

INVESTING

FBN NIGERIA SMART BETA EQUITY FUND

All data as at 31st July 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	₦515.87m
Base currency	Naira (₦)
NAV per share	₦167.04
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 dropped by -5.9% during the month, underperforming its benchmark, the NSE 30 (total return) which dropped by -4.2%. The Fund has gained a total return of 4.2% year to date compared to a total return of -1.4% and 0.2% for the NSE 30 and the NSEASI respectively. The portfolio was re-balanced during the month in line with the quantitative model, leading to changes to the portfolio's asset allocation. There were additional names introduced into the portfolio across the Industrial, Oil and Gas, Banking and Consumer sectors.

The negative equity sentiment from prior month persisted into July as investors shifted their focus to corporate earnings. Half year results released by listed companies were generally not strong enough to spur positive investor sentiments. Large cap names such as Nigerian Breweries and Lafarge posted lukewarm results which generally lagged expectations. As earlier projected, the trade war in the Brewery sector has commenced as the key players in the value brand segment fight for market share. NB increased prices to protect margins while International Breweries was willing to sacrifice margins to gain market share. Dangote Cement, Nestle and Seplat, which all remained components of the portfolio released impressive results supporting the Fund's performance.

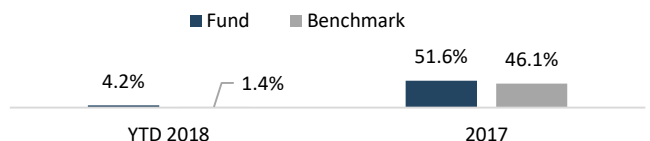
High liquidity in the fixed income market resulted in a drop in yields. The Fund manager sought alternative means to generate competitive returns such as investing in bank placements.

Fund and market outlook

We expect the equity market to oscillate around current levels as foreign investors refocus on developed market and reflect on the impact of the upcoming 2019 elections. This 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

	Jan-18	Feb-18	Mar-18	Apr-18	May-18	Jun-18	Jul-18
Bid price (₦)^	195.85	193.51	183.50	182.95	170.08	177.54	167.04
Distribution (₦)			11.00				

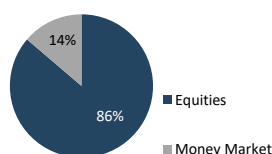
Top 5 equity holdings

CCNN	6.78%
Seplat	5.68%
Mobil	5.16%
Stanbic	4.69%
Nascon	4.62%

Top 5 Sector Exposure

Financial Services	28.80%
Consumer Goods	17.31%
Industrial Goods	13.14%
Oil and Gas	10.84%
Agriculture	8.42%

Current allocation



Asset Allocation Ranges

Fixed Income	0-25%
Equities	75-100%