

# INVESTING

## FBN FIXED INCOME FUND

All data as at October 31st 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<br>CFA |                 |
| Fund launch date       | 24th September 2012                        |                 |
| Fund size              | ₦5.5bn                                     |                 |
| Base currency          | (₦)  |                 |
| NAV per share          | ₦ 1,158.61                                 |                 |
| Minimum investment     | ₦50,000.00                                 |                 |
| Minimum holding period | 90 days*                                   |                 |
| Income accrual         | Daily                                      |                 |
| Income distribution    | Semi-annually (April and October)          |                 |
| Income distributions   | Apr'18: ₦ 72.05                            | Oct'18: ₦ 37.91 |
| Annual management fee  | 1.00%                                      |                 |
| Total Expenses Ratio   | 1.23%                                      |                 |
| 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.

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 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

FBNQuest Asset Management RC 978831

18 Keffi Street, Off Awolowo Road, S.W. Ikoyi, Lagos, Nigeria

Tel: +234 (1) 2798300, +234 (0) 708 065 3100 Email: invest@fbnquest.com www.fbnquest.com

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### Monthly Comments

#### Fund and market review

In the period under review, Nigeria's reserves closed the month at c.\$42bn, as the Central Bank of Nigeria enforced its unsustainable strategy of defending the Naira, due to political risk and low appetite for emerging and frontier markets. Nigeria's Inflation rate rose by 5 basis points to 11.28% in September from 11.23% in August due to increasing food prices.

The Central Bank of Nigeria switched back to using highly attractive rates through the use of Open Market Operations (OMO) bills to stem outflows by foreign portfolio investors. On the back of this, OMO rates rose from 13.50% on the 364day treasury bill in September to 14.50% in October. Stop rates at the treasury bills auction rose from 11.00%, 12.09% and 13.30% in September to 10.97%, 13.49% and 14.40% in October on the 91day, 182days and 364days maturity respectively.

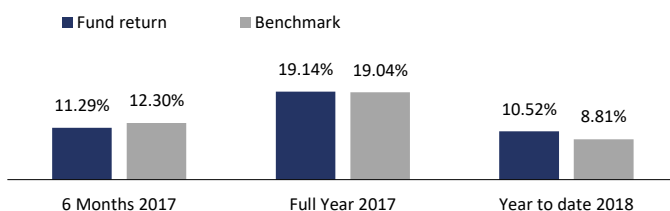
In the bonds market, yields increased on a month-on-month basis by 40bps on the short to mid end of the curve and 10bps on the long end of the curve, due to the rise in inflation rate, sell-off from foreign investors and rise in OMO rates. At primary auction, yields closed within the 15.00%-15.32% on the bonds issued.

The Fund's performance improved on a month-on-month basis by 0.02%. This can be attributed to the portfolio manager's ability to take advantage of the rise in rates in the market.

#### Fund and market outlook

Investors will continue to trade cautiously with some buying pressure on the short end of the curve and highly attractive OMO rates. The Fund Manager will also increase exposure to highly attractive rates to increase returns and performance of the Fund in expectation of a drop in rates in 2019.

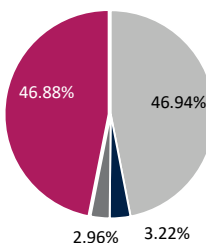
#### Performance Summary



#### Historic prices and yields

|                    | Jul-18   | Aug-18   | Sept-18  | Oct-18   |
|--------------------|----------|----------|----------|----------|
| Bid price (₦)^     | 1,176.83 | 1,184.85 | 1,196.33 | 1,158.61 |
| Yield to maturity^ | 13.34%   | 13.37%   | 13.41%   | 13.54%   |

#### Current allocation



#### Asset allocation ranges

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