



EQUITY.

FIXED INCOME YIELD.

OIL PRICES.

INFLATION.

CURRENCY

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# Mutual Funds Factsheet

## June 2022

## GLOBAL

- The global economy remains faced with the intertwining impact of monetary policy actions of global central banks and the unabating tensions between Russia and Ukraine. The latter has continued to exacerbate global inflationary pressures due to elevated commodity prices amidst worsening supply chain disruptions.
- In a bid to contain inflationary pressures, global monetary authorities remained committed to rate hikes. The US FED raised benchmark interest rates by 75 basis point at its June meeting, marking the biggest rate hike since 1994. Similarly, the Bank of England hiked policy rate for the fifth consecutive time by 25 basis points to 1.25%, the highest since January 2009. Switzerland's Central Bank also raised rate by 50 basis points, the first-rate hike in nearly 15 years due to inflation fears.
- Global stocks suffered huge losses as investors responded to the aggressive interest rate hikes by global central banks which ignited recession fears. In the US, DJIA and S & P declined by 6.71% m/m and 8.39% m/m respectively. Similarly, the European markets ended in the red as FTSE (-5.76% m/m) and Stoxx 600 (-8.15% m/m) came under intense selling pressure. MSCI EM and FM also posted losses of 7.15% and 5.69% respectively.

## DOMESTIC

- Nigerian Bureau of Statistic published the Foreign Trade report for the first quarter of 2022, which showed trade balance printed a surplus of NGN1.2tn compared to the deficit of NGN1.9tn in Q1 2022.
- The sturdy improvement in the trade balance was driven by the faster growth in exports (+138% YoY to NGN7.1tn) relative to imports (+20.4% YoY to NGN5.9tn). The growth in exports was driven by higher crude oil exports, a fallout of the rally in crude oil prices induced by Russia/Ukraine conflict.
- Headline inflation rose further by 89 basis point to 17.71% y/y in May (April - 16.82%), the highest rate since June 2021 (17.75%), driven by broad-based increases across the food (+113bps) and core (+72bps) baskets. Food inflation accelerated to 19.5% YoY, reflective of the continued impact of security challenges in food producing regions, rising cost of importing fertilisers and associated logistics costs. Similarly, core inflation rose to 14.90% y/y driven by the pass-through impact of elevated energy prices, rising commodity prices and scarcity of foreign exchange.

# FINANCIAL MARKET UPDATE

## EQUITIES

- Negative sentiments dominated the local bourse in the month of June as investors exhibited risk-off sentiments in response to expectation of higher FI yields amidst the absence of positive triggers in the macro space. Overall, the All Share Index recorded a loss of 3.39% for the month, whilst quarter to date return stood at 10.33%. Consequently, the year-to-date performance of the market moderated to +21.31% from +25.57% at the end of May.
- Following the rally witnessed in the first two months of the quarter, investors booked profits on positions in June as bearish sentiments dominated the market. Further supporting the profit taking spree was the expectation for a higher yield environment in the fixed income market on the back of the monetary policy committee's aggressive rate hike action at its meeting in May.
- Pricesly, the market's bearish performance was on the back of losses in NB (-15.15%), GTCO (-10.48%), ZENITH (9.01%), UBA (-5.70%), WAPCO (-4.69%), BUACEMENT (-3.16%), ACCESS (-2.63%) and AIRTEL AFRICA (-1.26%)

## FIXED INCOME

- System liquidity remained tight in the month of June, closing the last week of June with NGN329.7bn deficit. Mixed sentiments trailed the fixed income market on the back of tighter system liquidity, continued reaction to the 150bps hike in MPR by the CBN in May and efforts by the DMO to manage borrowing cost for the government. In the money market, liquidity tightened as the Overnight rates rose by an average of 182 basis point to 11.55%.
- At the NTB primary auction, average stop rate declined across all tenors relative to the prior month. For context, as at June 2022, the stop rates on the 91-day, 182-day and 364-day bills moderated to 2.40% (May: 2.50%), 3.79% (May: 3.89%) and 6.07% (May: 6.49%) respectively, with the highest decrease (0.42%) seen on the 364-day paper. At the secondary market, average yields across the 91-day, 182-day and 364-day bill rose by 61 basis points to 4.50%.
- Conversely, average stop rate at the Bond auctions rose marginally by 10 basis points to 11.92% as of June 2022 (May- 11.82%) as investors demanded for higher yields in the face of elevated inflationary pressures in order to improve real returns. At the secondary market, average yields declined slightly by 4 basis points to 11.17%

## 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.

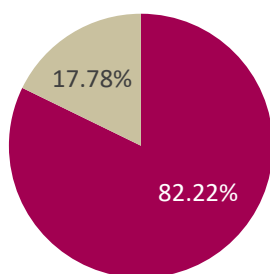
## FUND OBJECTIVE

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

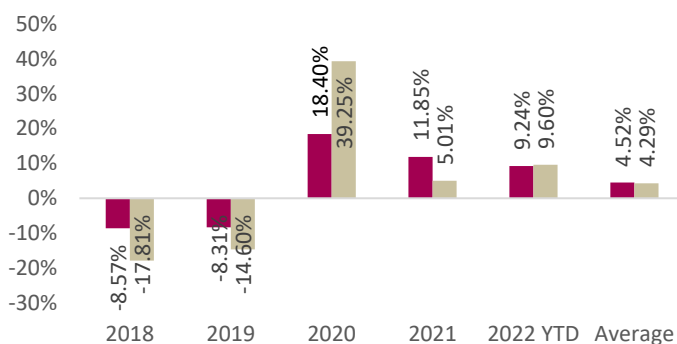
<b>Launch Date</b>	April 2007
<b>Size of Fund</b>	₦2.43 Billion
<b>Memorandum Listings</b>	2008
<b>Initial Investment Amount</b>	₦50,000.00
<b>Incentive Fee</b>	Maximum 20% of excess returns above benchmark
<b>Management Fee</b>	1.5% of NAV
<b>Benchmark</b>	Nigerian Stock Exchange 30 Index (NGSE30)
<b>Trustee</b>	FBNQuest Trustees Nigeria Ltd, a subsidiary of FBNQuest Ltd.
<b>Custodian</b>	Rand Merchant Bank Limited
<b>Risk Profile</b>	High
<b>Relative Return</b>	-0.36%
<b>Equity Beta</b>	0.86

## FUND ASSET ALLOCATION



■ Equities ■ Fixed Income

## FUND PERFORMANCE



■ Return ■ Benchmark

## Top 3 Equity Sector Exposures

SECTOR	PORTFOLIO WEIGHT	RELATIVE WEIGHTING
Industrials	24%	Underweight
Consumer Goods	20%	Overweight
Telecoms	19%	Underweight

## Top 3 Equity Exposures

SECTOR	PORTFOLIO WEIGHT	RELATIVE WEIGHTING
MTNN	16%	Underweight
DANGCEM	11%	Underweight
NESTLE	10%	Overweight

## 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.

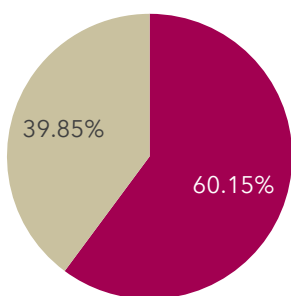
## FUND OBJECTIVE

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

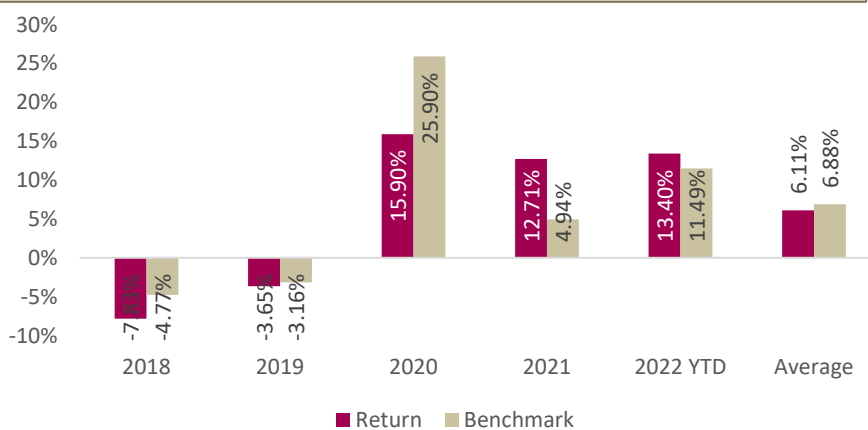
<b>Launch Date</b>	January 1995
<b>Size of Fund</b>	₦4.86 Billion
<b>Memorandum Listings</b>	April 2002
<b>Initial Investment Amount</b>	₦10,000.00
<b>Incentive Fee</b>	Maximum 20% of excess returns above benchmark
<b>Management Fee</b>	1.5% of NAV
<b>Benchmark</b>	Composite of NSE ASI and FMAN 91-day Average T-Bill rate.
<b>Trustee</b>	FBNQuest Trustees Nigeria Ltd, a subsidiary of FBNQuest Ltd.
<b>Custodian</b>	Rand Merchant Bank Limited
<b>Risk Profile</b>	Medium
<b>Relative Return</b>	+1.91%
<b>Equity Beta</b>	0.91

## FUND ASSET ALLOCATION



■ Equities ■ Fixed Income

## FUND PERFORMANCE



## Top 3 Equity Sector Exposures

SECTOR	PORTFOLIO WEIGHT	RELATIVE WEIGHTING
Telecoms	35%	Underweight
Industrials	18%	Underweight
Consumer	15%	Overweight

## Top 3 Equity Exposures

SECTOR	PORTFOLIO WEIGHT	RELATIVE WEIGHTING
MTN	11%	Underweight
Airtel	10%	Underweight
DANGCEM	7%	Underweight

## 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:

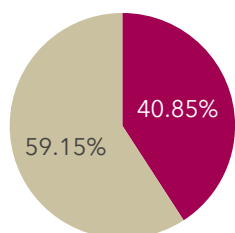
- Wish to achieve long-term capital growth on their investments.
- Have a medium investment risk appetite.

## KEY FACTS

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

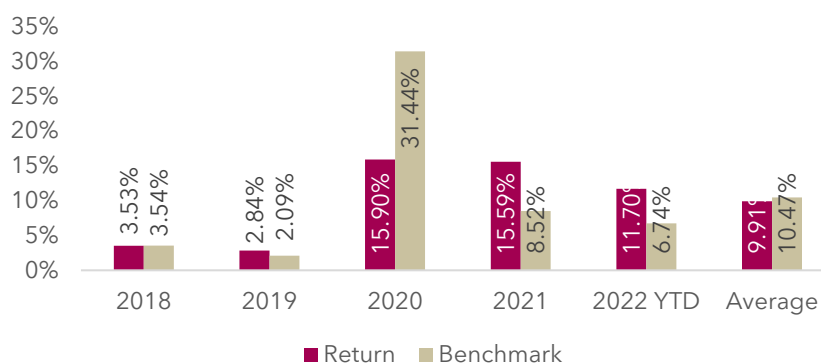
<b>Fund Structure</b>	Open-Ended
<b>Size of Fund</b>	₦511.51 Million
<b>Nominal Value</b>	₦20.00/Unit
<b>Initial Investment Amount</b>	₦10,000.00
<b>Management Fee</b>	1.5% of NAV
<b>Benchmark</b>	Composite of NSE Lotus Islamic Index and 5-Year Sovereign Sukuk Bond
<b>Trustee</b>	Royal Exchange Plc.
<b>Custodian</b>	Rand Merchant Bank
<b>Risk Profile</b>	Medium
<b>Relative Return</b>	+4.96%
<b>Equity Beta</b>	0.85

## FUND ASSET ALLOCATION



■ Alternatives ■ Equities

## FUND PERFORMANCE



## Top 3 Equity Sector Exposures

SECTOR	PORTFOLIO WEIGHT	RELATIVE WEIGHTING
Industrials	14%	Underweight
Consumer Goods	14%	Underweight
Agro Allied	8%	Overweight

## Top 3 Equity Exposures

SECTOR	PORTFOLIO WEIGHT	RELATIVE WEIGHTING
OKOMUOIL	7%	Overweight
DANGCEM	7%	Underweight
BUACEMENT	6%	Underweight

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# ARM SHORT TERM BOND FUND



## FUND STRUCTURE

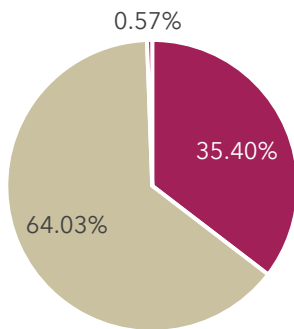
The ARM Short Term Bond Fund is an open-ended fund authorized and registered in Nigeria as a Unit Trust Scheme under Section 160 of the Investment and Securities Act 2007. The Fund is regulated by the Securities & Exchange Commission (SEC). The fund can invest a minimum of 70% and maximum of 100% in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

## FUND OBJECTIVE

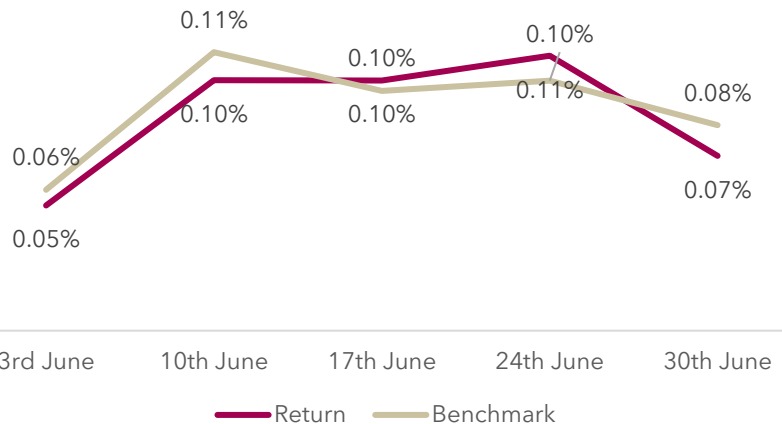
The primary objective of the Fund is to provide investors with competitive returns and diversification benefits through investment in Naira denominated short to medium term investment grade fixed income securities such as money market instruments, FGN and Corporate bonds with a maximum duration of 3 years.

## KEY FACTS

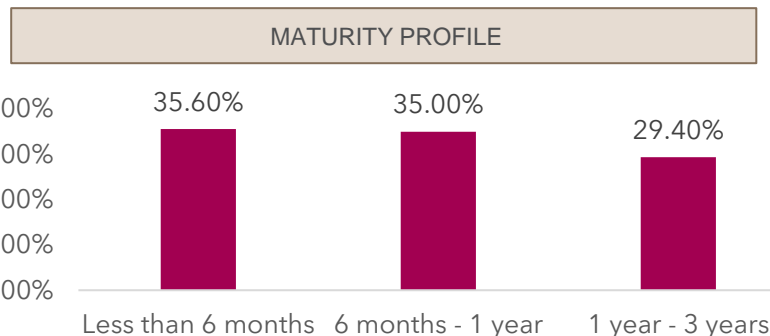
<b>Launch Date</b>	April 2022
<b>Size of Fund</b>	₦922.25 Million
<b>Initial Investment Amount</b>	₦10,000.00
<b>Incentive Fee</b>	Maximum 20% of excess returns above benchmark
<b>Management Fee</b>	1.5% of NAV
<b>Benchmark</b>	Composite of 3-Year Nigeria Sovereign Bond and Nigeria Treasury Bills Yield
<b>Trustee</b>	STL Trustees Ltd.
<b>Custodian</b>	Rand Merchant Bank
<b>Risk Profile</b>	Low - Medium
<b>Relative Return</b>	-0.49%
<b>FUND ASSET ALLOCATION</b>	<b>FUND PERFORMANCE</b>



- Short-term instruments
- FGN Bonds
- Cash



<b>Fund Duration</b>	0.74
<b>Holding Yield</b>	7.70%



\*Weekly return for the month of June 2022 due to the recent launch of the fund

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## FUND STRUCTURE

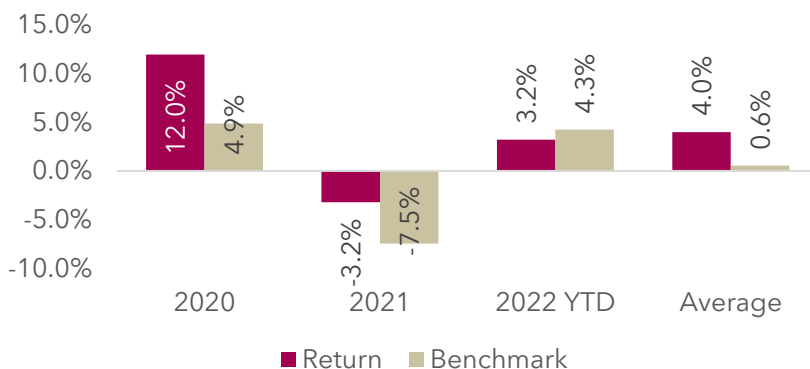
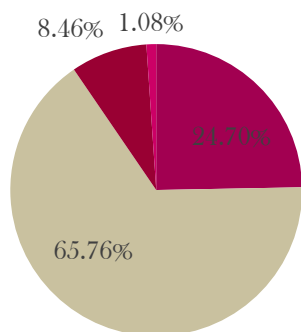
The ARM Fixed Income Fund is an open-ended fund authorized and registered in Nigeria as a Unit Trust Scheme under Section 160 of the Investment and Securities Act 2007. The Fund is regulated by the Securities & Exchange Commission (SEC). The fund can invest a minimum of 70% and maximum of 100% in bond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

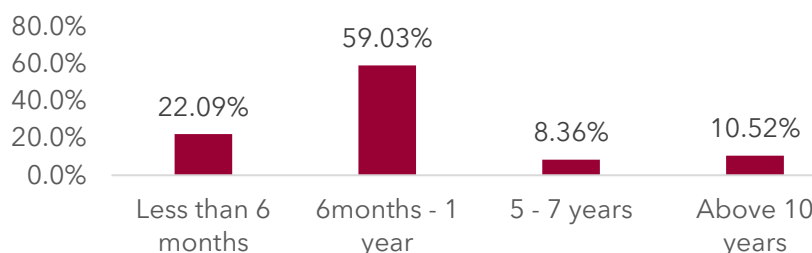
### KEY FACTS

<b>Launch Date</b>	February 2020
<b>Size of Fund</b>	₦1.24 Billion
<b>Initial Investment Amount</b>	₦5,000.00
<b>Incentive Fee</b>	Maximum 20% of excess returns above benchmark
<b>Management Fee</b>	1.5% of NAV
<b>Benchmark</b>	Composite of 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>Relative Return</b>	-1.04%
<b>FUND ASSET ALLOCATION</b>	<b>FUND PERFORMANCE</b>



- Short-term instruments
- FGN Bonds
- Cash
- SGN Bonds

### MATURITY PROFILE



<b>Fund Duration</b>	1.47
<b>Holding Yield</b>	8.40%

## FUND STRUCTURE

The ARM Eurobond Fund is an open-ended fund that invests in US Dollar denominated fixed income instruments. The Fund is authorized 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.

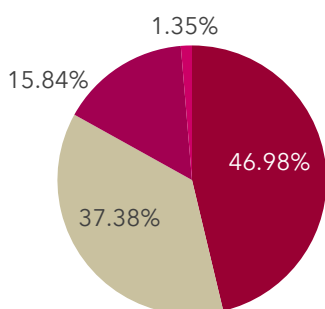
## FUND OBJECTIVE

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>	\$12.62 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>Relative Return</b>	-1.13%

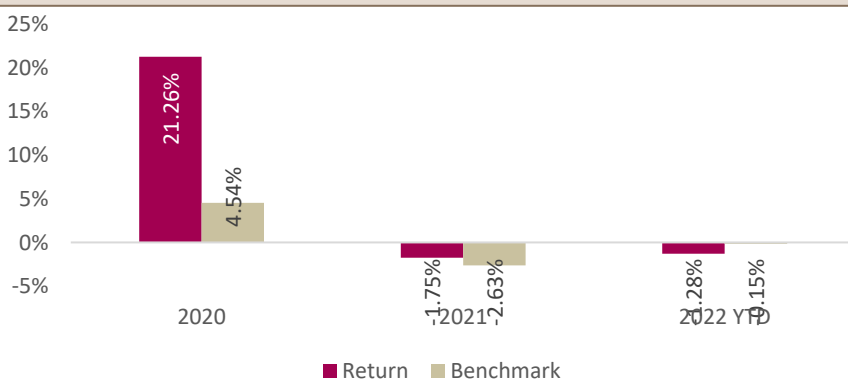
### FUND ASSET ALLOCATION



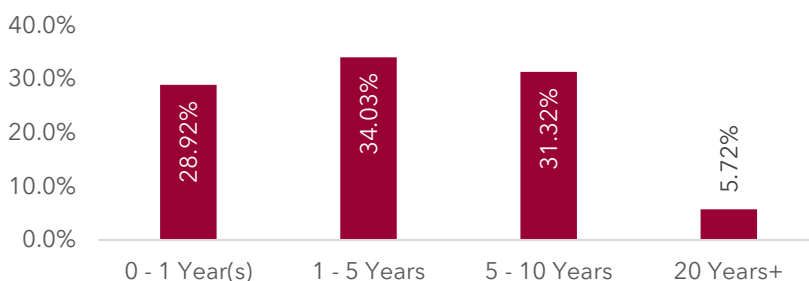
- FGN Eurobonds
- Corporate Eurobonds
- Short-term Instruments
- Cash

<b>Fund Duration</b>	3.22
<b>Holding Yield</b>	7.83%

### FUND PERFORMANCE



### MATURITY PROFILE



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## 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).

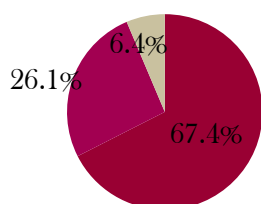
## FUND OBJECTIVE

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

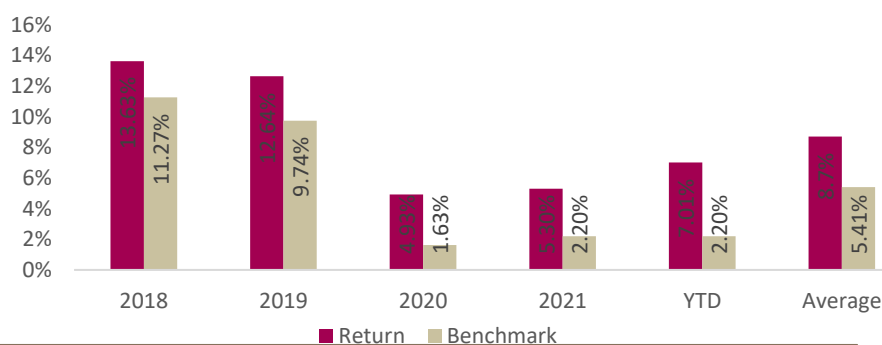
<b>Launch Date</b>	March 2013
<b>Size of Fund</b>	₦66 Billion
<b>Initial Investment Amount</b>	₦1,000.00
<b>Income Accrual</b>	Daily
<b>Income Distribution</b>	Quarterly
<b>Management Fee</b>	1.5% of NAV
<b>Benchmark</b>	Average yield on 91-Day Nigerian Treasury Bill primary auction stop rates.
<b>Trustee</b>	First Trustees Nigeria Ltd., a subsidiary of FBN Capital Ltd.
<b>Relative Return</b>	4.8%

### FUND ASSET ALLOCATION

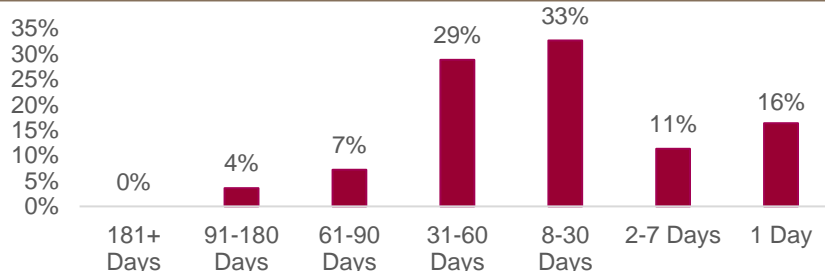


- Short-term Instruments
- Government Securities
- Commercial Papers

### FUND PERFORMANCE



### MATURITY PROFILE



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## GLOBAL MARKETS

Global central banks will be faced with the daunting task of balancing recession risks induced by tightening of monetary policy against the need to contain elevated inflationary pressures. The ongoing spat between Russia and Ukraine will continue to exert upward pressures commodity prices. As a result, consumers income will likely remain under pressure due to rising cost of living emanating from soaring inflationary pressures. Furthermore, investors will be watching the turn of events in the UK following the resignation of its prime minister. In the same vein, we think investors will be paying close attention to economic data (CPI and Non-farm payrolls) in the US to gauge the policy move of the Federal Reserve at its meeting scheduled for 26<sup>th</sup> and increasing Covid numbers across the globe. That said, we expect continued volatility in the financial markets as investors continue to assess the response of global central banks to rising inflation against indications of a slowing global economy.

## DOMESTIC MARKETS

### EQUITY

We expect strong contest between the bulls and the bears in the coming months, hinged on the continuation of intermittent profit taking into the month and stints of bargain hunting activities ahead of H2-22 earnings season. We expect domestic investors to remain the dominant players in the market as FPIs remain largely on the sidelines due to liquidity constraints in the FX market and frail macro conditions. That said, we believe the muted activity of FPIs will be centred on fungible stocks as a vehicle of exiting the domestic market.

### FIXED INCOME

We believe yield expectations will remain skewed to the upside following the 150bps hike in MPR implemented by the CBN in May. Accordingly, we expect aversion for long-dated instruments to persist. With the current unfavourable pricing in the Eurobond market, we expect the federal government to increase supply of debt instruments in a bid to finance the deficit in the 2022 budget. Considering the persistent rise in inflationary pressures, we expect investors' bid rate at auctions to inch higher as they attempt to improve real returns.

### MONEY MARKET

We expect rates in the money market space to trend higher due to the lower level of liquidity expected to hit the financial system amidst the tight liquidity management approach to be adopted by the CBN.



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