

United Capital Balanced Fund | Monthly Fact Sheet



July-22

FUND OBJECTIVE

The objective of the United Capital Balanced Fund is to achieve long-term capital appreciation and income distribution through investment in a portfolio of securities and instruments as specified in the Trust Deed. The Fund is targeted at investors who seek a blend of safety and regular income. The Fund holds equities and fixed income assets in a blended proportion. The securities are held in relatively small proportions to diversify unsystematic risk in the portfolio.

The Fund aims to balance risk and return. The risk profile is structured to be lower than that of a pure equity investment. With assets tactically allocated between fixed income and equity investments, the Fund is structured for investors seeking a blend of safety, income and modest capital appreciation.

The equity portion of the Fund has exposures to mid-cap and large-cap stocks with significant diversification across sectors of the Nigerian economy. Investment decisions are driven by rigorous research in line with carefully designed Enterprise Risk Management framework.

MARKET REVIEW, OUTLOOK AND STRATEGY

In July, the Nigerian Stock Exchange (NSE) was overrun by bearish investor sentiment as profit-taking activities quenched the initial optimism and rally in anticipation of the H1-2022 earnings season. We saw selloffs dominate the market as investors shifted their focus from the equity space to the fixed income space amidst rising rates due to the hike in the monetary policy rate and tight system liquidity. In July 2022, the benchmark NGX-All Share Index (NGX-ASI) fell by 2.8% m/m to close at 50,370.3 points. Consequently, YTD return moderated to 17.9%, from June's 20.4% print, with market capitalisation settling at N28.0tn.

The CBN conducted two primary market NTB auctions with a total of N407.6bn on offer across the 91-day, 182-day, and 364-day bills. The auctions witnessed bearish sentiments as investors took a standoffish stance toward fixed income instruments, demanding more value for their funds. Investor appetite for government paper remained strong, as the paper was oversubscribed by 1.1x. Stop rates on the 91-day, 182-day, and 364-day bills closed the month at 2.8%, 4.1% and 7.0%, climbing higher by 40bps, 31bps, and 93bps, respectively. Average yields in the secondary space rose by 2.4ppts m/m to close the month at 7.7% from June's close of 5.3%.

In July, the Debt Management Office (DMO) conducted its July FGN bond Auction with N225.0bn worth of papers on offer across the following instruments: MAR 2025 (3-year bond), APR 2032 (10-year bond) and JAN 2042 (20-year bond). At the auction, investor demand was lax. The auction was undersubscribed by 0.7x. Overall, the DMO undersold, with an allotment of N123.8bn vs N225.0bn on offer. In line with overall market expectations and illiquidity pressures, marginal rates across all the bond offerings climbed significantly, up by 90bps, 50bps, and 60bps, to print at 11.00%, 13.00% and 13.75%, respectively. In the secondary market, yields increased by 76bps m/m compared to the previous month.

We expect bearish sentiments to persist in equity and bond markets following the increased yield in the fixed income space. In the NT-bills market, we expect incoming liquidity to moderate the elevated yield environment. For bonds in August, we expect investors to cue July's auction as investors will bid at rates they are comfortable with, forcing the DMO's hand to either hike marginal rates or risk underselling at the auction. This would be particularly interesting considering the FGN's continued fiscal imbalance and reliance on the domestic debt market.

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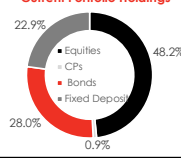
The United Capital Balanced Fund is regulated by the Securities & Exchange Commission

Fund Manager	United Capital Asset Management Ltd
Base Currency/Start Year	Naira/2006
Fund Size (M)	1bn
NAV Per Share (N)	1.3276
Minimum Entry (N)	10,000
Additional Investment (N)	5,000
Structure	Open Ended
Entry/Exit Charges	Nil
Management Fee	1.5%
Total Expense Ratio*	1.6%
Benchmarks	91-Day T-bills/NSE ASI
Risk Profile	Moderate
Investment Style	Market Oriented

Maturity Profile of FI and MM Assets

0-30days	43.6%
31-60days	8.9%
61-90days	0.0%
91-180days	2.1%
365days & above	45.4%

Current Portfolio Holdings



*Inclusive of management fee: Returns are net of all fees
 FI= Fixed Income, MM=Money Market

Governance Asset Allocation Ranges:

Money Market (40-60%); Fixed Income (Minimum 20%); Equities (40%-60%)

Why choose the Fund?

- Low volatility of Investment returns
- Well diversified portfolio
- Seamless entry and exit
- Professional management with robust risk framework
- Automatic rebalancing in times of rising or falling markets
- Ability to enjoy long term capital growth as well as safety

How to participate

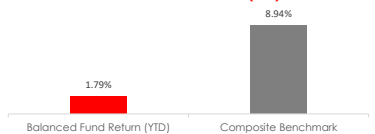
1. Log in to our online platform www.investnow.ng
2. Click on "Balanced Fund"
3. Click on "Open and account" and complete the online form
4. Fund your account online with a one-time payment or recurrent payments

PERFORMANCE REVIEW

The United Capital Balanced Fund returned 1.79% on a year to date ("YTD") basis, relative to 8.94% posted by the composite benchmark during the same period.

The equities market witnessed sell offs during the month which dragged the fund performance while active trading in short term fixed income instruments helped moderate losses. We remain conservative in line with the investment policy objectives, as our selection of fundamentally strong stocks and high yielding fixed income instruments should further enhance the returns of the Fund going forward.

Balanced Fund Return Vs Benchmark (YTD)



Investment Risks

- Market risk of equity exposure
- Macroeconomic instability

Return History

	2015	2016	2017	2018	2019	2020	2021	YTD
United Capital Bal. Fund	8.0%	5.0%	22.4%	1.2%	3.77%	14.35%	6.19%	1.79%
Composite Benchmark	-1.7%	5.1%	22.7%	1.7%	-1.73%	25.16%	5.56%	8.94%

*Represents the Fund's Absolute Return vs the Benchmark's Absolute return

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.