

# United Capital Global Fixed Income Fund

Mutual Funds Factsheet | May 2024

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## FUND OBJECTIVE

The United Capital Global Fixed Income Fund is an actively managed open-ended specialized fund whose main objective is to achieve consistent income streams through investment in select dollar-denominated global Fixed income securities issued by non-Nigerian issuers, sovereign as well as top-tier corporate Eurobonds. The fund is targeted at investors looking to diversify their portfolios from county specific investment risks.

The Fund will also provide portfolio managers access to diversify their portfolio and income streams whilst providing long-term capital appreciation. The minimum investment is \$50,000 and multiples of \$1000 thereafter.

## MARKET REVIEW, OUTLOOK AND STRATEGY

Inflation in the United States continued to be higher than expected (particularly in Q1-2024), presenting extended incentive for the Fed to keep its benchmark interest rate “higher for longer” at the current restrictive (terminal) level. For context, the personal consumption expenditures (PCE) price index rose by 2.7% y/y in April 2024, after advancing at the same pace in March 2024 (compared to the Fed's 2.0% target). The PCE price index is one of the inflation measures tracked by the US central bank for its 2.0% target. In further context, during its May meeting, the Federal Reserve unanimously voted to hold policy rates steady for the sixth consecutive time, leaving the federal funds target rate unchanged at 5.25% to 5.5%. The restrictive monetary stance of the Fed is challenged with a key deterrent: the US fiscal budget deficit, which currently stands at around 6.3% of GDP. This level of deficit is typically seen during times of war or deep recession, not during high employment and resilient growth. Ultimately, the degree of liquidity present in the US financial system has acted as a catalyst for the continued growth of riskier asset classes and would continue to do so if left uncontrolled, pushing back against US Treasury yields. But until these fiscal deficits are reined in, the sticky situation of inflation in the US will remain unabated with further upside surprises. However, any fiscal prudence is unlikely to occur before the US election. Inflation in the Eurozone rebounded northward for the first time in five (5) months, in May 2024, rising by 2.6% y/y, 20bps faster compared to the 2.4% y/y increase in April 2024. This reading exceeded a consensus estimate of 2.5%. However, despite the Eurozone inflation rising in May 2024, ECB Chief Economist Philip Lane signaled that borrowing costs would be lowered from the top level of restriction at the June 6 meeting, with the pace of subsequent easing of borrowing (after June) largely depending on incoming economic data (such as Inflation).

**In the US, we expect borrowing costs to be kept “higher for longer” till more positive signs on inflation trajectory surface. Given the positive correlation between government spending and inflation, we expect rate cut decision by the Fed in H2-2024 (pre-election) to be dicey, as inflation in the US looks to remain sticky for longer. Post-election fiscal prudence is expected to play a key role in taming the lingering sticky inflation. Elsewhere in Europe, we expect the ECB and BoE to cut their benchmark interest rate in June 2024. However, subsequent economic data will determine the pace of rate cuts in H2-2024.**

*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

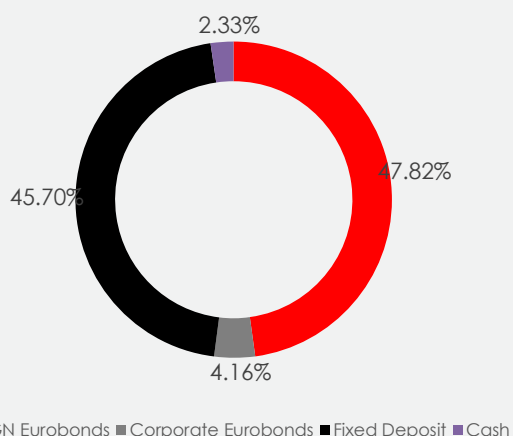
Fund Manager	United Capital Asset Management Ltd
Base Currency/Start Year	USD/2023
Fund Size (\$)	35.278Mn
NAV Per Share (\$)	1.1210
Minimum Investment(\$)	50,000
Additional Investment (\$)	500
Structure	Open Ended
Minimum Holding Period	180 days
Management Fee	2.00%
Total Expense Ratio*	2.25%
Benchmark	3-yr FGN sovereign Eurobond
Risk Profile	Medium
Investment Style	Income Oriented

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

### MATURITY PROFILE OF ASSETS

<1yr	49.12%
1-3yr	10.39%
3-5yr	21.54%
5-10yr	6.59%
>10yr	12.32%

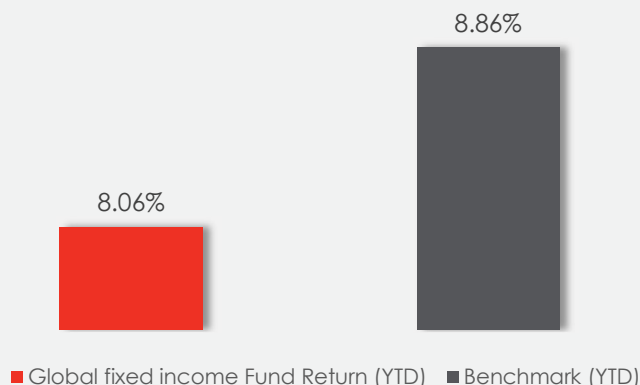
### Current Portfolio Holdings



#### Governance Asset Allocation Ranges:

Nigerian Eurobonds- FGN Sovereign and Corporates (50%-70%); Money Market Instruments (30% - 50%) Global Fixed Income securities(0%-20%), Alternative Investment Assets denominated in USD (0%-20%)

### Global Fixed Income Fund Return Vs Benchmark (Annualized)



### RETURN HISTORY

	Q1	Q2	Q3	Q4	FY 2023	2024 YTD
UCAP Global Fixed Income Fund	6.17%	11.29%	7.93%	9.10%	8.64%	8.06%
Benchmark	13.07%	9.83%	9.89%	8.43%	8.43%	8.86%

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

### PERFORMANCE REVIEW

The United Capital Global Fixed Income Fund generated an annualized year to date return of 8.06% as at end of May, compared to 7.57% in the previous month. Meanwhile, the benchmark return closed at 8.86% at the end of the month.

In line with our expectation, the Federal Reserve unanimously voted to hold policy rates steady for the sixth consecutive time, leaving the federal funds target rate unchanged at 5.25% to 5.5%. This decision reiterate market opinion that the FED may not cut rate until later in Q4. The high liquidity within the US financial system has spurred the ongoing expansion of riskier asset categories. This trend is expected to persist unabated, exerting pressure on US Treasury yields if not effectively controlled. Eurozone inflation surged in May 2024, marking its first increase in five months. The year-on-year rise stood at 2.6%, surpassing April 2024's 2.4% increase by 20 basis points. This figure surpassed the consensus forecast of 2.5%.

We expect moderate yield movements in the SSA Eurobond market in the short term, as market participants cautiously take position in anticipation of global rate cuts.

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?**

- Delivers significantly higher returns than regular domiciliary bank deposits
- 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](http://www.investnow.ng)
2. Click on "Global fixed income Fund"
3. Click on "Open an account" and complete the online form
4. Fund the Custody Account detailed here:

**UNITED CAPITAL GLOBAL FIXED INCOME FUND**

**Account Name:** EAC Trustees/ United Capital Global Fixed Income Fund

**Account No:** 0045814566

**Currency:** USD

**Bank:** STANBIC IBTC

**Correspondence :** Citibank N.A 111 Wall Street, New York N/A

**Swift Code :** CITIUS33XXX ABA 021000089



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