





MUTUAL FUND FACTSHEET

All data as at 31st October 2019 unless otherwise stated

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Executive Summary

- The Federal Reserve cut its interest rate for the third time this year as the US economy continued slowing amid ongoing trade disputes. The rate was cut by 25bps to a target range of 1.50%-1.75%. The Chairman, Jerome Powell believes the current interest rate is appropriate given the moderate economic growth, strong labour market and inflation growth. He stated that they remain committed to supporting the US economy and will respond accordingly to any unforeseen changes.
- The first compliance check on the adherence to the minimum Loan to Deposit ratio of 60% saw twelve banks penalised for non-compliance. The Central Bank of Nigeria (CBN) fined 12 banks ₦499bn although there was some refund based on revised computation. In addition, the CBN also increased the minimum requirement to 65% effective October 1 2019.
- In another circular, the CBN has restricted Open Market Operations (OMO) participation to banks and foreign portfolio investors. This means that local individuals and corporates (including non-banking financial institutions such as PFAs and asset managers) will no longer be allowed to participate at the OMO auctions nor buy OMO treasury bills from the secondary market.
- There was a flurry of corporate earnings released during the month, most notably in the banking, consumer goods and industrial sectors. Results in the banking sector were characterized by loan growth and diversification of revenue streams. Banks strived to increase lending in order to meet the Central Bank's minimum Loan-to-Deposit ratio of 60% as at September 2019. Further, banks sought to diversify revenue streams by leveraging on income earned from non-lending activities/products such as trade services and electronic banking.
- Results in the Consumer Goods sector were unimpressive as companies continue to grapple with the excise duties imposed this year, stiff competition, shrinking consumer wallets and the border closure. That being said, the impact of the border closure was positive for Dangote Sugar and Okomu; they reported strong revenue growth.

Asset Class	Benchmark	1M (October) %	Year to Date %	Commentary
 Money Market	91 day T-bill	11.7	11.3	<ul style="list-style-type: none"> • The treasury bills market was bullish in the month as a result of the newly introduced changes. The restriction of individuals and local corporates from trading in OMO bills caused investors' to shift focus to the treasury bills issued by the Debt Management Office. The Primary Auction was thus oversubscribed by 4.3x and the stop rates also declined by an average of 160bps from the previous auction.
	181 day T-bill	11.8	12.3	
	364 day T-bill	12.5*	12.5**	
 Fixed Income	BNGRI***	5.6	22.4	<ul style="list-style-type: none"> • The bonds market witnessed significant activity during the month. Demand surged as investors sought to invest proceeds from bond coupons totalling ₦77.2bn and bond maturities of ₦233.9bn. The search for yields by investors led to increased activities which caused yields to decline by 136bps m/m.
	3 Year Federal Government Bond	3.8	17.2	
 Eurobond	3 Year Nigerian Sovereign Eurobond	0.6	11.0	<ul style="list-style-type: none"> • Corporate Eurobonds witnessed some sell off following the debit of ₦499billion by the CBN over failure to meet the Loan to Deposit Ratio, although this was short-lived. Demand for the sovereign bonds was spurred by optimism about the US-China trade war and a rate cut by the FOMC. Reinvestment of coupons from Fidelity Bank, ETI and Access bank also led to further buying pressure.
	5 Year Nigerian Sovereign Eurobond	1.1	15.0	
 Equities	NSEASI	-3.5	-16.1	<ul style="list-style-type: none"> • There was a flurry of corporate activities: Seplat Petroleum Development Company announced a decision to acquire Eland Oil and Gas Plc, we believe this acquisition will boost Seplat's daily oil production by c.30%. • Cement Company of Northern Nigeria (CCNN) announced a proposed merger between itself and Obu Cement Company Plc. Following the merger, CCNN will be delisted from the Nigerian Stock Exchange (NSE) while Obu cement will become the surviving entity which will subsequently be listed on the NSE
	NSE30	-3.9	-24.5	

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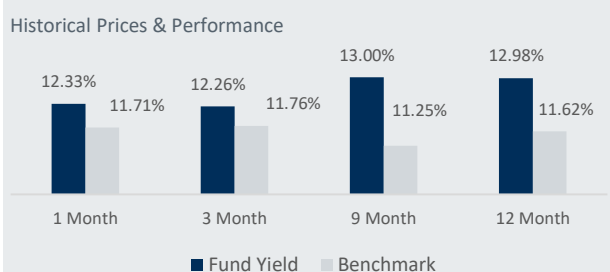
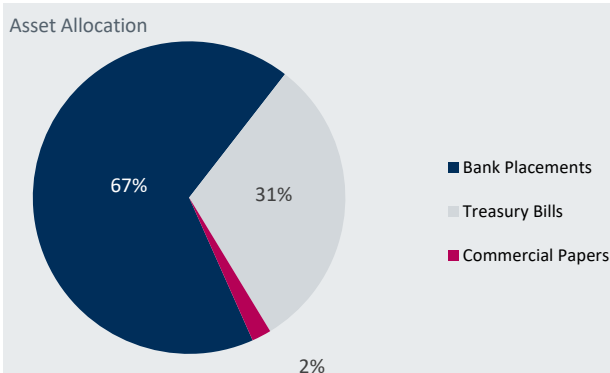
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FBN Money Market Fund Overview

Investment Objective

The Fund seeks to preserve capital and maximise income by offering access to a diversified range of low risk money market instruments in Nigeria. The Fund provides liquidity while providing competitive returns.

Fund Facts	
Fund Manager	Ifeoluwa Dixon, Tutu Owolabi-Kadiku CFA, CAIA
Fund launch date	24th September 2012
Fund size	₦158.11bn
Base currency	(₦)
NAV per share	₦100
Minimum investment	₦5,000
Minimum holding period	30 days
Income accrual	Daily
Income distribution	Quarterly
Annual management fee	0.75%
Total Expense Ratio	0.90%
Risk profile	Low
Custodian	Citibank
Benchmark	Average 91 day Treasury Bill (NTB)

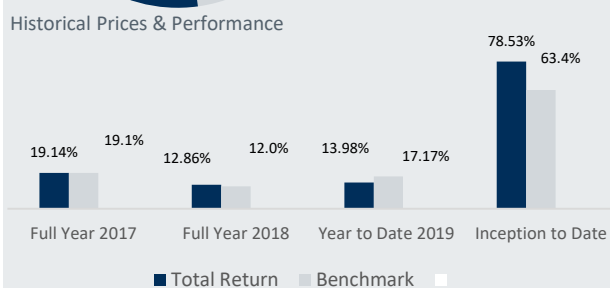
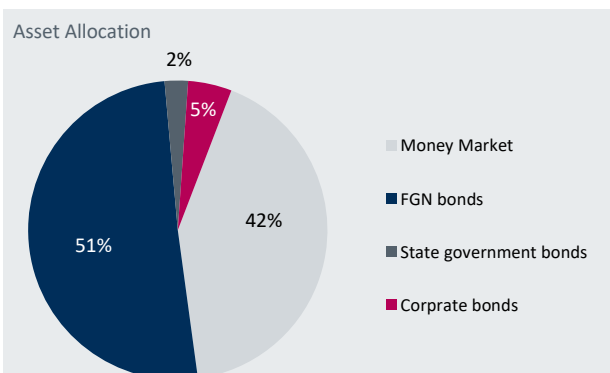


FBN Fixed Income Fund Overview

Investment objective

The Fund is designed to provide capital appreciation and steady income by investing in long tenured debt instruments and short term, high quality money market securities issued in Nigeria.

Fund Facts	
Fund Manager	Ifeoluwa Dixon, Tutu Owolabi-Kadiku CFA, CAIA
Fund launch date	24th September 2012
Fund size	₦6.39bn
Base currency	(₦)
NAV per share	₦1,218.16
Minimum investment	₦50,000
Minimum holding period	90 days
Income accrual	Daily
Income distribution	Semi-annually (April and October) April '19: ₦73.67 October '19: ₦65.08
Total Expense Ratio	1.23%
Risk profile	Low-Medium
Custodian	Citibank
Benchmark	FGN 3 Year Benchmark Bond
Weighted portfolio duration	2-3 years



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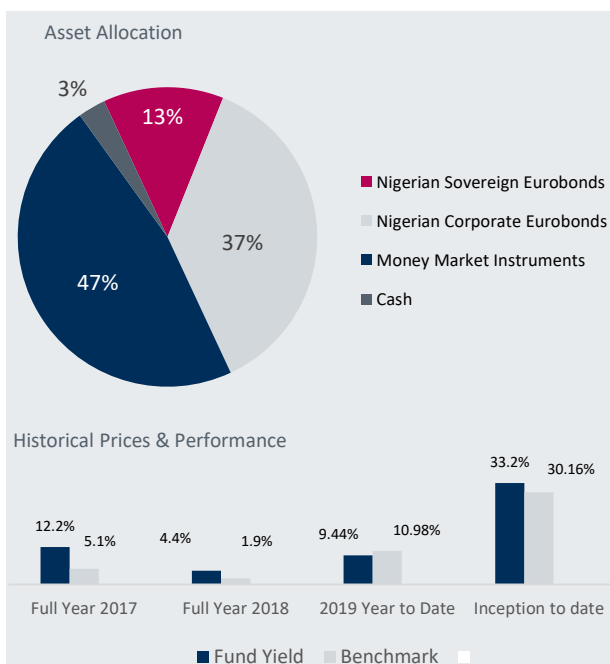
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FBN Nigeria Eurobond Fund Overview

Investment objective

The Fund provides an opportunity to diversify across currencies and serves as a currency hedge through its exposure to USD denominated assets. It provides medium to long term capital appreciation and steady income by investing in USD debt instruments issued by the Nigerian government, corporates and financial institutions

Fund Facts	
Fund Manager	Ifeoluwa Dixon, Tutu Owolabi-Kadiku CFA, CAIA, Adeyemi Roberts CFA
Fund launch date	4th January 2016
Fund size	\$7.68mn
Base currency	US Dollars (\$)
Unit classes	I unit class: Institutional R unit class: Retail
NAV per share	I unit class: \$118.24 R unit class: \$118.79
Minimum investment	I unit class: \$100,000 R unit class: \$2,500
Minimum holding period	180 days*
Risk profile	Medium**
Benchmark	3-Year Nigerian Sovereign Eurobond
Total Expense Ratio	I unit class: 1.16% R unit class: 1.68%
Weighted portfolio duration	2-3 years



FBN Balanced Fund Overview

Investment objective

The Fund seeks to provide downside protection to investors seeking exposure to equity. The downside is achieved through investments in less risky assets such as money market instrument and bonds. The Fund invests primarily in debt instruments and shares of companies listed on an official exchange in Nigeria.

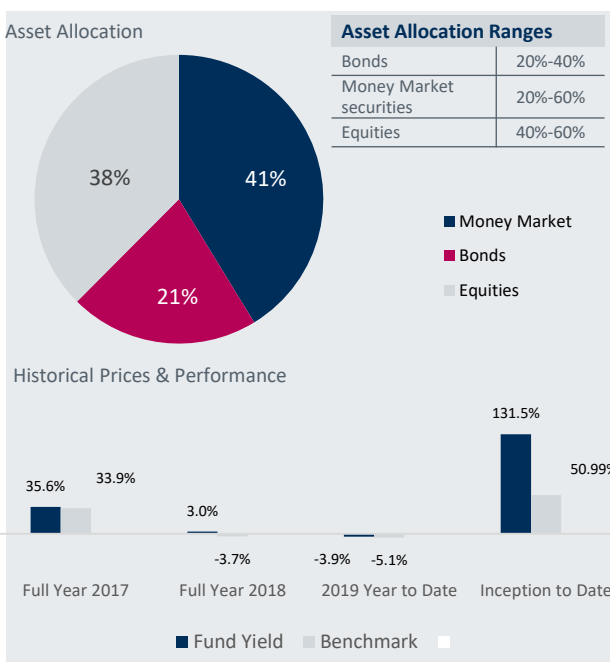
Fund Facts	
Fund Manager	Laura Fisayo-Kolawole, CFA, Kike Mesubi, CFA,
Fund launch date	1 st April 2008
Fund size	₦2.74bn
Base currency	(₦)
NAV per share	₦137.47
Minimum investment	₦50,000
Minimum holding period	90 days
Income accrual	Daily
Annual management fee	1.50%
Total Expense Ratio	1.69%
Risk profile	Medium
Benchmark	50% NSE30 25% 90day average tbill rate 25% BNGRI
Custodian	Citibank

Top 5 equity holdings	
Financial Services	19.40%
Industrial Goods	9.09%
Consumer Goods	7.34%
Telecommunications	1.01%
Agriculture	0.51%

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An FBN Holdings Company



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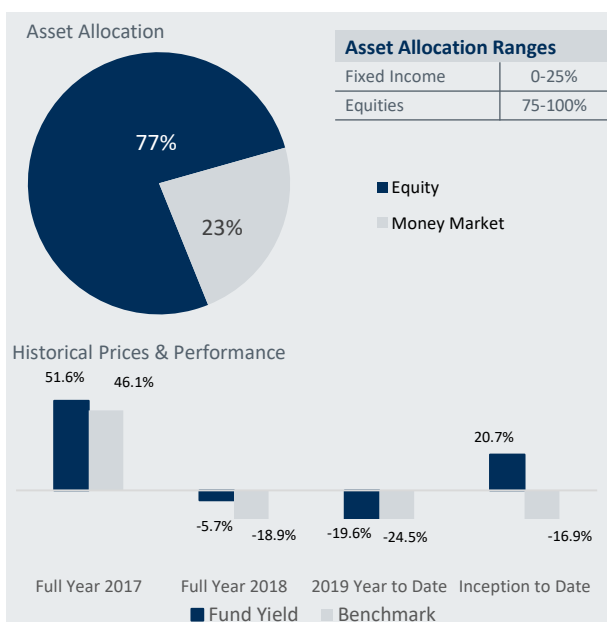
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FBN Nigeria Smart Beta Equity Fund Overview Investment objective

The Fund seeks to provide capital growth to investors by selecting the best twenty (20) out of the forty (40) most capitalised stocks listed on the Nigerian Stock Exchange. The Fund is desired by investors who want equities with the aim of outperforming the NSE 30 index.

Fund Facts	
Fund Manager	Laura Fisayo-Kolawole, CFA, Kike Mesubi, CFA, Harrison Imonikhe
Fund launch date	4th January 2016
Fund size	₦205.05m
Base currency	(₦)
NAV per share	₦120.66
Total Expense Ratio	1.63%
Minimum investment	₦50,000.00
Annual management fee	1.50%
Risk profile	High*
Benchmark	NSE 30
Custodian	Standard Chartered Bank

Top 5 equity holdings	
Financial Services	29.26%
Industrial Goods	16.91%
Consumer Goods	15.96%
Oil and Gas	9.77%
Hospitality	4.48%



Outlook

- The CBN's drive to grow the real sector through increased lending seems to be intensifying if the Circulars released in October are anything to go by. While this is positive for the economy, the local investors have to contend with lower interest rates. We believe this presents an opportunity for increased risk taking through investments in asset classes such as corporate bonds, equities and real estate amongst others.
- In the fixed income market, we expect the demand pressure to persist as investors seek to invest their funds. The excess demand is expected to lead to further declines at both the primary auction and in the secondary market.
- We view the effect of the border closure to be positive for the equity market; the closure addresses one of the major complaint from manufacturing companies, smuggling. With the extension of the closure to January 2020, we expect stronger Q4 2019 earnings from manufacturing companies barring any unforeseen circumstances.
- One major drag to brewers revenue has been the increase in excise duty in the midst of slowing growth. In July 2019, excise duty for beer was increased from ₦30 to ₦35. Given how competitive the sector is, the cost was absorbed to maintain market share. However, Nigeria Breweries and Guinness Nigeria have announced that effective November 2019, they will increase prices. While this is aimed at improving margins, the impact may be muted due to shrinking consumer wallets.
- We are constructive on the equity market based on the recent initiatives from the Federal Government and the CBN. These initiatives should support a depressed equity market. We also expect banks' costs of borrowing to reduce leading to higher net interest income and net interest margins. In addition, we estimate higher non-interest income on the back of the arbitrage opportunity in the fixed income market.

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