

INVESTING

FBN FIXED INCOME FUND

All data as at 31st August 2016 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	₦4.70bn	
Base currency	(₦)	
NAV per share	₦ 1,087.88	
Minimum investment	₦50,000.00	
Minimum holding period	90 days*	
Income accrual	Daily	
Income distribution	Semi-annually (April and October)	
Income distributions	Oct' '15: ₦ 62.24	Mar'16: ₦ 60.80
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

FBN Capital Asset Management RC 978831

18 Keffi Street, Off Awolowo Road, S.W. Ikoyi, Lagos, Nigeria

Tel: +234 (1) 2798300, + 234 (0) 708 065 3100 Email: invest@fbnquest.com www.fbnquest.com

A part of the FBN Holdings Group

Monthly Comments

Fund and market review

In August, there was a global increase in the demand for Eurobonds, (by foreign portfolio managers such as Black Rock and local buyers), which led to a decline in the yields for Sub-Saharan Eurobonds.

Locally, the over-dependence of the Nigerian economy on dollars continues to dampen economic growth and development. The Central Bank of Nigeria (CBN) in its effort to encourage foreign portfolio investment maintained its tight Monetary stance, as it consistently used the Open Market Operation (OMO) tool to mop up all the liquidity in the system. The stance adopted is negatively impacting corporates, as the cost of borrowing increased significantly due to the high interest rate environment.

The economy is officially in recession, as Gross Domestic Product (GDP) growth hit a new high of -2.06% and inflation rose to 17.13% in July from 16.5% in the month of June. The divergence between the parallel and interbank markets deepened as demand continues to surpass supply (rates in the Parallel market hit a new high of N420/\$ due to the suspension of most banks from the foreign exchange inter-bank market, in the month).

Yields in the bonds space on an average oscillated within the bands of 14.7%-15.30%. Though volatile, bearish sentiment persisted in the bills space as yields on the longest end of the curve printed at 18.50%.

Fund and market outlook

As the slowdown in the global economy continues, Africa is expected to be negatively impacted. The non-autonomy of the CBN on issues of devaluation will continue to deter foreign inflows and negatively impact overall performance of the market. Nonetheless, the Fund will continue to maximise returns to unit holders by exploiting market opportunities without exposing the Fund to unnecessary risk.

Benchmark

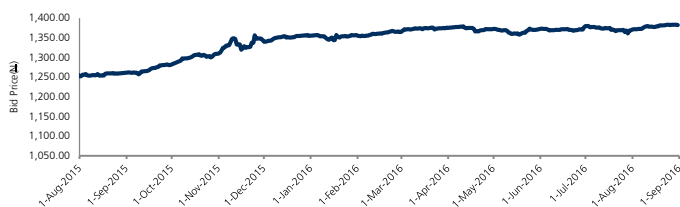
3yr Federal Government of Nigeria Bond

Performance and Positioning

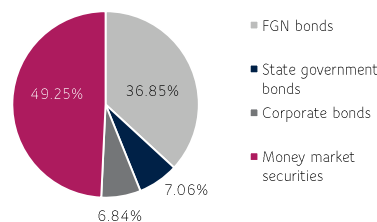
Historic prices and yields

	May-16	Jun-16	Jul-16	Aug-16
Bid price (₦)^	1,077.56	1,082.59	1,066.61	1,087.88
Yield to maturity^	10.34%	10.68%	11.90%	13.77%

Cumulative Performance



Current allocation



Asset allocation ranges

FGN bonds	10-75%
State government bonds	5-50%
Corporate bonds	5-50%
Eurobonds	0-15%
Money market securities	25-50%