

INVESTING

FBN NIGERIA EUROBOND (USD) FUND

All data as at 31 October 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	\$947,433.11
Base currency	US Dollars (\$)
Unit classes	I unit class: Institutional R unit class: Retail
NAV per share	I unit class: \$ 102.11 R unit class: \$ 101.92
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

There was generally positive data out of the United States of America (US) in the month of October, which increases the chance of a US Federal reserve rate hike by year end. Trade data out of China disappointed markets, however inflation data was positive with both consumer and producer prices rising during the month. This inflation data influenced Japanese markets positively as well as weakening of the Japanese Yen.

Oil prices rose at the beginning of the month reached a \$52 mark due to talks of a production cut by the Organisation of Petroleum Exporting Countries (OPEC), but fell towards month end due to uncertainty about the outcome of the talks with Iraq refusing to come to the table. Falling oil prices and the tense nature of talks about the United Kingdom (UK) leaving the European Union led to negative sentiment in the region.

In the Eurobond market there was risk-off sentiment seen by foreign investors with Deutsche bank coming under fire for its role in the 2008 financial crisis. Nigerian Bank Eurobonds however traded well locally. Investors await a Nigerian Eurobond issue and Access bank allowed investors to exchange their Access 2017 Eurobond for a 2021 Eurobond issued at a yield of 10.75%, which has seen significant demand. The portfolio gained from the appreciation of the Access 2017 bonds which have become scarce in the market.

Portfolio and market outlook

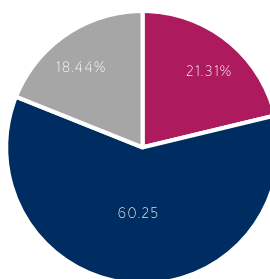
The US presidential election coming up in November and the proposed output cut deal by OPEC are both expected to drive activities in the Sub Saharan Africa Eurobond space. We expect more risk off attitude from foreign investors as we await the outcome of both events.

Performance and positioning

Historic prices and yields

	Aug-16		Sep-16		Oct-16	
	I unit class	R unit class	I unit class	R unit class	I unit class	R unit class
Bid price (\$)^	104.46	104.48	104.87	104.81	102.11	101.92
Yield to maturity^1	6.47%		6.45%		6.33%	

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%