

INVESTING

FBN NIGERIA EUROBOND (USD) FUND



All data as at 31st January 2017 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	\$997,665.59
Base currency	US Dollars (\$)
Unit classes	I unit class: Institutional R unit class: Retail
NAV per share	I unit class: \$ 104.17 R unit class: \$ 103.93
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 month of January saw cautious trading in the sovereign SSA Eurobond space with uncertainty around the new president of the United States (US) Donald Trump and his economic and foreign policies. Concerns were brought about by the geopolitical crisis in Turkey which weighed on the market as well as the US President's ban on citizens of 7 countries from entering the US. The Purchasing managers index for the Eurozone was positive for the month of December and the United Kingdom (UK) Prime Minister Theresa May announced that the UK would leave the European Union single market.

Mozambique failed to pay interest on its 2023 Eurobond; the first default in Africa since 2011 causing the bond's price to sink to 55.1 cents to the dollar. The development was widely expected as investors bought to take advantage of higher yields after the default.

The Nigerian Banks Eurobonds continued to see demand amid scarcity leading to prices edging higher – a boost for the portfolio. Ghana Sovereign Eurobonds declined in the period leading up to the Central Bank of Ghana's interest rate decision where the benchmark interest rate was maintained at 25.5%.

Oil prices oscillated during the month driven by mixed expectations as to whether members of the Organisation of Petroleum Exporting Countries (OPEC) would adhere to their deal to cut output as well as US oil inventories.

Portfolio and market outlook

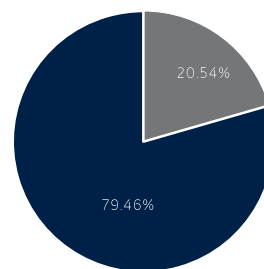
We expect the demand for Nigerian banks Eurobonds to persist with other investors freeing up cash for the upcoming Nigerian Sovereign Eurobond issuance. The portfolio will stand to gain from this and seek to take advantage of the market trends as opportunities arise.

Performance and positioning

Historic prices

	Nov-16		Dec-16		Jan-17	
	I unit class	R unit class	I unit class	R unit class	I unit class	R unit class
Bid price (\$) ^A	101.46	101.24	103.80	103.56	104.17	103.93

Current allocation



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%