

# United Capital Money Market Fund

## Mutual Funds Factsheet | March 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

The financial system opened the month of March with a deficit balance of N93.67bn due to the illiquidity in the system (a resultant effect of the hawkish monetary policy stance by the Central Bank). The CBN hiked the Monetary Policy Rate (MPR) by 400bps to 22.75% in Feb-2024 and by 200bps to 24.75% in Mar-2024 to mop up liquidity and rein down inflationary pressures. During the month, the financial system became reflat due to N720.0bn inflows from bond maturity and coupon payments of N388.2bn. However, due to the mop-up activities via the OMO, NT-Bills and FGN bond auctions, system liquidity declined. Thus, the financial system closed the month with a surplus balance of N45.3bn. Consequently, the monthly average Open Repo Rate (OPR) and Overnight Rate (O/N) climbed by 874bps m/m and 866bps m/m to print at 28.73% and 29.59% from 19.99% and 20.93% respectively.

At the primary market, the Central Bank of Nigeria (CBN) conducted three NT-bills auctions during the month. At the first auction, the CBN offered a total of N337.8bn worth of bills across the 91-day, 182-day and 364-day bills. At the auction, investors' demand was strong as total subscriptions printed at N1.7tn, implying an oversubscription rate of about 5.0x. The bulk of the bids were skewed toward the longer-tenured instrument which recorded a total subscription of N1.5tn. Notably, the CBN oversold the auction, allotting a total of N1.3tn bills. Thus, the stop rates across the 91-day, 182-day, and 364-day bills climbed by 24bps, 50bps and 249bps to print at 17.24%, 18.00%, and 21.49%, respectively (previously, 17.00%, 17.50% and 19.00%) in that order.

At the second auction, the 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 totalled 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, 182-day and 364-day bills fell by 100bps, 100bps and 37bps to 16.2399%, 17.00% and 21.124% respectively.

At the third auction, the CBN conducted an NT-bills auction, rolling over a total of N161.3bn worth of maturing bills across the 91-day, 182-day and 365-day bills. At the auction, investors' demand was strong as total subscriptions printed at N2.6tn. The bulk of the bids were skewed towards the longer-tenured instrument which recorded a total subscription of N2.5tn. Notably, the CBN oversold the auction, allotting a total of N1.6tn bills. Thus, the stop rates across the 91-day, 182-day and 365-day bills remained unchanged at 16.24%, 17.00% and 21.124% respectively.

In the secondary market, we saw significant bearish sentiments throughout the month of Mar-2024 due to the illiquidity in the financial system. As a result, the average NT-bills yield rose by 76bps m/m to close the month of Mar-2024 at 17.66% (previously 16.90%). Similarly, the average yield on OMO bills climbed by 50bps to settle at 18.46% in Mar-2024 from 17.96% in the prior month.

**Looking into April 2024, we anticipate a total of N398.9bn worth of inflows to hit the financial system. This is 64.0% lower than March's inflow of N1.1tn. That said, we anticipate the financial system to be relatively tight. This provides room for money market rates to be elevated. Additionally, we expect MPC's interest rate hike of 200bps to 24.75% to keep system liquidity at bay. Also, another supporting factor is the Central Bank's disposition to keep interest rates high to improve real returns and attract foreign investors. As a result, we expect rates (FD and money market rates) to remain high at current levels with the probability of inching upwards. Meanwhile, following signs that interest rates are trending toward peak at the short end of the curve, we anticipate renewed buy interests in the NT-bills market as investors take advantage of the high returns.**

**FUND FEATURES**

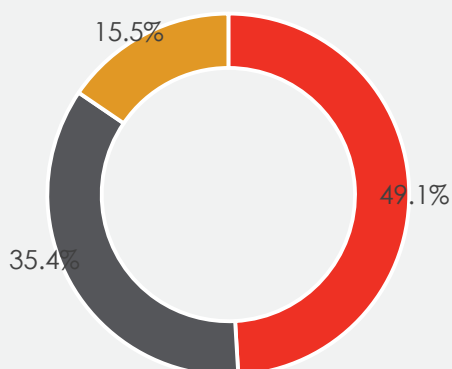
Fund Manager	United Capital Asset Management Ltd
Base Currency/Start Year	Naira/2006
Fund Size (₦)	39.1bn
NAV Per Share (₦)	1
Minimum Entry (₦)	10000
Additional Investment (₦)	5000
Structure	Open Ended
Minimum Holding Period	Nil
Benchmark	91-day T-Bills
Management Fee	1.0%
Total Expense Ratio*	1.3%
Risk Profile	Low
Income Distribution	Income Oriented

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

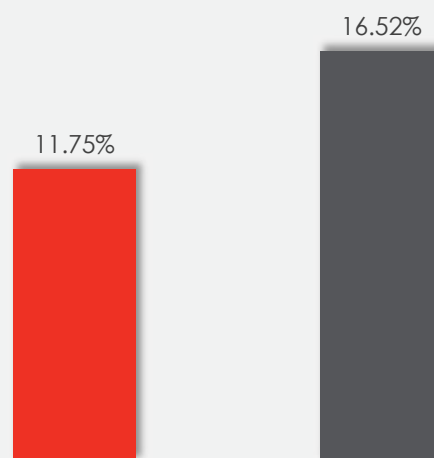
**MATURITY PROFILE OF ASSETS**

0-30days	26.2%
31-60days	35.0%
61-90days	7.2%
91-180days	23.3%
180-365 days	8.3%

**Current Portfolio Holdings**



**Money Market Fund Return vs Benchmark**



■ Money Market Fund Return  
■ 91-day Treasury Bills

**RETURN HISTORY**

	2016	2017	2018	2019	2020	2021	2022	2023	MAR' 24 WAY
Money Market Fund Returns	13.1%	14.2%	12.9%	12.9%	5.42%	6.91%	9.34%	11.48%	11.75%
Benchmark Returns	13.7%	11.0%	12.6%	11.2%	1.52%	3.34%	3.97%	7.00%	16.52%

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

**PERFORMANCE REVIEW**

The United Capital Money Market Fund yielded a weighted average return of 11.75% for the month of March 2024, slightly lower than the corresponding benchmark rate of 16.52%.

The return can be attributed mainly to 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.

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.

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?

- 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](http://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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