

United Capital Stable Income Fund

Mutual Funds Factsheet | October 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 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. Consequent of the longer intervals of financial illiquidity, funding rates between banks climbed in October with the monthly average of the Open Repo Rate (OPR) and Overnight Rate (O/N) up by 296bps m/m and 293bps m/m to print at 30.59% and 31.00% (previously, 27.63% and 28.08%) respectively.

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).

In the secondary market, the bears dominating sessions, helped by the longer periods of financial system illiquidity in October. Consequently, the average yields on NT-bills at secondary market levels climbed by 220bps m/m to close the month of Oct-2024 at 24.12% (previously 21.92%). In the same vein, the average yield on OMO bills climbed by 252bps to settle at 26.13% in Sept-2024 from 23.61% in the prior month.

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.

FUND FEATURES

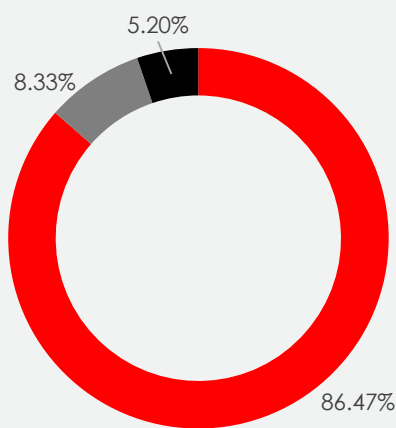
Fund Manager	United Capital Asset Management Ltd
Base Currency/Start Year	Naira/2024
Fund Size (₦)	6.7bn
NAV Per Share (₦)	105.2031
Minimum Entry (₦)	50,000,000
Additional Investment (₦)	10,000,000
Structure	Open Ended
Minimum Holding Period	Nil
Benchmark	91-Weighted Average T-Bills rate
Management Fee	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	91.67%
1-3yr	3.10%
3-5yr	0.00%
5-10yr	5.23%
>10yr	0.00%

Current Portfolio Holdings

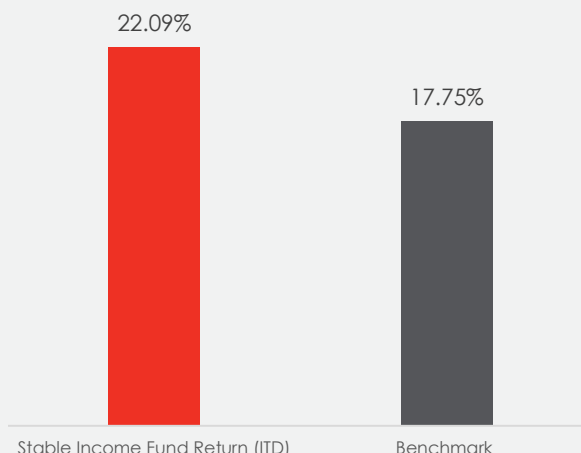


■ Money Market Securities ■ Fixed Income Securities ■ Cash

Governance Asset Allocation Ranges:

Money Market Securities (70%-90%); Fixed Income Securities: (10%-30%)

Stable Income Fund Return Vs Benchmark (Annualized)



ITD- Inception to date

RETURN HISTORY

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

PERFORMANCE REVIEW

The United Capital Stable Income Fund commenced in August 2024 and returned an annualized inception to date return of 22.09%, outperforming the benchmark by 4.34% as at the end of October.

In the primary market, the Central Bank of Nigeria held two NT-bill auctions during the month, aimed at rolling over maturing bills worth N456.6 billion, a 26.68% MoM decline. Investor interest was notably strong, with total demand reaching N763.12 billion, resulting in a bid-to-cover ratio of 1.67x. In the secondary market, the bears dominating sessions, helped by the longer periods of financial system illiquidity in October. Consequently, the average yields on NT-bills at secondary market levels climbed by 220bps m/m to close the month of Oct-2024 at 24.12% (previously 21.92%).

In November 2024, we anticipate that the system liquidity to be lower compared to October owing to a reduction in bond coupons and maturities. We expect that the decision of the monetary authority at its November meeting will also give the direction of yield in the money market.

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.

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?

- 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
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.



Diversify your investments with our Mutual Funds today.

Balanced Fund Equity Fund Fixed Income Fund Money Market Fund

Nigerian Durable Fund Sukuk Fund Wealth for Women Fund