

# United Capital Balanced Fund | Monthly Fact Sheet

September-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 September, the Nigerian Stock Exchange (NSE) was overrun by bearish investor sentiment as the rising interest rate environment quenched the initial optimism of the Q3-2022 earnings season. We saw sell-offs dominate the market as investors shifted their focus from the equity space to the fixed income space amidst rising rates due to the hike in the monetary policy rate and tight system liquidity. Increased sell pressure in blue-chip companies like AIRTELAF (-1.96% m/m), NESTLE (-10.0% m/m), GTCO (-9.19% m/m), BUACEM (-2.62% m/m), and SEPLAT (-3.85% m/m) significantly impacted the m/m decline of the local bourse in the period under review. That said, the benchmark NGX-All Share Index (NGX-ASI) fell by 1.63% m/m to close at 49,024.16 points. Consequently, YTD return moderated to 14.8%, with market capitalisation settling at N26.5tn.

The CBN conducted three (3) primary market NTB auctions to roll over maturing bills of N517.7bn, spread across the 91-day, 182-day, and 364-day bills. Due to the overall liquidity of the system in the month under review, the auctions witnessed significant investor appetite, with total bids from the three auctions printing at N867.2bn, implying a bid-to-cover ratio of 1.7x, largely tilted toward the tail end of the curve. The CBN opted to sell the exact amount on offer in all the auctions. 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 249bps, 250bps, and 350bps to settle at 6.5%, 7.5%, and 12.0%, 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 65bps m/m to close the month at 7.1% vs July's close of 7.8%.

The CBN conducted an OMO auction in September to sell N50.0bn worth of OMO bills in the primary market across the 89-day, 194-day, and 362-day tenors. The auction was met with improved sentiments from investors amidst the financial system's liquidity at the time, with total subscription printing at N146.3bn, implying a bid-to-cover ratio of 2.9x. Interestingly, the CBN sold the exact amount on offer (across the 89-day and 362-day), with investors' sentiment tilted toward the 362-day paper with an oversubscription rate of 4.0x, as investors relentlessly demanded higher rates for their funds. Bolstered by improved system liquidity at the time, the secondary market for OMO bills witnessed significant buy-pressure from investors. Consequently, the average yield in the space declined 81bps m/m to settle at 10.3% vs the previous print of 11.1%.

In September, we expect the local bourse to see continued sell-offs as investors divest to less risky high yield-bearing assets in the coullise of high-interest rates and a hawkish CBN. In addition, we expect bargain hunters to drive activity in the market in the upcoming month as companies release Q3-2022 results. For the fixed income markets, we anticipate a tighter financial system in October, as the total expected sovereign maturities (N765.5bn) for October is 15.2% lower than September's (N902.6bn) 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. We believe that a blend of tighter system liquidity, increased debt appetite by the FG for CAPEX, and CBN's hawkish posture stand significant upsides for our higher rates expectation in October.

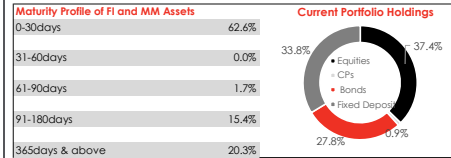
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The United Capital Balanced Fund is regulated by the Securities & Exchange Commission

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.

Fund Manager	United Capital Asset Management Ltd
Base Currency/Start Year	Naira/2006
Fund Size (M)	1bn
NAV Per Share (N)	1.3438
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

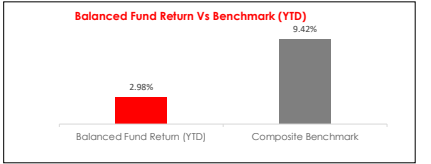
## How to participate

1. Log in to our online platform [www.investnow.ng](http://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 2.98% on a year to date ("YTD") basis, relative to 9.42% posted by the composite benchmark during the same period.

The equities market witnessed massive 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%	2.98%
Composite Benchmark	-1.7%	5.1%	22.7%	1.7%	-1.73%	25.16%	5.56%	9.42%

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