

United Capital Sukuk Fund

Mutual Funds Factsheet | November 2024

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FUND OBJECTIVE

The objective of the fund is to provide investors with a low-risk investment with stable and competitive returns through investments in short, medium and long-term Sharia-Compliant securities and investment products, whilst ensuring the preservation of capital and maintaining a reasonable degree of liquidity.

The Fund aims to provide its Unitholders with halal profits on the growth of their capital over the long-term in accordance with the principles of Islamic finance.

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.

FUND FEATURES

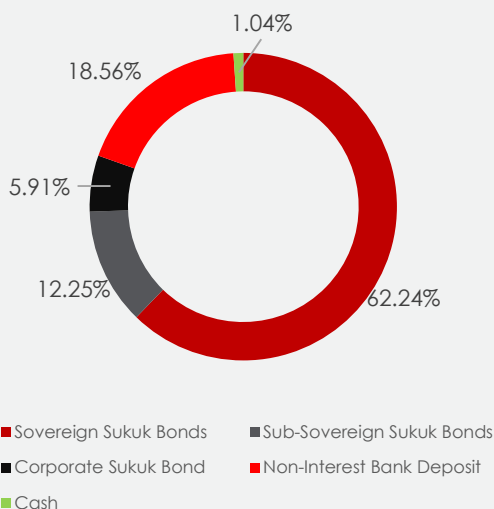
Fund Manager	United Capital Asset Management Ltd
Base Currency/Start Year	Naira/2020
Fund Size (₦)	3.8bn
NAV Per Share (₦)	1.2032
Minimum Entry (₦)	10,000
Additional Investment (₦)	5,000
Structure	Open Ended
Minimum Holding Period	90 days
Management Fee	1.5%
Total Expense Ratio*	1.8%
Benchmark	3-Yr FGN Sovereign Sukuk Yield
Risk Profile	Medium
Investment Style	Income Oriented

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

MATURITY PROFILE OF ASSETS

<1yr	18.80%
1-3yr	40.30%
3-5yr	35.00%
5-10yr	6.00%
>10yr	0.00%

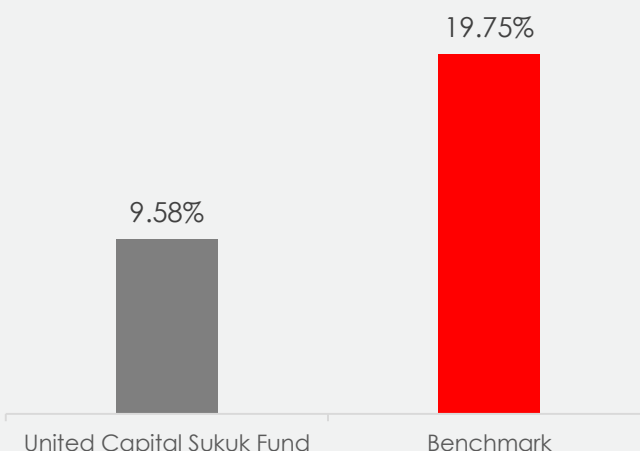
Current Portfolio Holdings



Governance Asset Allocation Ranges:

Non-Interest Bank Deposit (20%-40%); Sukuk Bond: (60%-80%)

Sukuk Fund Return Vs Benchmark (YTD)



RETURN HISTORY

	2021	2022	2023	2024 YTD
United Capital Sukuk Fund	7.32%	7.23%	11.36%	9.58%
Benchmark	9.88%	12.92%	13.20%	19.75%

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

PERFORMANCE REVIEW

The United Capital Sukuk Fund annualized return for the month of November 2024 is 9.26% while the annualized YTD return is 9.58% relative to the return of 19.75% 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.

The month of November witnessed sell-offs in corporate bonds, as average yields 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%.

We expect more Sukuk issuances to take place in the coming months. We would continue to watch out for attractive sukuk offers to boost return.

The Fund maintains sufficient exposure to FGN Sukuk, money market instruments and sub-sovereign and corporate Sukuk with significantly higher yields. We will maintain current allocation to enhance returns 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 Risks
- Macroeconomic instability
- Interest Rate Risk

HOW TO PARTICIPATE

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

