

INVESTING

FBN FIXED INCOME FUND

All data as at 30 April 2017 unless otherwise stated



Fund Overview

Investment objective

The Fund seeks to preserve and maximize return on capital while maintaining a high degree of liquidity by investing in a diversified portfolio of long tenured debt securities and short-term, high quality money market securities issued in Nigeria.

Fund facts

Fund Manager	Ifeoluwa Dixon, Tutu Adekoya ^{CFA}	
Fund launch date	24th September 2012	
Fund size	₦4.47bn	
Base currency	(₦)	
NAV per share	₦ 1,063.42	
Minimum investment	₦50,000.00	
Minimum holding period	90 days*	
Income accrual	Daily	
Income distribution	Semi-annually (April and October)	
Income distributions	Oct'17: ₦ 42.03	Apr'17: ₦ 84.83
Annual management fee	1.00%	
Risk profile	Low-Medium**	

Fund highlights

The Fund is an open ended mutual fund that invests in a broad range of long tenured debt securities issued by the Federal Government of Nigeria (FGN), state governments and highly rated corporate institutions. The Fund may also invest in short-term, high quality money market securities.

The Fund is suitable for medium or long term cash investment and offers a stable income through the distribution of semi-annual dividends. Using FBN Capital Asset Management's fixed income expertise and local market analysis capabilities, this Fund allows you to fully exploit the potential of Nigerian debt securities.

Investor Profile

The Fund may be suitable for investors who are looking for exposure to a broad range of debt securities. Investors should have at least a two to four year investment horizon.

Source: FBN Capital Asset Management

* Redemption period: 3 - 5 business days.

No additional charges are applied on redemption. However, units redeemed earlier than the 90 business days minimum holding period will incur a processing fee of 20% on the income earned on the value of such redemptions.

** The Fund has a 'Low-Medium' risk profile given it invests the majority of its assets in bonds. Investing in bonds may carry higher risks than other debt securities, but their growth potential is also higher. The value of debt securities may change significantly depending on economic, political, inflationary and interest rate conditions as well as the credit worthiness of the issuer.

^ Bid price and yield to maturity are stated net of fees and expenses with dividends reinvested.

1 The yield to maturity (YTM) is the rate of return anticipated on the portfolio if the current bonds in the portfolio were held until the end of their lifetime. YTM is an annualised rate and takes into account the current market price, par value, coupon interest rate and time to maturity for each bond in the portfolio. It is also assumed that all coupon payments are reinvested at the same rate as the bond's current yield.

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 demand for Nigerian Eurobonds increased in April on the back of positive full year 2016 and Q1 2017 results from some banks, increased liquidity in the foreign exchange market and an indication that Africa's largest economy (Nigeria) will soon be out of recession.

In April, there was a bond auction for the 5 year (2021) and 10 year (2027) maturities and the issuance of a new 20 year maturity (2037) into the bonds space. The bond auction absorbed ₦105 billion from the system at marginal rates of 15.98%, 16.24% and 16.29% respectively. The FGN savings bonds also printed at 12.794% and 13.794% for the 2 and 3 year bond respectively. Total subscription was ₦1.28 billion due to low interest rates on the savings bonds compared to treasury bills and other liquid government bonds.

Yields in the treasury bills market maintained their northward movement due to continuous foreign exchange interventions and issuance of Open Market Operation bills by the Central Bank of Nigeria (CBN) which pushed yields above 18.60% on the long end of the curve in both the primary and secondary market. The selloff was aggressive for the most part of the month on the short to mid part of the curve but marginally reduced by month end due to inflows of over ₦450bn from the April 2017 bond maturity. Bonds traded on average within the bands of 15.50%-16.50% across the curve whilst treasury bills traded on average within the bands of 15.00%-18.60%.

Fund and market outlook

In May, we expect yields in the Fixed Income space to remain at the same levels as April due to the illiquidity in the system, as the CBN focuses on protecting the value of the Naira. The portfolio manager will continue to take advantage of the high interest rate environment to maximize returns to unit holders.

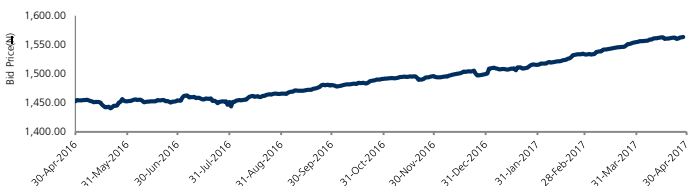
Benchmark

3yr Federal Government of Nigeria Bond

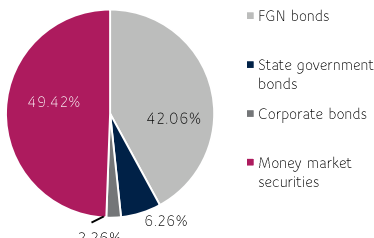
Historic prices and yields

	Jan-16	Feb-17	Mar-17	Apr-17
Bid price (₦)^	1,098.68	1,114.63	1,137.49	1,063.42
Yield to maturity^	16.17%	16.55%	16.63%	16.92%

Cumulative Performance



Current allocation



Asset allocation ranges

FGN bonds	10-50%
State government bonds	5-30%
Corporate bonds	5-30%
Eurobonds	0-15%
Money market securities	25-50%