

# United Capital Fixed Income Fund

Mutual Funds Factsheet | February 2025

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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 DMO conducted February's bond auction with total offer of N350.00bn across the 2029s and 2031s. The auction was met with overwhelming demand to the tune of N1.63trn, despite the prevailing system illiquidity at the time of the auction. This indicates a bid-to-cover ratio of 4.66x. That said, the DMO oversold the auction by 2.60x, selling papers to the tune of N910.38bn. Consequently, marginal rates across the bills tapered by 259bps and 317bps to settle at 19.20% and 19.33%, respectively (previously, 21.79% and 22.50%).

In the secondary market, we observed bullish sentiments, particularly as unmet bids in the month's PMA sought fulfilment given the outsized demand. As a result, average yields on sovereign bonds fell to 18.53% in Feb-2025, 216bps m/m higher than the 20.69% print in Jan-2024.

At the primary market, CBN conducted two NT-bills auctions during the month. At the first auction, CBN offered a total of N670.00bn worth of maturing bills across the 91-day, 182-day, and 365-day bills. At the auction, investors' demand was strong, as total subscriptions printed at N3.22tn. The bulk of the bids were skewed towards the longer-tenured instrument (365-day bill), which recorded a total subscription of N3.16tn. CBN's inclination to sell the exact amount on offer allowed it to retain pricing power, thereby dictating the direction of stop rates.

At the second auction, the CBN offered a total of N700.00bn 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 N2.41tn, majorly skewed towards the longer-tenured instrument. The 365-day bill received the highest worth of bids (making up 95.35%) as the total subscription settled at N2.30tn. Notably, the CBN mildly oversold at the auction, allotting a total of N774.13bn, indicating an allotment rate of 1.11x.

**Looking ahead to March 2025 we expect the cautious trend in the bonds market to persist as investors remain attracted to the interest rates at the shorter end of the yield curve, particularly keeping in view the neutral/dovish outlook of monetary policy in H1-2025. That said, we expect coupon payments to the tune of N600.99bn to hit the system in the month under review. We anticipate that investors will have a bias for reinvesting coupon received, however, it will not be sufficient to transform the lacklustre sentiment toward duration exposure, particularly owing to the elevated levels of short-term rates. We expect bond yields to remain around current levels for the rest of Q1-2025.**

### FUND FEATURES

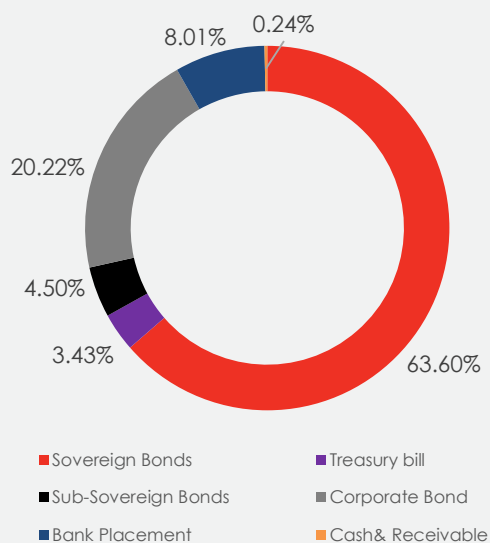
Fund Manager	United Capital Asset Management Ltd
Base Currency/Start Year	Naira/2006
Fund Size (₦)	88.2bn
NAV Per Share (₦)	1.9871
Minimum Entry (₦)	10,000
Additional Investment (₦)	5,000
Structure	Open Ended
Minimum Holding Period	90 days
Management Fee	1.5%
Total Expense Ratio*	1.8%
Benchmark	3-Yr 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	25.26%
1-3yr	35.43%
3-5yr	11.49%
5-10yr	17.40%
>10yr	10.43%

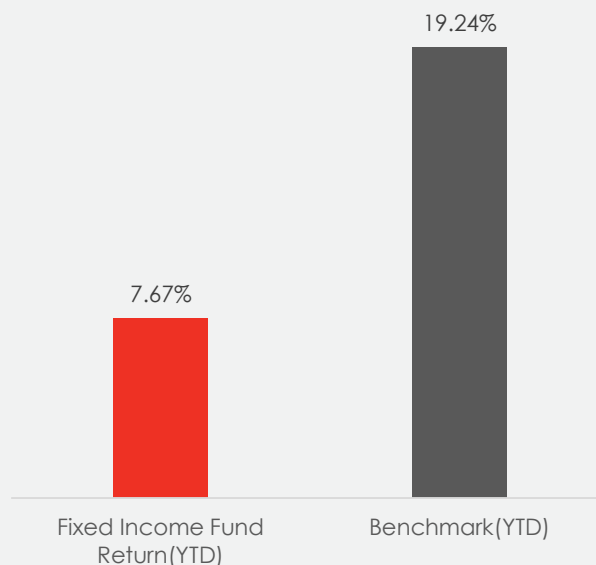
### Current Portfolio Holdings



### 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	2025 YTD
UC Fixed Income Fund	9.35%	6.40%	6.33%	6.88%	6.50%	7.67%
Benchmark	3.54%	9.45%	12.83%	13.30%	20.11%	19.24%

\*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 February 2025 is 7.67% relative to a 19.24% posted by the benchmark for the same period.

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

February 2025 has witnessed a downturn in rates, and we expect that yields will remain suppressed going into March 2025, majorly driven by the dwindling rates across the several asset classes held by the fund (which includes; bonds treasury bills and fixed deposits), expectations from the inflation results, several auctions, OMO maturities and FACC disbursement during the month. The fund was however able to take advantage of initial high yielding assets earlier in the year which should help average out the negative effect of current dwindling yields.

The portfolio remains invested in FGN Bonds, money market instruments and sub-sovereign bonds with decent yield. The fund is constantly monitoring the market to ensure optimal returns across all asset class while maintaining its current allocation to enhance the overall yield of the 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](http://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

