

**CORONATION**

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# **Mutual Funds Factsheet**

December 2023

# Macroeconomic and Market Review

December 2023

## Overview

During December there was confusion in Nigeria's fixed income markets. Rates had been pushed up during November, only to fall again in December. The rate achieved at auction for a 1-year T-bill fell by more than 4 percentage points compared with November. This raised a question over the direction of rates in 2024. We are unlikely to know the answer until the end of January. Overall, 2023 was a mediocre year for Naira fixed income investors.

Investors in NGX Exchange-listed companies were handsomely rewarded in 2023. The market had done fairly well by May when key reforms to fuel subsidies and the foreign exchange market were announced. The NGX All-Share Index gained 45.90% for the full year, with the total return (achieved by reinvesting gross dividends) reached 53.00%.

## Fixed Income

In December fixed income investors took advantage of rates that had risen during November (in response to the CBN's efforts to maintain price stability). There was significant demand for both T-bills and FGN bonds at the official auctions. Yields declined.

At the three treasury bill auctions which took place during the month, the CBN rolled over bills worth a total of N184.96bn. This amount was oversubscribed significantly as evidenced by the subscription (N4.37tn), boosted by robust system liquidity and FAAC distributions. The total amount sold at the three auctions was N1.18tn. At the last treasury bill auction of the month, stop rate on the 91-day bill declined by 100 basis points to 7.00%, the 182-day's stop rate declined by 200 basis points to 10.00%, and the 364-day stop rate declined by 451 basis points to 12.24% from the level they were the previous month.

Similarly, the Debt Management Office offered N360.00bn worth of FGN bonds in the primary market. The offer was oversubscribed by N526.41bn (bid-to-offer of 2.46x) with much of the demand for the 30-year bond. The yield on the Apr-29 bond declined by 50 basis points to 15.50%, the yields on the Jun-33 and Jun-38 bonds both declined by 100 basis points to 16.00% and 16.50%, respectively, while the yield on the Jun-53 bond declined by 85 basis points to 17.15%.

In the secondary market, the average yield on FGN bonds fell by 159 basis points to 14.13% pa. Across the yield curve, average yields the short-end (-189bps to 11.62%), mid-point (-156bps to 14.54%), and the long-end (-139bps to 15.62%) all declined. It was a similar story in the treasury bills market, though with larger declines in yields. Average yields on the bills fell by 392 basis points to 6.29% pa due to significant demand. Yields at the short-end fell by 334bps to 2.67%, average yields at the mid-point declined by 361bps to 5.25%, while average yields at the long-end of the curve declined by 374bps to 9.08%.

The Monetary Policy Committee of the CBN is scheduled to meet in January and this may give clear guidance on the direction of interest rates for the new year.

## Equities

The bulls continued its push the market upwards in December as it returned 4.78% to reach 74,773.85 points. This brought the return on the market for the year to an impressive 45.90%, the fourth consecutive year of gains.

During the month noteworthy gains were observed in Access Holdings (+28.61%), Cadbury Nigeria (+23.78%), Ecobank Transnational (+22.94%), and Fidelity Bank (+22.60%) which were sufficient to offset losses in Oando (-10.26%), BUA Cement (-6.73%), MRS Oil Nigeria (-4.50%), and Nigerian Breweries (-2.83%).

On a year-on-year basis, top gainers include MRS Oil (+644.68%), Dangote Sugar (+255.14%), UBA (+237.50%), Sterling Bank (+206.43%), and BUA Foods (+197.54%); while the some of the stocks which did not perform so well include Nigerian Breweries (-12.20%), Guinness Nigeria (-4.76%), and BUA Cement (-0.77%).

Analysing sector performance year-on-year, the NGX Oil and Gas index sector led with a remarkable gain of 125.54%, followed by the NGX Banking index (+119.90%), the NGX Consumer Goods index (+90.39%), the NGX Insurance index (+84.48%), the NGX Pension index (+80.80%), the NGX 30 index (+51.44%), and the NGX Industrial Goods index (+12.86%).

## Oil

The price of Brent declined further during the month of December, the commodity losing 2.57% to close at US\$77.04 per barrel for the year. This brought the year-on-year fall in the commodity to 10.32%. On an annual basis, Brent traded at an average price of US\$82.19 per barrel. This was 17.06% lower than the average price of US\$99.09 per barrel in 2022.

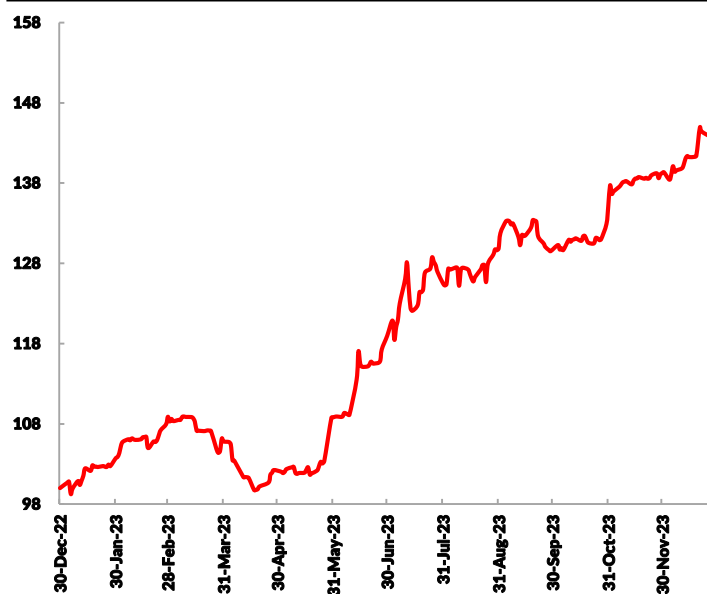
During the month, international upstream oil company BP announced its intention to halt shipments through the Red Sea, citing security concerns and this move disrupted oil and Liquefied Natural Gas supplies. Prior to BP's announcement, other shipping companies had already opted to avoid the Red Sea and Suez Canal. The development initially raised concerns about potential disruption to the transportation of essential energy resources, which would impact global oil markets. However, the impact waned by the end of the month and oil prices continued to decline. Angola announced its exit from OPEC, the decision stemming from the dispute at the last OPEC meeting over production quotas.

## Currency

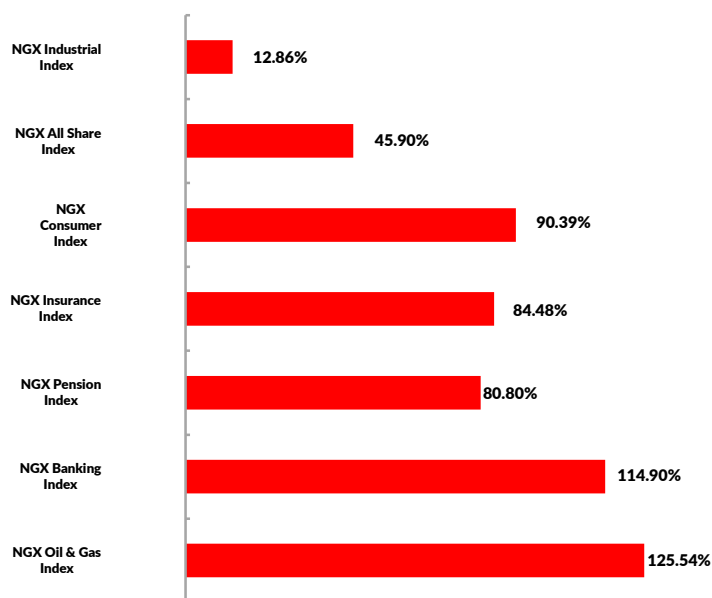
The exchange rate at the official window closed the 12th month of the year with an 8.24% loss to close at N907.11/US\$1. This brought the year-on-year fall to 49.12%. Similarly, the parallel market rate fell 3.72% to close at N1,210.00/US\$1 for the year. At the close of the year, the gap between the NAFEM and parallel market rates reached 33.39%. Additionally, the CBN's gross foreign exchange reserve declined 0.34% to close at US\$32.89bn, bringing the year-on-year change to -11.30%.

The decline of Naira/US dollar reflects the supply gap that became evident at the time of the adoption of the willing-buyer, willing-seller policy in the market. While some of the US dollar backlogs with banks are being cleared, and there are to be new policies to regulate the market, we expect supply issues to linger into Q1 2024.

## NGX ASI, rebased 31 Dec 2022=100



## NGX sub-indices returns, 2023 YTD – 29 December 2023



Source: NGX, Bloomberg, Coronation Research

## Global economic outlook

December saw US government bond yields continue to fall as investors expressed their faith that the Federal Reserve has brought inflation under control. The same was true of other government bond markets in developed nations. In fact, central bankers expressed concern that bond markets are over-confident, insisting that rate cuts will not come quickly this year while inflationary risks remain.

Given that inflation is under control, the bigger question concerns the state of the global economy. A salient factor is the weakness of commodity markets, including hard commodities like copper and soft commodities like wheat. Global demand appears weak, perhaps affected by the slowdown in the rate of growth of China. In total, 2024 looks like a year of muted global growth.

# 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.

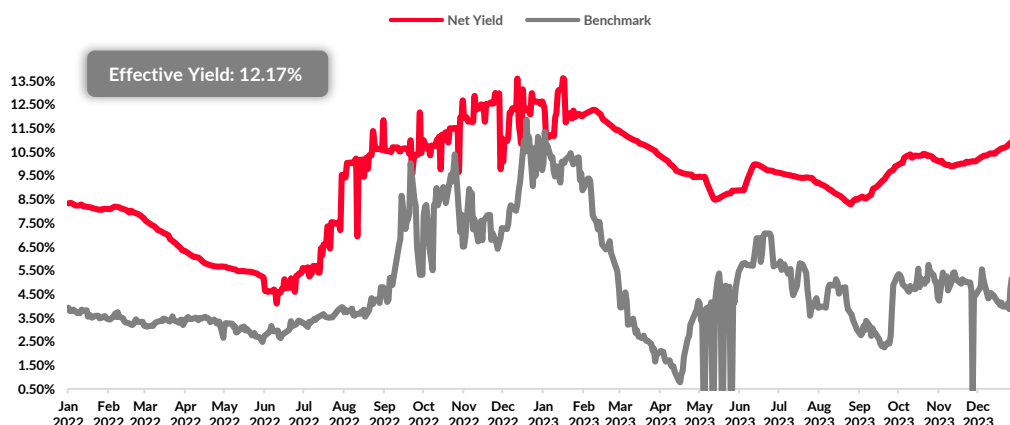
### Risk Management

- 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
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	₦5.56 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

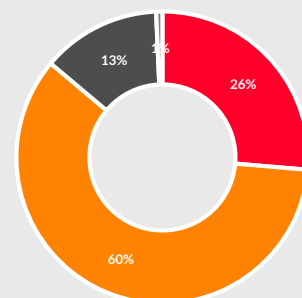
### FUND FEES

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

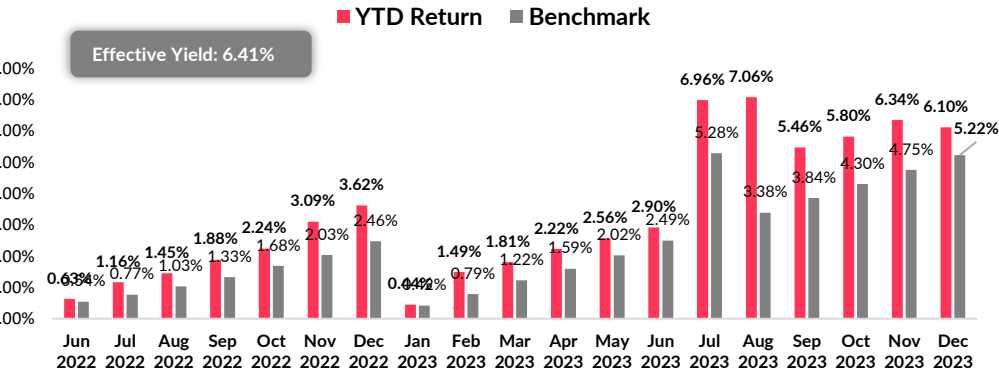
We prioritize risk management as a fundamental pillar of our investment process. To mitigate risk exposure, the Fund focuses on investing in high-quality issuers to reduce credit risk and employs strategies to limit interest rate risk through controlled durations.

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
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



**\*\*The conversion of the fixed income dollar fund into a money market dollar fund has resulted in a shift away from fixed pricing. As a result, there is a variation in yields between the months of June and July, reflecting the dynamic nature of the fund's new approach.**

## 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	\$2.09 Million
Offer price	\$ 1.00
Income distribution	Annually
Minimum holding period	6 months
Minimum initial transaction size	\$1,000
Minimum additional transaction size	\$500

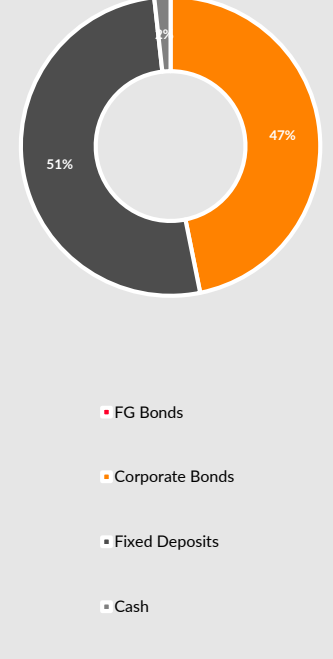
## FUND FEES

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



# 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.

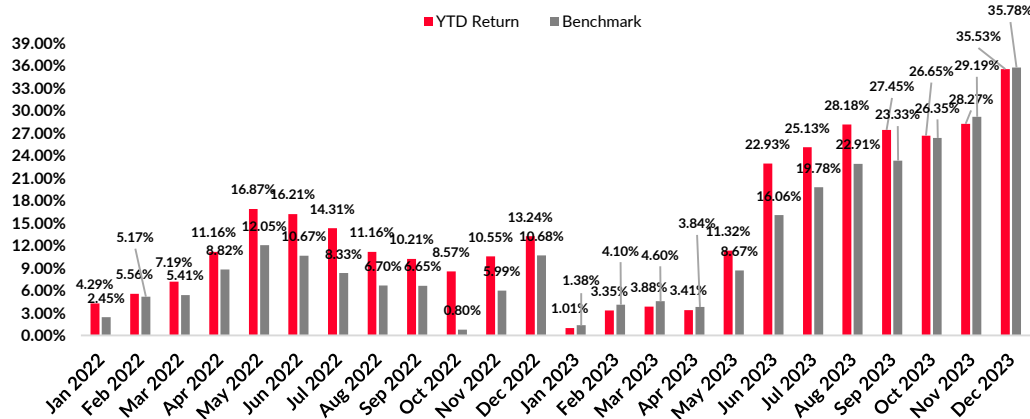
### Risk Management

- 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%	-0.45%	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	₦174 Million
Offer price	₦1.5454
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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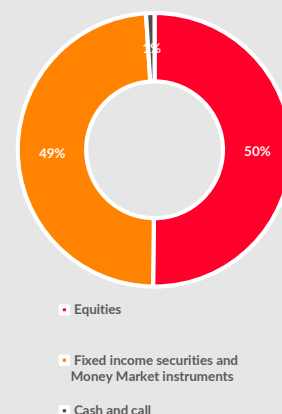
## FUND CHARGES

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

## FUND CHARACTERISTICS

Equities Holding by Sector	
Financials	18.74%
Industrials	9.67%
Consumers	8.40%
Agriculture	1.55%
Oil and Gas	4.00%
Telecommunications	7.82%
Total	50.17%

## 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.

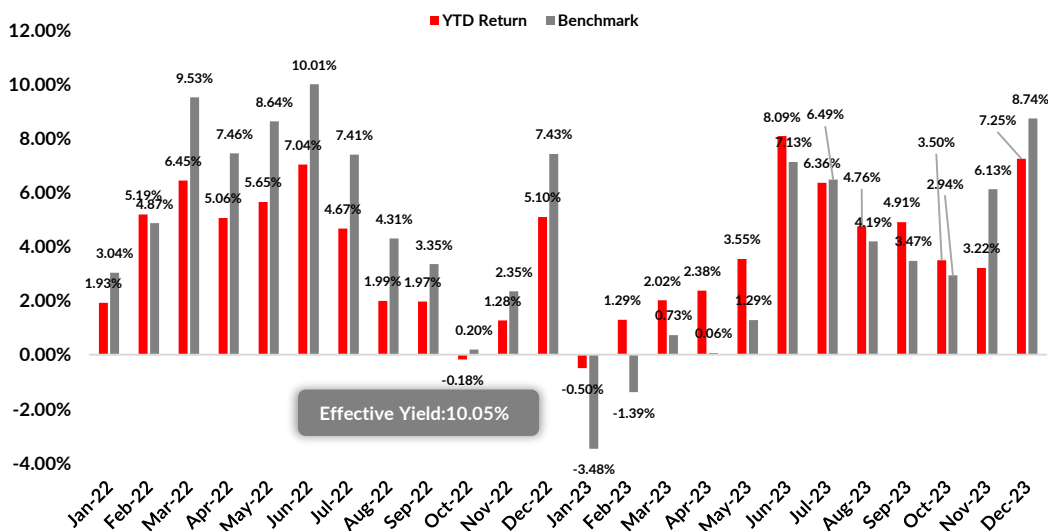
### Risk Management

- 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%	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	₦331 Million
Offer price	₦1.4199
Income distribution	Semi-annually
Minimum holding period	3 months
Minimum initial transaction size	₦10,000
Minimum additional transaction size	₦5,000

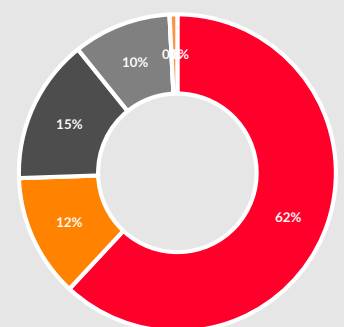
### FUND FEES

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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