

INVESTING

FBN FIXED INCOME FUND

All data as at 30th June, 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 CFA	
Fund launch date	24th September 2012	
Fund size	₦4.75 bn	
Base currency	(₦)	
NAV per share	₦ 1,082.59	
Minimum investment	₦50,000.00	
Minimum holding period	90 days*	
Income accrual	Daily	
Income distribution	Semi-annually (April and October)	
Income distributions	Oct '15: ₦ 62.24	Mar'16: ₦ 60.80
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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A part of the FBN Holdings Group

Monthly Comments

Fund and market review

The Federal Open Market Committee (FOMC) left the short term rate unchanged at 0.25%-0.50%, on the back of slower than expected growth in the United States (US) and uncertainties of a possible exit of Britain from the European Union (Brexit).

The Brexit negatively impacted the demand of risky assets such as oil which fell to \$47.16 per barrel, heightened the demand for safe haven assets such as precious metals and US Treasuries, and re-introduced some uncertainty into the market.

Locally, volatility persisted across the curve as issues spanning from the liquidity drought in the system, to the clarity and implementation of the new foreign exchange policy, significantly directed market sentiment.

The Central Bank of Nigeria (CBN) adopted a strategy that cleared the \$4.02 billion backlog with an immediate funding of the Naira equivalent at 280/\$1, and re-opened the inter-bank and futures market. The immediate funding led to a significant squeeze in market liquidity which positively impacted yields in the Fixed Income space.

The increase in yields contracted, though not to previous levels due to expectations of foreign portfolio investments in the bonds market and increased liquidity in the bills market. Yields increased in the bonds and bills market by an average of 60bps and 180bps respectively, month-on month on short, medium and long dated maturities.

Fund and Market Outlook

The negative impact of the BREXIT on the global financial market may have been over-emphasized as we expect the market to correct gradually. The odds of rates in the US remaining unchanged and reduced uncertainty on issues surrounding dollar liquidity locally induces some positive sentiment in the market. The fund manager continues to position itself to take advantage of market turns.

Benchmark

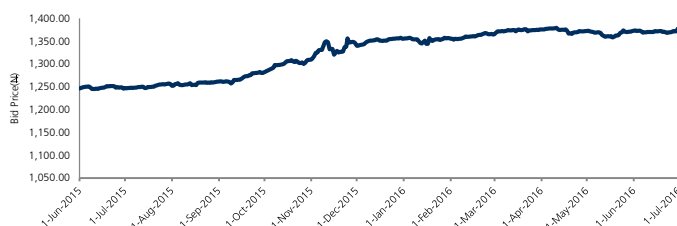
3yr Federal Government of Nigeria Bond

Performance and Positioning

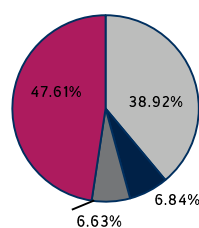
Historic prices and yields

	Mar-16	Apr-16	May-16	Jun-16
Bid price (₦)^	1,142.39	1,077.74	1,077.56	1,082.59
Yield to maturity^	9.93%	9.59%	10.34%	10.68%

Cumulative Performance



Current allocation



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

Asset allocation ranges

FGN bonds	10-75%
State government bonds	5-50%
Corporate bonds	5-50%
Eurobonds	0-15%
Money market securities	25-50%