

INVESTING

FBN NIGERIA SMART BETA EQUITY FUND

All data as at 30th June 2016 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 <small>CFA</small> , Oluyomi Okin
Fund launch date	4th January 2016
Fund size	₦159.50m
Base currency	Naira (₦)
NAV per share	₦108.75
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

Equities recorded another month of strong gains in June as investor sentiments remained bullish on the back of the new foreign exchange (FX) policy of the Central Bank of Nigeria (CBN). The Nigerian Stock Exchange All-Share Index (NSEASI) rose by 7.0% in the month, the second best monthly return in 2016. Similarly, the Fund's benchmark NSE 30 index was up by 6.7% in the same period. However, the Fund's price rose by 4.0% (less than the benchmark and the broader market). Similar to May, the higher benchmark and market returns was due to the strong performance of heavyweight stocks on both indexes like Dangote Cement, Guaranty, and Nestle during the month. However, the Fund remained ahead of its benchmark on a Year-to-Date (Ytd) basis with a return of 13.1% versus 2.2% on the NSE 30.

After the initial delay in the release of the guidelines for the operation of the flexible FX policy announced by the CBN at its Monetary Policy Committee (MPC) meeting in May, the eventual kick-off of the more liberalized inter-bank FX market towards the end of June reignited already waning appetite for risk in the market. Additionally, the CBN's decision to clear the back-log of FX demand on the first day of trading via forward contracts, helped to further buoy positive sentiments in the market. In all, local investors saw these developments as a signal of the return of foreign portfolio flows into the market and as such, they aggressively bided stock prices higher, leading the NSEASI to rise above 30,000 points for the first time since October last year.

However, the outcome of the referendum vote in Britain in the final week of June, with majority in favour of the country's exit from the European Union (EU) led investors to switch to safe-haven assets across global markets due to the expected impact of the change on world trade and global economic growth. Consequently, the bullish sentiments in the equities market was tapered down at the tail end of the month.

Fund and market outlook

Following the considerable increase in interest in the equities market in June evidenced by higher market turnover towards the end of the month, we believe that companies' Q2 2016 earnings will be the main driver of equity prices in July. And given that expectations are broadly for weak results, we think we may see few positive surprises that will help support prices in the month.

Positioning

Historic prices

	Jan-16	Feb-16	Mar-16	Apr-16	May-16	Jun-16
Bid price (₦)^	95.46	95.99	96.36	99.13	108.75	113.07

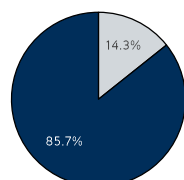
Top 5 equity holdings

Seplat	5.83%
Guaranty Trust	5.57%
Flour Mills	5.53%
Dangote Cement	5.28%
Access Bank	5.23%

Top 5 Sector Exposure

Consumer Goods	25.95%
Financial Services	22.57%
Industrial Goods	19.40%
Oil & Gas	17.17%
Agriculture	9.72%

Current allocation



Money Market Securities

Equities

Asset allocation ranges

Fixed Income	0-25%
Equities	75-100%