

## FBN NIGERIA SMART BETA EQUITY FUND

All data as at 31 August 2017 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 <small>CFA</small> , Kike Mesubi <small>CFA</small> , Oluwaseun Magreola
Fund launch date	4th January 2016
Fund size	₦200.12m
Base currency	Naira (₦)
NAV per share	₦152.19
Minimum investment	₦50,000.00
Annual management fee	1.50%
Risk profile	High*

#### 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 carrying out the main 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: FBN Capital 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.

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### Monthly Comments

#### Fund and market review

The Fund retreated by -2.25% for the month under review. The Fund's performance lagged its benchmark, the NSE 30 which gained 0.15%. On a year to date basis, the Fund has gained 33.30%.

Equity markets were bearish in the month of August, with the NSEASI declining 0.95% over the month. This decline halted five consecutive months of gains and the relatively strong Q2 company results, especially from Tier 1 banks, did not influence the market positively. A number of banks reported their Q2 results. Company results for most of the Banks were generally impressive, as funding income and net interest income rose. However, we noted that expensive deposits meant that funding income was relatively weak for Zenith Bank. Negatively, we saw a spike in operating expenses for most of the banks. Additionally, cost of risk rose as banks adopted a conservative approach and increased provisions to accommodate possible losses from the 9 Mobile (Etisalat) loan. Tier 1 banks declared interim dividends which were in line with market expectations save for Stanbic which proposed a nominal dividend of N0.60k implying a yield and payout ratio of 1.5% and 26% respectively.

Despite low levels of liquidity in the interbank market in August, the treasury bills secondary market rallied. Demand was fuelled by the Central Bank of Nigeria (CBN) offering shorter tenured maturities at its Open Market Operations (OMO) auctions. Market's interpretation of these OMO offerings led to demand for bills especially on the long end. The portfolio continued to benefit from previously purchased bills at relatively high rates.

#### Fund and market outlook

Looking ahead, we expect the equity market rally to slow but remain supported by increasing offshore inflows on the back of positive sentiments and the improving macroeconomic dynamics of the Nigerian economy as the economy returns to growth. Market activities are expected to remain fairly positive on the back of improved FX liquidity and investor confidence.

### Positioning

#### Historic prices

	Jan-17	Feb-17	Mar-17	Apr-17	May-17	Jun-17	Jul-17	Aug-17
Bid price (₦)^	113.90	111.70	114.98	117.89	128.93	146.86	155.70	152.19

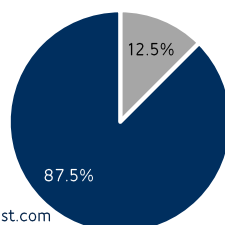
#### Top 5 equity holdings

Dang Sugar	6.33%
Nascon	6.31%
Stanbic	6.18%
GTBank	5.99%
Zenith Bank	5.86%

#### Top 5 Sector Exposure

Financial Services	38.43%
Agriculture	16.82%
Consumer Goods	15.92%
Industrial Goods	7.83%
Oil & Gas	6.87%

#### Current allocation



#### Asset allocation ranges

Fixed Income	0-25%
Equities	75-100%

■ Money Market

■ Equities