



EQUITY.

FIXED INCOME YIELD.

OIL PRICES.

INFLATION.

CURRENCY

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# Mutual Funds Factsheet

## August 2023

## GLOBAL

- US CPI rose by 0.2% Year-on-Year (YoY) in July 2023 from 0.3% in the previous month signaling a slowdown in inflation. Core CPI rose by 2.0% in the same period.
- The S&P Global Flash US Manufacturing PMI fell to 47.0 points in August 2023 underpinning deterioration in operating conditions. However, the flash US PMI Composite Output index increased to 50.4 point indicating a fractional increase in output across the private sector.
- UK CPI rose by 6.8% YoY in July 2023 down from 7.9% YoY in June 2023. Month-on-Month (MoM), CPI fell by 0.4% within the period.
- The Eurozone PMI for manufacturing was 43.7 points in August 2023; a slight improvement from July however, it remained below the 50-point threshold indicating a contraction.
- The Global Equities market witnessed a bullish run, thus Year-to-Date (YtD) performance for indices under our coverage closed positive. S&P 500 (+17.40%), FTSEMIB (-20.41%), CAC 40 (+13.02%), DAX (+14.53%) STOXX (+13.27%), NIKKEI (+25.35%), SCHOMP (+0.99%).

## DOMESTIC

- Headline inflation increased by 129bps YoY to 24.08% in July 2023 (vs. 22.79% in June 2023). The surge in Headline inflation is on the back of a jump in Food inflation (+173bps to 26.98%) and Core inflation (+41bps to 20.47%).
- Nigeria's GDP grew by 2.51% YoY in Q2:2023. The Oil sector contracted by 13.43% YoY in Q2:2023 (vs. -4.21% YoY in Q1:2023) while the Non-Oil sector grew by 3.58% YoY (vs. 2.77% YoY in Q1:2023) in the period.
- Based on its recently released audited financial statements, CBN's Profit After Tax (PAT) declined by 2.97% between 2016 and 2022 to NGN103.85bn in 2022 compared to NGN124.47bn in 2016. Furthermore, external reserves grew to NGN14.94trn (USD37.08bn) in 2022 from NGN8.35trn in 2016. However, following the revelation of several foreign obligations, there is cause to believe that external reserves might be lower than reported.
- In the Nigeria Labor Force Survey published by the NBS in August 2023, unemployment rate declined to 4.1% in Q1:2023 (vs. 5.3% in Q4:2022). Also, the underemployment rate decreased to 12.2% in Q1: 2023 (vs. 13.7% in Q4:2022). This follows a significant adjustment to the collection and computation methodology.

# FINANCIAL MARKET UPDATE

## FIXED INCOME

### Primary Market

- Average stop rates at the NTB auctions in August 2023 increased by 157bps to 7.98% (vs. 6.41% in July 2023). This was despite the rise in demand for the instruments as average bid-to-cover ratio surged by 207bps to 5.26x (vs. 3.19x in July 2023).
- At the primary bond auction for August 2023, the Debt Management Office (DMO) sold NGN227.76bn worth of bonds across four re-opening instruments. However, demand declined as the average bid-to-cover ratio plunged by 176bps to 0.87x (vs. 2.63x at the last auction). Consequently, the average stop rate rose by 135bps to 14.98% (vs. 13.63% at the last auction).

### Secondary Market

- In August 2023, the secondary fixed income market closed bearish as average yield rose by 55bps MoM to settle at 10.67%. Similarly, the secondary NT-Bills and Bond market closed on a negative note as average yield advanced 15bps MoM and 96bps MoM each to 7.27% and 14.06% respectively.

## EQUITIES

- The NGX All-Share Index (ASI) gained 344bps MoM to settle at 66,548.99 points. Consequently, the Year-to-Date (YtD) return printed at 29.85% (vs. 25.53% in July 2023).
- The market's performance was spurred by positive returns in the Industrial Goods (+0.57% MoM), Consumer Goods (+24.51% MoM), Insurance (+3.08% MoM) and Oil and Gas (+0.91% MoM) sectors, while Banking sector (-1.99% MoM) closed in the red.

## FUND STRUCTURE

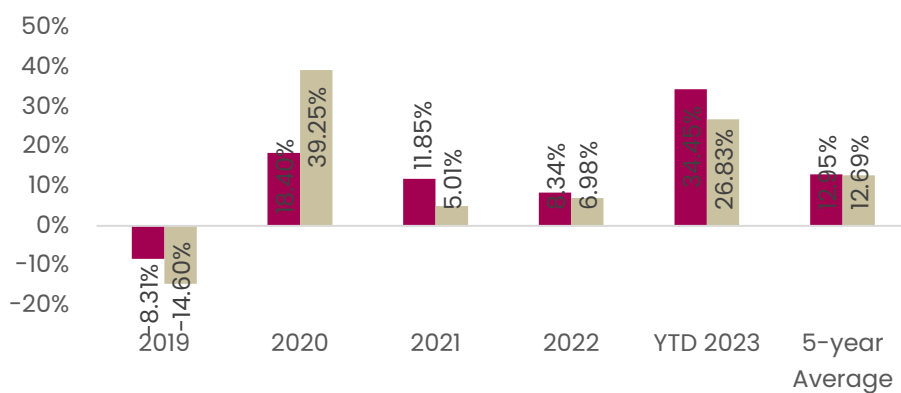
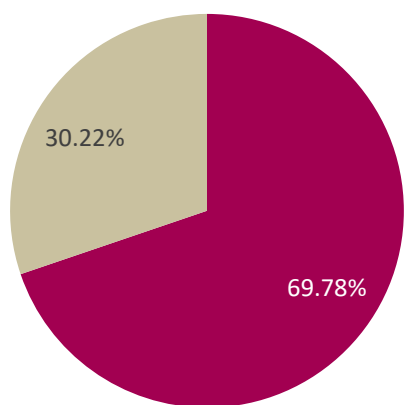
The ARM Aggressive Growth Fund is an open-ended fund with a permissible investment limit exposure of 70% - 100% in stocks of companies quoted on the Nigerian Stock Exchange. The ARM Aggressive Growth Fund is constituted by a trust deed and duly authorized and registered in Nigeria as a unit trust scheme 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>	₦3.25 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 Exchange Group 30 Index (NGX30)
<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>Monthly Relative Return</b>	2.49%
<b>Equity Beta</b>	0.90
<b>FUND ASSET ALLOCATION</b>	<b>FUND PERFORMANCE</b>



■ Equities ■ Fixed Income

■ Return ■ Benchmark

Top 3 Equity Sector Exposures			Top 3 Equity Exposures		
SECTOR	PORTFOLIO WEIGHT	RELATIVE WEIGHTING	SECTOR	PORTFOLIO WEIGHT	RELATIVE WEIGHTING
Industrials	26%	Overweight	DANGCEM	16%	Overweight
Telecomms	16%	Underweight	MTNN	14%	Overweight
Consumer Goods	15%	Overweight	BUACEMENT	8%	Overweight

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## FUND STRUCTURE

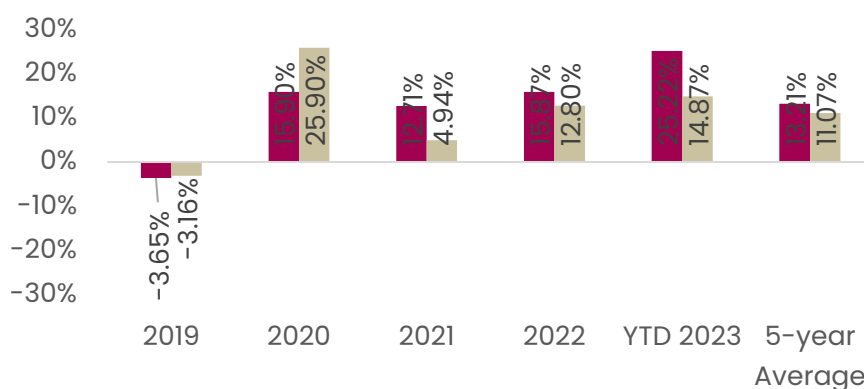
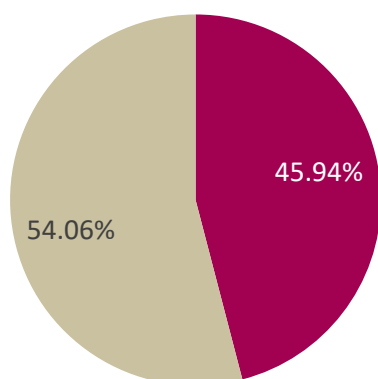
The ARM Discovery Balanced fund seeks to maximize return by investing in a broad spectrum of asset classes that comprises of equities and fixed income securities. The Fund Manager is required to maintain a minimum equity position of 40% and a maximum of 60%. It is not the objective of the Fund to replicate 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>	₦5.97 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 NGX 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>Monthly Relative Return</b>	-0.48%
<b>Equity Beta</b>	0.87
<b>FUND ASSET ALLOCATION</b>	<b>FUND PERFORMANCE</b>



■ Equity

■ Fixed Income

■ Return

■ Benchmark

Top 3 Equity Sector Exposures			Top 3 Equity Exposures		
SECTOR	PORTFOLIO WEIGHT	RELATIVE WEIGHTING	SECTOR	PORTFOLIO WEIGHT	RELATIVE WEIGHTING
Industrials	18%	Overweight	DANGCEM	11%	Overweight
Consumer Goods	11%	Overweight	MTNN	8%	Overweight
Telecomms	9%	Overweight	BUA CEMENT	6%	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

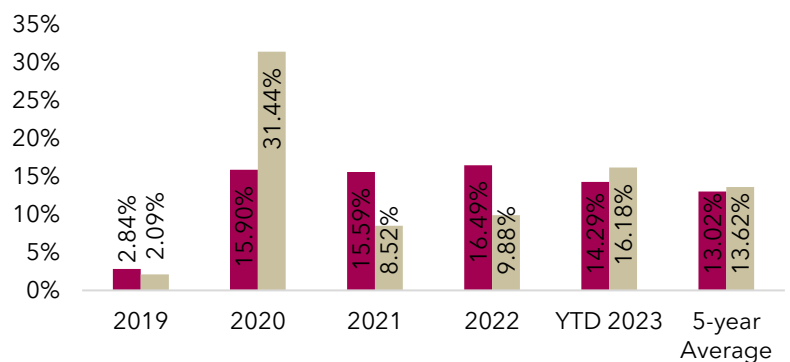
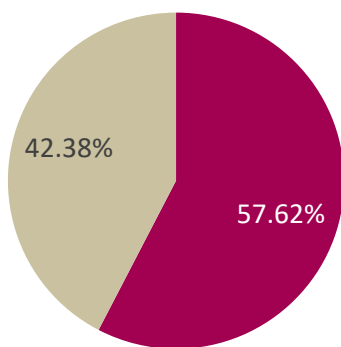
The primary objective of the Fund is to achieve long-term capital appreciation and income distribution through investments in a select portfolio of securities and assets in accordance with the principles of Islamic finance and ethical values. The Fund is suitable for investors who:

- 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.

<b>Fund Structure</b>	Open-Ended
<b>Size of Fund</b>	₦670.86 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>Monthly Relative Return</b>	1.46%
<b>Equity Beta</b>	0.75
<b>FUND ASSET ALLOCATION</b>	<b>FUND PERFORMANCE</b>



Alternatives Equities

Return Benchmark

Top 3 Equity Sector Exposures			Top 3 Equity Exposures		
SECTOR	PORTFOLIO WEIGHT	RELATIVE WEIGHTING	SECTOR	PORTFOLIO WEIGHT	RELATIVE WEIGHTING
Consumer Goods	26%	Underweight	BUAFOODS	12%	Underweight
Industrial	17%	Overweight	OKOMU OIL	8%	Overweight
Telecoms	10%	Underweight	MTN	8%	Underweight

# ARM SHORT TERM BOND FUND



## FUND STRUCTURE

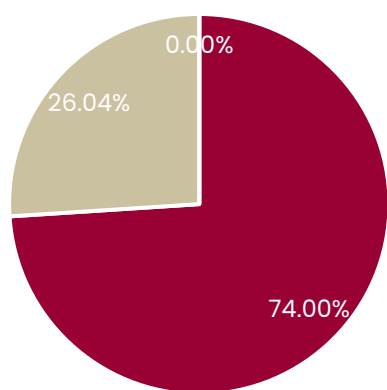
The ARM Short Term Bond Fund is an open-ended fund authorized and registered in Nigeria as a Unit Trust Scheme under Section 160 of the Investment and Securities Act 2007. The Fund is regulated by the Securities & Exchange Commission (SEC). The fund can invest a minimum of 70% and maximum of 100% in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

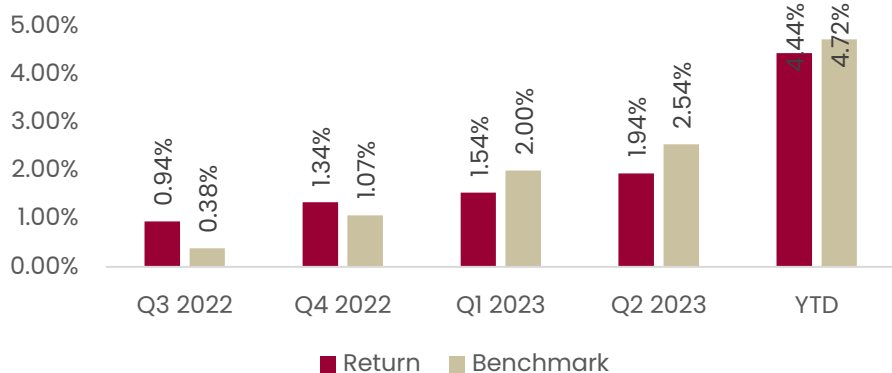
## KEY FACTS

Launch Date	April 2022
Size of Fund	N859.00 Million
Initial Investment Amount	N10,000.00
Incentive Fee	Maximum 20% of excess returns above benchmark
Management Fee	1.5% of NAV
Benchmark	Composite of 3-Year Nigeria Sovereign Bond and Nigeria Treasury Bills Yield
Trustee	STL Trustees Ltd.
Custodian	Rand Merchant Bank
Risk Profile	Low - Medium
Monthly Relative Return	0.47%
<b>FUND ASSET ALLOCATION</b>	<b>FUND PERFORMANCE</b>

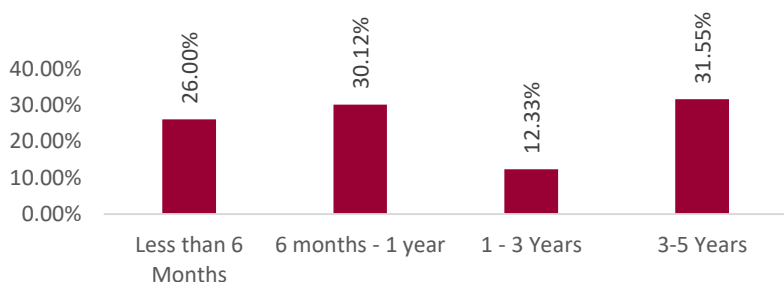


- Bonds
- Short Term Instruments
- Cash

Fund Duration	1.16
Holding Yield	9.89%



## MATURITY PROFILE



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# ARM FIXED INCOME FUND



## FUND STRUCTURE

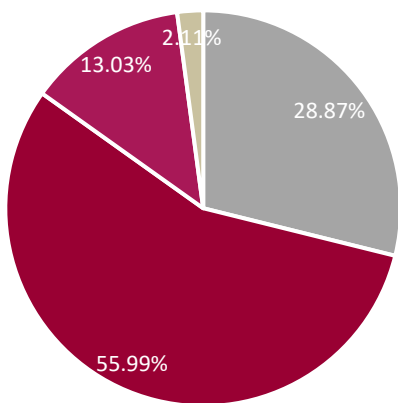
The ARM Fixed Income Fund is an open-ended fund authorized and registered in Nigeria as a Unit Trust Scheme under Section 160 of the Investment and Securities Act 2007. The Fund is regulated by the Securities & Exchange Commission (SEC). The fund can invest a minimum of 70% and maximum of 100% in bond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

## FUND OBJECTIVE

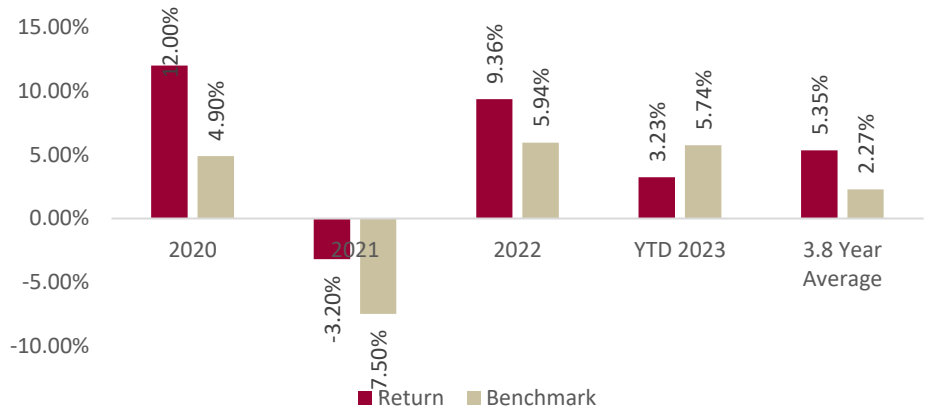
The primary objective of the Fund is to help investors achieve their medium to long-term investment goals by investing in investment grade fixed income securities such as FGN, corporate bonds, and short-term fixed income instruments.

## KEY FACTS

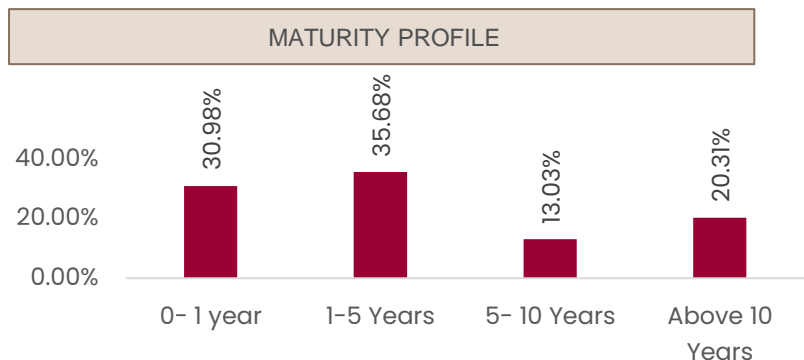
<b>Launch Date</b>	February 2020
<b>Size of Fund</b>	<del>₦</del> ₦660.64 Million
<b>Initial Investment Amount</b>	₦5,000.00
<b>Incentive Fee</b>	Maximum 20% of excess returns above benchmark
<b>Management Fee</b>	1.5% of NAV
<b>Benchmark</b>	Composite of 5-Year Nigeria Sovereign Bond and Nigeria Treasury Bills Yield
<b>Trustee</b>	STL Trustees Ltd.
<b>Custodian</b>	Rand Merchant Bank
<b>Risk Profile</b>	Medium - High
<b>Monthly Relative Return</b>	-0.27%
<b>FUND ASSET ALLOCATION</b>	<b>FUND PERFORMANCE</b>



- Short Term Instruments
- Bonds
- State Bond
- Cash



<b>Fund Duration</b>	2.60
<b>Holding Yield</b>	12.10%



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# ARM EUROBOND FUND



## FUND STRUCTURE

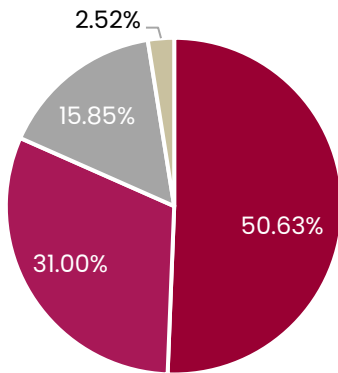
The ARM Eurobond Fund is an open-ended fund that invests in US Dollar denominated fixed income instruments. The Fund is authorized and registered in Nigeria as a Unit Trust Scheme under Section 160 of the Investment and Securities Act 2007 and is regulated by the Securities & Exchange Commission (SEC).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

## FUND OBJECTIVE

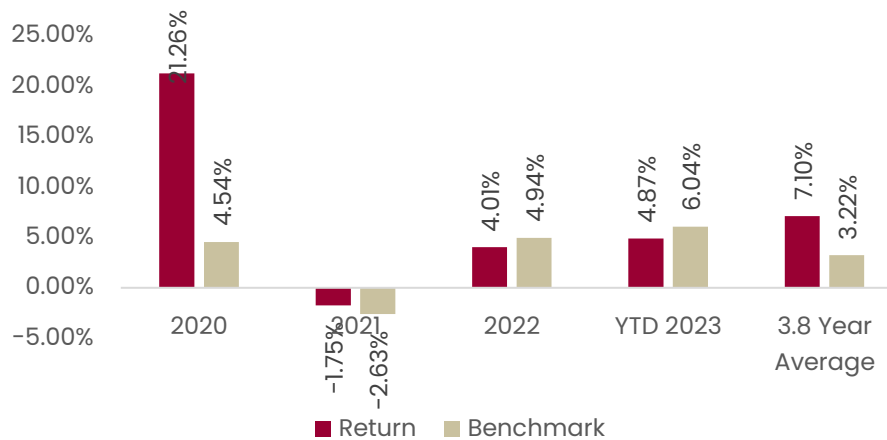
The main objective of the fund is to help investors achieve their long-term investment goals by investing in a broad range of US Dollar denominated instruments and hereby managing local currency devaluation risk.

## KEY FACTS

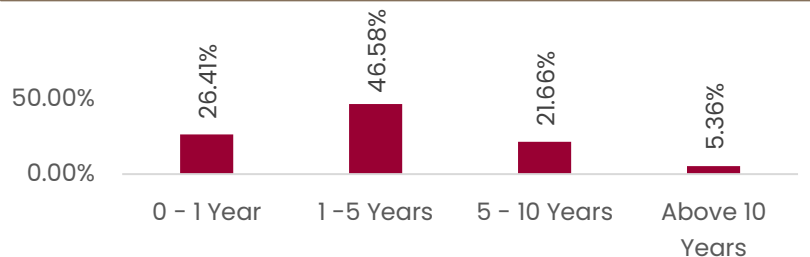
<b>Launch Date</b>	February 2020
<b>Size of Fund</b>	\$10.64 Million
<b>Initial Investment Amount</b>	\$1,000.00
<b>Incentive Fee</b>	Maximum 20% of excess returns above benchmark
<b>Management Fee</b>	1.5% of NAV
<b>Benchmark</b>	Composite of 3-Year Nigeria Sovereign Eurobond and US Treasury Bills Yield
<b>Trustee</b>	STL Trustees Ltd.
<b>Risk Profile</b>	Medium-High
<b>Custodian</b>	Rand Merchant Bank
<b>Monthly Relative Return</b>	-0.02%
<b>FUND ASSET ALLOCATION</b>	<b>FUND PERFORMANCE</b>



- FGN Eurobond
- Corporate Eurobond
- Short Term Instruments
- Cash



## MATURITY PROFILE



<b>Fund Duration</b>	3.06
<b>Holding Yield</b>	8.51%

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# ARM MONEY MARKET FUND



## FUND STRUCTURE

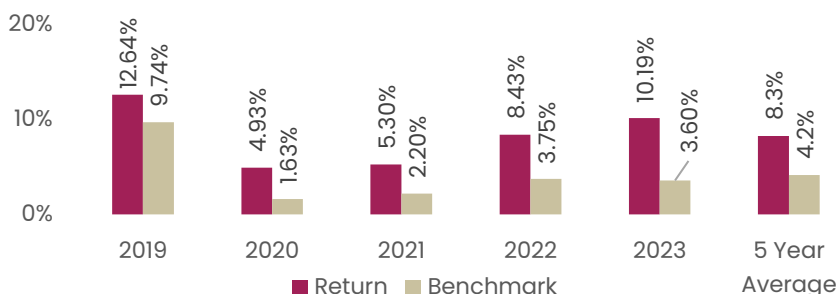
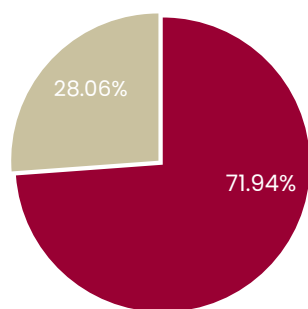
The ARM Money Market Fund is an open-ended fund, authorized and registered in Nigeria as a Unit Trust Scheme under Section 160 of the Investment and Securities Act 2007. The Fund is regulated by Securities & Exchange Commission (SEC).

## FUND OBJECTIVE

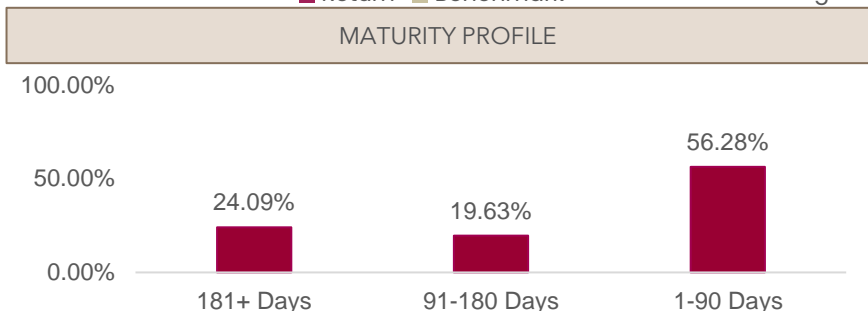
The primary objective of the Fund is to provide a steady stream of income to investors by investing in high-quality short-term money market instruments and government securities, which include; Banker's acceptances, certificates of deposits, commercial papers, Fixed Deposits with eligible financial institutions; 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>	₦ 78.44 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>Monthly Relative Return</b>	3.98%
<b>FUND ASSET ALLOCATION</b>	<b>FUND PERFORMANCE</b>



- Short-term Instruments
- Government Securities



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## GLOBAL MARKETS

### GLOBAL ECONOMY

In August 2023, the spate of disinflation continues as most advanced economies continue to record slow down in the inflation direction. Following this, we have observed a change in market expectation towards subsequent monetary policy action direction. In the US, analyst consensus still suggests that the FED fund rates will remain unchanged in the remaining part of 2023. Inflation data continues to suggest the plausibility of more hikes, while the unemployment data remains a major concern at 3.8% YoY in August 2023. Similarly, the ECB is expected to slow down the pace of monetary tightening as the impact of the series done so far reflects on the manufacturing PMI data.

### GLOBAL EQUITIES

For the global equities market, we opine that the expectation of a slowdown in interest rate hikes and inflationary pressures will anchor sustained positive performance in the market in the latter part of 2023. Contextually, major central banks have hinted on taking a pause on interest rate hikes. We expect this to improve investor sentiment and drive traction towards the market in the short to medium term.

## DOMESTIC MARKETS

### EQUITY

We expect the earnings season and dividend hunting activities to continue to spur positive sentiment in the space in September. Notably, companies in the banking sector would be filing their financial statements late. On a balance of factor, we expect that the market would end September in the negatives.

### FIXED INCOME

In the fixed income market, asides expectation of liquidity rally in the first week of September, following FAAC disbursement, we expect liquidity to stay moderate for the later part of the month given CBN's stance on liquidity clampdown. Hence, we opine that average yields would increase from the August 2023 levels.



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