

<b>FUND MANAGER</b>	FIRST CITY ASSET MANAGEMENT LTD
<b>FUND TYPE</b>	LEGACY SHORT MATURITY (NGN) FUND
<b>PERIOD</b>	SEPTEMBER 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 / BGG009KJ25W7	<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>	₦781.66million	<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>	₦2.49/ ₦2.49	<b>Settlement</b>	Trade date + 5

## SUMMARY OF MARKET ACTIVITY AND OUTLOOK

The Fund returned 6.53% annualised, compared with 13.62% for the benchmark. The underperformance was mainly due to investments which were booked when yields were relatively low. The Fund should benefit from the current high yield environment as new inflows are invested, and maturing investments are rolled-over. Also, the payment of ₦1.27million as audit fee for the Fund year ended June 2016, resulted in a decrease of 1.38% annualised, in Fund performance. The Fund's return of 6.53% was, therefore, less than the net rate of 7.20% available on a ₦250,000 1-year fixed deposit. However, the Fund's interest rate risk of 0.26 year was less than the 1.32 years for the benchmark.

Data from Nigeria's National Bureau of Statistics showed that the Headline Consumer Price Index rose by 17.61% y/y in August, compared with 17.13% in the previous month. Utilities and imported food components of the consumer price basket saw the fastest increases in year-on-year terms, with utilities (16.70% of basket) increasing by 25.90% y/y and imported food (13.20% of the basket) rising by 20.70% y/y. Although, the month-on-month inflation rate rose by 1.01% in August, it represented a decline from the 1.71% and 1.25% recorded in June and July, respectively. In the domestic sovereign bond market, yields increased at the short and long end of the curve, but fell at the belly. The yield on the 3-year government bond fell by 41 basis points, to 14.60%, compared with a marginal increase of 2 basis points, to 15.30%, for the 20-year bond. The DMO reopened the FGN bond 14.50% Jul 2021s, FGN bond 12.50% Jan 2026s and FGN bond 12.40% Mar 2036s. Bids-to-cover were 0.77, 1.26 and 2.02 times, compared with 1.86, 2.37 and 1.62 times recorded in August.

## AS AT OUR CUT-OFF

Country	3 Month T-bill %	3-year Govt Bond yield %	Headline CPI %
<b>Nigeria</b>	12.6400	14.5950	17.60
<b>Kenya</b>	7.8160	12.1470	6.30
<b>South Africa</b>	7.2950	7.8710	5.90
<b>Brazil</b>	13.7350	11.6400	0.44
<b>Russia</b>	9.6261	2.5040	6.90
<b>India</b>	6.4210	6.7250	5.05
<b>China</b>	2.6300	2.4150	1.30
<b>USA</b>	0.2739	0.8750	0.20
<b>Germany</b>	-0.7980	-0.6970	0.40
<b>UK</b>	0.3170	0.1120	0.60
<b>Japan</b>	-0.3980	-0.2800	-0.50

## 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

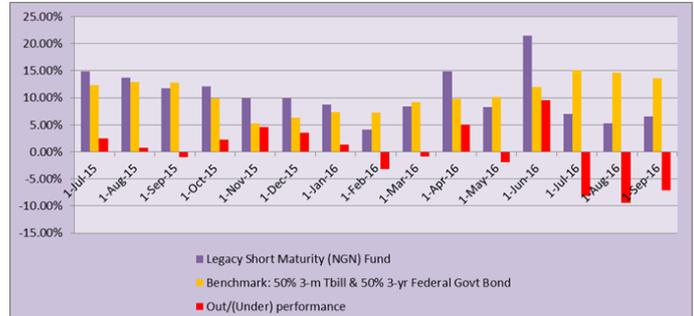
*Agusto & Co. Rating: Bbb(f) investment grade (under review for 2016/2017)*

## PERFORMANCE

	LSM (NGN) Fund Return (%)	Benchmark Return (%)
<b>September Performance (Annualised)</b>	6.53	13.62%
<b>Inflation-adjusted (based on August CPI y/y)</b>	-9.42	-3.39
<b>Duration (Interest rate risk)</b>	0.26	1.32
<b>Weighted Average Maturity</b>	0.32	1.62

\*The sum of ₦62,000 (the minimum amount to buy into the Fund as at beginning of September 2016) in a Savings Account, would have returned, at most, 3.24% per annum.

## Investment Performance relative to benchmark



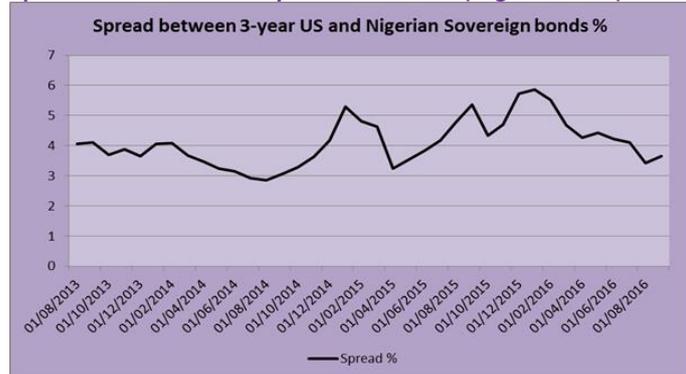
Performance returns are calculated on an annualised basis and shown Net-of-Fees. Payment of 6 months' outstanding outperformance fees impacted Fund return by 4.13% in Feb 2016. Previously unremitted amounts of ₦5.1million and ₦8.1million boosted performance by 7.20% and 13.48% in April and June 2016. Payment of ₦1.84m for renewal of the Fund's rating for 2016/2017, resulted in a 2.34% decrease in Fund performance, in August 2016.

## FUND STRUCTURE

### Asset Allocation

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

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



### DISCLAIMER NOTICE

FCAM has not considered the suitability of this investment against your individual risk and return targets. Past performance is not a reliable indicator of future returns, the value of investments may fall as well as rise, and investors may not get back the original amount invested.