

# United Capital Balanced Fund

Mutual Funds Factsheet | November 2024

#### Contact Us:

Emmanuel Onoja | +234-703-583-3042 | [emmanuel.onoja@unitedcapital.com](mailto:emmanuel.onoja@unitedcapital.com)

Asset Management | +234-1-631-7876 | [assetmanagement@unitedcapital.com](mailto:assetmanagement@unitedcapital.com)

#### FUND OBJECTIVE

The objective of the United Capital Balanced Fund is to achieve long-term capital appreciation and income distribution through investment in a portfolio of securities and instruments as specified in the Trust Deed. The Fund is targeted at investors who seek a blend of safety and regular income. The Fund holds equities and fixed income assets in a blended proportion. The securities are held in relatively small proportions to diversify unsystematic risk in the portfolio.

The Fund aims to balance risk and return. The risk profile is structured to be lower than that of a pure equity investment. With assets tactically allocated between fixed income and equity investments, the Fund is structured for investors seeking a blend of safety, income and modest capital appreciation.

The equity portion of the Fund has exposures to mid-cap and large-cap stocks with significant diversification across sectors of the Nigerian economy. Investment decisions are driven by rigorous research in line with carefully designed Enterprise Risk Management framework.

#### MARKET REVIEW, OUTLOOK AND STRATEGY

In November, the bears dominated the Nigerian Exchange Limited (NGX) despite pockets of buy-interests during the month. We observed bargain-hunting activities across some fundamentally strong stocks as investors look to position themselves and take advantage of low prices. Nevertheless, activities in the fixed-income market (elevated rates/yields) continue to serve as a key demotivator for risk on sentiments in the equities market. Notably, a standout underperformer was OANDO, which declined by 27.55% m/m. Additionally, losses in large-cap stocks, SEPLAT (-6.02% m/m), MTNN (-2.91% m/m), and BUACEMEN (-2.86% m/m) dragged the local bourse southwards. As a result, the benchmark NGX-All Share Index (NGX-ASI) declined by 15bps to close at 97,506.87 points. Consequently, YTD return weakened to 30.40% from October's print of 30.60%, with market capitalisation settling at N59.11tn.

On a sectoral level, market activities were broadly bullish, as all five (5) sectors under our coverage closed in the green. The Insurance sector (+9.11% m/m) led the gainers due to buy-interest in MANSARD (+21.38% m/m) and SUNUASSU (+86.60% m/m). Trailing behind were the Banking (+3.39% m/m) and Oil & Gas (+3.20% m/m) sectors following share price appreciations in ZENITHBA (+11.39% m/m), UBA (+9.73% m/m), and CONOIL (+45.80% m/m). This was followed by the Consumer goods sector (+2.40% m/m) due to bargain-hunting activities in FLOURMIL (+30.81% m/m), DANGSUGA (+13.64% m/m), and UNILEVER (+15.87% m/m) Lastly, the Industrial goods sector (+2.14% m/m) climbed on account of gains in WAPCO (+50.65% m/m).

The financial system opened in November 2024 with a surplus balance of N398.32bn. During the month, the financial system was mostly tight due to mop-up activities by the Central Bank via CRR debits and OMO auctions. Although there were inflows from coupon payments, OMO maturities, and FAAC payments (N166.62bn, N7.38bn, and c.N500.0bn, respectively), it was not sufficient to bolster the system liquidity. As a result, we saw increased activities at the Standing Lending Facility (SLF) window as banks sought to meet their short-term obligations. Thus, the financial system closed the month with a deficit balance of N237.03bn.

At the primary market, the CBN conducted two NT-bills auctions during

the month. At the first auction, the CBN offered a total of N513.43bn worth of maturing bills across the 91-day, 182-day, and 365-day bills. The stop rate of the 91-day, 182-day, and 365-day bills nudged higher by 100bps, 100bps, and 235bps to settle at 18.00%, 18.50%, and 23.00% (previously, 17.00%, 17.50%, and 20.65%). At the second auction, the CBN offered a total of N610.80bn worth of maturing bills across the 91-day, 182-day and 365-day bills. The stop rate on the 364-day bill rose 50bps to 23.50%, while the stop rates on the 91-day and 182-day bills remained unchanged at 18.00% and 18.50%, respectively.

In the bond secondary market, we observed that mild bullish sentiments dominated the market as investors looked to take advantage of the present high yields. This marginal movement indicates the standoffish approach of investors towards duration-exposed instruments. Thus, average yields on sovereign bonds closed lower to print at 19.46% in Nov-2024, 3bps m/m down from the 19.49% print in Oct-2024.

**Looking ahead to December, we expect mixed sentiments to persist in the equities market. Given the developments in the fixed-income market, we expect bearish sentiments amongst investors. The impact of the high yields in the fixed-income market will continue to be a key demotivator as investors switch their asset classes to less risky assets. Additionally, the hawkish monetary policy tone of the Central Bank will continue to drive bearish market sentiments in the background. Nevertheless, we expect pockets of buy-interest as investors cherry-pick undervalued stocks. The bulls will remain incentivised towards fundamentally sound stocks given the medium-long-term opportunities presented. That said, we recommend that fund managers adopt a strategic approach to the equities market and invest in fundamentally solid stocks with strong potential.**

**Looking into December 2024, we expect the financial system to be bolstered by the influx of liquidity into the financial system. We anticipate a total of N342.56bn worth of inflows emanating from coupon payments (N216.76bn) and OMO maturities (N125.80bn). This represents a 96.87% increase compared to October's inflow of N174.00bn. Nevertheless, we expect that the efficacy of the CBN's mop-up mechanisms will determine the extent/magnitude of liquidity in the financial system. That said, we project that FTDs and money market rates will remain at current levels with the likelihood of tapering further. Lastly, we foresee the recent +25bps MPR hike fueling mild bearish strides in the background.**

**In the bond's space, we expect that bond yields will remain under pressure, particularly influenced by weaker supply at the primary market level.**

**FUND FEATURES**

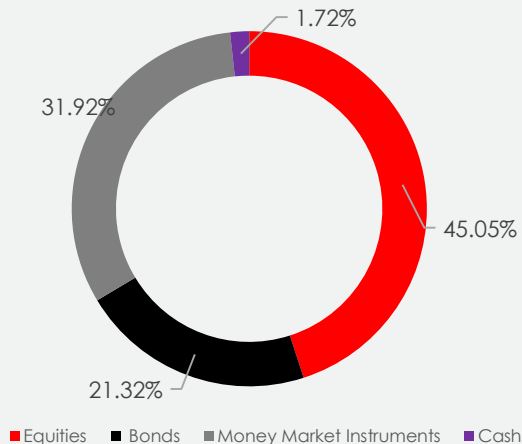
Fund Manager	United Capital Asset Management Ltd
Base Currency/Start Year	Naira/2006
Fund Size (₦)	2.0bn
NAV Per Share (₦)	1.8847
Minimum Entry (₦)	10,000
Additional Investment (₦)	5,000
Structure	Open Ended
Entry/Exit Charges	Nil
Management Fee	1.5%
Total Expense Ratio*	1.8%
Benchmarks	91-Day T-bills/NSE ASI/3-year FGN Bond
Risk Profile	Moderate
Investment Style	Market Oriented

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

**MATURITY PROFILE OF ASSETS**

0-30days	21.90%
31-60days	31.90%
61-90days	7.41%
91-180days	1.48%
180-365 days	0.00%
>1 year	37.32%

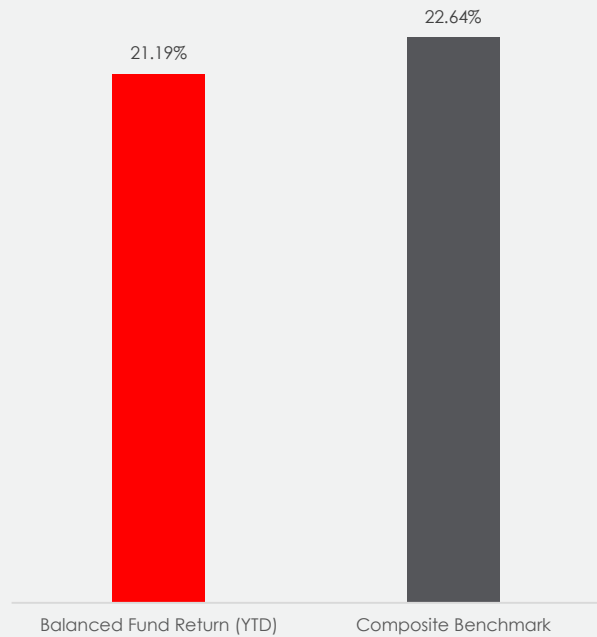
**Current Portfolio Holdings**



**Governance Asset Allocation Ranges:**

Quoted Equities (40-60%), Fixed Income (20% - 60%); Money Market Instruments (40% - 60%)

**Balanced Fund Return Vs Benchmark (YTD)**



**RETURN HISTORY**

	2016	2017	2018	2019	2020	2021	2022	2023	2024 YTD
UCAP Bal. Fund	5.00%	22.40%	1.16%	3.77%	14.35%	6.19%	4.89%	42.19%	21.19%
Composite Benchmark	5.10%	22.70%	1.70%	-1.73%	25.16%	5.56%	12.82%	19.97%	22.64%

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

**PERFORMANCE REVIEW**

The United Capital Balanced Fund returned 2.48% for the month of November 2024 and a YTD return of 21.19%, compared to 22.64% posted by the composite benchmark during the same period.

The Nigerian stock market ended the month of November on a bearish note as the market index further shed 0.15%. The negative sentiment was as a result of selloffs in SEPLAT, MTNN and OANDO which overshadowed gains recorded in WAPCO, UBA and ZENITH.

Looking ahead, we would actively monitor activities in the equities market ahead of the year-end portfolio rebalancing. The fund manger will continue to take position in tickers with good fundamentals and ensure a mix with money market and fixed income instruments.

We will maintain our allocation in line with the investment policy objectives and the Trust Deed.

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?

- Low volatility of Investment returns
- Well diversified portfolio
- Seamless entry and exit
- Professional management with robust risk framework
- Automatic rebalancing in times of rising or falling markets
- Ability to enjoy long term capital growth as well as safety

### INVESTMENT RISK

- Market risk of equity exposure
- Macroeconomic instability

### HOW TO PARTICIPATE

1. Log in to our online platform [www.investnow.ng](http://www.investnow.ng)
2. Click on "Balanced 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



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