

United Capital Money Market Fund | Monthly Fact Sheet

August-22



FUND OBJECTIVE

The United Capital Money Market Fund allows investors to invest in high quality money market instruments like Treasury bills and certificates, Commercial papers and Bankers' acceptance. The Fund is an income Fund. It provides liquidity, capital preservation, as well as moderate and stable return. The Fund is appropriate for corporate and individual investors who desire less volatility in returns using their surplus funds for short periods of time. The main objective of the Fund is to achieve consistent income streams through investment in a portfolio of money market securities and investments specified in the Trust Deed. The money market fund preserves capital, offers quarterly interest payment as well as safety and liquidity.

MARKET REVIEW, OUTLOOK AND STRATEGY

Last month, the financial system was illiquid primarily, owing to the limited maturities (N662.97bn) in August against an aggregate PMA offering of N721.2bn (N225.0bn of Bonds coupon payments, N446.2bn of NT-bills, and N50.0bn of OMO bills). Investors' appetite for money market instruments was sustained due to higher money market rates, in line with our expectations. Toward the end of the month, FAAC inflow to the tune of N954.1bn hit the financial system, forcing the average funding rates for banks in August lower, below the 14.0% -15.0% region. As a result, the financial system closed the month liquid, with a balance of N759.1bn. That said, average Open Policy Rates (OPR) and Overnight rates (O/N) declined m/m by 99bps and 69bps to print at 13.3% and 13.8%, respectively, vs its previous average print of 14.32% and 14.45% in July.

The CBN conducted two primary market NTB auctions to roll over maturing bills of 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, trickling 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%.

We anticipate a liquid financial system in September, with total expected sovereign maturities printing at N902.6bn, 36.2% higher than August's sovereign inflows. As the country's overall fiscal balance widens even further, growing by a CAGR of 2.7% in the last five years, we expect the government's debt appetite to follow suit. Hence, we anticipate an oversell in subsequent auctions with a considerable decline in stop rates as we begin to see strong supply and demand fundamentals come into play. An upside for elevated rates in the money market includes a possible hawkish decision by the MPC in its September meeting. The CBN will likely consider another hike with rising inflation numbers and declining FPI inflow remaining

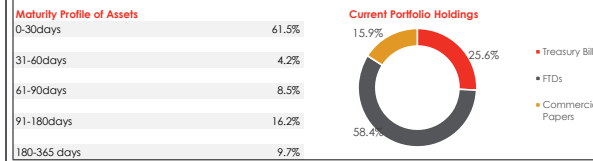
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The United Capital Money Market Fund is regulated by the Securities & Exchange Commission

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|---------------------------|-------------------------------------|
| Fund Manager | United Capital Asset Management Ltd |
| Base Currency/Start Year | Naira/2006 |
| Fund Size (N) | 20.7bn |
| NAV Per Share (N) | 1.0 |
| Minimum Entry (N) | 10,000 |
| Additional Investment (N) | 5,000 |
| Structure | Open Ended |
| Minimum Holding Period | 30 days |
| Benchmark | 91-day T-Bills |
| Management Fee | 1.0% |
| Total Expense Ratio* | 1.3% |
| Risk Profile | Low |
| Income Distribution | Quarterly |



*Inclusive of management fee; Returns are net of all fees

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| Governance Asset Allocation Range |
| Money Market (100%) |

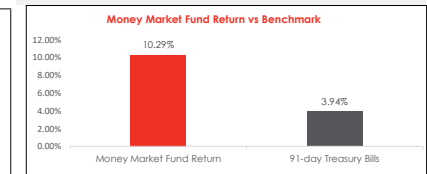
Why Choose the Fund?

- Short-term capital preservation
- Seamless entry and exit
- Low entry threshold
- Professional management with robust risk framework

PERFORMANCE REVIEW

The United Capital Money Market Fund yielded an average return of 10.29% for the month of Aug 2022, higher than the benchmark rate of 3.94%. The performance of the Fund was driven by higher interest rate reflected by increase in yields in money market instruments.

The Fund will continue to invest in high quality money market instruments that generate competitive returns for the benefit of the unitholders. The Fund is well positioned to deliver above-average returns despite the yield environment.



How to Participate

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

Return History

| | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | Aug-22 |
|---------------------------|-------|-------|-------|-------|--------|-------|-------|--------|
| Money Market Fund Returns | 11.3% | 13.1% | 14.2% | 12.9% | 12.8% | 5.42% | 6.91% | 10.29% |
| Benchmark Returns | 2.4% | 13.7% | 11.0% | 12.6% | 11.16% | 1.52% | 3.34% | 3.94% |

*Represents the Fund's Effective yield vs the Benchmark Return