

# United Capital Balanced Fund

Mutual Funds Factsheet | January 2025

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## FUND OBJECTIVE

The objective of the United Capital Balanced Fund is to achieve long-term capital appreciation and income distribution through investment in a portfolio of securities and instruments as specified in the Trust Deed. The Fund is targeted at investors who seek a blend of safety and regular income. The Fund holds equities and fixed income assets in a blended proportion. The securities are held in relatively small proportions to diversify unsystematic risk in the portfolio.

The Fund aims to balance risk and return. The risk profile is structured to be lower than that of a pure equity investment. With assets tactically allocated between fixed income and equity investments, the Fund is structured for investors seeking a blend of safety, income and modest capital appreciation.

The equity portion of the Fund has exposures to mid-cap and large-cap stocks with significant diversification across sectors of the Nigerian economy. Investment decisions are driven by rigorous research in line with carefully designed Enterprise Risk Management framework.

## MARKET REVIEW, OUTLOOK AND STRATEGY

The Nigerian Equities Market (NGX) started the year 2025 on a positive note despite the undertone of bearish sentiments playing the background at intervals. We observed that activities in the fixed-income market (elevated rates/yields) continue to serve as a key demotivator for risk on sentiments in the equities market. Nevertheless, investors have begun bargain hunting activities across stocks with strong fundamentals ahead of the FY-2024 earning season and corporate action declarations. Notably, buy-interests in large-cap stock, MTNN (+25.00% m/m) spurred the local bourse northwards. Other standout performers were TRANSCOR (+21.84% m/m), ZENITHBA (+11.21% m/m), and UBA (+10.88% m/m). As a result, the benchmark NGX-All Share Index (NGX-ASI) climbed by 153bps m/m to close at 104,496.12 points. Consequently, market capitalisation rose by N1.95tn m/m to settle at N64.71tn.

The financial system opened the month of January 2025 with a surplus balance of N353.27bn. During the month, activities at the primary market instigated increased activities at the CBN's Standing Lending Facility (SLF) window, as investors looked to aggressive secure current level of short-term yields in their balance sheet. Additionally, the inflows from OMO maturities (N1.56tn), coupon payments (N166.62bn), and FAAC inflows (>N600.00bn), translated into increased activity at the CBN Standing Deposit Facility (SDF) window, as investors looked to exploit the 32.50% (MPR @ 27.50% plus 500bps) offered, at different intervals.

For context, the financial system saw total auctions to the tune of N1.55tn (NT-bills offering of N1.05tn and Open Market Operations offerings amounting to N500.00bn), compared to total maturities of N1.72tn (N1.56tn worth of OMO maturities and N166.62bn of coupon payments). This implies a surplus of N179.02bn, indicating that the financial system was more liquid than illiquid in January 2025. That said, the financial system wrapped up with a surplus balance of N721.34bn, largely influenced by increased activities at CBN SDF window. Given the surplus in the financial system for the better part of the month under review, funding rates between banks tapered, with

the monthly average of the Open Repo Rate (OPR) and Overnight Rate (OVN) tapering by 51bps m/m and 44bps m/m to settle at 29.02% and 29.59% (previously, 29.53% and 30.03%).

The DMO conducted January's bond auction with total offering of N450.00bn, across the 2029s (N100.00bn), 2031s, (N150.00bn) and 2035s (N200.00bn). The auction was met with decent demand, with total bids amounting to N669.94bn, implying a bid-to-cover ratio of 1.49x. The CBN opted to oversell the auction, selling papers to the tune of N606.46bn. Ultimately, marginal rates on the papers printed at 21.79%, 22.50% and 22.60% respectively.

In the secondary market, we observed bearish sentiments as investors remained cautious and lacklustre toward duration exposure. As a result, average yields on sovereign bonds rose to 20.69% in Jan-2025, 94bps m/m higher than the 19.75% print in Dec-2024.

**Looking ahead into Feb-2024, we maintain our positive outlook for the domestic equities market for Q1-2024, supported by the commencement of the FY-2024 earnings season. Investors will continue bargain-hunting stocks with strong fundamentals. We strongly anticipate impressive outings among corporates in the financial services sector (particularly the banks) given the impact of the Foreign Exchange (FX) revaluation gains and elevated interest rate environment in 2024. Thus, we expect an increased appetite among investors towards corporates in the financial services sector. Additionally, investors will look to position themselves in dividend-paying stocks ahead of full-year dividend declarations. Lastly, the expected neutral monetary policy (due to positive progress with inflation) by the Monetary Policy Committee (MPC) will further stimulate bullish sentiments in the equities market.**

**Looking ahead to February 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. This situation is expected to persist given the inverted yield curve. That said, we expect coupon payments to the tune of N216.76bn 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. Additionally, the Monetary Policy Committee is expected to meet 17 & 18 February 2025.**

## FUND FEATURES

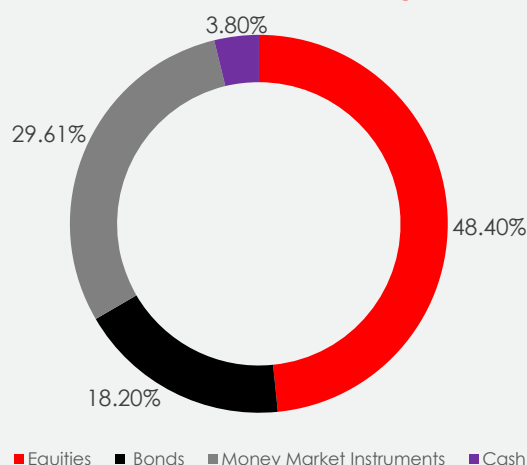
Fund Manager	United Capital Asset Management Ltd
Base Currency/Start Year	Naira/2006
Fund Size (₦)	2.3bn
NAV Per Share (₦)	2.0570
Minimum Entry (₦)	10,000
Additional Investment (₦)	5,000
Structure	Open Ended
Entry/Exit Charges	Nil
Management Fee	1.5%
Total Expense Ratio*	1.9%
Benchmarks	91-Day T-bills/NSE ASI/3-year FGN Bond
Risk Profile	Moderate
Investment Style	Market Oriented

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

## MATURITY PROFILE OF ASSETS

0-30days	14.68%
31-60days	19.99%
61-90days	31.50%
91-180days	0.00%
180-365 days	8.52%
>1 year	25.32%

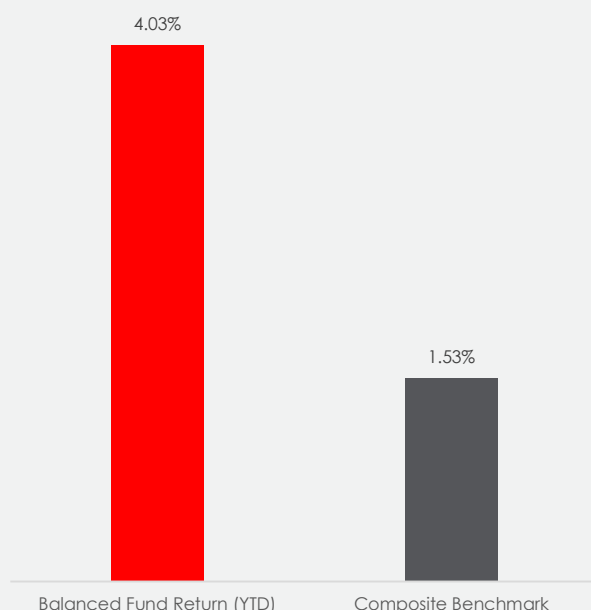
## Current Portfolio Holdings



### Governance Asset Allocation Ranges:

Quoted Equities (40-60%), Fixed Income (20% - 60%); Money Market Instruments (40% - 60%)

## Balanced Fund Return Vs Benchmark (YTD)



## RETURN HISTORY

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025 YTD
UCAP Bal. Fund	5.00%	22.40%	1.16%	3.77%	14.35%	6.19%	4.89%	42.23%	30.41%	4.03%
Composite Benchmark	5.10%	22.70%	1.70%	-1.73%	25.16%	5.56%	12.82%	19.97%	26.62%	1.53%

\*Represents the Fund's Absolute Return vs the Benchmark's Absolute Return

## PERFORMANCE REVIEW

The United Capital Balanced Fund returned 4.03% for the month of January 2025 compared to 1.53% posted by the composite benchmark during the same period.

The Nigerian stock market ended January on a positive note amidst mixed sentiment during the month. The All-Share Index gained 1.53% driven majorly by impressive FY 2024 earnings releases and strong gains in MTNN (25%), PRESCO(23.16%) and TRANSCORP (21.84%), offsetting losses in DANGCEM (-17.71%), JBERGER (-9.95%).

Looking ahead, we would actively monitor activities in the equities market ahead of the release of more FY 2024 earnings reports. The fund manger will continue to take position in tickers with good fundamentals and ensure a mix with money market instruments to take advantage of the attractive yield environment.

We will maintain our allocation in line with the investment policy objectives and the Trust Deed.

### WHY CHOOSE THE FUND?

- Low volatility of Investment returns
- Well diversified portfolio
- Seamless entry and exit
- Professional management with robust risk framework
- Automatic rebalancing in times of rising or falling markets
- Ability to enjoy long term capital growth as well as safety

### INVESTMENT RISK

- Market risk of equity exposure
- Macroeconomic instability

### HOW TO PARTICIPATE

1. Log in to our online platform [www.investnow.ng](http://www.investnow.ng)
2. Click on "Balanced 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

