

United Capital Fixed Income Fund

Mutual Funds Factsheet | February 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

Last month, the Debt Management Office (DMO) conducted its FGN bond auction for Feb-2024, with N2.5tn worth of papers on offer across the newly issued 2031 (7-YR) and 2034 (10-YR) papers. At the auction, investors' bids fell short of the offer due to the low liquidity in the financial system at the time of the auction compared to the offer size. Thus, the auction was undersubscribed, with total subscription printing at N1.9tn and a bid-to-cover ratio of 1.3x. Notably, the DMO undersold the auction, allotting a total of N1.5tn vs N2.5tn on offer. Consequently, the marginal rates on the 2031 and 2034 papers settled at 18.50% and 19.00%, respectively.

In the secondary market, sell pressures dominated the market as investors' sentiments were mainly bearish. This was due to the uncertainty surrounding the release of the Q1-2024 bond auction calendar. Investors remained wary of the DMO's body language towards the bonds market. Additionally, concerns relating to the direction of the interest rate environment weighed on investors' sentiments. Thus, average yields on sovereign bonds climbed higher to print at 17.22% in Feb-2024, a 273bps m/m increase from the 14.49% print in Jan-2024.

In tandem, we observed sell pressures in corporate bonds, as average yields at the end of Feb-2024 rose by 350bps m/m to close at 19.07% (previously 15.57%). Similarly, the FGN Sukuk bonds closed bearish as average yields on Sukuk bonds increased by 429bps m/m to close at 17.42% compared to the previous month's close of

13.13%.

Looking ahead, we maintain our expectations of the Federal Government's (FG) continued reliance on the domestic debt market, due to dwindling government revenue generation and widening budget deficit. This will continually drive the supply of bonds in the primary market as the FG sought to finance its capital and recurrent expenditures. In line with the climb in rates at the recent auctions, we expect marginal rates to trend higher as the CBN aims to drive rates higher to attract domestic and foreign investors into the fixed income market. In the secondary market, we anticipate an overall bearish sentiment to dominate the market underpinned by concerns about the FGN bond auction calendar, the nation's fiscal health and the efficacy of its monetary policy. However, we may see pockets of buy interests as investors may want to take position given the high yields in the market.

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

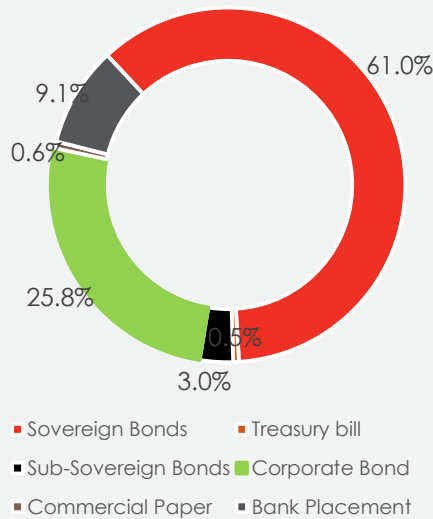
| Fund Manager | United Capital Asset Management Ltd |
|---------------------------|-------------------------------------|
| Base Currency/Start Year | Naira/2006 |
| Fund Size (₦) | 96.1bn |
| NAV Per Share (₦) | 1.9724 |
| Minimum Entry (₦) | 10,000 |
| Additional Investment (₦) | 5,000 |
| Structure | 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 | 13.5% |
| 1-3yr | 17.1% |
| 3-5yr | 32.7% |
| 5-10yr | 19.6% |
| >10yr | 17.3% |

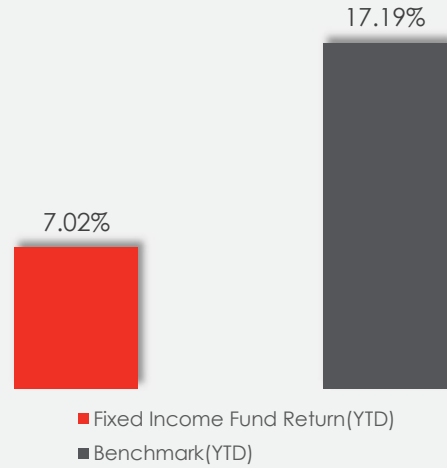
Current Portfolio Holdings



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 |
|----------------------------------|-------|-------|--------|--------|----------|
| United Capital Fixed Income Fund | 9.35% | 6.40% | 6.33% | 6.88% | 7.02% |
| Benchmark | 3.54% | 9.45% | 12.83% | 13.30% | 17.19% |

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

PERFORMANCE REVIEW

The United Capital Fixed Income Fund returned 7.02% for the month of February 2024 relative to a 17.19% posted by the benchmark for the same period.

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In line with our expectations for the bond market space, we would engage in active trading for liquid FGN bonds to boost fund performance.

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.

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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



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