

INVESTING

FBN NIGERIA EUROBOND (USD) FUND



All data as at 28th February 2017 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	\$1,017,251.96
Base currency	US Dollars (\$)
Unit classes	I unit class: Institutional R unit class: Retail
NAV per share	I unit class: \$ 106.42 R unit class: \$ 106.13
Annual management fee	I unit class: 1.00% R unit class: 1.50%
Minimum investment	I unit class: US\$ 100,000 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 is stated net of fees and expenses with dividends reinvested.

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

Oil prices were boosted on the news that members of the Organisation of Petroleum Exporting countries (OPEC) achieved 90% compliance with the deal to cut oil production. This in addition to reduced vandalism in the Niger delta region helped to increase Nigeria's FX reserves by 5.07% to \$29.65 billion in February from \$28.27 billion in January.

The Nigerian government issued a \$1 billion Eurobond; the first Nigerian Sovereign Eurobond since 2013. The bond was issued with at par with a coupon of 7.785% and a 15 year maturity (February 2032) and was almost eight times oversubscribed; a clear bullish sentiment from foreign investors despite the economic challenges which the country faces. The coupon rate was a good balance between an attractive return for investors and reasonable borrowing cost for the Nigerian Government.

We witnessed some market participants offloading their current holdings of the 2018 and 2023 Nigerian Eurobonds in an attempt to get exposure to the longer tenured bond. Demand for the new issue continued once trading began with the bond peaking at \$106.05 but the price dropped slightly at month end to close at \$105.6. Nigerian bank Eurobonds continued to rally on the back of this with strong demand from local investors aiming to hedge against FX risk thereby boosting portfolio gains.

Portfolio and market outlook

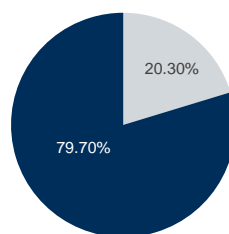
Nigeria is expected to issue another \$1 billion Eurobond in Q3 2017 and the significant demand seen for the recent Eurobond issue shows that Nigerian dollar denominated assets will continue to remain attractive to both foreign and local investors. A United States Federal Reserve (Fed) US Fed interest rate hike in the near term is likely to cause some uncertainty however.

Performance and positioning

Historic prices

	Dec-16		Jan-17		Feb-17	
	I unit class	R unit class	I unit class	R unit class	I unit class	R unit class
Bid price (\$) ^	103.80	103.56	104.17	103.93	106.42	106.13

Current allocation



■ Eurobonds (FGN) ■ Eurobonds (Corporate)

Asset allocation ranges

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