

**CORONATION**

# Mutual Funds Factsheet

July 2022



# Macroeconomic and Markets Review

July 2022

## Overview

Bearish sentiments prevailed in Nigerian financial markets during July, with both fixed income and equity markets delivering negative performances, while pressure remained on the I&E window exchange rate of the Naira. On macros, headline inflation rose to its highest level since January 2017, increasing by 89bps to 18.60% y/y in June. Food inflation (+110bps to 20.60% y/y) rose to its highest level in eleven months, while core inflation (+85bps to 15.75% y/y) rose to its highest level since February 2017, given increasing transport costs, the lingering food demand-supply gap, increasing diesel and aviation fuel prices, and currency pressure.

Elsewhere, the Monetary Policy Committee meeting of the CBN in mid-July concluded with a decision to hike the Monetary Policy Rate by 100bps to 14.00% pa. The Committee highlighted that tightening was needed given the need to signal the firm determination of the authority to aggressively address its price stability mandate and narrow the real interest rate gap.

## Fixed Income

A 100bps hike in the Monetary Policy Rate (MPR) to 14.00% by the CBN and the persisting squeeze in banking system liquidity led to an upward shift of the naira yield curve in July. In the Nigerian Treasury Bill (T-bill) secondary market, yields expanded by 233 basis points across the T-bill yield curve, on average, to 7.73% pa. Most of the selloffs were at the short end (+474bps) of the T-bill curve as banks sold short-term liquid instruments to meet obligations. 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 93 basis points to a nine-month high of 7.00% pa (annualised yield: 7.53%), while the rates on the short (+40bps) and mid (+31bps) tenor bills also rose.

The secondary market in bonds was also bearish in July, with the average yield rising by 78 basis points to 11.95%. At the short end of the spectrum, the yield of a 2-year bond rose by 277 basis points to 10.83%, while at the long end, the yield of a 20-year bond rose by 63 basis points to 13.66%. At the monthly primary auction, the Debt Management Office (DMO) allotted a total of N123.84bn (US\$288.58m) across instruments. However, demand was weak, as reflected by the total subscription of N142.29bn and a bid-to-offer ratio of 0.63x. Consequently, yields rose by 67bps on average – March 2025 (+90bps to 11.00%), April 2032 (+50bps to 13.00%), and January 2042 (+60bps to 13.75%) – 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 July, Nigerian equities weakened, recording two successive monthly declines for the first time in just over a year, as investors continued to take profits following tightened domestic monetary policy and the resultant rise in market yields.

As a result, the NGX All-Share Index (NGX ASI) fell to as low as 49,667.14 points, its lowest level since 29 April, before settling at 50,370.25 points and confirming a 2.79% m/m drop. On market movers, selloffs across index heavyweights MTN Nigeria (-13.00 % m/m), Dangote Cement (-3.62 % m/m), and Nestle Nigeria (-9.84% m/m) dragged the broad index lower.

As market rates continue to rise, we are likely to see continued profit taking in the equities market and a reallocation towards fixed income. Elsewhere, the second quarter results of listed companies failed to lift sentiments. However, the results for Tier I banks (c. 8% of ASI by market cap) are due to be released in August following audits, and these may give some support to the market if optimistic expectations are realised.

## Oil

In July, oil prices faced continued downward pressure from global recession fears and an impending global supply crisis. Consequently, Brent crude fell to as low as US\$99.10/bbl, the lowest level since 11 April, before settling at US\$110.01/bbl. Month-on-month, Brent declined by 4.18%, its second consecutive monthly loss. Nonetheless, Brent is up 41.44% year-to-date and has traded at an average price of US\$104.94/bbl, 48.11% higher than the average of US\$70.89/bbl in 2021.

In the Organization of the Petroleum Exporting Countries and allies (OPEC+) meeting this week, the bloc is expected to maintain production at earlier agreed targets. In this exceptional year for oil prices, we maintain that prices are likely to remain above the US\$73.00/bbl set in Nigeria's government budget.

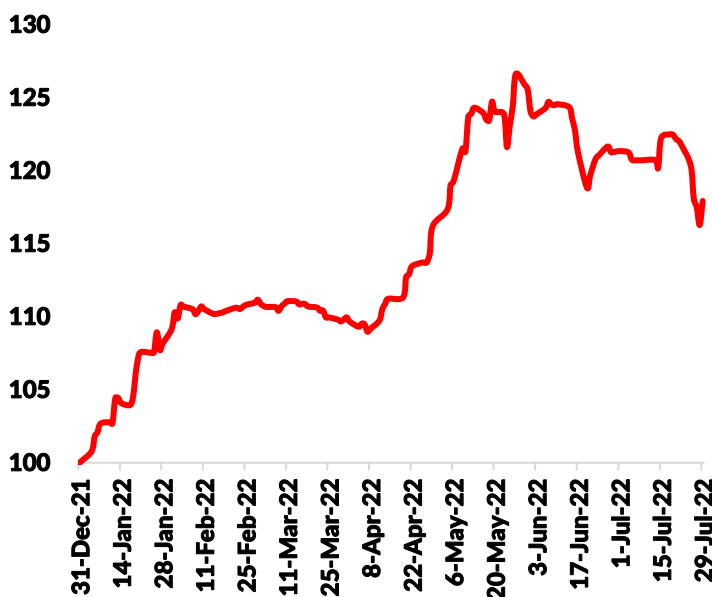
## Currency

In July, the exchange rate at the I&E Window fell to as low as N431.00/US\$1, its lowest level since the start of January 2022, before settling at N429.00/US\$1 (-0.92% m/m). In addition, liquidity at the window thinned out as total turnover declined by 33.0% m/m to US\$2.17bn, the lowest level since April 2021.

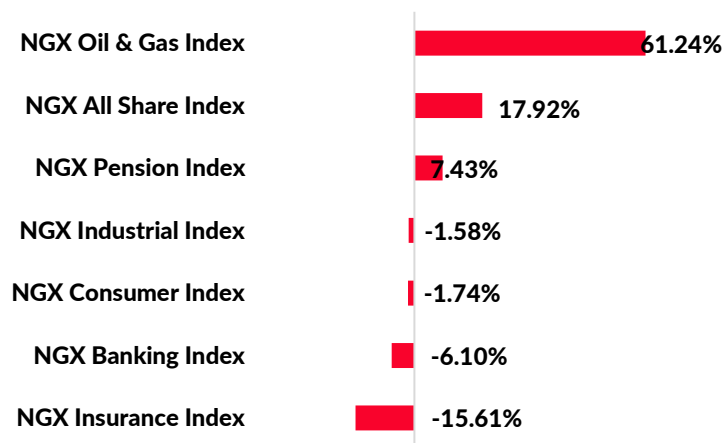
Elsewhere, the CBN's FX reserves rose to as high as US\$39.44bn before settling at US\$39.18bn. This marked a 0.12% (or US\$46.88m) m/m increase and the second successive monthly rise in the reserves, enhancing the ability of the CBN to continue interventions across the various FX windows.

It is clear that the CBN, halfway through the year, is comfortable with its FX reserve position, which is high by historical standards and has remained within a narrow range since the start of the year. We think the CBN will be able to keep the I&E Window rate close to its current rate for several months, at least.

## NGX ASI, rebased 31 Dec 2021=100



## NGX sub-indices returns, YTD



Source: NGX Exchange, Coronation Research

## Global economic outlook

Increasingly gloomy developments have followed a tentative recovery in 2021 in 2022. Performance was slightly better than expected in the first quarter. Still, global GDP is estimated to have shrunk in the second quarter—the first contraction since 2020—owing to economic downturns in China and Russia. Higher inflation worldwide, especially in the US and major European economies, has triggered a sharp tightening in global financial conditions; the slowdown in China has been sharper-than-anticipated, reflecting COVID-19 outbreaks and lockdowns; and adverse cross-border effects from the war in Ukraine are persisting. As a result, the IMF expects global growth to decelerate markedly from 6.1% in 2021 to a revised 3.2% in 2022.

# 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.

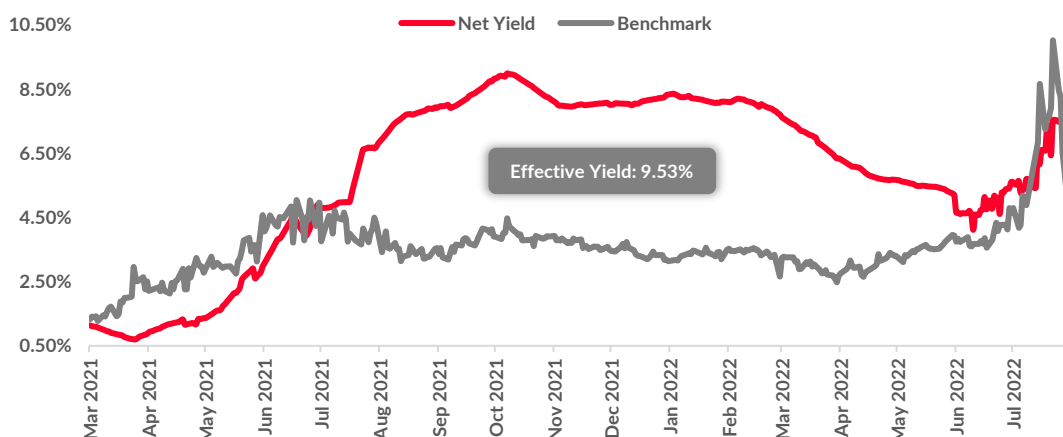
### Risk Management

- 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%	4.86%	6.62%					
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	₦5.1 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

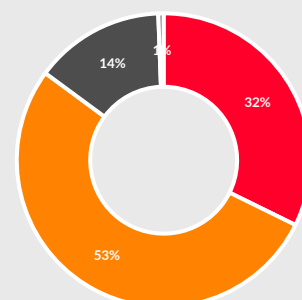
### FUND FEES

Management	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 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

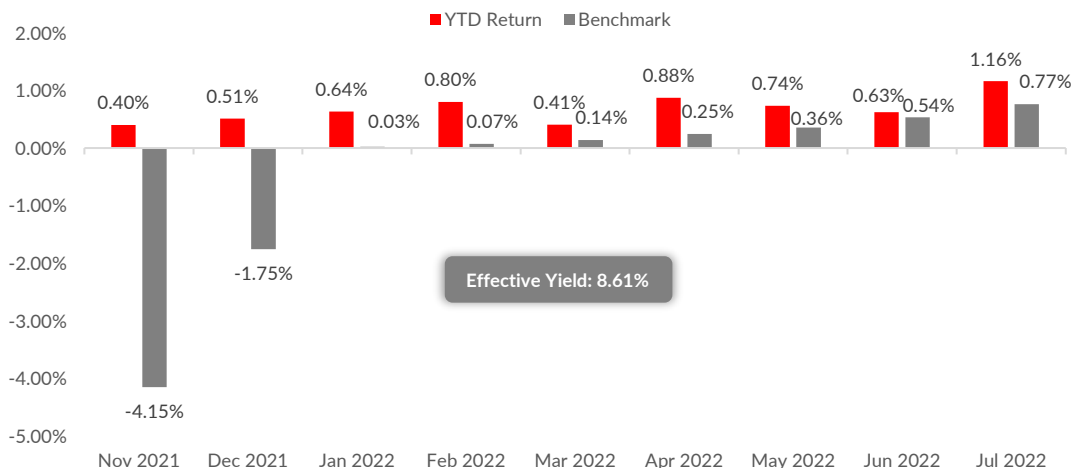
### Risk Management

- 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%	-0.14%	-0.11%	0.53%						1.16%
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	\$1.61 million
Offer price	\$ 1.1358
Income distribution	Annually
Minimum holding period	6 months
Minimum initial transaction size	\$10,000
Minimum additional transaction size	\$5,000

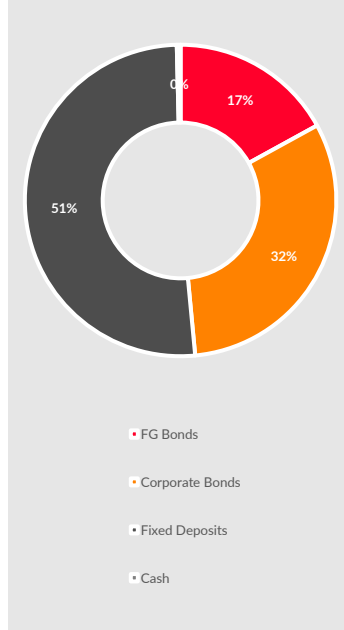
## FUND FEES

Management	1.0% p.a.
Others	1.50%

## FUND CHARGES

Exit charge	None
Early redemption charge	1.5% of income earned

## FUND ASSET ALLOCATION



# 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.

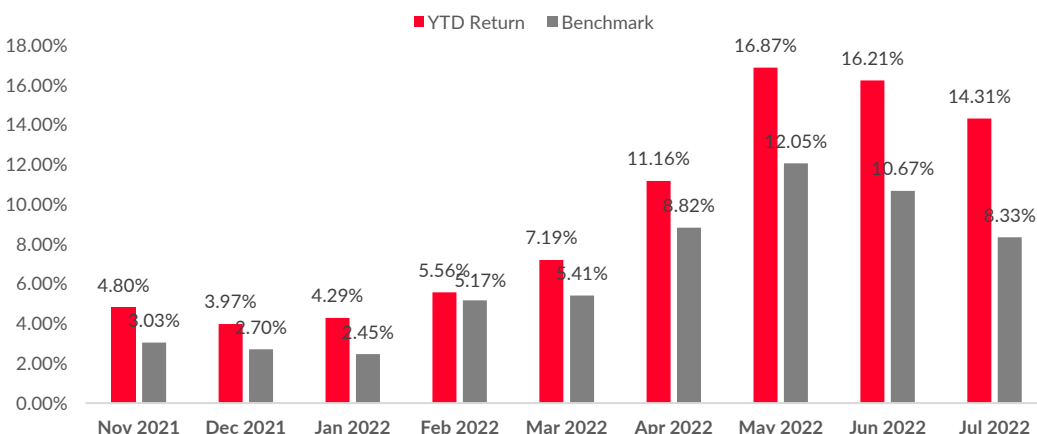
### Risk Management

- 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%	5.38%	-0.56%	-1.64%						14.31%
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	₦125 Million
Offer price	₦1.2259
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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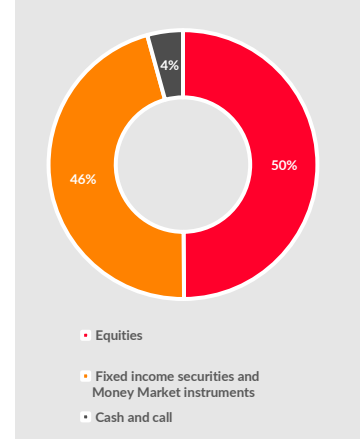
### FUND CHARGES

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

### FUND CHARACTERISTICS

Equities Holding by Sector	
Financials	7.26%
Industrials	12.28%
Consumers	2.00%
Agriculture	12.45%
Oil and Gas	5.96%
Telecommunications	9.92%
Total	49.87%

### 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.

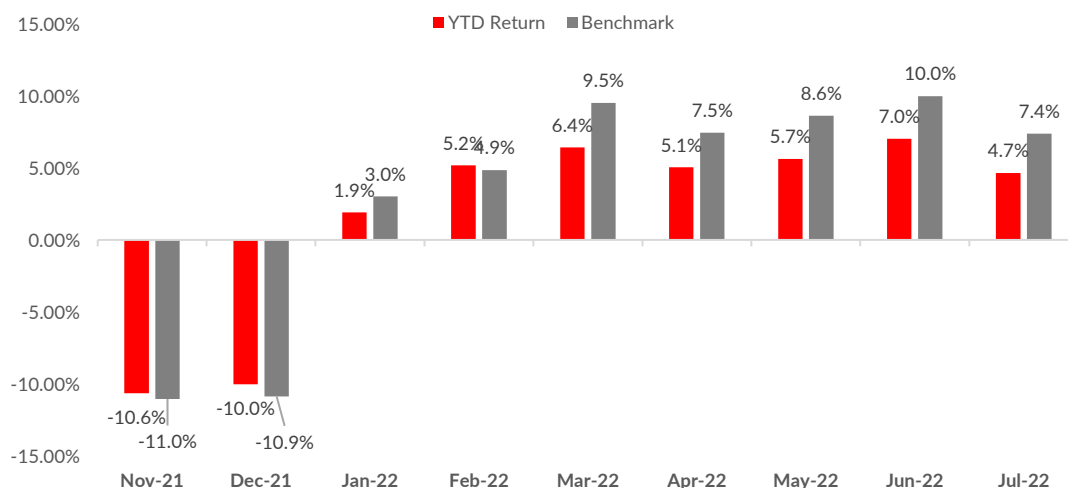
#### Risk Management

- 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%	1.31%	-2.22%						4.67%
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	₦423 Million
Offer price	₦1.4024
Income distribution	Semi-annually
Minimum holding period	3 months
Minimum initial transaction size	₦10,000
Minimum additional transaction size	₦5,000

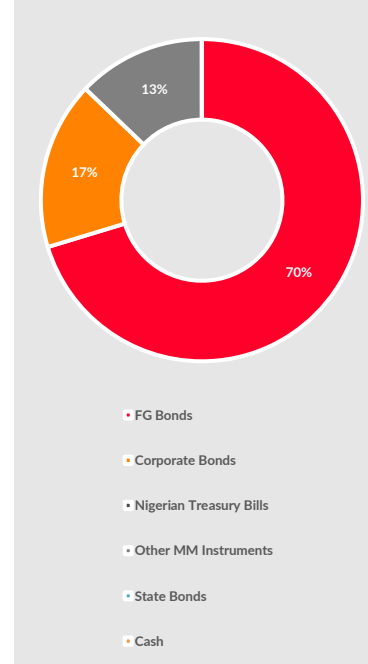
### FUND FEES

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



## DISCLOSURES & DISCLAIMERS

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