

# United Capital Sukuk Fund

Mutual Funds Factsheet | October 2023

**Contact Us:**

Emmanuel Akehomen | +234-703-180-3064 | [emmanuel.akehomen@unitedcapital.com](mailto:emmanuel.akehomen@unitedcapital.com)

Asset Management | +234-1-631-7876 | [assetmanagement@unitedcapital.com](mailto:assetmanagement@unitedcapital.com)



## 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

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. In the secondary market, during the month's pre-auction, the market was relatively inactive. However, following the auction we observed sell pressures dominate the market as investors' sentiment was mainly bearish.

Notably, the selloffs were predominantly skewed towards the short-end of the curve. Thus, average yields on sovereign bonds climbed higher to print at 15.33% in Oct-2023, an 89bps m/m increase from 14.44% print in Dec-2022. Similarly, we observed sell pressures in the corporate bond market, average yields at the end of Oct-2023 fell by 165bps m/m to close at 16.48% (previously 14.83%). In tandem, the FGN Sukuk bonds closed bearish as average yields on Sukuk bonds climbed by 105bps m/m to close at 14.97% compared to the previous month's close of 13.92%.

**Looking ahead, 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 a 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**

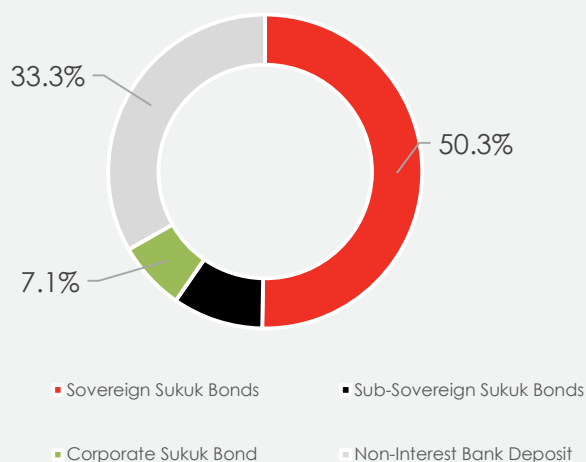
Fund Manager	United Capital Asset Management Ltd
Base Currency/Start Year	Naira/2020
Fund Size (₦)	5.2bn
NAV Per Share (₦)	1.1556
Minimum Entry (₦)	10,000
Additional Investment (₦)	5,000
Structure	Open Ended
Minimum Holding Period	90 days
Management Fee	1.5%
Total Expense Ratio*	1.8%
Benchmark	3-Yr FGN 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	41.75%
3-5yr	16.15%
5-10yr	42.10%
>10yr	0.00%

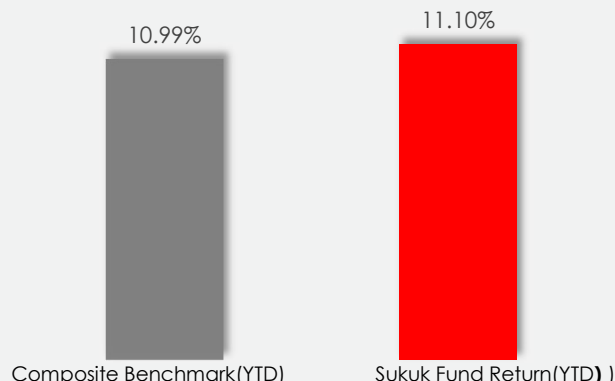
**Current Portfolio Holdings**



**Governance Asset Allocation Ranges:**

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

**Sukuk Fund Return Vs Benchmark (YTD)**



**RETURN HISTORY**

	2021	2022	YTD
United Capital Sukuk Fund	7.32%	7.23%	11.10%
Benchmark	9.88%	12.92%	10.99%

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

**PERFORMANCE REVIEW**

The United Capital Sukuk Fund returned 0.87% for the month of October and an annualised return of 11.10%, relative to the annualized return of 10.99% posted by the benchmark for the same period.

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). Notably, the selloffs were predominantly skewed towards the short-end of the curve. Thus, average yields on sovereign bonds climbed higher to print at 15.33% in Oct-2023, an 89bps m/m increase from 14.44% print in Dec-2022. Similarly, we observed sell pressures in the corporate bond market, average yields at the end of Oct-2023 fell by 165bps m/m to close at 16.48% (previously 14.83%). In tandem, the FGN Sukuk bonds closed bearish as average yields on Sukuk bonds climbed by 105bps m/m to close at 14.97% compared to the previous month's close of 13.92%.

In the corporate bonds segment, we observed similar sentiments from investors. The average yields of FMDQ-listed corporate bonds climbed by 45bps m/m at the end of October 2023 to close at 14.8% (previously 14.4%). In tandem, the FGN Sukuk bonds closed bearish as average yields on Sukuk bonds climbed by 53bps m/m to close at 15.9% compared to the previous month's close of 13.4%.

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](http://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