

# INVESTING

## FBN NIGERIA EUROBOND (USD) FUND

All data as at May 31st 2018 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	I Unit class: \$1,234,874.77 R Unit class: 1,335,146.48
Base currency	US Dollars (\$)
Unit classes	I unit class: Institutional R unit class: Retail
NAV per share	I unit class: \$113.29 R unit class: \$113.41
Annual management fee	I unit class: 1.00% R unit class: 1.50%
Minimum investment	I unit class: US\$ 100,000 R unit class: US\$ 2,500
Minimum holding period	180 days*
Income accrual	Daily
Income distribution	Semi-annually (March and September)
Risk profile	Medium**
Benchmark	3-Year Nigeria Eurobond
Total Expense Ratio	I unit class: 1.20% R unit class: 1.72%

#### 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: FBN Capital 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

In the period under review, Emerging and Frontier markets generally experienced a risk-off appetite which led to a sell-off in the Equities, Eurobonds and Fixed Income markets due to the continued rise in yields and economic growth in the United States of America (US). The attention to US treasury rates outweighed the increase in the price of crude oil thereby affecting Eurobond yields positively and valuations negatively. Tensions in Iran and Venezuela provided support for Brent crude oil which crossed the \$80 per barrel benchmark and closed the month at about \$77 per barrel.

Nigeria debt rose to NGN21.7trillion as at December 2017 with a new debt to GDP ratio range of 20% to 30%. Although low compared to normal standards, the need to significantly diversify our revenue base to increase the debt to service ratio can not be overemphasised. Expectations of a new sovereign bond issuance hit the market with little information on the tenor and size of the issuance.

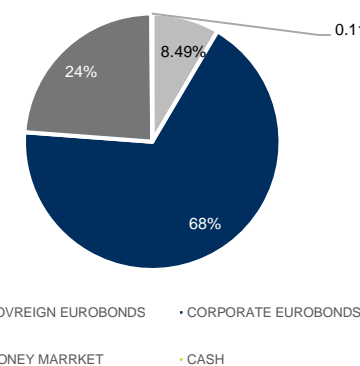
The Monetary Policy Committee left all key rate indicators unchanged due to the risk associated with election related spending and in preparation of any external shocks. Gross Domestic Product (GDP) for Q1 2018 increased by 1.95% on a year-on-year basis. The National reserves marginally dropped within the month to \$47.66bn due to reduced liquidity in the Importers and Exporters Window. In the Nigerian Eurobond's Corporate space, coupons of about 58million were received from MTN, Zenith, Guaranteed Trust And Diamond bank.

#### Portfolio and market outlook

Eurobond yields will continue to increase in line with US treasury yields if the yields increase above 3.00% levels on 10 year US bond. Long-term investors will continue to invest in market due to attractive returns. The portfolio manager will continue in the best interest of unit holders

#### Performance and positioning

##### Current allocation



##### Asset allocation ranges

Nigerian Sovereign Eurobonds	10 - 50%
Nigerian Corporate Eurobonds	60 - 90%
Nigerian non-USD denominated fixed income instruments	0 - 10%
Other external funds of similar characteristics	0-20%

##### Sector Breakdown

Sovereign & Supranational	8.49%
Corporates	68%
Money Market	24%

##### Credit Rating Breakdown

B	71.11%
B-	28.89%
CCC	0.00%
CC	0.00%

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### Performance

#### Historic prices

	Mar-18		Apr-18		May-18	
	I unit class	R unit class	I unit class	R unit class	I unit class	R unit class
Bid price (\$) ^	114.78	114.78	112.28	112.42	113.41	113.29

#### Total Return Analysis

