INVESTING

FBN FIXED INCOME FUND

FBNQuest

All data as at 31st December,2016 unless otherwise stated

Fund Overview

Investment objective

The Fund seeks to preserve and maximize 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	Ifeoluwa Dixon, Tutu Adekoya CFA
Fund launch date	24th September 2012
Fund size	₦4.55bn
Base currency	(₦)
NAV per share	₦ 1,090.35
Minimum investment	₦50,000.00
Minimum holding period	90 days*
Income accrual	Daily
Income distribution	Semi-annually (April and October)
Income distributions	Apr'16: ₦ 60.80 Oct'16: ₦ 42.03
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 and yield to maturity are stated net of fees and expenses with dividends reinvested.

[1] 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

Oil prices consistently traded above the $50 benchmark in the month of December after the Organisation of Petroleum Exporting Countries (OPEC) announced an agreement to cut production effective January 1st 2017. The effect was positive for oil exporting nations as the increase in crude boosted revenue and foreign exchange flows.

The gradual rise in oil prices also impacted inflation figures in Europe and the United States (US) which have a long-run inflation rate objective of 2.00%. The US Federal Open Market Committee raised the federal funds rate by 0.25% to a higher target range of 0.50%-0.75% on the back of improved macro-economic activities, reduced unemployment rate, strengthened labour market, and the possibility of expansive fiscal policy when the new president elect resumes office in January.

Yields in the treasury bills market remained relatively high with rates on the longest end of the curve inching up to 18.60% (discount rate) on the back of the continuous issuance Open Market Operations (OMO) bills. Bond yields increased across the curve as bonds traded within the bands of 15.50%-16.10%.

Fund and market outlook

The performance of the Fund will be largely driven by recovery of the economy as a whole and timely implementation of strategies adopted by both the fiscal and monetary arm of government. We expect yields in the bonds market to trend higher on the back of the need to encourage foreign exchange flows to aid liquidity in the inter-bank market.

The Fund manager will continue to position the portfolio to take advantage of the volatility associated with market and policy uncertainties to maximize returns to unit holders.

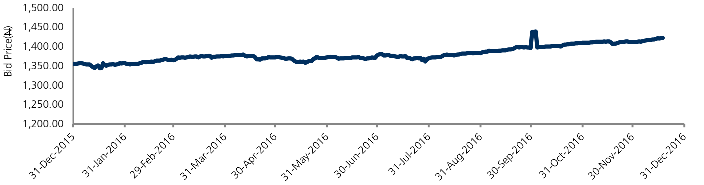
Benchmark

3yr Federal Government of Nigeria Bond

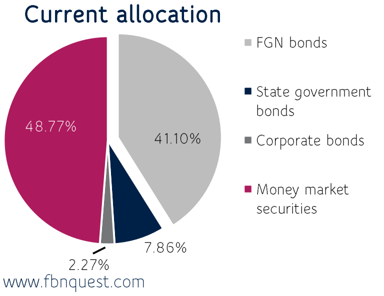
Historic prices and yields

	Sept-16	Oct-16	Nov-16	Dec-16
Bid price (₦)^	1,102.82	1,073.34	1,074.90	1,090.35
Yield to maturity^	14.16%	15.30%	15.59%	15.53%

Cumulative Performance



Current allocation



Asset allocation ranges

FGN bonds	10-75%
State government bonds	5-50%
Corporate bonds	5-50%
Eurobonds	0-15%
Money market securities	25-50%

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