

# United Capital Money Market Fund

## Mutual Funds Factsheet | April 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 April with a surplus balance of N104.6bn, particularly helped by residue from FAAC payments. In line with the mandate of the CBN to allow an elevated interest rate environment, we observed that the financial system was mostly illiquid in the month under review. The illiquidity position of the system helped interest rates across the curve to remain elevated in April (largely in line with our expectations). Other factors like the appreciating Naira and "higher for longer" interest rate paradigm in the United States (U.S) placed further northward pressure on short-term rates (albeit at secondary market levels).

The monthly average of funding rates between Banks tapered in April-2024, supporting our prognosis that short-term rates had attained a peak in March 2024. For context, the monthly average Open Repo Rate (OPR) and Overnight Rate (O/N) declined by 35bps m/m and 23bps m/m to print at 29.20% and 28.22% from 29.43% and 28.57% respectively. Nonetheless, the financial system wrapped up the month under review with a deficit balance of N403.6bn, anchored by oversubscriptions at primary market levels.

At the primary market, the Central Bank of Nigeria (CBN)

conducted two (2) NT-bills auctions during the month to roll over maturing bills to the tune of N292.2bn. Investors demand at the auctions was very significant, with total demand amounting to N2.6trn, implying bid-to-cover ratio of 8.8x. Compared to the total amount of NT-bills that was set to be rolled over at the auctions, the CBN over-allotted the two auctions, allotting NT-bills to the tune of N1.3trn, arriving at an overallocation of 4.5x. Unlike riskier asset classes, money market assets (also known as non-risk securities) continue to be highly sought after by investors, as seen by the substantial demand at the auctions in April 2024. However, despite the significant overallocation rate, stop rates across the 91-day and 182-day bills remained unchanged at primary market levels throughout the month under review. However, the stop rate on the 364-day bill declined 42bps to record close at 20.7% from 21.12% which was recorded at the last auction in March 2024.

In the secondary market, we saw significant bearish sentiments, primarily spurred by foreign investors who sought to exit the Nigerian markets, to take positions in more attractive markets in advanced economies (particularly the United States). Also, a blend of the appreciating Naira and CBN's commitment to meet FX obligations incentivized the move by the foreign investors (particularly those who had trapped funds and were actively seeking to exit). Thus, the average yields on NT-bills at secondary market levels, rose by 454bps m/m to close the month of Apr-2024 at 22.20% (previously 17.66%). Similarly, the average yield on OMO bills climbed by 29bps to settle at 18.75% in Mar-2024 from 18.46% in the prior month.

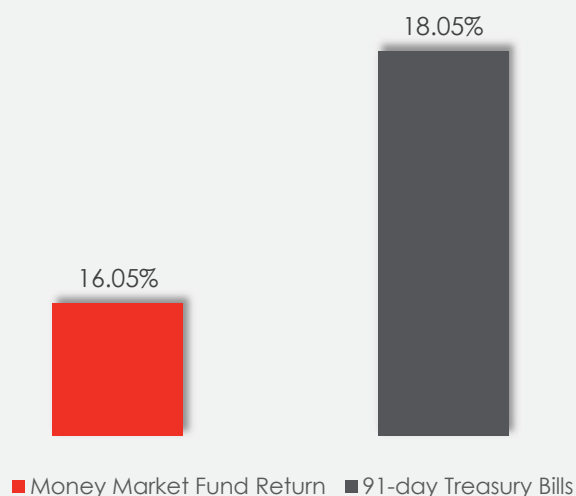
**Looking into May 2024, we expect short-term rates to remain around current levels. We expect the financial system to remain mostly illiquid, in line with the CBN's posture to an elevated interest rate environment. Changing perspectives, we see a class of investors who will look to take advantage of the current elevation of short-term rates, holding on to the paradigm that short-term rates have possibly reached their peak levels..**

**FUND FEATURES**

<b>Fund Manager</b>	United Capital Asset Management Ltd
<b>Base Currency/Start Year</b>	Naira/2006
<b>Fund Size (₦)</b>	35.6bn
<b>NAV Per Share (₦)</b>	1
<b>Minimum Entry (₦)</b>	10000
<b>Additional Investment (₦)</b>	5000
<b>Structure</b>	Open Ended
<b>Minimum Holding Period</b>	Nil
<b>Benchmark</b>	91-day T-Bills
<b>Management Fee</b>	1.0%
<b>Total Expense Ratio*</b>	1.3%
<b>Risk Profile</b>	Low
<b>Income Distribution</b>	Income Oriented

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

**Money Market Fund Return vs Benchmark**



**MATURITY PROFILE OF ASSETS**

0-30days	35.60%
31-60days	19.14%
61-90days	12.25%
91-180days	20.95%
180-365 days	12.05%

**RETURN HISTORY**

	2016	2017	2018	2019	2020	2021	2022	2023	APR' 24 WAY
Money Market Fund Returns	13.1%	14.2%	12.9%	12.9%	5.42%	6.91%	9.34%	11.48%	16.05%
Benchmark Returns	13.7%	11.0%	12.6%	11.2%	1.52%	3.34%	3.97%	7.00%	18.05%

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

**PERFORMANCE REVIEW**

The United Capital Money Market Fund yielded a weighted average return of 16.05% as at end of March 2024, 200bps lower than the benchmark rate of 18.05%.

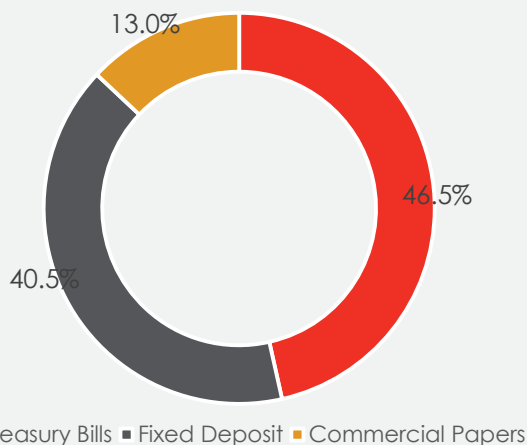
The return can be attributed mainly to accrued interest on money market securities held in the fund for this period.

The aggressive move by the monetary authority to address the instability of the Naira as well as the sticky inflationary pressure continued in the month of April. Having hiked MPR by a whopping 600bps in the first quarter of the year while also adjusting the CRR and the asymmetric corridor as well as aggressively enforcing the CRR policy by way of CRR debit on cash reserves of Banks, the market continue to feel the effect of this policies by way of negative system liquidity, causing yield across the different ends of the curve to inch up and assets repricing. Consequently, this is caused a significant jump in the benchmark of the fund.

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.

We would continue to ensure that the investments in the fund are within the short-term duration to enhance liquidity for the fund and take advantage of market movements.

**Current Portfolio Holdings**



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?

- 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](http://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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