

## FBN Fixed Income Fund

www.fbncam.com

All data as at 31st March 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	₦4.17bn	
Base currency	(₦)	
NAV per share	₦ 1,130.93	
Minimum investment	₦50,000.00	
Minimum holding period	90 days*	
Income accrual	Daily	
Income distribution	Semi-annually (April and October)	
Income distributions	Apr '14: ₦ 40.93	Oct '14: ₦ 40.28
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 assumes 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 fixed income market witnessed a sharp appreciation in domestic bond prices in March, largely attributable to demand from local fund managers taking advantage of yields at all-time highs during the month's primary auction where the 5-year, 10-year and 20-year yields closed at 16.50%, 16.85% and 16.99% respectively. The demand from domestic investors pushed bond yields lower by an average of 100 basis points (bps) with the largest declines at the short-end of the yield curve; 2-year and 3-year bonds shedding 146bps and 149bps respectively.

The fall in yields in March was attributed to lower political risk premium following the successful conclusion and outcome of the presidential elections. However, macro and fiscal conditions are expected to dictate foreign investor participation in the medium to long term. Standard & Poor's lowered Nigeria's long-term foreign and local currency sovereign ratings to 'B+' from 'BB-', four notches away from investment grade while Fitch Ratings revised its outlook to 'negative'. Both agencies cited falling crude oil prices and its impact on our current account position as their rationale. The Fund maintained its allocation in line with the target bands balancing the benefits of both the short and the long end of the yield curve

#### Market Outlook

We anticipate some profit taking activities by investors in the short-term given the recent gains witnessed in the FGN Bond market. However, monetary policy and macroeconomic conditions, forecast for crude oil prices and foreign exchange reserves, are expected to influence the actions of investors in the medium to long term. We anticipate minimal shifts in the yield curve in April.

### Benchmark

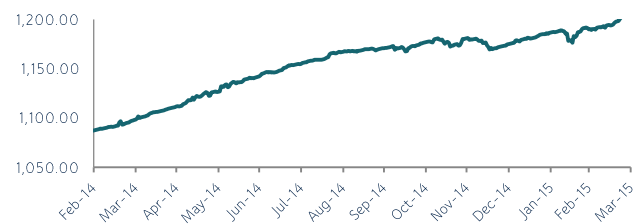
3yr Federal Government of Nigeria Bond

### Performance and Positioning

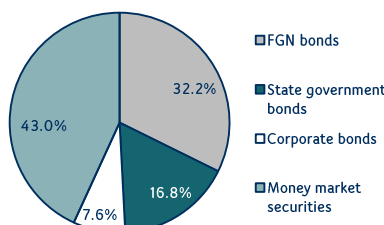
#### Historic prices and yields

	Dec-14	Jan-15	Feb-15	Mar-15
Bid price (₦)^	1,093.56	1,105.33	1,108.53	1,130.93
Yield to maturity^	12.33%	12.50%	12.82%	13.03%

#### 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%