

United Capital Balanced Fund | Monthly Fact Sheet

December-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 December, the domestic equities market sustained its bullish run from the previous month as we witnessed bargain hunting in stocks with sound fundamentals. The market closed green in all four weeks despite the expectation that investors would book profits from Nov-2022 gains and pessimism of a market slowdown. In addition, the sudden downturn in the yield environment sparked renewed interest in the equity market. Also, portfolio rebalancing activity contributed to the bullish sentiments as equity turnover doubled in the final week of the month. Notably, the market was primarily driven by buy interests in large-cap stocks such as BUACEMEN (+27.0% m/m), AIRTELAF (+12.8% m/m), NESTLE (+14.1% m/m), and MTNN (+2.1% m/m). As a result, the benchmark NGX-All Share Index (NGX-ASI) climbed by 7.5% m/m to close at 51,251.06 points. Consequently, YTD return closed at 20.0%, from Nov-2022's 16.7% and Oct-2022's 2.6% print, with market capitalisation growing N1.9tn to settle at N27.9tn.

At the primary market, the CBN conducted three NT-bills auctions and one OMO auction. For the NT-bills auctions, the CBN offered a total of N135.4bn worth of bills across the 91-day, 182-day and 364-day bills. The auction was met with strong investor demand owing to the healthy liquidity in the financial system, with total subscriptions printing of N1.5tn, implying a bid-to-cover ratio of 11.3x. As a result, the CBN opted to oversell the auction, allotting N185.4bn worth of bills. Notably, the stop rates across the 91-day, 182-day and 364-day bills trended lower throughout the month, declining by 375bps, 90bps and 635bps to close the year at 2.75%, 7.15% and 8.49%, respectively (previously, 6.50%, 8.05% and 14.84%). For the OMO auction, the CBN offered a total of N30.0bn worth of bills across the 89-day, 187-day and 362-day tenors. Despite the auction being oversubscribed by 5.5x with total subscription printing of N165.7bn, the CBN decided to sell just the amount on offer. Hence, the stop rates on the 89-day, 187-day and 362-day bills closed at 7.0%, 8.5% and 10.0%, respectively.

Last month, the DMO conducted its final FGN bond auction for 2022, with a total offer size of N225.0bn across the 2029s, 2032s, and 2037s. At the auction, investors' demand came in strong, with overall bids summing up to N532.2bn implying a bid-to-cover ratio of 2.4x. The DMO opted to oversell the auction by an allotment rate of 1.2x, selling N265.5bn worth of papers across the tenors on offer. Notably, investors' interest was mainly skewed toward the 2037s, as it was oversubscribed by 5.0x. Marginal rates across all the offerings declined at the auction. This is attributable to the sustained improvement in investors' demand in synchrony with available liquidity versus the supply of bonds for December. Aside from that, investors continue to opt for fixed income alternatives amid the highest interest rate levels in more than a year. For context, marginal rates on the 2029s, 2032s, and 2037s declined c.15bps, 45bps, and 40bps, to print at 14.6%, 14.75% and 15.8% respectively.

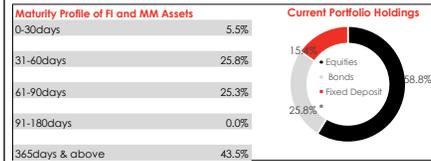
Looking forward, we anticipate robust market activity and bullish sentiments to continue. The usual January momentum is likely to dominate, particularly as the yield environment appears to be shifting downwards. Additionally, we expect anticipation of FY-2022 earnings to spur market performance. We anticipate total sovereign maturities to the tune of N595.7bn to hit the system in Jan-2023, 249.4% higher than December's inflow. Thus, we expect funding rates and stop rates across auctions to trend lower.

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

Fund Manager	United Capital Asset Management Ltd
Base Currency/Start Year	Naira/2006
Fund Size (M)	1.1bn
NAV Per Share (M)	1.3699
Minimum Entry (M)	10,000
Additional Investment (M)	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

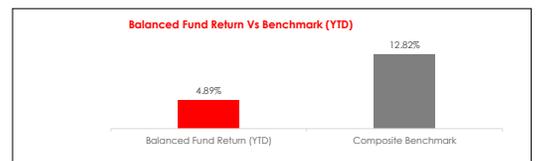
1. Log in to our online platform www.investnow.ng
2. Click on "Balanced Fund"
3. Click on "Open and account" and complete the online form
4. Fund your account online with a one-time payment or recurrent payments

PERFORMANCE REVIEW

The United Capital Balanced Fund returned 3.68% for the Month of December and 4.89% for Full year 2022, relative to 12.82% posted by the composite benchmark during the same period.

The equity market was bullish in the month of December due to increased buying activities on the back of investors positioning for 2022FY earnings announcements and dividend declarations. As a result, the benchmark NGX-All Share Index (NGX-ASI) rose by 7.5% m/m to close at 51,251.06 points. Consequently, YTD returned 19.98%, with market capitalization setting at N27.9tn.

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	2022
United Capital Bal. Fund	8.00%	5.00%	22.40%	1.16%	3.77%	14.35%	6.19%	4.89%
Composite Benchmark	-1.69%	5.10%	22.70%	1.70%	-1.73%	25.16%	5.54%	12.82%

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

Fast 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.