

# United Capital Fixed Income Fund

Mutual Funds Factsheet | March 2024

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## FUND OBJECTIVE

The main objective of the Fund is to achieve consistent income streams through investment in select portfolio of securities and investments specified in the Trust Deed. The Fund's assets are invested in Federal Government bonds, Sub-national bonds, corporate bonds and high-quality money market securities. The Fund is not affected by the fluctuations in the equity markets. However, opportunities for capital appreciation are dependent on changes in interest rate.

## MARKET REVIEW, OUTLOOK AND STRATEGY

The Debt Management Office (DMO) conducted its Mar-2024 bond auction with a total offer size of N450.0bn across the 3-YR "MAR 2027" (newly opened), 7-YR "FEB 2031" (reopened) and 10-YR "FEB 2034" (reopened) bond papers. At the auction, investors' sentiments were strong as indicated by the oversubscription rate of 1.4x. The total demand at the auction printed at N615.0bn. Notably, the DMO oversold the auction by 1.1x allocating a total of N475.7bn worth of bond papers. Consequently, the marginal rate on the 7-YR and 10-YR papers climbed by 150bps and 145bps to settle at 20.00% and 20.45% respectively. Meanwhile, the marginal rate on the newly opened 3-YR paper printed at 19.94%.

In the secondary market, we observed sell pressures dominate the market as investors' sentiments were mainly bearish. This was due to the uncertainty surrounding the DMO's body language towards long-term borrowings and the bonds market. Thus, average yields on sovereign bonds climbed higher to print at 19.41% in Mar-2024, indicating a 219bps m/m increase from the 17.22% print in Feb-2024.

In tandem, we observed sell pressures in corporate bonds as average yields at the end of Mar-2024 rose by 232bps m/m to close at 21.39% (previously 19.07%). Similarly, the FGN Sukuk bonds closed bearish as average yields on Sukuk bonds increased by 237bps m/m to close at 19.61% compared to the previous month's close of 17.24%.

Looking ahead into April-2024, we expect bond yields to continue to trend northwards as bearish investors' sentiments are sustained. This is underpinned by concerns about the nation's fiscal health and the efficacy of its monetary policy. Also, the hawkish stance of the MPC will keep rates elevated in the fixed-income market. In the primary market, we foresee healthy participation in the FGN Bond auction. In line with the increase 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 Nigerian capital market.

**FUND FEATURES**

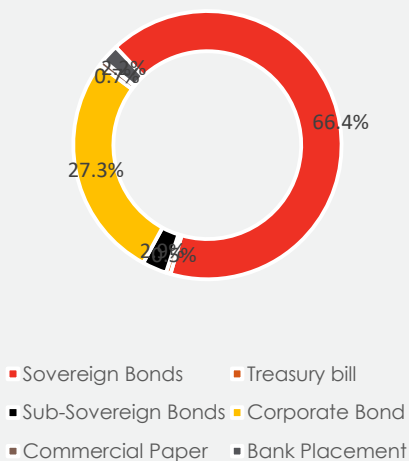
Fund Manager	United Capital Asset Management Ltd
Base Currency/Start Year	Naira/2006
Fund Size (₦)	96.1bn
NAV Per Share (₦)	1.9811
Minimum Entry (₦)	10,000
Additional Investment (₦)	5,000
Structure	Open Ended
Minimum Holding Period	90 days
Management Fee	1.5%
Total Expense Ratio*	1.8%
Benchmark	3-Yr FGN Bond Yield
Risk Profile	Medium
Investment Style	Income Oriented

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

**MATURITY PROFILE OF ASSETS**

<1yr	6.7%
1-3yr	32.5%
3-5yr	20.1%
5-10yr	21.6%
>10yr	19.1%

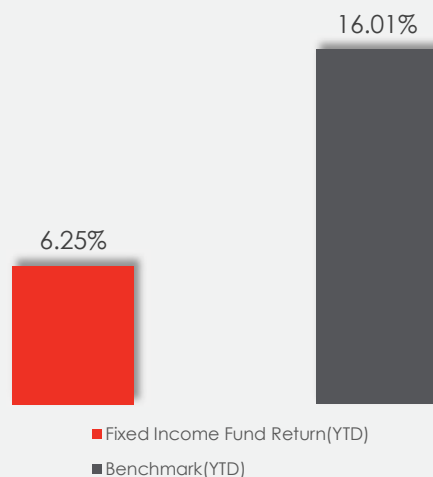
**Current Portfolio Holdings**



**Governance Asset Allocation Ranges:**

Money Market(10%-30%); Fixed Income: 70%-90%

**Fixed Income Fund Return Vs Benchmark (Annualized)**



**RETURN HISTORY**

	2020	2021	2022	2023	2024 YTD
United Capital Fixed Income Fund	9.35%	6.40%	6.33%	6.88%	6.25%
Benchmark	3.54%	9.45%	12.83%	13.30%	16.01%

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

**PERFORMANCE REVIEW**

The United Capital Fixed Income Fund returned 6.25% for the first quarter of the year 2024 relative to a 16.01% posted by the benchmark for the same period.

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

The first quarter of the year witnessed an aggressive move by the monetary authority to address the instability of the Naira as well as the sticky inflationary pressure. The CBN hiked MPR by a whopping 600bps in the quarter while also adjusting the CRR, the asymmetric corridor as well as aggressively enforcing the CRR policy by way of CRR debit on cash reserves of Banks, this led to the mop-up of system liquidity, caused 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.

In line with our expectations for the bond market space, we would engage in active trading for liquid FGN bonds to boost fund performance.

The portfolio remains invested in FGN Bonds, money market instruments and sub-sovereign bonds with descent yields. We will maintain current allocation to enhance yield income 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 risk
- 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 Bond 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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