

United Capital Balanced Fund

Mutual Funds Factsheet | March 2025

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FUND OBJECTIVE

The objective of the United Capital Balanced Fund is to achieve long-term capital appreciation and income distribution through investment in a portfolio of securities and instruments as specified in the Trust Deed. The Fund is targeted at investors who seek a blend of safety and regular income. The Fund holds equities and fixed income assets in a blended proportion. The securities are held in relatively small proportions to diversify unsystematic risk in the portfolio.

The Fund aims to balance risk and return. The risk profile is structured to be lower than that of a pure equity investment. With assets tactically allocated between fixed income and equity investments, the Fund is structured for investors seeking a blend of safety, income and modest capital appreciation.

The equity portion of the Fund has exposures to mid-cap and large-cap stocks with significant diversification across sectors of the Nigerian economy. Investment decisions are driven by rigorous research in line with carefully designed Enterprise Risk Management framework.

MARKET REVIEW, OUTLOOK AND STRATEGY

In March 2025, the bears dominated the Nigerian Exchange Limited (NGX) despite pockets of buy-interests during the month. We observed bargain-hunting activities across some fundamentally strong stocks as investors position themselves and take advantage of low prices and the FY-2024 earning season as well as corporate action declarations. However, investors remain cautious towards the equities market due to the MPC's decision to hold the benchmark interest rate constant at current levels of 27.50%. Also, elevated interest rates in the fixed-income market continue to serve as a key demotivator for risk on sentiments in the equities market. A standout underperformer was TRANSCOR, which declined by 21.05% m/m. Additionally, losses in large-cap stocks, MTNN (-7.27% m/m), BUACEMEM (-10.00% m/m), and OANDO (-16.71% m/m) dragged the local bourse southwards. As a result, the benchmark NGX-All Share Index (NGX-ASI) declined by 199bps to close at 105,660.64 points. Consequently, YTD return weakened to 2.66% from February's print of 4.76%, with market capitalisation settling at N66.26tn.

At the primary NTB market during the month, the CBN offered a total of 2.71tn was offered with investors' demand strong across the four auctions held during the month. On a month-on-month basis, stop rates increased across the tenors with the 91 days, 182 days and 364 days increase by 100bps, 50bps and 120bps respectively to settle at 18%, 18.5% and 19.63%.

In the secondary money market, we observed buying sentiments across the curve. This buy-interest can be attributed to investors locking in funds at the current high rates, given the prognosis which indicates further decline in rates and a reversal of the yield curve. As a result, the average NT-bills yield fell by 45bps m/m to close the month of Mar-2025 at 19.44% (previously 19.89% in Feb-2025). Meanwhile, the average yield on OMO bills climbed by 168bps, settling at 24.20% in Mar-2025 from 22.52% in the prior month.

During the month, the DMO offered 300bn across the April 2029 and May 2033 bonds and sold 271.1bn across both tenors. Stop rate settled at 19% and 19.99% for the 2029 (down by 20bps from the February auction) and 2033 bonds, respectively.

In the secondary bond market, we observed bearish sentiments in the market as the uptick in primary market rates (during the month) casted a shadow of doubt/uncertainty amongst investors. This is because of the

dovish outlook for rates in the fixed-income market in H1-2025. Thus, average yields on sovereign bonds closed higher to print at 18.71% in Mar-2025, 18bps m/m up from the 18.53% print in Feb-2025.

Similarly, we observed mild sell-offs in corporate bonds, as average yields in Mar-2025 increased marginally by 4bps m/m to close at 21.28% (previously 21.24% in Feb-2025). Likewise, the FGN Sukuk bonds closed bearish as average yields on Sukuk bonds climbed by 18bps m/m to close at 19.03% in Mar-2025 compared to the previous month's close of 18.85%.

Looking ahead into Apr-2025, we maintain a modest outlook for the domestic equities market, supported by the FY-2024 earnings season. Investors will continue bargain-hunting stocks with strong fundamentals. We strongly anticipate impressive outtings among corporates in the financial services sector (particularly the banks) given the impact of the Foreign Exchange (FX) revaluation gains and elevated interest rate environment in 2024. Thus, we expect a modest appetite among investors towards corporates in the financial services sector. Additionally, investors will position themselves in dividend-paying stocks as full-year dividend declarations commence fully. Overall, the market is expected to experience volatility, with the potential for modest recovery in mid-to-late April depending on corporate results and market reactions.

We anticipate total inflows of N3.13tn, comprised of N431.23bn in coupon payments, N1.25tn from NT-bill maturities, and N1.45tn from OMO maturities into the financial system. Although this represents a 16.99% decrease compared to March's inflow of N3.77tn, we expect the financial system to be supported by FAAC payments and possible CRR refunds. Meanwhile, we do not rule out the likelihood of the CBN resorting to OMO auctions and primary market activities to mop up anticipated liquidity in the financial system.

We expect the cautious trend in the bonds market to persist as investors remain attracted to the interest rates at the shorter end of the yield curve, particularly keeping in view the neutral/dovish outlook of monetary policy in H1-2025. Thus, we expect bond yields to remain around current levels in April with a possibility of inching slightly. In the primary market, we foresee healthy participation in the FGN Bond auction as the Federal Government (FG) relies heavily on domestic borrowings to finance its recurrent expenditure. The government's reliance on the domestic debt market is due to the underwhelming revenue generation performance compared to the budget.

FUND FEATURES

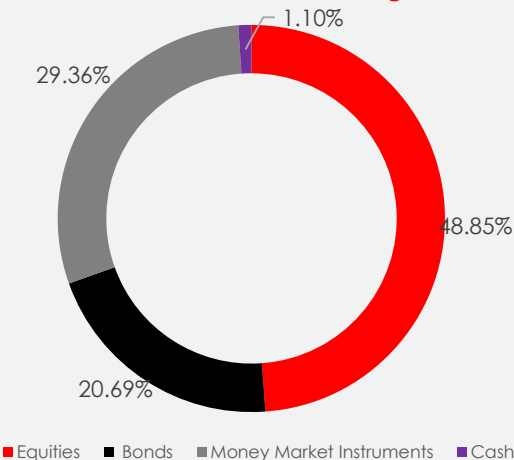
Fund Manager	United Capital Asset Management Ltd
Base Currency/Start Year	Naira/2006
Fund Size (₦)	2.3bn
NAV Per Share (₦)	2.1080
Minimum Entry (₦)	10,000
Additional Investment (₦)	5,000
Structure	Open Ended
Entry/Exit Charges	Nil
Management Fee	1.5%
Total Expense Ratio*	1.8%
Benchmarks	91-Day T-bills/NSE ASI/3-year FGN Bond
Risk Profile	Moderate
Investment Style	Market Oriented

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

MATURITY PROFILE OF ASSETS

0-30days	33.78%
31-60days	3.14%
61-90days	19.18%
91-180days	0.00%
180-365 days	11.80%
>1 year	32.10%

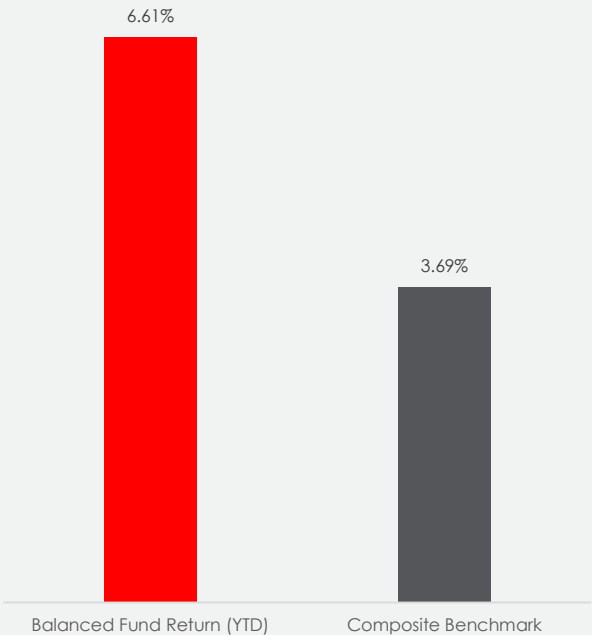
Current Portfolio Holdings



Governance Asset Allocation Ranges:

Quoted Equities (40-60%), Fixed Income (20% - 60%); Money Market Instruments (40% - 60%)

Balanced Fund Return Vs Benchmark (YTD)



RETURN HISTORY

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025 YTD
UCAP Bal. Fund	5.00%	22.40%	1.16%	3.77%	14.35%	6.19%	4.89%	42.23%	30.41%	6.61%
Composite Benchmark	5.10%	22.70%	1.70%	-1.73%	25.16%	5.56%	12.82%	19.97%	26.62%	3.69%

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

PERFORMANCE REVIEW

The United Capital Balanced Fund returned -0.70% for the month of March 2025 translating to a YTD return of 6.61% compared to 3.69% posted by the composite benchmark during the same period.

The Nigerian stock market was broadly bearish in March as the benchmark index shed 2.00% on a MoM basis translating to a YTD return of 2.66%. The negative sentiment was driven majorly by decline in large cap stocks amidst dividend declaration from major tickers.

Looking ahead for Q2 2025, we expect that mixed sentiment will continue to persist amidst the uncertainty in the global market as a result of the trade war and its impact on the Nigerian economy. The fund manger will continue to take position in tickers with good fundamentals and ensure a mix with money market and fixed income instruments to take advantage of the current attractive yield environment.

We will maintain our allocation in line with the investment policy objectives and the Trust Deed.

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?

- Low volatility of Investment returns
- Well diversified portfolio
- Seamless entry and exit
- Professional management with robust risk framework
- Automatic rebalancing in times of rising or falling markets
- Ability to enjoy long term capital growth as well as safety

INVESTMENT RISK

- Market risk of equity exposure
- Macroeconomic instability

HOW TO PARTICIPATE

1. Log in to our online platform www.investnow.ng
2. Click on "Balanced 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

