

INVESTING

FBN NIGERIA SMART BETA EQUITY FUND

All data as at 31st March 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	₦126.96m
Base currency	Naira (₦)
NAV per share	₦96.36
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 local equity market continued its bullish trend in the month of March, with NSE All Share Index (NSEASI) appreciating by 3.0%. The benchmark NSE 30 index witnessed a more conservative growth of 1.0%, whilst there was a slight uptick of 0.4% in the Fund's price, to ₦96.36 at the month end. Year-to-date, the benchmark NSE 30 index is down -13.9% and the Fund is down -3.6%.

The market's remarkable performance can be attributed to strong price jumps in large market capitalization stocks such as Dangote Sugar, Dangote Cement and Oando, which gained 17.4%, 18.4% and 40.7% respectively. However, generally weak annual corporate earnings results for 2015 full year across all sectors continue to ensure negative sentiments persist, thereby leading to heightened intra-month price volatility. Continued lack of clarity on the future of FX policy, increased volatility in the price of crude, unexpected tightening of monetary policy by the Central Bank of Nigeria, delay in passing the 2016 national budget and an economy in stagflation (high inflation and slowed economic growth) have created an uncertain macroeconomic environment that have further fuelled short term negative sentiments. Given the investment strategy and long term objective of the Fund, the Fund Manager continued to carefully increase the Fund's equity weighting by increasing exposure to a few quality stocks as identified by our proprietary quantitative model, and acquiring them at depressed prices.

Fund and market outlook

Although the 2015 earnings season is over and most companies have reported their earnings, we expect price volatility to continue to persist. The Fund Manager's outlook is that equity prices are highly likely to remain under intense pressure as a result of the uncertain macroeconomic environment and poor liquidity. However, the attractive high dividend yields on equities and their low valuations are likely to encourage an influx of investors seeking under valued stock.

Performance and Positioning

Historic prices

	Jan-16	Feb-16	Mar-16
Bid price (₦)^	95.46	95.99	96.36

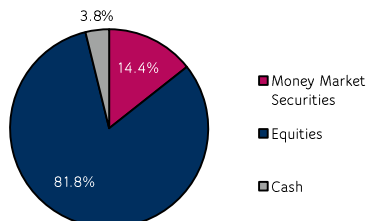
Top 5 equity holdings

Seplat	6.26%
Dangote Cement	6.14%
Flour Mills	5.50%
Dangote Sugar	5.32%
Mobil	4.98%

Top 5 Sector Exposure

Consumer Goods	22.69%
Industrial Goods	19.64%
Oil & Gas	15.97%
Financial Services	12.95%
Agriculture	8.41%

Current allocation



Asset allocation ranges

Fixed Income	0-25%
Equities	75-100%