INVESTING

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All data as at 31 January 2020 unless otherwise stated

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Executive Summary

- The year 2020 started off with heightened geo-political risk following the assassination of Iranian Major-General Qassem Soleimani by United States forces which caused a blip in oil prices. Oil prices have since come under downward pressure following the outbreak of coronavirus and fears of slowing economic growth in China. A similar scenario to 2003 when a combination of an American attack on Iraq and the SARS outbreak in China led to a slump in global oil prices. Investor risk aversion has led to a demand for safe haven assets such as gold which has continued its bull run that started at the end of 2019.

- In Nigeria, system market liquidity has been on the rise since October 2019 following the releases of market circulars by the Central Bank of Nigeria. To control liquidity and possible inflation, the Monetary Policy Committee (MPC) increased the Cash Reserve Ratio (CRR) from 22.5% to 27.5% in January and this is expected to temper pressure on the Consumer Price Index. Liquidity flowed into local equity market resulting in a surge in the all share index which closed the month at 7.5%. We adduce the upsurge in the market index to increased market liquidity and not corporate performance.

- In December 2019, the President of Nigeria signed the passage of the 2020 Appropriation Bill and the enactment of the Finance Bill 2019 in January 2020. Early passage of these laws are expected to improve Nigeria's chances of attaining the GDP growth level of 2.6% projected by the World Bank as execution of government policies and projects are expected to be implemented.

Asset Class	Benchmark	1M (January) %	Year to Date %	Commentary
Money Market	91 day T-bill 181 day T-bill 364 day T-bill	4.0 3.9 5.6*	4.0 3.9 5.6**	• Treasury bill rates declined in the month by an average of 3.0% owing to the large amount of Open Market Operation (OMO) maturities. This meant that more money was chasing a limited amount of securities supplied by the Debt Management Office (DMO). However, there was a slight reversal in the trend following the decision of the Monetary Policy Committee to increase the Cash Reserve Ratio. Closing treasury bill rates inched higher at the last auction of the month, the most noticeable increase was the 364 day paper which closed at 6.5% vs 5.1% in the previous auction.
Fixed Income	BNGRI*** 3 Year Federal Government Bond	6.8 4.3	6.8 4.3	• The first auction of the year was notable. It was oversubscribed by 402% and the Debt Management Office raised more than intended. As you can guess, rates at the auction declined due to excess demand. On average, yields dropped by 0.9% month on month. The activities at the auction could be connected to increased market liquidity and beginning of year activities by Portfolio Managers.
Eurobond	3 Year Nigerian Sovereign Eurobond 5 Year Nigerian Sovereign Eurobond	2.3 2.9	2.3 2.9	• Like other international assets, Eurobonds also experienced volatility because of the geopolitical crisis and the widespread virus. Notwithstanding, the market recovered from the overreaction and initial selloff. The FOMC's decision to leave benchmark rate unchanged was also positive as it attracted investors to the high emerging markets yields.
Equities	NSEASI NSE30	7.5 8.3	7.5 8.3	• The Securities and Exchange Commission amended filing rules of full year audited accounts. This meant that companies had the choice to release unaudited full year financial statements within 30 days of their financial year end or release audited financial statements within 60 days following their financial year end. Some companies chose the former. • A read across from the company results released so far suggests that some companies weathered the storm in 2019. Food producers benefitted from the positive effects of the border closure. We also saw increased bank loans, a positive from the Loan to Deposit Ratio directive.

*Mean stop rate at January's Nigerian treasury bill auction
** Average of Nigerian treasury bill auction from the beginning of the year
***BNGRI – Bloomberg Nigeria Local Sovereign Bond Index

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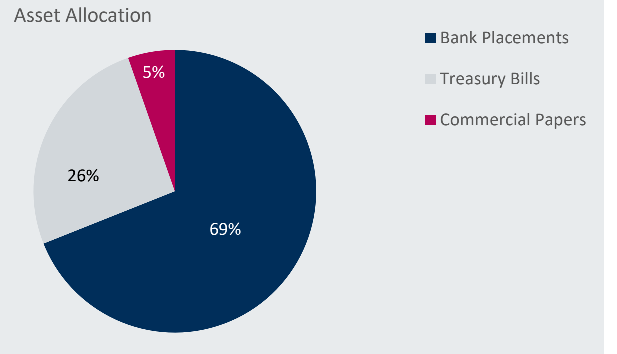
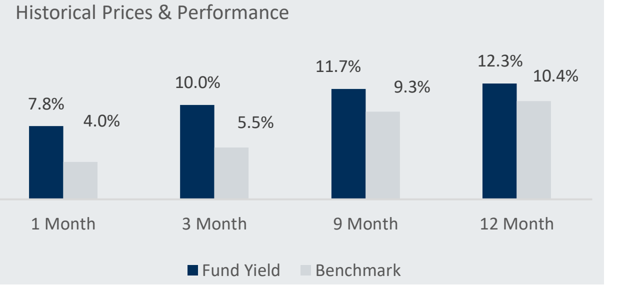
FBN Money Market Fund Overview

Investment Objective

The Fund seeks to preserve capital and maximise income by offering access to a diversified range of low risk money market instruments in Nigeria. The Fund also provides liquidity and competitive returns.

Fund Facts	
Fund Manager	Ifeoluwa Dixon, Tutu Owolabi-Kadiku CFA, CAIA
Fund launch date	24 September, 2012
Fund size	₦221.67bn
Base currency	(₦)
NAV per share	₦100
Minimum investment	₦5,000
Minimum holding period	30 days
Income accrual	Daily
Income distribution	Quarterly
Annual management fee	0.75%
Total Expense Ratio	0.90%
Risk profile	Low
Custodian	Citibank
Benchmark	Average 91 day Treasury Bill (NTB)



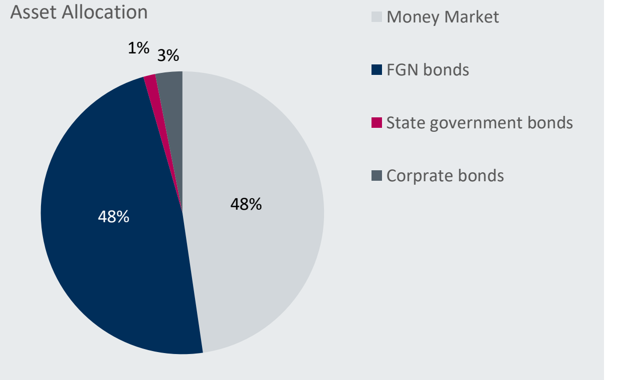


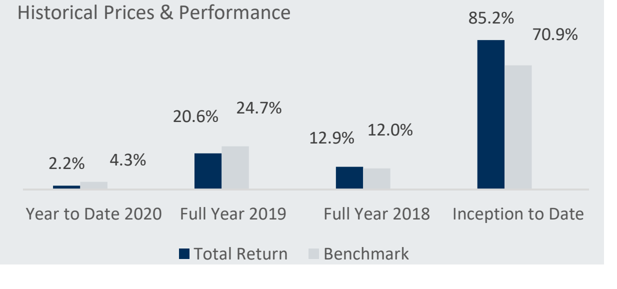
FBN Fixed Income Fund Overview

Investment objective

The Fund is designed to provide income generation by investing in long tenured debt instruments and short term, high quality money market securities issued in Nigeria.

Fund Facts	
Fund Manager	Ifeoluwa Dixon, Tutu Owolabi-Kadiku CFA, CAIA
Fund launch date	24 September, 2012
Fund size	₦10.05bn
Base currency	(₦)
NAV per share	₦1,319.14
Minimum investment	₦50,000
Minimum holding period	90 days
Income accrual	Daily
Income distribution	Semi-annually (April and October) April '19: ₦73.67 October '19: ₦65.08
Total Expense Ratio	1.23%
Risk profile	Low-Medium
Custodian	Citibank
Benchmark	FGN 3 Year Benchmark Bond
Weighted portfolio duration	2-3 years





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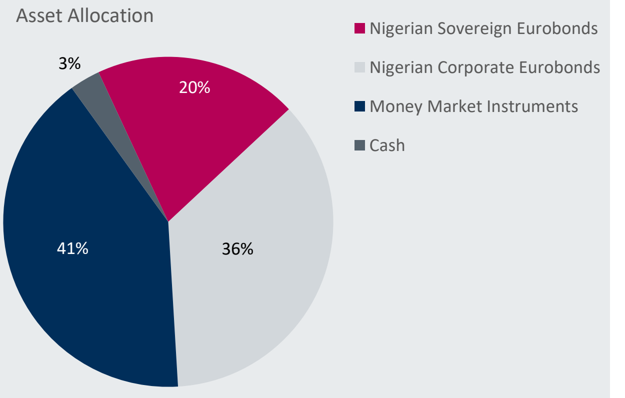
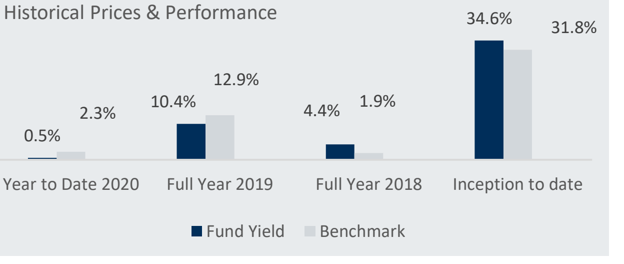
FBN Nigeria Eurobond Fund Overview

Investment objective

The Fund provides an opportunity to diversify across currencies and serves as a hedge through its exposure to USD denominated assets. It provides income generation by investing in debt instruments issued by the Nigerian government, corporates and financial institutions

Fund Facts	
Fund Manager	Ifeoluwa Dixon, Tutu Owolabi-Kadiku CFA, CAIA, Adeyemi Roberts CFA
Fund launch date	4 January, 2016
Fund size	$10.4mn
Base currency	US Dollars ($)
Unit classes	I unit class: Institutional R unit class: Retail
NAV per share	I unit class: $120.40 R unit class: $119.68
Minimum investment	I unit class: $100,000 R unit class: $2,500
Minimum holding period	180 days*
Risk profile	Medium**
Benchmark	3-Year Nigerian Sovereign Eurobond
Total Expense Ratio	I unit class: 1.16% R unit class: 1.68%
Weighted portfolio duration	2-3 years



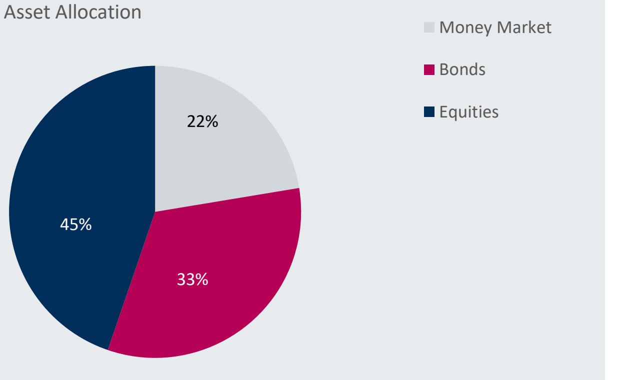


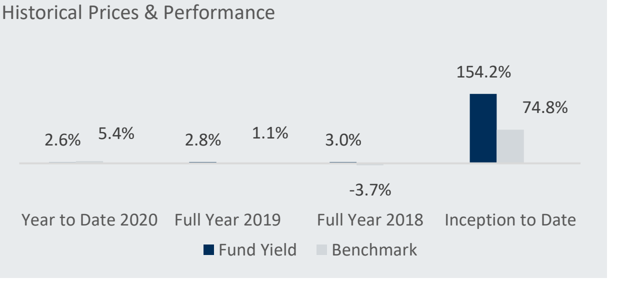
FBN Balanced Fund Overview

Investment objective

The Fund provides capital growth and downside protection to investors seeking exposure to equity. The downside protection is achieved through investments in less risky assets such as money market instrument and bonds

Fund Facts	
Fund Manager	Laura Fisayo-Kolawole, CFA, Kike Mesubi, CFA, Oluwaseun Magreola
Fund launch date	1 April, 2008
Fund size	₦2.99bn
Base currency	(₦)
NAV per share	₦150.67
Minimum investment	₦50,000
Minimum holding period	90 days
Income accrual	Daily
Annual management fee	1.50%
Total Expense Ratio	1.69%
Risk profile	Medium
Benchmark	50% NSE30 25% 90day average tbill rate 25% BNGRI
Custodian	Citibank





Top 5 equity holdings	
Financial Services	24.3%
Industrial Goods	9.60%
Consumer Goods	8.10%
Telecommunications	1.90%
Agriculture	0.50%

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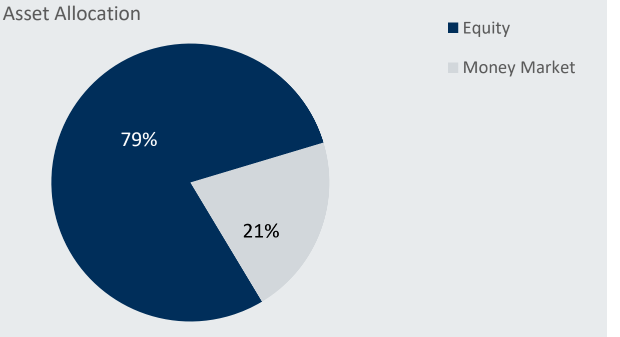
FBN Nigeria Smart Beta Equity Fund Overview

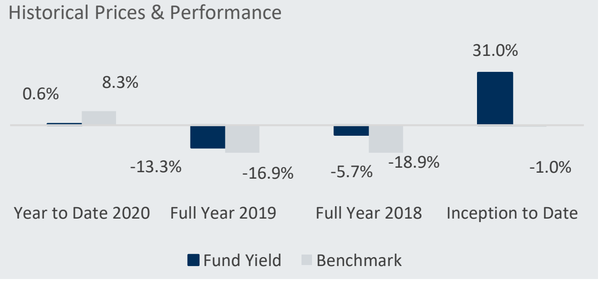
Investment objective

The Fund seeks to provide capital growth by selecting the best twenty (20) out of the forty (40) most capitalised stocks listed on the Nigerian Stock Exchange. The Fund is appropriate for investors who want equities with the aim of outperforming the NSE 30 index.

Fund Facts	
Fund Manager	Laura Fisayo-Kolawole, CFA, Kike Mesubi, CFA, Harrison Imonikhe
Fund launch date	4 January ,2016
Fund size	₦222.94m
Base currency	(₦)
NAV per share	₦130.13
Total Expense Ratio	1.63%
Minimum investment	₦50,000.00
Annual management fee	1.50%
Risk profile	High*
Benchmark	NSE 30
Custodian	Standard Chartered Bank

Top 5 equity holdings	
Financial Services	28.20%
Consumer Goods	17.80%
Industrial Goods	14.70%
Oil and Gas	14.0%
Hospitality	4.60%





Outlook

- In our view, 2020 will be characterized with volatility. In the words of John Train, "for the Investor who knows what he is doing, volatility creates opportunity". The volatility stems from the pressure on the foreign reserves, abated foreign portfolio inflows and fears of rising inflation. To address these issues, the exchange rate may be reviewed, some circulars issued by the Central Bank of Nigeria may be revoked or market interest rate adjusted upward. We believe the latter is more likely. Our investment strategy will therefore be staggered across the different maturities with a higher concentration on the short end.

- We are optimistic about a reversal in the equity market driven by liquidity. Overall we expect to see an increase in activity in the equity market but with a divergence in results across different sectors:

    - Banking: A major risk to the banks are regulatory headwinds some of which we have started to witness such as reduction of fees charged on e-banking transactions, increase in the Cash Reserve Ratio (CRR) from 22.5% to 27.5% and maintenance of a minimum loan-to-deposit ratio of 65%. These factors, coming together, cast a dark cloud over banks' profitability.

    - Fast Moving Consumer Goods: We expect margins to be affected by the increase in Value Added Tax (VAT) regime, stiff competition, higher electricity tariffs and inflationary pressure. We also expect the ongoing border closure to remain beneficial for some manufacturing companies.

    - Industrial: The early passage of the budget and the implementation of capital projects should be supportive for the sector.

- Overall, we will increase our allocation to equity to take advantage of the impending rally.

- The Eurobonds market remains resilient as high yields have driven demand from foreign investors. However, the extent of the damage caused by the Coronavirus remains the major downside risk as this affects oil prices.

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