

United Capital Fixed Income Fund

Mutual Funds Factsheet | June 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

The Debt Management Office (DMO) conducted its June-2024 bond auction, with a total offer size of N450.0bn across the 5-YR "APR 2029" (reopened), 7-YR "FEB 2031" (reopened) and 9-YR "MAY 2033" (reopened) bond papers. At the auction, investors' demand was weak, as total subscription printed at N305.3bn, implying an undersubscription rate of 0.7x. Notably, the DMO undersold the auction, allocating a total of N297.0bn worth of bond papers. Consequently, the marginal rate on the 2029, 2031 and 2033 papers climbed by 35bps, 45bps and 161bps, to settle at 19.64%, 20.19% and 21.50%, respectively.

In the secondary market, we observed mild sell pressures dominate the market as investors' sentiments were mainly bearish. Thus, average yields on sovereign bonds closed higher to print at 18.75% in June-2024, a 6bps m/m climb from the 18.69% print in May-2024.

In tandem, we observed sell offs in corporate bonds, as average yields at the end of June-2024 rose by 11bps m/m to close at 20.90% (previously 20.79%). On the other hand, the FGN Sukuk bonds closed bullish as average yields on Sukuk bonds declined by 34bps m/m to close at 19.21% compared to the previous month's close of 19.55%.

Looking ahead into July-2024, we expect mixed sentiments in the secondary bonds market. On one hand, we expect mild bullish sentiments to persist given that the general market disposition is that rates in the fixed income market may have peaked. On the other hand, we believe bond yields will trend northwards as bearish investors' sentiments dominate the market. This is underpinned by concerns about the nation's fiscal health and the efficacy of its monetary policy. Also, the expected hawkish stance of the MPC will keep rates elevated in the fixed-income market. In the primary market, we foresee healthy participation in the FGN Bond auction as the Federal Government (FG) remains heavily reliant on domestic borrowings to finance its recurrent expenditure. The reliance on the domestic debt market by the government is due to the underwhelming revenue generation performance compared to the budget.

FUND FEATURES

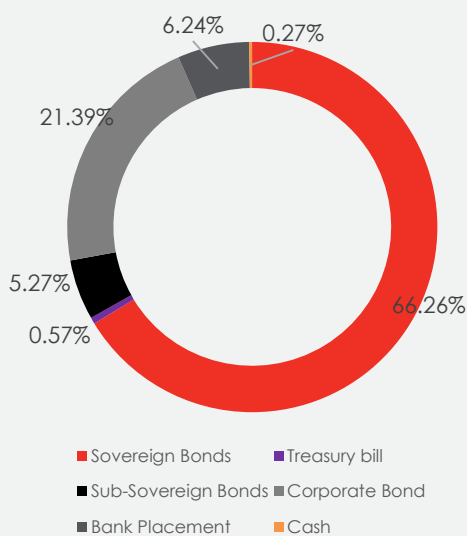
Fund Manager	United Capital Asset Management Ltd
Base Currency/Start Year	Naira/2006
Fund Size (₦)	87.2bn
NAV Per Share (₦)	1.8900
Minimum Entry (₦)	10,000
Additional Investment (₦)	5,000
Structure	Open Ended
Minimum Holding Period	90 days
Management Fee	1.5%
Total Expense Ratio*	1.8%
Benchmark	3-Yr 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	8.19%
1-3yr	32.35%
3-5yr	28.52%
5-10yr	11.74%
>10yr	19.20%

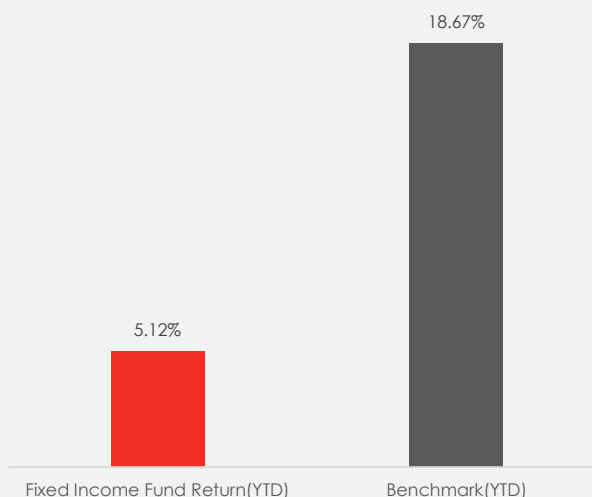
Current Portfolio Holdings



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 YTD
UC Fixed Income Fund	9.35%	6.40%	6.33%	6.88%	5.12%
Benchmark	3.54%	9.45%	12.83%	13.30%	18.67%

*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 June 2024 is 3.61% while the annualized YTD return is 5.12% relative to a 18.67% posted by the benchmark for the same period.

The return can be attributed mainly to accrued coupons on bond holdings as well as accrued interest on money market instruments held in the fund during the period.

In June, average yields increased marginally in the secondary market following the outcome of the bond auction.

We expect continued bearish sentiment going into Q3 and to continue in the near term. On the back of the N2.93 trillion expected inflow owing to bond coupon payments and bills maturities through the quarter, we expect investors to look to invest the funds.

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



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