INVESTING

FBNQuest Asset Management

MUTUAL FUND FACTSHEET

All data as at 30 June, 2020 unless otherwise stated

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Executive Summary

- The United States Federal Reserve maintained its interest rates at 0.00% - 0.25%. At the Federal Open Market Committee (FOMC) meeting which held during the month, the Chairman of the committee, Jerome Powell stated that the uncertainty on the outlook of the United States economy due to the pandemic was the major reason for holding the rate constant. The interest rates are expected to remain at current levels until the economy has undergone a full recovery which could be in 2022.

- The Organization of Petroleum Exporting Countries (OPEC) and its allies held a meeting during the month and reached an agreement to extend oil production cuts to July 2020. Due to the negative effect of the coronavirus on global oil demand, the Group agreed in April that it would cut global supply in a bid to prop up prices. The implementation of the supply cut and rising global oil demand caused Brent crude oil prices to appreciate 115.78% to a price of $41.27/ barrel. Countries such as Nigeria which exceeded its production quota in the period, are expected to compensate with extra cuts in the forthcoming months.

- The National Assembly has approved a revised oil price benchmark of $28/barrel for the 2020 budget. As global oil prices continued to be negatively affected by the spread of the Coronavirus, the Federal Government of Nigeria, earlier in the year, proposed cuts to the oil price benchmark in the 2020 budget from $57/barrel to reflect the current macroeconomic situation. Oil production was also cut to 1.80mbpd from 1.90mbpd in compliance with OPEC directives. The new benchmark is expected to cause a revenue deficit, part of which the Federal Government of Nigeria plans to fund from the domestic capital market.

Asset Class	Benchmark	1M (June) %	Year to Date %	Commentary
Money Market	91 day T-bill	2.3	2.8	• The money market traded quietly during the month. A notable event was the Cash Reserve Ratio (CRR) debit of c. ₦700bn debited in two (2) tranches by the CBN to control liquidity in the market. This was evident in the system liquidity figure which declined by 86.3% month on month to close at c.₦70.0bn. • In line with recent months, the primary market auctions in June was also oversubscribed. At both auctions, the Debt Management Office (DMO) offered and allotted a total of ₦105.5bn despite receiving a subscription of ₦265.9bn. On average, rates on the short and medium instruments dropped by -0.6% and -0.7% respectively while rates on the long-dated instruments remained the same.
	181 day T-bill	2.3	3.1	
	364 day T-bill	3.9*	4.8**	
Fixed Income	BNGRI***	8.8	156.6	• Demand persisted in the bond market during the month. Investors showed a preference for bonds due to the higher yields which could be attained compared to the money market. The monthly bond auction was also 3.6x oversubscribed across the 3 maturities offered. Of the total bids, the DMO sold ₦100bn as opposed to the ₦150bn it offered. Closing rates were 8.0%, 11.0% and 12.15% on the 3year, 15year and 30year paper respectively compared to the closing rates of 9.2%, 11.7% and 12.6% of the previous auction. Subsequently, less supply is expected at the auctions due to the small size of domestic borrowing left to be raised in the year.
	3 Year Federal Government Bond	5.6	9.6	
Eurobond	3 Year Nigerian Sovereign Eurobond	4.3	-5.0	• The Eurobond market witnessed limited activity due to high yields and uncertainties about the corona virus pandemic. Although, steady rebound in oil prices and the announcement by the Federal Government of Nigeria that all bilateral debt will be serviced, and debt obligations will not be deferred, helped boost investor confidence in the market during the month. The sovereign and corporate Eurobonds all witnessed price increases across the curve, with the most increases seen on the long end.
	5 Year Nigerian Sovereign Eurobond	7.0	-7.6	
Equities	NSEASI	-1.6	-7.4	• The market reversed its gains during the month. This was mostly due to profit taking as investors sought to sell stocks which they got at a cheap price. Even so, activities in the equity market continued to be dominated by local investors as they continued to cherry pick quality names. The impact of the pandemic is still prevalent on the economy, however, the easing of the lockdown and opening of business activities is expected to be positive for the market.
	NSE30	-2.4	-9.1	

*Mean stop rate at June'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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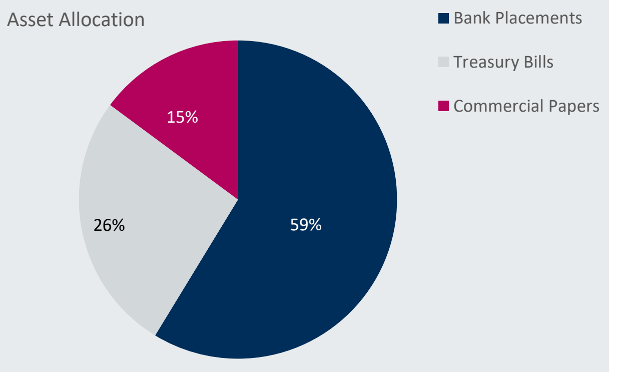
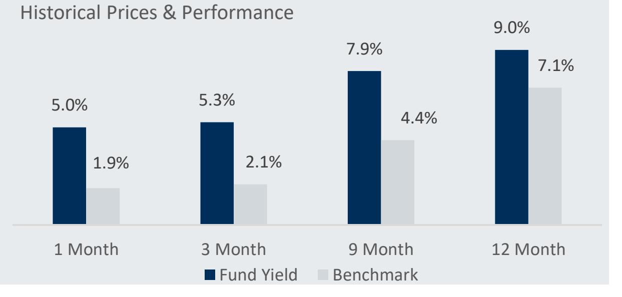
FBN Money Market Fund Overview

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	₦233.58bn
Base currency	(₦)
NAV per share	₦100
Minimum investment	₦5,000
Minimum holding period	30 days
Income accrual	Daily
Income distribution	Quarterly
Annual management fee	1.25%
Total Expense Ratio	1.36%
Risk profile	Low
Custodian	Citibank
Benchmark	Average 91 day Treasury Bill (NTB) primary auction stop rates.



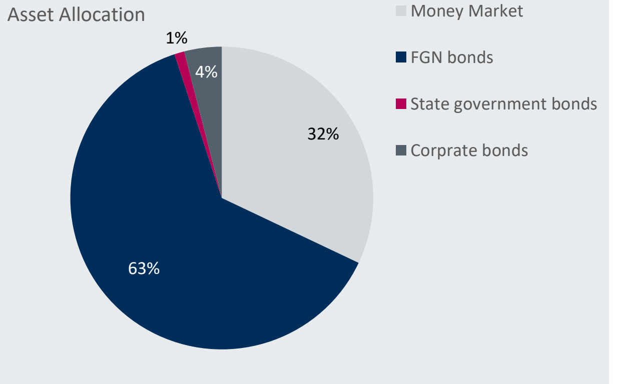


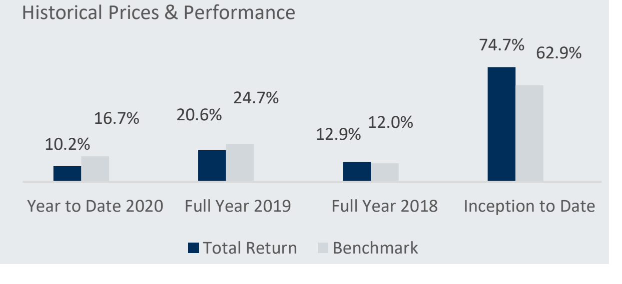
FBN Fixed Income Fund Overview

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	₦11.29bn
Base currency	(₦)
NAV per share	₦1,341.65
Minimum investment	₦50,000
Minimum holding period	90 days
Income accrual	Daily
Income distribution	Semi-annually (April and October) October '19: ₦65.08 April '20: ₦80.97
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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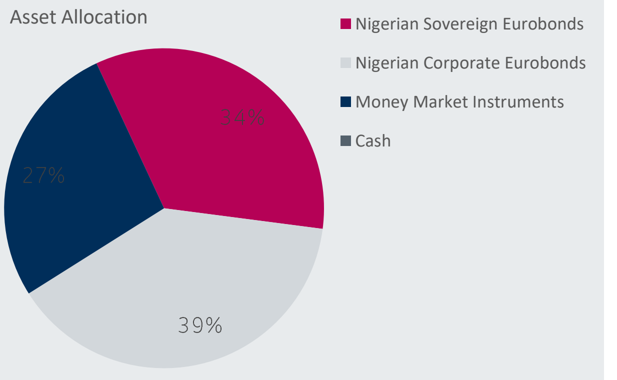
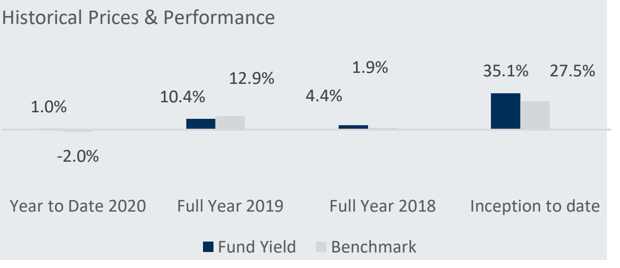
FBN Nigeria Eurobond (USD) Fund Overview

Investment objective

The Fund provides an opportunity to diversify across currencies and serve 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	$13.93mn
Base currency	US Dollars ($)
Unit classes	I unit class: Institutional R unit class: Retail
NAV per share	I unit class: $116.88 R unit class: $117.22
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



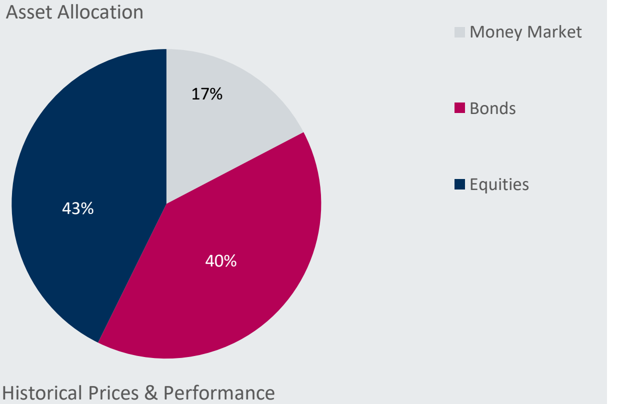


FBN Balanced Fund Overview

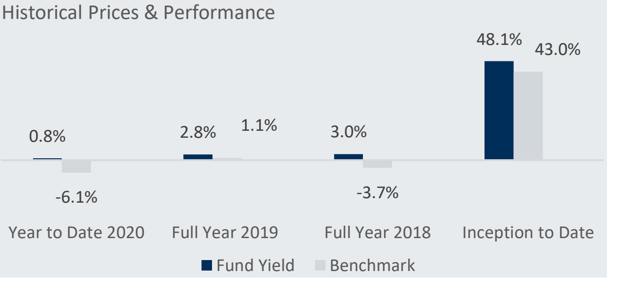
Investment objective

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

Fund Facts	
Fund Manager	Laura Fisayo-Kolawole, CFA, Oluwaseun Magreola
Fund launch date	1 April, 2008
Fund size	₦2.92bn
Base currency	(₦)
NAV per share	₦148.06
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	21.19%
Industrial Goods	8.03%
Consumer Goods	8.23%
Telecommunications	4.40%
Oil and Gas	0.18%



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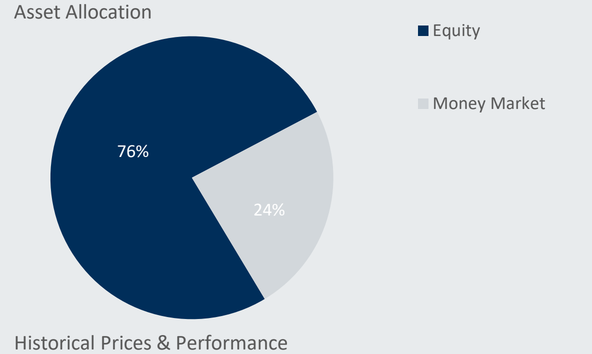
FBN Nigeria Smart Beta Equity Fund Overview

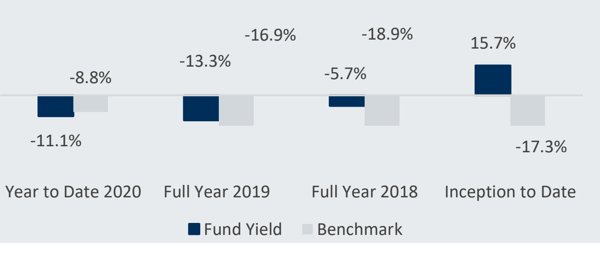
Investment objective

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, Harrison Imonikhe
Fund launch date	4 January ,2016
Fund size	₦195.87mn
Base currency	(₦)
NAV per share	₦115.66
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	26.49%
Consumer Goods	16.65%
Agro Allied	11.90%
Industrial Goods	11.33%
Telecommunications	5.66%



Outlook

- Due to the recent macroeconomic conditions, the DMO raised its initially budgeted international borrowing of ₦850m from the domestic capital market. This brought the total borrowings which was budgeted for the year at ₦2.3 trillion. With the consistent auctions and the Sukuk which was 486% oversubscribed, about 66% of the total borrowings have been raised. However, we do not expect additional borrowings from the local capital market as the Federal Government has hinted on the introduction of concessional borrowings. With c. ₦1.5 trillion in expected treasury bill maturities over the forthcoming months, rates are expected to remain low.

- The rising oil prices is largely positive for Nigerian Eurobonds. The Ministry of Finance has stated that it has no plans to issue new Eurobonds this year and as such, the market is expected to remain shallow. However, we expect continuous positive performance from the existing bonds as positive news such as the continuous servicing of its debt by the Federal Government continues to drive positive investor sentiments. The FBN Nigeria Eurobond Fund will remain positioned to access opportunities in the market.

- The banks are still faced with a slew of regulatory constrictions. Most notable is the CRR debits. From April to date, the CBN has debited banks a total of c ₦2trillion as a method to control system liquidity. One of the major implications for the banks is the impact of these debits on their liquidity and liquidity ratios. The continuous debits are negative for Net Interest Margins and in turn, profitability. We expect these constant debits to reflect on their H1 results, and with the loan to deposit ratio still held at 65%, the banks must constantly navigate the strict macroeconomic and operating environment.

- We expect the performance of the equity market to remain under pressure as investors continue to weigh the impact of the virus on the macros and company performance. Performance in the hospitality, consumer goods and industrial sectors are expected to remain subdued due to rising inflation and shrinking consumer wallets. Despite the uncertainty, we remain committed to taking advantage of cheap valuations at a staggered manner to augment the performance of the portfolio.

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