

# United Capital Fixed Income Fund | Monthly Fact Sheet



September-21

## 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

At the FGN Bond Auction for the month of August 2021, the DMO offered N150bn to the market, however, it oversold bills to the tune of c N2770bn. Stop rates for the 2028s and 2036s were unchanged from the last auction, closing at 11.60% and 12.75% respectively, while the only surprise came at the long end (the 2050s), which closed at 13.00%, representing a 20bps spike from last month's auction. Investor demand was strong as all bonds on offer were oversubscribed with the 2028s, 2036s and 2050s recording subscriptions rate of 1.21x, 1.15x and 1.69x respectively.

In the secondary market, following the sudden spike in yields at the bond auction, investors sold off their bond positions across all tenors on the average yield on the curve rose .by 5bps m/m to 11.3% from 11.2% in the previous month. In the corporate segment, average yield simultaneously declined by 43ps m/m to 11.5% from 11.9%.

In the Sukuk segment of the bonds market, proceedings juxtaposed against the broad based sell-off in the fixed income market' as the average yield on FGN Sukuk instruments declined 48bps m/m to close at 10.2% at the end of August.

In the coming month, we expect activities in the secondary bonds market to remain quiet as investors continue to seek guidance for rates following the uncertain interest environment. However, going by the recent trend at the PMAs at the end of Sep-2021 coupled with the increased perception of liquidity shortages on the path of the FGN, we expect yields to a spike in the primary market, leading to bearish sentiment in the secondary market thereafter.

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The United Capital Fixed Income Fund is regulated by the Securities & Exchange Commission

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Fund Manager	United Capital Asset Management Ltd
Base Currency/Start Year	Naira/2006
Fund Size (₦)	115.6bn
NAV Per Share (₦)	1.9231
Minimum Entry (₦)	10,000
Additional Investment (₦)	5,000
Structure	Open Ended
Minimum Holding Period	90 days
Management Fee	1.5%
Total Expense Ratio*	1.6%
Benchmark	3-Yr FGN Bond Yield
Risk Profile	Medium
Investment Style	Income Oriented

## PERFORMANCE REVIEW

The United Capital Fixed Income Fund returned 0.56% for the month of September bringing the Year to date ("YTD") annualised return to 6.74%, relative to the annualized return of 9.47% posted by the benchmark for the same period.

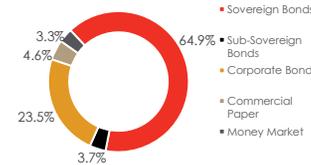
The Treasury Bonds secondary market traded with mixed sentiments, albeit with bullish bias, as inflows from bond coupon payments supported demand levels despite sell pressures observed after the slight uptick in bond and NTB auction stop rates. We maintain our expectations of lower average yields in the face of limited term as investors are likely to continue cherry picking attractive instruments across the yield curve in the medium term.

The portfolio remains invested in FGN Bonds, money market instruments and sub-sovereign bonds with significantly higher yields. We will maintain current allocation to enhance yield income for the Fund.

## Maturity Profile of Assets

<1 yr	8.2%
1-3yr	6.4%
3-5yr	11.2%
5yrs & Above	74.2%

## Current Portfolio Holdings



## Fixed Income Fund Return Vs Benchmark (Annualized)



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

## Governance Asset Allocation Ranges:

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

## 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 Risks

- Market risk
- 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 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

## Return History

	2016	2017	2018	2019	2020	YTD
United Capital Fixed Income Fund	16.0%	28.4%	11.3%	14.94%	9.35%	6.74%
Benchmark	15.5%	14.0%	15.1%	10.20%	3.54%	9.47%

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