

INVESTING

FBN NIGERIA EUROBOND (USD) FUND

All data as at January 31st 2019 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 <small>CFA</small> , Adeyemi Roberts
Fund launch date	4th January 2016
Fund size	\$3,302,697.37
Base currency	US Dollars (\$)
Unit classes	I unit class: Institutional R unit class: Retail
NAV per share	I unit class: \$115.23 R unit class: \$115.21
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: 1.16% R unit class: 1.68%

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 Eurobond space opened the year on a bullish note with a significant reversal from the sell-offs witnessed towards the end of year 2018. The bullish sentiment was due to a change in tone from the United States (US) Federal Reserve (Fed) concerning the pace of rate hikes and this has led to significant demand for SSA Eurobonds which still offer relatively attractive yields. As a result, some bonds became scarce as the demand outweighed supply in the market.

At the end of January, the Fed Chairman Jerome Powell stated that the case for raising rates in the US had weakened due to sluggish inflation, slowing growth in China and Europe and the possibility of another US government shutdown. Powell also suggested a possible increase in the bond buying programme and pause in rate hikes and this surprised global markets which rose sharply after the announcement in tandem with a weaker dollar.

The positive news for emerging markets continued as Brent Crude prices rose by 14% during the month to close at \$60.84 from \$53.02 per barrel. The rally in oil prices was due to the emergency production cuts by the Organization of the Petroleum Exporting Countries (OPEC), expected disruptions in supply from Venezuela due to the financial and political crisis in the country as well as easing concerns about the global economy.

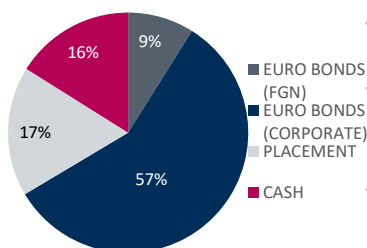
The rally in the market led to a 1.41% year to date return on the Fund to close the month at \$115.21 from \$113.61 at the beginning of the year.

Portfolio and market outlook

We expect the bullish run in the Eurobond space to continue with demand expected from foreign investors looking to invest in relatively attractive yields in emerging markets amid a neutral tone by the US Fed and an improved outlook on oil. The portfolio is expected to appreciate in value as a result.

Performance and positioning

Current allocation



Asset allocation ranges

Nigerian Sovereign Eurobonds	0 – 60%
Nigerian Corporate Eurobonds	25 – 90%
Nigerian non-USD denominated fixed income instruments	0 - 10%
Other external funds	0-20%
Money Market Instruments	0 – 50%
Cash	0 – 5%

Sector Breakdown

Sovereign & Supranationals	13%
Corporates	87%

Credit Rating Breakdown

B	64%
B-	16%
CCC+	20%
CC	0.00%

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

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Performance

Historic prices

	Nov-18		Dec-18		Jan-19	
	I unit class	R unit class	I unit class	R unit class	I unit class	R unit class
Bid price (\$)^	112.12	111.83	113.89	113.61	115.23	115.21

Total Return Analysis

