

# United Capital Fixed Income Fund | Monthly Fact Sheet



December-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 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.

In the secondary market, we observed an overall bullish sentiment as concerns of short-term downward pressure on rates prevailed. Also, we note that investors sought to fulfil their unmet bids following the Dec-2022 FGN bond auction, supported by the liquidity at the time. Thus, the average sovereign bond yield declined by a significant 133bps m/m to print at 13.0% in Dec-2022, compared to its 14.4% print in Nov-2022. For corporate bonds, average yields at the end of Dec-2022 fell 235bps m/m to close at 13.7% (previously 16.0%).

Similarly, the FGN Sukuk bonds closed bullish as average yields on Sukuk bonds decreased by 167bps m/m to close at 12.7% compared to its Nov-2022 close of 14.3%.

**Following the synchronised decline in stop rates at recent NT-bills and sovereign bond auctions, we expect bullish sentiments in the secondary bonds market to persist over the coming weeks as financial system liquidity outpaces bonds supply. We estimate total sovereign maturities in Q1-2023 will print at N2.3tn while total auctions (bonds and NT-bills) will likely hover around N1.7tn, creating excess liquidity of N555.2bn. We expect N257.5bn in coupon payments to hit the system this month, adding to the existing system liquidity. Lastly, we anticipate inflation is near its peak and will begin to decelerate in the coming months as the high base effect outweighs prevailing price pressures. As a result, the Monetary**

## Contact Us:

Emmanuel Akehamen | +234-703-180-3064  
[emmanuel.akehamen@unitedcapitalgroup.com](mailto:emmanuel.akehamen@unitedcapitalgroup.com)  
 Asset Management | +234-1-631-7876  
[muvalifunds@unitedcapitalgroup.com](mailto:muvalifunds@unitedcapitalgroup.com)

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

Fund Manager	United Capital Asset Management Ltd
Base Currency/Start Year	Naira/2006
Fund Size (₦)	100.5bn
NAV Per Share (₦)	1.9517
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

The United Capital Fixed Income Fund returned 0.62% for the month of December and 6.33% for Full year 2022, relative to a 12.83% posted by the benchmark for the same period..

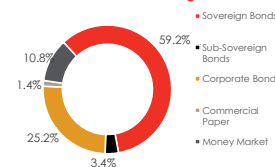
The Treasury bonds secondary market ended the year on a bullish note as the average bond yield declined to 13.0%. The bullish sentiment witnessed is attributed to investors' demand for attractive instruments at the short and long end of the benchmark curve while the average yield was flat at the mid segment.

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. 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.

## Maturity Profile of Assets

<1 yr	11.3%
1-3yr	5.1%
3-5yr	30.7%
5-10yr	37.1%
>10yr	15.7%

## Current Portfolio Holdings



## Fixed Income Fund Return Vs Benchmark (Annualized)



\* Inclusive of management fees; 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

## How to participate

1. Log in to our online platform [www.investnow.ng](http://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

## Investment Risks

- Market risk
- Macroeconomic instability
- Interest Rate Risk

## Return History

	2016	2017	2018	2019	2020	2021	2022
United Capital Fixed Income Fund	16.0%	28.4%	11.3%	14.94%	9.35%	6.40%	6.33%
Benchmark	15.5%	14.0%	15.1%	10.20%	3.54%	9.45%	12.83%

\* 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.