

INVESTING

FBN NIGERIA SMART BETA EQUITY FUND

All data as at 29th February 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	₦124m
Base currency	Naira (₦)
NAV per share	₦95.99
Minimum investment	₦50,000.00
Income distributions	Annually
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.

Minimum 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 Nigerian equity market significantly recovered from its January slump which saw prices fall by 16.5%. In February, the market witnessed a 2.7% growth in value, thus bringing the year-to-date percentage change in the market to -14.2%. The Fund's price rose by 0.6%, thereby implying a year-to-date performance of -4%.

The uptick in stock prices in February can be attributed partly to bargain hunting. Another factor that is likely to have led to the rally is the relative stability of the oil price, which is generally positively correlated with the Nigerian equity market. Stocks, however, continue to remain volatile as a result of persistent economic uncertainty, particularly surrounding the Central Bank's foreign exchange demand management approach. The restrictive FX policy has led to severe illiquidity in the FX market which is adversely impacting the operations of local and multinational firms. Furthermore, foreign portfolio investment inflows into the market remain discouraged due to expectations of an inevitable devaluation of the Naira.

Amidst the current volatile and relatively illiquid nature of the equity market, the Fund Manager has gradually increased the equity allocation of the Fund by 20%, thereby inching closer to the target asset allocation as prescribed by our quantitative model.

Fund and market outlook

The Nigerian Stock Exchange All Share Index (NSE ASI) closed at 24,570 points in the month of February, its lowest value since September 2012. We firmly believe that current stock prices are well below their fundamentally justifiable values, thus presenting good entry points for investors. As we move fully into the 2015 earnings season in March, we expect increased buying interests in the market due to investors that are seeking high dividend yielding stocks. Consequently, we believe volatility risk will be heightened in the month ahead.

Positioning

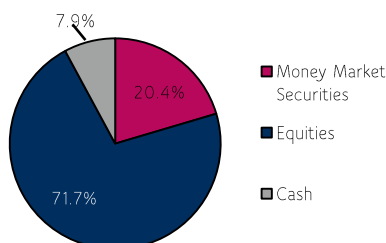
Top 5 equity holdings

Seplat	5.39%
Dangote Cement	5.32%
Nestle	4.95%
Okomu Oil	4.85%
Dangote Sugar	4.64%

Top 5 Sector Exposure

Consumer Goods	20.98%
Financial Services	17.16%
Industrial Goods	13.16%
Oil & Gas	11.67%
Agriculture	7.76%

Current allocation



Asset allocation ranges

Fixed Income	0-25%
Equities	75-100%