INVESTING

FBN NIGERIA SMART BETA EQUITY FUND

All data as at November 30th 2018 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

<table>
<thead>
<tr>
<th>Fund Managers</th>
<th>Laura Fisayo-Kolawole, CFA, Kike Mesubi, CFA, Harrison Imonikhe</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fund launch date</td>
<td>4th January 2016</td>
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<tr>
<td>Fund size</td>
<td>₦446.4m</td>
</tr>
<tr>
<td>Base currency</td>
<td>Naira ($)</td>
</tr>
<tr>
<td>NAV per share</td>
<td>₦145.88</td>
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<tr>
<td>Total Expense Ratio</td>
<td>1.63%</td>
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<tr>
<td>Minimum investment</td>
<td>₦50,000.00</td>
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<tr>
<td>Annual management fee</td>
<td>1.50%</td>
</tr>
<tr>
<td>Risk profile</td>
<td>High*</td>
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<tr>
<td>Benchmark</td>
<td>NSE 30</td>
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</tbody>
</table>

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 carry out 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 which 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)

Monthly Comments

Fund and market review

The Fund dropped by -2.0% during the month. The Fund’s performance is a reflection of the lacklustre performance of the broader equity market which declined -4.9% and the NSE 30 (benchmark) which also declined -4.2%.

Major activities in the month reiterated concerns about the fragile growth of the economy. Oil prices declined from USD$75.5 per barrel at the start of the month to USD$558.7 as at month end; this brings some concern to Nigeria. So far in 2018, the equity market has declined 9 out of 11 months due to the underlying weak sentiments towards Nigerian risk assets. Following weak Q3 2018 and YTD 2018 Corporate results, Naira equities continued to languish in the month of November. Over the month, the Central Bank of Nigeria continued to set a hawkish tone, raising interest rates within the market to support the Naira. As a result of rising risk free rates, it is not surprising that the appetite for risky assets dampened, negatively affecting equity markets. The weakness was broad based with most sub sectors, apart from the Insurance and Consumer sectors, recording losses.

Rates in the fixed income market continued to inch up. Yields on the 1 year treasury bill widened by 100bps in the month. This is partly due to deliberate efforts from the Central Bank of Nigeria to stem foreign portfolio outflows in the months leading up to the 2019 general elections. With around ₦3 trillion worth of treasury bill maturing in December, the expectation is for rates to inch higher.

Fund and market outlook

We expect the equities market to remain volatile in the face of weak sentiments but that provides a good entry point for long term investors. In the face of rising fixed income yields, the Fund’s duration will be lengthened to take advantage of the increasingly hawkish stance of the policy makers.

Performance and Positioning

Total Return Performance Summary

<table>
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<tr>
<th>Fund</th>
<th>Benchmark</th>
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<tbody>
<tr>
<td>-8.1%</td>
<td>51.6%</td>
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<tr>
<td>YTD 2018</td>
<td>20.1%</td>
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<tr>
<td>2017</td>
<td>46.1%</td>
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Historic prices

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<td></td>
<td>170.08</td>
<td>177.54</td>
<td>167.04</td>
<td>159.34</td>
<td>152.08</td>
<td>148.87</td>
<td>145.88</td>
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Top 5 equity holdings

- Mobil 5.80%
- Seplat 5.50%
- Stanbic 5.23%
- Zenith 5.16%
- Presco 5.02%

Top 5 Sector Exposure

- Financial Services 29.14%
- Consumer Goods 16.74%
- Industrial Goods 13.12%
- Oil and Gas 11.30%
- Agriculture 10.00%

Asset Allocation Ranges

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

Current allocation

- Equities 85%
- Money Market 15%