

United Capital Stable Income Fund

Mutual Funds Factsheet | February 2025

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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 February 2025 with a surplus balance of N721.34bn. During the month, the financial system was mainly in the deficit terrain with the OMO auction and primary market activities moderating excess liquidity. As a result, we saw increased activities at the Standing Lending Facility (SLF) window as banks sought to meet their short-term obligations.

Importantly, the Central Bank of Nigeria (CBN) concluded its 299th Monetary Policy Committee (MPC) meeting, unanimously deciding to hold all monetary policy tools constant at current levels. For context, the Monetary Policy Rate (MPR) was held at 27.25%, the Liquidity ratio at 30.00%, and the Asymmetric corridor at +500/-100bps around the MPR. Additionally, the Cash Reserve Ratio (CRR) for commercial banks and merchant banks remained unchanged at 50.00% and 16.00%, respectively.

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. Supply and demand fundamentals crystallised, allowing the stop rate on the 364-day bill to taper by 148bps to settle at 20.32% from 21.80% at the last auction in Jan-2025. However, the stop rate on the 91-day and 182-day bills remained unchanged at 18.00% and 18.50%.

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. 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. Consequently, the stop rate on the 91-day, 182-day, and 364-day bills tapered by 100bps, 50bps, and 189bps to 17.00%, 18.00%, and 18.43%, respectively.

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 N1.63tn, 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 oversized 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.

Looking ahead into March 2025, we anticipate higher levels of financial system liquidity driven by some factors, including FAAC payments, CRR refunds, coupon payments, and OMO maturities. We expect a total of N1.16tn worth of inflow emanating from coupon payments (N600.99bn) and a bond maturity (N562.45bn). Although this represents a 38.61% decrease compared to February's inflow of N1.90tn, we expect the financial system to be supported by FAAC payments and possible CRR refunds. However, we do not rule out the likelihood of the CBN resorting to OMO auctions to mop up anticipated liquidity in the financial system. Nevertheless, we expect the neutral posture by the Apex bank, particularly in response to the progress of inflation in Jan-2025, to continue to support the downward trend of rates in the fixed-income market. Ultimately, FTD and money market rates will likely trend lower in Mar-2025, while secondary market activities will be bullish as investors look to look in funds at their current rates.

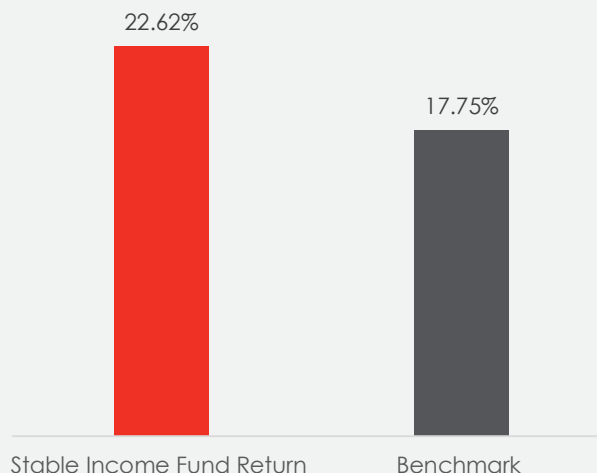
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FUND FEATURES

Fund Manager	United Capital Asset Management Ltd
Base Currency/Start Year	Naira/2024
Fund Size (₦)	10.8bn
NAV Per Share (₦)	112.3414
Minimum Entry (₦)	50,000,000
Additional Investment (₦)	10,000,000
Structure	Open Ended
Minimum Holding Period	30 days
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

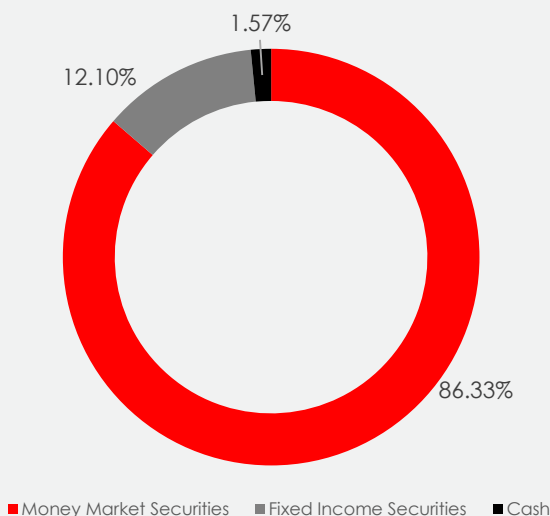
Stable Income Fund Return Vs Benchmark (Annualized)



MATURITY PROFILE OF ASSETS

< 1 yr.	87.9%
1 – 3yr	2.03%
3-5yr	4.83%
5 – 10yr	5.24%
>10yr	0.00%

Current Portfolio Holdings



Governance Asset Allocation Ranges:

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

RETURN HISTORY

	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24	2025 YTD
UCAP Stable Income Fund	22.88%	21.87%	22.09%	21.63%	21.93%	22.62%
Benchmark	19.06%	17.75%	17.75%	17.75%	18.84%	17.75%

PERFORMANCE REVIEW

The United Capital Stable Income Fund returned a year-to-date return of 22.62%, outperforming the benchmark by 4.87% as at the end of February.

At the primary market, the Central Bank of Nigeria held two NT-bill auctions during the month, with an expected drop in rates at the primary market. A similar trend was observed at the secondary market greatly impacted the return on the fund. A similar trend was seen across several Fixed deposit assets with a similar effect on the return of the fund.

The DMO also sold the 2029 and 2031 bond with a strong investors' demand pushing total subscriptions to N1.63trillion. This drove down rates on several Bond position held by the bond but also presented an opportunity to reposition some of the bond positions held by the fund. This was in a bid to balance the fund's asset allocation vis-à-vis its return in the dwindling rate environment.

In March 2025 we expect improved system liquidity with expectations of FACC inflows, Omo maturities and even CRR returns which should increase the drive to accumulated several assets resulting to a decline in the rates of money market instruments. We also expect a cautious trend in the bonds market as investors remain attracted to the elevated rates at the shorter end of the yield curve.

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.



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