

## FBN Fixed Income Fund

www.fbncam.com

All data as at 30<sup>th</sup> June 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	24 <sup>th</sup> September 2012
Fund size	₦4.03bn
Base currency	(₦)
NAV per share	₦ 1,101.20
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.

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

Over the period, the Fund increased its exposure in Federal Government of Nigeria (FGN) bonds from 23% to 32%, taking advantage of the widened yield spread between the long and short end of the yield curve. This accounted for the Fund's strong performance. The FGN bond market remained fairly active all through the month as investors continue to reallocate funds to the long end of the yield curve which presents greater relative value compared with treasury bills and short term deposits. In addition, the increased activity was in anticipation of a lower interest rate environment as stated by the new governor of the Central Bank of Nigeria (CBN) who has promised to run a people centered apex bank. The stability of the Naira and a low interest rate environment within the Euro zone has continued to provide support for foreign portfolio flows in the short-term. The Consumer Price Index (CPI) released in June rose by 8.0% year-on-year compared to 7.9% recorded in April, this remains in line with the CBN's target range of 6%-9% for 2014.

#### Market Outlook

A further decline in yields below 12% will spur profit taking activities in July within the fixed income space. However, with system liquidity expected to remain elevated in the short to medium term, the need to replace maturing government securities should provide support across the yield curve. The July Monetary Policy Committee will provide needed direction on the tools needed to achieve a lower interest rate environment.

### Benchmark

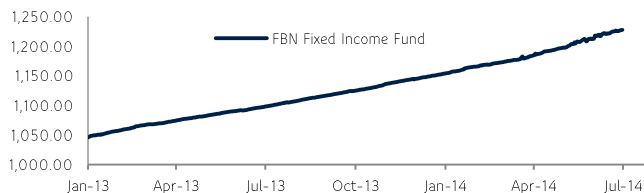
3yr Federal Government of Nigeria Bond

### Performance and Positioning

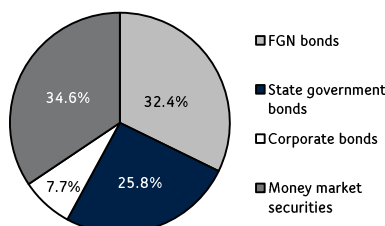
#### Historic prices and yields

	Mar-14	Apr-14	May-14	June-14
Bid price (₦)^	1,098.42	1,070.60	1,085.51	1,101.20
Annualised equivalent return^^	12.68%	15.33%	16.01%	17.96%
Yield to maturity^	12.47%	12.48%	12.41%	12.24%

#### 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%