

United Capital Balanced Fund

Mutual Funds Factsheet | November 2023

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FUND OBJECTIVE

The objective of the United Capital Balanced Fund is to achieve long-term capital appreciation and income distribution through investment in a portfolio of securities and instruments as specified in the Trust Deed. The Fund is targeted at investors who seek a blend of safety and regular income. The Fund holds equities and fixed income assets in a blended proportion. The securities are held in relatively small proportions to diversify unsystematic risk in the portfolio.

The Fund aims to balance risk and return. The risk profile is structured to be lower than that of a pure equity investment. With assets tactically allocated between fixed income and equity investments, the Fund is structured for investors seeking a blend of safety, income and modest capital appreciation.

The equity portion of the Fund has exposures to mid-cap and large-cap stocks with significant diversification across sectors of the Nigerian economy. Investment decisions are driven by rigorous research in line with carefully designed Enterprise Risk Management framework.

MARKET REVIEW, OUTLOOK AND STRATEGY

The bulls continued dominating the Nigerian Exchange Limited (NGX) floor in November. Positive sentiments amongst investors towards fundamentally sound stocks dominated the market. Buying interests in large-cap stocks such as AIRTELAF (+18.1% m/m) and SEPLAT (+22.8% m/m) spurred the rally. As a result, the benchmark NGX-All Share Index (NGX-ASI) climbed by 3.1% m/m to close at 71,365.3 points. Consequently, YTD return strengthened to 39.2%, with market capitalization settling at N39.1tn.

Looking ahead, we expect mixed sentiments in the equities market in Dec-2023. First, we believe the bulls' dominance will linger as the positive sentiments towards the market continue to drive the rally. Hence, we recommend cherry-picking activities around fundamentally sound stocks with solid performance in anticipation of FY earnings.

In the primary market, the Central Bank of Nigeria (CBN) conducted an NT-bills auction, rolling over a total of N310.1bn maturing bills across the 91-day, 182-day and 364-day bills. At the auction, investors' demand was strong,

with the bulk of bids skewed towards the longer-tenured instrument. As a result, the total subscription printed at N875.8bn. Notably, the CBN over-allotted at the auction, as total bills sold printed at N491.8bn, implying a bid-to-cover ratio of 1.2x. In line with our expectation, the stop rates across all the maturing bills, 91-day, 182-day and 364-day bills climbed by 100bps, 200bps and 375bps to settle at 7.00%, 11.00% and 16.75%, respectively.

Looking ahead, we expect that the CBN's disposition to monetary tightening will allow money market and FTD rates to stay elevated around current levels, with a high likelihood of trending higher at restrictive levels. System illiquidity will play a background role in the direction of rates at the short end of curve. Funding rates may not be responsive to liquidity fundamentals as previously seen in Q3-2023.

Last month, the Debt Management Office (DMO) conducted its FGN bond Auction for Nov-2023, with N360.0bn worth of papers on offer across the following tenors: APR 2029, JUN 2033, JUN 2038, and JUN 2053. During the auction, investors demonstrated robust demand, buoyed by ample liquidity in the system. The preference was notably tilted towards instruments with longer tenures. For instance, investors' interest was majorly skewed towards the 2053s, which accounted for 74.17% of subscriptions. Thus, the auction was oversubscribed, with total subscription printing at N445.3bn. Notably, the DMO oversold the auction, allotting a total of N434.5bn vs 360.0bn on offer signaling the government's strong reliance on the domestic debt market. This indicates a bid-to-cover ratio of 1.0x. Consequently, the marginal rate on the 2029s, 2033s, 2038s and 2053s papers climbed by 110bps, 125bps, 170bps and 140bps to settle at 16.00%, 17.00%, 17.50% and 18.00%, respectively.

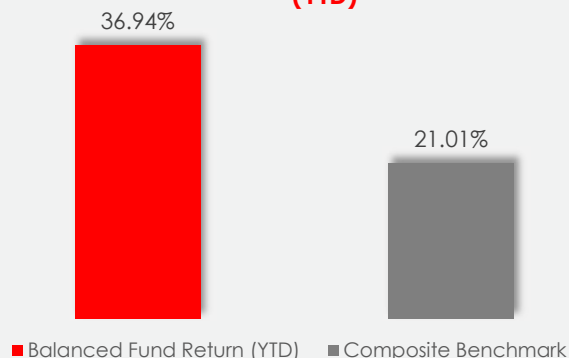
Consequently, we maintain our expectations of continued reliance on the domestic debt market by the Federal Government (FG), as evidenced by the dwindling government revenue. This will drive the supply of bonds in the primary market as the FG sought capital expenditure financing.

FUND FEATURES

Fund Manager	United Capital Asset Management Ltd
Base Currency/Start Year	Naira/2006
Fund Size (₦)	1.6bn
NAV Per Share (₦)	1.7772
Minimum Entry (₦)	10,000
Additional Investment (₦)	5,000
Structure	Open Ended
Entry/Exit Charges	Nil
Management Fee	1.5%
Total Expense Ratio*	1.8%
Benchmarks	91-Day T-bills/NSE ASI
Risk Profile	Moderate
Investment Style	Market Oriented

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

Balanced Fund Return Vs Benchmark (YTD)



MATURITY PROFILE OF ASSETS

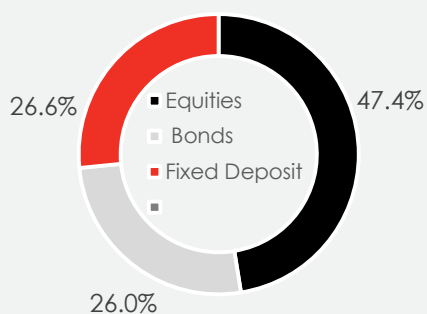
0-30days	37.60%
31-60days	24.00%
61-90days	0.00%
91-180days	0.00%
180-365 days	38.30%

RETURN HISTORY

	2016	2017	2018	2019	2020	2021	2022	YTD
United Capital Bal. Fund	5.00%	22.40%	1.16%	3.77%	14.35%	6.19%	4.89%	36.94%
Composite Benchmark	5.10%	22.70%	1.70%	-1.73%	25.16%	5.56%	12.82%	21.01%

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

Current Portfolio Holdings



Governance Asset Allocation Ranges:

FGN Eurobonds (50% - 70%); Corporate Eurobonds (50% - 70%); Money Market placements (30% - 50%) Global Fixed Income securities (0% - 20%), Alternative Investment Assets denominated in USD (0% - 20%)

PERFORMANCE REVIEW

The United Capital Balanced Fund returned 36.94% on a year to date ("YTD") as at the end of November, relative to 21.01% posted by the composite benchmark during the same period.

The bulls continued dominating the Nigerian Exchange Limited (NGX) floor in November. Positive sentiments amongst investors towards fundamentally sound stocks dominated the market.

In line with the current market performance, the fund would continue to take positions in stocks with low prices, solid valuations, and dividend performance in a bid to take advantage of potential market rally. As the year end rebalancing plays out, we would invest in strong names to boost the fund return and ensure tactical play against the coming year.

We will maintain our allocation in line with the investment policy objectives and the Trust Deed.

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?

- Low volatility of Investment returns
- Well diversified portfolio
- Seamless entry and exit
- Professional management with robust risk framework
- Automatic rebalancing in times of rising or falling markets
- Ability to enjoy long term capital growth as well as safety

INVESTMENT RISK

- Market risk of equity exposure
- Macroeconomic instability

HOW TO PARTICIPATE

1. Log in to our online platform www.investnow.ng
2. Click on "Balanced 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

