

INVESTING

FBN FIXED INCOME FUND

All data as at 31 August 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	₦4.82bn	
Base currency	(₦)	
NAV per share	₦ 1,118.54	
Minimum investment	₦50,000.00	
Minimum holding period	90 days*	
Income accrual	Daily	
Income distribution	Semi-annually (April and October)	
Income distributions	Oct'17: ₦ 42.03	Apr'17: ₦ 84.83
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 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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Monthly Comments

Fund and market review

In August, government revenues and foreign exchange reserves were boosted by the rise in oil prices and a marginal increase in July oil production in Nigeria to 2.06million barrels per day (mb/d) from 2.05mb/d in June.

Activities in the Eurobonds market declined due to the slowdown associated with the summer season, geo-political risk from elections in Kenya and Rwanda, and the uncertainty associated with the no-confidence vote in South Africa. Locally, market sentiments were impacted by the Federal Government's plans to re-finance \$3billion worth of Naira denominated short-term treasury bills with the issuance of a three year Eurobond. The Consumer Price Index (CPI) which measures headline inflation fell marginally to 16.05% (year-on-year) in July 2017 from 16.1% in June.

Yields in the primary Naira bonds market surged on a month-on-month basis across the curve by an average of 55bps due to higher yields at the August bond auction where the federal government could only borrow ₦56.05bn at 16.80%, 16.80%, 16.90% on 5, 10 and 20 year maturities instead of ₦135bn due to the low demand for bonds and higher rates in the treasury bills market. Yields in the treasury bills market declined by about 400bps, 50bps and 35bps on a month-on-month basis on short, mid and long dated maturities due to an increased appetite for treasury bills by foreign and domestic investors.

Fund and market outlook

We expect rates in the bonds market to fall from the current high yield levels and the yields in treasury bills market to remain high on the back of the continuous implementation of the tight monetary stance by the Central Bank. However, reduction in the incessant issuance of open market operation treasury bills and decline in its stop rates could reduce yields in market. The Fund Manager will continue to invest in the best interest of the unit holders.

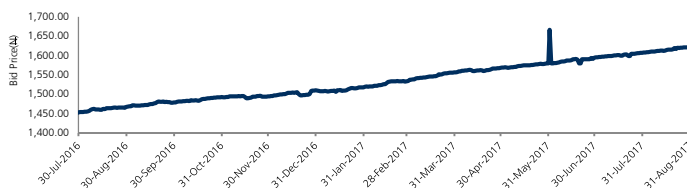
Benchmark

3yr Federal Government of Nigeria Bond

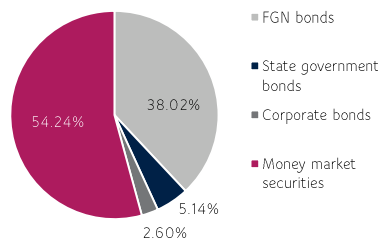
Historic prices and yields

	May-17	Jun-17	Jul-17	Aug-17
Bid price (₦)^	1,076.18	1,091.00	1,101.36	1,118.54
Yield to maturity^	17.10%	17.22%	17.45%	17.58%

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%