United Capital Money Market Fund | Monthly Fact Sheet

United Capital
Asset Management

March-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 preserves capital, offers quarterly interest payment as well as safety and liquidity.

MARKET REVIEW, OUTLOOK AND STRATEGY

In March, the financial system ("the system") opened with a surplus of N992.7bn. The system remained liquid through most of the month, supported by the residue of FAAC inflows of c. N355.0bn from February, OMO maturities totalling N80.0bn and N351.9bn in coupon payments. However, following CRR debits of c. N647.5bn and reduced inflows from the broader economy considering the CBN's U-turn on its currency constriction policy, the financial system closed the month with a deficit of N345.7bn. Therefore, the average Open Repo Rate (OPR) and Overnight Rate (OVN) rose by 800bps m/m and 805bps m/m to close at 18.50% and 18.88%, respectively.
On details of last month's primary market activity, the Central Bank of Nigeria (CBN) conducted a NT-bill auction with N224.5bn worth of bills on offer across the 91-day, 182-day and 364-day papers. Investors submitted total bids to the tune of N906.1bn, implying a bid-to-cover ratio of 4.0x. We note that most of the bids (N890.5bn) came in for the 364-day bill. The CBN opted to oversell only the 364-day bill by an allotment rate of 1.5x. As a result, the auction was oversold by an allotment rate of 1.5x, with total sales by the CBN printing at N324.5bn. Investors oversubscribed the 91-day and 364-day bills by 4.2x and 4.2x. As investors' demand for the 364-day bill was met with the increased supply of the bill, thus, stop rate on the bill climbed by 10bps to print at 10.0%. The stop rate on the 182-day bill climbed by a notable 276bps to print at 6.0%, supported by supply and demand fundamentals. For context, the 182-day bill was only oversubscribed by 1.1x. Conversely, the stop rate on the 91-day bill declined 160bps to print at 1.44%.

At the second auction, the CBN conducted a NT-bill auction with N161.9bn worth of bills on offer across the 91-day, 182-day, and 364-day papers. Investors submitted total bids to the tune of N1.0trn, implying a bid-to-cover ratio of 6.4x compared to 4.0x at the previous week's auction. The CBN opted to allot the amount on offer. Consequently, the stop rate on the 182-day and 364-day bills fell by 100bps and 52bps, respectively, settling at 5.0% and 9.5%. Conversely, the stop rate for the 91-day bill rose 111bps to close at 2.6%.

Lastly, the CBN conducted a NT-bill auction rolling over N145.5bn worth of bills across the 91-day, 182-day and 364-day papers. At the auction, investors' demand was mildly strong, particularly skewed towards the tail-end of the curve. Thus, the auction was oversubscribed, with total subscriptions printing at N168.6bn, implying a bid-to-cover ratio of 1.2x. Notably, the apex bank opted to sell just the amount on offer as investors were aggressive with their rates bids given the depressed system liquidity. Consequently, the stop rate on the 91-day, 182-day and 364-day bills climbed by 345bp, 300bps and 525bps to settle at 6.00%, 8.00% and 14.74%.

In the secondary market, we observed that bearish sentiments among investors persisted as the average yield on NT-bills climbed by 369bps m/m to close the month at 7.7% (previously 4.0%).

Looking ahead, we expect the illiquidity in the system to persist, hinged on the absence of any inflows in the first half of the month. As a result, we believe that the money market and FTD rates will climb marginally above current levels. However, there will be a rate reversal in the last two weeks of April on the back of the significant inflows from N236.0bn coupon payments and N736.0bn worth of FGN bond maturity expected to hit the financial system. Thus, we expect the money market and funding rates to begin descent in the second half of the month, due to the excess system liquidity.

Contact Us:

Emmanuel Akehomen | +234-703-180-3064

emmanuel.akehomen@unitedcapitalplcgroup.com

Asset Management | +234-1-631-7876

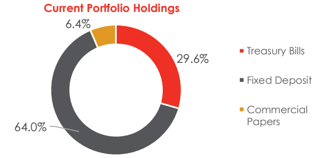
mutualfunds@unitedcapitalplcgroup.com

Fund Manager	United Capital Asset Management Ltd
Base Currency/Start Year	Naira/2006
Fund Size (₦)	43.9bn
NAV Per Share (₦)	1.0
Minimum Entry (₦)	10,000
Additional Investment (₦)	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	25.9%
31-60days	32.0%
61-90days	10.1%
91-180days	30.5%
180-365 days	1.5%

Current Portfolio Holdings



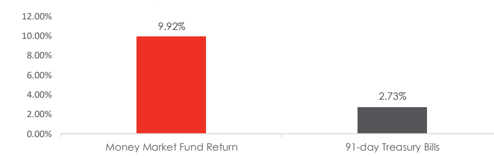
** Inclusive of management fee; Returns are net of all fees*

PERFORMANCE REVIEW

The United Capital Money Market Fund yielded an average return of 9.92% for the month of March 2023, higher than the benchmark rate of 2.73%. The performance of the Fund was driven by lower interest rate reflected by decline in yields in money market intruments.

The Fund will continue to invest in high quality money market instruments that generate competive 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



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

Investment Risks

- Market risk relating to policy somersault
- Macroeconomic instability
- Interest Rate Risk

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	Mar-23
Money Market Fund Returns	13.1%	14.2%	12.9%	12.9%	5.42%	6.91%	9.34%	9.92%
Benchmark Returns	13.7%	11.0%	12.6%	11.2%	1.52%	3.34%	3.97%	2.73%

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

The United Capital Money Market 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.