

**CORONATION**

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# **Mutual Funds Factsheet**

May 2023

# Macroeconomic and Market Review

May 2023

## Overview

Nigeria's equity market traded on a bullish note during the month of May as the market reacted positively to reforms announced by the new President. The exchange rate of the Naira in the I&E window remained little changed as the Central Bank of Nigeria continued to manage the currency within a narrow range.

Inflation remained elevated with data for April showing that prices had risen by 22.22% year-on-year, a headline inflation rate 18 basis points higher than the previous month. Food inflation rose by 18 basis points to 24.61% year-on-year while core inflation expanded faster by 28 basis points to 20.14% year-on-year. While headline inflation continued to be impacted by structural issues such as insecurity, elevated commodity prices, fuel scarcity, and exchange rate pressure, among others., we believe the onset of the Ramadan and Easter periods also impacted food prices.

The Monetary Policy Committee (MPC) hiked the benchmark MPR rate by another 50bps to 18.5% in its May meeting citing the need to curtail an elevated inflation environment.

## Fixed Income

In May, the T-bill market continued to trade on a bullish note as system liquidity remained buoyant. On average, the yields on secondary market Nigerian Treasury Bills (T-bill) declined by 136 basis points across the curve to settle at 6.18%.

Across the T-bill primary auction in May, the CBN allotted N324.43bn (US\$705.28mn) worth of bills, the same as the amount maturing. The auctions recorded a total subscription of N1.63tn, implying an average bid-to-cover ratio of 5.03x (3.91x in April). Stop rates across the 91-day (-226bps to 3.40%), 182-day (-229bps to 5.72%), and the 364-day (-395bps to 8.49%) bills declined.

Activity in the Federal Government of Nigeria (FGN) bond secondary market also traded bullish in May as the average yield of FGN bonds declined by 17 basis points to 13.96% month-on-month. At the short end of the curve, the yield of a 2-year bond declined by 9 basis points to 12.30%, while at the long end, the yield of a 20-year bond declined by 1 basis point to 15.36% per annum.

At the FGN bond auction, the Debt Management Office (DMO) allotted a total of N545.26bn (US\$1.19bn), which included non-competitive allotments of N177.10bn. Demand was higher than at the last auction in April, as reflected by a total subscription of N478.92bn (N444.03bn at the last auction) and a bid-to-offer ratio of 1.33x (vs 1.23x at the last auction).

The yields on the February 2028 (+10bps to 14.10%), April 2032 (+10bps to 14.90%), and April 2037 (+29bps to 15.69%) expanded while the yield on the April 2049 held steady at 15.80%. We reiterate our view that fixed-income yields are likely to rise over the medium term owing to an expected increase in domestic borrowing by the Federal Government of Nigeria to finance the budget deficit and tight domestic monetary policy.

## Equities

Domestic shares traded on a bullish note during the month of May as the market reacted positively to reforms announced by the new President.

The NGX All-Share Index (NGX ASI) advanced higher by 6.42% month-on-month to settle at 55,769.28 points. This took the overall gain for the year to 8.82%. On market movers, gains across index heavyweights such as Nigerian Breweries (+15.63% m/m), Nestle (+15.71% m/m), Bua Foods (+27.35% m/m), UBA (+26.11% m/m), MTNN (+12.05% m/m), Seplat Energy (+7.59% m/m), Access Holdings (+24.24% m/m), GTCC (+14.80% m/m) and Zenith (+32.12% m/m) drove the broad index's performance.

We expect a pickup in foreign investors' participation following the announcement of market-friendly reforms (removal of fuel subsidy, unification of FX rates, power sector reform, etc). Hence, we expect the market to sustain its bullish run as these reforms get implemented.

## Oil

Oil prices recorded a bearish performance in the month of May owing to concerns about the global economy, a US debt ceiling debacle, and elevated oil output from Russia. Economic activities in China slowed as reflected by an unexpected drop in manufacturing activities in April. Also, US debt ceiling negotiations between lawmakers lingered throughout the month before an agreement was reached in early June. This rattled financial markets including the global oil market.

Brent lost 8.65% month-on-month and traded at an average price of US\$81.00/bbl, 18.25% lower than the average of US\$99.09/bbl in 2022.

Nevertheless, we maintain that on average in 2023 Brent prices are likely to remain well above the US\$75.00/bbl set in Nigeria's government budget.

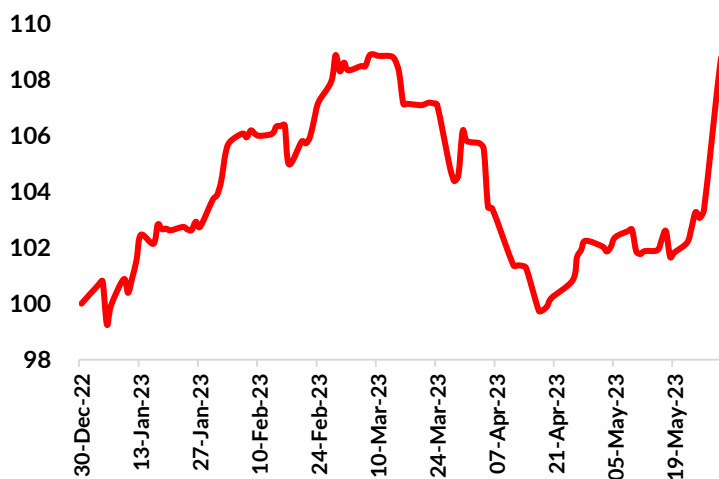
## Currency

In May, the exchange rate at the I&E Window moderated by 0.36% m/m to close at N464.67/US\$1. In addition, liquidity at the window improved as average daily turnover increased by 33.33% m/m to US\$127.47m.

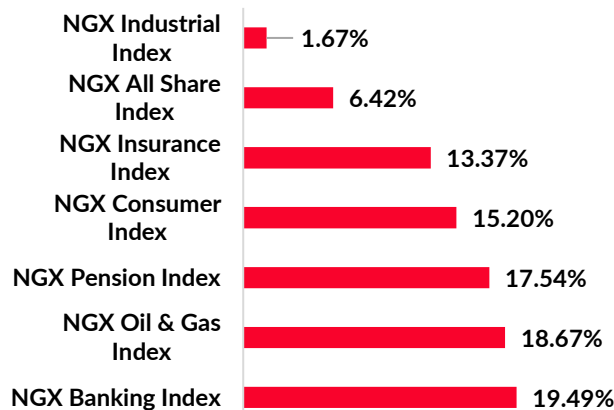
The CBN's published FX reserves fell for the ninth successive month, declining by 0.44% (or US\$156.49mn) m/m to US\$35.09bn, reflecting intervention efforts of the CBN across the various FX windows.

The FX reserves of the CBN have slipped from N37.1bn to N35.1bn this year and are now below their 10-year average of N37.0bn. Although the FX position is not as strong as it was, we do not think that the I&E Window rate is vulnerable from a technical point of view and that the CBN has room for manoeuvre when it comes to unifying exchange rates.

## NGX ASI, rebased 31 Dec 2022=100



## NGX sub-indices returns, 2023 YTD - 31 May 2023



Source: NGX Exchange, Coronation Research

## Global economic outlook

Global economic growth continued to pick up at a gradual pace amid elevated interest rates. Meanwhile, a US debt ceiling negotiation temporarily disrupted global markets resulting in a risk of a US default. The World Bank expects global growth to decelerate from 3.1% in 2022 to 2.1% in 2023 due to tight monetary policy stances, and the impact of Russia's war on Ukraine.

Elsewhere, it appears we might be nearing an end to monetary tightening policies. Headline inflation has continued to moderate in most countries due to a downturn in energy prices, however, core inflation remains stubbornly high. Headline inflation in the US dropped to 4.0% in May (April - 4.9%), same with the Eurozone area which saw inflation drop to 6.1% in May (April - 7.0%).

In line with expectations, the US Federal Open Market Committee (FOMC) voted to increase the Fed Funds rate by 25bps in its May meeting. However, the market now expects a pause in its June meeting as the FOMC monitors the lagged effects of past rate moves.

# Coronation Money Market Fund

## FUND OVERVIEW

The Money Market Fund is an open-ended fund that invests in low-risk short-term instruments such as Treasury Bills, Term Deposits, Commercial Papers and other Money Market securities.

### Investment Objective:

The aim of the Fund is to generate regular income by actively investing in investment-grade money market instruments.

### Investment Strategy:

The Fund Manager shall adopt and maintain an investment strategy that is designed to ensure a steady return on capital and ample liquidity.

The fund will strive to maintain an average duration of not more than 90 days.

### Suitable Investor:

The Fund may be suitable for short-term focused investors who are risk-averse and are seeking investments for capital preservation, moderate income and liquidity.

### Investment Philosophy

We employ a fundamental investment process to construct a diversified portfolio of high-quality money market securities that aim to deliver steady returns and provide for liquidity needs.

Our bottom-up credit selection and tactical trading in the most liquid instruments and fundamental process combined with robust, top-down rigorous risk management tools designed to meet our objectives of liquidity and consistent excess returns.

Risk management and controls are the foundation of the team's process integrated in the valuation, analytics, trading and portfolio management, which is vetted by the Investment Committees with support from the Research team with market insight to minimise risk exposure.

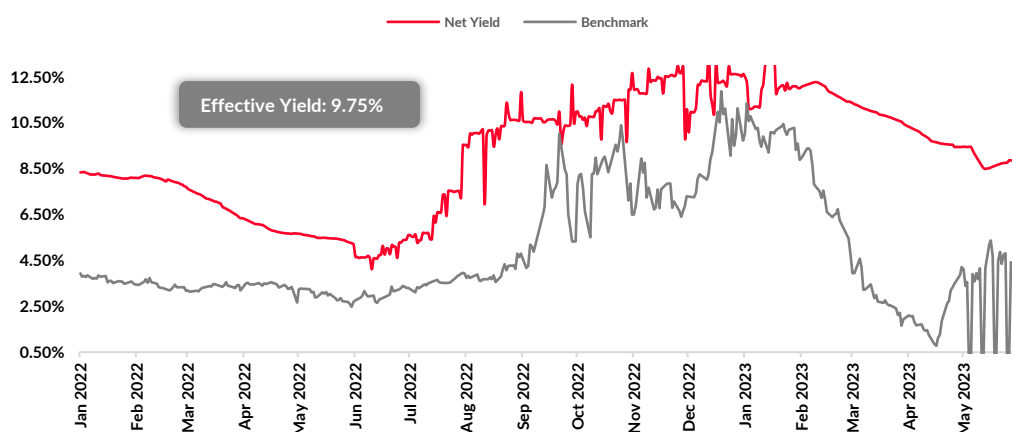
### Risk Management

- High-quality issuer to reduce credit risk and durations limit to mitigate interest rate risk
- Issuers concentration limits and rigorous selection criteria
- Research-based macro risk analysis and multiple level review
- Independent risk and compliance review
- Disciplined investment process and continuous value analysis relative to opportunity set
- Clear accountabilities and cross checks

### HISTORICAL 30 DAY ROLLING AVERAGE YIELD

	January	February	March	April	May	June	July	August	September	October	November	December
2023	12.08%	11.40%	10.36%	9.45%	8.88%							
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	₦5.9 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

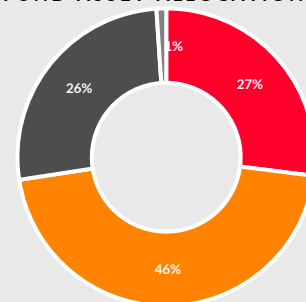
### FUND FEES

Management fees	1.0% p.a.
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### 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 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.

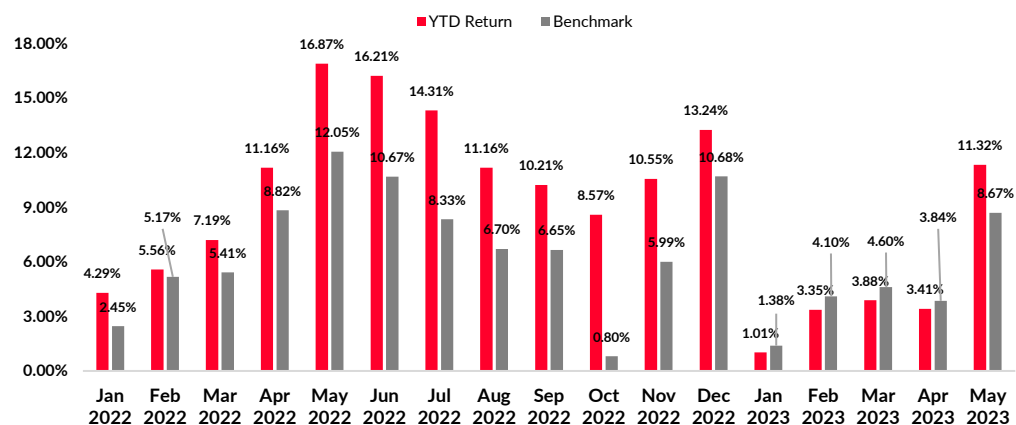
### Risk Management

- 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%								11.32%
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	₦136 Million
Offer price	₦1.2689
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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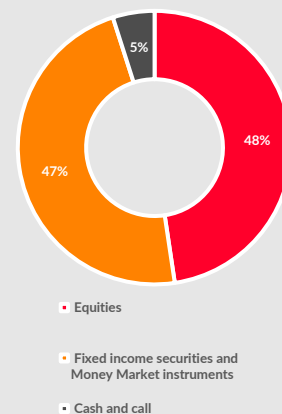
### FUND CHARGES

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

### FUND CHARACTERISTICS

Equities Holding by Sector	
Financials	16.05%
Industrials	11.27%
Consumers	5.47%
Agriculture	2.27%
Oil and Gas	3.95%
Telecommunications	8.62%
Total	47.63%

### 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.

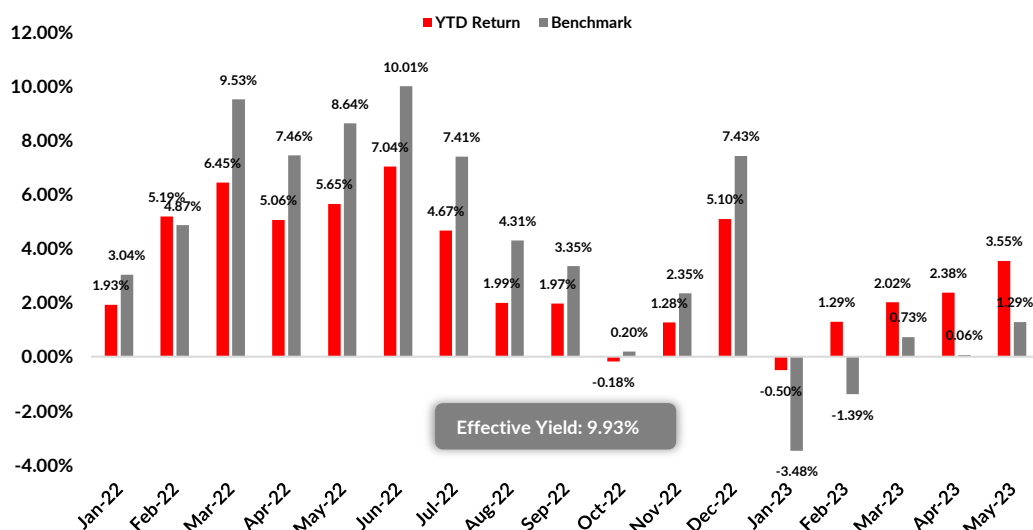
### Risk Management

- 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%								3.55%
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	₦345 Million
Offer price	₦1.4084
Income distribution	Semi-annually
Minimum holding period	3 months
Minimum initial transaction size	₦10,000
Minimum additional transaction size	₦5,000

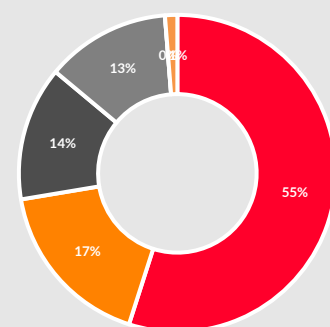
### FUND FEES

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



- FG Bonds
- Corporate Bonds
- Nigerian Treasury Bills
- Other MM Instruments
- State Bonds
- Cash



# Coronation Fixed Income Dollar Fund

## FUND OVERVIEW

The fundamental objective of the Fund is to provide Unit Holders with long-term capital growth and regular income by investing primarily in diverse portfolios of dollar fixed income securities.

### Investment Objective:

The fundamental objective of the Fund is to provide Unit Holders with long-term capital growth and regular income by investing primarily in diverse portfolios of fixed income securities.

### Investment Strategies:

The Fund Manager shall adopt and maintain an investment strategy that is designed to ensure a steady return on capital and assured liquidity. The fund will strive to maintain an average duration of not more than 6 years.

### Suitable Investor

The Fund may be suitable for investors looking to invest for the medium to long term with moderate risk appetite.

### Investment Philosophy

We employ a fundamental investment process to construct a diversified portfolio of high-quality fixed income securities that aim to deliver consistent excess returns (income) with low volatility.

Our bottom-up credit selection and tactical trading in the most liquid instruments and fundamental process combined with robust, top-down rigorous risk management tools designed to meet liquidity objectives and consistent excess returns over the long term.

Risk management and controls are the foundation of the team's process integrated in the valuation, analytics, trading and portfolio management is vetted by research with market insight of the investment team to minimise risk exposure

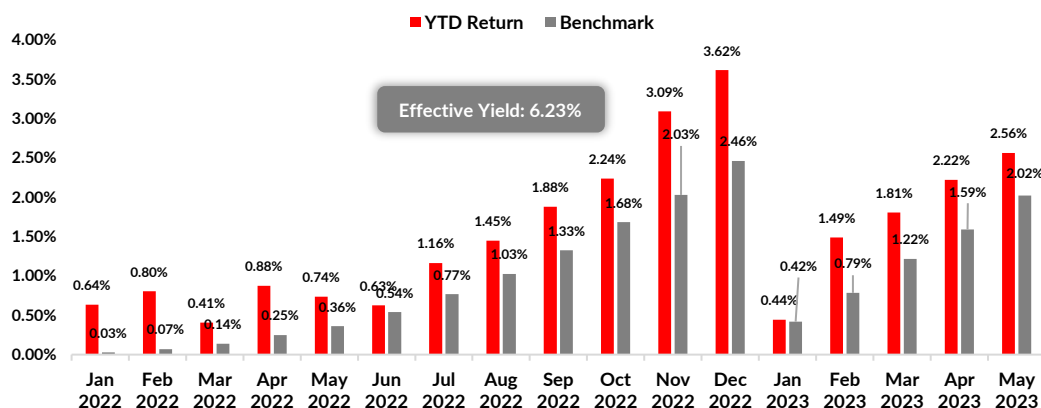
### Risk Management

- High quality issuer to reduce credit risk and durations limit to mitigate interest rate risk
- Issuer's concentrations limits and rigorous selection criteria
- Research based macro risk analysis and multiple level review
- Independent risk and compliance review
- Disciplined investment process and continuous value analysis relative to opportunity set
- Clear accountabilities and cross checks

## HISTORICAL FUND PERFORMANCE

	January	February	March	April	May	June	July	August	September	October	November	December	YTD
2022	0.44%	1.04%	0.31%	0.41%	0.34%								2.56%
2022	0.64%	0.17%	-0.39%	0.47%	-0.14%	-0.11%	0.53%	0.28%	0.42%	0.36%	0.84%	0.51%	3.62%
2021	-1.81%	1.60%	-2.20%	1.92%	1.18%	0.31%	0.21%	0.29%	-0.79%	-0.16%	0.07%	0.11%	0.51%
2020		-2.16%	-17.04%	3.92%	11.45%	4.91%	1.61%	4.65%	-3.60%	2.13%	6.62%	2.37%	12.69%

## HISTORICAL YTD RETURN VS. BENCHMARK



## RISK - REWARD PROFILE

1	2	3	4	5	6	7
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Lower risk  
/ Lower return

Higher risk  
/ Higher return

## FUND FACTS

Fund launch date	February 2020
Fund type	Open - Ended
Asset class	Fixed income
Risk profile	Low - Moderate
Investment Manager rating	A-(IM)*
Benchmark	Current US 6-month T-bill.
Currency	U.S. Dollar
Accounting	Mark-to-Market
Fund size	\$1.58 Million
Offer price	\$ 1.1932
Income distribution	Annually
Minimum holding period	6 months
Minimum initial transaction size	\$1,000
Minimum additional transaction size	\$5.00

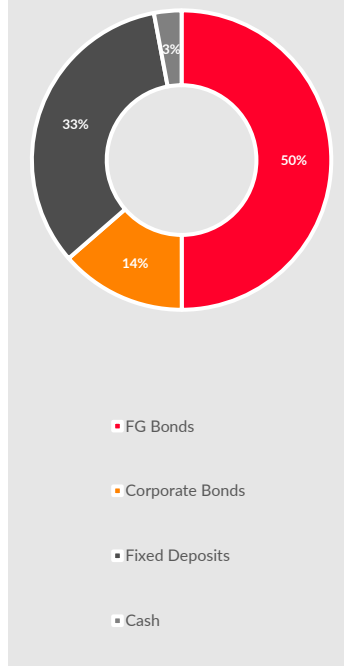
## FUND FEES

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



## DISCLOSURES & DISCLAIMERS

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