

United Capital Sukuk Fund | Monthly Fact Sheet



November-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 DMO conducted its Nov-2022 FGN bond auction, with a total offer size of N225.0bn across the 2029s, 2032s, and 2037s. Investors' demand was decent as total bids recorded surpassed the total amount on offer, with a bid-to-cover ratio of 1.5x.

Overall interest was skewed toward the longer end of the curve, with the bulk of total bids aimed at the 2037s, oversubscribed at a 3.6x bid-cover ratio. The CBN opted to oversell the auction (N269.2bn) with an allotment rate of 1.2x. Marginal rates crawled higher at the auction, with stop rates across the bond offerings printing at 14.75%, 15.20%, and 16.20%, up by 25bps, 20bps, and 20bps, respectively.

In the secondary market, we observed an overall bullish sentiment amid concerns of a short-term downward pressure on rates. Also, we note that investors sought to fulfil their unmet bids following the Nov-2022 FGN bond auction. Overall, investors were largely standoffish as their lack of desire for duration exposure eventually shifted their focus to money market instruments. Thus, the average sovereign bond yield declined to print at 14.4% in Nov-2022, an 8bps m/m fall from its 14.5% print in Oct-2022. For corporate bonds, average yields at the end of Nov-2022 fell 13bps m/m to close at 16.0% (previously 16.1%).

Similarly, the FGN Sukuk bonds closed bullish as average yields on Sukuk bonds decreased by 25bps m/m to close at 14.3% compared to the previous month's close of 14.6%.

Looking ahead, we maintain our expectations of an elevated yield environment, primarily due to the Federal Government's continued reliance on the domestic debt market for its liquidity needs and the shortfall in inflows to the system. We expect N15.0bn in coupon payments to hit the system this month. Additionally, the decision by the Monetary Policy Committee to hike the benchmark interest rate by 100bps to 16.5% will fuel investors' appetite for higher rates. We expect marginal rates to trend higher as we anticipate an overall bearish sentiment to dominate the market.

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

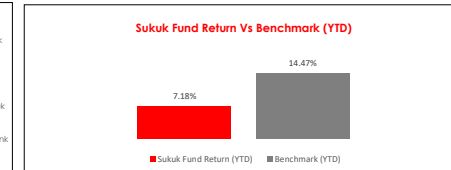
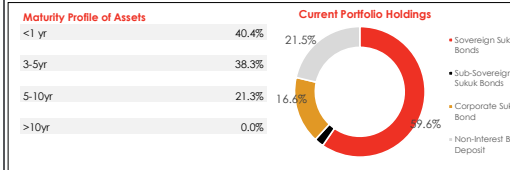
Fund Manager	United Capital Asset Management Ltd
Base Currency/Start Year	Naira/2020
Fund Size (M)	2.2bn
NAV Per Share (N)	1.0833
Minimum Entry (M)	10,000
Additional Investment (M)	5,000
Structure	Open Ended
Minimum Holding Period	90 days
Management Fee	1.5%
Total Expense Ratio*	1.8%
Benchmark	3-Yr FGN Sovereign Sukuk Yield
Risk Profile	Medium
Investment Style	Income Oriented

PERFORMANCE REVIEW

In November, the United Capital Sukuk Fund gained 0.64% and thus, brought annualised YTD return to 7.18%, relative to the annualized return of 14.47% posted by the benchmark for the same period.

Activities in the FGN bonds secondary market were bullish as investors cautiously cherry-picked instruments with attractive yields across the curve. Thus average yield contracted across the short and long end of the curve, with expansion seen at the mid segment 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

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

Investment Risks

- Market risk
- Macroeconomic instability
- Interest Rate Risk

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%	7.18%
Benchmark	9.88%	10.91%	10.63%	10.33%	10.26%	10.50%	10.26%	11.07%	12.21%	13.02%	14.47%

* 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.