

# United Capital Money Market Fund

Mutual Funds Factsheet | October 2023

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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

In October, the financial system opened liquid with a balance of N823.1bn, reflecting the inflow from FAAC payments. The system remained broadly liquid for the rest of the month, bolstered by coupon payments and other unspecified inflows. We did, however, find a weaker link between money market rates and liquidity, which weakened even more toward the end of the month when funding rates started to move higher despite the broadly liquid financial system. The reason for this oddity is the CBN's current disposition to return to conventional management, which points the way toward higher rates being set to draw in current liquidity. That said, the monthly average of the Open Repo Rate (OPR) and Overnight Rate (O/N) both significantly declined m/m by 775bps and 784bps to print at 2.65% and 3.28%, respectively.

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 at the 2nd auction climbing by 1.0bps, 245bps, and 163bps, to record at 6.0%, 9.0%, and 13.0% respectively (previously, 5.19%, 8.00% and 13.97%).

Riding on the prevailing liquidity in the financial system, particularly after the restrictions in the CBN's Standing Deposit Facility (SDF) was removed, the apex bank went on to conduct an OMO auction with a total of N400.0bn on offer across the 99-day, 183-day, 267-day, and 365-day OMO bills. In line with the thoughts of the apex bank, the auction was oversubscribed by 1.6x, with total demand printing at N632.8bn. That said, we witnessed a surge in rates at the OMO auction, with stop rates across all the bills offered printing at 13.99%, 14.49%, 15.00%, and 17.50%, respectively.

In the secondary market, we saw mixed sentiments for the most part of the month, with buy-interests supported by the prevailing liquidity in the financial system (for most part of the month), while CBN's latest disposition to allow rates climb at the short end of the curve underpinned selloffs (particularly toward the end of the month under review). As a result, the average NT-bills yield rose by 299bps m/m to close at 10.93% (previously 7.94%).

**Looking ahead, we expect that the CBN's new disposition will allow 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. Funding rates may not be responsive to liquidity fundamentals. That said, we are of the opinion that money market and FTD rates will trend reasonably higher, with an equal likelihood of remaining around current levels.**

*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**

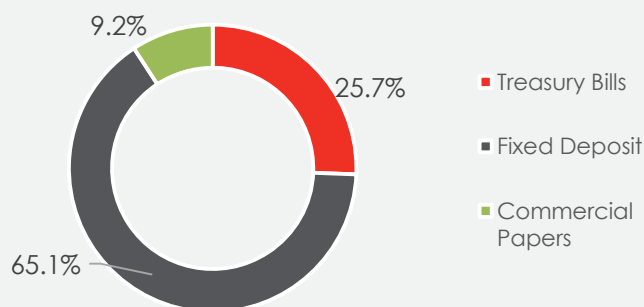
<b>Fund Manager</b>	United Capital Asset Management Ltd
<b>Base Currency/Start Year</b>	Naira/2006
<b>Fund Size (₦)</b>	42.5bn
<b>NAV Per Share (₦)</b>	1
<b>Minimum Entry (₦)</b>	10000
<b>Additional Investment (₦)</b>	5000
<b>Structure</b>	Open Ended
<b>Minimum Holding Period</b>	Nil
<b>Benchmark</b>	1.0%
<b>Management Fee</b>	1.3%
<b>Total Expense Ratio*</b>	91-day T-Bills
<b>Risk Profile</b>	Low
<b>Income Distribution</b>	Income Oriented

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

**MATURITY PROFILE OF ASSETS**

0-30days	38.10%
31-60days	28.70%
61-90days	5.50%
91-180days	25.00%
180-365 days	2.80%

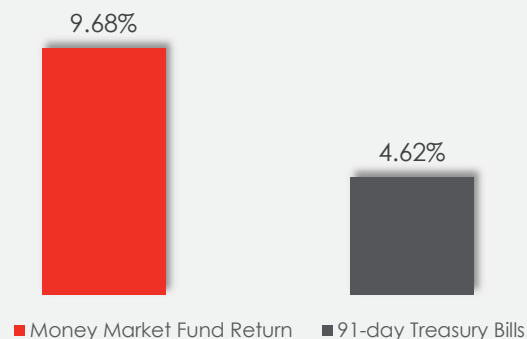
**Current Portfolio Holdings**



**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%)

**Money Market Fund Return vs Benchmark**



**RETURN HISTORY**

	2016	2017	2018	2019	2020	2021	2022	Oct-23
Money Market Fund Returns	13.1%	14.2%	12.9%	12.9%	5.42%	6.91%	9.34%	9.68%
Benchmark Returns	13.7%	11.0%	12.6%	11.2%	1.52%	3.34%	3.97%	4.62%

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

**PERFORMANCE REVIEW**

The United Capital Money Market Fund yielded an average return of 9.68% for the month of October 2023, higher than the benchmark rate of 4.62%. The performance of the Fund was driven by lower interest rate reflected by decline in yields in money market instruments.

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 declining yield environment.

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### 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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