

INVESTING

FBN NIGERIA EUROBOND (USD) FUND

All data as at February 28th 2019 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 <small>CFA</small> , Adeyemi Roberts
Fund launch date	4th January 2016
Fund size	\$3,388,074.11
Base currency	US Dollars (\$)
Unit classes	I unit class: Institutional R unit class: Retail
NAV per share	I unit class: \$115.80 R unit class: \$115.74
Annual management fee	I unit class: 1.00% R unit class: 1.50%
Minimum investment	I unit class: \$100,000 R unit class: \$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

The rally in the Sub-Saharan Africa Eurobond space continued in the month of February. This demand led to a drop in yields on Nigerian sovereign Eurobonds by an average of 35 basis points across the curve. The sustained demand for emerging market securities from foreign investors could be attributed to the slower pace of rate hikes by the United States (US) Federal Reserve (Fed) and lower yields in US treasury bonds.

Oil prices rallied during the month due to increasing expectations that the cuts in supply by the Organisation of Petroleum Exporting Countries (OPEC) would prevent rising oil inventories. Brent crude closed the month at \$66 per barrel which was the highest price since November 2018. The Saudi Minister for oil also reiterated their commitment to rebalance the market and implied that production cuts could be extended after the first half of the year. These developments are positive for Nigeria where the 2019 budget is hinged on an oil price of \$60 per barrel.

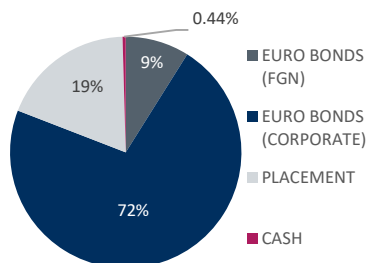
The elections in Nigeria did not have much of an effect on the bullish sentiment as investors continued to buy sovereign Eurobonds prior to and after the elections. Towards the end of the month, local investors shifted attention to some of the Nigerian bank Eurobonds, leading to demand for Fidelity and UBA Eurobonds. The price of other bank Eurobonds decreased month on month, apart from the Zenith Bank 2022 bond which closed relatively flat from the previous month. The fund price rose by 0.46% to close at \$115.74 per unit from \$115.21 in January due to more exposure to corporate Eurobonds which didn't rally as much as the sovereign Eurobond used as the benchmark.

Portfolio and market outlook

We expect the Nigerian Eurobond space to continue to see demand from both foreign and local investors looking to gain exposure to attractive yields. The fund manager will continue to actively manage the portfolio to take advantage of market developments.

Performance and positioning

Current allocation



Asset allocation ranges

Nigerian Sovereign Eurobonds	0 – 60%
Nigerian Corporate Eurobonds	25 – 90%
Nigerian non-USD denominated fixed income instruments	0 - 10%
Other external funds	0-20%
Money Market Instruments	0 – 50%
Cash	0 – 5%

Sector Breakdown

Sovereign & Supranationals	9%
Corporates	91%

Credit Rating Breakdown

B	67%
B-	13%
CCC+	20%
CC	0.00%

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A part of the FBN Holdings Group

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Performance

Historic prices

	Dec-18		Jan-19		Feb-19	
	I unit class	R unit class	I unit class	R unit class	I unit class	R unit class
Bid price (\$)^	113.89	113.61	115.23	115.21	115.80	115.74

Total Return Analysis

