



Why 2017 is the best year to invest

Message from the CEO

February 2017

Dear Clients:

It is my pleasure to welcome you to a New Year on behalf of the entire Databank family. The year is moving along very quickly and I can hardly believe we're already in February. I am very excited about what 2017 holds for us as investors, as we are already seeing a rebound in Ghana's stock market, a further reduction in inflation and a decline in Treasury bill rates, all of which are positive indicators for the economy.

Why 2016 was a tough year for equity investors

I would first like to quickly recap the investment climate of 2016. While it was very positive for fixed-income investors, 2016 was a challenging year for equity investors – especially in the first half. The inflation rate was high, interest rates were high and the value of the Ghana Cedi continued to decline against the US dollar. The equity markets in many of the major African countries were also hit hard as companies struggled to stay afloat. In Ghana, in particular, both local and foreign investors shied away from equities and flocked to fixed-income investments such as treasury bills and bonds, as they waited to see how the presidential elections would unfold. I must say I was very proud of Ghana and the fact that we were able to demonstrate to the world that we are capable of having a peaceful, well-run election. I also had occasion to meet with several foreign investors before the elections and tried to convince them that we were going into our 7th election and that it would be peaceful. Ghana proved me right!

Where to find investment opportunities in 2017

There is still some uncertainty in the market as investors wait to see the full team that the President will put in place and the direction policy will take. Nevertheless, I expect the IMF program to continue, even though the new government may review it, and I expect that it will continue to bring much needed stability to our economy.

We are also seeing further declines in inflation as well as rates for Treasury bills and other fixed-income investments. This is a clear indication that economic fundamentals are improving and that borrowing rates for both individuals and businesses will ultimately come down, thereby allowing them to accomplish more with less. In fact, the Producer Price Index, which measures the cost of production in Ghana, dropped sharply from 11.9% in November to 4.9% in December, signifying that Ghanaians can likely expect to see the price of goods stabilize as 2017 progresses.

If I look at the investment environment specifically, I expect a much better year for equity markets across Africa. Though most of them are off to a slow start, renewed investor confidence in Ghana is already reflecting positively on the Ghanaian stock market as the Ghana Stock Exchange (GSE) closed out January with a return of 5.17%, compared to its negative return of minus 15% at the end of 2016. No one can predict where the market will end this year, but indications are that we will certainly have a better year than 2016 and end it in positive territory.

I encourage investors to invest now while we are still in the recovery phase versus waiting for the full recovery. Due to the pressures many companies faced in 2016 (and also in 2015 for that matter), the current price of their shares is well below the intrinsic value of the company. In other words, 2017 is your opportunity to get well managed companies on sale, which is why I believe it is the best year to invest. And as the investment mantra says, the key to successful investing is to buy low, sell high.

Databank won't stop until it reaches every investor

As many of you know, Databank's mission is to help Ghanaians achieve financial independence. This is an enormous task in a country with over 10 million adults (over age 18). To do this, in the last few years we've expanded our branch network from 4 to 13 through a strategic partnership with GTBank and we've also introduced an online platform that allows investors, both in Ghana and abroad, to top up their mutual fund investments using a Visa or MasterCard. This year, we plan to continue our quest by opening up a branch in the Brong Ahafo region and adding another partner location through GTBank. We will also continue to use technology to give Ghanaians more access to investing through mobile money. Our belief is that everyone should have the opportunity to invest!

It's time to stop chasing rates and get informed

As I wrap up, I'd like to leave you with a few thoughts. In your quest to invest, be well informed. I still get approached by people who know I work at Databank (including friends) and the first question they always ask is: What are the rates?

As an investor, there is more to the investment decision than rates. It is the singular focus on rates that has cost so many people their life savings. Why? Companies promised high rates and then were not able to deliver because it was not sustainable. I encourage you to take time to get to know the company you are bringing your hard earned money to. Here are a few questions you can ask:

- How long have you been in business?
- What is the experience of the people managing your money?
- Where will they be investing your money in order to get the rates they are promising you?

Many of us are afraid to ask even these questions, but I pray that you will be bold enough to ask. Successful investing is about being an informed investor.

On behalf of the entire Databank family, I thank you for your continued support. This year, Databank will celebrate its 27th year in business, and it is because of investors, like you, who have made it possible. I wish you every success as an investor in 2017, as you allow Databank to help move you another step closer to financial independence.

Your Chief Servant.



Kojo Addae-Mensah
Group CEO