

CORONATION

Mutual Funds Factsheet

February 2023

Macroeconomic and Market Review

February 2023

Overview

February saw mixed sentiment across Nigeria's financial markets with buying interest persisting across equities and FGN bonds, while the T-bills market underwent sell pressure. The exchange rate of the Naira in the I&E window remained little changed as the CBN continued to support the currency within a narrow range.

On the macroeconomic side, data according to the National Bureau of Statistics (NBS) for Q4 '22 showed that GDP grew by 3.5% y/y compared with the 2.3% y/y recorded in Q3 '22, driven by telecommunications, trade, agriculture, finance and insurance and manufacturing. For FY '22, GDP grew by 3.1% y/y vs 3.9% y/y recorded in 2021.

Elsewhere, inflation remained elevated for January 2023 across the headline inflation (+47bps to 21.82% y/y), food inflation (+56bps to 24.32% y/y) and core inflation (+66bps to 19.16% y/y), attributable to the price increases across all the core inflation sub-baskets amid the persistent PMS scarcity, lingering impact of high commodity prices, and foreign exchange pressures.

Fixed Income

In February, T-bill yields across the curve expanded as elevated system liquidity began to subside and investors focused on the primary market auctions. On average, the yields on secondary market Nigerian Treasury Bills (T-bill) rose by 233 basis points across the curve to settle at 4.04% pa.

Across the T-bill primary auctions in February, the DMO allotted N680.57bn (US\$1.48bn) worth of bills. The auctions recorded a total subscription of N1.35tn, implying an average bid-to-cover ratio of 1.85x (vs 5.78x at the last auction). Consequently, stop rates across the 91-day (+271bps to 3.00%), 182-day (+144bps to 3.24%) and the 364-day (+512bps to 9.90%, implying an 10.98% yield) bills expanded.

Activity in the Federal Government of Nigeria (FGN) bond secondary market was bullish in February as the average yield of FGN bonds fell by 8 basis points to 13.27% m/m, driven by elevated system liquidity. At the short end of the curve, the yield of a 2-year bond fell by 48 basis points to 7.52%, while at the long end, the yield of a 20-year bond rose by 7 basis points to 15.08%.

At the FGN bond auction, the Debt Management Office (DMO) allotted a total of N770.57bn (US\$1.67bn). Demand was strong, as reflected by a total subscription of N992.11bn and a bid-to-offer ratio of 2.76x (vs 2.24x at the last auction).

Consequently, the yields on the April 2037 (+10bps to 15.90%) and April 2049 (+10bps to 16.00%) bonds expanded. In contrast, the yield on the February 2028 bond declined (-1bp to 13.99%) while the yield on the April 2032 bond (14.99%) closed flat. Nevertheless, 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 FGN to finance the budget deficit and tight domestic monetary policy amidst global monetary policy normalisation.

Equities

Domestic shares extended its bullish run in the month of February as fixed income yields remained under downward pressure during the month and investors bargain hunted ahead of earnings releases.

As a result, the NGX All-Share Index (NGX ASI) rose by 4.82% m/m to settle at 55,806.26 points, its highest level since 30 June 2008. Consequently, this took overall gains for the year to 8.89%. On market movers, gains across index heavyweights such as MTNN (+8.89% m/m), Geregus (+42.3% m/m), BUA Foods (+20.81% m/m), Flourmills (+6.67% m/m), Stanbic IBTC (+24.29% m/m), Dangote Cement (+4.16%), GTCO (+6.81% m/m) and Zenith (+6.00% m/m) buoyed the broad index's performance.

We expect continued support for the market as (1) investors position themselves in dividend-paying stocks ahead of the FY2022 earnings season and (2) market interest rates remain consistently low.

Oil

Oil prices extended declines in February after opening the year in their worst start in over three decades following eight consecutive weeks of US crude inventory build and data from the US Energy Information Agency showing crude output from the US' seven biggest shale basins is expected to rise to a record 9.36mbpd in March, up 75,000 bpd from February. In addition, renewed fears of an economic slowdown as stronger-than-expected US economic data (Consumer Price Index, Producer Price Index, Retail sales etc.) raised the odds of the US Federal Reserve keeping interest rates high for a long time, offsetting expectations of demand rebound from China.

As a result, Brent crude fell to as low as US\$79.94/bbl, the lowest level since 9 January 2023, before settling at US\$83.89/bbl. Month-on-month, Brent lost 0.71% and traded at an average price of US\$83.78/bbl, 15.45% lower than the average of US\$99.09/bbl in 2022.

Nevertheless, we maintain that prices are likely to remain well above the US\$73.00/bbl set in Nigeria's government budget.

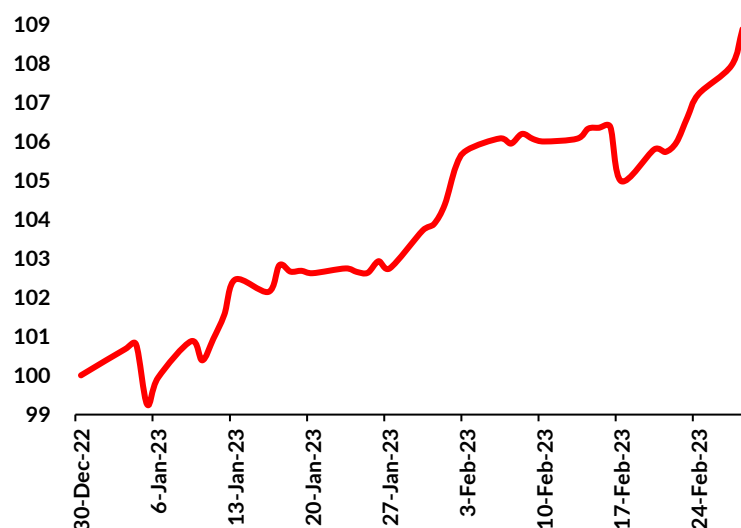
Currency

In February, the exchange rate at the I&E Window declined slightly by 0.11% m/m to close at N462.00/US\$1. In addition, liquidity at the window declined as average daily turnover fell by 13.75% m/m to US\$85.79m.

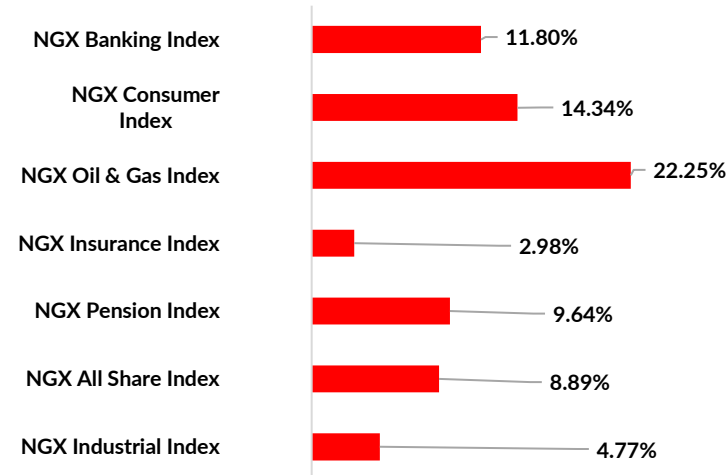
The CBN's published FX reserves fell for the seventh successive month, declining by 0.86% (or US\$317.3m) m/m to US\$36.68bn, reflecting intervention efforts of the CBN across the various FX windows.

The CBN has maintained the exchange rate in the I&E Window within a narrow range all year. With its FX reserves close to historic highs, we expect the exchange rate to be maintained at very close to current levels for several months, at least.

NGX ASI, rebased 31 Dec 2022=100



NGX sub-indices returns, 2023 YTD – 28 February 2023



Source: NGX Exchange, Coronation Research

Global economic outlook

In the face of macroeconomic headwinds like the disruptions caused by Russia's invasion of Ukraine, elevated inflation and tightening stance across major policy makers, the global economy is expected to remain resilient over the year. The World Bank projects global economy to grow by 1.7% in 2023 and 2.7% in 2024, while Sub-Saharan Africa is expected to grow by 3.6% in 2023 and rise to 3.9% in 2024.

While it appears inflation is slowing down, it's not quite certain when the global tightening stance will be over. Nonetheless, we have begun to see some less hawkish stance. Particularly, the FOMC further slowed the pace of hikes to 25 basis points in its January/February meeting, down from 50bps in December and 75bps in the prior four meetings. The less hawkish tone was also echoed by the European Central Bank and the Bank of England as both central banks raised rates by 50bps in their last meetings.

Elsewhere, China's sudden re-opening paves the way for a rapid rebound in activity. Similarly, bottlenecks in global supply chains have continued to normalize but downside risks persists.

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.

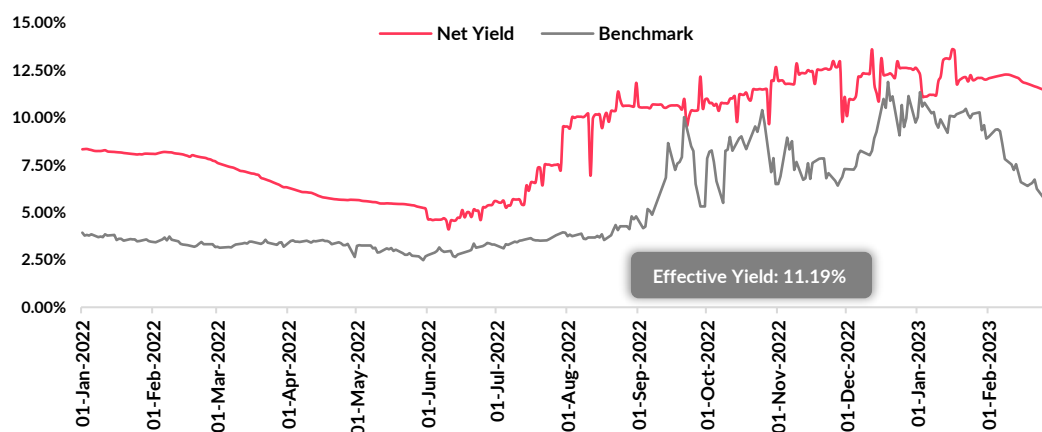
Risk Management

- 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%										
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	₦4.3 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

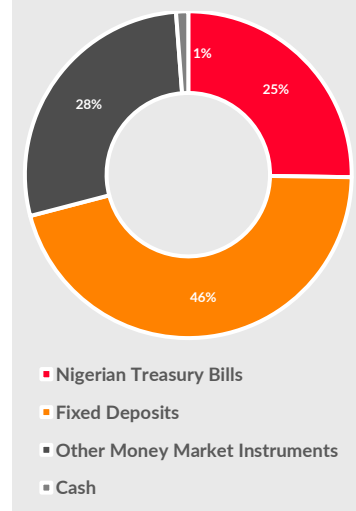
FUND FEES

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



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 minimise risk exposure.

Risk Management

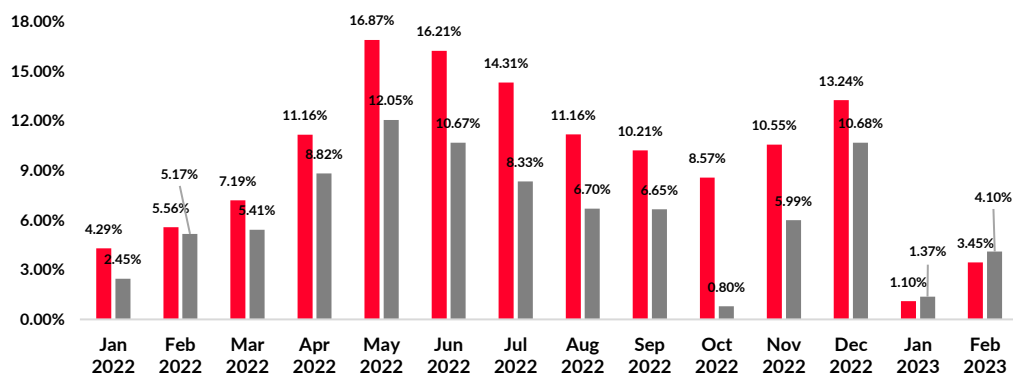
- High-quality issuer to reduce credit risk and durations limit to mitigate interest rate risk
- Rigorous selection criteria and research-based macro risk analysis
- Independent risk and compliance review
- Disciplined investment process and multiple level review
- Continuous value analysis relative 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	1.10%	2.32%											3.45%
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

■ YTD Return ■ 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	₦127 Million
Offer price	₦1.2473
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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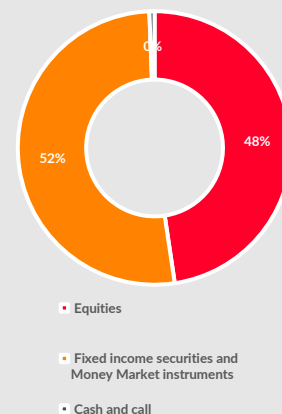
FUND CHARGES

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

FUND CHARACTERISTICS

Equities Holding by Sector	
Financials	8.51%
Industrials	13.01%
Consumers	3.38%
Agriculture	7.64%
Oil and Gas	5.49%
Telecommunications	9.61%
Total	47.64%

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.

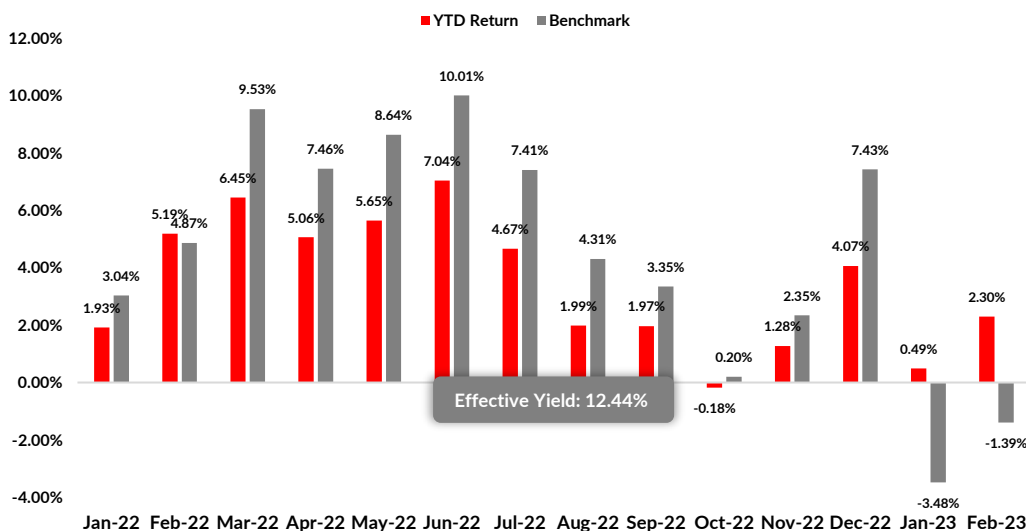
Risk Management

- 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%											2.30%
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	₦337 Million
Offer price	₦1.3777
Income distribution	Semi-annually
Minimum holding period	3 months
Minimum initial transaction size	₦10,000
Minimum additional transaction size	₦5,000

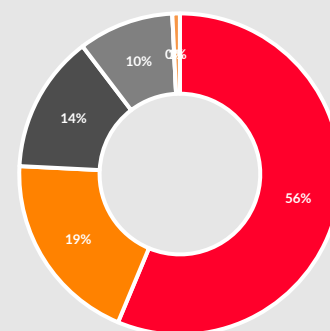
FUND FEES

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 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

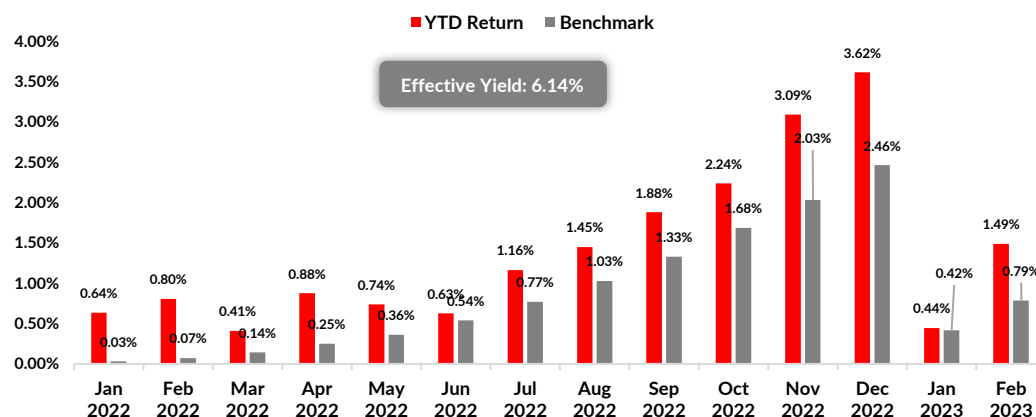
Risk Management

- 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%											1.49%
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	\$1.03 Million
Offer price	\$ 1.1807
Income distribution	Annually
Minimum holding period	6 months
Minimum initial transaction size	\$10,000
Minimum additional transaction size	\$5,000

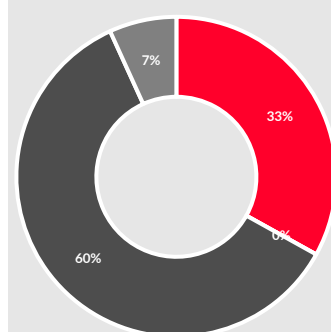
FUND FEES

Management	1.0% p.a.
Others	1.50%

FUND CHARGES

Exit charge	None
Early redemption charge	1.5% of income earned

FUND ASSET ALLOCATION



- FG Bonds
- Corporate Bonds
- Fixed Deposits
- Cash

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