

CORONATION

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Mutual Funds Factsheet

August 2023

Macroeconomic and Market Review

August 2023

Overview

In the month of August, Naira bond rates rose significantly while Treasury bill rates declined slightly in the secondary market. The Nigerian equity market recorded another gain.

The local bourse continued its winning streak with the NGX All-Share index adding 3.44% month-on-month to settle at 66,548.99 points. A report from the National Bureau of Statistics showed inflation rising from 24.08% year-on year in July to 25.80% in August. Food inflation rose by 622 basis points to 29.34% and core inflation rose by 403 basis points to 21.15%. Increased prices of edible oil, bread, and cereals were the major pressures on food inflation. Increased bus and air fares and the high cost of purchasing spare parts contributed to the rise in core inflation.

Fixed Income

The overall direction of Treasury bill rates during August in the secondary market was slightly downwards with a 10 basis point decline in yield to 7.02%. This was despite two T-bill auctions that had very different results and an Open Market Operation (OMO) auction that appeared to be an effort to hold rates up.

At the first T-bill auction held in August, the CBN offered N153.9bn. Subscriptions at the auction were N836.30bn with a bid to cover ratio of 5.43x (versus 1.51x in July). Average stop rates declined across the three maturities (91-day, 182-day and 364-day) to 6.90% (vs 8.72% at the last auction in July). The trend in rates then reversed at the second T-bill auction in August, despite a very high level of subscription. Subscriptions at the second auction were N1,543tn, with a bid-to-cover ratio of 5.09x. Yet stop rates averaged 9.05%, 215 basis points higher than the initial auction..

The Central Bank of Nigeria took action which appeared to be aimed at supporting market interest rates in August. It did this by reintroducing its Open Market Operations (OMO) for the first time this year. OMO bills are usually offered in order to drain liquidity from the financial system. At its OMO bill auction the CBN offered N150.00bn across 91-day, 187-day and 364-day maturities. The OMO auction met high demand with a total subscription of N307.43bn and the average stop rate settled at 12.49%.

In the Federal Government of Nigeria (FGN) bond market the overall direction of rates was clearly upwards, even though secondary market yields only increased slightly. Significant rises in rate were recorded at the month's bond auction.

At the FGN bond auction the Debt Management Office (DMO) offered N360bn but raised a total of just N227.75bn, which included non-competitive allotments of N2.50bn. The participation level (demand) declined by 66% month-on-month to N312.56bn compared with N945.10bn recorded in July. It is important to note that the 30-year bond recorded the highest subscription, reflecting investors' appetite for long-term fixed assets despite the unsettled macroeconomic environment. The bid-to-cover ratio stood at 0.6x when compared with 1.5x the previous month.

Yields increased across all tenors with the yields of the two 10-year bonds on offer increasing by +130bps and +140bps to 13.85% and 15.00% respectively. The yield of the 15-year bond increased by +110bps to 15.20%, and the yield of the 30-year bond increased by +153bps to 15.85%. We note that tightened system liquidity on the back of the recent OMO auction has led to higher rates on fixed-income assets at auction.

Activity in the Federal Government of Nigeria (FGN) bond secondary market traded slightly bearish in July as the average yield of FGN bonds increased by 12 basis points to 13.10% month-on-month. At the short end of the curve, the yield of a 3-year bond increased by +56 basis points to 11.54%, while at the long end, the yield of a 20-year bond declined by 68 basis points to 14.57% per annum.

Equities

The NGX All-Share Index (NGX ASI) advanced higher by 3.44% month-on-month to settle at 66,548.99 points. This took the overall gain for the year to 29.85%. On market movers, gains for Dangote Sugar (+103.70% month-on-month), BUA Foods (+32.60% m/m), Cadbury Nigeria (+22.67% m/m), Flour Mills of Nigeria (+14.39% m/m) and Lafarge (+9.21% m/m) drove the NGX ASI's performance.

The mood in the market is quite positive as investors anticipate more regulatory reforms from the current administration, and impressive earnings from companies. However, with substantial gains already booked for the year, and in particular with very strong gains in bank stocks, it is possible that the easiest gains in the market have already been made during the first eight months of the year. Going forward it seems likely that institutional investors are likely to re-weight towards equities and therefore would be able to absorb selling pressure, thereby softening the potential for market declines, in our view.

Oil

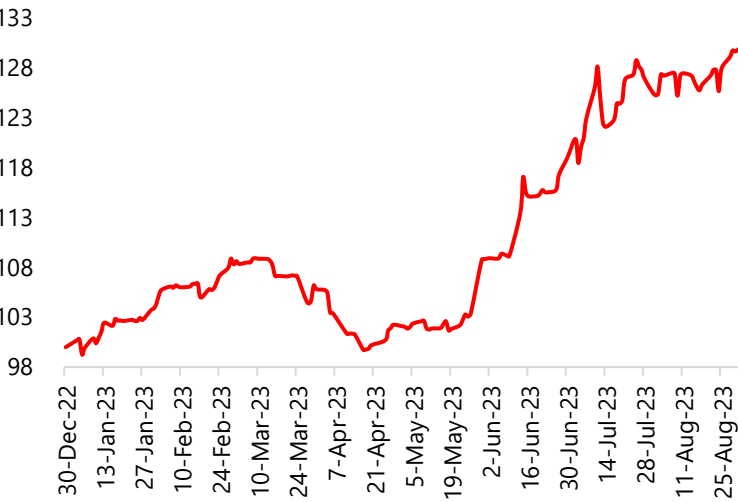
Global oil prices closed August with a gain of 1.5% with the price of Brent at US\$86.86 per barrel. The commodity actually slipped during the first three weeks of the month but then trended decisively upwards as it became clear that the dominant member of the Organization of the Petroleum Exporting Countries (OPEC), Saudi Arabia, would extend its production cuts through to the end of the year. This news on the supply side coincided with evidence that the slowdown in the rate of growth of China is not as great as previously feared, giving rise to hopes of better metrics on the demand side. The month ended with strong market sentiment behind oil prices.

Currency

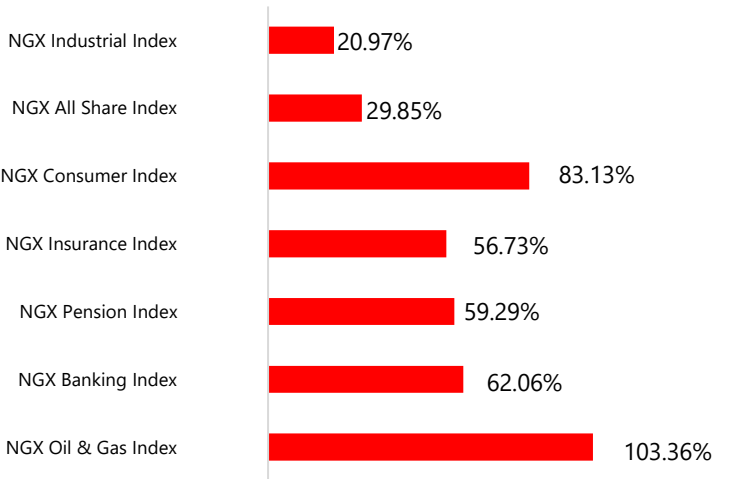
The Naira fell by 0.76% at the I&E window to close at N762.71/US\$1 during the month. In the parallel market the Naira fell by 5.5% to close at N918.00/US\$1, a situation aggravated by a backlog of demand for US dollars from the likes of airlines, shipping companies and foreign investors. FX reserves for the month rose marginally by 0.01% to US\$33.95bn.

While various trade bodies and other interested parties have made representations in favour of restoring a managed exchange rate, the government is sticking to its guns with its policy of a willing buyer/willing seller market. There appears to be no alternative to the current policy.

NGX ASI, rebased 31 Dec 2022=100



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



Source: NGX Exchange, Coronation Research

Global economic outlook

A recent publication from the Organisation for Economic Co-operation and Development (OECD) upgrades its forecast of global growth in 2023 from 2.7% year-on-year to 3.0%, its judgment driven by an improved outlook for Chinese growth and low commodity prices. (While oil prices are currently surging the same cannot be said for other hard commodities such as copper and for soft commodities such as wheat.) Conditions for an improvement in global growth are benign.

In some of the major economies of the world appears to be under control, with the long period of elevated policy rates in the US, Europe and the UK having the desired effect. Although most rate-setting authorities are still of a mind to continue raising policy rates, the bond markets are beginning to discount the end of this rate-hiking cycle. In other words, the world's major economies are getting close to the point where policy rates do not have to be raised by very much more. This in turn brings the prospect of policy rate cuts at some point in 2024, though it is impossible to judge exactly when.

The OECD is not as optimistic about 2024 as it is about 2023, and has trimmed its global growth forecast for 2024 from 2.9% to 2.7%. Chief among the reasons the OECD gives for this is the persistence of core inflation in many economies and the effects borrowing rates that have continued to move upwards. To this we would add the risk of additional tariffs and protectionism negatively affecting global trade.

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.

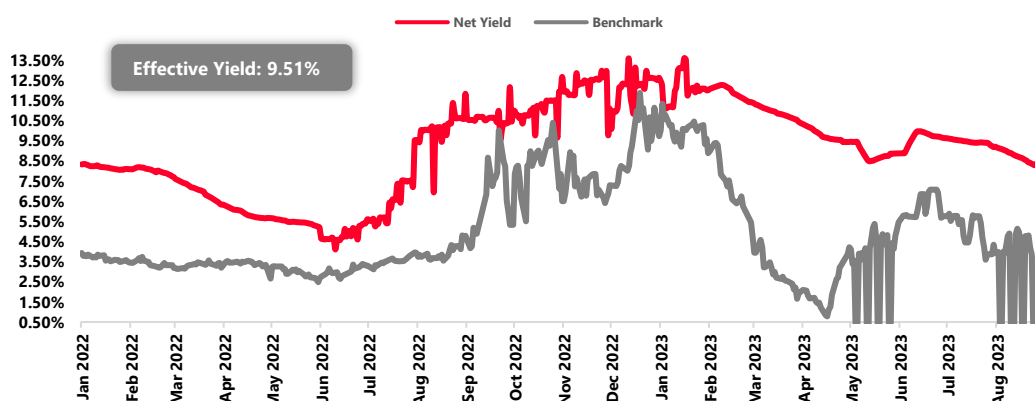
Risk Management

- 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%				
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	₦5.1 Billion
Offer price	₦1.00
Income distribution	Quarterly
Minimum holding period	1 month
Minimum initial transaction size	₦10,000
Minimum additional transaction size	₦5,000

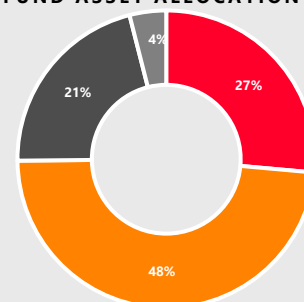
FUND FEES

Management fees	1.0% p.a.
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FUND CHARGES

Entry charge	None
Exit charge	None
Early redemption charge	1.5% of income earned

FUND ASSET ALLOCATION



Coronation Fixed Income Dollar Fund

FUND OVERVIEW

The primary objective of the Fund is to offer Unit Holders the opportunity for short-term capital preservation and income generation by investing in a well-diversified portfolio of short-term dollar-denominated fixed income securities.

Investment Objective:

The core objective of the Fund is to generate short-term capital preservation and income through investments in a diversified range of short-term fixed income securities.

Investment Strategies:

The Fund Manager will employ an investment strategy focused on achieving capital preservation, generating income, and ensuring liquidity. The fund will aim to maintain an average duration of not more than 1 year, emphasizing investments in short-term fixed income securities with robust liquidity profiles.

Suitable Investor

The Fund is suitable for investors seeking short-term investment options with a focus on capital preservation and generating consistent income. Investors looking for relatively lower risk exposure over the short term are well-aligned with the Fund's objectives.

Investment Philosophy

Our investment philosophy centers on constructing a diversified portfolio of high-quality short-term fixed income securities. The aim is to deliver steady income with controlled volatility and capital preservation. This is achieved through meticulous bottom-up credit selection, tactical trading in liquid instruments, and a strong emphasis on risk management.

Our approach combines fundamental analysis, rigorous risk management tools, and a top-down perspective to maintain liquidity objectives while striving for consistent income generation over the short term.

Risk Management

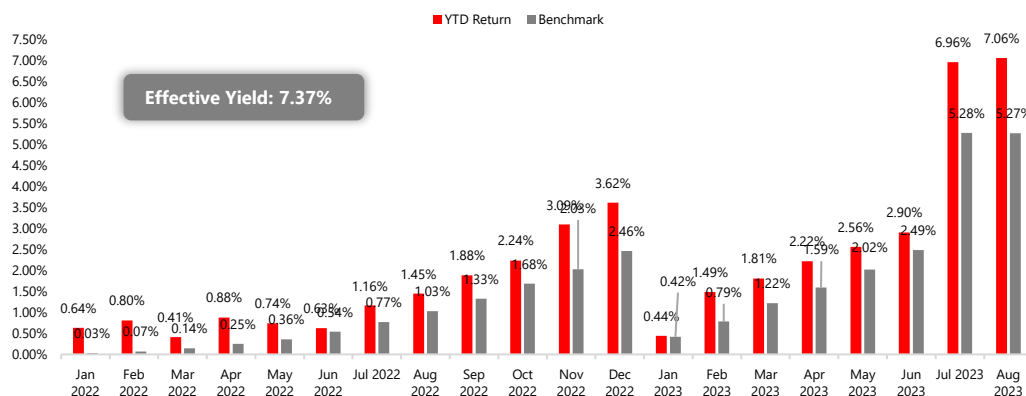
We prioritize risk management as a fundamental pillar of our investment process. To mitigate risk exposure, the Fund focuses on investing in high-quality issuers to reduce credit risk and employs strategies to limit interest rate risk through controlled durations.

We maintain issuer concentration limits and adhere to stringent selection criteria to ensure portfolio diversification. Our risk management approach includes in-depth macro risk analysis, multi-level reviews, and independent risk and compliance assessments.

HISTORICAL FUND PERFORMANCE

	January	February	March	April	May	June	July	August	September	October	November	December
2023	0.44%	1.49%	1.81%	2.22%	2.56%	2.90%	**6.96%	7.06%				

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
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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	\$1.49 Million
Offer price	\$ 1.00
Income distribution	Annually
Minimum holding period	6 months
Minimum initial transaction size	\$1,000
Minimum additional transaction size	\$500

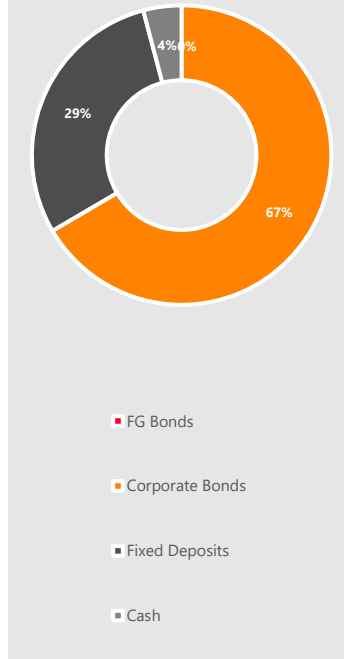
FUND FEES

Management fees	1.0% p.a.
Others	1.50%

FUND CHARGES

Exit charge	None
Early redemption charge	1.5% of income earned

FUND ASSET ALLOCATION



Coronation Balanced Fund

FUND OVERVIEW

Investment Objective:

The objective of the Fund is to achieve capital appreciation and income generation while mitigating the volatility associated with equity investments by investing in fixed income securities.

Investment Strategy:

The Fund Manager's investment strategy focuses on capital appreciation and income generation with a higher risk. The Fund is aimed at medium-term focused investors looking for income and moderate growth with a relatively higher risk appetite.

The fund invest in a diverse pool of Nigerian equities and fixed income securities such as FGN Bonds and Money Market securities.

The Fund has a target asset allocation of up to 70% in equities, 20% in fixed income securities, 10% in other market securities. The fund strives to maintain a fixed income duration of 5 years and be mainly invested in Naira - denominated fixed income and money market instruments.

The Fund will follow all applicable rules of Securities and Exchange Commission (SEC).

Investment Philosophy

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

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

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

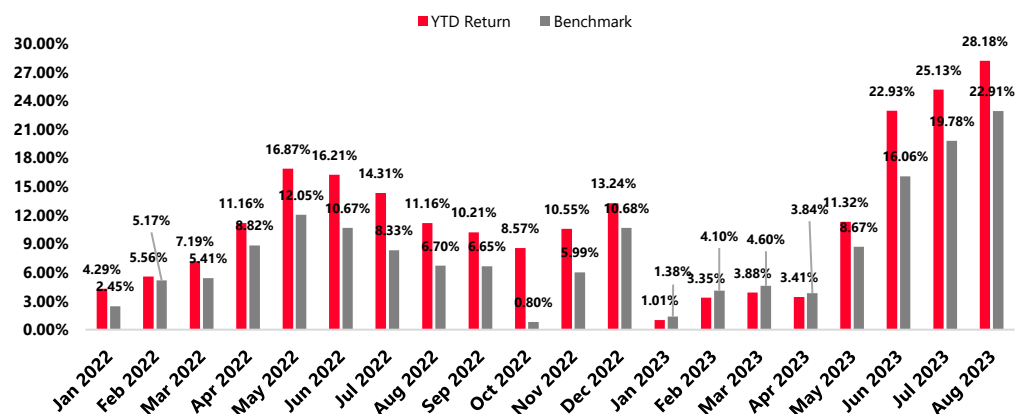
Risk Management

- High-quality issuer to reduce credit risk and durations limit to mitigate interest rate risk
- Rigorous selection criteria and research-based macro risk analysis
- Independent risk and compliance review
- Disciplined investment process and multiple level review
- Continuous value analysis relative to opportunity set and issuers concentrations limits
- Clear accountabilities and cross checks

HISTORICAL FUND PERFORMANCE

	January	February	March	April	May	June	July	August	September	October	November	December	YTD
2023	1.01%	2.32%	0.51%	-0.45%	7.65%	10.44%	1.79%	2.43%					28.18%
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	₦170 Million
Offer price	₦1.4606
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

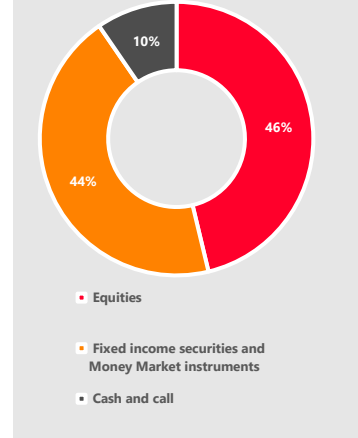
Entry charge	None
Exit charge	None
Early Redemption Charge	1.5% of net proceed

FUND CHARACTERISTICS

Equities Holding by Sector

Financials	12.95%
Industrials	15.57%
Consumers	3.65%
Agriculture	2.42%
Oil and Gas	4.11%
Telecommunications	7.54%
Total	46.25%

FUND ASSET ALLOCATION



Coronation Fixed Income Fund

FUND OVERVIEW

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

Investment Objective:

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

Investment Strategy:

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

The fund will strive to maintain an average duration of not more than 6 years.

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

Investment Philosophy:

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

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

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

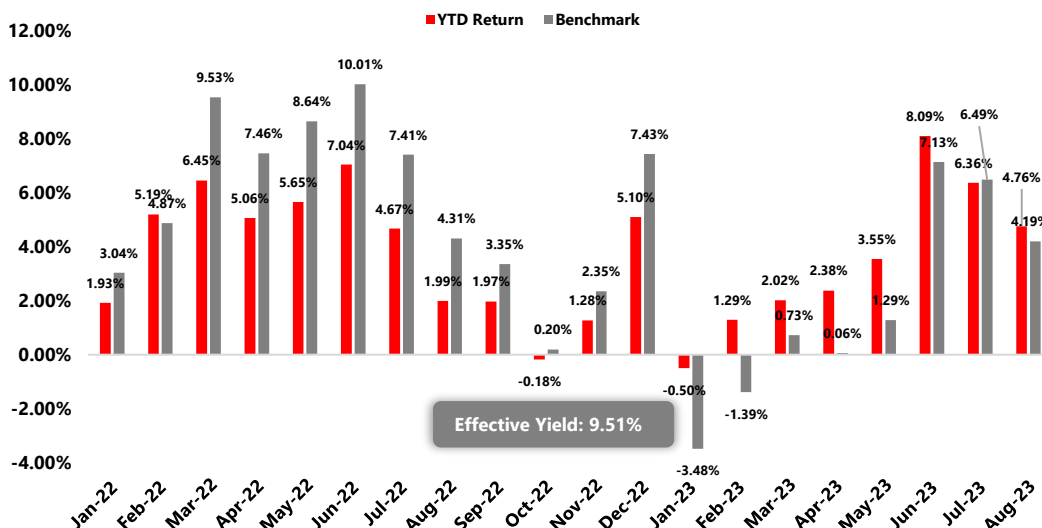
Risk Management

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

HISTORICAL FUND PERFORMANCE

	January	February	March	April	May	June	July	August	September	October	November	December	YTD
2023	0.49%	1.80%	0.72%	0.35%	1.14%	4.38%	-1.60%	-1.51%					4.76%
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	₦349 Million
Offer price	₦1.3869
Income distribution	Semi-annually
Minimum holding period	3 months
Minimum initial transaction size	₦10,000
Minimum additional transaction size	₦5,000

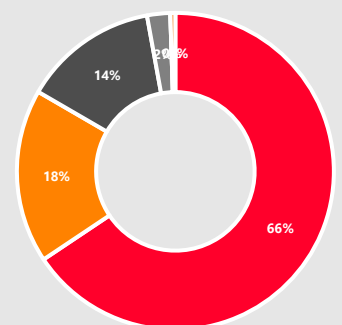
FUND FEES

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

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