

# INVESTING

## FBN FIXED INCOME FUND

All data as at 30th November 2015 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	
Fund launch date	24th September 2012	
Fund size	₦4.4bn	
Base currency	(₦)	
NAV per share	₦ 1,117.33	
Minimum investment	₦50,000.00	
Minimum holding period	90 days*	
Income accrual	Daily	
Income distribution	Semi-annually (April and October)	
Income distributions	Apr' 15: ₦ 89.94	Oct'15: ₦ 62.24
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

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A part of the FBN Holdings Group

### Monthly Comments

#### Fund and market review

Though the reduction in yields in the local market marginally boosted appetite for Nigeria's corporate Eurobonds, the continuous appreciation of the US dollar and heightened possibility of an increase in rates in the United States, on the back of an increase in consumer spending and improvements in the labour market, amplified the apathy in emerging markets and for Sub Saharan African bonds. The bullish stance experienced last month, on the back of excess liquidity in the system, heightened in the month under review as the Monetary Policy Committee (MPC) closed the year on a dramatic note to support output growth. The MPC reduced its Monetary Policy Rate by 200 basis points (bps) from 13% to 11%. The MPC also reduced the cost of borrowing by banks from the Central Bank by 200 bps to 13%. The deposit rate for banks has also decreased by 700 bps to 4%. The effect weighed in extensively in the treasury bills market as yields dropped significantly to new lows of 0% on the short end of the curve. Demand spread to the mid and long end, pushing yields of actively traded bills within the bands of 3%-6%. The bond market was not spared as the quest for more attractive yields pushed some bond yields below the current inflation rate of 9.3%. Month-on-month bond yields on the short, mid and long end of the curve declined by 483bps, 222bps and 276bps respectively.

#### Fund and market outlook

The position the new government is taking to potentially lean heavily on domestic borrowing to finance its expenditure on the premise of low borrowing cost and challenges of raising funds internationally should lead to a reversal in yields from current levels in the short to medium term. The Fund will benefit from current volatility via trading income given the low interest environment, whilst maintaining exposure to short to intermediate end of the yield curve.

#### Benchmark

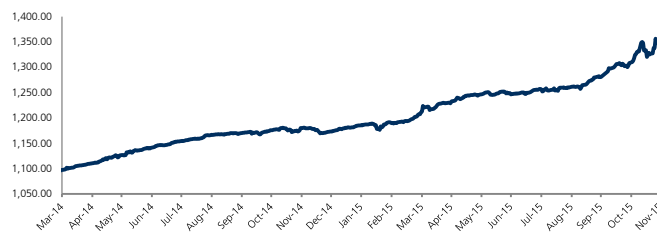
3yr Federal Government of Nigeria Bond

#### Performance and Positioning

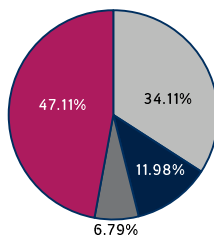
##### Historic prices and yields

	Aug-15	Sept-15	Oct-15	Nov-15
Bid price (₦)^	1,090.23	1109.37	1,075.36	1,117.33
Yield to maturity^	13.49%	13.48%	13.17%	12.60%

#### Cumulative Performance



#### Current allocation



- FGN bonds
- State government bonds
- Corporate bonds
- Money market securities

#### Asset allocation ranges

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