

FBN Fixed Income Fund

www.fbncam.com

All data as at 31st August 2014 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	₦4.42bn
Base currency	(₦)
NAV per share	₦ 1,1126.30
Minimum investment	₦50,000.00
Minimum holding period	90 days*
Income accrual	Daily
Income distribution	Semi-annually (April and October)
Income distributions	Oct '13: ₦ 46.55 Apr '14: ₦ 40.93
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 growth 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 assumes 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

Bond yields in the developed markets have continued to provide support for Sub-Sahara African eurobonds. Despite the strong economic recovery in the US on the back of recent data released in August, the euro-zone region continues to show less positive recovery signals, with fears of deflation driving Bond yields to record lows over the month. We see a higher probability of more easing from the European Central Bank (ECB) at its September meeting. The rebalancing of the JP Morgan Global Bond Index (JPMGBI) with the notable inclusion of Nigeria's 14.20% March 2024 Bond, increasing Nigeria's overall weighting in the index to 1.85% from 1.65%, was the major driver for fixed income markets compressing yields by an average of 18 basis points month-on-month. The Fund's positive performance was driven by its FGN Bond allocation and the yield enhancing strategy adopted at the short end of the yield curve.

Market Outlook

While the recent rebalancing of the JPMGBI comes as positive news for sovereign bond yields, we expect a very cautious exposure to the long end of the yield curve. This is due to the possibility of a decline in foreign portfolio flows on the back of a strong indication of higher interest rates in the US next year and a gradual reduced risk appetite in anticipation of the elections next February. Carry trade opportunities remain very attractive at the short end of the NGN yield curve where we are likely to experience continued compression of yields.

Benchmark

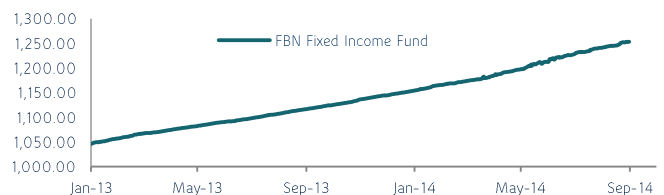
3yr Federal Government of Nigeria Bond

Performance and Positioning

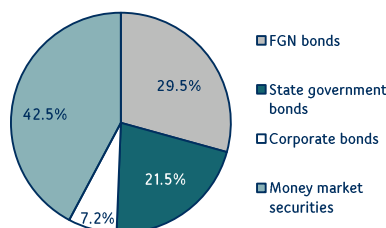
Historic prices and yields

	May-14	June-14	July-14	Aug-14
Bid price (₦)^	1,085.51	1,101.20	1,113.97	1,126.30
Annualised equivalent return^^	16.01%	17.96%	13.48%	12.87%
Yield to maturity^	12.41%	12.24%	11.97%	11.92%

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%