

United Capital Fixed Income Fund

Mutual Funds Factsheet | May 2025

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FUND OBJECTIVE

The main objective of the Fund is to achieve consistent income streams through investment in select portfolio of securities and investments specified in the Trust Deed. The Fund's assets are invested in Federal Government bonds, Sub-national bonds, corporate bonds and high-quality money market securities. The Fund is not affected by the fluctuations in the equity markets. However, opportunities for capital appreciation are dependent on changes in interest rate.

MARKET REVIEW, OUTLOOK AND STRATEGY

The Debt Management Office (DMO) conducted the May 2025 bond auction with an offer size of N300.0bn across the reopened 2029 ("5-YR") and 2033 ("9-YR") bond papers. Investor demand was moderately strong, with total subscriptions amounting to N436.41bn, indicating an oversubscription of 1.45x. Demand was largely skewed toward the longer-dated 2033 instrument, which attracted bids totaling N419.96bn. Notably, the DMO slightly over-allotted the auction, selling N300.69bn worth of bonds. That said, the marginal rates on the 2029 and 2033 papers declined by 2bps and 14bps from 19.00% and 19.99% to print at 18.98% and 19.85%, respectively.

In the secondary market, we observed bullish sentiments, given the excess liquidity in the financial system and the decline in rates at the primary market auction. Thus, average yields on sovereign bonds closed lower to print at 18.84% in May-2025, 21bps m/m down from the 19.05% print in Apr-2025. Similarly, we observed buy interests in corporate bonds, as average yields in May-2025 fell by 11bps m/m to close at 21.80% (previously 21.91% in Apr-2025).

The Federal Government offered a total of N300.00bn worth of 7-YR "2032" Ijarah Sukuk bonds at the rental rate 19.75%. The auction was met with significant demand, as total subscription printed at N2.21tn, signaling strong investors' confidence in the market. As a result, the FGN Sukuk bonds closed bullish in the secondary market supported by the increased demand for Sukuk bonds at the primary market. Average yields on Sukuk bonds climbed by 33bps m/m to close at 19.26% in May-2025 compared to the previous month's close of 19.59%.

The CBN conducted two NT-bills auctions during the month. At the first auction, the CBN offered a total of N550.00bn across the 91-day, 182-day, and 364-day bills with the stop rate on the 364-day climbing up by 3bps to close at 19.63% from 19.60% and the 91-day and 182-day bills closing flat at 18.00% and 18.50.

The stop rates at the second auction for the 91-day, 182-day, closed flat again with the rate for the 364-day bills falling by 7bps from 19.63%, to settle at 19.56% with the bids majorly skewed towards the longer-tenured instrument at both auctions.

Looking ahead to June 2025, we expect the buying interest amongst investors in the secondary bond market to persist, particularly at the shorter end of the curve. This outlook hinges on investors seeking to lock in on current rates as rates continue to decline. 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 expenditures. The government's reliance on the domestic debt market is due to the underwhelming revenue generation performance compared to the budget.

FUND FEATURES

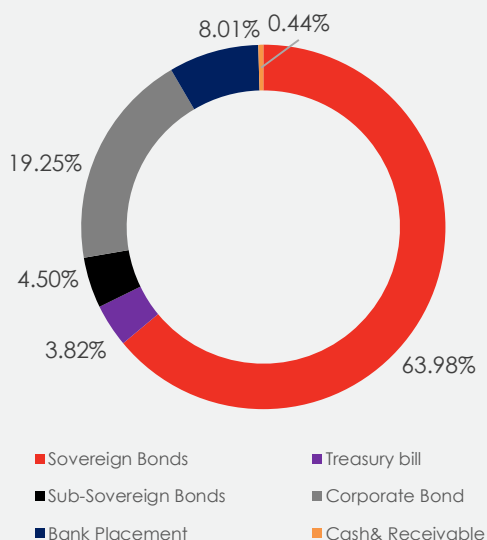
Fund Manager	United Capital Asset Management Ltd
Base Currency/Start Year	Naira/2006
Fund Size (₦)	86.90bn
NAV Per Share (₦)	2.0142
Minimum Entry (₦)	10,000
Additional Investment (₦)	5,000
Structure	Open Ended
Minimum Holding Period	90 days
Management Fee	1.5%
Total Expense Ratio*	1.8%
Benchmark	3-Yr FGN Bond Yield
Risk Profile	Medium
Investment Style	Income Oriented

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

MATURITY PROFILE OF ASSETS

<1yr	24.83%
1-3yr	35.34%
3-5yr	11.45%
5-10yr	24.61%
>10yr	3.76%

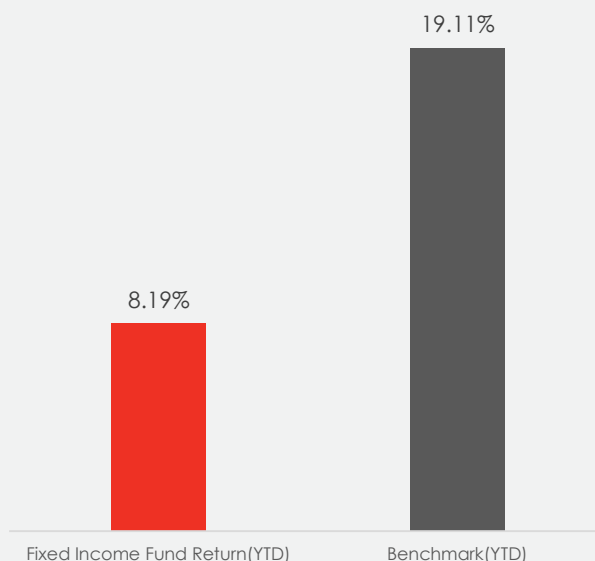
Current Portfolio Holdings



Governance Asset Allocation Ranges:

Money Market(10%-30%); Fixed Income: 70%-90%

Fixed Income Fund Return vs Benchmark (Annualized)



RETURN HISTORY

	2020	2021	2022	2023	2024	2025 YTD
UC Fixed Income Fund	9.35%	6.40%	6.33%	6.88%	6.50%	8.19%
Benchmark	3.54%	9.45%	12.83%	13.30%	20.11%	19.11%

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

PERFORMANCE REVIEW

The United Capital Fixed Income Fund annualized YTD return as at May 2025 is 8.19% relative to a 19.11% posted by the benchmark for the same period.

Investors sentiment was mainly subdued during the month of May signaling a cautious approach as results from the MPC meeting was expected to impact market pricing.

The performance of the fund was mainly driven by reinvestments from Coupons and fixed placements, marginally appreciation in the pricing of several bonds, and treasury bill maturities which were reinvested.

Looking ahead to June 2025, we expect a cautious trend to persist especially in the bonds market as the market is still skewed towards the shorter end of the yield curve despite drops in the rates of money market instruments like treasury bills and fixed placement. We also intend to increase our positioning in the money market space to get MTM gains which should help reposition the fund for better performance.

The portfolio remains invested in FGN Bonds, money market instruments and sub-sovereign bonds with decent yield. The fund is constantly monitoring the market to ensure optimal returns across all asset class while maintaining its current allocation to enhance the overall yield of the 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 risk
- Macroeconomic instability
- Interest Rate Risk

HOW TO PARTICIPATE

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

