# INVESTING

# FBN NIGERIA EUROBOND (USD) FUND

All data as at 31st August 2016 unless otherwise stated

## Fund Overview

### Investment objective

The Fund seeks to provide competitive income and total returns in USD primarily by investing in USD debt instruments of the Nigerian government, corporate and financial institutions.

### Fund facts

| | |
|---|---|
| Fund Manager | Ifeoluwa Dixon, Tutu Adekoya CFA, Adeyemi Roberts |
| Fund launch date | 4th January 2016 |
| Fund size | $961,574.49 |
| Base currency | US Dollars ($) |
| Unit classes | I unit class: Institutional<br>R unit class: Retail |
| NAV per share | I unit class: $ 104.46<br>R unit class: $ 104.48 |
| Annual management fee | I unit class: 1.00%<br>R unit class: 1.50% |
| Minimum investment | I unit class: US$ 100,000<br>R unit class: US$ 1,000 |
| Minimum holding period | 180 days* |
| Income accrual | Daily |
| Income distribution | Semi-annually (March and September) |
| Risk profile | Medium** |

### Fund highlights

The Fund is an open ended mutual fund that invests in a broad range of long tenured US Dollar denominated debt securities issued by the Federal Government of Nigeria (FGN), state governments and highly rated corporate and financial institutions. The Fund may also invest to a limited extent in Nigerian local currency debt instruments where such an investment in the opinion of the Fund Manager will enhance return without exposing the Fund to undue currency risk.

### Investor profile

The Fund may be suitable for foreign currency deposit investors who wish to mitigate the exchange rate risk by diversifying their wealth by investing in USD denominated investments. Due to the higher volatility of Nigerian debt securities, investors should have at least a 3-5 year investment horizon.

Source: FBN Capital Asset Management
* Redemption notice period: 30 business days.
  No additional charges are applied on redemption. However, units redeemed earlier than the 180 business days minimum holding period will incur a processing fee of 20% on the income earned on the value of such redemptions.

** The Fund Manager deems the Fund to have a 'Medium' risk profile because it invests the majority of its assets in bonds.

^ Bid price and yield to maturity are stated net of fees and expenses with dividends reinvested.

[1] The yield to maturity (YTM) is the rate of return anticipated on the portfolio if the current bonds in the portfolio were help 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

In the United States of America, there was a greater likelihood of an increase in the monetary policy rate going by comments from a Federal Reserve official. In the United Kingdom (UK), the Bank of England cut its monetary policy rate to 0.25% from 0.50% and embarked upon its bond purchase programme in order to stimulate the economy. The programme yielded an immediate effect with yields on the 10 year government bond dropping to an all-time low of 0.56%.

The Purchasing Managers Index (PMI) for China which illustrates the performance of the manufacturing sector came out weaker than expected during the month. Oil prices rallied on the news of an informal meeting between countries about an output freeze. However, prices reversed towards the end of the month following US weekly inventory data showing inventories at record highs. In Japan, sentiments were lifted when the Prime Minister approved US$130 billion in fiscal measures to boost the economy

The portfolio gained from increased demand for emerging market securities from both foreign and local buyers as evidenced by Zambia, Nigeria and Ghanaian Eurobonds reaching their highest price levels in a year. Nigerian corporate Eurobonds also saw strong demand from local buyers with current holders hardly willing to sell. The Nigerian government plans to issue a Eurobond in September, which should help to increase the inflow of much needed dollars.

### Portfolio and market outlook

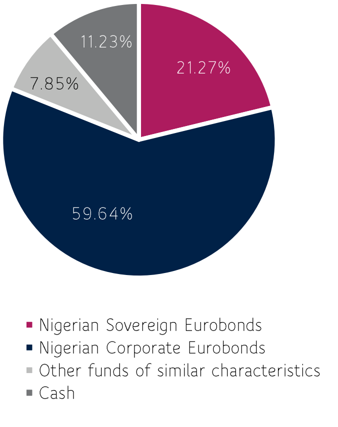
The historically low yields in the UK and fiscal expansion in Japan give room for foreign investors to continue to buy into Sub-Saharan Africa securities in their search for higher yields. We expect this trend to continue in the near term and the fund to benefit as a result.

## Performance and positioning

### Historic prices and yields

| | Jun-16 | | Jul-16 | | Aug-16 | |
|---|---|---|---|---|---|---|
| | I unit class | R unit class | I unit class | R unit class | I unit class | R unit class |
| Bid price ($)^ | 102.78 | 102.74 | 103.78 | 103.79 | 104.46 | 104.48 |
| Yield to maturity^[1] | 7.20% | | 6.57% | | 6.47% | |

### Current allocation




### Asset allocation ranges

| | |
|---|---|
| Nigerian Sovereign Eurobonds | 10 - 50% |
| Nigerian Corporate Eurobonds | 60 - 90% |
| Nigerian non-USD denominated fixed income instruments | 10% |
| Other external funds of similar characteristics | 0-20% |

**FBN Capital Asset Management** RC 978831
18 Keffi Street, Off Awolowo Road, S.W. Ikoyi, Lagos, Nigeria
Tel: +234 (1) 2798300, + 234 (0) 708 065 3100 Email: invest@fbnquest.com www.fbnquest.com
A part of the FBN Holdings Group