

# United Capital Nigerian Eurobond Fund

Mutual Funds Factsheet | May 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 May 2024, the Nigerian Eurobonds market was influenced by a myriad of factors including the revision of Nigeria's Long-Term Foreign-Currency Issuer Default Rating (IDR) by Fitch Ratings, from Stable to Positive. Fitch also affirmed the Issuer Default Rating (IDR) at B-. According to Fitch, the positive outlook partly reflects reforms over the last year to support the restoration of macroeconomic stability and enhance policy coherence and credibility. Exchange rate and monetary policy frameworks have been adjusted, fuel subsidies reduced, coordination between the Ministry of Finance and the Central Bank of Nigeria improved, central bank financing of the government scaled back, and administrative efficiency measures are being taken to raise the currently low government revenue, as well as oil production. Fitch also disclosed that the reforms have reduced distortions stemming from previous unconventional monetary and exchange rate policies, resulting in the return of sizeable inflows to the official foreign exchange (FX) market. Other factors that drove positive momentum in the Eurobonds market is the imminent shift in monetary policy of central banks in advanced economies, as they are currently being held at restrictive levels. However, the torrid and uncertain trajectory of inflation in the global environment continued to restrict overall interest toward SSA Eurobonds, with central banks like the Fed determined to keep interest rates "higher for longer" to tame sticky inflation. That said, on a month-on-month basis, average yields in the secondary market for Nigerian Eurobonds declined by 4bps to print at 9.89%. (previously 9.93%).

**In June, we expect positive sentiments towards Nigerian Eurobonds to prevail, supported by the \$148.6mn coupon payment expected during the month (which is most likely to be re-invested into the Eurobonds market). Generally, in the SSA sub-region, we expect inflation to trend downwards largely due to the high base effect. This in turn will incentivize monetary easing and higher bond prices. Therefore, foreign investors have an incentive to take advantage of the high yields offered by Nigerian Eurobonds. This prognosis is supported by the general premise that global benchmark interest rates have peaked for this cycle as attention pivots toward interest rate cuts in response to easing inflation in developed economies. However, this comes with a high-risk premium given the dim security outlook for West Africa, Nigeria's unmanaged inflation, shortage of Dollar supply, and weak macroeconomic fundamentals.**

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

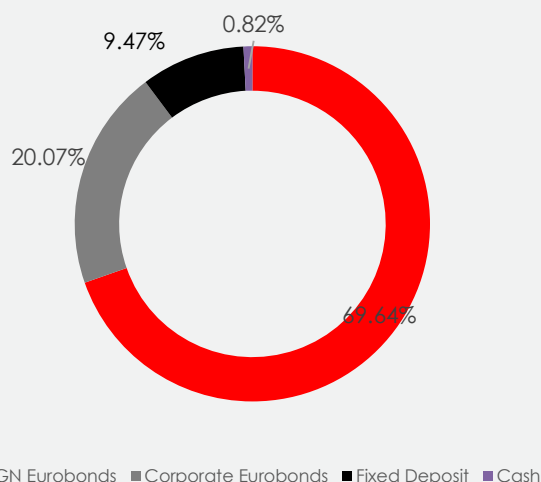
<b>Fund Manager</b>	United Capital Asset Management Ltd
<b>Base Currency/Start Year</b>	USD/2017
<b>Fund Size (\$)</b>	151.536m
<b>NAV Per Share (\$)</b>	127.0623
<b>Minimum Investment(\$)</b>	1,000
<b>Additional Investment (\$)</b>	500
<b>Structure</b>	Open Ended
<b>Minimum Holding Period</b>	90 days
<b>Management Fee</b>	1.50%
<b>Total Expense Ratio*</b>	1.76%
<b>Benchmark</b>	Composite of 3-yr FGN sovereign Eurobond and 3mth US T-Bill
<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	10.28%
1-3yr	14.82%
3-5yr	3.50%
5-10yr	22.54%
>10yr	48.85%

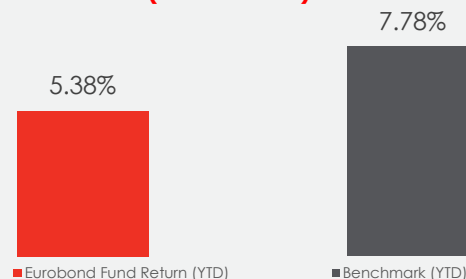
### Current Portfolio Holdings



#### 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%	5.38%
Benchmark	3.95%	2.17%	4.04%	8.91%	7.46%	7.78%

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

### PERFORMANCE REVIEW

The United Capital Nigerian Eurobond Fund returned an annualized year to date return of 5.38% as at end of May 2024, compared to 5.36% as at end of April 2024. The benchmark return closed at 7.78% (7.86% in the previous month).

The Nigerian Eurobond market witnessed moderate activity level in the month, with average yield inching lower by 4bps to 9.89% from 9.93% at the end of April 2024. Market participants continue to take position cautiously as uncertain trajectory of inflation in the global environment continued to depress interest in the SSA Eurobonds. However, we expect to see renewed interest in the SSA Eurobonds later in the year.

In June, we anticipate a favorable outlook for Nigerian Eurobonds, buoyed by the anticipated \$148.6 million coupon payment slated for the month, likely to be reinvested in the Eurobonds market. Across the SSA sub-region, we foresee a downtrend in inflation primarily attributable to the high base effect. Consequently, this trend is expected to drive monetary easing and raise bond prices. As a result, foreign investors are poised to benefit from the attractive yields presented by Nigerian Eurobonds.

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](http://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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