

# INVESTING

## FBN NIGERIA SMART BETA EQUITY FUND

All data as at 28th February 2017 unless otherwise stated



### Fund Overview

#### Investment objective

The Fund seeks to provide long-term capital growth by investing primarily in a portfolio of equities listed in Nigeria.

#### Fund facts

Fund Managers	Laura Thorpe <sup>CFA</sup> , Kike Mesubi <sup>CFA</sup> , Oluwaseun Magreola
Fund launch date	4th January 2016
Fund size	₦158.6m
Base currency	Naira (₦)
NAV per share	₦111.70
Minimum investment	₦50,000.00
Income distributions	
Annual management fee	1.50%
Risk profile	High*

#### Fund highlights

The Fund is an open ended mutual fund that invests in a diversified portfolio of high quality Nigerian companies that are domiciled in, or carrying out the main part of their economic activity in Nigeria.

In order to manage liquidity, the Fund may invest in short-term money market instruments and deposits with credit institutions may be held from time to time.

#### Fund strategy

The Fund uses a simple systematic rules-based investment strategy that is designed to capitalize on equity market inefficiencies specific to the Nigerian equity market, as established by extensive in-house quantitative research. The strategy is commonly known as smart beta investing.

The Portfolio Managers draw constituents from the largest 40 stocks (by market capitalization) and screen these stocks based on the following anomalies: value, momentum, profitability and dividend yield. Weights assigned to stocks are screen-rank-driven.

#### 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 securities in Nigeria. Investors in this Fund should have at least a three to five years investment horizon.

#### Benchmark

Nigerian Stock Exchange 30 Index (net of fees)

Source: FBN Capital Asset Management

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

^ Bid price is stated net of fees and expenses.

Holding period: 90 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.

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### Monthly Comments

#### Fund and market review

The Nigerian Stock Exchange All-Share Index closed in the red territory as sentiments remained bearish in the month of February. The ASI shed -2.7% as all indices were down for the Month except for the Banking index which closed flat. The Fund outperformed the NSEASI and its benchmark (NSE30) by 0.8% and 1.8% respectively to close at -1.9% vs a decline of -2.7% for the NSEASI and -3.8% for the benchmark.

Bearish sentiments trailed on macroeconomic headwinds, as the National Bureau of Statistics (NBS) released its Consumer Price Index (CPI) report for the month of January. Headline inflation accelerated to 18.7% year-on-year (vs. 18.6% in December 2016). This marks the 14th consecutive month of uptrend in the CPI. On a positive note, the pace of increase continues to slow suggesting waning pressure. GDP numbers for Q4 2016 were also released in the month of February; the pace of contraction slowed to -1.3% vs. -2.2% in Q3 2016. The slower decline may not be unconnected with the improvement in oil production. Overall, the economy contracted by -1.5% in 2016. The Agriculture sector was the fastest growing sector expanding by 4.0%; a confirmation that Government's targeted effort at the sector is yielding positive results. The worst performers were Construction (-6.0%) and Real Estate sector(-9.3%).

Full year 2016 earnings results kicked off in February; Zenith Bank Plc released a strong set of positive numbers driven primarily by non interest income and lower operating cost. However, news that the bank may raise up to N100bn in additional capital overshadowed the results and continued to put its share price under pressure despite its proposed final dividend of N1.77 (Dividend Yield 12.2%). Dangote cement's results were broadly positive showing a strong margin recovery in Q4 helped by improved pricing and cheaper energy sourcing. The company declared a dividend of N8.50 (Dividend Yield 5.0%).

#### Fund and market outlook

Barring any significant changes in the macro-economic environment, we envisage companies will continue to face a challenging operating environment. Our expectations are that full year 2016 results released by listed companies in the first quarter of 2017, are unlikely to provide positive support for the market. The Fund Manager will continue to remain constructive on equity allocation.

### Positioning

#### Historic prices

	May-16	Jun-16	Jul-16	Aug-16	Sep-16	Oct-16	Nov-16	Dec-16	Jan-17	Feb-17
Bid price (₦)^	108.75	113.07	110.01	110.78	112.93	113.02	107.92	112.65	113.90	111.70

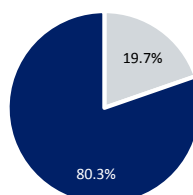
#### Top 5 equity holdings

DangSugar	5.57%
NB Plc	5.37%
Conoil	5.16%
DangCem	5.07%
UBA Plc	4.74%

#### Top 5 Sector Exposure

Financial Services	22.5%
Consumer Goods	17.9%
Oil & Gas	16.0%
Industrial Goods	11.3%
Agriculture	8.4%

#### Current allocation



#### Asset allocation ranges

Fixed Income	0-25%
Equities	75-100%

• Money Market  
• Equities