

Fact Sheet

Lotus Halal Fixed Income Fund

September 30, 2021



Fund Overview

The Lotus Halal Fixed Income Fund (Lotus FIF) is an open-ended mutual fund that invests in fixed income instruments such as Sukuk (non-interest bonds) and fixed return contracts such as Ijarah (lease) and Murabaha (cost-plus) contracts. The Fund does not invest in equities or interest-bearing securities like treasury bills or conventional term deposits.

The Fund's activities are supervised by an investment committee which meets regularly to take investment decisions, oversee performance and ensure Shariah compliance and proper risk management.

Fund Facts	
Launch Date	May 2016
Listing	Nigerian Exchange (NGX)
Currency	Naira (NGN)
Fund Size	₦15.311bn
Units Outstanding	13.235 million units
Net Asset Value (NAV) Per Unit	₦1,156.83
Minimum Investment	5 Units
Minimum Holding Period	30 days
Income Accrual	Daily
Risk Profile	Low
Annual Management Fee	1.5% of Net Asset Value
Distribution Frequency	Quarterly
No. of Distributions Since Inception	17
Last Distribution	July 2021: ₦20.85/unit
Next Distribution	October 2021: ₦22.00/unit

Asset Class	Allocation Range
Cash	0%-5%
Sovereign & Sub-Sovereign Sukuk	0%-90%
Corporate Sukuk	0%-60%
Fixed Term Investments	0%-100%
Fixed Income Contracts	0%-70%

* Fixed Income Contracts include Ijara (lease) and Murabaha (cost-plus) contracts.

* Fixed Term Investments are Shari'ah compliant short-term investments with Non-Interest Banks.

Investor Profile

The Fund is specifically designed for ethical investors with a low-risk appetite. The Fund is suitable for **individuals and institutional investors** such as **pension funds** and **insurance/takaful operators** seeking non-interest-based returns.

Benefits to the Investor

Competitive Returns	Aims to provide attractive returns comparable to conventional fixed income investments.
Low Risk	Minimizes risk of loss through diversification and focus on low-risk assets.
Regular Income	Aims to pay out 80% of profit to investors on a quarterly basis.
Liquidity	Investors can enter and exit the Fund every business day.
Inclusive	The Fund is certified annually for Shariah compliance and is targeted at investors with faith-based or ethical preferences.

Market Review (Third Quarter 2021)

In the period under review, data released by the Nigerian Bureau of Statistics showed that the Nigerian economy grew by 5.01% in the second quarter following an expansion in key sectors like ICT, Manufacturing and Agriculture. We attribute this to the positive impact of expansionary fiscal and monetary policies as well as improvements in the business environment since the Covid-19 lockdown last year. Consequently, the Central Bank of Nigeria (CBN) maintained the benchmark rate at 11.5% to leave room for further credit expansion to vulnerable economic sectors to drive output growth.

Also worthy of note this quarter was the attempt of the CBN to stabilize exchange rates by halting the supply of FX to Bureau-Du-Change operators on accusation of market manipulation and hoarding. This caused a stir amongst traders, businesses and investors, and the naira tumbled at the parallel market to ₦570/\$ (Jun'21: ₦503/\$). At the investors and exporters window, the naira also closed weaker at ₦413.88/\$ (June: ₦411.5/\$). The federal government made efforts to support external reserves through a \$4bn Eurobond Issuance at the tail end of the quarter, which in addition to higher crude oil receipts should calm restive nerves in the FX market.

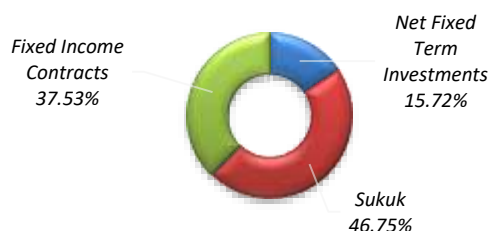
Notwithstanding the exchange rate pressure on consumer prices, base year support from 2020 caused inflation to moderate slightly to 17.01% in August. With more liquidity in circulation, fixed income yields fell marginally and the average yield of the outstanding sovereign sukuk dipped to 11.78% at the end of September, compared to 11.92% in the first quarter.

Fund Performance

In the second quarter, the Lotus FIF returned 2.31%, which took the fund's year to date return to 6.48%. This corresponds to a return of 8.66% on an annualized basis.

The positive performance was largely underpinned by earnings from fixed income contracts and Sukuk rental income. The fund has declared a dividend of ₦22.00/unit, which corresponds to a dividend yield of 1.90% based on its recent performance in the third quarter.

Current Asset Allocation



	Q3'2021	9M'2021	2020	Inception to Date
Fund Return	2.31%	6.48%	11.04%	68.39%
Benchmark	2.21%	5.63%	5.01%	-

Fund Outlook

In the coming quarter, the Fund intends to increase investments in higher-yielding fixed income contracts to take advantage of the changes in the market environment. The Fund also intends to increase investments in Sukuk to sustain diversification in the portfolio.

Note:

- Redemption period is 3-5 business days. Any redemption within the minimum holding period will incur charges not exceeding 10% of the income earned.
- Investing in Shari'ah compliant products involves risk as the value of investments may rise