

INVESTING

FBN FIXED INCOME FUND

All data as at August 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	₦5.5bn
Base currency	(₦)
NAV per share	₦ 1,184.85
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 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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A part of the FBN Holdings Group

Monthly Comments

Fund and market review

In the period under review, volatility in the bonds market increased considerably as bond yields rose significantly across the curve breaking the 15.00% yield level due to an aggressive sell-off from foreign portfolio investors and contagion effect from the risk-off sentiment in Turkey, Argentina and South Africa. The significant jump in the 182days and 364day maturity at the treasury bills primary auction also ignited the rise in bond yields in the secondary market by month end.

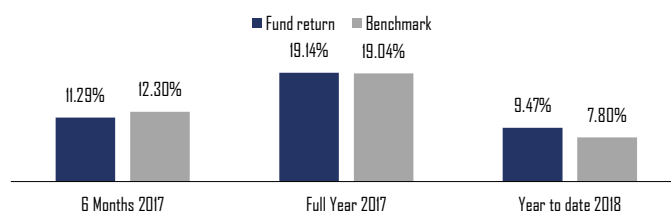
In the treasury bills market, the closing rates at the last primary auction experienced a significant jump as treasury bills auction rates closed at 11.00%, 12.30% and 13.0456% in August from 10.00%, 10.50% and 11.49% in July 2018 on the 91, 182 and 364 days maturities respectively. The secondary market closed the month on a bearish note due expectation of higher rates.

The Fund's performance weakened on a month-on-month basis from a growth of 0.71% in July to 0.69% in August 2018. The Fund's underperformance could be attributed to the sell-off experienced in the Fixed Income space especially bonds which have been impacted by the rise in yields and negatively impacted the performance of the Fund due to an exposure of over 50% to bonds. However, the Fund outperformed its benchmark on a year-to-date basis with a return of 9.47% in contrast to the benchmark's return of 7.80%.

Fund and market outlook

As the election cycle draws closer and the risk-off sentiment for risky assets increase, we expect yields in the fixed income space to trend higher than the current level of 15.00% in the bonds market and 12.15% in the treasury bills market. This should impact negatively on the Fund's performance due to exposure to bonds but provide an opportunity to invest in high yielding bonds and treasury bill instruments which impact the Fund's growth.

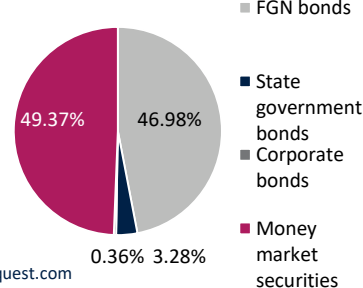
Performance Summary



Historic prices and yields

	May-18	Jun-18	Jul-18	Aug-18
Bid price (₦)^	1,159.91	1,168.04	1,176.83	1,184.85
Yield to maturity^	14.21%	13.47%	13.34%	13.37%

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%