

FBN Fixed Income Fund

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All data as at 30th September 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	₦4.47bn
Base currency	(₦)
NAV per share	₦ 1,129.64
Minimum investment	₦50,000.00
Minimum holding period	90 days*
Income accrual	Daily
Income distribution	Semi-annually (April and October)
Income distributions	Oct '13: ₦ 46.55 Apr '14: ₦ 40.93
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 assumes 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

Federal Government of Nigeria (FGN) bond yields rose by an average of 62 basis points (bps) in September pushing local sovereign bond indices into the negative returns territory, the lowest monthly return year-to-date. The 3yr and 5yr benchmark bonds were the most affected, rising by 80 and 75 bps respectively while the 20yr only rose by 26 bps. These losses have been largely driven by weakening commodity prices globally which may be threatening the economic growth of Sub-Sahara African countries; Nigeria inclusive.

Recent unemployment and jobs creation data from the United States indicate a strong economic recovery and the possibility of an interest rate increase sooner than expected. This economic data suggests potential outflows from emerging markets, such as Nigeria, which are expected to drive bond prices lower in the medium to long term. In line with this, the Fund maintained a short duration strategy by increasing its allocation to short-term money market securities in reaction to the bearish trend in the bond market during the period.

Market Outlook

Although current bond yields present a good entry point based on technicals, most FGN bonds prices are trading in oversold territories. However, we expect traders to maintain a cautious approach to investing as declining commodity prices persist and the United States dollar strengthens. The Fund will maintain a short duration strategy in its FGN bond allocation given the value observed between the 2yr and 5yr FGN Yield curve.

Benchmark

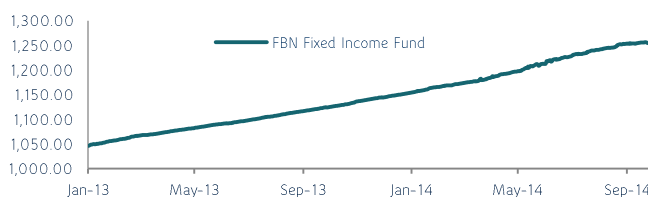
3yr Federal Government of Nigeria Bond

Performance and Positioning

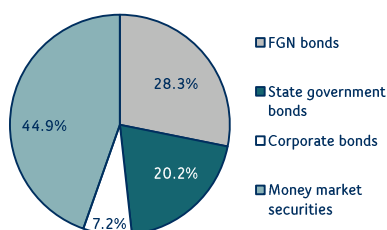
Historic prices and yields

	June-14	July-14	Aug-14	Sept-14
Bid price (₦)^	1,101.20	1,113.97	1,126.30	1,129.64
Annualised equivalent return^^	17.96%	13.48%	12.87%	2.91%
Yield to maturity^	12.24%	11.97%	11.92%	11.89%

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%