

# United Capital Sukuk Fund

Mutual Funds Factsheet | June 2024

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## FUND OBJECTIVE

The objective of the fund is to provide investors with a low-risk investment with stable and competitive returns through investments in short, medium and long-term Sharia-Compliant securities and investment products, whilst ensuring the preservation of capital and maintaining a reasonable degree of liquidity.

The Fund aims to provide its Unitholders with halal profits on the growth of their capital over the long-term in accordance with the principles of Islamic finance.

## 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**

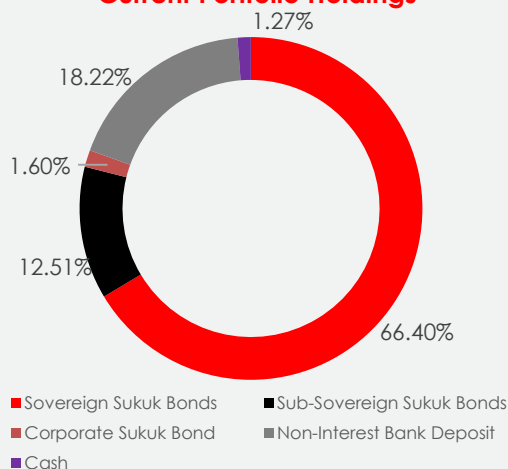
<b>Fund Manager</b>	United Capital Asset Management Ltd
<b>Base Currency/Start Year</b>	Naira/2020
<b>Fund Size (₦)</b>	3.8bn
<b>NAV Per Share (₦)</b>	1.1570
<b>Minimum Entry (₦)</b>	10,000
<b>Additional Investment (₦)</b>	5,000
<b>Structure</b>	Open Ended
<b>Minimum Holding Period</b>	90 days
<b>Management Fee</b>	1.5%
<b>Total Expense Ratio*</b>	1.8%
<b>Benchmark</b>	3-Yr FGN Sovereign Sukuk Yield
<b>Risk Profile</b>	Medium
<b>Investment Style</b>	Income Oriented

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

**MATURITY PROFILE OF ASSETS**

<1yr	18.50%
1-3yr	40.20%
3-5yr	6.30%
5-10yr	35.10%
>10yr	0.00%

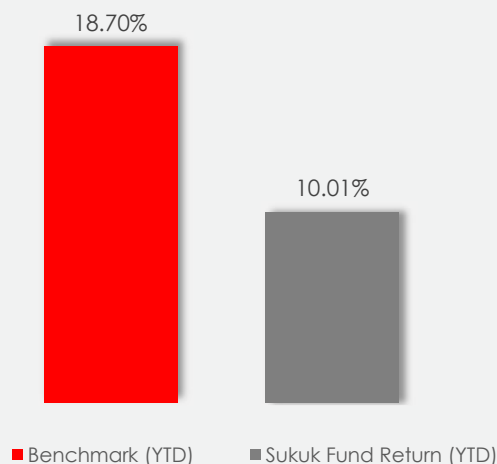
**Current Portfolio Holdings**



**Governance Asset Allocation Ranges:**

Non-Interest Bank Deposit (20%-40%); Sukuk Bond: (60%-80%)

**Sukuk Fund Return Vs Benchmark (YTD)**



**RETURN HISTORY**

	2021	2022	2023	2024 YTD
United Capital Sukuk Fund	7.32%	7.23%	11.36%	10.01%
Benchmark	9.88%	12.92%	13.20%	18.70%

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

**PERFORMANCE REVIEW**

The United Capital Sukuk Fund annualized return for the month of June 2024 is 4.82% while the annualized YTD return is 10.01% relative to the return of 18.70% posted by the benchmark for the same period.

The return can be attributed mainly to accrued interest on money market securities held in the fund for this period.

The month of May witnessed a passthrough effect of policies made by the monetary authority in the first quarter of the year. This continue to affect yields across the different ends of the curve as well as the activities of the DMO at bond auctions. Consequently, we still see elevated yield levels across the different maturities in the bonds market.

Due to the recent attraction to Sukuk funds, we expect more issuances to take place in the coming months. We would continue to watch out for attractive sukuk offers to boost return.

The Fund maintains sufficient exposure to FGN Sukuk, money market instruments and sub-sovereign and corporate Sukuk with significantly higher yields. We will maintain current allocation to enhance returns 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 Risks
- Macroeconomic instability
- Interest Rate Risk

### HOW TO PARTICIPATE

1. Log in to our online platform [www.investnow.ng](http://www.investnow.ng)
2. Click on **Sukuk 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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