

CORONATION

CORONATION

Mutual Funds Factsheet

October 2023

Macroeconomic and Market Review

October 2023

Overview

October witnessed a change in direction for Nigerian Treasury bill and bond market rates, moving sharply upwards. Since the surge in rates occurred at official auctions it is clear that this was the intention of the monetary authorities. Although Treasury bill and bond yields remain well below inflation (at 26.72% y/y) they are improving.

The authorities also announced a possible inflow of US\$10.00bn that could redress longstanding issues in the foreign exchange markets. Towards the end of this month this had positive effects on the foreign exchange and equity markets.

Fixed Income

The mood in the FGN bond market for the month of October was bearish as yields rose across the primary and secondary markets. Opening the month, the Debt Management Office (DMO) offered N360.00bn across the April 2029, June 2033, June 2038, and June 2053 maturities. Total subscription at the auction was N383.11bn implying a bid-to-offer of 1.06x, however a total of N374.76bn was allotted including a non-competitive bid of N40.00bn. Stop rates at the auction climbed across all maturities, the April 2029 rose 40bps to 14.90%, June 2033 by 30bps to 15.75%, June 2038 by 25bps to 15.80%, and the June 2053 was up by 35bps to 16.60%.

Average yields in the secondary market for bonds rose 88bps to settle at 15.33% pa. At the short-end of the spectrum, the average yield rose by 146 bps to 13.61%, at the mid-end of the yield curve rose by an average of 71bps to 15.41%, while at the long-end, average yields rose by 72bps to 16.31%.

The Treasury Bills market shared the same sentiment especially towards the close of the month. The mood at the first T-bills auction in the month was bullish as high system liquidity supported by FAAC disbursements meant strong demand. The Central Bank of Nigeria (CBN) offered N36.56bn, total subscription settled at N321.14bn with a bid-to-offer of 8.78x (vs. 4.44x at the last auction the previous month). Consequently, rates fell across the 91-day (-132bps to 3.67%), 182-day (-144bps to 5.11%) and the 364-day (-212bps to 9.25%) instruments. Total allotment equaled the offer amount.

The mood became bearish at the second auction of the month. Offer was N108.13bn while subscription settled at N638.12bn (bid-to-offer of 5.90x). The CBN allotted N370.34bn with a net issuance of N262.21bn, and despite the increased demand at the auction, stop rates across the 91-day (+233bps to 6.00%), 182-day (+389bps to 9.00%), and the 364-day (+375bps to 13.00%) maturities all rose.

Closing the month, the Central Bank of Nigeria rolled out its second OMO Auction for the year with an offer amount of N400.00bn (vs N150.00bn at the previous OMO auction) across the 99-day, 183-day, 267-day and 365-day maturities. The offer amount was oversubscribed by N232.75bn (bid-to-offer of 1.58x vs 2.05x at the previous auction). The total allotment equaled the amount offered; however, the 365-day had a net issuance of N175.00bn (vs. the N150.00 amount offered). Stop rates settled at 13.99%, 14.49%, 15.00%, and 17.50% across the maturities, respectively.

The major determinant of rates was the activity of the CBN in allocating auction amounts and setting rates which may be aimed at tackling inflation as well as targeting the foreign exchange market.

Equities

The Lagos bourse traded on a bullish note in the month of October as investors reacted positively to earnings releases. There were also sessions of profit taking on stocks which had rallied earlier. The overriding sentiment during the month was positive across all sectoral indices.

The NGX All-Share Index closed the month with a 4.30% gain to settle at 69,236.19 points bringing the year-to-date gain on the index to 35.09%. Market movers for the month include index heavyweights such as BUA Cement (+25.15% m/m), UBA (+24.40% m/m), Airtel Africa (+19.39% m/m), Dangote Sugar (+16.88% m/m), and Oando (+10.83% m/m) whose gains drove the broad index's performance offsetting losses in Cadbury Nigeria (-13.98% m/m), Okomu Oil (-9.96% m/m), Nigerian Breweries (-9.06% m/m), and Presco (-8.05% m/m).

The market continues to be in a buoyant mood, influenced by a resumption in public sector finance reforms and possible support for the currency.

Oil

Brent closed the month of October at US\$87.41 per barrel (-8.29% month on month), year-to-date it has traded at average of US\$82.65 per barrel.

Oil market reports for the month of October revealed that world oil production increased by 270,000 barrels per day in September, reaching a total of 101.6mn barrels per day. This growth was primarily driven by increased production levels in Nigeria and Kazakhstan. The conflict between Israel and Hamas did not directly impact oil production. Non-OPEC+ countries are expected to contribute to a global output increase of 1.5mn barrels per day in 2023 and 1.7million barrels per day in 2024, reaching new record highs.

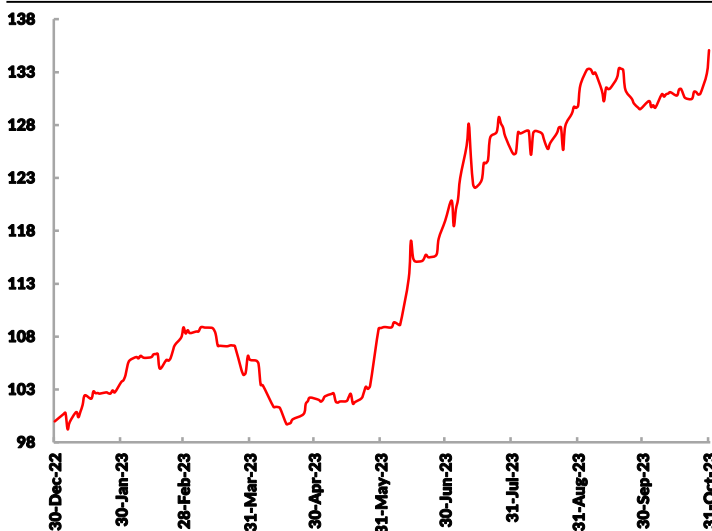
Currency

After gaining approximately 1% the previous month, the exchange rate at the Nigerian Autonomous Foreign Exchange Market (NAFEM) window closed in the negative, losing 7.37% m/m as the FX illiquidity challenges continued to mount pressure on the markets. The exchange rate closed at N815.32/US\$1 after reaching an all-time low of N993.82/US\$1 during the month.

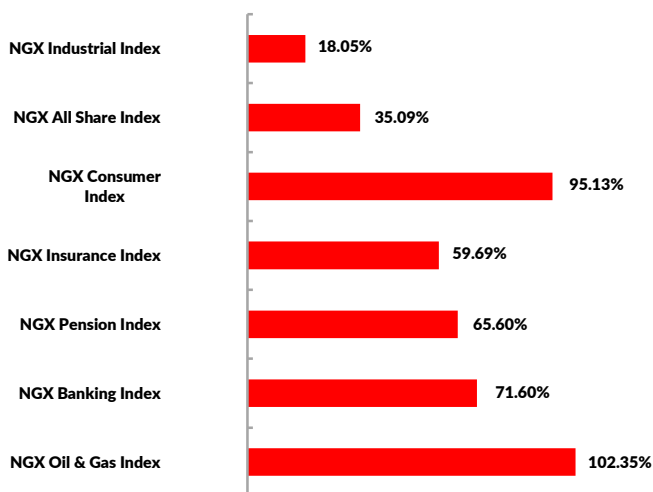
The CBN's published FX reserves rose by 0.39% (or US\$129.84mn) m/m to US\$33.37bn (versus a 2.10% decline in September).

During the month, the Minister of Finance, Wale Edun announced the imminent supply of US\$10bn into the country which led to gains for the Naira in the FX markets. We believe that the inflow would be a short-term fix for the FX situation, while long-term solutions are put in place.

NGX ASI, rebased 31 Dec 2022=100



NGX sub-indices returns, 2023 YTD – 31 October 2023



Source: NGX, Bloomberg, Coronation Research

Global economic outlook

It was significant that the United States Federal Reserve kept its key intervention rates unchanged at its October meeting, with the upper band maintained at 5.50%. Although the Federal Reserve has kept open the possibility of a further rise, this is not how the US bond markets interprets it. Yields of US Government bonds peaked mid-month and then began to trend downwards, with the 2-year yield closing the month a shade over 5.00% pa. This points to a continued softening of bond rates going forward and, more importantly, an appreciation that the risks of elevated inflation in global markets are receding. This puts US equity markets in a positive frame of mind.

The outlook is not without its threats. The conflict between Israel and Hamas is the most serious one in the Middle East in decades yet has not resulted in a spike in oil prices. Every major conflict in the Middle East before this one did result in a spike in oil prices, so we can attribute the current calm to successful rounds of diplomacy. That said, there remains a risk of the conflict spreading, and this would put upward pressure on oil prices and bring new threats to the global economy.

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.

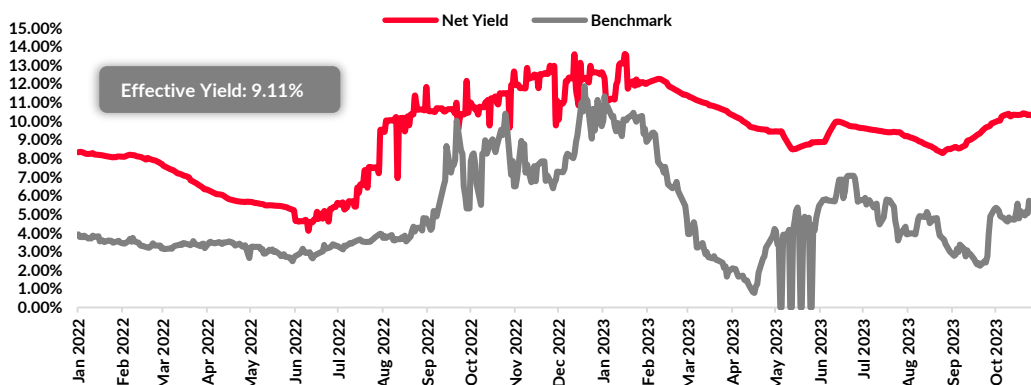
Risk Management

- 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%	9.11%		
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
---	---	---	---	---	---	---

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	₦4.9 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

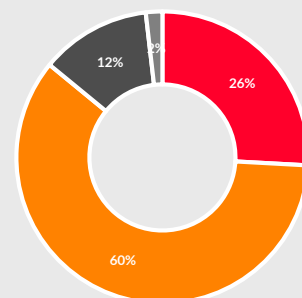
FUND FEES

Management fees	1.0% p.a.
-----------------	-----------

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 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

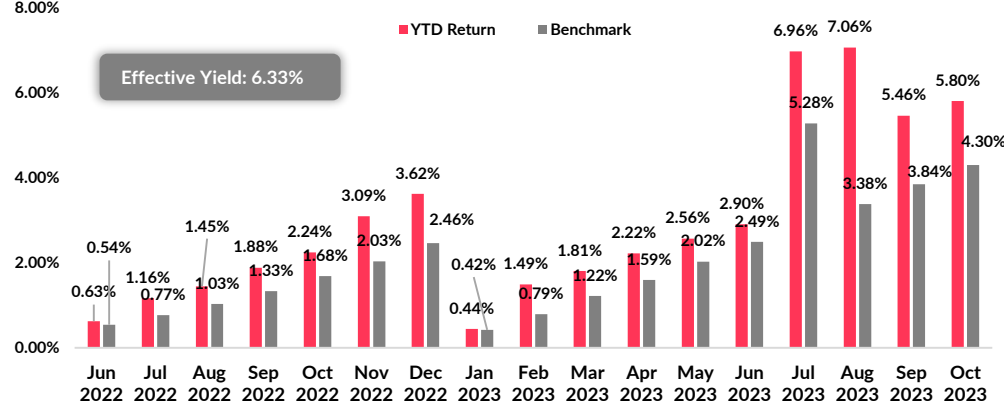
We prioritize risk management as a fundamental pillar of our investment process. To mitigate risk exposure, the Fund focuses on investing in high-quality issuers to reduce credit risk and employs strategies to limit interest rate risk through controlled durations.

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%		

HISTORICAL YTD RETURN 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
---	---	---	---	---	---	---

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	\$1.93 Million
Offer price	\$ 1.00
Income distribution	Annually
Minimum holding period	6 months
Minimum initial transaction size	\$1,000
Minimum additional transaction size	\$500

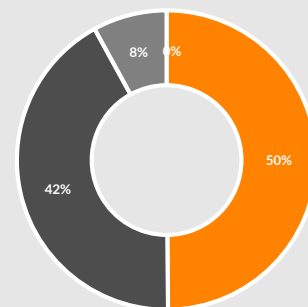
FUND FEES

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 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 minimize risk exposure.

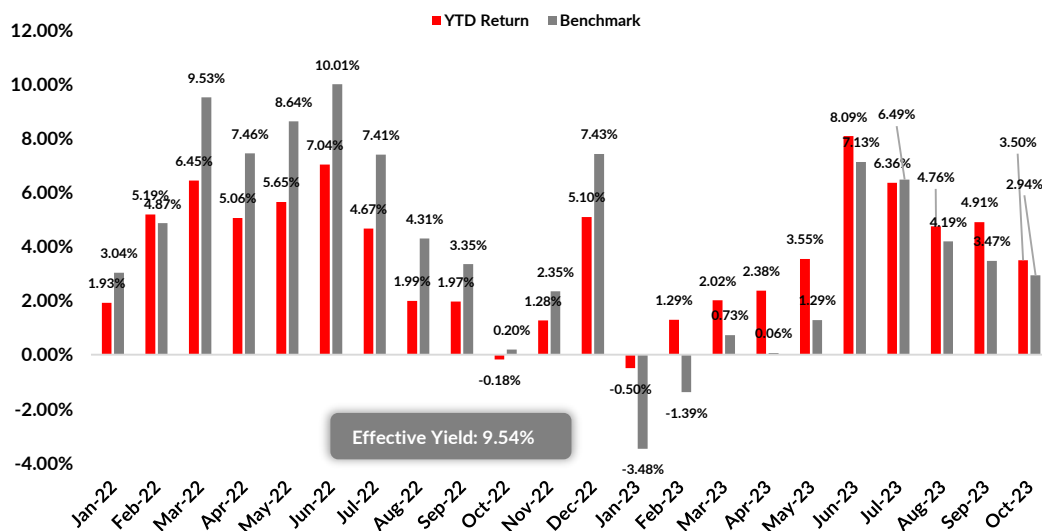
Risk Management

- 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 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%			3.50%
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
---	---	---	---	---	---	---

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	₦345 Million
Offer price	₦1.3702
Income distribution	Semi-annually
Minimum holding period	3 months
Minimum initial transaction size	₦10,000
Minimum additional transaction size	₦5,000

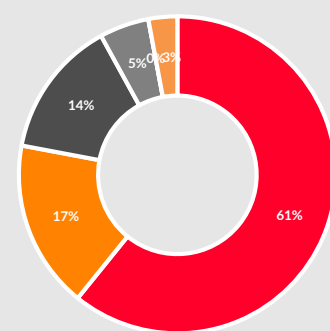
FUND FEES

Management fees	1.50% p.a.
-----------------	------------

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.

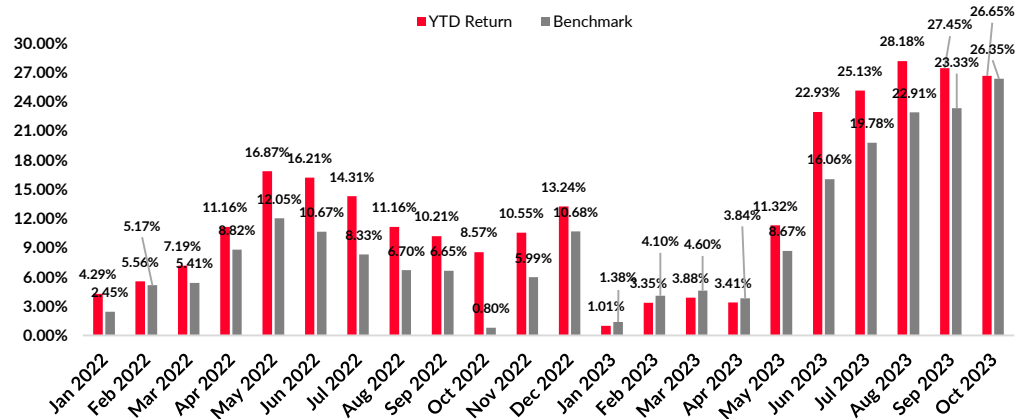
Risk Management

- 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%	-0.45%	7.65%	10.44%	1.79%	2.43%	-0.57%	-0.63%			26.65%
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
---	---	---	---	---	---	---

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	₦161 Million
Offer price	₦1.4439
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.
-----------------	------------

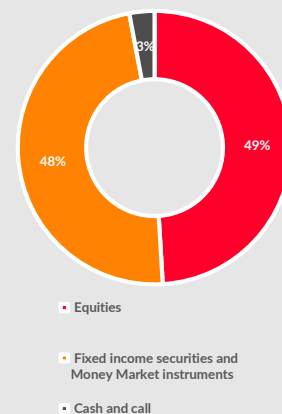
FUND CHARGES

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

FUND CHARACTERISTICS

Equities Holding by Sector	
Financials	14.45%
Industrials	10.27%
Consumers	9.88%
Agriculture	2.43%
Oil and Gas	4.44%
Telecommunications	7.57%
Total	49.04%

FUND ASSET ALLOCATION



DISCLOSURES & DISCLAIMERS

This report is intended as background information for clients of Coronation Asset Management Ltd and clients of its subsidiaries and affiliates and is by no means intended to provide a sufficient basis on which to make an investment decision. Notwithstanding the proper and reasonable care that has been exercised in the preparation of this report, neither Coronation Asset Management Ltd, its directors, employees and contractors, nor its subsidiaries and affiliates, nor the directors, employees and contractors of its subsidiaries and affiliates, accept(s) responsibility for any error, omission or opinion expressed herein. This report is not intended to serve as an investment or research recommendation and should not be regarded as such. Clients of Coronation Asset Management Ltd and of its subsidiaries and affiliates, who read this report, should assess their own investment objectives and financial capacities when taking investment decisions and should consult a relevant financial adviser in these respects.