

INVESTING

FBN NIGERIA EUROBOND (USD) FUND

All data as at July 31st 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 | \$2,748,900.90 |
| Base currency | US Dollars (\$) |
| Unit classes | I unit class: Institutional R unit class: Retail |
| NAV per share | I unit class: \$113.94 R unit class: \$113.79 |
| 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: 1.20% R unit class: 1.72% |

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

In July, crude oil prices fell by 7%, the most significant loss in two years due to the escalating trade war between the United States of America (U.S) and China. The trade war has threatened economic growth in the US. An increase in oil supply from Saudi Arabia also added to the decline in prices which fell to \$71.84 per barrel but recovered to close at \$75.55 at the end of the month.

The Sub-Saharan Africa Eurobond market traded cautiously at the beginning of the month due to the aforementioned tensions between the U.S and China, and the rising yields in the US. The yield on the benchmark US 10-year Treasury note closed the month higher at 2.96%, while the yield on the 30-year Treasury bond slipped to 3.08%. There was considerable anticipation concerning the upcoming Federal Reserve (Fed) meeting, although the Fed was expected to hold rates steady and increase rates in the nearest future.

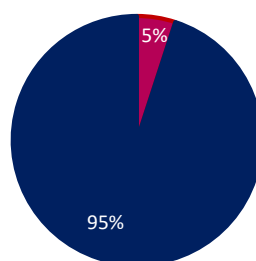
The cautious trading was reversed before the end of the month as there was increased risk appetite from investors who still saw value and believed that the earlier selloff in the market was excessive. Renewed interest in SSA Eurobonds helped to boost portfolio value during the period with bond holdings appreciating in value. First Bank of Nigeria announced that the 2020 Eurobond will be redeemed in August and market participants took position in anticipation of increased liquidity that would hit the market.

Portfolio and market outlook

We expect the rebound in the market to continue, with the liquidity expected from the First Bank 2020 bonds likely to be re-invested in other bonds. This is expected to offset any outflows from foreign investors who may be concerned about higher rates in the US, and help boost portfolio returns.

Performance and Positioning

Current allocation



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 | 5% |
| Corporates | 95% |

Credit Rating Breakdown

| | |
|-----|-------|
| B | 87% |
| B- | 13% |
| CCC | 0.00% |
| CC | 0.00% |

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Performance

Historic prices

| | May-18 | | Jun-18 | | Jul-18 | |
|------------------------|--------------|--------------|--------------|--------------|--------------|--------------|
| | I unit class | R unit class | I unit class | R unit class | I unit class | R unit class |
| Bid price (\$)^ | 113.41 | 113.29 | 112.10 | 111.93 | 113.94 | 113.79 |

Total Return Analysis

