

## FBN Fixed Income Fund

www.fbncam.com

All data are as at 31st August 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	₦4.24bn	
Base currency	(₦)	
NAV per share	₦ 1,090.23	
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 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.

<sup>A</sup> Bid price, annualised equivalent return and yield to maturity are stated net of fees and expenses with dividends reinvested.

<sup>AA</sup> 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.

<sup>1</sup> 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

Investors remained risk averse to emerging and frontier markets in August given sharp declines in commodity prices and concerns around global economic growth. The unexpected devaluation of the Chinese currency (Yuan) by almost 2% on August 11 meant all China sensitive asset prices – such as oil, and a host of other commodities, global equities and emerging market currencies dived below their already depressed levels.

During the month, offshore investors further trimmed exposures to local currency fixed income securities pushing average yields higher by 137basis points; the short, mid and long end gained about 197bps, 87bps and 85bps respectively. The sell-off was driven by the expectation of a weaker Naira and the uncertain fiscal policy direction from the new administration. Bond yields rose to their highest levels in over five months as demand from investors declined month on month. On the macro side, economic activity in Nigeria as measured by the Gross Domestic Product (GDP) rose by 2.35% in the second quarter relative to 3.96% in the previous quarter. This slow down is attributable to the 6.79% decline in the oil industry contribution to the GDP numbers – a significant dip when compared to the 5.14% growth recorded during the corresponding period of 2014. The Fund remains well positioned to minimize expected volatilities from exogenous factors in the short to medium term by maintaining significant allocation short duration high yielding fixed income securities.

#### Fund and market outlook

Global market volatility will persist for the rest of the year, which implies that risk asset prices will remain subdued and fund managers will maintain a "risk-off" approach to investing going forward. However, this will present a good opportunity for the Fund to reinvest maturing state government bonds at more attractive yields.

### Benchmark

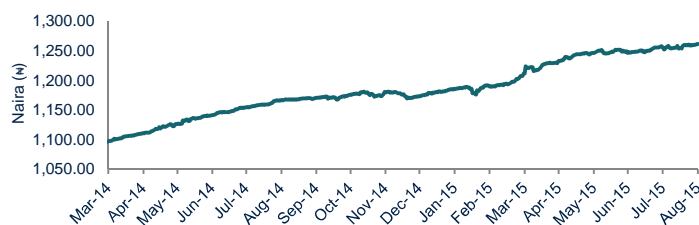
3yr Federal Government of Nigeria Bond

### Performance and Positioning

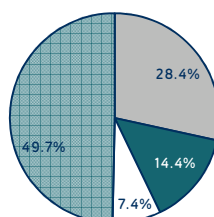
#### Historic prices and yields

	May-15	June-15	July-15	Aug-15
Bid price (₦) <sup>A</sup>	1,075.37	1,075.25	1,085.10	1,090.23
Yield to maturity <sup>A</sup>	13.39%	13.36%	13.59%	13.49%

#### Cumulative performance



#### Current allocation



#### Asset allocation ranges

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