

July-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

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 Sukuk Fund is regulated by the Securities & Exchange Commission

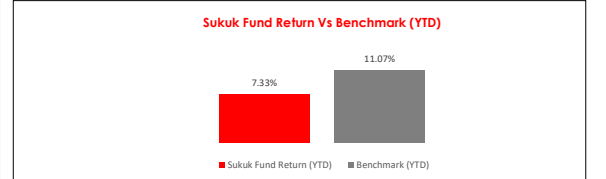
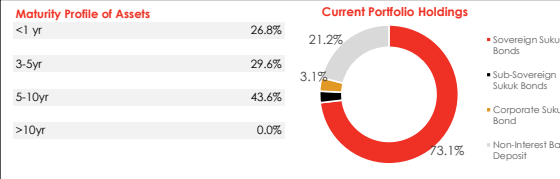
Fund Manager	United Capital Asset Management Ltd
Base Currency/Start Year	Naira/2020
Fund Size (M)	1.9bn
NAV Per Share (M)	1.0706
Minimum Entry (M)	10,000
Additional Investment (M)	5,000
Structure	Open Ended
Minimum Holding Period	90 days
Management Fee	1.5%
Total Expense Ratio*	1.6%
Benchmark	3-Yr FGN Sovereign Sukuk Yield
Risk Profile	Medium
Investment Style	Income Oriented

PERFORMANCE REVIEW

In July, the United Capital Sukuk Fund gained 0.54% and thus, brought annualised YTD return to 7.33%, relative to the annualized return of 11.07% posted by the benchmark 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

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	Jul-22
United Capital Sukuk Fund	7.32%	7.72%	7.79%	7.70%	7.68%	7.50%	7.42%	7.33%
Benchmark	9.88%	10.91%	10.63%	10.33%	10.26%	10.50%	10.26%	11.07%

*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.