

## FBN Fixed Income Fund

www.fbncam.com

All data as at 30<sup>th</sup> November 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	24th September 2012
Fund size	₦4.37bn
Base currency	(₦)
NAV per share	₦1,099.56
Minimum investment	₦50,000.00
Minimum holding period	90 days*
Income accrual	Daily
Income distribution	Semi-annually (April and October)
Income distributions	Apr : ₦ 40.93 Oct : ₦ 40.28
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.

π 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

The Fund increased its Federal Government of Nigeria (FGN) bond allocation from 29.4% to 30.7% to take advantage of the spike in Bond yields due to increased volatility in the fixed income markets. Volatility during the period was driven by further declines in crude oil prices to a four year low of USD70.15 per barrel (pbl). This represents 19.5% and 36.7% month to date and year to date losses respectively. This decline had a major influence on the performance of the Naira, which lost 8.12% in November.

The Monetary Policy Committee (MPC) further tightened monetary conditions at the last meeting for the year as a measure to defend the Naira and preserve foreign currency reserves amid reduced accretion over the past months. The Monetary Policy Rate (MPR) and Cash Reserve Requirement (CRR) on private sector deposits were increased by 100bps and 500bps to 13.00% and 20.00% respectively. The MPC also moved the mid-point of the USD-NGN exchange rate to N168/\$ from a previous N155/\$. Market yields therefore extended their upward trend, reacting to the policy changes.

On the back of this move, we witnessed increased activity from domestic fund managers as they took advantage of higher reinvestment rates on maturing investments. However, we noted that allocation across the yield curve remained fairly cautious.

#### Market Outlook

The Organisation of the Petroleum Exporting Countries (OPEC) decision to keep oil output unchanged at its November meeting will likely lead to an extended decline of oil prices in the short to medium term, putting significant pressure on the Nigeria's revenues going forward given the budget benchmark of USD73pbl. We expect this to trigger further tightening by the monetary authorities in the future, pushing bond yields higher in 2015. We however anticipate offshore interest in the long term as yields rise to attractive levels.

### Benchmark

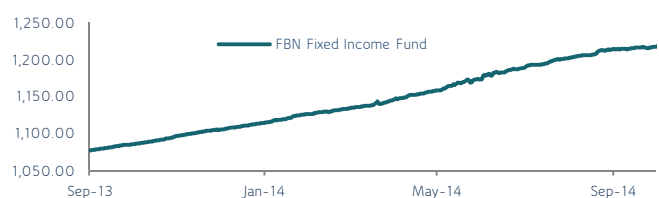
3yr Federal Government of Nigeria Bond

### Performance and Positioning

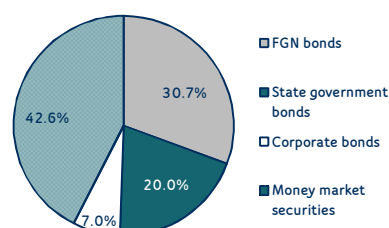
#### Historic prices and yields

	Aug-14	Sept-14	Oct-14	Nov-14
Bid price (₦)^	1,126.30	1,129.64	1,095.69	1,099.56
Yield to maturity^	11.92%	11.89%	11.82%	12.02%

#### 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%