

# INVESTING

## FBN FIXED INCOME FUND

All data as at 29th February 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	
Fund launch date	24th September 2012	
Fund size	₦4.68bn	
Base currency	(₦)	
NAV per share	₦ 1,131.31	
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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### Monthly Comments

#### Fund and market review

In February, perception of a rapid pace of an increase in the federal reserve fund rates in the United States reduced, as a result of the sullen outlook for growth globally, falling oil prices, contraction in China, amongst other factors.

Locally, the implementation of an expansionary monetary policy is still failing to meet its objective of boosting economic growth and productivity in the real sector as the adamant course of action adopted by the monetary arm and the fiscal arm of government continue to outweigh the benefit of the strategy. Banks, who are supposed to champion the course are highly risk averse and are diverting funds to safe haven government securities on the back of the degenerating state of the economy and negative impact from the falling oil prices on its books.

In the period under review, yields on the short, mid and long end of the yield curve improved by 176bps, 98bps and 103bps respectively in the bond market on a month-on-month basis. The uptick in yields could largely be attributed to investors demanding some compensation for any additional risk exposure. Yields in the bills market also inched up by 48bps and 52bps at the mid to long dated maturities.

#### Fund and market outlook

Barring any news from the CBN on the Naira, we expect market yields to continue to oscillate within the current levels with a higher probability of yields depressing further if the level of high liquidity in the system persists. Given the worrying circumstances of the State government finances and poor macroeconomic environment, the Fund has tilted its asset allocation to Federal government Bonds and continues to exploit any opportunities available within its investable asset classes.

#### Benchmark

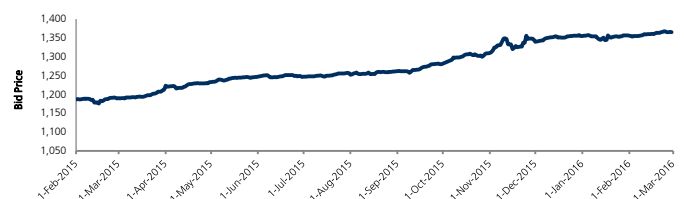
3yr Federal Government of Nigeria Bond

#### Performance and Positioning

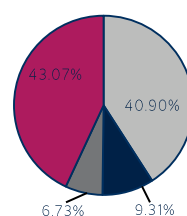
##### Historic prices and yields

	Nov-15	Dec-15	Jan-16	Feb-16
Bid price (₦)^	1,117.33	1,121.65	1,123.51	1,131.31
Yield to maturity^	12.60%	12.39%	11.59%	10.29%

##### Cumulative Performance



##### Current allocation



- FGN bonds
- State government bonds
- Corporate bonds
- Money market securities

##### Asset allocation ranges

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