

FBN Fixed Income Fund

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All data as at 28th February 2015 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	₦4.12bn	
Base currency	(₦)	
NAV per share	₦ 1,108.53	
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 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

Monthly Comments

Fund and Market Review

Domestic bond yields rose by an average of 97 basis points (bps) with a significant shift witnessed at the short end of the yield curve; 2-year and 3-year bonds rising by 128bps and 124bps respectively. Higher yields in February were driven by heightened political risks given the unexpected six weeks postponement of the General Elections. In addition, higher yields in February were also driven by the possibility of the removal of some local currency sovereign bonds from the JP Morgan Emerging Market Bond Index (JPEMBI) given the lack of liquidity in the foreign exchange markets and decline in external reserves by 8%. While foreign investors maintained a very cautious approach throughout the month, domestic fund managers matching the duration of their long term liabilities increased their allocation to sovereign bonds given the attractive yields. On the macro side, the Nigerian economy expanded at a rate of 5.94% in the fourth quarter of 2014 (compared to 6.77% in the same period in 2013) which was attributable to the decline in oil prices during the period. The Fund's allocation temporarily favours high yielding short-term government securities, in anticipation of higher yields in the fixed income market in the near future.

Market Outlook

We expect the recent recovery in the crude oil market - the Brent crude crossing the \$60, the highest since December 2014 - to provide the much needed catalyst in the bond market in the medium term. However, the perceived shortfall in government revenues in 2015 will drive increased primary market bond issuances in the near term. The Fund will seek to increase its allocation to mid-duration bonds in March in anticipation of less bearish sentiments shortly after the General Elections.

Benchmark

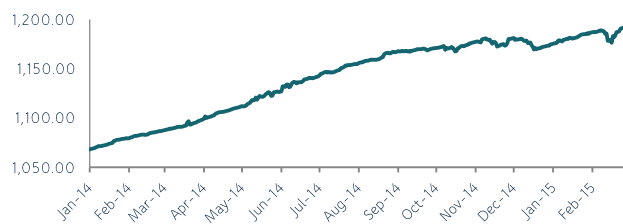
3yr Federal Government of Nigeria Bond

Performance and Positioning

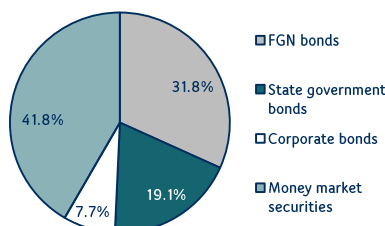
Historic prices and yields

	Nov-14	Dec-14	Jan-15	Feb-15
Bid price (₦)^	1,099.56	1,093.56	1,105.33	1,108.53
Yield to maturity^	12.02%	12.33%	12.50%	12.82%

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%