

FBN NIGERIA SMART BETA EQUITY FUND

All data as at September 30th 2018 unless otherwise stated



Fund Overview

Investment objective

The Fund seeks to provide long-term capital growth by investing primarily in a portfolio of equities listed in Nigeria.

Fund Facts

Fund Managers	Laura Fisayo-Kolawole CFA, Kike Mesubi CFA, Oluwaseun Magreola
Fund launch date	4th January 2016
Fund size	₦468.3m
Base currency	Naira (₦)
NAV per share	₦152.08
Total Expense Ratio	1.63%
Minimum investment	₦50,000.00
Annual management fee	1.50%
Risk profile	High*
Benchmark	NSE 30

Fund Highlights

The Fund is an open ended mutual fund that invests in a diversified portfolio of high quality Nigerian companies that are domiciled in, or carry out part of their economic activity in Nigeria.

In order to manage liquidity, the Fund may invest in short term money market instruments and deposits with credit institutions which may be held from time to time.

Fund Strategy

The Fund uses a simple systematic rules-based investment strategy that is designed to capitalize on equity market inefficiencies specific to the Nigerian equity market, as established by extensive in-house quantitative research. The strategy is commonly known as **smart beta** investing.

The Portfolio Managers draw constituents from the largest 40 stocks (by market capitalization) and screen these stocks based on the following anomalies: value, momentum, profitability and dividend yield. Weights assigned to stocks are screen-rank-driven.

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

Benchmark

Nigerian Stock Exchange 30 Index (net of fees)

Source: FBNQuest Asset Management

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

^ Bid price is stated net of fees and expenses.

Minimum holding period: 90 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 dropped by -4.5% during the month, outperforming its benchmark, the NSE 30 (total return) which dropped by -5.4%. The Fund has delivered a total return of -4.5% year to date compared to a total return of -12.3% and -10.9% for the NSE 30 and the NSEASI respectively.

The negative performance of the equities market persisted into September; bearish sentiments and general apathy towards equities lingered in the market which led to selloffs in blue chip companies that dragged the market lower. The fear of socio-political risk ahead of next year's general elections and companies' underwhelming H1 2018 results slowed down buying activities. Lukewarm corporate performance, in addition to other external factors, such as, the escalating trade war between the US and China, the increase in interest rates by the US Federal Reserve to 2% - 2.25% (the highest level since 2008) and improved fundamentals in developed markets incentivized investors to seek alternative, safer investments destinations apart from the Nigerian equities market. Inflation for the month of August rose to 11.2% (from 11.1% in July), being the first year-on-year rise in CPI since the disinflation trend started in January 2017. On a positive note, oil prices and Nigeria's daily crude production increased and have been relatively stable at c.USD83 and c.1.8mbpd respectively mainly due to oil supply cuts and stability in the Niger Delta region.

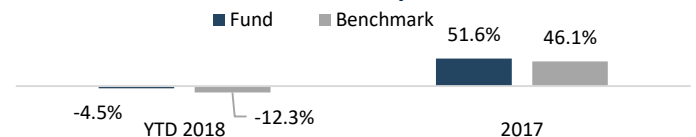
The Fund manager sought to cushion the effect of the downward trend in the equity market by investing in high yielding money market instruments, taking into consideration, the model's prescribed asset allocation.

Fund and market outlook

We expect the equity market to remain volatile as bargain hunters take advantage of low share prices in the midst of continued selloff and rising political uncertainties. This provides a good entry point for long term investors. The Fund will be conscientiously managed to maximize returns.

Performance and Positioning

Total Return Performance Summary



Historic prices

	Mar-18	Apr-18	May-18	Jun-18	Jul-18	Aug-18	Sep-18
Bid price (₦)^	183.50	182.95	170.08	177.54	167.04	159.34	152.08
Distribution (₦)	11.00						

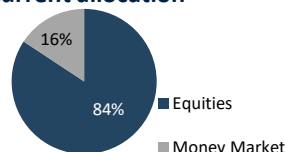
Top 5 equity holdings

CCNN	6.09%
Seplat	5.60%
Mobil	5.53%
Betaglas	5.06%
Okomuoil	4.84%

Top 5 Sector Exposure

Financial Services	28.96%
Consumer Goods	16.67%
Industrial Goods	13.06%
Oil and Gas	11.13%
Agriculture	9.19%

Current allocation



Asset Allocation Ranges

Fixed Income	0-25%
Equities	75-100%