

United Capital Balanced Fund

Mutual Funds Factsheet | August 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 August, the Nigerian Exchange Group (NGX) closed lower despite bouts of buy-interests. As in previous months, we observed that the activities in the fixed-income market continue to serve as a key demotivator for risk on sentiments in the equities market. Notably, share price depreciations in large-cap stocks, DANGCEM (-10.0% m/m) and BUACEMEN (-19.2% m/m) were the major equity index movers, outweighing gains in OANDO (+212.2% m/m) and BUAFODDS (+5.5% m/m). The broad-based growth was reflected in the 3.1x market breadth as 72 stocks appreciated against 23 decliners. As a result, the benchmark NGX-All Share Index (NGX-ASI) declined by 1.3% m/m to close at 96,579.5 points. Consequently, YTD return weakened to 29.2% from July's print of 30.5%, with market capitalization settling at 5.5tn.

At the primary market, the Central Bank of Nigeria (CBN) conducted two NT-bills auctions during the month. At the first auction, the CBN offered a total of N216.1bn worth of maturing bills across the 91-day, 182-day and 365-day bills. At the auction, investors' demand was mildly strong, as total subscriptions printed at N486.9bn. The bulk of the bids were skewed towards the longer-tenured instrument (365-day bill), which recorded a total subscription of N431.6bn. Notably, CBN sold just the amount on offer. As a result, the stop rate of the 365-day bill fell by 21bps to settle at 21.89%. However, the stop rates on the 91-day and 182-day bills remained unchanged at 18.50% and 19.50%.

At the second auction, the CBN offered a total of N410.0bn worth of maturing bills across the 91-day, 182-day and 365-day bills. At the auction, investors' demand was strong, as total subscription printed at N1.0tn majorly skewed towards the longer-tenured instrument. The 365-day bill received the highest worth of bids as the total subscription settled at N909.5bn. Notably, CBN undersold, allotting N291.0bn. Given the low supply of bills at the auction, stop

rates across all the tenors offered tapered. For context, the stop rates across the 91-day, 182-day, and 364-day bills tapered by 30bps, 30bps, and 99bps to print at 18.20%, 19.20%, and 20.90%, respectively.

In the secondary market, we saw significant bullish sentiments throughout Aug-2024, given the belief amongst market participants that rates have peaked. As a result, the average NT-bills yield dipped by 397bps m/m to close the month of Aug-2024 at 21.21% (previously 25.18%). Similarly, the average yield on OMO bills decreased by 242bps, settling at 22.88% in Aug-2024 from 25.30% in the prior month.

The Debt Management Office (DMO) conducted the Aug-2024 bond auction with an offer size of N190.0bn across the reopened 2029, 2031, and 2033 bond papers. At the auction, investors' demand was strong, as total subscriptions printed at N460.2bn. The bulk of the bids were skewed towards the longer instrument, "2031", which received total bids of N314.2bn. Notably, the DMO over-allotted the auction, selling N374.8bn worth of bond paper. As a result, the marginal rates on the 2031s and 2033s declined by 10bps and 38bps, settling at 20.90% and 21.50%, respectively. Meanwhile, the marginal rate on the 2029s climbed by 41bps to settle at 20.30%.

In the secondary market, we observed that bullish sentiments dominated the market as investors looked to take advantage of the present high yields. Thus, average yields on sovereign bonds closed lower to print at 18.96% in Aug-2024, 80bps m/m down from the 19.76% print in Jul-2024.

Looking ahead into September, we expect improved investor sentiment towards the equities market as investors shop for fundamentally sound stocks which are underpriced and pay high dividends. However, the downward trajectory of yields in the money/fixed income market will incentivize long-term fund placements, dampening interest in the equities market.

Looking into September 2024, we expect the financial system to be broadly awash with liquidity due to the expected significant inflows. We anticipate a total of N646.2bn worth of inflows emanating from coupon payments and OMO maturities to hit the financial system. This is 32.6% higher than August's print of N487.4bn. Overall, we expect the efficacy of the CBN's favorite mop-up mechanism to determine the extent/magnitude of the system liquidity. That said, we project that FTDs and money market rates will decline due to excess liquidity in the financial system.

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

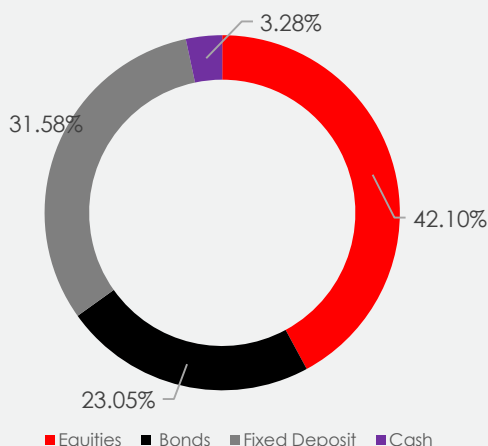
Fund Manager	United Capital Asset Management Ltd
Base Currency/Start Year	Naira/2006
Fund Size (₦)	1.8bn
NAV Per Share (₦)	1.6891
Minimum Entry (₦)	10,000
Additional Investment (₦)	5,000
Structure	Open Ended
Entry/Exit Charges	Nil
Management Fee	1.5%
Total Expense Ratio*	1.8%
Benchmarks	91-Day T-bills/NSE ASI/3-year FGN Bond
Risk Profile	Moderate
Investment Style	Market Oriented

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

MATURITY PROFILE OF ASSETS

0-30days	19.90%
31-60days	34.57%
61-90days	3.34%
91-180days	0.00%
180-365 days	0.00%
>1 year	42.19%

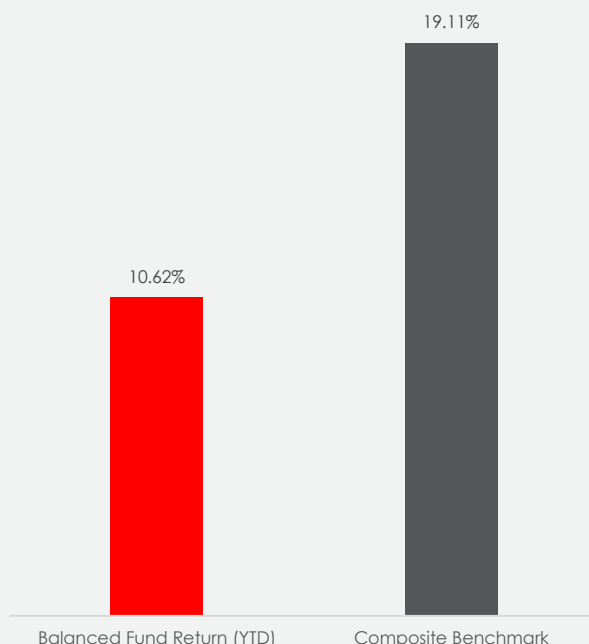
Current Portfolio Holdings



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%	10.62%
Composite Benchmark	5.10%	22.70%	1.70%	-1.73%	25.16%	5.56%	12.82%	19.97%	19.11%

*Represents the Fund's Absolute Return vs the Benchmark's Absolute Return

PERFORMANCE REVIEW

The United Capital Balanced Fund returned 2.59% for the month of August 2024 and a YTD return of 10.62%, compared to 19.11% posted by the composite benchmark during the same period.

The equities market continued its decline in August 2024, as the NGX All Share Index shed 1.22% MoM. Activities in the fixed-income market continue to serve as a key demotivator for risk on sentiments in the equities market.

Looking ahead, we would actively monitor activities in the equities market ahead of the release of more H1 financial performance. The funder manger will continue to take position in attractive tickers that are currently undervalued.

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
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

