

United Capital Balanced Fund

Mutual Funds Factsheet | October 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

In October, the bulls returned to the Nigerian Exchange Limited (NGX) following the expected commencement of the Q3-2023 earnings season. Due to this, positive sentiments amongst investors towards fundamentally sound stocks dominated the market. Notably, buy interests in large-cap stocks such as AIRTELAF (+19.4% m/m) and BUACEMEN (+25.2% m/m) spurred the rally. As a result, the benchmark NGX-All Share Index (NGX-ASI) climbed by 4.3% m/m to close at 69,236.2 points. Consequently, YTD return strengthened to 35.1%, from September's 29.5% print, with market capitalization settling at N38.0tn.

At the primary market, the Central Bank of Nigeria (CBN or Apex Bank) conducted two (2) NT-bills auctions in October. The CBN offered a total of N144.7bn worth of bills across the 91-day, 182-day and 364-day bills. The auction was met with strong investor demand owing to the buoyant liquidity in the system, with total subscriptions printing at N959.3tn, implying a bid-to-cover ratio of 6.6x.

Notably, the Apex Bank allotted just the amount offered at the 1st auction, and over-allotted (N370.3bn vs N108.1bn on offer) the second auction by an allotment rate of 3.4x. Given the inclination of the CBN to allow investors' demand for higher rates materialize at the second auction, we witnessed stop rates across the 91-day, 182-day and 364-day bills surge.

In the primary market, the Debt Management Office (DMO) conducted the Oct-2023 FGN bond Primary Market Auction (PMA) with a total offer size of N360.0bn across the 2029s, 2033s, 2038s and 2053s papers. The auction was oversubscribed due to the financial system's liquidity (at the time of the auction). Total investor demand was N283.1bn, or 1.06x the amount offered. Investors' interest was skewed towards the 2053s, which accounted for 65.5% of subscriptions. The DMO oversold the auction, and non-competitive allocations made up 10.7% (N40.0bn) of the overall allotments (N374.8bn). Marginal rates on the 2029s (+40bps), 2033s (+30bps), 2038s (+25bps) and 2053s (+35bps) papers climbed to settle at 14.9%, 15.75%, 15.80% and 16.6% respectively.

This month, we expect mixed sentiments in the equities market in Nov-2023. First, we believe the bulls' dominance will linger as the positive sentiments towards the market will continue to drive the rally. Hence, we recommend cherry-picking activities around fundamentally sound stocks with solid performance. However, downside risks are imminent as there may be profit-taking activities off strong-performing stocks amongst investors. In the fixed-income market, we expect that CBN's new disposition will allow the money market and FTD rates trend higher. System liquidity is likely to play a background role in terms of influence in the direction of rates at the short end of the curve. We expect to see bearish sentiments persist in the secondary market. The recent removal of the ceiling (two billion) at the Standing Deposit window will continue to put upward pressure on rates pending any adjustment to the asymmetric corridor (+100/-300). At the next auction we expect to see further climb in marginal rates.

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.

FUND FEATURES

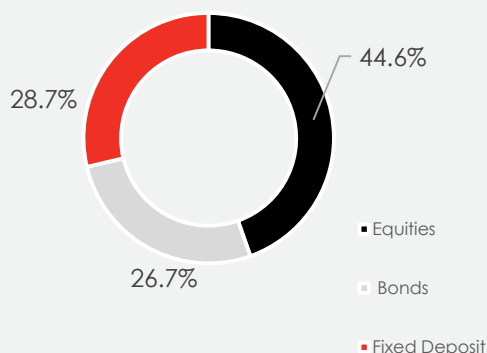
| Fund Manager | United Capital Asset Management Ltd |
|---------------------------|-------------------------------------|
| Base Currency/Start Year | Naira/2006 |
| Fund Size (₦) | 1.5bn |
| NAV Per Share (₦) | 1.7240 |
| Minimum Entry (₦) | 10,000 |
| Additional Investment (₦) | 5,000 |
| Structure | 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

MATURITY PROFILE OF ASSETS

| | |
|--------------|--------|
| 0-30days | 25.63% |
| 31-60days | 19.16% |
| 61-90days | 0.00% |
| 91-180days | 0.00% |
| 180-365 days | 55.21% |

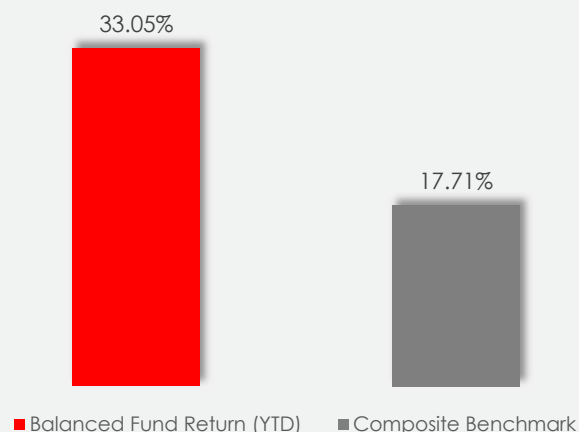
Current Portfolio Holdings



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%)

Balanced Fund Return Vs Benchmark (YTD)



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% | 33.05% |
| Composite Benchmark | 5.10% | 22.70% | 1.70% | -1.73% | 25.16% | 5.56% | 12.82% | 17.71% |

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

PERFORMANCE REVIEW

The United Capital Balanced Fund returned 33.05% on a year to date ("YTD") as at the end of October, relative to 17.71% posted by the composite benchmark during the same period.

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

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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

