

United Capital Nigerian Eurobond Fund

Mutual Funds Factsheet | June 2024

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FUND OBJECTIVE

The United Capital Nigerian Eurobond Fund is an open-ended mutual fund that is invested in Dollar denominated Eurobonds, floated by the Federal Government of Nigeria, as well as top-tier corporates. Subscribers can expect to receive competitive short to medium term capital appreciation on their USD holdings invested in the Fund better than they would receive on domiciliary deposits. The minimum investment is \$1,000 and multiples of \$500 thereafter.

MARKET REVIEW, OUTLOOK AND STRATEGY

In June 2024, bearish sentiment towards Nigerian Eurobonds resumed in the secondary market following modest gains in May. There was an absence of inflows to the market (i.e. coupon payments) to bolster liquidity. Nigeria's all-time high 33.95% inflation, and other weak performance indicators have called for yield repricing in both the domestic debt capital market and the Eurobond market. Also, the slow return of global inflation to target levels dampened hopes of sustainable US Dollar inflows to Eurobonds. The bearish sentiment was across the curve as the price action on all instruments was subdued. The largest selloffs were for the 5-yr (Mar-2029), 4-yr (Sep-2028) and 7-yr (Jan-2031) Eurobonds. Consequently, on a month-on-month basis, average yields in the secondary market for Nigerian Eurobonds rose by 42bps to print at 10.19%. (previously 9.76%).

In July, we expect risk off sentiments towards Nigerian Eurobonds to continue to weigh on their prices. There will be coupon payments totaling \$78.42mn, however, this is not expected to inspire a bull run. Nigeria still faces external liquidity problems and an unsustainable debt burden which do not inspire buy-interest given the tight global financial conditions with the US Fed yet to begin an easing cycle. In its April fiscal monitor report, the IMF stated that Nigeria's debt-to-GDP ratio is expected to rise from 46.3% in 2023 to 46.6% in 2024. Given current borrowing conditions, we expect Nigeria to continue to face budgetary constraints and prioritize debt repayment over critical development needs. Nonetheless, Nigeria is not at risk of default given her average debt maturity is 9 years.

There remains optimism that Nigeria will re-enter the Eurobond market this year, following a 2-year absence. Nigeria like other African economies was priced out of the international market as yields soared with rising US interest rates. However, in 2024, Ivory Coast, and Senegal have successfully issued Eurobonds. The Governor of the Central Bank earlier in June voiced support for returning to the Eurobond market, confident that the Naira volatility is in the past. Authorities have remained silent on the timing of the issuance. We expect Nigeria new Eurobond issuances to be longer maturities (>10 years), as these will spread coupon payments over a longer period and enable Nigeria greater budgetary flexibility, reducing default risk.

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.

FUND FEATURES

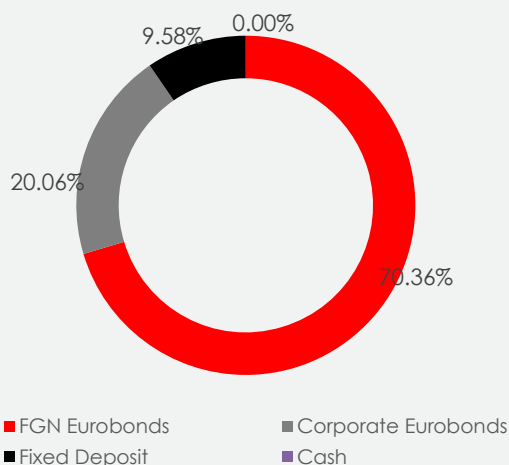
Fund Manager	United Capital Asset Management Ltd
Base Currency/Start Year	USD/2017
Fund Size (\$)	150.974m
NAV Per Share (\$)	127.0623
Minimum Investment(\$)	1,000
Additional Investment (\$)	500
Structure	Open Ended
Minimum Holding Period	90 days
Management Fee	1.25%
Total Expense Ratio*	1.52%
Benchmark	Composite of 3-yr FGN sovereign Eurobond and 3mth US T-Bill
Risk Profile	Medium
Investment Style	Income Oriented

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

MATURITY PROFILE OF ASSETS

<1yr	9.58%
1-3yr	14.98%
3-5yr	3.54%
5-10yr	20.83%
>10yr	51.08%

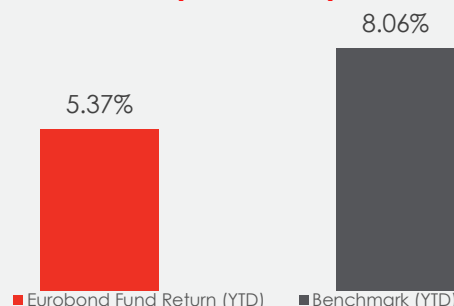
Current Portfolio Holdings



Governance Asset Allocation Ranges:

FGN Eurobonds (20%-80%); Corporate Eurobonds (20%-80%); Money Market placements (0% - 20%)

Eurobond Fund Return Vs Benchmark (Annualized)



RETURN HISTORY

	2019	2020	2021	2022	2023	2024 YTD
UCAP Nigerian Eurobond Fund	8.00%	7.10%	6.84%	5.73%	5.52%	5.37%
Benchmark	3.95%	2.17%	4.04%	8.91%	7.46%	8.06%

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

PERFORMANCE REVIEW

The United Capital Nigerian Eurobond Fund closed the month with an annualized year-to-date return of 5.37%, compared to 5.36% in the previous month. The benchmark return rose to 8.06% (7.78% in the previous month).

In the month of June, The Nigerian Eurobond space witnessed reduced interest as market participants shy away, leading to decline in yields across the curve. The largest selloffs were for the 5-yr (Mar-2029), 4-yr (Sep-2028) and 7-yr (Jan-2031) Eurobonds. Consequently, on a month-on-month basis, average yields in the secondary market for Nigerian Eurobonds rose by 42bps to print at 10.19%. (previously 9.76%).

We expect the current trend to linger into the new month of July, with no significant decline in yield across the curve. Considering Nigeria's external liquidity issues, we do not expect a surge in buy interest on Nigerian Eurobonds. The SSA Eurobond space is expected to witness a downward trend in inflation due to base effect, leading to monetary easing and moderate yield decline. Consequently, the Nigerian Eurobond market could benefit from renewed interest in the SSA. However, this is not expected to translate into a significant yield decline across the curve.

We will continue to maintain the required allocation ranges in line with the Trust Deed, and tactically pick higher yielding maturities in the sovereign bond space to enhance the performance of the Fund.

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WHY CHOOSE THE FUND?

- Much better returns than the average domiciliary deposit
- A good hedge against depreciation of the Naira
- Seamless Entry and Exit
- Professional management with robust risk framework
- Long term capital preservation and growth

INVESTMENT RISK

- Credit Risks
- Macroeconomic instability
- Interest Rate Risk

HOW TO PARTICIPATE

1. Log in to our online platform www.investnow.ng
2. Click on "Eurobond Fund"
3. Click on "Open an account" and complete the online form
4. Fund the Custody Account detailed here

UNITED CAPITAL NIGERIAN EUROBOND FUND

Account No: 0406315251

Account Name: MAINSTREET TRUSTESS/UNITED CAPITAL NIGERIAN EUROBOND FUND

Currency: USD

Bank: FCMB

Correspondent Bank: CITIBANK, New York, USA,
399 Park Avenue, New York, NY10043, U.S.A.

BIC/SWIFT ID:FCMBNGLAXXX

Intermediary BIC : CITIUS33XXX



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