

United Capital Fixed Income Fund

Mutual Funds Factsheet | December 2024

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FUND OBJECTIVE

The main objective of the Fund is to achieve consistent income streams through investment in select portfolio of securities and investments specified in the Trust Deed. The Fund's assets are invested in Federal Government bonds, Sub-national bonds, corporate bonds and high-quality money market securities. The Fund is not affected by the fluctuations in the equity markets. However, opportunities for capital appreciation are dependent on changes in interest rate.

MARKET REVIEW, OUTLOOK AND STRATEGY

The Debt Management Office (DMO) conducted the Dec-2024 bond auction with an offer size of N120.0bn across the 2029 and 2031 bond papers. At the auction, investors' demand was strong, as total subscriptions printed at N278.82bn. The bulk of the bids were skewed towards the longer instrument, "2031", which received total bids of N211.36bn. Notably, the DMO over-allotted the auction, selling N211.14bn worth of bond paper. As a result, the marginal rate on the 2029 bond rose by 14bps to 21.14% (previously, 21.00%), while the marginal rate on the 2031 bond remained unchanged at 22.00%.

In the secondary market, we observed bearish sentiments across the curve, particularly at the mid- and long-end. The bonds maturing in 2029 saw the most sell-pressure with the yields on these instruments falling 88 – 140bps. This investment activity demonstrated the standoffish approach of investors towards duration-exposed instruments in the month. Thus, average yields on sovereign bonds rose to 19.75% in Dec-2024, 29bps m/m higher than the 19.46% print in Nov-2024.

At the primary market, the CBN conducted an NT-bill auction with an offer size of N275.71bn across the 91-day, 182-day, and 364-day bills. At the auction, investors' demand was strong, as total subscriptions printed at N907.85bn, indicating an oversubscription rate of 3.29x. The bids were majorly skewed towards the longer-tenured instrument, "364-day bill", which received total bids of N512.00bn. Notably, the Apex Bank oversold the auction, allotting a total of N527.84bn. As a result, the stop rates on the 364-day bills declined by 13bps to settle at 22.80% (previously, 22.93%). Meanwhile, the stop rates on the 91-day and 182-day bills remained unchanged at 18.00% and 18.50%, respectively.

In the secondary market, we saw significant bearish sentiments throughout Dec-2024, given the elevated hawkish monetary policy environment. As a result, the average NT-bills yield rose by 39bps m/m to close the month of Dec-2024 at 25.55% (previously 25.16%). Conversely, the average yield on OMO bills fell by 10bps, settling at 27.09% in Dec-2024 from 27.19% in the prior month.

Looking ahead to January 2025, we expect bond yields to remain under pressure, particularly at the mid-to long-end of the curve, amidst weaker supply in the primary market, and investor's standoffish approach to long-term bonds. We expect N281.95bn in FGN Bond coupon payments. However, the outcome of the Monetary Policy Committee's meeting on the 27th and 28th of January 2025 will be a major determinant of market sentiment.

FUND FEATURES

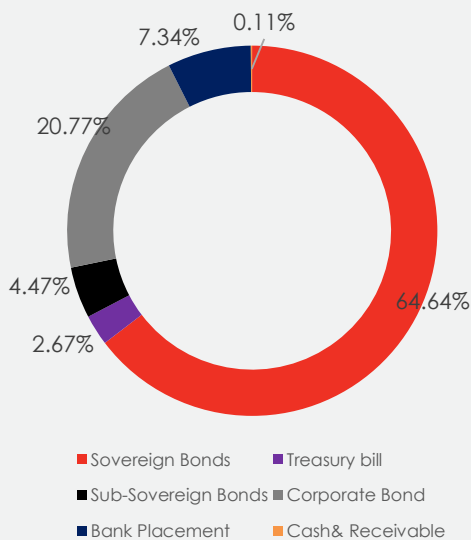
Fund Manager	United Capital Asset Management Ltd
Base Currency/Start Year	Naira/2006
Fund Size (₦)	88bn
NAV Per Share (₦)	1.9635
Minimum Entry (₦)	10,000
Additional Investment (₦)	5,000
Structure	Open Ended
Minimum Holding Period	90 days
Management Fee	1.5%
Total Expense Ratio*	1.8%
Benchmark	3-Yr FGN Bond Yield
Risk Profile	Medium
Investment Style	Income Oriented

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

MATURITY PROFILE OF ASSETS

<1yr	13.15%
1-3yr	34.70%
3-5yr	23.52%
5-10yr	18.35%
>10yr	10.28%

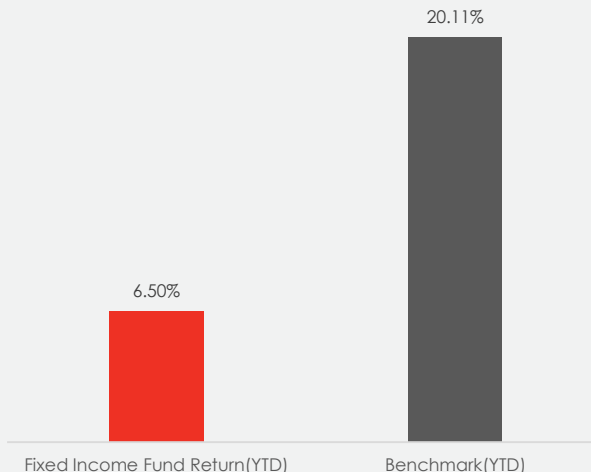
Current Portfolio Holdings



Governance Asset Allocation Ranges:

Money Market (10%-30%); Fixed Income: 70%-90%

Fixed Income Fund Return vs Benchmark (Annualized)



RETURN HISTORY

	2020	2021	2022	2023	2024 YTD
UC Fixed Income Fund	9.35%	6.40%	6.33%	6.88%	6.50%
Benchmark	3.54%	9.45%	12.83%	13.30%	20.11%

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

PERFORMANCE REVIEW

The United Capital Fixed Income Fund annualized return for the month of December 2024 is 8.29% while the annualized YTD return is 6.50% relative to a 20.11% posted by the benchmark for the same period.

The return can be attributed mainly to accrued coupons on bond holdings as well as accrued interest on money market instruments held in the fund during the period.

Going into January 2025, we expect that yields will remain suppressed driven by the policy stance of the monetary authority. At the January Bond Auction, the DMO will be offering the 2029 and 2031 bonds. We expect to see yields taper slightly with an expected drop in inflationary figures and rates.

The portfolio remains invested in FGN Bonds, money market instruments and sub-sovereign bonds with descent yields. We will maintain current allocation to enhance yield income for the Fund.

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?

- Not exposed to equities market volatility
- Seamless entry and exit
- Low entry threshold
- Professional management with robust risk framework
- Long term capital preservation and growth

INVESTMENT RISK

- Market risk
- Macroeconomic instability
- Interest Rate Risk

HOW TO PARTICIPATE

1. Log in to our online platform www.investnow.ng
2. Click on Bond 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



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