

**CORONATION**

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# **Mutual Funds Factsheet**

April 2023

# Macroeconomic and Market Review

April 2023

## Overview

Nigeria's equity market traded on a bearish note during the month of April for the second consecutive month following elevated yields in the fixed-income market. The exchange rate of the Naira in the I&E window remained little changed as the Central Bank of Nigeria continued to manage the currency within a narrow range.

Inflation remained elevated with data for April showing that prices had risen by 22.22% year-on-year, a headline inflation rate 18 basis points higher than the previous month. Food inflation rose by 18 basis points to 24.61% year-on-year while core inflation expanded faster by 28 basis points to 20.14% year-on-year. While headline inflation continued to be impacted by structural issues such as insecurity, elevated commodity prices, fuel scarcity, and exchange rate pressure, among others., we believe the onset of the Ramadan and Easter periods also impacted food prices.

## Fixed Income

In April, the T-bill market traded on a bullish note following elevated system liquidity largely from the FGN Apr-2023 bond maturity (N735.9bn) in the last week of the month. On average, the yields on secondary market Nigerian Treasury Bills (T-bill) declined by 43 basis points across the curve to settle at 7.30%.

Across the T-bill primary auction in April, the CBN allotted N281.10bn (US\$611.09mn) worth of bills, the same as the amount maturing. This is in contrast with the previous month where the CBN net issued N123.11bn worth of bills. The auctions recorded a total subscription of N1.09tn, implying an average bid-to-cover ratio of 3.91x. Stop rates across the 91-day (+232bps to 5.65%), 182-day (+167bps to 8.00%), and the 364-day (+103bps to 12.44%) bills expanded.

Activity in the Federal Government of Nigeria (FGN) bond secondary market was bearish in April as the average yield of FGN bonds expanded by 57 basis points to 14.13% month-on-month. At the short end of the curve, the yield of a 2-year bond increased by 36 basis points to 12.39%, while at the long end, the yield of a 20-year bond rose by 22 basis points to 15.36% per annum.

At the FGN bond auction, the Debt Management Office (DMO) allotted a total of N552.47bn (US\$1.20bn), which included non-competitive allotments of N183.80bn. Demand was lower than at the last auction in March, as reflected by a total subscription of N444.03bn (N808.61bn at the last auction) and a bid-to-offer ratio of 1.23x (vs 2.25x at the last auction).

The yields on the April 2032 (+5bps to 14.80%), April 2037 (+20bps to 15.40%), and April 2049 (+5bps to 15.80%) expanded while the yield on the February 2028 held steady at 14.00%. We reiterate our view that fixed-income yields are likely to rise over the medium term owing to an expected increase in domestic borrowing by the Federal Government of Nigeria to finance the budget deficit and tight domestic monetary policy.

## Equities

Domestic shares traded on a bearish note during the month of April for the second consecutive month following elevated yields in the fixed-income market.

The NGX All-Share Index (NGX ASI) declined by 4.47% month-on-month to settle at 52,403.51 points. This took the overall gain for the year to 2.25%. On market movers, losses across index heavyweights such as Nigerian Breweries (-13.51% m/m), Nestle (-3.38% m/m), Lafarge Africa (-7.31% m/m), ETI (-13.46% m/m), UBA (-7.19% m/m), MTNN (-4.71% m/m), Airtel Africa (-15.48% m/m), Seplat Energy (-3.02% m/m), GTCO (-2.55% m/m) and Zenith (-11.80% m/m) drove the broad index's performance.

As market interest rates are currently elevated, especially T-bills, we expect equity investors to continue to exercise caution.

## Oil

Oil prices started the month of April on a high note due to an unexpected joint OPEC+ production cut in which members agreed to cut oil production by a total of 1.16 million barrels per day from May until the end of the year. However, the rally was short-lived following concerns about the global economy which is expected to weigh on oil demand. For context, Q1 GDP data in the US came in lower than expected at 1.1% y/y (Q4 22: 2.6% y/y).

Brent lost 0.29% month-on-month and traded at an average price of US\$82.45/bbl, 16.79% lower than the average of US\$99.09/bbl in 2022.

Nevertheless, we maintain that on average in 2023 Brent prices are likely to remain well above the US\$75.00/bbl set in Nigeria's government budget.

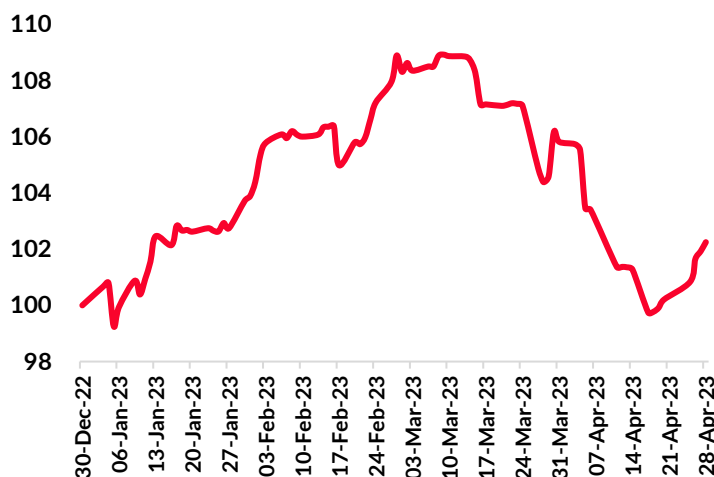
## Currency

In April, the exchange rate at the I&E Window moderated by 0.35% m/m to close at N463.00/US\$1. In addition, liquidity at the window moderated as average daily turnover declined by 22.81% m/m to US\$93.86m.

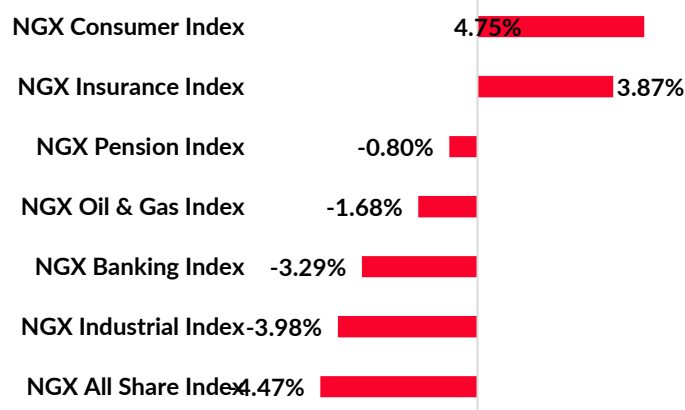
The CBN's published FX reserves fell for the ninth successive month, declining by 0.69% (or US\$246.21mn) m/m to US\$35.25bn, reflecting intervention efforts of the CBN across the various FX windows.

The FX reserves of the CBN have slipped from N37.1bn to N35.3bn this year and are now below their 10-year average of N37.0bn. Although the FX position is not as strong as it was, we do not think that the I&E Window rate is vulnerable, and we think that the CBN retains the ability to make small devaluations of the official rate over the coming months. We expect the I&E Window rate to trade in a narrow range.

## NGX ASI, rebased 31 Dec 2022=100



## NGX sub-indices returns, 2023 YTD – 28 April 2023



Source: NGX Exchange, Coronation Research

## Global economic outlook

Recent GDP data across major economies highlight the weak recovery in the global economy. US preliminary Q1 23 GDP figures showed the country's economy expanded less than expected at 1.1% y/y in Q1 23 (Q4 22: 2.6% y/y). Also, data from Eurostat showed the Euro Area economy expanded marginally by 0.1% q/q in Q1 23 (Q4 22: 0.0% q/q). In its recent outlook, the IMF now expects global economic growth to slow down to 2.8% y/y in 2023 (2022: 3.4% y/y), a fallout of tight monetary policy stances, and the impact of Russia's war on Ukraine.

In line with expectations, the US Federal Open Market Committee (FOMC) voted to increase the Fed Funds rate by 25bps in its May meeting. While the committee didn't give a definite comment on when it would end its tightening campaign, we believe the undertone of the committee's statement was less hawkish. In fact, the market is now expecting an 86% chance of a pause in its June meeting. Elsewhere, the European Central Bank (ECB) delivered a slower pace of rate hike in its May meeting.

# Coronation Money Market Fund

## FUND OVERVIEW

The Money Market Fund is an open-ended fund that invests in low-risk short-term instruments such as Treasury Bills, Term Deposits, Commercial Papers and other Money Market securities.

### Investment Objective:

The aim of the Fund is to generate regular income by actively investing in investment-grade money market instruments.

### Investment Strategy:

The Fund Manager shall adopt and maintain an investment strategy that is designed to ensure a steady return on capital and ample liquidity.

The fund will strive to maintain an average duration of not more than 90 days.

### Suitable Investor:

The Fund may be suitable for short-term focused investors who are risk-averse and are seeking investments for capital preservation, moderate income and liquidity.

### Investment Philosophy

We employ a fundamental investment process to construct a diversified portfolio of high-quality money market securities that aim to deliver steady returns and provide for liquidity needs.

Our bottom-up credit selection and tactical trading in the most liquid instruments and fundamental process combined with robust, top-down rigorous risk management tools designed to meet our objectives of liquidity and consistent excess returns.

Risk management and controls are the foundation of the team's process integrated in the valuation, analytics, trading and portfolio management, which is vetted by the Investment Committees with support from the Research team with market insight to minimise risk exposure.

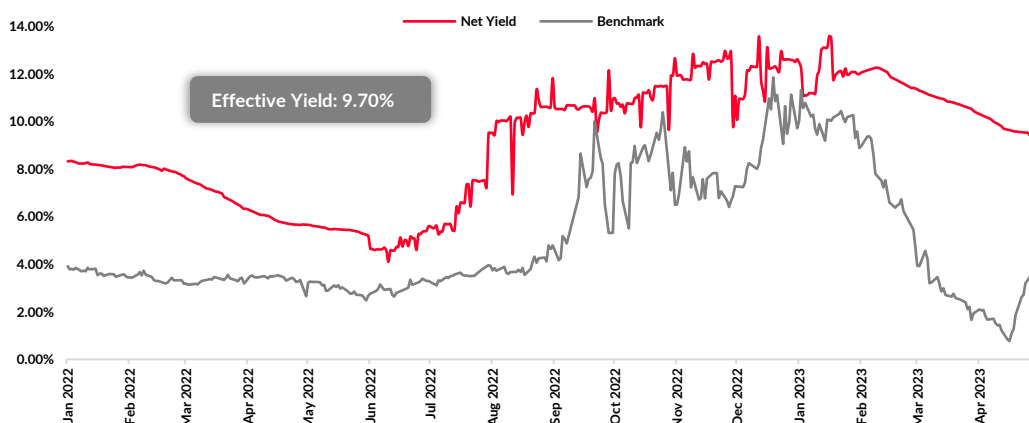
### Risk Management

- High-quality issuer to reduce credit risk and durations limit to mitigate interest rate risk
- Issuers concentration limits and rigorous selection criteria
- Research-based macro risk analysis and multiple level review
- Independent risk and compliance review
- Disciplined investment process and continuous value analysis relative to opportunity set
- Clear accountabilities and cross checks

### HISTORICAL 30 DAY ROLLING AVERAGE YIELD

	January	February	March	April	May	June	July	August	September	October	November	December
2023	12.08%	11.40%	10.36%	9.45%								
2022	8.10%	7.70%	6.34%	5.67%	5.19%	4.86%	6.62%	10.19%	10.59%	11.09%	12.21%	12.18%
2021	1.45%	1.15%	0.86%	1.36%	2.96%	4.83%	6.80%	7.91%	8.81%	8.14%	8.01%	8.32%
2020	5.99%	5.50%	4.67%	4.48%	4.16%	3.78%	3.71%	3.34%	3.32%	2.24%	1.35%	0.87%
2019	11.96%	13.29%	14.50%	11.94%	12.46%	12.41%	12.86%	11.10%	3.32%	11.25%	10.65%	9.98%

### YEAR TO DATE 30 DAY ROLLING AVERAGE YIELD VS. BENCHMARK



### RISK - REWARD PROFILE

1	2	3	4	5	6	7
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Lower risk  
/ Lower return

Higher risk  
/ Higher return

### FUND FACTS

Fund launch date	23 September 2017
Fund type	Open - Ended
Asset class	Money Market
Risk profile	Low
Fund rating	A+(f)
Investment Manager rating	A-(IM)
Benchmark	91 Day Treasury Bills
Currency	Nigerian Naira
Accounting	Amortized Cost
Fund size	₦5.8 Billion
Offer price	₦1.00
Income distribution	Quarterly
Minimum holding period	1 month
Minimum initial transaction size	₦10,000
Minimum additional transaction size	₦5,000

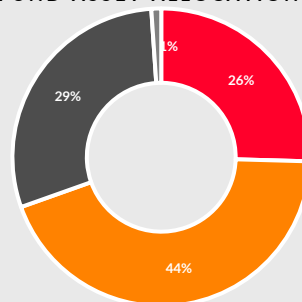
### FUND FEES

Management	1.0% p.a.
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### FUND CHARGES

Entry charge	None
Exit charge	None
Early redemption charge	1.5% of income earned

### FUND ASSET ALLOCATION



- Nigerian Treasury Bills
- Fixed Deposits
- Other Money Market Instruments
- Cash

# Coronation Fixed Income Dollar Fund

## FUND OVERVIEW

The fundamental objective of the Fund is to provide Unit Holders with long-term capital growth and regular income by investing primarily in diverse portfolios of dollar fixed income securities.

### Investment Objective:

The fundamental objective of the Fund is to provide Unit Holders with long-term capital growth and regular income by investing primarily in diverse portfolios of fixed income securities.

### Investment Strategies:

The Fund Manager shall adopt and maintain an investment strategy that is designed to ensure a steady return on capital and assured liquidity. The fund will strive to maintain an average duration of not more than 6 years.

### Suitable Investor

The Fund may be suitable for investors looking to invest for the medium to long term with moderate risk appetite.

### Investment Philosophy

We employ a fundamental investment process to construct a diversified portfolio of high-quality fixed income securities that aim to deliver consistent excess returns (income) with low volatility.

Our bottom-up credit selection and tactical trading in the most liquid instruments and fundamental process combined with robust, top-down rigorous risk management tools designed to meet liquidity objectives and consistent excess returns over the long term.

Risk management and controls are the foundation of the team's process integrated in the valuation, analytics, trading and portfolio management is vetted by research with market insight of the investment team to minimise risk exposure

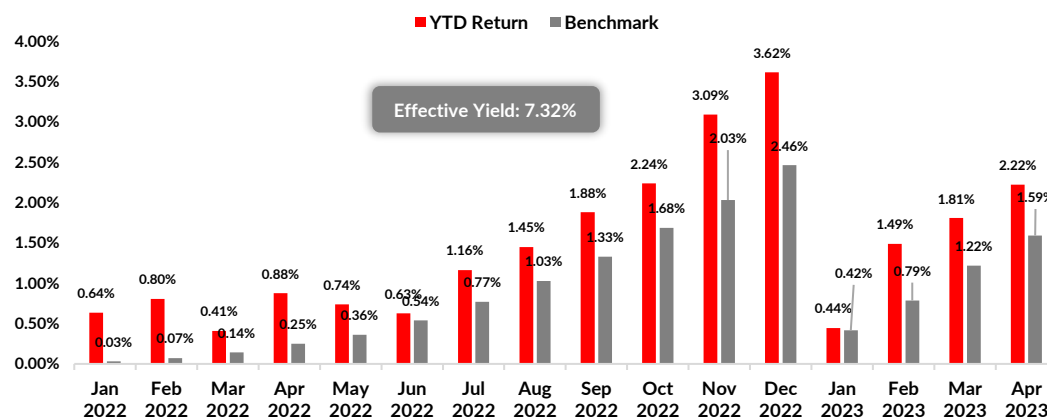
### Risk Management

- High quality issuer to reduce credit risk and durations limit to mitigate interest rate risk
- Issuer's concentrations limits and rigorous selection criteria
- Research based macro risk analysis and multiple level review
- Independent risk and compliance review
- Disciplined investment process and continuous value analysis relative to opportunity set
- Clear accountabilities and cross checks

## HISTORICAL FUND PERFORMANCE

	January	February	March	April	May	June	July	August	September	October	November	December	YTD
2022	0.44%	1.04%	0.31%	0.41%									2.22%
2022	0.64%	0.17%	-0.39%	0.47%	-0.14%	-0.11%	0.53%	0.28%	0.42%	0.36%	0.84%	0.51%	3.62%
2021	-1.81%	1.60%	-2.20%	1.92%	1.18%	0.31%	0.21%	0.29%	-0.79%	-0.16%	0.07%	0.11%	0.51%
2020		-2.16%	-17.04%	3.92%	11.45%	4.91%	1.61%	4.65%	-3.60%	2.13%	6.62%	2.37%	12.69%

## HISTORICAL YTD RETURN VS. BENCHMARK



## RISK - REWARD PROFILE

1	2	3	4	5	6	7
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Lower risk  
/ Lower return

Higher risk  
/ Higher return

### FUND FACTS

Fund launch date	February 2020
Fund type	Open - Ended
Asset class	Fixed income
Risk profile	Low - Moderate
Investment Manager rating	A-(IM)*
Benchmark	Current US 6-month T-bill.
Currency	U.S. Dollar
Accounting	Mark-to-Market
Fund size	\$1.58 Million
Offer price	\$ 1.1892
Income distribution	Annually
Minimum holding period	6 months
Minimum initial transaction size	\$1,000
Minimum additional transaction size	\$5.00

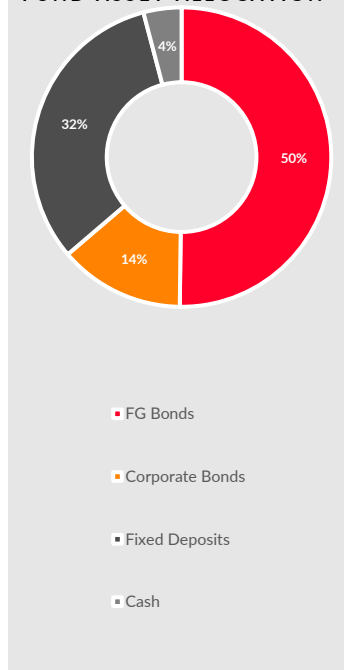
### FUND FEES

Management	1.0% p.a.
Others	1.50%

### FUND CHARGES

Exit charge	None
Early redemption charge	1.5% of income earned

### FUND ASSET ALLOCATION



# Coronation Fixed Income Fund

## FUND OVERVIEW

The fundamental objective of the Fund is to provide unit holders with long-term capital growth and regular income by investing primarily in diverse portfolios of fixed income securities.

### Investment Objective:

The fundamental objective of the Fund is to provide unit holders with long-term capital growth and regular income by investing primarily in diverse portfolios of fixed income securities.

### Investment Strategy:

The Fund Manager shall adopt and maintain an investment strategy that is designed to ensure a steady return on capital and assured liquidity.

The fund will strive to maintain an average duration of not more than 6 years.

The Fund may be suitable for investors looking to invest for the medium to long term with moderate risk appetite.

### Investment Philosophy:

We employ a fundamental investment process to construct a diversified portfolio of high-quality, fixed income securities that aim to deliver consistent excess returns (income) with low volatility.

Our bottom-up credit selection and tactical trading in the most liquid instruments and fundamental process combined with robust, top-down rigorous risk management tools designed to meet liquidity objectives and consistent excess returns over the long term.

Risk management and controls are the foundation of the team's process integrated in the valuation, analytics, trading and portfolio management, which is vetted by research with market insight of the investment team to minimise risk exposure.

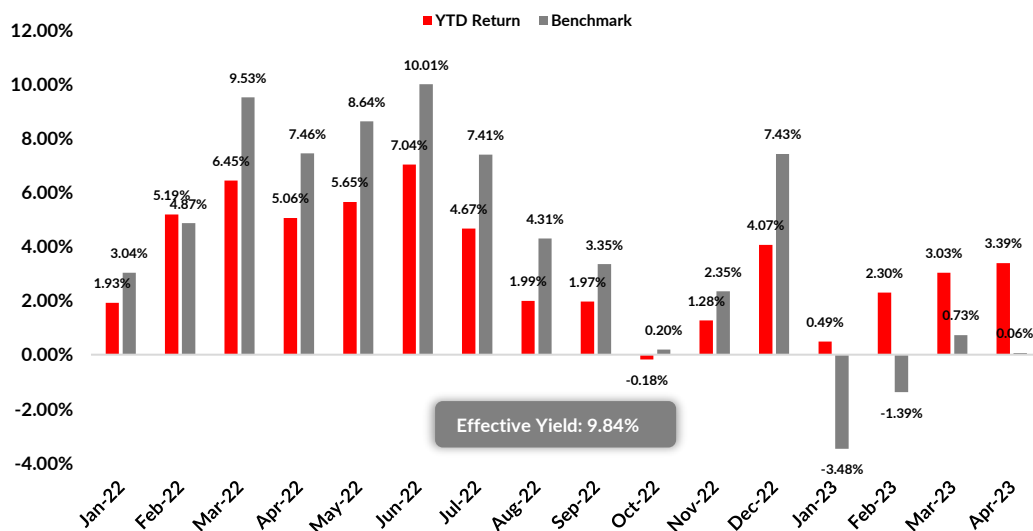
### Risk Management

- High-quality issuer to reduce credit risk and durations limit to mitigate interest rate risk
- Issuers concentration limits and rigorous selection criteria
- Research based macro risk analysis and independent risk and compliance review
- Disciplined investment process and continuous value analysis relative to opportunity set
- Multiple level review and clear accountabilities and cross checks

## HISTORICAL FUND PERFORMANCE

	January	February	March	April	May	June	July	August	September	October	November	December	YTD
2023	0.49%	1.80%	0.72%	0.35%									3.39%
2022	1.93%	3.20%	1.19%	-1.30%	0.56%	1.31%	-2.22%	-2.55%	-0.02%	-2.11%	1.46%	2.76%	4.07%
2021	-0.98%	-4.54%	-3.30%	-6.43%	-0.47%	1.49%	-0.98%	4.05%	1.65%	-1.81%	0.50%	0.70%	-10.02%
2020	3.93%	2.39%	-6.18%	6.73%	0.10%	7.24%	5.84%	-3.73%	3.74%	8.64%	-0.15%	-9.08%	19.23%
2019	1.42%	1.65%	1.83%	0.32%	1.85%	1.50%	2.07%	-0.85%	0.61%	4.35%	1.88%	0.66%	18.63%

## HISTORICAL YTD RETURN VS. BENCHMARK



## RISK - REWARD PROFILE

1	2	3	4	5	6	7
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Lower risk  
/ Lower return

Higher risk  
/ Higher return

### FUND FACTS

Fund launch date	23 September 2017
Fund type	Open - Ended
Asset class	Fixed income
Risk profile	Moderate
Investment Manager rating	A-(IM)
Fund rating	A+/FV4
Benchmark	Weighted average of 3-year+10-year FGN bond
Currency	Nigerian Naira
Accounting	Mark-to-Market
Fund size	₦341 Million
Offer price	₦1.3925
Income distribution	Semi-annually
Minimum holding period	3 months
Minimum initial transaction size	₦10,000
Minimum additional transaction size	₦5,000

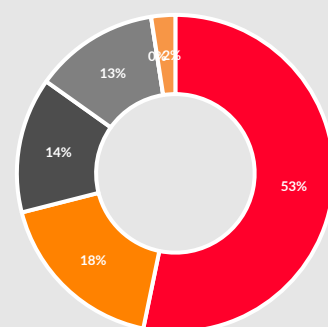
### FUND FEES

Management	1.50% p.a.
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### FUND CHARGES

Entry charge	None
Exit charge	None
Early redemption charge	1.5% of income earned

### FUND ASSET ALLOCATION



- FG Bonds
- Corporate Bonds
- Nigerian Treasury Bills
- Other MM Instruments
- State Bonds
- Cash



# Coronation Balanced Fund

## FUND OVERVIEW

### Investment Objective:

The objective of the Fund is to achieve capital appreciation and income generation while mitigating the volatility associated with equity investments by investing in fixed income securities.

### Investment Strategy:

The Fund Manager's investment strategy focuses on capital appreciation and income generation with a higher risk. The Fund is aimed at medium-term focused investors looking for income and moderate growth with a relatively higher risk appetite.

The fund invest in a diverse pool of Nigerian equities and fixed income securities such as FGN Bonds and Money Market securities.

The Fund has a target asset allocation of up to 70% in equities, 20% in fixed income securities, 10% in other market securities. The fund strives to maintain a fixed income duration of 5 years and be mainly invested in Naira -denominated fixed income and money market instruments.

The Fund will follow all applicable rules of Securities and Exchange Commission (SEC).

### Investment Philosophy

We employ a fundamental investment process to construct a diversified portfolio of high-quality money market securities that aim to deliver steady returns and provide for liquidity needs.

Our bottom-up credit selection and tactical trading in the most liquid instruments and fundamental process combined with robust, top-down rigorous risk management tools designed to meet our objectives of liquidity and consistent excess returns.

Risk management and controls are the foundation of the team's process integrated in the valuation, analytics, trading and portfolio management, which is vetted by the Investment Committees with support from the Research team with market insight to minimize risk exposure.

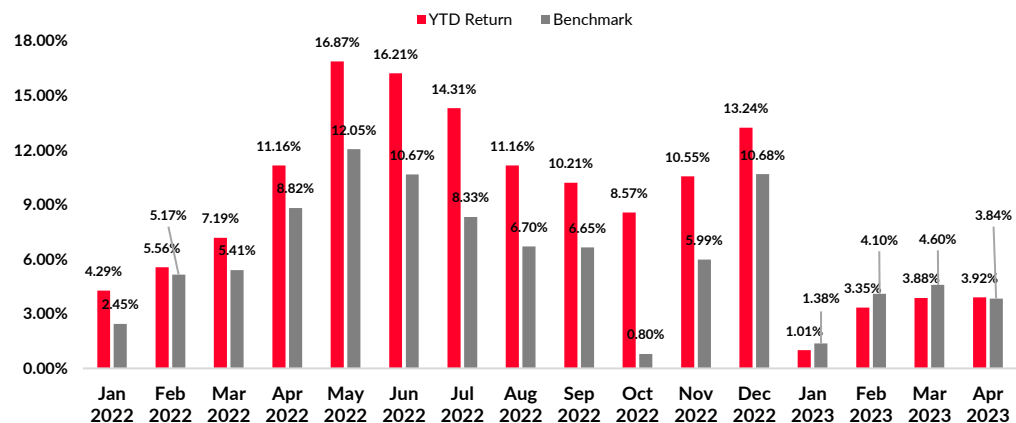
### Risk Management

- High-quality issuer to reduce credit risk and durations limit to mitigate interest rate risk
- Rigorous selection criteria and research-based macro risk analysis
- Independent risk and compliance review
- Disciplined investment process and multiple level review
- Continuous value analysis relative to opportunity set and issuers concentrations limits
- Clear accountabilities and cross checks

## HISTORICAL FUND PERFORMANCE

	January	February	March	April	May	June	July	August	September	October	November	December	YTD
2023	1.01%	2.32%	0.51%	0.04%									3.92%
2022	4.29%	1.23%	1.54%	3.71%	5.38%	-0.56%	-1.64%	-2.74%	-0.86%	-1.50%	2.35%	1.90%	13.24%
2021	0.52%	-3.15%	-0.95%	1.52%	-1.66%	2.74%	1.22%	1.23%	1.39%	1.54%	1.32%	-0.90%	4.32%
2020	2.37%	-3.58%	-11.81%	7.89%	4.10%	1.66%	3.10%	0.01%	5.39%	9.33%	1.38%	8.16%	29.49%
2019	-25.78%	2.07%	-0.20%	-0.45%	-1.31%	0.29%	-0.94%	-1.49%	5.64%	0.26%	6.73%	1.64%	-16.50%

## HISTORICAL YTD RETURN VS. BENCHMARK



## RISK - REWARD PROFILE

1	2	3	4	5	6	7
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Lower risk  
/ Lower return

Higher risk  
/ Higher return

## FUND FACTS

Fund launch date	23 September 2017
Fund type	Open - Ended
Asset class	Equity and Fixed Income Securities
Risk profile	Moderate - High
Investment Manager rating	A-(IM)*
Benchmark	25% of Nifty 1 Year + 50% of NSE 30 Index + 25% 5-Year FGN Bond
Currency	Naira
Accounting	Mark-to-Market
Fund size	₦126 Million
Offer price	₦1.1775
Income Distribution	Annually
Minimum holding period	6 months
Minimum initial transaction size	₦10,000
Minimum additional transaction size	₦5,000

## FUND FEES

Management	1.50% p.a.
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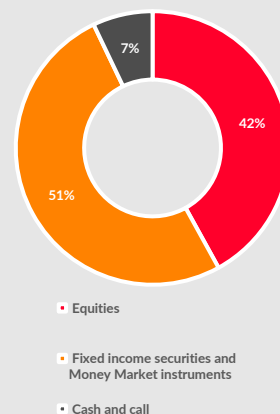
## FUND CHARGES

Entry charge	None
Exit charge	None
Early Redemption Charge	1.5% of net proceed

## FUND CHARACTERISTICS

Equities Holding by Sector	
Financials	14.15%
Industrials	9.20%
Consumers	3.93%
Agriculture	2.23%
Oil and Gas	3.76%
Telecommunications	8.70%
Total	41.98%

## FUND ASSET ALLOCATION



## DISCLOSURES & DISCLAIMERS

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