

# United Capital Fixed Income Fund | Monthly Fact Sheet



March-23

## 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

The Debt Management Office (DMO) conducted the FGN bond auction for March 2023, offering N360.0bn across the 2028s, 2032s, 2037s, and 2049s. Investors' demand came in strong, with total subscriptions printing at N808.6bn, representing a bid-to-cover ratio of 2.2x. The DMO oversold the auction, allotting N563.4bn worth of papers. The marginal rate across the 2032s, 2037s and 2049s declined by 15bps, 70bps and 25bps to 14.75%, 15.20% and 15.75% respectively. On the other hand, the marginal rate on the 2028s paper remained unchanged to settle at 14.00%.

The DMO also released the Bond Issuance Calendar for Q2-2023, which showed the 2028s & 2032s would continue being offered at auctions while the 2037s & 2049s would be replaced with 2042s & the 2050s, respectively, at subsequent auctions.

In the secondary market, we saw bearish sentiments from investors. Sell-offs were prevalent on the shorter tenor papers; investors switched to the more attractive money market as the central bank extended its hawkish run hiking the MPR by 50bps to 18.0%. The pockets of financial system illiquidity and anticipating higher marginal rates at the primary markets further catalysed the number of offers in the secondary markets. Overall, the average yields on sovereign bonds rose by 29bps m/m to print at 13.6% as of 31-Mar-2023.

In tandem, sentiments towards corporate issues were bearish. Average yields on corporate bonds as of the end of Mar-2023 rose by 81bps m/m to close at 14.0%. Similarly, the FGN Sukuk bonds closed bearish as average yields on sovereign Sukuk bonds climbed 74bps m/m to close at 12.8%.

**In April, we expect significant bond maturities of over N700.0bn, to hit the financial system, toward the last two weeks of the month. This will taper yields (rates) from the mid-long end of the curve. Also, we expect pockets of coupon payments to the tune of N236.0bn. However, 80.3% (N189.5bn) of the expected coupon payments will hit the system in the last week of the month. That said, we expect bond yields to remain elevated around current levels in the first 2 weeks of April, with investors pushing for higher rates for their funds, also motivated by the recent 50bps hike. However, the expected reflection of FAAC payment this week will significantly temper the overall impact of the illiquidity situation in the financial system.**

## Contact Us:

Emmanuel Akehomen | +234-703-180-3064  
[emmanuel.akehomen@unitedcapitalplcgroup.com](mailto:emmanuel.akehomen@unitedcapitalplcgroup.com)  
 Asset Management | +234-1-631-7876  
[mutualfunds@unitedcapitalplcgroup.com](mailto:mutualfunds@unitedcapitalplcgroup.com)

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

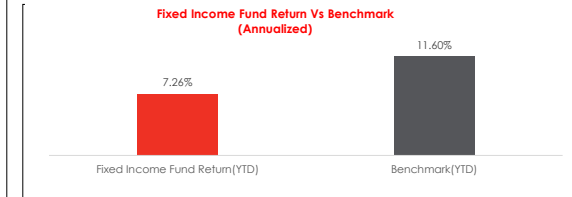
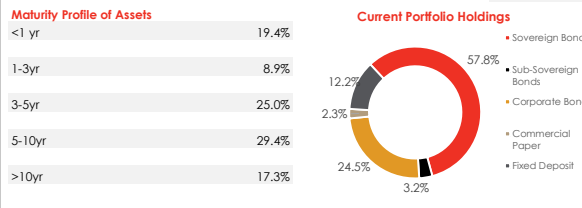
Fund Manager	United Capital Asset Management Ltd
Base Currency/Start Year	Naira/2006
Fund Size (N)	100.9bn
NAV Per Share (N)	1.9861
Minimum Entry (N)	10,000
Additional Investment (N)	5,000
Structure	Open Ended
Minimum Holding Period	90 days
Management Fee	1.5%
Total Expense Ratio*	1.8%
Benchmark	3-Yr FGN Bond Yield
Risk Profile	Medium
Investment Style	Income Oriented

## PERFORMANCE REVIEW

The United Capital Fixed Income Fund returned 0.59% for the month of March and 7.26% year to date relative to a 11.60% posted by the benchmark for the same period.

In the secondary market, we saw bearish sentiments from investors. Sell-offs were prevalent on the shorter tenor papers; investors switched to the more attractive money market as the central bank extended its hawkish run hiking the MPR by 50bps to 18.0%. The pockets of financial system illiquidity and anticipating higher marginal rates at the primary markets further catalysed the number of offers in the secondary markets. Overall, the average yields on sovereign bonds rose by 29bps m/m to print at 13.6% as of 31-Mar-2023. The DMO also released the Bond Issuance Calendar for Q2-2023, which showed the 2028s & 2032s would continue being offered at auctions while the 2037s & 2049s would be replaced with 2042s & the 2050s, respectively, at subsequent auctions.

The portfolio remains invested in FGN Bonds, money market instruments and sub-sovereign bonds with descent yields. We will maintain current allocation to enhance yield income for the Fund.



\* Inclusive of management fee; 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

## Investment Risks

- Market risk
- Macroeconomic instability
- Interest Rate Risk

## 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

## Return History

	2017	2018	2019	2020	2021	2022	YTD
United Capital Fixed Income Fund	28.4%	11.3%	14.9%	9.35%	6.40%	6.33%	7.26%
Benchmark	14.0%	15.1%	10.2%	3.54%	9.45%	12.83%	11.60%

\* 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.