

United Capital Balanced Fund

Mutual Funds Factsheet | December 2023

Contact Us:

Emmanuel Akehomen | +234-703-180-3064 | emmanuel.akehomen@unitedcapitalgroup.com

Asset Management | +234-1-631-7876 | mutualfunds@unitedcapitalgroup.com

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

The bulls continued dominating the Nigerian Exchange Limited (NGX) floor in December. Bargain hunting across stocks in the financial services sector led the rally, with tier-1 banks recording new highs. On a broader note, large-cap stocks like MTNN (+10.9% m/m), and AIRTELAFRI (+4.8% m/m) significantly contributed to the bourse's performance in the month under review. That said, the benchmark NGX-All Share Index (NGX-ASI) climbed by 4.78% m/m to close at 74,773.9 points. Consequently, YTD return strengthened to 45.9%, with market capitalization settling at N40.7tn.

In January 2024, we expect the Bulls to prevail, as bargain hunting continues as the order of the day. Given the global developments across major central banks in advanced economies, high base expectations for inflation, and improved economic growth prospects, we expect the local bourse to record a positive performance in January. Investors may continue to cherry-pick stocks with strong fundamentals, (value or growth). However, value stocks may be choice for dividend scouting investors, ahead of FY-2023 earnings season. At different intervals, we expect mild sell-offs, albeit insignificant.

In December 2023, the Debt Management Office (DMO) conducted its FGN bond Auction, with N360.0bn worth of papers on offer across the following tenors: APR 2029, JUN 2033, JUN 2038, and JUN 2053. During the auction, there was notable strength in investor demand, particularly directed towards instruments with longer tenures. Consequently, the auction witnessed oversubscription, with the total subscription reaching N501.0bn. However, in a strategic move, the DMO allotted a lower amount of N176.0bn against the available N360.0bn, resulting in a bid-to-cover ratio of 1.4x. Consequently, the marginal rate on the 2029s, 2033s, 2038s and 2053s papers declined by 50bps, 100bps, 100bps and 85bps to settle at 15.50%, 16.00%, 16.50% and 17.15%, respectively.

Looking ahead into January 2024, we expect the supply and demand fundamentals to be the key driver of money market rates. System liquidity will continue its background role, stimulating further interest at the short end of the curve.

In January 2024, we expect mixed sentiments to prevail in the Bonds market. We expect the body language of the CBN, as indicated by the CBN Governor at the CIBN meeting in November 2023 to underpin further buy-interests. The FG's unending budget deficit financing, as evident in its 2024 budget, and the legacy debt sustainability issue are expected to continue to instigate sell-offs at the background. However, the FG's efforts to shore-up oil production (in a bid to improve oil receipts), rehabilitation of local refineries, the prospects Dangote refinery, and expected high-based on inflation, stand as glimmers of hope.

FUND FEATURES

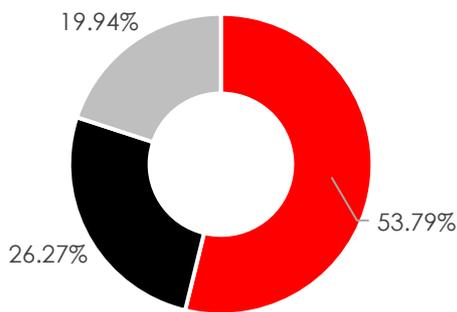
| | |
|----------------------------------|-------------------------------------|
| Fund Manager | United Capital Asset Management Ltd |
| Base Currency/Start Year | Naira/2006 |
| Fund Size (₦) | 1.7bn |
| NAV Per Share (₦) | 1.8497 |
| Minimum Entry (₦) | 10,000 |
| Additional Investment (₦) | 5,000 |
| Structure | Open Ended |
| Entry/Exit Charges | Nil |
| Management Fee | 1.5% |
| Total Expense Ratio* | 1.8% |
| Benchmarks | 91-Day T-bills/NSE ASI |
| Risk Profile | Moderate |
| Investment Style | Market Oriented |

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

MATURITY PROFILE OF ASSETS

| | |
|--------------|--------|
| 0-30days | 37.60 |
| 31-60days | 24.00% |
| 61-90days | 0.00% |
| 91-180days | 0.00% |
| 180-365 days | 38.30% |

Current Portfolio Holdings

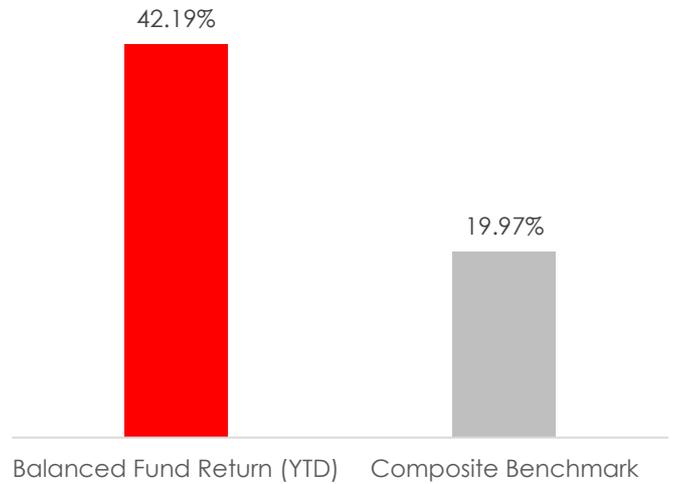


■ Equities ■ Bonds ■ Fixed Deposit

Governance Asset Allocation Ranges:

FGN Eurobonds (50% - 70%); Corporate Eurobonds (50% - 70%); Money Market placements (30% - 50%) Global Fixed Income securities(0% - 20%), Alternative Investment Assets denominated in USD (0% -20%)

Balanced Fund Return Vs Benchmark (YTD)



RETURN HISTORY

| | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 |
|--------------------------|-------|--------|-------|--------|--------|-------|--------|--------|
| United Capital Bal. Fund | 5.00% | 22.40% | 1.16% | 3.77% | 14.35% | 6.19% | 4.89% | 42.19% |
| Composite Benchmark | 5.10% | 22.70% | 1.70% | -1.73% | 25.16% | 5.56% | 12.82% | 19.97% |

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

PERFORMANCE REVIEW

The United Capital Balanced Fund returned 42.19% for full year 2023 as at the end of December, relative to 19.97% posted by the composite benchmark during the same period.

The bulls continued dominating the Nigerian Exchange Limited (NGX) floor in November. Positive sentiments amongst investors towards fundamentally sound stocks dominated the market.

In line with the current market performance, the fund would continue to take positions in stocks with low prices, solid valuations, and dividend performance in a bid to take advantage of potential market rally. Going into 2024, we would invest in strong names to boost the fund return and ensure tactical play to improve fund return. we would also invest in solid banking names as they would release their year end results.

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

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.

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



Diversify your investments with our Mutual Funds today.

Balanced Fund Equity Fund Fixed Income Fund Money Market Fund

Nigerian Dividend Fund Sukuk Fund Wealth for Women Fund