

United Capital Fixed Income Fund | Monthly Fact Sheet



October-22

FUND OBJECTIVE

The main objective of the Fund is to achieve consistent income streams through investment in select portfolio of securities and investments specified in the Trust Deed. The Fund's assets are invested in Federal Government bonds, Sub-national bonds, corporate bonds and high quality money market securities. The Fund is not affected by the fluctuations in the equity markets. However, opportunities for capital appreciation are dependent on changes in interest rate.

MARKET REVIEW, OUTLOOK AND STRATEGY

Last month, the Debt Management Office (DMO) conducted its Oct-2022 FGN bond Auction with N225.0bn worth of papers on offer across the following tenors: MAR 2029 (6-year paper), APR 2032 (10-year paper) and APR 2037 (15-year bond). At the auction, investors' demand was weak, with observed mild appetite skewed towards the tail-end of the curve. Thus, the auction was undersubscribed with total subscription printing at N119.2bn and a bid-to-cover ratio of 0.5x. The 2029s and 2032s were undersubscribed by 0.1x and 0.2x, while the 2037 paper was oversubscribed by 1.3x. Expectedly, the DMO undersold the auction, allotting a total of N107.9bn vs N225.0bn 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 2032s and 2037s climbed by c.115bps and 150bps to print at 15.0% and 16.0%, respectively. The marginal rate on the re-issued 2029 paper printed at 14.5%.

In the secondary market, we observed significant sell pressures as investors' sentiment was mainly bearish, in line with our expectations for the month, given the prevailing hawkish monetary policy, tighter liquidity controls and increased supply of bonds. Thus, investors' activities were largely skewed towards taking short positions as well as covering them towards month-end to book profits. Thus, average sovereign bond yield climbed higher to print at 14.5% in Oct-2022, a 114bps m/m increase from 13.3% print in Sep-2022. For corporate bonds, average yields at the end of Oct-2022 climbed 190bps m/m to close at 16.1% (previously 14.2%) in tandem with the rising yield environment.

Looking ahead, we 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. As seen in previous auctions, we expect marginal rates to trend higher as investors remain standoffish and the DMO cave into offering higher rates to attract fund managers. In the secondary market, we anticipate an overall bearish sentiment to dominate the market following similar patterns with the primary market.

Contact Us:

Emmanuel Akehomen | +234-703-180-3064
emmanuel.akehomen@unitedcapitalgroup.com
 Asset Management | +234-1-631-7876
mutualfunds@unitedcapitalgroup.com

The United Capital Fixed Income 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 (₦)	100.7bn
NAV Per Share (₦)	1.9302
Minimum Entry (₦)	10,000
Additional Investment (₦)	5,000
Structure	Open Ended
Minimum Holding Period	90 days
Management Fee	1.5%
Total Expense Ratio*	1.8%
Benchmark	3-Yr FGN Bond Yield
Risk Profile	Medium
Investment Style	Income Oriented

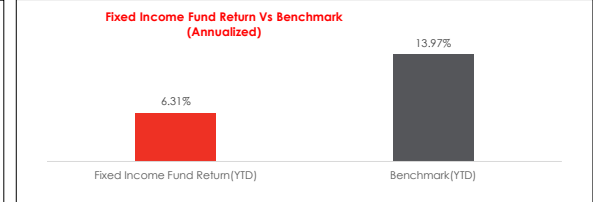
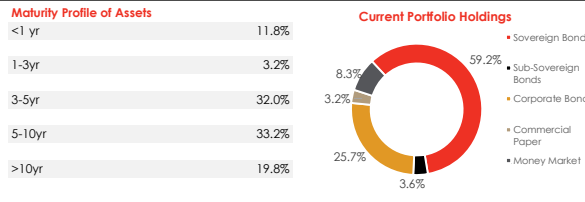
PERFORMANCE REVIEW

For the month of October, the United Capital Fixed Income Fund gained 0.54% and Year to date ("YTD") annualized return printed at 6.31%. The benchmark posted an annualized return of 13.97% 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 contracted at the short end due to investors buying interest but expanded across the mid and long end of the curve.

We reiterate our view of an uptick in bond yields in the medium term, as both the FGN's borrowing plan for 2022FY and expected fiscal deficit point towards an elevated supply

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

Money Market(10%-30%); Fixed Income: 70%-90%

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 Bond Fund
3. Click on "Open and account" and complete the online form
4. Fund your account online with a one-time payment or recurrent

Return History

	2016	2017	2018	2019	2020	2021	YTD 2022
United Capital Fixed Income Fund	16.0%	28.4%	11.3%	14.94%	9.35%	6.40%	6.31%
Benchmark	15.5%	14.0%	15.1%	10.20%	3.54%	9.45%	13.97%

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