

INVESTING

FBN NIGERIA EUROBOND (USD) FUND

All data as at October 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	\$3,210,664.12
Base currency	US Dollars (\$)
Unit classes	I unit class: Institutional R unit class: Retail
NAV per share	I unit class: \$113.20 R unit class: \$113.44
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

In October 2018, the sovereign Eurobond market was quite tense and lacking in direction amidst geopolitical issues and the trade war between the United States (US) and China. Bonds in Emerging markets as well as Sub-Saharan markets were re-priced on the back of the interest rate hike by the US Federal Reserve by 25 basis points, to a range of 2% to 2.25%.

The Sovereign Eurobond market experienced net outflows as more bonds were sold in the market than purchased. The bank bond market was driven majorly by liquidity and saw an increase in demand for Tier 1 banks like Access Bank, Zenith Bank and UBA. The Bond market was characterized by net outflows on the back of uncertainty around upcoming political elections in Nigeria.

The stability of oil prices at relatively high levels was disrupted as Crude oil suffered the worst monthly drop of c.9%, its steepest decline since July 2016 to close at \$75.04 per barrel from \$82.73 at the beginning of the month. This was as a result of negative market sentiments and the trade war between the US and China, which led to a weakened demand outlook.

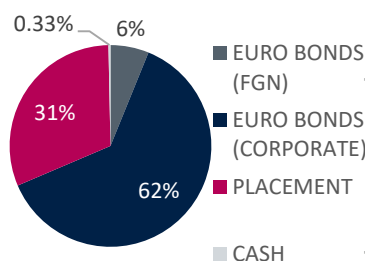
The Fund closed the month with a bid price of \$113.20 and \$113.44 for retail and institutional investors respectively. Returns for the period ended April to September were paid to investors at a value of \$1.41 per unit; representing a dividend yield of 1.23%.

Portfolio and market outlook

We expect the weak sentiment from foreign investors to continue in the short run amid ongoing geo-political tensions. However, the market is expected to receive support from local investors looking to invest their funds in dollars to pick up some attractive yields and hedge against political risk and a devaluation of the Naira; thereby contributing to a stable portfolio performance.

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	6%
Corporates	94%

Credit Rating Breakdown

B	79%
B-	21%
CCC	0.00%
CC	0.00%

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Performance

Historic prices

	Aug-18		Sep-18		Oct-18	
	I unit class	R unit class	I unit class	R unit class	I unit class	R unit class
Bid price (\$)^	114.06	113.84	114.56	114.36	113.20	113.44

Total Return Analysis

