

# INVESTING

## FBN FIXED INCOME FUND

All data as at 31st October 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	₦4.3bn	
Base currency	(₦)	
NAV per share	₦ 1,075.36	
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

FBN Capital Asset Management RC 978831

18 Keffi Street, Off Awolowo Road, S.W. Ikoyi, Lagos, Nigeria

Tel: +234 (1) 2798300, + 234 (0) 708 065 3100 Email: invest@fbnquest.com www.fbnquest.com

A part of the FBN Holdings Group

### Monthly Comments

#### Fund and market review

Sluggish growth, low inflation data and commodity prices, particularly crude oil which closed below the \$50 per barrel mark persisted in the month under review. The negative impact of the slowdown spread amongst developed and frontier markets as the considerable decline in demand lowered economic productivity and performance.

Activities in the local market were principally driven by the plethora of liquidity in the system as the apex bank maintained its somewhat expansive monetary posture on the back of tighter foreign currency controls. As a result, there was a need to divert funds to real sectors to support growth and circumvent the economy from falling into recession. We witnessed a significant plunge in yields in the Fixed Income space as demand intensified despite the exit of Nigerian bonds from the JP Morgan Emerging Market Government Bond Index and warning of further removal from the Barclays Emerging Markets Local Currency Government Index.

Whilst treasury bills traded in single digits, benchmark bonds reached new lows as yields dropped significantly by approximately 204bp, 169bp and 109bp on the short, mid and long term end of the curve on a month-on-month basis.

The portfolio took advantage of the low interest rate environment and boosted its income by exiting positions in some low yielding instruments whilst still locking in relatively high rates following the end to the era of exceptionally high rates in the short-to-medium term

#### Fund and market outlook

Given the continuous pursuance of the Central Bank's new monetary stance, the Fund will increase its exposure to higher yielding corporate debt to boost returns whilst still staying active on the short end of the curve to exploit possible yield reversals and manage the liquidity needs of the Fund.

#### Benchmark

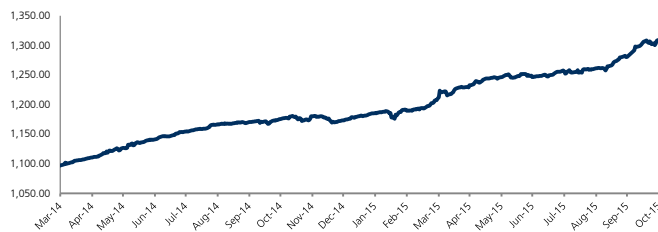
3yr Federal Government of Nigeria Bond

#### Performance and Positioning

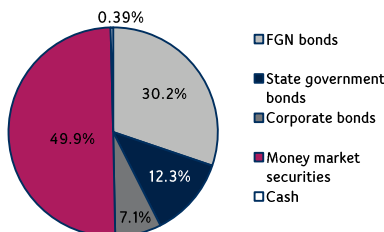
##### Historic prices and yields

	July-15	Aug-15	Sept-15	Oct-15
Bid price (₦)^	1,085.10	1090.23	1,109.37	1,075.36
Yield to maturity^	13.59%	13.49%	13.48%	13.17%

##### 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%