INVESTING

FBN FIXED INCOME FUND

All data as at 28th February,2017 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	₦4.41bn
Base currency	(₦)
NAV per share	₦ 1,114.63
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

Yields in the United States (US) rose significantly on the back of an increased probability of a federal rate hike in March by the Federal Open Market Committee (OMO). This reduced appetite for Gold, emerging and frontier markets and increased demand for dollar denominated assets.

With oil prices trading above the $50 per barrel mark and the boost in oil production, Africa's largest economy seems to be slowly creeping out of the dark. Though Gross Domestic Product {GDP} for full year 2016 closed on a negative note at -1.5%, the contraction in the economy seems to have bottomed out as quarter 4 GDP figures printed at -1.3% compared to third quarter decline of -2.24%.

The success of the 1 billion Eurobond issuance set the tone for the possibility of the devaluation of the Naira as the government plans to borrow more to fund the budget deficit for 2016 and 2017. The Central Bank of Nigeria (CBN) introduced new policies to reduce the pressure on the parallel market as it increased supply and cleared backlogs. Though positive, the longevity of the implementation of the policies remain questionable without an official devaluation of the Naira.

Bond yields fell by about 23bps,14bps and 11bps on the short, mid, and long end of the curve on a month-on-month basis. The foreign exchange special intervention implemented by the CBN affected system liquidity hence an upward movement of rates in the treasury bills especially the short dated papers.

Fund and market outlook

The planed issuance of the savings bond to attract retail investors could divert flows from the Fund but with minimal impact for now due the uncertainty and the liquidity the Fund provides to rate sensitive retail clients. An expectation of the reversal in yields is expected before the end of the first quarter of 2016.

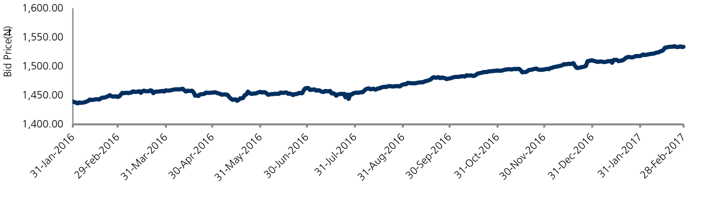
Benchmark

3yr Federal Government of Nigeria Bond

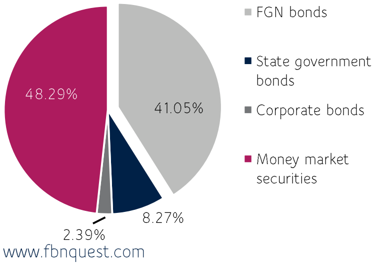
Historic prices and yields

	Nov-16	Dec-16	Jan-17	Feb-17
Bid price (₦)^	1,074.90	1,090.35	1,098.68	1,114.63
Yield to maturity^	15.59%	15.53%	16.17%	16.55%

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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