

FBN Fixed Income Fund

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All data as at 31st December 2014 unless otherwise stated

Fund Overview

Investment Objective

The Fund seeks to preserve and maximise 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 | Michael Oyebola | |
| Assistant Fund Manager | Henry Okoye | |
| Fund launch date | 24th September 2012 | |
| Fund size | ₦4.37bn | |
| Base currency | (₦) | |
| NAV per share | ₦1,093.56 | |
| Minimum investment | ₦50,000.00 | |
| Minimum holding period | 90 days* | |
| Income accrual | Daily | |
| Income distribution | Semi-annually (April and October) | |
| Income distributions | Apr '14: ₦ 40.93 | Oct '14: ₦ 40.28 |
| 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, annualised equivalent return and yield to maturity are stated net of fees and expenses with dividends reinvested.

^^ Annualised equivalent return represents the rate of interest an individual earns for an investment in the FBN Fixed income Fund for a year on a yearly basis; it shows what the interest rate would be if interest was paid for a full year and compounded.

^ 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 assumes 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

Monthly Comments

Fund and Market Review

Average Federal Government of Nigeria (FGN) Bond yields rose by 210 basis points in December 2014, the biggest jump witnessed in 2014 driven by weakening global macroeconomic fundamentals; significant decline in crude oil prices, strengthening of the US\$ and further depreciation of the Naira. Foreign investors have maintained a very cautious approach in response to the current global economic outlook, exiting risky emerging and frontier markets in exchange for safer jurisdictions such as the United States, Japan and Germany, which has driven Bond yields to all time lows.

In contrast to the activities by foreign portfolio inflows (FPIs), demand for FGN Bonds by domestic fund managers rose slightly given the attractive yields obtainable in the markets. The Fund reduced its allocation to sub-national Bonds from 20.4% to 19.4%, switching to low duration FGN Bonds to take advantage of these attractive yields. In a bid to reduce further pressure on the Naira, the Central Bank of Nigeria (CBN) reviewed Net Open Position Limits (NOPL) for Banks from 1% to 0%, barring Banks from holding over-night foreign currency positions.

Market Outlook

The bearish sentiments for the local fixed income markets are expected to persist in anticipation of a more "contractionary" monetary policy environment in the short to medium term to stem a further depreciation of the Naira and possible outflows by foreign investors. On the global scene, we anticipate flight to quality by investors in the medium term given the outlook for the global economy; potential deflation in the Euro zone and slower economic growth within the developed countries with exception to the US. This will have a negative impact on emerging and frontier market flows in the coming months.

Benchmark

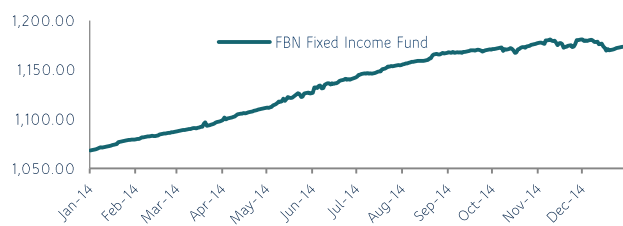
3yr Federal Government of Nigeria Bond

Performance and Positioning

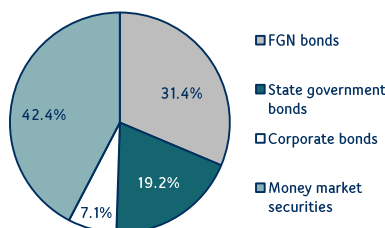
Historic prices and yields

| | Sept-14 | Oct-14 | Nov-14 | Dec-14 |
|--------------------|----------|----------|----------|----------|
| Bid price (₦)^ | 1,129.64 | 1,095.69 | 1,099.56 | 1,093.56 |
| Yield to maturity^ | 11.89% | 11.82% | 12.02% | 12.33% |

Cumulative performance



Current allocation



Asset allocation ranges

| | |
|-------------------------|--------|
| FGN bonds | 10-35% |
| State government bonds | 10-50% |
| Corporate bonds | 25-45% |
| Eurobonds | 0-15% |
| Money market securities | 25-50% |