

United Capital Fixed Income Fund | Monthly Fact Sheet

July-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 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 weak as investors opted to remain standoffish sentiments toward fixed income instruments. Hence, the total subscription printed at N142.3bn as the 2025s and 2032s papers were undersubscribed by 0.2x and 0.3x, while the 2042s paper was oversubscribed by 1.4x. 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.

On the other hand, the secondary market was met with bearish investor sentiment, with the bulk of the trading activity around the auction papers. Investors' interest was dominant across the short end of the curve as market participants sought to cover and rebalance their portfolio positions. Thus, average yields printed 11.92% in Jul-2022, a 76bps m/m increase compared to the previous month. For corporate bonds, month-end average yields climbed 150bps m/m to close at 12.7%, in tandem with the rising yield environment. Similarly, the FGN Sukuk bonds closed bearish as average yields on Sukuk increased by 1.7ppts m/m to close at 11.6% at the end of July.

At August's bond auction, we expect investors to remain standoff-ish following the increased uncertainty in the yield environment. This could lead to another undersold auction, forcing the DMO to hike rates further. Also, we anticipate that bearish sentiments will continue in the bonds market in the coming months on the increase in MPR. Lastly, we 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

Fund Manager	United Capital Asset Management Ltd
Base Currency/Start Year	Naira/2006
Fund Size (₦)	107.2bn
NAV Per Share (₦)	1.8999
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 July, the United Capital Fixed Income Fund gained 0.47% and Year to date ("YTD") annualized return printed at 6.48%. The benchmark posted an annualized return of 10.65% for the same period.

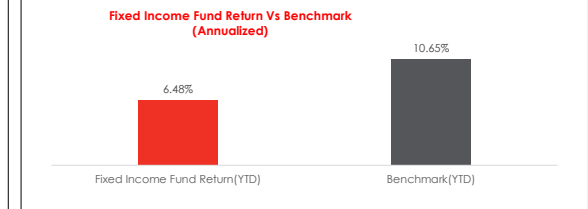
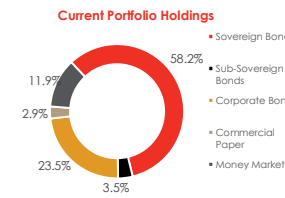
The Treasury Bonds secondary market remained bearish across the curve as investors sold off positions in anticipation of an upward repricing of FGN bonds. Thus, average yield expanded across the curve.

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	15.1%
1-3yr	3.0%
3-5yr	31.3%
5-10yr	31.4%
>10yr	19.1%



* 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

How to participate

1. Log in to our online platform 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

Investment Risks

- Market risk
- Macroeconomic instability
- Interest Rate Risk

Return History

	2014	2017	2018	2019	2020	2021	YTD 2022
United Capital Fixed Income Fund	16.0%	28.4%	11.3%	14.94%	9.35%	6.40%	6.48%
Benchmark	15.5%	14.0%	15.1%	10.20%	3.54%	9.45%	10.65%

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