

United Capital Money Market Fund

Mutual Funds Factsheet | June 2024

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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 June 2024 with a deficit balance of N79.5bn. During the month, the financial system was mainly in a deficit in line with the Central Bank's inflation-targeting framework aimed at keeping liquidity at bay. However, towards the tail-end of the month, system liquidity became reflat following inflows from FAAC payments (c.N600.0bn) and coupon payments (N216.5bn). This helped bolster the financial system. Despite the CBN's attempt to mop-up excess liquidity in the financial system via OMO auctions, investors' demand was lackluster and the Apex bank undersold the auction. As a result, the financial system closed the month with a surplus balance of N514.2bn. Consequently, the monthly average Open Repo Rate (OPR) and Overnight Rate (O/N) declined by 275bps m/m and 288bps m/m to print at 26.85% and 27.49% from 29.61% and 30.38%, respectively.

At the primary market, the Central Bank of Nigeria (CBN) conducted three NT-bills auctions during the month. At the first auction, the CBN offered a total of N221.1bn worth of maturing bills across the 91-day, 182-day and 365-day bills. At the auction, investors' demand was strong, as total subscription printed at N713.9bn. The bulk of the bids were skewed towards the longer-tenured instrument (365-day bill) which recorded a total subscription of N677.4bn. Notably, CBN oversold the auction, allotting a total of N278.4bn worth of bills. As a result, the stop rate of the 365-day bill fell by 2bps to settle at 20.67%. However, the stop rates on the 91-day bill remained unchanged at 16.50% and 17.50%.

Additionally, the Central Bank conducted three OMO

auctions during the month to mop-up the excess liquidity in the financial system. The first auction recorded strong demand to the tune of N986.9bn, implying an oversubscription rate of 1.97x when compared to N500.0bn on offer. Noteworthy, there were no bids for the 90-day bill, as investors were focused on the longer-tenured instrument (363-day bill, which recorded total bids of N985.9bn). Thus, stop rates on the 188-day, and 363-day bills tapered by 11bps and 3bps to print at 19.480% and 22.229%, essentially powered by the strong demand vis-à-vis the supply of bills at the auction. The second auction, with an offer size of N500.0bn, was met with weak demand as investors demand printed at N321.5bn, implying an undersubscription rate of 0.6x. Given the restriction on rates when compared to investors bid ranges, there was no sale at the second auction. At the third auction, the CBN reduced its offering to N150.0bn across all tenors given the "no-show" at the previous auction. Nevertheless, investors only demanded for the 47-day bill, as bids printed at N295.9bn. Consequently, the Apex bank sold a total of N295.9bn and stop-rate on the 374-day bill climbed by 25bps to 22.48%.

In the secondary market, we saw significant bearish sentiments throughout the month of June-2024. As a result, the average NT-bills yield climbed by 35bps m/m to close the month of June-2024 at 22.07% (previously 21.72%). Similarly, the average yield on OMO bills increased by 202bps to settle at 23.45% in June-2024 from 21.43% in the prior month.

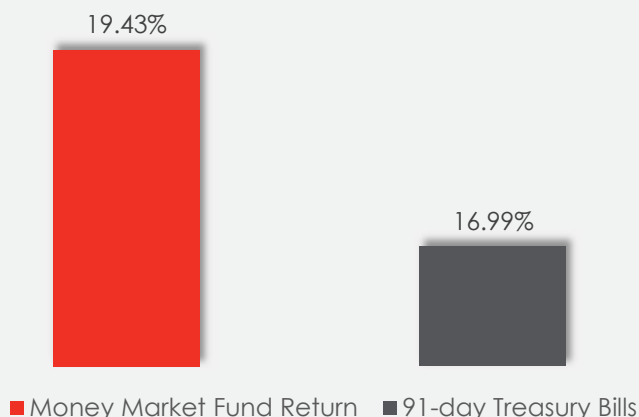
Looking into July 2024, we anticipate a total of N282.0bn worth of inflows to hit the financial system. Although this is marginally higher than June's inflow of N216.8bn, we expect the inflow to sufficiently bolster the financial system. This is because we expect the CBN to remain aggressive in mopping up excess liquidity in the financial system in line with the inflation-targeting framework. As a result, this will provide room for rates (FTDs and money market rates) to remained elevated at current levels. Lastly, the Monetary Policy Committee (MPC) is scheduled to meet on the 22nd-23rd of July 2024 to deliberate on the direction of the nation's interest rate environment. At the meeting, we expect the Committee to HIKE the benchmark interest rate, popularly known as the Monetary Policy Rate (MPR), albeit marginally (25-50bps). This is on the back of the gradual slowing down of Nigeria's headline inflation, as evident by the decelerating m/m inflation print.

FUND FEATURES

Fund Manager	United Capital Asset Management Ltd
Base Currency/Start Year	Naira/2006
Fund Size (₦)	40.324Bn
NAV Per Share (₦)	1
Minimum Entry (₦)	10000
Additional Investment (₦)	5000
Structure	Open Ended
Minimum Holding Period	Nil
Benchmark	91-day T-Bills
Management Fee	1.0%
Total Expense Ratio*	1.3%
Risk Profile	Low
Income Distribution	Income Oriented

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

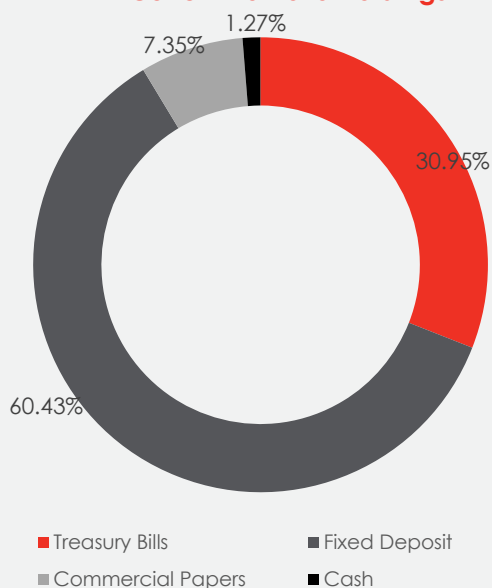
Money Market Fund Return vs Benchmark



MATURITY PROFILE OF ASSETS

0-30days	1.27%
31-60days	5.69%
61-90days	62.15%
91-180days	14.17%
180-365 days	16.72%

Current Portfolio Holdings



RETURN HISTORY

	2019	2020	2021	2022	2023	JUNE 2024
Money Market Fund Return	12.9%	5.42%	6.91%	9.34%	11.48%	19.43%
Benchmark Returns	11.2%	1.52%	3.34%	3.97%	7.00%	16.99%

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

PERFORMANCE REVIEW

The United Capital Money Market Fund has continued to outperform its benchmark, returning an annualized year to date net return of 19.43% compared to benchmark return of 16.99% for the same period. The strong performance of the fund was largely driven by strategic rotation and selection of higher yielding investments within the allowable risk profile.

The maintained hawkish stance by the monetary authority continue to drive interest rates higher, especially at the short end. However, in the month of June, the market witnessed a more relatively stable interest rates across the curve. At the first auction, the CBN offered a total of N221.1bn worth of maturing bills across the 91-day, 182-day and 365-day bills. At the auction, investors' demand was strong, as total subscription printed at N713.9bn. The bulk of the bids were skewed towards the longer-tenured instrument, reflecting market expectation of a moderating yield environment.

At the second auction, the CBN offered a total of N44.2bn worth of maturing bills across the 91-day, 182-day and 365-day bills. At the auction, investors' demand was strong, as total subscription printed at N407.8bn, majorly skewed towards the longer-tenured instrument. The CBN oversold, allotting N55.2bn. Given the strong demand at the auction, stop rates across all the tenors offered tapered. For context, the stop rates across the 91-day, 182-day and 364-day bills tapered by 20bps, 6bps, and 17bps to print at 16.30%, 17.44%, and 20.50%, respectively.

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.

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?

- 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
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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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