

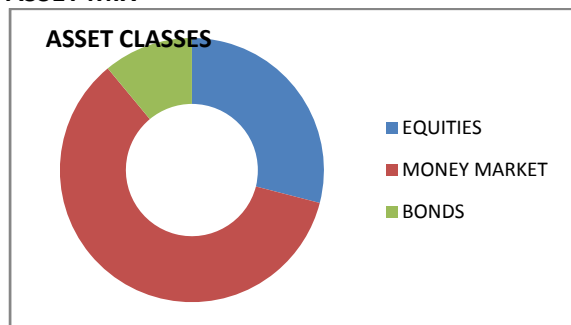
FBN Heritage Fund 2ND Quarter Report

As at June 30, 2010

FUND PERFORMANCE

The Fund prices closed slightly lower at the end of the second quarter. The Fund opened the quarter with an offer and bid price of N92.14 and N89.43 while the closing prices were N91.89 and N89.06 respectively representing a drop of 0.42% on bid. In comparison, the NSE All Share Index closed the quarter in the negative with a loss of 2.24% while the returns on other balanced funds averaged 0.49% loss within the same period.

ASSET MIX



ECONOMIC AND MARKET REVIEW

The lending activities of banks in the economy continued to be low in spite of the CBN efforts at stimulating the economy through bank lending to the real sector. The apex bank during the quarter maintained the Monetary Policy Rate (MPR) at 6%, retained the interest rate corridor at 200 and 500 basis points above and below the MPR for the Standard Lending Rate (SLR) and Standard Deposit Rate (SDR) respectively. This is to encourage banks to lend. The Guarantee for all interbank transactions, foreign credit lines and pension fund placements with banks was extended till June 30, 2011. The recent passage of the Asset Management Company (AMC) bill is expected to spur the banks to renew lending activities in the new quarter.

EQUITY MARKETS

The Nigerian stock market retreated during the quarter under review as the market capitalization and the All Share Index dipped by 1.69% and 2.24% respectively. Profit taking activities and investor's switching of funds to the Bond markets were some of the factors responsible for the bearish trend in the stock market. Despite this performance, we expect the eventual presidential accent to the AMC bill to positively impact the stock market in the near term.

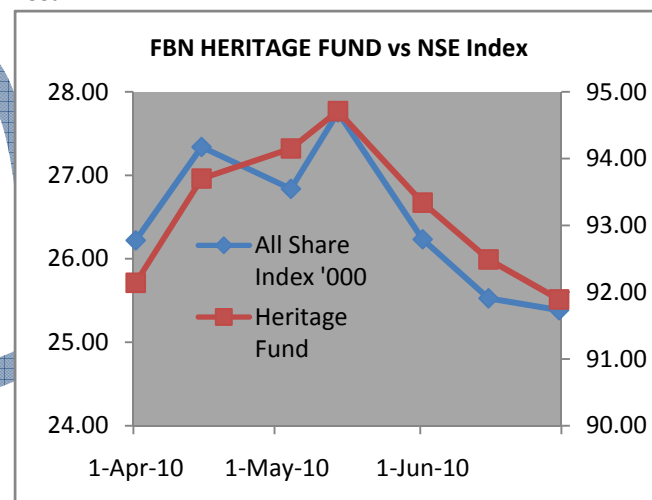
MONEY & FIXED INCOME MARKET

The interbank money market remained liquid during the quarter as the market is still awashed with unutilized fund. There were occasional surges in liquidity resulting from the monthly FAAC remittances, termination and reissuance of Treasury Bills. The 90 day NIBOR rate hovered around 7% during the quarter. On the average,

the saving deposit rates have been slashed to 1% from 3%. This remains largely unattractive to investors resulting in preference for fixed income securities/bonds being issued by State Governments. During the quarter, two bond issues with better returns were concluded. These include the ₦50 Billion Lagos State Government Development Bond (2ND Tranche) and the ₦50 Billion Bayelsa State Government Bond.

OUTLOOK & STRATEGY FOR Q3 2010

We expect the low interest rate in the money market to continue till the last weeks of the 3rd quarter as banks lending activities may not have reached an appreciable level to have significant effect on liquidity. Returns on new State Government instruments will continue to be attractive to Investors. Equities market is expected to slightly re-bounce on the heels of the implementation of the AMC. The Fund will seek to take advantage of these opportunities to further enhance its growth through equity investment to the maximum allowed by the Trust Deed.



FUND FACTS

Offer Price: N91.89
Bid Price: N89.06
Minimum Initial Subscription: 500 units
Minimum Investment period: Six months
Subscription Account: First Bank A/C 2302050154420
Valuation: Daily
Redemptions: Within 5 working days
Management fee: 1.5% of NAV
Contact details: 01-2798300, 084-802746, 09-8704159
Email: fbnheritagefund@fbncapital.com

Prices are published daily in the Punch and ThisDay newspapers. Prices are also displayed on the Fund's website: www.fbnheritagefund.com