

**CORONATION**

**CORONATION**

# **Mutual Funds Factsheet**

June 2023

### Overview

Nigeria's equity market traded on a bullish note during the month of June as the market reacted positively to reforms announced by the new President. The CBN announced the unification of exchange rates, consequently resulting in a 39.59% decline of the Naira in the I&E window to N769.25/US\$1 in the month of June.

Inflation remained elevated with data for May showing that prices had risen by 22.41% year-on-year, a headline inflation rate 19 basis points higher than the previous month. Food inflation rose by 21 basis points to 24.82% year-on-year while core inflation moderated by 7 basis points to 20.06% year-on-year. Headline inflation continued to be impacted by structural issues such as insecurity, elevated commodity prices, fuel scarcity, and exchange rate pressure, among others.

### Fixed Income

In June, the T-bill market traded on a bearish note. On average, the yields on secondary market Nigerian Treasury Bills (T-bill) increased by 17 basis points across the curve to settle at 6.35%. At the longest available maturity, the yield on a 328-day T-bill slipped to 7.70% compared with a yield on a 330-day T-bill of 8.05% a week earlier.

Across the T-bill primary auction in June, the CBN allotted N404.51bn worth of bills, the same as the amount maturing. The auctions recorded a total subscription of N1.87tn, implying an average bid-to-cover ratio of 4.62x (5.03x in May). Stop rates across the 182-day (-56bps to 5.16%), and the 364-day (-52bps to 7.97%) bills declined while stop rates on the 91-day (68bps to 4.08%) increased.

Activity in the Federal Government of Nigeria (FGN) bond secondary market traded bullish in June as the average yield of FGN bonds declined by 98 basis points to 12.98% month-on-month. At the short end of the curve, the yield of a 3-year bond declined by 209 basis points to 10.21%, while at the long end, the yield of a 20-year bond declined by 20 basis points to 15.25% per annum.

At the FGN bond auction, the Debt Management Office (DMO) allotted a total of N473.16bn, which included non-competitive allotments of N46.00bn. Demand was higher than at the last auction in May, as reflected by a total subscription of N635.12bn (N478.92bn at the last auction) and a bid-to-offer ratio of 1.76x (vs 1.33x at the last auction).

Yields declined across all tenors with the 6-year bond declining by 20bps to 13.90%, the 10-year bond by 20bps to 14.70%, the 15-year bond by 24bps to 15.45%, and the 30-year bond by 10bps to 15.70%. We believe the recent removal of the limit placed on interbank rates is responsible for the rise in bank liquidity and the decline in bond rates. We maintain that in the short term, we expect the effects of increased liquidity to continue to be felt, meanwhile, we await the announcement of an overall strategy on market interest rates.

### Equities

Domestic shares continued to trade on a bullish note during the month of June due to investors' renewed sentiment following positive reforms announced by the new President.

The NGX All-Share Index (NGX ASI) advanced higher by 9.32% month-on-month to settle at 60,698.27 points. This took the overall gain for the year to 18.96%. On market movers, gains across index heavyweights such as Dangote Cement (+4.32% m/m), FBN Holdings (+23.61% m/m), Dangote Sugar (+16.81% m/m), Bua Foods (+44.33% m/m), UBA (+13.79% m/m), MTNN (+2.45% m/m), Geregu Power (+12.16% m/m), Access Holdings (+28.80% m/m), GTCO (+7.69% m/m) and Zenith (+9.43% m/m) drove the broad index's performance.

We expect a pickup in foreign investors' participation following the announcement of market-friendly reforms (removal of fuel subsidy, unification of FX rates, power sector reform, etc). Hence, we expect the market to sustain its bullish run as these reforms get implemented.

### Oil

Global oil price reversed its bearish performance in the month of June due to an additional production cut of 1.393 million barrels per day by OPEC+. Positive data from the US also supported oil prices. US Q1 2023 GDP figures were revised higher to 2.0% year-on-year (previously 1.1% year-on-year) indicating that the economy might be in a better shape than earlier thought. The US Federal Reserve's preferred inflation gauge, core PCE inflation slowed to 3.8% year-on-year in May from 4.3% in the previous month, thus giving the Fed an added data point which argues for holding back from raising rates again.

Brent gained 3.08% month-on-month and traded at an average price of US\$79.97/bbl, 19.29% lower than the average of US\$99.09/bbl in 2022.

We maintain that on average in 2023 Brent prices are likely to remain above the US\$75.00/bbl set in Nigeria's government budget.

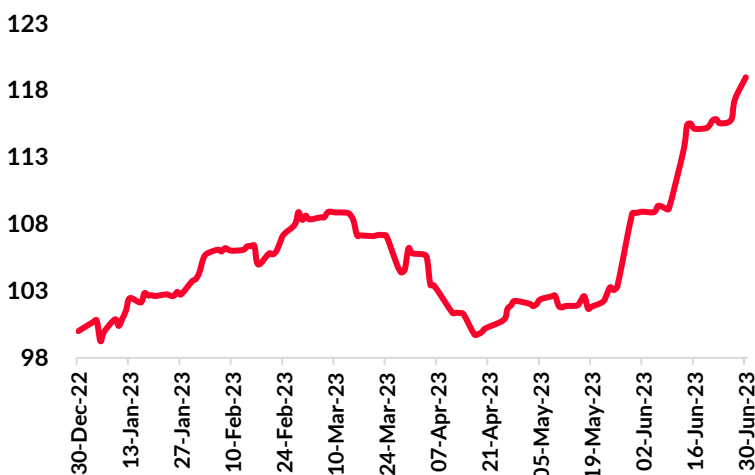
### Currency

In June, the exchange rate at the Investors and Exporters Window (I&E Window) lost 39.59% w/w to close at N769.25/US\$1. The recently-announced unification policy has created a willing-buyer, willing-seller market but traders report that deals take place at a wide variety of prices. In addition, liquidity at the window improved as average daily turnover increased by 23.48% m/m to US\$157.40m.

The CBN's published FX reserves fell for the tenth successive month, declining by 2.78% (or US\$974.97mn) m/m to US\$34.12bn, reflecting intervention efforts of the CBN across the various FX windows.

The Federal Government has announced a commitment to infuse some foreign currency into the market while it stabilises. Following the implementation of the new market reforms, we expect inflows from foreign investors to also help improve FX liquidity in the market.

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



### NGX sub-indices returns, 2023 YTD - 30 June 2023

NGX Industrial Index	0.13%
NGX Consumer Index	5.51%
NGX All Share Index	9.32%
NGX Pension Index	16.14%
NGX Banking Index	23.30%
NGX Oil & Gas Index	30.18%
NGX Insurance Index	32.55%

Source: NGX Exchange, Coronation Research

### Global economic outlook

US Q1 2023 GDP figures were revised higher to 2.0% year-on-year (previously 1.1% year-on-year) indicating that the economy might be in a better shape than earlier thought and more recent indicators show that the economic resilience is holding up. The US job market continued to remain strong as reflected in the decline in new joblessness benefit claims. China's economy continues to face problems as factory activity contracted for a third straight month in June. The World Bank expects global growth to decelerate from 3.1% in 2022 to 2.1% in 2023 due to tight monetary policy stances, and the impact of Russia's war on Ukraine.

Elsewhere, it appears we might be nearing an end to monetary tightening policies. Headline inflation has continued to moderate in most countries due to a downturn in energy prices, however, core inflation remains stubbornly high. Headline inflation in the US dropped to 4.0% in May (April - 4.9%), same with the Eurozone area which saw inflation drop to 6.1% in May (April - 7.0%).

In line with expectations, the US Federal Open Market Committee (FOMC) voted to keep the Fed Funds rate unchanged in its June meeting as the FOMC looked to monitor the lagged effects of past rate moves. However, the committee suggested more possible rate hikes later in the year.

## 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.

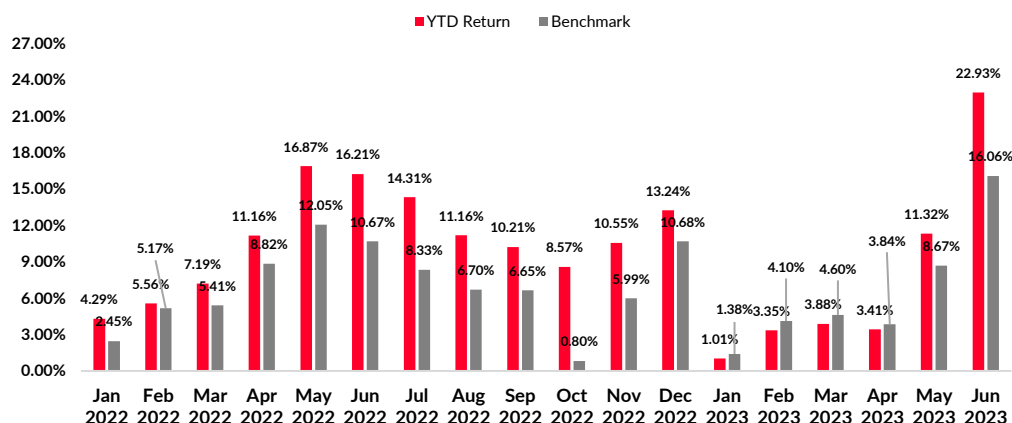
#### Risk Management

- 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%							22.93%
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
---	---	---	---	---	---	---

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	₦156 Million
Offer price	₦1.4014
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.
-----------------	------------

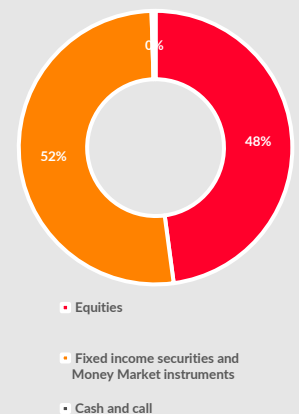
#### FUND CHARGES

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

#### FUND CHARACTERISTICS

Equities Holding by Sector	
Financials	17.26%
Industrials	10.48%
Consumers	5.29%
Agriculture	2.47%
Oil and Gas	4.17%
Telecommunications	8.22%
Total	47.88%

#### FUND ASSET ALLOCATION



## 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.

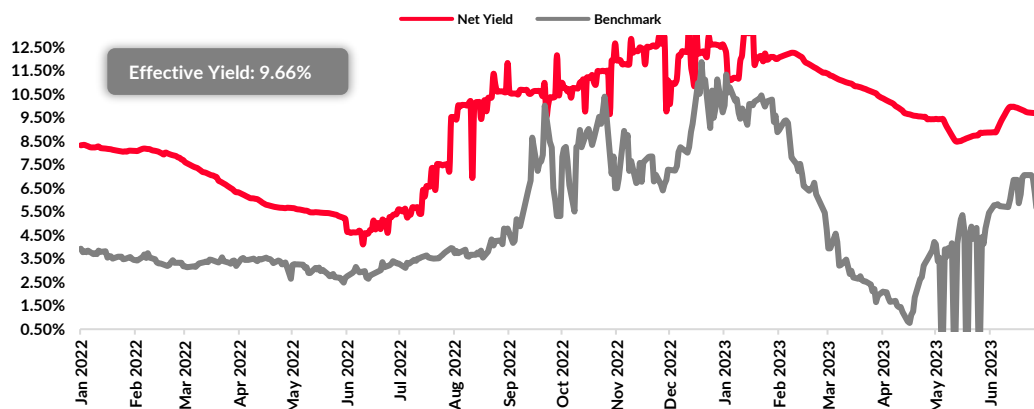
#### Risk Management

- 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
2023	12.08%	11.40%	10.36%	9.45%	8.88%	9.64%						
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
---	---	---	---	---	---	---

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	₦5.4 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

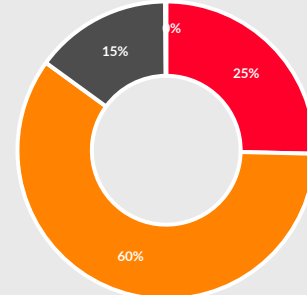
#### FUND FEES

Management fees	1.0% p.a.
-----------------	-----------

#### 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 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.

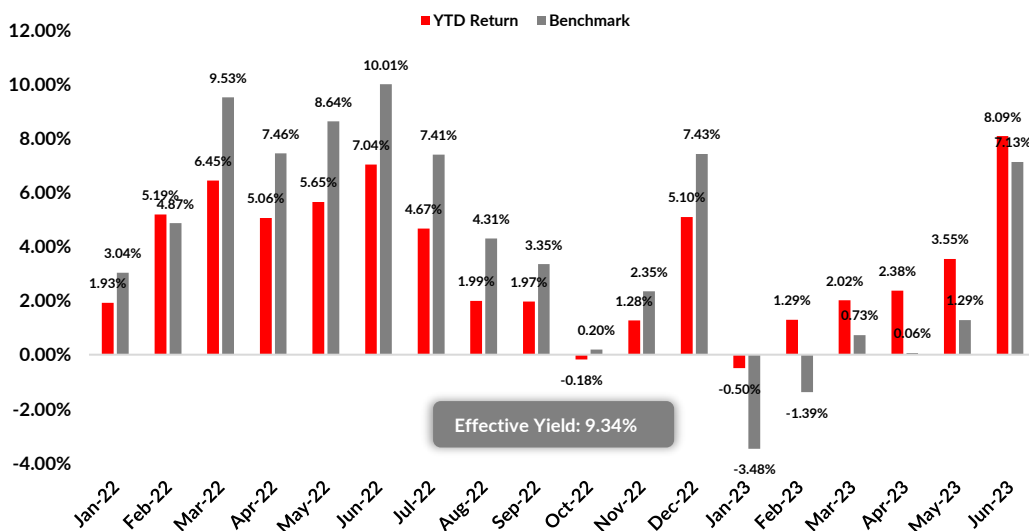
#### Risk Management

- 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%							8.09%
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
---	---	---	---	---	---	---

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	₦360 Million
Offer price	₦1.4702
Income distribution	Semi-annually
Minimum holding period	3 months
Minimum initial transaction size	₦10,000
Minimum additional transaction size	₦5,000

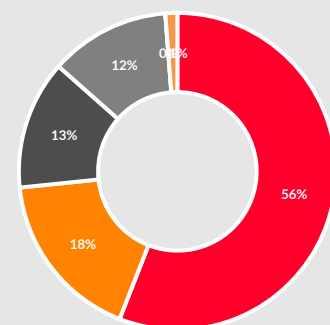
### FUND FEES

Management fees	1.50% p.a.
-----------------	------------

### 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



## 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

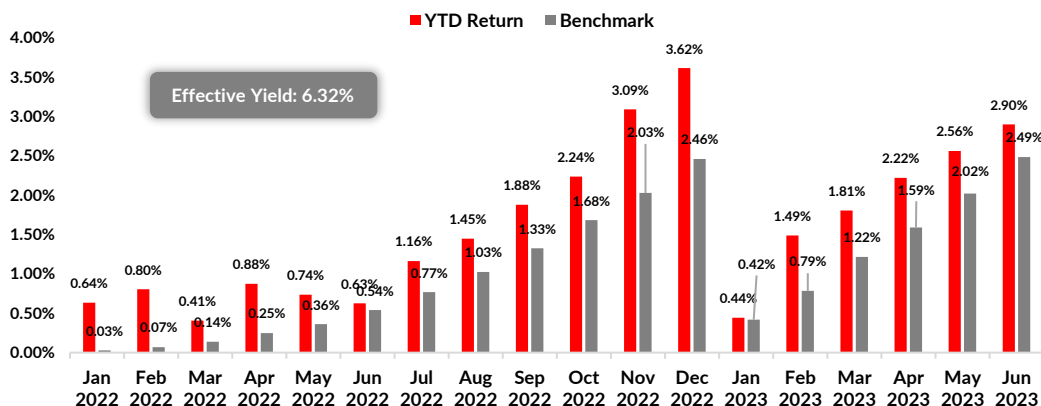
#### Risk Management

- 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	0.44%	1.04%	0.31%	0.41%	0.34%	0.33%							2.90%
2022	0.64%	0.17%	-0.39%	0.47%	-0.14%	-0.11%	0.53%	0.28%	0.42%	0.36%	0.84%	0.51%	3.62%
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
---	---	---	---	---	---	---

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	\$ 1.1971
Income distribution	Annually
Minimum holding period	6 months
Minimum initial transaction size	\$1,000
Minimum additional transaction size	\$5.00

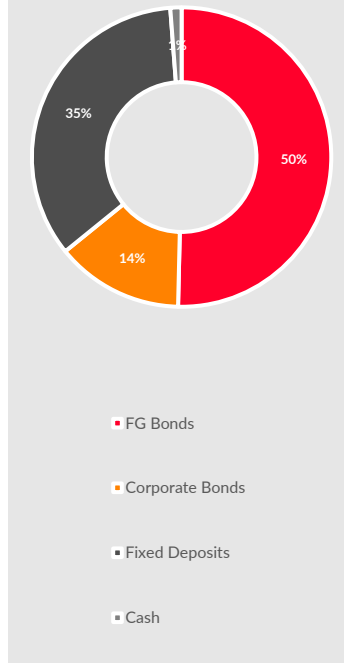
### FUND FEES

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



## DISCLOSURES & DISCLAIMERS

---

This report is intended as background information for clients of Coronation Asset Management Ltd and clients of its subsidiaries and affiliates and is by no means intended to provide a sufficient basis on which to make an investment decision. Notwithstanding the proper and reasonable care that has been exercised in the preparation of this report, neither Coronation Asset Management Ltd, its directors, employees and contractors, nor its subsidiaries and affiliates, nor the directors, employees and contractors of its subsidiaries and affiliates, accept(s) responsibility for any error, omission or opinion expressed herein. This report is not intended to serve as an investment or research recommendation and should not be regarded as such. Clients of Coronation Asset Management Ltd and of its subsidiaries and affiliates, who read this report, should assess their own investment objectives and financial capacities when taking investment decisions and should consult a relevant financial adviser in these respects.