

# INVESTING

## FBN NIGERIA EUROBOND (USD) FUND

All data as at 30 November 2017 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 Adekoya CFA, Adeyemi Roberts
Fund launch date	4th January 2016
Fund size	\$2,054,656.31
Base currency	US Dollars (\$)
Unit classes	I unit class: Institutional R unit class: Retail
NAV per share	I unit class: \$112.11 R unit class: \$111.23
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\$ 1,000
Minimum holding period	180 days*
Income accrual	Daily
Income distribution	Semi-annually (March and September)
Risk profile	Medium**
Benchmark	3-Year Nigeria Eurobond

#### 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 the United States of America (USA), impressive GDP data, progress in the plan by members of the US congress to revamp the tax system as well as indications that there may be a rate hike in December helped the dollar to rally in November. The Bank of England raised interest rates for the first time in a decade and indicated that there will only be gradual increases in interest due to concerns about the fragility of the economy, which was adversely affected by the United Kingdom leaving the European Union.

Oil prices oscillated between \$61 and \$64 per barrel during the month with a dip in price caused by the International Energy Agency lowering its forecast for demand. However, prices were supported by increased expectations of an extension of the deal by the Organisation of Petroleum Exporting Countries (OPEC) to extend production cuts till the end of 2018. Nigeria and Libya were no longer exempted from production cuts.

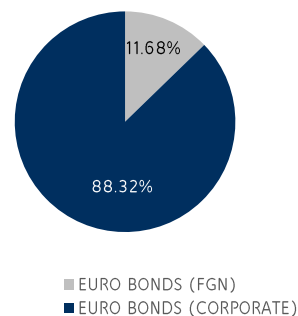
Nigeria issued \$1.5 billion each for a 10 year and 30 year bond in an attempt to reduce the cost of government borrowing. The new issues were oversubscribed and existing bank Eurobonds gained as a result, which helped to support the portfolio. There was some risk aversion from foreign investors due to distress in some emerging market countries but this reversed into strong demand for Sub-Saharan Africa (SSA) Eurobonds towards month end Nigeria's sovereign rating as well as Nigerian banks were downgraded by Moody's (a global ratings agency). This had little effect as interest in the market was maintained as clearly shown by demand for Nigeria's Eurobonds.

#### Portfolio and market outlook

We expect cautious trading from investors as we await the decision by the US Federal Reserve on interest rates in December. However, the outlook for oil remains positive due to extensions in production cuts which should lead to more confidence from foreign investors to push inflows into SSA markets.

#### 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	11.68%
Corporates	88.32%

##### Credit Rating Breakdown

B	71.09%
B-	28.91%
CCC	0.00%
CC	0.00%

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### Performance

#### Historic prices

	Sep-17		Oct-17		Nov-17	
	I unit class	R unit class	I unit class	R unit class	I unit class	R unit class
Bid price (\$)^(	111.91	110.86	111.71	110.55	112.11	111.23

#### Total Return Analysis

Retail Share Class	Q1 2016	Q2 2016	Q3 2016	Q4 2016	Q1 2017	Q2 2017	Q3 2017	YTD Nov 2017
Total Return	1.05%	1.67%	2.01%	2.03%	3.42%	1.68%	2.91%	10.70%
Total Return (Cumulative)	1.05%	2.74%	4.81%	6.94%	10.62%	12.47%	15.47%	18.08%
Yield to Maturity	10.96%	7.20%	6.45%	6.19%	6.72%	7.98%	6.38%	5.99%

