

United Capital Sukuk Fund

Mutual Funds Factsheet | February 2025

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FUND OBJECTIVE

The objective of the fund is to provide investors with a low-risk investment with stable and competitive returns through investments in short, medium and long-term Sharia-Compliant securities and investment products, whilst ensuring the preservation of capital and maintaining a reasonable degree of liquidity.

The Fund aims to provide its Unitholders with halal profits on the growth of their capital over the long-term in accordance with the principles of Islamic finance.

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.

Additionally, the Central Bank conducted an Open Market Operations (OMO) auction during the month to mop up the excess liquidity in the financial system. The auction was met with massive demand (as expected), which resulted in a sharp drop in stop rates. Total demand amounted to a whopping N1.92trn, indicating a bid-cover ratio of 3.19x. The Apex Bank oversold, allotting a total of N1.40trn. Ultimately, stop rates on the 355-day and 362-day OMO bills tapered by 133bps and 120bps to record at 21.32% and 21.45%, respectively. This auction took a heavy chunk out of the financial system, encouraging a surge in activities at the CBN SLF window.

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

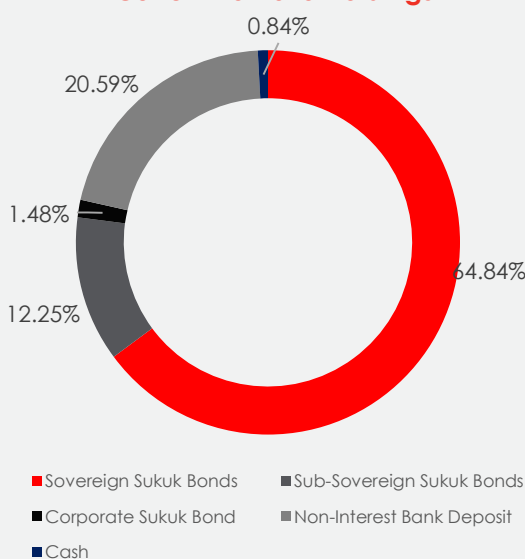
Fund Manager	United Capital Asset Management Ltd
Base Currency/Start Year	Naira/2020
Fund Size (₦)	3.9bn
NAV Per Share (₦)	1.2351
Minimum Entry (₦)	10,000
Additional Investment (₦)	5,000
Structure	Open Ended
Minimum Holding Period	90 days
Management Fee	1.5%
Total Expense Ratio*	1.8%
Benchmark	3-Yr FGN Sovereign Sukuk Yield
Risk Profile	Medium
Investment Style	Income Oriented

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

MATURITY PROFILE OF ASSETS

<1yr	31.7%
1-3yr	16.5%
3-5yr	45.5%
5-10yr	6.2%
>10yr	0.00%

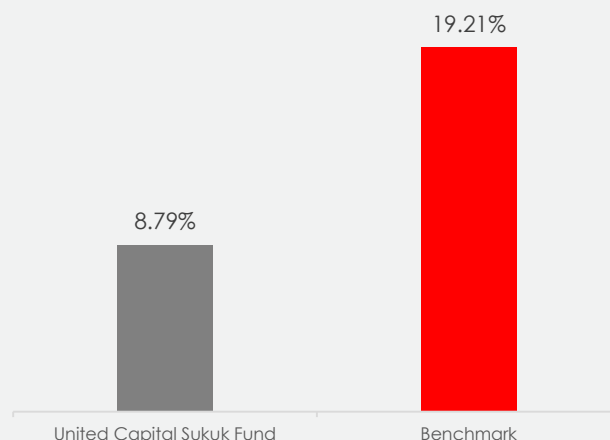
Current Portfolio Holdings



Governance Asset Allocation Ranges:

Non-Interest Bank Deposit (20%-40%); Sukuk Bond: (60%-80%)

Sukuk Fund Return Vs Benchmark (YTD)



RETURN HISTORY

	2021	2022	2023	2024	Jan-25	Feb-25
United Capital Sukuk Fund	7.32%	7.23%	11.36%	10.02%	6.47%	8.79%
Benchmark	9.88%	12.92%	13.20%	19.81%	21.19%	19.21%

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

PERFORMANCE REVIEW

The United Capital Sukuk Fund annualized return for the month of February 2025 is 8.79% relative to the return of 19.21% 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.

The DMO conducted February's bond auction with yields moderating across several maturities. The performance of most of these bonds were grossly limited by prevalent pricing which continued to drag yields down. The fund however have several assets which at moderate rates and should help dilute the effect of rates drops.

The CBN carried out an OMO auction during the month which helped mop-up liquidity. This however impacted the returns on fixed deposit assets negatively, with a persistent drop in rates as seen in the general market.

Looking ahead to March 2025 we expect the cautious trend in the bonds market to persist as investors remain attracted to the elevated rates at the shorter end of the yield curve despite recent drops. This situation is expected to persist given the inverted yield curve.

The Fund maintains sufficient exposure to FGN Sukuk, money market instruments and sub-sovereign and corporate Sukuk with significantly higher yields. We will maintain current allocation to enhance returns for 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 Risks
- Macroeconomic instability
- Interest Rate Risk

HOW TO PARTICIPATE

1. Log in to our online platform www.investnow.ng
2. Click on **Sukuk 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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Nigerian Eurobond Fund Sukuk Fund Wealth for Women Fund