

INVESTING

FBN NIGERIA EUROBOND (USD) FUND

All data as at March 31st 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 <small>CFA</small> , Adeyemi Roberts
Fund launch date	4th January 2016
Fund size	\$ 3,607,559
Base currency	US Dollars (\$)
Unit classes	I unit class: Institutional R unit class: Retail
NAV per share	I unit class: \$116.97 R unit class: \$116.94
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: 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

Oil prices had the best quarterly gain since 2009 supported by production cuts by members and non-members of the Organisation of Petroleum Exporting Countries (OPEC+). The price gain was further aided by US sanctions on Iran and political tensions in Venezuela. Brent crude oil price closed the month at \$67.55. This is positive for Nigeria and we have seen our external reserves increase to about USD 44.1bn from USD 42.3bn in February.

Ghana and the Republic of Benin took advantage of lower rates in developed markets by issuing Eurobonds. Ghana raised \$3bn from 3 offerings of 7, 12 and 31 year maturities at yields of 7.875%, 8.125% and 8.95% respectively which were six times oversubscribed. Benin issued a €500mn Eurobond maturing in 2026 at a yield of 5.75%.

The Sub-Saharan Africa (SSA) Eurobond market started the month on a quiet note with no clear direction. The market turned bullish thereafter despite a currency crisis in Turkey leading to a brief period of risk off sentiment from foreign investors. Local investors picked up bonds at attractive levels with decent demand seen on corporate Eurobonds.

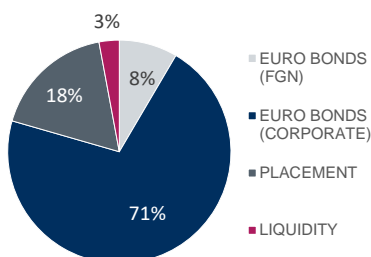
The United States (US) Federal Reserve (Fed) held rates constant and stated that there would be no further rate hikes in 2019 due to an expected slowdown in the US Economy. The Fed now expects to raise rates only once through to 2021 and no longer anticipates that restrictive policy will be needed to prevent inflation. SSA markets rallied significantly on the back of the news and the portfolio also benefited from this; closing the month at a price of \$116.94 from \$115.74 at the end of February.

Portfolio and market outlook

We expect the bullish sentiment in SSA securities to continue given reduced concerns about higher rates in developed markets. Foreign investor demand for attractive yields should boost the market and portfolio returns in the short term.

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	8%
Corporates	92%

Credit Rating Breakdown

B	66%
B-	13%
CCC+	21%
CC	0.00%

FBNQuest 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

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Performance

Historic prices

	Jan-19		Feb-19		Mar-19	
	I unit class	R unit class	I unit class	R unit class	I unit class	R unit class
Bid price (\$)^	115.23	115.21	115.80	115.74	116.97	116.94

Total Return Analysis

