

**CORONATION**



# **Mutual Funds Factsheet**

September 2022



# Macroeconomic and Market Review

September 2022

## Overview

Nigerian financial markets were mixed in September: bearish sentiments were sustained in the equities and FGN bond markets, pressure remained on the I&E window exchange rate of the Naira, while the T-bill market was bullish. On macros, headline inflation rose to its highest level since September 2005, increasing by 88bps to 20.52% y/y in August. Food inflation (+110bps to 23.12% y/y) rose to its highest level since October 2005, while core inflation (+94bps to 17.20% y/y) rose to its highest level since January 2017, given the unfavourable base effect from the prior year, elevated fuel prices, and currency pressure.

Elsewhere, the Monetary Policy Committee meeting of the CBN in the final week of September concluded with a decision to hike the Monetary Policy Rate by 150bps to 15.50% pa. The Committee highlighted that tightening was needed given the need to signal the firm determination of the authority to aggressively address its price stability mandate and narrow the real interest rate gap.

## Fixed Income

The 150bps hike in the Monetary Policy Rate (MPR) to 15.50% by the CBN and upward movement in bond auction yields led to rises in secondary market bond yield and T-bill auction stop rates. However, a slight improvement in liquidity led to increased demand for short-dated secondary market T-bills. As a result, the yields on secondary market Nigerian Treasury Bills (T-bill) declined by 65 basis points across the curve, on average, to 7.14% pa. Conversely, stop rates increased across the three T-bill primary auctions held in the month. Specifically, the stop rate of the 1-year T-bill rose by 350 basis points to a 23-month high of 12.00% pa (annualised yield: 13.63%), while the rates on the short (+249bps) and mid (+250bps) tenor bills also rose substantially.

The secondary market in bonds was bearish in September, with the average yield rising by 50 basis points to 13.29%. At the short end of the curve, the yield of a 2-year bond rose by 69 basis points to 12.12%, while at the long end, the yield of a 15-year bond rose by 181 basis points to 15.27%. At the monthly primary auction, the Debt Management Office (DMO) allotted a total of N261.50bn (US\$598.40m) (including non-competitive allotments) across instruments. However, demand was weak, as reflected by the bid-to-offer ratio of 1.1x (vs the H1 22 average of 2.8x). Consequently, yields rose by 62bps on average – March 2025 (+100bps to 13.50%), April 2032 (+25bps to 13.85%), and April 2037 (14.50%) – across the tenors. 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 FGN to finance the budget deficit and tight domestic monetary policy amidst global monetary policy normalisation this year.

## Equities

Domestic shares slumped again in September and recorded a fourth successive monthly decline as tighter domestic monetary policy, the continued rise in market yields, and weaker oil prices weighed on investor sentiment.

As a result, the NGX All-Share Index (NGX ASI) fell to as low as 48,964.83 points, its lowest level since 24 August, before settling at 49,024.16 points and confirming a 1.63% m/m drop. On market movers, selloffs across index heavyweights Airtel Africa (1.96% m/m), Seplat Energy (3.85% m/m), Nestle Nigeria (10.00% m/m), Guaranty Trust Holdco (10.58% m/m), and Zenith Bank (8.68% m/m) dragged the broad index lower.

As market rates continue to rise, we are likely to see continued profit taking in the equities market and a reallocation towards fixed income.

## Oil

In September, oil prices extended their downward trend for the fourth consecutive month on heightened global recession fears, which have weakened the demand outlook, and an impending global supply crisis. Specifically, Brent crude fell to as low as US\$84.06/bbl, the lowest level since 13 January, before settling at US\$87.96/bbl. Month-on-month, Brent declined by 8.84%. Nonetheless, Brent is up 13.09% year-to-date and has traded at an average price of US\$102.52/bbl, 44.62% higher than the average of US\$70.89/bbl in 2021.

Nonetheless, in this exceptional year for oil prices, we maintain that prices are likely to remain above the US\$73.00/bbl set in Nigeria's government budget for the rest of the year.

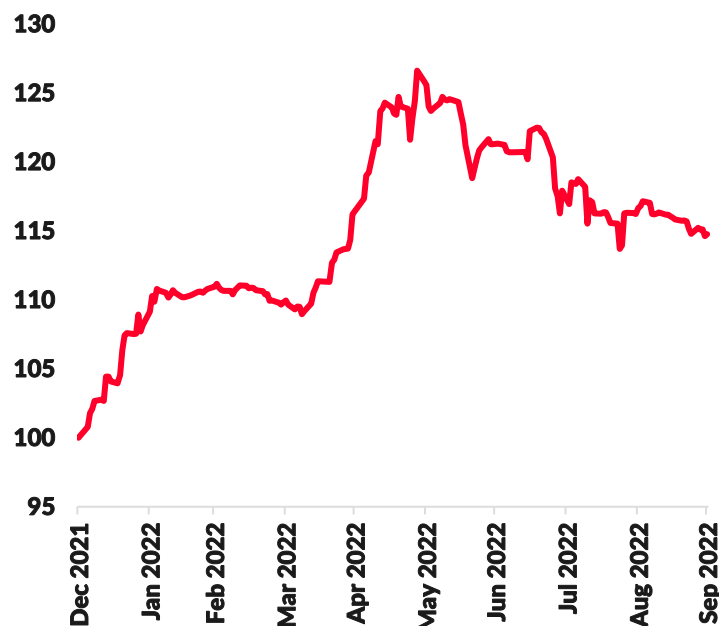
## Currency

In September, the exchange rate at the I&E Window weakened by 1.74% to N437.03/US\$1, a record low. In addition, liquidity at the window thinned out as average daily turnover declined by 16.5% m/m to US\$92.05m, the lowest level since April 2021.

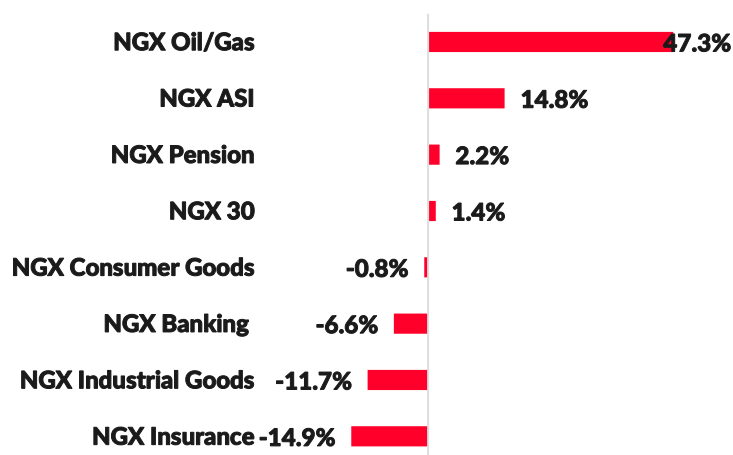
Elsewhere, the CBN's FX reserves fell for the second successive month, declining by 1.89% (or US\$740.26m) m/m to US\$38.28bn, reflecting intervention efforts of CBN across the various FX windows.

The CBN has maintained the exchange rate in the I&E Window within a narrow range all year. With its FX reserves close to historical highs, we expect it to be maintained at very close to current levels for several months, at least.

## NGX ASI, rebased 31 Dec 2021=100



## NGX sub-indices returns, YTD



Source: NGX Exchange, Coronation Research

## Global economic outlook

Increasingly gloomy developments have followed a tentative recovery in 2021 in 2022. Performance was slightly better than expected in the first quarter. Still, global GDP is estimated to have shrunk in the second quarter—the first contraction since 2020—owing to economic downturns in China and Russia. Higher inflation worldwide, especially in the US and major European economies, has triggered a sharp tightening in global financial conditions; the slowdown in China has been sharper-than-anticipated, reflecting COVID-19 outbreaks and lockdowns; and adverse cross-border effects from the war in Ukraine are persisting. As a result, the IMF expects global growth to decelerate markedly from 6.1% in 2021 to a revised 3.2% in 2022.

# 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.

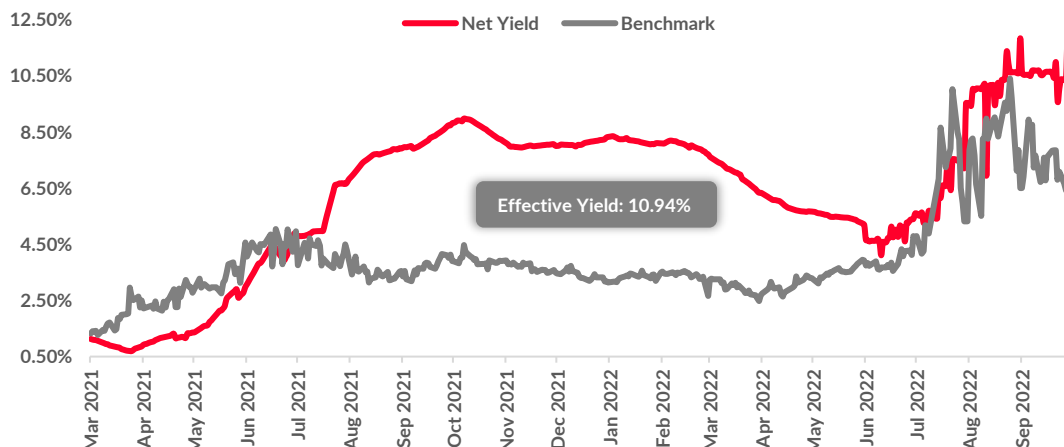
### Risk Management

- 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
2022	8.10%	7.70%	6.34%	5.67%	5.19%	4.86%	6.62%	10.19%	10.59%			
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%
2018	16.95%	15.20%	15.06%	14.09%	13.19%	12.70%	12.01%	12.33%	14.97%	11.31%	12.08%	12.47%
2017									2.53%	11.35%	17.40%	17.33%

### 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	₦4.6 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

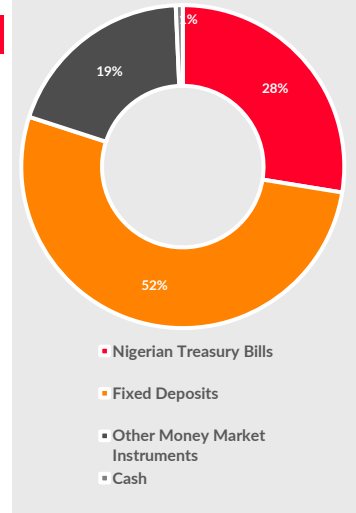
### FUND FEES

Management	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 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

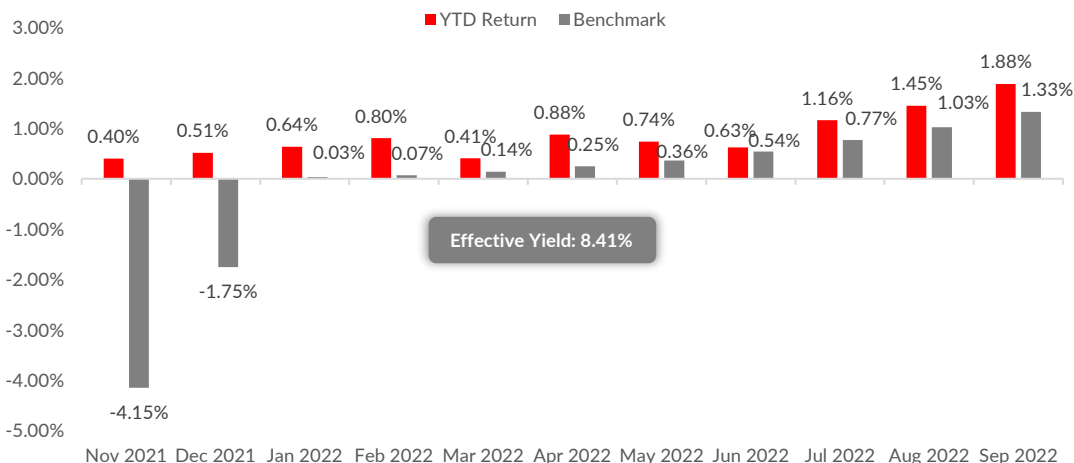
### Risk Management

- 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	0.64%	0.17%	-0.39%	0.47%	-0.14%	-0.11%	0.53%	0.28%	0.42%				1.88%
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	\$1.57 million
Offer price	\$ 1.1438
Income distribution	Annually
Minimum holding period	6 months
Minimum initial transaction size	\$10,000
Minimum additional transaction size	\$5,000

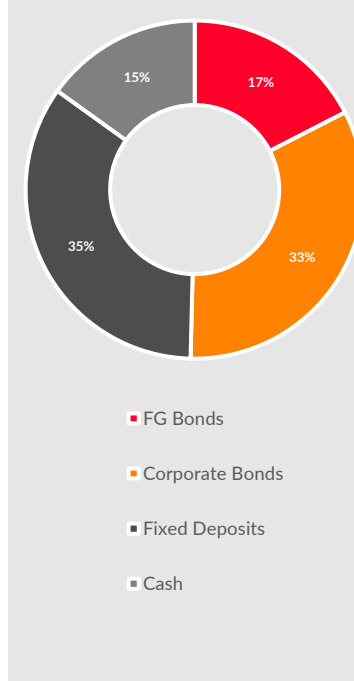
## FUND FEES

Management	1.0% p.a.
Others	1.50%

## FUND CHARGES

Exit charge	None
Early redemption charge	1.5% of income earned

## 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.

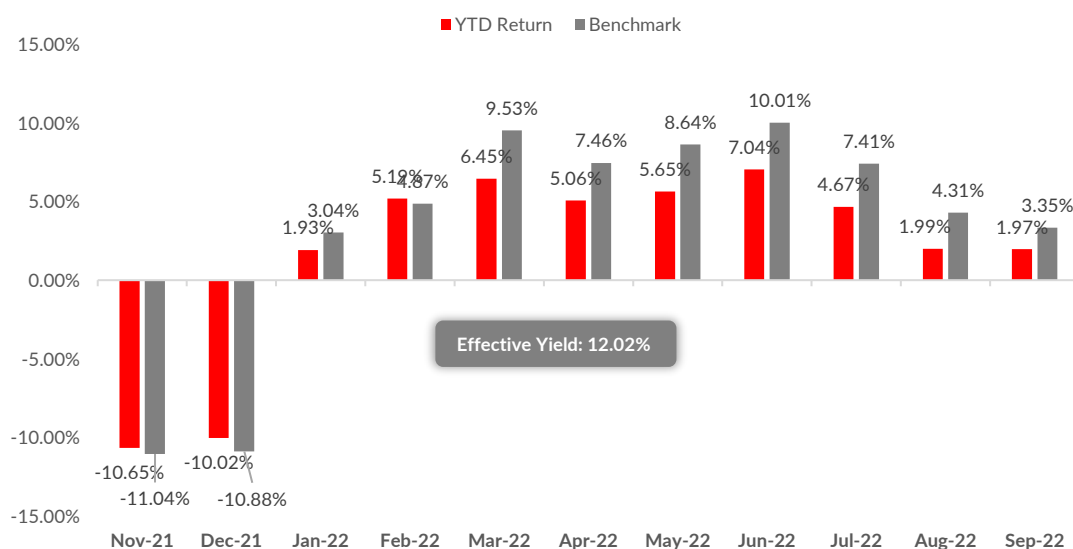
#### Risk Management

- 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
2022	1.93%	3.20%	1.19%	-1.30%	0.56%	1.31%	-2.22%	-2.55%	-0.02%				1.97%
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%
2018	3.50%	-1.10%	3.83%	0.89%	0.92%	1.34%	5.96%	-10.34%	0.33%	4.31%	0.91%	0.66%	6.74%
2017									0.91%	0.65%	1.21%	2.07%	4.92%

### 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
Benchmark	Weighted average of 3-year+10-year FGN bond
Investment Manager rating	A-(IM)
Fund rating	A+/FV4
Currency	Nigerian Naira
Accounting	Mark-to-Market
Fund size	₦332 Million
Offer price	₦1.3663
Income distribution	Semi-annually
Minimum holding period	3 months
Minimum initial transaction size	₦10,000
Minimum additional transaction size	₦5,000

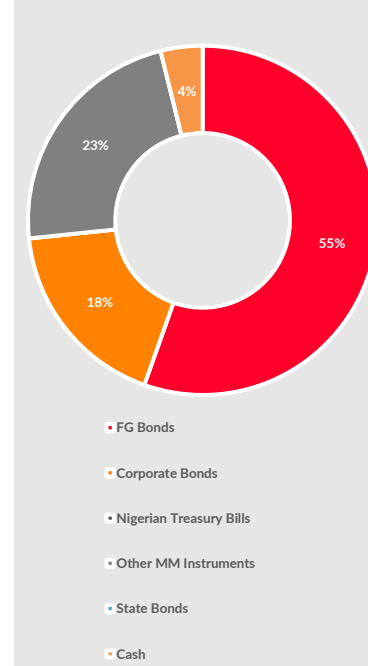
### FUND FEES

Management	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



# 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 minimise risk exposure.

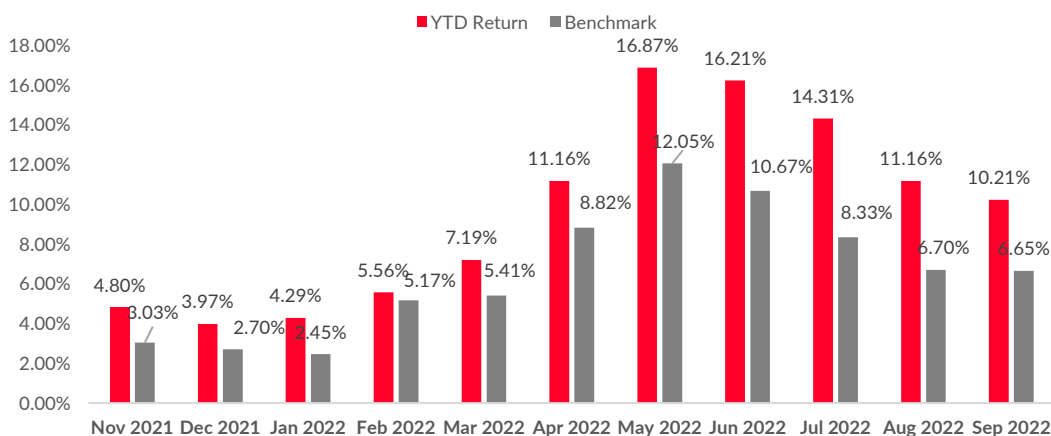
### Risk Management

- 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
2022	4.29%	1.23%	1.54%	3.71%	5.38%	-0.56%	-1.64%	-2.74%	-0.86%				10.21%
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%
2018	6.54%	-0.92%	1.86%	0.98%	0.39%	1.46%	1.55%	-22.60%	-4.82%	0.24%	-1.08%	31.74%	4.87%
2017									0.05%	2.54%	7.11%	-2.83%	6.79%

### 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	₦121 Million
Offer price	₦1.1759
Income Distribution	Annually
Minimum holding period	6 months
Minimum initial transaction size	₦10,000
Minimum additional transaction size	₦5,000

### FUND FEES

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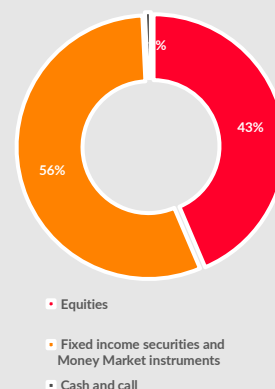
### FUND CHARGES

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

### FUND CHARACTERISTICS

Equities Holding by Sector	
Financials	7.04%
Industrials	9.59%
Consumers	1.71%
Agriculture	11.37%
Oil and Gas	4.67%
Telecommunications	9.20%
<b>Total</b>	<b>43.59%</b>

### FUND ASSET ALLOCATION



## DISCLOSURES & DISCLAIMERS

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