

FBN Fixed Income Fund

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All data are as at 30th September 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 Managers	Ifeoluwa Dixon, Henry Okoye	
Fund launch date	24th September 2012	
Fund size	₦4.3bn	
Base currency	(₦)	
NAV per share	₦ 1,109.37	
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 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 return anticipated on the portfolio if 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 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

Volatility and uncertainty strengthened in September as the slowdown in the already fragile global economy continued despite the slight resilience shown in the US economy. Emerging and frontier markets were not exempted as the enthusiasm of investors waned on the back of a possible rise in US interest rates, further currency depreciation, incessant contraction of growth in China and continuous decline in commodity prices. The local market was predominantly driven by the elevated level of liquidity in the pensions industry on the back of the on-going bailout scheme of the states, implementation of the Treasury Single Account (TSA) system and trimmed Cash Reserve Requirements for Deposit Money Banks' from 31% to 25%.

Despite the macro-economic challenges, demand in the local Fixed Income space surged as the expected expulsion of Federal Government of Nigeria (FGN) bonds from the JPMorgan Index had no real impact in the short-term. Yields were principally driven by limited liquidity with average yields on the short, medium and long term declining by approximately 388bps, 94bps and 33bps respectively. The Fund maintained its exposure to high yielding short duration assets to insulate it from the negative impact associated with the volatility in the global economy whilst capturing yield advantage and maximizing return.

Fund and market outlook

As the growth rate in global economies maintain a downward trajectory, aversion to the frontier space is expected to continue albeit a reversal in commodity prices or boost in yields commensurate to level of risk. The Fund remains well positioned to take advantage of possible shifts in the yield curve in the future, with a greater focus at the long end of the yield curve.

Benchmark

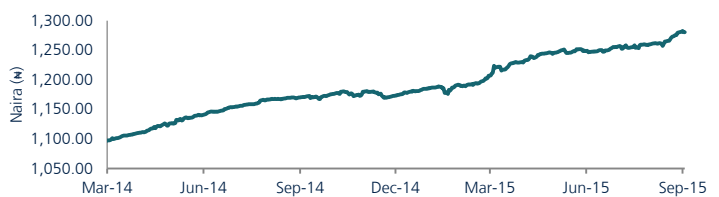
3yr Federal Government of Nigeria Bond

Performance and Positioning

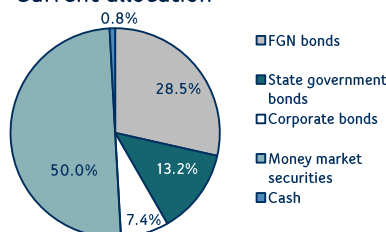
Historic prices and yields

	June-15	July-15	Aug-15	Sept-15
Bid price (₦)^	1,075.25	1085.10	1,090.23	1,109.37
Yield to maturity^	13.36%	13.59%	13.49%	13.48%

Cumulative performance



Current allocation



Asset allocation ranges

FGN bonds	10-35%
State government bonds	10-50%
Corporate bonds	25-45%
Eurobonds	0-15%
Money market securities	25-50%