

# An Easy Guide to Investing in Nigerian Mutual Funds



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## About Coronation Asset Management

Coronation Asset Management offers a wide range of investment solutions across various asset classes to both individual and corporate clients.

We started out with a simple mission - to help more people preserve and grow their wealth. We utilise our team of investment experts and our deep understanding of Nigeria to ensure that your investment goals are realised.

We have built a reputation for delivering excellent value and great returns on our investments. Today, we are one of the most capitalised asset management firms in Nigeria.

## Why choose Coronation as your Asset Manager?

**Best-in-class Products:** From the introduction of our first public funds in 2017, Coronation Asset Management has built a solid foundation of world-class products to support your investment needs.

**Client focus:** As an independent asset manager, we have a single focus: managing your money. All our financial and intellectual capital goes into delivering top performance for our clients.

**Competitive returns on investment:** Our funds perform strongly and our Investment Management team delivers competitive returns on investments. This earned us the recognition of Best Fund Manager in Nigeria at the International Finance Awards in 2018. We also received the award for Asset Management Firm of the Year at the Business Day Financial Institutions Awards in 2021.

**Transparency:** We are one of the first Nigerian Asset Managers to embrace Global Investment Performance Standards (GIPS). We provide clear and accurate information that keeps you informed of the value of our investments and our performance as asset managers.

## Easier Than You May Think

Have you always wanted to invest in stocks and bonds, but did not know where to start? Or do you find them hard to understand altogether? Mutual funds are a good place to start. They provide a convenient and inexpensive entrance into the world of professional money management.

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## What are Mutual Funds?

Mutual funds are investment funds that pool money from many investors to purchase securities such as stocks and bonds that are publicly traded in financial markets around the world.

In simpler terms, a mutual fund pools money from you and other investors, so that the fund can have a higher purchasing power to trade in the financial market for better returns.

A mutual fund is run by investment professionals and invests according to the fund's investment objective.

Mutual funds also have a risk threshold ranging from low risk to high risk. Generally, greater risk offers potentially higher returns.

At Coronation Asset Management, we have a team of highly-skilled investment managers who deliver superior returns, according to the objectives of our various funds.

### Key Features

- Mutual Funds follow strict investment guidelines. This means they should only ever invest in what they are allowed to. Their investments are spread across various asset classes and financial instruments around in order to minimise the risk of investing in a single type of asset.
- Mutual Funds are regulated by the Securities and Exchange Commission of Nigeria (SEC) which provides a strict framework for investing and monitoring performance.
- Mutual Funds give you access to professional investment managers, for example, Coronation Asset Management, with decades of combined investment experience and a deep knowledge of how to protect and increase capital.
- Mutual Funds publish information on their performance regularly, so you can keep track of the value of your investments.

## Six Reasons to Own Mutual Funds

- **Appreciation:** Mutual funds offer high growth potential as they primarily invest in assets and securities whose values are likely to increase in holding.
- **Capital Gains:** Mutual funds also provide growth in the form of capital gains which is the profit realised from the sale of an investment, and is distributed to shareholders in that investment.
- **Distributions and Dividends:** Investing in mutual funds, the earnings of appreciated assets are distributed as dividends to investors. These dividends are distributed yearly, and provide a form of regular income for the shareholders.
- **Liquidity:** Most mutual funds have high liquidity and can be easily accessed by the investor whenever needed.
- **Exchange Privileges:** Some mutual funds allow their investors to exchange or transfer their investment in one fund to another within the same fund class, without paying any extra charge.
- **Automatic Investing:** With mutual funds, investors can set a fixed amount to be automatically deducted at regular intervals such as weekly or monthly, and invested in the funds.

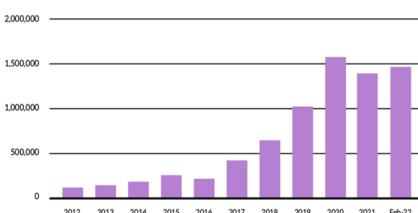
## Mutual Funds in Nigeria

Nigerians are putting more and more of their savings into Mutual Funds.

The assets managed by Nigerian mutual funds grew from 109 million Naira in 2012 to 1.6 billion Naira at the end of 2020. This represents an average growth rate of almost 40% per annum.

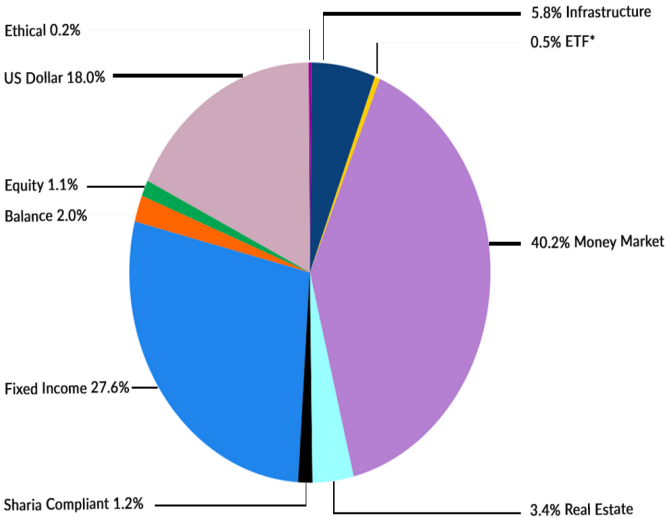
This strong growth tapered off in 2021. But mutual funds' assets have begun to grow again in 2022.

**Total Nigerian Mutual Funds, Assets Under Management, Naira millions**



Source: SEC, FMAN, Coronation Research

## Types of Mutual Funds in Nigeria



CAGR 39.6% (-10.6% in one year)

Source: SEC, FMAN, Coronation Research. Data for February 2022. \*Exchange Traded Funds

At Coronation, we offer mutual funds designed to meet the different needs of all our unique types of clients.

Based on your current financial reality, investment goals and risk appetite, we are committed to helping you determine the type of fund that is most suitable for you. For instance, take a look at the Coronation Mutual Funds.

- Coronation Money Market Fund
- Coronation Fixed Income
- Coronation Balanced Fund
- Coronation Dollar Fund

## Coronation Money Market Fund

Coronation Money Market fund seeks to deliver capital preservation, liquidity and diversification benefits while providing competitive returns. The Fund is suitable for short-term focused investors who are risk-averse and are seeking investments for capital preservation and moderate income.

### Key Features

- Opportunity to grow your capital and generate regular income.
  - Low risk investments leading to capital preservation.
  - Liquidity as no notice required to access your investments.
  - Affordable entry, own investments for as low as N10,000.
  - Competitive returns, higher than Savings Accounts or Call deposits.
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## Coronation Fixed Income Fund

The Coronation Fixed Income fund seeks to achieve an efficient balance between capital appreciation and income for investors. The fund achieves its investment objectives by investing in medium to long-term FGN, Subnational and Corporate Bonds and other eligible fixed income securities.

### Key Features

- Opportunity to maximise capital gains and earn a steady income. Higher projected returns than what is obtainable in Money Market funds.
  - Provides opportunity for capital appreciation/growth.
  - The Fund provides moderate risk due to its underlying investments.
  - Investments are spread over a diverse pool of high-quality assets.
  - Affordable entry, own investments for as low as N10,000.
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## Coronation Balanced Fund

Coronation Balanced Fund seeks to deliver diversification and long-term capital appreciation by investing in a range of quoted equities of companies with strong fundamentals and fixed income securities.

The fund aims to provide superior returns by identifying equities that are undervalued relative to the market based on fundamentals with potential to deliver long term value to the fund.

### Key Features

- Allows investors to hold investments in both fixed income and equity securities with strong fundamentals.
- Enjoy reduced risk associated with high quality equities in a highly diversified portfolio.
- Opportunity for long-term capital appreciation.
- Potential to deliver superior returns.
- Affordable entry, own investments for as low as N10,000.

## Coronation Fixed Income Dollar Fund

The objective of this fund is to provide its investors with currency diversification, access to a consistent income stream, and long-term capital appreciation in dollars.

The fund seeks to provide superior returns to investors with US Dollar income, which would otherwise be held in bank domiciliary accounts earning little or no returns.

### Key Features

- Allows investors to hold high-quality assets in US dollars.
  - Provides superior returns compared with traditional domiciliary accounts.
  - Provides access to a consistent US dollar denominated income stream.
  - Provides a capital hedge against potential Naira devaluation.
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## Establish Your Financial Goals.

### How much of principal am I willing to lose and how long would I be willing to wait to regain any loss incurred?

Given market conditions, there is the possibility of losing a part of the initial amount invested as against the upside every investor expects.

Hence, the need to prepare for possible losses, different investors have varying thresholds they are willing to bear, an investor with a low risk tolerance might pull out of such investments upon losses thereby ruling out the possibility of regaining the principal at a future date.

On the other hand, an investor with a high risk tolerance has a higher propensity to stay in the investments despite losses on the initial amount, thus increasing the possibility of recouping losses and additional gains on the amount invested.

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## Asset Allocation: A Key Component of Portfolio Performance.

Spreading your mutual fund investments across different asset classes – such as equities, bonds and money market investments – is called asset allocation. Choosing what type of mutual funds to invest in is an important part of investing because it helps balance the risk and return of your portfolio to meet your financial goals.

Your risk tolerance (how much money you are willing to lose) and time horizon (how long can you invest your funds for) help to determine how you should allocate your assets. For example, if your goal is to save for a down payment on a house in three years, you would invest your money differently than if your goal is retirement in 15 years.

This is why it is important to choose the right financial advisor who can help you make the right investment decisions.

## How Do I Get Started?

**Now that you've learned a bit about mutual funds, you want to get started. Don't go it alone.**

Of all the investment decisions you'll make, the most important one may be to work with a financial adviser, who will help you establish a customised investment plan and maintain your strategy when markets become volatile. It's only human for investors to become distracted by short-term events or market trends.

An experienced adviser can keep you focused on the long term. Understanding your risk profile is the financial adviser's first job which then informs the recommendations that follow.

Start with Coronation, your prosperity partner. At the core of our operations are our customers. Our client relationships are based on a thorough understanding of our clients' aspirations, needs, strategic plans and timelines.

We are committed to understanding you and your unique financial circumstances, journey and goals in order to serve you and recommend the best products that will deliver maximum returns to you.

### Some of the benefits this partnership provides you are:

- Potential capital appreciation owing to the superior performance of our funds.
- Access to accurate market insights that allow you to make informed, data-backed investment decisions.
- World-class research and premium advisory services from our team of experts.
- Robust risk controls that ensure capital preservation across all investment classes.
- Opportunity to preserve and expand wealth by building a strong and diversified investment portfolio.

### A Note About Risk

- Interest rate risk refers to the risk that changes in interest rates may reduce or increase the market value of a bond.
- Investing in US dollar and other foreign currency-denominated bonds exposes investors to foreign currency, interest rate, liquidity and potential default risk in certain securities.





**CORONATION**

**Get started on your journey to  
growing your wealth.**

**Call us on  
012 797 644 | 012 797 647**

**or send an email to  
[crc@coronationam.com](mailto:crc@coronationam.com)**

**[www.coronation.ng](http://www.coronation.ng)**

