

INVESTING

FBN NIGERIA SMART BETA EQUITY FUND

All data as at 31st July 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	₦155.23m
Base currency	Naira (₦)
NAV per share	₦110.01
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

Sentiments turned sour in the equity market in July on the back of weak macroeconomic data and company results for the second quarter of 2016. Both the Nigerian Stock Exchange All-Share Index (NSEASI) and the Fund's benchmark NSE 30 index, declined by 5.4% each in the month. However, the Fund's price declined by a lesser magnitude (-2.7%) during the period, relative to the benchmark and the broader market. Notably, all the sectors of the market lost value in July, but the double-digit decline in the Industrial sector weighed upon overall market performance significantly.

The optimism that greeted the implementation of the new foreign exchange (FX) policy towards the end of June waned significantly during the month as illiquidity in the FX markets persisted. As such, speculative buying in the equity market in anticipation of the return of foreign portfolio flows subsided, and traders closed out positions to book gains. Additionally, the depressing Gross Domestic Product (GDP) growth forecasts for Nigeria by the International Monetary Fund (IMF), coupled with the further rise in inflation to 16.5% in June, further suppressed investors' appetite for risk in the month. The decision of the Central Bank of Nigeria (CBN) to tighten monetary policy in order to ensure that investment returns are ahead of inflation, also led to a rotation out of equities and into high-yielding fixed income securities during the month. Finally, companies' results for Q2 2016 were broadly weak as expected, as earnings across sectors were negatively impacted by the devaluation of the Naira in June. Companies with foreign currency loans were notably worst-hit.

The Fund composition was rebalanced in July, which resulted in the introduction of four new stocks into the portfolio (one each from the Banking, Industrials, Consumers, and Oil & Gas sectors). Similarly, four stocks were expunged from the portfolio, however from just three sectors namely Consumers, Industrials, and Construction/Real Estate.

Fund and market outlook

Given the persistent challenges facing the economy, high yields on fixed income assets, weaker stock valuations on poor earnings and rise in cost of capital, we see equity prices being subdued in the near term. However, liquidity in the FX markets may begin to receive support from foreign portfolio flows attracted by the high yields on fixed income securities and fairer pricing of the Naira.

Positioning

Historic prices

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

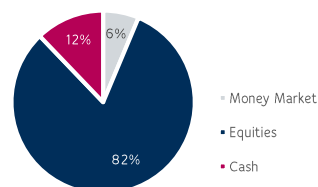
Top 5 equity holdings

Seplat	5.40%
Dangote Cement	5.09%
Guaranty Trust	5.03%
Dangote Sugar	4.98%
Access Bank	4.97%

Top 5 Sector Exposure

Financial Services	18.99%
Consumer Goods	18.06%
Oil & Gas	15.74%
Industrial Goods	14.48%
Agriculture	9.60%

Current allocation



Asset allocation ranges

Fixed Income	0-25%
Equities	75-100%