

United Capital Balanced Fund | Monthly Fact Sheet

June-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 broadly bullish in June-2023. This was due to the depressed fixed-income environment, which drove bargain-hunting activity. Notably, buy-interest in AIRTELAFRI (14.6% m/m) and MTNN (8.9% m/m) led the rally. Therefore, the benchmark NGX-All Share Index (NGX-ASI) increased by 9.3% m/m to close at 60,968.27 points. Consequently, YTD return strengthened to 19.0%, with market capitalisation rising to N33.2trn from May's print of N28.5trn.

In the month under review, there were three (3) NT-bills auctions conducted at the primary market. The CBN rolled over a total of N404.5bn 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 N1.9trn, implying a bid-to-cover ratio of 4.6x. The liquid financial system was a strong driver of rates at the different auctions, influencing the direction of rates. There was strong interest from the mid-long end of the curve. Thus, stop rates on the 182-day and 364-day tapered by 42bps m/m and 174bps m/m to print at 4.4% and 6.2%, respectively (previously 4.99% and 7.99%). However, stop rates on the 91-day bill nudged higher by 58bps m/m to close at 2.9% (previously 2.29%). This came on the back of investors' demand for higher rates prior to the heavy inflow from CRR refunds and FAAC.

In the primary market, the Debt Management Office (DMO) conducted the Jun-2023 FGN bond auction with a total offer size of N360.0bn across the re-issued 2029s and the newly issued 2033s, 2038s and 2053s paper. At the auction, investors' demand was strong, supported by the liquidity in the financial system, with total subscription printing at N635.1bn, implying a bid-to-cover ratio of 1.8x. Notably, the DMO oversold the auction, allotting a total of N427.2bn. The marginal rates on the 2029s, 2033s, 2038s and 2053s papers settled at 13.90%, 14.70%, 15.45% and 15.70% respectively.

Looking ahead, we retain our positive outlook for Nigerian equities, supported by depressed yields in the money market space and buoyant system liquidity. We expect increased bargain-hunting activities to continue across stocks with strong fundamentals. In the fixed-income market, we expect system liquidity to remain the key driver of rates in the market. Other factors that will support liquidity include the new administration's drive to usher in a lower interest rate regime, FAAC inflow, and less aggressive CRR debits. Overall, we expect FID and money market rates to hover around current levels, with a strong likelihood of tapering further until a bottom is reached. The downside risk to our expectations is the Monetary Policy Committee (MPC) opting to HIKE the benchmark interest rate. However, we believe that this is unlikely, and we envisage that members of the MPC would elect to a HOLD decision at its next meeting of 24 to 25 July 2023.

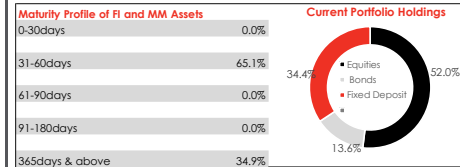
Contact Us:

Emmanuel Akehomen | +234-703-180-3064
 emmanuel.akehomen@unitedcapitalgroup.com
 Asset Management | +234-1-631-7876
 mu@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 (M)	1.4bn
NAV Per Share (M)	1.624
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

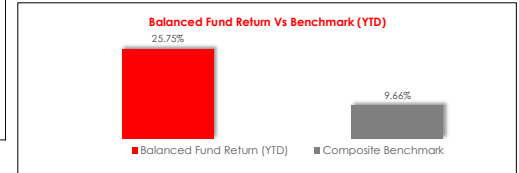
The United Capital Balanced Fund returned 25.75% on a year to date (YTD) as at the end of June, relative to 9.67% posted by the composite benchmark during the same period.

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In the course of the month, the Fund issued an annual dividend payment of N0.0987 per unit to unitholders, representing the dividend distribution for the full financial year of 2022.

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%	25.75%
Composite Benchmark	5.10%	22.70%	1.70%	-1.73%	25.16%	5.56%	12.82%	9.67%

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