

United Capital Sukuk Fund

Mutual Funds Factsheet | March 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

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 taking the MPR to 24.75% in the quarter while also adjusting the CRR to 45% from 32.5%, 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.

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

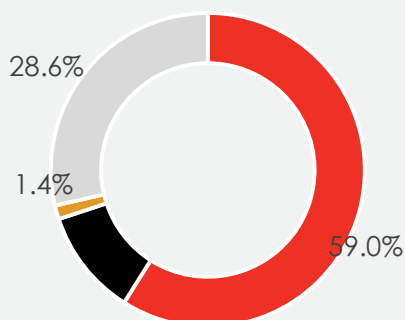
Fund Manager	United Capital Asset Management Ltd
Base Currency/Start Year	Naira/2020
Fund Size (₦)	4.3bn
NAV Per Share (₦)	1.2064
Minimum Entry (₦)	10,000
Additional Investment (₦)	5,000
Structure	Open Ended
Minimum Holding Period	90 days
Management Fee	1.5%
Total Expense Ratio*	1.8%
Benchmark	3-Yr FGN Sovereign Sukuk Yield
Risk Profile	Medium
Investment Style	Income Oriented

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

MATURITY PROFILE OF ASSETS

<1yr	35.7%
3-5yr	14.1%
5-10yr	50.2%
>10yr	0.00%

Current Portfolio Holdings

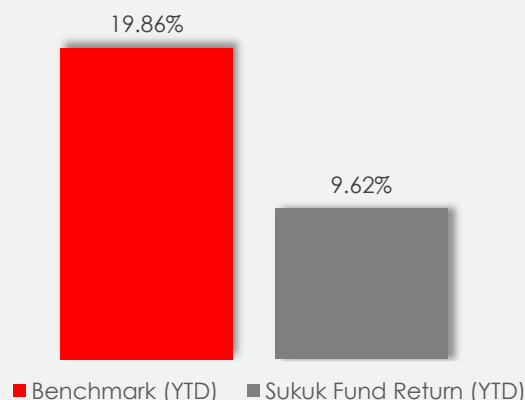


- Sovereign Sukuk Bonds
- Sub-Sovereign Sukuk Bonds
- Corporate Sukuk Bond
- Non-Interest Bank Deposit

Governance Asset Allocation Ranges:

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

Sukuk Fund Return Vs Benchmark (YTD)



RETURN HISTORY

	2021	2022	2023	2024 YTD
United Capital Sukuk Fund	7.32%	7.23%	11.36%	9.62%
Benchmark	9.88%	12.92%	13.20%	19.86%

*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 March 2024 and an annualized YTD return of 9.62%, relative to the return of 19.86% posted by the benchmark for the same period.

The return can be attributed mainly to accrued interest on money market securities held in the fund for this 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



Diversify your investments with our Mutual Funds today.

Balanced Fund Equity Fund Fixed Income Fund Money Market Fund

Nigerian Eurobond Fund Sukuk Fund Wealth for Women Fund