

United Capital Money Market Fund

Mutual Funds Factsheet | September 2024

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FUND OBJECTIVE

The United Capital Money Market Fund allows investors to invest in high quality money market instruments like Treasury bills and certificates, Commercial papers and Bankers' acceptance. The Fund is an income Fund. It provides liquidity, capital preservation, as well as moderate and stable return. The Fund is appropriate for corporate and individual investors who desire less volatility in returns using their surplus funds for short periods of time. The main objective of the Fund is to achieve consistent income streams through investment in a portfolio of money market securities and investments specified in the Trust Deed. The money market fund preserves capital, offers quarterly interest payment as well as safety and liquidity.

MARKET REVIEW, OUTLOOK AND STRATEGY

The financial system opened the month of September with a surplus balance of N579.3bn, particularly bolstered by increased activities at the CBN Standing Deposit Facility (SDF) window. During the month, the financial system liquidity was further improved by inflows amounting to N646.2bn (from coupon payments and OMO maturities). Interestingly, the CBN concluded its 297th MPC meeting on Tuesday, 24 Sept-2024, of which the Monetary Policy Rate (MPR, or benchmark interest rate) was unexpectedly raised by 50bps, from 26.75% to 27.25%, further tightening financial conditions in the local economy. However, the asymmetric corridor (+500/-100 basis around the MPR) was left unchanged at the previous level, thus further encouraging banks' deposits with the CBN. The Committee also tightened the banks' Cash Reserve Ratio (CRR), hiking CRR for merchant banks by +200bps, from 14.0% to 16.0%, and for commercial banks by +500bps, from 45.0% to 50.0%. Nonetheless, factoring in FAAC inflows, the financial system was mostly liquid in the month under review, wrapping up with a balance of N711.4bn. That said, funding rates between banks were quite volatile, in tandem with the volatility of the financial system. However, given the fact that the month under review was mostly liquid, the monthly average of the Open Repo Rate (OPR) and Overnight Rate (O/N) declined by 29bps m/m and 51bps m/m to print at 27.63% and 28.02% (previously, 29.43% and 28.57%) respectively.

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.

Looking into October 2024, 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. Factoring in expected FAAC inflows and increased activities at CBN's Standing Deposit Facility (SDF) window, we expect the financial system to be mostly liquid in October. As a result, we expect down-pressure on short-term rates to resurface (particularly in the 2nd week of October), with the recent +50bps MPR hike fueling mild bearish strides in the background. That said, we foresee short-term rates gradually trending lower at primary and secondary market levels in October.

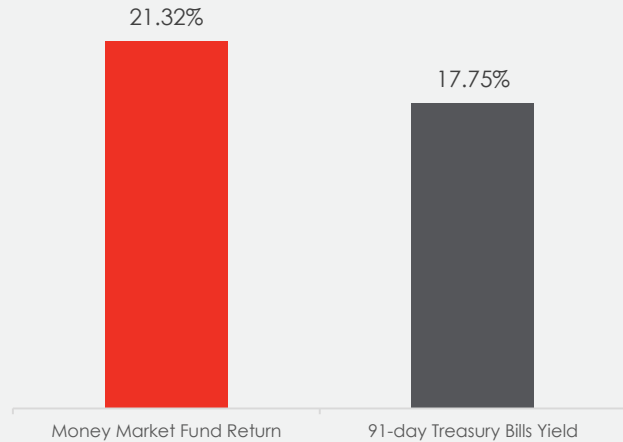
Past performance is not a reliable indicator of future performance and individual investors' returns may differ depending on individual investment period. Performance is net of fees and charges. This information has been prepared for the purpose of providing general information, without taking into account 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 (₦)	59.6bn
NAV Per Share (₦)	1
Minimum Entry (₦)	10000
Additional Investment (₦)	5000
Structure	Open Ended
Minimum Holding Period	Nil
Benchmark	91-day T-Bills
Management Fee	1.0%
Total Expense Ratio*	1.3%
Risk Profile	Low
Income Distribution	Income Oriented

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

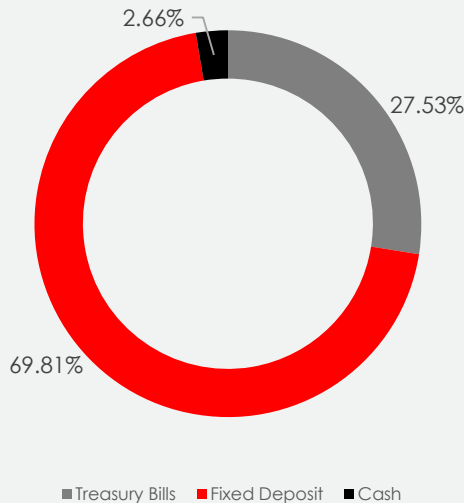
Money Market Fund Return vs Benchmark



MATURITY PROFILE OF ASSETS

0-30days	16.28%
31-60days	26.33%
61-90days	34.04%
91-180days	11.21%
180-365 days	12.14%

Current Portfolio Holdings



Governance Asset Allocation Ranges:

Money Market Fixed Deposits (60%-75%); Short Term Securities: (25%-40%)

RETURN HISTORY

	2019	2020	2021	2022	2023	Sept. 2024
Money Market Fund Returns	12.9%	5.42%	6.91%	9.34%	11.48%	21.32%
Benchmark Returns	11.2%	1.52%	3.34%	3.97%	7.00%	17.75%

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

PERFORMANCE REVIEW

The United Capital Money Market Fund returned an annualized net return of 21.32% as at end of September 2024, from 22.30% in the previous month. Meanwhile, benchmark return declined from 19.06% in the preceding month to 17.75% as at end of September 2024.

In the primary market, the Central Bank of Nigeria held three NT-bill auctions during the month, aimed at rolling over maturing bills worth N622.7 billion. Investor interest was notably strong, with total demand reaching N2.0 trillion, resulting in a bid-to-cover ratio of 3.2x. In the secondary market, there was bullish momentum before the MPC meeting, but bearish sentiment returned following the MPC's decision to raise the MPR by 50bps. As a result, the average yield on NT-bills in the secondary market increased by 71bps month-over-month, ending September 2024 at 21.92%, up from 21.21%. Similarly, the average yield on OMO bills rose by 73bps, closing the month at 23.61%, compared to 22.88% in the previous month.

In October 2024, we anticipate the financial system will remain largely liquid. Consequently, we expect downward pressure on short-term rates to re-emerge, particularly in the second week of the month, despite the mild bearish sentiment driven by the recent 50bps MPR hike. Overall, we foresee a gradual decline in short-term rates in both the primary and secondary markets throughout October.

The Fund will continue to invest in high quality money market 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?

- Short-term capital preservation
- Seamless entry and exit
- Low entry threshold
- Professional management with robust risk framework

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 "Money Market 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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