INVESTING

MUTUAL FUND FACTSHEET

FBNQuest Asset Management

PUBLIC

All data as at 31 May 2022 unless otherwise stated

Executive Summary

- Following global growth downgrades by the World Bank and the International Monetary Fund (IMF), the Institute of International Finance (IIF) slashed its 2022 growth outlook for global output to 2.3% in 2022 from 4.6%, citing the economic effects of Russia's invasion of Ukraine, China's response to a COVID-19 wave and tighter monetary policy in the United States. Also, the US Federal Reserve (Fed) hiked rates by 50bps (the largest hike in over 20 years) to combat persistent inflation, whilst hinting that further hikes are to be expected. In the Eurozone, to combat the rising inflation due to the return to growth and geopolitical tension, Euro zone finance ministers announced that they would gradually shift their fiscal policies from supportive in 2022 to neutral in 2023.

- The global equity market weakness from April spilled into much of May with the S&P500 and the NASDAQ indices suffering their longest weekly losing streaks since the end of the dotcom bust. With global inflation at its highest in decades, concerns over a stagflation have weighed heavily on all asset classes. The final week of May saw a boost in equity market sentiments, with major developed market indices recording gains as investors read the US Personal Consumption Expenditures (PCE) index reading as a sign that inflation was peaking. That, coupled with strong US consumption data, boosted risk appetite. In the month, the S&P 500 (US), the NASDAQ (US), the FTSE 100 (UK), the DAX (Germany) and the Nikkei (Japan) returned -0.56%, -3.63%, +0.84%, +3.22% and 1.72% respectively, bringing their year to date (YTD) returns to -13.30%, -22.78%, +3.02%, -9.42% and -5.25% respectively.

- Rising inflation remains a theme across Africa, in keeping with global trends, largely driven by food inflation. In Nigeria, headline inflation accelerated to 16.82% (+90bps, m/m reading of 1.76%) in April (food inflation of 18.37%). This led to the Monetary Policy Committee (MPC) unanimously voting for a hike in rates to 13% (+150bps), the first hike since 2016. This rate hike comes on the heels of Nigeria's Q1 GDP which printed at 3.11%, in line with expectations.

Asset Class	Benchmark	1M (May) %	Year to Date (%)	Commentary
Money Market	91-day T-bill	2.12*	2.06**	Money market rates (the OBB and overnight rates) at the start of the month traded around the mid-single digits, rising gradually through the month to close at c. 10%. Inflows from OMO and CBN swap maturities and FX retail refunds kept liquidity buoyant in the first half of the month. In the latter half of the month, market liquidity was strained due to numerous outflows including an FGN bond settlement. The Debt Management Office (DMO) had two auctions in the month. The stop rates on the 90-day, 182-day and 364-day auctions rose +76bps, +89bps and +170bps respectively from the closing rate at the final auction in April. Bid to cover ratios were healthy, especially on the 364-day bill, although the final auction, triggered by the hike in rates saw softer demand than usual. Overall, the DMO sold a total of NGN311.34bn into the primary T-bills market in May, versus NGN289.08bn in April.
	181-day T-bill	3.45*	3.23**	
	364-day T-bill	5.60*	4.87**	
Fixed Income	S&P/FMDQ Nigeria Sovereign Bond Index	0.70	7.91	The month started quietly, with what little demand there was concentrated on the short end of the curve as markets traded cautiously into the monthly bond primary auction. The total subscription was a healthy N575.61bn and N345.26bn was allotted with stop rates closing at 10.00% (+0bps m/m), 12.45% (-5bps m/m) and 13.00% (+10bps m/m) across the 25s, 32s and 42s. The yield increase on the long end and the MPR hike weakened sentiments. In the month, the curve steepened and yields across the short, medium and long tenor bonds closed at 10.50% (26s), 12.65% (36s) and 13.10% (50s) from 10.65% (26s), 12.45% (36s) and 12.90% (50s) at the open.
	3 Year Federal Government Bond	0.39	4.86	
Eurobond	3 Year Nigerian Sovereign Eurobond	-3.26	-7.09	The Sub Saharan African (SSA) Eurobond market continued to trade bearishly, in May, with volatile markets responding to the stern tone by the US Fed, promising to hike rates aggressively to tame inflation. Average yields on the Nigerian sovereigns closed at 9.77% from 9.11% in April, with longer duration bonds bearing the brunt of the bearish sentiments. Sentiments were not helped by the default of Sri Lanka on its foreign debt, highlighting the stress emerging markets are under as a result of the geo-political stress. In the SSA space, Ghanian Eurobonds bore the brunt of the sell off, with an inverted yield curve that saw the short end trade at c. 20% and the longer end at c. 16%.
	5 Year Nigerian Sovereign Eurobond	-2.67	-11.37	
Equites	NGXASI	8.05	25.57	It was another bullish month in the Nigerian equities market, as positive sentiments were buoyed by strong domestic demand in the face of relatively low fixed income yields (with persistently negative real yields) and positive sentiments towards corporate results. The All-Share Index rose 8.05% in the month and the NGX 30 gained 3.81% bringing their year to date returns to 25.57% and 13.69% respectively. Several stocks across the large, mid, and small weighted market cap categories gained in the month with notable names like INTBREW (+54.90%), OKOMU (+31.63%), AIRTELAFRI (+20.49%) and NB (+9.28%) amongst the top gainers in the month. The best performing sectors were the Oil and Gas (+5.29%) and Consumer Goods sectors (+5.44%), whilst the aforementioned Banking sector lost 2.10%.
	NGX30	3.81	13.69	

**Mean stop rate at the Monthly Nigerian treasury bill auction*
*** Average of Nigerian treasury bill auction from the beginning of the year*

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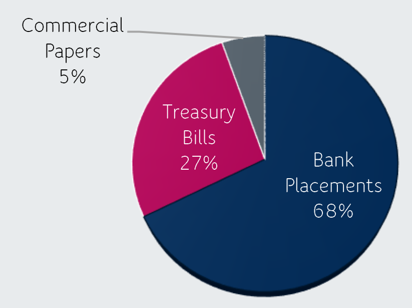
FBN Money Market Fund Overview

Investment Objective

The Fund seeks to preserve capital and maximise income by offering access to a diversified range of low risk money market instruments in Nigeria. The Fund also provides liquidity and competitive returns.

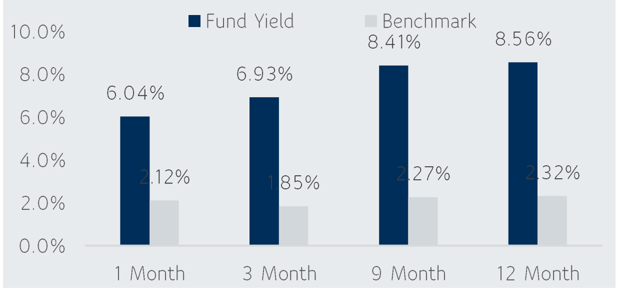
Fund Facts	
Fund Manager	Ifeoluwa Dixon, Tutu Owolabi-Kadiku CFA, CAIA
Fund launch date	24 September 2012
Fund size	₦169.38bn
Base currency	(₦)
NAV per share	₦100
Minimum investment	₦5,000
Minimum holding period	30 days
Income accrual	Daily
Income distribution	Quarterly
Annual management fee	1.25%
Total Expense Ratio	1.36%
Risk profile	Low
Custodian	Citibank
Benchmark	Average 91-day Treasury Bill (NTB) primary auction stop rates.

Asset Allocation



Money Market Fund Yield: 6.21%

Historical Prices & Performance



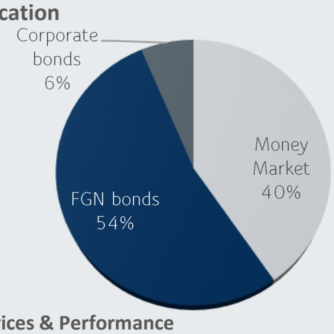
FBN Bond Fund Overview

Investment objective

The Fund is designed to provide income generation by investing in long tenured debt instruments and short-term high quality money market securities issued in Nigeria.

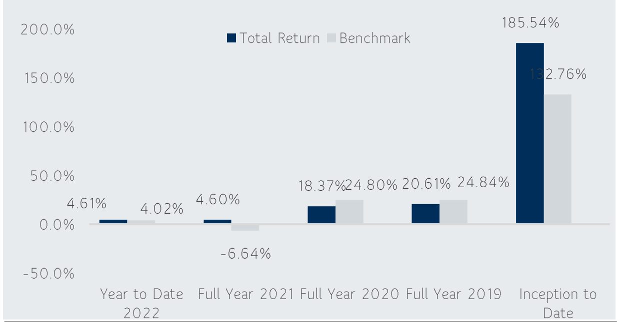
Fund Facts	
Fund Manager	Ifeoluwa Dixon, Tutu Owolabi-Kadiku CFA, CAIA
Fund launch date	24 September 2012
Fund size	₦64.51bn
Base currency	(₦)
NAV per share	₦1,457.030
Minimum investment	₦50,000
Minimum holding period	90 days
Income accrual	Daily
Income distribution	Annually
Total Expense Ratio	1.23%
Annual management fee	1.00%
Risk profile	Low-Medium
Custodian	Citibank
Benchmark	70% 3Year FGN Bond 30% Average 91-day Tbill rate
Weighted portfolio duration	2-3 years

Asset Allocation



Bond Fund Yield: 10.42%

Historical Prices & Performance



Annualized return of 11.14%

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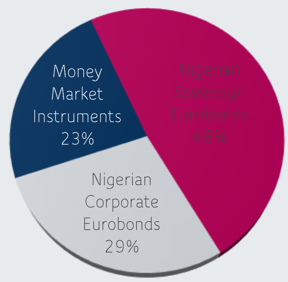
FBN Dollar Fund Overview

Investment objective

The Fund provides an opportunity to diversify across currencies and serve as a hedge through its exposure to USD denominated assets. It provides income generation by investing in debt instruments issued by the Nigerian government, corporates and financial institutions

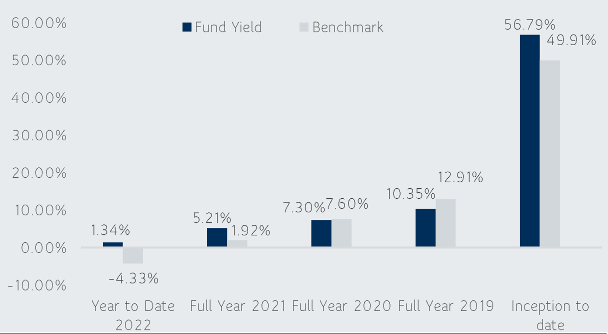
Fund Facts	
Fund Manager	Ifeoluwa Dixon, Tutu Owolabi-Kadiku CFA, CAIA
Fund launch date	4 January 2016
Fund size	$24.39mn
Base currency	US Dollars ($)
Unit classes	R unit class: Retail
NAV per share	$123.94
Minimum investment	$1,000
Minimum holding period	180 days
Risk profile	Medium
Total Expense Ratio	1.68%
Management fees	1.50%
Income distribution	Annually
Benchmark	70% 3 Year FGN Bond 30% Average 1yr US Tbill rate
Custodian	Standard Chartered Bank
Weighted portfolio duration	1-2 years

Asset Allocation



Dollar Fund Yield: 5.41%

Historical Prices & Performance



Annualized return of 3.24%

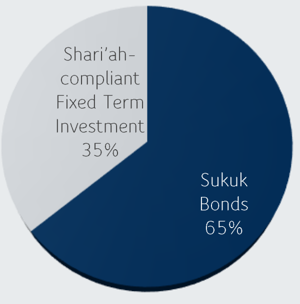
FBN Halal Fund Overview

Investment objective

The Fund is designed to provide long-term income generation by investing in Shari'ah compliant instruments such as Sukuks, Ijarah (Lease), Murabaha (Cost plus mark-up) and Mudarabah (Working Partner) contracts.

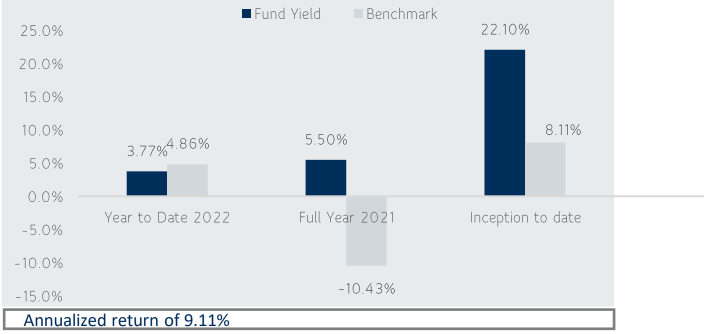
Fund Facts	
Fund Manager	Ifeoluwa Dixon, Tutu Owolabi-Kadiku CFA, CAIA.
Fund launch date	4 May 2020
Fund size	₦5.74bn
Base currency	(₦)
NAV per share	₦119.99
Minimum investment	₦5,000
Minimum holding period	90 days
Income accrual	Daily
Income distribution	Semi-annually
Total Expense Ratio	1.70%
Management fees	1.50%
Risk profile	Low-Medium
Custodian	Standard Chartered Bank
Benchmark	FGN 3 Year Benchmark Bond

Assets Allocation



Halal Fund Yield: 9.21%

Historical Prices & Performance



Annualized return of 9.11%

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FBN Balanced Fund Overview

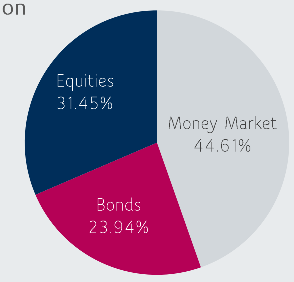
Investment objective

The Fund provides capital growth and downside protection to investors seeking exposure to equity. The downside is achieved through investments in less risky assets such as money market instrument and bonds

Fund Facts	
Fund Manager	Laura Fisayo-Kolawole, CFA
Fund launch date	1 April 2008
Fund size	₦4.58bn
Base currency	(₦)
NAV per share	₦194.94
Minimum investment	₦50,000
Minimum holding period	180 days
Income accrual	Daily
Annual management fee	1.50%
Total Expense Ratio	1.69%
Risk profile	Medium
Benchmark	40% NSE30 40% 5 year FGN bond 20% 90day average Tbill rate
Custodian	Citibank

Top 5 equity holdings	
Financial Services	18.23%
Telecommunications	7.39%
Oil & Gas	6.08%
Agriculture	4.40%
Consumer Goods	3.61%

Asset Allocation



Historical Prices & Performance

FBN Smart Beta Equity Fund Overview

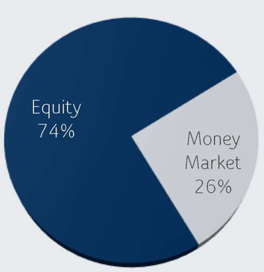
Investment objective

The Fund seeks to provide capital growth by selecting the best twenty (20) out of the forty (40) most capitalised stocks listed on the Nigerian Stock Exchange. The Fund is appropriate for investors who want equities with the aim of outperforming the NSE 30 index.

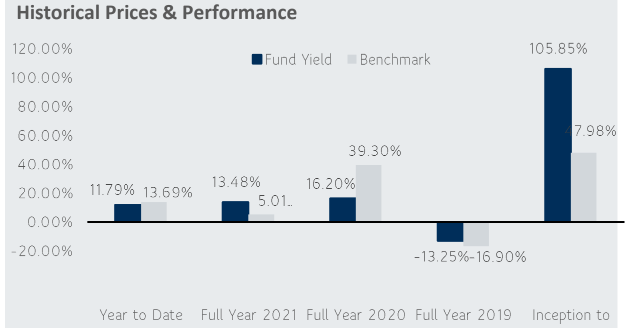
Fund Facts	
Fund Manager	Laura Fisayo-Kolawole, CFA
Fund launch date	4 January 2016
Fund size	₦413.67mn
Base currency	(₦)
NAV per share	₦167.81
Total Expense Ratio	1.63%
Annual management fee	1.50%
Minimum investment	₦50,000
Risk profile	High
Benchmark	NSE 30
Custodian	Standard Chartered Bank

Top 5 equity holdings	
Financial Services	39.45%
Agriculture	11.77%
Consumer Goods	9.13%
Oil & Gas	6.52%
Telecommunications	6.18%

Assets Allocation



Historical Prices & Performance



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Outlook

- We expect that volatility will continue in global markets due to high and rising inflation, monetary tightening, the resulting fear of stagflation and concerns over geopolitics. The confluence of these factors has led most global equity indices into near-bear market territory, with even developed market government debt recording losses. Whilst downside risks persist – the geopolitical crisis, a sharper-than-anticipated deceleration in China growth due to the re-emergence of COVID – we believe that the volatility creates opportunities for long term investors.

- Equities (NGN) – The bullish run of the Nigerian equity market in 2022 so far has pushed the market into technically overbought levels, a direct contrast to global and regional peers with the Nigerian market trading at a Price to Earnings ratio (P/E) of 11.08, c. 32% above peer markets (Ghana- 6.33x, Egypt – 6.82x, Kenya – 7.15x). We believe the market is due a correction and the hawkish tone of the Central Bank is likely to induce a correction. However, we continue to see value in select quality names.

- Fixed Income (NGN) – The MPC responded to the rising inflation and deepening negative real rates with a rate hike. We do not believe the hike will contain the inflation as Nigeria's inflation is driven by supply side/infrastructural issues (as opposed to demand pull factors) and given the illiquidity in the FX market, Nigeria in unlikely to see a material increase in capital inflows. Nevertheless, we expect rising domestic fixed income yields, due to lower domestic liquidity as we have previously opined, and further fueled by the hike in rates, by which the MPC is signaling that domestic rates ought to rise.

- Eurobonds – Eurobond markets, in keeping with the movements in high yield credit markets, have remained bearish in May driven by the aggressive policy tightening by the US Federal Reserve (Fed). With the Fed further hiking rates and the continued geopolitical uncertainty, we expect the volatility to continue, presenting opportunities for long term investors

Terms and Conditions

- Redemption period: 3 - 5 business days.

- No additional charges are applied on redemption. However, units redeemed earlier than the minimum holding period will incur a processing fee of 20% on the income earned on the value of such redemptions.

- The Funds range from 'Low-High' risk profile depending on what security it is invested in. The value of securities may change significantly depending on economic, political, inflationary and interest rate conditions.

- Bid prices and yield to maturity are stated net of fees and expenses with dividends reinvested (where applicable).

- The yield to maturity (YTM) is the rate of return anticipated on the portfolio if the current bonds in the portfolio were held until the end of their lifetime. YTM is an annualised rate and takes into account the current market price, par value, coupon interest rate and time to maturity for each bond in the portfolio. It is also assumes that all coupon payments are reinvested at the same rate as the bond's current yield.

- 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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