

# 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

In the primary market, an FGN Bond auction was conducted by the DMO with an offer size of N360.0bn across the 2027, 2029, 2033 and 2038 bonds. At the auction, investors' demand was strong, as total subscription printed at N604.6bn. A total of N604.6bn worth of bonds was sold.

This implied a 1.45x bid-to-cover ratio. Thus, the marginal rates across the 2027, 2029, 2033 and 2038 bonds settled at 15.0%, 15.5%, 16.0% and 16.5%, respectively.

In the secondary market, we observed sell-interests in the market as investors sought to drive bond yields northward. The buy-interests were skewed toward both the short and long ends of the bonds yield curve. That said, average yields on sovereign bonds climbed by 116bps m/m to print at 14.13% (previously 14.13%) respectively.

The CBN also expressed its commitment toward orthodox methods by conducting series of Open Market Operations (OMO) auctions, with the first OMO auction for the year conducted on 10 January 2024. On offer was OMO bills to the tune of N300.0bn, spanning across the 97-day, 181-day, and 363-day OMO bills. Accordingly, the auction was oversubscribed, with the banks contributing to the bulk of the total subscription (N414.2bn). Interestingly, CBN oversold the auction, selling OMO bills to the tune of N357.2bn. The stop rates

across the 97-day, 181-day and 363-day bills closed at 10.50%, 14.00% and 17.75%.

On the details of the second OMO auction which was conducted on 15 January 2024, the Central Bank of Nigeria (CBN) had an offer size of N300.0bn across the 92-day, 183-day and 365-day bills. At the auction, investors' demand was strong, as total subscription printed at N519.9bn, implying a bid-to-cover ratio of 1.7x. The bulk of the bids were skewed towards the longer-tenured instrument. Notably, CBN sold just the amount on offer. Thus, the stop rates across all 92-day, 183-day and 365-day bills declined by 50bps, 50bps and 25bps to settle at 10.0%, 13.5% and 17.5%, respectively.

Lastly on OMO auctions, the CBN conducted its final OMO auction for the month on 29 January 2023. On offer were OMO bill(s) to the tune of N350.0bn across the 92-day, 183-day and 365-day bills. At the auction, investors' demand was strong, as total subscription printed at N533.8bn, implying a bid-to-cover ratio of 1.5x. The bulk of the bids were skewed towards the longer-tenured instrument. Yet again, CBN sold just the amount on offer. Thus, the stop rates across all 92-day, 183-day and 365-day bills declined by 50bps, 50bps and 25bps to settle at 10.0%, 13.5% and 17.5%, respectively.

In the secondary market, we mostly saw bearish sentiments abound throughout the month. This was essentially driven by the elongated periods of system illiquidity. As a result, the average NT-bills yield climbed by 286bps m/m to close at 9.15% (previously 6.29%). Conversely, the average yield on OMO bills declined by 172bps to settle at 9.63% (previously 11.35%).

**In February, we expect mixed sentiments to prevail in the Bonds market. The FG's unending budget deficit financing, as evident in its 2024 budget, and the legacy debt sustainability issue are expected to continue to weigh down investors' sentiments. However, the FG's efforts to shore-up oil production (in a bid to improve oil receipts), rehabilitation of local refineries, the prospects of the Dangote refinery, and expected high-base on inflation, stand as glimmers of hope in 2024.**

**FUND FEATURES**

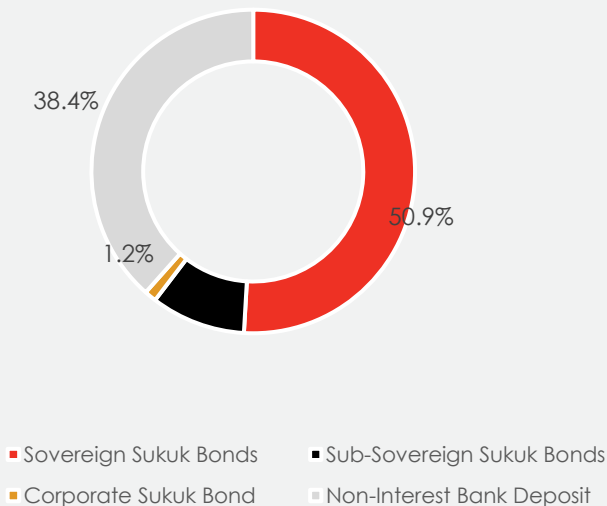
<b>Fund Manager</b>	United Capital Asset Management Ltd
<b>Base Currency/Start Year</b>	Naira/2020
<b>Fund Size (₦)</b>	5.1bn
<b>NAV Per Share (₦)</b>	1.1890
<b>Minimum Entry (₦)</b>	10,000
<b>Additional Investment (₦)</b>	5,000
<b>Structure</b>	Open Ended
<b>Minimum Holding Period</b>	90 days
<b>Management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

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

**MATURITY PROFILE OF ASSETS**

<1yr	44.8%
3-5yr	13.0%
5-10yr	42.2%
>10yr	0.00%

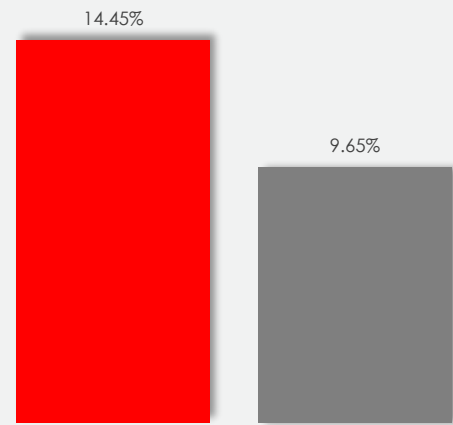
**Current Portfolio Holdings**



**Governance Asset Allocation Ranges:**

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

**Sukuk Fund Return Vs Benchmark (YTD)**



■ Benchmark (YTD) ■ Sukuk Fund Return (YTD)

**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%	14.45%

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

**PERFORMANCE REVIEW**

The United Capital Sukuk Fund returned 0.84% for the month of January 2024 and an annualized return of 9.65%, relative to the return of 14.45% posted by the benchmark for the same period.

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](http://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



**Diversify your investments  
with our Mutual Funds today.**

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