

United Capital Sukuk Fund | Monthly Fact Sheet



September-22

FUND OBJECTIVE

The objective of the fund is to provide investors with a low-risk investment with stable and competitive returns through investments in short, medium and long-term Sharia-Compliant securities and investment products, whilst ensuring the preservation of capital and maintaining a reasonable degree of liquidity.

The Fund aims to provide its Unitholders with halal profits on the growth of their capital over the long-term in accordance with the principles of Islamic finance.

MARKET REVIEW, OUTLOOK AND STRATEGY

In September, the Debt Management Office (DMO) conducted its September FGN bond Auction with N225.0bn worth of papers on offer across the following instruments: MAR 2025 (3-year bond), APR 2032 (10-year bond), and the newly issued APR 2037 (15-year bond). At the auction, investors' demand was relaxed, as the majority was skewed toward the tail-end of the curve, with total subscription printing at N246.4bn and a bid-to-cover ratio of 1.1x. Interestingly, the newly issued 2037s (coupon rate: 16.25%) attracted significant interest from investors as the paper was oversubscribed by 1.9x, while both the 2025s and 2032s were undersubscribed by 0.6x. Notably, the DMO oversold the auction, allotting a total of N229.2bn vs 225.0bn on offer. In line with overall market expectations of a continued uptick in the yield environment of the sovereign bonds market, marginal rates across the 2025s, 2032s, and 2037s climbed by 100bps, 35bps, and 50bps, to print at 13.5%, 13.85%, and 14.50%, respectively.

In the secondary market, overall investor sentiment was bearish, with the bulk of the trading activity around the newly issued 2037 paper. Investors' interest was dominant across the short, and long end of the curve as market participants sought to cover and rebalance their portfolio positions. Thus, average yields climbed higher to print at 13.3% in Sep-2022, a 50bps m/m increase from Aug-2022 print of 12.8%. For corporate bonds, average yields at the end of Sep-2022 climbed 36bps m/m to close at 14.2%, in tandem with the rising yield environment. Similarly, the FGN Sukuk bonds closed bearish as average yields on Sukuk bonds increased by 48bps m/m to close at 13.32% compared to the previous month.

Going forward and taking a cue from recent auctions, we expect marginal rates to trend higher as the DMO will cave into offering higher rates to attract fund managers. In the secondary market, we anticipate that bearish sentiments will continue to dominate to match the uptick of the increase in MPR as investors remain standoffish to the market and demand higher yields on bond instruments.

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The United Capital Sukuk 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.

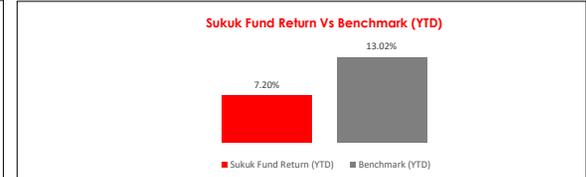
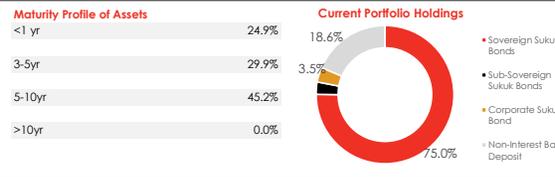
Fund Manager	United Capital Asset Management Ltd
Base Currency/Start Year	Naira/2020
Fund Size (N)	1.7bn
NAV Per Share (N)	1.0833
Minimum Entry (N)	10,000
Additional Investment (N)	5,000
Structure	Open Ended
Minimum Holding Period	90 days
Management Fee	1.5%
Total Expense Ratio*	1.8%
Benchmark	3-Yr FGN Sovereign Sukuk Yield
Risk Profile	Medium
Investment Style	Income Oriented

PERFORMANCE REVIEW

In September, the United Capital Sukuk Fund gained 0.57% and thus, brought annualised YTD return to 7.20%, relative to the annualized return of 13.02% posted by the benchmark for the same period.

The Treasury bonds secondary market remained bearish following the MPR hike to 15.5% and liquidity dearth by the CBN. Thus average yields expanded driven by profit taking activities across the short, mid and long end of the curve.

The Fund maintains sufficient exposure to FGN Sukuk, money market instruments and sub-sovereign and corporate Sukuk 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:

Non-Interest Bank Deposit (20%-40%); Sukuk Bond: 60%-80%

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 Sukuk 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

Return History

	2021	Jan-22	Feb-22	Mar-22	Apr-22	May-22	Jun-22	Jul-22	Aug-22	Sep-22
United Capital Sukuk Fund	7.32%	7.72%	7.79%	7.70%	7.48%	7.50%	7.42%	7.33%	7.25%	7.20%
Benchmark	9.88%	10.91%	10.63%	10.33%	10.26%	10.50%	10.26%	11.07%	12.21%	13.02%

* Represents the Fund's Annualized Return vs the Benchmark's Annualized Return