

INVESTING

FBN FIXED INCOME FUND

All data as at May 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	₦5.36bn
Base currency	(₦)
NAV per share	₦ 1,159.91
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.

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 assumes 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

Emerging and Frontier markets generally experienced a risk-off appetite which lead to a sell-off in both the Equities and Bonds market due to the continued rise in yields and economic growth in the United States of America (US). Tensions in Iran and Venezuela provided support for Brent crude oil which crossed \$80 per barrel and closed the month at about \$77 per barrel. Nigeria debt rose to NGN21.7trillion as at December 2017 as the government increased its exposure to foreign debt and reduced the supply of long-dated domestic debt. Gross Domestic Product figure (GDP) for Q12018 increased by 1.95% on a year-on-year basis. The rise in the GDP numbers indicates that the economy sustained its path to recovery and growth. Headline inflation rate also fell to 12.48% in April from 13.34% in March 2018.

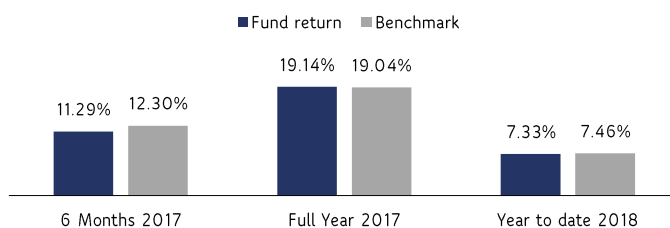
The Monetary Policy Committee met and left all key rate indicators unchanged due to the risk associated with election related spending and in preparation of any external shocks such as oil prices that could destabilize the economy.

On a month-on-month basis, yields in the treasury bills market declined due to increased market liquidity and limited supply of long dated maturities. Treasury bills auction rates dropped to 10%, 10.30% and 11.00% in May from 10.90%, 12.00% and 12.078% in April 2018 on the 91, 182 and 364 days maturity. Bond yields printed higher at 13.50% and 13.55% at May's auction from 12.85% and 12.89% in April on the 7 & 10 year maturity due to the sell-off in Emerging markets and rise in yields in the US.

Fund and market outlook

We expect a possible rise in the exit of foreign portfolio investors particularly with elections approaching, foreign and rise in yield in the US. This could lead to rise a in yields in both the treasury bills and bonds market in the short to medium term which could positively impact portfolio performance.

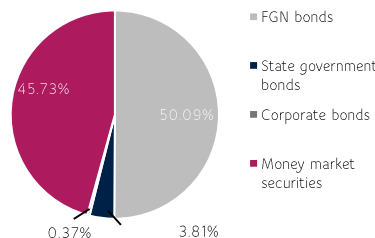
Performance Summary



Historic prices and yields

	Feb-18	Mar-18	Apr-18	May-18
Bid price (₦)^	1,180.67	1,196.72	1,151.87	1,159.91
Yield to maturity^	15.18%	15.06%	14.46%	14.21%

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%