

# AIICO BALANCED FUND

MARCH | 2023



## OVERVIEW

AIICO Balanced Fund is an open-ended mutual fund, investing in Fixed income instruments, Money market instruments and both Quoted and Unquoted equities.

## INVESTMENT OBJECTIVES

The investment objective of the Fund is to create medium to long term capital growth as well as yearly income streams from declared dividends for unit holders. The fund also provides investors with the opportunity diversify their investments into products that would hitherto have been more difficult to invest in.

## FUND PERFORMANCE

The AIICO balanced fund closed the month of Mar'23 with a YTD return of 2.56%.

The Nigerian Exchange (NGX) market capitalization fell by N857 billion in March 2023 due to political instability, inflationary pressure, and a lack of local currency in the domestic economy. Nigerians went to the polls on February 25 and March 18, 2023 to determine their country's leadership, prompting foreign investors to exit some fundamental stocks on the Exchange. In addition, according to the National Bureau of Statistics (NBS), the inflation rate jumped to 21.91 percent in February 2023 from 21.82 percent in January, affecting investors' return on investment in the stock market. Although the stock market gained N2.44 trillion in market capitalization in the first quarter, it closed on March 31, 2023 at N29.544 trillion, up from N27.915 trillion when it opened.

In the Treasury bills market, bullish bias dominated the early periods of the month, supported by elevated system liquidity. The bulk of the transactions were skewed to the mid-long dated papers, with 22-Feb-2024 (the current 1-year bill at the time) trading between 5.60% and 6.00%. As system liquidity dwindled, buy-side activity lessened with sparse trades executed across the curve. This ultimately impacted the final NTB primary market auction for Q1'2023, as subscription level was low and the DMO was forced to close the 91,182 and 364-day papers at ridiculously high levels.

At the closing NTB auction, stop rates for the 91-day, 182-day and 364-day papers all improved to 6.00%, 8.00% and 14.74% respectively. This represents an average increase of c.4.20% from 3.00% (91-days), 3.24% (182-days) and 9.90% (364-days) recorded at the last auction in Feb'2023.

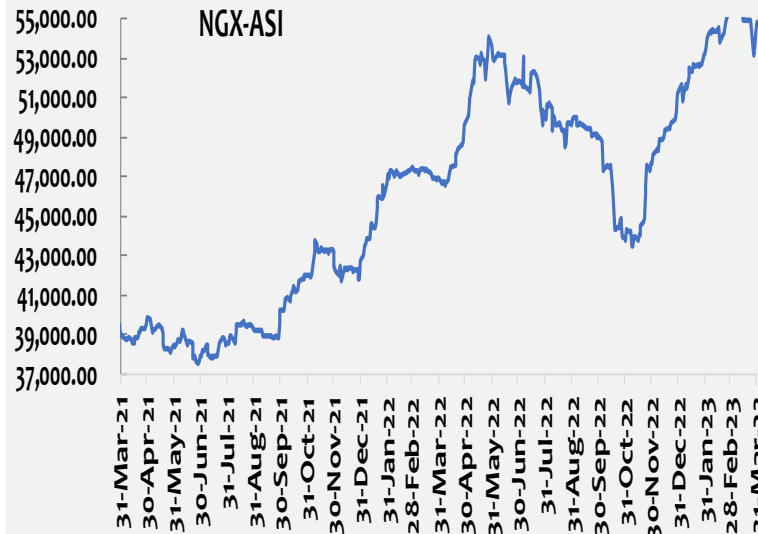
In the FGN bonds market, the on-the-run bonds (2028s, 2032s, 2037s and 2049s) witnessed the most traction as investors expressed interest to invest in these papers. The buy-side activity lingered for a while and spilled into the FGN bond auction for Mar'23. At the FGN bond auction, the DMO offered a total of N360bn across 4 maturities (2028s, 2032s, 2037s and 2049s) and sold c.N563bn as against a subscription of c.N808bn. The stop rates for 2028s, 2032s, 2037s and 2049s closed at 14.00% (+1bp), 14.75% (-15bps), 15.20% (-70bps) and 15.75% (-25bps) respectively.

Post auction trading sessions saw the 2037 and 2049 papers trade c.50bps lower than where they closed at the auction, as most participants tried to fill their lost bids at the secondary market. However, the market eased its rally as liquidity declined from the system. Overall, average mid-yield in the secondary market inched up by c.43bps M-o-M to close at 14.26%.

The Debt Management Office (DMO) also released the Q2'2023 FGN bond issuance calendar during the month and as envisaged, the 2037 and 2049 papers were replaced with 2042 and 2050 papers, while the 2028 (to be subsequently replaced with 2029 in June 2023 FGN bond auction) and 2032 papers were retained. Also, the offer size ranged between 320bn and 400bn each month.

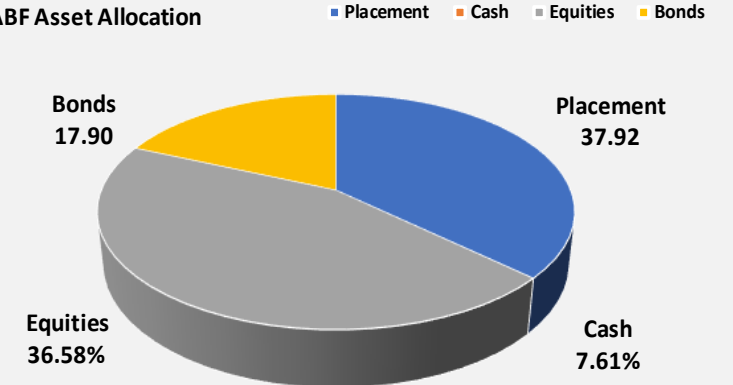
## FACT SHEET

Fund launch date	14-May-18
Fund Size as of 31 MARCH 2023	173,698,421.08
Bid Price as of 31 MARCH 2023	4.0473
Offer Price as of 31 MARCH 2023	4.1066
Minimum Investment	₦50,000.00
Minimum Holding Period	90 Days



**ASSET ALLOCATION:** In seeking to achieve all of the fund's objective, and inline with the SEC rules, the asset allocation of the fund is shown below:

## ABF Asset Allocation



ASSET CLASSES	LOWER LIMIT	UPPER LIMIT	ACTUAL
Money Market & Fixed Income	40	60	55.39
Quoted Equities	40	60	44.61

ABF	28-Feb	31-Mar
Gross year-to-date return	2.57%	2.56%
Gross Quarter-to-date return	2.57%	2.56%
Composite Benchmark rate	2.63%	1.03%

Aim higher. Reach further ▶