

INVESTING

FBN HERITAGE FUND

All data as at 31 July 2016 unless otherwise stated



Fund Overview

Investment objective

The Fund seeks to maximise returns and provide long term capital appreciation by investing primarily in companies and debt securities listed or issued in Nigeria.

Fund facts

Fund Managers	Laura Thorpe <small>CFA</small> , Kike Mesubi, Oluoyomi Okin
Fund launch date	1 st April 2008
Fund size	₦4.65bn
Base currency	Naira (₦)
NAV per share	₦114.51
Minimum investment	₦50,000.00
Income distributions	May '15: ₦11.00
Annual management fee	1.50%
Risk profile	Medium*

Fund highlights

The Fund is an open ended mutual fund that invests in a diversified portfolio of high quality Nigerian companies, long-term debt instruments of Nigerian federal and state governments and money market securities such as Treasury Bills, Commercial Papers, Bankers Acceptances and Fixed Deposits. The Fund may also invest in Nigerian real estate and real estate securities.

The Fund offers exposure to multiple asset classes and aims to reduce investment risk by diversifying across these asset classes, making it an ideal core holding.

Investor Profile

The Fund is suitable for investors who are seeking long-term capital growth, require minimal income and can tolerate market volatility.

The Fund may be suitable for investors looking for a source of long-term capital growth and income through exposure primarily to equity and debt securities in Nigeria. Investors in this Fund should have at least a three to five year investment horizon.

Benchmark

Composite benchmark: 25% 91 days Nigerian Treasury Bill (NTB), 25% Bloomberg Nigeria Local Sovereign Index and State bonds, 50% Nigerian Stock Exchange All Share Index

Source: FBN Capital Asset Management

* The Fund has a 'Medium' risk profile given it invests the majority of its assets in equities and bonds. The value of equity securities may go down as well as up in response to the performance of individual companies and general market conditions. 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 is stated net of fees and expenses.

Redemption period: 5 business days.

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.

FBN Capital Asset Management RC 978831

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A part of the FBN Holdings Group

Monthly Comments

Fund and market review

The local equity market (Nigerian Stock Exchange All Share Index, NSEASI) rebound that took hold in June faded away in July; it declined 5.36%. The weak performance was impacted by uninspiring half year 2016 earnings results. Relative to the NSEASI and its benchmark which declined by 3.11%, the Fund outperformed. The Fund declined by 0.78%.

The much anticipated buying interest in equities by foreign investors following the new foreign exchange (FX) policy was negligible, rather we witnessed profit taking. Most listed companies released their half year 2016 corporate earnings which showed the strained operating environment. The gross profit margin for most Food and beverage companies compressed owing to the depreciation of the Naira. Some companies also reported high interest expense as a result of the devaluation. Within the industrial space, cement companies reported higher cost of production due to gas supply disruptions in spite of dwindling revenue. On the other side, banks reported better results helped by FX revaluation gains.

Within the fixed income space, the Central Bank of Nigeria (CBN) was aggressive in mopping up the excess interbank system liquidity in a bid to reduce speculation on the Naira. To that end, the CBN conducted a series of Open Market Operations (OMOs) at attractive rates. The Portfolio Manager took advantage of the opportunity to increase the portfolio return using OMOs. The Monetary Policy Committee (MPC) met in July and increased Monetary Policy Rate (MPR) by 200bps to 14.00%. The CBN stated it lacked the instruments to directly jump start growth and thus opted to tighten with the aim to achieving positive real returns for fixed income investors.

Fund and market outlook

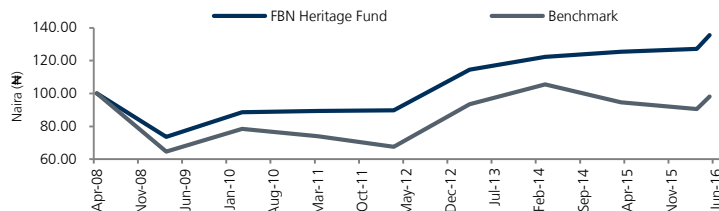
We expect the weak results released and challenging operating environment to weigh down equity performance. In addition, we anticipate a reallocation of funds from the equity market to fixed income given the attractive yields. In our view, the prevailing fixed income yields are unsustainable as it may further crowd out the real sector and slow growth. In the short term, we will lengthen the duration of the portfolio at these attractive rates.

Performance and Positioning

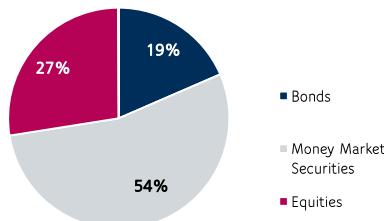
Historic prices and yields

	Dec-15	Jan-16	Feb-16	Mar-16	Apr-16	May-16	Jun-16	Jul-16
Bid price (₦)^	109.30	105.89	106.06	106.69	107.86	111.44	114.51	113.54

Cumulative Performance



Current allocation



Asset allocation ranges

Bonds	10-25%
Money Market Securities	10-75%
Equities	20-65%