

CORONATION

Mutual Funds Factsheet

May 2022

May 2022

Outlook

Nigerian financial markets were mixed in May: bearish sentiments persisted in the T-bill and FGN bond markets. Stability was the theme in the foreign exchange market, while the Nigerian equity market continued on its upward trajectory.

In addition, the economic outlook appears to be improving, as GDP grew by 3.11% y/y in Q1 2022 (Q4 2021: 3.98 y/y%), its sixth consecutive quarter of growth, led by the non-oil economy. The rise reflected gains associated with the CBN interventions in the agriculture sector, increased mobile services usage, increased economic activities post-lockdowns, and improved credit to the private sector. On the other hand, the oil sector contracted by 26.04% y/y, the eighth consecutive quarterly decline and worst on record, following persistent production challenges.

Elsewhere, the Monetary Policy Committee meeting of the CBN in late May concluded with a surprise decision to hike the Monetary Policy Rate by 150bps to 13.00% pa. The Committee decided to hike interest rates after carefully considering the need to strike a delicate balance between containing inflationary pressures whilst supporting economic recovery and mitigating capital flow reversals associated with global central banks' normalisation of monetary policy.

Fixed Income

A surprise 150bps hike in the Monetary Policy Rate (MPR) to 13.00% by the CBN led to rises in T-bill auction stop rates and increased market interest rates in May. As a result, in the Nigerian Treasury Bill (T-bill) secondary market, yields expanded by 18 basis points across the T-bill yield curve, on average, to 3.84% pa. Most of the selloffs were at the long end of the T-bill curve as yields rose by 38bps on average. On average, stop rates also increased across the two T-bill primary auctions held in the month. Specifically, the stop rate of the 1-year T-bill rose by 174 basis points to a sixth-month high of 6.49% pa (annualised yield: 6.94%), while the rates on the short (+76bps) and mid (+89bps) tenor bills also rose.

The secondary market in bonds was also bearish in May, with the average yield rising by 8 basis points to 11.24%. At the short end of the spectrum, the yield of a 2-year bond fell by 25 basis points to 7.59%, while at the long end, the yield of a 20-year bond rose by 45 basis points to 13.15%. At the monthly primary auction, the Debt Management Office (DMO) allotted a total of N378.41bn (US\$902.70m) (including non-competitive allotments) across instruments. As reflected by the total subscription of N575.63bn and a bid-to-offer ratio of 2.56x, demand was strong. Nevertheless, yields rose by 2bps on average – March 2025 (flat at 10.00%), April 2032 (-5bps to 12.45%) and January 2042 (+10bps to 13.00%) – 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

In May, the Nigerian equities market continued to rally, with the primary equity gauge hitting multi-year highs on positive corporate actions and increased international commodity prices. In addition, sustained low short-term market yields have continued to encourage participation in risk assets.

Specifically, the NGX All-Share Index (NGX ASI) rose to as high as 54,085.30 points, its highest level since 15 July 2008, before settling at 53,637.14 points. Nevertheless, this marked an 8.05% m/m rise, its most significant monthly gain since January 2022. On market movers, gains in index heavyweights Airtel Africa (+27.49% m/m) and Seplat Energy (+7.46% m/m), as well as rallies in Okomu Oil Palm (+46.26% m/m), Presco (+12.97% m/m), and MTN Nigeria (+7.23% m/m) pushed the broader index higher.

In general, it appears that there may be continued support for the market in the near term until our expectation for a sustained rise in interest rates crystallises.

Oil

Oil prices extended its rally in May following increased demand expectations with the coming summer driving season in the United States, China easing Covid-19 lockdown measures and the prospects of a ban on Russian energy imports by the European Union. As a result, Brent crude rose by 12.35% m/m – the highest monthly gain since January – to settle at US\$122.84/bbl, the highest level since 8 March. The gain marked its sixth consecutive monthly gain. Year-to-date, Brent is up 57.93% and has traded at an average price of US\$102.40/bbl, 44.45% higher than the average of US\$70.89/bbl in 2021.

With the anticipation of the summer season, supply-side challenges are now more pronounced as OPEC+ data showed a widening discrepancy between its output objectives and reality as the cartel's production losses as Russia's production is anticipated to fall. In addition, the Organisation of the Petroleum Exporting Countries and its allies (OPEC+) maintained the decision to increase their June 2022 production target by 432,000 bpd, which led to the US Senate Judiciary Committee approving the passage of the "No Oil Producing and Exporting Cartels" (NOPEC) bill that could open OPEC+ members to antitrust lawsuits over collusion to raise global crude oil prices. This is expected to keep a high floor on oil prices through the summer season.

Oil prices were further bolstered on the back of the EU's proposal to phase out 90% of purchases of Russian crude oil, as well shipping and insurance services for transporting it. While the proposal was initially hindered by Hungary and Slovakia seeking exemptions, the EU resolved to exempt pipeline oil from Russia as a concession, while seeking alternatives. Consequently, upside risks remain for oil prices even as the Iranian nuclear deal appears to be elusive, which in our view is likely to support oil comfortably above the US\$60.00/bbl mark over the coming months.

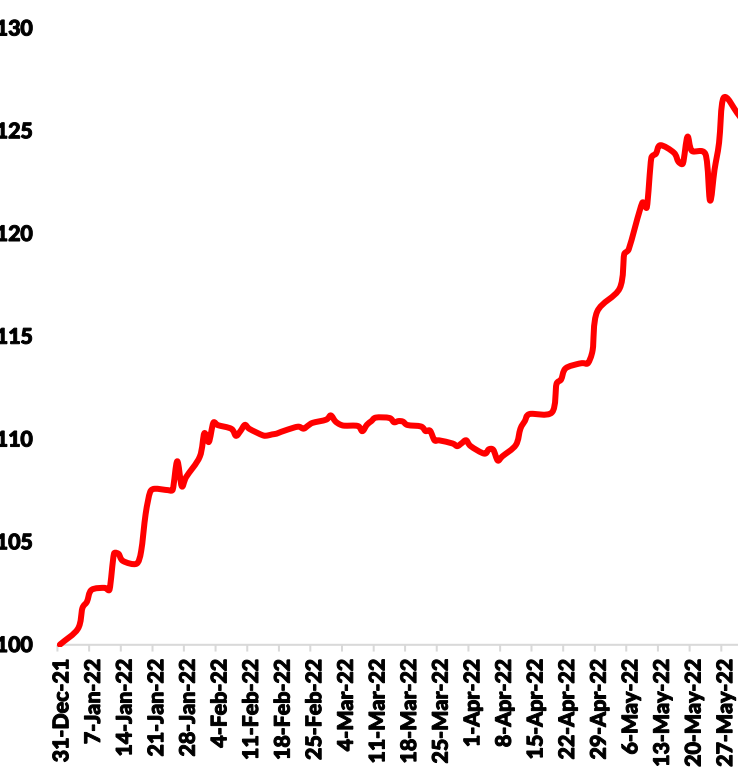
Currency

In May, the exchange rate at the I&E Window fell to as low as N421.50/US\$1, its highest level since the start of January 2022, before settling at N419.50/US\$1 (-0.12% m/m). In addition, total turnover at the window declined by 8.8% m/m to US\$2.49bn.

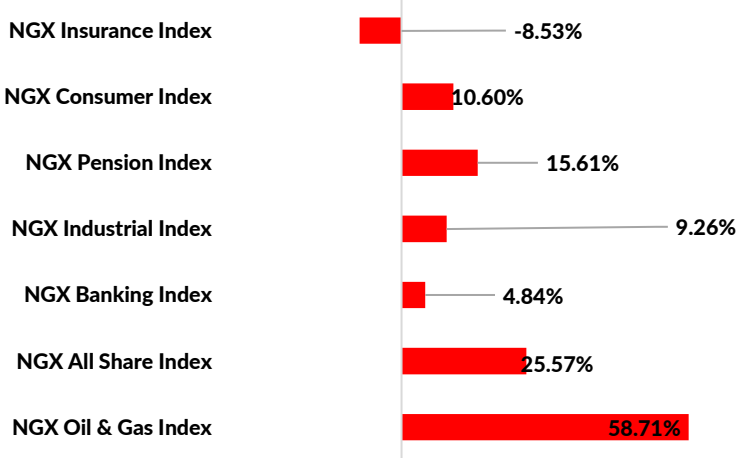
Elsewhere, the CBN's FX reserves resumed its descent, falling by 2.77% (or US\$1.10bn), its most significant drop since December 2021, to US\$38.48bn. However, we note that the reserves remain comfortably above the US\$30.00bn level that we consider critical.

All the same, to have an FX position of US\$38.48bn is a strong position for the CBN and is likely to enable it to hold the exchange rate close to current levels for several months at least, in our view.

NGX ASI return YTD, rebased 31 Dec 2021=100



NGX sub-indices returns, YTD



Source: NGX Exchange, Coronation Research

Global economic outlook

Following a strong rebound in 2021, growth in the global economy is entering a pronounced phase of slowing, amid new threats from the ongoing war in eastern Europe between Russia and Ukraine, the spread of new COVID-19 variants, a rise in inflation, pressure on sovereign and corporate debt, and income inequality that could endanger the recovery in emerging and developing economies. The World Bank expects global growth to decelerate markedly from 5.5% in 2021 to a revised 3.6% in 2022 as pent-up demand dissipates and fiscal and monetary support is unwound across the world.

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.

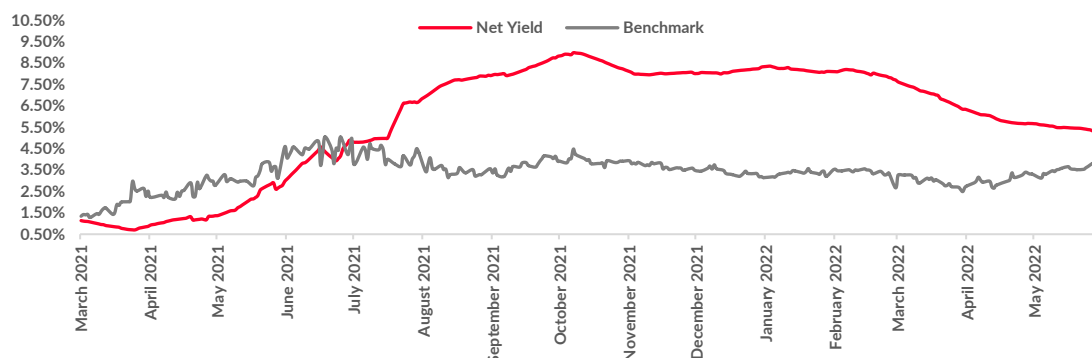
Risk Management

- 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%							
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	₦5.0 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

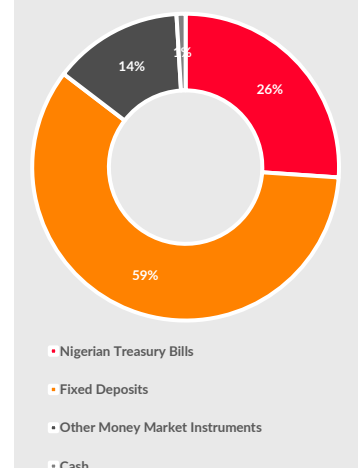
FUND FEES

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 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.

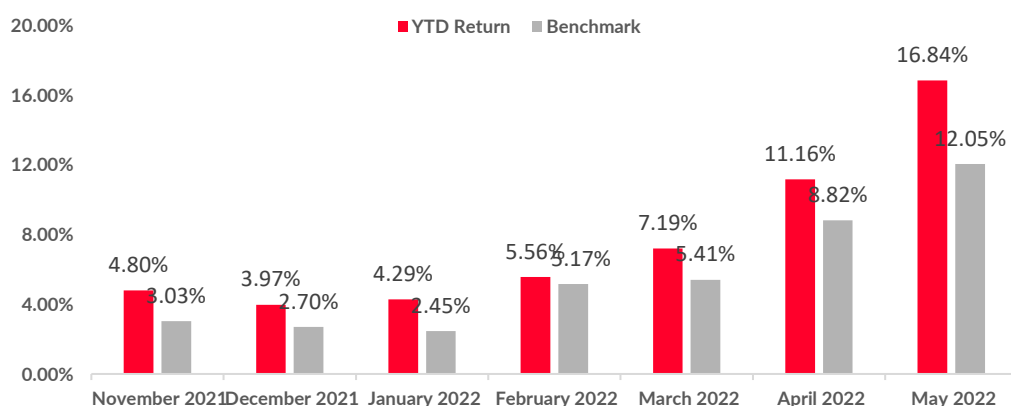
Risk Management

- 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%	5.11%								16.84%
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	₦131 Million
Offer price	₦1.2608
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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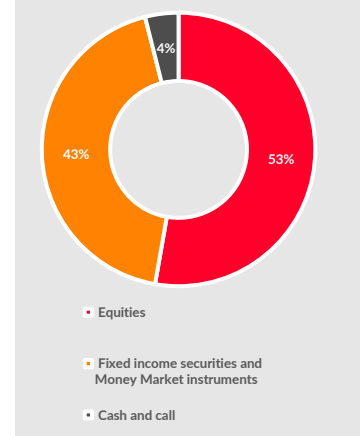
FUND CHARGES

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

FUND CHARACTERISTICS

Equities Holding by Sector	
Financials	7.85%
Industrials	12.60%
Consumers	2.53%
Agriculture	12.64%
Oil and Gas	5.30%
Telecommunications	11.84%
Total	52.75%

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.

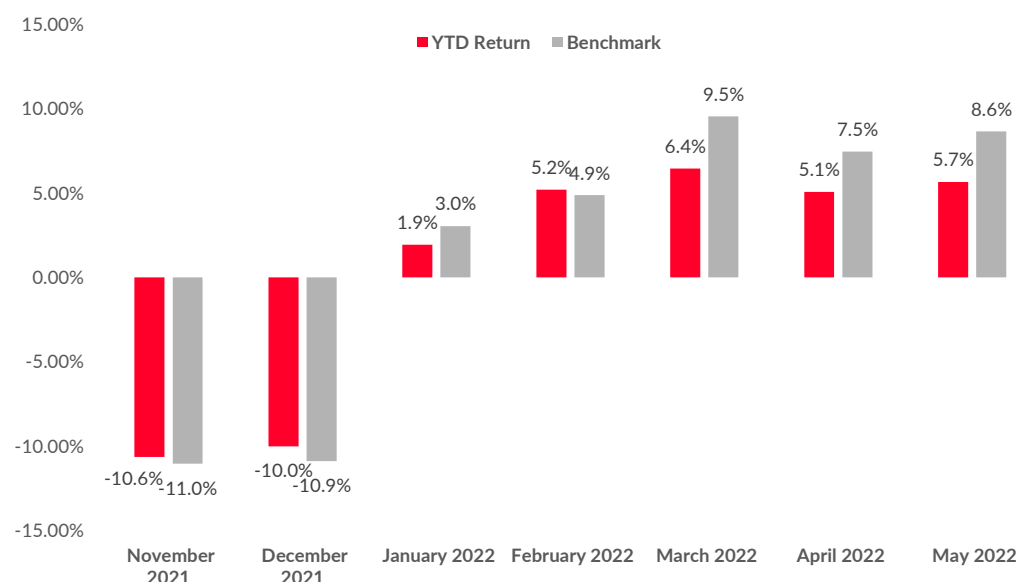
Risk Management

- 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%								5.65%
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	₦425 Million
Offer price	₦1.4846
Income distribution	Semi-annually
Minimum holding period	3 months
Minimum initial transaction size	₦10,000
Minimum additional transaction size	₦5,000

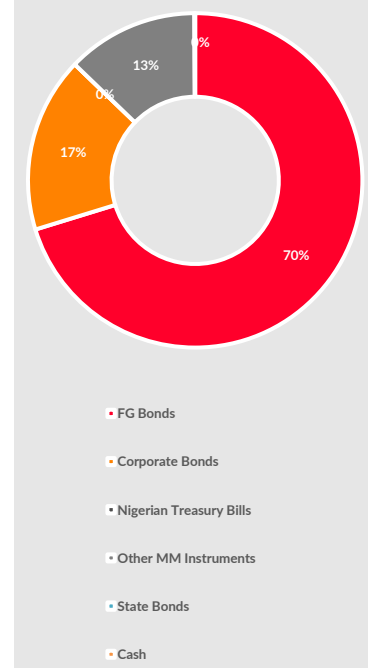
FUND FEES

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 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

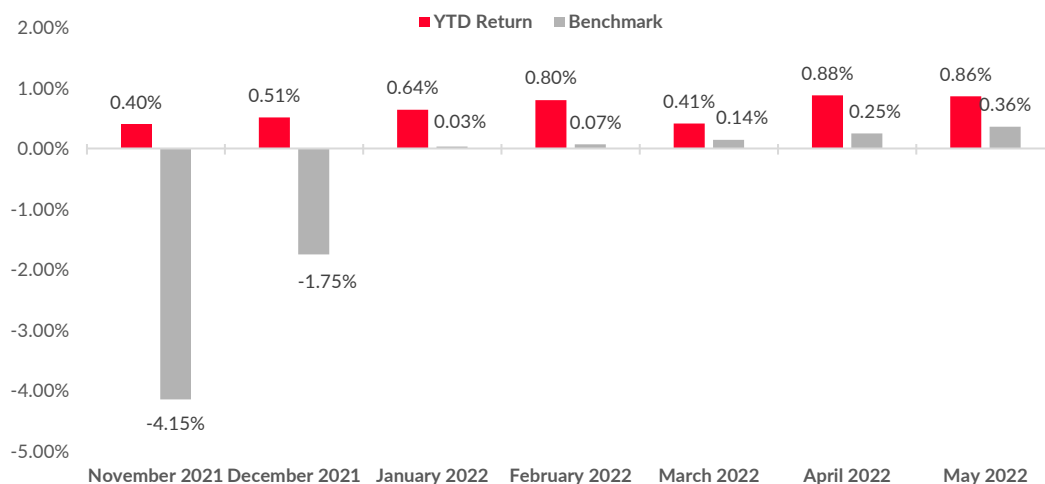
Risk Management

- 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%	-0.01%								0.86%
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	\$1.40 million
Offer price	\$ 1.1425
Income distribution	Annually
Minimum holding period	6 months
Minimum initial transaction size	\$10,000
Minimum additional transaction size	\$5,000

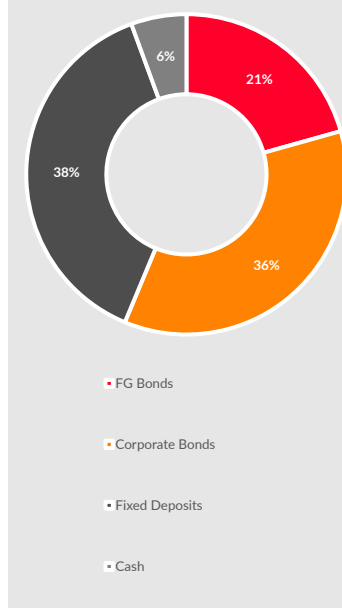
FUND FEES

Management	1.0% p.a.
Others	1.50%

FUND CHARGES

Exit charge	None
Early redemption charge	1.5% of income earned

FUND ASSET ALLOCATION



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