

United Capital Money Market Fund

Mutual Funds Factsheet | February 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

In February, the financial system opened with a deficit balance of N287.3bn. The financial system became reflat following inflows from coupon payments, totaling N114.8bn and OMO repayments of N40.0bn. However, the inflows were not sufficient to bolster the financial system, particularly due to government's activities in both the NTB and FGN bond primary markets. As a result, the financial system closed the month with a deficit balance of N239.2bn. Consequently, the monthly average Open Repo Rate (OPR) and Overnight Rate (O/N) climbed by 350bps m/m and 336bps m/m from 16.49% and 17.56% to print at 19.99% and 20.93%, respectively.

At the primary market, the Central Bank of Nigeria (CBN) conducted two NT-bills auctions during the month. At the first auction, the CBN offered a total of N1.0tn worth of bills across the 91-day, 182-day and 364-day bills as against rolling over the N417.1bn worth of maturing bills. The auction was met with strong investors' demand, with total subscriptions printing at N2.0tn, implying an oversubscription rate of about 2.0x. Total demand was largely skewed toward the 364-day bills, with total subscription printing at N1.86tn (93.9% of the total auction subscriptions). Notably, the CBN sold just the amount on offer. That said, given the offer size of the auction, stop rates surged significantly across all tenors. Stop rates across the 91-day, 182-day, and 364-day bills climbed

1224bps, 1085bps and 746bps to print at 17.24%, 18.00%, and 19.00%, respectively (previously, 5.00%, 7.1% and 11.54%).

At the second auction, the Central Bank of Nigeria (CBN) rolled over N265.5bn worth of maturing NT-bills across the 91-day, 182-day and 364-day bills. At the auction, investor bids totaled N2.2tn, indicating a bid-to-cover ratio of 8.4x. Notably, the Apex Bank oversold the auction, allotting a total of N1.6tn worth of bills. Consequently, the stop rates on the 91-day and 182-day bills fell by 24bps and 50bps to 17.00% and 17.50%, respectively. Meanwhile, the stop rate on the 364-day bill remained unchanged at 19.00%.

In the secondary market, we saw significant bearish sentiments throughout the month due to the illiquidity of the financial system. As a result, the average NT-bills yield rose by 775bps m/m to close the month of Feb-2024 at 16.90% (previously 9.15%). Similarly, the average yield on OMO bills climbed by 833bps from 9.63% to settle at 17.96%.

Looking ahead, we expect the system liquidity to be the main driver of money market rates. During the month, we expect a total of N1.1tn worth of inflows to hit the financial system in Mar-2024 (865.1% higher than February's figure of N114.8bn). Of the lump sum, N720.0bn will emanate from a bond maturity while the remaining balance of N388.2bn are expected inflows from coupon payments. We anticipate that the inflows will support system liquidity, with a possibility of driving money market rates lower. However, we do not expect the liquidity to linger in the financial system as the body language of the Central Bank is tilted towards tightening the financial system via mop-up activities. Thus, we expect OMO auctions during the month to mop up excess liquidity. This is in line with the CBN's disposition to deploy orthodox monetary policy tools. As a result, we expect rates to remain high at their current levels, with the probability of inching upwards. Lastly, the decisions by the Monetary Policy Committee (MPC) to HIKE the benchmark interest rate by 400bps to 22.75% provide further support for liquidity tightening, higher fixed-income yields, and improved capital inflows.

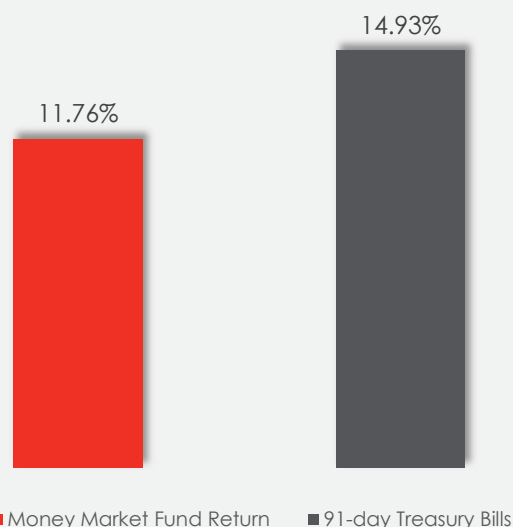
Past performance is not a reliable indicator of future performance and individual investors' returns may differ depending on individual investment period. Performance is net of fees and charges. This information has been prepared for the purpose of providing general information, without taking into account 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 (₦)	46.4bn
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

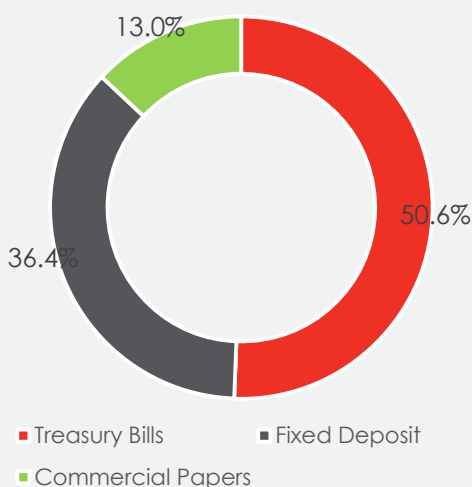
Money Market Fund Return vs Benchmark



MATURITY PROFILE OF ASSETS

0-30days	24.5%
31-60days	22.2%
61-90days	6.6%
91-180days	38.6%
180-365 days	8.1%

Current Portfolio Holdings



RETURN HISTORY

	2016	2017	2018	2019	2020	2021	2022	2023	Feb-24
UCAP Money Market Fund Return	13.10%	14.20%	12.90%	12.90%	5.42%	6.91%	9.34%	11.48%	11.76%
Benchmark Return	13.70%	11.00%	12.60%	11.20%	1.52%	3.34%	3.97%	7.00%	14.93%

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

PERFORMANCE REVIEW

The weighted average yield for the United Capital Money Market Fund yielded a weighted average return of 11.76% for the month of February 2024, slightly lower than the corresponding benchmark rate of 14.93%.

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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.

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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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