INVESTING

FBN FIXED INCOME FUND

All data as at July 31st 2017 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 Adekoya CFA
Fund launch date	24th September 2012
Fund size	₦4.76bn
Base currency	(₦)
NAV per share	₦ 1,103.36
Minimum investment	₦50,000.00
Minimum holding period	90 days*
Income accrual	Daily
Income distribution	Semi-annually (April and October)
Income distributions	Oct'17: ₦ 42.03 Apr'17: ₦ 84.83
Annual management fee	1.00%
Risk profile	Low-Medium**

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 FBN Capital 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: FBN Capital 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

Nigeria's economy sustained its path towards recovery as factors such as the stability in foreign exchange (FX) market, improvement in the equities market, increase in tax revenue, oil production and other fiscal stimulus boosted economic growth. However, the recent plan to cap Libya and Nigeria's production by OPEC, new treats from the Niger Delta militants and the drop in oil price could negatively impact the fragile recovery of the economy. The Monetary Policy Committee voted to maintain the Monetary Policy Rate at 14.00% in July on the back of inflationary pressures and the stability in the FX market while stressing the need to continuously monitor the banking sector in spite of the resilience of the sector due to the fragile economy.
Locally, the Consumer Price Index (CPI) which measures headline inflation fell to 16.1% (year-on-year) in June 2017 from 16.3% in May 2017. Whilst this represents the fifth successive drop in the rate of inflation since January 2017, food inflation surged to 19.9% y/y from 19.3%.
Yields in the bond market increased on a month on month basis across the curve by an average of 15bps due to higher yields at the bond auction in July where the federal government borrowed 105bn at 16.24%, 16.25%, and 16.2514% on 5, 10 and 20 year maturities. The debt profile increased to ₦2.5 trillion by June 2016. Yields in the treasury bills market fell by 20bps on long end of the curve towards the end of July, as liquidity was boosted through the Paris club repayment and Bond coupons of over ₦250 billion.

Fund and market outlook

We expect an increase in yields from July levels in the fixed income market particularly in treasury bills market as the Central Bank continues its strategy of keeping market liquidity thin though a cautious cost of borrowing. The Fund is expected to benefit from portfolio rebalancing and an uptick in yields in the market which should boost returns to unit holders.

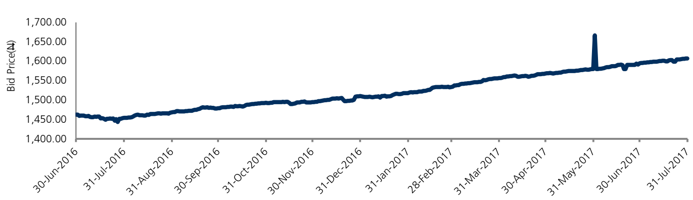
Benchmark

3yr Federal Government of Nigeria Bond

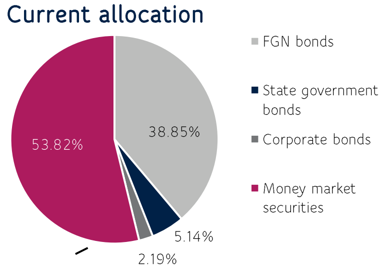
Historic prices and yields

	Apr-17	May-17	June-17	July-17
Bid price (₦)^	1,063.42	1,076.18	1,091.00	1,103.36
Yield to maturity^	16.92%	17.10%	17.22%	17.45%

Cumulative Performance



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%

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