

INVESTING

FBN NIGERIA EUROBOND (USD) FUND

All data as at April 30th 2019 unless otherwise stated



Fund Overview

Investment objective

The Fund seeks to provide competitive income and total returns in USD primarily by investing in USD debt instruments of the Nigerian government, corporate and financial institutions.

Fund facts

Fund Manager	Ifeoluwa Dixon, Tutu Owolabi-Kadiku ^{CFA} , Adeyemi Roberts
Fund launch date	4th January 2016
Fund size	\$3,741,753.84
Base currency	US Dollars (\$)
Unit classes	I unit class: Institutional R unit class: Retail
NAV per share	I unit class: \$118.62 R unit class: \$118.52
Annual management fee	I unit class: 1.00% R unit class: 1.50%
Minimum investment	I unit class: \$100,000 R unit class: \$2,500
Minimum holding period	180 days*
Income accrual	Daily
Income distribution	Semi-annually (March and September)
Risk profile	Medium**
Benchmark	3-Year Nigerian Sovereign Eurobond
Total Expense Ratio	I unit class: 1.16% R unit class: 1.68%

Fund highlights

The Fund is an open ended mutual fund that invests in a broad range of long tenured US Dollar denominated debt securities issued by the Federal Government of Nigeria (FGN), state governments and highly rated corporate and financial institutions. The Fund may also invest to a limited extent in Nigerian local currency debt instruments where such an investment in the opinion of the Fund Manager will enhance return without exposing the Fund to undue currency risk.

Investor profile

The Fund may be suitable for foreign currency deposit investors who wish to mitigate the exchange rate risk by diversifying their wealth by investing in USD denominated investments. Due to the higher volatility of Nigerian debt securities, investors should have at least a 3-5 year investment horizon.

Source: FBNQuest Asset Management

* Redemption notice period: 30 business days.

No additional charges are applied on redemption. However, units redeemed earlier than the 180 business days minimum holding period will incur a processing fee of 20% on the income earned on the value of such redemptions.

** The Fund Manager deems the Fund to have a 'Medium' risk profile because it invests the majority of its assets in bonds.

^ Bid price is stated net of fees and expenses with dividends reinvested.

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 gained 1.20% over the month, supported by the positive performance of the market. Performance was driven by a combination of fundamentals and new issuance underscoring the interest in Sub-Saharan Africa (SSA) Eurobonds.

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. During the month, investors dumped Argentinian bonds amid concerns of an increased probability of default amid high inflation and political risk. There was however no contagion effect on SSA Eurobonds.

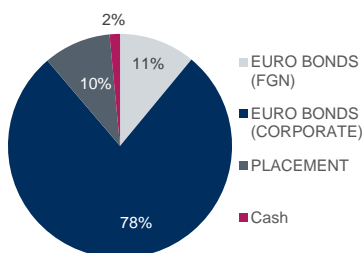
Regarding new issuance, the Africa Finance Corporation (a leading pan-African multilateral development finance institution and project developer) issued a US\$500 million 7 year Eurobond at a coupon of 3.875%. The oversubscription (5x) from investors across the Middle East, Asia, United Kingdom, Europe and the United States shows the extent of foreign interest in African markets. Ecobank Transnational Incorporated (ETI) also launched a \$450mn Eurobond at a coupon of 9.50% and a yield of 9.75% while its subsidiary, Ecobank Nigeria, announced that their bond maturing in 2021 would be redeemed in August 2019. The bond saw significant demand from investors and continued to rally after the issuance due to the attractive yield and the fewer options in the Nigerian bank bond space. Zenith bank's Eurobond matured during the month causing an increased demand for the Fidelity and ETI Eurobonds.

Portfolio and market outlook

We expect the demand for SSA securities to persist as foreign and local investors seek attractive yields. The portfolio is expected to gain from this and the portfolio manager will continuously seek attractive entry points to achieve competitive returns for investors.

Performance and positioning

Current allocation



Asset allocation ranges

Nigerian Sovereign Eurobonds	0 – 60%
Nigerian Corporate Eurobonds	25 – 90%
Nigerian non-USD denominated fixed income instruments	0 - 10%
Other external funds	0-20%
Money Market Instruments	0 – 50%
Cash	0 – 5%

Sector Breakdown

Sovereign & Supranationals	12%
Corporates	88%

Credit Rating Breakdown

B	66%
B-	12%
CCC+	22%
CC	0.00%

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A part of the FBN Holdings Group

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Performance

Historic prices

	Feb-19		Mar-19		Apr-19	
	I unit class	R unit class	I unit class	R unit class	I unit class	R unit class
Bid price (\$)^(A)	115.80	115.74	116.97	116.94	118.62	118.52

Total Return Analysis

