

United Capital Balanced Fund

Mutual Funds Factsheet | February 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

The Nigerian equities market ended its four months positive streak in February. The negative performance is attributable to the positive performance in the fixed income market and weak earnings report of some of the large tickers. At the end of the month, only two (Consumer goods and Oil and Gas) out of the five sectors closed in the green. As a result, the benchmark index (NGX-ASI) YTD return declined by 1.16% to 33.71%, settling at 99,980.30 points. Consequently, market capitalization reduced to N54.71tn.

The fixed income market experienced significant increase in yields which was driven by the rate hike by the apex bank to curb inflation and reduce liquidity in the system. At the primary auction, the DMO on behalf of the government offered two new bonds (Feb 2031, Feb 2034) which were undersubscribed. In the secondary market, average yields rose by 273bps MoM to close at 17.22%.

In the NTB space, the CBN conducted two auctions in February. Average stop rate at the auction increased compared to the previous month. Specifically, the 1-year treasury bill closed at 19% at the end of the month compared to 11.54% in the last auction in January. Consequently, in the secondary market, average yield increased by 775bps MoM to 16.90%.

Given the hawkish stance (as shown in the last MPC meeting) of the apex bank, we expect a shift in investors' interest from the equity market to the fixed income market. As such, we expect to see further sell-offs in the equity market. Additionally, we expect to see more FY'23 earnings report during the month. This is also expected to drive investors' sentiment in the coming month.

We expect yields to rise further in the fixed income market. From the Q2 NTB calendar released, the CBN is expected to return to the market frequently in March. From the liquidity profile, system liquidity is projected to improve compared to February driven by bond maturity, coupons and NTB maturity. The expectation is that the liquidity will be mopped up via the auctions (NTB, Bonds and OMO). Overall, the high yield environment is expected to persist.

FUND FEATURES

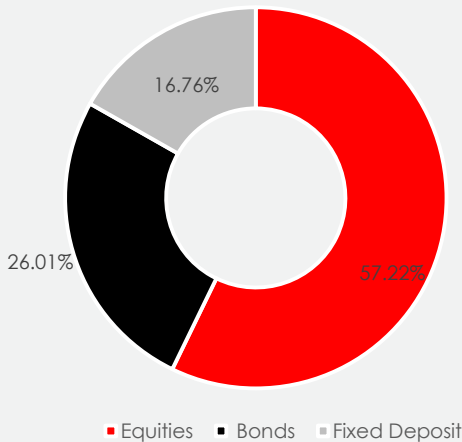
Fund Manager	United Capital Asset Management Ltd
Base Currency/Start Year	Naira/2006
Fund Size (₦)	1.7bn
NAV Per Share (₦)	1.9180
Minimum Entry (₦)	10,000
Additional Investment (₦)	5,000
Structure	Open Ended
Entry/Exit Charges	Nil
Management Fee	1.5%
Total Expense Ratio*	1.8%
Benchmarks	91-Day T-bills/NSE 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	16.25%
31-60days	8.78%
61-90days	14.17%
91-180days	0.00%
180-365 days	0.00%
>1 year	60.81%

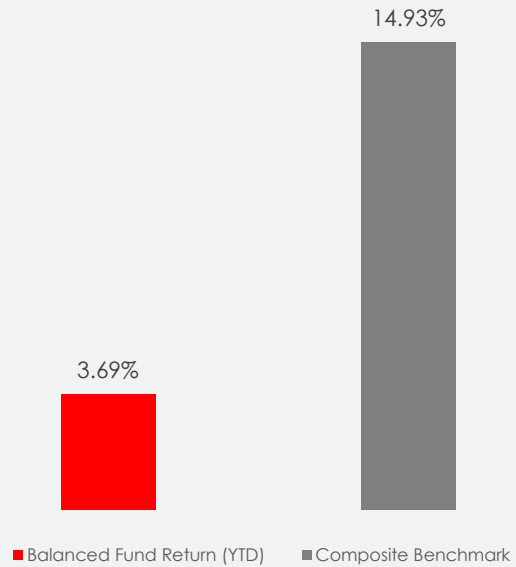
Current Portfolio Holdings



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%	3.69%
Composite Benchmark	5.10%	22.70%	1.70%	-1.73%	25.16%	5.56%	12.82%	19.97%	14.93%

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

PERFORMANCE REVIEW

The United Capital Balanced Fund returned 3.69% for the month of February 2024, relative to 14.93% posted by the composite benchmark during the same period.

The bears dominated the equities market in February following the positive performance in the previous month. This is largely attributable to the high yield environment in the fixed income market and weaker than expected FY '23 earning report. These factors led to sell-offs by investors in the market. Consequently, the equities market lost 1.16% month on month.

In line with the current market performance, the fund will reduce exposure to the equities market while also taking positions in tickers with strong fundamentals, trading below the target price and high dividend-paying stocks. Additionally, the fund will take advantage of the high yield environment in the fixed income market in a bid to boost the return of the fund.

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



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