

# United Capital Sukuk Fund | Monthly Fact Sheet



May-23

## FUND OBJECTIVE

The objective of the fund is to provide investors with a low-risk investment with stable and competitive returns through investments in short, medium and long-term Sharia-Compliant securities and investment products, whilst ensuring the preservation of capital and maintaining a reasonable degree of liquidity.

The Fund aims to provide its Unitholders with halal profits on the growth of their capital over the long-term in accordance with the principles of Islamic finance.

## MARKET REVIEW, OUTLOOK AND STRATEGY

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%. The FGN bonds secondary market closed bullish in May due to the broadly liquid financial system. The N23.5bn coupon payments stimulated pockets of buying interest. Overall, the average yields on sovereign bonds rose by 17bps m/m to print at 13.96% as of 31-May-2023.

This month, we expect bearish sentiments to return in the bonds market. The illiquidity in the financial system and the recent 50bps MPR hike will be pivotal in the northward tilt of the curve from the mid-long end. Investors' sentiments are expected to be stimulated by the prevailing negative real returns, elevated inflation rate, falling foreign reserves, and the volatile Naira. The FG's sustained need for debt to bridge funding gaps is expected to improve the supply of bonds in the local market, as external restrictions remain amid the depleting revenue base.

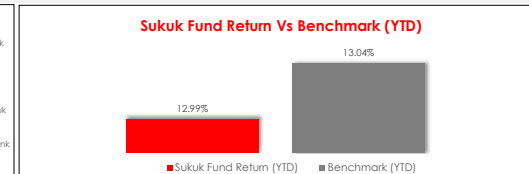
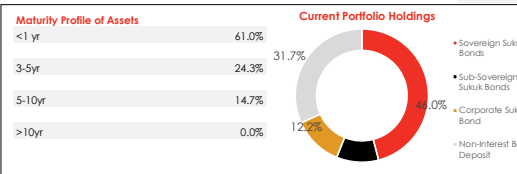
Fund Manager	United Capital Asset Management Ltd
Base Currency/Start Year	Naira/2020
Fund Size (N)	3bn
NAV Per Share (N)	1.1612
Minimum Entry (N)	10,000
Additional Investment (N)	5,000
Structure	Open Ended
Minimum Holding Period	90 days
Management Fee	1.5%
Total Expense Ratio*	1.8%
Benchmark	3-Yr FGN Sovereign Sukuk Yield
Risk Profile	Medium
Investment Style	Income Oriented

## PERFORMANCE REVIEW

The United Capital Sukuk Fund returned 1.26% for the month of May and an annualised return of 12.99%, relative to the annualized return of 13.04% posted by the benchmark for the same period.

In May, 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. 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.

The Fund maintains sufficient exposure to FGN Sukuk, money market instruments and sub-sovereign and corporate Sukuk with significantly higher yields. We will maintain current allocation to enhance returns for the Fund.



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

## Governance Asset Allocation Ranges:

Non-Interest Bank Deposit (20%-40%); Sukuk Bond: (60%-80%)

## 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

## How to participate

1. Log in to our online platform [www.investnow.ng](http://www.investnow.ng)
2. Click on Sukuk 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

## Investment Risks

- Market risk
- Macroeconomic instability
- Interest Rate Risk

## Return History

	2021	2022	YTD
United Capital Sukuk Fund	7.32%	7.23%	12.99%
Benchmark	9.88%	12.92%	13.04%

\* Represents the Fund's Annualized Return vs the Benchmark's Annualized Return

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