

INVESTING

FBN NIGERIA SMART BETA EQUITY FUND

All data as at 31st January 2017 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	₦113.90
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 started the year on a bearish note with the Nigerian Stock Exchange All Share Index (NSE ASI) declining -3.1%. The decline was on the back of continued bearish sentiments amongst investors much of which were still the scarcity of foreign exchange, low fiscal activity, rising inflation and a challenging macroeconomic environment. The Fund's benchmark NSE 30 index also depreciated by -3.1% during the month, while the Fund's price appreciated by 1.1% for the month of January, outperforming both the benchmark and the broader market returns for the period.

All indices on the Nigerian bourse were down for the month save for the Oil & Gas and Banking sector which closed positive at +0.1% and +1.1% respectively. Early announcement of Board meetings to discuss their audited financials by some blue chip banks (Access Bank, GTBank, Zenith and UBA) helped to spur positive sentiments of a generous dividend; that helped drive activities in the sector, as investors cherry picked and took strategic positions ahead of the declaration. Weak sentiment also returned as investors began to weigh the impact of higher borrowing and production costs and scarcity of foreign exchange ahead of full year 2016 corporate earnings release. This was most significant within the Consumers goods sector; the sector was the worst performing (-7.32% for the month). Weaker than expected results from Guinness, International Breweries and PZ Industries further intensified the decline. Global oil prices remained high on the back of the oil production cuts deal sealed last month by OPEC and non-OPEC members as Brent crude traded above the \$50 levels recorded in December. The CBN's Monetary Policy Committee (MPC) held its first meeting of the year where it left all benchmark rates unchanged. The Portfolio managers re-balanced the fund's model early in the year and this caused some changes to the portfolio's asset allocation.

Fund and market outlook

We believe the current prices of most equity stocks present a good entry and we plan to tactically increase allocation to quality stocks and sectors that will improve returns to the fund as stated by the model. In the fixed income space, we envisage yield increases as the Federal Government looks to borrow to finance its budget deficit. The fund managers will continue to take advantage of available market opportunities to boost the performance of the Fund.

Positioning

Historic prices

	Apr-16	May-16	Jun-16	Jul-16	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16	Jan-17
Bid price (₦)^	99.13	108.75	113.07	110.01	110.78	112.93	113.02	107.92	112.65	113.90

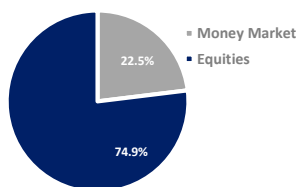
Top 5 equity holdings

DangSugar	5.08%
DangCem	5.00%
UBA Plc	4.57%
FMN Plc	4.54%
Presco	4.48%

Top 5 Sector Exposure

Consumer Goods	20.88%
Financial Services	20.52%
Oil & Gas	12.95%
Industrial Goods	10.62%
Agriculture	8.17%

Current allocation



Asset allocation ranges

Fixed Income	0-25%
Equities	75-100%