

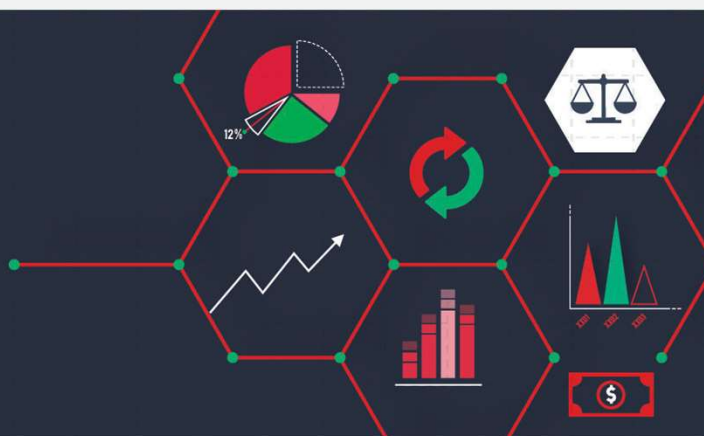
# United Capital Balanced Fund

Mutual Funds Factsheet | April 2024

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**FUND OBJECTIVE**

The objective of the United Capital Balanced Fund is to achieve long-term capital appreciation and income distribution through investment in a portfolio of securities and instruments as specified in the Trust Deed. The Fund is targeted at investors who seek a blend of safety and regular income. The Fund holds equities and fixed income assets in a blended proportion. The securities are held in relatively small proportions to diversify unsystematic risk in the portfolio.

The Fund aims to balance risk and return. The risk profile is structured to be lower than that of a pure equity investment. With assets tactically allocated between fixed income and equity investments, the Fund is structured for investors seeking a blend of safety, income and modest capital appreciation.

The equity portion of the Fund has exposures to mid-cap and large-cap stocks with significant diversification across sectors of the Nigerian economy. Investment decisions are driven by rigorous research in line with carefully designed Enterprise Risk Management framework.

**MARKET REVIEW, OUTLOOK AND STRATEGY**

In April, the bears dominated the Nigerian Stock Exchange (NGX). We observed portfolio rebalancing activities, with investors mostly risk-averse (particularly given the hawkish monetary policy environment). We observed quite significant sell-offs across the banks, with deeper analysis indicating that foreign NGX participants continue to reserve concerns with regards to the recapitalization exercise, and the potential of the banks to raise the required capital, within the stipulated time frame. As a result, the benchmark NGX-All Share Index (NGX-ASI) declined by 6.1% m/m to close at 98,225.63 points. Consequently, YTD return weakened to 31.4% from March's print of 39.8%, with market capitalisation settling at N55.6trn.

At the primary market, the Central Bank of Nigeria (CBN) conducted two (2) NT-bills auctions during the month to roll over maturing bills to the tune of N292.2bn. Investors demand at the auctions was very significant, with total demand amounting to N2.6trn, implying bid-to-cover ratio of 8.8x. Compared to the total amount of NT-bills that was set to be rolled over at the auctions, the CBN over-allotted the two auctions, allotting NT-bills to the tune of N1.3trn, arriving at an over-allotment of 4.5x. Unlike riskier asset classes, money market assets (also known as non-risk securities) continue to be highly sought after by investors, as seen by the substantial demand at the auctions in April 2024. However, despite the significant over-allotment rate, stop rates across the 91-day and 182-day bills remained unchanged at primary market levels throughout the month under review. However, the stop rate on the 364-day bill declined 42bps to record close at 20.7% from

21.12% which was recorded at the last auction in March 2024.

In the secondary market, we saw significant bearish sentiments, primarily spurred by foreign investors who sought to exit the Nigerian markets, to take positions in more attractive markets in advanced economies (particularly the United States). Also, a blend of the appreciating Naira and CBN's commitment to meet FX obligations incentivized the move by the foreign investors (particularly those who had trapped funds and were actively seeking to exit). Thus, the average yields on NT-bills at secondary market levels, rose by 454bps m/m to close the month of Apr-2024 at 22.20% (previously 17.66%). Similarly, the average yield on OMO bills climbed by 29bps to settle at 18.75% in Mar-2024 from 18.46% in the prior month.

The Debt Management Office (DMO) conducted the Apr-2024 FGN bond auction, with an offer size of N450.0bn across the newly open 2029s (5-YR paper), and the reopened 2031s (7-YR paper) and 2034s (10-YR paper). At the auction, investors' demand was significantly strong, with total subscription printing at N920.1bn, implying an oversubscription of 2.0x. Notably, the DMO oversold the auction by 1.4x, allotting a total of N626.8bn worth of papers. Irrespective of the CBN overselling the auction, the marginal rates on the reopened 2031 and 2034 paper fell by 25bps and 45bps from 20.00% and 20.45% to settle at 19.75% and 20.00%, respectively. Meanwhile, the marginal rate on the newly opened 2029 paper printed at 19.30%.

**Looking ahead into May-2024, we expect the bearish sentiments amongst investors to persist in the local equities market given the recent developments in the fixed-income market. The impact of the high yields in the fixed-income market will continue to drive sell-offs as investors switch their asset classes to less risky assets.**

**In fixed-income markets, we expect short-term rates to remain around current levels. We expect the financial system to remain mostly illiquid, in line with the CBN's posture to an elevated interest rate environment. Changing perspectives, we see a class of investors who will look to take advantage of the current elevation of short-term rates, holding on to the paradigm that short-term rates have possibly reached their peak levels. We expect bond yields to trend northwards as bearish investors' sentiments resurface, underpinned by concerns about the nation's fiscal health and the efficacy of its monetary policy.**

*Past performance is not a reliable indicator of future performance, and individual investors' returns may differ depending on individual investment period. Performance is net of fees and charges. This information has been prepared for the purpose of providing general information, without taking into account your objectives, financial situation or needs. Before making an investment decision, you need to consider whether this information is appropriate to your objectives, financial situation or needs. Please consult your financial adviser. This information has been compiled from sources considered to be reliable but is not guaranteed. Any potential investor should consider conducting further enquiries in deciding whether to acquire or continue to hold units in a fund.*

**FUND FEATURES**

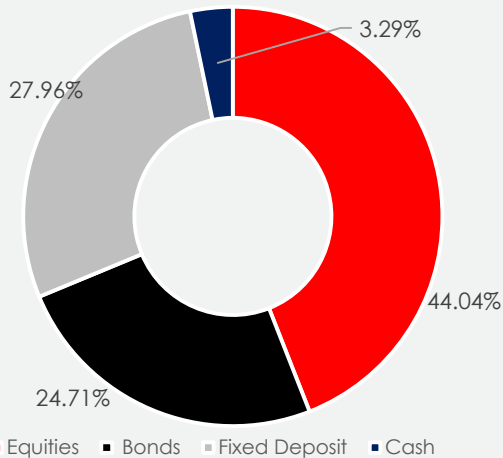
<b>Fund Manager</b>	United Capital Asset Management Ltd
<b>Base Currency/Start Year</b>	Naira/2006
<b>Fund Size (₦)</b>	1.6bn
<b>NAV Per Share (₦)</b>	1.8291
<b>Minimum Entry (₦)</b>	10,000
<b>Additional Investment (₦)</b>	5,000
<b>Structure</b>	Open Ended
<b>Entry/Exit Charges</b>	Nil
<b>Management Fee</b>	1.5%
<b>Total Expense Ratio*</b>	1.8%
<b>Benchmarks</b>	91-Day T-bills/NSE ASI/3-year FGN Bond
<b>Risk Profile</b>	Moderate
<b>Investment Style</b>	Market Oriented

\* Inclusive of management fee; Returns are net of all fees

**MATURITY PROFILE OF ASSETS**

0-30days	29.07%
31-60days	0.00%
61-90days	24.02%
91-180days	0.00%
180-365 days	0.00%
>1 year	46.92%

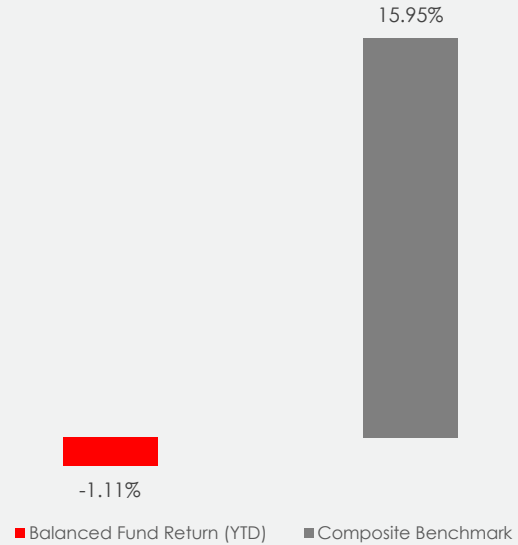
**Current Portfolio Holdings**



**Governance Asset Allocation Ranges:**

Quoted Equities (40-60%), Fixed Income (20% - 60%); Money Market Instruments (40% - 60%)

**Balanced Fund Return Vs Benchmark (YTD)**



**RETURN HISTORY**

	2016	2017	2018	2019	2020	2021	2022	2023	2024 YTD
UCAP Bal. Fund	5.00%	22.40%	1.16%	3.77%	14.35%	6.19%	4.89%	42.19%	-1.11%
Composite Benchmark	5.10%	22.70%	1.70%	-1.73%	25.16%	5.56%	12.82%	19.97%	15.95%

\*Represents the Fund's Annualized Return vs the Benchmark's Annualized Return

**PERFORMANCE REVIEW**

The United Capital Balanced Fund returned -9.20% for the month of April 2024 and a YTD return of -1.11%, compared to 15.95% posted by the composite benchmark during the same period.

The equities market declined in April 2024, as the NGX All Share Index lost 6.06% MoM. The decline was on the back of the recent recapitalization in the banking sector and foreign participants exiting their position following the appreciation of the currency during the month.

In line with current market realities and ahead of the release of more Q1 2024 earnings reports, we would rebalance the equities position of fund and increase exposure to fixed income market given the attractive yield in that space.

We will maintain our allocation in line with the investment policy objectives and the Trust Deed.

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### WHY CHOOSE THE FUND?

- Low volatility of Investment returns
- Well diversified portfolio
- Seamless entry and exit
- Professional management with robust risk framework
- Automatic rebalancing in times of rising or falling markets
- Ability to enjoy long term capital growth as well as safety

### INVESTMENT RISK

- Market risk of equity exposure
- Macroeconomic instability

### HOW TO PARTICIPATE

1. Log in to our online platform [www.investnow.ng](http://www.investnow.ng)
2. Click on "Balanced Fund"
3. Click on "Open and account" and complete the online form
4. Fund your account online with a one-time payment or recurrent payments

