

INVESTING

FBN NIGERIA SMART BETA EQUITY FUND

All data as at 30th November 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> , Kike Mesubi <small>CFA</small> |
| Fund launch date | 4th January 2016 |
| Fund size | ₦152.0m |
| Base currency | Naira (₦) |
| NAV per share | ₦107.92 |
| 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

Market breath in the month of November remained bearish as the Nigerian Stock Exchange All Share Index (NSEASI) continued its downward trend as appetite for stocks on the Nigerian bourse waned significantly. The Fund outperformed the NSEASI and the NSE30 benchmark by 2.8% and 2.1% respectively to close at -4.5% vs a decline of -7.3% for the NSEASI and -6.6% for the benchmark.

Market performance was negative as investors remained on the side-lines for most trading sessions of the month majorly due to macro economic challenges and foreign exchange (FX) illiquidity. Results released by listed companies during the month echoed the same sentiments of previous results; including challenging operating environment, scarcity of foreign exchange and high borrowing cost. Macro economic data released during the month could not help spur hope of recovery as inflation figures released showed headline inflation (year-on-year) rose to 18.3% in October from 17.9% in September and 17.6% in August, thus maintaining the upward momentum since January 2016. The increase in headline inflation in October reflected increases in both the food and core components of inflation.

Q3 2016 GDP figures showed real growth worsened as output contracted further by 2.24% relative to its level in the previous and corresponding quarter of 2015. The contraction is attributable to the oil sector which declined by 22.0% driven by the decline in Nigeria's oil production. The manufacturing and trading sector also contracted due to scarcity of foreign exchange and high borrowing cost. The non-oil sector grew by 3bps, driven by Agriculture which grew by 4.5%, following the 0.4% contraction in Q2 2016. Within the month, there were no changes to the portfolio's allocation.

Fund and market outlook

The recent oil production cut deal struck by the Organisation of Petroleum Exporting Countries (OPEC) members late into the month, led to global oil price rise and subsequent positive spike in oil and gas names on the Nigerian bourse. We expect this to boost liquidity in the short run as the sentiment lingers. We also expect the US\$1bn Nigeria Eurobond to be issued in January to provide support for the equity market. We will continue to monitor activities in the equities space to ensure optimum returns for the Fund.

Positioning

Historic prices

| | Mar-16 | Apr-16 | May-16 | Jun-16 | Jul-16 | Aug-16 | Sep-16 | Oct-16 | Nov-16 |
|----------------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Bid price (₦) [^] | 96.36 | 99.13 | 108.75 | 113.07 | 110.01 | 110.78 | 112.93 | 113.02 | 107.92 |

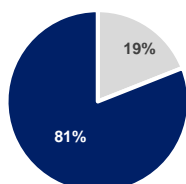
Top 5 equity holdings

| | |
|------------|-------|
| Mobil | 6.85% |
| Presco Oil | 5.82% |
| Total | 5.45% |
| Okomu Oil | 5.31% |
| UBA | 5.15% |

Top 5 Sector Exposure

| | |
|--------------------|--------|
| Financial Services | 22.44% |
| Consumer Goods | 20.16% |
| Oil & Gas | 18.00% |
| Agriculture | 11.12% |
| Industrial Goods | 8.9% |

Current allocation



• Money Market
• Equities

Asset allocation ranges

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