

INVESTING

FBN NIGERIA SMART BETA EQUITY FUND

All data as at 31st December 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 ^{CFA} , Kike Mesubi ^{CFA} , Oluwaseun Magreola
Fund launch date	4th January 2016
Fund size	₦158.6m
Base currency	Naira (₦)
NAV per share	₦112.65
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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A part of the FBN Holdings Group

Monthly Comments

Fund and market review

The equities market closed green in the month of December as the Nigerian Stock Exchange All-Share Index (NSEASI) appreciated by 6.5% on the back of the year-end portfolio rebalancing activities to close the year on a positive note. The Fund's benchmark NSE 30 index was also up by 5.6% during the month. However, the Fund's price appreciated by 4.4% for the month of December, underperforming both the benchmark and the broader market returns for the period. However, year on year the fund outperformed its benchmark index and NSEASI to close the year up 12.7% vs. -7.2% and -6.2% for the benchmark and NSEASI respectively.

The rally observed in equities in the month of December was spurred by renewed demand in blue chip names such as Guaranty Trust Bank, Nigerian Breweries Plc, Access Bank, Dangote cement and Seplat. The year end rebalancing exercise by portfolio managers led to more trading activities in the month vs. the previous month. The oil and gas index gained 13.2% in the month on the back of the agreement between OPEC and Non-OPEC members to cut oil production. Oil rose to an 18 month high after OPEC and some of its rivals reached their first deal since 2001 to jointly reduce output. A cursory look at 2016 showed general investors' apathy all through the year due to a malfunctioning foreign exchange regime and a challenging macroeconomic environment which negatively impacted most companies' fundamentals and profits. Additionally, elevated yields on fixed income securities continued to attract funds out of the equity market, as the Central Bank of Nigeria continued to tighten liquidity via sale of treasury bills in Open Market Operations (OMO) auctions. Domestic investors dominated trading activity for the first time in 4 years accounting for 55% of turnover versus 45% for foreign investors. Within the month, there were no changes to the portfolio's allocation.

Fund and market outlook

We anticipate the proposed 2017 appropriation bill by the Federal Government will help reflate the economy back to recovery paths on the back of government's plans to increase capital spending, encourage import substitution and fully liberalize the forex market (free float). The Portfolio will be re-balanced early 2017 and there would be strategic assets re-allocation by the Fund Managers to maximise returns for the Fund.

Positioning

Historic prices

Mar-16 Apr-16 May-16 Jun-16 Jul-16 Aug-16 Sep-16 Oct-16 Nov-16 Dec-16

Bid price (₦)[^] 96.36 99.13 108.75 113.07 110.01 110.78 112.93 113.02 107.92 112.65

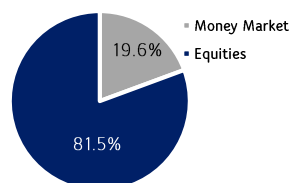
Top 5 equity holdings

Mobil	6.87%
Total	6.04%
Okomu Oil	5.64%
UBA	5.16%
Access Bank	5.12%

Top 5 Sector Exposure

Financial Services	23.12%
Oil & Gas	19.41%
Consumer Goods	19.30%
Agriculture	10.71%
Industrial Goods	8.93%

Current allocation



Asset allocation ranges

Fixed Income	0-25%
Equities	75-100%