

FBN NIGERIA SMART BETA EQUITY FUND

All data as at 30 June 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	₦205.5m
Base currency	Naira (₦)
NAV per share	₦146.8
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 13.8% for the month under review; this compares favourably with the performance of the Nigerian Stock Exchange All Share Index and benchmark which gained 12.3% and 11.5% respectively. The positive performance of the equity market boosted the Fund's performance.

Renewed investors' confidence boosted the equity market's performance, which rose on growing optimism and increased offshore demand to close at a month high of 33,117.48 points. Trading activities were very impressive during the month, driven by improved sentiments from both offshore and domestic participants. Positive sentiments were buoyed by improved FX flexibility at the NAFEX window attracting offshore money, coupled with growing domestic participation in anticipation of the implementation of PENCOM reforms which might lead to increased equity market participation by the Pension Funds. In other news, MSCI chose to delay its decision on a potential reclassification of Nigeria from its Frontier Market Index to stand-alone market status (an effective downgrade) until its November 2017 Semi-Annual Index Review.

Rates remained high in the fixed income market with the yield curve flat within the T-bills space and inverted on the bonds side. The Central Bank of Nigeria (CBN) carried out frequent Open Market Operations (OMO) leading to tight system liquidity and as a result, high interest rates. The CBN remains focused on supporting the Naira by keeping liquidity low, reducing speculation on the currency.

Fund and market outlook

We expect the equities market to continue to find support on increasing offshore inflows, improved H1 results release by Corporates and sustained optimism on economic prospects. Market activities and investors sentiments is expected to improve further in the short-to-medium term provided the recent developments in the FX market continues.

Positioning

Historic prices

	Nov-16	Dec-16	Jan-17	Feb-17	Mar-17	Apr-17	May-17	Jun-17
Bid price (₦) [^]	107.92	112.65	113.90	111.70	114.98	117.89	128.93	146.8

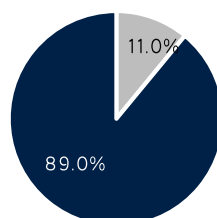
Top 5 equity holdings

Presco	7.76%
UBA	7.72%
Access	7.15%
GTBank	6.45%
Okomu Oil	6.32%

Top 5 Sector Exposure

Financial Services	30.53%
Oil & Gas	16.24%
Agriculture	14.54%
Consumer Goods	14.01%
Industrial Goods	7.17%

Current allocation



Asset allocation ranges

Equities	75-100%
Fixed Income	0-25%

■ Money Market