

FBN Fixed Income Fund

www.fbncam.com

All data as at 31st July 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	₦4.38bn
Base currency	(₦)
NAV per share	₦ 1,1137.97
Minimum investment	₦50,000.00
Minimum holding period	90 days*
Income accrual	Daily
Income distribution	Semi-annually (April and October)
Income distributions	Oct '13: ₦ 46.55 Apr '14: ₦ 40.93
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

The rally experienced over the past three months in fixed income markets slowed in July as we saw profit taking activities from local and foreign investors. This was evidenced in the slight decline in average yields month-on-month by 11.5bps compared to 94.5bps and 34.2bps in the last two months. Over the month, the Fund trimmed its exposure to sovereign domestic bonds from 32.1% to 29.6% but increased its allocation to medium tenured money market securities from 36% to 42%. On the global scene, recent labor market and Gross Domestic Product (GDP) data out of the US suggests that the recovery of the US economy remains strong. With the US Federal Reserve not expected to increase borrowing costs till the second half of 2015, we do not envisage large foreign portfolio outflows from bond markets. However, we do anticipate more selective exposures to emerging and frontier markets going forward.

Market Outlook

Sovereign bond yields are expected to range between 11.15% - 12.16% in August with low volatility along the yield curve. The new Central Bank governor also pledged that there would be no rate cuts before the elections in February 2015 providing support for current yields in the bond market. We remain focused on sustainable returns within the sovereign bond segment.

Benchmark

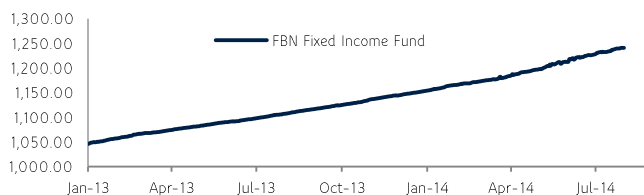
3yr Federal Government of Nigeria Bond

Performance and Positioning

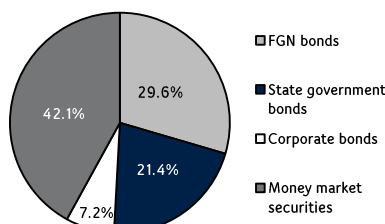
Historic prices and yields

	Apr-14	May-14	June-14	July-14
Bid price (₦)^	1,070.60	1,085.51	1,101.20	1,113.97
Annualised equivalent return^^	15.33%	16.01%	17.96%	13.48%
Yield to maturity^	12.48%	12.41%	12.24%	11.97%

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%