

# United Capital Sukuk Fund | Monthly Fact Sheet



October-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

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 116bps 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.

Similarly, the FGN Sukuk bonds closed bearish as average yields on Sukuk bonds increased by 125bps m/m to close at 14.6% compared to the previous month's close of 13.3%.

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.

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

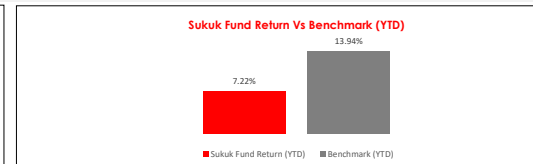
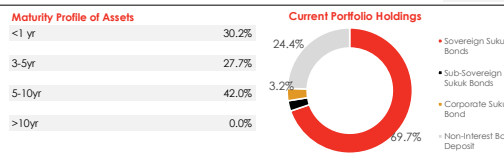
Fund Manager	United Capital Asset Management Ltd
Base Currency/Start Year	Naira/2020
Fund Size (N)	1.8bn
NAV Per Share (N)	1.0902
Minimum Entry (N)	10,000
Additional Investment (N)	5,000
Structure	Open Ended
Minimum Holding Period	90 days
Management Fee	1.5%
Total Expense Ratio*	1.8%
Benchmark	3-Yr FGN Sovereign Sukuk Yield
Risk Profile	Medium
Investment Style	Income Oriented

## PERFORMANCE REVIEW

In October, the United Capital Sukuk Fund gained 0.64% and thus, brought annualised YTD return to 7.22%, relative to the annualized return of 13.94% 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 contracted at the short end due to investors buying interest but expanded across the 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](http://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	Oct-22
United Capital Sukuk Fund	7.32%	7.72%	7.79%	7.70%	7.68%	7.50%	7.42%	7.33%	7.25%	7.20%	7.22%
Benchmark	9.88%	10.91%	10.63%	10.33%	10.26%	10.50%	10.26%	11.07%	12.21%	13.02%	13.94%

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

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.