

FBN Fixed Income Fund

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All data as at 30th June 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	₦4.26bn
Base currency	(₦)
NAV per share	₦ 1,075.25
Minimum investment	₦50,000.00
Minimum holding period	90 days*
Income accrual	Daily
Income distribution	Semi-annually (April and October)
Income distributions	Oct '14: ₦ 40.28 Apr '15: ₦ 89.94
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 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

Yields in the domestic bond markets traded broadly flat for a large part of the month given the risk-neutral approach by foreign and local investors. However, volatility resumed during the last week of the month due to sentiments attached to the local currency after the Central Bank of Nigeria (CBN) officially stopped the sale of US dollars for the importation of 41 items; rice and cement inclusive. The CBN's implementation of the policy is expected to conserve foreign exchange reserves as well as facilitate the resurrection of domestic industries. The markets reacted negatively to this development, pushing bond yields higher by an average of 90 basis points, the highest this quarter. Offshore investors significantly trimmed their exposures in the fixed income markets in anticipation of a currency depreciation and higher inflation rate in the short-to-medium term. Nigeria's inflation rose 9% in May (year-on-year), the highest since May 2013 and most notably the upper limit of the range guidance (6%-9%) given by the CBN. May's inflation rate was 0.3% points higher than the 8.7% recorded in April. The fund maintained its asset allocation over the period favoring short dated fixed income securities in anticipation of a bearish market at the start of July.

Fund and market outlook

We expect bond prices to move in strong correlation with monetary and fiscal policy developments in the second half of the year. While a tighter monetary policy will drive bond yields higher, it should provide the much needed direction with investors willing to pitch their tents across the yield curve. A high probability of a currency devaluation in July means offshore investors will further trim exposures to local currency sovereign bonds. The fund will seek trading opportunities to enhance its return amidst the expected volatility in the domestic bond market.

Benchmark

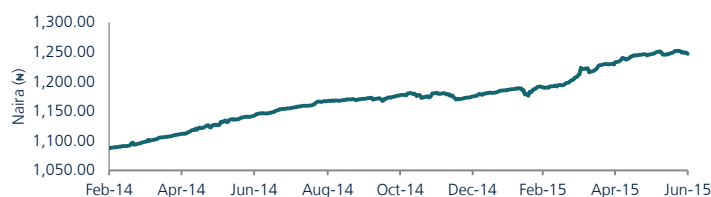
3yr Federal Government of Nigeria Bond

Performance and Positioning

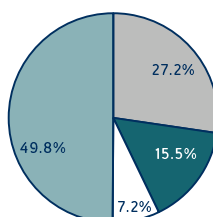
Historic prices and yields

	Mar-15	Apr-15	May-15	June-15
Bid price (₦)^	1,130.93	1,061.53	1,075.37	1,075.25
Yield to maturity^	13.03%	13.25%	13.39%	13.36%

Cumulative performance



Current allocation



Asset allocation ranges

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