

United Capital Stable Income Fund

Mutual Funds Factsheet | May 2025

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FUND OBJECTIVE

The Stable Income Fund is an actively managed open-ended specialized fund whose main objective is to provide investors with stable returns over a medium to long-term period, through investment in select naira denominated highly rated fixed income instruments with relatively high return. The fund is targeted at investors looking to gain exposure to naira denominated fixed income instruments yielding relatively high return, with risk profile moderately higher than money market investment. The fund is ideal for investors with moderate risk tolerance and investment horizon. The Fund will also help investors diversify their portfolio and income streams whilst providing long-term capital appreciation, through investment in a selected portfolio of fixed income securities and investment products.

MARKET REVIEW, OUTLOOK AND STRATEGY

During the month, the CBN held its 300th Monetary Policy Meeting on the 19th and 20th of May 2025. The Monetary Policy Committee (MPC, or the Committee) decided to HOLD the Monetary Policy Rate (MPR) at 27.50%. Meanwhile, the policymakers maintained the Cash Reserve Ratio (CRR) at 50.00% and retained the liquidity ratio at 30.00%. Additionally, the Committee maintained the asymmetric corridor at +500/-100bps around the MPR. The Committee opted for a "wait-and-see" approach following several months of monetary tightening, giving credence to the notion that 27.50% is the Terminal Rate. For context, the MPC had hiked the benchmark rate six consecutive times in 2024 from 18.50% to 27.50%.

At the primary market, 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. Investors' demand was strong, as total subscriptions printed at N1.07tn, indicating an oversubscription rate of 1.98x. The bids were majorly skewed towards the longer-tenured instrument with the CBN underselling and allotting a total of N598.33bn. The stop rate on the 91-day and 182-day bills closed flat at 18.00% and 18.50%, respectively. Meanwhile, the stop rates on the 364-day bill climbed by 3bps from 19.60% to settle at 19.63%.

At the second auction, the CBN offered N500.00bn across the 91-day, 182-day, and 364-day bills. Total subscriptions printed at N1.17tn, indicating an oversubscription rate of 2.34x. The bids were majorly skewed towards the longer-tenured instrument, with the Apex Bank overselling at the auction, allotting a total of N615.80bn. The stop rate on the 91-day, 182-day, closed flat at 18.00% and 18.50% respectively with the 364 days shedding 7bps to close at 19.56%

Also, the CBN conducted an OMO auction with an offer size of N600.00bn across the 104-day and 139-day bills. At the auction, investors' demand was subdued, as total subscriptions printed just at N687.13bn, indicating a mild oversubscription rate of 1.15x. Notably, the Apex Bank undersold the auction, allotting a total of N482.33bn. That said, the stop rate on the 104-day and 139-day bills settled at 23.60% and 24.98%, respectively. In the secondary market, we observed mixed sentiments among investors due to robust liquidity in the financial system, declining stop rates at primary market auctions, and the rate decision by the Monetary Policy Committee (MPC). As a result, the average NT-bills yield was relatively quiet, rising marginally by 1bp m/m to close the month of May-2025 at 20.74% (previously 20.73% in Apr-2025).

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).

Looking ahead to June 2025, we anticipate a marginally lower liquidity inflows into the financial system, driven by expected total inflows of N1.70tn from coupon payments (N216.76bn), NT-bill maturities (N259.76bn), and OMO maturities (N1.23tn). Although this marks a 13.22% decline from May's inflows of N1.96tn, we expect the financial system to remain awash with excess liquidity. As a result, we project that interbank funding rates will remain depressed for most of the month. That said, we do not rule out the possibility of the CBN conducting OMO auctions or engaging in primary market activities to manage excess liquidity.

FUND FEATURES

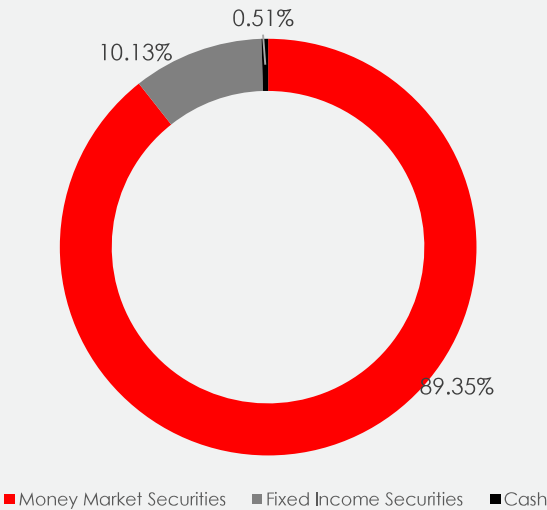
Fund Manager	United Capital Asset Management Ltd
Base Currency/Start Year	Naira/2024
Fund Size (₦)	28.5bn
NAV Per Share (₦)	117.7443
Minimum Entry (₦)	50,000,000
Additional Investment (₦)	10,000,000
Structure	Open Ended
Minimum Holding Period	30 days
Benchmark	91-Weighted Average T-Bills rate
Management Fee	2.0%
Total Expense Ratio*	2.23%
Risk Profile	Low
Income Distribution	Income Oriented

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

MATURITY PROFILE OF ASSETS

< 1 yr.	89.87%
1 – 3yr	2.03%
3-5yr	3.01%
5 – 10yr	5.10%
>10yr	0.00%

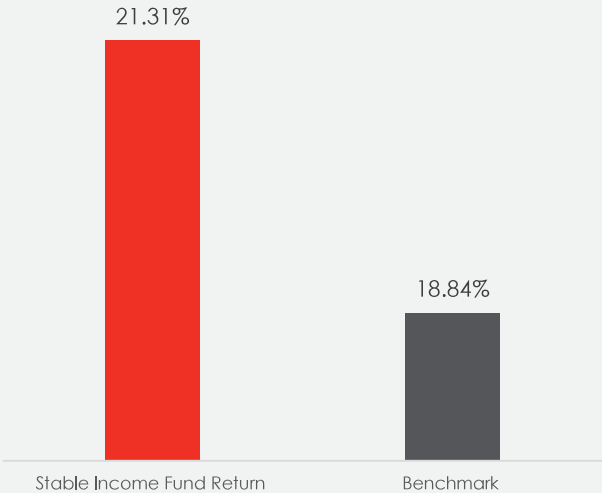
Current Portfolio Holdings



Governance Asset Allocation Ranges:

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

Stable Income Fund Return Vs Benchmark
(Annualized)



RETURN HISTORY

	Aug-24	Sep-24	Oct-24	Nov-24	Dec-24	2025 YTD
UCAP Stable Income Fund	22.88%	21.87%	22.09%	21.63%	21.93%	21.31%
Benchmark	19.06%	17.75%	17.75%	18.84%	18.84%	18.84%

PERFORMANCE REVIEW

The United Capital Stable Income Fund returned a year-to-date return of 21.31%, outperforming the benchmark by 18.84% as at the end of May.

There were 2 primary market auctions during the month, and the persistent drop in the rate of the long-dated bill resulted in a run to acquire those bills pushing the prices down slightly. The fund had however position across other maturities presenting an opportunity for MTM gains. The fund was also able to take advantage of high FD rates (locking in earlier part of the month) helping to preserve the performance of the fund.

The bond position of the fund was mainly quiet during the month as activities were mostly skewed to the shorter end of the yield curve. The fund also positioned in several bond instruments to help balance the allocation of the fund and preserve the return.

In June 2025 we expect improved inflows as the returns from the fund is expected to encourage further inflows which should better improve the funds AUM. The treasury bill and Fixed deposit market are expected to play at slightly subdued levels with the fund maintaining its strategy of locking in at prime rates to help optimize the overall return of the fund.

The Fund will continue to invest in high quality fixed income 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.

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?

- Stable returns over a medium to long-term period
- Capital preservation
- Low risk investment
- Portfolio diversification
- Open entry and exit
- Professional management

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 "Stable Income 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.

