

## FBN NIGERIA SMART BETA EQUITY FUND

All data as at 31 May 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 <small>CFA</small> , Kike Mesubi <small>CFA</small> , Oluwaseun Magreola
Fund launch date	4th January 2016
Fund size	₦181.3m
Base currency	Naira (₦)
NAV per share	₦128.93
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.

FBN Capital Asset Management RC 978831

18 Keffi Street, Off Awolowo Road, S.W. Ikoyi, Lagos, Nigeria

Tel: +234 (1) 2798300, + 234 (0) 708 065 3100 Email: invest@fbnquest.com www.fbnquest.com

A part of the FBN Holdings Group

### Monthly Comments

#### Fund and market review

The Fund grew by 9.56% for the month under review; this compares with the performance of the Nigerian Stock Exchange All Share Index and benchmark which gained 14.48% and 16.34% respectively.

The month was characterized by the market's positive reaction to the inception of the NAFEX window which provides improved foreign exchange liquidity for investors and exporters. Sentiments in the equity market promptly turned as it became clear that foreign investors were able to access foreign exchange. The success of NAFEX as well as the country's improved economic performance encouraged investors to pile into the equity market. The market posted its best May performance in over two years. Additionally, guidelines encouraging Pension Fund Administrators to allocate more of their assets to variable income assets like equities also buoyed sentiments. Mostly based on the strong performance over the month, most sectors are now showing positive year-to-date performance. Within the Fund, the diversified holdings within the equity portfolio contributed to the strength of the Fund's performance.

The fixed income market remained characterized by the continued mopping up of system liquidity by the Central Bank of Nigeria (CBN). The CBN frequently carried out Open Market Operations (OMO) leading to tight liquidity in the market and as a result, higher interest rates. Furthermore, the persistent FX interventions by the CBN reduced the deposit money banks' appetite for Fixed Income securities as they are required to sterilize cash for clients FX demand which they would rather invest.

#### Fund and market outlook

Looking ahead, we anticipate a recovery in the equity space based on improved FX liquidity. The improvement in companies topline growth is expected to continue. In addition, the recently approved PENCOM investment guideline should continue to provide a boost to equities as Pension Fund Administrators increase equity allocation.

#### Positioning

##### Historic prices

	Oct-16	Nov-16	Dec-16	Jan-17	Feb-17	Mar-17	Apr-17	May-17
Bid price (₦)^	113.02	107.92	112.65	113.90	111.70	114.98	117.89	128.93

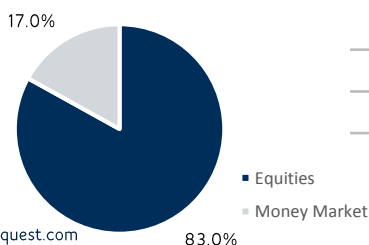
##### Top 5 equity holdings

UBA	7.49%
Access	6.93%
Okomu Oil	6.43%
Presco	6.15%
Zenith Bank	6.07%

##### Top 5 Sector Exposure

Financial Services	29.79%
Oil & Gas	16.21%
Agriculture	13.05%
Consumer Goods	12.78%
Industrial Goods	7.34%

##### Current allocation



##### Asset allocation ranges

Fixed Income	0-25%
Equities	75-100%