

INVESTING

FBN NIGERIA SMART BETA EQUITY FUND

All data as at 31st May 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 | ₦126.89m |
| 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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A part of the FBN Holdings Group

Monthly Comments

Fund and market review

Sentiments turned bullish in the local equity market in May, and this drove the Nigerian Stock Exchange All-Share Index (NSEASI) to its best monthly performance so far in 2016 of 10.4%. Similarly, the benchmark NSE 30 index appreciated 12.3% in value over the previous month. However, the Fund's price rose by 9.7% in the same period. The higher benchmark return can be attributed to the strong performance of heavyweight stocks on the index like NB, Nestle, Guaranty, and Zenith, during the month. Year-to-May-end, the benchmark NSE 30 index is down 4.2%, whilst the Fund is up 8.8%.

Contrary to expectations coming into May, the eventual signing into law of the 2016 appropriation bill by the president in the month had little impact on investors' appetite for risk. However, it was the decision of the Monetary Policy Committee (MPC) of the Central Bank of Nigeria (CBN) at its meeting in May to consider a flexible foreign exchange (FX) policy, that was the main driver of positive sentiments in the market during the month. This proposed shift in the FX policy of the central bank, soon after an increase in the pump price of petrol by government to reflect higher FX rate, was seen by local investors as a precursor to an eventual devaluation of the Naira. Consequently, stock prices were bided up aggressively by proprietary traders looking to front-run the anticipated return of foreign portfolio flows into the market after the announcement of details of the flexible FX policy.

In addition to the speculation-driven rally in stock prices during the month, the Oil and Gas sector of the market also enjoyed support from the rise in the crude oil price to US\$50/barrel in May as a result of supply disruptions in Canada, Venezuela, Nigeria, and Iraq, which has led to an estimated output loss of 4 million barrels/day.

Fund and market outlook

We believe the release of details of the flexible FX policy by the CBN will be the driver of equity prices in June. The announcement of a policy that supports efficient and fair pricing of FX and that is devoid of arbitrage opportunities, will be considered a step closer towards attracting foreign portfolio flows back into the market. However, beyond this, we expect the weak macro environment to continue to weigh on company profitability further out in the year, thereby suggesting modest rise in equity prices from current levels in the near term.

Positioning

Historic prices

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

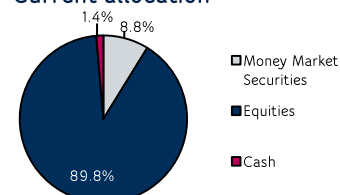
Top 5 equity holdings

| | |
|----------------|-------|
| Seplat | 7.17% |
| Flour Mills | 5.78% |
| Guaranty Trust | 5.72% |
| Access Bank | 5.72% |
| Dangote Sugar | 5.66% |

Top 5 Sector Exposure

| | |
|--------------------|--------|
| Consumer Goods | 23.75% |
| Financial Services | 18.18% |
| Oil & Gas | 17.51% |
| Industrial Goods | 17.34% |
| Agriculture | 8.15% |

Current allocation



Asset allocation ranges

| | |
|--------------|---------|
| Fixed Income | 0-25% |
| Equities | 75-100% |