

# United Capital Balanced Fund | Monthly Fact Sheet



January-23

## 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

The domestic equity market maintained its upward trend in January, notably propelled by the depressed yield environment and robust system liquidity. As a result, fund managers and investors kept switching assets to profit from lower stock prices and valuations. The decent earnings reports of corporates for FY-2022 also significantly improved investor confidence, which effectively led to increased bargain hunting across profitable stocks with strong fundamentals. Notably, price movements across large-cap stocks, MTNN (+4.7% m/m), BUFAFOODS (+14.6% m/m), GEREGU (+29.9% m/m), DANGCEM (+2.3% m/m), AIRTELAFRI (+1.5% m/m), and BUACEMEN (+1.7% m/m), played a decisive role in the bourse's strong close in January. The benchmark NGX-All Share Index (NGX-ASI) climbed by 3.9% m/m to close at 53,238.7 points. Consequently, YTD return settled at 3.9%, with market capitalisation growing N1.1tn to settle at N29.0tn.

The CBN conducted two NT-bill auctions in the primary market during the month. The CBN offered a total of N56.9bn worth of maturing bills in the first. Investor's demand was strong owing to the buoyant liquidity in the system. Thus, the auction was oversubscribed by 6.8x with total subscription printing at N389.0bn. Notably, the CBN opted to sell just the amount on offer. Consequently, the stop rate across the 91-day, 182-day and 364-day bills declined by 7bps, 28bps and 119bps to settle at 2.0%, 4.3% and 7.3%, respectively. In the second auction, there was a total offer size of N220.5bn across the 91-day, 182-day, and 364-day papers. Investors' demand was overwhelmingly strong as total bids surpassed the total amount on offer, with a bid-to-cover ratio of 4.7x to print at N1.0tn. The strong interest was again a by-product of elevated system liquidity as banks sought to invest funds before the hammer of CBN's CRR debits. Overall, interest was skewed toward the longer end of the curve, with the bulk of total bids aimed at the 364-day bill, oversubscribed at a 4.0x bid-to-cover ratio. The CBN opted to sell exactly what was on offer. Stop rates across all the bills plunged 171bps, 253bps, and 252bps to print at 0.29%, 1.80%, and 4.78%.

Last month, the Debt Management Office (DMO) conducted its first FGN bond Auction for 2023, with N360.0bn worth of papers on offer across the following tenors: FEB 2028, APR 2032, APR 2037, and APR 2029. At the auction, investors' demand was strong, supported by the buoyant liquidity in the system, with appetite skewed towards the longer-tenured instruments. Thus, the auction was oversubscribed, with total subscription printing at N805.2bn and a bid-to-cover ratio of 2.2x. The 2028s, 2037s, and 2049s were oversubscribed with bid-to-cover ratios of 2.1x, 2.9x, and 2.9x, while the 2032 paper recorded a bid-to-cover ratio of 1.0x. Surprisingly, the DMO oversold the auction, allotting a total of N662.6bn vs N360.0bn on offer signaling the government's strong reliance on the domestic debt market. Also, we perceive an attempt by the government to frontload 2023 borrowings, with a focus on longer term debt. The marginal rate on the 2032s climbed by c.15bps to settle at 14.9%, while the 2037s remained unchanged at 15.8%. Lastly, marginal rates on the re-issued 2028 and 2049 papers printed at 14.0% and 15.9%, respectively.

Looking ahead to the medium term, we retain our positive outlook for Nigerian equities, supported by depressed yields in the money market. We expect increased bargain hunting across fundamentally sound stocks with decent FY-2022 earnings performance. However, we see room for pockets of bearish sentiments from investors owing to profit-taking activities. We recommend fund managers cherry-pick stocks with low prices, solid valuations, and dividend performance in a bid to take advantage of extension of the current bullish run. Looking ahead, we expect that the downward pressures on rates in the money market will persist in Feb-2023, hinged on the expectations of buoyant system liquidity and net inflows in the quarter. Thus, we expect sustained downward pressure on funding rates and stop rates across auctions.

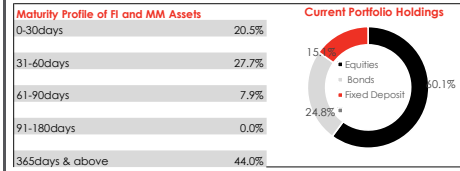
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The United Capital Balanced Fund is regulated by the Securities & Exchange Commission

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 (M)	1.2bn
NAV Per Share (M)	1.4843
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

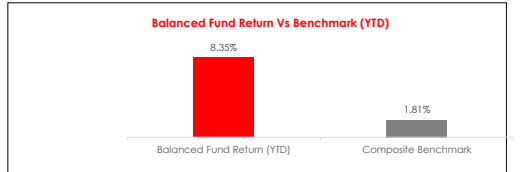
1. Log in to our online platform [www.investnow.ng](http://www.investnow.ng)
2. Click on "Balanced Fund"
3. Click on "Open and account" and complete the online form
4. Fund your account online with a one-time payment or recurrent payments

## PERFORMANCE REVIEW

The United Capital Balanced Fund returned 8.35% on a year to date (YTD) basis as at the end of January, relative to 1.81% posted by the composite benchmark during the same period.

The domestic equity market maintained its upward trend in January, notably propelled by the depressed yield environment and robust system liquidity. The decent earnings reports of corporates for FY-2022 also significantly improved investor confidence, which effectively led to increased bargain hunting across profitable stocks with strong fundamentals. The benchmark NGX-All Share Index (NGX-ASI) climbed by 3.9% m/m to close at 53,238.7 points. Consequently, YTD return settled at 3.9%, with market capitalisation growing N1.1tn to settle at N29.0tn.

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

	2016	2017	2018	2019	2020	2021	2022	Jan-23
United Capital Bal. Fund	5.00%	22.40%	1.16%	3.77%	14.35%	6.19%	4.89%	8.35%
Composite Benchmark	5.10%	22.70%	1.70%	-1.73%	25.16%	5.56%	12.82%	1.81%

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