

# INVESTING

## FBN FIXED INCOME FUND

All data as at April 30th 2018 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 Owolabi-Kadiku CFA
Fund launch date	24th September 2012
Fund size	₦5.30bn
Base currency	(₦)
NAV per share	₦ 1,151.87
Minimum investment	₦50,000.00
Minimum holding period	90 days*
Income accrual	Daily
Income distribution	Semi-annually (April and October)
Income distributions	Oct'17: ₦ 66.34 Apr'18: ₦ 72.05
Annual management fee	1.00%
Total Expenses Ratio	1.20%
Risk profile	Low-Medium**
Benchmark	3yr Federal Government of Nigeria Bond

#### 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 FBNQuest 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: FBNQuest 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.

^ 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 assumed 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

In the commodities market, oil exceeded the \$70 per barrel mark reaching new highs of \$74.74 per barrel due to geo-political tension in the Middle East and the reduction in stockpiles in the United States of America.

The Debt Management of Nigeria (DMO) set its foreign to local debt profile target at 40% to 60%. as against 30% to 70% as at March 2017. Headline inflation rate fell to 13.3% in March 2018 from 14.3% in February and this was the fourteenth consecutive drop in inflation since January 2017.

The DMO released the offer circular for the second quarter of 2018 which introduced a new 5year bond to the market and reduced the amount to be borrowed domestically from 90bn to 60bn by June 2018. The drop in inflation rates and decline in yields in the treasury bills market increased demand for bonds, and yields declined on a month-on-month basis by 130bps and 60bps on the short and mid to long end of the curve respectively.

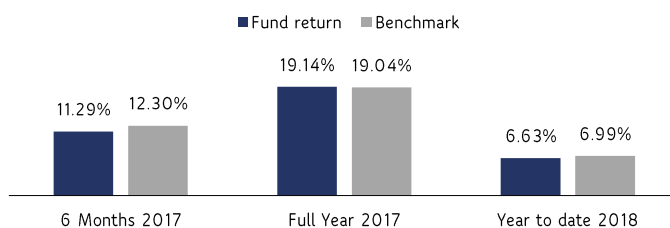
The treasury bills market remained predominantly bullish due to excess liquidity in the system and the continuous decline in the frequency of issuance at both the primary auction and Open Market Operation (OMO) rates. On a month-on-month basis, whilst the OMO rates dropped by 200bp from 13.99% to 12.05%, the 91, 182 and 364 days treasury bills rate dropped to 10.90%, 12.00% and 12.078% from 11.955%, 13.00% and 13.15% in March, 2018.

#### Fund and market outlook

We expect yields to remain within the current bands of 11.00% - 13.50% in the Fixed Income market as the CBN finds a balance between foreign exchange risk, reduction in the cost of borrowing and real rates of return to investors. The Fund will continue to be managed in the best interest of its investors.

### Performance and Positioning

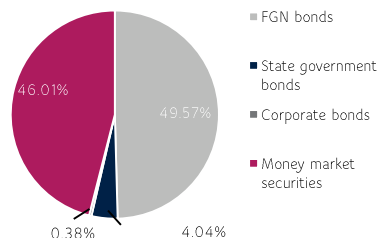
#### Performance Summary



#### Historic prices and yields

	Jan-17	Feb-17	Mar-17	Apr-17
Bid price (₦)^	1,173.22	1,180.67	1,196.72	1,151.87
Yield to maturity^	15.26%	15.18%	15.06%	14.46%

#### 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%