

# INVESTING

## FBN FIXED INCOME FUND

All data as at January 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 CFA	
Fund launch date	24th September 2012	
Fund size	₦5.13bn	
Base currency	(₦)	
NAV per share	₦ 1,173.22	
Minimum investment	₦50,000.00	
Minimum holding period	90 days*	
Income accrual	Daily	
Income distribution	Semi-annually (April and October)	
Income distributions	Apr'17: ₦ 84.83	Oct'17: ₦ 66.34
Annual management fee	1.00%	
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 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.

^ 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

The stability in the foreign exchange market, increase in oil production, rise in oil prices to new highs of \$70 per barrel and growth in the stock market signalled a positive outlook for the economy despite the uncertainty associated with the second half of 2018 on the back of the 2019 elections.

In the local bond market, the Debt Management Organization (DMO) released the bond issuance calendar for Q1 2017 which introduced two new short tenured bonds to the market (7 year-2025 and 10 year-2028). January's bond auction was over-subscribed as the DMO was able to raise ₦110bn at 13.38% and 13.49% on the 2021 and 2027 bonds respectively. Yields weakened by an average of 60bps on a month-on-month (m-o-m) basis on the short, mid and long dated maturities due to reduction in the supply of bonds, plans to borrow \$2.5bn in Q1 2018 and the Nigerian government's plan to re-open talks of including Nigerian bonds back into the JP Morgan index.

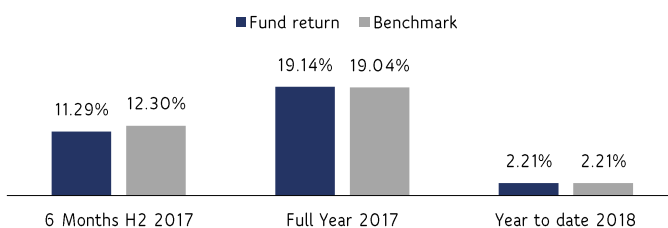
In the Treasury Bills market, yields on the short and mid-dated bills rose from December lows, as the Central Bank of Nigeria re-introduced the issuance of Open Market Operations bills at a new predictable rate of 12.60% and 14.40%. Yields on long-dated bills declined by an average of 20bps due to lower supply and the reduction in the yields of the 364day treasury bills at primary auction to 13.70%.

#### Fund and market outlook

We expect rates in both bonds and treasury bills to remain within the current bands of 12.00%-14.50% barring any unexpected sharp drop in inflation or the inability of the Federal Government of Nigeria to raise external debt. The portfolio will continue to benefit from the drop in yields due its exposure to bonds and high yielding long tenured treasury bills.

### Performance and Positioning

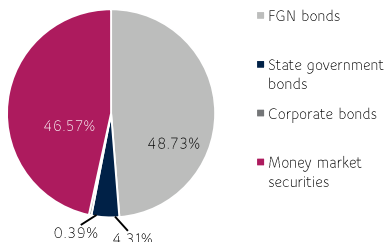
#### Performance Summary



#### Historic prices and yields

	Oct-17	Nov-17	Dec-17	Jan-17
Bid price (₦)^	1,104.83	1,122.66	1,147.84	1,173.22
Yield to maturity^	16.86%	16.34%	15.99%	15.26%

#### 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%