

# United Capital Sukuk Fund | Monthly Fact Sheet



January-23

## 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 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 signalling 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.

In the secondary market, we observed sell pressures dominate as investors' sentiment was mainly bearish. The sell pressures were buoyed by the uncertainties around the Q1-2023 bond calendar and the observed increase in the government's appetite for bonds. Notably, the selloffs were mainly skewed towards the mid and long end of the curve. Thus, average yields on sovereign bonds climbed higher to print at 13.4% in Jan-2023, a 31bps m/m increase from 13.0% print in Dec-2022.

On the other hand, we observed buy pressures in corporate bonds, as average yields at the end of Jan-2023 fell by 67bps m/m to close at 13.0% (previously 13.7%) in tandem with the depressed interest rate environment. Similarly, the FGN Sukuk bonds closed bullish as average yields on Sukuk bonds declined by 23bps m/m to close at 12.4% compared to the previous month's close of 12.7%.

Looking ahead, we maintain our expectations of continued reliance on the domestic debt market by the Federal Government (FG), as evidenced in the auction calendar and weak government revenue generation. This will drive the supply of bonds in the primary market as the FG seeks capital expenditure financing. However, we note the robust system liquidity will continue to create strong demand. In line with the decline in stop rates at recent NT-bills auctions, we expect marginal rates to trend lower as investors' grip over pricing has weakened at the primary market. In the secondary market, we anticipate an overall bullish sentiment to dominate the market following the excess liquidity in the financial system and declining yield environment.

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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 (N)	2.2bn
NAV Per Share (N)	1.1128
Minimum Entry (N)	10,000
Additional Investment (N)	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

The United Capital Sukuk Fund returned 0.83% for the month of January and an annualised return of 9.93% relative to the annualized return of 12.91% posted by the benchmark for the same period.

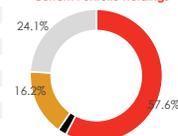
In the secondary market, we observed sell pressures dominate as investors' sentiment was mainly bearish. The sell pressures were buoyed by the uncertainties around the Q1-2023 bond calendar and the observed increase in the government's appetite for bonds. The FGN Sukuk bonds closed bullish as average yields on Sukuk bonds declined by 23bps m/m to close at 12.4% compared to the previous month's close of 12.7%.

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.

## Maturity Profile of Assets

<1 yr	42.4%
3-5yr	34.8%
5-10yr	22.8%
>10yr	0.0%

## Current Portfolio Holdings



- Sovereign Sukuk Bonds
- Sub-Sovereign Sukuk Bonds
- Corporate Sukuk Bond
- Non-Interest Bank Deposit

\* 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](http://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

	Jan-22	Feb-22	Mar-22	Apr-22	May-22	Jun-22	Jul-22	Aug-22	Sep-22	Oct-22	Nov-22	Dec-22	Jan-23
United Capital Sukuk Fund	7.72%	7.79%	7.20%	7.68%	7.50%	7.42%	7.33%	7.25%	7.20%	7.22%	7.18%	7.23%	9.93%
Benchmark	10.91%	10.43%	10.33%	10.26%	10.50%	10.26%	11.07%	12.21%	13.02%	13.94%	14.47%	12.92%	12.91%

\* 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.