



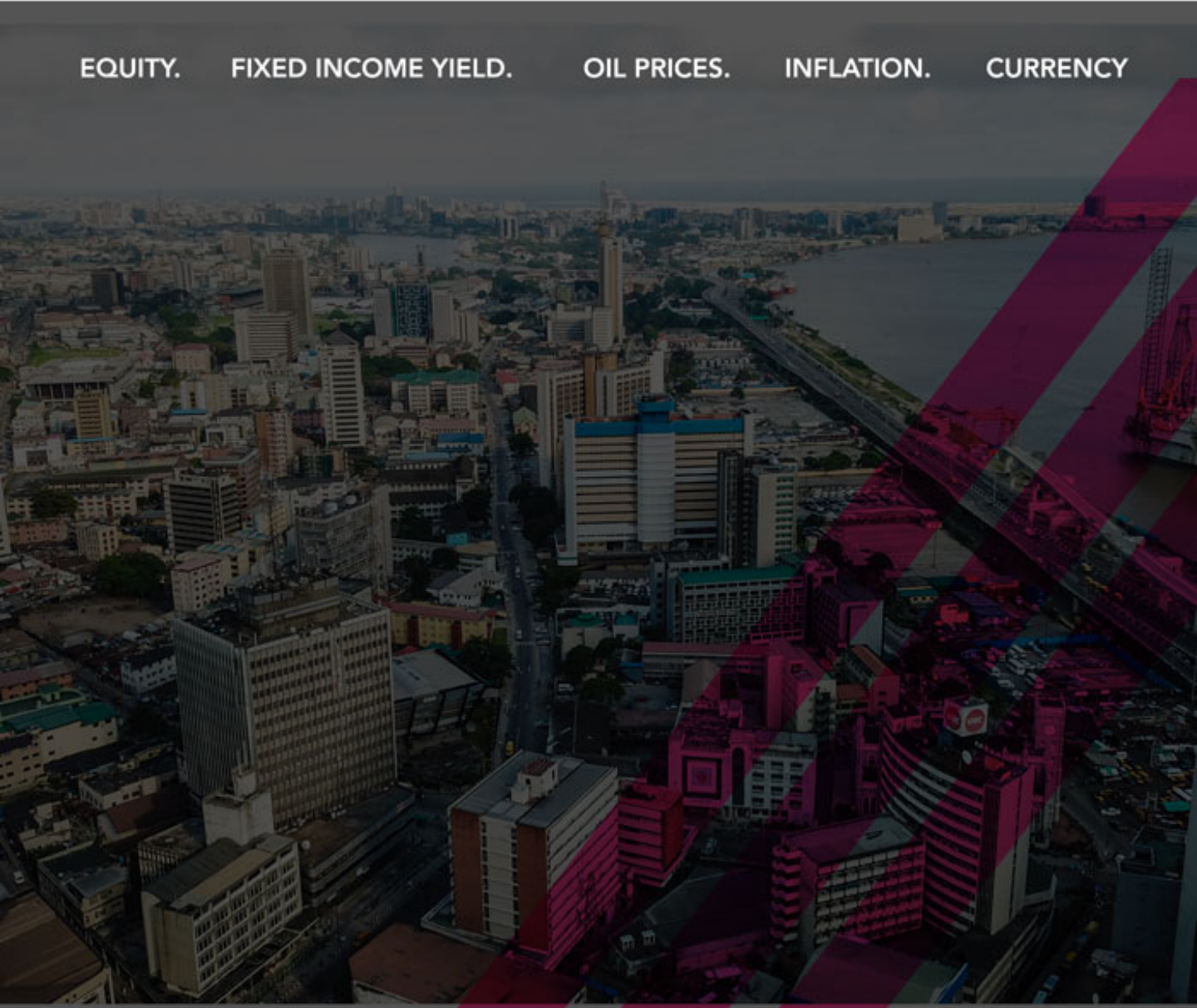
EQUITY.

FIXED INCOME YIELD.

OIL PRICES.

INFLATION.

CURRENCY



# Mutual Funds Factsheet

## September 2021

## GLOBAL

- Economic recovery continued at a steady pace amidst the battle against COVID-19 variants. Expectations of strong earnings have been a major driver of stock market performance with companies on the whole delivering impressive second quarter earnings releases. The Federal reserve authority also delivered a slightly hawkish message to markets on its policy outlook, recognizing slower economic progress due to the delta variant, but also robust improvement in the labour market recovery and stickier inflation than it previously assumed.
- Global equities returned -3.84% MoM in September (2.55% - August) as increasing bond yields caused interest rate-sensitive growth stocks to pullback. Energy stocks recovered from losses in July and August, outperforming towards the end of the month as worries mounted over lower than expected crude oil supply globally.
- The Global Aggregate Bond Index also finished the month lower, closing at -1.78% MoM, as fixed income investors' actions pushed rates higher on inflationary concerns given accelerating economic growth. International bonds (FTSE World Government Bond Index) and Emerging market debt (JP Morgan Emerging Markets Bond Index (EMBI)) also sold off, closing -2.26% and -2.07% MoM, respectively.

## DOMESTIC

- Headline inflation sustained a downward trend for the fifth consecutive month, declining by 37bps in August to print at 17.01% y/y. Food inflation was the key driver of the moderation following a 73bps decline to 20.30%, while core inflation (which excludes prices of farm produce) also decelerated by 31bps to 13.41%. The decline in food inflation was on the back of base effects and the ongoing harvest season while core inflation's moderation was driven by deceleration in health and transport costs. Meanwhile, the headline index was up by 1.02% on a month-on-month basis in August (0.93% - July 2021).
- Stanbic IBTC Nigeria Purchasing Manager's Index (PMI) for September rose slightly to 52.3 from 52.2 August, indicating the fifteenth consecutive month of expansion of private sector activities. New orders, employment and stocks of purchases increased at a much faster pace, though the rate of growth in output slowed to an eight-month low. On the price front, purchase costs due to higher raw material and commodity costs as well as unfavorable exchange rate movements cost higher.

# FINANCIAL MARKET UPDATE

## EQUITIES

- The equities market recorded yet another positive performance in September with a return of +2.55% while the year-to-date return printed at -0.12%. Market activity was quiet for most part, with an increased activity noticed towards the end of the month due to quarter-end portfolio rebalancing activities.
- Market activity continued to be dominated by the local investors with foreign portfolio investors remaining on the sidelines due to the illiquidity in the FX market. Gains in the month was driven by large cap bellwethers towards the end of the month due to quarter end portfolio rebalancing activities by investors.
- On a sectorial basis, the market's performance was supported by gains recorded in the industrial goods (+7.23%), consumer goods (+2.71%) sectors, with losses recorded in the banking (-1.62%) and insurance (-9.41%) sectors. At stock level, Dangcem (+26.70%), Airtel (+7.08%), MTN (+6.65%), Wapco (+7.76%) and Total (+32.41%) led overall gains.

## FIXED INCOME

- The average yields in the fixed income market improved marginally over the month of September, with the DMO supplying more than the offered amount at auctions held in both market segments. Financial system liquidity improved slightly reflecting 110bps and 86bps decline in average Open Buy Back (OBB) and Overnight rates to 12.18% and 12.87% respectively.
- At the NTB auctions which held during the month, the stop rates on the 91- and 182- day bills were pegged at 2.50% and 3.50% respectively, whilst the stop rate on the 364-day paper rose 70bps to close at 7.50%. At the secondary market, yields rose by an average of 38bps across the curve as investors took a cue from the NTB auction.
- In contrasting move, bond yields at the secondary market declined slightly by 11bps to 10.62%, spurred by an 80bps decline at the short-end of the curve. At the monthly bond auction, the DMO sold more than it offered, taking advantage of the strong demand seen across board. Stop rates on the 2028 & 2036 maturities on offer remained unchanged at 11.60% and 12.75% respectively, whilst stop rates on the 2050 bond rose by 20bps to 13.00%.

## FUND STRUCTURE

The ARM Aggressive Growth Fund is an open-ended fund with a permissible investment limit exposure of 70% - 100% in stocks of companies quoted on the Nigerian Stock Exchange. The ARM Aggressive Growth Fund is constituted by a trust deed and duly authorized and registered in Nigeria as a unit trust scheme under the Investments & Securities Act 1990.

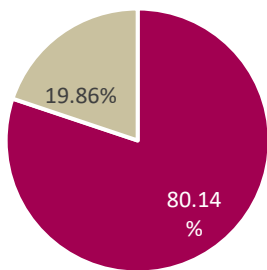
## FUND OBJECTIVE

The mix of assets in the Fund is aimed at providing long term capital growth opportunities for investors with a high-risk tolerance.

## KEY FACTS

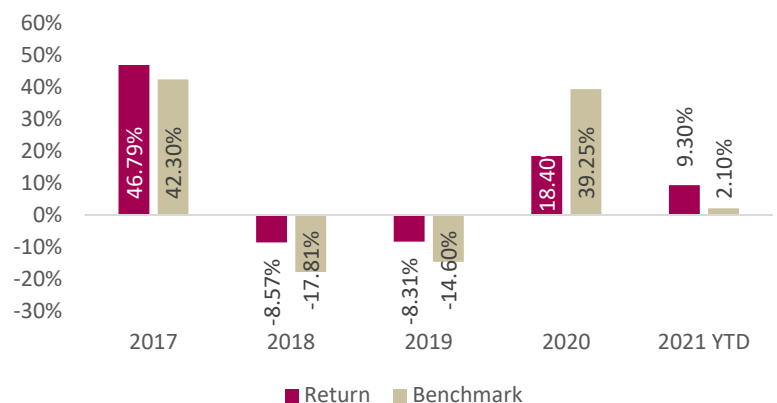
<b>Launch Date</b>	April 2014
<b>Size of Fund</b>	N2.65 Billion
<b>Memorandum Listings</b>	2008
<b>Initial Investment Amount</b>	N50,000.00
<b>Incentive Fee</b>	Maximum 20% of excess returns above benchmark
<b>Management Fee</b>	1.5% of NAV
<b>Benchmark</b>	Nigerian Stock Exchange 30 Index (NGSE30)
<b>Trustee</b>	First Trustees Nigeria Ltd, a subsidiary of FBN Capital Ltd.
<b>Custodian</b>	Rand Merchant Bank Limited
<b>Risk Profile</b>	High
<b>Relative Return</b>	7.21%
<b>Equity Beta</b>	0.98

## FUND ASSET ALLOCATION



■ Equities ■ Fixed Income

## FUND PERFORMANCE



## Top 3 Equity Sector Exposures

SECTOR	PORTFOLIO WEIGHT	RELATIVE WEIGHTING
Banking	23%	Overweight
Industrials	19%	Underweight
Consumer Goods	18%	Overweight

## Top 3 Equity Exposures

SECTOR	PORTFOLIO WEIGHT	RELATIVE WEIGHTING
DANGCEM	12%	Underweight
NESTLE	10%	Overweight
MTNN	10%	Underweight

## FUND STRUCTURE

The ARM Discovery Balanced fund seeks to maximize return by investing in a broad spectrum of asset classes that comprises of equities and fixed income securities. The Fund Manager is required to maintain a minimum equity position of 40% and a maximum of 60%. It is not the objective of the Fund to replicate the performance of the Nigerian equity market; rather, it has a primary objective to deliver competitive returns over the long term.

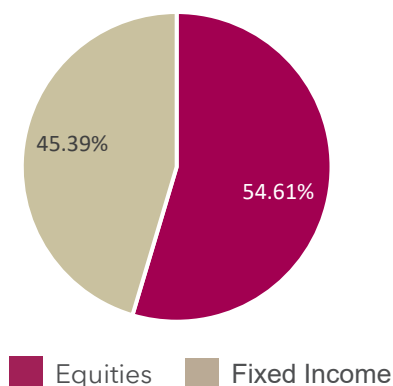
## FUND OBJECTIVE

The mix of assets in the Fund is aimed at providing long term capital growth opportunities for investors with a medium risk tolerance.

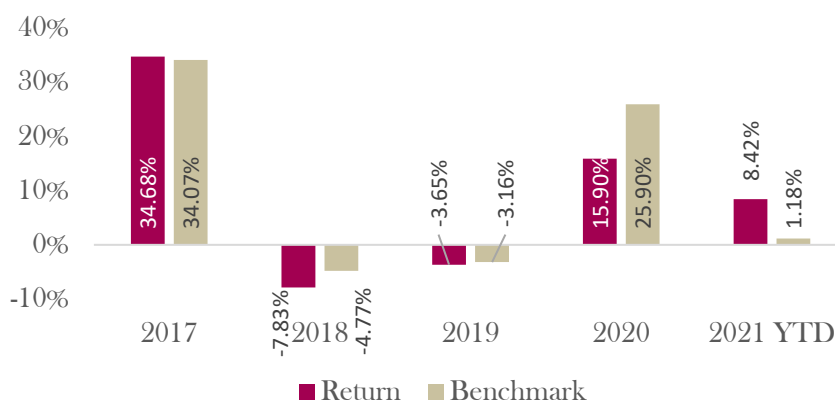
## KEY FACTS

<b>Launch Date</b>	January 1995
<b>Size of Fund</b>	N4.47 Billion
<b>Memorandum Listings</b>	April 2002
<b>Initial Investment Amount</b>	N10,000.00
<b>Incentive Fee</b>	Maximum 20% of excess returns above benchmark
<b>Management Fee</b>	1.5% of NAV
<b>Benchmark</b>	Composite of NSE ASI and FMAN 91-day Average T-Bill rate.
<b>Trustee</b>	First Trustees Nigeria Ltd., a subsidiary of FBN Capital Ltd.
<b>Custodian</b>	Rand Merchant Bank Limited
<b>Risk Profile</b>	Medium
<b>Relative Return</b>	7.24%
<b>Equity Beta</b>	0.97

## FUND ASSET ALLOCATION



## FUND PERFORMANCE



Top 3 Equity Sector Exposures		
SECTOR	PORTFOLIO WEIGHT	RELATIVE WEIGHTING
Banking	13%	Underweight
Telecoms	12%	Underweight
Industrials	12%	Underweight

Top 3 Equity Exposures		
SECTOR	PORTFOLIO WEIGHT	RELATIVE WEIGHTING
MTN	8%	Underweight
DANGCEM	8%	Underweight
Nestle	6%	Equalweight

## FUND STRUCTURE

The ARM Ethical Fund is an open-ended fund designed to enable ethical investors to invest in line with ethical Islamic investment principles the principles of Shari'ah laws will be upheld whilst managing the Fund, specifically the Fund is designed to exclude all forms of "riba or interest" from all its investment operations and prohibits investments in businesses that are inconsistent with Islamic principles, such as gambling, tobacco, alcohol, ammunition, sale or purchase of pork and all forms of adult entertainment.

The Fund is structured to have an Advisory Board and an Investment Committee with expertise in shariah investing.

## FUND OBJECTIVE

The primary objective of the Fund is to achieve long-term capital appreciation and income distribution through investments in a select portfolio of securities and assets in accordance with the principles of Islamic finance and ethical values. The Fund is suitable for investors who:

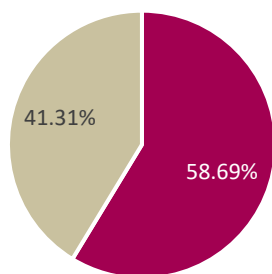
- Wish to achieve long-term capital growth on their investments.
- Have a medium investment risk appetite.

## KEY FACTS

The ARM Ethical Fund is a Shari'ah compliant open-ended Islamic Fund.

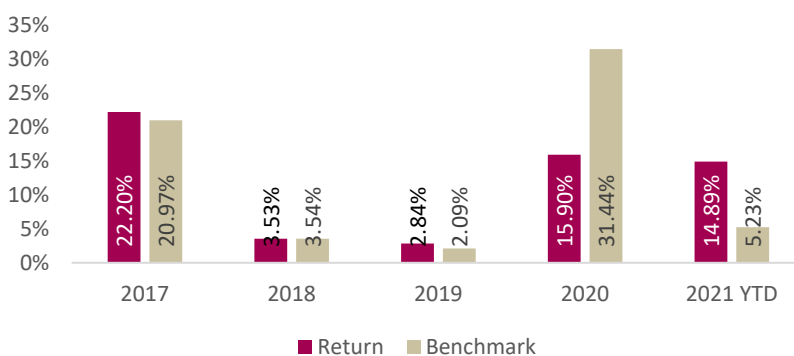
<b>Fund Structure</b>	Open-Ended
<b>Size of Fund</b>	N408 Million
<b>Nominal Value</b>	N20.00/Unit
<b>Initial Investment Amount</b>	N10,000.00
<b>Management Fee</b>	1.5% of NAV
<b>Benchmark</b>	Composite of NSE Lotus Islamic Index and 5-Year Sovereign Sukuk Bond
<b>Trustee</b>	Royal Exchange Plc.
<b>Custodian</b>	Rand Merchant Bank
<b>Risk Profile</b>	Medium
<b>Relative Return</b>	9.67%
<b>Equity Beta</b>	0.90

## FUND ASSET ALLOCATION



■ Equities ■ Alternatives

## FUND PERFORMANCE



## Top 3 Equity Sector Exposures

SECTOR	PORTFOLIO WEIGHT	RELATIVE WEIGHTING
Consumer Goods	19%	Underweight
Industrials	18%	Underweight
Agro Allied	5%	Overweight

## Top 3 Equity Exposures

SECTOR	PORTFOLIO WEIGHT	RELATIVE WEIGHTING
DANGCEM	9%	Underweight
NESTLE	7%	Underweight
BUACEMENT	7%	Underweight

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## FUND STRUCTURE

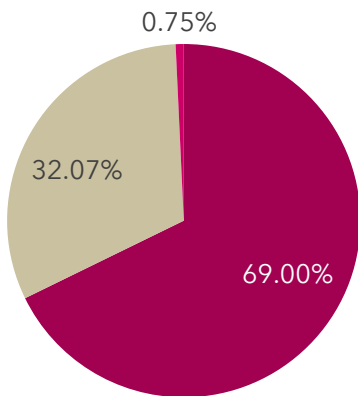
The ARM Fixed Income Fund is an open-ended fund authorised and registered in Nigeria as a Unit Trust Scheme under Section 160 of the Investment and Securities Act 2007. The Fund is regulated by the Securities & Exchange Commission (SEC). The fund can invest a minimum of 70% and maximum of 100% in bond instruments.

## FUND OBJECTIVE

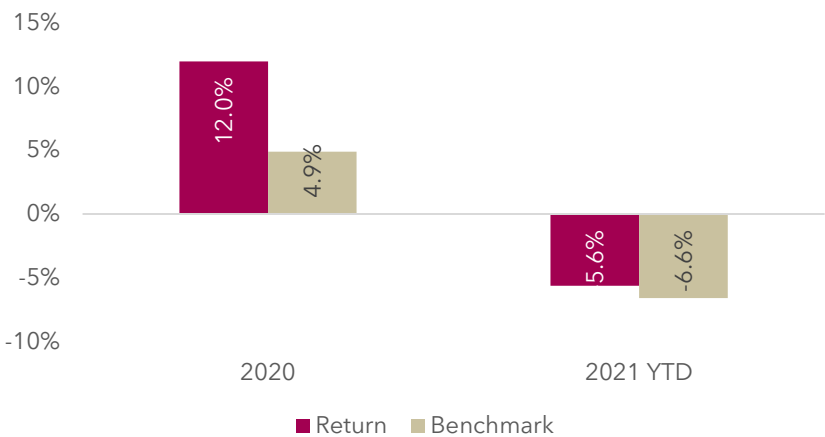
The primary objective of the Fund is to help investors achieve their medium to long-term investment goals by investing in investment grade fixed income securities such as FGN, corporate bonds, and short-term fixed income instruments.

### KEY FACTS

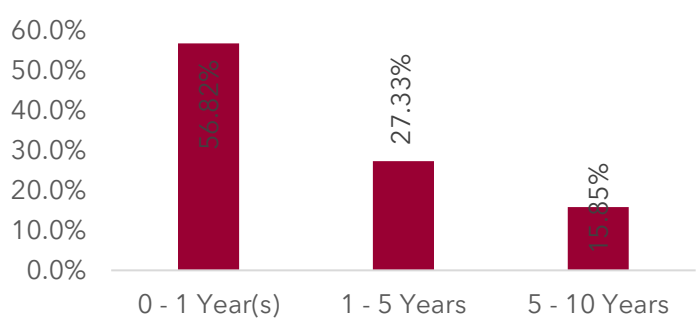
<b>Launch Date</b>	February 2020
<b>Size of Fund</b>	N1.82 Billion
<b>Initial Investment Amount</b>	N5,000.00
<b>Incentive Fee</b>	Maximum 20% of excess returns above benchmark
<b>Management Fee</b>	1.5% of NAV
<b>Benchmark</b>	Composite of 0-5-Year Nigeria Sovereign Bond and Nigeria Treasury Bills Yield
<b>Trustee</b>	STL Trustees Ltd.
<b>Custodian</b>	Rand Merchant Bank
<b>Risk Profile</b>	Medium- High
<b>FUND ASSET ALLOCATION</b>	<b>FUND PERFORMANCE</b>



- Short-term instruments
- FGN Bonds
- Cash



### MATURITY PROFILE



Fund Duration	1.34
Holding Yield	12.45%
Relative Return	+0.98%

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## FUND STRUCTURE

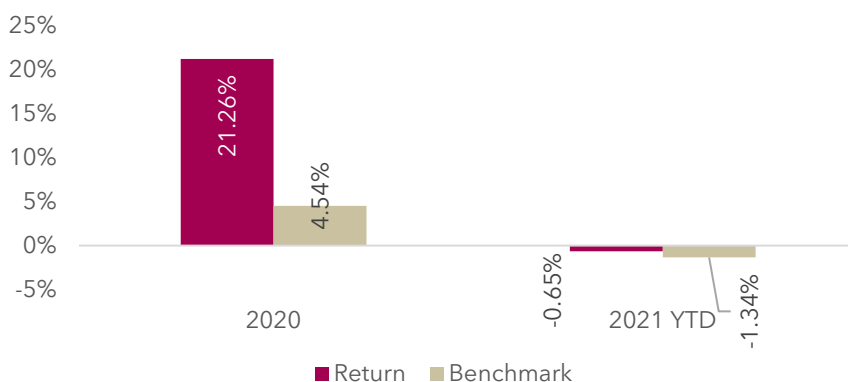
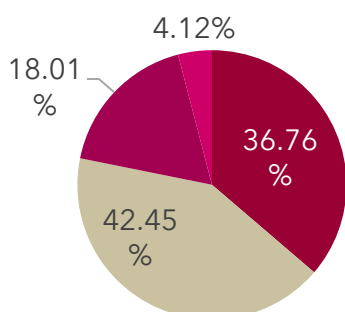
The ARM Eurobond Fund is an open-ended fund that invests in US Dollar denominated fixed income instruments. The Fund is authorised and registered in Nigeria as a Unit Trust Scheme under Section 160 of the Investment and Securities Act 2007 and is regulated by the Securities & Exchange Commission (SEC). The fund can invest a minimum of 70% and maximum of 100% in bond instruments.

## FUND OBJECTIVE

The main objective of the fund is to help investors achieve their long-term investment goals by investing in a broad range of US Dollar denominated instruments and hereby managing local currency devaluation risk.

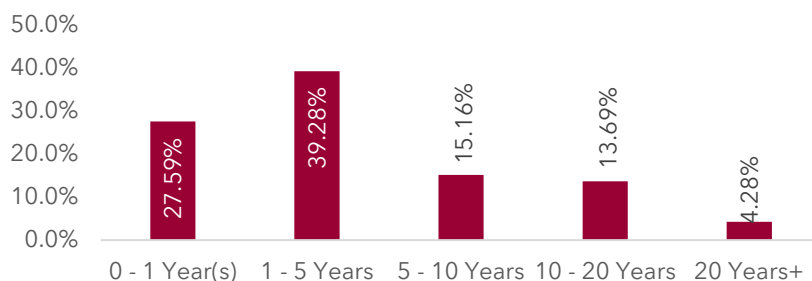
## KEY FACTS

<b>Launch Date</b>	February 2020
<b>Size of Fund</b>	\$15.0 Million
<b>Initial Investment Amount</b>	\$1,000.00
<b>Incentive Fee</b>	Maximum 20% of excess returns above benchmark
<b>Management Fee</b>	1.5% of NAV
<b>Benchmark</b>	Composite of 3-Year Nigeria Sovereign Eurobond and US Treasury Bills Yield
<b>Trustee</b>	STL Trustees Ltd.
<b>Risk Profile</b>	Medium-High
<b>Custodian</b>	Rand Merchant Bank
<b>FUND ASSET ALLOCATION</b>	<b>FUND PERFORMANCE</b>



- FGN Eurobonds
- Corporate Eurobonds
- Short-term Instruments
- Cash

## MATURITY PROFILE



<b>Fund Duration</b>	2.82
<b>Holding Yield</b>	4.75%
<b>Relative Return</b>	+0.69%

## FUND STRUCTURE

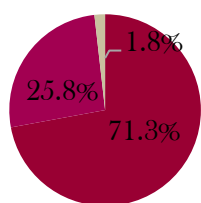
The ARM Money Market Fund is an open-ended fund, authorized and registered in Nigeria as a Unit Trust Scheme under Section 160 of the Investment and Securities Act 2007. The Fund is regulated by Securities & Exchange Commission (SEC).

## FUND OBJECTIVE

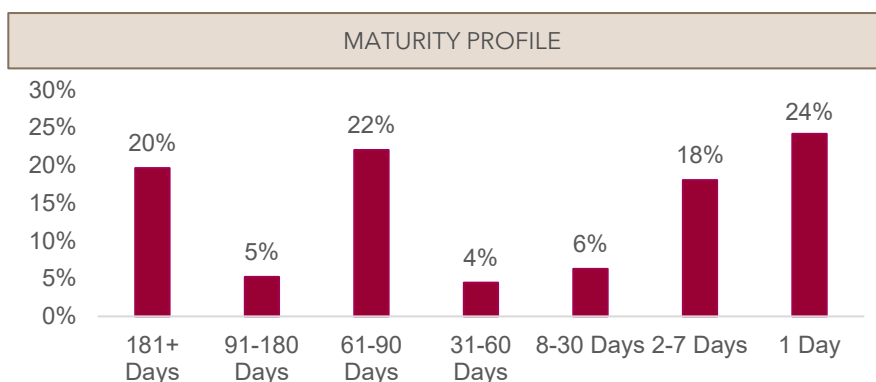
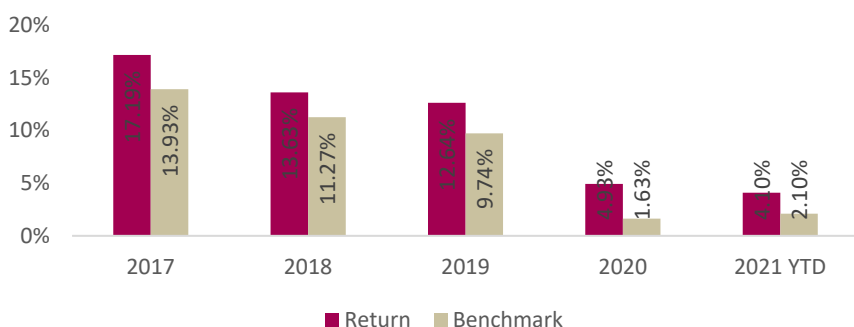
The primary objective of the Fund is to provide a steady stream of income to investors by investing in high-quality short-term money market instruments and government securities, which include; Banker's acceptances, certificates of deposits, commercial papers, Fixed Deposits with eligible financial institutions; Short term debt securities issued or guaranteed by the Government of Nigeria, Other instruments introduced and approved by the Central Bank of Nigeria (CBN) from time to time, Other money market or fixed income instruments in which the Fund is permitted to invest under the Trust Deed.

## KEY FACTS

<b>Launch Date</b>	March 2013
<b>Size of Fund</b>	N55 Billion
<b>Initial Investment Amount</b>	N1,000.00
<b>Income Accrual</b>	Daily
<b>Income Distribution</b>	Quarterly
<b>Management Fee</b>	1.5% of NAV
<b>Benchmark</b>	Average yield on 91-Day Nigerian Treasury Bill primary auction stop rates.
<b>Trustee</b>	First Trustees Nigeria Ltd., a subsidiary of FBN Capital Ltd.
<b>FUND ASSET ALLOCATION</b>	<b>FUND PERFORMANCE</b>



- Short-term Instruments
- Government Securities
- Commercial Papers





## **GLOBAL MARKETS**

The global economy is expected to continue on a recovery path despite the delta variant of the pandemic. Albeit heightened concerns around the variant could slow down the pace of growth rather than halt it. This is aided by the fiscal and monetary measures deployed by authorities to support growth. We therefore expect equities to continue to outperform premised on sustained economic growth and favor cyclical value stocks relative to growth stocks. Also, yields on fixed income instruments are likely to widen as output gaps close and monetary authorities begin tapering of asset buy back programmes.

## **DOMESTIC MARKETS**

### **EQUITY**

We are yet to see any significant improvement in the broad market sentiment. Institutional investors remain cautious while taking a cue from the direction of fixed income yields. On the other hand, the foreign portfolio investors remain on the sidelines given the concerns around FX liquidity. Consequently, we expect market to trade sideways in the coming month with activity dominated by retail investors.

### **FIXED INCOME**

We expect market activity to be driven by investors interpretation of the Q4 bond auction calendar, 2022 fiscal deficit funding, lower liquidity levels and primary auction stop rates. We also note that, the FG securing further funding from the international debt market via Eurobond issuances could pose a threat to market stability in the near term. Given the above mentioned, our prognosis is that the market is likely to be bearish.

### **MONEY MARKET**

In the money market space, we expect system liquidity to remain around current levels, while the CBN continues using CRR debits as a tool to manage the liquidity. Also, the lower maturity profile for the rest of the year should keep liquidity moderate. Therefore, we expect money market rates to be range bound as investors continue to seek relatively attractive instruments whilst the government looks to ramp up the implementation of its fiscal policy.



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