

FBN NIGERIA SMART BETA EQUITY FUND

All data as at June 30th 2018 unless otherwise stated



Fund Overview

Investment objective

The Fund seeks to provide long-term capital growth by investing primarily in a portfolio of equities listed in Nigeria.

Fund facts

Fund Managers	Laura Fisayo-Kolawole CFA, Kike Mesubi CFA, Oluwaseun Magreola
Fund launch date	4th January 2016
Fund size	₦541.2m
Base currency	Naira (₦)
NAV per share	₦177.54
Total Expense Ratio	1.63%
Minimum investment	₦50,000.00
Annual management fee	1.50%
Risk profile	High*
Benchmark	NSE 30

Fund highlights

The Fund is an open ended mutual fund that invests in a diversified portfolio of high quality Nigerian companies that are domiciled in, or carry out part of their economic activity in Nigeria.

In order to manage liquidity, the Fund may invest in short term money market instruments and deposits with credit institutions which may be held from time to time.

Fund strategy

The Fund uses a simple systematic rules-based investment strategy that is designed to capitalize on equity market inefficiencies specific to the Nigerian equity market, as established by extensive in-house quantitative research. The strategy is commonly known as smart beta investing.

The Portfolio Managers draw constituents from the largest 40 stocks (by market capitalization) and screen these stocks based on the following anomalies: value, momentum, profitability and dividend yield. Weights assigned to stocks are screen-rank-driven.

Investor Profile

The Fund is suitable for investors who are seeking long-term capital growth, require minimal income and can tolerate market volatility.

The Fund may be suitable for investors looking for a source of long-term capital growth and income through exposure primarily to equity securities in Nigeria. Investors in this Fund should have at least a three to five years investment horizon.

Benchmark

Nigerian Stock Exchange 30 Index (net of fees)

Source: FBNQuest Asset Management

* The Fund has a 'High' risk profile given it invests the majority of its assets in equities. The value of equity securities may go down as well as up in response to the performance of individual companies and general market conditions.

^ Bid price is stated net of fees and expenses.

Minimum holding period: 90 business days.

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 Fund gained 4.4% during the month, outperforming its benchmark, the NSE 30 (total return) which gained 1.5%. The Fund has gained a total return of 10.4% year to date compared to a total return of 3.0% and 3.6% for the NSE 30 and the NSEASI respectively.

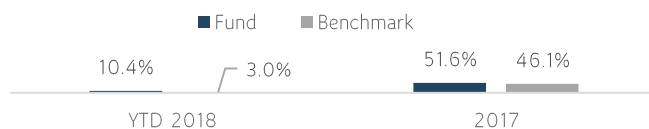
Although the equities market (NSEASI) rose marginally during the month, it was characterised by negative investor sentiments which outweighed the effects from the improvement in the macroeconomic environment as there was continued sell-off by investors. These investors pulled back from emerging markets, including Nigeria, to reinvest in developed markets given the improving fundamentals within the latter markets. The National Bureau of Statistics (NBS) released its Consumer Price Index (CPI) for the month of May showing a sixteenth consecutive slowdown in headline inflation to 11.6% (from 12.4% in April). The Federal Government of Nigeria, after months of deliberations, passed the 2018 ₦9.1trn budget into law in the government's continued drive to foster the improvement of the economy. Furthermore, the Central Bank of Nigeria released the Purchasing Managers Index for the month of June, which stood at 57.0 index points; the fifteenth consecutive expansion, underpinning the generally positive macro story.

Fund and market outlook

We expect the recent sell off in the equities market to continue in the short term especially as foreign investors refocus on developed market options such as US debt following interest rate hikes. This is expected to further drag local equities, however, this would provide decent entry opportunities into names with potential for growth. Also, with the build-up to the 2019 general elections, we expect investors to adopt a wait-and-see approach in making investment decisions. Nevertheless, we expect the market to find necessary support on the back of the improving macroeconomic environment.

Performance and Positioning

Total Return Performance Summary



Historic prices

	Oct-17	Nov-17	Dec-17	Jan-18	Feb-18	Mar-18	Apr-18	May-18	June-18
Bid price (₦)^	157.43	163.60	170.78	195.85	193.51	183.50	182.95	170.08	177.54
Distribution (₦)	11.00								

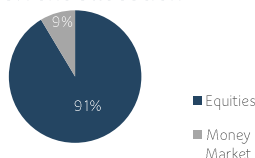
Top 5 equity holdings

Okomu Oil	6.80%
Stanbic	6.01%
Nascon	5.92%
Presco	5.57%
Nestle	5.37%

Top 5 Sector Exposure

Financial Services	28.41%
Consumer Goods	24.18%
Industrial Goods	18.60%
Agriculture	12.09%
Health Care	4.78%

Current allocation



Asset allocation ranges

Fixed Income	0-25%
Equities	75-100%