

# INVESTING

## FBN FIXED INCOME FUND

All data as at 30th November, 2016 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	₦4.55bn	
Base currency	(₦)	
NAV per share	₦ 1,074.90	
Minimum investment	₦50,000.00	
Minimum holding period	90 days*	
Income accrual	Daily	
Income distribution	Semi-annually (April and October)	
Income distributions	Apr'16: ₦ 60.80	Oct'16: ₦ 42.03
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.

^ 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

For the first time since 2008, the Organisation of Petroleum Exporting Countries (OPEC) reached an agreement to cut global oil production by 1.2 million barrels per day for six months effective January 1<sup>st</sup> 2017. Nigeria, Libya and Iran were exempted from these reductions in view of the economic challenges faced by the countries. Non-OPEC countries such as Russia are also expected to reach a consensus at their December 9<sup>th</sup> meeting to further reduce production by another 600 thousand barrels per day with Russia already pledging to a cut of 300 million barrels per day. The positive news pushed up oil prices beyond US\$50 per barrel after analysts had envisaged that there would be no OPEC agreement and oil prices would dip below US\$40 per barrel.

The Federal Government of Nigeria's plan to raise US\$1 billion from the international market through the issuance of Eurobonds before the end 2016 is no longer feasible. The Government clarified that the issuance will now take place before the end of Q1 2017.

Yields remained relatively high in the Fixed Income market as the Central Bank of Nigeria continued to maintain a tight monetary policy stance. Although yields for short term Treasury Bills trended downwards on the back of liquidity pressure, mid-long tenured maturities remained at 18% - 18.35% levels. Bond yields also experienced an upward trend, as the 10 and 20 year maturities, which were previously around the 15.60% levels crossed the 16% mark.

#### Fund and market outlook

We anticipate rates will remain at current levels till the end of the year and as such the Fund Manager will continue to take advantage of these opportunities to further enhance the return on the portfolio.

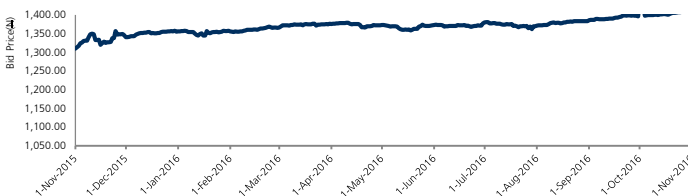
#### Benchmark

3yr Federal Government of Nigeria Bond

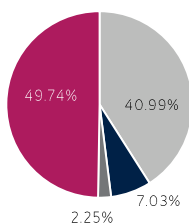
#### Historic prices and yields

	Aug-16	Sept-16	Oct-16	Nov-16
Bid price (₦)^	1,087.88	1,102.82	1,073.34	1,074.90
Yield to maturity^	13.77%	14.16%	15.30%	15.59%

#### Cumulative Performance



#### Current allocation



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

#### Asset allocation ranges

FGN bonds	10-75%
State government bonds	5-50%
Corporate bonds	5-50%
Eurobonds	0-15%
Money market securities	25-50%