

# United Capital Money Market Fund | Monthly Fact Sheet

September-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

The financial system was liquid primarily, owing to excess maturities (N902.6bn) in September against an aggregate PMA offering of N750.7bn (N351.9bn of Bonds coupon payments, N515.7bn of NT-bills, and N35.0bn of OMO bills). Investors' appetite for money market instruments was sustained due to higher money market rates, in line with our expectations. In its September meeting, the MPC opted to hike the benchmark interest rate by 150bps to settle at 15.5%, which essentially bolstered investors' appetite for higher rates, thus forcing lending rates between banks even higher in the double-digit terrain, above the 14.0%-15.0% region. The Apex bank also opted to hike CRR for banks by 500bps to 32.5%, which effectively tightened the system even further toward the end of the month. However, the financial system closed the month liquid, with a balance of N598.5bn. That said, average Open Policy Rates (OPR) and Overnight rates (O/N) declined m/m by 163bps and 153bps to print at 11.7% and 12.2%, respectively, vs its previous average print of 13.3% and 13.8% in August. This is attributable to the overall liquidity of the system in the month under review. However, funding rates closed the month at 15.5% and 16.0%, respectively, reflecting the increase in the benchmark interest rate.

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 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 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, 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 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%.

**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. We believe that a blend of tighter system liquidity, increased debt appetite by the FG for CAPEX, and CBN's hawkish posture stand as significant**

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

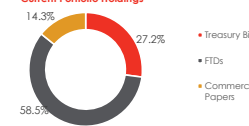
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Fund Manager	United Capital Asset Management Ltd
Base Currency/Start Year	Naira/2006
Fund Size (N)	23bn
NAV Per Share (N)	1.0
Minimum Entry (N)	10,000
Additional Investment (N)	5,000
Structure	Open Ended
Minimum Holding Period	30 days
Benchmark	91-day T-Bills
Management Fee	1.0%
Total Expense Ratio*	1.3%
Risk Profile	Low
Income Distribution	Quarterly

## Maturity Profile of Assets

0-30days	41.3%
31-60days	32.8%
61-90days	3.3%
91-180days	18.1%
180-365 days	4.5%

## Current Portfolio Holdings



\* Inclusive of management fee: Returns are net of all fees

## 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

## How to Participate

1. Log in to our online platform [www.investnow.ng](http://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%	12.87%	5.42%	6.91%	11.22%
Benchmark Returns	2.4%	13.7%	11.0%	12.6%	11.16%	1.52%	3.34%	5.30%

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

## PERFORMANCE REVIEW

The United Capital Money Market Fund yielded an average return of 11.22% for the month of September 2022, higher than the benchmark rate of 5.30%. 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.

## Money Market Fund Return vs Benchmark

