INVESTING

FBN FIXED INCOME FUND

All data as at February 28th 2019 unless otherwise stated

FBNQuest Asset Management

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	₦5.83m
Base currency	(₦)
NAV per share	₦1,227.84
Minimum investment	₦50,000.00
Minimum holding period	90 days*
Income accrual	Daily
Income distribution	Semi-annually (April and October)
Income distributions	Apr'18: ₦ 72.05 Oct'18: ₦ 37.91
Annual managementee	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.

[1] 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 assumes 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

Monthly Comments

Fund and market review

The imminent US/China trade deal, the US/North Korea negotiations and Brexit led to the adaptation of a cautious approach in market in the period under review. Brent crude prices rose by 7.5% during the month to close at $65.45 from $60.84 per barrel recorded in January.

The national accounts revealed that the economy gathered momentum in the final quarter of 2018, with growth hitting a three-year high on the back of a broad-based expansion within the non-oil sector. The Gross Domestic Product (GDP) report recorded a 2.4% annual expansion in Q4 2018 compared to Q3 2018 (1.8%) and 1.9% growth for 2018, a significant increase from 0.8% in 2017.

This increase is attributed to the growth in the non-oil sector of the economy (2.7% annually) while the oil and gas sector contracted for the third consecutive quarter in Q4 2018 amid lower oil production and easing global crude prices, weighing on overall activity. The report shows economic growth as a result of stronger capital investment and consumer spending.

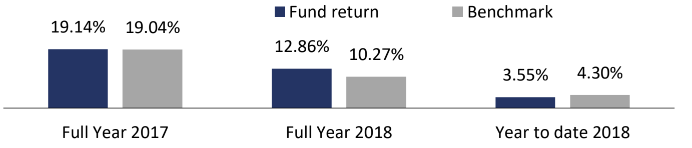
The bond market opened the month on a relatively cautious note ahead of the elections, however yields declined by about 100bps on a month-on-month basis to close the month at sub 14% levels. February also saw the introduction of 12.75% FGN APR 2023 and 13.53% FGN MAR 2025 bonds to the secondary market.

The Treasury bill market opened the month on a quiet note. However, sentiments changed as the frequency of the OMO (Open Market Operations) auctions reduced. This led to the drop in yields as demand outweighed supply. The market experienced post-election rally in the last week of the month as stop rates on the 1year treasury bills dropped by 63bps to close at 14.30% on the back of oversubscription.

Fund and market outlook

In the coming month, activities in the treasury bills market would remain dependent on the OMO, wholesale FX auctions and rates remaining attractive enough to capture these foreign investments. The Fund is expected to maintain its positive performance especially if the declining interest rate environment persists due to its exposure to bonds.

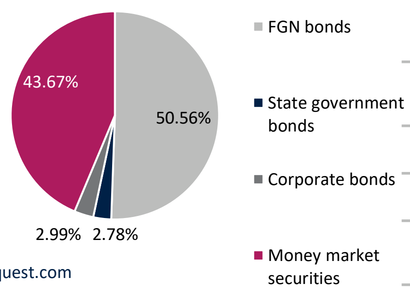
Performance Summary



Historic prices and yields

	Nov-18	Dec-18	Jan-19	Feb-19
Bid price (₦)^	1,169.86	1,185.49	1,199.89	1,2227.84
Yield to maturity^	13.89%	14.03%	14.19%	14.32%

Current allocation



Asset allocation ranges

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

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