

VETIVA S&P NIGERIAN SOVEREIGN BOND ETF

ANNUAL REPORT

31 December 2017

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Fund information

Directors of the Fund Manager:

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

Fund Manager:

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

Custodian:

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

Trustee

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

Transfer Agent

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

Auditor:

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

Bankers:

United Bank for Africa PLC
57 Marina
Lagos

FUND MANAGER'S REPORT
For the year ended 31 December 2017

The Fund Manager presents its report on the affairs of Vetiva S&P Nigerian Sovereign Bond Exchange Traded Fund ("the Fund") together with the financial statements and the independent auditor's report for the period ended 31 December 2017.

BACKGROUND INFORMATION

The Vetiva S&P Nigerian Sovereign Bond ETF ("the Fund" or "ETF") is an open-ended Fund issued and registered by Vetiva Fund Managers Limited ("VFM" or "Fund Manager") with the Securities and Exchange Commission and listed on both the Nigerian Stock Exchange and the FMDQ OTC Securities Exchange. The ETF seeks to track the S&P Nigerian Sovereign Bond Index and to replicate, to the extent possible, the price and yield performance of the FGN Bond securities constituting the S&P Nigerian Sovereign Bond Index, net of expenses.

INVESTMENT OBJECTIVE

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

INVESTMENT STRATEGY

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

OPERATING RESULTS

The Net Asset Value of the Fund as at 31 December 2017 is as follows:

	31 December 17	31 December 16
	N	N
Net Assets Value	527,109,211	636,644,591

The operating result for the year ended 31 December 2017, is as follows:

	31 December 17	31 December 16
	N	N
Profit for the year	62,827,263	6,140,794

PROPOSED DISTRIBUTION

The Board of directors of the Fund Manager has recommended a distribution of ₦12.50 per unit holding for the year ended 31 December 2017. However, the distribution has not been effected as at 31 December 2017. Withholding tax will be deducted at the time of payment. An interim distribution of ₦2.50 per unitholding was paid out for the period ended 30 June 2017.

MARKET REVIEW

Real Economy:

Having taken tentative steps onto the path of economic recovery (9M'17 GDP growth: 0.4% y/y; FY'16 GDP growth: -1.6% y/y), the Nigerian economy is set to expand further in 2018, bolstered by increased production in the oil and agriculture sectors. Growth in the real sector should be supported by the tag-team of lower inflation and lower interest rates, as well as continued stability in the foreign exchange (FX) market and another attempt at fiscal stimulus. However, challenges abound, particularly pertaining to persistently weak consumer demand and an itchy investment climate ahead of the 2019 elections. With a base scenario of moderate economic disruption from political activities in the year, we still anticipate growth drivers to be more significant in 2018 – GDP growth forecast: 2.0% y/y. Should the political landscape remain stable for most of the year, and fiscal and monetary stimulus unleashed to a material effect, we estimate a 2.9% y/y growth for the year. On the other hand, our bear scenario projects an FY'18 GDP contraction of 0.3% y/y, under the assumption of high political uncertainty and an adverse shock to oil output. These forecasts compare to International Monetary Fund (IMF) and World Bank forecasts of 1.9% y/y and 2.5% y/y respectively.

Inflation:

Inflation has been stickier than expected in 2017, moderating from 18.6% y/y to 15.9% y/y in the first ten months of the year, and just recording a 35bps decline between May and October. The story is mixed across food and core inflation, however; Food inflation accelerated from 17.4% y/y at the end of 2016 to 20.3% in October, driven by multiple supply shocks from planting and transport costs. In contrast, Core inflation moderated from 18.1% in December 2016 to 12.2% in November 2017. Helped by the onset of the harvest season, food price pressures have receded in recent months – 0.85% m/m rise in October from 2.54% m/m in May – as transport and export diversion issues have been quelled. Development finance initiatives and efforts to increase fertilizer use among farmers would also boost staples production and exert downward pressure on prices. On the core front, we expect a stable currency to reduce imported inflation, and although higher global energy prices are a threat, pump prices of premium motor spirit (PMS) should remain contained by regulation and an implicit subsidy as we approach the 2019 elections. Given our expectation of slightly stronger consumer demand and material election spending in H2'18, the capacity of the economy to absorb these increases in aggregate demand would determine whether inflation alters its current downward trend.

Currency:

After struggling through a two-year currency crisis that saw the naira lose 45% of its value against the dollar at the official exchange rate (from ₦167.50 at the end of 2014 to ₦305.00 at the end of 2016), Nigeria's foreign exchange (FX) market experienced some semblance of stability for most of 2017. Higher dollar inflows from improved federal oil earnings buoyed external reserves and in turn its ability to defend the local currency, triggering a series of aggressive injections of dollars into the economy. FMDQ transactions show a significant improvement in liquidity through the year – total market turnover rose from \$5.2 billion in January to \$14.0 billion in September. Furthermore, the introduction of the "Investors & Exporters" window ("NAFEX" fixing), buoyed market confidence and spurred a mild economic recover. We expect that the health of oil earnings and the market structure are the two key parameters for the 2018 FX market.

Monetary Policy:

The Monetary Policy Committee (MPC) maintained monetary policy status quo at its final meeting of 2017. Defending the decision to hold all monetary levels at their previous levels, the MPC highlighted that tightening further may rein in inflation, but would adversely affect economic growth and financial stability. In a similar vein, easing prematurely – as has been advocated in certain quarters – may lower borrowing costs in the economy, but could pose a significant risk to price stability, foreign exchange stability, and external balances. Intent on stimulating economic growth, the CBN has signaled monetary easing in the coming months, pushing down yields in the fixed income market in the process. Lower inflation in 2018 should give the MPC room to cut interest rates. On the back of stronger base effects, we expect inflation to decline faster in H1'18, so foresee a rate cut during that period. Overall, our base assumption is a year-end MPR of 12%.

FIXED INCOME AND MONEY MARKET

Despite an initial anticipation of lower interest rates driven by moderating inflation expectation, yields in the fixed income market remained elevated in 2017 amidst sticky inflation and a resulting tight monetary policy environment. Added to this, partial liberalization of the foreign exchange market (FX) and consistent naira mop ups pressured liquidity through the year and kept the yield curve inverted. Also, the rapid expansion in bond supply has contributed to keeping yields elevated in recent times as the Federal Government (FG) domestic borrowing has overshot targets in recent years – ₦1.44 trillion raised in 2017 ytd vs. target of ₦1.25 trillion, driven by weaker government revenues (2014: ₦9.3 trillion, 2016: ₦5.1 trillion) and delayed external funding.

In light of our expectation of lower inflation in 2018 – driven by base effects and relative stability in the FX and energy spaces – and a tilt towards stimulating economic growth, we expect looser monetary policy to steer yields downward in the fixed income market. This is in line with recent trend as Central Bank of Nigeria's (CBN) signals of imminent monetary easing have moderated rates in both primary and secondary markets – 1-year treasury bill cleared at 15.60% in November primary market auction vs. year-high of 18.98% in April. Consistent with the growth agenda, the Federal Government (FG) will look to reduce crowding out in the domestic debt market by shifting towards greater external borrowing. Beyond these, we expect FX market dynamics to remain a salient issue as the apex bank seeks to preserve gains made in this area. Amidst rising global interest rates and a greater risk of capital flight, FX market considerations could cap aggressive monetary easing during the year. Overall, we anticipate yield curve normalization in 2018, driven by looser monetary policy and a shift in the FG debt strategy towards external markets.

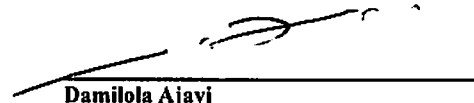
Auditors

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

BY ORDER OF THE BOARD OF DIRECTORS OF THE FUND MANAGER



Chuka Eseka
Chairman
(FRC/2013/ICAN/00000003262)
29 March 2018



Damilola Ajayi
MD / CEO
(FRC/2013/ICAN/00000004412)
29 March 2018

Statement of Fund Manager's Responsibilities in Relation to the Financial Statements for the year ended 31 December 2017

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

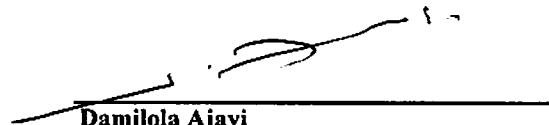
The Fund Manager further accepts responsibility for maintaining adequate accounting records as required and for such internal control as the Fund Manager determines necessary to enable the preparation of financial statements that are free from material misstatements whether due to fraud or error.

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

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



Chuka Eseka
Chairman
(FRC/2013/ICAN/00000003262)
29 March 2018



Damilola Ajayi
MD / CEO
(FRC/2013/ICAN/00000004412)
29 March 2018

Certification of Accounts by Directors of the Fund Manager

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

- i transferred units to another person for sale, resale or subsequent transfer to the fund manager for sale or resale; or
- ii acquired or disposed of investments for account of the Fund other than through a recognized stock exchange except where such investments consist of money market instruments or cash deposits; or
- iii disposed of units to another person for a price lower than the current bid price; or
- iv acquired units for a price higher than the current offer price.



Chuka Eseka
Chairman
(FRC/2013/ICAN/00000003262)
29 March 2018



Damilola Ajayi
MD / CEO
(FRC/2013/ICAN/00000004412)
29 March 2018

TRUSTEE'S REPORT

The Trustees present their report on the affairs of the Vetiva S&P Nigerian Sovereign Bond ETF, together with the audited financial statements for the year ended 31 December 2017.

Principal Activity:

The Fund was registered under the Collective Investment Scheme by the Securities and Exchange Commission in accordance with the provisions of section 160 of the Investment and Securities Act (2007). The Fund was designed to replicate the price and yield performance of the S&P Nigeria Sovereign Bond Index as far as is practicable, by holding a market-value-weighted portfolio of securities that substantially represents the component securities of the S&P Nigeria Sovereign Bond Index as specified in clause 14.1 of the Trust Deed dated 15 July 2016.

The Fund is listed and quoted on the floors of the Nigerian Stock Exchange and FMDQ OTC Securities Exchange and maintains its assets separate from the assets of the manager. The Scheme has been administered in accordance with provisions of the Act and Trust Deed.

Results:

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

The Net Asset Value of the Fund as at 31 December 2017 is as follows;

In thousands of Naira	31 December 17
Net Assets Value	527,109,211

The operating result for the year ended 31 December 2017, is as follows;

In thousands of Naira	31 December 17
Profit for the year	62,827,263

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

The following directors of Vetiva Fund Managers Limited had interests in the units of the Fund as follows;

	Units held as at 31-Dec-17
Olaolu Mudasiru – Non-Executive Director	6,468



UTL TRUST
MANAGEMENT SERVICES LIMITED

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

.....
OLUFUNKE AIYEPOLA (Mrs.)

FRC/2013/NBA/00000003285

UTL Trust Management Services Limited

20 March 2018

Statement of Trustees' Responsibilities

The Trustees' responsibilities to the Fund are as follows:

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

BY ORDER OF THE TRUSTEES
UTL Trust Management Services Limited
20 March 2018

BOARD OF DIRECTORS

Dr Shamsudeen Usman (Chairman)
Danladi Verheijen, Ehimare Eric Idiahi, Olawunmi Abiodun
Olufunke Oluwaseyi Aiyepola (Mrs.) (MD/CEO)

... committed to trust

Abuja
Plot 75, Ralph Shodeinde Street,
4th Floor, Room 4-12 Edo House
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Phone: 08034189795,
08098080442

Port-Harcourt
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26, Aba Road, Port-Harcourt
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09077793542
D/L: 08123927001



UTL TRUST
MANAGEMENT SERVICES LIMITED

OLUFUNKE AYEPOLA (Mrs.)

FRC/2013/NBA/00000003285

UTL Trust Management Services Limited

20 March 2018

**KPMG Professional Services**

KPMG Tower
Bishop Aboyade Cole Street
Victoria Island
PMB 40014, Falomo
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234 (1) 271 8599
Internet www.kpmg.com/ng

INDEPENDENT AUDITOR'S REPORT

To the unit holders of **Vetiva S&P Nigerian Sovereign Bond Exchange Traded Fund**

Opinion

We have audited the accompanying financial statements of Vetiva S&P Nigerian Sovereign Bond Exchange Traded Fund ("the Fund"), which comprise the statement of financial position as at 31 December 2017, the statements of profit or loss and other comprehensive income, statement of changes in net assets attributable to unit holders and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information as set out on pages 15 to 32.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Fund as at 31 December, 2017, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and in the manner required by the Companies and Allied Matters Act, Cap C.20, Laws of the Federation of Nigeria, 2004 and the Financial Reporting Council of Nigeria Act, 2011.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Fund in accordance with the ethical requirements that are relevant to our audit of the financial statements in Nigeria, and we have fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

Valuation of quoted equity securities at fair value through other comprehensive income

The Fund's investment in quoted debt securities measured at fair value through other comprehensive income makes up 98% of the total assets of the Fund (2016: 99%). In addition, the interest income earned on these debt securities account for over 99% of the Fund's total revenue for the period (2016: 100%). Therefore, due to the significance of the account balance, any potential misstatements could have a material impact on the Fund's financial position and performance. This made the audit of these quoted equity securities a significant audit focus area.

Partners

Abiola F. Bada	Adebisi O. Lamikanra	Adekunle A. Elebute	Adetola P. Adeyemi
Adeyemi K. Ajayi	Ajibola O. Olomola	Ayobami L. Salami	Ayodele H. Othihiwa
Ayodele A. Soyinka	Chibuzor N. Anyanachi	Ehile A. Abangbee	Goodluck C. Obi
Ibitomi M. Adediji	Ijeoma T. Emezie-Ezigo	Joseph O. Tegbe	Kabir O. Okunola
Lawrence C. Amedi	Mohammed M. Adama	Nneka C. Eluma	Ogunbayo I. Ogungbenro
Oladapo R. Okubadejo	Oladimeji I. Salaudeen	Olanike I. James	Olumide O. Olayinka
Oluasegun A. Sowande	Oluwafemi O. Awotoye	Oluwatoyin A. Gbagi	Temitope A. Chitiri
Tolulope A. Odukale	Victor U. Onyenkpa		

Procedures

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

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

The Fund's accounting policy on financial assets at fair value through other comprehensive income and related disclosures and risks are shown in notes 3 (a) and 4 respectively.

Other information

The Board of directors of the Trustee and the Board of directors of the Fund Manager are responsible for the other information. The other information comprises the Trustee's Report, for which the Board of directors of the Trustee is responsible; and the following for which the Board of directors of the Fund Manager is responsible - Fund Information, Fund Manager's Report, Statement of Fund Manager's Responsibilities in relation to the financial statements, Certification by the Fund Manager and Other National Disclosures; but does not include the financial statements and our audit report thereon.

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

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

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

The Board of directors of the Fund Manager are responsible for the preparation of financial statements that give a true and fair view in accordance with IFRSs and in the manner required by the Financial Reporting Council of Nigeria Act, 2011, and for such internal control as the Board of directors of the Fund Manager determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of directors of the Fund Manager are responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of directors of the Fund Manager either intend to liquidate the Fund or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

'Reasonable assurance' is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors of the Fund Manager.
- Conclude on the appropriateness of Directors of the Fund Manager's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with Board of directors of the Trustee and the Fund Manager regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

Signed:



Kabir O. Okunola, FCA
FRC/ICAN/2012/00000000428
For: KPMG Professional Services
Chartered Accountants
29 March 2018
Lagos, Nigeria



Statement of financial position
as at 31 December 2017

		31-Dec-17	31-Dec-16
		₦	₦
Assets	Note		
Cash and cash equivalents	12	8,436,956	5,195,278
Prepayment	13	1,816,528	-
Investment securities	14	521,801,025	638,516,808
Total assets		532,054,509	643,712,086
Liabilities			
Accounts payable	15	4,945,298	7,067,495
Total liabilities		4,945,298	7,067,495
Net assets attributable to unitholders		527,109,211	636,644,591

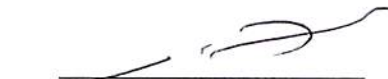
Represented by:

Unitholders' equity	16(b)(ii)	448,512,527	645,990,800
Retained earnings	16(b)(ii)	53,444,203	6,140,794
Fair value reserve/ (deficit)	16(b)(ii)	25,152,481	(15,487,003)
Total		527,109,211	636,644,591

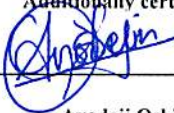
The accompanying notes are an integral part of these financial statements.

These financial statements were approved by the Board of Directors of the Fund Manager on 29 March 2018 and signed on its behalf by:


Chuka Eseka
(FRC/2013/ICAN/00000003262)
Chairman


Damilola Ajayi
(FRC/2013/ICAN/00000004412)
Managing Director/CEO

Additionally certified by:


Ayodeji Oshin
(FRC/2013/ICAN/00000003264)
Chief Financial Officer

**Statement of profit or loss and other comprehensive income
for the year ended 31 December 2017**

		31-Dec-17	31-Dec-16
	Note	(12 months)	(4 months)
		₦	₦
Interest income	7	73,007,590	32,500,509
Other income	8	892,500	26,000
Total income		73,900,090	32,526,509
Other operating expenses	9	(11,063,931)	(26,385,715)
Total expenses		(11,063,931)	(26,385,715)
Profit before tax		62,836,159	6,140,794
Income tax expense	10	(8,896)	-
Profit for the year		62,827,263	6,140,794
Other comprehensive income			
Items that are or may be reclassified to profit or loss			
Fair value reserve (available-for-sale assets)			
Net change in fair value	14(b)	40,639,484	(15,487,003)
Total comprehensive income/ (loss) for the year		103,466,747	(9,346,209)
Basic and diluted earnings per unit (kobo)	11	1,785	121

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

Statements of changes in net assets attributable to unitholders
As at 31 December 2017

	Note	Unit Holder's Equity at par	Retained earnings	Fair value reserves	Total Equity
<i>In Naira</i>					
Balance as at 1 January 2017		645,990,800	6,140,794	(15,487,003)	636,644,591
Total comprehensive income for the year					
Profit for the year		-	62,827,263	-	62,827,263
Fair value changes on available for sale financial assets					
- net change	16(b)(ii)	-	-	40,639,484	40,639,484
Total comprehensive income for the year		645,990,800	68,968,057	25,152,481	740,111,338
Transactions with owners, recorded directly in equity:					
Redemptions of unitholder's equity	16(b)(ii)	(197,478,273)	(3,202,597)	-	(200,680,870)
Distributions to unitholders	16(b)(ii)	-	(12,321,257)	-	(12,321,257)
Total contribution and distributions to unit holders		(197,478,273)	(15,523,854)	-	(213,002,127)
Balance at 31 December 2017		448,512,527	53,444,203	25,152,481	527,109,211

	Note	Unit Holder's Equity at par	Retained earnings	Fair value reserves	Total Equity
<i>In Naira</i>					
Balance as at 1 January 2016					
Total comprehensive income for the year					
Profit for the year		-	6,140,794	-	6,140,794
Fair value changes on available for sale financial assets					
- net change	16(b)(ii)	-	-	(15,487,003)	(15,487,003)
Total comprehensive income for the year		-	6,140,794	(15,487,003)	(9,346,209)
Transactions with owners, recorded directly in equity:					
Additions to unitholder's equity	16(b)(ii)	645,990,800	-	-	645,990,800
Total contribution and distributions to unit holders		645,990,800	-	-	645,990,800
Balance at 31 December 2016		645,990,800	6,140,794	(15,487,003)	636,644,591

Statement of cash flows
For the year ended 31 December 2017

<i>In Naira</i>		31 Dec 2017 (12 months)	31 Dec 2016 (4 months)
		₦	₦
Cash flows from operating activities	Note		
Profit for the year		62,827,263	6,140,794
Add: income tax expense	10	8,896	-
Profit before tax		62,836,159	6,140,794
<i>Adjustment for:</i>			
- Interest income	7	(73,007,590)	(32,500,509)
- Reversal of excess accrual on NSE listing fee	8	(892,500)	-
		(11,063,931)	(26,359,715)
<i>Changes in:</i>			
Financial investments	14(c)	157,355,267	(654,003,811)
Accounts receivable	13	(1,816,528)	-
Accounts payable	15(b)(ii)	(1,229,697)	7,067,495
Cash from/ (used in) operations		143,245,111	(673,296,031)
Interest received	7	73,007,590	32,500,509
Tax paid	10	(8,896)	-
Net cash from/ (used in) operating activities		216,243,805	(640,795,522)
<i>Cashflows from financing activities</i>			
Distribution paid to unitholders	16(b)(ii)	(12,321,257)	-
Inflows from subscription	16(b)(ii)	-	645,990,800
Outflows on redemption of units	16(b)(ii)	(200,680,870)	-
Net cashflow from financing activities		(213,002,127)	645,990,800
Net increase in cash and cash equivalents		3,241,678	5,195,278
Cash and cash equivalents as at 1 January		5,195,278	-
Cash and cash equivalents at the end of the year	12	8,436,956	5,195,278

Notes to the financial statements
For the year ended 31 December 2017

1 Reporting entity

The Vetiva S&P Nigerian Sovereign Bond Exchange Traded Fund ("the Fund") is an open ended exchange traded fund domiciled in Nigeria. It was approved by the Securities and Exchange Commission ("SEC") on 22 March 2016 and was officially launched on 6 September 2016. The Fund is not a legal entity but is constituted and exists under the Trust Deed with Union Trustees Limited as its Trustees. The address of the Fund's registered office is 266b Kofo Abayomi Street, Victoria Island Lagos.

The ETF seeks to track the S&P Nigerian Sovereign Bond Index, this means that the unit price of the ETF on the Exchange tracks the movement of the Index. By owning units in the ETF, an investor obtains market exposure to the most liquid and actively traded FGN Bond Securities. The ETF seeks to replicate, to the extent possible, the price and yield performance of the FGN Bond securities constituting the S&P Nigerian Sovereign Bond Index, net of expenses.

2 Basis of preparation

(a) Statement of compliance

The financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). Additional information required by local regulations is included where appropriate. The financial statements comply with the Financial Reporting Council of Nigeria Act, 2011.

The financial statements were authorized for issue by the Board of Directors of the Fund Manager on 29 March 2018.

(b) Basis of measurement

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

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

(c) Functional and presentation currency

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

(d) Use of estimates and judgments

The preparation of financial statements in conformity with International Financial Reporting Standards (IFRS) requires management to make judgments, estimates and assumptions that can affect the application of the accounting policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

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

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

3 Statement of significant accounting policies

(a) Financial instruments

(i) Introduction

Financial instruments include all financial assets and liabilities. These instruments are typically held for liquidity, investment, or trading purposes. All financial instruments are initially recognized at fair value plus directly attributable transaction costs, except those carried at fair value through profit or loss where transaction costs are recognized immediately in profit or loss.

Financial instruments are recognized (derecognized) on the trade date.

(ii) Classification and subsequent measurement

The Fund classifies its financial assets and liabilities into the following categories:

- Financial assets at available-for-sale - investment securities
- Loans and receivables - Cash and cash equivalents
- Financial liabilities - Accounts payable

Management determines the classification of its financial instruments at initial recognition.

Financial assets at available-for-sale

Financial assets classified by the Fund as available-for-sale financial assets are generally those that are not designated as another category of financial assets, or strategic capital investments held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices.

The Fund's policy requires the Investment Manager and the Board of Directors to regularly evaluate information about these financial assets measured at fair value together with other related financial information.

Notes to the financial statements
For the year ended 31 December 2017

Available-for-sale financial assets are subsequently measured at fair value. Unrealised gains and losses arising from changes in the fair value of available-for-sale financial assets are recognized directly in fair value reserve in other comprehensive income until the financial asset is derecognised or impaired. When available-for-sale financial assets are disposed off, the fair value adjustments accumulated in other comprehensive income are recognized in profit or loss.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than:

- those that the Fund intends to sell immediately or in the short term, which are classified as held for trading and those that the Fund upon initial recognition, designates as fair value through profit or loss;
- those that the Fund upon initial recognition designates as available for sale; or those for which the holder may not recover substantially all of its initial investment, other than because of credit deterioration.

• **Cash and cash equivalents**

Cash and cash equivalents comprise deposits with banks and highly liquid financial assets with maturities of less than ninety days from the acquisition date. These financial instruments can be converted to a known amount of cash, are subject to an insignificant risk of changes in their fair value, and are used by the Fund in the management of short-term commitments.

Other liabilities

Other liabilities are financial liabilities that are not classified as held-for-trading or designated at fair value through profit or loss. These financial liabilities are measured at other amortised cost. Other liabilities comprise balances due to the Fund Manager, Trustees, Registrars, Custodians, Auditors to the Fund, and other creditors.

(iii) Amortised cost measurement and effective interest

The amortised cost of a financial asset or liability is the amount at which the financial asset or liability is measured on initial recognition, minus principal repayments, plus or minus the cumulative amortisations using the effective interest rate methods of any difference between the initial amount recognized and the maturity amount minus any reduction for impairment.

The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial instrument (or, when appropriate, a shorter period) to the carrying amount of the financial instrument. When calculating the effective interest rate, the Fund estimates future cash flows considering all contractual terms of the financial instrument, but not future credit losses. Interest received or receivable, and interest paid or payable, are recognized in profit or loss as interest income and interest expense, respectively.

Origination transaction costs and origination fees received that are integral to the effective rate are capitalized to the value of the financial asset or liability and amortized through interest income or interest expense as part of the effective interest rate.

(iv) Fair value measurement

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

When available, the Fund measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Fund uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

(v) Impairment of financial assets

A financial asset not classified at fair value through profit or loss is assessed at each reporting date, to determine whether there is objective evidence of impairment. A financial asset or a group of financial assets is impaired and impairment losses are recognized if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Objective evidence that financial assets are impaired include significant financial difficulty of the borrower or issuer, default or delinquency by a borrower, restructuring of the amount due on terms that the Fund would not otherwise consider, indications that a borrower or issuer will enter bankruptcy or adverse changes in the payment status of the borrower.

Notes to the financial statements
For the year ended 31 December 2017

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flow discounted at the assets original effective interest rate. Losses are recognized in profit or loss and reflected in an allowance account against receivables. Interest on impaired assets continue to be recognized. When an event occurring after the impairment was recognized causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss

Available-for-sale financial assets are impaired if there is objective evidence of impairment, resulting from one or more loss events that occurred after initial recognition but before the reporting date, that have an impact on the future cash flows of the asset. In addition, an available-for-sale equity instrument is generally considered impaired if a significant or prolonged decline in the fair value of the instrument below its cost has occurred. The Fund considers a decline of 20% to be significant, and a period of nine months to be prolonged. Where an available-for-sale asset, which has been remeasured to fair value directly through equity, is impaired, the impairment loss is recognized in profit or loss. If any loss on the financial asset was previously recognized directly in equity as a reduction in fair value, the cumulative net loss that had been recognized in equity is transferred to profit or loss and is recognized as part of the impairment loss. The amount of the loss recognized in profit or loss is the difference between the acquisition cost and the current fair value, less any previously recognized impairment loss.

If, in a subsequent period, the amount relating to an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognized, where the instrument is a debt instrument, the impairment loss is reversed through profit or loss. An impairment loss in respect of an equity instrument classified as available-for-sale is not reversed through profit or loss but accounted for directly in equity

(vi) Derecognition

The Fund derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred, or in which the Fund neither transfers nor retains substantially all the risk and rewards of ownership and does not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the assets (or the carrying amount allocated to the portion of the asset derecognised), and the consideration received (including any new asset obtained less any new liability assumed) is recognized in profit or loss.

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

The Fund derecognizes a financial liability when its contractual obligations are discharged, cancelled or expired

(vii) Offsetting

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

Incomes and expenses are presented on a net basis only when permitted under International Financial Reporting Standards (IFRS).

(b) Interest income

Interest income and expense, including interest income from non-derivative financial assets at fair value through other comprehensive income, are recognised in profit or loss, using the effective interest method.

(c) Dividend income

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

(d) Prepayment

Prepayments are amortised on a straight line basis to the profit or loss account.

(e) Expenses

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

(f) Transaction costs

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

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

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

Notes to the financial statements
For the year ended 31 December 2017

(g) Taxation

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

(h) Capital

(i) Equity attributable to unitholders

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

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

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

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

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

(ii) Repurchase of units

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

(i) Earnings per unit

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

Diluted earnings per unit is determined by adjusting the profit or loss attributable to unit holders and the total number of units outstanding for the effects of all dilutive potential units.

(j) Contingent liabilities

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

(k) Standards and interpretations issued but not yet effective

A number of new standards are effective for annual periods beginning after 1 January 2017 and earlier application is permitted; however, the Fund has not early applied these new or amended standards in preparing these financial statements. The one standard potentially relevant to the Fund is IFRS 9 Financial Instruments, which is discussed below:

(a) Financial Instruments (IFRS 9)

The Fund is required to adopt IFRS 9 Financial Instruments from 1 January 2018. IFRS 9 replaces IAS 39 *Financial Instruments: Recognition and Measurement*. It includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets and new general hedge accounting requirements. It carries forward the guidance on recognition and derecognition of financial instruments from IAS 39.

Classification of financial assets and financial liabilities

IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics.

The standard includes three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income (FVOCI) and FVTPL. It eliminates the existing IAS 39 categories of held to maturity, loans and receivables and available for sale.

Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never bifurcated. Instead, the whole hybrid instrument is assessed for classification.

Notes to the financial statements
For the year ended 31 December 2017

IFRS 9 largely retains the existing requirements in IAS 39 for the classification of financial liabilities. However, although under IAS 39 all fair value changes of liabilities designated as at FVTPL are recognised in profit or loss, under IFRS 9 these fair value changes are generally presented as follows:

- the amount of change in the fair value that is attributable to changes in the credit risk of the liability is presented in OCI; and
- the remaining amount of change in the fair value is presented in profit or loss

Based on the Fund's assessment, this standard is not expected to have a material impact on the classification of financial assets and financial liabilities of the Fund. This is because:

- the financial instruments currently classified as held-to-maturity under IAS 39 *Financial Instruments: Recognition and Measurement* will continue to be classified as such under IFRS 9
- financial instruments currently measured at amortised cost: cash balances and receivables from reverse sale and repurchased agreements. These instruments meet the solely payments of principal and interest (SPPI) criterion and are held in a held-to-collect business model. Accordingly, they will continue to be measured at amortised cost under IFRS 9.
- financial instruments currently measured at AFS under IAS 39 will be measured at FVOCI under IFRS 9. Consequently, all fair value gains and losses will be reported in OCI, no impairment losses will be recognised in profit or loss and no gains or losses will be reclassified to profit or loss on disposal.

Impairment of financial assets

IFRS 9 replaces the 'incurred loss' model in IAS 39 with a forward-looking 'expected credit loss' (ECL) model. This will require considerable judgement about how changed in economic factors affects ECLs, which will be determined on a probability-weighted basis.

The new impairment model will apply to financial assets at amortised cost or FVOCI, except for investments in equity instruments.

Under IFRS 9, loss allowances will be measured on either of the following bases:

- 12-month ECLs: these are ECLs that result from possible default events within 12 months after the reporting date; and
- lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument

Hedge accounting

The fund does not apply hedge accounting; therefore, IFRS 9 hedge accounting-related changes do not have an impact on the financial statements of the Fund.

Disclosures

IFRS 9 will require extensive new disclosures, in particular about credit risk and ECLs.

Transition

Changes in accounting policies resulting from adoption of IFRS 9 will generally be applied retrospectively, except as described below:

- The Fund will take advantage of the exemption allowing it not to restate comparative information for prior periods with respect to classification and measurement (including impairment changes). Differences in carrying amounts of financial assets and financial liabilities resulting from the adoption of IFRS 9 will be recognised in retained earnings and reserves as at 1 January 2018.

(b) Revenue from Contracts with Customers (IFRS 15)

This standard replaces IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfer of Assets from Customers and SIC-31 Revenue – Barter of Transactions Involving Advertising Services. The standard contains a single model that applies to contracts with customers and two approaches to recognising revenue: at a point in time or overtime. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised.

The core principle of IFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers at an amount that reflects the consideration which the entity expects to be entitled to in exchange for those goods and services. The standard incorporates a five step analysis to determine the amount and timing of revenue recognition.

The standard is not expected to have a significant impact on the Fund as the Fund's revenue is mainly interest income.

(c) Leases (IFRS 16)

This standard will replace the existing standard IAS 17 *Leases* as well as the related interpretations and sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract, being the lessee (customer) and the lessor (supplier).

The core principle of this standard is that the lessee and lessor should recognise all rights and obligations arising from leasing arrangements on balance sheet.

The most significant change pertaining to the accounting treatment of operating leases is from the lessees' perspective. IFRS 16 eliminates the classification of leases as either operating leases or finance leases as is required by IAS 17 and introduces a single lessee accounting model, where a right of use (ROU) is set together with a liability for the future payments is to be recognised for all leases with a term of more than 12 months, unless the underlying asset is of low value. The lessor accounting requirements in IAS 17 has not changed substantially in terms of this standard as a result a lessor continues to classify its leases as operating leases or finance leases and accounts for these as it currently does in terms of IAS 17. In addition, the standard requires lessor to provide enhanced disclosures about its leasing activities and in particular about its exposure to residual value risk and how it is managed.

The Fund is yet to carry out an assessment to determine the impact that the initial application of IFRS 16 could have on the Fund.

Notes to the financial statements
For the year ended 31 December 2017

4 Financial risk management and fair value disclosures

Introduction and overview

The Fund is exposed to the following risks from financial instrument.

- Market risk
- Credit risk
- Liquidity risk

Risk management framework

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

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

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

a Market risk

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

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

(i) Interest rate risk

Interest rate risk is the risk that the fair value or future cashflows of its financial instruments will fluctuate as a result of changes in market interest rates. In respect of the Fund's interest-bearing financial instruments, the fund manager's policy is to transact in financial instruments that mature or re-price in the short term - i.e. no longer than 12 months. Accordingly, the Fund is subject to limited exposure to fair value or cash flow interest rate risk due to fluctuations in the prevailing levels of market interest rates

An overview of the Fund's investment portfolio as at 31 December 2017 is shown in note 14 (d)

31 December 2017

	Notes	Carrying amount	Less than 3 months	3 - 6 months	6 months - 1 year	Above 1 year
Assets						
Cash and cash equivalents	12	8,436,956	8,436,956	-	-	-
Investment securities	14	517,569,296	1,913,343	57,435,086	458,220,867	-
		526,006,252	10,350,299	57,435,086	458,220,867	-
Total interest rate gap			10,350,299	67,785,385	526,006,252	526,006,252

31 December 2016

	Notes	Carrying amount	Less than 3 months	3 - 6 months	6 months - 1 year	Above 1 year
Assets						
Cash and cash equivalents	12	5,195,278	5,195,278	-	-	-
Investment securities	14	625,682,361	12,909,054	138,716,478	474,056,829	-
		630,877,639	18,104,332	138,716,478	474,056,829	-
Total interest rate gap			18,104,332	156,820,810	630,877,639	630,877,639

Notes to the financial statements
For the year ended 31 December 2017

Sensitivity analysis

The sensitivity analysis reflects how the Fund's profit for the year would have been affected by changes in the relevant risk variable that were reasonably possible at the reporting date.

Management has determined that a fluctuation in interest rates of 100 basis points is reasonably possible, considering the economic environment in which the Fund operates. The table below sets out the effect on the Fund's profit for the year of a reasonably possible increase or reduction of 100 basis points in interest rates at 31 December 2017. The impact of such an increase or reduction has been estimated by calculating the interest income changes on the fixed-interest debt securities and other fixed-interest-bearing assets.

The impact is primarily from the decrease in the interest income on fixed-income securities. This analysis assumes that all other variables remain constant.

	31-Dec-17	31-Dec-16
Effect (decrease)		
Net income	(5,302,380)	(6,437,121)
Effect in % (decrease)		
Profit for the year	-8%	-105%

b Credit risk

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

The Fund is subject to credit risk from its current account balances with local banks, investments in FGN bonds and treasury bills. The Fund limits this exposure to credit loss by placing funds with credit worthy banks and investing in debt securities issued by the Federal Government of Nigeria.

The Fund's current account is domiciled in UBA Plc, who doubles as the fund custodian. Recent credit ratings carried out on the custodian by Global Credit Rating, Augusto & Co and Fitch revealed an "Aa-" rating.

The credit risk exposure on FGN bonds and treasury bills is also deemed minimal. This is because there is no recorded case of default on repayment of obligations due on the securities.

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

c Liquidity risk

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

As at 31 December 2017, the Fund's investments are considered readily realizable and highly liquid; therefore, the Fund's exposure to liquidity risk is considered minimal. The following were the contractual maturities of financial assets and liabilities at the reporting date. The amounts are gross and undiscounted.

31 December 2017	Note	Carrying amount	Gross nominal value	Less than 3 months	3 - 9 months	> 9 months
<i>In Naira</i>						
Cash and cash equivalents	12	8,436,956	8,436,956	8,436,956	-	-
Treasury bills	14	59,833,671	64,100,000	1,928,986	57,904,685	-
FGN Bonds	14	461,967,354	461,967,354	-	-	461,967,354
Total financial assets		530,237,981	534,504,310	10,365,942	57,904,685	461,967,354
Account payable	15	4,945,298	4,945,298	4,945,298	-	-
Total financial liabilities		4,945,298	4,945,298	4,945,298	-	-
Gap (assets-liabilities)		525,292,683	529,559,012	5,420,644	57,904,685	461,967,354
Cumulative liquidity				5,420,644	63,325,329	525,292,683

Notes to the financial statements
For the year ended 31 December 2017

31 December 2016	Note	Carrying amount	Gross nominal value	Less than 3 months	3 - 9 months	> 9 months
<i>In Naira</i>						
Cash and cash equivalents	12	5,195,278	5,195,278	5,195,278	-	-
Treasury bills	14	151,995,284	165,093,000	11,803,604	140,191,680	-
FGN Bonds	14	486,521,524	486,521,524	1,370,250	1,370,250	483,781,024
Total financial assets		643,712,086	656,809,802	18,369,132	141,561,930	483,781,024
Account payable	15	7,067,495	7,067,495	7,067,495	-	-
Total financial liabilities		7,067,495	7,067,495	7,067,495	-	-
Gap (assets-liabilities)		636,644,591	649,742,307	11,301,637	141,561,929	483,781,024
Cumulative liquidity				11,301,637	152,863,566	636,644,590

d Concentration risk

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

A breakdown of the Fund's investment portfolio as at 31 December 2017 is shown in note 14.

5 Uses of estimates and judgments

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

(i) Financial asset and liability classification

The Fund's accounting policies provide a guide for assets and liabilities to be classified at inception into different accounting categories in certain circumstances.

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

(ii) Valuation of financial instruments

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

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

- (i) Level 1 : Quoted market price (unadjusted) in an active market for an identical instrument.
- (ii) Level 2 : Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using : quoted market prices in active markets for similar instruments ; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.
- (iii) Level 3 : Valuation techniques using significant unobservable inputs. This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instruments' valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

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

Availability of observable market prices and model inputs reduces the need for management judgment and estimation and reduces the uncertainty associated with determination of fair value. Availability of observable market prices and inputs varies depending on the product and the market and is prone to changes based on specific events and general conditions in the financial markets.

Notes to the financial statements
For the year ended 31 December 2017

The table below analyses financial instruments measured at fair value at the end of the reporting period by the level in the fair value hierarchy into which the fair value measurement is categorised.

<i>31 December 2017</i>	<i>Note</i>	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>
<i>In Naira</i>					
FGN Bonds	14	461,967,354			461,967,354
Treasury bills	14	59,833,671	-	-	59,833,671
		521,801,025	-	-	521,801,025
<i>31 December 2016</i>	<i>Note</i>	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>
<i>In Naira</i>					
FGN Bonds	14	486,521,524			486,521,524
Treasury bills	14	151,995,284	-	-	151,995,284
		638,516,808	-	-	638,516,808

(b) Financial instruments not measured at fair value

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

6 Classification of financial assets and liabilities

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

<i>31 December 2017</i>	<i>Note</i>	<i>At available for sale</i>	<i>At fair value through profit or loss</i>	<i>Loans and receivables</i>	<i>Financial liabilities</i>	<i>Total carrying amount</i>
Cash and cash equivalents	12	-	-	8,436,956	-	8,436,956
Investment securities	14	521,801,025	-	-	-	521,801,025
		521,801,025	-	8,436,956	-	530,237,981
Accounts payables	15	-	-	-	(4,945,298)	(4,945,298)
		-	-	-	(4,945,298)	535,183,279
<i>31 December 2016</i>	<i>Note</i>	<i>At available for sale</i>	<i>At fair value through profit or loss</i>	<i>Loans and receivables</i>	<i>Other Financial liabilities</i>	<i>Total carrying value</i>
Cash and cash equivalents	12	-	-	5,195,278	-	5,195,278
Investment securities	14	638,516,808	-	-	-	638,516,808
		638,516,808	-	5,195,278	-	643,712,086
Accounts payable	15	-	-	-	(7,067,495)	7,067,495
		-	-	-	7,067,495	636,644,591

Notes to the financial statements
For the year ended 31 December 2017

7 Interest Income **31-Dec-17** **31-Dec-16**

Interest income on financial instruments carried at amortised cost:

Treasury bills	19,285,616	9,415,853
FGN Bonds	53,633,018	22,736,758
	72,918,634	32,152,611
<i>Interest income on placements</i>		
Placements	88,956	347,898
	88,956	347,898
Total	73,007,590	32,500,509

8 Other income **31-Dec-17** **31-Dec-16**

Reversal of excess accrual on NSE listing fee	892,500	26,000
	892,500	26,000

9 Other operating expenses **31-Dec-17** **31-Dec-16**

Auditors Fees	1,200,000	1,000,000
Custodian Fees	197,456	78,698
Bank Charges	3,073	935
Trustees Fees	318,910	117,920
Registrars/Transfer Agent fees	356,580	38,132
Listing Fees	886,187	-
Index Licensing Fees	5,736,467	5,113,500
Other Miscellaneous Fees	402,710	70,685
IPO expenses (see a below)	-	19,317,285
Management fees	1,962,548	648,560
Total	11,063,931	26,385,715

a) Analysis of Initial Public Offer (IPO) expenses

Statutory fees	-	4,978,946
Professional fees	-	7,729,650
Commissions	-	3,229,954
Other IPO expenses	-	2,822,676
VAT on professional fees	-	556,059
Total	-	19,317,285

10 Income tax expense

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

	31-Dec-17	31-Dec-16
Withholding tax on interest income	8,896	-
Total tax expense	8,896	-

11 Earnings per unit (basic and diluted)

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

	31-Dec-17	31-Dec-16
Profit for the year	62,827,263	6,140,794
Number of units as at year end (see note 16(b))	3,520,359	5,070,359
Earnings per unit (kobo)	1,785	121

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

Notes to the financial statements
For the year ended 31 December 2017

12 Cash and cash equivalents	31-Dec-17	31-Dec-16
Cash balances with banks	3,861,909	5,195,278
Short term treasury bills investment	4,575,047	-
Total	8,436,956	5,195,278

13 Prepayment	31-Dec-17	31-Dec-16
Prepaid Index Licensing Fee	1,816,528	-
Total	1,816,528	-

14 Investment securities	31-Dec-17	31-Dec-16
(a) Analysis of investment securities: <i>At fair value through other comprehensive income:</i>		
FGN Bonds (see note (d) below)	461,967,354	486,521,524
Treasury bills (see note (d) below)	59,833,671	151,995,284
Total	521,801,025	638,516,808

	31-Dec-17	31-Dec-16
Current	59,833,671	151,995,284
Non Current	461,967,354	486,521,524
Balance, end of year	521,801,025	638,516,808

(b) The movement in fair value changes was as follows:		
Balance, beginning of the year	(15,487,003)	-
Change in the year:		
- net change	40,639,484	(15,487,003)
- transfer to profit or loss on disposal	-	-
Balance, end of year	25,152,481	(15,487,003)

(c) Cashflow movement	31-Dec-17	31-Dec-16
Opening balance	638,516,808	-
Fair value changes reclassified to profit or loss	-	-
Net fair value changes in OCI	40,639,484	(15,487,003)
Net purchase of financial assets	(157,355,267)	654,003,811
Closing	521,801,025	638,516,808

(d) Analysis of investment portfolio

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

		31 December 2017		
		% of total quoted securities	% of total FGN Bonds	% of total investments
FGN Bond -	12.40% 18-Mar-2036	32,675,365	7.07%	6.26%
FGN Bond -	12.149% 18-Jul-2034	52,774,889	11.42%	10.11%
FGN Bond -	12.50% 14-Mar-2026	38,268,893	8.28%	7.33%
FGN Bond -	14.20% 14-Mar-2024	73,220,569	15.85%	14.03%
FGN Bond -	16.39% 13-Jan-2022	58,568,435	12.68%	11.22%
FGN Bond -	15.54% 13-Feb-2020	68,222,076	14.77%	13.07%
FGN Bond -	16.00% 29-Jun-2019	36,853,802	7.98%	7.06%
FGN Bond -	16.2499% Apr 2037	65,600,975	14.20%	12.57%
FGN Bond -	16.2499% Apr 2037	35,782,350	7.75%	6.86%
		461,967,354	100%	89%

Notes to the financial statements
For the year ended 31 December 2017

Treasury Bills - 16.8% 15-Jul-2018	7,315,112	12.23%	1.40%
Treasury Bills - 16% 22-Mar-2018	1,928,986	3.22%	0.37%
Treasury Bills - 16% 14-Jun-2018	19,481,096	32.56%	3.73%
Treasury Bills - 17.45% 12-Apr-2018	2,092,718	3.50%	0.40%
Treasury Bills - 15.65% 16-Aug-2018	4,150,309	6.94%	0.80%
Treasury Bills - 17.25% 3-May-2018	20,909,511	34.95%	4.01%
Treasury Bills - 13.50% 5-Apr-2018	3,955,939	6.61%	0.76%
	59,833,671	100%	11%
Total investment	521,801,025		100%

		31 December 2016	
	% of total quoted securities	% of total FGN Bonds	% of total investments
FGN Bond - 12.40% 18-Mar-2036	39,624,081	8.14%	6.21%
FGN Bond - 12.14% 18-Jul-2034	70,429,015	14.48%	11.03%
FGN Bond - 12.50% 14-Mar-2026	50,455,679	10.37%	7.90%
FGN Bond - 14.20% 14-Mar-2024	98,469,858	20.24%	15.42%
FGN Bond - 15.54% 13-Jan-2022	80,519,807	16.55%	12.61%
FGN Bond - 15.54% 13-Feb-2020	94,964,594	19.52%	14.87%
FGN Bond - 16.00% 29-Jun-2019	52,058,490	10.70%	8.15%
	486,521,524	100%	76%
Treasury Bills - 17.70% 13-Apr-2017	72,088,050	47.43%	11.29%
Treasury Bills - 18.25% 24-Aug-2017	68,103,630	44.81%	10.67%
Treasury Bills - 16.80% Feb-2017	6,893,677	4.54%	1.08%
Treasury Bills - 13.99% 16-Feb-2017	4,909,927	3.23%	0.77%
	151,995,284	100%	24%
Total investment	638,516,808		100%

15 Accounts payable	31-Dec-17	31-Dec-16
Management fees payable	1,962,548	648,560
Audit fee payable	1,200,000	1,000,000
Custodian fee payable	112,488	78,698
Trustee fee payable	318,910	117,920
Payable to registrar	394,712	38,132
Index licensing fees payable	-	5,113,500
Other miscellaneous fees	70,453	70,685
Listing fees	886,187	-
	4,945,298	7,067,495
	31-Dec-17	31-Dec-16
Current	4,945,298	7,067,495
Non Current	-	-
Balance, end of year	4,945,298	7,067,495

(b) Cashflow movement:

	31-Dec-17	31-Dec-16	Changes
Management fees payable	1,962,548	648,560	1,313,988
Audit fee payable	1,200,000	1,000,000	200,000
Custodian fee payable	112,488	78,698	33,790
Trustee fee payable	318,910	117,920	200,990
Payable to registrar	394,712	38,132	356,580
Index licensing fees payable	-	5,113,500	(5,113,500)
Other miscellaneous fees	70,453	70,685	(232)
Listing fees	886,187	-	886,187
	4,945,298	7,067,495	(2,122,197)

Notes to the financial statements
For the year ended 31 December 2017

(ii) Movement in account payable

	31-Dec-17	31-Dec-16
Opening balance	7,067,495	-
Changes in account payable	(1,229,697)	7,067,495
Reversal of over provision	(892,500)	-
Closing balance	4,945,298	7,067,495

16 Unitholders' equity

(a) The Vetiva S&P Nigerian Sovereign Bond ETF is authorised and registered in Nigeria as a Unit Trust Scheme under Section 160 of the Investment and Securities Act (ISA). The Fund is governed by a Trust Deed with Union Trustees Nigeria Limited as Trustees. The Fund's total unit capital as at year end 31 December 2017 was 3,520,359 units (2016: 5,070,359 units)

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

- Rights of participation in returns of the fund's assets.
- Rights to receive notices to attend and vote at any general meeting of the Fund.

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

(i) Movement in units

	31-Dec-17	31-Dec-16
Opening balance	5,070,359	-
Subscriptions during the year (units)		5,070,359
Redemptions during the year (units)	(1,550,000)	-
Balance at 31 December (units)	3,520,359	5,070,359

(ii) Net assets attributable to unitholders

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

31 December 2016 In Naira	Unitholders' equity at par	Retained deficit	Fair value reserves	Total
Opening balance	-	-	-	-
Subscription during the period	645,990,800	-	-	645,990,800
Fair value changes on investment securities	-	-	(15,487,003)	(15,487,003)
Profit for the period	-	6,140,794	-	6,140,794
As 31 December 2016	645,990,800	6,140,794	(15,487,003)	636,644,591

Notes to the financial statements
For the year ended 31 December 2017

(c) Net assets per unit

Net assets per unit is calculated by dividing the total net assets by the number of units as at the end of the year.

	31-Dec-17	31-Dec-16
Net assets at end of the year (See Note 16(b)(ii))	527,109,211	636,644,591
Number of units as at year end (See Note 16(b)(i))	3,520,359	5,070,359
Net assets per unit (Naira)	149.73	125.56

(d) Distribution paid to unitholders

The amount paid to unitholders of the fund is payable semi-annually in accordance with the Trust Deed of the Fund. The amount paid in 2017 was N12.32 million comprising N3.52 million for 2016 final dividend and N8.8 million for 2017 interim dividend (2016 interim: Nil).

17 Related parties

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

The following summarizes the total unit holding of related parties:

Name	Units held as at 31-Dec-17	Units held as at 31-Dec-16
Vetiva Securities Limited	41,919	1,654,610
Vetiva Fund Managers Limited	496,879	496,879
Vetiva Capital Management Limited	70	-
Vetiva Nominees	25,264	-
Vetiva Exxon Mobil - ESP	2,070,905	-
Vetiva Trustees Limited - EFL Trust	101,033	-

a) Transactions with related parties

i. Management fees

The Fund is managed by Vetiva Fund Managers Limited ("the Fund Manager"), an investment management company incorporated in Nigeria and domiciled in Lagos. Under the terms of the management agreement, the Fund appointed Vetiva Fund Managers Limited as an Investment Manager to provide Fund management services to the Fund. Vetiva Fund Managers Limited receives a fee based on an annual rate of 0.4% of the net asset value of the Fund accrued daily and payable quarterly. Total management fees for the year amounted to N1.96 million (2016: 648,560).

ii. UBA Plc (Global Investors Services)

The Fund appointed Union Trustees Limited, a trust services company incorporated in Nigeria, to provide trust services to the fund on behalf of its subscribers. Under the terms of the Trust Deed, the trustee is entitled to an annual fee of 0.0375% of the net asset value of the fund, payable semi-annually in arrears. Total custodian fees for the year amounted to N197,456 (2016: 78,698).

iii. Union Trustees Limited

UTL Trust Management Services Limited remains the Funds' trustees. Under the Trust deed, the trustee is entitled to an annual fee of 0.065% of the asset under custody, accrued on a daily basis, and payable semi-annually in arrears. The annual fees shall accrue on a daily basis. Total Trustee fees for the year was N318,910 (117,920).

18 Contingencies

There were no contingent assets and liabilities as at 31 December 2017.

19 Claims and litigations

There were no claims and litigations as at 31 December 2017.

19 Events after the reporting period

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

20 Capital commitments after reporting date

The Fund had no capital commitments as at 31 December 2017.

OTHER NATIONAL DISCLOSURES

Other National Disclosures

Value added statement

	31-Dec-17	%	31-Dec-16	%
	N		N	
Total revenue	73,900,090		32,526,509	
Value eroded	73,900,090	100	32,526,509	44.0142
Applied to pay:				
Fund Manager and other parties to the Fund	11,063,931	15	26,385,715	36
Retained in the Fund to (deplete)/augment	62,827,263	85	6,140,794	8
Value eroded	73,900,090	100	32,526,509	44

Financial Summary

The Fund was established in March 2016. Therefore, this is its second set of financial statements. Consequently, the five (5) year financial summary has not been prepared.