

United Capital Balanced Fund | Monthly Fact Sheet

May-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 May, the financial system opened with a balance of N231.4bn, after the CBN's CRR Debit (N834.8bn) drained a significant portion of the excess liquidity which came in at the end of the month of April-2023. The system remained broadly liquid throughout the month in review, supported by additional inflows from CRR refunds, OMO maturities (N80.0bn) and coupon payments (N23.5bn). Overall, the financial system remained buoyant closing the month with a balance of N114.8bn. Consequently, the monthly average of Open Repo Rate (OPR) and Overnight Rate (O/N) declined by 458bps m/m and 447bps m/m to print at 12.40% and 12.89%, respectively.

At the primary market, the CBN conducted two NT-bills auctions in May. The CBN offered a total of N324.4bn worth of bills across the 91-day, 182-day and 364-day bills. The auction was met with strong investors' demand owing to the buoyant liquidity in the system, with total subscriptions printing at N2.3tn, implying a bid-to-cover ratio of 7.2x. Notably, the Apex Bank sold just the amount offered at the auctions. As a result, the stop rates across all the tenors offered trended lower at both auctions, declining by 301bps, 301bps, and 218bps to close at 2.29%, 4.99%, and 7.99%, respectively (previously, 5.30%, 8.00%, and 10.17%). The Debt Management Office (DMO) conducted its May FGN bonds auction. The DMO offered 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 N478.9bn. This implied a bid-to-cover ratio of 1.3x. The DMO oversold the auction modestly by 2.3%, selling N368.2bn worth of papers across the tenors. Owing to the relatively liquid financial system at the time of the auction, marginal rates across the 2028s, 2032s, and 2042s trended higher by 10bps, 10bps and 29bps to print at 14.10%, 14.90%, and 15.69%, respectively. However, the marginal rate attached to the 2050s remained unchanged at 15.8%.

Looking ahead, we expect mixed sentiments in the equities market in Jun-2023. We believe that the bulls' dominance will linger in the short term as the positive sentiments towards the market continue to drive the rally. As a result, we see room for more buy interests across fundamentally strong stocks supported by the sustained depressed rates in the fixed-income market. In June, we expect the financial system to be mostly illiquid in the absence of any OMO maturity or coupon inflow. Hence our expectation for an upward reversal of rates at the short end of the curve. Another critical factor upon which our expectation is based is the MPC's recent 50bps hike in MPR (currently at 18.5%). We expect the two (2) factors mentioned above to play a vital role in the northward drive of rates in the money market as investors, treasuries and fund managers resume their demand for higher rates amid supporting fundamentals.

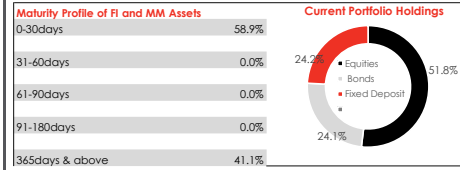
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The United Capital Balanced Fund is regulated by the Securities & Exchange Commission

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 (M)	1.3bn
NAV Per Share (M)	1.6163
Minimum Entry (M)	10,000
Additional Investment (M)	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:

Quoted Equities (40%-60%); Alternative Investments (0%-10%); Money Market and Fixed Income Instruments 40%-60% (minimum 20% in Fixed Income securities)

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

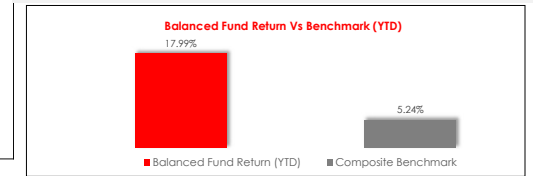
PERFORMANCE REVIEW

The United Capital Balanced Fund returned 17.99% on a year to date (YTD) as at the end of May, relative to 5.24% posted by the composite benchmark during the same period.

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In the equities market, the bulls resumed activities in that space as we saw renewed bargain-hunting activities in fundamentally sound stocks with strong corporate actions. In addition, the rally was spurred at the end of the month by positive sentiments following the announcement of some attractive policies by the new government in power. As a result, the benchmark NGX-All Share Index (NGX-ASI) climbed by 6.4% m/m to close at 55,769.3 points. Consequently, YTD return strengthened to 8.8%, from April's 2.3% print, with market capitalisation setting at N30.4tn.

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
United Capital Bal. Fund	5.00%	22.40%	1.16%	3.77%	14.35%	6.19%	4.89%	17.99%
Composite Benchmark	5.10%	22.70%	1.70%	-1.73%	25.16%	5.56%	12.82%	5.24%

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