

# INVESTING

## FBN FIXED INCOME FUND



All data as at 31 October 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	₦4.64bn	
Base currency	(₦)	
NAV per share	₦ 1,073.34	
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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### Monthly comments

#### Fund and market review

The outcome of the Presidential election in the United States of America put markets in a somewhat cautious mode. Assertions of a possible output cut by both Organisation of Petroleum Exporting Countries (OPEC) and Non-OPEC countries kept oil prices majorly above the \$50 per barrel mark in October.

In Nigeria, the reduction in disposable income and tardy pace of growth in the economy continue to dampen market sentiments. The numerous exchange rates and arbitrage opportunities apparent reduced market confidence on the true value of the Naira.

The delay in the implementation of the budget weighed down on productivity in the period under review. However, plans to borrow about \$30bn in the long-term towards infrastructure development, if properly implemented, should positively impact the economy as a whole though at a higher debt servicing cost as most funds would be dollar denominated.

There was a deviation from the asset allocation band as depicted in the chart below just before the end of the month, because of the dearth of instruments suitable with the Fund's investment strategy. An adjustment in the asset allocation range will be implemented before the end of November.

#### Fund and market outlook

We expect rates in the fixed Income space to remain at the current levels—a peak of 18.50% [discount rate] on the longest end of the treasury bills curve and Federal Government bonds within the bands of 15%-15.50%. The fund manager will continue to take advantage of market opportunities to boost the performance of the fund.

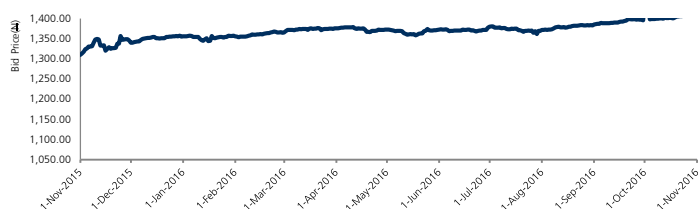
#### Benchmark

3yr Federal Government of Nigeria Bond

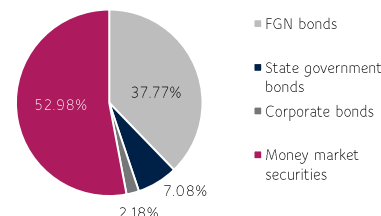
#### Historic prices and yields

	Jul-16	Aug-16	Sept-16	Oct-16
Bid price (₦)^	1,074.91	1,088.41	1101.31	1,073.34
Yield to maturity^	11.81%	13.77%	14.16%	15.30%

#### Cumulative Performance



#### Current allocation



#### Asset allocation ranges

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