

# INVESTING

## FBN NIGERIA SMART BETA EQUITY FUND

All data as at 30th September 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	₦158.74m
Base currency	Naira (₦)
NAV per share	₦112.93
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

The equity market rebounded in September buoyed by significant appetite for the stocks of highly capitalised companies. This resulted in a 2.7% appreciation in the Nigerian Stock Exchange All-Share Index (NSEASI) in the month. Similarly, the Fund's benchmark NSE 30 index was up 2.4% in the month. However, the Fund's performance was slightly below both the benchmark and the broader market returns for the period, as the price rose by 1.9% in September. The underperformance was as a result of the double-digit gains recorded in a number of consumer and oil and gas stocks, which are not represented in the portfolio. These include Unilever, Cadbury, Conoil, and Oando.

A combination of cautious buying and speculative trading helped to support the market in September, even as the macroeconomic environment remained fragile. The Central Bank of Nigeria maintained its tight monetary policy stance at its Monetary Policy Committee meeting in the month despite calls to lower interest rates to spur economic growth. Not much progress was made by the fiscal authorities either in stimulating the economy during the month. Consequently, the naira depreciated further in the parallel market, despite the high interest rate environment as foreign exchange liquidity remained thin. As a result, investors continued to allocate funds to fixed income securities, to the detriment of the equities market, taking advantage of the elevated yields in the money market. However, there were some buying interest in the following stocks in the month: Conoil (announcement of strong 2015 financial results and dividend), Oando (announcement of sale of mid-stream assets), Cadbury (speculative trading), and Unilever. This helped to support overall market performance in September.

#### Fund and market outlook

In the near term, there appears to be some positive catalysts to the economy and the equity market; namely slightly firmer oil price following the recent production freeze deal by the Organisation of Petroleum Exporting Countries, and the proposed sale of a US\$1.5 billion Eurobond by government, proceeds of which will be utilized for capital expenditure. While companies' Q3 2016 results are broadly expected to be weak and as such should have muted impact on the market, fixed income yields are likely to remain elevated in the near term and will continue to discourage liquidity flows into stocks.

#### Positioning

##### Historic prices

	Jan-16	Feb-16	Mar-16	Apr-16	May-16	Jun-16	Jul-16	Aug-16	Sep-16
Bid price (₦) <sup>^</sup>	95.46	95.99	96.36	99.13	108.75	113.07	110.01	110.78	112.93

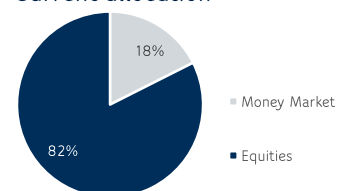
##### Top 5 equity holdings

Total	5.95%
Okomu Oil	5.33%
Dangote Cement	5.06%
Presco	5.05%
Flour Mills	4.97%

##### Top 5 Sector Exposure

Financial Services	22.51%
Consumer Goods	20.71%
Oil & Gas	18.23%
Agriculture	10.39%
Industrial Goods	9.92%

#### Current allocation



#### Asset allocation ranges

Fixed Income	0-25%
Equities	75-100%