

United Capital Fixed Income Fund | Monthly Fact Sheet



August-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

The Debt Management Office (DMO) conducted its August FGN bond Auction with a total of N225.0bn on offer across the MAR 2025s (3-year bond), APR 2032s (10-year bond) and JAN 2042s (20-year bond). Investor's sentiment toward the auction was mild, with total bids closing at N247.1bn, implying a bid-to-cover ratio of 1.1x. We note that investors' bids remained skewed toward the 2042s with a subscription rate of 2.4x. The 2025s and 2032s were undersubscribed by 0.3x and 0.5x, respectively. The auction was again undersold with an allotment rate of 0.9x, as total DMO sales printed at N200.6bn vs N225.0bn on offer.

In line with our expectations of a continued uptick in the yield environment of the sovereign bonds market, marginal rates across all the papers on offer climbed 1.5ppts, 50bps, and 25bps, to print at 12.5%, 13.5% and 14.0%, respectively. Overall, investor sentiment was relatively standoffish. As inflation pressure intensifies, rising interest rate expectations across central banks of advanced economies and other political risks began to bite even harder, thus forcing investors to demand even more for their funds.

Conversely, the secondary market was met with bearish sentiment, with most of the trading activity around the auction papers. Average secondary bonds yield for August climbed 92bps to print at 12.8%. Similarly, in the corporate bonds market, average yields rose 1.2ppts m/m to close at 13.9% in tandem with the rising yield environment.

As we advance into subsequent auctions, we expect marginal rates to retain the current ascent, as we believe investors will remain aloof. To attract fund managers' interest, the DMO will most likely succumb to higher rates on all subsequent offerings amid FG's increasing debt appetite. Also, we maintain that another hike in September's MPC meeting will only increase investors' appetite for higher rates. We expect coupon payment to the tune of N351.9bn to hit the system in September, which is expected to cause a stir in the system's liquidity status, thus somewhat leading to a downside to our expectation for higher yields in the bonds market amidst a liquid financial system.

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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 (N)	106.3bn
NAV Per Share (N)	1.91
Minimum Entry (N)	10,000
Additional Investment (N)	5,000
Structure	Open Ended
Minimum Holding Period	90 days
Management Fee	1.5%
Total Expense Ratio*	1.8%
Benchmark	3-Yr FGN Bond Yield
Risk Profile	Medium
Investment Style	Income Oriented

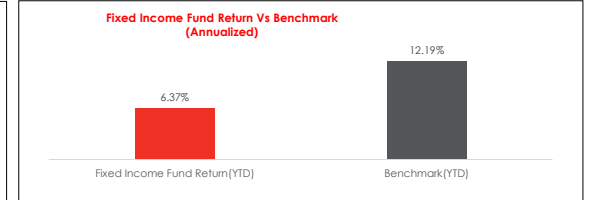
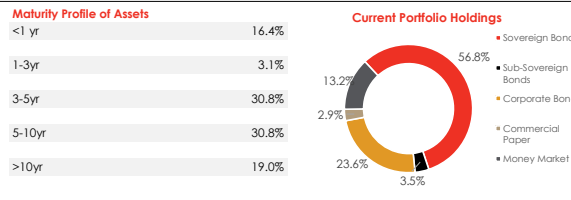
PERFORMANCE REVIEW

For the month of August, the United Capital Fixed Income Fund gained 0.53% and Year to date ("YTD") annualized return printed at 6.37%. The benchmark posted an annualized return of 12.19% for the same period.

The Treasury bonds secondary market remained bullish as investors continued bargain hunting on select instruments, especially at the short spectrum of the benchmark curve. Thus average yields declined across the curve. The average yield was lower at the short and long end, as investors demanded the JAN-2026 and JUL-2042 bonds, respectively. Conversely, the average yield expanded at the mid segment following sell-offs.

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.



*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

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 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

Return History

	2016	2017	2018	2019	2020	2021	YTD 2022
United Capital Fixed Income Fund	16.0%	28.4%	11.3%	14.94%	9.35%	6.40%	6.37%
Benchmark	15.5%	14.0%	15.1%	10.20%	3.54%	9.45%	12.19%

*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.