

INVESTING

FBN NIGERIA SMART BETA EQUITY FUND

All data as at 31st August 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	Laura Thorpe <small>CFA</small> , Oluyomi Okin
Fund launch date	4th January 2016
Fund size	₦156.27m
Base currency	Naira (₦)
NAV per share	₦110.78
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.

FBN Capital Asset Management RC 978831

18 Keffi Street, Off Awolowo Road, S.W. Ikoyi, Lagos, Nigeria

Tel: +234 (1) 2798300, + 234 (0) 708 065 3100 Email: invest@fbnquest.com www.fbnquest.com

A part of the FBN Holdings Group

Monthly Comments

Fund and market review

The equity market remained weak in August as the Nigerian Stock Exchange All-Share Index (NSEASI) declined by 1.5% in the month. Similarly, the Fund's benchmark NSE 30 index was down 1.1% in the month. However, the Fund's price appreciated by 0.7%, outperforming both the benchmark and the broader market returns for the period. The banking sector was the main driver of the weakness in the market in August on the back of significant double-digit decline in stock prices in tier-2 banks including Diamond, FCMB, Skye and ETI, and tier-1 names like Zenith and FBNH. The Fund is not exposed to these stocks, except Zenith where it is underweight compared to the weight of the stock in proportion to the market.

Investor sentiment continued to suffer from the weaker-than-expected results for Q2 2016, even as foreign portfolio flows remained intangible despite the flexible foreign exchange (FX) policy implemented by the Central Bank of Nigeria (CBN) in June. Additionally, the elevated yields on fixed income securities continued to attract funds out of the equity market, as the CBN continued to tighten liquidity via sale of treasury bills in Open Market Operations (OMO) auctions. Also, the decision of the CBN to suspend nine banks from the inter-bank FX market weighed on the banking sector. The sanction was as a result of the failure of the banks to remit funds (US\$2.3 billion) belonging to the Nigerian National Petroleum Corporation (NNPC) to the Treasury Single Account (TSA). Quite unsurprisingly, the release of weak data on Q2 2016 Gross Domestic Product (GDP) and July inflation had very muted impact on the market as these dismal data had already been priced-in.

Fund and market outlook

Expectations are currently rife for the CBN to loosen monetary policy to help revive the dwindling economy. Whilst such a policy action will be positive for the equity market as companies will have access to cheaper financing and stock valuations get a boost from lower discounting factor, the strategy of the CBN to use high interest rates to attract much needed dollar flows into the economy presents a dilemma. However, the view of the CBN at its July policy meeting to leave the responsibility of stimulating the economy with the fiscal authorities suggests that it is likely to keep its strategy at least in the near term, especially as government's planned borrowing is tilted towards offshore markets.

Positioning

Historic prices

	Jan-16	Feb-16	Mar-16	Apr-16	May-16	Jun-16	Jul-16	Aug-16
Bid price (₦)^	95.46	95.99	96.36	99.13	108.75	113.07	110.01	110.78

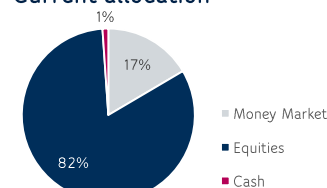
Top 5 equity holdings

Presco	5.81%
Guaranty Trust	5.51%
Okomu Oil	5.13%
Dangote Cement	4.94%
Total	4.92%

Top 5 Sector Exposure

Financial Services	21.75%
Consumer Goods	19.00%
Oil & Gas	16.47%
Industrial Goods	13.84%
Agriculture	10.95%

Current allocation



Asset allocation ranges

Fixed Income	0-25%
Equities	75-100%