

INVESTING

FBN FIXED INCOME FUND

All data as at June 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	₦5.44bn
Base currency	(₦)
NAV per share	₦ 1,168.04
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 June, the sell-off in Emerging and Frontier markets persisted due to trade wars, continuous rise in the yields and economic growth in the United States of America (US). In Nigeria, both equity and bonds markets experienced a sell-off by foreign portfolio investors despite the increase in the price of crude oil to new highs of \$78 per barrel.

Yields in the bonds market appreciated significantly especially on the long end of the curve, which impacted the value of the bonds in the portfolio negatively. Bond yields hit new highs of 14.00% across the curve in the Secondary markets.

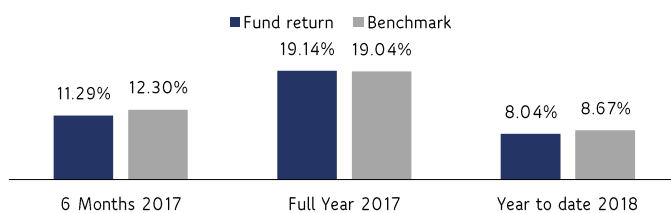
However, the Debt Management Organisation maintained their stance of a low cost of borrowing at June's bond auction by borrowing N31.22bn instead of the N60bn initial plan. Bond yields printed higher at 13.50%, 13.80% and 13.81% at June's auction when compared to 13.50% and 13.55% at May's auction on the 5, 7 and 10 year maturity.

On a month-on-month basis, yields in the treasury bills market appreciated due to a reduction in system liquidity and the sell-off in the bonds market. Treasury bills auction rates dropped to 10.20%, 10.50% and 11.50% in June from 10.00%, 10.30% and 11.00% in May 2018 on the 91, 182 and 364 days maturity respectively.

Fund and market outlook

The passage and implementation of the budget would impact H2 2018 positively. However, as the election cycle draws closer and rise in yields US continues, we expect yields in the market to rise further which is expected to impact bond prices negatively but boost returns from treasury bills and bank placements.

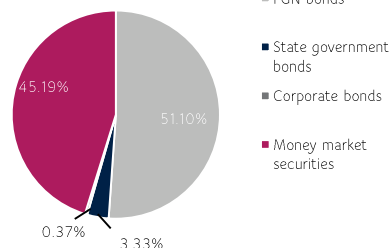
Performance Summary



Historic prices and yields

	Mar-18	Apr-18	May-18	Jun-18
Bid price (₦)^	1,196.72	1,151.87	1,159.91	1,168.04
Yield to maturity^	15.06%	14.46%	14.21%	13.47%

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%