

INVESTING

FBN FIXED INCOME FUND

All data as at 31st May, 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	₦4.7 bn	
Base currency	(₦)	
NAV per share	₦ 1,077.56	
Minimum investment	₦50,000.00	
Minimum holding period	90 days*	
Income accrual	Daily	
Income distribution	Semi-annually (April and October)	
Income distributions	Oct '15: ₦ 62.24	Mar'16: ₦ 60.80
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

In May, the market was predominantly impacted by issues surrounding a possible exit of the United Kingdom from the European Union and effects of monetary policies globally. Indications of continuous improvement in the United States (US) labour market heightened the possibility of more than one increase in US interest rates. Although the dollar continues to appreciate, the rise in prices of commodities particularly oil which hit \$50.00 per barrel for the first time this year, was positive news for oil exporting nations.

Nigeria's economy like the rest of the world continues to struggle due to the harsh economic climate. The need for the fiscal arm of government to put structural reforms in place, invest in infrastructure and directly pump money into the system is extremely critical to elevate the economy of Africa's largest nation.

Gross Domestic Product (GDP) figures for the first quarter (Q1 2016) was -0.36% (2.11% in Q4 2015). The expectations of a further rise in inflation in May coupled with contracting GDP growth will continue to negatively impact investors' real rates of returns. Bond yields rose in the early to mid point of the month, and then dropped by month end on the back of the negative GDP figures, albeit not to the initial levels. The increase in bond yields negatively impacted the price of the fund. Month-on-Month, bond yields rose by 88bp and 34bp on the short and mid dated maturities respectively, while long dated maturities remained stable.

Fund and Market Outlook

Flexibility surrounding our foreign exchange (FX) policy was a welcome development, although the market still faces some uncertainty from lack of clarity on the modalities of the FX policy. Despite the volatility in the system, the Fund Manager will continue to position the portfolio to take advantage of the market turns whilst investing within its asset allocation limit.

Benchmark

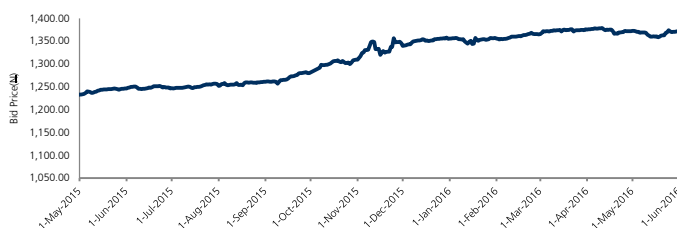
3yr Federal Government of Nigeria Bond

Performance and Positioning

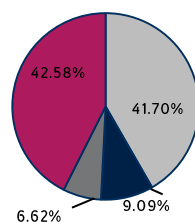
Historic prices and yields

	Feb-16	Mar-16	Apr-16	May-16
Bid price (₦)^	1,131.31	1,142.39	1,077.74	1,077.56
Yield to maturity^	10.29%	9.93%	9.59%	10.34%

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%