

United Capital Sukuk Fund

Mutual Funds Factsheet | January 2024

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FUND OBJECTIVE

The objective of the fund is to provide investors with a low-risk investment with stable and competitive returns through investments in short, medium and long-term Sharia-Compliant securities and investment products, whilst ensuring the preservation of capital and maintaining a reasonable degree of liquidity.

The Fund aims to provide its Unitholders with halal profits on the growth of their capital over the long-term in accordance with the principles of Islamic finance.

MARKET REVIEW, OUTLOOK AND STRATEGY

Last month, the Debt Management Office (DMO) conducted its FGN bond auction for Feb-2024, with N2.5tn worth of papers on offer across the newly issued 2031 (7-YR) and 2034 (10-YR) papers. At the auction, investors' bids fell short of the offer due to the low liquidity in the financial system at the time of the auction compared to the offer size. Thus, the auction was undersubscribed, with total subscription printing at N1.9tn and a bid-to-cover ratio of 1.3x. Notably, the DMO undersold the auction, allotting a total of N1.5tn vs N2.5tn on offer. Consequently, the marginal rates on the 2031 and 2034 papers settled at 18.50% and 19.00%, respectively.

In the secondary market, sell pressures dominated the market as investors' sentiments were mainly bearish. This was due to the uncertainty surrounding the release of the Q1-2024 bond auction calendar. Investors remained wary of the DMO's body language towards the bonds market. Additionally, concerns relating to the direction of the interest rate environment weighed on investors' sentiments. Thus, average yields on sovereign bonds climbed higher to print at 17.22% in Feb-2024, a 273bps m/m increase from the 14.49% print in Jan-2024.

In tandem, we observed sell pressures in corporate bonds, as average yields at the end of Feb-2024 rose by 350bps m/m to close at 19.07% (previously 15.57%). Similarly, the FGN Sukuk bonds closed bearish as average

yields on Sukuk bonds increased by 429bps m/m to close at 17.42% compared to the previous month's close of 13.13%.

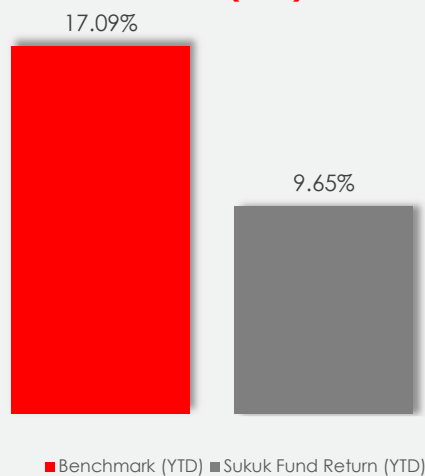
Looking ahead, we maintain our expectations of the Federal Government's (FG) continued reliance on the domestic debt market, due to dwindling government revenue generation and widening budget deficit. This will continually drive the supply of bonds in the primary market as the FG sought to finance its capital and recurrent expenditures. In line with the climb in rates at the recent auctions, we expect marginal rates to trend higher as the CBN aims to drive rates higher to attract domestic and foreign investors into the fixed income market. In the secondary market, we anticipate an overall bearish sentiment to dominate the market underpinned by concerns about the FGN bond auction calendar, the nation's fiscal health and the efficacy of its monetary policy. However, we may see pockets of buy interests as investors may want to take position given the high yields in the market.

FUND FEATURES

Fund Manager	United Capital Asset Management Ltd
Base Currency/Start Year	Naira/2020
Fund Size (₦)	5.1bn
NAV Per Share (₦)	1.1890
Minimum Entry (₦)	10,000
Additional Investment (₦)	5,000
Structure	Open Ended
Minimum Holding Period	90 days
Management Fee	1.5%
Total Expense Ratio*	1.8%
Benchmark	3-Yr FGN Sovereign Sukuk Yield
Risk Profile	Medium
Investment Style	Income Oriented

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

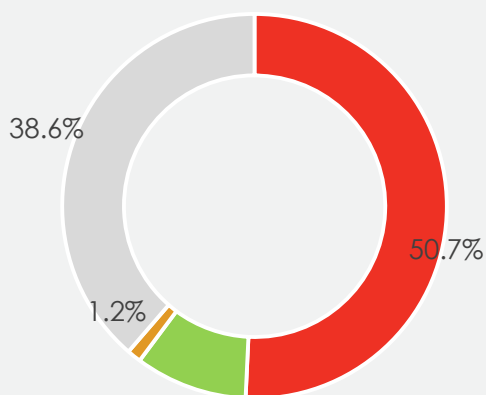
Sukuk Fund Return Vs Benchmark (YTD)



MATURITY PROFILE OF ASSETS

<1yr	46.6%
3-5yr	11.7%
5-10yr	41.7%
>10yr	0.00%

Current Portfolio Holdings



- Sovereign Sukuk Bonds
- Sub-Sovereign Sukuk Bonds
- Corporate Sukuk Bond
- Non-Interest Bank Deposit

Governance Asset Allocation Ranges:

Non-Interest Bank Deposit (20%-40%); Sukuk Bond: (60%-80%)

RETURN HISTORY

	2021	2022	2023	2024 YTD
United Capital Sukuk Fund	7.32%	7.23%	11.36%	9.65%
Benchmark	9.88%	12.92%	13.20%	17.09%

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

PERFORMANCE REVIEW

The United Capital Sukuk Fund returned 0.73% for the month of February 2024 and an annualized YTD return of 9.65%, relative to the return of 17.09% posted by the benchmark for the same period.

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Due to the recent attraction to Sukuk funds, we expect more issuances to take place in the coming months. We would continue to watch out for attractive sukuk offers to boost return.

The Fund maintains sufficient exposure to FGN Sukuk, money market instruments and sub-sovereign and corporate Sukuk with significantly higher yields. We will maintain current allocation to enhance returns for the Fund.

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?

- Not exposed to equities market volatility
- Seamless entry and exit
- Low entry threshold
- Professional management with robust risk framework
- Long term capital preservation and growth

INVESTMENT RISK

- Market Risks
- Macroeconomic instability
- Interest Rate Risk

HOW TO PARTICIPATE

1. Log in to our online platform www.investnow.ng
2. Click on **Sukuk 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

