

# INVESTING

## FBN NIGERIA SMART BETA EQUITY FUND

All data as at March 31st 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 Thorpe CFA, Kike Mesubi CFA, Oluwaseun Magreola
Fund launch date	4th January 2016
Fund size	₦528.42m
Base currency	Naira (₦)
NAV per share	₦183.50
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 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.

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 0.5% during the month, outperforming its benchmark, the NSE 30 and the NSE All Share Index which dropped by -4.4% and -4.21% respectively. The Fund has gained 13.9% year to date compared to the NSE 30 and NSE ASI which gained 7.30% and 8.53% respectively. The Fund paid a dividend of ₦11.00 to unitholders during the month.

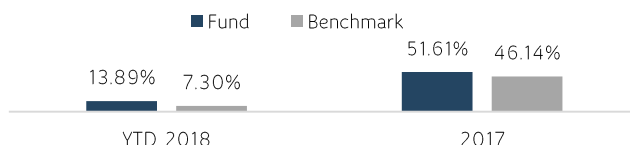
During the quarter, the drop in headline inflation and growth in external reserves failed to spur positive sentiments in the equities space, as investors weighed companies' full year 2017 results. A few banks posted positive results on the back of high yields on government debt instruments. UBA posted strong results as its full year results showed double-digit y/y growth for both revenue and PBT; the bank proposed a final dividend of 65 kobo. Zenith Bank posted a strong set of numbers for the full year 2017 driven by a 119.2% y/y growth in non-interest income as a result of 928% and 242% increases in treasury bills and derivative trading income respectively. Zenith declared a final dividend of 245kobo. GTBank's results showed net interest income growth of 26.2% y/y and declared a final dividend of 240kobo per share. GTBank's shares sold off marginally as the market expected higher dividends than was declared. Access Bank posted a -12.5% drop in PBT y/y in 2017 mainly driven by a flat y/y non interest income and a sharp rise in loan impairment charges. In the Industrial space, Dangote Cement showed strong margin recovery in Q4 2017 as volume declines were countered by price increases and cheaper energy sourcing. DangCem declared dividend of ₦10.35. The Fund, with its diversified portfolio, is reaping the benefits of taking equity risk.

#### Fund and market outlook

Barring any significant changes in the macro-economic environment, we expect companies to face a less challenging operating environment in 2018. As companies release Q1 2018 results, we expect those to drive the performance of the market and by extension, the Fund.

### Performance and Positioning

#### Historic prices



### Performance Summary

	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17	Jan-17	Feb-18	Mar-18
Bid price (₦)^	155.70	152.19	151.18	157.43	163.60	170.78	195.85	193.51	183.50
Distribution (₦)									11.00

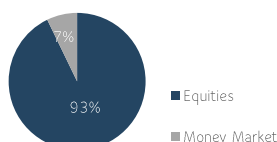
#### Top 5 equity holdings

GlaxoSmithKline	5.83%
Lafarge Wapco	5.83%
Nestle	5.72%
Flour Mills	5.63%
Transcorp	5.60%

#### Top 5 Sector Exposure

Financial Services	28.60%
Consumer Goods	24.37%
Industrial Goods	17.41%
Agriculture	10.06%
Health Care	7.57%

#### Current allocation



#### Asset allocation ranges

Fixed Income	0-25%
Equities	75-100%