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THEME

**SETTING UP AN INTERNATIONAL
INVESTMENT FUND DEDICATED TO GHANA**

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DEDICATION

THEY LOOKED UNTO HIM, AND WERE LIGHTENED: AND THEIR FACES WERE
NOT ASHAMED (PSALM 34:5)

I dedicate this project work to my dear wife Naomi Emefa Adevor who supported me with her prayers and took very good care of the family whiles I was away to pursue this programme.

My dedication also goes to my lovely children Jachin Mensah Adevor and Alisa Mensah Adevor for bearing with me for the period that I have been away from home.

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ABSTRACT

As a developing nation like many nations in the Sub-Saharan Africa, Ghana is faced with many challenges especially in the area of access to funds by individuals and especially Ghanaian industries in order to create wealth for the development of the Ghanaian economy. The private sector has had it difficult raising capital and adequate funds for investment and other business activities; this led to the undertaking of a number of financial sector reforms by the government. The emergence of collective investment schemes onto the Ghanaian financial sector has been as a result of these reforms. This is to facilitate capital generation and savings mobilisation for the private sector to help them accomplish their organisational objectives.

It has become evidently clear that, to achieve development in the economy in terms of high gross domestic product (GDP), a better per capita income, less unemployment and reduction in inflation, the private sector of the economy should be encouraged to lead in the generation of wealth.

Ghanaian government like its counterparts in other African countries have been relying heavily on external funds from developed economies and donor communities to be able to implement public sector development policies. This has not been so easy in recent years due to the diversification of these funds to countries such as China and other Asian countries that are now seen as better investment destinations. Due to the shortfalls in the inflows of expected capital from external sources, government has been competing with the private sector over the limited funds generated internally and this tends to virtually crowd out the private sector.

Funds mobilisation helps a country to invest in infrastructure which is the bedrock for economic take off. Without the necessary infrastructure in place it will be difficult to achieve sustainable economic growth. One of the key (re)emerging concerns among African governments is the need for improved infrastructure. However, there is capital deficit in infrastructure in Africa.

A World Bank report estimates that this is as equal to US\$ 31 billion a year (World Bank, 2010). It is regularly argued that the provision of infrastructure in Sub-Saharan Africa lags substantially behind that of other developing regions, that the region pays a high price for its

infrastructure services and as a result there is a detrimental impact on the economic performance of the region (World Bank, 2012a). Consequently there has been a renewed call for aid and investment to be focused on investment in infrastructure.

A number of analysis were made during this project work and has revealed that there are a lot of opportunities for us to implement it and be profitable.

This project looked at the following:

- find out what the state of the collective investment industry is in Ghana and the conditions that investors look out for in order to invest in funds.
- assess and understand what investor preferences are and why they will prefer to invest in a particular fund instead of another.
- find out the management processes and procedures for setting up an investment fund in Ghana, investors expectations and horizon.
- make recommendations for the setting up of an international investment fund in Ghana.

The project concluded that the investment climate is good and that setting up the fund will be profitable.

RESUME

Le Ghana, pays en voie de développement à l'instar de nombreux pays de la zone Afrique subsaharienne, est confronté à de nombreux défis en particuliers dans le domaine de l'accès aux crédits par les particuliers et les industries afin de créer la richesse pour le développement de l'économie. Le secteur privé a des difficultés pour lever des capitaux, lesquels sont insuffisants pour les investissements et d'autres activités commerciales, ce qui a conduit à la réalisation d'un certain nombre de réformes du secteur financier. L'émergence d'organismes de placement collectif dans le secteur financier ghanéen a été le résultat de ces réformes. Il s'agit de faciliter la génération de capital et de la mobilisation de l'épargne du secteur privé pour les aider à atteindre leurs objectifs organisationnels. Il est devenu manifestement clair que, pour parvenir à un développement de l'économie en termes de produit intérieur brut (PIB) élevé, le secteur privé devrait être encouragé à amener à créer de la richesse, pour un meilleur revenu par habitants, un recul du chômage et la réduction de l'inflation.

Le gouvernement ghanéen comme la plupart des gouvernements des autres pays africains, a été fortement dépendant des fonds extérieurs provenant des économies développées et de la communauté des donateurs pour être en mesure de mettre en œuvre des politiques publiques de développement. L'accès aux fonds extérieurs devient de plus en plus difficile ces dernières années en raison de la préférence des investisseurs pour la Chine et d'autres pays asiatiques qui sont aujourd'hui considérés comme meilleures destinations d'investissements. Cette situation amène le gouvernement ghanéen désormais à mobiliser le peu d'épargne interne nécessaire pour le fonctionnement du secteur privé pour financer les projets de développement ; ce qui met pratiquement le secteur privé en difficulté.

La mobilisation de fonds permet à un pays d'investir dans l'infrastructure qui est le fondement de décollage économique. Sans la mise en place d'infrastructures nécessaires au développement, il sera difficile de parvenir à une croissance économique durable. Cependant, force est de constater qu'il y a un déficit de capitaux pour la réalisation des infrastructures en Afrique estimé à 31 milliards US\$ par an, selon un rapport de 2010 de la Banque mondiale.

Un certain nombre d'analyses ont été faites au cours de ce travail de projet et a révélé qu'il a beaucoup d'opportunités pour nous de mettre en œuvre ce projet et d'être rentable.

La démarche est la suivante :

- Savoir quel est l'état de l'industrie du placement collectif au Ghana et les déterminants pour un investisseur.
- Evaluer et comprendre quelles sont les préférences des investisseurs, pourquoi ils préfèrent investir dans un fonds particulier à la place d'autre.
- déterminer le processus et les procédures pour la mise en place d'un fonds d'investissement.
- Formuler des recommandations pour la mise en place d'un fonds d'investissement international au Ghana.

Nos travaux ont montré que le climat des affaires est favorable pour un tel projet et que la mise en place d'un fonds d'investissement au Ghana serait louable.

LIST OF ABBREVIATIONS

HFC.....	Home Finance Company
HFC REIT.....	Home Finance Company Real Estate Investment Trust
GHC.....	Ghanaian Cedi
ICI.....	Investment Company Institute
AMC.....	Asset Management Company
SEC.....	Securities and Exchange Commission
L I.....	Legislative Instrument
PNDC.....	Provisional National Defence Council
T I.....	Transparency International
MCC.....	Millennium Challenge Corporation
SWOT.....	Strengths, Weaknesses, Opportunities and Threats
GSE.....	Ghana Stock Exchange
FDI.....	Foreign Direct Investment
GIPC.....	Ghana Investment Promotion Council

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CHAPTER ONE

INTRODUCTION

1.1 CONTEXTUAL BACKGROUND OF THE PROJECT

Around the world large markets have developed through the operation of investment funds and these account for a substantial portion of all trading on major stock exchanges.

Internationally, the importance of investment funds in the financial markets differs from one country to another depending on how the sector is developed. So, in the developed states of the world such as the USA, Great Britain, France, Japan, the role of investment fund in the financial system is much more pronounced than in some less developed countries. The imposing presence of the funds, however, depends not only on the size and the economic development of the country, but also by internal regulations, tax benefits, industry experience and economic situation.

Also, the role of investment companies in an economy can be justified by the fact that it gives people jobs, so a development of this industry implicitly leads to a reduction in unemployment rate. For example, in the United States, in 2007 the estimated number of employees in this industry was 168,000 and in 2008 it dropped to 157,000 and when revenues of the firms dropped because of the 2008 financial crises unemployment rate increased from 5 percent to 7.4 percent over the same period(www.icifactbook.org). A look at the US investment fund market also reveals that it is important because it accounts for almost half of the global market share of net assets.

The importance of investment funds and the role it plays for the development of capital markets and in the development of modern economies of the world cannot be over-emphasised. According to Cecchetti (2008), capital markets are made up of the primary market and the secondary market and out of these markets exist other markets like the derivative markets, the bond markets, the foreign exchange markets and other financial institutions.

Capital markets are the places where financial securities such as bonds, shares and treasury bills are bought and sold.

They are very essential in every given economy, relaying and reacting to information quickly, allocating resources and determining prices. In performing their role efficiently, capital markets enable firms, individuals and investors to find financing for their businesses and activities.

They serve as an integral part of the financial system of any given country and when they cease to function properly, resources are no longer channelled to their best possible use and in the long run, the economy suffers from financial stagnation or financial crisis.

The capital market in Ghana is made up of the bond markets, equity market, foreign exchange markets and the derivative markets. The money market dominates the capital market in Ghana and the major participants in this market are the central banks, brokers or discount houses, corporate, banks and other financial institutions.

The Ghana Stock Exchange (GSE) was incorporated in July 1989 as a company limited by guarantee. This number of listed companies has grown over the years and now has 34 companies listed on the exchange.

Attracting foreign direct investment (FDI) continues to be a priority for the Governments of Africa and Ghana for that matter. Investors who have the funds to invest in Ghana will need a climate of political and economic stability to guarantee returns from their investments. A report issued in June 2012 by the United States Bureau of Economic and Business Affairs in Ghana indicates that the country currently experiences an infrastructure funding gap of US \$1.5 billion. Political and economic stability thus are the pre-requisites to attract an investor with foreign capital to invest in funds in Ghana.

The setting up of an international investment fund is an alternative to raise fund from foreign investors especially to invest in Ghana to help in capital mobilisation and to offer Ghanaian entrepreneurs access to funding in order to meet their capital requirements for expansion of industries and to offer opportunity for growth and development.

The role of an investment fund and its contribution to the development of an economy is so essential and helps in the growth and wealth creation both for individuals and the nation as a whole. One of the main roles of investment funds is the protection of people's savings against inflation.

In fact, collective investment schemes play crucial roles in economies of the world; they are a way of investing money alongside other investors in order to benefit from the inherent advantages of working as part of a group. These advantages include an ability to hire a professional investment manager, which theoretically offers the prospects of better returns and/or risk management, benefit from economies of scale that is cost sharing among others and to diversify more than would be feasible for most individual investors which, theoretically, reduces risk.

The terminology varies from country to country but collective investment vehicles are often referred to as mutual funds, investment funds, managed funds, or simply fund.

1.2 STATEMENT OF THE PROBLEM (PROBLEMATIC)

The ability of any country to get the funds needed for its effective management of the economy remains the singular most important issue for various governments all over the world. It is widely believed and accepted that capital, especially financial capital is very important for the growth and development of any economy. Economies that are unable to mobilise enough capital from either internal or external sources will find it difficult to create wealth to spur growth and development.

Around the world large markets have developed around collective investment and these account for a substantial portion of all trading on major stock exchanges. However, Africa, and for that matter Ghana are faced with the problem of inadequate capital mobilisation to help organisations and corporations to get the funds needed to meet their funding requirements in order to create wealth and accelerate growth in the economy. Individuals on their own especially those in the low income bracket are most often not able to mobilise capital for investment. Even some of those who have the money and seek to guarantee a stable future flow of income are virtually not aware of any means of investing the money.

Funds mobilisation helps a country to invest in infrastructure which is the bedrock for economic take off. Without the necessary infrastructure in place it will be difficult to achieve sustainable economic growth. One of the key (re)emerging concerns among African governments is the need for improved infrastructure. However, there is capital deficit in infrastructure in Africa. A World Bank report estimates that this is as equal to US\$ 31billion a year (World Bank, 2010).It is

regularly argued that the provision of infrastructure in Sub-Saharan Africa lags substantially behind that of other developing regions, that the region pays a high price for its infrastructure services and as a result there is a detrimental impact on the economic performance of the region (World Bank, 2012a). Consequently there has been a renewed call for aid and investment to be focused on investment in infrastructure.

However, there is still a substantial shortfall in the amount of investment required to meet the continent's needs and maximise its economic performance. Thus the meeting of Africa's need for infrastructure and its financing is a significant challenge. Infrastructure is increasingly seen by African governments and some of their development partners as crucial to the development of the region and Ghana for that matter. In this regard, there is an urgent need for the region to be able to find alternative ways of solving this problem which potentially lies in their abilities to raise funds. The setting up of an investment fund in order to create the opportunity for people both local and foreign to put in money will be one of the ways to make funds available for development and the people earning returns on their investments.

African Governments often depend on loans and aids to support their budgets each year and something needs to be done to reverse this trend because it will pose serious economic challenges if these loans and aids do not come as budgeted and will make it very difficult for Governments to run their affairs effectively and to provide the necessary basic needs of the citizens.

In Ghana, many donor activities concentrate on various credit schemes through commercial banks and micro-finance institutions, and also on strengthening of micro, small and medium-scale MSMEs through training and business support services and do not have any form of investment funds to help in capital accumulation through collective investments.

The broad relevant project question relates to the adequacy of Ghana's economic and political environment to attract foreign investors to invest in funds in Ghana especially when investors will want guarantee for return on their investments.

In the absence of favourable legislations and conducive investment climate is it merely enough for the country to have investment funds?

This project explores the ways in which an international investment fund can be set up to attract investors to invest in funds in Ghana to help in wealth creation through capital mobilisation for growth and development and to examine investor preferences to invest in different funds.

Collective investment schemes are very important vehicles that can help in capital accumulation to ensure that companies especially those in the SME sector can have long term sustainable financing for their activities.

1.3 PROJECT PROBLEM

The problem addressed by this project work can be summarised in the following question:

How can an international investment fund be set up in Ghana to attract foreign investors to help in solving the funding needs of individuals and Ghanaian industries?

Related questions include:

- I. What conditions do investors look out for in order to make a decision to invest in a particular country?
- II. What is the situation of existing investment funds in Ghana, process of capital mobilisation, management and control systems put in place?
- III. What is the cause of the funding problems that individuals and especially industries are facing in Ghana in spite of the proliferation of credit institutions in the country?
- IV. What are the challenges that fund seekers face and the requirements that are to be satisfied in order to access funding for their businesses?

1.4 OBJECTIVE OF THE PROJECT

The main objective of this project work is to identify and examine the modalities and the opportunities for setting up an international investment fund in Ghana to create wealth through fund mobilisation by collective investment. Related objectives include:

- find out what the state of the collective investment industry is in Ghana and the conditions that investors look out for in order to invest in funds.
- assess and understand what investor preferences are and why they will prefer to invest in a particular fund instead of another.
- find out the management processes and procedures for setting up an investment fund in Ghana, investors expectations and horizon.
- make recommendations for the setting up of an international investment fund in Ghana.

1.5 METHODOLOGY

The research for the project was conducted through questionnaire which was administered by hand to selected individuals, management and staff the Securities and Exchange Commission (SEC) and some Collective Investment Schemes (CIS) in Accra, Ghana. However, prior to the designing of the questionnaire, the relevant primary and secondary data available from the Securities and Exchange Commission (SEC), Collective Investment Funds in Ghana were collected to arrive at a good questionnaire design. Then after that, close and open-ended questions were used for customers and stakeholders of these institutions.

1.6 SIGNIFICANCE (INTEREST) OF THE PROJECT

The study is significant in view of the recent world financial and economic crises and their ripping effect on the economies of the world. As a developing nation like many nations in the Sub-Saharan Africa, Ghana is faced with many challenges especially in the area of access to funds by individuals and especially Ghanaian industries in order to create wealth for the development of the Ghanaian economy.

The private sector has had it difficult raising capital and adequate funds for investment and other business activities; this led to the undertaking of a number of financial sector reforms by the

government. The emergence of collective investment schemes onto the Ghanaian financial sector has been as a result of these reforms. This is to facilitate capital generation and savings mobilisation for the private sector to help them accomplish their organisational objectives.

It has become evidently clear that, to achieve development in the economy in terms of high gross domestic product (GDP), a better per capita income, less unemployment and reduction in inflation, the private sector of the economy should be encouraged to lead in the generation of wealth.

Capital for investment in this country is either sought for internally or externally but the Ghanaian government like its counterparts in other African countries have been relying heavily on external funds from developed economies and donor communities to be able to implement public sector development policies. This has not been so easy in recent years due to the diversification of these funds to countries such as China and other Asian countries that are now seen as better investment destinations. Due to the shortfalls in the inflows of expected capital from external sources, government has been competing with the private sector over the limited funds generated internally and this tends to virtually crowd out the private sector.

1.7 LIMITATIONS OF THE PROJECT WORK

Time for the project as well as access to information and materials relevant to the exercise pose limitations for the project work. Despite the limitations outlined, these findings for the project work could be treated as part of a larger body of similar contribution towards the setting up of an international investment fund in Ghana.

1.8 ORGANISATION OF THE PROJECT'S REPORT

The professional project work is structured as follows:

Chapter one deals with the conceptual framework, project research problem, the research question, overview of investment funds and their contribution in the financing of the economy and general background to the study.

Chapter two summarises the literature on the project and takes a look at the development of the investment fund industry.

Chapter three covers the methodology of the project.

Chapter four deals with the data collection and analysis tools used findings, and interpretations.

Chapter five deals with the setting up procedures and the management processes involved in setting up the investment fund and summarises the conclusion about the profitability of the project when undertaken.

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CHAPTER TWO

OVERVIEW OF THE INVESTMENT FUND INDUSTRY

2.1 BEGINNING OF THE INVESTMENT FUND INDUSTRY

Historians are uncertain of the origins of investment funds; some cite the close-ended investment companies launched in the Netherlands in 1822 by King William I as the first mutual funds, while others point to a Dutch merchant named Adrian van Ketwich whose investment trust created in 1774 may have given the king the idea. Van Ketwich probably theorised that diversification would increase the appeal of investments to smaller investors with minimal capital. The name of Van Ketwich's fund was EENDRAGHT MAAKT MAGHT, translated to mean "unity is strength". The next wave of mutual near-mutual funds included an investment trust launched in Switzerland in 1849, which was followed by similar vehicles created many kinds of companies in Scotland in the 1880s.

2.2 THE ARRIVAL OF THE MODERN FUND

The creation of the Massachusetts Investors' Trust in Boston, Massachusetts, heralded the arrival of the modern mutual fund in 1924. The funds went public in 1928, eventually spawning the firm known today as MFS Investment Management. State Street Investors' Trust was the custodian of the Massachusetts Investor's Trust. Later, State Street Investors started its own fund in 1924 with Richard Paine, Richard Saltonstall and Paul Cabot at the helm of affairs. Saltonstall was also affiliated with Scudder, Stevens and Clark, an outfit that would launch the first no-load fund in 1928. The momentous year in the history of the mutual fund, 1928 also saw the launch of the Wellington Fund, which was the first mutual fund to include stocks and bonds, as opposed to direct merchant bank style of investments in business and trade.

2.1.1 Regulation and Expansion

By 1929, there were 19 open-ended mutual funds competing with nearly 700 closed-ended funds. With the stock market crash of 1929, the dynamic began to change as highly-leveraged closed-ended funds were wiped out and small open-ended funds managed to survive.

Government regulators also began to take notice of the fledgling mutual fund industry. The creation Securities and Exchange Commission (SEC), the passage of the Securities Act of 1933 and enactment of the Securities Exchange Act of 1934, put in place safeguards to protect investors: mutual funds were required to register with the SEC and to provide disclosure in the form of prospectus. The Investment Company Act of 1940 put in place additional regulations that required more disclosures and sought to minimise grievances of investors of different categories conflicts of interest.

The mutual fund industry continued to expand. At the beginning of the 1950s, the number of open-end funds topped 100. In 1954, the financial markets overcame their 1929 peak, and the mutual fund industry began to grow in earnest, adding some 50 new funds over the course of the decade. The 1960s saw the rise of aggressive growth funds, with more than 100 new funds established and billions of dollars in new asset inflows.

Hundreds of new funds were launched throughout the 1960s until the bear market of 1969 cooled the public appetite for mutual funds. Money flowed out of mutual funds as quickly as investors could redeem their shares, but the industry's growth later resumed.

Massachusetts Investors Trust (now MFS Investment Management) was founded on March 21, 1924, and after one year, had 200 shareholders and US\$392,000 in assets. The entire industry, which included a few closed-ended funds, represented less than US\$10 million in 1924.

The stock market crash of 1929 slowed the growth of mutual funds. In response to the stock market crash, Congress passed the Securities Act of 1933 and the securities Exchange Act of 1934. These laws required that a fund be registered with the SEC.

2.2.2 The Mutual Fund Industry-Global Perspective

The U.S. mutual fund market, with US\$9.6 trillion in assets under management as of year-ended 2008, remained the largest in the world, accounting for 55 percent of the US\$ 19.0 trillion in mutual fund assets worldwide.

Table: 1 Worldwide Total net assets of mutual funds

(Millions of US dollars, year end)

COUNTRY	2 008	2 009	2 010	2 011	2 012
WORLD	18 920 057	22 945 623	24 710 398	23 796 672	26 837 407
AMERICAS	10 581 988	12 578 593	13 598 071	13 530 122	15 139 998
EUROPE	6 231 116	7 545 535	7 903 389	7 220 298	8 230 061
ASIA & PACIFIC	2 037 536	2 715 234	3 067 323	2 921 276	3 322 198
Australia	841 133	1 198 838	1 455 850	1 440 128	1 667 128
China	276 303	381 207	364 985	339 037	437 449
Hong Kong	N/A	N/A	N/A	N/A	N/A
India	62 805	130 284	111 421	87 519	114 489
Japan	575 327	660 666	785 504	745 383	738 488
Korea Rep,	221 992	264 573	266 495	226 716	267 582
New Zealand	10 612	17 657	19 562	23 709	31 145
Pakistan	1 985	2 224	2 290	2 984	3 157
Philippines	1 263	1 488	2 184	2 363	3 566
Taiwan	46 116	58 297	59 032	53 437	59 192
AFRICA(South Africa)	69 417	106 261	141 615	124 976	145 150

Note: Components may not add to the total because of rounding.

Source: Investment Company Institute, National Mutual Fund Associations; European Fund And Asset Management

Association (EFAMA provide data for all European countries except Russia

* Funds of funds are not included, except for France, Italy, and Luxembourg. Data include home- domiciled funds except

for Hong Kong, the Republic of Korea, and New Zealand which include home-and foreign-domiciled funds.

N/A= not available

Mutual Fund assets worldwide increased 2.3 percent to US\$22.88 trillion at the end of 2009. Net cash flow to all funds was US\$77 billion in the fourth quarter, marking the fifth consecutive quarter with positive net flows. Net inflow to long-term funds slowed to US\$283 billion in the fourth quarter of 2009, from US\$351 billion in the third quarter. For the year as a whole, net cash flows into all mutual funds worldwide were US\$275 billion, on par with the US\$280 billion of net inflows experienced in 2008. However, the composition of the flows was considerably different. Long-term funds had net inflows of US\$912 billion in 2009, compared to net outflows of US\$610 billion in 2008.

The Investment Company Institute compiles worldwide statistics on behalf of the International Investment Funds Association, an organisation of national mutual fund associations. The collection for the fourth quarter of 2009 contains statistics from 44 countries.

2.3. REGULATION OF THE GHANAIAN SECURITIES MARKET

The securities industry in Ghana is governed by the Securities Industry Law 1993, PNDCL333. The securities industry law among other things brought about the establishment of the Securities and Exchange Commission (formerly Securities Regulatory Commission).

The law also provides for functions of the Commission, the establishment of stock markets, the licensing of Stock Broker/Dealers and Investment Advisers, Unit Trusts and Mutual Funds, registers of interest in securities, the mode of conduct of securities business, issues concerning Accounts and Audits, the establishment of Fidelity Funds and trading in securities.

In December 2000, an Act to amend some provisions of the Securities Industry Law 1993, PNDCL333 was passed. This Act, Act 590, makes fuller provisions for the operation and regulation of Unit Trusts and Mutual Funds; provides for the settlement of disputes arising under the Law; provides for consequential amendments arising from provisions of the Constitution and provides for related purposes. These Laws and Regulations are administered and enforced by the SEC.

The Securities laws regulate collective investment schemes in four basic ways:

- Through Registration Requirements

Every person who establishes a scheme or manages the investment portfolio of a scheme must be registered (licensed) by the Commission. Those who sell the shares/units are registered as dealers. Those who make investment decisions for collective investment schemes are registered as advisors. The registration requirements enable the Commission to ensure that each operator, dealer, or advisor has the basic qualifications required to act on behalf of investors. Registration is a continuous process, and thus subject to periodic renewal in order to ascertain the continued suitability of registrants

- Through Prospectus Requirement

Every scheme that intends to sell securities to the public must first file a prospectus with the Commission and must give a summary disclosure document to each purchaser. The information contained in these documents is intended to allow investors and their financial advisors to make prudent and informed investment decisions. The mutual fund company or the unit trust manager is accountable under the law for the statement made in the prospectus. Once a fund has filed a prospectus it is also obliged to provide investors with financial statements and other important information on a regular basis.

- Through Regulations on Fund Operations and Sales Conduct

The Securities and Exchange Commission has also established regulations that govern investment and marketing practices, the way in which fund assets must be held and the types of incentives that can be paid to those who manage or sell the fund.

many dealers who will sell shares/units of funds will also be members of the Ghana Stock Exchange (GSE) which is the industry's Self-Regulatory Organisation(SRO) and both they and their employees are subject to the rules, by-laws and policies that are established by the GSE.

- **Though Surveillance and Monitoring**

The Commission controls and supervises the activities of registrants in the collective investment schemes with a view of ensuring that they maintain proper standards of conduct and acceptable practices.

Licensed operators are obliged to submit financial and operational reports periodically to the Commission. These reports are viewed alongside set standards and criteria to ensure that licensed operators continue to remain compliant over the period of the operation and not only at the time of first application of license/registration or at the time of renewal of their license/registration.

2.4 THE COLLECTIVE INVESTMENT SCHEMES IN GHANA

Collective Investment Scheme (CIS) in Ghana take the form of either a Mutual Fund or a Unit Trust. At the end of the year 2011, there were twenty-six (26) CIS in Ghana, up from twenty-four(24) in 2010. They comprised 14 Mutual Funds and 12 Unit Trusts. Of the 26,ten(10)were operating as Equity Funds, Six(6) as Balanced Funds, nine(9) as Money Market Funds and only one(1) as a Real Estate Investment Trust(REIT).

2.4.1 Funds under Management

The total net asset value of funds under the management of CISs stood at GHC 226,112,000 in 2011,a growth of sixteen percent(16%) from the 2010 figure of GHC 193,307,218.Mutual Funds contributed 75.8% of this amount, totalling GHC 171,437,179 while Unit Trusts contributed 24.2% totalling GHC 54,674,820.

Total funds mobilised during the year appreciated by 19% from GHC 101,344,796 in 2010 to GHC 121,346,143 in 2011.The total amount mobilised in 2011 represented 53.6% of the total net asset value of all collective investment schemes in 2011.

Total Redemptions also increased from GHC 64,581,444 in 2010 to GHC 91,651,360 at the end of 2011 representing an increase of 41.9%. The depreciation of the Cedi in the last quarter of the year may have been a contributory factor as investors redeemed their investments to invest in foreign currencies.

The number of shareholders and unit trust holders rose from 178,764 in 2010 to 191,160 at the end of the 2011. This represented a 6.9% growth.

2.4.2 Mutual Funds

The total number of mutual funds licensed by the SEC in 2011 stood at fourteen (14) as compared to twelve (12) in 2010. Their total net asset value increased from GHC 149,946,866 in 2010 to GHC 171,437,179 in 2011, representing an increase of 14%. Databank Asset Management Services Limited was the market leader in the CIS Fund management segment as it managed over 80% of the total net asset value of funds on the market. Its Money Market Fund (Mfund) was the biggest fund with 52% market share. Its equity fund (EPACK), was the next controlling 31% of total net asset value of the market. The IFund, managed by EDC Investments maintained its position as the third largest controlling 6% of total net asset value of the market.

In terms of total number of shareholders, EPACK Investment Fund had the highest share with 73% of the industry's shareholders. They were followed by the IFund with 7% share.

In terms of performance, First Fund managed by First fund Financial Services scored a 20% annualised yield, followed by the Mfund with a 12%. Heritage Fund also suffered a significant loss in asset value of 9.9%.

The most cost-efficient mutual funds were First fund and Mfund with cost efficiency of ratios of 0.23 and 0.69 respectively.

2.4.3 Unit Trusts

The number of licensed Unit Trusts remained at twelve(12), the same level as in the previous year. However, the total net asset value increased from GHC 43,360,315 in 2010 to GHC 54,674,820 in 2011 representing a growth of 26% from the previous year.

HFC Unit Trust managed by HFC Investment Services limited led the pack with a net asset value of GHC 31,217,031.73 representing 57% of total net asset value. Next to it was its sister product, the HFC REIT, with a total net asset value of GHC 11,056,610 representing 20% of the unit trust market. Stanbic Income Fund came third as it controlled 7% of the total net asset value of the unit trust market.

In terms of number of unit holders, total unit holders base increased from 25,885 unit holders in 2010 to 28,574 unit holders in 2011 representing an increase of 10%. HFC Unit Trust continued to be the largest trust with 18,744 unit holders, followed by the HFC equity Trust and Gold Fund with 2,534 and 2,399 unit holders respectively.

Eight (8) of the twelve(12) unit trusts returned positive annualised yields. Stanbic Income Fund gave its unit holders the highest return on their investments with a 13.5%. The Aggressive Growth Fund and Capital Growth Fund, which are equity funds, had negative returns of 11% and 8.8% respectively, mainly as a result of the poor performance of stocks on the market last year.

Stanbic Income Fund and Freedom Fund were the most efficient funds with cost efficiency ratios of 1.07 and 1.35 respectively.

CHAPTER THREE

METHODOLOGY

3.0 INTRODUCTION

This chapter explains the methodology used in order to attain the objectives of the project work. The chapter details the research method, population, sampling and sampling techniques, research instruments, data collection and analysis.

3.1 THE RESEARCH DESIGN

The aim of this research for the project work is to assess the modalities for the setting up of an international investment fund in Ghana and to find out what influences investors to invest in different funds. In order to collect the data, a questionnaire containing (32) items under four (4) major headings (Personal information, Risk Profile and Investor's choice of funds, management and regulations, and state of the industry) were administered to a sample of hundred (100) respondents consisting of management and staff of the Securities and Exchange Commission (SEC) and the Collective Investment Schemes. Interviews were conducted with some corporate and retail investors.

To facilitate the analysis of the data in the chapter that follows, a mixture of qualitative and quantitative approaches is adopted. Since the study is enquiry and evaluation, the data collected are classified into categories and analyses are done with conceptualization.

3.2 SAMPLE

3.2.1 Sample size

The sample was selected from the population of Senior Officers (SOs) of the Securities and Exchange Commission, Fund Managers (FMs) and staff of investment funds in Accra the capital city of Ghana. Some customers of existing investment funds were also sampled.

3.2.2 Sampling Technique and Distribution

Considering the diverse nature of the sample size, twenty (20) questionnaires were sent to SEC(80) were sent to some fund managers and staff of investment funds in Ghana.

3.3 RESEARCH INSTRUMENT AND DATA COLLECTION

In an effort to take a broader view of the project problem, the triangular methodology was adopted. The choice was made also because of its usefulness in founding the credibility a study as like this one. 'Methodological Triangular involves using more than one method to gather data, such as interviews, observations, questionnaires, and documents'' (Denzin, 1978)."The rationale is that the weaknesses of one method are offset by the strengths of the others".Arksey and Knights, 1999).The use of this methodology was also necessitated by the mixed nature of the project questions requiring both qualitative and quantitative data. There are two steps involved in this methodology i.e. data collection and data analysis and interpretation.

3.3.1 Data collection

Due to the different types of data to be collected, the data collection format differed and involved the use of questionnaires, interviews, and analysis of documents.

a. Questionnaires

The project questions were all addressed through the questionnaires. A sample risk profile questionnaire and collective invests account opening forms were used and questionnaires with close-ended questions were administered focusing on key risk profile and regulation and conditions to attract investors.

b. Interviews

Interviews were held with some corporate and retail customers of investment funds. Information was also collected from the annual reports of SEC and investment fund manuals from fund companies.

3.3.2 Data analysis and interpretation

Data collected from the questionnaires and interviews were analyzed independently and compared with the standards (best practices). Similarities as well as incongruities were analyzed and interpreted and relevant explanations for the deviations and differences were given.

CHAPTER FOUR

PRESENTATION AND DATA ANALYSIS

4.1 PRIMARY DATA

4.1.1 DEMOGRAPHIC CHARACTERISTICS

The questionnaire were completed by four categories of officers in the industry who fall into for classifications in terms of qualifications within the securities and the invest fund industry. Table 2 above shows that there were 32.60% who have first degree only; 41.9% have masters level qualification; 20.9% have first degree plus professional qualification; 2.3% have professional qualification only; and 11.6% have masters plus professional qualification. The table also indicates that the majority of the officers have a masters level qualification.

Table 2: Level of education for different groups of respondents

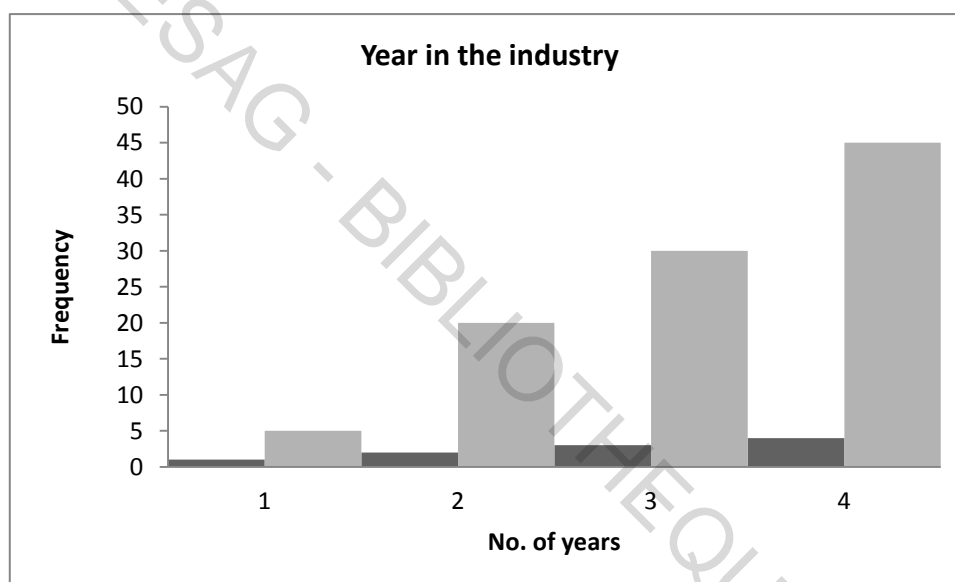
	Highest level of Education				
	Ist Degree	Masters	Bachelor+ professional	Professional	Maters +professional
Audit & Risk Managers	0%	7.0%	0.00%		2.30%
Financial Analyst	0%	20.9%	0.00%	2.30%	2.00%
Fund Managers	0%	7.0%	0.00%		5.00%
Market Operators	32.60%	7.0%	20.90%		2.30%
Total	32.60%	41.9%	20.90%	2.30%	11.60%

Source: Field Work Questionnaire

4.1.2 INDUSTRY EXPERIENCE OF OFFICERS

The figure 1 below shows how long the different group of respondents, i.e. Audit & Risk Managers, Financial Analysts, Fund Managers and Market Operators have been in the industry. It reveals that 45% have been in the industry for more than four(4) years, 30% have three(3) years. 20% have two(2) years and 5% have one(1) year.

Figure 1: Number of years working in the industry

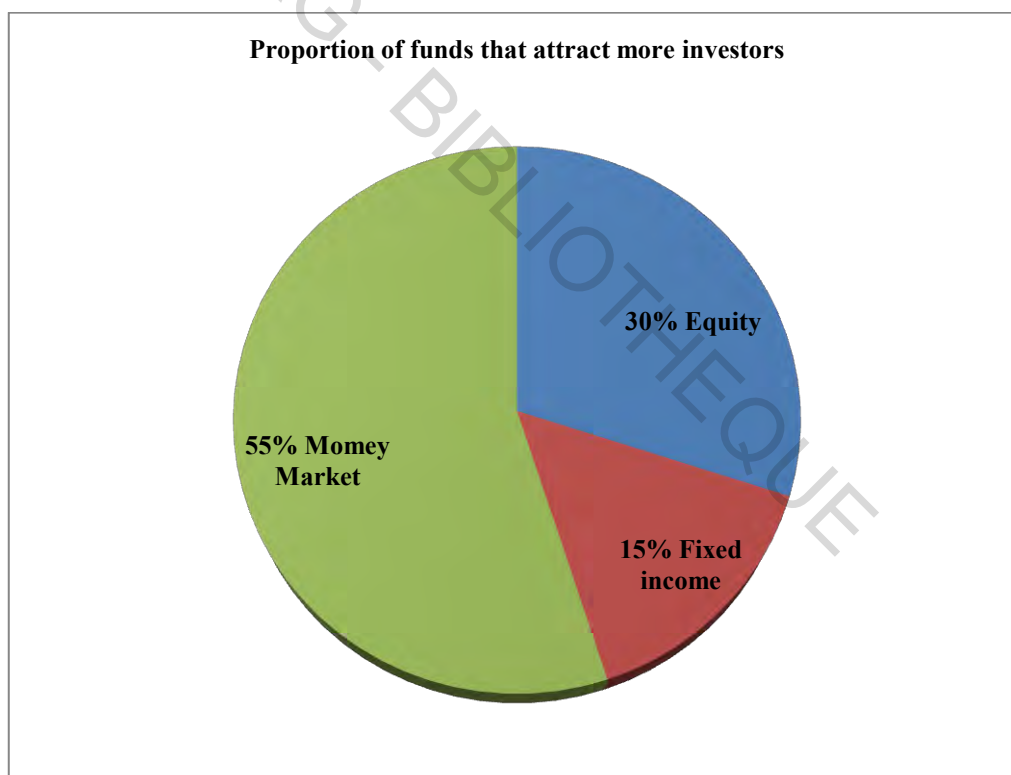


Source: Field Work Questionnaire

4.1.3 TYPES OF FUND THAT ATTRACT MORE CUSTOMERS

The figure2 below shows the type of fund that attracts the largest number of investors. It reveals that 55% of the investors invest in money market funds,30% invest in equity funds and 20% invest in fixed income fund.

Figure 2: Funds with the largest number of investors

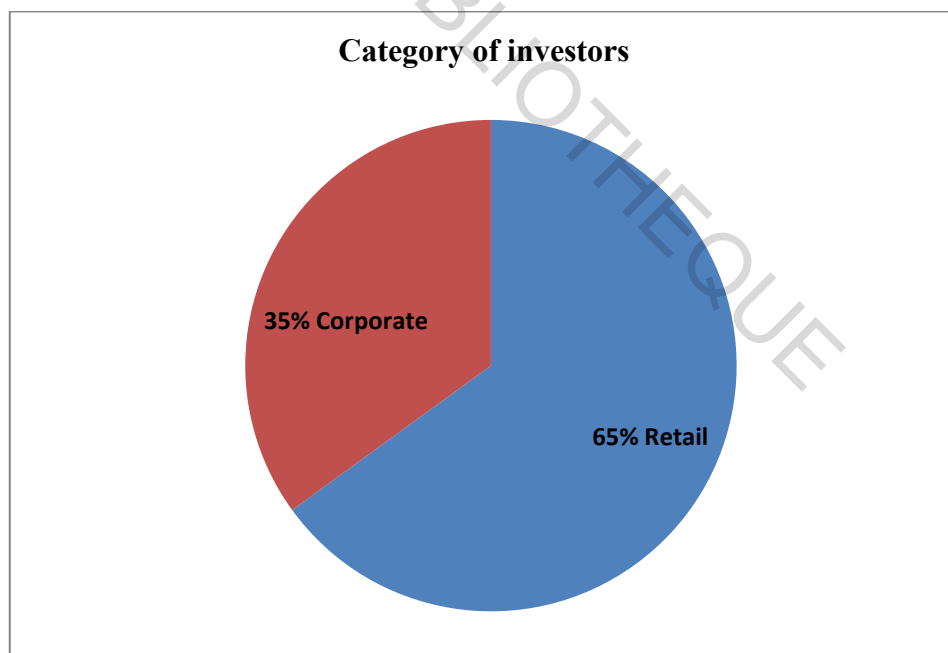


Source: Field Work Questionnaire

4.1.4 TYPE OF INVESTORS THAT FORM LARGEST GROUP

The figure 3 below also shows the category of investors that form the largest group. Retail investors form the largest group representing 65% of the total group of investors and 35% representing corporate investors.

Figure 3: Category of investors that form the largest group

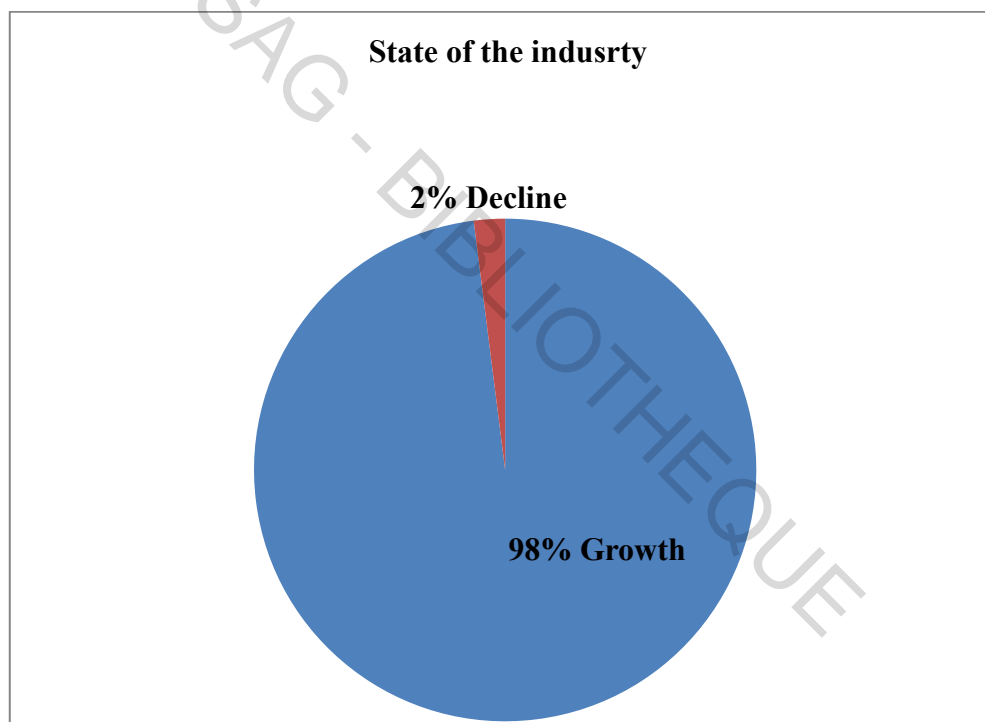


Source: Field Work Questionnaire

4.1.5 STATE OF THE INDUSTRY

The figure 4 below shows the impression among the group of respondents interviewed. It reveals that 98% of the respondents believe that the industry is growing in spite of the challenges. Among the group 2% are of the view that the industry is on decline.

Figure 4: State of the collective investment industry

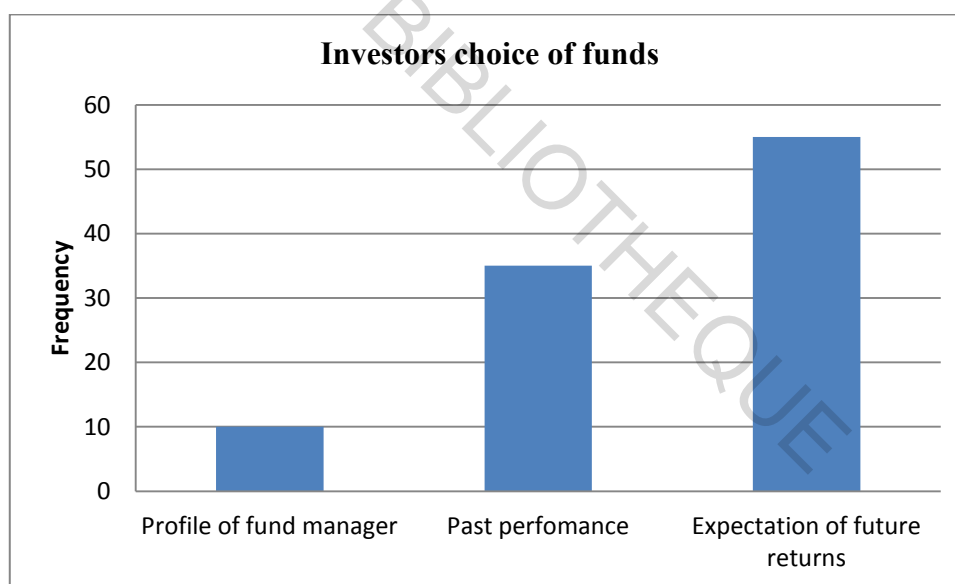


Source: Field Work Questionnaire

4.1.6 INVESTORS CHOICE FOR FUNDS

The figure 5 below reveals among the respondents what determines their decision to invest in a particular fund instead of another. The figure 5 shows that 55% of the respondents indicated that what determines their choice of investment in a particular fund is the expected return that the fund is able to offer them, 35% indicated that the funds' past performance is what influences them to invest in that particular fund, while 10% of the respondents said it is the profile of the fund manager that determines where they should invest their money.

Figure 5: Determinants of investors choice for funds

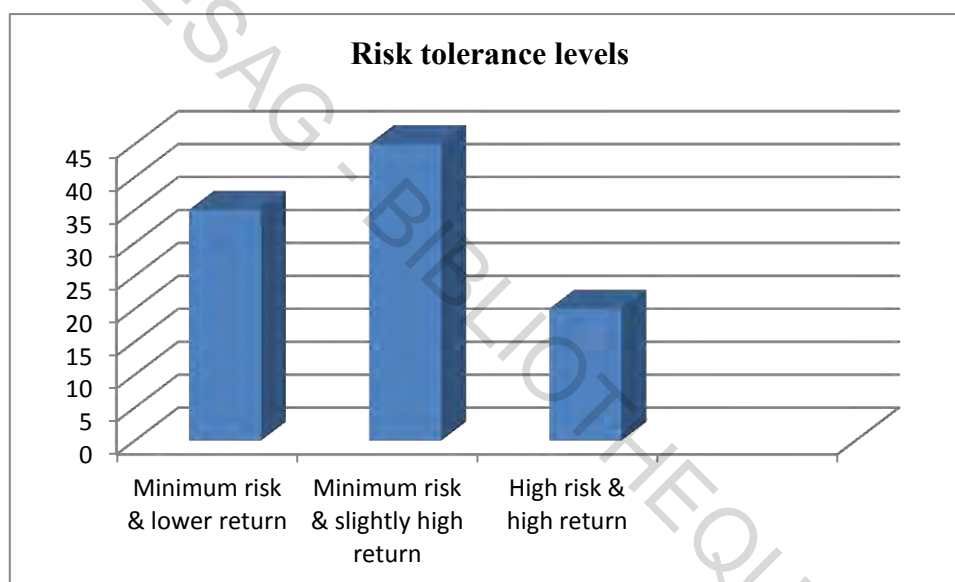


Source: Field Work Questionnaire

4.1.7 RISK TOLERANCE LEVELS OF INVESTORS

Figure 6 below shows the risk tolerance levels among the group of respondents. Among the respondents 45% indicated that they want a minimum risk and slightly high return, 25% want moderate risk and moderate return, 15% of the respondents want minimum risk with lower return and high risk with high returns respectively.

Figure 6: Risk tolerance level of investors



Source: Field Work Questionnaire

SECONDARY DATA

The total number of mutual funds licensed by the SEC in 2011 stood at fourteen(14) as compared to twelve(12) in 2010. Their total net asset value increased from GHC 149,946,866 in 2010 to GHC 171,437,179 in 2011, representing an increase of 14%. Databank Asset Management Services Limited was the market leader in the CIS Fund management segment as it managed over 80% of the total net asset value of funds on the market. Its Money Market Fund(Mfund) was the biggest fund with 52% market share. Its equity fund (EPACK), was the next controlling 31% of total net asset value of the market.

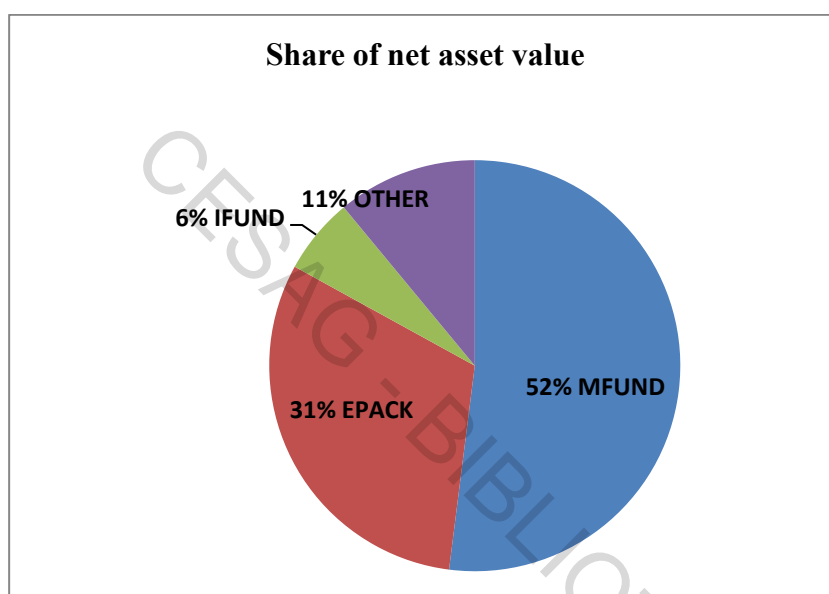
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In terms of performance, First Fund managed by First fund Financial Services scored a 20% annualised yield, followed by the Mfund with a 12%. Heritage Fund also suffered a significant loss in asset value of 9.9%.

The most cost-efficient mutual funds were First fund and Mfund with cost efficiency of ratios of 0.23 and 0.69 respectively.

Figure 7: Distribution of Total Net Asset Value for the various Mutual Funds in 2011



The number of licensed Unit Trusts remained at twelve(12), the same level as in the previous year. However, the total net asset value increased from GHC 43,360,315 in 2010 to GHC 54,674,820 in 2011 representing a growth of 26% from the previous year.

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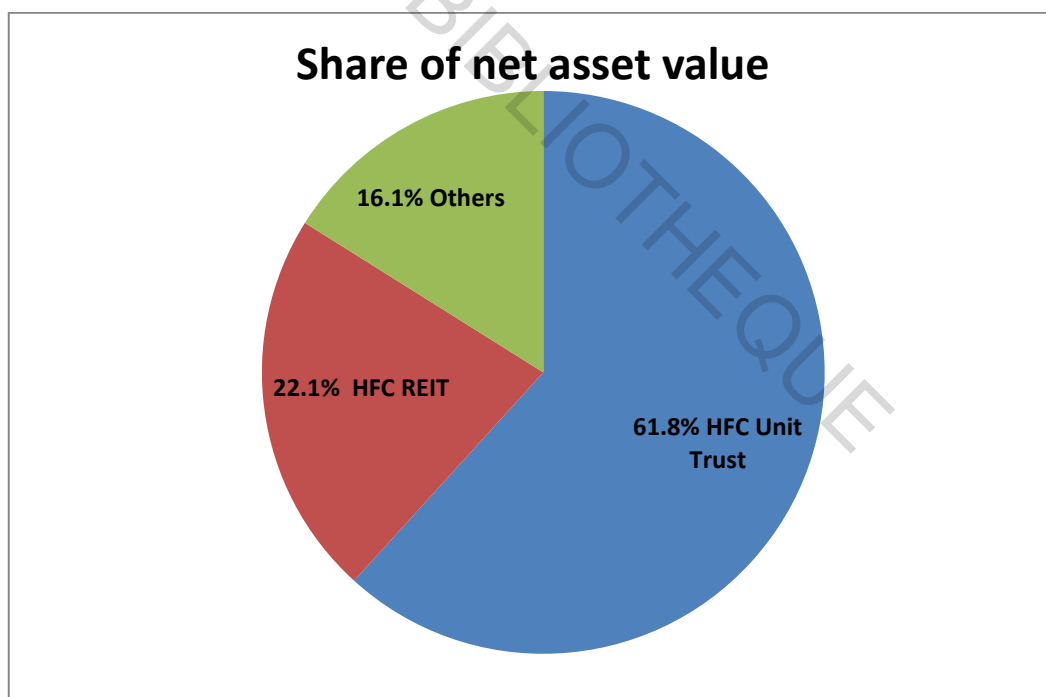
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Eight (8) of the twelve(12) unit trusts returned positive annualised yields. Stanbic Income Fund gave its unit holders the highest return on their investments with a 13.5%. The Aggressive Growth Fund and Capital Growth Fund, which are equity funds, had negative returns of 11% and 8.8% respectively, mainly as a result of the poor performance of stocks on the market last year.

Stanbic Income Fund and Freedom Fund were the most efficient funds with cost efficiency ratios of 1.07 and 1.35 respectively

Figure 8: Distribution of total net asset value the various Unit Trusts in 2011



CHAPTER FIVE

SETTING UP PROCEDURES AND MANAGEMENT PROCESS

5.1 THE SETTING UP PROCESS

Investment fund is set up in the form of a Mutual Fund or a Unit Trust which has a sponsor/trustee, Asset management Company (AMC) and custodian.

The following are involved in the operation of the investment fund: the sponsor, the investment fund, the trustees, the asset management company, the custodian and the registrar and transfer agents.

5.1.1 The Sponsor

The sponsor is like the promoter of a company. The sponsor may be a bank, a financial institution, or a financial services company. It may be from Ghana or from foreign

5.1.2 The Investment Fund

The fund is constituted under Unit Trusts & Mutual Funds Regulations, L.I 1695 and registered with the Securities and Exchange Commission.

5.1.3 Trustees

A trust is a notional entity that cannot contract in its own name so, the trust enters into contracts in the name of the trustees. Appointment by the sponsor, the trustee can be either individuals or corporate body. Typically, it is the latter. The trustees appoint the asset management company (AMC), secure necessary approval, periodically monitor how the AMC functions, and hold the properties of the various schemes in the trust for the benefits of investors.

5.1.4 The Asset Management Company

It is also referred to as the investment manager; is a separate company appointed by the trustees /promoters to run the fund. The AMC should have a certificate from the SEC to act as portfolio manager under SEC rules and regulations.

5.1.5 Custodian

The custodian handles the investment back office operations of the fund. He/she looks after the receipt and delivery of securities, collection of income, and distribution of dividends and segregation of assets between schemes. The sponsor of an investment fund cannot act as its custodian.

5.1.6 Registrar and Transfer Agents

The registrar and transfer agents handle investor related services such as issuing units, redeeming units, sending fact sheets and annual reports and so on. Some funds handle such functions in-house while others outsource it to SEC approved registrars and transfer agents.

5.2 LICENSING REQUIREMENTS FOR OPERATING A MUTUAL FUND

- a. For a Mutual Fund, the first step is the incorporation of a Mutual Fund Company under the Companies Code 1963(Act 197) as a public limited liability company with the sole aim of holding and managing portfolio of securities and other financial assets.
- b. After the incorporation of the company, an application is made to the Securities and Exchange Commission (SEC) for a licence to operate the fund.
- c. The Securities and Exchange Commission requires the following documents to be submitted to it for its review for the issue of a license to operate a mutual fund.
 - i. Company Regulation
 - ii. Management Agreement
 - iii. Custodial Agreement
 - iv. Prospectus(offering document)

5.3 LICENSING REQUIREMENTS FOR OPERATING A UNIT TRUST

For a Unit Trust, an application is made to the Securities and Exchange Commission (SEC) by a company licensed by the Commission as an investment advisor for a license to establish a Unit Trust.

The SEC requires the following documents to be submitted to it for its review for the issue of a license to operate a Unit Trust.

- i. Management Agreement
- ii. Trust Deed
- iii. Prospectus(offering document)

5.4 POLITICAL AND ECONOMIC CLIMATE ANALYSIS

In order to proceed with the setting up of Strategic Fund, the political and economic climate of Ghana is taken into consideration since those are the major outlook for many investors and more so as the fund is an international fund.

The following table includes third-party assessments of the Ghanaian investment climate:

Table 2: Investment climate assessment

MEASURE	YEAR	INDEX/RANKING	WEBSITE
TI Corruption Index	2012	64/174	www.transparency.org
Heritage Economic Freedom	2012	661.3 (77/177)	www.heritage.org
World Bank Doing Business	2013	64/185	www.doingbusiness.org
MCC Government Effectiveness	2013	0.84 (96%)	www.mcc.gov/pages/selection/scorecard
MCC Rule of Law	2013	0.85 (96%)	
MCC Control of Corruption	2013	1.01 (96%)	

MCC Fiscal Policy	2013	-5.17 (17%)	
MCC Trade Policy	2013	67.8 (50%)	
MCC Regulatory Quality	2013	0.90(100%)	
MCC Business Start Up	2013	0.960 (100%)	
MCC Land Rights Access	2013	0.67(75%)	
MCC Natural Resource Management	2013	79.2(67%)	

NB: Percent rankings for MCC measures indicate a percentile within peer income group.

5.4.1 LOCATION AND STRATEGY OF THE FUND

The investment fund we are setting up will be located in Accra, the capital of Ghana and will form an integral part of the list of investment funds in the financial industry of the Ghanaian economy and will be managed in tandem with the laws and regulations of the Securities and Exchange Commission (SEC)

5.4.2 Orientation and advantages

The fund aims to provide investors the maximum return on their investment and to attract as many customers as possible both within and outside of Ghana. It is to help in the accumulation of wealth for both individuals and corporate entities and to help them to meet their funding needs. We believe that this will help to create wealth and to accelerate growth in the economy. It is also to provide those at the beginning of their career the opportunity to save for the future and those almost at the end of their career to be able to have a reliable source of income while on retirement from active work. In this regard, the fund will seek to attract both individual and institutional investors both domestic and foreign.

In summary the target market for Strategic Investment Fund include but not limited to:

- people at the beginning of their career
- people almost at the end of their career
- private and public resident institutional investors
- insurance companies
- foreign individuals and institutional investors

In view of this the table below shows the division of the portfolio in terms of the category of individuals.

Table 3: Share of securities according to the type of subscribers

	Persons at beginning of career(20-49 years)	Persons at end of career(50-60 years)	Institutions
Equity	65%	55%	40%
Bond	20%	30%	40%
Money Market	15%	15%	20%

One major advantage is that collective investment schemes provide an opportunity for the diversification of risks and investors will be able to obtain the services of a professional portfolio manager. The investors will not be exposed to risks associated with one category of the products. For instance a poor performance of the equity market will be compensated by the return from the bond and the money market. An investor investing in the fund will be diversifying his own portfolio and to achieve the maximum return from the various financial products.

The structure of the investors is important for the diversity of the fund so that in terms of the division of the portfolio, the return and the duration of the securities of the investors will be different.

The structure of our portfolio however will take a form like this one.

Table 4: Structure of the Fund's portfolio

	Equity	Bonds	Money Market	Other investment Funds	Total
Share	50%	30%	10%	10%	100%

The composition of the portfolio will be dominated by equity and that is to do the profitability of the fund. It must be noted however that, we have reserved 10% for investment in some of the best performing investment funds in Ghana and outside of Ghana.

5.4.3 Choice of strategy

The fund (Strategic Fund) that we are setting up aims to diversify the portfolio of securities in terms of geographical or specific sectors of the economy of Ghana and beyond. The composition of our portfolio by different investors will cut across different classes of financial instruments. These financial instruments have different characteristics among them in terms of their risks and returns. The investment objective of the scheme is to provide a high and increasing level of income with some prospect of capital appreciation.

The composition of our portfolio will be based on securities quoted on the Ghana Stock Exchange(GSE) and other best performing stock exchanges. These will include equities and bond. We shall equally make investments in the short term in money market instruments. The

choice of the portfolio allocation will be part of the objective for a quarterly meeting of the board of directors/trustees in a year. The diversification of the portfolio will be made in the interest of the investors. Our role as managers of the fund however, will be to ensure the optimisation of return for the investors which is the primary objective defined by the fund.

5.4.4 Prospectus of Strategic Investment Fund

The prospectus aims at making the public aware of the existence of Strategic Investment Fund. This approach is inescapable in the setting up of Strategic Fund.

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Figure 9: Prospectus of Strategic Fund

STRATEGIC INVESTMENT FUND

Name of scheme: STRATEGIC INVESTMENT FUND

Base currency: The base currency of the scheme is the Ghanaian Cedi

INVESTMENT OBJECTIVE

To take advantage of the growing and dynamic economy of Ghana to ensure income and capital growth consistent with reasonable risks.

Investment horizon envisaged: 5 years

GENERAL INFORMATION

Agreement No.

Type of Fund: Collective Investment Scheme

Classification: Diversified

Date fund was set up: 01/07/2013

Shares of the Fund: GHC 10.00

You may qualify for sales charge discounts if you and your family invest, or agree to invest in the future, at least GHC 25,000 in Strategic Investment Funds.

Valuation: Daily

Closing time: 18 H

Return/Risk: Low and High

Reference Index: GSE FI

Trustee/Sponsor: Foreign Partner

Official advertisement of issue:

Commercial banks and brokerage firms

Asset Manager: HFC Unit Trust Asset Management

Subscription/Fee 0.60%

Redemption: 3.60%

Management fees: 2.5%

5.4.5 Organisation of our operations

The operations of the fund for subscription and redemption shall be opened as soon as the prospectus is made available to the public approved by the SEC. The price of shares based on the net asset value (NAV) shall be calculated each day dividing the net asset value by the number of shares in circulation and made available the following day at 1800H at the counter of the managers and distributors. The share price shall be published each day except under restriction by law where it will not be possible to publish it. It shall equally be the objective for the daily publication in the official newspapers of the Ghana Stock Exchange. This is fixed at GHC10.00

5.4.6 Mode of operation of Strategic Investment Fund

The fund shall be managed in consonance of the profile of subscribers taking into consideration their age, professions and their risk profile and risk tolerance levels. The information gathered from the questionnaire will however give us some understanding of the profiles of the investors and will help us to determine the combination of financial instruments fitting in order to achieve their objectives. This document is very important for the management of the fund. The GSE Financial Index shall be the reference index of the fund and is expected to give us a high return. It must however be noted that investment decisions shall be taken at the committee meeting comprising the fund manager, financial analyst and the market operator. The meetings shall be held monthly and has as its goal to evaluate the portfolio and its performance and to decide if there is the need to rearrange it.

5.4.7 Plan of activities of Strategic Investment Fund

In this part of the project, we want to envisage how to position ourselves in relation to others in the country. Presently, there are twenty-six(26) investment funds made up of fourteen(14) mutual funds and twelve(12) mutual trusts.

5.4.8 Strategy

The majority of the investment funds in Ghana concentrate mainly on passive style of management or concentrate mostly on the management of retirement benefits of employees of various organisations. This type of management basically is accompanied with low risk and as such with low return. Also, most of them concentrate on the money market, fixed income market and the equity market with a few of them having balanced funds.

Our fund, however is going to be innovative and venture into the energy(power) sector of the economy. The country has a huge infrastructure gap and electricity supply has fallen short of the current level of demand. It is estimated that some organisations lose over ten thousand Ghana Cedis a day as a result of inadequate power supply. We also are determined to enter into the real estate sector where there is currently one dominant investment fund as the nation is facing a shortfall in housing.

5.4.9 SWOT Analysis

SWOT analysis is a tool widely used in many areas of activity to diagnose, analyse and to describe:

- Current state of existence: a situation, an environment
- The analysis of the operations(process,i.e. the six sigma): a process, project
- The evaluation of cause and effect: a policy, a strategy.

Table 5: SWOT Analysis of the fund

SWOT ANALYSIS

ADVANTAGED	DISADVANTAGES
Strengths	Weaknesses
Partnership with an international fund The expertise of the foreign fund will be available for use Qualified Human Resources with bilingual background	Barrier to entry in terms of the capital requirement to start the fund which is GHC600,000
Opportunities	Threats
There is a growing and a dynamic CIS industry in Ghana There is political and economic stability of the country There is still growth in the economy for businesses There is still a large gap of financing needs for both the private and the public sectors of the economy to satisfy	Already a large number of CISs Some well established Huge investment will have to be made in terms of marketing in order to attract investors

5.5 BASIC RISK MANAGEMENT METRICS

5.5.1 Measurement of interest rate risks associated with issue of bonds

i. Sensitivity

It measures how much the price of a fixed-income asset will fluctuate as a result of changes in the interest rate environment. Securities that are more sensitive will have greater price fluctuations than those with less sensitivity.

ii. Duration

Duration is the date at which the initial loss(gain) will compensate or be absorbed by the gains(loss) registered on the coupon. It is also the measurement of the sensitivity of the price(the value of principal) of a fixed income investment to changes in interest rates. As a general rule, for every 1% increase or decrease in interest rates, a bond price will change approximately 1% in the opposite direction for every year of duration.

iii. Convexity

Convexity is a measure of the sensitivity of the duration of a bond to changes in interest rates, the second derivative of the price of the bond with respect to interest rates(duration is the first derivative).In general, the higher the convexity, the more sensitive the bond price is to the changes in interest rates.

5.5.2 Tools for analysing the performance of shares in an investment

a. Evaluation of risk

To properly understand the relationship between risk and return, the following tools are frequently used.

i. Volatility

It is a mathematical expression which indicates the risk of a security. Volatility is a measure for variation of price of a financial instrument over time. The higher the volatility the higher the potential performance of a security in the long term is important. On the other hand, for a short period, securities that are more volatile can have their values highly decreased.

ii. Beta

Beta of a stock or portfolio is a number describing the correlated volatility of an asset in relation to the volatility of the benchmark that said asset is being compared to where a beta of 1 indicates a volatility similar to that of the benchmark. A beta greater than 1 signifies that the volatility of the security is higher than that of the benchmark. This benchmark is generally the overall financial market and is often estimated via the use of representative indices. It measures the part of the asset's statistical variance that cannot be removed by the diversification provided by the portfolio of many risky assets, because of the correlation of its returns with the returns of the other assets that are in the portfolio. Higher-beta stocks tend to be more volatile and therefore riskier, but provide the potential for higher returns. Lower-beta stocks pose less risk but generally offer lower returns.

5.5.3 Value at Risk(VaR) of an investment fund

Value at Risk (VaR) is a widely used risk measure of the risk of loss on a specific portfolio of financial assets. For a given portfolio, probability and time horizon, VaR is defined as a threshold value such that the probability that the mark-to-market loss on the portfolio over the given time horizon exceeds this value (assuming normal markets and no trading in the portfolio) is the given probability level.

For example, if a portfolio of stocks has a one-day 5% VaR of Ghc1 million, there is a 0.05 probability that the portfolio will fall in value by more than Ghc1 million over a one day period if there is no trading. A loss which exceeds the VaR threshold is termed a “VaR break.

5.6 MEASUREMENT AND PERFORMANCE OF A FUND

5.6.1 Indicators and measures of performance

i. Sharpe ratio

A measure of a portfolio's excess return relative to the total variability of the portfolio. The Sharpe ratio tells us whether a portfolio's returns are due to smart investment decisions or a result of excess risk. This measurement is very useful because although one portfolio or fund can reap higher returns than its peers, it is only a good investment if those higher returns do not come with too much additional risk. The greater a portfolio's Sharpe ratio, the better its risk-adjusted performance has been. A negative Sharpe ratio indicates that a risk-less asset would perform better than the security being analyzed.

ii. The Treynor ratio

The Treynor ratio, as devised by Jack Treynor, is a measurement of a portfolio's return earned in excess of what would be earned on a risk-free investment. The higher the Treynor ratio, the better the performance of the portfolio or stock being analyzed. The Treynor ratio is used to calculate returns over and above what would be generated by a risk-free investment. Whenever the Treynor ratio is high, it denotes that the investor received high yields for each unit of market

risk. One of the key advantages of Treynor is that it shows how a fund will perform not in relation to its own volatility but the volatility it brings to an overall portfolio. The Treynor Ratio divides a portfolio's excess return by its "beta." This is the widely used measure of market-related risk in a stock or collection of stocks. If a stock has a beta of 0.5, it tends to move up or down with the market, but only half as far as the overall market. If a stock has a beta of 1.25 and the market moves up by 10%, that stock would move up by 12.5%

iii. Jansen's alpha

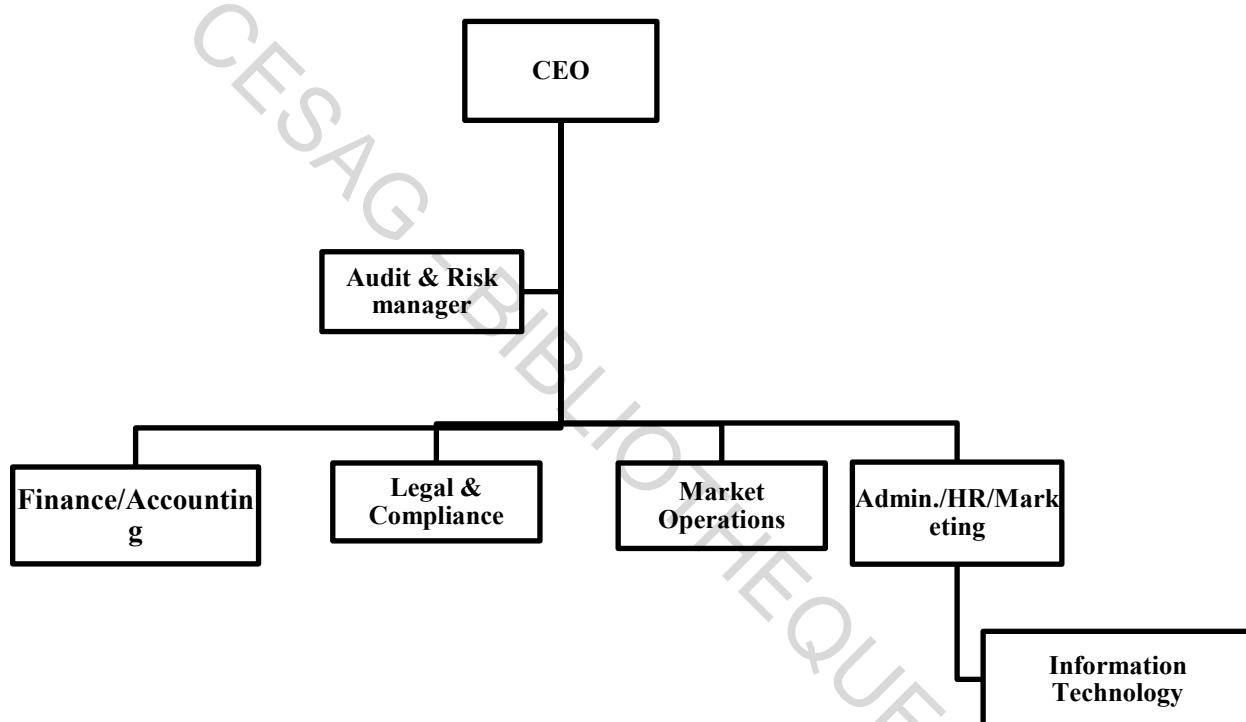
Jansen's alpha is a risk-adjusted performance benchmark that tells you by how much the returns of an actively managed portfolio are above or below market returns. It was developed to evaluate the skills of active fund managers in stock picking.

- a positive alpha means that a portfolio has beaten the market, while a negative value indicates underperformance.
- a fund manager with a negative alpha and a beta greater than 1 has added risk to the portfolio but has poorer performance than the market.

Careful stock picking and financial engineering means that investors can add alpha to a portfolio without adversely affecting beta.

5.6.2 Human Resources planning

As human resource plays a larger part in the success of any organisation, our operations will be run by qualified personnel .Unity, mutual understanding and professionalism will be our core values in the performance of our duties. For this reason, the fund has decided to employ highly qualified professionals with qualifications of Master's degree.



5.6.3 Operational Plan

In order to manage the project very well there are some obligatory conditions that are to be met.

i) Regulatory capital

The SEC by its regulations and laws requires on the part of all Mutual Funds and Unit Trusts to have a regulatory capital of GHC600,000. This capital is required in order to be permitted to make the initial subscription to the public.

ii) Professional Certification/License

The SEC also requires that all operatives in the industry are qualified and have the professional certificate to practise. It also requires that aside the professional certification all operatives should have a minimum of a first degree. The licenses given by the SEC are also to be renewed annually; failure to do so attracts a fine from the SEC.

5.6.4 Prospecting of customers

The prospecting for customers will include both corporate and individual (retail) investors. Our first step will be the banks, the insurance companies and other well established organisations in the country. Secondly, we shall have interactions with individuals who have some capital and who are not necessarily within the banking and the financial sector. Strategic Investment Fund aims at making itself known by having some encounter with prospective customers and managers teams of various organisations so that they will be aware of our products and their benefits through our prospectus. We shall also by word of mouth as a result of one-one meeting with relatives and friends make them aware of the fund and what they stand to gain by investing in it.

5.7 MARKETING PLAN

The fund will adopt a proactive marketing plan because this helps in making strategic decisions necessary for the smooth running of any product/service.

Several strategic analysts over the years believe that the marketing mix can make or break a firm. Having the right marketing mix at the start of the marketing plan is absolutely essential. We shall embark on the following:

5.7.1 Product Policy

We envisage by our project to attract as many investors as possible especially those who fall into our target group of people with individuals and corporations with huge capital. Because we want to develop new products such as the power sector fund, we shall embark on brand/product awareness promotions, whereas if the product is already existing then it we will engage in brand recall promotions. We shall determine to make the features of our products very distinct from others by employing innovative brandings. The investment horizon will be five(5) years to so that we will be able to recoup at least 75% of the capital invested. As product is very important for the very existence of every organisation, the following questions will be guiding principles of our product policy.

- what are we selling?
- what will be the quality of our product?
- what features of our product are different from those in the market?
- whether the product will be branded as sub-brand or completely new?
- what are the secondary products which can be sold along with the primary(warranty, services)

5.7.2 Pricing Policy

Pricing of a product depends on a lot of different variables and hence it is constantly updated. The major considerations in pricing are the costing of the product, the advertising and marketing expenses, any price fluctuations in the market, distribution costs etc. Many of these factors can change separately. Thus the pricing has to be such that it can bear the brunt of changes for

certain period of time. However, if all these variables change, then the pricing of a product has to be increased or decreased accordingly.

Our operations in terms of subscription and redemptions will be based on commissions and fees. The demand for subscriptions coming from our partner distributors shall be effected on the basis of the prices of the shares on daily basis after the valuation. These purchases and redemptions shall be taken care of by the officer in charge. Our pricing policy will also be determined by observing what our competitors are also charging for their services. These fees are to help us to be able to pay the commission of the trustee/sponsor and to remunerate the fund itself.

Table 5 : Management fees of Strategic Investment fund

	Subscription	Redemption	Management fees
Fees	0.70 % Net of tax	2.70% Net of tax	2.5% Net of tax

The management fees charged by our competitors range from 1.5% to 2.5% net of tax. For the start, we have decided to apply a management fee of 1% net of tax.

5.7.3 Communication and Distribution policy

a. Communication

Our communication policy will essentially concentrate on ways that enable us to be able to sell our products. In this regard, we need experienced professionals to be able to penetrate the market. This will include but not limited to the following:

1) Advertisements

- i. Through stalls
- ii. Providing pamphlets
- iii. Creating awareness by

2) Education programmes

- i. Organising awareness programme
- ii. Providing information guide
- iii.

3) By existing customers

- i. By word of mouth
- ii. Relatives
- iii. Friends

5.7.4 Distribution policy

The prospectus of Strategic Investment Fund will be available in:

- Financial consultancies
- Partner Commercial Banks
- Insurance companies

Others

- Own customers
- The internet

5.8 BUDGETS AND FORECAST DISTRIBUTION AND INCOME ACCOUNT

The construction of any structure is normally accompanied by a business plan in order to determine the profitability, and the possibility of any changes in a competitive sector of an economy.

5.8.1 Cost of the project

Considering the starting activities of the project, we need to evaluate the cost .This includes certain items such as: setting up fees, tangible fixed assets, financial expenses (initial capital requirement and guarantee) as well as working capital requirements.

5.8.2 Setting up fees

Under this we arrive at the following:

- registration form
- license application fees
- annual license renewal fees
- solicitor fees
- publicity fees

5.8.3 Materials and office equipment

We have identified here the materials and the equipment necessary for the smooth functioning of the office. This amount totalled GHC 26,850

5.8.4 Forecast sales

The forecast sales of the fund at the start will come from our investing activities in the money market, the fixed income market and the equity market. The fund will start operation in 2014 with initial subscription of GHC15,200,000 and this will increase to 17,000,000 in 2018

Table 6: Forecast sales

PROJECTED SALES FIGURES					
DESCRIPTION	2014	2015	2016	2017	2018
	GHC				
Trustee/Custodian capital requirement	500 000				
Manager's capital requirement	100 000				
Minimum initial subscription	14 600 000				
Total capital subscribed	15 200 000	15 600 000	16 000 000	16 500 000	17 000 000
Investment management fees	152 000	156000	160000	165000	170000
Load fees	-	-	-	-	-
Marketing fees(charges on investors)	-	-	-	-	-
Income from Portfolio investment					
Fund Type					
Money Market 30%	248 976	425 880	436 800	450 450	464 100
Fixed income 40%	1 355 840	1 391 520	1 427 200	1 471 800	1 516 400
Growth & Income Fund 300%	1 051 698	1 051 698	1 051 698	1 051 698	1 516 400
Total income from portfolio investment	2 656 514	2 869 098	2 915 698	2 973 948	3 496 900
Total income from operations	2 656 514	2 869 098	2 915 698	2 973 948	3 496 900

5.9 PROFITABILITY OF THE PROJECT

The project work that we want to undertake is profitable. The reason is that when we have discounted the after tax operating cash flows at the prevailing cost of capital of 17% the net present value (NPV) of the cash flows is positive at GHC 1,763,440 and the internal rate of return (IRR) is 36%

Table 7: profitability of the project

Calculation of profitability of the project(Amounts in Ghana Cedi)					
DESCRIPTION	2014	2015	2016	2017	2018
Expected Net Operating Cash flows	1,108,758	1,252,116	1,170,396	1,141,821	1,147,221
DISCOUNT RATE OF CASH FLOWS($i=17\%$) or $(1+i)^{\text{POWER}(-1)}$	0.8547	0.7305	0.6244	0.5667	0.4561
DISCOUNTED CASH FLOWS	947,656	914,671	730,795	647,070	523,248
CUMMULATIVE DISCOUNTED CASH FLOWS	947,656	1,862,327	2,593,122	3,240,192	3,763,440

NPV OF THE PROJECT (17%)	1,763,440
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IRR	36%
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Cumulative discounted cash flows	3,763,440
Initial capital outlay	2,000,000
NPV	1,763,440

5.9.1 Working capital financing requirement

As in all business activities there is the need for a working capital which is meant for the day -to-day running of the a business activity. The forecast monthly working capital financing requirement is GHC103,816 and this gives us an annual working capital requirement of GHC 1,178,100 for the first year.

Table 8: Working capital financing requirement

Forecast Working Capital Financing Requirement							
Description	1 month	3months	1st year	2nd year	3rd year	4th year	5th year
TOTAL	103,816	311,448	1,178,100	1,200,340	1,256,300	1,280,450	1,335,300

5.9.2 Forecast Initial Financing Plan

The initial forecast financing plans involves all the resources that are needed to be able to embark on the realisation of the project. The plan includes the cost of the project as well as the initial capital requirement of the SEC. The initial capital outlay is GHC2,000,000 and is provided by the sponsors/trustees of the fund.

5.9.3 Forecast cash budget

With the forecast cash flow statement, we have set out our expected receipts and payments and cash expected to be available at the beginning of each month covering a six month period.

5.9.4 Forecast income and distribution account

The forecast income and distribution account of Strategic Investment Fund has been prepared over a five(5) years period. Each year produces a positive net income.

Table 9: Forecast income and distribution account

Forecast Income and distribution account for the year ended 31 December					
	2014	2015	2016	2017	2018
Total Income	2,656,514	2,869,098	2,915,698	2,973,948	3,032,198
Total operating expenses	1,178,170	1,199,610	1,255,170	1,278,520	1,332,570
Operating profit before finance costs	1,478,344	1,669,488	1,660,528	1,695,428	1,699,628
Total finance costs	-	-	100,000	173,000	170,000
Tax expense (25%)	369,586	417,372	390,132	380,607	382,407
Net Investment Income	1,108,758	1,252,116	1,170,396	1,141,821	1,147,221

The above analysis has given us the assurance to say that the project is very profitable. We have realised that income from the investments made has been able to cover our running costs. The cost of starting the fund is high but the outcome is profitable.

GENERAL CONCLUSION

This professional project work is an integral part of the academic and professional training that is needed and also to serve as partial fulfilment of the requirements for the award of a Master's degree in Banking and Finance programme offered by Centre Africain d'Etudes Supérieures en Gestion (CESAG).

In many parts of the world, collective investment schemes are becoming more and more popular in recent time and more accessible to institutional and the individual investors. Investors are thus looking beyond traditional investments for such opportunities that will give them higher return on their capital.

Our desire to make our contribution to the development of the economy of Ghana by helping individuals and institutions to be able to meet their financing requirement has been the guiding principle for us embarking on this project.

With regard to the analysis embarked upon in this project, we have been able to identify the requirements for setting up an investment fund in Ghana, the regulations and laws of the industry, the state of the collective investment industry, the management processes and procedures, and our opportunities and threats. We have also found out that the political and the economic situation of Ghana are one of the best to attract both domestic and foreign investors to invest in our fund.

The analysis has revealed that there is still a large market for us to embark on this project and to be profitable. There are currently twenty six (26) collective investment schemes in Ghana but almost all of them concentrate on the money market, fixed income and the equity market with only two (2) venturing into the real estate sector.

The Strategic Investment Fund will be very innovative in terms of the products that it will design such that it will meet the needs of the investors and to attract more to invest in the fund. We hope to become very competitive in the industry. We have decided to venture into the energy and the real estate sectors where the country presently has a huge short fall.

This project is so dear to our hearts and, we believe that it will not be too long we would have the opportunity to embark on it. The qualities and the competences of our management team are second to none. By securing the necessary finance as indicate in our cost structure this project will be mounted.

CESAG - BIBLIOTHEQUE

Appendix:1 Sample Questionnaire

SECTION A: SOCIO-ECONOMIC BACKGROUND

1. Gender

- a. ☐ male
- b. ☐ female

2. What is your age?

- a. ☐ 18-30
- b. ☐ 31-40
- c. ☐ 41-50
- c. ☐ 51-60
- e. ☐ 61 and above

3. What is your highest level of education?

- a. ☐ Bachelor Degree
- b. ☐ Master Degree
- c. ☐ Bachelor + professional
- d. ☐ Professional
- e. ☐ Master degree + professional

4. How long have you been with the organisation ?

- a. ☐ 1 year
- b. ☐ 2 years
- c. ☐ 3years
- e. ☐ 4 years and above

5. In which field did you major in your academic work?

- a. ☐ Humanities
- b. ☐ Business
- c. ☐ Science
- d. ☐ Fine Arts
- e. ☐ Engineering

6. What position do you hold in the company?

a. ☐]

b. ☐]

c. ☐]

e. ☐]

7. How many times have you gone for training?

a. ☐] 0

b. ☐] 2

c. ☐] 3

d. ☐] 4 and above

8. Was it relevant to your core activity?

a. ☐] Yes

b. ☐] No

B) STATE OF THE COLLECTIVE INVESTMENT SCHEME INDUSTRY(Management and staff of some Collective Investment Schemes in Ghana)

1.From your observation which funds do investors currently invest in most?

a. ☐] Equity funds (stocks)

b. ☐] Fixed-income funds(bonds)

c. ☐] Money market funds

2.To what level have the laws and regulations of the Securities and Exchange Commission been applied in your dealings?

a. ☐] Effectively applied

b. ☐] Moderately applied

c. ☐] Very relaxed

3.Which category of customers form the largest group in terms of numbers?

- a. ☐ Retail customers
 - b. ☐ Corporate customers
4. In general, what has been the performance of the Collective Investment Scheme industry in Ghana?
- a. ☐ Growing
 - b. ☐ Declining
5. If growing/declining, what do you think is the reason for that?
- a. ☐ Customers are getting good return on their investment
 - b. ☐ Customers are not getting good return on their investments
5. Between the two forms of collective investment schemes in Ghana which one has the largest market share?
- a. ☐ Mutual Funds
 - b. ☐ Unit Trusts
6. From your analysis what has been the investment horizon of most investors?
- a. ☐ Short term
 - b. ☐ Medium term
 - c. ☐ long term
9. How many times have you gone for training?
- a. ☐ 0
 - b. ☐ 2
 - c. ☐ 3
 - d. ☐ 4 and above
10. What, in your opinion, determines where investors put their funds?
- a. ☐ The profile of the fund manager
 - b. ☐ The past performance of the funds

c. ☐ Investors expectations of future returns

C) RISK PROFILE QUESTIONNAIRE(Corporate and retail investors)

1. This portfolio referenced on this risk profile represents what percentage of my total investment assets

- a. ☐ Less than 20%
- b. ☐ 21% to 50%
- c. ☐ 51% to 75%
- d. ☐ 76% to 100%

2. When do you expect to begin withdrawing significant money from this portfolio?

- a. ☐ Less than 1 year
- b. ☐ 1 to 2 years
- c. ☐ 3 to 4 years
- c. ☐ 5 to 7 years
- d. ☐ 8 to 10 years
- e. ☐ 11 years or more

3. Investment involves trade-off between risk and return. Which of the statements below describes your investment goals?

- a. ☐ Protect the value of my portfolio. In order to minimise the chance for loss, I am willing to accept lower long-term returns provided by conservative instruments.
- b. ☐ Keep risk to a minimum level while trying to achieve slightly higher returns than the returns provided by investments that are more conservative.
- c. ☐ Balance moderate levels of risk with moderate levels of returns.
- d. ☐ Maximise long-term investment returns. I am willing to accept large and sometimes dramatic short-term fluctuations in the value of this portfolio.

4. What influences your choice for investment in any funds?

- a. ☐ The profile of the fund managers
- b. ☐ The past achievement of the funds
- c. ☐ The future return earning capacity of the funds
- d. ☐ The influence of other investors

5. Are you willing to invest in any new fund company that will give you a higher return than the existing ones ?

- a. ☐ Yes
- b. ☐ No

6. From where do you get information about collective investment schemes?

- a. ☐ Print media
- b. ☐ Electronic media
- c. ☐ Friends /relatives
- e. ☐ Investment Broker/Banks

D) MANAGEMENT AND REGULATIONS

1. Who qualifies to set up a fund in Ghana?

- a. ☐ Ghanaians only
- b. ☐ Anyone who satisfies the requirements of the SEC

2. Is the SEC a member of the International Organization of Securities Commission(IOSC)?

- a. ☐ Yes
- b. ☐ No

3. Does Ghana's collective investment Scheme industry conform to international best practice?

- a. ☐ Yes
- b. ☐ No

4. Do you have laws that are peculiar to the regulation of the securities market in Ghana?

a. ☐ Yes

b. ☐ No

5. From the global economic perspective and the investment climate analysis how do you describe Ghana's economic environment?

a. ☐ Investor friendly destination

b. ☐ Moderately investor friendly destination

6. Do you have laws and regulations that protect the investors?

a. ☐ Yes

b. ☐ No

8. Have any sanctions been applied by the SEC for breach of any of the laws and regulations ?

a. ☐ Yes

b. ☐ No

Appendix 2

Table10 : Budget for Human Resources

BUDGET FOR HUMAN RESOURCES						
Positions	Number required	Qualifications	Gross monthly salary	Total monthly salary	Social Security payments	Net monthly salary
Chief Executive Officer	1	Master	5,000	5,000	420	4,580
Audit and Risk Manager	1	Master	3,500	3,500	330	3,170
Legal & Compliance	1	Master	3,500	3,500	330	3,170
Financial Analyst	1	Master	3,500	3,500	330	3,170
Chief Accountant	1	Master	3,500	3,500	330	3,170
Market Operator	1	Master	3,500	3,500	330	3,170
Human Resources Manager	1	Master	3,000	3,500	330	3,170
Marketing & Sales	1	Ist Degree	2,000	2,000	195	1,805
IT Manager	1	Ist Degree	2,000	2,000	195	1,805
Total monthly salaries				30,000	2,790	27,210
Total annual salaries				360,000	33,480	326,520

Appendix 3

Table 11 : Setting up and registration fees

SETTING-UP AND REGISTRATION FEES

Description	Amount(GHC)
Registration form	500
License application fee	2 000
Annual license renewal fee	2 000
Solicitor fees	5 000
Publicity	3 000
TOTAL	12 500

Appendix 4

Table:12 Equipment and materials cost

MATERIALS AND EQUIPMENT FOR OFFICE			
Description	Quantity	Unit Price	Total
Toshiba Computer(Lap top)	2	1,400	2,800
Desktop Computers(DELL)	7	400	2,800
Television Set-Sumsung	1	800	800
Photocopy-Printer machine	1	2,000	2,000
Air-conditinners-Split	10	1,000	10,000
Office desks	10	350	3,500
Swivel chairs	9	350	3,150
Customers seats(long type)	3	600	1,800
TOTAL			26,850

Appendix 5

Table 13 Cost of the project

COST OF THE PROJECT	
	GHC
Description	Amount
Capitalised Costs	12,500
Setting up fees	12,500
Premiums paid	-
Other charges	-
Intangible Assets	3,000
Financial software	3,000
Patent	-
Trademark	-
Tangible Assets	36,850
Fittings, work & installation	10,000
Materials & office equipment	26,850
Finance cost capitalised	
Working capital (6 months)	622,896
Total cost	727,596

Appendix 6

Table 14: Forecast investment income for five years

PROJECTED PORTFOLIO INVESTMENT INCOME					
DESCRIPTION	2014	2015	2016	2017	2018
Total amounts subscribed	15,200,000	15,600,000	16,000,000	16,500,000	17,000,000
Fund Type					
Money Market 30%	4,560,000	7,800,000	8,000,000	8,250,000	8,500,000
Fixed income 40%	6,080,000	6,240,000	6,400,000	6,600,000	6,800,000
Growth & Income Fund 30%(Equity)	4,560,000	3,120,000	3,200,000	3,300,000	3,400,000
Money Market instrument(91 days Treasury bill rate(21.84%))	248,976	425,880	436,800	450,450	464,100
Fixed Income (22.30%)	1,355,840	1,391,520	1,427,200	1,471,800	1,516,400
Growth & income Fund(Average return of GSE(16%))					
The Fund bought 2,160,879 shares with a dividend of Ghc 0.4867 per share					
Number of shares 2,160,879	2,160,876	2,160,876	2,160,876	2,160,876	2,160,876
dividend per share Ghc 0.4867	0.4867	0.4867	0.4867	0.4867	0.4867
Total dividends received	1,051,698	1,051,698	1,051,698	1,051,698	1,051,698
Total Projected Revenue	2,656,514	2,869,098	2,915,698	2,973,948	3,032,198

Appendix 7

Table 15 : Forecast monthly cash budget for the first year

Description	1st month	2nd month	3rd month	4th month	5th month	6th month	7th month
Cash at beginning of month	654,254	741,515	828,776	916,037	1,003,298	1,090,559	1,177,820
Receipts							
Revenue from operations	221,376	221,376	221,376	221,376	221,376	221,376	221,376
Less operating expenses							
Rent	3,000	3,000	3,000	3,000	3,000	3,000	3,000
Gross salaries	30,000	30,000	30,000	30,000	30,000	30,000	30,000
Water expenses(Bills to pay)	150	150	150	150	150	150	150
Electricity expenses(Bills to pay)	300	300	300	300	300	300	300
Internet expenses	600	600	600	600	600	600	600
Telephone expenses	600	600	600	600	600	600	600
Office supplies(stationery etc)	500	500	500	500	500	500	500
Vehicle running expenses	1,000	1,000	1,000	1,000	1,000	1,000	1,000
Maintenance(Building & grounds)	1,500	1,500	1,500	1,500	1,500	1,500	1,500
Publicity	3,000	3,000	3,000	3,000	3,000	3,000	3,000
Tax expense	30,799	30,799	30,799	30,799	30,799	30,799	30,799
Investment management fees	19,000	19,000	19,000	19,000	19,000	19,000	19,000
Custodian fees	19,000	19,000	19,000	19,000	19,000	19,000	19,000
Directors' fees	12,000	12,000	12,000	12,000	12,000	12,000	12,000
Transaction costs	6,333	6,333	6,333	6,333	6,333	6,333	6,333
Audit & legal fees	6,333	6,333	6,333	6,333	6,333	6,333	6,333
Total Expenses	134,115	134,115	134,115	134,115	134,115	134,115	134,115
Excess of income over expenses	87,261	87,261	87,261	87,261	87,261	87,261	87,261
Cash at end of the month	741,515	828,776	916,037	1,003,298	1,090,559	1,177,820	1,265,081

Table15 : Forecast monthly cash budget for the first year (continues)

Description	8th month	9th month	10th month	11th month	12th month
Cash at beginning of month	1,265,081	1,352,342	1,439,603	1,526,864	1,614,125
Receipts					
Revenue from operations	221,376	221,376	221,376	221,376	221,376
Less operating expenses:					
Rent	3,000	3,000	3,000	3,000	3,000
Gross salaries	30,000	30,000	30,000	30,000	30,000
Water expenses(Bills to pay)	150	150	150	150	150
Electricity expenses(Bills to pay)	300	300	300	300	300
Internet expenses	600	600	600	600	600
Telephone expenses	600	600	600	600	600
Office supplies(stationery etc)	500	500	500	500	500
Vehicle running expenses	1,000	1,000	1,000	1,000	1,000
Maintenance(Building & grounds)	1,500	1,500	1,500	1,500	1,500
Publicity	3,000	3,000	3,000	3,000	3,000
Tax expense	30,799	30,799	30,799	30,799	30,799
Investment management fees	19,000	19,000	19,000	19,000	19,000
Custodian fees	19,000	19,000	19,000	19,000	19,000
Directors' fees	12,000	12,000	12,000	12,000	12,000
Transaction costs	6,333	6,333	6,333	6,333	6,333
Audit & legal fees	6,333	6,333	6,333	6,333	6,333
Total Expenses	134,115	134,115	134,115	134,115	134,115
Excess of income over expenses	87,261	87,261	87,261	87,261	87,261
Cash at end of the month	1,352,342	1,439,603	1,526,864	1,614,125	1,701,386

Appendix 8

Table 16 : Forecast working capital financing for five years

Items forming part of the Working Capital Requirement	1 month	3months	1st year	2nd year	3rd year	4th year	5th year
Rent	3,000	9,000	36,000	36,000	36,000	36,000	36,000
Gross salaries	30,000	90,000	360,000	360,000	396,000	396,000	455,400
Water expenses(Bills to pay)	150	450	1,800	2,000	2,100	2,300	2,400
Electricity expenses(Bills to pay)	300	900	3,900	4,000	4,100	4,150	4,200
Internet expenses	600	1,800	7,200	7,220	7,500	8,000	8,500
Telephone expenses	600	1,800	7,200	7,220	7,500	8,000	8,500
Office supplies(stationery etc)	500	1,500	6,000	6,500	6,800	7,200	7,400
Vehicle running expenses	1,000	3,000	12,000	12,600	12,900	13,000	13,600
Financial expenses	-	-	-	-	-	-	-
Loan repayment(principal)	-	-	-	-	-	-	-
Maintenance(Building & grounds)	1,500	4,500	18,000	20,000	20,200	20,300	20,500
Publicity	3,000	9,000	36,000	36,000	36,000	35,000	35,000
Fees, levies & charges	500	1,500	6,000	6,800	7,200	8,000	8,800
Investment management fees	19,000	57000	152000	156000	160000	165000	170000
Custodian fees	19,000	57000	228,000	234000	240000	247500	225000
Directors' fees	12,000	36,000	152,000	156000	160000	165000	170000
Transaction costs	6,333	18,999	76,000	78000	80000	82500	85000
Audit & legal fees	6,333	18,999	76,000	78000	80000	82500	85000
TOTAL	103,816	311,448	1,178,100	1,200,340	1,256,300	1,280,450	1,335,300

Appendix 9

Table17 : Forecast income statement for five years

FORECAST INCOME AND DISTRIBUTION ACCOUNT FOR THE YEAR ENDED 31 DECEMBER					
Amounts in(GHC)	2014	2015	2016	2017	2018
Investment income:					
Bonds	1,355,840	1,391,520	1,427,200	1,471,800	1,516,400
Interest Income	-	-	-	-	-
Dividend Income	1,051,698	1,051,698	1,051,698	1,051,698	1,051,698
Treasury Bills	248,976	425,880	436,800	450,450	464,100
Net Foreign Exchange Loss	-	-	-	-	-
Net Gain from financial instruments at fair value through profit or loss	-	-	-	-	-
Total Income	2,656,514	2,869,098	2,915,698	2,973,948	3,032,198
Expenses					
Rent	36,000	36,000	36,000	36,000	36,000
Gross salaries	360,000	360,000	396,000	396,000	455,400
Water expenses(Bills to pay)	1,800	2,000	2,100	2,300	2,400
Electricity expenses(Bills to pay)	3,900	4,000	4,100	4,150	4,200
Internet expenses	7,200	7,220	7,500	8,000	8,500
Telephone expenses	7,200	7,220	7,500	8,000	8,500
Office supplies(stationery etc)	6,000	6,500	6,800	7,200	7,400
Vehicle running expenses	12,000	12,600	12,900	13,000	13,600
Maintenance(Building &grounds)	18,000	20,000	20,200	20,300	20,500
Depreciations	6,070	6,070	6,070	6,070	6,070
Publicity	36,000	36,000	36,000	35,000	35,000

Table 17 : Forecast income statement for five years (continues)

Investment management fees	152,000	156,000	160,000	165,000	170,000
Custodian fees	228,000	234,000	240,000	247,500	225,000
Administration fees	-	-	-	-	-
Directors' fees	152,000	156,000	160,000	165,000	170,000
Transaction costs	76000	78000	80000	82500	85000
Audit and legal fees	76,000	78,000	80,000	82,500	85,000
Other operating expenses					
Total operating expenses	1,178,170	1,199,610	1,255,170	1,278,520	1,332,570
Operating profit before finance costs	1,478,344	1,669,488	1,660,528	1,695,428	1,699,628
Dividend to holders of redeemable shares	-	-	100,000	173,000	170,000
Total finance costs	-	-	100,000	173,000	170,000
Increase in net assets attributable to holders of redeemable shares before tax	1,478,344	1,669,488	1,560,528	1,522,428	1,529,628
Tax expense(25%)	369,586	417,372	390,132	380,607	382,407
Net Investment Income	1,108,758	1,252,116	1,170,396	1,141,821	1,147,221

Appendix 10

Table 17 : Forecast income statement for five years (continues)

INITIAL FINANCING PLAN OF THE PROJECT

REQUIREMENTS	AMOUNT (GHC)
Setting-up fees	12,500
Intangible Items	-
Initial capital requirement	600,000
Guarantee	70,000
Materials and office equipment	26,850
Installation and Fitting work	10,000
Working capital required for 6 months	622,896
Total requirements	
PERMANENT RESOURCES	1,342,246
Capital	2,000,000
Medium and long-term loans	-
TOTAL RESOURCES	2,000,000
Cash in hand(capital minus total requirement)	657,754

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