

United Capital Fixed Income Fund

Mutual Funds Factsheet | November 2024

Contact Us:

Emmanuel Onoja | +234-703-583-3042 | emmanuel.onoja@unitedcapital.com

Asset Management | +234-1-631-7876 | assetmanagement@unitedcapital.com



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 Nov-2024 bond auction with an offer size of N120.0bn across the reopened 2029 and 2031 bond papers. At the auction, investors' demand was strong, as total subscriptions printed at N369.59bn. The bulk of the bids were skewed towards the longer instrument, "2031", which received total bids of N294.03bn. Notably, the DMO over-allotted the auction, selling N346.16bn worth of bond paper. As a result, the marginal rates on the 2029s and 2031s climbed by 25bps and 26bps, settling at 21.00% and 22.00%, respectively (previously, 20.75% and 21.74%).

In the 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.

Meanwhile, we observed sell-offs in corporate bonds, as average yields in Nov-2024 increased by 31bps m/m to close at 23.11% (previously 22.80%). Similarly, the FGN Sukuk bonds closed bearish as average yields on Sukuk bonds climbed by 60bps m/m to close at 20.29% compared to the previous month's close of 19.69%.

Looking ahead to December 2024, we expect bond yields to remain under pressure, particularly influenced by weaker supply at the primary market level. Additionally, we anticipate subdued activity in the market for duration-sensitive instruments, influenced by the inverted yield curve, which has made short-term instruments more attractive due to their higher yields. The recent +25bps MPR hike will continue to set a bearish undertone in the secondary market. 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 expenditure. The government's reliance on the domestic debt market is due to the underwhelming revenue generation performance compared to the budget.

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

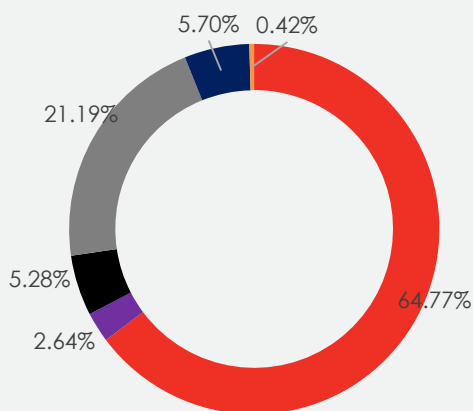
Fund Manager	United Capital Asset Management Ltd
Base Currency/Start Year	Naira/2006
Fund Size (₦)	87.4bn
NAV Per Share (₦)	1.9503
Minimum Entry (₦)	10,000
Additional Investment (₦)	5,000
Structure	Open Ended
Minimum Holding Period	90 days
Management Fee	1.5%
Total Expense Ratio*	1.8%
Benchmark	3-Yr 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	11.55%
1-3yr	29.89%
3-5yr	29.75%
5-10yr	18.43%
>10yr	10.39%

Current Portfolio Holdings

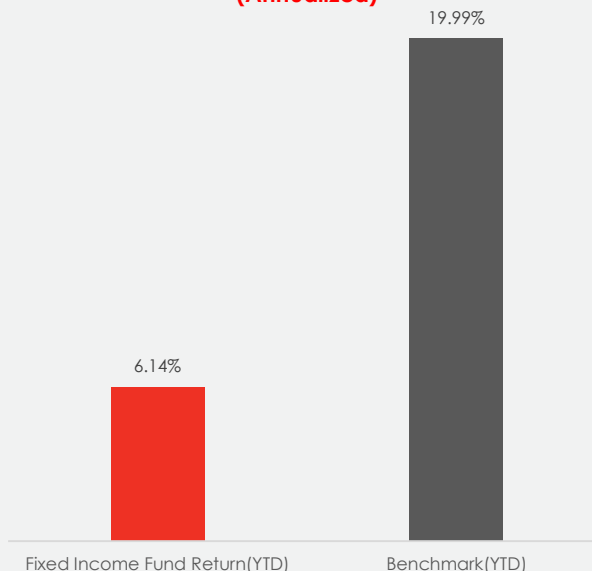


- Sovereign Bonds
- Treasury bill
- Sub-Sovereign Bonds
- Corporate Bond
- Bank Placement
- Cash

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 YTD
UC Fixed Income Fund	9.35%	6.40%	6.33%	6.88%	6.14%
Benchmark	3.54%	9.45%	12.83%	13.30%	19.99%

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

PERFORMANCE REVIEW

The United Capital Fixed Income Fund annualized return for the month of November 2024 is 7.55% while the annualized YTD return is 6.14% relative to a 19.99% posted by the benchmark for the same period.

The return can be attributed mainly to accrued coupons on bond holdings as well as accrued interest on money market instruments held in the fund during the period.

For the remainder of the year, we expect that yields will remain elevated supported by the policy stance of the monetary authority. At the December Bond Auction, the DMO will be offering the same size of the 2029 and 2031 bonds as it did at the November auction. We expect to see yields trend high as the Federal Government continues to rely heavily on domestic borrowings to finance its budget deficit.

The portfolio remains invested in FGN Bonds, money market instruments and sub-sovereign bonds with descent yields. We will maintain current allocation to enhance yield income for the Fund.

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?

- 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



Diversify your investments with our Mutual Funds today.

Balanced Fund Equity Fund Fixed Income Fund Money Market Fund

Nigerian Durabond Fund Sukuk Fund Wealth for Women Fund