

United Capital Money Market Fund

Mutual Funds Factsheet | May 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 May 2024 with a deficit balance of N74.3bn in line with the Federal Government (FG) inclination to keep system liquidity tight. Notably, the MPC hiked the Monetary Policy Rate (MPR) by 150bps from 24.75% to 26.25% in a bid to mop up liquidity and rein down inflationary pressures. During the month, the financial system became reflat following inflows from FAAC payments of c.N600.0bn and coupon payments of N23.5bn. However, due to the mop-up activities via the OMO, NT-Bills and FGN bond auctions, system liquidity declined. Thus, the financial system closed the month with a surplus balance of N80.7bn. Consequently, the monthly average Open Repo Rate (OPR) and Overnight Rate (O/N) climbed by 143bps m/m and 147bps m/m to print at 29.61% and 30.38% from 28.18% and 28.91%, respectively. At the primary market, the Central Bank of Nigeria (CBN) conducted two NT-bills auctions during the month. At the first auction, the CBN offered a total of N179.4bn 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 N914.1bn. The bulk of the bids were skewed towards the longer-tenured instrument (365-day bill) which recorded a total subscription of N879.8bn. Notably, CBN oversold the

auction, allotting a total of N274.7bn worth of bills. Thus, the stop rates across the 91-day, 182-day and 365-day bills remained unchanged at 16.24%, 17.00% and 20.70%, respectively.

At the second auction, the CBN offered a total of N509.0bn 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 N1.6tn. The bulk of the bids were skewed towards the longer-tenured instrument (365-day bill) which recorded a total subscription of N1.4tn. Notably, CBN oversold the auction, allotting a total of N639.0bn worth of bills. Ultimately, the stop rates across the 91-day, and 182-day bill climbed by 26bps and 45bps to 16.50% and 17.45%, respectively, while the 365-day bills moved lower by a 1bp margin to close at 20.69% from 20.70%.

In the secondary market, we saw significant bullish sentiments throughout the month of May-2024 as investors seek to fulfill unmet bids from the primary market. As a result, the average NT-bills yield fell by 48bps m/m to close the month of May-2024 at 21.72% (previously 22.20%). On the other hand, the average yield on OMO bills climbed by 268bps to settle at 21.43% in May-2024 from 18.75% in the prior month.

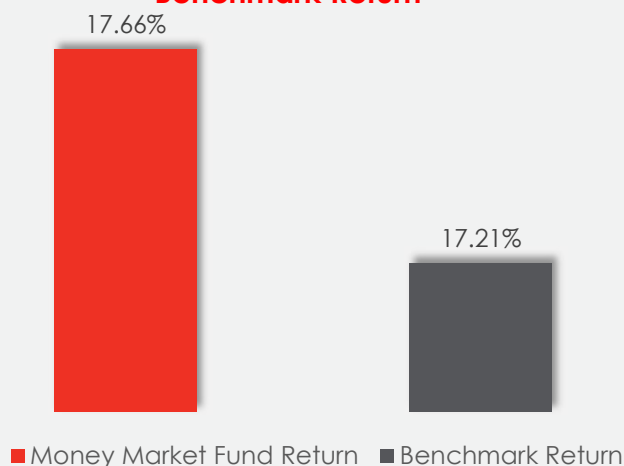
Looking into June 2024, we anticipate a total of N139.1bn worth of inflows to hit the financial system. Although this is higher than May's inflow of N23.5bn, we expect the financial system to be relatively tight. This is hinged on MPC's 150bps interest rate hike from 24.75 to 26.25% to keep system liquidity at bay. Also, another supporting factor is the Central Bank's disposition to keep interest rates high to improve real returns and attract foreign investors. All these provide room for money market rates to be elevated. Consequently, we expect rates (FTD and money market rates) to remain high at current levels, with the probability of inching upwards. Meanwhile, following signs that interest rates may have peaked at the short end of the curve, we anticipate sustained buy interests in the NT-bills market as investors look to take advantage of the high returns.

FUND FEATURES

Fund Manager	United Capital Asset Management Ltd
Base Currency/Start Year	Naira/2006
Fund Size (₦)	40.090Bn
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

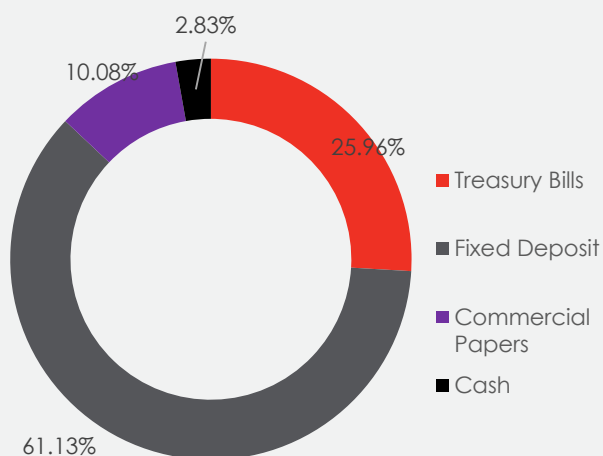
Money Market Fund Return vs Benchmark Return



MATURITY PROFILE OF ASSETS

0-30days	29.92%
31-60days	4.25%
61-90days	53.97%
91-180days	1.39%
180-365 days	10.47%

Current Portfolio Holdings



RETURN HISTORY

	2019	2020	2021	2022	2023	MAY 2024
Money Market Fund Returns	12.9%	5.42%	6.91%	9.34%	11.48%	17.66%
Benchmark Returns	11.2%	1.52%	3.34%	3.97%	7.00%	17.21%

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

PERFORMANCE REVIEW

The United Capital Money Market Fund outperformance its benchmark as at end of May 2024, returning 17.66% annualized year to date return, compared to benchmark's return of 17.21%. The return was largely driven by strategic rotation towards higher yielding investments and high reinvestment rates.

The monetary authority's hawkish stance to combat inflation stabilize the Naira has continued raise interest rates across the curve, making short term investments quite attractive. The MPC hiked the Monetary Policy Rate (MPR) by 150bps from 24.75% to 26.25% in a bid to mop up liquidity and rein down inflationary pressures. At the NTB primary market auction, investors' demand was strong, especially demand for longer-tenured instruments, with total subscription closing at ₦914.1bn.

In the secondary market, rates remained relatively stable in the month of May, when compared with the prevailing months. This low volatility in yields being witnessed at the secondary market is attributable to stable stop rates at the primary market auctions. Thus, indicating that the Central Bank of Nigeria may be easing off on raising these rates at the primary market auction.

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.

We would continue to ensure that the investments in the fund are within the short-term duration to enhance liquidity for the fund and take advantage of market movements.

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
2. Click on "Money Market 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.



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