

# United Capital Balanced Fund | Monthly Fact Sheet



April-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

The domestic equity market was mostly bearish in April, stimulated by the higher yields in the fixed-income market. Equity-vested fund managers opted to cherry-pick stocks with strong fundamentals (attractive dividend-paying stocks with low pricings) as the Q1-2023 earnings season gradually came to an end toward the month. Notably, sell-offs across AIRTELAFRI (-15.5% m/m) and MTNN (-4.7% m/m) significantly drove the bourse's month-on-month negative close. That said, the benchmark NGX-All Share Index (NGX-ASI) declined by 4.5% m/m to close at 52,403.5 points. Consequently, YTD return settled at 2.3%, with market capitalisation shedding N1.4trn to settle at N28.5tn.

At the primary market, the Central Bank of Nigeria (CBN) conducted two NI-bills auctions in April. The CBN offered a total of N281.1bn worth of bills across the 91-day, 182-day, and 364-day bills. The auction was met with strong investor demand owing to the buoyant liquidity in the system, with total subscriptions printing at N1.1tn, implying a bid-to-cover ratio of 3.9x. Notably, the Apex Bank sold just the amount offered at the auctions. As a result, the stop rates across the 91-day and 364-day bills trended lower throughout the month, declining by 70bps and 457bps to close the year at 5.30% and 10.17%, respectively (previously, 6.00% and 14.74%). On the other hand, the stop rate on the 182-day bill remained unchanged to settle at 8.00%.

The Debt Management Office (DMO) conducted its APR FGN bond auction. The DMO offered to the market a total of N360.0bn bonds across four (4) tenors, FEB 2028, APR 2032, JAN 2042, and MAR 2050. At the auction, investors oversubscribed with overall bids summing up to N442.0bn. This implied a bid-to-cover ratio of 1.2x. The DMO oversold the auction modestly by 2.1%, selling N367.6bn worth of papers across the tenors on offer. Interestingly, the marginal rate on the 2028s was unchanged at 14.0%, while the 2032s rose by 5bps to 14.8%. The marginal rate on the newly issued re-issued 2042s and 2050s printed at 15.4% and 15.8%, respectively.

Looking ahead, we expect mixed sentiments in the Nigerian equities market, comprising of increased bargain hunting across fundamentally sound stocks with fantastic Q1-2023 earnings performance and pockets of bearish sentiments from investors, owing to profit-taking activities. Also, we expect the downward pressure on rates in the money market to begin to slow down as we expect a yield curve reversal hinged on the expectations of a lighter financial system in May. During the month, we expect a total of N75.0bn OMO maturities and N23.5bn worth of coupon payments (90.0% lower than April's figure) to hit the system. We believe that most of the liquidity would be mopped up by the CBN through CRR debits and FX retail auctions. Thus, we expect an upward rate reversal as funding rates and stop rates across auctions would begin to trend higher in the last two weeks of May, given the depressed system liquidity.

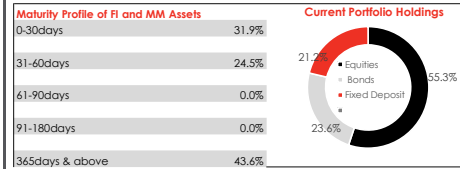
## Contact Us:

Emmanuel Akehomen | +234-703-180-3064  
 emmanuel.akehomen@unitedcapitalgroup.com  
 Asset Management | +234-1-631-7876  
 mutualfunds@unitedcapitalgroup.com

The United Capital Balanced 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.

Fund Manager	United Capital Asset Management Ltd
Base Currency/Start Year	Naira/2006
Fund Size (N)	1.2bn
NAV Per Share (N)	1.5608
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](http://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

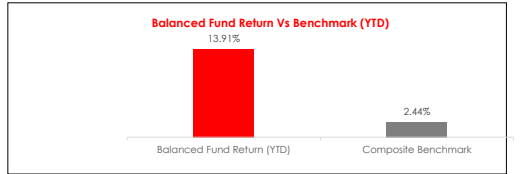
## PERFORMANCE REVIEW

The United Capital Balanced Fund returned 13.91% on a year to date ("YTD") as at the end of April, relative to 2.44% posted by the composite benchmark during the same period.

The equity market was mostly bearish in April, stimulated by the higher yields in the fixed-income market. Equity-vested fund managers opted to cherry-pick stocks with strong fundamentals (attractive dividend-paying stocks with low pricings) as the Q1-2023 earnings season gradually came to an end.

We saw bearish sentiments in the FGN bond space in April as supply was predominant during trading, amidst the prevailing system illiquidity in the month. It was also underpinned by short-selling activity. There were pockets of buy interest following N236.0bn in coupon payments and N736.0bn in FGN bond maturities.

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 return of the Fund going forward.



## Investment Risks

- Market risk of equity exposure
- Macroeconomic instability

## Return History

	2016	2017	2018	2019	2020	2021	2022	YTD
United Capital Bal. Fund	5.00%	22.40%	1.16%	3.77%	14.35%	6.19%	4.89%	13.91%
Composite Benchmark	5.10%	22.70%	1.70%	-1.73%	25.16%	5.56%	12.82%	2.44%

\* Represents the Fund's Absolute Return vs the Benchmark's Absolute return