

INVESTING

FBN NIGERIA EUROBOND (USD) FUND

All data as at February 28th 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	\$1,939,424.41
Base currency	US Dollars (\$)
Unit classes	I unit class: Institutional R unit class: Retail
NAV per share	I unit class: \$114.36 R unit class: \$114.35
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

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

It was another active month for the Nigerian Bank Eurobond market with strong trading activity seen across most issues. Sub-Saharan Africa (SSA) Sovereign Eurobonds saw weaker performance especially at the beginning of the month when Brent crude dropped below \$63 a barrel.

The market was quiet before the release of US inflation data which came out strong and triggered some more sell-offs in the Sovereign Eurobond space. Nigeria issued a \$1.25 billion bond maturing in 2030 at a yield of 7.143% and a \$1.25 billion bond maturing in 2038 at a yield of 7.696%. The bonds were significantly oversubscribed with total demand of \$11 billion which came mostly from foreign investors as local investors prefer bank Eurobonds.

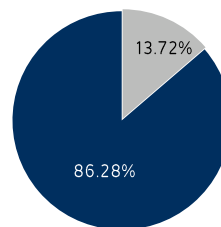
The Republic of Kenya also issued 10 and 30 year bonds at 7.25% and 8.25% which also saw healthy demand even from Nigerian investors due to the high yields offered. The new issues from Nigeria and Kenya helped to spur demand across the market which helped it to recover from earlier losses. However, comments made by the new Chairman of the Federal Reserve (Fed) led markets to believe that there would be more aggressive interest rate rises in the United States of America (USA) and caused selloffs in the market by month end. The portfolio remained stable despite oscillations in the market.

Portfolio and market outlook

We expect the Sovereign SSA Eurobonds to continue to experience weakness due to expected rate increases and higher current yields in the USA. Nigerian Bank Eurobonds should still remain attractive with willing buyers for most bonds especially those trading at or below par value to the benefit of the portfolio.

Performance and positioning

Current allocation



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

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	10.82%
Corporates	89.18%

Credit Rating Breakdown

B	81.16%
B-	18.84%
CCC	0.00%
CC	0.00%

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Performance

Historic prices

	Dec-17		Jan-18		Feb-18	
	I unit class	R unit class	I unit class	R unit class	I unit class	R unit class
Bid price (S)^	112.86	112.75	114.41	114.32	114.36	114.35

Total Return Analysis

