

## FBN Fixed Income Fund

www.fbncam.com

All data as at 30th April 2015 unless otherwise stated

### Fund Overview

#### Investment Objective

The Fund seeks to preserve and maximise return on capital while maintaining a high degree of liquidity by investing in a diversified portfolio of long tenured debt securities and short-term, high quality money market securities issued in Nigeria.

#### Fund facts

Fund Manager	Michael Oyebola
Assistant Fund Manager	Henry Okoye
Fund launch date	24th September 2012
Fund size	₦4.21bn
Base currency	(₦)
NAV per share	₦ 1,061.53
Minimum investment	₦50,000.00
Minimum holding period	90 days*
Income accrual	Daily
Income distribution	Semi-annually (April and October)
Income distributions	Oct '14: ₦ 40.28 Apr '15: ₦ 89.94
Annual management fee	1.00%
Risk profile	Low-Medium**

#### Fund Highlights

The Fund is an open ended mutual fund that invests in a broad range of long tenured debt securities issued by the Federal Government of Nigeria (FGN), state governments and highly rated corporate institutions. The Fund may also invest in short-term, high quality money market securities.

The Fund is suitable for medium or long term cash investment and offers a stable income through the distribution of semi-annual dividends. Using FBN Capital Asset Management's fixed income expertise and local market analysis capabilities, this Fund allows you to fully exploit the potential of Nigerian debt securities.

#### Investor Profile

The Fund may be suitable for investors who are looking for exposure to a broad range of debt securities. Investors should have at least a two to four year investment horizon.

Source: FBN Capital Asset Management

\* Redemption period: 3 - 5 business days.

No additional charges are applied on redemption. However, units redeemed earlier than the 90 business days minimum holding period will incur a processing fee of 20% on the income earned on the value of such redemptions.

\*\* The Fund has a 'Low-Medium' risk profile given it invests the majority of its assets in bonds. Investing in bonds may carry higher risks than other debt securities, but their potential is also higher. The value of debt securities may change significantly depending on economic, political, inflationary and interest rate conditions as well as the credit worthiness of the issuer.

^ Bid price, annualised equivalent return and yield to maturity are stated net of fees and expenses with dividends reinvested.

^^ Annualised equivalent return represents the rate of interest an individual earns for an investment in the FBN Fixed income Fund for a year on a yearly basis; it shows what the interest rate would be if interest was paid for a full year and compounded.

^ The yield to maturity (YTM) is the rate of return anticipated on the portfolio if the current bonds in the portfolio were held until the end of their lifetime. YTM is an annualised rate and takes into account the current market price, par value, coupon interest rate and time to maturity for each bond in the portfolio. It is also assumed that all coupon payments are reinvested at the same rate as the bond's current yield. 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

Average bond yields declined 110 basis points (bps) month-on-month, with the 20-year bond declining most significantly by 154 bps. The continued decline, despite profit taking activities by traders, was attributable to elevated liquidity levels in the money market as well as maturing Federal Government of Nigeria bonds and treasury bills totaling ₦2 trillion. The month also witnessed increased participation from offshore investors in anticipation of stronger fiscal conditions following the successful General Elections, the recent rebound in crude oil prices and the outlook that the Federal Reserve may have to wait until the third quarter to begin raising US interest rates. All of these factors are contributing to the renewal of foreign investors' appetite for emerging and frontier markets. The Fund increased its allocation to money market securities during the period under review from 43.02% to 48.1% over the month while trimming its allocation to local sovereign bonds from 32.2% to 27.5%. March headline inflation edged higher to 8.5% year-on-year from 8.4% year-on-year in February. Prices of goods and services rose by 0.9% in March compared to 0.7% in February; the highest in more than two years, suggesting the impact of a weaker Naira on consumers.

#### Market Outlook

We expect the monetary tightening strategy resumed by the apex bank, through the issuance of higher yielding Open Market Operation t-bills, will slow demand for short duration bonds given the yield advantage. In contrast, we expect demand for longer duration bonds from local and offshore investors to drive performance of local sovereign bonds in the short-to-medium term. In the long term, macro economic conditions such as the outlook for crude oil prices and foreign exchange rates are expected to be the key drivers for fixed income prices.

### Benchmark

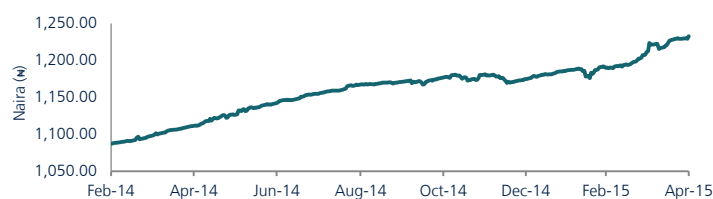
3yr Federal Government of Nigeria Bond

### Performance and Positioning

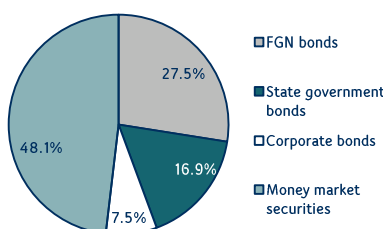
#### Historic prices and yields

	Jan-15	Feb-15	Mar-15	Apr-15
Bid price (₦)^	1,105.33	1,108.53	1,130.93	1,061.53
Yield to maturity^	12.50%	12.82%	13.03%	13.25%

#### Cumulative performance



#### Current allocation



#### Asset allocation ranges

FGN bonds	10-35%
State government bonds	10-50%
Corporate bonds	25-45%
Eurobonds	0-15%
Money market securities	25-50%