

INVESTING

FBN NIGERIA EUROBOND (USD) FUND



All data as at 31st December 2016 unless otherwise stated

Fund Overview

Investment objective

The Fund seeks to provide competitive income and total returns in USD primarily by investing in USD debt instruments of the Nigerian government, corporate and financial institutions.

Fund facts

Fund Manager	Ifeoluwa Dixon, Tutu Adekoya CFA, Adeyemi Roberts
Fund launch date	4th January 2016
Fund size	\$976,247.08
Base currency	US Dollars (\$)
Unit classes	I unit class: Institutional R unit class: Retail
NAV per share	I unit class: \$ 103.80 R unit class: \$ 103.56
Annual management fee	I unit class: 1.00% R unit class: 1.50%
Minimum investment	I unit class: US\$ 100,000 R unit class: US\$ 1,000
Minimum holding period	180 days*
Income accrual	Daily
Income distribution	Semi-annually (March and September)
Risk profile	Medium**
Target Return ¹	4% - 6%

Fund highlights

The Fund is an open ended mutual fund that invests in a broad range of long tenured US Dollar denominated debt securities issued by the Federal Government of Nigeria (FGN), state governments and highly rated corporate and financial institutions. The Fund may also invest to a limited extent in Nigerian local currency debt instruments where such an investment in the opinion of the Fund Manager will enhance return without exposing the Fund to undue currency risk.

Investor profile

The Fund may be suitable for foreign currency deposit investors who wish to mitigate the exchange rate risk by diversifying their wealth by investing in USD denominated investments. Due to the higher volatility of Nigerian debt securities, investors should have at least a 3-5 year investment horizon.

Source: FBN Capital Asset Management

* Redemption notice period: 30 business days.

No additional charges are applied on redemption. However, units redeemed earlier than the 180 business days minimum holding period will incur a processing fee of 20% on the income earned on the value of such redemptions.

** The Fund Manager deems the Fund to have a 'Medium' risk profile because it invests the majority of its assets in bonds.

[^] Bid price and yield to maturity are stated net of fees and expenses with dividends reinvested.

¹ The Fund does not guarantee a fixed return, instead it targets an absolute return of 4 - 6% (net of fees) on an annual basis

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 United States (US) Federal Reserve (Fed) increased its target range of interest rates from 0.25% - 0.5% to 0.5% - 0.75%; a move widely expected by market participants. Reasons for the rise were improvement in the jobs market, unemployment rate as well as a rise in inflation, which was partly driven by more stability of oil prices. The Fed also gave a signal that interest rate rises would be quicker than expected in 2017.

The Chinese economy picked up as data showed growth in industrial output and retail sales. The Bank of Japan raised its economic outlook and announced support to weaken the Yen to help exports, as a result export volumes rose by 7.4% year on year in November.

Oil prices continued to rally after the deal between the Organization of the Petroleum Exporting Countries (OPEC) members to cut production with Brent Crude closing the year at \$54.96 per barrel – the highest level in the year. Eleven non OPEC members also committed to cutting production including Russia.

There was foreign investor interest in the Ghanaian Eurobonds as investors placed bets ahead of the upcoming election and scarcity of the Nigerian bank Eurobonds continued to play a key role in trading during the month.

Portfolio and market outlook

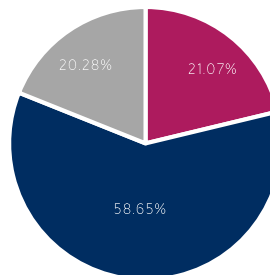
Sub-Saharan Africa Eurobonds remain resilient despite the Fed rate increase and we expect oil prices to hover around current levels in the short term. The political and economic crisis in Turkey is expected to have an effect on trading. However, the structural reforms and improved outlook on emerging market countries still makes a strong case for foreign investors looking for higher yields.

Performance and positioning

Historic prices

	Oct-16		Nov-16		Dec-16	
	I unit class	R unit class	I unit class	R unit class	I unit class	R unit class
Bid price (\$) ^A	102.11	101.92	101.46	101.24	103.80	103.56

Current allocation



- Nigerian Sovereign Eurobonds
- Nigerian Corporate Eurobonds
- Others

Asset allocation ranges

Nigerian Sovereign Eurobonds	10 - 50%
Nigerian Corporate Eurobonds	60 - 90%
Nigerian non-USD denominated fixed income instruments	0 - 10%
Other external funds of similar characteristics	0-20%