

# United Capital Fixed Income Fund | Monthly Fact Sheet



May-22

## 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

In May, the Debt Management Office (DMO) conducted its May FGN bond Auction with the following instruments on offer; MAR 2025, APR 2032 and FGN JAN 2042. At the auction, investor demand was relatively healthy as 2025, 2032, and 2042 instruments were oversubscribed with bid-to-cover ratios of 1.68x, 1.53x and 4.46x, respectively.

The marginal rates on the 2042s crawled northwards, inching upwards by 10bps to print at 13.00%. The 2025s maintained its marginal rate to print at 10.00%, while the marginal rate for the 2032 instrument declined by 5bps to print at 12.45%. The DMO oversold by 68.00% allocating N378.41bn against the N225bn on offer 33.15bn (8.76%) of the total sales were to non-competitive bidders.

Mixed sentiments dominated the secondary market, with the bulk of the trading activity around the auction papers. Investor interest was dominant across the tail-end of the curve as market participants sought to cover and rebalance their portfolio positions. Average yields printed at 11.2% for the month and an 8bps increase m/m. Approximately N23bn worth of coupon payments came into the system, having a negligible impact on the system liquidity. For corporate bonds, month-end average yields declined 17bps m/m to close at 11.13%.

**We expect to see bearish sentiments in the bonds market in June, on the back of the increase in MPR and the sparse system liquidity in June. We also expect to observe cherry-picking of bond instruments, as investors will only begin to show interest in bonds when they reach their preferred yields.**

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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 (₦)	118.6bn
NAV Per Share (₦)	2,0053
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

For the month of May, the United Capital Fixed Income Fund gained 0.51% and Year to date ("YTD") annualized return printed at 6.74%. The benchmark posted an annualized return of 9.97% for the same period.

The Treasury Bonds secondary market remained bearish with mixed sentiments following the MPC rate hike. Thus, average yield expanded across the short and long end of the curve while yields contracted at the mid segment following a bit of buying interest.

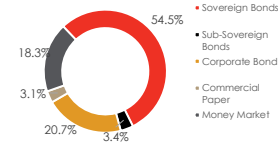
We believe the MPC's rate hike will continue to drive aversion for long-dated bonds in the short term. Consequently, we reiterate our view of an uptick in bond yields in the medium term, as both the FGN's borrowing plan for 2022FY and expected fiscal deficit point towards an elevated supply

The Fund maintains sufficient exposure to FGN bonds, money market instruments and sub-sovereign bonds with significantly higher yields. We will maintain current allocation to enhance returns for the Fund.

## Maturity Profile of Assets

<1 yr	24.3%
1-3yr	1.7%
3-5yr	41.2%
5yrs & Above	32.8%

## Current Portfolio Holdings



\* 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	2021	YTD 2022
United Capital Fixed Income Fund	16.0%	28.4%	11.3%	14.94%	9.35%	6.40%	6.74%
Benchmark	15.5%	14.0%	15.1%	10.20%	3.54%	9.45%	9.97%

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