

INVESTING

FBN FIXED INCOME FUND

All data as at 31st December 2015 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	
Fund launch date	24th September 2012	
Fund size	₦4.5bn	
Base currency	(₦)	
NAV per share	₦ 1,121.65	
Minimum investment	₦50,000.00	
Minimum holding period	90 days*	
Income accrual	Daily	
Income distribution	Semi-annually (April and October)	
Income distributions	Apr' 15: ₦ 89.94	Oct' 15: ₦ 62.24
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 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

As anticipated, the Federal Open Market Committee (FOMC) in the United States raised short-term interest rates from 0.00 to 0.25% for the first time since the global financial crisis of almost a decade. Interest rates were raised on the premise of a moderately expanding economy, an expected increase in inflation in the medium term to its target rate of 2.00% and a significant enhancement in the labour market. The announcement of a northward shift in rates had little impact in Nigeria's fixed income space as most investors had already factored in the effect. Moreover, other germane factors, such as the glut of liquidity in the system locally significantly outweighed this news and directed market sentiments. Yields declined contrary to an expected sell off as investor demand strengthened.

The impact of the excessive system liquidity (₦700 billion to ₦1 trillion) continues to radically depress yields in the treasury bills market and thus amplify demand in the bond market, with added pressure on the short end of the curve as investors pursue superior returns. In the month under review, the apex bank issued treasury bills unanticipated by the market thrice before year end which lead to a marginal increase in yields month-on-month. Yields increased by 38 basis points (bps) and 34bps on the short and mid-end of the curve respectively whilst reducing by 33bps on the long-end of the curve.

Fund and market outlook

The Fund closed the year on a positive note, despite economic challenges, by outperforming its benchmark by approximately 352bps. The positive performance can be attributed to a proficient investment selection criteria and diversification of the portfolio. In 2016, the fund managers will continue to exploit market opportunities whilst still meeting the liquidity and risk management requirements of the Fund.

Benchmark

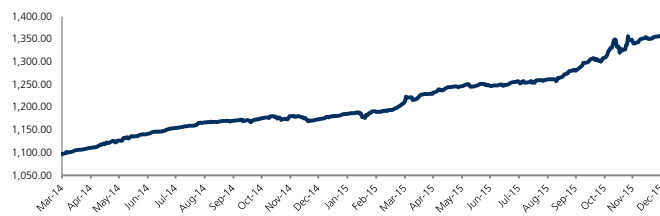
3yr Federal Government of Nigeria Bond

Performance and Positioning

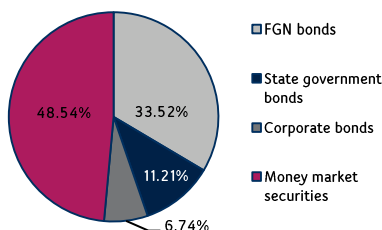
Historic prices and yields

	Sep-15	Oct-15	Nov-15	Dec-15
Bid price (₦)^	1,109.37	1075.36	1,117.33	1,121.65
Yield to maturity^	13.48%	13.17%	12.60%	12.39%

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%