

FBN NIGERIA SMART BETA EQUITY FUND

All data as at January 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 Thorpe CFA, Kike Mesubi CFA, Oluwaseun Magreola
Fund launch date	4th January 2016
Fund size	₦536.25m
Base currency	Naira (₦)
NAV per share	₦195.85
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 carrying out the invest in short-term money market instruments and depositmain 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: 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.

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 appreciated by 14.68% during the month underperforming its benchmark the NSE 30 which gained 15.63%. In line with the rebalancing strategy of the Fund, the Fund was rebalanced as at 31 December, 2017 and as at the end of the month, the Fund was fully invested in the names and weighting recommended by the model. The rebalancing led to a sell off in some Consumer Goods, Banking and Oil & Gas names and new entrants from the Food and beverage, Industrial and Conglomerate sectors. The rebalancing exercise also led to the realignment of securities weights to not more than 5% of the Net Asset Value.

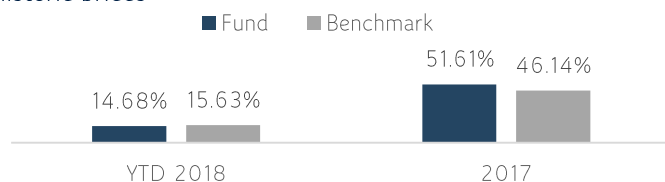
The equity market All Share Index continued its impressive performance gaining 15.95% during the month mainly driven by increased investor confidence as a result of positive macroeconomic trends. Global oil prices remained high on the back of the renewed oil production cut deal sealed last month by OPEC and non-OPEC members and a weaker United States Dollar (US\$); Brent Crude traded above USD70 for the first time since 2015. Also, there was a 0.53% drop in year-on-year inflation from 15.90% to 15.37% majorly driven by a 0.88% drop in food inflation. These positive trends boosted investor activity thereby causing a rally in the equity market as many stocks rose to all-time highs due to increased demand. However, some of these gains were shed towards the end of the month as investors looked to take profit.

Fund and market outlook

We expect the equities market to continue to find support on improving macroeconomic dynamics, sustained FX liquidity and stable global oil prices. As we approach corporate earnings season, we expected activities in the equity market to increase amid anticipated positive results. However, the recent threats by the Niger Delta Avengers is something to watch closely as their actions might negatively impact oil production.

Performance and Positioning

Historic prices



Performance Summary

	May-17	Jun-17	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17	Jan-18
Bid price (₦)^	128.93	146.86	155.70	152.19	151.18	157.43	163.60	170.78	195.85

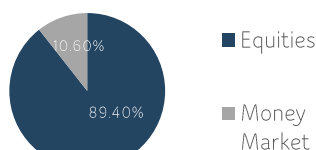
Top 5 equity holdings

GlaxoSmithKline	6.74%
WAPCO	6.74%
Nestle	6.61%
FlourMills	6.50%
Transcorp	6.50%

Top 5 Sector Exposure

Financial Services	29.05%
Industrial Goods	27.11%
Agriculture	19.49%
HealthCare	8.27%
Consumer Goods	8.10%

Current allocation



Asset allocation ranges

Fixed Income	0-25%
Equities	75-100%