

INVESTING

FBN FIXED INCOME FUND

All data as at 31st October 2017 unless otherwise stated



Fund Overview

Investment objective

The Fund seeks to preserve and maximize return on capital while maintaining a high degree of liquidity by investing in a diversified portfolio of long tenured debt securities and short-term, high quality money market securities issued in Nigeria.

Fund facts

| | | |
|------------------------|---|-----------------|
| Fund Manager | Ifeoluwa Dixon, Tutu Adekoya ^{CFA} | |
| Fund launch date | 24th September 2012 | |
| Fund size | ₦5.01bn | |
| Base currency | (₦) | |
| NAV per share | ₦ 1,104.83 | |
| Minimum investment | ₦50,000.00 | |
| Minimum holding period | 90 days* | |
| Income accrual | Daily | |
| Income distribution | Semi-annually (April and October) | |
| Income distributions | Apr'17: ₦ 84.83 | Oct'17: ₦ 66.04 |
| Annual management fee | 1.00% | |
| Risk profile | Low-Medium** | |

Fund highlights

The Fund is an open ended mutual fund that invests in a broad range of long tenured debt securities issued by the Federal Government of Nigeria (FGN), state governments and highly rated corporate institutions. The Fund may also invest in short-term, high quality money market securities.

The Fund is suitable for medium or long term cash investment and offers a stable income through the distribution of semi-annual dividends. Using FBN Capital Asset Management's fixed income expertise and local market analysis capabilities, this Fund allows you to fully exploit the potential of Nigerian debt securities.

Investor Profile

The Fund may be suitable for investors who are looking for exposure to a broad range of debt securities. Investors should have at least a two to four year investment horizon.

Source: FBN Capital Asset Management

* Redemption period: 3 - 5 business days.

No additional charges are applied on redemption. However, units redeemed earlier than the 90 business days minimum holding period will incur a processing fee of 20% on the income earned on the value of such redemptions.

** The Fund has a 'Low-Medium' risk profile given it invests the majority of its assets in bonds. Investing in bonds may carry higher risks than other debt securities, but their growth potential is also higher. The value of debt securities may change significantly depending on economic, political, inflationary and interest rate conditions as well as the credit worthiness of the issuer.

^ Bid price and yield to maturity are stated net of fees and expenses with dividends reinvested.

1 The yield to maturity (YTM) is the rate of return anticipated on the portfolio if the current bonds in the portfolio were held until the end of their lifetime. YTM is an annualised rate and takes into account the current market price, par value, coupon interest rate and time to maturity for each bond in the portfolio. It is also assumes that all coupon payments are reinvested at the same rate as the bond's current yield.

Past performance is not a guide to the future. The price of investments and the income from them may fall as well as rise and investors may not get back the full amount invested

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A part of the FBN Holdings Group

Monthly Comments

Fund and market review

There were large sell-offs during the month due to the persistent illiquidity in the interbank market which spurred the bearish trend on the very short end of the curve. Most of the activity was on the November 2017, December 2017 and January 2018 treasury bills which moved over 100bps month on month to close at 19.50%, 19.00% and 17.25% from 18.50%, 18.45% and 17.00% respectively. The long dated papers hovered around 15.00% to 15.25%, leading to very little activity in those bills. The month started off quiet with sideways trading on most maturities as market players waited for direction from the 1yr Treasury bill auction which, dropped from 17.00% recorded at the last auction in September 2017, to 15.72% in October 2017 and a further decline to 15.59% at the last auction in October 2107.

The Debt Management Office (DMO) reopened the 14.50% July 2021 and 16.28% March 2027 bonds during the month which both closed at 15.00%. The bonds market was quiet with few trades coming through as at month end. There was a bit of demand at the long end of the curve, while there were slight sales on short dated maturities. On average, yields remained unchanged.

Fund and market outlook

We expect rates in the treasury bills market to hover around current levels if there is no significant intervention in the foreign exchange market. Also, with Nigeria offering competitive yields on its borrowings, we expect to see continued activity in the bond market. The Fund manager will take advantage of the drop in yields to boost returns on the portfolio.

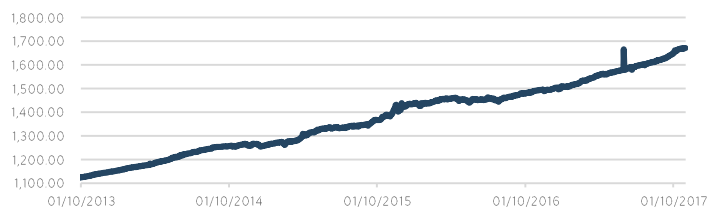
Benchmark

3yr Federal Government of Nigeria Bond

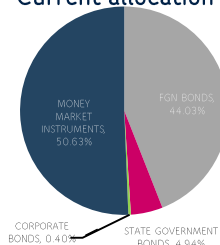
Historic prices and yields

| | Jul-17 | Aug-17 | Sep-17 | Oct-17 |
|--------------------|----------|----------|----------|----------|
| Bid price (₦)^ | 1,101.36 | 1,185.54 | 1,144.54 | 1,104.83 |
| Yield to maturity^ | 17.45% | 17.58% | 16.70% | 16.86% |

Cumulative Performance



Current allocation



Asset allocation ranges

| | |
|-------------------------|--------|
| FGN bonds | 15-75% |
| State government bonds | 0-30% |
| Corporate bonds | 0-30% |
| Eurobonds | 0-15% |
| Money market securities | 25-75% |