

United Capital Fixed Income Fund

Mutual Funds Factsheet | January 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 Debt Management Office (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.

At the primary market, the CBN conducted two (2) NT-bill auction with an offer size of N1.05trn across the 91-day, 182-day, and 364-day bills. At the auctions, investors' demand was massive, as total subscriptions printed at N4.06trn, indicating an oversubscription rate of 3.88x. The bids were majorly skewed towards the longer-tenured instrument, "364-day bill", which received total bids of N3.97trn (97.82% of total bids). Notably, the Apex Bank oversold the auctions, allotting a total of N1.27trn, indicating overallotment rate of 1.22x. Consequent of the massive demand, pricing power was mainly in the hands of the CBN. As a result, we observed the stop rates on the 364-day bills declined by 110bps to settle at 21.80% (previously, 22.90%). Meanwhile, the stop rates on the 91-day and 182-day bills remained unchanged at 18.00% and 18.50%, respectively.

In the secondary market, we saw significant bullish sentiments particularly sponsored by the liquid financial system, the dovish outlook for short-term rates in Q1-2025, as well as spillover bids from unfulfilled bids at PMA. Consequently, the average NT-bills yield tapered by 212bps m/m to close the month of Jan-2024 at 23.43% (previously 25.55%).

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

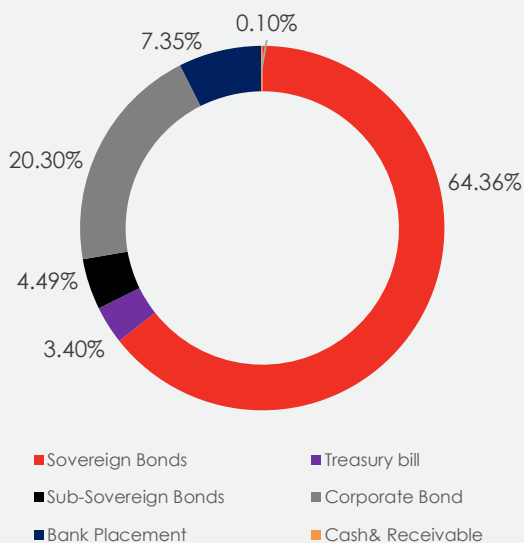
Fund Manager	United Capital Asset Management Ltd
Base Currency/Start Year	Naira/2006
Fund Size (₦)	87.8bn
NAV Per Share (₦)	1.9763
Minimum Entry (₦)	10,000
Additional Investment (₦)	5,000
Structure	Open Ended
Minimum Holding Period	90 days
Management Fee	1.5%
Total Expense Ratio*	1.8%
Benchmark	3-Yr 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	22.55%
1-3yr	25.64%
3-5yr	23.99%
5-10yr	17.40%
>10yr	10.43%

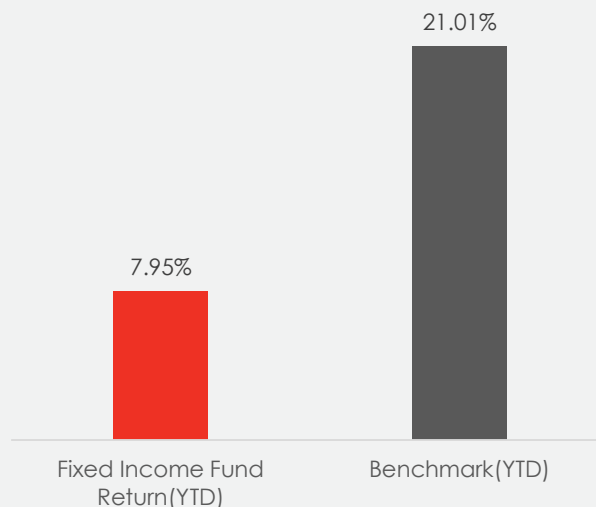
Current Portfolio Holdings



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%	7.95%
Benchmark	3.54%	9.45%	12.83%	13.30%	20.11%	21.01%

*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 January 2025 is 7.95% relative to a 21.01% 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.

January 2025 has witnessed a downturn in rates, and we expect that yields will remain suppressed going into February 2025, majorly driven by the dwindling auction rates, expectations from the MPC meeting holding during the month and an anticipated drop in inflationary rates which would drive the decision of the MPC with regards the MPR.

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
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

