

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	₦205.5m
Base currency	Naira (₦)
NAV per share	₦155.7
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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A part of the FBN Holdings Group

Monthly Comments

Fund and market review

The Fund gained 4.6% in the month under review; The Fund's performance lagged its benchmark, the NSE 30 and the NSEASI which gained 8.7% and 8.2% respectively. The semi annual rebalancing of the portfolio meant that some of the best performing stocks in the portfolio had their weighting reduced in line with the model.

The equity market rally in July was driven by the half year results released by listed companies. Offshore and domestic investors took positions in anticipation of positive results on the back of Nigeria's improving macroeconomics. As at month end, about 40 companies had released their H1 2017 results with numbers generally beating expectations. Flagship companies such as Nestle, Nigeria Breweries and Dangote Cement posted results which were received positively. Notably, Dangote Sugar released exceptional results for the quarter, driven by the impact of improved FX liquidity on their gross margin. As a result, the stock rallied 33.0% over the month, both in the run up to and after the results. Within the portfolio, the focus on large cap quality names impacted positively as these names have benefitted from the macroeconomic recovery.

The Monetary Policy Committee of the CBN voted to keep all policy rates constant in July on the back of the stable and improving dynamics of the Nigerian economy. Money market interest rates moved in tandem with the level of liquidity in the system. Yields in the treasury bills market fell by 20bps at the long end of the curve towards the end of July as liquidity was boosted by the Paris club repayment and Bond coupons of over 250bn which caused an uptick in demand.

Fund and market outlook

We expect the equity market rally to slow down but remain supported by increasing offshore inflows, improved H1 results release by Corporates and sustained optimism on economic prospects. Market activities and investors sentiments are expected to remain positive on the back of foreign exchange liquidity, enabling the Fund maintain its strong performance.

Positioning

Historic prices

	Dec-16	Jan-17	Feb-17	Mar-17	Apr-17	May-17	Jun-17	Jul-17
Bid price (₦)^	112.65	113.90	111.70	114.98	117.89	128.93	146.8	155.7

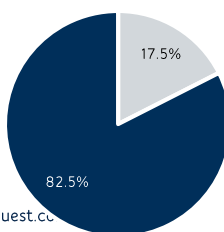
Top 5 equity holdings

Okomu Oil	6.40%
Zenith Bank	6.14%
GTBank	5.85%
UBA	5.76%
Dang Cem	5.69%

Top 5 Sector Exposure

Financial Services	30.53%
Agriculture	15.47%
Consumer Goods	12.55%
Oil & Gas	8.60%
Industrial Goods	6.10%

Current allocation



Asset allocation ranges

Fixed Income	0-25%
Equities	75-100%

* Money Market

* Equities