

## FBN Fixed Income Fund

www.fbncam.com

All data as at 31st May 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	₦4.27bn
Base currency	(₦)
NAV per share	₦ 1,075.37
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 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

### Monthly Comments

#### Fund and market review

Over the month, events that drove increased activity in the fixed income markets included the Federal Government of Nigeria (FGN) bond primary market auction, Open Market Operation (OMO) bill auctions and the Monetary Policy Committee (MPC) decision to harmonise the Cash Reserve Ratio (CRR) to 31% on both Private and Public Sectors. These activities influenced both market behaviour and liquidity levels. At the monthly FGN bond auction, re-openings of the FGN FEB 2020 (5yr), the FBN 14.20% MAR 2024 (10yr) and the FGN 12.149 JUL 2034 (20yr) bonds, each bond worth ₦20 billion, were offered and sold at marginal rates of 13.8%, 13.5% and 13.9% respectively - lower than the April 2015 auction stop rates. We witnessed elevated system liquidity stemming from OMO bill redemptions of circa ₦273 billion and some banks that had net inflow from the CRR harmonisation policy. Sentiment towards Over the Counter (OTC) fixed income markets was mixed as many market participants were seen covering their positions. However, yields dropped by an average of 20 basis points (bps) across board on a month-on-month basis. The Fund Manager has priced in all the aforementioned concerns into its asset allocation during the month which impacted positively on the Fund's performance where the Fund's price rose by 1.31% over the month.

#### Fund and market outlook

The fixed income market is expected to be at stalemate as the market awaits the J.P. Morgan decision on its continued inclusion of some FGN bonds in its index. Participation in the fixed income markets is expected to be quiet in June as both local and foreign portfolio managers patiently wait for the new government, led by Muhammed Buhari, to give a vivid direction on its policies. The J.P. Morgan decision, foreign exchange stability and government policies are expected to determine the prices of fixed income instruments.

### Benchmark

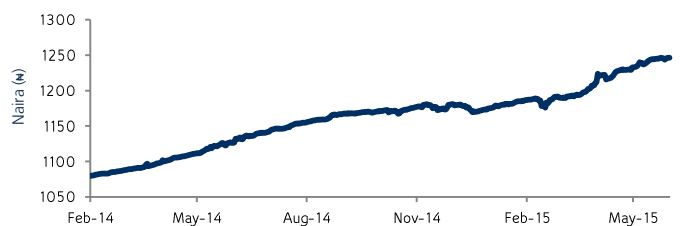
3yr Federal Government of Nigeria Bond

### Performance and Positioning

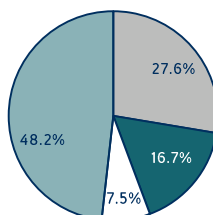
#### Historic prices and yields

	Feb-15	Mar-15	Apr-15	May-15
Bid price (₦)^	1,108.53	1,130.93	1,061.53	1,075.37
Yield to maturity^	12.82%	13.03%	13.25%	13.39%

#### Cumulative performance



#### Current allocation



#### Asset allocation ranges

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