Cordros Money Market Fund

Final Rating Report

Agusto&Co.

Research, Credit Ratings, Credit Risk Management

Cordros Money Market Fund

Rating:

A-(f)

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Previous Rating: A-(f)

Industry: Fund Management

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RATING RATIONALE

Agusto & Co. hereby affirms the '**A-(f)**' rating assigned to Cordros Money Market Fund ('Cordros MMF' or 'the Fund'). The rating reflects Cordros MMF's low exposure to liquidity and interest rate risks as well as the Manager's good track record in the management of collective investment schemes. However, the rating is impaired by the Fund's consistent and sizeable exposure to securities at the lower end of the acceptable rating scale, which we consider to have moderate exposure to credit risk.

Cordros MMF is an open-end unit trust scheme managed by Cordros Asset Management Limited ('CAML' or 'the Manager') – a subsidiary of Cordros Capital Limited. As at 24 January 2025, the Fund had over ₦16.2 billion in assets under management (AuM) representing a significant 151% growth from the ₦6.5 billion recorded one year prior. The higher AuM was largely due to CAML's increased retail drive, cross-selling opportunities and the expansion of the sales and investment teams. Consequently, Cordros MMF ranked 11th of Nigeria's 37 publicly listed money market funds by size as at 24 January 2025.

In the review period (February 2024 – January 2025), the Fund held an average of 30% of net assets in Federal Government of Nigeria (FGN) securities. Notably, Cordros MMF adhered to the 25% regulatory limit for the third consecutive year with no breaches reported. The Fund also held an average of 5%, 17% and 46% of net assets in 'Aa', 'A' and 'Bbb' rated instruments respectively. The balance of 2% was invested in a counterparty with a publicly available investment grade credit rating but on which Agusto & Co holds a different opinion on. Cordros MMF's allocation to 'Bbb' rated securities, though within acceptable regulatory limits and lower than the previous review period, exceeds what we consider acceptable for funds in the 'A(f)' category. Overall, we consider the Fund's exposure to credit risk low to moderate.

Cordros MMF manages interest rate risk by investing in instruments with a term to maturity of 366 days or less and maintaining a maximum WAM of 90 days in line with SEC rules. In the review period, the Fund had an average WAM of 84 days – within the stipulated threshold. However, Cordros MMF breached the 90-day limit on two occasions. Nonetheless, we note that WAM never exceeded 91 days and the breaches were corrected within one week. In our opinion, the Fund's exposure to interest rate risk is low.

Cordros MMF managed liquidity risk by investing 30% of net assets in liquid FGN T-bills and holding 3% as cash. In addition, the Fund held an average of 54% of net assets in bank placements with staggered maturities. Cordros MMF also had net inflows of over ₦10 billion, which supported redemptions with customer requests settled within 24 hours. In our view, the Fund's exposure to liquidity risk is low.

The Manager currently utilises the Symplus Portfolio Management Software for fund management, portfolio monitoring and order management. During the review period, the software was upgraded to integrate adequate maker-checker features that support operational risk management and automated pre-trade checks on key parameters. Overall, CAML's investment and risk management processes are adequate for the Fund's level of operations.

Agusto & Co. will continue to monitor Cordros MMF's weekly portfolio holdings for adherence to stipulated guidelines.

Figure 1: Strengths and Challenge

Strengths

- Low exposure to liquidity and interest rate risks
- Nil exposure to foreign currency and equity risks
- Diverse base of unitholders
- Good operational track record

Challenge

- Navigating the challenges in the macroeconomic environment while driving growth

INVESTMENT STRATEGY & PORTFOLIO RISK

Table 1: Fund Infomation - Cordros Money Market Fund

Fund Manager	**Cordros Asset Management Limited**
Fund Type	Open-End Unit Trust Scheme
Base Currency	Nigerian Naira (₦)
Fund Size	₦16.19 billion as at 24 January 2025
Inception Date	October 2016
Fund Benchmark	90-day average T-bill rate
Domicile/Relevant Law	Nigeria/Nigerian
Trustees	STL Trustees Limited
Custodian	UBA Global Investor Services

Source: Cordros Asset Management Limited

Cordros Money Market Fund ('Cordros MMF' or 'the Fund') is an open-end unit trust scheme managed by Cordros Asset Management Limited ('CAML' or 'the Manager'), the asset management subsidiary of Cordros Capital Limited.

As of 24 January 2025, Cordros MMF had over ₦16.2 billion in Assets under Management (AuM), representing an impressive 151% increase from the ₦6.45 billion reported one year prior. Growth in AuM was driven largely by the Manager's increased retail drive, cross-selling opportunities across the Cordros Group and the expansion of the sales and investment teams. Growth was also supported by the establishment of a physical branch in Kano in November 2023 to deepen CAML's presence in the Northern region. Going forward, the Manager plans to drive AuM growth by further geographical expansions and enhanced service delivery through CAML's newly launched mobile application.

The objective of the Fund is to provide investors with capital stability, liquidity and diversification while delivering competitive returns. Cordros MMF achieves this objective by investing in well-rated securities including short-dated Federal Government of Nigeria (FGN) securities, commercial papers, banker's acceptances, certificates of deposits and other money market instruments of eligible financial institutions and corporate issuers. To minimise exposure to credit risk, at least 25% of the Fund's net assets are to be held in FGN securities, which we consider to be of 'Aaa' credit quality on a national rating scale. In addition, all securities are expected to have a maximum term to maturity of 366 days and a weighted average maturity (WAM) of 90 days or less, in line with the Securities and Exchange Commission's (SEC) guidelines for money market funds.

In the review period (February 2024 – January 2025), Cordros MMF held an average of 30% of net assets in FGN Treasury bills (T-Bills). The Fund's average allocation to FGN securities was above the 25% minimum stipulated by SEC for money market funds but below its target of 40%. Nonetheless, we note positively that Cordros MMF adhered to the 25% minimum limit throughout the review period for the third consecutive year, with no breaches reported.

Table 2: Asset Allocation – Cordros Money Market Fund

Asset Class	Asset Allocation Range	Target Allocation	Average in the Period
Short-Term Government Securities	25% - 80%	40%	30%
Deposits (Fixed/Tenured)	10% - 60%	30%	54%
Other Money Market Instruments	10% - 65%	30%	16%

Source: Cordros Asset Management Limited

In addition to Treasury bills, the Fund held an average of 5% of net assets in 'Aa' rated securities and 17% and 46% in 'A' and 'Bbb' rated instruments respectively. The balance of 2% (prior review period: 1%) of net assets was invested in an entity with a publicly available investment grade credit rating but which Agusto & Co. holds a different opinion on. We have, therefore, applied notching rules to reconcile the difference in opinion.

Cordros MMF's investment in securities at the lower end of the acceptable rating scale at 46%, though lower than the 48% reported in the prior year and within regulatory limits, remains above what we consider acceptable for funds in the A(f) rating category.

Figure 2: Breakdown of Net Assets by Credit Rating

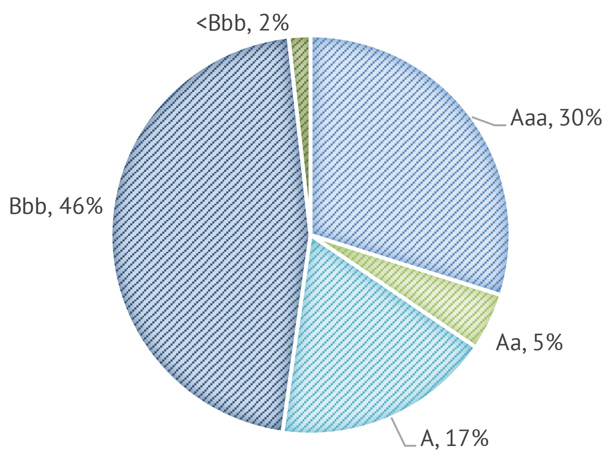
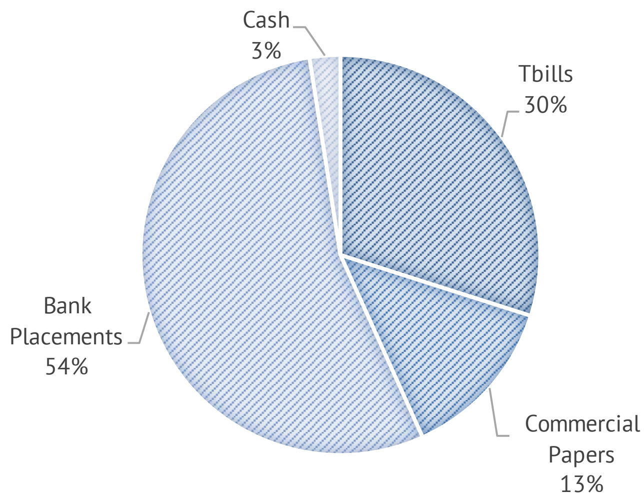


Figure 3: Breakdown of Net Assets by Asset Type



Source: Cordros MMF Portfolio Reports

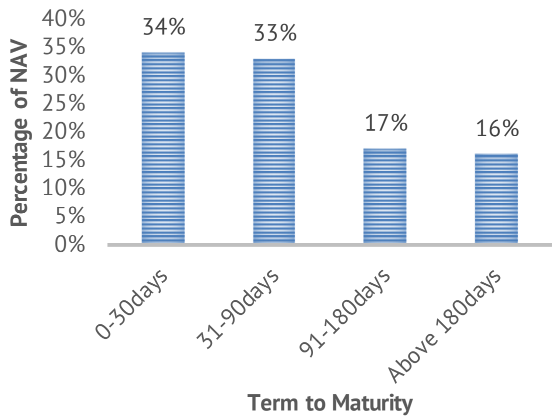
In terms of asset classes, Cordros MMF held an average of 54% of its portfolio in bank placements, 30% in FGN securities and 13% in commercial papers while the balance of 3% was held as cash. In addition, we note that the Fund consistently adhered to the 20% single obligor limit throughout the review period.

Overall, we consider Cordros MMF's exposure to credit risk low to moderate.

The Fund managed liquidity risk by holding an average of 30% of net assets in liquid FGN Treasury bills and 3% as cash. In addition, Cordros MMF maintained staggered maturities across its portfolio to meet redemption requests, with the bulk or c.67% of net assets maturing within 90 days. In the review period, the Fund recorded a net inflow of ₦10 billion, which bolstered its liquidity position. Consequently, Cordros MMF was able to meet its liquidity needs with redemption requests settled within 24 hours.

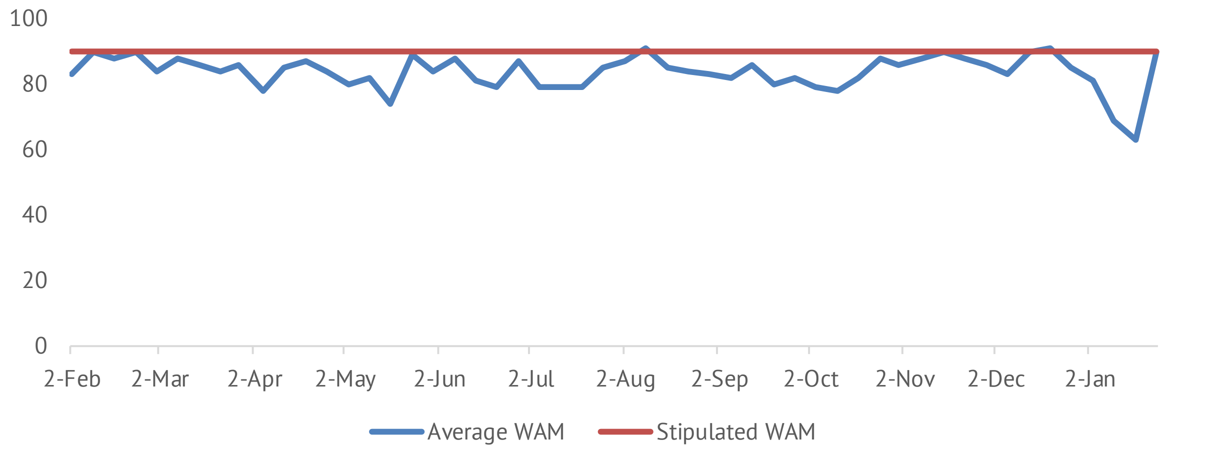
In our opinion, the Fund's exposure to liquidity risk is low.

Figure 4: Maturity Profile



Interest rate risk for Cordros MMF was managed by investing in securities with a maximum term to maturity of 366 days and maintaining a weighted average maturity (WAM) of 90 days in line with SEC rules. In the review period, the Fund largely complied with the stipulated regulatory threshold of 90 days, with an average WAM of 84 days (prior review period: 82 days). However, Cordros MMF breached the 90-day limit on two occasions, with WAM rising marginally to 91 days. Nonetheless, we consider the Fund's exposure to interest rate risk to be low.

Figure 5: Cordros MMF's Weighted Average Maturity for the review period



Source: Cordros MMF's weekly portfolio reports

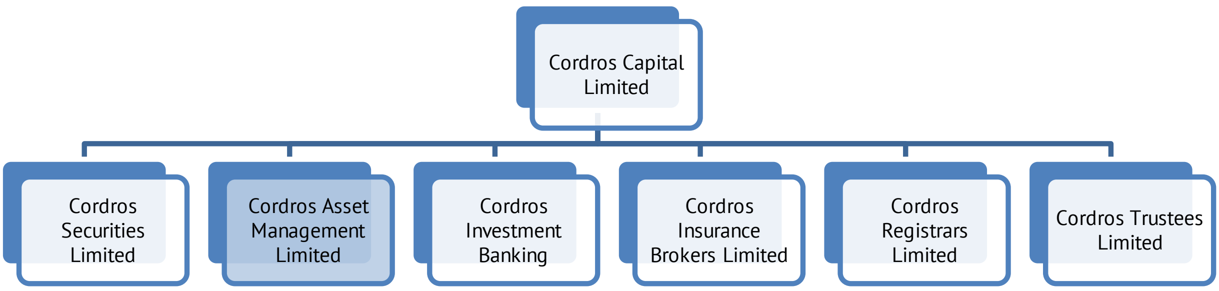
As at 24 January 2025, Cordros MMF's portfolio was considerably diversified, with the top 10 unitholders accounting for c. 30% of net assets while the three largest investors held 20% of the Fund. Cordros MMF had no exposure to currency or equity risks as all investments were held in money market securities and denominated in Nigerian Naira.

FUND MANAGER PROFILE

Cordros Asset Management Limited ('CAML' or 'the Manager') is a SEC-licensed fund and portfolio manager with over ₦200 billion in assets under management as at 24 January 2025. The Manager is a wholly-owned subsidiary of Cordros Capital Limited ('the Parent') – a financial services company with operations across securities trading, investment banking, asset management, trusteeship, registrar services and insurance brokerage. CAML provides fund and portfolio management services to institutional clients, high net-worth individuals (HNIs) and the mass affluent within Nigeria.

In addition to Cordros MMF, the Manager currently promotes four other collective investment schemes: Cordros Fixed Income Fund, Cordros Dollar Fund, Cordros Halal Fixed-Income Fund and Cordros Milestone Fund. As at 24 January 2025, Cordros MMF had net assets in excess of ₦16.2 billion, ranking 11th of the 37 publicly listed money market funds in Nigeria.

Figure 6: Cordros Capital Limited's Group Structure



Source: Cordros Asset Management Limited

INVESTMENT TEAM

Mr. Gbolahan Aina is the Managing Director (MD) of Cordros Asset Management Limited. He has over 18 years of experience across research, corporate finance, portfolio management and corporate strategy. Prior to his appointment as MD in November 2020, Mr. Aina led the investment team at CAML. He holds a Bachelor of Science (B.Sc.) degree in Economics from the Obafemi Awolowo University, Ile-Ife. Mr. Aina is also an associate member of the Chartered Institute of Stockbrokers and an authorised dealer of the Nigerian Exchange Group.

Mr. Arnold Dublin-Green is the Chief investment officer (CIO) at CAML. He has over 16 years of experience in the financial services sector. Before joining the Manager in 2023, Mr Dublin-Green served as the Head of Global Markets at Apakan Securities, and as a Senior Vice President at Ecobank Plc, both in Ghana. He also worked as the Head of Execution at African Alliance in Johannesburg and as a Portfolio Manager at Nubuke Investments in the United Kingdom. Mr. Dublin-Green has a Degree in Sound Engineering from Newham College, United Kingdom and an Executive MBA from Business School Netherlands. He is a member of the Chartered Institute of Securities and Investments.

Ms. Zainab Eyiowuawi is the primary portfolio manager of Cordros Money Market Fund. She has over six years of experience, three of which were gained with CAML. Prior to joining the Manager in 2021, Ms. Eyiowuawi worked as a sales marketing executive at Kansai Plascon Nigeria Limited. She holds a Bachelor of Science (B.Sc.) degree in Economics from Tai Solarin University of Education.

Cordros MMF is governed by a statutory investment committee (IC), which meets quarterly to define the strategic direction, performance benchmarks and asset allocation guidelines for the Fund. In the review period, the headcount of the IC remained unchanged at eight. However, Mr Daniel Nwosu was invited to join the IC following the exit of the erstwhile compliance officer, Mrs Nkechi Ofoegbu. Consequently, the IC comprises the following members:

Table 3: Composition of Statutory Investment Committee

Name	Role
Mr. Wale Agbeyangi	Group Managing Director
Mr. Adegbolahan Aina	Managing Director, CAML
Mr. Arnold Dublin-Green	Chief Investment Officer
Mr. Ikechukwu Osuchukwu	Portfolio Manager
Mr. Tunde Bamidele	Head, Market & Credit Risk Management
Mr. Daniel Nwosu	Legal/Compliance
Mr. Olu Odugbemi	Independent Committee Member
Mrs. Adesola Aje	A representative of the Trustee

Source: Cordros Asset Management Limited

In addition to the IC, CAML has a management investment committee (MIC) that meets monthly to review the Fund's performance and adherence to established guidelines. The MIC is chaired by the Group Managing Director (GMD) and comprises the MD of CAML, the Chief Investment Officer, Chief Financial Officer and the heads of research & strategy and risk management.

INVESTMENT PROCESS & RISK MANAGEMENT

The Fund's investment and risk management processes are collectively guided by a trust deed, SEC regulations for money market funds, the outcome of investment committee meetings, internal guidelines and a list of eligible counterparties approved by the MIC.

The investment process commences with the quarterly investment committee (IC) meetings, during which the overall strategy and asset allocation guidelines are established. The strategy sets the tone for tactical investment decisions and is reviewed monthly by the MIC, subject to changes in the macroeconomic environment.

At CAML, investment recommendations are guided by insights provided by the Group's research & strategy team covering interest rates, inflation rates and exchange rates amongst other key indicators that could impact the performance of the Fund. Research output is complemented by a list of eligible counterparties determined using a combination of external credit ratings and the output of internal stress tests and credit assessments. Specifically, the risk management team utilises an internal scoring model covering earnings quality, cash flow and sensitivity analysis while the CAMEL methodology is utilised in appraising financial institutions. Based on these assessments, counterparties are scored and categorised into three tiers, with varying exposure limits developed by the risk management team for each tier. To maintain a conservative credit stance, CAML primarily deals with counterparties in the tiers 1 and 2 categories.

Table 4: Cordros MMF's - Tier Investment and Obligor Limits

Tier	Allocation Limit	Obligor Limit	Investment Limit
Tier I	70%	20%	₦5 billion
Tier II	50%	15%	₦3 billion
Tier III	5%	5%	₦1 billion

Source: Cordros MMF Investment Guidelines

Once an instrument or counterparty has been selected, the investment opportunity is reviewed by a senior portfolio manager and then by the CIO. Thereafter, pre-trade checks are carried out by the risk management team on key parameters such as WAM, single obligor limit and asset allocation. Following satisfactory checks, final approval is sought from either the CIO, MD or the GMD, depending on pre-determined transaction limits.

Table 5: Cordros MMF's - Investment Approval Limits

Approving Authority	Approval Limit
Chief Investment Officer	<₦200 million
Managing Director, CAML	₦200 - ₦400 million
Group Managing Director	>₦400 million

Source: Cordros MMF Investment Guidelines

Approved trade mandates are forwarded to the operations team for execution. Thereafter, details of the completed transactions are uploaded on Cordros MMF's portfolio management software, 'Symplus'. Post-trade checks and call-overs are conducted weekly by the risk management team, to ensure that all trades have been executed in line with regulatory and internal guidelines. Breaches, where they occur, are first reported to the portfolio management team and escalated to the MD.

The Manager currently uses the Symplus software for fund management, portfolio monitoring and risk surveillance. During the review period, CAML upgraded the software to incorporate in-built capacities for automated pre-trade checks on key parameters, including WAM and asset allocation, an improvement from the prior period where checks were conducted manually on MS Excel.

Operational risk for Cordros MMF is jointly managed by the operations, compliance and risk management teams. Subscription and redemption requests are made via email or CAML's mobile application, which was launched in the review period. All account opening forms and KYC documentation are reviewed by the compliance and internal control teams and subsequently forwarded to the operations team for account opening. For redemptions, requests are preliminarily reviewed by the operations team before the registrar is notified to carry out further checks to ensure that each client's information is accurate and correlates with the information submitted. Upon verification, the head of risk management or Chief finance officer authorises the custodian to disburse funds to clients' registered accounts, while the operations team logs the transaction on the Manager's Electronic Document Management System (EDMS) to accurately reflect the customer's portfolio position. Redemption requests are typically treated within 24 hours and are processed in three batches at 10 am, 1 pm and 4 pm.

In our opinion, CAML's investment and risk management processes are adequate for the Fund's current level of activities.

FUND RISK RATING METHODOLOGY

An Agusto & Co. FUND RISK rating is based on a quantitative assessment of a portfolio's exposure to downside (loss of principal) risk in the medium term.

Rating Methodology

To arrive at a rating, the risk contribution of each investment made by the Fund is calculated based on its exposure to:

- Credit risk
- Interest rate risk
- Equity (pricing) risk
- Currency risk
- Liquidity risk

The final rating is derived from the weighted average risk contribution of the portfolio of investments.

Agusto & Co. will review the portfolio report of the Fund, provided by the custodian, on at least a quarterly basis. Investors should note that the rating may be revised in the event there is a change in the risk profile of the portfolio of assets.

RATING DEFINITIONS

Aaa(f)	Minimal to nil exposure to downside risk (impairment to the net asset value) in the medium term.
Aa(f)	Minimal to low exposure to downside risk (impairment to the net asset value) in the medium term.
A(f)	Low to moderate exposure to downside risk (impairment to the net asset value) in the medium term.
Bbb(f)	Investment grade, moderate exposure to downside risk (impairment to the net asset value) in the medium term.
Bb(f)	Speculative, medium to high exposure to downside risk (impairment to the net asset value) in the medium term.
Ccc(f)	Speculative, high exposure to downside risk (impairment to the net asset value) in the medium term

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