

United Capital Fixed Income Fund

Mutual Funds Factsheet | November 2023

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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

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, 2033, 2038s and 2053s papers climbed by 110bps, 125bps, 170bps and 140bps to settle at 16.00%, 17.00%, 17.50% and 18.00%, respectively.

In the secondary market, we observed sell pressures dominate the market as investors' sentiments were mainly bearish. This is due to investors desire to drive secondary bond yields higher. Additionally, the activities in the primary market and the CBN's deployment of orthodox methods supported the move. Thus, average yields on sovereign bonds climbed higher to print at 15.72% in Nov-2023, a 39bps m/m increase from 15.33% print in Oct-2023.

On the other hand, we observed buy pressures in corporate bonds, as average yields at the end of Nov-2023 fell by 7bps m/m to close at 16.41% (previously 16.48%). Similarly, the FGN Sukuk bonds closed bullish as average yields on Sukuk bonds declined by 14bps m/m to close at 14.83% compared to the previous month's close of 14.97%.

Looking ahead, 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. In line with the climb in rates at recent auctions, we expect marginal rates to trend higher as the CBN aims to drive rates higher. In the secondary market, we anticipate an overall bearish sentiment to dominate the market. However, we may see pockets of buy-interests as investors may want to take position given the high yields in the market.

FUND FEATURES

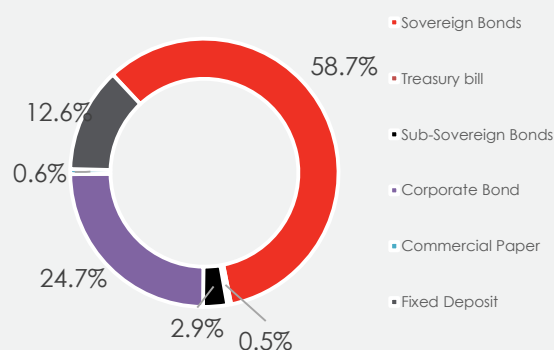
Fund Manager	United Capital Asset Management Ltd
Base Currency/Start Year	Naira/2006
Fund Size (₦)	99.8bn
NAV Per Share (₦)	1.9392
Minimum Entry (₦)	10,000
Additional Investment (₦)	5,000
Structure	Open Ended
Minimum Holding Period	90 days
Management Fee	1.5%
Total Expense Ratio*	1.8%
Benchmark	3-Yr 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	20.8%
1-3yr	11.4%
3-5yr	26.2%
5-10yr	26.0%
>10yr	15.6%

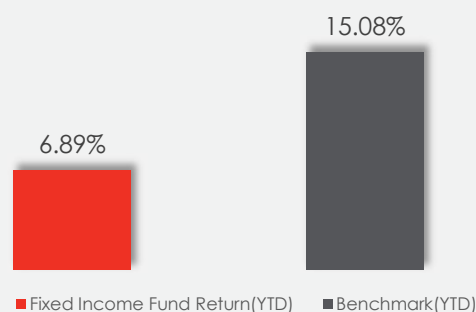
Current Portfolio Holdings



Governance Asset Allocation Ranges:

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

Fixed Income Fund Return Vs Benchmark (Annualized)



RETURN HISTORY

	2017	2018	2019	2020	2021	2022	YTD
United Capital Fixed Income Fund	28.4%	11.3%	14.9%	9.35%	6.40%	6.33%	6.89%
Benchmark	14.0%	15.1%	10.2%	3.54%	9.45%	12.83%	15.08%

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

PERFORMANCE REVIEW

The United Capital Fixed Income Fund returned 0.61% for the month of November and 6.89% year to date relative to a 15.08% posted by the benchmark for the same period.

In November, 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.

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
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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