

## FBN Fixed Income Fund

www.fbncam.com

All data as at 31<sup>st</sup> May 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	₦3.9bn
Base currency	(₦)
NAV per share	₦ 1,085.51
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

There was increased confidence in the Fixed Income markets as we witnessed domestic government bonds outperform other traditional asset classes. The bullish run through the month of May was largely driven by elevated liquidity, a sharp decline in yields at the short end of the yield curve and increased foreign participation. The FBN Fixed Income Fund posted an annualized equivalent return of approximately 16.01% buoyed by the strong performance in its allocation to domestic bonds and a steady decline in yields at the short end of the yield curve. Bond yields currently range between 11.75% - 12.60% and still remain attractive given their current spread above Treasury bills of approximately 100 - 200 basis points (bps). This is a positive consideration for investors willing to increase duration exposure and their asset/liability maturity gap. Inflation picked up to 7.9% year-on-year (y/y) over the month, from 7.8% y/y in March and 7.7% y/y in February. The inflation path has remained firmly in Central Bank of Nigeria's (CBN) targeted 6-9.0% band.

#### Market Outlook

A new CBN governor resumes in June and investors are eager to see what policy direction the apex bank will adopt going forward. We are likely to see some profit taking by active traders in the short term, however, overall investing at the long end of the yield curve seems to be the yield pick up option for fixed income portfolio managers going forward. We will seek to maximize our allocation to Federal Government of Nigeria (FGN) Bonds at desirable levels.

### Benchmark

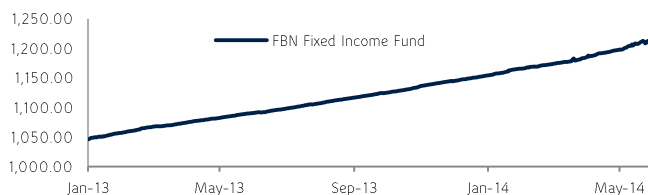
3yr Federal Government of Nigeria Bond

### Performance and Positioning

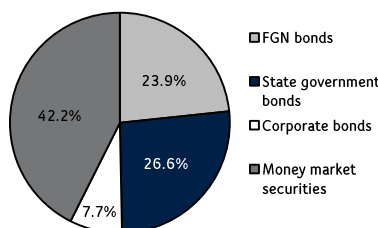
#### Historic prices and yields

	Feb-14	Mar-14	Apr-14	May-14
Bid price (₦)^	1,087.34	1,098.42	1,070.60	1,085.51
Annualised equivalent return^^	10.08%	12.68%	15.33%	16.01%
Yield to maturity^	11.80%	12.47%	12.48%	12.41%

#### 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%