

United Capital Balanced Fund | Monthly Fact Sheet



February-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

In February, the bulls continued their strong dominance in the NGX as we saw bargain hunting in stocks with fundamentals amid a depressed yield environment. In addition, the release of several positive FY-2022 earnings results improved investors' sentiment in the market, thus, spurring the m/m increase. Notably, buy interests in large-cap stocks such as MTNN (+8.8% m/m), BUAFODDS (+20.8% m/m), GEREGU (+4.7% m/m), DANGCEM (+4.2% m/m) and SEPLAT (+20.5% m/m) drove the local bourse upwards. As a result, the benchmark NGX-All Share Index (NGX-ASI) climbed by 4.8% m/m to close at 55,806.3 points. Consequently, YTD return improved to 8.9%, from January's 3.9% print, with market capitalisation settling at N30.4tn.

In the month c. N480.6bn worth of NT-bills matured. The CBN conducted two NT-bill primary market auctions. At the first auction, the CBN conducted an NT-bill auction with N217.1bn worth of bills across the 91-day, 182-day and 364-day papers. The auction was met with overwhelming demand from investors amid the liquid financial system. Total subscription printing at N1.1tn, implying a bid-to-cover ratio of 4.5x, with the 364-day bill oversubscribed by 4.8x. The CBN opted to oversell, with an entire allotment of N417.1bn. Therefore, stop rates fell 19bps, 150bps and 254bps to close at 0.1%, 0.3%, and 2.24% across the 91-day, 182-day and 364-day papers, respectively. At the second auction, N236.5bn worth of bills were offered across the 91-day, 182-day and 364-day papers. Demand from investors at the auction was strong, with total subscription printing at N296.8bn, implying a bid-to-cover ratio of 1.3x. The CBN opted to sell the exact amount on offer. The temporarily illiquid financial system pre-auction made investors more aggressive with bids. Thus, stop rates climbed significantly by 2.9ppt each for the 91-day and 182-day papers to settle at 3.0% and 3.2%, respectively, while the stop rate on the 364-day paper rose by 7.7ppt to 9.9%.

Last month, The Debt Management Office (DMO) conducted its FGN bond auction in the primary market, with an offer of N360.0bn across four (4) tenors, FEB 2028, APR 2032, APR 2037, and APR 2049. At the auction, investors' demand came in strong with overall bids summing up to N992.1bn implying a bid-to-cover ratio of 2.8x. The DMO opted to oversell the auction by an allotment rate of 1.8x, selling N662.6bn worth of papers across the tenors on offer. Interestingly, marginal rates at the longer end of the curve climbed by 10bps a piece, the 2037s and 2049s, to settle at 15.9% and 16.0% from 15.8% and 15.9% respectively. The observed upward climb is largely down to the DMO's decision to oversell the auction, particularly at the tail of the curve, as allotment-to-offer ratio for 2037 and 2049 printed at 2.5x and 2.7x respectively, indicating the FG's strategy of frontloading debt issuances and a sustained reliance of domestic debt market to fund the budget deficit. The marginal rate on the 2032s remained unchanged at 14.9% and attracted the least interest from investors at the auction, as it was undersubscribed by 0.9x. However, the marginal rate on the 2028s declined by 1bp to settle at 13.99% from 14.0%.

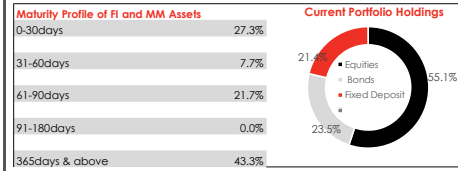
Looking ahead, we maintain our positive outlook for the domestic equities market in Q1-2023, supported by the excess system liquidity and depressed rates in the fixed-income environment. However, we believe investors may book profits off stocks that performed well in the previous month's rally. We expect the downward pressures on rates in the money market will persist in Mar-2023, hinged on the expectations of a relatively surplus system liquidity and net inflows in the quarter. Also, we expect bearish sentiments from investors toward duration-exposed instruments, as they continue to price in another potential hike from the MPC in its March (20th - 21st) meeting, in response to the higher-than-expected inflation print for Feb-2023. Lastly, coupon payments to the tune of N351.7bn (426.7% higher than the total coupon payment of N66.8bn in Feb-2023) will make room for pockets of bullish sentiments, as investors will look to reinvest their funds.

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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 (N)	1.2bn
NAV Per Share (N)	1.5815
Minimum Entry (N)	10,000
Additional Investment (N)	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

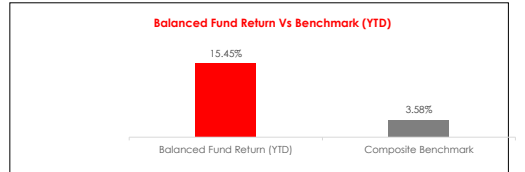
1. Log in to our online platform www.investnow.ng
2. Click on "Balanced Fund"
3. Click on "Open and account" and complete the online form
4. Fund your account online with a one-time payment or recurrent payments

PERFORMANCE REVIEW

The United Capital Balanced Fund returned 15.45% on a year to date (YTD) as at the end of February, relative to 3.97% posted by the composite benchmark during the same period.

In the bonds secondary market, we saw mixed investor sentiments. There were pockets of bullish sentiments that kept yields suppressed across the curve, buoyed by the buoyant financial system. The domestic equity market maintained its upward trend in February, notably propelled by the depressed yield environment and robust system liquidity. In addition, the release of several positive FY-2022 earnings results improved investors' sentiment in the market, thus, spurring the m/m increase.

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	YTD 2023
United Capital Bal. Fund	5.00%	22.40%	11.6%	3.77%	14.35%	6.19%	4.69%	15.45%
Composite Benchmark	5.10%	22.70%	1.70%	-1.73%	25.14%	5.54%	12.82%	3.97%

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