

United Capital Stable Income Fund

Mutual Funds Factsheet | December 2024

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FUND OBJECTIVE

The Stable Income Fund is an actively managed open-ended specialized fund whose main objective is to provide investors with stable returns over a medium to long-term period, through investment in select naira denominated highly rated fixed income instruments with relatively high return. The fund is targeted at investors looking to gain exposure to naira denominated fixed income instruments yielding relatively high return, with risk profile moderately higher than money market investment. The fund is ideal for investors with moderate risk tolerance and investment horizon. The Fund will also help investors diversify their portfolio and income streams whilst providing long-term capital appreciation, through investment in a selected portfolio of fixed income securities and investment products.

MARKET REVIEW, OUTLOOK AND STRATEGY

The financial system opened in December 2024 with a surplus balance of N111.04bn. System liquidity was dictated by inflows from NT-Bill maturities, Primary Market Auctions (NT-Bill and OMO auctions), and the increased activity in the SDF and SLF windows. The inflows in the month from N342.56bn worth of inflows emanating from coupon payments (N216.76bn) and OMO maturities (N125.80bn) were not sufficient to bolster the system liquidity. As a result, we saw increased activities at the Standing Lending Facility (SLF) window as banks sought to meet their short-term obligations. Thus, the financial system closed the month with a deficit balance of N166.29bn.

In the secondary Bond 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 bond market, the Debt Management Office (DMO) conducted the Nov-2024 bond auction with an offer size of N120.0bn across the reopened 2029 and 2031 bond papers. At the auction, investors' demand was strong, as total subscriptions printed at N369.59bn. The bulk of the bids were skewed towards the longer instrument, "2031", which received total bids of N294.03bn. Notably, the DMO over-allotted the auction, selling N346.16bn worth of bond paper. As a result, the marginal rates on the 2029s and 2031s climbed by 25bps and 26bps, settling at 21.00% and 22.00%, respectively (previously, 20.75% and 21.74%).

Meanwhile, we observed sell-offs in corporate bonds, as average yields in Nov-2024 increased by 31bps m/m to close at 23.11% (previously 22.80%). Similarly, the FGN Sukuk bonds closed bearish as average yields on Sukuk bonds climbed by 60bps m/m to close at 20.29% compared to the previous month's close of 19.69%.

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 into January, we expect N2,035.50bn in inflows to the financial system, i.e. N166.62bn in coupon payments, N311.48bn from NT-Bill maturities, and N1,557.40bn from OMO maturities. The CBN is scheduled to hold 2 NT-Bill auctions in the month, issuing N515.00bn and N530.00bn, respectively. We expect strong participation at these auctions, with high demand for the 364-day bill. Ultimately, we expect that the efficacy of CBN's mop-up mechanisms will determine the level of liquidity in the financial system. That said, we project that FTD and money market rates will remain at current levels with the likelihood of tapering further.

At the bond market, we expect 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.

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.

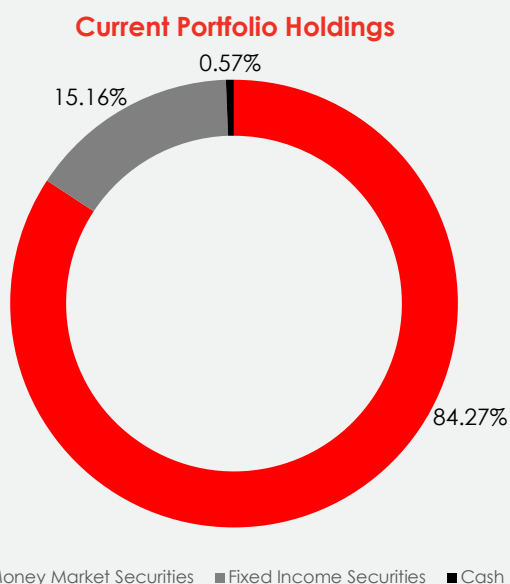
FUND FEATURES

Fund Manager	United Capital Asset Management Ltd
Base Currency/Start Year	Naira/2024
Fund Size (₦)	8.6bn
NAV Per Share (₦)	108.6994
Minimum Entry (₦)	50,000,000
Additional Investment (₦)	10,000,000
Structure	Open Ended
Minimum Holding Period	Nil
Benchmark	91-Weighted Average T-Bills rate
Management Fee	2.0%
Total Expense Ratio*	2.3%
Risk Profile	Low
Income Distribution	Income Oriented

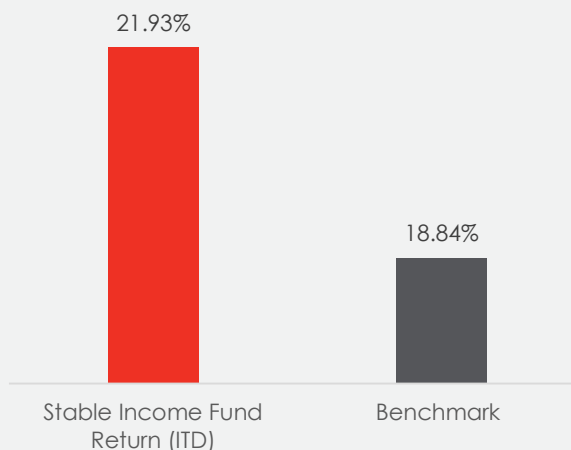
* Inclusive of management fee; Returns are net of all fees

MATURITY PROFILE OF ASSETS

< 1 yr	84.84%
1 – 3yr	2.47%
3-5yr	5.86%
5 – 10yr	6.83%
>10yr	0.00%



Stable Income Fund Return Vs Benchmark (Annualized)



ITD- Inception to date

RETURN HISTORY

	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24
UCAP Stable Income Fund	22.88%	21.87%	22.09%	21.63%	21.93%
Benchmark	19.06%	17.75%	17.75%	18.84%	18.84%

PERFORMANCE REVIEW

The United Capital Stable Income Fund commenced in August 2024 and returned an annualized inception to date return of 21.93%, outperforming the benchmark by 3.09% as at the end of December.

At the primary market, the Central Bank of Nigeria held two NT-bill auctions during the month, with 527.84billion worth of bills allotted. This impacted the value of assets with the fund looking for better priced bills to improve the overall performance of assets. This sentiment trickled down to the secondary market with bearish sentiment persisting throughout the month and this was driven by hawkish monetary policies. The fund was able to take advantage of the slight upside in rates for placements to buffer up its performance resulting in an increase in subscription and return during the month.

The DMO also reopened 2029 and 2031 bond with a strong investors' demand pushing total subscriptions to N369.59bn. The bulk of the bids seen on the "2031" bond which helped with the bond price presenting MTM opportunities as the fund already holds this instrument at lower prices.

In January 2025, we expect bond yields to remain under pressure, particularly at the mid- to long-end of the curve with an expected drop in auction yields.

The Fund will continue to invest in high quality fixed income instruments that generate competitive returns for the benefit of the subscribers. The Fund is well positioned to deliver above-average returns despite the current yield environment.

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WHY CHOOSE THE FUND?

- Stable returns over a medium to long-term period
- Capital preservation
- Low risk investment
- Portfolio diversification
- Open entry and exit
- Professional management

INVESTMENT RISK

- Market risk relating to policy somersault
- Macroeconomic instability
- Interest Rate Risk

HOW TO PARTICIPATE

1. Log in to our online platform www.investnow.ng
2. Click on "Stable Income Fund"
3. Click on "Open an 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 Eurobond Fund Sukuk Fund Wealth for Women Fund