

# INVESTING

## FBN FIXED INCOME FUND

All data as at April 30th 2019 unless otherwise stated



### Fund Overview

#### Investment objective

The Fund seeks to preserve and maximize return on capital while maintaining a high degree of liquidity by investing in a diversified portfolio of long tenured debt securities and short-term, high quality money market securities issued in Nigeria.

#### Fund Facts

Fund Manager	Ifeoluwa Dixon, Tutu Owolabi-Kadiku CFA	
Fund launch date	24th September 2012	
Fund size	₦6.08m	
Base currency	(₦)	
NAV per share	₦1,175.00	
Minimum investment	₦50,000.00	
Minimum holding period	90 days*	
Income accrual	Daily	
Income distribution	Semi-annually (April and October)	
Income distributions	Oct'18: ₦ 37.91	Apr'19: ₦ 73.67
Annual management fee	1.00%	
Total Expenses Ratio	1.23%	
Risk profile	Low-Medium**	
Benchmark	3yr Federal Government of Nigeria Bond	

#### Fund Highlights

The Fund is an open ended mutual fund that invests in a broad range of long tenured debt securities issued by the Federal Government of Nigeria (FGN), state governments and highly rated corporate institutions. The Fund may also invest in short-term, high quality money market securities.

The Fund is suitable for medium or long term cash investment and offers a stable income through the distribution of semi-annual dividends. Using FBNQuest Asset Management's fixed income expertise and local market analysis capabilities, this Fund allows you to fully exploit the potential of Nigerian debt securities.

#### Investor Profile

The Fund may be suitable for investors who are looking for exposure to a broad range of debt securities. Investors should have at least a two to four year investment horizon.

Source: FBNQuest Asset Management

\* Redemption period: 3 - 5 business days.

No additional charges are applied on redemption. However, units redeemed earlier than the 90 business days minimum holding period will incur a processing fee of 20% on the income earned on the value of such redemptions.

\*\* The Fund has a 'Low-Medium' risk profile given it invests the majority of its assets in bonds. Investing in bonds may carry higher risks than other debt securities, but their growth potential is also higher. The value of debt securities may change significantly depending on economic, political, inflationary and interest rate conditions as well as the credit worthiness of the issuer.

^ Bid price and yield to maturity are stated net of fees and expenses with dividends reinvested.

<sup>1</sup> The yield to maturity (YTM) is the rate of return anticipated on the portfolio if the current bonds in the portfolio were held until the end of their lifetime. YTM is an annualised rate and takes into account the current market price, par value, coupon interest rate and time to maturity for each bond in the portfolio. It is also assumed that all coupon payments are reinvested at the same rate as the bond's current yield.

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 Fund's total return stands at 5.31% following the April 2019 distribution made to investors and performance was underscored by declining bond yields. In April, Brent crude oil prices reached a 6 month high of \$75 per barrel, before closing the month at \$72.06. Prices were supported by supply reduction by some members of the Organisation of Oil Exporting Countries (OPEC), insecurity in Venezuela and sanctions on Iran. As a result, Nigeria's external reserves increased from \$44.1bn to \$44.8bn, providing support to market sentiment.

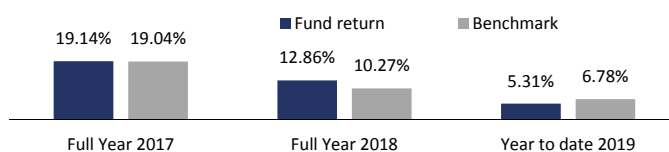
On the macro front, the consumer price index, (CPI) declined 6 basis points to 11.25% year on year in March 2019. This decline was driven by the reduction in food inflation, which reduced to 13.45% in March compared to 13.47% in February. The continued decline in inflation was supportive for bond yields.

The month also saw the release of the bond auction calendar for the 2nd quarter of 2019 with the Debt Management Office (DMO) planning to raise between N225billion to N345billion for the period. Market sentiments were centred on the new issuances (2029 and 2049) in relation to the rates DMO would be willing to raise debt and what the demand levels would be at the auction. For the first half of the month trading activities were quite low. The Bond auction was quite successful with DMO raising approximately N97.04 billion of the N100 billion offered with marginal rates closing at 14.50%, 14.55% and 14.80% for the 2023, 2029 and 2049 papers respectively. Towards the end of the month, trading activities picked up with roughly equal proportions of buyers and sellers, as a result the change in yield was not significant. We saw the bond market trade a range of 14.30%-14.55% across tenors.

#### Fund and market outlook

We expect a renewed interest in the bond market as a result of the consistent drop in the 1 year OMO auction rates and the reduction in the frequency of OMO issuances. The spread between Treasury bills and Bonds have tightened and as such we expect demand to flow through to the bond market thereby pushing yields lower than the current levels. The Fund is expected to maintain its positive performance especially if the declining interest rate environment persists due to its exposure to bonds.

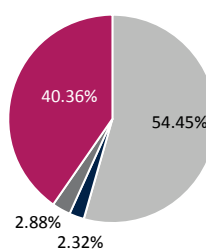
### Performance Summary



### Historic prices and yields

	Jan-19	Feb-19	Mar-19	Apr-19
Bid price (₦)^	1,199.89	1,2227.84	1,238.91	1,175.00
Yield to maturity^	14.19%	14.32%	14.23%	14.21%

### Current allocation



### Asset allocation ranges

FGN bonds	FGN bonds	15-75%
State government bonds	State government bonds	0-30%
Corporate bonds	Corporate bonds	0-30%
Eurobonds	Eurobonds	0-15%
Money market securities	Money market securities	25-75%