

# INVESTING

## FBN HERITAGE FUND

All data as at 31 October 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 Fisayo-Kolawole, CFA Kike Mesubi, CFA
Fund launch date	1 <sup>st</sup> April 2008
Fund size	₦4.08bn
Base currency	Naira (₦)
NAV per share	₦110.68
Minimum investment	₦50,000.00
Income distributions	Oct '16: ₦4.00
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 Fund outperformed its benchmark and the Nigerian Stock Exchange All Share Index (NSEASI) by 1.31% and 3.75% respectively in the month of October. The negative performance of the NSEASI -3.94% weighed down the return of the benchmark. Within the month, the Fund declared a dividend of ₦4.00 for the year ended 31 March 2016.

Listed companies released their 9 months 2016 results which reaffirms the challenging operating environments. The energy challenges faced by cement companies in Q2 continued into Q3 and weighed on profitability. Lafarge Africa converted its shareholders loan of USD\$493m to equity, we view that as a positive because it should moderate earnings volatility going forward. Within the consumer sector, the price increase in some products was not enough to stem decline in revenue as that meant that consumers shifted to value brands. This is evident in the 33.10% revenue growth reported by International Breweries and single digit growth reported by rival Guinness and Nigerian Breweries. Notwithstanding, increase in finance cost and cost of production weighed negatively on earnings. Nestle Nigeria grew revenue by double digit but profitability declined as a result of FX pressure and elevated taxes; the pioneer tax status of its Flowergate Factory has expired. For the first time in recent years, Nestle did not declare an interim dividend. Within the banking sector, we witnessed moderated revaluation gain q/q because of lesser depreciation on the Naira. Non performing loans continue to remain a source of concern. Within the portfolio, we increased the bond allocation and also lengthened the duration of the money market allocation to offset the losses from the equity exposure.

#### Fund and market outlook

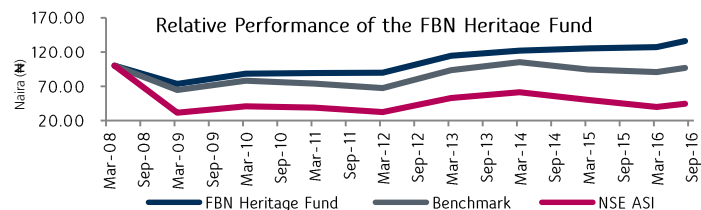
In the interim, it appears the Central Bank of Nigeria will continue with its tight monetary policies to support the Naira and attract foreign inflows, as a result, we will maintain our allocation to the mid and long end of the money market curve. On the other hand, companies will continue to struggle with expensive financing and stock valuations will remain under pressure due to higher risk free rate. This makes the equity market story less compelling.

### Performance and positioning

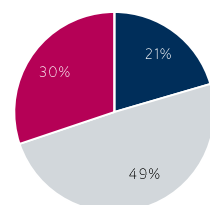
#### Historic prices and yields

	Mar-16	Apr-16	May-16	Jun-16	Jul-16	Aug-16	Sep-16	Oct-16
Bid price (₦)^	106.69	107.86	111.44	114.51	113.54	113.42	114.90	110.68
Distribution (₦)								4.00

#### Cumulative performance



#### Current allocation



#### Asset allocation ranges

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

- Bonds
- Money Market Securities
- Equities