

**CORONATION**

**CORONATION**

# Mutual Funds Factsheet

July 2024

# Macroeconomic and Market Review

## July 2024

### Overview

Nigeria's monetary authorities made very clear in July their determination to tackle inflation with interest rates, raising the policy rate by half a percentage point to 26.75%. The Treasury bill and bond markets followed suit, with market rates going up.

At the same time, the pain of high inflation was keenly felt and led to the announcement of a series of protests in early August. The political authorities were quick to react, announcing a rise in the minimum wage.

On the fiscal front, a significant supplementary budget was announced, aimed at dealing with poverty. In this way, monetary and fiscal policy appeared to be diverging. The stock market lost ground and the currency weakened.

The situation was not helped by weakness in oil prices, which fell on global concerns about Chinese and US growth, even as the tensions in the Middle East worsened. The only good item of news for the authorities was a rise in the gross foreign exchange reserves of the Central bank of Nigeria, which have been trending upwards since mid-April.

### Fixed Income

During the month, the CBN raised its Monetary Policy Rate by 50bps to 26.75% as well as the asymmetric corridor to +500/-100 basis points. The decision was premised on persistently rising inflation which rose to 34.19% y/y in June from 33.95% y/y in May, driven especially by food and energy prices.

This increase in MPR drove Treasury bill yields up, particularly at the last primary market auction of the month. In summary, the CBN offered a total of N444.07bn (vs N439.05bn in June) in two auctions across the 91-day, 182-day, and 364-day maturities. Demand came in weaker than in June with subscriptions settling at N682.61bn (vs N1.49tn in June). Total allotment also fell with the bid-to-cover ratio down to 1.41x from 2.73x in June. However, yields rose on all maturities to 19.39% (+240bps), 21.60% (+250bps), and 28.35% (+140bps), respectively.

In the primary market for Federal Government of Nigeria bonds the Debt Management Office sold N300.00bn (vs N450.00bn in June) at auction across April 2029, February 2031, and May 2033 maturities. The offers were undersubscribed by N20.33bn, a with a bid-to-offer ratio of 0.98x, up from 0.68x in June. Total sales reached N225.72bn (bid-to-cover ratio of 1.24x), while yields across the maturities rose to 19.89% (+25bps), 21.00% (+81bps), and 21.98% (+48bps), respectively.

Yields in the secondary market trended upward, particularly toward the end of the month as investors took profits ahead of the proposed nationwide protests. In the Treasury bill market, average yields gained 311bps to 25.18% pa, with average yields on all tenor buckets gaining over 300bps. It was a similar story in the FGN bond market where average yields rose to 19.76% pa adding 101bps, with yields across all the tenor buckets increasing, with the worst hit at the short-end of the yield spectrum which gained 116bps to 19.85%.

### Equities

The equities market traded in and out of the 100,000-point mark in July. However, the bears maintained their dominance, pushing the NGX All Share Index down by 2.28% to 97,774.22 points. As a result, the year-to-date returned declined to 30.76% by the end of the month. The announcement of a windfall tax on banks' gains from FX revaluations caused a degree of bearish sentiment, as did unimpressive results from telecom heavyweight MTN Nigeria.

During the month MTN Nigeria fell 6.54%. This decline, combined with those of FBN Holdings (-4.34% m/m), and United Bank for Africa (-9.58% m/m) drove the market's weak performance. By contrast, investors showed interest in Airtel Africa (+4.91% m/m), Presco (+16.60% m/m), and Ecobank Transnational Inc (+3.04% m/m). The market capitalisation lost N1.09tn on the month to close at N55.51tn.

On sectoral performances, most indices closed in the red with the NGX Industrial Goods Index (-5.58%) leading the laggards' log, followed by the NGX Consumer Goods Index (-4.53%), the NGX Banking Index (-3.47%), the NGX Pension Index (-3.31%), the NGX30 Index (-2.31%), the NGX Insurance Index (-2.57%). Conversely, the NGX Oil and Gas Index (+5.55%) closed the month with a gain.

### Oil

Crude oil's losses reached over 6.0% during the month despite negative developments in the Middle East. The reason appears to be subdued demand from China and the possibility that even the US economy may go into recession. While the market is closely monitoring directives from OPEC+ to support oil prices, the organisation has confirmed plans to gradually increase production from the fourth quarter of the year onwards.

Crude futures declined, leaving Brent crude below US\$80 per barrel as of writing this report, which poses challenges for OPEC+ members. Saudi Arabia, in particular, faces the prospect of a slump in growth and is being forced to reduce investments in key economic projects.

Brent's closing price at the end of July at US\$80.72 per barrel (6.58% down from its closing price in June) brought the year-to-date gain down to 4.78%, with an average trading price of US\$83.49 per barrel year-to-date, 1.58% higher than its average price of US\$82.19 per barrel in 2023.

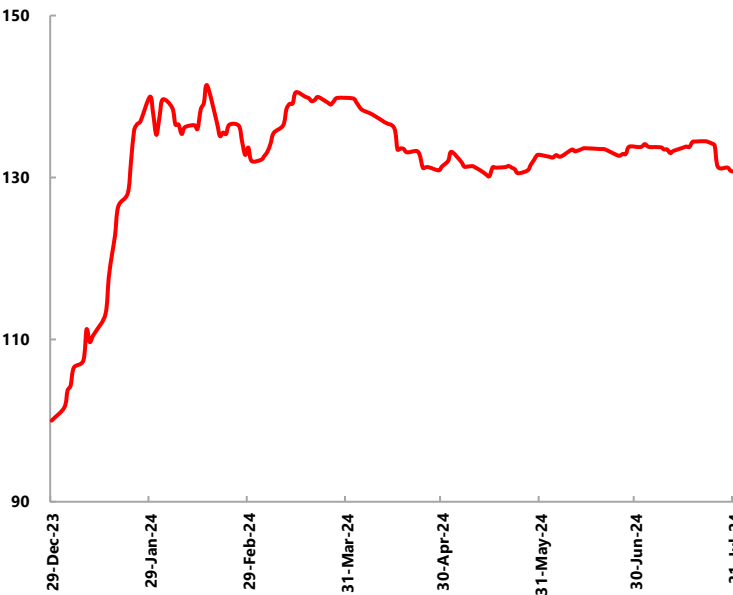
# CORONATION

### Currency

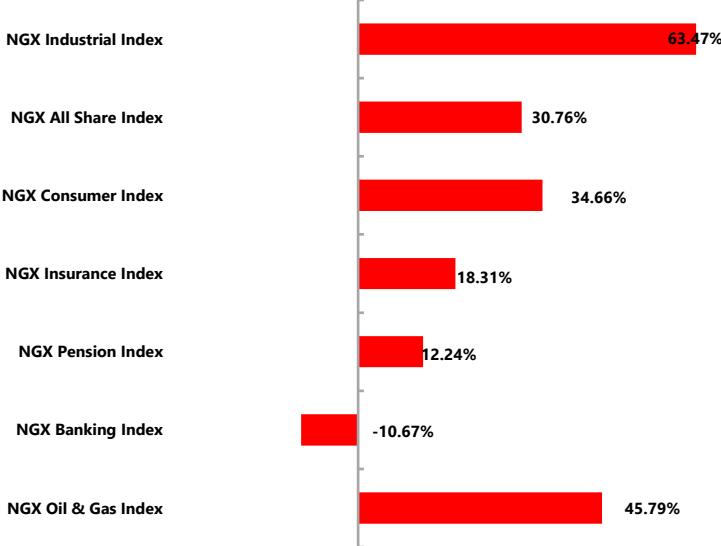
US dollar demand resurfaced during the month, as liquidity was stifled in the market due to reduced participation from international sources, likely due to concerns over market risks. Foreign inflows decreased by 51.4% m/m, to US\$243.30m from US\$500.20m in June, largely driven by a 58.8% decrease in foreign portfolio investments and a 32.1% decline in other corporate inflows, even though foreign direct investments saw a rebound.

The Nigeria Autonomous Foreign Exchange Market (NAFEM) rate lost 6.43% to close at N1,608.73/US\$1, bringing the year-to-date decline of the Naira to 43.61%, while the parallel market lost 4.98% ending the month at N1,605.00/US\$1. As a result, the gap between the official and street markets was closed out. The CBN's published gross foreign exchange reserves added 7.62%, or US\$2.61bn to close at US\$36.80bn.

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



### NGX sub-indices returns, 2024 year to 31 July



Source: NGX, Bloomberg, Coronation Research

### Global economic outlook

The Federal Reserve opted to keep the Fed Funds Rate steady within the 5.25% to 5.5% band while it closely watches economic data, although the labour market showed signs of cooling during the month. Notably, the market now anticipates only one 25bps interest rate cut this year, down from the three cuts previously forecasted as the Fed reiterated that cutting rates would require caution. Nevertheless, US government bond markets rallied

Meanwhile, Chinese equity markets have faced notable setbacks, primarily due to ongoing challenges in the real estate sector, which have had broad economic repercussions. In response, Chinese authorities have implemented several liquidity-boosting measures, such as lowering the reverse repo rate by 10bps to 1.70% and the benchmark loan prime rate by 10bps to 3.35%, aiming to stimulate lending and drive economic recovery despite persistent headwinds.

# 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.

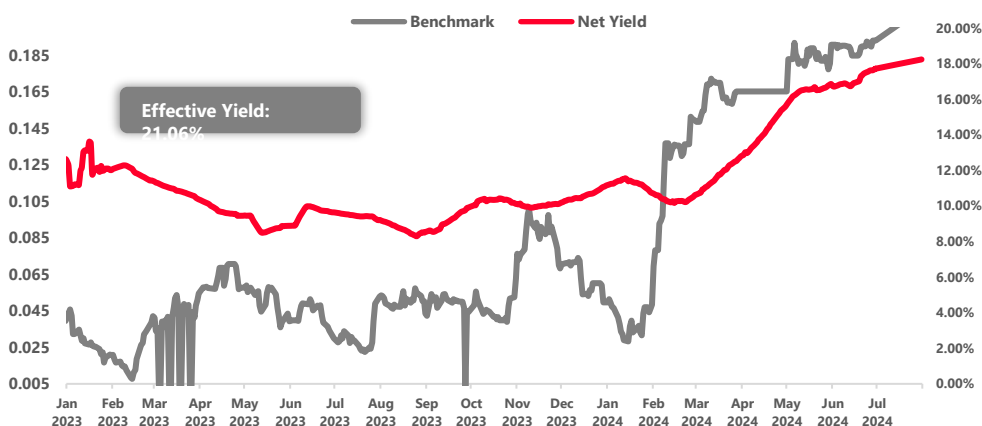
### Risk Management

- 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%	12.78%	15.57%	16.85%	17.71%	18.23%					
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
---	---	---	---	---	---	---

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	₦6.40 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

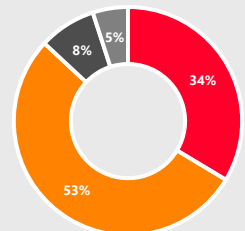
### FUND FEES

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

# 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

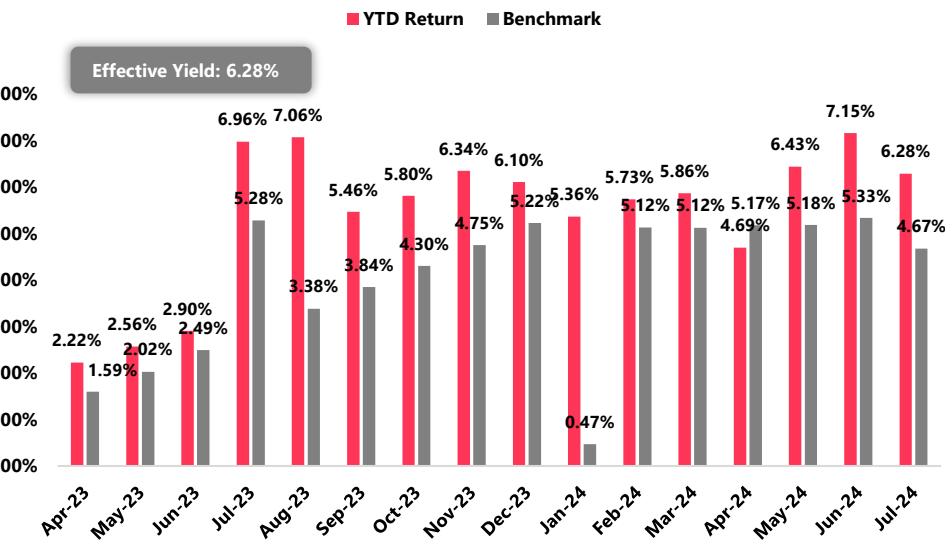
We prioritize risk management as a fundamental pillar of our investment process. To mitigate risk exposure, the Fund focuses on investing in high-quality issuers to reduce credit risk and employs strategies to limit interest rate risk through controlled durations.

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
2024	5.36%	5.81%	5.48%	6.45%	6.43%	7.15%	6.25%					
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
---	---	---	---	---	---	---

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	\$4.19 Million
Offer price	\$ 1.00
Income distribution	Annually
Minimum holding period	6 months
Minimum initial transaction size	\$1,000
Minimum additional transaction size	\$500

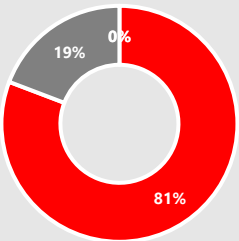
## FUND FEES

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 minimise risk exposure.

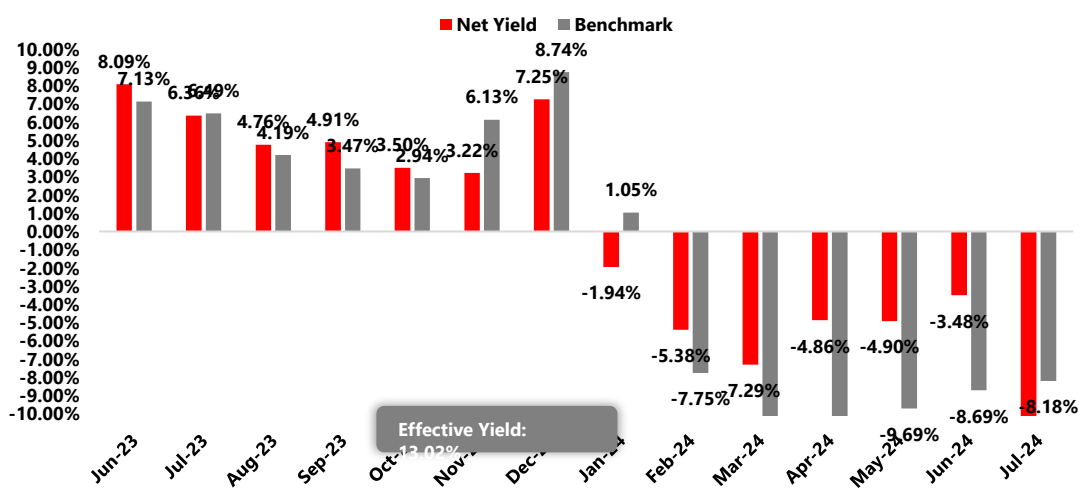
### Risk Management

- 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	-2.18%	-3.51%	-2.02%	2.63%	1.36%	1.49%	1.29%						-5.01%
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
---	---	---	---	---	---	---

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	₦1.3488
Income distribution	Semi-annually
Minimum holding period	3 months
Minimum initial transaction size	₦10,000
Minimum additional transaction size	₦5,000

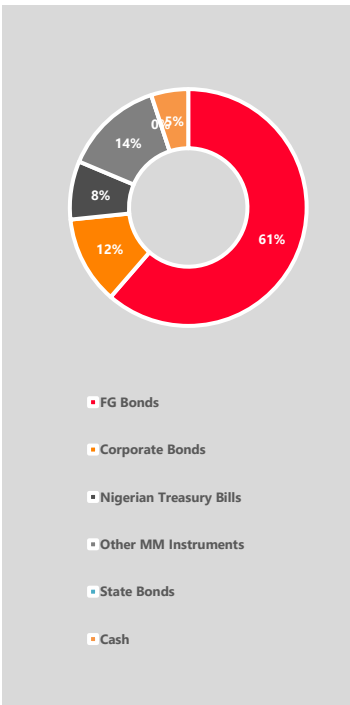
### FUND FEES

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





# 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.

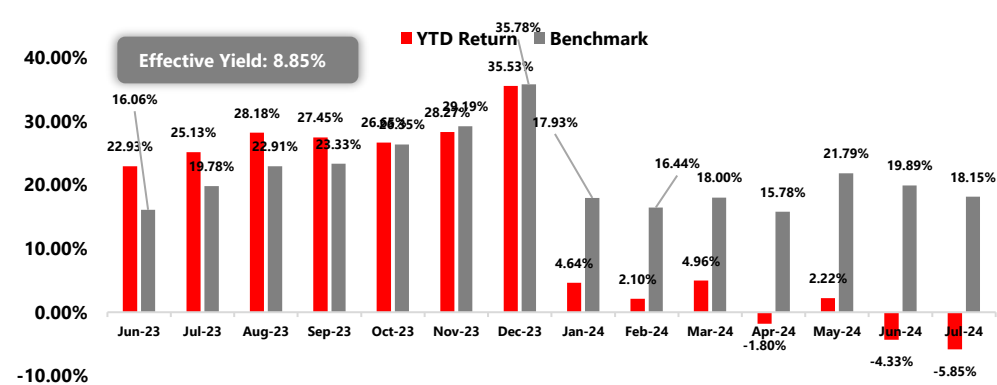
### Risk Management

- 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%	4.96%	-1.80%	2.22%	1.58%	-1.59%						-5.85%
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
---	---	---	---	---	---	---

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	₦189 Million
Offer price	₦1.4528
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.
-----------------	------------

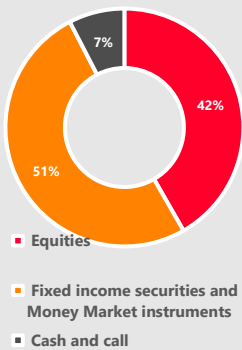
### FUND CHARGES

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

### FUND CHARACTERISTICS

Equities Holding by Sector	
Financials	16.72%
Industrials	10.83%
Consumers	4.50%
Agriculture	1.44%
Oil and Gas	3.18%
Telecommunications	5.06%
Total	41.72%

### 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.