

**CORONATION**

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# Mutual Funds Factsheet

February 2024

# Macroeconomic and Market Review

## February 2024

### Overview

February saw a transformation in Naira-denominated fixed income rates. The yield of a 1-year Nigerian Treasury Bill (T-bill) was 13.61% pa at the beginning of the month and 21.92% pa by the end of it. The yield of a 10-year Federal Government of Nigerian bond (FGN bond) was 14.42% pa at the beginning of the month and 18.95% pa by the end of it. Throughout the month the Central Bank of Nigeria (CBN) raised the rates at which it sold T-bills at its auctions.

Then, on 27 February, the Monetary Policy Council of the CBN raised the Monetary Policy Rate by 400 basis points to 22.75% pa. This exceeded most expectations. And, even then, as the minutes of the MPC meeting later showed, there were several members of the MPC looking to raise rates even higher. It is clear that high rates are here to stay.

The target of these changes is the rate of inflation, which rose from 29.90% year-on-year in January to 31.70% year-on-year in February. Inflation is clearly causing a great deal of hardship and the CBN's intention is to restore price stability, even if it comes at a cost to borrowers.

### Fixed Income

Bearish sentiment continued to dominate the fixed-income market in February as investors sought improved yields in auctions, especially following the outcome of the CBN's Monetary Policy Meeting which gave a sense of a high-interest rate environment in its efforts to tame inflation and encourage foreign portfolio investors to invest.

In the primary market, two auctions were conducted by the CBN during the month; with the total amount offered higher relative to the previous month at N1.26tn (US\$796.36m) vs N92.30bn in January. The total subscription also increased reaching N4.22tn (bid-to-offer: 3.34x) on the back of improved system liquidity, and the CBN allotting 1.63x of the total bid. Despite significant demand, stop rates across the 91-day, 182-day, and 364-day maturities rose to 17.00%, 17.50%, and 19.00%, respectively, from 5.00%, 7.15%, and 11.54% at the last auction in January.

The Debt Management Office also introduced two new bond issues into the market during the month, to raise N2.50tn across the Feb-31 and Feb-34 maturities, respectively. The bonds were undersubscribed by N597.10bn, while the total allotment was N1.49bn. Yields on the bonds reached 18.50% and 19.00%, respectively.

In the secondary market, average yields on Treasury Bills rose by 775bps to 16.90% pa aided by yield improvements across the short-end (811bps to 12.67%), mid-point (903bps to 16.56%), and long-end (682bps to 19.78%) of the yield spectrum. Similarly, the average yields on the FGN bonds gained 273bps to 17.22% pa. Across the yield curve, the short-end gained 346bps to 15.91%, the mid-point added 271bps to 17.77%, while the long-end gained 228bps to 17.43%

Interest rates are expected to remain high for the most part of the year as the CBN continues in its efforts to manage inflation, as well as signal good investment returns to foreign portfolio investors.

### Equities

Sentiment in the equity market was predominantly bearish for the month as the All-Share index shed 1.16% to close at 99,980.30 points. This brought the year-to-date return on the index down to 33.71% (35.28% in January). The sell-offs were largely driven by the release of unimpressive FY-23 earnings results from several companies, profit-taking activities on tickers that had gained significantly in January, as well as improved yields in the fixed-income market.

The major market movers for the month were MTN Nigeria (-20.68%), BUA Cement (-18.92%), and Flour Mills of Nigeria (-21.67%) whose share price losses outweighed gains in Geregu Power (72.01%), BUA Foods (39.77%), and Airtel Africa (10.00%).

Most sectoral indices closed the month negative with the NGX Industrial Goods Index (-13.33%) topping the list, followed by the NGX Insurance Index (-6.08%), the NGX Pension Index (-2.82%), the NGX Banking Index (-2.01%), and the NGX 30 Index (-0.92%). On the flip side, the NGX Consumer Goods Index (+16.45%) and the NGX Oil and Gas Index (+4.14%) closed the month in the green.

### Oil

The Brent price gained 2.34% over the month to close at US\$83.62 per barrel. Year-to-date the price of the commodity has gained 8.54%, trading at an average of US\$80.40 per barrel, 2.17% lower than its average price of US\$82.19 per barrel in 2023.

The markets have been weighing the possibility that demand growth will significantly increase especially from China against a scenario where supply might be limited by the geopolitical tensions in the Middle East. The International Energy Agency (IEA) and the Organization of the Petroleum Exporting Countries (OPEC) have differing views on oil demand prospects for this year. In their most recent monthly market reports, the IEA forecasts a global demand increase of just over 1.2m barrels per day in 2024, whereas OPEC anticipates an increase of more than 2.0m barrels per day.

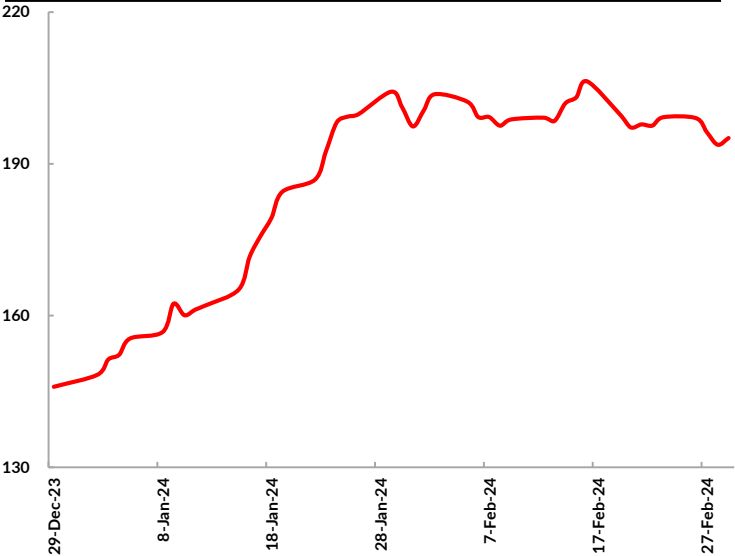
Oil markets are currently looking for a significant trigger that could drive them either up or down. There has been an upward trend in prices, averaging above US\$80/bbl.

### Currency

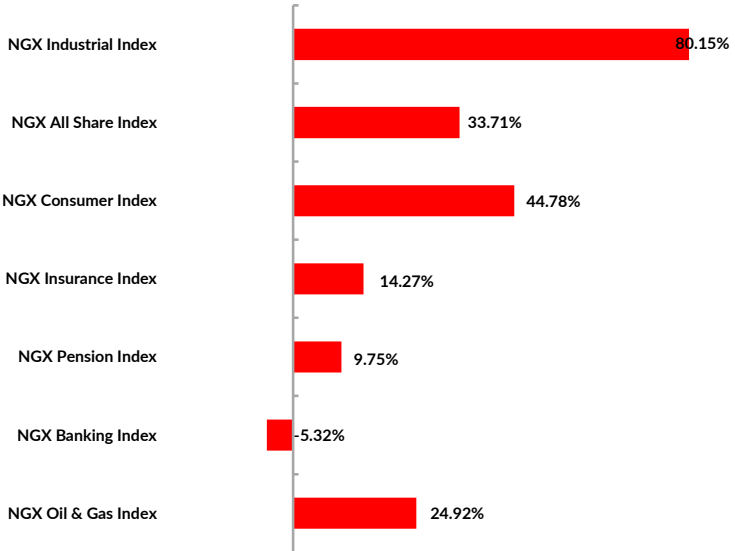
The exchange rate at the NAFEM window fell 8.75% in February against the US dollar to close at N1,595.11/US\$1, on the back of continued demand pressure. On the other hand, the Naira at the parallel market gained 2.00% to close at N1,500.00/US\$1 on the back of reforms from the CBN relating to governance, structure, and operations. The gap between the official and street markets widened to 5.96% (5.11% in January), bringing the year-to-date decline of the Naira against the US dollar to 43.13%. The CBN's reported gross foreign exchange reserve added 0.97% on the month to close at US\$33.68bn.

Towards the end of the month, the CBN resumed the supply of FX to BDCs. We expect that this may provide a cushion to the market and reduce volatility. In efforts to also signal attractive yields to foreign investors the CBN is determined to maintain elevated Naira rates at auctions.

### NGX ASI, rebased 31 Dec 2023 =100



### NGX sub-indices returns, 2024 YTD – 29 February 2024



Source: NGX, Bloomberg, Coronation Research

### Global economic outlook

The world's largest economies reported strong data during February. China recorded a 7.1% increase in exports for January and February combined, which contrasted with a 5.0% decline in exports during the full-year 2023. Though China's problems with its housing and construction markets persist, it still registers gains from its core manufacturing base.

The United States added 275,000 jobs in February. Economists upgraded their forecasts for US GDP growth from around 1.0% to around 2.0% for 2024, reacting to data showing high levels of activity in the last quarter of 2023. The rate of inflation for January was recorded at 3.2% year-on-year, up from 3.1% in January.

During February expectations of how far the US Federal Reserve would go in cutting rates changed. At the beginning of the year it was common to read of five upcoming rate cuts of 25 basis points each to the upper band of the target rate, 5.50%. During February these expectations were pared back to some three cuts this year. The 'high-for-longer' scenario for US rates is beginning to play out.

# 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 minimize risk exposure.

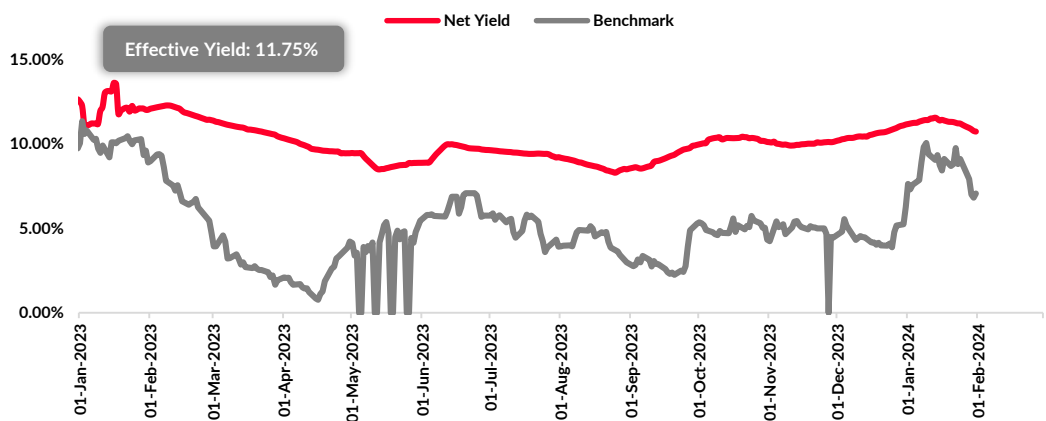
### Risk Management

- 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
2024	10.73%	10.60%										
2023	12.08%	11.40%	10.36%	9.45%	8.88%	9.64%	9.21%	8.53%	9.94%	10.11%	10.15%	11.14%
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	₦5.46 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

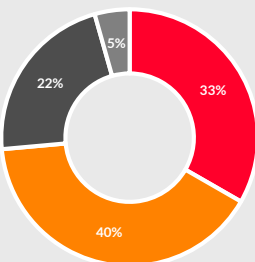
### FUND FEES

Management fees	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 Fixed Income Dollar Fund

## FUND OVERVIEW

The primary objective of the Fund is to offer Unit Holders the opportunity for short-term capital preservation and income generation by investing in a well-diversified portfolio of short-term dollar-denominated fixed income securities.

### Investment Objective:

The core objective of the Fund is to generate short-term capital preservation and income through investments in a diversified range of short-term fixed income securities.

### Investment Strategies:

The Fund Manager will employ an investment strategy focused on achieving capital preservation, generating income, and ensuring liquidity. The fund will aim to maintain an average duration of not more than 1 year, emphasizing investments in short-term fixed income securities with robust liquidity profiles.

### Suitable Investor

The Fund is suitable for investors seeking short-term investment options with a focus on capital preservation and generating consistent income. Investors looking for relatively lower risk exposure over the short term are well-aligned with the Fund's objectives.

### Investment Philosophy

Our investment philosophy centers on constructing a diversified portfolio of high-quality short-term fixed income securities. The aim is to deliver steady income with controlled volatility and capital preservation. This is achieved through meticulous bottom-up credit selection, tactical trading in liquid instruments, and a strong emphasis on risk management.

Our approach combines fundamental analysis, rigorous risk management tools, and a top-down perspective to maintain liquidity objectives while striving for consistent income generation over the short term.

### Risk Management

We prioritize risk management as a fundamental pillar of our investment process. To mitigate risk exposure, the Fund focuses on investing in high-quality issuers to reduce credit risk and employs strategies to limit interest rate risk through controlled durations.

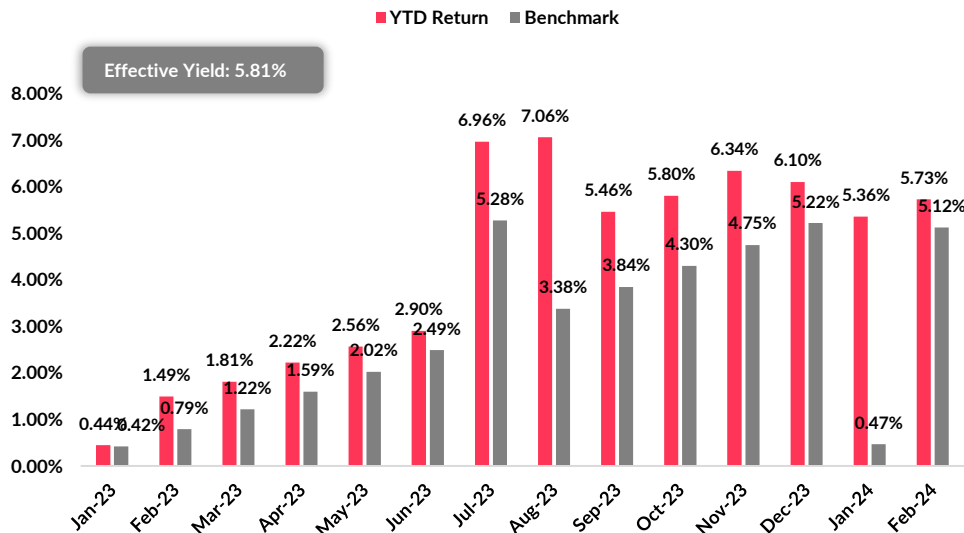
We maintain issuer concentration limits and adhere to stringent selection criteria to ensure portfolio diversification. Our risk management approach includes in-depth macro risk analysis, multi-level reviews, and independent risk and compliance assessments.

## HISTORICAL FUND PERFORMANCE

	January	February	March	April	May	June	July	August	September	October	November	December
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2024	5.36%	5.73%										
2023	0.44%	1.49%	1.81%	2.22%	2.56%	2.90%	**6.96%	7.06%	5.46%	5.80%	6.34%	6.10%

## 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	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	\$2.77 Million
Offer price	\$ 1.00
Income distribution	Annually
Minimum holding period	6 months
Minimum initial transaction size	\$1,000
Minimum additional transaction size	\$500

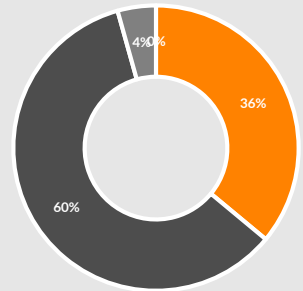
### FUND FEES

Management fees	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

# 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.

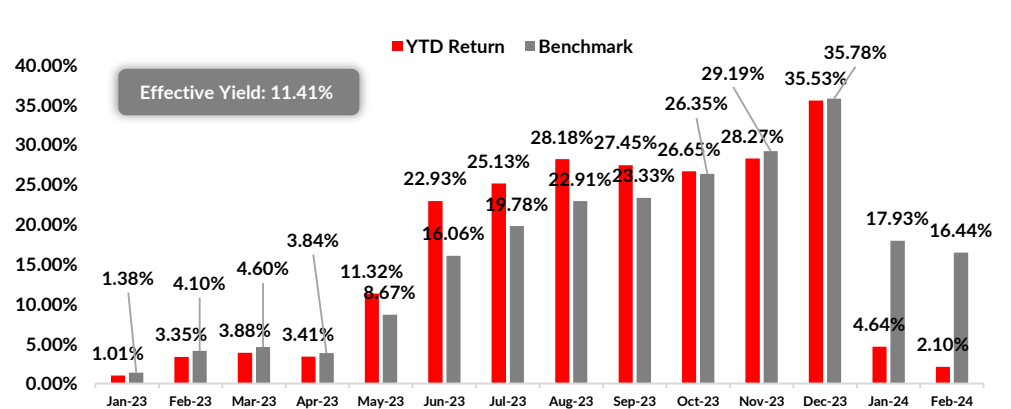
### Risk Management

- 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
2024	4.64%	2.10%											2.10%
2023	1.01%	2.32%	0.51%	-0.45%	7.65%	10.44%	1.79%	2.43%	-0.57%	-0.63%	1.28%	5.66%	35.53%
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	₦191 Million
Offer price	₦1.5323
Income Distribution	Annually
Minimum holding period	6 months
Minimum initial transaction size	₦10,000
Minimum additional transaction size	₦5,000

### FUND FEES

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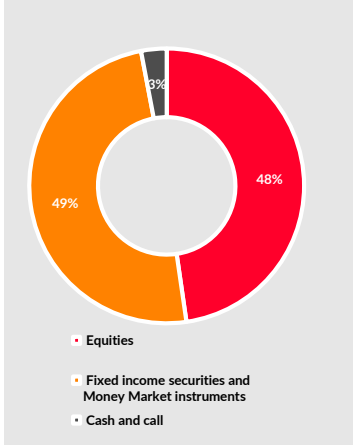
### FUND CHARGES

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

### FUND CHARACTERISTICS

Equities Holding by Sector	
Financials	18.91%
Industrials	11.94%
Consumers	6.94%
Agriculture	1.32%
Oil and Gas	2.84%
Telecommunications	5.74%
Total	47.70%

### 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.

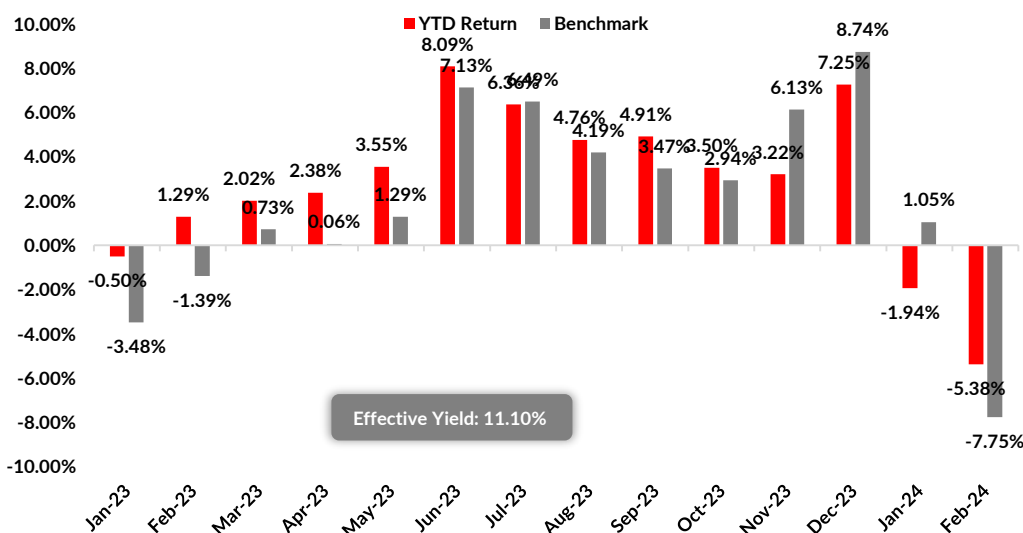
### Risk Management

- 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
2024	-1.94%	-5.38%											-5.38%
2023	0.49%	1.80%	0.72%	0.35%	1.14%	4.38%	-1.60%	-1.51%	0.15%	-1.35%	-0.27%	3.91%	7.25%
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	₦313 Million
Offer price	₦1.3249
Income distribution	Semi-annually
Minimum holding period	3 months
Minimum initial transaction size	₦10,000
Minimum additional transaction size	₦5,000

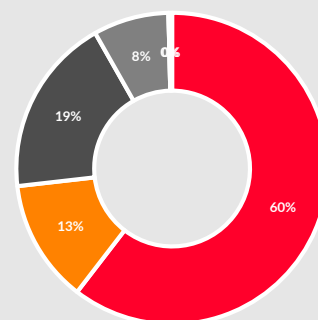
## FUND FEES

Management fees	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



## DISCLOSURES & DISCLAIMERS

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