

United Capital Money Market Fund

Mutual Funds Factsheet | January 2025

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FUND OBJECTIVE

The United Capital Money Market Fund allows investors to invest in high quality money market instruments like Treasury bills and certificates, Commercial papers and Bankers' acceptance. The Fund is an income Fund. It provides liquidity, capital preservation, as well as moderate and stable return. The Fund is appropriate for corporate and individual investors who desire less volatility in returns using their surplus funds for short periods of time. The main objective of the Fund is to achieve consistent income streams through investment in a portfolio of money market securities and investments specified in the Trust Deed. The money market fund preserves capital, offers quarterly interest payment as well as safety and liquidity.

MARKET REVIEW, OUTLOOK AND STRATEGY

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 (N1.56trn), 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 N1.55trn (NT-bills offering of N1.05trn and Open Market Operations offerings amounting to N500.00bn), compared to total maturities of N1.72trn (N1.56trn 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 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%) .

Shedding light on primary market activities within the month, 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.

Additionally, the CBN conducted just one (1) OMO auction with an offer size of N500.00bn across the 350-day, and 364-day bills. At the auction, investors' demand was strong, as total subscriptions printed at N1.56trn, indicating an oversubscription rate of 3.12x. Notably, the Apex Bank sold the exact amount on offer. This event translated into sustained liquidity in the financial system, as the OMO remains the CBN's most preferred mop-up mechanism. Ultimately, the stop rates on the 351-day bill and 364-day bills settled at 23.81% and 23.84%, 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%). Conversely, the average yield on OMO bills climbed by 46bps, settling at 27.55% in Dec-2024 from 27.09% in the prior month.

Looking into February, we expect N3.92trn in inflows to the financial system, i.e. N216.76bn in coupon payments, N2.20trn from NT-Bill maturities, and N1.50trn from OMO maturities. Examining the total auctions (N2.20trn) versus maturities to the tune of N1.71trn (excl. OMO auctions & FAAC payments), we expect the financial system to experience more deficit situations compared to Jan-2025. However, factoring FAAC payments and the CBN's indecisive use of Open Market Operations (as observed in Jan-2025), we expect the financial system liquidity status to be largely determined by the CBN's employment of its favorite mop-up mechanism. That said, we reckon that the key drivers of short-term rates in Feb-2025 will be a combination of the outcome of the NBS's GDP & CPI rebasing exercise as well as the MPC's meeting slated for 17 & 18 Feb-2025. At the meeting, we anticipate a neutral stance, with a likelihood of a rate cut (subject to the outcome of the NBS rebasing exercise of the GDP and CPI Inflation numbers).

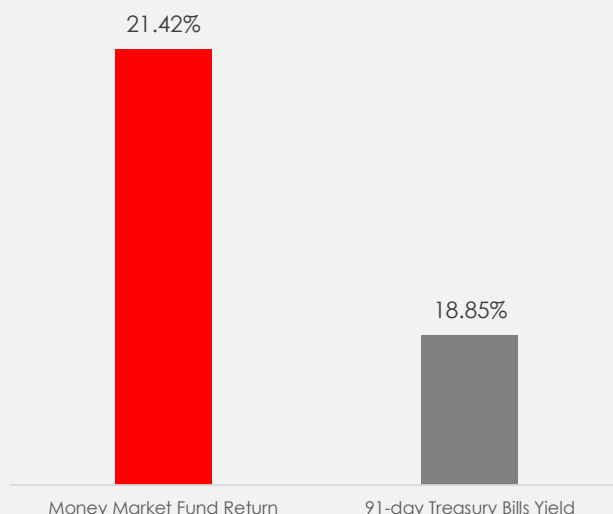
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FUND FEATURES

Fund Manager	United Capital Asset Management Ltd
Base Currency/Start Year	Naira/2006
Fund Size (₦)	91.41bn
NAV Per Share (₦)	1
Minimum Entry (₦)	10000
Additional Investment (₦)	5000
Structure	Open Ended
Minimum Holding Period	Nil
Benchmark	91-day T-Bills Yield
Management Fee	1.5%
Total Expense Ratio*	1.8%
Risk Profile	Low
Income Distribution	Income Oriented

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

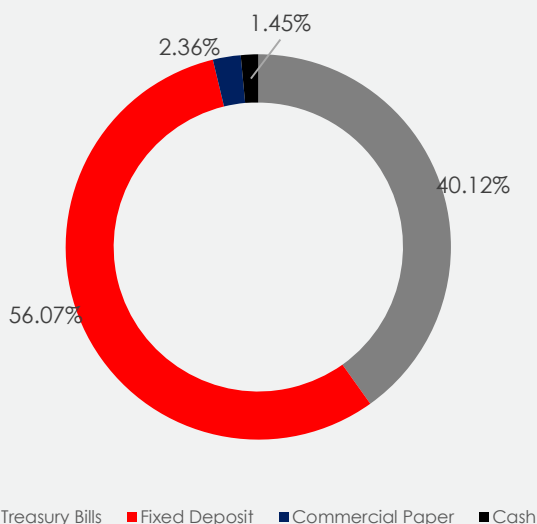
Money Market Fund Return vs Benchmark



MATURITY PROFILE OF ASSETS

0-30days	33.4%
31-60days	29.0%
61-90days	20.2%
91-180days	4.3%
180-365 days	13.1%

Current Portfolio Holdings



Governance Asset Allocation Ranges:

Money Market Fixed Deposits (60%-75%); Short Term Securities: (25%-40%)

RETURN HISTORY

	2016	2017	2018	2019	2020	2021	2022	2023	2024	Jan-25
Money Market Fund Returns	13.05%	14.20%	12.90%	12.87%	5.42%	6.91%	9.34%	12.15%	22.18%	21.42%
Benchmark Returns	13.70%	11.00%	12.60%	11.16%	1.52%	3.34%	3.97%	7.00%	18.84%	18.85%

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

PERFORMANCE REVIEW

The United Capital Money Market Fund returned an annualized net return of 22.42% as at end of January 2025, from 21.18% in the previous month. Meanwhile, benchmark return remained the same at 18.85% as at end of January 2025.

At the primary market, the CBN conducted an NT-bill auction with an offer size of N275.71bn across the 91-day, 182-day, and 364-day bills. At the auction, investors' demand was strong, as total subscriptions printed at N907.85bn, indicating an oversubscription rate of 3.29x. The bids were majorly skewed towards the longer-tenured instrument, "364-day bill", which received total bids of N512.00bn.

Looking into February, we expect N3.92trn in inflows to the financial system, i.e. N216.76bn in coupon payments, N2.20trn from NT-Bill maturities, and N1.50trn from OMO maturities. Examining the total auctions (N2.20trn) versus maturities to the tune of N1.71trn (excl. OMO auctions & FAAC payments), we expect the financial system to experience more deficit situations compared to Jan-2025. That said, we reckon that the key drivers of short-term rates in Feb-2025 will be a combination of the outcome of the NBS's GDP & CPI rebasing exercise as well as the MPC's meeting slated for 17 & 18 Feb-2025.

The Fund will continue to invest in high quality money market 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.

WHY CHOOSE THE FUND?

- Short-term capital preservation
- Seamless entry and exit
- Low entry threshold
- Professional management with robust risk framework

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 "Money Market 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.

