



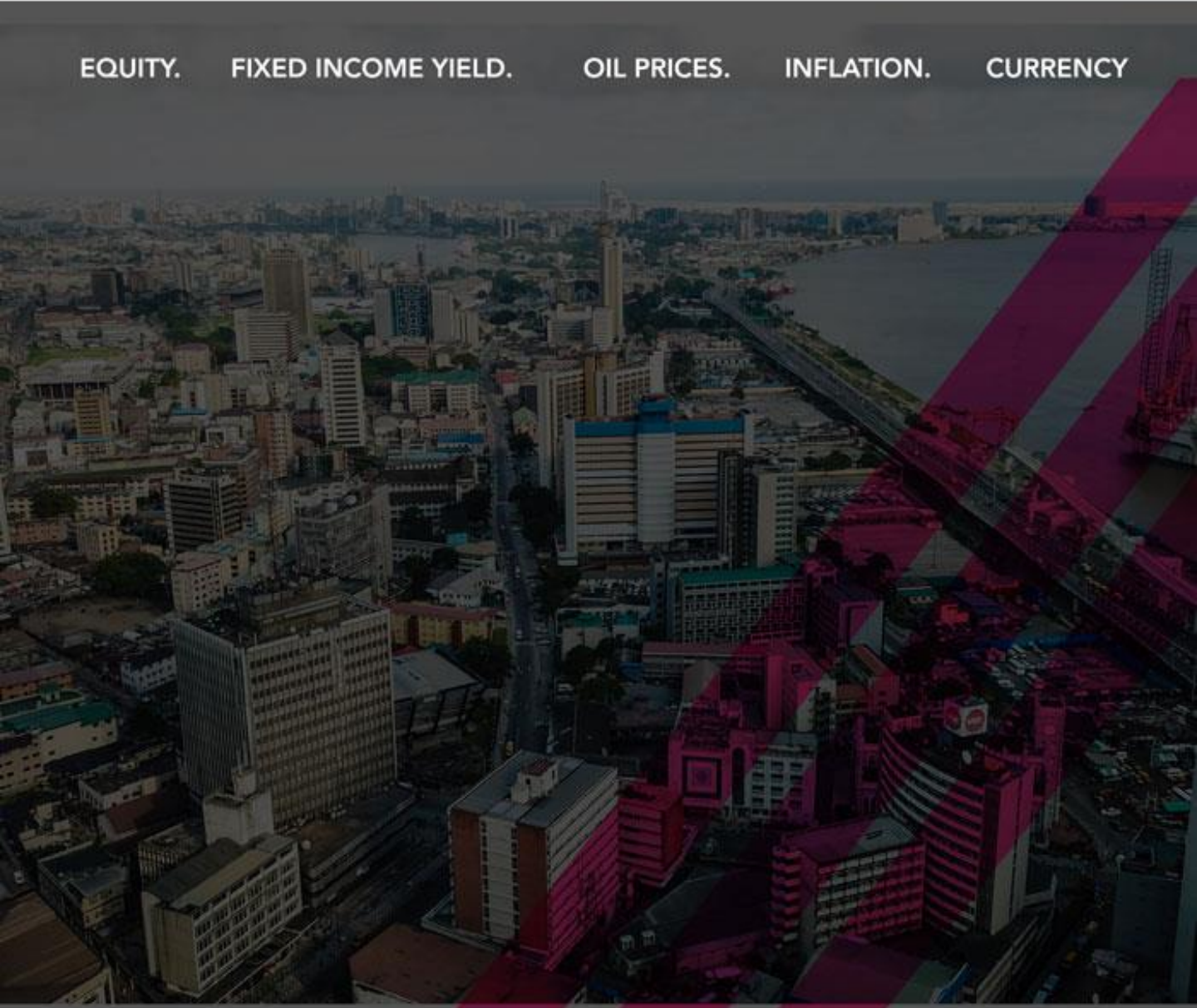
EQUITY.

FIXED INCOME YIELD.

OIL PRICES.

INFLATION.

CURRENCY



Mutual Funds Factsheet

August 2021

GLOBAL

- Major developed economies continued to ease restrictions buoyed by strong economic data, amidst continued escalation of the delta variant of Covid 19. Whilst speedy administration of vaccines has helped to keep hospitalization rates moderate, the consideration of the administration of booster jabs by countries also stemmed concerns around the spread of delta variant.
- Global equities returned 2.5% in August with growth stocks outperforming their value counterparts with a return of 3.3% and 1.7% respectively. In the US, equity indices hit new highs with the S&P 500 recording its longest winning streak of seven straight months since January 2018. The performance of emerging market equities had initially slowed on concerns around rising delta variant and regulatory headwinds in China, but later rebounded to return 2.6% over the month.
- Global bonds underperformed with investment grade credit spreads widening and sovereign yields rising moderately. The 10-year US treasury yield rose during the month from a low of 1.17% to close at 1.30%. However, bond yields have steadily declined from the March highs above 1.7%, supporting equities as inflation concerns abated.

DOMESTIC

- According to the National Bureau of Statistics (NBS), Nigeria's Q2 2021 GDP grew by 5.01% y/y, a third consecutive quarter of growth. The economic expansion was driven by low base effects, the non-oil sector growth of 6.74% y/y and moderated by the contraction in the oil sector (-12.65% y/y). The contraction in the oil sector despite the rising oil prices was a result of lower oil production volumes of 1.61mbpd (1.82mbpd - Q2 2020). The growth in the non-oil sector was underpinned by gains in the trade (+22.49%), ICT (+5.50%), Manufacturing (+3.49%) and Agricultural (+1.30%) sectors.
- Headline inflation sustained a downward trend for the fourth consecutive month, declining by 37bps in July to print at 17.38% y/y. The moderation in headline inflation was on the back of the 80bps decline in food inflation to 21.03% y/y despite the 63bps uptick in core inflation to 13.72% y/y. The moderation in food inflation was primarily due to base effects while the uptick in core inflation was driven by increases in clothing and footwear (+0.33%), furnishings and household equipment (+0.32%) and Education (+0.23%).

FINANCIAL MARKET UPDATE

EQUITIES

- The equities market maintained a positive performance in August with a return of +1.74% while the year-to-date performance stood at -2.61%. Market activity was largely muted and continued to be dominated by retail investors. There is yet to be any major reaction in the equities market to the declining yields on fixed income instruments, evidenced by the low level of activity in the market, even as institutional investors remain cautious, staying on the sidelines..
- August's performance was mainly driven by the telecoms sector (+13.83%) with the other sectors - Consumer goods (-7.61%), Insurance (-3.41%) Oil & Gas (-2.27%), and Banking (-1.15%) recording losses for the period. Specifically, the market's performance was on the back of gains in Airtel (+21.95%), MTN (+4.55%), Honeyflour (+154.76%), Transcorp Hotels (+44.82%) and Presco (+11.97%)

FIXED INCOME

- Fixed income yields maintained a downward trend in August on the back of sustained demand. Financial system liquidity moderated slightly reflecting the 58bps and 53bps rise in Open Buy Back (OBB) and Overnight rates to 13.28% and 13.73% respectively.
- The treasury bills auctions held during the month were oversubscribed, with stop rate on the 364-day paper declining 140bps to close at 6.80%. At the secondary market, yields dropped by an average of 110bps across the curve as investors sought to invest idle funds.
- In the FGN Bond market, bullish sentiments drove average yields at the secondary market down by 88bps to 10.77%. At the monthly bond auction, healthy demand was seen across all the tenors on offer. Strong subscription was particularly seen towards the long end of the curve with bid to cover ratio settling at 3.55x. Across the 2028, 2036 & 2036 maturities on offer, stop rates cleared at 11.60% (-75bps), 12.75% (-40bps), 12.80% (-45bps) respectively.

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.

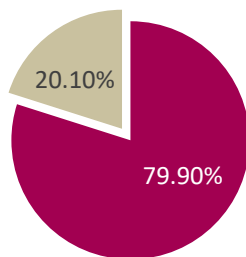
FUND OBJECTIVE

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

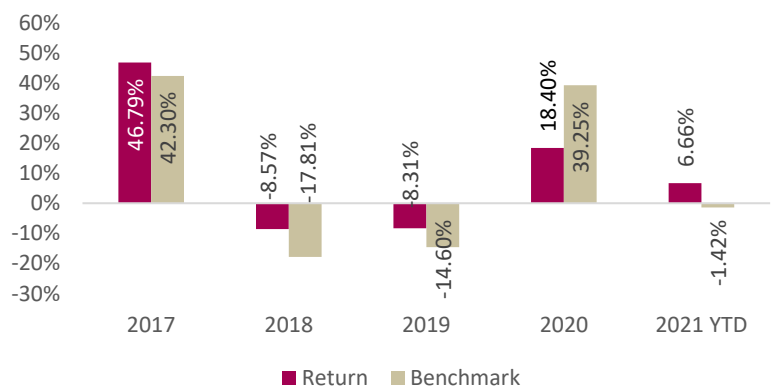
| | |
|----------------------------------|--|
| Launch Date | April 2014 |
| Size of Fund | N2.61 Billion |
| Memorandum Listings | 2008 |
| Initial Investment Amount | N50,000.00 |
| Incentive Fee | Maximum 20% of excess returns above benchmark |
| Management Fee | 1.5% of NAV |
| Benchmark | Nigerian Stock Exchange 30 Index (NGSE30) |
| Trustee | First Trustees Nigeria Ltd, a subsidiary of FBN Capital Ltd. |
| Custodian | Rand Merchant Bank Limited |
| Risk Profile | High |
| Relative Return | 8.08% |
| Equity Beta | 0.95 |

FUND ASSET ALLOCATION



■ Equities ■ Fixed Income

FUND PERFORMANCE



| Top 3 Equity Sector Exposures | | |
|-------------------------------|------------------|--------------------|
| SECTOR | PORTFOLIO WEIGHT | RELATIVE WEIGHTING |
| Banking | 24% | Overweight |
| Consumer Goods | 18% | Overweight |
| Industrials | 17% | Underweight |

| Top 3 Equity Exposures | | |
|------------------------|------------------|--------------------|
| SECTOR | PORTFOLIO WEIGHT | RELATIVE WEIGHTING |
| DANGCEM | 14% | Underweight |
| NESTLE | 12% | Overweight |
| MTNN | 12% | 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.

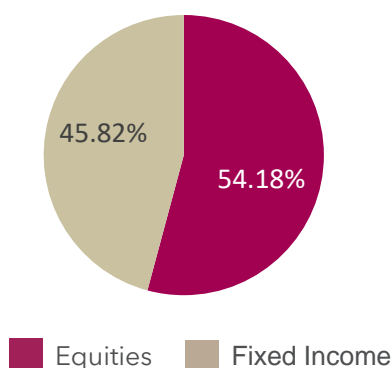
FUND OBJECTIVE

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

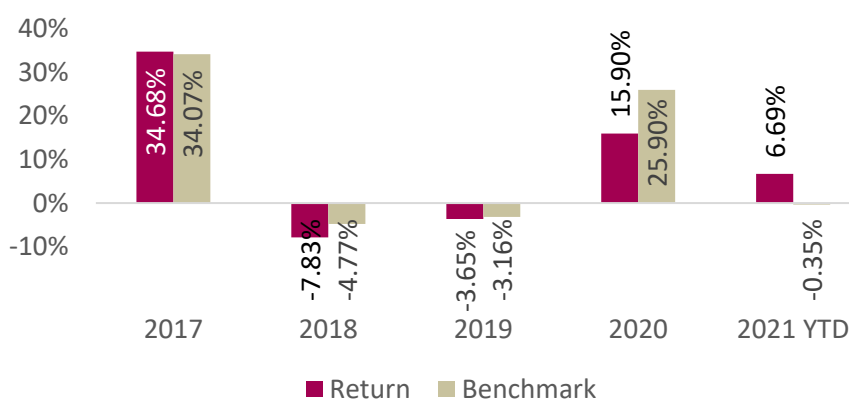
KEY FACTS

| | |
|----------------------------------|---|
| Launch Date | January 1995 |
| Size of Fund | N4.43 Billion |
| Memorandum Listings | April 2002 |
| Initial Investment Amount | N10,000.00 |
| Incentive Fee | Maximum 20% of excess returns above benchmark |
| Management Fee | 1.5% of NAV |
| Benchmark | Composite of NSE ASI and FMAN 91-day Average T-Bill rate. |
| Trustee | First Trustees Nigeria Ltd., a subsidiary of FBN Capital Ltd. |
| Custodian | Rand Merchant Bank Limited |
| Risk Profile | Medium |
| Relative Return | 7.04% |
| Equity Beta | 0.93 |

FUND ASSET ALLOCATION



FUND PERFORMANCE



| Top 3 Equity Sector Exposures | | |
|-------------------------------|------------------|--------------------|
| SECTOR | PORTFOLIO WEIGHT | RELATIVE WEIGHTING |
| Financial Services | 25% | Overweight |
| Consumer Goods | 23% | Overweight |
| Telecoms | 23% | Underweight |

| Top 3 Equity Exposures | | |
|------------------------|------------------|--------------------|
| SECTOR | PORTFOLIO WEIGHT | RELATIVE WEIGHTING |
| MTN | 14% | Underweight |
| Dangcem | 12% | Underweight |
| Nestle | 10% | Overweight |

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:

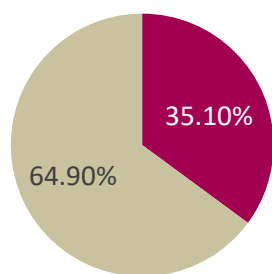
- Wish to achieve long-term capital growth on their investments.
- Have a medium investment risk appetite.

KEY FACTS

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

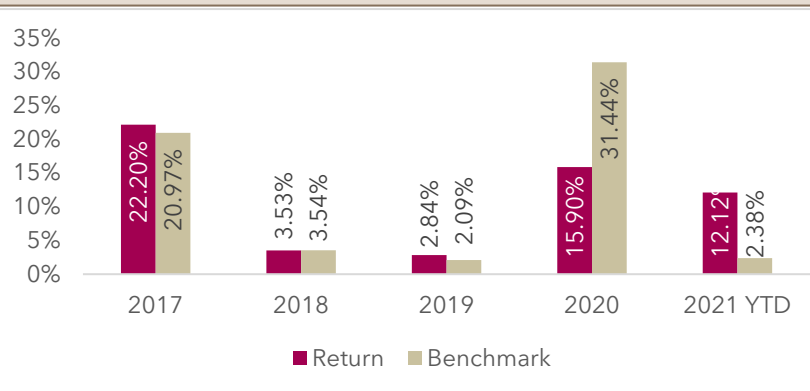
| | |
|----------------------------------|--|
| Fund Structure | Open-Ended |
| Size of Fund | N401 Million |
| Nominal Value | N20.00/Unit |
| Initial Investment Amount | N10,000.00 |
| Management Fee | 1.5% of NAV |
| Benchmark | Composite of NSE Lotus Islamic Index and 5-Year Sovereign Sukuk Bond |
| Trustee | Royal Exchange Plc. |
| Custodian | Rand Merchant Bank |
| Risk Profile | Medium |
| Relative Return | 9.74% |
| Equity Beta | 0.92 |

FUND ASSET ALLOCATION



■ Equities ■ Alternatives

FUND PERFORMANCE



Top 3 Equity Sector Exposures

| SECTOR | PORTFOLIO WEIGHT | RELATIVE WEIGHTING |
|----------------|------------------|--------------------|
| Consumer Goods | 46% | Overweight |
| Industrials | 40% | Overweight |
| Agro Allied | 14% | Overweight |

Top 3 Equity Exposures

| SECTOR | PORTFOLIO WEIGHT | RELATIVE WEIGHTING |
|----------|------------------|--------------------|
| DANGCEM | 22% | Overweight |
| NESTLE | 20% | Underweight |
| OKOMUOIL | 14% | Overweight |

Disclaimer: Notwithstanding the proper and reasonable care that has been exercised in the preparation of this report, no responsibility or liability is accepted by ARM Investment Managers Limited, its employees nor its affiliates 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. The information provided herein should by no means whatsoever be treated as a basis on which to make an investment decision.

FUND STRUCTURE

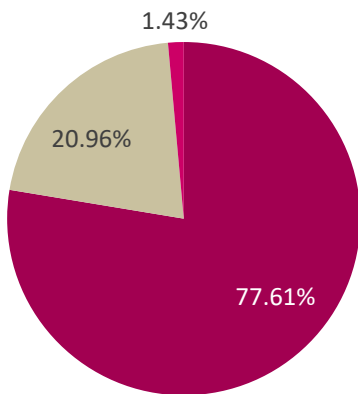
The ARM Fixed Income Fund is an open-ended fund authorised and registered in Nigeria as a Unit Trust Scheme under Section 160 of the Investment and Securities Act 2007. The Fund is regulated by the Securities & Exchange Commission (SEC). The fund can invest a minimum of 70% and maximum of 100% in bond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

FUND OBJECTIVE

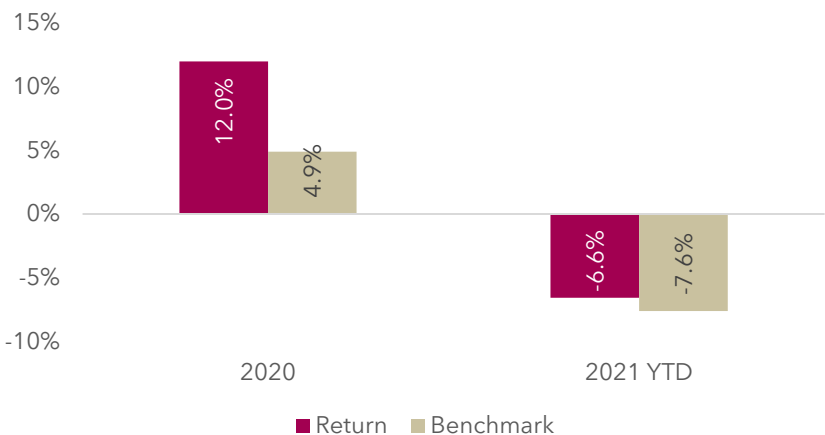
The primary objective of the Fund is to help investors achieve their medium to long-term investment goals by investing in investment grade fixed income securities such as FGN, corporate bonds, and short-term fixed income instruments.

KEY FACTS

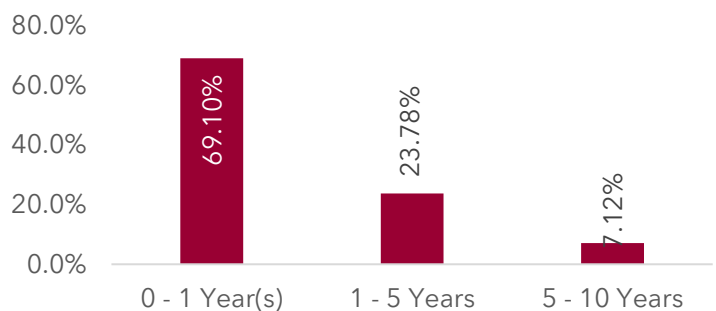
| | |
|----------------------------------|---|
| Launch Date | February 2020 |
| Size of Fund | N1.82 Billion |
| Initial Investment Amount | N5,000.00 |
| Incentive Fee | Maximum 20% of excess returns above benchmark |
| Management Fee | 1.5% of NAV |
| Benchmark | Composite of 0-5-Year Nigeria Sovereign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



- Short-term instruments
- FGN Bonds
- Cash



MATURITY PROFILE



| | |
|-----------------|--------|
| Fund Duration | 0.79 |
| Holding Yield | 13.08% |
| Relative Return | +1.04% |

FUND STRUCTURE

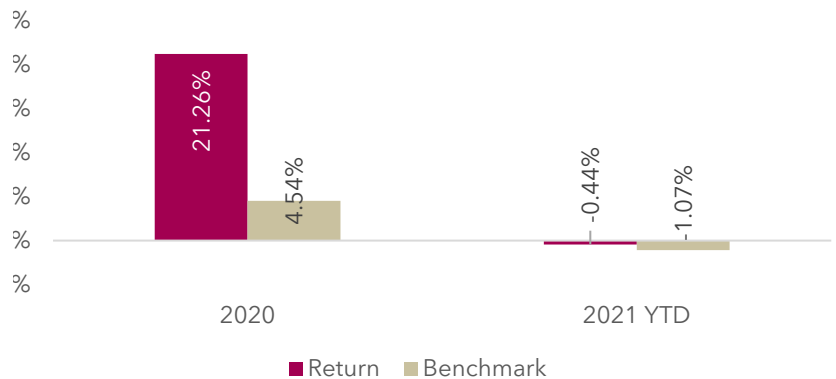
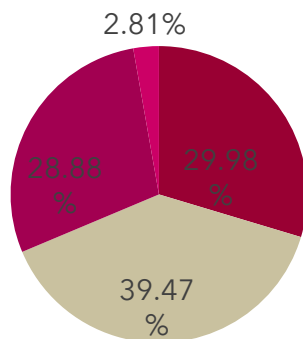
The ARM Eurobond Fund is an open-ended fund that invests in US Dollar denominated fixed income instruments. The Fund is authorised and registered in Nigeria as a Unit Trust Scheme under Section 160 of the Investment and Securities Act 2007 and is regulated by the Securities & Exchange Commission (SEC).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

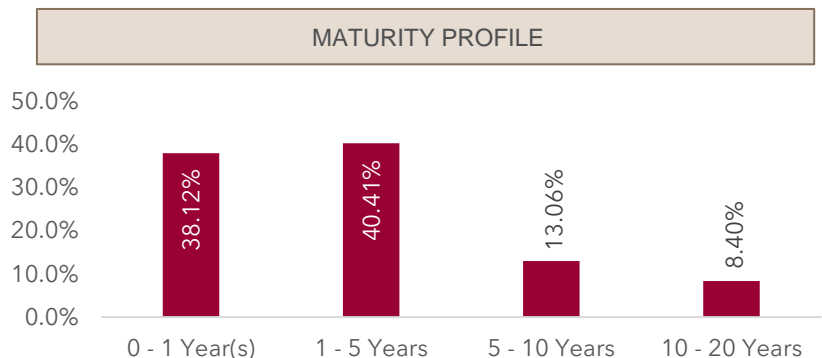
KEY FACTS

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



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

| | |
|-----------------|--------|
| Fund Duration | 2.18 |
| Holding Yield | 4.74% |
| Relative Return | +0.63% |



FUND STRUCTURE

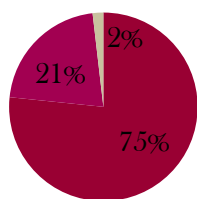
The ARM Money Market Fund is an open-ended fund, authorized and registered in Nigeria as a Unit Trust Scheme under Section 160 of the Investment and Securities Act 2007. The Fund is regulated by Securities & Exchange Commission (SEC).

FUND OBJECTIVE

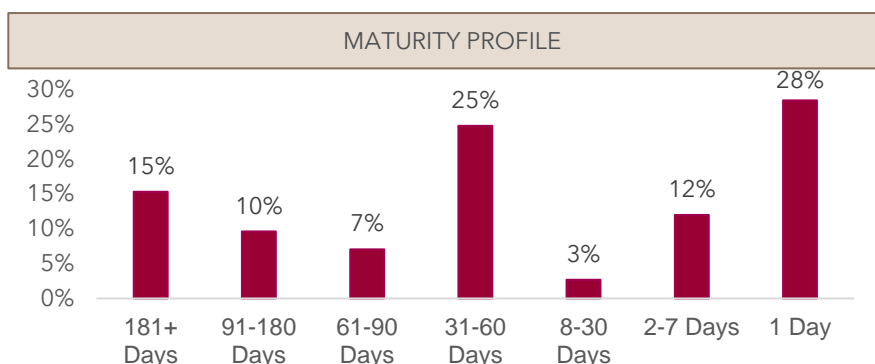
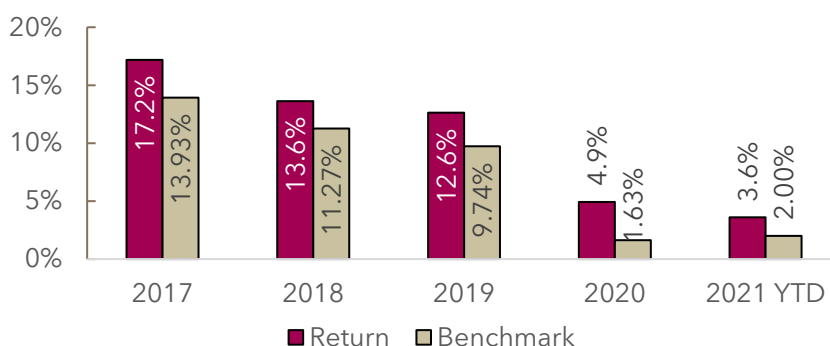
The primary objective of the Fund is to provide a steady stream of income to investors by investing in high-quality short-term money market instruments and government securities, which include; Banker's acceptances, certificates of deposits, commercial papers, Fixed Deposits with eligible financial institutions; 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

| | |
|----------------------------------|--|
| Launch Date | March 2013 |
| Size of Fund | N53 Billion |
| Initial Investment Amount | N1,000.00 |
| Income Accrual | Daily |
| Income Distribution | Quarterly |
| Management Fee | 1.5% of NAV |
| Benchmark | Average yield on 91-Day Nigerian Treasury Bill primary auction stop rates. |
| Trustee | First Trustees Nigeria Ltd., a subsidiary of FBN Capital Ltd. |
| FUND ASSET ALLOCATION | FUND PERFORMANCE |



- Short-term Instruments
- Government Securities
- Commercial Papers



GLOBAL MARKETS

Further spread of the delta variant and escalation of inflation are likely to remain major concerns across global economies and weigh negatively on global markets, although these factors are yet to impact the global equities market. We expect Investors to take a cue from the US Fed on the timing for tapering, which will be a signal of market direction in the near term.

DOMESTIC MARKETS

EQUITY

Given the lack of a major catalyst to drive bullish sentiments in the market, we expect the activities in the equities market to be muted even as institutional investors remain cautious and retail investors dominate the scene on the local bourse. Nonetheless, we note that a sustained moderation of the fixed yields could serve as the much-needed boost to buoy positive sentiments in the market.

FIXED INCOME

We believe there's some scope for further moderation in fixed income yields in the coming month, albeit at a slower pace. Our expectation is hinged on the back of financial system liquidity and sustained demand which would likely exert downward pressure on yields. On the other hand, we note that the issuance of the fourth quarter bond calendar would provide guidance on the supply dynamics which could help to provide stability to the market.

MONEY MARKET

Rates in the money market continued its downward trajectory from last month. Similar sentiments from the previous month were seen in August as system liquidity was high and demand from local investors for government securities outweighed supply thus giving no incentive to drive rates upwards. Going into the new month, we expect the steady decline of rates to persist although the pace of decline is expected to remain at a much slower pace than the hiked pace at the start of the year. Liquidity is expected to remain at current levels as maturities are rolled over and demand is not entirely mopped up by the CBN.



ARM Investment Managers

1, Mekunwen Road,
Off Oyinkan Abayomi Drive,
Ikoyi, Lagos

01 270 1096, 01 448 8282

www.arm.com.ng

www.arminvestmentcenter.com