

United Capital Money Market Fund | Monthly Fact Sheet



January-23

FUND OBJECTIVE

The United Capital Money Market Fund allows investors to invest in high quality money market instruments like Treasury bills and certificates, Commercial papers and Bankers' acceptance. The Fund is an income Fund. It provides liquidity, capital preservation, as well as moderate and stable return. The Fund is appropriate for corporate and individual investors who desire less volatility in returns using their surplus funds for short periods of time. The main objective of the Fund is to achieve consistent income streams through investment in a portfolio of money market securities and investments specified in the Trust Deed. The money market fund provides capital, offers quarterly interest payment as well as safety and liquidity.

MARKET REVIEW, OUTLOOK AND STRATEGY

The opening month of 2023 was characterised by excess system liquidity. The financial system opened with a N1.0tn balance. It remained elevated throughout the month due to inflow from the broad economy, consequent of the CBN's campaign to return old bank notes following its currency redesign as the deadline drew near (CBN reported collection of N1.9tn worth of deposits). In addition, total sovereign maturities printed at N605.8bn, providing further boost to system liquidity. These weighed on interbank lending rates even as the CBN conducted three CRR debits to mop up excess liquidity. On the flipside, the decision of the Monetary Policy Committee (MPC) to raise the benchmark interest rate by 100bps supported interbank lending rates. As a result, funding rates remained in the double-digit region as the average Open Repo Rate (OPR), and Overnight Rate (O/N) fell m/m by 123bps and 31bps to print at 10.1% and 10.6%, respectively. System liquidity closed with a balance of N1.2tn on 31-Jan.

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 75bps, 285bps 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-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%.

In the secondary market, we witnessed strong buy-interest from investors as they sought to deploy excess liquidity and to fulfil unmet demand from both primary market outcomes. Consequently, the average yield on NT-bills fell 382bps m/m to close the month at 1.6%. As expected, the tail-end of the yield curve saw the steepest decline in yields.

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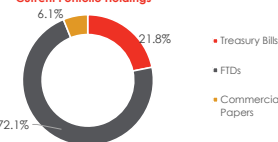
The United Capital Money Market Fund is regulated by the Securities & Exchange Commission

Fund Manager	United Capital Asset Management Ltd
Base Currency/Start Year	Naira/2006
Fund Size (M)	48.2bn
NAV Per Share (M)	1.0
Minimum Entry (M)	10,000
Additional Investment (M)	5,000
Structure	Open Ended
Minimum Holding Period	30 days
Benchmark	91-day T-Bills
Management Fee	1.0%
Total Expense Ratio*	1.3%
Risk Profile	Low
Income Distribution	Quarterly

Maturity Profile of Assets

0-30days	22.1%
31-60days	38.2%
61-90days	14.1%
91-180days	24.3%
180-365 days	1.4%

Current Portfolio Holdings



* Inclusive of management fee; Returns are net of all fees

Governance Asset Allocation Range

Money Market (100%)

Why Choose the Fund?

- Short-term capital preservation
- Seamless entry and exit
- Low entry threshold
- Professional management with robust risk framework

How to Participate

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

Return History

	2016	2017	2018	2019	2020	2021	2022	Jan-23
Money Market Fund Returns	13.1%	14.2%	12.9%	12.9%	5.42%	6.91%	9.34%	14.68%
Benchmark Returns	13.7%	11.0%	12.6%	11.2%	1.52%	3.34%	3.97%	1.86%

* Represents the Fund's effective yield vs the Benchmark Return

PERFORMANCE REVIEW

The United Capital Money Market Fund yielded an average return of 14.68% for the month of January 2023, higher than the benchmark rate of 1.86%. The performance of the Fund was driven by lower interest rate reflected by decline in yields in money market instruments.

The Fund will continue to invest in high quality money market instruments that generate competitive returns for the benefit of the subscribers. The Fund is well positioned to deliver above-average returns despite the declining yield environment.

Money Market Fund Return vs Benchmark



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.