

CORONATION

CORONATION

Mutual Funds Factsheet

August 2024

Macroeconomic and Market Review

Overview

August 2024

August was a month of distinct gains in Naira fixed income markets, with yields on both Treasury bills and Naira-denominated FGN bonds moving sharply downwards. This marks a return to liquidity in the money market. This may reflect confidence on the part of the authorities, given that inflation registered a small decline in July (down 79bps m/m to 33.40%), removing the overriding concern to use system liquidity to control inflation. In the short term we see liquidity staying high, though we question how easy it will be to bring inflation to heel once and for all.

Fixed Income

During the month the Central Bank of Nigeria offered N626.07bn at its two scheduled Treasury Bill primary market auctions. The total amount offered was 41.0% higher than the total amount offered in July. System liquidity was fluid, averaging N343.98bn, leading to a surge in demand as total subscriptions reached N1.51tn, compared to N682.61bn in July. Consequently, the bid-to-offer ratio jumped to 2.42x from 1.54x in July. The total amount allotted reached N507.12bn, up from N485.23bn the previous month, while the average bid-to-cover ratio increased to 2.99x from 1.41x. At the second auction, yields declined across all tenor buckets, dropping 33bps and 37bps for both the 91-day and 182-day bills, respectively, while the yield fell by 160bps for the 364-day bill, bringing yields on the instruments to 19.07%, 21.23%, and 26.40%, respectively. In efforts to reduce system liquidity in a bid to control inflation, the CBN rolled out two OMO auctions during the month, offering N2.35tn (versus N900.50bn in June) across three maturities: 91-day, 175-day, and 364-day. Demand was weak, relative to the OMO auctions in June with subscriptions at N1.66tn (N1.80tn in June), and only N1.63tn worth of OMO bills were sold. Nevertheless, yields for the 91-day, 175-day, and 364-day instruments declined to 19.39%, 21.27%, and 27.97%, respectively, down from 19.71%, 21.65%, and 28.59% the previous month.

The Debt Management Office conducted its primary market auction in the second week of the month offering N190.00bn across three instruments: Apr-29, Feb-31, and May-33. The offered amount was significantly lower than the N300.00bn from the previous month, indicating a likelihood of reduced borrowing possibly as the government's initial borrowing schedule was exceeded during the early part of the year. Total subscriptions amounted to N460.18bn (bid-to-offer ratio of 2.42x vs 0.93x in July), while only N374.74bn was allotted, indicating a bid-to-cover ratio of 1.23x. Consequently, yields on the re-opened bond issues declined by 1bps and 48bps, to 19.89% and 19.74% for the Feb-31, and May-33 bonds, respectively, although the Apr-29 bond yield added 41bps to 20.30%.

The Secondary market traded on a bullish note as demand across all tenor buckets, particularly in the market for Treasury bills, drove yields down. We attribute this to a flow of unsettled bids from the primary market auctions and cautious trading in the equities market. Average yields in the Treasury bill market declined by 397bps to 21.21% pa driven by buying interest, particularly at the long-end of the yield spectrum where average yields settled at 22.52%, declining by 495bps. In the FGN bond market average yields declined by 80bps to 18.96% pa, largely driven by investors' interest in the mid-tenored bonds, particularly the Feb-34 and May-33 maturities.

For September, we expect the fixed income space to remain bullish premised on the expectation of elevated system liquidity driven by inflows from Federation Account Allocation Committee (FAAC) payments and coupon payments.

Equities

The Nigerian equities market ended on a bearish note, with the All-Share Index recording a month-on-month loss of 1.22% to close at 96,580.01 points, bringing the year-to-date return on the index to 29.16%. The overall market downturn was driven by profit-taking in industrial and consumer goods sectors, a challenging macroeconomic environment, and continued fund flows into the fixed-income market.

During the month, profit-taking activities in BUA Cement (-20.46% m/m), MTN Nigeria (-10.00% m/m) and Dangote Cement (-10.00% m/m) drove the market's weak performance outweighing gains in Oando (+207.60% m/m), Zenith Bank (+15.56% m/m), and United Bank for Africa (+13.05% m/m). Consequently, the market capitalisation lost N36.04bn to close at N55.48tn.

Most sectoral indices closed the month positive. The NGX Oil and Gas Index topped the list returning 22.39% over the month spurred by buying interest in Oando, following its announcement to acquire Agip Oil. The NGX Insurance Index followed with gains reaching 11.46%, the NGX Banking Index returned 6.96%, the NGX Consumer Good Index was able to return 4.30% despite profit taking activities among players within the sector. Following closely was the NGX Pension Index with a return of 4.12%. Sectors which ended the month in the red were the NGX Industrial Goods Index (-13.06%) and the NGX 30 Index (-0.67%).

Oil

Brent Crude closed at US\$78.80 per barrel 2.4% below its closing price in July. This brought the year-to-date gain down to 2.28%, with an average trading price of US\$82.90 per barrel year-to-date, 0.87% higher than its average price of US\$82.19 per barrel in 2023.

Oil markets experienced significant volatility during the month, with crude prices plunging in early August due to unexpected economic data. Concerns over the global economy arose following Japan's rate hike, a weaker outlook for China, and a slowdown in US hiring. Despite these challenges, geopolitical tensions in the Middle East and positive economic data helped stabilise the market, leading to a price rebound in mid-August.

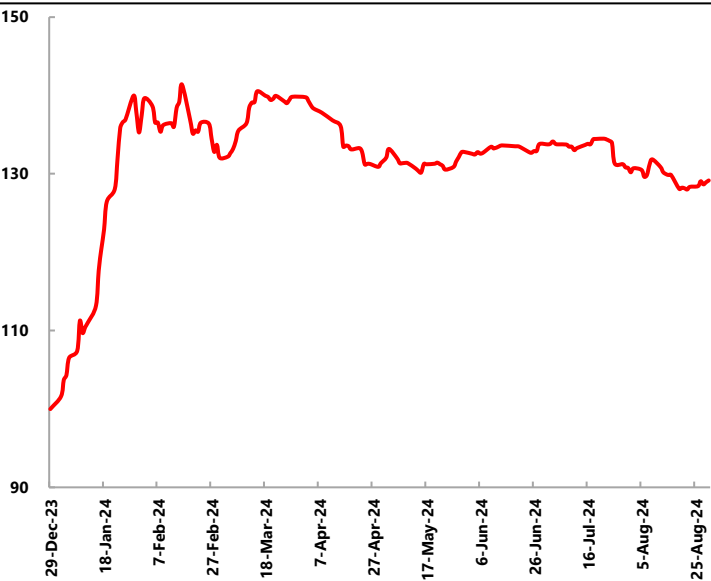
CORONATION

Currency

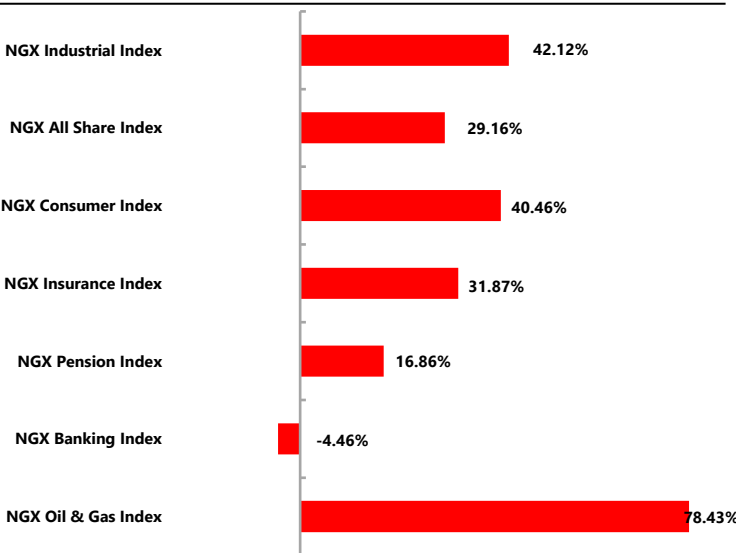
At the end of August, the Nigeria Autonomous Foreign Exchange Market (NAFEM) rate gained 0.64% m/m (-6.43% in July) to close at N1,598.56/US\$1. Throughout the month, the exchange rate had fluctuated around the N1500/US\$1 mark, but reached a low of N1,617.08/US\$1 at one point. On a year-to-date basis, the Naira has depreciated against the dollar by 43.25%, down from 43.61% in July. Conversely, in the parallel market, the Naira fell by 2.13% further from 4.98% in July to close at US\$1,640.00/US\$1. Furthermore, the CBN's published gross foreign exchange reserve closed the month 1.26%, or US\$491.81m, lower, ending the month at US\$36.31bn. The decline is attributed to the its interventions in the FX market.

Total turnover declined by 21.3% to US\$4.07bn. In our view, if inflows do not improve, the market may continue to yield to selling pressure as seasonal demand for US dollars is expected to peak for travel allowances.

NGX ASI, rebased 31 Dec 2023 = 100



NGX sub-indices returns, 2024 year to 30 August



Source: NGX, Bloomberg, Coronation Research

Global economic outlook

In August, global macroeconomic conditions were shaped by key developments, including concerns over a potential US recession and an unexpected rate hike by the Bank of Japan. The US economy showed resilience with a 3.0% year-on-year GDP growth in Q2, driven by strong consumer spending and business investments. However, revised labour data revealed that the jobs estimate for the 12 months to March 2024 was 28% lower than previously reported, reinforcing expectations of a rate cut by the Federal Reserve in September.

In Europe, inflation in the Eurozone dropped to a three-year low of 2.2%, heightening expectations for a 25bps rate cut by the European Central Bank (ECB). In the UK, despite positive PMI readings indicating moderate economic expansion, other areas such as the housing market faced downward pressure, with a 0.2% price decline. Meanwhile, France saw a slight recovery in consumer spending, and Germany experienced a strong performance in exports, contributing to a cautiously optimistic outlook for both economies.

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.

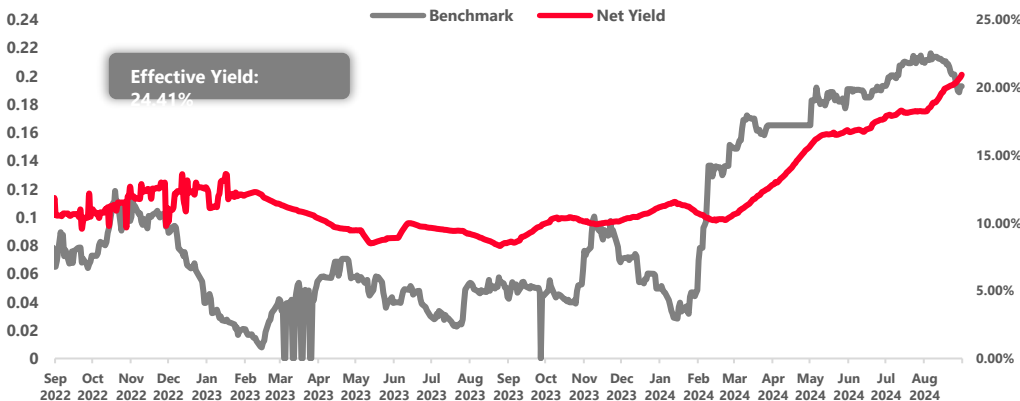
Risk Management

- 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
2024	10.73%	10.60%	12.78%	15.57%	16.85%	17.71%	18.23%	20.94%				
2023	12.08%	11.40%	10.36%	9.45%	8.88%	9.64%	9.21%	8.53%	9.94%	10.11%	10.15%	11.14%
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	₦6.60 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

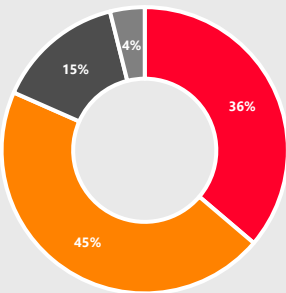
FUND FEES

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

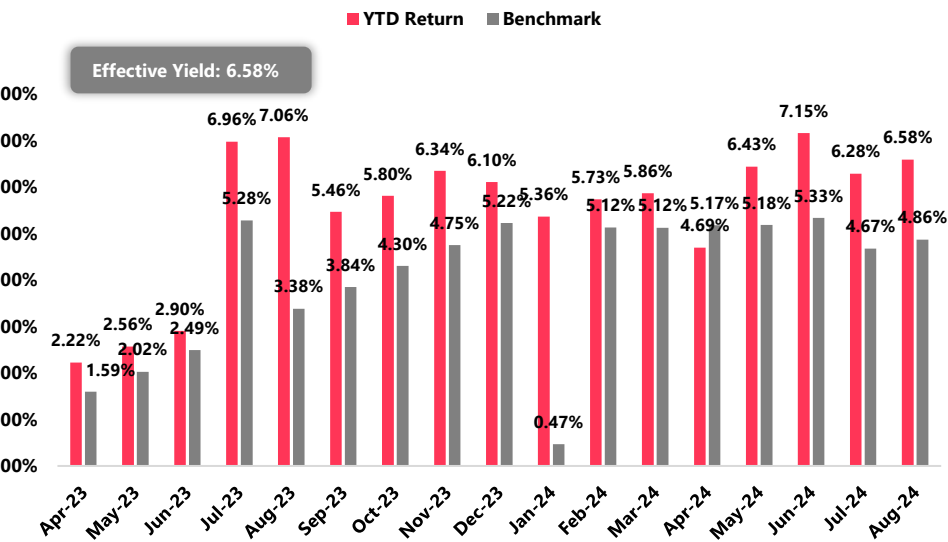
We prioritize risk management as a fundamental pillar of our investment process. To mitigate risk exposure, the Fund focuses on investing in high-quality issuers to reduce credit risk and employs strategies to limit interest rate risk through controlled durations.

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
2024	5.36%	5.73%	5.61%	4.69%	7.01%	7.32%	6.25%	6.54%				
2023	0.44%	1.49%	1.81%	2.22%	2.56%	2.90%	6.96%	7.06%	5.46%	5.80%	6.34%	6.10%

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	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	\$3.53Million
Offer price	\$ 1.00
Income distribution	Annually
Minimum holding period	6 months
Minimum initial transaction size	\$1,000
Minimum additional transaction size	\$500

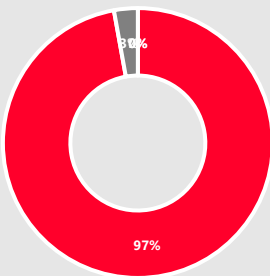
FUND FEES

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



- FG Bonds
- Corporate Bonds
- Fixed Deposits
- Cash

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.

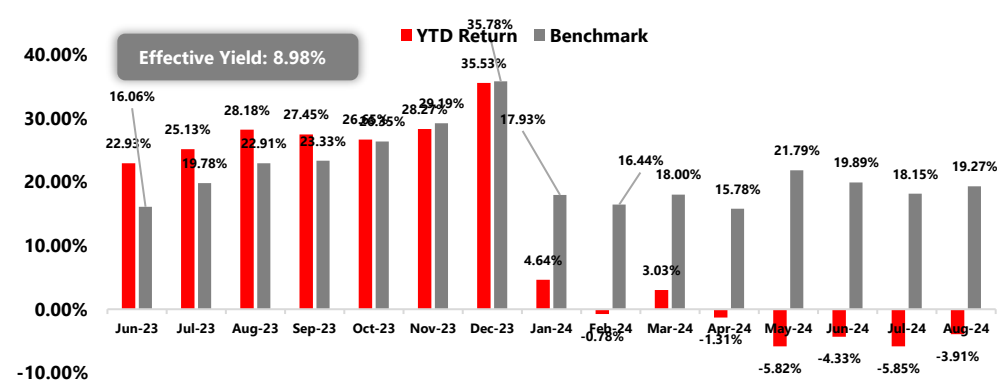
Risk Management

- 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
2024	4.64%	-5.18%	3.84%	-4.21%	-4.57%	1.58%	-1.59%	2.06%					-3.91%
2023	1.01%	2.32%	0.51%	-0.45%	7.65%	10.44%	1.79%	2.43%	-0.57%	-0.63%	1.28%	5.66%	35.53%
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	₦188 Million
Offer price	₦1.4827
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

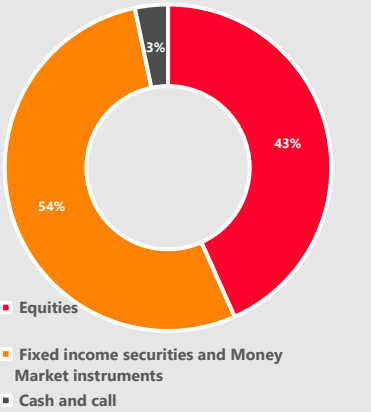
Entry charge	None
Exit charge	None
Early Redemption Charge	1.5% of net proceed

FUND CHARACTERISTICS

Equities Holding by Sector

Financials	17.83%
Industrials	10.16%
Consumers	4.60%
Agriculture	2.07%
Oil and Gas	3.88%
Telecommunications	4.78%
Total	43.32%

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.

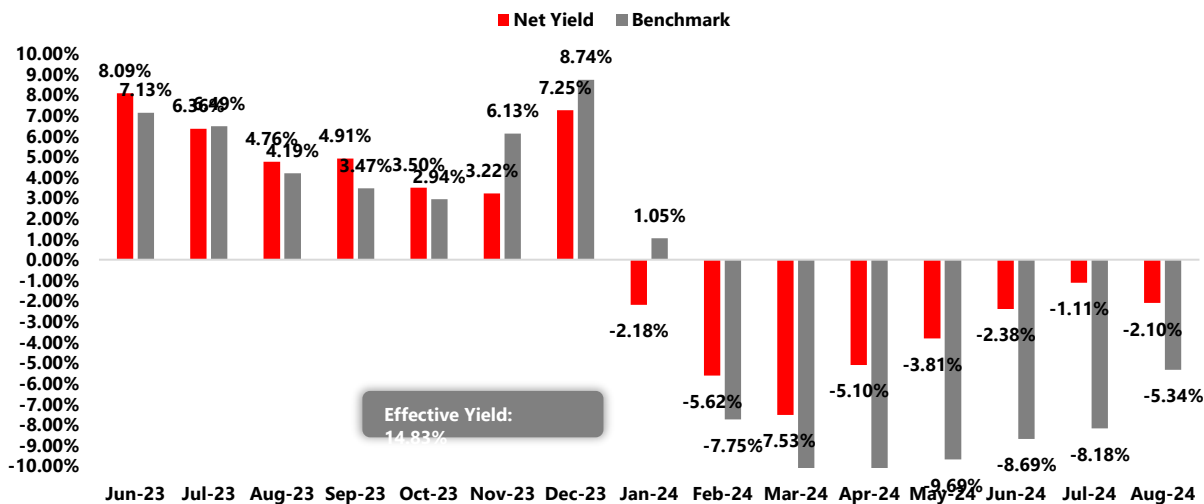
Risk Management

- 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
2024	-2.18%	-3.51%	-2.02%	2.63%	1.36%	1.49%	1.29%	-1.00%					-2.10%
2023	0.49%	1.80%	0.72%	0.35%	1.14%	4.38%	-1.60%	-1.51%	0.15%	-1.35%	-0.27%	3.91%	7.25%
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	N336 Million
Offer price	N1.3354
Income distribution	Semi-annually
Minimum holding period	3 months
Minimum initial transaction size	N10,000
Minimum additional transaction size	N5,000

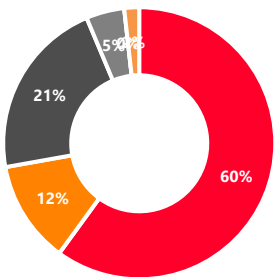
FUND FEES

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



- FG Bonds
- Corporate Bonds
- Nigerian Treasury Bills
- Other MM Instruments
- State Bonds
- Cash

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