

FBN NIGERIA SMART BETA EQUITY FUND

All data as at 31st January 2019 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, Harrison Imonikhe
Fund launch date	4th January 2016
Fund size	₦267.88m
Base currency	Naira (₦)
NAV per share	₦146.80
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 returned -2.1% during the month outperforming its benchmark the NSE 30 which returned -4.0% (total return) and the All Share index which returned -2.8%. In line with its rebalancing strategy, the Fund was rebalanced as at 31 December, 2018 and as at the end of the month, the Fund was fully invested in the names and weighting recommended by the model. The rebalancing led to a reduction of the Fund's weighting in the Industrial and consumer sectors and an increase in the weighting to oil and gas names.

The equity market was highly volatile during the month in a period characterized by both bargain hunting and profit-taking. The market reversed its rather short-lived positive performance early in the month as investors engaged in massive sell-offs mainly on the back of increased uncertainty leading up to the general elections and corporate actions. Take-away from the Nigeria Breweries financial markets day and underwhelming financial results released in the Consumer Goods sector by Guinness and Flour Mills cast more pessimism in the minds of investors with negative effect of the new excise duty regime on profit margins being a common denominator amongst companies in the sector. Sentiments towards equities were generally bearish and told on the negative performance of the Fund.

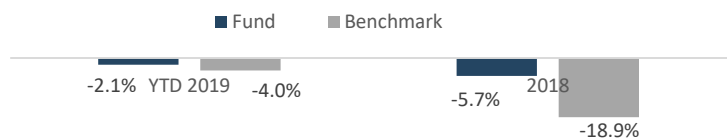
On the global scene, oil prices remained volatile to close at USD62 on the back of political tensions in Venezuela while the US and China continue to resolve ongoing trade tensions. These, alongside other geo-political events led the International Monetary Fund (IMF) to revise its projected global growth downwards to 3.5% from 3.7%. The growth projections for Nigeria were also revised downwards, fuelling negative sentiments.

Fund and market outlook

We expect the equities market to remain volatile on the back of uncertainty leading up to the elections but that provides a good entry point for long term investors. The Fund will be conscientiously managed to maximize returns.

Performance and Positioning

Total Return Performance Summary



Historic prices

	Jul-18	Aug-18	Sep-18	Oct-18	Nov-18	Dec-18	Jan-19
Bid price (₦) [^]	167.04	159.34	152.08	148.87	145.88	149.99	146.80

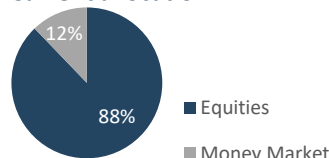
Top 5 equity holdings

CCNN	6.15%
Total	5.47%
Sterling Bank	5.39%
Zenith Bank	5.18%
Okomu Oil	4.99%

Top 5 Sector Exposure

Financial Services	28.19%
Oil and Gas	17.60%
Consumer Goods	13.89%
Agriculture	9.59%
Industrial Goods	7.92%

Current allocation



Asset Allocation Ranges

Fixed Income	0-25%
Equities	75-100%