

# INVESTING

## FBN FIXED INCOME FUND

All data as at 31st March 2017 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	₦4.48bn
Base currency	(₦)
NAV per share	₦ 1,137.49
Minimum investment	₦50,000.00
Minimum holding period	90 days*
Income accrual	Daily
Income distribution	Semi-annually (April and October)
Income distributions	Apr'16: ₦ 60.80 Oct'16: ₦ 42.03
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 and yield to maturity are stated net of fees and expenses with dividends reinvested.

^ 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 increase in the federal fund rates by 0.25% to a new range of 0.75%-1.00% in the United States, outcome of the French elections and formal exit of the United Kingdom from the European Union increased uncertainty in the global market and reduced demand for emerging and frontier markets.

The economic recovery and growth plan for Africa's largest economy (Nigeria) was unveiled in the period under review, with the purpose of getting the economy out of recession, creating a sustainable path for growth and diversifying Nigeria's source of income.

Headline inflation in February fell to 17.78% (y/y) from 18.72% in January (y/y) despite the increase in inflation on a month-on-month basis to 1.49% from 1.01%. The monetary policy committee members left all key indicators unchanged as the goal of the Central Bank of Nigeria (CBN) shifted to narrowing the gap between the Parallel market and the interbank with series of foreign exchange intervention estimated at \$1.35bn.

This led to a sell-off in the treasury bills markets as depository money banks sold government securities to fund dollar liabilities. Liquidity in the market remained extremely thin as the continuous issuance of Open Market Operation and unsettled trades brought trading activity to a halt.

Bond yields fell by about 57bps, 60bps and 87bps on the short, mid, and long end of the curve on a month-on-month basis as the drop in inflation and appreciation of the Naira increased demand from investors.

#### Fund and market outlook

We expect the reversal in yields to continue in the Fixed income space, albeit the continuous intervention of the CBN in the foreign exchange space is significantly impacting yields in the treasury bills market. We will continue to take advantage of market uncertainties to boost portfolio returns.

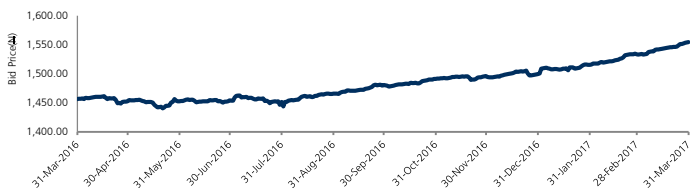
#### Benchmark

3yr Federal Government of Nigeria Bond

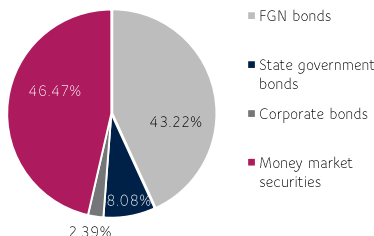
#### Historic prices and yields

	Dec-16	Jan-17	Feb-17	Mar-17
Bid price (₦)^	1,090.35	1,098.68	1,114.63	1,137.49
Yield to maturity^	15.53%	16.17%	16.55%	16.63%

#### Cumulative Performance



#### Current allocation



#### Asset allocation ranges

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