

INVESTING

FBN FIXED INCOME FUND

All data as at 31st May, 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.bn	
Base currency	(₦)	
NAV per share	₦ 1,076.18	
Minimum investment	₦50,000.00	
Minimum holding period	90 days*	
Income accrual	Daily	
Income distribution	Semi-annually (April and October)	
Income distributions	Oct'16: ₦ 42.03	Apr'17: ₦ 84.83
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.

1 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 Monetary Policy Committee (MPC) left all key indicators unchanged (Monetary Policy Rate at 14.00%, Liquidity Ratio at 30%) as it looks to the fiscal policies to deal with the macro challenges while the MPC focuses on exchange rate and inflation; currently above the indicative target range of 7%-11%. Inflation printed at 17.24% in April (17.26% in March). Gross Domestic Product contacted by -0.52% in Q1 2017.

The bonds market was relatively inactive due to highly attractive rates in the treasury bills space and the recovery of the equities market. The Debt Management Organisation's (DMO) monthly auction absorbed a total of ₦162bn from the system on 5, 10 and 20 year bond maturities at marginal rates of 16.30%, 16.29% and 16.299% respectively, with the outcome of the auction printing marginally higher than April's auction. The allotment for the May Savings Bond dropped by -0.38% (total allotment of ₦790mn) on a month-on-month basis despite higher rates offered at 13.189% and 14.189% on the 2 year and 3 year bond respectively.

The sell-off on the short end of the curve in the treasury bills market persisted in the early and mid end of the month with yields reaching a high of 20%-23%. The month ended on a bullish note as maturities from Open Market Operations bills of about ₦131bn and ₦190bn (Statutory Revenue Allocation) hit the system and increased buying activity in the market pushing yields lower to 18%-20%.

Fund and market outlook

With the extension of oil production cuts by OPEC and non-members by nine months to March 2018, the execution of the approved 2017 budget, increased dollar liquidity and foreign investors participation, we expect the activities in the fixed income space to increase, yields to remain within the band of 14%-22% in the bills market and a marginal drop in bond yields due to the tilt toward external borrowing and highly inverted yield curve.

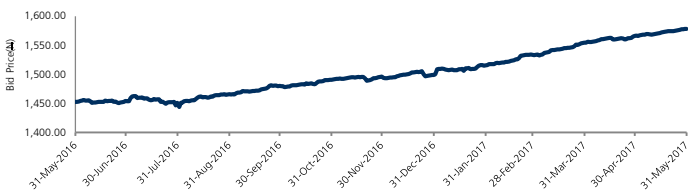
Benchmark

3yr Federal Government of Nigeria Bond

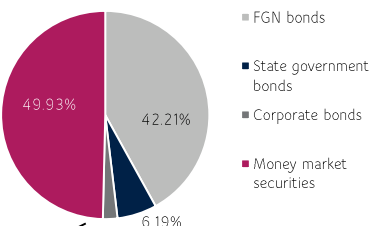
Historic prices and yields

	Feb-16	Mar-17	Apr-17	May-17
Bid price (₦)^	1,114.63	1,137.49	1,063.42	1,076.18
Yield to maturity^	16.55%	16.63%	16.92%	17.10%

Cumulative Performance



Current allocation



Asset allocation ranges

FGN bonds	10-50%
State government bonds	5-30%
Corporate bonds	5-30%
Eurobonds	0-15%
Money market securities	25-50%