

United Capital Fixed Income Fund

Mutual Funds Factsheet | January 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

In the primary market, an FGN Bond auction was conducted by the DMO with an offer size of N360.0bn across the 2027, 2029, 2033 and 2038 bonds. At the auction, investors' demand was strong, as total subscription printed at N604.6bn. A total of N604.6bn worth of bonds was sold.

This implied a 1.45x bid-to-cover ratio. Thus, the marginal rates across the 2027, 2029, 2033 and 2038 bonds settled at 15.0%, 15.5%, 16.0% and 16.5%, respectively.

In the secondary market, we observed sell-interests in the market as investors sought to drive bond yields northward. The buy-interests were skewed toward both the short and long ends of the bonds yield curve. That said, average yields on sovereign bonds climbed by 116bps m/m to print at 14.13% (previously 14.13%) respectively.

The CBN also expressed its commitment toward orthodox methods by conducting series of Open Market Operations (OMO) auctions, with the first OMO auction for the year conducted on 10 January 2024. On offer was OMO bills to the tune of N300.0bn, spanning across the 97-day, 181-day, and 363-day OMO bills. Accordingly, the auction was oversubscribed, with the banks contributing to the bulk of the total subscription (N414.2bn). Interestingly, CBN oversold the auction, selling OMO bills to the tune of N357.2bn. The stop rates across the 97-day, 181-day and 363-day bills closed at 10.50%, 14.00% and 17.75%.

On the details of the second OMO auction which was conducted on 15 January 2024, the Central Bank of Nigeria (CBN) had an offer size of N300.0bn across the 92-day, 183-day and 365-day bills. At the auction, investors' demand was strong, as total subscription printed at N519.9bn, implying a bid-to-cover ratio of 1.7x. The bulk of the bids were skewed towards the longer-tenured instrument. Notably, CBN sold just the amount on offer. Thus, the stop rates across all 92-day, 183-day and 365-day bills declined by 50bps, 50bps and 25bps to settle at 10.0%, 13.5% and 17.5%, respectively.

Lastly on OMO auctions, the CBN conducted its final OMO auction for the month on 29 January 2023. On offer were OMO bill(s) to the tune of N350.0bn across the 92-day, 183-day and 365-day bills. At the auction, investors' demand was strong, as total subscription printed at N533.8bn, implying a bid-to-cover ratio of 1.5x. The bulk of the bids were skewed towards the longer-tenured instrument. Yet again, CBN sold just the amount on offer. Thus, the stop rates across all 92-day, 183-day and 365-day bills declined by 50bps, 50bps and 25bps to settle at 10.0%, 13.5% and 17.5%, respectively.

In the secondary market, we mostly saw bearish sentiments abound throughout the month. This was essentially driven by the elongated periods of system illiquidity. As a result, the average NT-bills yield climbed by 286bps m/m to close at 9.15% (previously 6.29%). Conversely, the average yield on OMO bills declined by 172bps to settle at 9.63% (previously 11.35%).

In February, we expect mixed sentiments to prevail in the Bonds market. The FG's unending budget deficit financing, as evident in its 2024 budget, and the legacy debt sustainability issue are expected to continue to weigh down investors' sentiments. However, the FG's efforts to shore-up oil production (in a bid to improve oil receipts), rehabilitation of local refineries, the prospects of the Dangote refinery, and expected high-base on inflation, stand as glimmers of hope in 2024.

FUND FEATURES

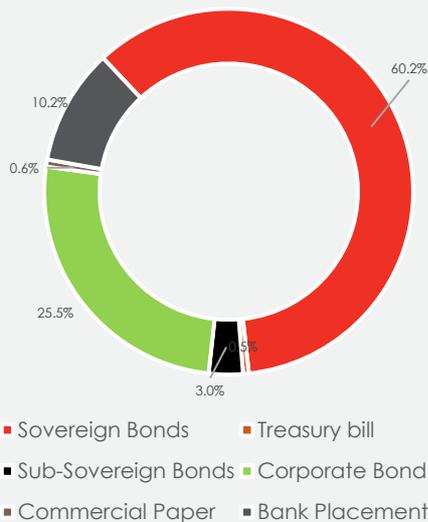
Fund Manager	United Capital Asset Management Ltd
Base Currency/Start Year	Naira/2006
Fund Size (₦)	96.1bn
NAV Per Share (₦)	1.9621
Minimum Entry (₦)	10,000
Additional Investment (₦)	5,000
Structure	Open Ended
Minimum Holding Period	90 days
Management Fee	1.5%
Total Expense Ratio*	1.8%
Benchmark	3-Yr 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%

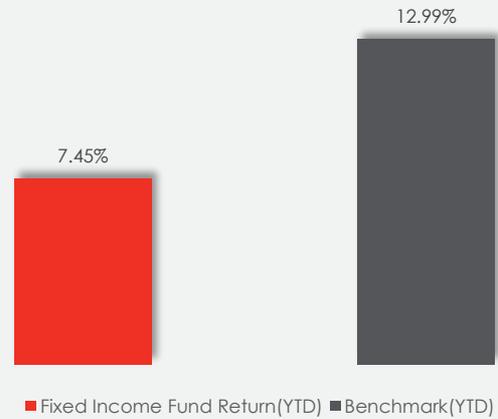
Current Portfolio Holdings



Governance Asset Allocation Ranges:

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

Fixed Income Fund Return Vs Benchmark (Annualized)



RETURN HISTORY

	2017	2018	2019	2020	2021	2022	2023	2024 YTD
United Capital Fixed Income Fund	28.4%	11.3%	14.9%	9.35%	6.40%	6.33%	6.88%	7.45%
Benchmark	14.0%	15.1%	10.2%	3.54%	9.45%	12.83%	13.30%	12.99%

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

PERFORMANCE REVIEW

The United Capital Fixed Income Fund returned 7.45% for the month of January 2024 relative to a 12.99% posted by the benchmark for the same period.

In January 2024, an FGN Bond auction was conducted by the DMO with an offer size of N360.0bn across the 2027, 2029, 2033 and 2038 bonds. At the auction, investors' demand was strong, as total subscription printed at N604.6bn. A total of N604.6bn worth of bonds was sold.

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.

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.

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