

# INVESTING

## FBN FIXED INCOME FUND

All data as at 31st March, 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	
Fund launch date	24th September 2012	
Fund size	₦4.76bn	
Base currency	(₦)	
NAV per share	₦ 1,142.39	
Minimum investment	₦50,000.00	
Minimum holding period	90 days*	
Income accrual	Daily	
Income distribution	Semi-annually (April and October)	
Income distributions	Apr' '15: ₦ 89.94	Oct' '15: ₦ 62.24
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 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

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A part of the FBN Holdings Group

### Monthly Comments

#### Fund and market review

The slowdown in global economic growth paved the way for cuts in government spending on the back of deteriorating fiscal positions and monetary policies that have failed to stimulate global economies to desired levels. The US economy continues to move in a positive direction in contrast to other world economies indicating a possibility of a further increase in the US federal rate.

Locally, output growth in Q4 2015 decreased to 2.11% versus 2.84% in Q3 which implied that the expansive monetary policy adopted by the Central Bank of Nigeria (CBN) failed to impact sectors of the economy that will increase the growth and development of the economy. Banks channelled these funds to government instruments rather than expose themselves to the possible credit risks associated with lending given the country's poor macroeconomic state.

The CBN, after 4 months, abandoned its expansive monetary policy, raised its benchmark interest rate from 11% to 12% and raised the cash reserve requirement (CRR) from 20% to 22.5%, against market expectations. The change in strategy was principally driven by the rise in headline inflation from 9.6% to 11.4%.

Following the increase in interest rates by the CBN, yields in the bond market rose by 21bps, 25bps and 26bps, on the short, medium and long end of the curve. Treasury bills also followed with the upward shift across the yield curve on a month-on-month basis.

#### Fund and Market Outlook

A period of lower interest rates in the US signals less demand for dollar denominated assets and an increased appetite for riskier asset. These factors combined with the new restrictive monetary stance and implementation of the budget by the Nigerian government should lead to an increase in yields, which should result in positive performance of the Fund.

#### Benchmark

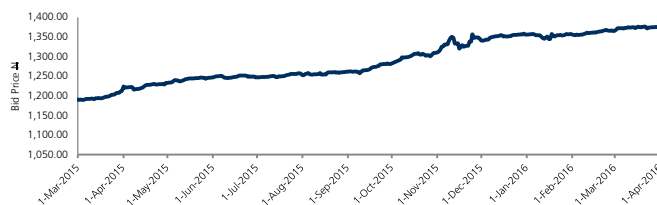
3yr Federal Government of Nigeria Bond

#### Performance and Positioning

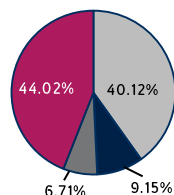
#### Historic prices and yields

	Dec-15	Jan-16	Feb-16	Mar-16
Bid price (₦)^	1,121.65	1,123.51	1,131.31	1,142.39
Yield to maturity^	12.39%	11.59%	10.29%	9.93%

#### Cumulative Performance



#### Current allocation



- FGN bonds
- State government bonds
- Corporate bonds
- Money market securities

#### Asset allocation ranges

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