

United Capital Stable Income Fund

Mutual Funds Factsheet | January 2025

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FUND OBJECTIVE

The Stable Income Fund is an actively managed open-ended specialized fund whose main objective is to provide investors with stable returns over a medium to long-term period, through investment in select naira denominated highly rated fixed income instruments with relatively high return. The fund is targeted at investors looking to gain exposure to naira denominated fixed income instruments yielding relatively high return, with risk profile moderately higher than money market investment. The fund is ideal for investors with moderate risk tolerance and investment horizon. The Fund will also help investors diversify their portfolio and income streams whilst providing long-term capital appreciation, through investment in a selected portfolio of fixed income securities and investment products.

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.

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.

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 lackluster 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 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 favourite mop-up mechanism.

At the bond market, 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,.

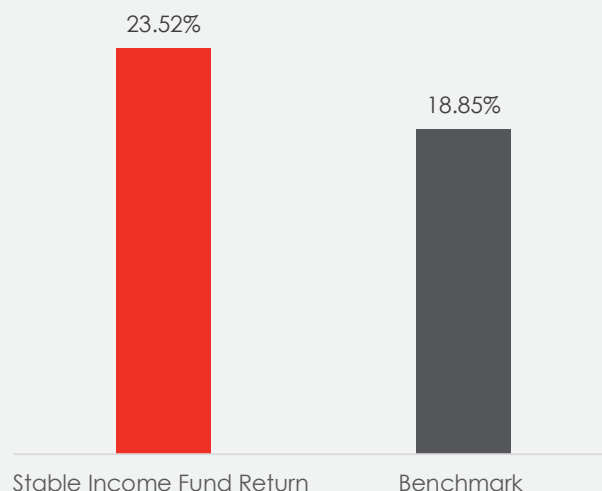
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FUND FEATURES

Fund Manager	United Capital Asset Management Ltd
Base Currency/Start Year	Naira/2024
Fund Size (₦)	10.6bn
NAV Per Share (₦)	110.6674
Minimum Entry (₦)	50,000,000
Additional Investment (₦)	10,000,000
Structure	Open Ended
Minimum Holding Period	30 days
Benchmark	91-Weighted Average T-Bills rate
Management Fee	2.0%
Total Expense Ratio*	2.3%
Risk Profile	Low
Income Distribution	Income Oriented

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

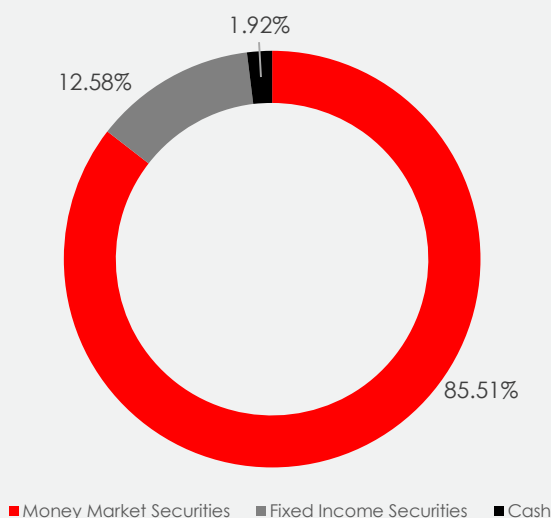
Stable Income Fund Return Vs Benchmark (Annualized)



MATURITY PROFILE OF ASSETS

< 1 yr.	87.42%
1 – 3yr	2.05%
3-5yr	4.86%
5 – 10yr	5.67%
>10yr	0.00%

Current Portfolio Holdings



Governance Asset Allocation Ranges:

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

RETURN HISTORY

	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24	2025 YTD
UCAP Stable Income Fund	22.88%	21.87%	22.09%	21.63%	21.93%	23.52%
Benchmark	19.06%	17.75%	17.75%	18.85%	18.84%	18.85%

PERFORMANCE REVIEW

The United Capital Stable Income Fund returned a year to date return of 23.52%, outperforming the benchmark by 4.67% as at the end of January.

At the primary market, the Central Bank of Nigeria held two NT-bill auctions during the month, with N1.27trn worth of bills allotted. There was however a decline in the rate of long-dated bills which resulted in a drive to accumulate those bills, driving yields further down. The fund was however able to take advantage of the downturn before the auction accumulating several bills which currently position the assets for mark to market gains.

The DMO also sold the 2029, 2031 and 2035 bond with a strong investors' demand pushing total subscriptions tot N606.46bn. This drove investors to take a cautious and lacklustre stand 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.

In February 2025 we expect more inflows into the financial system with an anticipated decline in money market instruments and a cautious trend in the bonds market as investors remain attracted to the elevated rates at the shorter end of the yield curve.

The Fund will continue to invest in high quality fixed income 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?

- Stable returns over a medium to long-term period
- Capital preservation
- Low risk investment
- Portfolio diversification
- Open entry and exit
- Professional management

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 "Stable Income 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.



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