

<b>FUND MANAGER</b>	FIRST CITY ASSET MANAGEMENT LTD
<b>FUND TYPE</b>	LEGACY SHORT MATURITY (NGN) FUND
<b>PERIOD</b>	AUGUST 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>	₦774.62million	<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>	₦2.48/ ₦2.48	<b>Settlement</b>	Trade date + 5

## SUMMARY OF MARKET ACTIVITY AND OUTLOOK

The Fund returned 5.30% annualised, compared with 14.68% for the benchmark. The Fund's underperformance was due to rising yields on Treasury bills, which the Fund should benefit from when new inflows are invested, and maturing investments are rolled-over. In addition, the payment of ₦1.84million for the renewal of the Fund's risk rating for 2016/2017, resulted in a decrease of 2.34% annualised, in Fund performance. The Fund's return of 5.30% was, therefore, less than the net rate of 6.30% available on a ₦250,000 1-year fixed deposit. However, the Fund's interest rate risk of 0.23 year was less than the 1.32 years for the benchmark.

Data from Nigeria's National Bureau of Statistics confirmed Nigeria's slide into economic recession, as GDP contracted by a further 2.06% q/q in 2Q 2016, after 1Q's 0.36% q/q decrease. In addition, the Headline Consumer Price Index (CPI) rose by 17.13% y/y in July, compared with 16.48% in the previous month. The increase in the inflation rate was spread across all the components of the index, with imported food inflation rising by 20.50% y/y. However, the CPI rose by 1.25% m/m in July, representing a drop from the 1.70% m/m recorded in June. The data also showed rising unemployment and plummeting foreign capital inflows. In the domestic sovereign bond market, yields decreased at the short and intermediate parts of the curve, but rose at the long end. The yield on the 3-year government bond fell by 47 basis points, to 15.01%, compared with a marginal increase of 1 basis point, to 15.28%, for the 20-year bond. The DMO reopened the FGN bond 14.50% Jul 2015s, FGN bond 12.50% Jan 2026s and 12.40% FGN Mar 2036s. Bids-to-cover were 1.86, 2.37 and 1.62 times, compared with 2.11, 1.81 and 1.91 times recorded in July.

## AS AT OUR CUT-OFF

Country	3 Month T-bill %	3-year Govt Bond yield %	Headline CPI %
Nigeria	14.3500	15.0000	17.10
Kenya	8.6070	12.8630	6.40
South Africa	7.3140	8.3150	6.00
Brazil	14.0888	12.2250	0.52
Russia	9.3678	2.6020	7.20
India	6.5559	6.8750	6.07
China	2.6300	2.4800	1.80
USA	0.3298	0.9220	0.00
Germany	-0.8190	-0.6400	0.40
UK	0.3200	0.1310	0.60
Japan	-0.2500	-0.1900	-0.40

## 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

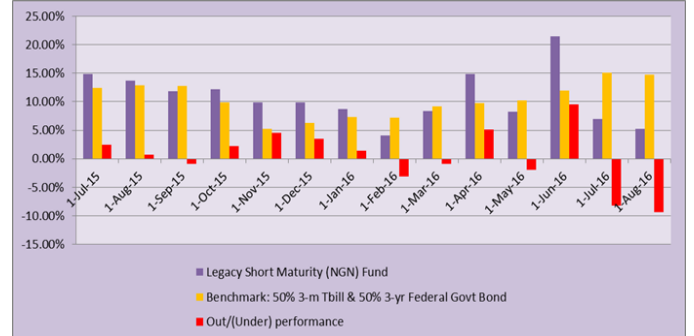
Agusto & Co. Rating: Bbb(f) investment grade

## PERFORMANCE

	LSM (NGN) Fund Return (%)	Benchmark Return (%)
<b>August Performance (Annualised)</b>	5.30	14.68%
<b>Inflation-adjusted (based on July CPI y/y)</b>	-10.10	-2.10
<b>Duration (Interest rate risk)</b>	0.23	1.32
<b>Weighted Average Maturity</b>	0.25	1.62

\*The sum of ₦61,750 (the minimum amount to buy into the Fund as at beginning of August 2016) in a Savings Account, would have returned, at most, 3.24% per annum.

## Investment Performance relative to benchmark



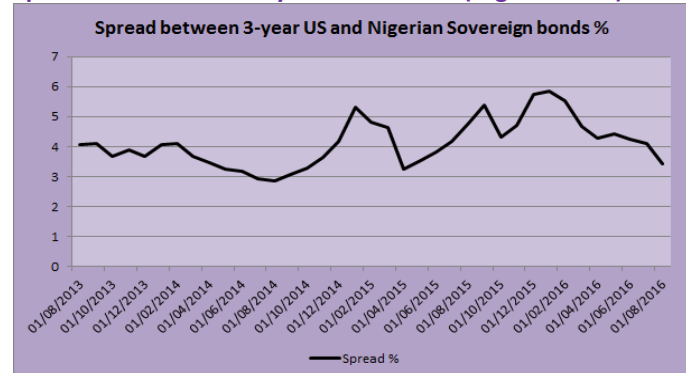
Performance returns are calculated on an annualised basis and shown Net-of-Fees. Payment of 6 months' outstanding outperformance fees impacted Fund return by 4.13% in Feb 2016. Previously unremitted amounts of ₦5.1million and ₦8.1million boosted performance by 7.20% and 13.48% in April and June 2016. 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
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)



### 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.