

INVESTING

FBN NIGERIA EUROBOND (USD) FUND

All data as at 31st May 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, Damilola Alonge
Fund launch date	4th January 2016
Fund size	\$849,928.24
Base currency	US Dollars (\$)
Unit classes	I unit class: Institutional R unit class: Retail
NAV per share	I unit class: \$ 102.03 R unit class: \$ 101.98
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**

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 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

Monthly Comments

Fund and market review

In May, global central banks continued to remain on the sidelines as they monitored global economic and financial conditions. No major policy changes were made. The Bank of England (BoE) is faced with the threat of a "Brexit" on June 23rd, when Britain will vote to remain or leave the European Union. It has promised to extend enough liquidity to the banking system before the period. Across the Atlantic, comments from members of the Federal Reserve System (Fed) and economic data out of the United States of America (US) increased expectations for a rate rise in June.

With Brent crude price rising unexpectedly to \$50 for the first time in six months, we saw investment flows into Sub-Sahara Africa (SSA) Eurobonds. This was largely due to major oil supply disruptions in Nigeria and wildfires in Canada that has removed more than three million barrels from the market per day. These disruptions in Nigeria are expected to hold for longer, which means less income for the nation which is likely to have a negative impact on the budget, credit risk and SSA Eurobonds.

We saw a fresh issuance of Eurobonds into the SSA space; Afreximbank raised \$750m from the international debt market after achieving an order book of \$3.4bn. With an average yield of 8.45% among SSA sovereign debt, investors are making a case for the continent from a yield perspective.

Fund and market outlook

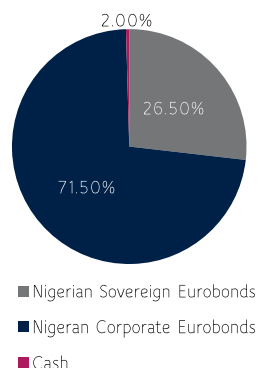
The Fund has continued to rally on the back of rising commodity prices, a falling US dollar and easy monetary policy by global central banks which has encouraged investors to seek for higher yields in emerging and frontier markets.

Performance and positioning

Historic prices and yields

	Mar-16		Apr-16		May-16	
	I unit class	R unit class	I unit class	R unit class	I unit class	R unit class
Bid price (\$) ^	101.14	101.05	101.59	101.52	102.03	101.98
Yield to maturity ^1	10.97%		10.53%		5.86%	

Current allocation



Asset allocation ranges

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