

United Capital Balanced Fund

Mutual Funds Factsheet | October 2024

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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 October, the bears dominated the Nigerian Stock Exchange (NGX) despite pockets of buy-interests during the month. We observed that the activities in the fixed-income market continue to serve as a key demotivator for risk on sentiments in the equities market. Notably, share price depreciations in large-cap stocks, DANGCEM (-10.00% m/m), BUACEMEN (-11.09% m/m), and MTNN (-8.32% m/m) dragged the local bourse southwards. As a result, the benchmark NGX-All Share Index (NGX-ASI) declined by 92bps to close at 97,651.23 points. Consequently, YTD return weakened to 30.60% from September's print of 31.81%, with market capitalisation setting at N52.7tn.

On a sectoral level, market activities were broadly bullish, as three (3) of the five (5) sectors under our coverage closed in the green. The Oil & Gas sector (+15.90% m/m) led the gainers due to buy-interest in SEPLAT (+38.92% m/m). Trailing behind were the Banking (+4.78% m/m) and Insurance (+4.01% m/m) sectors following share price appreciations in UBA (+13.90% m/m), ZENITHBA (+5.83% m/m), ACCESSCO (+9.50% m/m), CORNERST (+9.16% m/m), and MANSARD (+5.45% m/m). On the flip side, the Industrial goods sector (-9.31% m/m) led the laggards due to sell-offs in DANGCEM (-10.00% m/m) and BUACEMEN (-11.09% m/m). Lastly, the Consumer goods sector (-0.75% m/m) declined on account of losses in DANGSUGA (-11.62% m/m) and NB (-4.11% m/m).

The financial system opened the month of November with a surplus balance of N291.80bn, as residue from the prior month's coupon payments lingered. However, given the scarce liquidity compared to obligations, we saw increased activities at the CBN's Standing Lending Facility (SLF) window, weighing on the positive balance of the financial system. Additionally, the CBN mopped up liquidity at the start of the month, via Open Market Operations (OMO). The success of the OMO auction translated into a deep deficit in the balance of the financial system, which in turn underpinned the overall direction of yields (short term rates) throughout October. However, toward the end of the month, FAAC payments and coupon inflows looked to resuscitate financial system liquidity, with the system wrapping up October with a

surplus balance of N466.59bn.

At the primary market, the Central Bank of Nigeria conducted two (2) NT-bills auctions during the month to roll over maturing bills to the tune of N456.57bn. Investors' demand at the auctions was significant, with total demand amounting to N763.12bn, implying a bid-to-cover ratio of 1.67x. Compared to the total amount of NT-bills that were set to be rolled over at the auctions, the CBN allotted the exact amount that was being rolled over, allotting NT-bills to the tune of N456.57bn. Speaking further, we note that supply and demand fundamentals continued to determine the direction of yields at the different primary market auctions. Ultimately, stop rates on the 91-day, 182-day, and 364-day bills settled at 17.00%, 17.50%, and 20.65%, respectively, at the last auction in October (compared to 17.00%, 17.50%, and 20.00% recorded at the last auction held in September).

Looking ahead into November, 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 across fundamentally sound stocks given the medium-long-term opportunities presented. Additionally, pending corporate releases and actions will stimulate the bulls. Thus, we recommend that fund managers adopt a strategic approach to the equities market and invest in fundamentally solid stocks with strong potential.

Looking into November 2024, we anticipate mixed levels of financial system liquidity, driven by some factors including CRR debits, OMO auction, FAAC payments, CRR refunds, coupon payments, and OMO maturities. The last MPC meeting for the year 2024 is scheduled for 25 and 26 November 2024. We expect the expectations for another hike (at least +50bps) at the meeting to keep interest rate environment elevated around current levels. Overall, we expect mixed sentiments in the money market, with financial system liquidity driving the nature and magnitude of interests toward money market instruments. Ultimately, FTD and money market rates will likely remain around current levels.

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

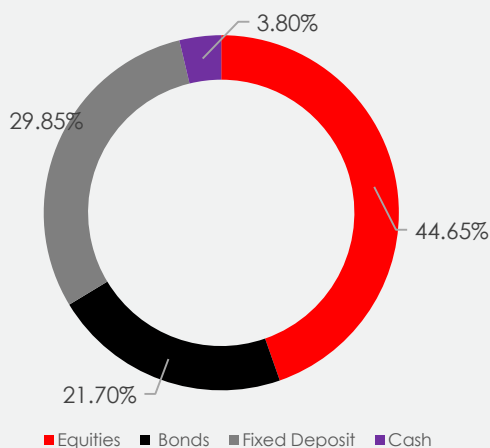
Fund Manager	United Capital Asset Management Ltd
Base Currency/Start Year	Naira/2006
Fund Size (₦)	1.9bn
NAV Per Share (₦)	1.8391
Minimum Entry (₦)	10,000
Additional Investment (₦)	5,000
Structure	Open Ended
Entry/Exit Charges	Nil
Management Fee	1.5%
Total Expense Ratio*	1.8%
Benchmarks	91-Day T-bills/NSE 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	10.03%
31-60days	18.84%
61-90days	31.92%
91-180days	1.49%
180-365 days	0.00%
>1 year	37.72%

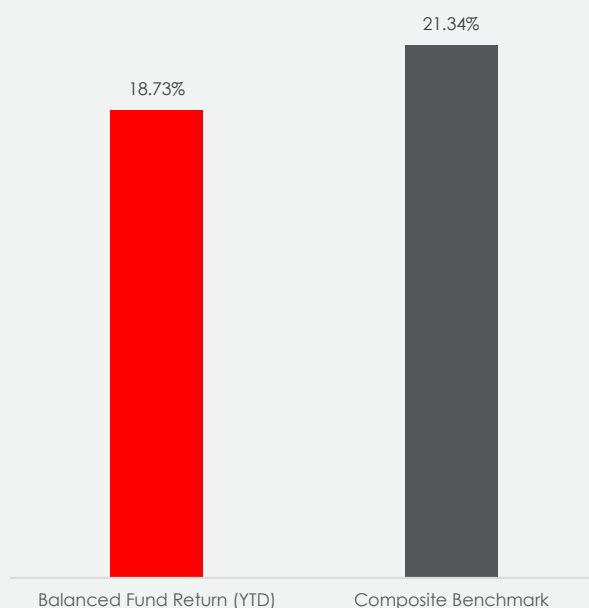
Current Portfolio Holdings



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%	18.73%
Composite Benchmark	5.10%	22.70%	1.70%	-1.73%	25.16%	5.56%	12.82%	19.97%	21.34%

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

PERFORMANCE REVIEW

The United Capital Balanced Fund returned 5.09% for the month of October 2024 and a YTD return of 18.73%, compared to 21.34% posted by the composite benchmark during the same period.

The Nigerian stock market reversed the gain recorded in the prior month as the market index shed 0.92%. The negative sentiment was as a result of selloffs in DANGCEM, BUACEMENT, MTNN and DANGSUGAR which overshadowed gains recorded in SEPLAT.

Looking ahead, we would actively monitor activities in the equities market ahead of the decision of the last MPC meeting for the year scheduled to hold in November. 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.

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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
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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Nigerian Eurobond Fund Sukuk Fund Wealth for Women Fund