

INVESTING

FBN NIGERIA EUROBOND (USD) FUND

All data as at June 30th 2018 unless otherwise stated



Fund Overview

Investment objective

The Fund seeks to provide competitive income and total returns in USD primarily by investing in USD debt instruments of the Nigerian government, corporate and financial institutions.

Fund facts

Fund Manager	Ifeoluwa Dixon, Tutu Owolabi-Kadiku CFA, Adeyemi Roberts
Fund launch date	4th January 2016
Fund size	\$2,550,989.02
Base currency	US Dollars (\$)
Unit classes	I unit class: Institutional R unit class: Retail
NAV per share	I unit class: \$112.10 R unit class: \$111.93
Annual management fee	I unit class: 1.00% R unit class: 1.50%
Minimum investment	I unit class: US\$ 100,000 R unit class: US\$ 2,500
Minimum holding period	180 days*
Income accrual	Daily
Income distribution	Semi-annually (March and September)
Risk profile	Medium**
Benchmark	3-Year Nigeria Eurobond
Total Expense Ratio	I unit class: 1.72% R unit class: 1.20%

Fund highlights

The Fund is an open ended mutual fund that invests in a broad range of long tenured US Dollar denominated debt securities issued by the Federal Government of Nigeria (FGN), state governments and highly rated corporate and financial institutions. The Fund may also invest to a limited extent in Nigerian local currency debt instruments where such an investment in the opinion of the Fund Manager will enhance return without exposing the Fund to undue currency risk.

Investor profile

The Fund may be suitable for foreign currency deposit investors who wish to mitigate the exchange rate risk by diversifying their wealth by investing in USD denominated investments. Due to the higher volatility of Nigerian debt securities, investors should have at least a 3-5 year investment horizon.

Source: FBN Capital Asset Management

* Redemption notice period: 30 business days.

No additional charges are applied on redemption. However, units redeemed earlier than the 180 business days minimum holding period will incur a processing fee of 20% on the income earned on the value of such redemptions.

** The Fund Manager deems the Fund to have a 'Medium' risk profile because it invests the majority of its assets in bonds.

^ Bid price is stated net of fees and expenses with dividends reinvested.

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

Monthly Comments

Fund and market review

The Sub-Saharan Africa (SSA) market was bearish in the month of June due to uncertainty in global markets, leading to risk aversion by foreign investors. The main cause of uncertainty was the escalating trade war between the United States of America (US) and China which is expected to have significant negative effects on US companies and consumers. Local investors were more focused on the Nigerian Sovereign Eurobonds during the month.

Relatively higher yields in the US also led to sustained investor sell off in the SSA space. The US Federal Reserve raised its target rate for the fourth time in 2018 to a range of 1.75% to 2% and said that it would be appropriate to hike two more times in 2018 due to economic growth rising at a solid rate, a decline in the unemployment rate and a pickup in household spending. The drop in yields in the US 10 year Treasury bond from 3.1% in the previous month to 2.8% did not translate to more buying pressure in SSA securities and the fund was negatively affected as a result.

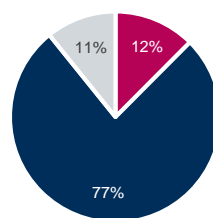
The Organization of the Petroleum Exporting Countries (OPEC) met in June and agreed to boost supply of crude oil by 1 million barrels per day to help reduce prices and prevent a supply shortage. Despite the objective of the agreement, crude oil prices rose by 2% as investors concluded that the increase in production would be less than the figure announced. Brent crude closed the month at \$79.23 per barrel; a welcome development for oil producing countries.

Portfolio and market outlook

We expect the market to trade on a cautious note and foreign investors to stay on the sidelines due to uncertainty in global markets. The subdued bond prices may serve as an attractive entry point for investors still interested in higher yields.

Performance and positioning

Current allocation



- EURO BONDS (FGN)
- EURO BONDS (CORPORATE)
- PLACEMENTS

Asset allocation ranges

Nigerian Sovereign Eurobonds	10 - 50%
Nigerian Corporate Eurobonds	60 - 90%
Nigerian non-USD denominated fixed income instruments	0 - 10%
Other external funds of similar characteristics	0-20%

Sector Breakdown

Sovereign & Supranationals	12%
Corporates	88%

Credit Rating Breakdown

B	77.18%
B-	22.82%
CCC	0.00%
CC	0.00%

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Performance

Historic prices

	Apr-18		May-18		Jun-18	
	I unit class	R unit class	I unit class	R unit class	I unit class	R unit class
Bid price (\$)^	112.28	112.42	113.41	113.29	112.10	111.93

Total Return Analysis

