7 billion in 2014 (pre-oil shock). According to the National Policy Council report, Nigeria needs at least $5 - $6 billion monthly to support its desired exchange rate target of N500 - N600/$. However, current levels are largely off the desired monthly inflows.

Over FY'2024, we retain a bearish outlook on external reserves and the Naira due to huge off-balance sheet FX commitments of the CBN, lack of visible accretion to reserves despite subsidy reforms and higher oil production, as well as lack of clarity on existing crude-for-FX swap arrangements. While 2024 -2025 has a huge wall of debt maturities in the SSA region, regional debt vulnerabilities could keep access to the international debt market closed despite a possible pivot in the US Fed's policy stance in Q2'23.

Our baseline scenario sees the Naira slipping to above N1500/$ in the official window, assuming no external financing, minor recoveries in oil production, and continued strain of existing encumbrances on FX reserve. Upside risks to our outlook include a substantial inflow of c.$10 billion from multilateral sources, a favourable global interest rate environment that could pave the way for Eurobond issuances, material improvement in reserve levels as a result of domestic refining of crude, and increased dollar remittance from the NNPC.

Fund Manager's Report (Cont'd)

In the parallel market, we estimate further depreciation to N1,900/$. This forecast is hinged on money supply expansion, and limited accretion to reserve despite the incorporation of Bureau de Change operators into the official exchange rate market. Upside risks to our outlook include a significant rise in external reserves, a material increase in foreign exchange inflows, and a reduction in Money Supply.

Monetary Policy:
For the monetary policy review and overview, since the current administration came into power, the apex bank has deviated from the unorthodox policies under the previous regime. Under the chairmanship of Folashodun Shonubi, we witnessed a 25bps hike in the Monetary Policy Rate (MPR) and a 400bps increase in the Standing Deposit Facility (SDF) in 2023.

Under the leadership of the appointed Governor of the Central Bank of Nigeria, Dr. Olayemi Cardoso in 2023, two Monetary Policy Committee (MPC) meetings were rescheduled, citing a provision in the CBN Act that specifies the minimum required quorum of four meetings per year. However, the market anticipated the first meeting of the newly constituted committee. Nevertheless, the Central Bank is set to focus on the monetary policy objectives highlighted in a Policy Council report, which the current CBN Governor (Dr. Yemi Cardoso) co-authored in 2023. They include:

• the anchoring of money market rates to the Monetary Policy Rate,
• a review and transfer of quasi-fiscal roles of the CBN, and
• the transition to a unified and market-determined exchange rate system.

The Governor’s keynote address in 2023 at the Banker’s Committee shed some light on his policy outlook for 2024. According to the Governor, his team had critically reviewed the effectiveness of the Central Bank’s monetary policy tools and spent time fixing the transmission mechanism to ensure that the decisions of MPC meetings would result in desired objectives.

One of the measures was the alignment of money market rates with the Monetary Policy Rate. A key constraint to this misalignment was an existing cap on interest-bearing deposits in the SDF window, which was initially N7.5 billion (2014) before it was lowered further to N2 billion (2019) in a bid to discourage banks from packing cash with the apex bank. This invariably led to a deluge of system liquidity, a precipitous decline in rates, discouraging investments in local currency assets, and counteracting the passthrough effect of successive rate hikes. The removal of the cap on SDF deposits was one of the measures put in place to fix the transmission mechanism. Others are regular Open Market Operations (OMO) to mop up excess liquidity, the inauguration of a new liquidity management committee, sustained CRR debits, and issuance of Treasury Bills.

The Central Bank announced the adoption of an inflation-targeting framework to enhance the effectiveness of monetary policy. Literature tells us that inflation targeting involves several elements, including the public announcement of medium-term targets for inflation, an information-inclusive approach with many variables (and not just monetary aggregates), increased transparency of monetary policy strategy through communication with the public and the markets about the plans and objectives of monetary policymakers, and increased accountability of the central bank in attaining its inflation targets. A key side effect of an inflation-targeting regime is output fluctuations as low economic growth could ensue from attempts to target inflation. This could invariably affect the ambitious fiscal goal of attaining a $1 trillion economy over the medium term.

Fund Manager's Report (Cont'd)

EQUITIES MARKET

The Fund is a passively managed fund that tracks the NGX Banking Index, which constitutes the most capitalized stocks within the Banking Sector listed on the Nigerian Stock Exchange. Hence our outlook for the Fund will be hinged on our overall outlook for the Equities Market and specifically, the Banking sector.

Review and Outlook
The first nine months of the year 2023 witnessed a positive performance in Nigerian equities, primarily attributed to market-friendly reforms initiated by the new administration. These reforms, including the elimination of the dual exchange rate system, discontinuation of fuel subsidies, and the passage of the power bill, garnered favourable responses from investors, leading to an overall increase in equity valuations.

In 2023, we observed new listings on the NGX with VDF Group and the Nigerian Infrastructure Debt Fund; however, the year did not witness any IPOs. The uncertainties surrounding the economic outlook largely dissuaded private equity from seeking funds through equity issuances. As previously mentioned, inflationary pressures in the country were heightened by the devaluation of the Naira resulting from the unification of exchange rates. This devaluation has exerted downward pressure on the USD/NGN rate, leading to exchange rate losses that have impacted profit margins within the consumer goods sector. Similar challenges were faced by numerous firms that have foreign exchange exposures. In contrast, banks have emerged as beneficiaries of this situation, realizing exchange rate gains attributed to their foreign currency reserves.

Participation in the NGX market witnessed a significant downturn in transaction values for foreign investors. They exhibited a net-selling trend, with foreign transactions seeing a decrease of c.19.6% in 2023. A closer look at foreign investors reveals that foreign inflows diminished by approximately 31.0% YTD, while outflows fell by 7%. Shifting our attention to domestic investors, they contributed c.90% of the total transactions on the Nigerian Stock Exchange, with the value of these transactions rising to N2.4 trillion in 2023. This is primarily attributable to increased participation from retail and institutional investors. Domestic retail investor activity in the market rose by approximately 52% YTD, totaling N849.32 billion, while participation from institutional investors saw an uptick to about 48%, totaling N1.6 trillion.

Despite ongoing economic challenges, the local stock market has performed well, driven by local investors. The NGX has recorded a significant 141.38% cumulative increase in the past 5 years, mainly due to local involvement. The key factor for 2024 will be the reforms introduced by the Federal Government and an easing of currency pressures. In a bear-case scenario, we expect the market to lose >5%, assuming that no new reforms are pushed through, and currency pressures persist. For our bull case, we envisage a return of more than 10%, and this will be driven by reforms pushed through by the government. For our base case, we expect the market to return 1-7%, should we see a moderate easing of exchange rate pressures.

Fund Manager's Report (Cont'd)

BANKING SECTOR
Review and Outlook

In 2023, the Nigerian banking industry recorded an impressive performance of 113.54%, driven majorly by the impact of the Naira devaluation and elevated interest rates. The Naira devaluation led to most players in the banking sector recording material FX revaluation gains due to their positive net position in foreign currency-denominated assets as well as the devaluation-induced expansion of their balance sheets. Also, elevated interest rates supported the growth in banks' Interest Income, which in turn led to growth in net interest income. Earnings in the sector were further supported by notable growth in non-interest income amid increased adoption of digital payments particularly following the cash crunch witnessed in Q1'23.

As of 9M'23, gross earnings for the banks were up by an average of 95% y/y, while net profit grew by an average of 162% y/y. The remarkable growth in earnings came as a result of the combination of the aforementioned factors. Increased interest rates drove asset yield higher across loans and advances and in some cases, Fixed Income (FI) securities, but also raised the cost of funds (CoF), albeit resulting in a net positive difference across the board. Overall, the performance of the banks on the NGX in 2023 was impressive as they benefitted from the FX policy implemented by the new administration and the interest rate environment.

For the banking sector, we expect interest rates to remain elevated in 2024, leading to higher earnings from core banking across the board. However, the benefits from this will be slightly doused by the increased Cost of Funds.

Messrs KPMG Professional Services, having satisfied the relevant corporate rules on their tenure in office have indicated their willingness to continue in office as auditors to the Fund. Therefore, the auditor will be re-appointed by the Fund Manager 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
26 March 2024

Oyelade Eigbe
Managing Director
FRC/2023/PRO/DIR/003/739840
Vetiva Fund Manager Limited
26 March 2024

Statement of Fund Manager's responsibilities in relation to the financial statements for the year ended 31 December 2023

The Fund Manager accepts responsibility for the preparation of the financial statements that give a true and fair view in accordance with International Financial Reporting Standards and in the manner required by the Financial Reporting Council of Nigeria Act, (Ammended) 2023.

The Fund Manager further accepts responsibility for maintaining adequate accounting records as required by the Financial Reporting Council of Nigeria Act, (Ammended) 2023 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.

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.

BY ORDER OF THE BOARD OF DIRECTORS OF THE FUND MANAGER

Chuka Eseka	**Oyelade Eigbe**
Chairman	Managing Director
FRC/2013/ICAN/00000003262	FRC/2023/PRO/DIR/003/739840
Vetiva Fund Manager Limited	Vetiva Fund Manager Limited
26 March 2024	26 March 2024

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, (Ammended) 2023 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 recognised 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
26 March 2024

Oyelade Eigbe
Managing Director
FRC/2023/PRO/DIR/003/739840
Vetiva Fund Manager Limited
26 March 2024

UTL TRUST
MANAGEMENT SERVICES LIMITED
...Since 1966

UTL Trust Management Services Limited
RC4834
ED Building
47, Marina, (2nd floor) Lagos
P.O. Box 5543, Marina, Lagos
Telephone: 01-2778251, 2705306.
mails@utltrustees.com
www.utltrustees.com

TRUSTEE'S REPORT

The Trustee presents their report on the affairs of the Vetiva Banking Exchange Traded Fund ("the Fund"), together with the audited financial statements for the year ended 31 December 2023.

Principal Activity:

The Fund was registered under the Collective Investment Scheme by the Securities and Exchange Commission in accordance with the provisions of Section 160 of the Investment and Securities Act (2007). The Fund was designed to replicate the price and yield performance of the NSE Banking Index as far as is practicable, by holding a portfolio of securities that substantially represents all of the component securities of the NSE Banking Index in the same weighting as the NSE Banking Index as specified in clause 14.1 of 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 2023 is as follows;

In thousands of Naira	31 December 23	31 December 22
Net Assets Value	722,462,148	331,450,571

The operating result for the year ended 31 December 2023, is as follows;

In thousands of Naira	31 December 23	31 December 22
Profit for the year	39,347,159	27,912,171

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 2023.

None of the directors of UTL Trust Management Services Limited has any direct or in direct beneficial interest in the units of the Fund as at 31 December 2023.

Olufunke Aiyepola (Mrs.)
FRC/2013/NBA/00000003285
UTL Trust Management Services Limited
March 2024

UTL TRUST
MANAGEMENT SERVICES LIMITED

UTL Trust Management Services Limited
RC4834
ED Building
47, Marina, (2nd floor) Lagos
P.O. Box 5543, Marina, Lagos
Telephone: 01-2778251, 2705306.
mails@utltrustees.com
www.utltrustees.com

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 reports 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 TRUSTEE
UTL Trust Management Services Limited

Olufunke Aiyepola (Mrs.)
FRC/2013/NBA/00000003285
UTL Trust Management Services Limited
March 2024

KPMG Professional Services
KPMG Tower
Bishop Aboyade Cole Street
Victoria Island
PMG 40014, Falomo
Lagos

Telephone 234 (1) 271 8955
234 (1) 271 8599
Internet home.kpmg/ng

INDEPENDENT AUDITOR'S REPORT

To the Unitholders of Vetiva Banking Exchange Traded Fund.

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Vetiva Banking Exchange Traded Fund (the Fund), which comprise:

- the statement of financial position as at 31 December 2023;
- the statement of profit or loss and other comprehensive income;
- the statement of changes in net assets attributable to unitholders;
- the statement of cash flows for the year then ended; and
- the notes, comprising material accounting policies and other explanatory information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Fund as at 31 December 2023, and of its financial performance and its cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IFRS Accounting Standards) and in the manner required by the Companies and Allied Matters Act (CAMA), 2020 and the Financial Reporting Council of Nigeria (Amendment) Act, 2023.

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 International Ethics Standards Board for Accountants *International Code of Ethics for Professional Accountants (including International Independence Standards) (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. We have determined that there are no key audit matters to communicate in our report

Other Information
The Board of Directors of the Fund Manager are responsible for the other information. The other information comprises the Fund Information, Fund Managers' Report, Statement of Fund Managers' Responsibilities, Certification of Account by Directors of the Fund, Trustees Report, Other National Disclosures and Five year financial summary included in the annual report but does not include the financial statements and our auditor's 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 Directors 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 IFRS Accounting Standards and in the manner required by the Companies and Allied Matters Act (CAMA), 2020 and the Financial Reporting Council of Nigeria (Amendment) Act, 2023, 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 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.

Ashade J. Akinyemi, FCA
FRC/ICAN/2013/00000000786
For: KPMG Professional Services
Chartered Accountants
30 March, 2024
Lagos, Nigeria.

Statement of financial position
As at 31 December 2023

	Note	31-Dec-2023 NGN	31-Dec-2022 NGN
Assets			
Cash and cash equivalents	13	20,457,685	44,549,457
Investment securities	14	708,419,938	291,233,649
Accounts receivable	16	-	25,039
Accounts receivable	17	77,528	-
Total assets		**728,955,151**	**335,808,145**
Liabilities			
Accounts payable	18	6,493,003	4,357,574
Total liabilities		**6,493,003**	**4,357,574**
Net assets attributable to unitholders		**722,462,148**	**331,450,571**
Represented by:			
Equity attributable to unitholders	19(b)(ii)	311,505,525	311,505,525
Retained earnings	19(b)(ii)	43,405,945	30,472,086
Fair value deficit	19(b)(ii)	367,550,678	(10,527,040)
Total		**722,462,148**	**331,450,571**

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 26 March 2024 and signed on its behalf by:

Chuka Eseka
Chairman
FRC/2013/ICAN/00000003262
Vetiva Fund Manager Limited

Oyelade Eigbe
Managing Director
FRC/2023/PRO/DIR/003/739840
Vetiva Fund Manager Limited

Additionally certified by:

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

Statement of profit or loss and other comprehensive income
For the year ended 31 December 2023

	Note	31-Dec-2023 NGN	31-Dec-2022 NGN
Dividend income	7	45,352,536	30,753,558
Interest income at effective interest rate	8	2,340,324	1,608,508
Other Income	9	5,927,498	6,169,683
Total revenue		**53,620,358**	**38,531,749**
Expenses			
Other operating expenses	10	(9,757,110)	(7,657,757)
Total expenses		**(9,757,110)**	**(7,657,757)**
Profit before tax		**43,863,248**	**30,873,992**
Income tax expense	11	(4,516,089)	(2,961,821)
Profit for the year		**39,347,159**	**27,912,171**
Other comprehensive income			
Items that cannot be reclassified to profit or loss			
Net change in fair value- Equity investments	19(b)(ii)	378,077,718	(2,292,175)
Total comprehensive income for the year		**417,424,877**	**25,619,996**
Earnings per unit (kobo) (basic and diluted)	12	**46**	**33**

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

Statements of changes in net assets attributable to Unitholders
As at 31 December 2023

31 December 2023 *In naira*	**Note**	**Unit holder's equity**	**Retained earnings**	**Fair value reserves**	**Total equity**
Balance as at 1 January 31 December 2023		311,505,525	30,472,086	(10,527,040)	331,450,571
Total comprehensive income for the year:					
Profit for the year		-	39,347,159	-	39,347,159
Fair value changes on FVTOCI financial assets					
- net change	19(b)(ii)	-	-	378,077,718	378,077,718
Changes in treasury bill investment	19(b)(ii)	-	-	-	-
Total comprehensive income for the year		**-**	**39,347,159**	**378,077,718**	**417,424,877**
Transactions with owners, recorded directly in equity:					
Additions to unitholder's equity	19(b)(ii)	-	(26,413,300)	-	(26,413,300)
Total contribution and distributions to equity holders		**-**	**(26,413,300)**	**-**	**(26,413,300)**
Balance at 31 December 2023		**311,505,525**	**43,405,945**	**367,550,678**	**722,462,148**

31 December 2022 *In naira*	**Note**	**Unit holder's equity**	**Retained earnings**	**Fair value reserves**	**Total equity**
Balance as at 1 January 2022		311,505,525	22,582,900	(8,234,865)	325,853,560
Total comprehensive income for the year:					
Profit for the year		-	27,912,171	-	27,912,171
Fair value changes on FVTOCI financial assets					
- net change	19(b)(ii)	-	-	(2,292,175)	(2,292,175)
Changes in treasury bill investment	19(b)(ii)	-	-	-	-
Total comprehensive income for the year		**-**	**27,912,171**	**(2,292,175)**	**25,619,996**
Transactions with owners, recorded directly in equity:					
Additions to unitholder's equity	19(b)(ii)	-	(20,022,985)	-	(20,022,985)
Total contribution and distributions to equity holders		**-**	**(20,022,985)**	**-**	**(20,022,985)**
Balance at 31 December 2022		**311,505,525**	**30,472,086**	**(10,527,040)**	**331,450,571**

Statement of cash flows
For the year ended 31 December

	Note	31-Dec-2023 NGN	31-Dec-2022 NGN
Cash flows from operating activities:			
Profit for the year		39,347,159	27,912,171
Income tax expense	11	4,516,089	2,961,821
Profit before tax		**43,863,248**	**30,873,992**
Adjustment for:			
Interest income	8	(2,340,324)	(1,608,508)
Dividend income	7	(45,352,536)	(30,753,558)
		(3,829,612)	**(1,488,074)**
Changes in:			
-Accounts payable	18(b)(ii)	2,135,429	(6,518,680)
-Accounts receivable	16(b)	25,039	720,950
-Debtors & Prepayments	17(a)	(77,528)	-
-Investing activities	14(d)	(39,108,570)	37,117,452
		(40,855,242)	**29,831,648**
Interest received - Treasury Bills	14(e)	2,340,323	2,385,519
Dividend received	7	45,352,536	30,753,558
Withholding tax paid	11	(4,516,089)	(2,961,821)
Net cash generated from operating activities		**2,321,528**	**60,008,904**
Cash Flows from financing activities:			
Inflows from subscription	19(b)(ii)	-	-
Outflows on redemption of units	19(b)(ii)	(26,413,300)	(20,022,985)
Net Cash flow used in financing activities		**(26,413,300)**	**(20,022,985)**
Net Increase in cash and cash equivalents		(24,091,772)	39,985,919
Cash and Cash equivalents as at 1 January		44,549,457	4,563,538
Cash and Cash equivalents as at 31 December	13	**20,457,685**	**44,549,457**

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

Notes to the financial statements

For the year ended 31 December 2023

1 Reporting entity

The Vetiva Banking 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 Vetiva Banking ETF is designed to track the performance of the constituent companies of the NSE Banking Index and to replicate the price and yield performance of the Index. The NSE Banking Index comprises of the top 10 banks 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 26 March 2024

(b) Basis of measurement

The financial statements have been prepared using appropriate accounting policies, supported by reasonable judgements and estimates. 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 as going concern for the foreseeable future.

The financial statements have been prepared for the year ended 31 December 2023, except financial instruments measured at fair value through profit or loss, 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 recognised when earned and all expenses recognised 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 year ended 31 December 2023

(e) Use of estimates and judgments

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 recognised 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 recognised in the financial statements are described in note 5 to the financial statements.

Notes to the financial statements (cont'd)

For the year ended 31 December 2023

3 Statement of significant accounting policies

3.1 Applicable standards and accounting policies

(a) Financial assets and liabilities

(i) Recognition and Initial recognition

The fund initially recognises regular-way transactions in financial assets and financial liabilities at fair value through profit or loss (FVTPL) on the trade date, which is the date on which the Fund becomes a party to the contractual provisions of the instrument. Other financial assets and financial liabilities are recognised on the date on which they are originated.

A financial asset or financial liability is measured initially at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue.

(ii) Classification and subsequent measurement

Classification of financial assets

On initial recognition, the Fund classifies financial assets as measured at amortised cost or FVTPL.

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

- It is held within a business model whose objective is to hold assets to collect contractual cash flow; and
- Its contractual terms give rise on specified dates to cash flows that are SPPI.

All other financial assets of the Fund are measured at FVTPL.

Business Model Assessment

In making an assessment of the objective of the business model in which a financial asset is held, the Fund considers all of the relevant information about how the business is managed, including:

- the documented investment strategy and the execution of this strategy in practice. This includes whether the investment strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realizing 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 how those risks are managed;
- how the investment manager is compensated: e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
- the frequency, volume and timing of sates of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose,
consistent with the Fund's continuing recognition of the assets.

The Fund has determined that it has two business models:

- Held-to-collect business model: this includes cash and cash equivalents. These financial assets are held to collect contractual cash flow.
- Other business model: this includes the fund's investments in quoted equity investments.

Assessment whether contractual cash flows are SPPI (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 a profit margin.

Notes to the financial statements (cont'd)

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. ln making this assessment. the Fund considers:

- contingent events that would change the amount or timing of cash flows;
- leverage features;
- prepayment and extension features;
- terms that limit the Fund's claim to cash flows from specified assets (e.g. non-recourse features); and
- features that modify consideration of the time value of money (e.g. periodical reset of interest rates).

Reclassification
Financial assets are not reclassified subsequent to their initial recognition unless the fund were to change its business model for managing financial assets, in which case all affected financial assets would be reclassified on the first day of the first reporting period following the change
in the business model.

Subsequent measurement of financial asset

Financial assets at fair value through profit or loss (FVTPL)
These assets are subsequently measured at fair value. Net gains and losses including any interest on dividend income and expense and foreign exchange gains and losses are recognised in profit or loss in net income from financial instruments at FVTPL in the statement of comprehensive income. Debt securities, equity investments, investment in unlisted open-ended investment funds, unlisted private equities and derivative financial instruments are included in this category.

Financial assets at fair value through Other comprehensive income (FVOCI)
A financial asset is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition, the fund may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets at amortised cost
These assets are subsequently measured at amortised cost using the effective interest method. Interest income is recognised in profit of loss income and calculated using the effective interest method, foreign exchange gains and losses are recognised in net foreign exchange loss and impairment is recognised in impairment losses on financial instruments in the statement of comprehensive income. Any gain or loss on derecognition is also recognised in profit or loss. Cash and cash equivalents balances due from brokers and receivables from reverse sale and repurchase agreements are included in this category.

Notes to the financial statements (cont'd)

Financial liabilities- Classification, subsequent measurement and gains and losses
Financial liabilities are classified as measured at amortised cost or FVTPL.

A financial liability is classified as FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such, on initial recognition. Financial liabilities at FVTPL are measured at fair value and not gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in proftt or loss. Any gain or loss on derecognition is also recognised in profit or loss.

(iii) Financial liabilities at FVTPL:
- Held for trading: securities sold short and derivative financial instruments.

(iv) Financial liabilities at amortised cost:
This includes balances due to fund manager, custodian, trustees, auditors and other counterparties.

(v) 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 an asset or liability reflects its non-performance risk.

When 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.

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 Fund recognises transfers between levels of the fair value hierarchy as at the end of the reporting period during which the change has occurred.

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 on initial recognition minus the principal repayments, plus or minus the cumulative amortisation using the effective inteirest method of any difference between that initial amount and the maturity amount and for financial assets, adjusted for any loss allowance.

(vi) Impairment of financial assets
The Fund recognises loss allowance for ECLs on finandal assets measured at amortised cost. The Fund measures loss allowance at an amount equal to lifetime ECLs, except for the following, which are

measured at 12-month ECLs:

- financial assets that are determined to have low credit risk at the reporting date: and

- other financial assets for which credit risk (i.e. the risk of default occurring over the expected life of the asset) has not increased significantly since initial recognition.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Fund considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Fund's historical experience and informed a edit assessment and including forward looking information. The Fund assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

Notes to the financial statements (cont'd)

The Fund considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Fund in full without recourse by the Fund to actions such as realising security (if any is held); or
- the financial asset is more than 90 days past due.

The Fund considers a financial asset to have a low credit risk when the credit rating of the counterparty is equivalent to the globally understood definition of investment grade.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the fund is exposed to credit risk.

Measurement of ECLs
ECLs are a probability-weighted estimate of credit losses. Credit losses are measured 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).
ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets
At each reporting date, the Fund assesses whether financial assets carried at amortised cost are credit-impaired. 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:

- a significant financial difficulty of the borrower or issuer:
- a breach, of contract such as a default or before more than 90 days past due; or
- it is probable that the borrower will enter bankruptcy or other financial reorganisation.

Presentation of allowance for ECls in the statement of financial position
Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets. For financial assets measured at OCI, loss allowance is presented in other comprehensive income.

Write-off
The gross carrying amount of a financial asset is written off when the Fund has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof.

(vii) Derecognition
Financial assets
The Fund derecognises regular-way sales of financial asset using trade date accounting. A financial asset is derecognised when the contractual rights to the cash flows from the asset expire, or the Fund transfers the rights to receive the contractual cash flows in a transaction in which substantially all 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 risk and rewards of ownership and does not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the assets (or the carrying amount allocated to the portion of the asset derecognised), and the consideration received (including any new asset obtained less any new liability assumed) is recognised in profit or loss. Any interest or in such transferred financial assets that is created or retained by the Fund is recognised as a separate asset or liability.

Notes to the financial statements (cont'd)

The Fund enters into transactions whereby it transfers assets recognised on its statement of financial position but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them. If all or substantially all risks and rewards are retained, then the transferred assets are not derecognised. Transfer of assets with retention of all or substantially all risks and rewards include securities lending and repurchase transactions.

The Fund derecognises a financial liability when its contractual obligations are discharged or cancelled or expire. On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

The Fund derecognises a derivative only when it meets the derecognition criteria for both financial assets and financial liabilities. Where the payment or receipt of variation margin represents settlement of a derivative, the derivative, or the settled portion, is derecognised.

(viii) Offsetting

Financial assets and liabilities are set off and the net amount presented in the statement of financial position when, and only when, the Fund has a legal right to set off the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis for gains and losses from financial instruments at FVTPL and foreign exchange gains and losses.

(ix) Specific instruments

Cash and cash equivalents

Cash and cash equivalents comprise deposits with banks and highly liquid financial assets with maturities of three months or less from the date of acquisition that are subject to an insignificant risk of changes in their fair value and are used by the Fund in the management of short-term commitments. other than cash collateral provided in respect of derivatives and securities borrowing transactions.

Accounts receivable

Account receivable comprises dividend income earned but not yet received by the Fund. It also comprises other receivables and prepaid expenses.

Accounts payable

Accounts payable comprises amount due to trustees, custodians, fund manager and other counterparties as at end of the year.

(b) Interest income and interest expense

Interest income and expense, including interest income from non-derivative financial assets at fair value through profit or loss, are recognised in profit or loss, using the effective interest method excluding transactions cost since they are expenses when incurred.

(c) Dividend income

Dividend income is recognised in profit or loss on the date on which the right to receive 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 a separate line item.

Notes to the financial statements (cont'd)

(d) Fair value gains/losses on financial instruments

Net gain from financial instruments at fair value through profit or loss includes all realised and unrealised fair value changes and foreign exchange differences but excludes interest and dividend income.

The realised gain from financial instruments at fair value through profit or loss is computed as the difference between the carrying amount of a financial instrument at the beginning of the reporting period, or the transaction price if it was purchased in the current reporting period, and its sale or settlement price while the unrealised gain is calculated as the difference between the carrying amount of a financial instrument at the beginning period, or the transaction price if it was purchased in the current reporting period, and its fair value at the end of the period.

(e) Expenses

Expenses comprising management fees, 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

Transaction costs are costs 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 than 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

(i) 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.

Notes to the financial statements (cont'd)

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 recognised net assets or the change in the fair value of the recognised and unrecognised net assets of the Fund over the life of the instrument.

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 in retained earnings.

(i) Earnings per unit

The Fund presents basic and diluted earnings per unit data for its units. Basic earnings 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. Diluted earnings per unit is determined by adjusting the profit or loss attributable to unitholders and the weighted number of units outstanding at the end of the period for the effects of all dilutive potential ordinary units.

(j) Net asset per unit

The Fund also presents the net asset per units for its unitholders. Net asset per unit is calculated by dividing the total value of the fund by the number of outstanding units during the period.

(k) Contingent liabilities

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

Notes to the financial statements (cont'd)

3.2 Standards issued but not yet effective

A number of new Standards, Amendments to Standards, and Interpretations are effective for annual periods beginning after 1 January 2024 and have not been applied in preparing these financial statements. Those Standards, Amendments to Standards and Interpretations which may be relevant to the Fund are set out below.

Standard/ Interpretation	**Summary of Requirements and Impact Assessment**	**Effective Date Periods beginning on or after**
Amendments to IAS 1 - Non-current Liabilities with Covenants and Classification of Liabilities as Current or Non-current Liabilities	Under existing IAS 1 requirements, companies classify a liability as current when they do not have an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period. As part of its amendments, the Board has removed the requirement for a right to be unconditional and instead, now requires that a right to defer settlement must have substance and exist at the end of the reporting period. The existing requirement to ignore management's intentions or expectations for settling a liability when determining its classification is unchanged. In addition a company will classify a liability as non-current if it has a right to defer settlement for at least 12 months after the reporting date. Such right may be subject to a company complying with conditions (covenants) specified in a loan arrangement. The amendments also clarify how a company classifies a liability that includes a counterparty conversion option, which could either be recognised as either equity or liability separately from the liability component under IAS 32 Financial Instruments: Presentation	The amendments apply retrospectively for annual reporting periods beginning on or after 1 January 2024, with early application permitted.

Amendments to IFRS 16 - Lease Liability in a Sale and Leaseback	Amendments to IFRS 16 Leases requires a seller-lessee impacts how a seller-lessee to subsequently measure lease liabilities arising from a leaseback in a way that it does not recognise any amount of the gain or loss that relates to the right of use it retains. The amendment also requires the seller-lessee to include variable lease payments when it measures a lease liability arising from a saleand- leaseback transaction. The amendments confirm the following. • On initial recognition, the seller-lessee includes variable lease payments when it measures a lease liability arising from a sale-and-leaseback transaction. • After initial recognition, the seller-lessee applies the general requirements for subsequent accounting of the lease liability such that it recognises no gain or loss relating to the right of use it retains. A seller-lessee may adopt different approaches that satisfy the new requirements on subsequent measurement. Under IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors, a sellerlessee will need to apply the amendments retrospectively to sale-and-leaseback transactions entered into or after the dateof initial application of IFRS 16. This means that it will need to identify and re-examine sale-and-leaseback transactions entered into since implementation of IFRS 16 in 2019, and potentially restate those that included variable lease payments.	1 January 2023

Notes to the financial statements (cont'd)

Amendments to IAS 7 and IFRS 7 - Supplier Finance Arrangements	The amendments apply to supplier finance arrangements that have all the following characteristics. • A finance provider pays amounts a company (the buyer) owes it suppliers. • A company agrees to pay under the terms and conditions of the arrangements on the same date or at a later date than its suppliers are paid. • The company is provided with extended payment terms or supplier benefit from early payment terms, compared with the related invoice payment due date. The amendments do not apply to arrangements for financing receivables or inventory. The amendments introduce two new disclosure objectives- one in IAS 7 and another in IFRS 7 – for a company to provide information about its supplier finance arrangements that would enable users to assess the effects of these arrangements on the company's liabilities and cash flows, and the company's exposure to liquidity risk. Under the amendments, companies also need to disclose the type and effect if non-cash changes in the carrying amount of its financial liabilities that are part of supplier finance arrangement. The amendments also add supplier finance arrangements as an example to the existing disclosure requirements in IFRS 7 on factors a company might consider when providing specific quantitative liquidity risk disclosures about its financial liabilities. Companies needs to start collating additional information to meet the new disclosure requirements because some information may not always be readily available such as the carrying amount of financial liabilities for which suppliers have already received payments from finance providers. Companies may need to obtain this information from their finance providers directly.	1 January 2024

<table>
<tr>
<td>Amendments to IAS 21 - Lack of Exchangeability</td>
<td>The amendments clarifies:
• when a currency is exchangeable into another currency; and • how a company estimates a spot rate when a currency lacks exchangeability.

Assessing exchangeability: When to estimate a spot rate
A currency is exchangeable into another currency when a company is able to exchange that currency for the other currency at the measurement date and for a specified purpose.

When a currency is not exchangeable, a company needs to estimate a spot rate.

Estimating a spot rate: Meeting the estimation objective
A company’s objective when estimating a spot rate is only that it reflects the rate at which an orderly exchange transaction would take place at the measurement date between market participants under prevailing economic conditions. The amendments contain no specific requirements on how to estimate a spot rate.

Therefore, when estimating a spot rate a company can use:
• an observable exchange rate without adjustment; or
• another estimation technique.

Under the amendments, companies will need to provide new disclosures to help users assess the impact of using an estimated exchange rate on the financial statements. This may include:
• the nature and financial impacts of the currency not being exchangeable
• the spot exchange rate used;
• the estimation process; and
• risks to the company because the currency is not exchangeable</td>
<td>The effective date of this amendment has been deferred indefinitely by the IASB.</td>
</tr>
</table>

Notes to the financial statements (cont'd)

4 Financial risk management and fair value disclosures

Introduction and overview
The Fund is exposed to the following risks from financial instrument:

- Market risk
- Credit risk
- Liquidity risk
- Concentration risk

Risk management framework
The Fund Manager has a discretional authority to manage the asset in line with the Fund's investment objectives in compliance with target asset allocation and composition of the portfolio is monitored by the investment committee on a regular basis.

In instances where the portfolio has deviated from the target asset composition the Fund Manager is obliged to take actions to rebalance the portfolio in line with established targets within the prescribed time limits.

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, equity prices, foreign exchange rates and credit spreads (not relating to changes in the obligor's/issuers credit standing) - will affect the Fund's income or the fair value of its holding of financial instruments. The Fund's strategy for the management of market risk is driven by the Fund's investment objective. 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 risk management strategy has not changed due to the COVID-19 coronavirus pandemic.

(i) ***Foreign exchange risk***
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.

(ii) ***Interest rate risk***
Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or fair values of financial instruments. Interest rate risk arises when the fund invests in interest-bearing financial instruments. The Fund's interest rate risk is concentrated in its investment in bonds and treasury bills. The table below summarizes the Fund's interest rate exposure at the end of the period and the impact of fluctuation in interest rates on the Fund's profit and net asset value.

Notes to the financial statements (cont'd)

In Naira	31-Dec-2023	31-Dec-2022
Cash and Cash equivalents (Note 13)	20,457,685	44,549,457
Treasury bills (Note 14bii)	-	-
Total exposure	20,457,685	44,549,457
Interest income for the year	2,340,324	1,608,508
Percentage of interest income to total exposure (%)	0.114	0.036
Impact of interest rate movement on profit and net assets attributable to unitholders:		
+ 1%	196,429	440,767
+ 2%	401,006	886,262
+ 5%	1,014,736	2,222,745
- 1%	(196,429)	(440,767)
- 2%	(401,006)	(886,262)
- 5%	(1,014,736)	(2,222,745)

(iii) ***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 which may have exceeded its limit as a result of market established limits.

A breakdown of the Fund's investment portfolio as at 31 December 2023 is shown in note 15.

The sensitivity analysis 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-Dec-2023	31-Dec-2022
Year end carrying value (Note 14)	708,419,938	291,233,649
Impact of price movement on profit and net assets attributable to unitholders:		
+ 1%	7,084,199	2,912,336
+ 2%	14,168,399	5,824,673
+ 5%	35,420,997	14,561,682
- 1%	(7,084,199)	(2,912,336)
- 2%	(14,168,399)	(5,824,673)
- 5%	(35,420,997)	(14,561,682)

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 the following:

- its holdings in money market placements
- current account balances with local banks
- investments in FGN bonds and treasury bills
- dividend receivable

Notes to the financial statements (cont'd)

The Fund limits this exposure to credit loss by placing funds with banks and investing in securities issued by entities with high credit quality.

The Fund's cash is held with the custodian, UBA Global Investor Services, a subsidiary of United Bank of Africa PLC which is rated Aa- (2022: Aa-) based on Augsto & Co ratings. Outstanding dividends are due from highly rated companies whose stocks are presently trading on the floor of the Nigeria Stock exchange (NSE). The Exchange ensures that all declared dividends 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.

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 assets and liabilities at the reporting date. The amounts are gross and undiscounted.

31 December 2023 **Contractual cash flows**

	Note	Carrying amount	Gross Nominal value	Less than 3 months	4 - 12 months	Above 1 year
Cash and cash equivalents	13	20,457,685	20,457,685	20,457,685	-	-
Investment Securities	14	708,419,938	708,419,938	-	-	708,419,938
Total financial assets		**728,877,623**	**728,877,623**	**20,457,685**	**-**	**708,419,938**
Account payable	18	(6,493,003)	(6,493,003)	(6,493,003)	-	-
Total financial liabilities		**(6,493,003)**	**(6,493,003)**	**(6,493,003)**	**-**	**-**
Gap (assets-liabilities)		**722,384,620**	**722,384,620**	**13,964,682**	**-**	**708,419,938**

31 December 2022

	Note	Carrying amount	Gross Nominal value	Less than 3 months	4 - 12 months	Above 1 year
Cash and cash equivalents	13	44,549,457	44,549,457	44,549,457	-	-
Investment Securities	14	291,233,649	291,233,649	-	-	291,233,649
Total financial assets		**335,783,106**	**335,783,106**	**44,549,457**	**-**	**291,233,649**
Account payable	18	(4,357,574)	(4,357,574)	(4,357,574)	-	-
Total financial liabilities		**(4,357,574)**	**(4,357,574)**	**(4,357,574)**	**-**	**-**
Gap (assets-liabilities)		**331,425,532**	**331,425,532**	**40,191,883**	**-**	**291,233,649**

Notes to the financial statements (cont'd)

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 2023 is shown in note 15.

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 unitholders interest is classified as equity, as the Fund has determined that it has met the criteria for this designation set out in note 3.1(h).

(b) Critical accounting estimates

(i) Valuation of financial instruments

The Fund's accounting policy on fair value measurement is discussed in note 3.1(a)(v).

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

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

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 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.

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.

Notes to the financial statements (cont'd)

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 2023

	Note	Level 1	Level 2	Level 3	Total
Investment securities	14	708,419,938	-	-	708,419,938
Treasury bills	14	-	-	-	-
		708,419,938	**-**	**-**	**708,419,938**

31 December 2022

	Note	Level 1	Level 2	Level 3	Total
Investment securities	14	291,233,649	-	-	291,233,649
Treasury bills	14	-	-	-	-
		291,233,649	**-**	**-**	**291,233,649**

(ii) 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.

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 2023

	Note	Fair value through OCI	Amortized cost	Other Financial liabilities	Total carrying amount
Cash and cash equivalents	13	-	20,457,685	-	20,457,685
Investment securities	14	708,419,938	-	-	708,419,938
		708,419,938	**20,457,685**	**-**	**728,877,623**
Accounts payable	18	-	-	(6,493,003)	(6,493,003)
		-	**-**	**(6,493,003)**	**722,384,620**

Notes to the financial statements (cont'd)

31 December 2022

	Note	Fair value through OCI	Amortized cost	Other Financial liabilities	Total carrying amount
Cash and cash equivalents	13	-	44,549,457	-	44,549,457
Investment securities	14	291,233,649	-	-	291,233,649
		291,233,649	**44,549,457**	**-**	**335,783,106**
Accounts payable	18	-	-	(4,357,574)	(4,357,574)
		-	**-**	**(4,357,574)**	**331,425,532**

7 Dividend Income

	2023	2022
Income from equity investments	45,352,536	30,753,558
	45,352,536	**30,753,558**

8 Interest Income at effective interest rate

	2023	2022
Treasury bills	-	695,346
Bank balances	772,041	8,656
Short term placements	1,568,283	904,506
	2,340,324	**1,608,508**

9 Other Income

	2023	2022
Other Income	5,927,498	6,169,683
	5,927,498	**6,169,683**

10 Other operating expenses

	2023	2022
Auditors Fees	660,000	660,000
Custodian Fees	203,395	135,491
Trustees Fees	430,000	430,000
Registrars/Transfer Agent fees	366,703	329,405
NSE Listing Fees	804,573	780,192
NSE Index Licensing Fees	3,720,699	2,788,181
Other Miscellaneous Fees	508,123	467,055
SEC Fees	972,577	656,328
Management Fees	2,091,040	1,411,105
	9,757,110	**7,657,757**

Notes to the financial statements (cont'd)

11 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%.

	2023	2022
Withholding tax on dividend and interest income	4,516,089	2,961,821
	4,516,089	**2,961,821**

12 Earnings per unit (basic and diluted)

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

	2023	2022
Profit for the year	**39,347,159**	**27,912,171**
Number of units as at year end (see note 19(b)(i))	**85,204,193**	**85,204,193**
Earnings per unit (kobo) (basic and diluted)	**46**	**33**

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.

13 Cash and cash equivalents

Cash and cash equivalents comprise:

	2023	2022
Cash balances with banks	4,449,028	33,534,797
Placements with banks	16,008,657	11,014,660
	20,457,685	**44,549,457**

14 Investment securities

		2023	2022
(a)	Analysis of investment securities:		
	At fair value through other comprehensive income:		
	Quoted equity investments (see note (b) and note 14)	708,419,938	291,233,649
	At fair value through profit or loss:		
	Treasury bills (see note (b)(ii))	-	-
		708,419,938	**291,233,649**

Notes to the financial statements (cont'd)

	2023	2022
Current	708,419,938	291,233,649
Non-Current	-	-
Balance, end of year	**708,419,938**	**291,233,649**

(b)(i) Equity investments comprises:

	2023	2022
Quoted equity securities at cost	1,075,970,618	280,706,611
Fair value changes (see note (c) below)	(367,550,680)	10,527,038
Net carrying amount	**708,419,938**	**291,233,649**

(b)(ii) **Treasury bills:**

	2023	2022
Treasury bills at cost	-	-
Interest income receivable	-	-
Net carrying amount	**-**	**-**

(c) The movement in fair value changes was as follows:

	2023	2022
Balance, beginning of the year	10,527,038	8,234,863
Changes in treasury bill investment	-	-
Change in the year:		
- net change - Quoted equities	(378,077,718)	2,292,175
Balance, end of year	**(367,550,680)**	**10,527,038**

(d) **Cashflow movement**

	2023	2022
Opening balance	291,233,649	331,420,287
Net fair value changes in OCI	378,077,718	(2,292,175)
Changes in treasury bill investment	-	-
Interest income earned	2,340,324	1,608,508
Interest income received (see note (e) below)	(2,340,323)	(2,385,519)
Net purchases	39,108,570	(37,117,452)
Closing	**708,419,938**	**291,233,649**

(e) **Interest income received - Treasury Bills**

	2023	2022
Opening interest receivable	-	777,011
Interest income	2,340,323	1,608,508
Closing interest receivable	-	-
Interest income received	**2,340,323**	**2,385,519**

Notes to the financial statements (cont'd)

15 Investment portfolio

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

31 December 2023

	Sector	Market value	% of total investments
Access Bank of Nigeria Plc	Financial Services	150,011,954	21.18
Ecobank Transnational Incorporated	Financial Services	69,724,448	9.84
Fidelity Bank Plc	Financial Services	57,404,692	8.10
Sterling Bank Plc	Financial Services	22,455,280	3.17
United Bank for Africa	Financial Services	159,484,851	22.51
Wema Bank	Financial Services	13,091,305	1.85
Zenith International Bank Plc	Financial Services	220,621,544	31.14
Jaiz Bank	Financial Services	12,183,039	1.77
Unity Bank	Financial Services	3,442,826	0.49
Total quoted securities		**708,419,939**	**100**

31 December 2022

	Sector	Market value	% of total investments
Access Bank of Nigeria Plc	Financial Services	49,861,170	17.12
Ecobank Transnational Incorporated	Financial Services	32,098,528	11.02
Fidelity Bank Plc	Financial Services	20,801,048	7.14
Sterling Bank Plc	Financial Services	6,651,989	2.28
United Bank for Africa	Financial Services	42,893,496	14.73
Wema Bank	Financial Services	8,272,021	2.84
Zenith International Bank Plc	Financial Services	124,354,776	42.70
Jaiz Bank	Financial Services	5,243,110	1.80
Unity Bank	Financial Services	1,057,511	0.36
Total quoted securities		**291,233,649**	**100**

Notes to the financial statements (cont'd)

16 Accounts receivable

	2023	2022
Other receivables (see (a) below)	-	25,039
	-	**25,039**

(a) Account receivable represents receivable from the Fund Manager. This relates to excess of expenses charged to the fund, above the regulatory minimum expense ratio which is 5% of net asset value. The fund manager determines this excess charge at the end of the period and reverses the excess expense, while a corresponding receivable is recognized.

(b) Movement in account receivable

In thousands of Naira	**2023**	**2022**
Opening balance	25,039	745,989
Closing balance	-	(25,039)
Changes in account receivable	**25,039**	**720,950**

17 **Debtors & Prepayment**

In thousands of Naira	**2023**	**2022**
Other current assets	52,491	-
Dividend receivable	25,037	-
	77,528	**-**

(a) Movement in debtors & prepayment	**2023**	**2022**
In thousands of naira		
Opening balance	-	-
Closing balance	77,5:	-
	(77,5:	-

18 Accounts payable

	2023	2022
Management fees payable	(668,357)	(334,650)
Audit fee payable	(660,000)	(660,000)
Custodian fee payable	(400,942)	(197,547)
Trustee fee payable	(953,562)	(953,562)
Payable to registrar	(366,703)	-
NSE Index Licensing Fees	(1,893,255)	(1,392,716)
SEC fees	(513,951)	(155,651)
Unclaimed distribution	(199,687)	(199,687)
Other Liabilities	(836,546)	(463,761)
	(6,493,003)	**4,357,574**

Notes to the financial statements (cont'd)

Accounts payables (cont'd)

	2023	2022
Current	(6,493,003)	4,357,574
Non-Current	-	-
Balance, end of year	**(6,493,003)**	**4,357,574**

(b) Cashflow movement:

		2023	2022	Changes
(i)	Management fees payable	(668,357)	(334,650)	(333,707)
	NSE Index Licensing Fees	(1,893,255)	(1,392,716)	(500,539)
	Professional fee payable	(2,381,207)	(1,811,109)	(570,098)
	Unclaimed distribution	(199,687)	(199,687)	-
	SEC fees	(513,951)	(155,651)	(358,300)
	Other account payable	(836,546)	(463,761)	(372,785)
	Net cash movement	**(6,493,003)**	**(4,357,574)**	**(2,135,429)**

(ii) Movement in account payable

	2023	2022
Opening balance	(4,357,574)	(10,876,254)
Closing balance	6,493,003	4,357,574
Changes in account payable	**2,135,429**	**(6,518,680)**

19 Unitholders' interest

(a) The Vetiva Banking 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 2023 was 85,204,193 unites (2022: 85,204,193 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 period were as follows:

(i) Number of units

	2023	2022
Balance at 1 January	85,204,193	85,204,193
Net movement during the year	-	-
Balance at 31 December	85,204,193	85,204,193

Notes to the financial statements (cont'd)

(ii) Net assets attributable to unitholders

31 December 2023

	Unitholders' equity	Retained earnings	Fair value reserve	Total
Balance as at 1 January 2023	311,505,525	30,472,086	(10,527,040)	331,450,571
Additions to distribution	-	(26,413,300)	-	(26,413,300)
Fair value changes on investment securities	-	-	378,077,718	378,077,718
Changes in treasury bill investment	-	-	-	-
Profit for the year	-	39,347,159	-	39,347,159
As at 31 December 2023	**311,505,525**	**43,405,945**	**367,550,678**	**722,462,148**
Net asset value per unit (Naira)				**8.48**

31 December 2022

	Unitholders' equity	Retained earnings	Fair value deficit	Total
Opening balance	311,505,525	22,582,900	(8,234,865)	325,853,560
Additions to distribution	-	(20,022,985)	-	(20,022,985)
Fair value changes on investment securities	-	-	(2,292,175)	(2,292,175)
Changes in treasury bill investment	-	-	-	-
Profit for the year	-	27,912,171	-	27,912,171
As at 31 December 2022	**311,505,525**	**30,472,086**	**(10,527,040)**	**331,450,571**
Net asset value per unit (Naira)				**3.89**

(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 as interim 2023 was 23,005,132.11 (31 December 2022: 17,890,591.53)

20 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	**Units held as at 2023**	**Units held as at 2022**
Vetiva Capital Management Limited	219	219
Vetiva Exxon Mobil -ESP	65,696,920	65,696,920
Vetiva Nominees AC -Oyeyemi Fagbenro	59,050	59,050
Vetiva Securities Limited	693,874	693,874
Vetiva Securities Limited - 01	147,210	147,210
Vetiva Fund Managers Limited	5,169,230	5,169,230

Key management personnel Nil

Notes to the financial statements (cont'd)

(a) ***Transactions 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. Total management fees for the year amounted to N2,091,039.72 (2022: N1,411,105).

ii. **Custodian fees**

UBA plc (Global Investors Services) remains the Funds' custodian. Under the custodial service agreement, the custodian fees shall be 0.0375% of the value of the assets under custody. These fees shall be paid out of the Fund. Total Custodian fees for the year was N203,395 (2022: N135,491).

iii. **Trustee fees**

UTL Trust Management Services Limited remains the Fund's Trustee. Following the Trust Deed and a review of the Trustee Fees, the Trustee is entitled to an annual fee of 0.05% of the net asset value of the fund, accrued on a daily basis, and payable semi-annually in arrears but subject to a minimum of N400,000 each, whichever is higher. The annual fees shall accrue on a daily basis. Total Trustees fees for the year was N430,000 (2022: N430,000).

21 Contingencies

There were no contingent assets and liabilities as at 31 December 2023 (December 2022: Nil).

22 Claims and litigations

There were no claims and litigations as at 31 December 2023 (December 2022: Nil).

23 Events after the reporting period

There were no events after the end of the reporting period which could have a material effect on the assets and liabilities of the Fund as at 31 December 2023.

24 Capital commitments after reporting date

The Fund had no capital commitments as at 31 December 2023 (December 2022: Nil).

OTHER NATIONAL DISCLOSURES

Other National Disclosures
Value added statement

	2023	%	2022	%
	NGN		**NGN**	
Total revenue	53,620,358		38,531,749	
Bought in goods and services- Local	(9,757,110)		(7,657,757)	
Value (added)	**43,863,248**	**100**	**30,873,992**	**100**
Applied to pay:				
Government as taxes	4,516,089	10	2,961,821	10
Retained in the Fund to augment reserves	39,347,159	90	27,912,171	90
Value (added)	**43,863,248**	**100**	**30,873,992**	**100**

FIVE-YEAR FINANCIAL SUMMARY
YEAR ENDED 31 DECEMBER

	2023	2022	2021	2020	2019
	NGN	NGN	NGN	NGN	NGN
Cash and cash equivalents	20,457,685	44,549,457	4,563,538	52,068,815	32,199,593
Investment securities	708,419,938	291,233,649	331,420,287	304,857,567	291,349,750
Accounts receivable	-	25,039	745,989	745,989	-
Total assets	**728,877,623**	**335,808,145**	**336,729,814**	**357,672,371**	**323,549,343**
Accounts payable	(6,493,003)	(4,357,574)	(10,876,254)	(9,255,145)	(8,649,658)
Net assets	**722,384,620**	**331,450,571**	**325,853,560**	**348,417,226**	**314,899,685**
Unitholders' funds	**722,384,620**	**331,450,571**	**325,853,560**	**348,417,226**	**314,899,685**

Statement of profit or loss and other comprehensive income

	2023	2022	2021	2020	2019
	NGN	NGN	NGN	NGN	NGN
Interest income at effective interest rate	2,340,324	1,608,509	1,987,725	1,965,640	4,512,535
Dividend income	45,352,536	30,753,558	27,401,036	26,733,567	24,340,004
Other income	5,927,498	6,169,683	-	-	-
Total revenue	**53,620,358**	**38,531,750**	**29,388,761**	**28,699,207**	**28,852,539**
Operating expenses	(9,757,110)	(7,657,757)	(6,881,677)	(8,625,937)	(8,112,778)
Total expenses	**(9,757,110)**	**(7,657,757)**	**(6,881,677)**	**(8,625,937)**	**(8,112,778)**
Profit before tax	**43,863,248**	**30,873,993**	**22,507,084**	**20,073,270**	**20,739,761**
Income tax expense	(4,516,089)	(2,961,821)	(2,730,378)	(2,691,172)	(2,444,281)
Profit for the year	**39,347,159**	**27,912,172**	**19,776,706**	**17,382,098**	**18,295,480**

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