

## FBN Fixed Income Fund

www.fbncam.com

All data as at 31st July 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	₦4.27bn
Base currency	(₦)
NAV per share	₦1,085.10
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

The domestic fixed income market was quite volatile in the month of July as we witnessed bond yields range between 14.3% to 15.0%. While domestic investors remained net buyers of government securities at attractive yields, offshore investors trimmed exposures to sovereign debt instruments given the uncertainty associated with the Naira. In addition to this, the Debt Management Office (DMO) only allotted 68% of the offered amount at its July auction reflecting the softened demand and higher premium required by money managers. The marginal rates for the 5-year and 20-year benchmark bonds were 15.289% and 15.299% respectively.

Headline inflation released in July picked up from 9.0% y/y to 9.2%, an impact of the weaker currency on the non-food measure, suggesting that importers are gradually passing their higher costs onto consumers. The Monetary Policy Committee (MPC) kept key indicators unchanged at its July meeting, expressing optimism that business confidence in Nigeria will improve as the federal government begins to unfold its economic plans.

The Fund marginally increased its allocation to mid-duration FGN Bonds and money market instruments in July taking advantage attractive yields obtainable in the markets while trimming its investment in State government bonds.

#### Fund and market outlook

In the months ahead, we anticipate increased volatility for fixed income instruments as offshore investors react to lower crude oil prices and uncertainty around the local currency. However, the desire to boost savings through recovery of stolen funds will likely boost investor confidence and provide the much needed support for the Naira in the medium to long term. The monetary policy environment is expected to remain restrictive in the short term.

### Benchmark

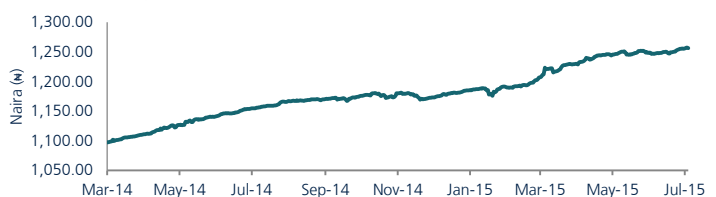
3yr Federal Government of Nigeria Bond

### Performance and Positioning

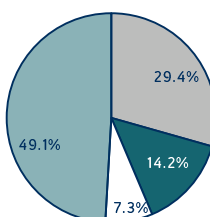
#### Historic prices and yields

	Apr-15	May-15	June-15	July-15
Bid price (₦)^	1,061.53	1,075.37	1,075.25	1,085.10
Yield to maturity^	13.25%	13.39%	13.36%	13.59%

#### 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%