

INVESTING

FBN HERITAGE FUND

All data as at October 31st 2018 unless otherwise stated



Fund Overview

Investment objective

The Fund seeks to maximise returns and provide long term capital appreciation by investing primarily in companies and debt securities listed or issued in Nigeria.

Fund Facts

Fund Managers	Laura Fisayo-Kolawole, CFA Kike Mesubi, CFA,
Fund launch date	1 st April 2008
Fund size	₦2.82bn
Base currency	Naira (₦)
NAV per share	₦142.82
Minimum investment	₦50,000.00
Income distributions	Oct '16: ₦4.00; Dec '17: ₦12.00
Total Expense Ratio	1.69%
Annual management fee	1.50%
Risk profile	Medium*

Fund Highlights

The Fund is an open ended mutual fund that invests in a diversified portfolio of high quality Nigerian companies, long-term debt instruments of Nigerian federal and state governments and money market securities such as Treasury Bills, Commercial Papers, Bankers Acceptances and Fixed Deposits. The Fund may also invest in Nigerian real estate and real estate securities.

The Fund offers exposure to multiple asset classes and aims to reduce investment risk by diversifying across these asset classes, making it an ideal core holding.

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 and debt securities in Nigeria. Investors in this Fund should have at least a three to five year investment horizon.

Benchmark

Composite benchmark: 25% 91 days Nigerian Treasury Bill (NTB), 25% Bloomberg Nigeria Local Sovereign Index and State bonds, 50% Nigerian Stock Exchange All Share Index

Source: FBNQuest Asset Management

* The Fund has a 'Medium' risk profile given it invests the majority of its assets in equities and bonds. The value of equity securities may go down as well as up in response to the performance of individual companies and general market conditions. 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 is stated net of fees and expenses.

Redemption period: 5 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.

Monthly Comments

Fund and market review

The Fund's total return appreciated 1.7% in October, outperforming its benchmark which was broadly flat and the NSE ASI which closed at -0.9%. The Fund has gained +2.5% year to date, versus a decline of -2.4% for its benchmark and a decline of -15.1% for the NSE ASI.

The Equity market declined -0.9% in October bringing the market to eight months of losses within the year vs. two months of gains (January & June). Sentiments were weak as most Q3 results met generally bearish expectations.

Quality banking names like Stanbic and GTBank recorded topline growth as expected, with GTBank showing improved asset quality. In the Industrials space, Lafarge posted a surprise pre-tax loss of -₦8.0bn driven by its high financial leverage, whilst Dangote Cement's decent numbers came on the back of sustained volume growth. Consumer goods companies such as UACN and the flour millers showed the strain of weak consumer disposable incomes. The results support the Fund's strategy to buy quality companies with 'recession-proof' fundamentals, given the macro environment.

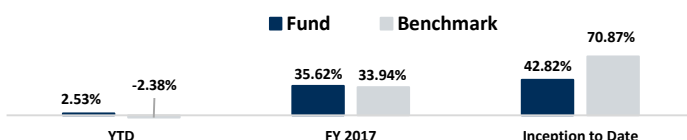
Yields rose within the month as the Central Bank raised OMO stop rates by 100bps on the mid and long end in a bid to support the Naira in the face of foreign investor outflows. The hawkish sentiments were further fuelled by nascent inflationary pressures as September's inflation rose by 5bps to 11.3%. The Fund, having maintained a short duration positioning for much of Q3, benefitted from the pick up in yields. The Fund's size was impacted by a major redemption in the month.

Fund and market outlook

We remain conservative in our outlook, as we expect the equities market to remain volatile with no major catalyst to drive positive sentiments. We would use the marked softness to pick up quality names at attractive valuations. In the face of rising fixed income yields, the Fund's duration will be lengthened to take advantage of the increasingly hawkish stance of the policy makers.

Performance and Positioning

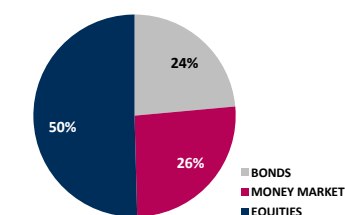
Cumulative Performance



Performance Summary

	Mar-18	Apr-18	May-18	Jun-18	Jul-18	Aug-18	Sep-18	Oct-18
Bid Price (₦)^	148.63	152.08	145.98	148.54	145.62	141.36	140.44	142.82
Distribution (₦)								

Current allocation



Asset allocation ranges

Bonds	10-25%
Money Market Securities	10-75%
Equities	20-65%