

FBN NIGERIA SMART BETA EQUITY FUND

All data as at October 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 Fisayo-Kolawole CFA, Kike Mesubi CFA, Oluwaseun Magreola
Fund launch date	4th January 2016
Fund size	₦457.5m
Base currency	Naira (₦)
NAV per share	₦148.87
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 -2.1% during the month and has delivered a total return of -6.4% year-to-date compared to a year-to-date total return of -13.3% and -11.7% for the NSE 30 and the NSEASI respectively.

The equity market was volatile during the month alternating between daily gains and losses; results released during the period lagged expectations leading to further sell-offs in the market with some investors seizing the opportunity to engage in bargain hunting, hence the volatility in daily returns. Worthy of mention is the underwhelming results released by large cap names such as UACN and Dangote Sugar with the latter reporting declines in key line items such as revenue due to reduced prices in an attempt to win back eroded market share. Lukewarm corporate performance, in addition to other factors such as the continued legal dispute between the Central Bank of Nigeria (CBN) and MTN Nigeria, build up to the 2019 elections and the escalating trade war between the US and China, led investors to seek alternative, safer investment destinations apart from the Nigerian equities market. Inflation for the month of September rose to 11.3% (from 11.2% in August) mainly due to a 13.3% rise in food inflation. External reserves fell to USD41.9bn in October (from USD44.4bn in September) as a result of the CBN's continued defence of the Naira while oil prices were volatile during the period due to rising US inventory and geopolitical tensions in Saudi Arabia and Iran.

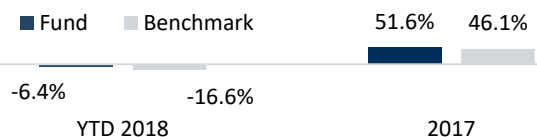
The Fund manager sought to cushion the effect of the downward trend in the equity market by investing in high yielding money market instruments, taking into consideration, the model's prescribed asset allocation.

Fund and market outlook

We expect the equity market to remain volatile as bargain hunters take advantage of low share prices in the midst of continued selloff and rising political uncertainties. 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

	Apr-18	May-18	Jun-18	Jul-18	Aug-18	Sep-18	Oct-18
Bid price (₦) [^]	182.95	170.08	177.54	167.04	159.34	152.08	148.87

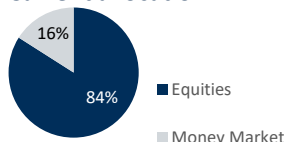
Top 5 equity holdings

CCNN	6.15%
Mobil	5.71%
Seplat	5.60%
Okomuoil	5.13%
Zenith Bank	5.10%

Top 5 Sector Exposure

Financial Services	28.87%
Consumer Goods	16.62%
Industrial Goods	12.42%
Oil and Gas	11.31%
Agriculture	9.56%

Current allocation



Asset Allocation Ranges

Fixed Income	0-25%
Equities	75-100%