

# INVESTING

## FBN FIXED INCOME FUND

All data as at September 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	₦5.57bn
Base currency	(₦)
NAV per share	₦1,196.33
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	1.23%
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

A part of the FBN Holdings Group

### Monthly Comments

#### Fund and market review

In the period under review, the risk off sentiment for emerging and frontier markets persisted as trade tensions between China and the United States of America (USA) intensified. The negative sentiment was heightened locally due to the rise in rates by the US Federal Reserve, high political risk and negative sentiment for investments in Nigeria due to the unpleasant publicity associated with MTN and the Central Bank of Nigeria.

The Monetary Policy Committee in Nigeria met and left all key indicators unchanged due to increased capital reversals, declining reserves, growth challenges and non-implementation of the 2018 budget. Nigeria's Inflation rate rose for the month of August to 11.23% due to increasing food prices.

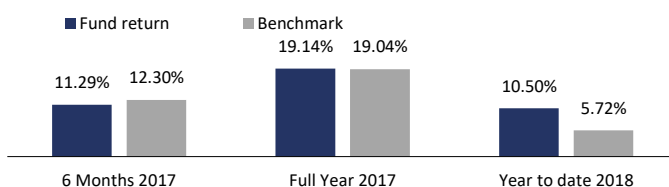
In the Bonds market, yields at the auction rose on a month-on-month basis due to sell-offs in emerging markets with the 2023, 2025 and 2028 bonds printing at 15.00%, 15.15% and 15.25% respectively in September from 14.39%, 14.60% and 14.69% in August. The Treasury bills market experienced mixed market sentiment as the rise in 364 day auction bills to 13.50% led to higher yields in the early and mid part of the month. Yields dropped to about 13.00% on the long end of the curve by month end due to excess liquidity in the system.

The Fund's performance improved on a month-on-month basis from a growth of 0.69% in August to 0.73% in September. The Funds' performance could be attributed to the rebalancing of the portfolio to take advantage of the rise in rates in the market.

#### Fund and market outlook

We expect markets to trade cautiously with some buying pressure on the short end of the curve due to expectations of a further rise in rates. The Fund Manager will continue to take advantage of opportunities in the market to boost performance and maximize returns to unit holders.

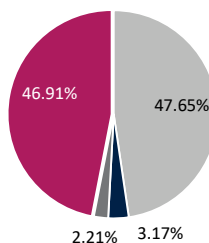
### Performance Summary



### Historic prices and yields

	Jun-18	Jul-18	Aug-18	Sept-18
Bid price (₦)^	1,168,04	1,176.83	1,184.85	1,196.33
Yield to maturity^	13.47%	13.34%	13.37%	13.41%

### 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%