

# United Capital Stable Income Fund

Mutual Funds Factsheet | November 2024

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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

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.

Interestingly, the Central Bank of Nigeria (CBN) concluded its 298th Monetary Policy Committee (MPC) meeting, unanimously hiking the Monetary Policy Rate (MPR) by 25bps from 27.25% to 27.50%, leaving all other parameters constant. As a result, funding rates between banks remained elevated. Nevertheless, the monthly average Open Repo Rate (OPR) and Overnight Rate (O/N) declined by 110bps m/m and 140bps m/m to print at 29.49% and 30.00% from 30.59% and 31.40%, respectively.

At the NT-bills primary market, the CBN conducted two 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. Investors' demand was mildly strong, as total subscriptions printed at N669.93bn. The bulk of the bids were skewed towards the longer-tenured instrument (365-day bill), which recorded a total subscription of N608.93bn. 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, with investors sentiment also majorly skewed towards the longer-tenured instrument.

At the bond market, 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%). 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%.

Additionally, the Central Bank conducted an Open Market Operations (OMO) auction at the start of the month to mop up the excess liquidity in the financial system. The CBN offered a total of N300.00bn worth of OMO bills across the 91-day, 183-day, and 362-day bills with enormous demand to the tune of N1.45tn (only skewed toward the longest-tenured instrument), implying a bid-to-cover ratio of 4.83x. The CBN opted to meet the demand and oversold, allotting a total of N1.47tn bills. The stop rate on the 363-day bill tapered by 4bps to settle at 24.28% (previously 24.32%). This auction took a heavy chunk out of the financial system, encouraging a surge in activities at the CBN SLF window.

**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. We expect bond yields to remain under pressure, particularly influenced by weaker supply at the primary market level. Lastly, we foresee the recent +25bps MPR hike fueling mild bearish strides in the background.**

*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**

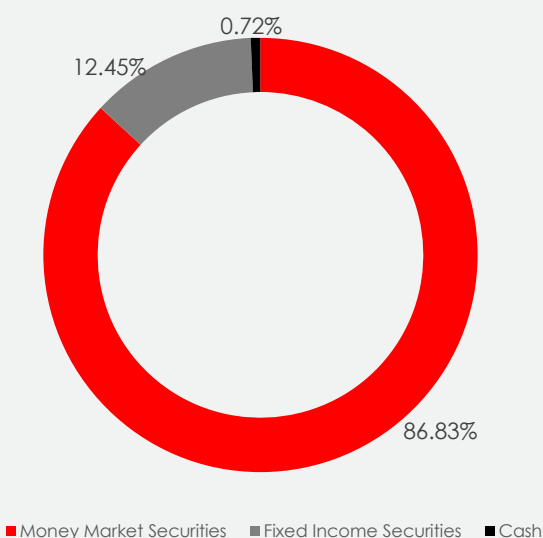
Fund Manager	United Capital Asset Management Ltd
Base Currency/Start Year	Naira/2024
Fund Size (₦)	10.3Bn
NAV Per Share (₦)	106.8022
Minimum Entry (₦)	50,000,000
Additional Investment (₦)	10,000,000
Structure	Open Ended
Minimum Holding Period	Nil
Benchmark	91-Weighted Average T-Bills rate
Management Fee	2.0%
Total Expense Ratio*	2.3%
Risk Profile	Low
Income Distribution	Income Oriented

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

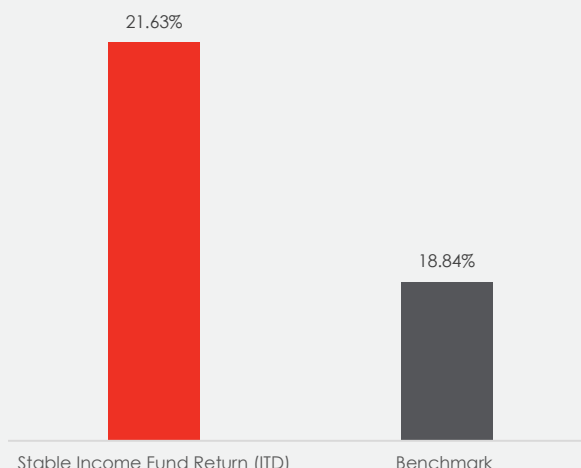
**MATURITY PROFILE OF ASSETS**

< 1 yr	87.55%
1 – 3yr	2.03%
3-5yr	4.81%
5 – 10yr	5.60%
>10yr	0.00%

**Current Portfolio Holdings**



**Stable Income Fund Return Vs Benchmark (Annualized)**



ITD- Inception to date

**RETURN HISTORY**

	Aug-24	Sep-24	Oct-24	Nov-24
UCAP Stable Income Fund	22.88%	21.87%	22.09%	21.63%
Benchmark	19.06%	17.75%	17.75%	18.84%

**PERFORMANCE REVIEW**

The United Capital Stable Income Fund commenced in August 2024 and returned an annualized inception to date return of 21.63%, outperforming the benchmark by 2.79% as at the end of November.

At the primary market, the Central Bank of Nigeria held two NT-bill auctions during the month, with 124trillion worth of bills offered. This impacted the value of assets with the fund looking for better priced bills to improve the overall performance of assets. This sentiment trickled down to the secondary market with bearish sentiment persisting throughout the month and this was further triggered by the MPC's decision to raise the MPR by 25bps. The fund was able to take advantage of the slight upside in yields of several bills and placement options to buffer up its performance resulting in an increase in subscription and return during the month.

The DMO also conducted a bond auction during the month with an uptick in the marginal rate across the 2029 and 2031 bond. This presented buying opportunities with the fund purchasing several of these bonds to improve its overall performance and balance out its asset allocation.

In December 2024, we anticipate the financial system will remain largely liquid with expected inflows from coupons and OMO maturities. Despite these and the persistent increase in the MPR, we expect that rates would remain constant with the likelihood of tapering further.

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.

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### 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](http://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.



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