

INVESTING

FBN MONEY MARKET FUND

All data as at 30th September, 2016 unless otherwise stated



Fund Overview

Investment objective

The Fund seeks to maximise current income in line with prevailing Nigerian money market rates whilst aiming to preserve capital consistent with such rates and to maintain a high degree of liquidity by investing in a broadly diversified portfolio of short-term, high quality money market securities.

Fund facts

| | |
|------------------------|----------------------------------|
| Fund Manager | Ifeoluwa Dixon, Tutu Adekoya CFA |
| Agusto & Co. rating | Aa(f) |
| Fund launch date | 24 th September 2012 |
| Fund size | ₦25.02bn |
| Base currency | (₦) |
| NAV per share | ₦100.00 [^] |
| Minimum investment | ₦5,000.00 |
| Minimum holding period | 30 days* |
| Income accrual | Daily |
| Income distribution | Quarterly |
| Annual management fee | 0.75% |
| Risk profile | Low** |

Fund highlights

The Fund is an open ended mutual fund that invests in a broad range of money market securities such as Treasury Bills, Commercial Papers, Bankers Acceptances and Certificates of Deposits issued by rated banks in Nigeria.

The Fund is suitable for temporary or medium term cash investments and offers an efficient alternative to investing directly in cash deposits. The Fund aims to offer a high level of security coupled with a competitive yield.

Investor Profile

The Fund may be suitable for investors who are seeking an alternative to cash deposits for their medium term or temporary cash investments, including the liquidity components of investment portfolios or diversification to an existing equity portfolio.

Source: FBN Capital Asset Management

* Redemption period: 3 - 5 business days.

No additional charges are applied on redemption. However, units redeemed earlier than the 30 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' risk profile given it invests the majority of its assets in money market securities. A low risk fund is protected against any adverse losses. A low risk profile does not mean a risk-free investment.

[^] Price is stated net of fees and expenses. The fund manager is required to maintain a stable price (NAV) of ₦100.00.

^{^^} 30 Day Moving Average Annualised yield is stated net of fees and expenses.

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 interbank market opened the month of September at a liquidity level of ₦118.7 billion. Although Federal Accounts Allocation Committee (FAAC) inflows of ₦245.0 billion and Open Market Operations (OMO) maturities of ₦293.8 billion came into the system, the Central Bank of Nigeria (CBN) through its continued monetary tightening stance, took out over ₦1.0 trillion through various OMO auctions with stop rates at 18.0% - 18.5%. This caused Open Buy Back (OBB) and Overnight (O/N) rates to fluctuate between 10.0% and 16.0% for the most part of the month, while occasional spikes between 35.0% - 40.0% were witnessed in times of tight liquidity. The market closed the month with ₦6.4 billion in the system.

Rates traded lower in the Treasury Bill market towards the end of the month. This was reflected in the Treasury Bill Primary Auction which saw the 91, 182 and 364 day bills open the month at 14.4%, 17.5% and 18.4% respectively, but close slightly lower at 14.0%, 17.3% and 18.3% respectively. The cause was partly due to the fact that the CBN left all indices unchanged at its Monetary Policy Committee (MPC) meeting held this month. In spite of a rising inflation figure, contracting GDP growth and recommendations by the Minister of Finance and other financial analysts that the Monetary Policy Rate (MPR) be reduced in order to stimulate bank lending and economic growth, the MPC maintained the MPR at 14.0%. They sighted justification that a lower interest rate would increase liquidity and consequently put further pressure on the Naira thereby worsening the current foreign exchange (FX) situation. The CBN also maintained the Cash Reserve Ratio and Liquidity ratio of Banks at 22.5% and 30.0% respectively.

Fund and market outlook

We anticipate rates will remain high in the short term. As a result, we will use the opportunity to restructure the fund's portfolio and replace maturing investments with higher yielding assets, with the expectation of improved performance.

Benchmark

91 days Nigerian Treasury bill (NTB)

Performance and Positioning

Historic prices and yields

| | May-16 | Jun-16 | Jul-16 | Aug-16 | Sep-16 |
|--------------------------------|--------|--------|--------|--------|--------|
| Price (₦) [^] | 100.00 | 100.00 | 100.00 | 100.00 | 100.00 |
| Annualised yield ^{^^} | 7.8% | 7.8% | 8.1% | 7.1% | 10.1% |

Asset Allocation Ranges

| | |
|--|---------|
| Bank tenored placements | 10-75% |
| Treasury bills and short-government securities | 25-100% |
| Other money market securities | 10-75% |

Current Allocation

