INVESTING

FBN FIXED INCOME FUND

All data as at July 31st 2018 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	₦5.5bn
Base currency	(₦)
NAV per share	₦ 1,176.83
Minimum investment	₦50,000.00
Minimum holding period	90 days*
Income accrual	Daily
Income distribution	Semi-annually (April and October)
Income distributions	Oct'17: ₦ 66.34 Apr'18: ₦ 72.05
Annual management fee	1.00%
Total Expenses Ratio	1.20%
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 passage and implementation of the 2018 budget boosted economic activity and system liquidity with headline inflation printing at 11.23% in June.

In the primary market, a cost conscious Debt Management Organisation raised ₦66.90billion from the bonds auction instead of the ₦90.00billion offered due to demand for higher returns from investors. The liquidity need required for the implementation of the 2018 budget pushed the government to borrow at a higher cost as demonstrated by the rise in rates at July's bond auction to 13.69%, 14.00% and 14.29% from 13.50%, 13.80% and 13.81% on the 5, 7 and 10 year maturities respectively.

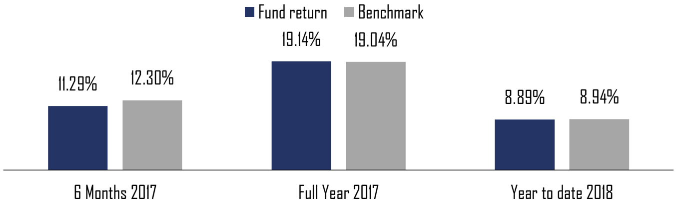
Volatility in the bond's secondary market declined from June levels as the sell-off's from foreign investors reduced. This led to an average decline in the yields by 30bps in the secondary market on a month-on-month basis on the short, mid and long end of the curve.

Activities in the treasury bills market were primarily driven by heightened system liquidity. This led to a bullish market and decline in yields across the yield curve of the treasury bills market as demand outweighed supply despite the issuance of Open Market Operation auctions which continue to print at 12.15% for February 2019 maturities. Treasury bills auction rates dropped to 10.00%, 10.50% and 11.49% in July from 10.20%, 10.50% and 11.50% in June 2018 on the 91, 182 and 364 days maturities.

Fund and market outlook

Despite expectations of the decline in yields in the debt market due to lower inflation readings, we expect yields in the market to rise as the election cycle approaches and the Central Bank puts tighter measures in place to control system liquidity. The Fund Manager's strategy is to stay on the short end of curve by investing in high yielding commercial papers and bank placements in order to take advantage of the expected rise in rates which will impact the performance of the Fund positively.

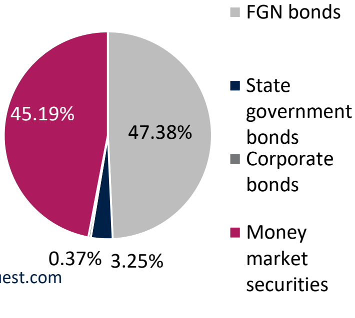
Performance Summary



Historic prices and yields

	Apr-18	May-18	Jun-18	Ju1-18
Bid price (₦)^	1,151.87	1,159.91	1,168.04	1,176.83
Yield to maturity^	14.46%	14.21%	13.47%	13.34%

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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