

Mutual Funds

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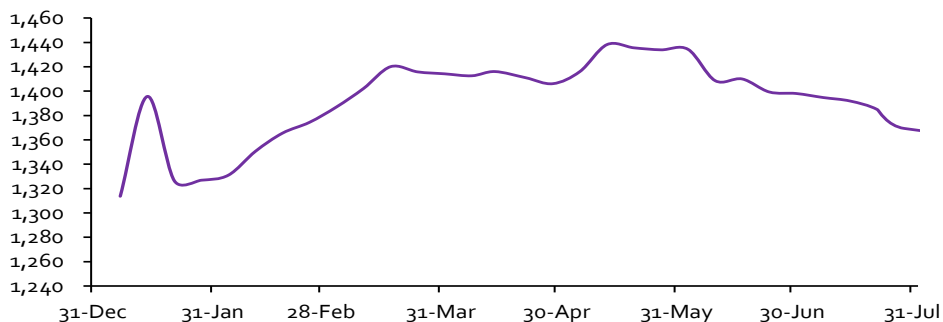
Nigerian Mutual Funds

According to data from the Securities and Exchange Commission (SEC), the total Asset Under Management (AUM) of the Nigerian Collective Investment Schemes (excluding Infrastructure Funds) rose by 4.25% ytd to N1.37trn as of July 29, 2022, from N1.31trn on December 31, 2021. The increase in total Net Asset Value was supported by a mix of new listings and earnings on investments as weighted average yield stood at 5.15% as of July 29, 2022. However, we note that the total Net Asset Value having peaked at N1.44trn as of May 13, 2022, assumed a steady decline partly in line with the lacklustre performance of the equities market and decline in Eurobond prices. The Russia-Ukraine war remained the dominant trigger of selloffs across various asset classes particularly on the dollar denominated instruments with direct exposure to global market forces.

The data showed that the money market funds dominated, with 40.94% share and up 2.31% ytd to N560.57bn as of July 29, 2022, from N547.91bn at the end of December 31, 2021. bonds/fixed income funds followed with 29.33% share, up 6.33% ytd to N401.66 bn as of July 29, 2022, from N377.74bn in December 2021. Likewise, Dollar Funds took 21.36% share, up 7.47% ytd to N292.53bn as of July 29, 2022, from N272.19 bn as of December 31, 2021. Collectively, money market, bonds/fixed income and dollar funds constituted 91.64% of mutual funds. On the other hand, Equity Funds remained relatively low at 1.17% share having grown marginally by 2.08% ytd to N16.08 bn as of July 29, 2022, from N15.76 bn as at December 31, 2021.

In terms of yields (price appreciation), Ethical Funds appeared most profitable at 11.96% on 29 July 2022, albeit, lower than 12.35% as of December 31, 2021. Shari'ah Compliant Funds followed with an average of 8.72% yield in the same period, compared to 8.68% at the end of December 31, 2021. Yields on Equity Funds, Money Market and Fixed Income Funds stood at 6.91%, 6.60% and 4.04% respectively as of July 29, 2022. Like the PFA portfolios, the Nigerian Mutual Funds' portfolios remain highly skewed towards riskless FGN instruments and money market instruments which almost all earn negative real interest rates, considering inflation at 18.6%. There is therefore opportunity for innovations and development of new products that could generate decent inflation-adjusted returns.

Collective Investment Schemes – Total Net Asset Value (N'bn)



Source: SEC, CSL Research

MARKET UPDATE

	1 year	31-Dec-21	1 day
NSE - Index*	39,550.36	42,716.44	49,691.17
Naira / US\$	411.50	435.00	429.38
Brent, US\$/bbl	69.03	77.78	93.65
MPR %	11.50	11.50	14.00

Source: Nigerian Stock Exchange, Central Bank of Nigeria, Bloomberg. *Nigerian Stock Exchange All-Share Index.

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Today's news headlines:

GenCos, DisCos owe banks N836bn amid crisis: Power generation and distribution companies owe Nigerian banks N836.09bn amid the lingering problems plaguing the sector since it was privatised over eight years ago. This is according to the Central Bank of Nigeria's June 2022 data obtained by The Punch. While power generation firms and independent power producers owed banks N562.19bn, power transmission and distribution firms were indebted to the tune of N273.89bn. The PUNCH had reported in July 2020 that the core investors in the distribution companies were looking to restructure the loans advanced to them by banks for the acquisition of the power assets. In November 2013, the nation's distribution and generation companies were privatised through the Bureau of Public Enterprises, fetching about \$3.2bn for the Federal Government... Source: punchng.com

<https://punchng.com/gencos-discos-owe-banks-n836bn-amid-crisis/>

Electricity workers call off strike, businesses count losses: Businesses and other power consumers were thrown into darkness on Wednesday as the industrial action embarked upon by electricity workers, which lasted for almost one day, led to the total shutdown of the national power grid. Power generation crashed fell below 4,000 megawatts as workers of the National Union of Electricity Employees went on strike to protest against a compulsory promotion interview for principal managers, unpaid entitlement, among other issues. Although the Federal Government announced on Wednesday night that the union had halted the strike, it had earlier declared that the action by the electricity workers resulted in a collapse of the country's grid..... Source: : punchng.com

<https://punchng.com/electricity-workers-call-off-strike-businesses-count-losses/>

Food inflation to worsen as insecurity bars farmers from harvest: Nigeria's food inflation could worsen in the coming months as insecurity forces farmers away from farmlands where they should be gathering ripened crops till the end of next month. The situation could add more pressure on cash-strapped consumers in Africa's most populous country, who have been facing higher food prices since the beginning of this year. "Just like any other person, the fear of being kidnapped prevents farmers from readily accessing their farms," said Ibrahim Kabiru, national president of All Farmers Association of Nigeria. This means that some of the crops that are already due for harvest would be abandoned, he said. Abiodun Olorundenro, operations manager at Aquashoot Farms, said some farmers were paying bandits just to be able to cultivate their farms... Source: businessday.ng

<https://businessday.ng/uncategorized/article/food-inflation-to-worsen-as-insecurity-bars-farmers-from-harvest/>

Emirates Suspends Flights to Nigeria over Trapped Funds: Emirates has announced that it is suspending all its flights to and from Nigeria effective September 1. In a statement by Emirates, it disclosed that it had tried every avenue to address its ongoing challenges in repatriating funds from Nigeria, and has made considerable efforts to initiate dialogue with the relevant authorities for their urgent intervention to help find a viable solution and regrettably there had been no progress. "Therefore, Emirates has taken the difficult decision to suspend all flights to and from Nigeria, effective 1 September 2022, to limit further losses and impact on our operational costs that continue to accumulate in the market. "We sincerely regret the inconvenience caused to our customers, however the circumstances are beyond our control at this stage. We will be working to help impacted customers make alternative travel arrangements wherever possible," the airline disclosed.,... Source: Thisdaylive.com

<https://www.thisdaylive.com/index.php/2022/08/18/breaking-emirates-suspends-flights-to-nigeria-over-trapped-funds/>

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	Buy	Hold	Sell	Not Rated	Total
Coverage universe	17	10	5	3	35
% distribution	49%	29%	14%	9%	
Investment banking clients	0	1	1	0	2
% distribution	0%	50%	50%	0%	

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