

Global Economic Review

Sluggish Growth Amid High Inflation, Financial Sector Turmoil and Ongoing Russia-Ukraine War

Global economic growth slowed down in Q1-2023 as high inflation, financial sector turmoil, ongoing effects of Russia's invasion of Ukraine, and three years of COVID continued to bite hard on most economies. On a year-on-year basis, the economy of the United Kingdom, Euro-Area and Nigeria slowed down to 0.2%, 1.3% and 2.3% in Q1-2023, from 0.6%, 1.8% and 3.5% respectively in Q4-2022.

Most Central Banks Maintain Hawkish Stance in Q2-2023

- To suppress high inflation, the US Fed raised the fed funds rate by 25 basis points to 5.25% in Q2-2023 – Raising borrowing costs to the highest level since September 2007.
- The Bank of England raised interest rate by 25 basis points to 4.50% in Q2-2023, pushing the cost of borrowing to the highest level since 2008.

Fear of Global Economic Slowdown Overshadows Production Cuts

- Despite the production cut by OPEC+, the quarterly average price of Brent crude oil and WTI fell by 5.3% and 3.1% to \$77.7 and \$73.7 per barrel respectively in Q2-2023 (quarter-on-quarter), driven by the expectation of global economic slowdown due to concerns surrounding the US debt ceiling and financial sector crisis.

Inflation Slows on Contractionary Monetary Policies

- In the second quarter of 2023, inflation slowed down to single digit in Advanced Economies, notably in the United States, the Euro Area and the United Kingdom, driven by the reversal of high energy costs and food prices. Meanwhile, inflation in most African countries remained high and well above the benchmark set by monetary authorities in Q2-2023, driven by high food prices, weak local currencies, and high input costs. For instance, inflation remains very high at double digits, in Nigeria, Ghana, Egypt and Gambia.

Domestic Economic Review

Nigeria's GDP Growth Slows Down in Q1-2023

- The real Gross Domestic Product (GDP) of Nigeria grew by 2.31% (year-on-year) in Q1-2023. The growth rate is lower than the 3.52% and 3.11% reported in Q4-2022 and Q1-2022 respectively due to the adverse effects of the cash crunch on economic activities. The positive GDP growth was mainly supported by 2.77% growth (year-on-year) in the non-oil sector, driven by the growth in Information & Communication; Finance & Insurance; Trade; Manufacturing; Construction; and Transportation & Storage. Despite the increase in oil production, the growth of the nation's oil sector fell by 4.21% (year-on-year), due to the decline in the price of oil during the period.

Nigeria's Inflation Rises Further in Q2-2023

- In the second quarter of 2023, Nigeria continued to face a steady increase in the general prices of goods and services, as headline inflation rose persistently to 22.22% and 22.41% in April and May respectively (March 2023: 22.04%), mainly driven by a weak local currency and high cost of inputs. Food inflation grew to 24.61% and 24.82% in April and May 2023 respectively (March 2023: 24.45%) as high insecurity in food producing States remains a major problem. Also, the nation's core inflation expanded to 20.14% in April 2023 but declined to 20.06% in May 2023 (March 2023: 19.86%).

CBN Maintains Contractionary Monetary Policy in Q2-2023

- To keep fighting the persistent rising inflation and reduce the negative real return, the Monetary Policy Committee (MPC) of the Central Bank of Nigeria (CBN) raised Monetary Policy Rate (MPR) by another 50 bps to 18.50% in Q2-2023. However, other policy parameters remained unchanged during the period: Cash Reserve Ratio (CRR) – 32.5%; Liquidity Ratio – 30.0%; Retained the asymmetric corridor of +100/-700 basis points around the MPR.

Q3 2023 Outlook

Global Economy

- We expect the Global economy will witness gradual recovery from the powerful blows of the pandemic and Russia's war on Ukraine. China is rebounding strongly following the reopening of its economy, as evidenced in its GDP growth of 4.5% in Q1-2023. Supply-chain disruptions are unwinding, while the dislocations to energy and food markets caused by the war are receding, especially in Advanced Economies. The declining inflation rate will result in less tightening by most central banks, hence the resultant lower interest rates will boost production in most countries. However, the contagion of the financial sector turmoil, possible escalation of the ongoing Russia-Ukraine war and soaring US-China tensions are downside risks to our outlook.
- We maintain that Global inflation will reduce, although more slowly than initially anticipated, from 8.7% in 2022 to 7.0% in 2023. The projection reflects the outcome of monetary policy tightening by various central banks in H1-2023 and the declining international fuel prices and some non-fuel commodity prices.
- With the declining inflation in various countries, we expect apex banks, especially in Advanced Economies, to reduce policy rate hikes in Q3-2023 to accommodate economic growth and halt impending recession.

Domestic Economy

- We expect Nigeria's GDP growth to slow down in Q2-2023 and Q3-2023, as we expect the PMS subsidy removal, the recent foreign exchange reform which led to the depreciation of the naira and the expectation of electricity tariff hike to bite hard on economic productivity in the country. Specifically, the expectation of high cost of inputs will slow down productivity in the non-oil sector. In addition, the oil sector may continue to struggle in Q3-2023 as we expect the setback in oil prices during the quarter to have adverse effects on the sector.
- Inflation is expected to remain high in Q3-2023 mainly due to the removal of PMS subsidy, floating of the exchange rate, expectation of electricity tariff hike, and lingering security challenges in key food producing areas.
- With the expectation of high inflation, we expect the Monetary Policy Committee (MPC) of the Central Bank of Nigeria (CBN) to keep Monetary Policy Rate (MPR) at or above the current level, in Q3-2023 in a bid to attract foreign portfolio investors and improve foreign exchange reserves.

Head Office

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MONEY MARKET FUND



Guaranty Trust Fund Managers Ltd

Fund Overview

The Money Market Fund is an open-ended Fund authorized and registered by the Securities and Exchange Commission on November 28, 1990. Its diversified portfolio consists of quality money market instruments including short-term government securities, commercial papers and bank placements.

The Fund is most suitable for Investors with a short-term investment horizon and offers an alternative to short-term deposits and savings accounts with the added benefit of enjoying decent returns from the professional management of the Fund's assets.

Fund Manager's Remark

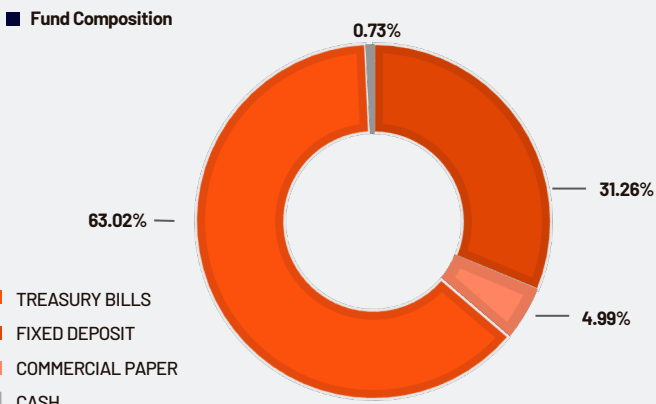
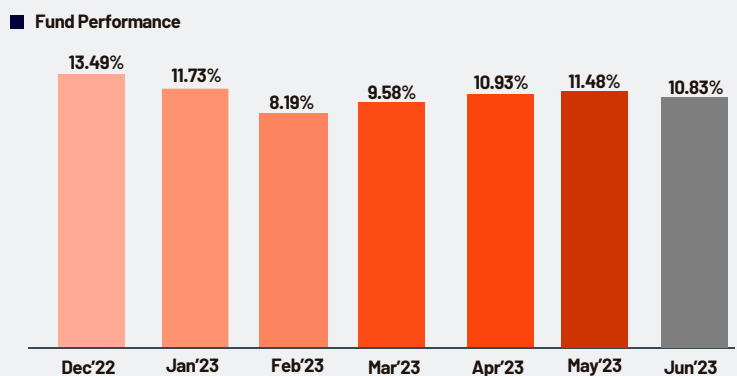
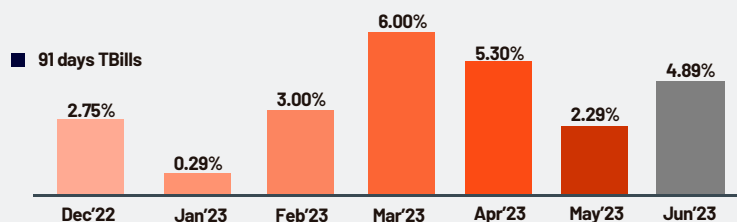
The Fund's asset size increased during the quarter under review due to more subscriptions. The AuM closed at N19.76Billion in the quarter under review and grew by 24.4% from N15.88Billion in Q1'23. The net return for the Fund increased by 125bps to close at 10.83% at the end of Q2'2023.

The monetary policy committee at its last meeting further raised the monetary policy rate by an additional 50bps to 18.5% in Q2'2023. The major consideration remained high inflation and capital flows, as well as the need to consolidate the gains of the previous rate hikes. However, we saw robust liquidity in the system towards the end of the quarter which resulted in a decline in interest rates in the money market. We also witnessed the announcement of the removal of the cap and floor of placements in the interbank market by the Central Bank of Nigeria.

Q3'23 Outlook

We expect the decision of the Federal Government of Nigeria to remove PMS subsidy, free float of the naira in the foreign exchange market and the expectation of high electricity tariff to result in high inflation in Q3-2023. Consequently, interest rate is expected to remain relatively high though volatile, as we expect the Apex Bank to maintain its contractionary stance to fight high inflation and close the negative real return gap.

Fund Composition and Performance



Fund Features

Launch Date	1990
Net Assets	₦19.76 billion
Domiciliary	Nigeria
Currency	NG Naira
Objective	Interest Income Guaranteed Principal
Financial Year End	December
Minimum Initial Investment	₦1,000
Fund Rating	A(f)
Rating Agency	Agusto & Co.
Management Fee	1% of Net Asset Value (NAV)
Incentive Fee	15% of Excess Return above 10%
Risk Tolerance	Low
Permissible Asset Class	Bank Placement (15% - 75%) Short Term Govt. Instr. (25% - 85%) Others* (0% - 60%)
Composite Benchmark	91D Treasury Bill
Fund Price (30-Jun-23)	Bid/Offer: N100/N100
Custodian	Citibank Nigeria Ltd
Trustee	United Capital Trustees Limited

*Other refers to money market investments such as commercial papers, banker's acceptances, certificates of deposits, collateralized repurchase agreements

Who Should Invest?

- Individuals in Nigeria (including Children) and the diaspora
- Pension Fund Administrators
- Insurance firms
- Endowment Funds
- Religious Organizations
- Cooperatives, Trusts and Wealth Managers

Head Office

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GUARANTEED INCOME FUND



Guaranty Trust Fund Managers Ltd
RC 60005

Fund Overview

The Guaranteed Income Fund was launched on June 13, 2007 and is licensed by the Securities and Exchange Commission (SEC). The fund is designed to provide a pre-stated return on investment. It is a principal-guaranteed Fund and delivers a return equivalent to the Standing Deposit Facility rate (SDF).

This fund seeks to achieve its objective by investing a minimum of 70% in the Fixed Income instruments, maximum of 30% in money market instruments and up to 10% in fundamentally sound stock of blue-chip organizations.

Fund Manager's Remark

The Fund's Asset under Management (AuM) closed at ₦11.03Billion at the end of Q2'2023.

During the period, the monetary policy committee met and raised the monetary policy rate by an additional 50bps to 18.5% in the course of the quarter. The major consideration remained high inflation and the need to consolidate the gains of the previous rate hikes. We also witnessed the announcement of the removal of the cap and floor of placements in the interbank market by the Central Bank of Nigeria.

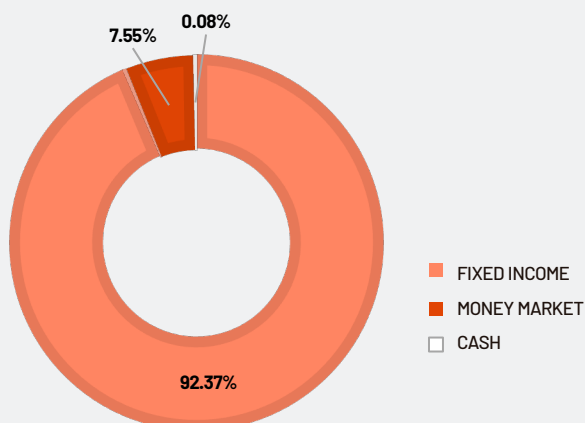
Q3'23 Outlook

We maintain that yields in the bond market and treasury bills market will remain relatively high in Q3-2023, mainly due to the assumption of high inflation and tight monetary policy during the period. However, the floating of naira by the new government may attract foreign portfolio investors into the bonds and treasury bills market and that coupled with high system liquidity may keep interest rates lower in the third quarter of the year.

Fund Composition and Performance

DATE	GUARANTEED RETURN (P.A.)	ADDITIONAL YIELD (PAID AT FYE)
Jan - Jun, 2020	8.50%	0.84%
Jul - Dec, 2020	7.50%	0.54%
Jan - Jun, 2021	4.50%	N/A
Jul - Dec, 2021	4.50%	N/A
Jan - Mar 2022	4.50%	N/A
April - June 2022	4.50%	N/A
Jul - Sep 2022	6.00%	N/A
Oct - Dec 2022	6.00%	N/A
Jan - Mar 2023	6.00%	N/A
Apr - Jun 2023	6.00%	N/A

Fund Composition



Fund Features

Launch Date	2007
Net Assets	₦11.03Billion
Domiciliary	Nigeria
Currency	NG Naira
Objective	Interest Income Capital Appreciation
Financial Year End	December
Minimum Initial Investment	50,000 Units
Income Distribution	Bi-Annual
Guaranteed Return	6.00% p.a.
Management Fee	50% of Excess Return above SDF
Revenue Reserve	50% of Excess Return above SDF
Risk Tolerance	Moderate
Permissible Asset Class	Fixed Income (70% - 100%) Equities (0% - 10%) Money Market (0% - 30%)
Composite Benchmark	Standing Deposit Facility (SDF)
Fund Price (30-Jun-23)	₦1.00
Custodian	Citibank Nigeria Ltd
Trustee	FBN Quest Trustees Limited

Who Should Invest?

- Individuals in Nigeria (including Children) and the diaspora
- Pension Fund Administrators
- Insurance firms
- Endowment Funds
- Religious Organizations
- Cooperatives, Trusts and Wealth Managers

Head Office

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EQUITY INCOME FUND



Guaranty Trust Fund Managers Ltd
RC 000005

Fund Overview

The Equity Income Fund is a registered open-ended Unit Trust Scheme that was launched in 2018 and is licensed by the Securities and Exchange Commission (SEC).

Its objective is to provide regular income and long-term capital appreciation from investments in dividend knights and high-quality equity instruments quoted on the NGX, where the issuers have an investment grade rating from a credit rating agency registered by SEC.

Fund Manager's Remark

Despite the economic challenges and low participation of foreign investors in the country, the Nigerian equities market continued its positive performance, returning 15.78% Year to Date (YTD) in June 2023. The pro-market policies of the new government continued to yield positive results as the NGX All-Share Index and Market Capitalization appreciated to close at 60,108.86 and ₦32.73 trillion respectively, this is the highest since March 31, 2008.

The asset size for the period under review increased by 19.70% to N446.33million from N372.86 million recorded in the Q1' 2023. The Fund has invested 75.12% in equities, 22.03% in money market instruments while 2.85% remained as cash.

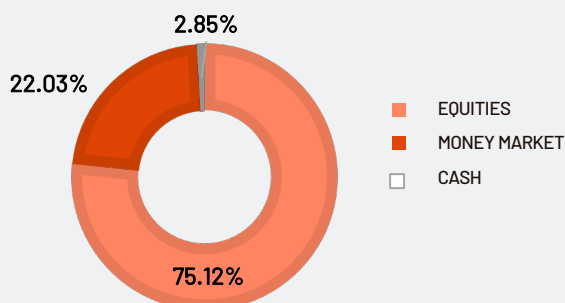
Q3'23 Outlook

We expect bulls to dominate the Nigerian equities market in Q3-2023, as we expect the Nigerian bourse to benefit from the foreign exchange market reform in the country. Now that the market forces of demand and supply will determine the exchange rate in Investors and Exporters (I&E) window, we expect foreign portfolio investors to improve their participation in the market, as the fear of devaluation has largely been eliminated by the floating of naira.

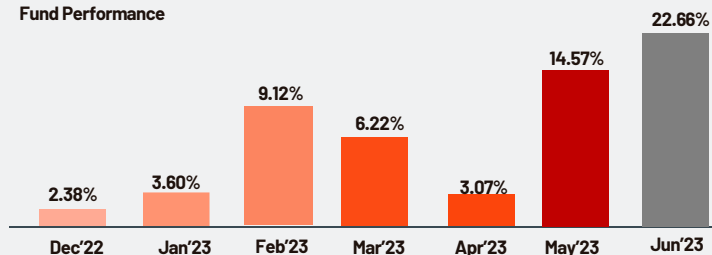
Fund Composition and Performance

EQUITY SECTORAL ALLOCATION	
Sector	Exposure
Banking	37.25%
FMCG	31.95%
I.C.T	20.04%
Agriculture	4.28%
Oil & Gas	3.26%
Industrial	3.21%

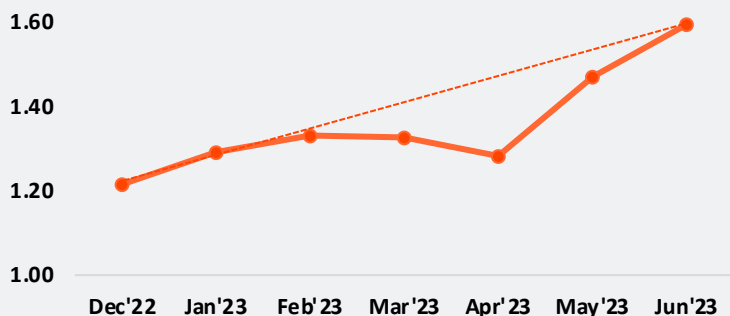
Fund Composition



Fund Performance



BF HISTORICAL UNIT PRICE



Fund Features

Launch Date	2018
Net Assets	N446.33 million
Domiciliary	Nigeria
Currency	NG Naira
Objective	Dividend Income Growth Stock
Financial Year End	December
Minimum Initial Investment	N5,000
Subsequent	Multiples of N1,000
Management Fee	1.5% of Net Asset Value (NAV)
Risk Tolerance	High
Permissible Asset Class	Fixed Income (5% - 30%) Equities (70% - 95%) Cash (0% - 5%)
Composite Benchmark	Equities (ASI) - 70% Fixed Income - 30%
Fund Price (30-Jun-23)	Bid: 1.5687 Offer: 1.6166
Custodian	Citibank Nigeria Ltd
Trustee	FBN Quest Trustees Limited

Who Should Invest?

- Individuals in Nigeria (including Children) and the diaspora
- Insurance firms
- Endowment Funds
- Religious Organizations
- Cooperatives, Trusts and Wealth Managers

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BALANCED FUND



Guaranty Trust Fund Managers Ltd
RC 60000

Fund Overview

The Vantage Balanced Fund was launched in 2002 and is a fund licensed by the Securities and Exchange Commission (SEC). It is focused on long term capital appreciation, which is achieved by maintaining a flexible diversified portfolio of equities, fixed income securities and money market instruments.

Funds are deployed into quality equity instruments quoted on the NGX, while the bond issuers have an investment grade rating from a credit rating agency registered by SEC.

Fund Manager's Remark

The Nigerian equities market continued its positive performance returning 15.78% Year to Date (YTD) in June 2023. The pro-market policies of the new government continued to yield positive results as the NGX All-Share Index and Market Capitalization appreciated to close at 60,108.86 and ₦32.73 trillion respectively. In Q2'23, the monetary policy committee further raised the monetary policy rate by an additional 50bps to 18.5%. The average yields of government local bonds increased across board, as investors considered rating downgrades, high inflation, decelerating foreign reserves in bond pricing.

At the end of the period under review, the fund's Asset under Management (AuM) grew marginally by 11.08% to N2.51 Billion as at the end of Q2' 2023 from N2.26 Billion in Q1' 2023.

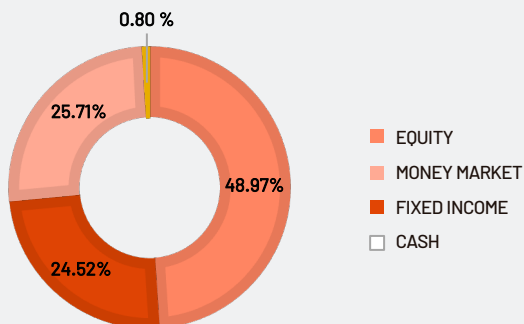
Q3'23 Outlook

We expect the pro-market policies of the new government may attract foreign portfolio investors into the Nigerian equities market and fixed income market in Q3-2023. For instance, the floating of the Naira and elimination of multiple exchange rate windows will boost the confidence of foreign investors in Nigeria's capital market. In addition, we expect yields to be volatile in the bonds and treasury bills market mainly based on the assumption of high inflation, tight monetary policy and bouts of high system liquidity in Q3-2023.

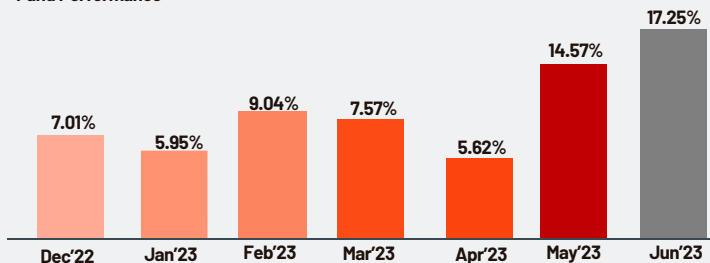
Fund Composition and Performance

EQUITY SECTORAL ALLOCATION	
Sector	Exposure
Banking	39.27%
FMCG	26.13%
I.C.T	25.22%
Agriculture	6.13%
Industrial	3.25%

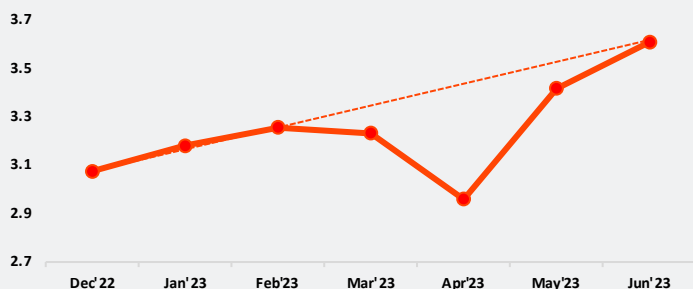
Fund Composition



Fund Performance



BF HISTORICAL UNIT PRICE



Fund Features

Launch Date	2002
Net Assets	₦2.51 billion
Domiciliary	Nigeria
Currency	NG Naira
Objective	Interest Income Capital Appreciation
Financial Year End	December
Minimum Initial Investment	N10,000
Subsequent	Multiples of ₦1,000
Management Fee	2.0% of Net Asset Value (NAV)
Incentive Fee	15% of Excess Return above 10%
Risk Tolerance	Moderate
Permissible Asset Class	Fixed Income (20% - 60%) Equity (40% - 60%) Money Market (0% - 40%) Cash (0% - 5%)
Composite Benchmark	Equities (ASI) - 50% Fixed Income - 50%
Fund Price (30-Jun-23)	Bid: 3.5704 Offer: 3.6403
Custodian	Citibank Nigeria Ltd
Trustee	FBN Quest Trustees Limited

Who Should Invest?

- Individuals in Nigeria (including Children) and the diaspora
- Insurance firms
- Endowment Funds
- Religious Organizations
- Cooperatives, Trusts and Wealth Managers

Head Office

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Fund Overview

The Dollar Fund is a SEC registered open-ended Unit Trust Scheme that was launched in 2018.

The Fund seeks to provide investors with a bias for Dollar denominated investments access to such securities, which ordinarily would be inaccessible to them by virtue of the minimum amount typically required to make such investments.

Funds are primarily deployed in Corporate and Sovereign Eurobonds of entities listed in Nigeria and money market instruments of highly rated financial institutions.

Fund Manager's Remark

Nigerian foreign reserves declined to \$34.31bn due to the foreign exchange rate pressure accentuated by the setback in the price of crude oil and increased demand for the dollar. We saw the quarterly average yields in Nigerian Eurobonds increase by 14bps to 11.85% in June 2023 from 11.71% in March 2023.

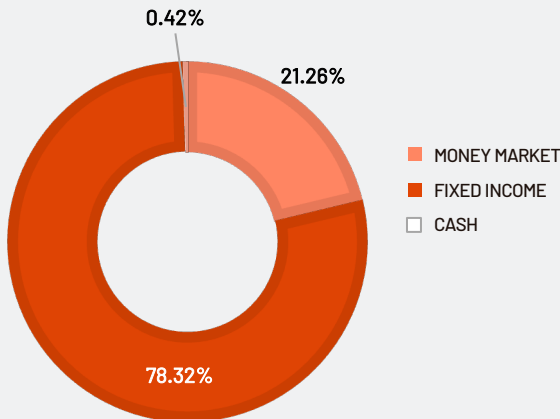
At the end of the period under review, the fund's Asset under Management (AuM) increased by 33.4% to close at \$14.56 million from \$10.91million in Q1'2023, while return on this fund closed at 8.41%, an increase of 35bps from 8.01% at the end of Q1'2023.

Q3'23 Outlook

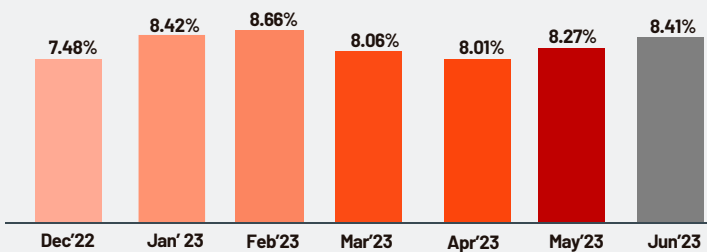
We expect that yields in the secondary market will hover around current levels. There should be pockets of demand as yields expand in reaction to continued global contractionary policies. Although, the recent depreciation of the naira will raise the cost of servicing foreign debts, we expect the recent PMS subsidy removal and pro-market policies of the government to support foreign exchange earnings and override the high cost of foreign debt service.

Fund Composition and Performance

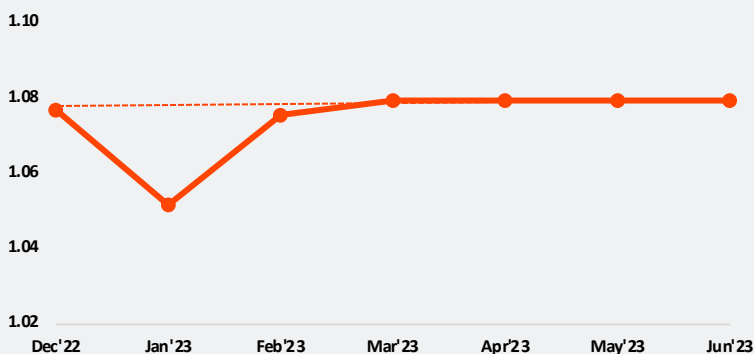
Fund Composition



Fund Performance



Dollar Fund Historical Unit Price



Fund Features

Launch Date	2018
Net Assets	\$14.56 million
Domiciliary	Nigeria
Currency	US Dollars
Objective	Interest Income Capital Appreciation
Financial Year End	December
Minimum Initial Investment	\$1,000
Management Fee	1.5% of NAV
Incentive Fee	20% of Excess Return above 10%
Risk Tolerance	Moderate
Permissible Asset Class	Eurobonds (70% - 100%) Money Market (0% - 30%)
Asset Class Rating	Eurobond - A (S&P) Money Market - BBB (Fitch)
Fund Price (30-Jun-23)	Bid: 1.0924 Offer: 1.0924
Custodian	Citibank Nigeria Ltd
Trustee	FBN Quest Trustees Limited

Who Should Invest?

- Individuals in Nigeria such as employees & SM Entrepreneurs
- Institutional investors
- Contributory schemes
- Funds and Trusts
- Insurance companies
- Government parastatals, etc.

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