

# United Capital Eurobond Fund | Monthly Fact Sheet



May-22

## FUND OBJECTIVE

The United Capital Nigerian Eurobond Fund is an open-ended mutual fund that is invested in Dollar denominated Eurobonds, floated by the Federal Government of Nigeria, as well as top-tier corporates. Subscribers can expect to receive competitive short to medium term capital appreciation on their USD holdings invested in the Fund better than they would receive on domiciliary deposits. The minimum investment is \$1,000 and multiples of \$500 thereafter.

## MARKET REVIEW, OUTLOOK AND STRATEGY

The Nigerian Eurobond market recorded a broad-based bearish performance in May-2022, following the recent bearish trend in the space in the previous month on the back of the hawkish monetary policy by major central banks globally. Within the period under review, JP Morgan, a financial institution heavyweight, removed Nigerian Eurobonds from the "overweight" category of its emerging market Eurobond recommendations on the back of the country's inability to exploit the recent rally in crude oil prices. A blend of these factors sponsored intensified sell pressure in the space as foreign investors looked to reduce their exposure to Nigerian Eurobonds.

The secondary Eurobonds market reflected the prevailing bearish sentiment in the space, as investors priced at higher yields in line with the hawkish yield trend in the global environment. We saw activities from investors cherry-picking attractive instruments. On that note, the average yield within the Nigerian Eurobond market climbed 83bps m/m to settle at 10.7% from 9.9% in Apr-2022. Similar bearish sentiment prevailed in the corporate Eurobond market, with the average yield in the space climbing 27.3% m/m to settle at 38.3% from 11.0% in the previous month.

**We expect to see increased selloffs in the Nigerian Eurobonds market. Firstly, we expect the increased hawkish policy globally to drive selloffs, despite the recent 150bps rate hike by the MPC. The monetary authorities' uncertain FX unavailability and unclear FX direction add a significant risk for FPIs to consider before investing in Nigerian Eurobonds. However, increased demand from local investors seeking higher yields to oscillate any increased sell-off. Also, more robust fundamentals such as rising oil prices and incoming coupon Eurobond payments should oscillate any sell-offs critical roles in the desired upward trajectory of yields in the Eurobond market.**

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The United Capital Nigerian Eurobond Fund is regulated by the Securities and Exchange Commission

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Fund Manager	United Capital Asset Management Ltd
Base Currency/Start Year	USD/2017
Fund Size (\$)	170.27m
NAV Per Share (\$)	125.09
Minimum Investment(\$)	1,000
Additional Investment (\$)	500
Structure	Open Ended
Minimum Holding Period	90 days
Management Fee	1.5%
Total Expense Ratio*	1.6%
Benchmark	Composite of 3-yr FGN sovereign bond and 3mth US T-Bill
Risk Profile	Low
Investment Style	Income Oriented

## PERFORMANCE REVIEW

In May, the United Capital Nigerian Eurobond Fund returned 0.51% and year-to-date annualized return stood at 5.53% while the Fund's annualized benchmark return was 6.86% for the same period.

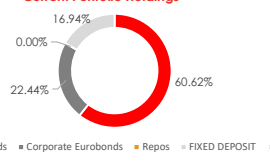
The performance of the Fund during the period was underpinned by mixed sentiments in the emerging market ("EM") sovereign and corporate bonds' space as yields suffered the effect of renewed demand seen on U.S. Treasuries on the back of rising yields. Crude oil, a major source of FX to many some sovereign and corporate issuers maintained its uptrend, with Brent closing the month near the \$122/barrel mark.

We will continue to maintain the required allocation ranges in line with the Trust Deed, and tactically pick higher yielding maturities in the sovereign bond space to enhance the performance of the fund.

## Maturity Profile of Assets

<1 yr	0.2%
1-3yr	19.2%
3-5yr	2.2%
5-10yr	14.3%
>10yr	64.0%

## Current Portfolio Holdings



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

## Governance Asset Allocation Ranges:

FGN Eurobonds (20%-80%); Corporate Eurobonds (20%-80%); Money Market placements (0% - 20%)

## Why choose the Fund?

- Much better returns than the average domiciliary deposit
- A good hedge against depreciation of the Naira
- Seamless Entry and Exit
- Professional management with robust risk framework
- Long term capital preservation and growth

## Investment Risk

- Credit Risks
- Macroeconomic instability
- Interest Rate Risk

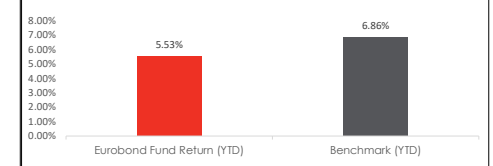
## How to participate

1. Log in to our online platform [www.investnow.ng](http://www.investnow.ng)
2. Click on "Eurobond Fund"
3. Click on "Open an account" and complete the online form
4. Fund the Custody Account detailed here →

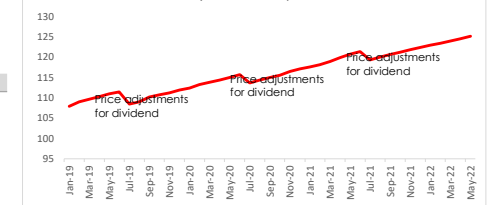
## UNITED CAPITAL NIGERIAN EUROBOND FUND

Account No: 0406315251  
 Account Name: MAINSTREET TRUSTESS/UNITED CAPITAL NIGERIAN EUROBOND FUND  
 Currency: USD  
 Bank: FCMB  
 Correspondent Bank: CITIBANK, New York, USA.  
 399 Park Avenue, New York, NY 10043, U.S.A.  
 BIC/SWIFT ID:FCMBNGLA00X  
 Intermediary BIC: CITIUS33XXX

## Eurobond Fund Return Vs Benchmark (Annualized)



## Unit Price History of United Capital Eurobond Fund



## Return history

	2018	2019	2020	2021	YTD
United Capital Nigerian Eurobond Fund	7.13%	8.00%	7.10%	6.84%	5.53%
Benchmark	4.32%	3.95%	2.17%	4.04%	6.86%

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