

INVESTING

FBN NIGERIA SMART BETA EQUITY FUND

All data as at 30th April 2016 unless otherwise stated



Fund Overview

Investment objective

The Fund seeks to provide long-term capital growth by investing primarily in a portfolio of equities listed in Nigeria.

Fund facts

Fund Managers	Ogonna Nneji ^{PHD} , Oluyomi Okin
Fund launch date	4th January 2016
Fund size	₦130.80m
Base currency	Naira (₦)
NAV per share	₦99.13
Minimum investment	₦50,000.00
Income distributions	
Annual management fee	1.50%
Risk profile	High*

Fund highlights

The Fund is an open ended mutual fund that invests in a diversified portfolio of high quality Nigerian companies that are domiciled in, or carrying out the main part of their economic activity in Nigeria.

In order to manage liquidity, the Fund may invest in short-term money market instruments and deposits with credit institutions may be held from time to time.

Fund strategy

The Fund uses a simple systematic rules-based investment strategy that is designed to capitalize on equity market inefficiencies specific to the Nigerian equity market, as established by extensive in-house quantitative research. The strategy is commonly known as smart beta investing.

The Portfolio Managers draw constituents from the largest 40 stocks (by market capitalization) and screen these stocks based on the following anomalies: value, momentum, profitability and dividend yield. Weights assigned to stocks are screen-rank-driven.

Investor Profile

The Fund is suitable for investors who are seeking long-term capital growth, require minimal income and can tolerate market volatility.

The Fund may be suitable for investors looking for a source of long-term capital growth and income through exposure primarily to equity securities in Nigeria. Investors in this Fund should have at least a three to five years investment horizon.

Benchmark

Nigerian Stock Exchange 30 Index (net of fees)

Source: FBN Capital Asset Management

* The Fund has a 'High' risk profile given it invests the majority of its assets in equities. The value of equity securities may go down as well as up in response to the performance of individual companies and general market conditions.

^ Bid price is stated net of fees and expenses.

Holding period: 90 business days.

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.

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Monthly Comments

Fund and market review

The bullish trend in the local equity market came to an abrupt end in the month of April, with the Nigerian Stock Exchange All-Share Index (NSEASI) falling by 1.0% while the benchmark NSE 30 index also lost 0.9% in value over the previous month. However, the Fund's price appreciated by 2.9% in the same period. Year-to-date, the benchmark NSE 30 index is down 12.5%, whilst the Fund is down 0.9%.

April saw a number of listed companies release their financial results for Q1 2016. Given the persistent challenges in the economy, the results for a number of large-cap companies were unsurprisingly poor, thus dragging down the market. Also, a warning by Morgan Stanley during the month, of a possible removal of Nigeria from its frontier market composite index further alarmed the market. Looking back at the reporting season, Seplat and Lafarge Africa led the pack of poor performers by posting net losses of ₦4.5bn and ₦845m for the quarter. Other NSE 30 stocks such as Julius Berger and Dangote Cement followed suit by reporting year-on-year declines in profit. However, there were a few bright spots in the reporting season, and the seeming revival in the fortunes of selected consumer goods companies and agricultural producers such as Nestle, Unilever, Dangote Sugar, and Okomu Oil was quite encouraging. The aforementioned all recorded significant jumps in profits in Q1 2016.

The Fund's positive performance this month can be attributed to the proprietary quantitative model's ability to select and invest in quality stocks only, and in optimal proportions. Approximately 90% of the stocks in the portfolio posted profits for Q1 2016, with 40% of those recording year-on-year growth in earnings in the quarter.

Fund and market outlook

With the Q1 2016 earnings season essentially over, we do not expect a dramatic change in the stock market's liquidity and performance as there are no obvious catalysts currently driving the economy. However, we believe that the successful passage of the 2016 budget in May will likely spur spending in the economy, which should gradually drive corporate revenues and subsequently influence a moderate uptrend in stock prices towards the second half of 2016.

Positioning

Historic prices

	Jan-16	Feb-16	Mar-16	Apr-16
Bid price (₦)^	95.46	95.99	96.36	99.13

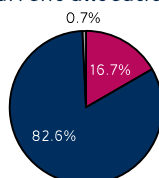
Top 5 equity holdings

Seplat	6.89%
Dangote Cement	5.81%
Flour Mills	5.79%
Dangote Sugar	4.83%
Nigerian Breweries	4.75%

Top 5 Sector Exposure

Consumer Goods	22.28%
Industrial Goods	17.56%
Oil & Gas	15.90%
Financial Services	14.89%
Agriculture	8.15%

Current allocation



■ Money Market Securities
■ Equities
■ Cash

Asset allocation ranges

Fixed Income	0-25%
Equities	75-100%