

United Capital Balanced Fund | Monthly Fact Sheet

August-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 August, the Nigerian Stock Exchange (NGX) was dominated by the bears as the rising yield environment amidst tight system liquidity shifted investor focus from the equity market to the fixed income instruments. Notably, sell pressures in large-cap stocks such as BUACEMEN (-25.0% m/m), DANGCEM (-7.5% m/m), SEPLAT (-9.1% m/m) and MTNN (-0.5% m/m) drove the local bourse southwards. As a result, the benchmark NGX-All Share Index (NGX-ASI) declined by 1.1% m/m to close at 49,836.5 points. Consequently, YTD return weakened to 16.7%, from July's 17.9% print, with market capitalisation settling at N26.9tn.

The CBN conducted two primary market NTB auctions to roll over maturing bills to N446.2bn, spread across the 91-day, 182-day, and 364-day bills. The auction witnessed mild investor appetite, with total bids from both auctions printing at N498.7bn, implying a bid-to-cover ratio of 1.1x, largely tilted toward the 91-day and 364-day papers. The CBN opted to sell the exact amount on offer in both actions. However, owing to the higher interest rate environment, investors remained bull-headed in their demand for more value for their funds. As a result, stop rates across the 91-day, 182-day, and 364-day bills climbed higher by 1.2ppts, 90bps, and 1.5ppts to settle at 4.0%, 5.0% and 8.5%, respectively. The secondary bonds market was met with bullish sentiments from investors, tricking down from the unmet bids at PMA amid rising yields in the NT-bills market. Overall, average yields in the secondary market declined by 17bps m/m to close the month at 7.6% vs July's close of 7.7%.

The CBN conducted an OMO auction in August to sell N50.0bn worth of OMO bills in the primary market across the 90-day, 194-day, and 362-day tenors. The auction was met with bearish sentiments from investors amidst the financial system's illiquidity at the time. The CBN recorded "No-sale" in the auction as investors relentlessly demanded higher rates for their funds. The average yield in the secondary market for OMO bills climbed 1.5ppts m/m to settle at 11.1% vs the previous print of 9.6%.

In September, we expect the local bourse to see continued sell-offs as investors divest to less risky high yield-bearing assets in the coulisse of high-interest rates and a hawkish CBN. In addition, for the fixed income markets, we expect the inflow of liquidity following the influx of about N400bn worth of NTBs to hit the market, although we expect maturing bills to be rolled over. In the bonds market, we expect a stand-offish investor stance to

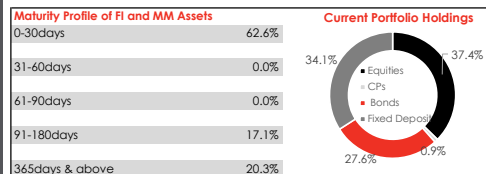
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The United Capital Balanced Fund is regulated by the Securities & Exchange Commission

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Fund Manager	United Capital Asset Management Ltd
Base Currency/Start Year	Naira/2006
Fund Size (M)	1bn
NAV Per Share (N)	1.341
Minimum Entry (N)	10,000
Additional Investment (N)	5,000
Structure	Open Ended
Entry/Exit Charges	Nil
Management Fee	1.5%
Total Expense Ratio*	1.8%
Benchmarks	91-Day T-bills/NSE ASI
Risk Profile	Moderate
Investment Style	Market Oriented



* 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

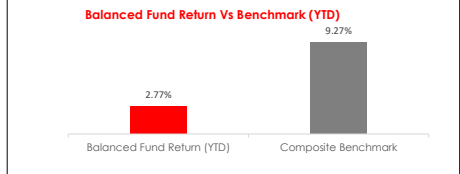
How to participate

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 2.77% on a year to date ("YTD") basis, relative to 9.27% 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.



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%	2.77%
Composite Benchmark	-1.7%	5.1%	22.7%	1.7%	-1.73%	25.16%	5.56%	9.27%

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