

United Capital Balanced Fund

Mutual Funds Factsheet | September 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 September, the Nigerian Exchange Group (NGX) closed higher relative to August as investors sought to cherry-pick undervalued stocks. Notably, share price appreciations in GREGU (+15.0% m/m), MTN (+6.11% m/m), SEPLAT (+10.0% m/m), UBA (+23.31% m/m) and FBNH (+20.0% m/m) were the major equity index movers, outweighing depreciations in BUACEMEN (-3.4% m/m) and OKOMUOIL (-13.1% m/m). However, investor sentiment weakened. This is reflected in its 1.6x market breadth (vs 3.1x in August) as 61 stocks appreciated against 39 decliners. Overall, the benchmark NGX-All Share Index (NGX-ASI) rose by 2.1% m/m to close at 98,558.79 points. Consequently, the YTD return strengthened to 31.8% from August's 29.2% YTD performance. Market capitalisation settling at N56.6tn.

At the primary market, the Central Bank of Nigeria conducted three (3) NT-bills auctions during the month to roll over maturing bills to the tune of N622.7bn. Investors' demand at the auctions was very significant, with total demand amounting to N2.0trn, implying a bid-to-cover ratio of 3.2x. 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 N622.7bn. Speaking further, we note that supply and demand fundamentals continued to determine the direction of yields at the different primary market auctions. The 1st two (2) auctions received a total of N1.7trn bids, 84.8% of total bids (N2.0trn) at the three (3) auctions. Meanwhile, N304.3bn bids came in at the third auction, 15.2% of the total bids. Given the enormous demand at the 1st two auctions, compared to offerings of N395.2bn, we saw pricing power dominantly in the hands of CBN, which allowed stop rates to fall. However, given the weak demand at the third auction, we saw investors demand for higher

rates resurface (in the aftermath of the +50bps hike), with the CBN allowing rates to climb. Ultimately, stop rates on the 91-day, 182-day, and 364-day bills settled at 17.00%, 17.50%, and 20.00%, respectively, at the close of Q3-2024.

In the secondary market, we saw bullish strides pre-MPC meeting, with the bears returning post-MPC after the +50bps MPR Hike by the MPC. Consequently, the average yields on NT-bills at secondary market levels climbed by 71bps m/m to close the month of Sept-2024 at 21.92% (previously 21.21%). In the same vein, the average yield on OMO bills climbed by 73bps to settle at 23.61% in Sept-2024 from 22.88% in the prior month. Meanwhile, in the secondary bonds market, we observed buy interest as investors looked to fulfill their unmet bids following the outcome of September's bond auction. The excess demand at the auction trickled into the secondary market. Consequently, average yields on sovereign bonds declined by 19bps to print at 18.77% (previously 18.96%).

Looking ahead into October, we expect sustained buy-interest in Nigerian equities as investors shop for undervalued stocks with good fundamental valuations. Momentum stocks will also drive trading activity. The anticipated Q3-2024 earnings releases amongst corporates are expected to spur investors' sentiments towards the equity market. Nonetheless, we expect investors to reassess their portfolios following the 50bps hike in the benchmark interest rate.

In the fixed-income market, we anticipate a total of N811.0bn worth of inflows emanating from coupon payments of N424.6bn and OMO maturities of N386.5bn to hit the financial system. This is 32.6% higher than September's print of N636.2bn. Thus, we expect the financial system to be mostly liquid in October. Nevertheless, we expect bond yields to remain under down pressure, particularly influenced by weaker supply at the primary market level. However, the +50bps hike will look to fuel mild bearish strides but will be short-lived. Ultimately, the FG's cautious approach toward its cost of funds will look to underpin our prognosis for bond yields in October.

FUND FEATURES

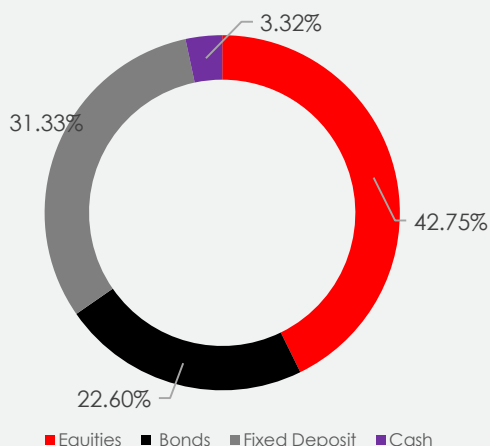
Fund Manager	United Capital Asset Management Ltd
Base Currency/Start Year	Naira/2006
Fund Size (₦)	1.9bn
NAV Per Share (₦)	1.7500
Minimum Entry (₦)	10,000
Additional Investment (₦)	5,000
Structure	Open Ended
Entry/Exit Charges	Nil
Management Fee	1.5%
Total Expense Ratio*	1.8%
Benchmarks	91-Day T-bills/NSE 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	34.76%
31-60days	3.35%
61-90days	19.98%
91-180days	0.00%
180-365 days	0.00%
>1 year	41.91%

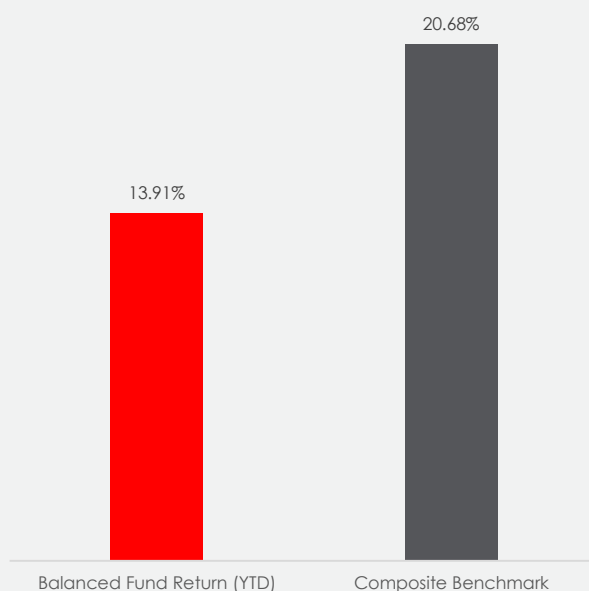
Current Portfolio Holdings



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%	13.91%
Composite Benchmark	5.10%	22.70%	1.70%	-1.73%	25.16%	5.56%	12.82%	19.97%	20.68%

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

PERFORMANCE REVIEW

The United Capital Balanced Fund returned 3.61% for the month of September 2024 and a YTD return of 13.91%, compared to 20.68% posted by the composite benchmark during the same period.

During the month, the Nigerian stock market recovered from its two consecutive months of negative close, as the NGX ASI gained 2.05% to bring the YTD return to 31.81%. The positive sentiment persisted despite the surprise 50bps hike in the MPR and was spurred by impressive H1 earnings release and corporate action.

Looking ahead, we would actively monitor activities in the equities market ahead of the release of more H1 and Q3 financial performance. The fund manager 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.

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?

- 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

