

United Capital Balanced Fund | Monthly Fact Sheet



October-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 October, the domestic equities market continued to witness bearish investor sentiment as the benchmark NGX-All Share Index (NGX-ASI) lost for the fifth consecutive month. The month started off on a depressing note as an unprecedented surge in interest rates, particularly in the money market (aided by CBN's broadly hawkish monetary policy and tight system liquidity) supported asset rotation at a faster pace during the month. The selloffs intensified into the month as investors aggressively dumped their equity positions in favour holding positions in money market instruments. Also, the earnings season swung into full effect but did little to raise risk appetite as several bellwether names posted disappointing Q3-2022 reports. Overall, we witnessed increased sell pressure in blue-chip companies like AIRTELAF (-36.3% m/m), DANGCEM (-10.0% m/m), WAPCO (-9.2% m/m), MTNN (-1.5% m/m), SEPLAT (-4.0% m/m), and NB (-13.5% m/m). That said, the benchmark NGX-All Share Index (NGX-ASI) fell by 10.6% m/m to close at 43,839.1 points, the highest monthly loss since Mar-2020 (at the peak of the pandemic selloff). Consequently, YTD return moderated to 2.6%, with market capitalisation settling at N23.9tn.

The CBN conducted two primary market NTB auctions to roll over maturing bills to the tune of N431.2bn, spread across the 91-day, 182-day, and 364-day bills. The auction witnessed weak investor appetite as the impact of the CBN's discount window restriction continued to drag on investor demand (mainly for banks). Total bids from both auctions printed at N248.9bn, implying a bid-to-cover ratio of 0.6x, largely tilted toward the 364-day paper. In line with the recent trend, the CBN opted to undersell the auction with an allotment rate of 0.3x. Given the weaker demand relative to the CBN's offer for sale, stop rates trended mostly higher at the auctions. As a result, stop rates across the 91-day, 182-day, and 364-day bills climbed higher by 1bp, 55bps, and 250bps to settle at 6.5%, 8.1%, and 14.5%, respectively.

The CBN did not conduct any OMO auction in the month under review. However, the secondary market for OMO bills witnessed bearish sentiments from investors, as the average rate in the secondary market for OMO bills rose 38bps m/m to settle at 10.2% vs the previous print of 9.8%.

In November, we expect the bear market to continue as the prevailing interest rate environment creates medium to long-term uncertainty in the equities market. In the fixed income markets, we maintain our higher rates prognosis across all money market instruments, with average funding rates remaining elevated around current levels, supported by an overall tight financial system. We also maintain our expectations of continued reliance on the domestic debt market by the Federal Government (FG) which would keep bond supply elevated amid the tight system liquidity.

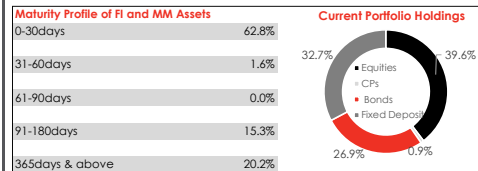
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The United Capital Balanced Fund is regulated by the Securities & Exchange Commission

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 (N)	1bn
NAV Per Share (N)	1.3217
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

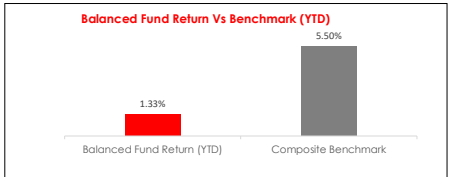
How to participate

1. Log in to our online platform www.investnow.ng
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 1.33% on a year to date ("YTD") basis, relative to 5.50% 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	8.00%	5.00%	22.40%	1.16%	3.77%	14.35%	6.19%	1.33%
Composite Benchmark	-1.69%	5.10%	22.70%	1.70%	-1.73%	25.16%	5.56%	5.50%

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