

INVESTING

FBN NIGERIA EUROBOND (USD) FUND

All data as at April 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	\$1,937,504.23
Base currency	US Dollars (\$)
Unit classes	I unit class: Institutional R unit class: Retail
NAV per share	I unit class: \$112.28 R unit class: \$112.42
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 month started on a bullish note in the Sovereign Sub-Saharan Africa (SSA) Eurobond space especially in Nigerian Eurobonds. The first Nigerian Monetary Policy meeting in 2018 resulted in the benchmark rate being maintained at 14%, with significant buying pressure from local investors ensuing thereafter. There was uncertainty in the market with investors paying attention to yields on the United States (US) 10 year bond which crossed the 3% mark. There was an initial sell-off in the sovereign Eurobond space but it was not as aggressive as expected.

The difference in yields between the Nigerian Sovereign and Bank Eurobonds reduced, as both onshore and offshore investors looked to buy bonds at lower prices. The International Monetary Fund (IMF) predicted that the Nigerian economy will grow at 2.1 per cent in 2018 as against 0.8% in 2017 but pointed out susceptibility to oil price shocks.

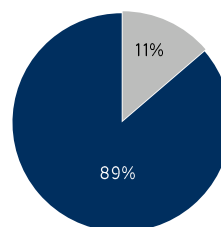
Political risks also affected trading with concerns around the US pulling out of a nuclear deal with Iran. In addition, there were fears of a trade war between China and the United States but China struck a peaceful tone and this led to a rally in oil prices to highs of over \$75 per barrel which is the highest level since November 2014. The stability of oil prices at high levels helped to support the market and portfolio during the month. The portfolio paid out returns of \$2.72 per unit for the period ended March 2018.

Portfolio and market outlook

The relatively muted reaction to rising yields in the US hints that SSA securities remain resilient to foreign investors. We expect the trend to continue in the short term and the portfolio manager will continue to work to achieve competitive returns for investors.

Performance and positioning

Current allocation



■ EURO BONDS (FGN)
■ EURO BONDS (CORPORATE)

Sector Breakdown

Sovereign & Supranationals	11%
Corporates	89%

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%

Credit Rating Breakdown

B	87.29%
B-	12.71%
CCC	0.00%
CC	0.00%

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Performance

Historic prices

	Feb-18		Mar-18		Apr-18	
	I unit class	R unit class	I unit class	R unit class	I unit class	R unit class
Bid price (S)^	114.36	114.35	114.78	114.78	112.28	112.42

Total Return Analysis

