



Debt Capital Markets Development Project

Mutual Funds as an Investment Vehicle

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Overview of FMAN



The Fund Managers Association of Nigeria (“**FMAN**”) was established to promote the operations of Fund Managers registered with the Securities and Exchange Commission in Nigeria (“**SEC**”)

Mission

To be facilitators of public policy advocacy, education, regulation compliance, market promotion and international best practices for our members and investors

Vision

To remain the effective voice of fund and portfolio managers in Nigeria

Objectives

Self-regulation and supervision of SEC-registered Fund Managers

Ensure observance of global best practices relating to the operations of such Fund Managers

Educate the public on investment and the operations of its members

Journey So Far

Membership

- **FMAN is comprised of 119 members with a total Asset Under Management (AUM) of about ₦6.00trn**
- **37 members manage 139 registered Collective Investment Schemes (CIS) including Infrastructure Funds and ETFs with a total Net Asset Value of N1.45 trillion as of August 2022**

Registered Funds

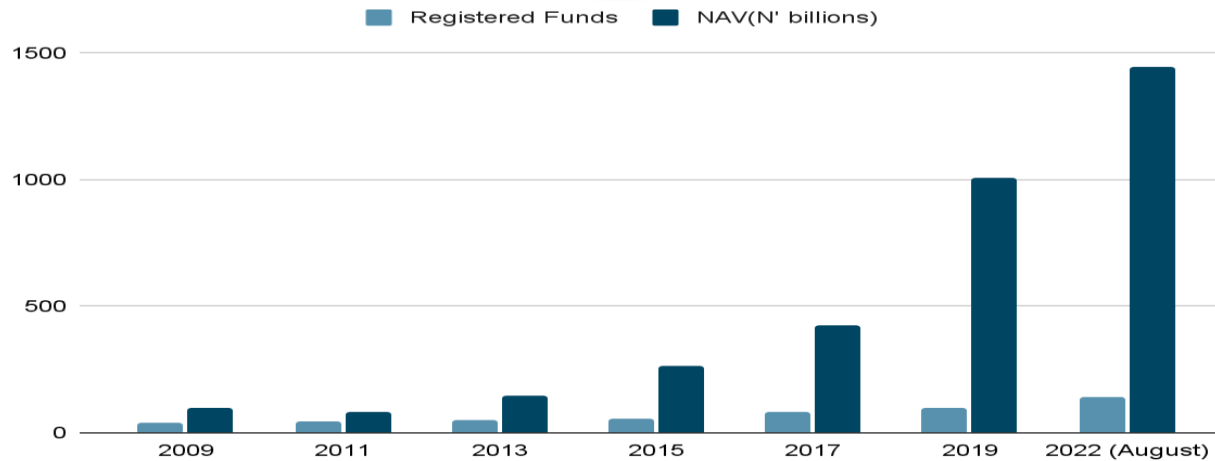
Since inception in 2009, the total number of registered funds has grown by 239%, from an initial 41 funds to 143 funds as of October 2022

Net Asset Value

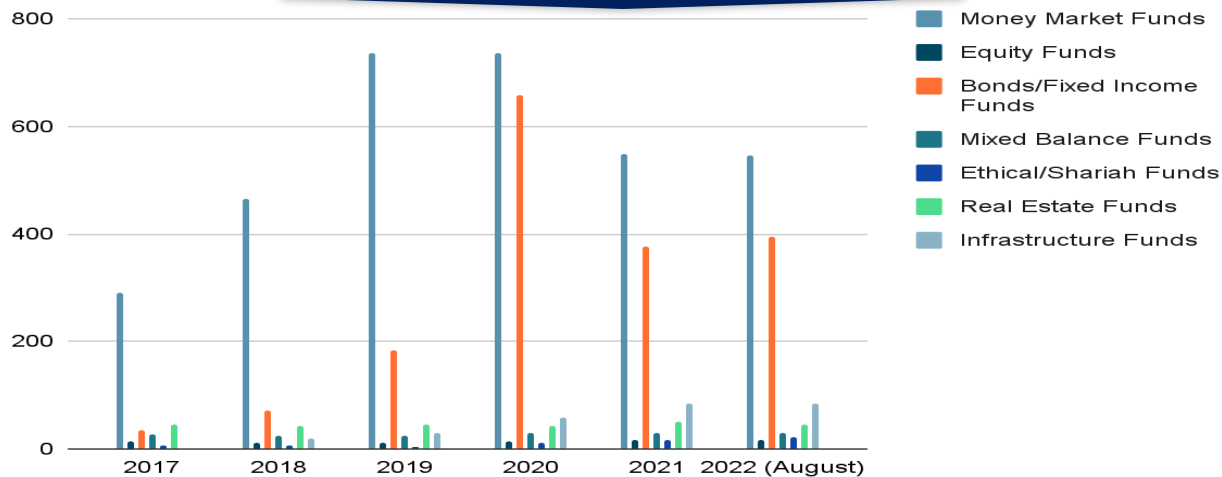
Total Net Asset Value (NAV) of the industry has grown by 1,362% within the comparable periods, from ₦98.90bn in 2009 to ₦1.37trn in 2022

Breakdown of Net Asset Value

Net Asset Value (2019 – 2022)



Net Asset Value Per Fund Type (2017 – 2022)



Mutual Funds

Introduction



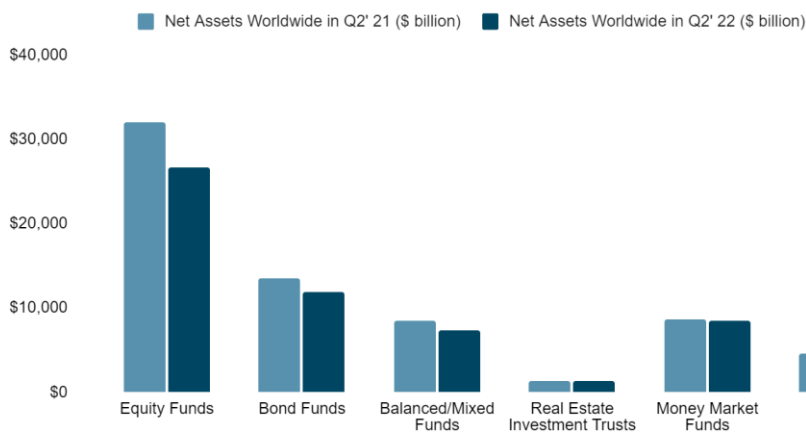
According to the Section 153 of the Investments and Securities Act (ISA), 2007, Mutual Funds, also known as Collective Investment Scheme (CIS), can be defined as a “Scheme in whatever form including an Open-ended Investment Company in pursuance of which members of the public are invited or permitted to invest money or other assets in a portfolio”

It is a type of financial vehicle made up of a pool of money collected from different investors, both retail and corporate, with the aim of investing in securities like stocks, bonds, money market instruments, etc. These funds are managed professionally by Fund Managers and regulated by the Securities and Exchange Commission.

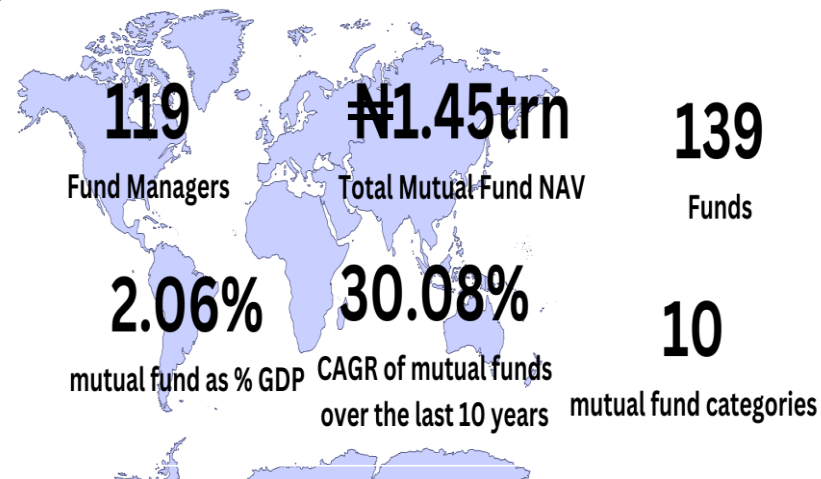
Mutual Fund Industry Global Review

The total assets of all regulated open-ended fund assets decreased 11% to \$59.91trn, excluding funds of funds, as at Q2 2022. Similarly, global net cash inflow to all funds was \$130.00bn in the same period, compared with \$79.00bn as at Q1 2022. (Source: International Investment Funds Association, 2022)

Net Assets of Mutual Funds World Wide



MUTUAL FUND INDUSTRY- DOMESTIC REVIEW



According to a report from PwC, the global funds' industry (including pension funds) is projected to massively grow to \$145.40trn by 2025.

Mutual Funds../2

Features & Benefits



Features

- Every CIS is administered in line with a Trust Deed
- Trustees represent interest of unitholders in a Trust Deed
- Unitholders' funds are domiciled with a Custodian Bank under the overall supervision of the SEC
- With CIS, investors with as low as ₦1,000 can invest in mutual funds and enjoy returns through pooling of funds by a fund manager to invest on their behalf

Benefits

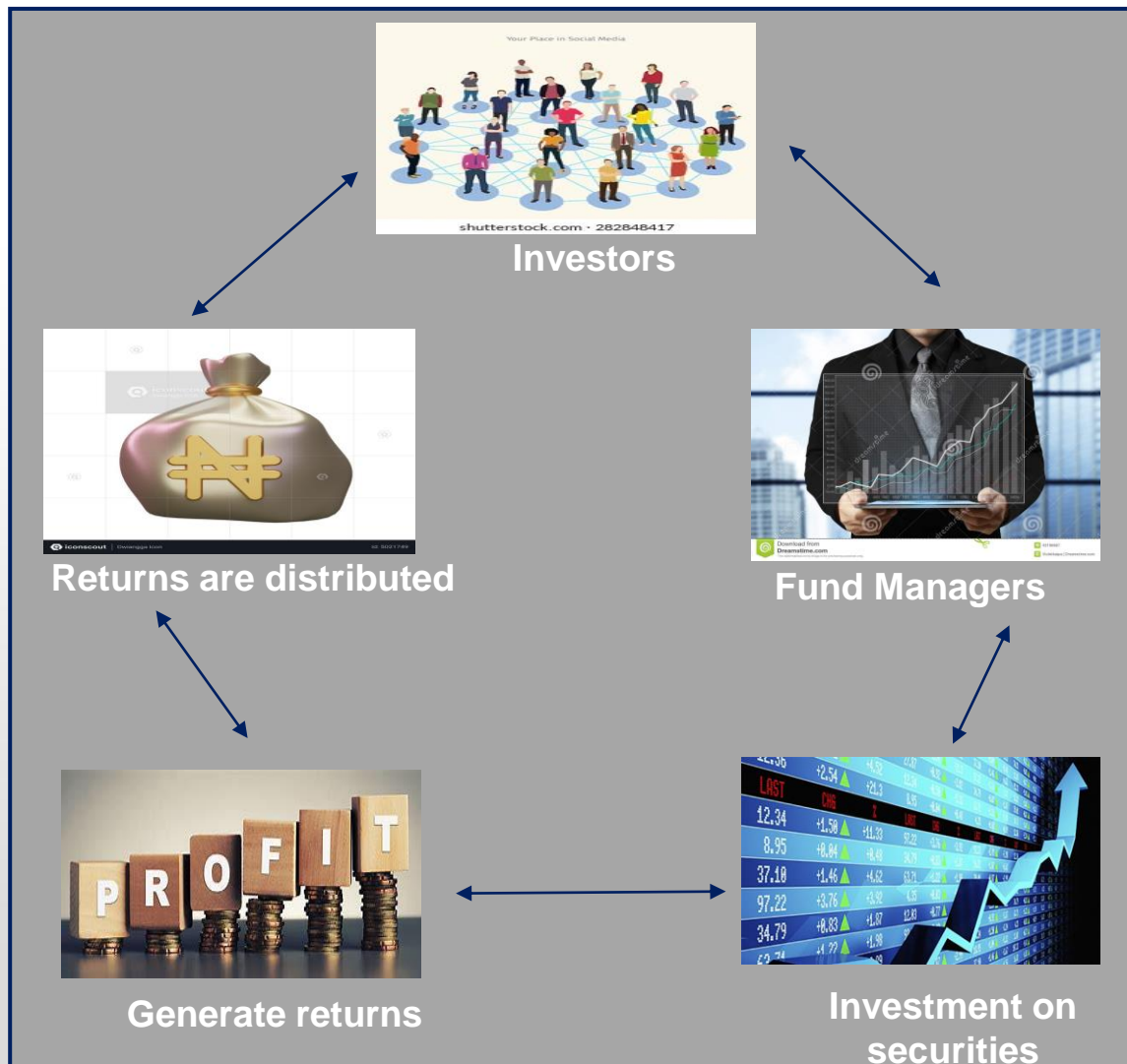
- Liquidity
- Low cost
- Higher returns
- Professional management
- Diversification
- Convenience and flexibility
- Transparency

Note

CIS – Collective Investment Schemes; SEC – Securities and Exchange Commission

Mutual Funds../3

Structure



Overall Supervision by SEC



Parties to a Mutual Fund

- ☐ Fund Managers
- ☐ Trustees
- ☐ Custodians
- ☐ Registrars

Mutual Funds../4

Categories



Parameters	Money Market Funds (MMF)	Fixed Income Funds (FIF)	Balanced/Mixed Funds (BF)
Underlying Asset	<ul style="list-style-type: none"> Treasury Bills Commercial Papers Bank Placements 	<ul style="list-style-type: none"> Sovereign Bond (FGN & State) Corporate Bond 	<ul style="list-style-type: none"> Equities Sovereign Bond (FGN & State) Corporate Bond Money Market Securities
Investment Objective	<ul style="list-style-type: none"> Seek capital preservation Maintain a high degree of liquidity 	<ul style="list-style-type: none"> Seek to generate stable income by investing in a diversified portfolio of debt securities issued in Nigeria 	<ul style="list-style-type: none"> Seek to provide long term capital appreciation whilst mitigating the risk associated with investing primarily in equities through exposure to bonds and money market instruments
Portfolio Risk Profile	Low Risk	Low - Medium Risk	Moderate Risk
Time Horizon	Short term horizon (<1 year)	Medium term horizon (>2years)	Medium to High term horizon (> 3years)
Income Distribution	As stated in the Trust Deed	As stated in the Trust Deed	As stated in the Trust Deed
Total Expense Ratio	3.5%	3.5%	3.5%

Mutual Funds../5

Categories



Parameter	Equity Funds	Dollar Funds	Shari'ah Compliant Funds (SCF)
Underlying Asset	<ul style="list-style-type: none"> High quality companies listed on NGX Limited Market instruments and deposits with credit institutions Placements 	<ul style="list-style-type: none"> Tenured US Dollar denominated debt securities issued by the Federal Government of Nigeria, Supranational, and highly rated corporate institutions. Dollar denominated money market to meet liquidity needs 	<ul style="list-style-type: none"> Shari'ah-compliant assets and contracts. FI instruments e.g. sovereign and sub-sovereign Sukuk, corporate Sukuk, Shari'ah-fixed term investments, Murabaha (cost-plus financing) contracts and Ijarah (lease) contracts Shari'ah compliant stocks listed on the NGX Limited
Investment Objective	<ul style="list-style-type: none"> Long-term capital growth 	<ul style="list-style-type: none"> Seek to provide income and total returns Offer potentially higher returns/risk 	<ul style="list-style-type: none"> SCF that are equity-based funds seek to provide long term capital appreciation SCF that are fixed income-based funds provide regular income streams
Risk Profile	High Risk	Moderate-High Risk	Moderate-High Risk (Fixed Income/Equity Funds)
Time Horizon	Long term horizon(>5years)	Medium term Horizon (>3years)	Medium /High term horizon (>5 years)
Income Distribution	As stated in Trust Deed	As stated in the Trust Deed	As stated in the Trust Deed
Total Expense Ratio	3.5%	3.5%	3.5%

Money Market Mutual Funds



Money Market Mutual Funds are funds whose underlying assets are Treasury Bills, Commercial Papers and Bank Placements, with investment objectives to seek capital preservation, steady income, and maintain market liquidity. Money Market Mutual Funds are suitable for short-term focused investors seeking low risk investments

Features

- ❑ Opportunity to grow your capital and generate regular income
- ❑ Low risk investments leading to capital preservation
- ❑ Weighted Average Maturity (WAM) of 90 days
- ❑ Liquidity with easy access to your investments
- ❑ Affordable entry, own investments for as low as ₦1,000
- ❑ Competitive returns, higher than Savings Accounts or Call deposits
- ❑ Quarterly dividend payments
- ❑ Must be rated by a SEC licensed rating agency

Key Facts

Market Share	<ul style="list-style-type: none">▪ MMF continues to lead in terms of market share. It printed 41% as of September 2022
Unitholders	<ul style="list-style-type: none">▪ Surge in the demand for money market funds grew by 192% from 240,222 unitholders as of December 2021 to 700,158 unitholders in July 2022
Asset Allocation	<ul style="list-style-type: none">▪ The assets of the fund shall be invested 100% in permissible instruments with a term to maturity at the date of acquisition by the fund manager of not more than 365 days. e.g., Treasury Bills, Commercial Papers▪ While asset allocation within the fund is subject to the fund manager, a minimum of 25% of the fund must be invested in government securities, with a maximum of 5% in any other CIS or 20% in any group of CIS▪ The MMF is restricted to a WAM of 90 days, which is the average time until the securities in the fund portfolio mature

Note

CIS – Collective Investment Scheme; MMF – Money Market Mutual Funds; SEC – Securities and Exchange Commission

Risks & Mitigants

Risks

Mitigants

The risk of an investment being affected by market trends

Invest in a mutual fund that contains a diversified portfolio of securities to balance the portfolio's risk-reward ratio and associated market risks effectively

Mutual Funds are not guaranteed or assured return products

Investors should be aware that by investing in a Mutual Fund, there is no guarantee of any income distribution, returns or capital appreciation. This will help manage investor expectations

Past performance does not guarantee future performance of any Mutual Fund

Investors should build a portfolio that matches their investment objectives regardless of the short term performance of the Mutual Fund

The performance of any Mutual Fund is dependent, amongst others, on the experience, knowledge, expertise and investment techniques/process adopted by the Fund Manager

Investors should only invest with credible Fund Managers that have the required expertise and a proven track record

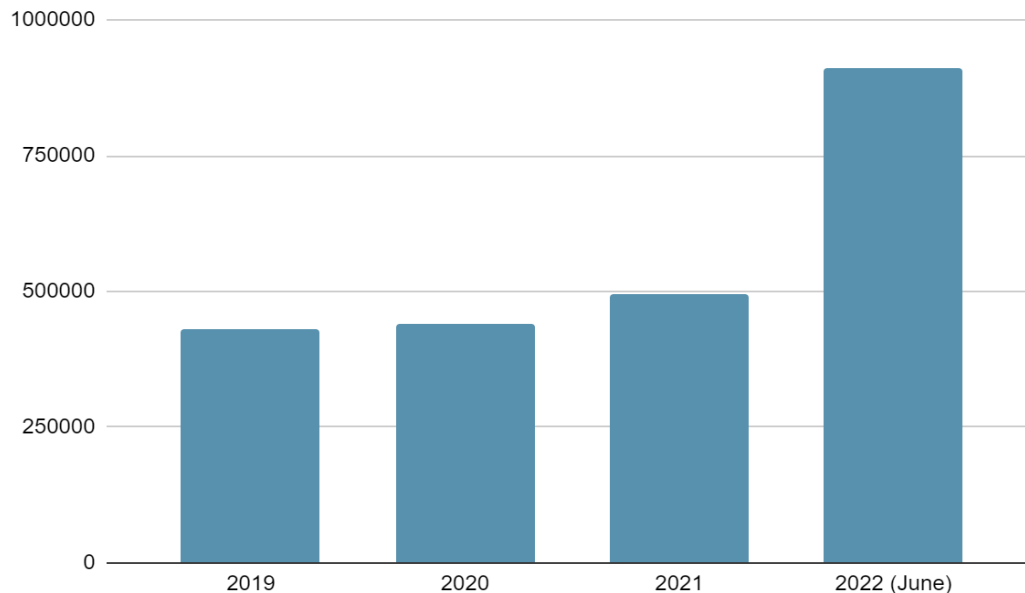
Collective Investment Scheme vs. Savings

Investments remain the most viable way to productively grow your wealth. Despite the raise in the minimum interest on savings deposits to 4.65%, as a result of the adjustments in Monetary Policy Rate (MPR), the current inflation of 21.09% (year-on-year) hampers the positive impact or neutralises any possible gains that savers might have possibly made.

In a nutshell, keeping your money passively generates negative real returns for you, and the best way to change this narrative is to invest.

Therefore, Mutual Funds avail a great opportunity for you to put your money into productive use and earn good returns.

Number of CIS Unitholders



Commentary

- The number of CIS unitholders has grown by approximately 112% in the last twenty-eight (28) months, from 430,164 unitholders as of December 2019 to 911,376 unitholders by the end of June 2022
- While this is impressive, stakeholders need to do more in terms of policy development, mass sensitisation, etc., to promote capital markets inclusion

Pre-Investment Considerations



- Request for the registration status of the Fund Managers, this can be confirmed on SEC's website (www.sec.gov.ng) or FMAN's website (www.fman.com.ng). You can also call FMAN on
- 0909 114 3183
- 0909 114 3207



- Confirm that Mutual Fund is registered with SEC. You can confirm from SEC's website – www.sec.gov.ng



- Confirm that the account number provided by Fund Manager is a Custody account



- Know your Trustee Company. The Company is your representative in the Mutual Fund

Investment Process (Access & Platform)

Process

- ☐ Visit a SEC-licensed fund manager for more guidance
- ☐ Go to:
www.fman.com.ng
or
www.sec.gov.ng/cmos to get a list of licensed Fund Managers in Nigeria

Visit the respective websites of the Fund Managers if you are sure about their registration status

Kindly note that FMAN publishes daily price of registered Mutual Funds in ThisDay Newspaper.

Channels of investment

Our members have various channels of investing in CIS aimed at easing client onboarding experience, investment tracking, and fostering financial literacy. Some digital channels include:

- ☐ Mobile Apps
- ☐ USSD
- ☐ Web Access
- ☐ Strategic Partnerships
- ☐ FinTech Enablers

Note

CIS – Collective Investment Schemes; SEC – Securities and Exchange Commission; USSD - Unstructured Supplementary Service Data



*Thank you
for your attention!*

