

**CORONATION**

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# **Mutual Funds Factsheet**

September 2023

# Macroeconomic and Market Review

## September 2023

### Overview

In the month of September, Naira bond rates and T-bill yields both rose, continuing the upward momentum established during August. The average yield of T-bills across various maturities rose to 7.94% while the yields of 1-year T-bills rose to 11.4% per annum. The bond market was characterized by a weak Federal Government of Nigeria (FGN) bonds auction and consequently yields rose.

The NGX All-Share Index traded broadly flat over the month, recording a fall of just 0.3%. It was noticeable that there was very high turnover in banks and, as we present in detail below, there were big winners and losers among different bank stocks. This behaviour is consistent with some investors taking profits in banks while others, quite likely institutional investors such as pension funds, take up the slack by buying what is on offer, in our view.

Inflation was reported for September at 26.72% year-on-year (August: 25.80% y/y), with food inflation at 30.64% (August: 29.34% y/y) and core inflation at 21.84% y/y (August: 21.15% y/y). There seems to be continued upward pressure on inflation and little holding it back.

### Fixed Income

In the month of September, yields across the curve expanded month-on-month despite the heightened system liquidity levels which pushed demand levels up at the three auctions held during the month. Yields at the secondary market for T-bills rose by 68 basis points across the curve to settle at 7.94% pa.

The Central Bank of Nigeria (CBN) at the primary market auction for Treasury Bills in September offered N544.06bn worth of bills across the three auctions held during the month. The auctions recorded a total subscription of N2.31trn, implying a bid to offer ratio of 4.24x (versus 5.20x recorded in the month of August), with the highest demand skewed towards the 364-day instruments. Total allotments during the month equaled the offer amount implying a bid-to-cover ratio of 0.24x (versus 0.19x in August). Average rates across all three auctions rose by 18 basis points to 8.16%.

Activity in the Federal Government of Nigeria (FGN) secondary market for bonds was bearish in September as the average yield of FGN bonds rose by 38 basis points to 14.44% month-on-month. Yield along the short, mid and long-end of the curve rose by 40bps (12.15%), 38bps (14.70%), and 36bps (15.59%) respectively.

At the FGN bond auction which held during the month, the Debt Management Office (DMO) allotted a total of N316.49bn including a non-competitive allotment of N65bn. Demand during the auction declined by 6.9% with subscription at N290.9bn (versus N312.56 in August).

Consequently, the rates on the April 2029 (+65bps to 14.50%), June 2033 (+45bps to 15.45%), June 2038 (+35bps to 15.55%) and June 2053 (+40bps to 16.25%) bonds expanded.

### Equities

The local bourse ended the month of September on a bearish note as the All-Share Index shed 0.25% month-on-month settling at 66,382.14 points bringing the year-to-date return on the index to 29.52%. The performance was driven majorly by investors taking profit on stocks which had reached their year highs, as well as reactions to the 9M-results published by companies.

Losses in heavyweights including BUA Cement (-11.08% m/m), Nestle Nigeria (-6.82% m/m), GTCO (-6.13% m/m), Dangote (-5.56% m/m), and Access Bank (-5.12% m/m) were large enough to offset the gains in Oando (+40.18% m/m), UBA (+20.00% m/m), Stanbic IBTC (+20.00% m/m), Fidelity Bank (+17.73% m/m) and Cadbury Nigeria (+16.67% m/m) during the month.

Looking ahead, we think that much of the heavy liftings in the stock market has been done for the year, we expect that investors would continue to take profit on stock which have reached their year highs. We, however, do not rule out the fact that some stocks which have fallen in price due to profit taking activities may present a favourable entry point to institutional investors willing to take positions in them.

### Oil

Brent closed the month of September up as the price rose by 9.73% to close at US\$95.31 per barrel.

This increase in price was attributed to the extension of voluntary production cuts by Saudi Arabia and Russia, alongside dwindling crude oil and distillate inventories, which reached unusually low levels in the US.

The two focus points in the oil market are the production cuts of Saudi Arabia and Russia on the supply side and the outlook for the Chinese economy on the demand side. Changes in the outlook for the Chinese economy, which is beset by crises in its property development sector and weakness in demand, drove changes in the oil market on an almost daily basis during September.

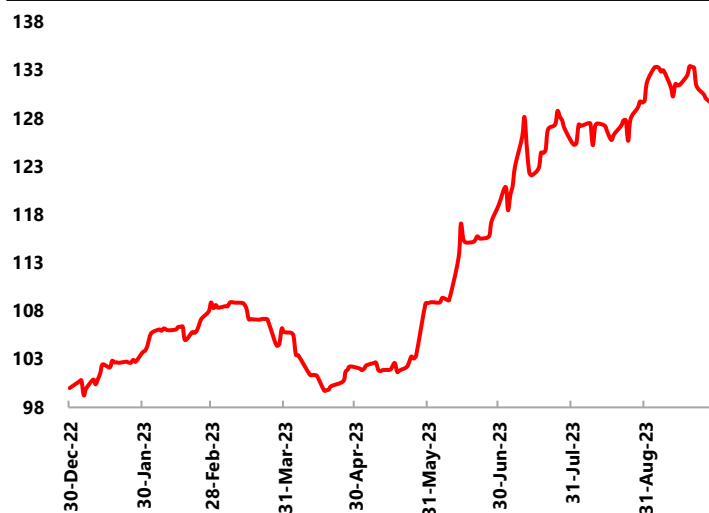
### Currency

Backlog of FX demand continued to put pressure on the Naira in the month of September. However, at the I&E window, the Naira gained 0.98% month-on-month closing at N755.27/US\$1 after a series of fluctuations during the month with the highest level at N780.00/US\$1. Conversely, the Naira depreciated by 8.98% in the parallel (street) market closing the month at N1008.00/US\$1.

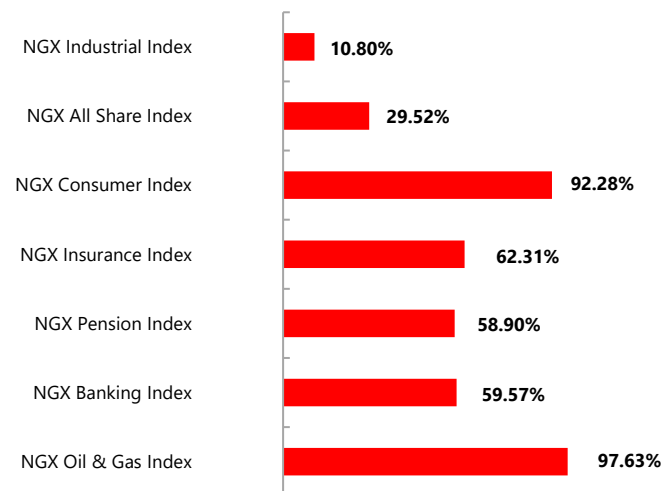
Gross FX reserves as published by the Central Bank of Nigeria fell by 2.10% month-on-month to US\$33.24bn after its marginal gain of 0.01% during the previous month. The decline may reflect intervention efforts of the CBN across the various FX windows.

The gap continues to widen between the two markets creating room for arbitrage gains, a major issue the CBN had sought to address with the liberalisation policy.

### NGX ASI, rebased 31 Dec 2022=100



### NGX sub-indices returns, 2023 YTD – 29 September 2023



Source: NGX Exchange, Coronation Research

### Global economic outlook

While fears of a recession have somewhat abated, the overall outlook remains unclear as the global economy struggles with political and financial challenges. It is however, encouraging that there are indications of a reduction in inflationary pressures especially in countries such as the US, UK and Eurozone where rates were held constant. This was attributed to a relaxed labour market and diminishing supply chain pressures which had emanated from the Russia-Ukraine crisis.

At the same time, it is becoming clear that the monetary authorities in major economies are determined to keep elevated rates on hold for much of the coming year, and that rate cuts which were previously expected in the first part of 2024 are being ruled out. The emergence of this 'higher-for-longer' scenario for interest rates is reflected in US dollar bond markets where yields continue to trend upwards. This is likely to put a brake on an economic rebound in 2024.

Indeed, the International Monetary Fund, in its recent World Economic Outlook report, cut its global GDP forecast for 2024 from growth of 3.0% to 2.9% and for emerging markets cut its growth forecast from 4.1% to 4.0%. This points to the enduring negative effects of global inflation, though the IMF sees this moderating from 6.9% in 2023 to 5.8% in 2024. We see continued growth in the world economy, at a moderate rate.

# 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.

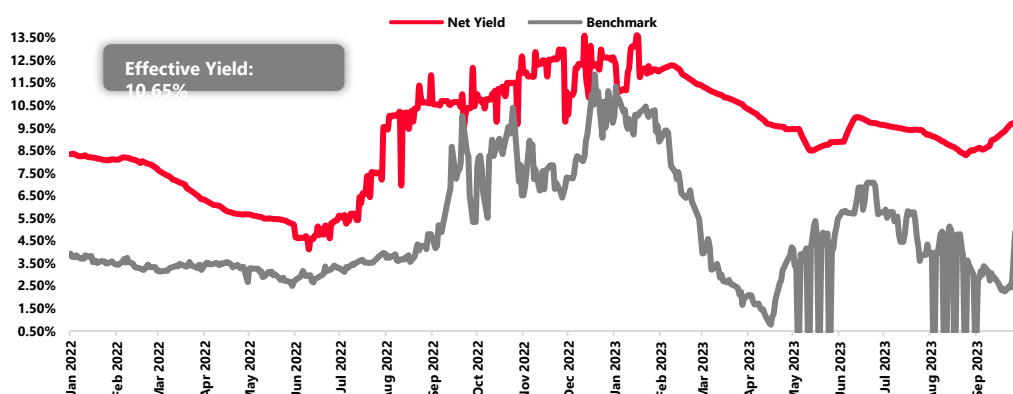
### Risk Management

- 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%	9.94%			
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	₦5.0 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

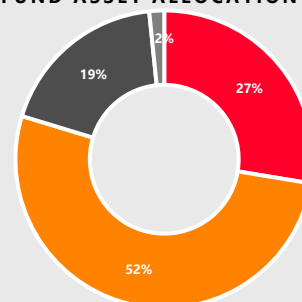
### FUND FEES

Management 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 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

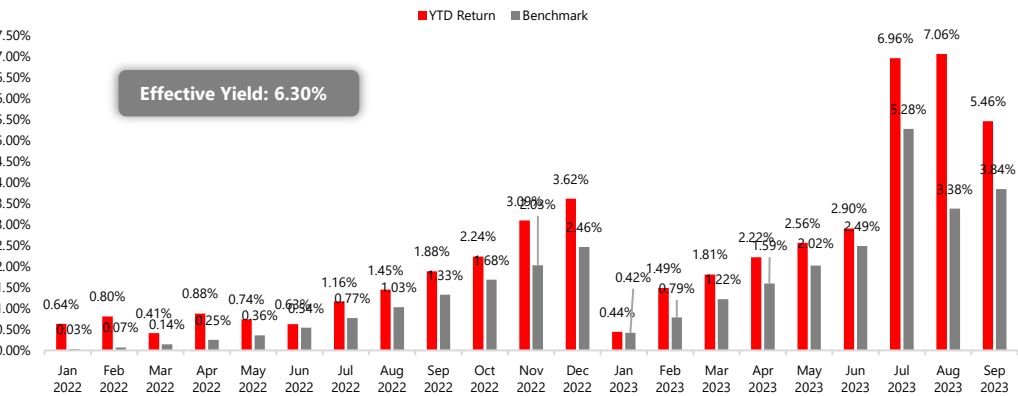
We prioritize risk management as a fundamental pillar of our investment process. To mitigate risk exposure, the Fund focuses on investing in high-quality issuers to reduce credit risk and employs strategies to limit interest rate risk through controlled durations.

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%	5.46%			

## 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	\$1.75 Million
Offer price	\$ 1.00
Income distribution	Annually
Minimum holding period	6 months
Minimum initial transaction size	\$1,000
Minimum additional transaction size	\$500

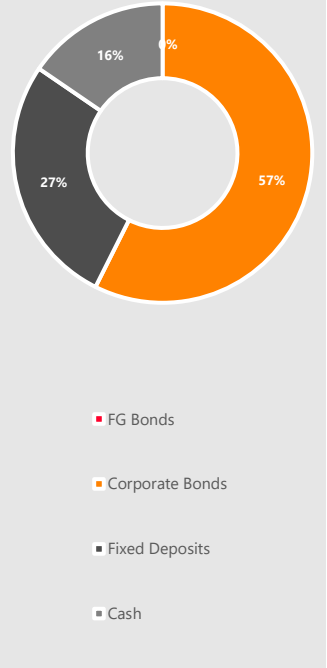
## FUND FEES

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 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.

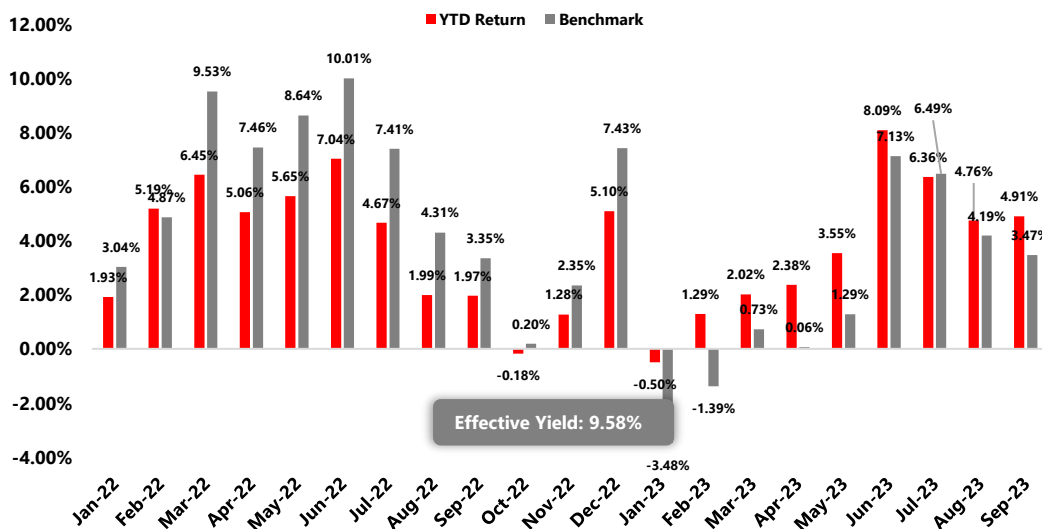
### Risk Management

- 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%	0.15%				4.91%
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	₦1.3889
Income distribution	Semi-annually
Minimum holding period	3 months
Minimum initial transaction size	₦10,000
Minimum additional transaction size	₦5,000

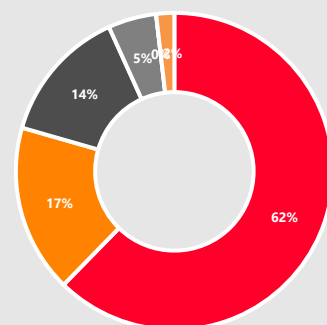
### FUND FEES

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





# 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.

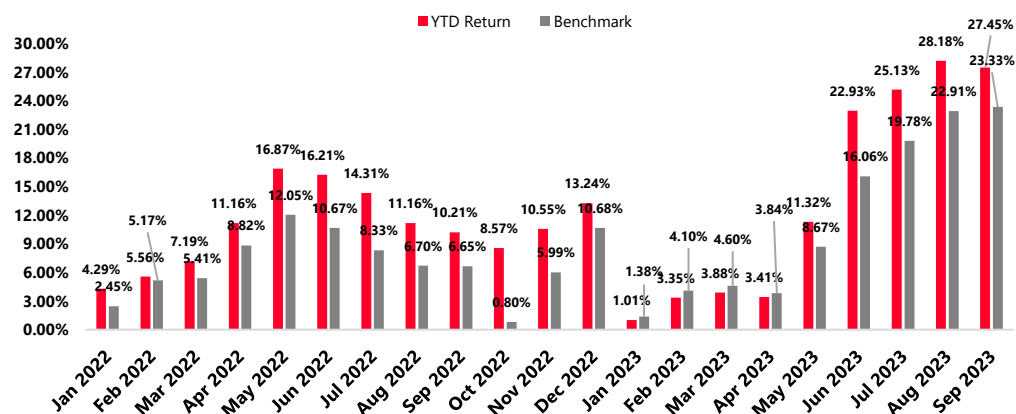
### Risk Management

- 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%	-0.57%				27.45%
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	₦162 Million
Offer price	₦1.4527
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

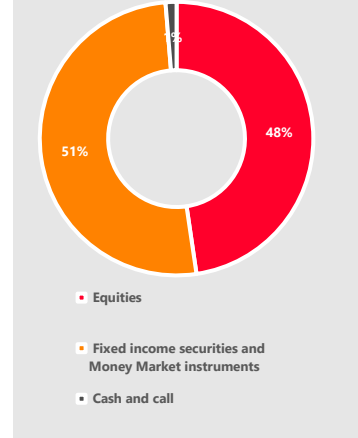
Entry charge	None
Exit charge	None
Early Redemption Charge	1.5% of net proceed

## FUND CHARACTERISTICS

### Equities Holding by Sector

Financials	13.31%
Industrials	10.68%
Consumers	8.99%
Agriculture	2.68%
Oil and Gas	4.32%
Telecommunications	7.69%
Total	47.67%

## FUND ASSET ALLOCATION



## DISCLOSURES & DISCLAIMERS

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