

<b>FUND MANAGER</b>	FIRST CITY ASSET MANAGEMENT LTD
<b>FUND TYPE</b>	LEGACY SHORT MATURITY (NGN) FUND
<b>PERIOD</b>	MAY 2016

## FUND INFORMATION

**Investment Objective:** The Fund seeks to preserve capital and minimize volatility by investing in short maturity instruments.

<b>Domicile</b>	Nigeria	<b>Min initial purchase</b>	25,000 units
<b>Fund Incorporation</b>	2015	<b>Min additional purchase</b>	5,000 units
<b>Bloomberg Ticker / ISIN</b>	FCAMLSF NL / BBG009KJ25W7	<b>Entry/Exit fee</b>	Nil / 25%, if within 6-months
<b>Base currency</b>	Nigerian Naira (NGN)	<b>Annual Management fee</b>	1%
<b>Fund size</b>	₦706.7million	<b>Performance Fee</b>	30% of excess return over target
<b>Benchmark</b>	50% 3month T-bill + 50% 3year FGN Bond	<b>Trading frequency</b>	Daily
<b>Bid / Offer Price</b>	₦2.41 / ₦2.41	<b>Settlement</b>	Trade date + 5

## SUMMARY OF MARKET ACTIVITY AND OUTLOOK

The Fund returned 8.26% annualised, compared with 10.18% for the benchmark. The underperformance was as a result of increasing market rates from rising inflationary pressure. The Fund expects to benefit from rising interest rates, as existing investments are rolled-over and as new inflows are invested.

The Fund's return of 8.26% was more than double the net rate of 4.05% available on a ₦250,000 1-year fixed deposit. Also, the Fund's interest rate risk of 0.31 year was significantly below the 1.32 years for the benchmark.

Based on data from Nigeria's National Bureau of Statistics (NBS), the Consumer Price Index (CPI) increased by 13.70% y/y in April, compared with 12.80% in March. A weakening of the Nigerian Naira in the parallel market fed into the costs of imported items. Also, higher energy prices increased pressure on prices of goods and services. Headline CPI, which has risen for 6 consecutive months, is expected to maintain its upward trajectory. In the domestic sovereign bond market, yields mostly increased. However, the curve flattened, with yield at the 3-year part of the curve rising by 97 basis points, to 13.51%, compared with a 1 basis point decrease at the 20-year point, to 13.36%. The DMO reopened the FGN bond 15.54% Feb 2020s, 12.5% FGN Jan 2026s and 12.40% Mar 2036s. Bids-to-cover were 2.36 times, 1.29 times and 1.45 times, compared with the previous 2.93 times, 1.96 times and 1.74 times recorded in April.

## AS AT OUR CUT-OFF

Country	3 Month T-bill %	3-year Govt Bond yield %	Headline CPI %
Nigeria	7.2733	13.0900	13.70
Kenya	7.7110	12.7400	5.30
South Africa	6.3180	8.4350	6.20
Brazil	14.1126	12.7760	0.61
Russia	10.1957	2.9640	7.30
India	6.8361	7.2220	5.39
China	2.6500	2.5900	2.30
USA	0.2950	1.0365	0.40
Germany	-0.5980	-0.5280	-0.10
UK	0.4980	0.6310	0.30
Japan	-0.2840	-0.2320	-0.30

## MAIN RISK FACTORS

**MARKET RISK:** Risk that an investor could experience losses as a result of changes in factors that impact the whole market, such as interest rates and foreign exchange rates

**DEFAULT RISK:** Risk that a company will not be able to honour its debt and may be forced to stop trading

**DOWNGRADE RISK:** Risk that a company's credit rating may be cut, which could affect its market value

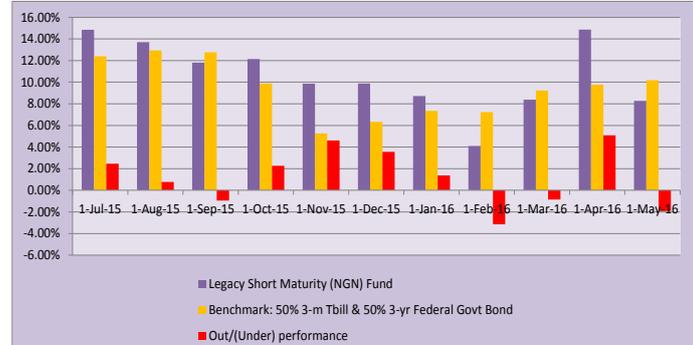
*Agusto & Co. Rating: Bbb(f) investment grade*

## PERFORMANCE

	LSM (NGN) Fund Return (%)	Benchmark Return (%)
<b>May Performance (Annualised)</b>	8.26	10.18
<b>Inflation-adjusted (based on April CPI y/y)</b>	-4.78	-3.10
<b>Duration (Interest rate risk)</b>	0.31	1.32
<b>Weighted Average Maturity</b>	0.36	1.62

\*The sum of ₦59,900 (the minimum amount to buy into the Fund as at beginning of May 2016) in a Savings Account, would have returned, at most, 1.80% per annum.

## Investment Performance relative to benchmark



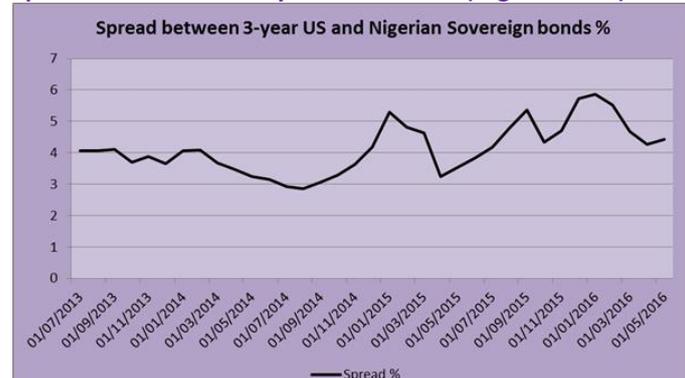
Performance returns are calculated on an annualised basis and shown Net-of-Fees. Payment of 6 months' outstanding outperformance fees reduced impacted Fund return by 4.13% in Feb 2016. Previously unremitted amount of ₦5.1million boosted performance by 7.20% in April 2016

## FUND STRUCTURE

### Asset Allocation

Asset	Range
Cash on call	0 to 100%
T-Bills	0 to 50%
Fixed deposits, Commercial papers, Bankers Acceptances & other MMI	0 to 50%
Federal Government Bonds	0 to 50%
State and Local Government Bonds	0 to 40%
Government guaranteed & Agency Bonds	0 to 40%
Supranational Bonds	0 to 40%
Corporate Bonds	0 to 40%

## Spread between USD 3-year Govt bonds (Nigeria vs US)



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