

United Capital Sukuk Fund | Monthly Fact Sheet



June-22

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

The Debt Management Office (DMO) conducted its June FGN bond Auction, the last auction for Q2-2022 with N75.0bn on offer for each of the following instruments: MAR 2025 (three-year bond), APR 2032 (10-year bond), and JAN 2042 (20-year bond). At the auction, investor demand was relatively healthy as 2025, 2032, and 2042 instruments were oversubscribed with bid-to-cover ratios of 1.8x, 1.1x, and 4.5x, respectively. Due to sparse financial system liquidity and reduced investor interest, bids were relatively lower than in the previous auction, with bids declining 4.0%, 34.5%, and 0.1% for the 2025s, 2032s, and 2042s, respectively.

In line with our expectations, the marginal rates inched northwards for all the auction papers, crawling upwards by 10bps, 5bps, and 15bps to print at 10.10%, 12.50%, and 13.15% for the 2025s, 2032s, and 2042s, respectively. Despite the increase in the marginal rates for the auction, we consider the magnitude of the increase inadequate and below expectations. For context, the 15bps increase in the 2042 marginal rate represents one-tenth of the recent hike in the Monetary Policy Rate (MPR) amidst limited inflows at the long end of the curve. Interestingly, the DMO sold the sum of N226.1bn, N1.1bn higher than it intended to offer, representing a significant deviation from its usual practice of "significant overselling" at the auction (the May auction was oversold by 68.0%). However, the FGN Sukuk bonds traded in contrast with the other fixed-income secondary markets with a 28bps m/m decline in average yields to close at 10.0% at the end of June.

Looking forward, we expect muted activity in the bond market. In July, we anticipate that the CBN could further hike, resulting in investors demanding higher yields on bond instruments. With this in mind, we expect investors will continue to sit on the sidelines, further fuelling the mild bearish sentiments in July. Thus, 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 Sukuk Fund is regulated by the Securities & Exchange Commission

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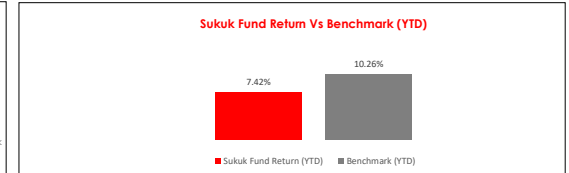
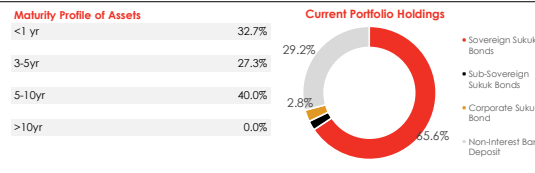
Fund Manager	United Capital Asset Management Ltd
Base Currency/Start Year	Naira/2020
Fund Size (M)	2.1bn
NAV Per Share (M)	1.0648
Minimum Entry (M)	10,000
Additional Investment (M)	5,000
Structure	Open Ended
Minimum Holding Period	90 days
Management Fee	1.5%
Total Expense Ratio*	1.6%
Benchmark	3-Yr FGN Sovereign Sukuk Yield
Risk Profile	Medium
Investment Style	Income Oriented

PERFORMANCE REVIEW

In June, the United Capital Sukuk Fund gained 0.56% and thus, brought annualised YTD return to 7.42%, relative to the annualized return of 10.26% posted by the benchmark for the same period.

The Treasury Bonds secondary market remained bearish with mixed sentiments across the curve. Thus, average yield contracted across the short and long end of the curve following bargain hunting while yields expanded at the mid segment following a bit of sell off.

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.



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

Governance Asset Allocation Ranges:

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

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
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

Return History

	2021	Jan-22	Feb-22	Mar-22	Apr-22	May-22	Jun-22
United Capital Sukuk Fund	7.32%	7.72%	7.79%	7.70%	7.68%	7.50%	7.42%
Benchmark	9.88%	10.91%	10.63%	10.33%	10.26%	10.50%	10.26%

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