

United Capital Balanced Fund | Monthly Fact Sheet



July-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 July, the bulls maintained their strong dominance in the Nigerian Exchange Limited (NGX) as investors' positive sentiments on fundamentally strong stocks persisted. In addition, the rally was spurred by the commencement of the Q2-2023 earnings season. Notably, buy-interests in large-cap stocks such as DANGCEM (+23.5% m/m) and BUACEMEN (+7.3% m/m), as well as banking stock, STANBIC (+28.7% m/m) drove the local bourse northwards. As a result, the benchmark NGX-All Share Index (NGX-ASI) climbed by 5.5% m/m to close at 64,337.5 points. Consequently, YTD return strengthened to 25.1%, from June's 19.5% print, with market capitalisation settling at N35.0tn.

The CBN conducted two (2) NT-bills primary market auctions in the month under review. At the 1st auction of the month, the CBN rolled over N141.8bn in maturing bills. The auction was oversubscribed by 4.9x, with total bids printing at N601.9bn. Stop rates across all the tenors tapered. Stop rates on the 91-day, 181-day, and 364-day bills slipped by 1bp, 87bps, and 29bps, to print at 2.86%, 3.50%, and 5.94%, respectively. At the 2nd auction of the month, the CBN rolled over maturing bills to the tune of N264.3bn. The auction was met with decent demand, up to N398.2bn, implying a bid-to-cover ratio of 1.5x. At the auction, the CBN allotted the exact amount on offer. That said, stop rates across all the tenors surged, climbing by 3.1ppts, 4.5ppts, and 6.2ppts, to print at 6.0%, 8.0%, and 12.2%, the 91-day, 182-day, and 364-day bills respectively.

In the primary market, the Debt Management Office (DMO) conducted the Jul-2023 FGN bond auction with a total offer size of N360.0bn across the 2029s, 2033s, 2038s and 2053s papers. At the auction, investors' demand came in strong, supported by the liquidity present in the financial system at the time of the auction. As a result, the total subscription printed at N945.1bn, implying a bid-to-cover ratio of 2.6x. Notably, the DMO oversold the auction, allotting a total of N656.7bn. Consequently, the marginal rates on the 2029s, 2033s, 2038s and 2053s papers declined by 140bps, 110bps, 135bps and 140bps to settle at 12.5%, 13.6%, 14.1% and 14.3% respectively.

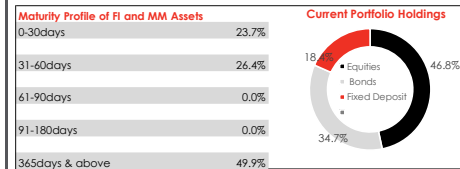
In August, we expect liquidity to play a vital role in the direction of yields in the fixed-income market. The CBN's new disposition that mandates a strict 65.0% LDR compliance from the banks will pressure banks' demand for money as they struggle to meet the new directive. This will invariably weigh on the placement rates, keeping it suppressed around current levels (7.5% - 10.0%), with a higher likelihood of tapering by 100bps to 150bps, offered for their 65.0% LDR. On the liquidity drivers, we expect a total of c.66.8bn worth of coupon payments in August, 74.0% lower than c.257.46bn worth of coupon payments received in July. FAAC payments are expected to emerge as the critical liquidity driver in August. That said, we see pockets of bearish sentiments prevailing occasionally, particularly in the aftermath of August's bond auction. Overall, we expect mixed sentiments in the bonds market, with some investors favouring standoffish postures and liquidity driving the bullish sentiments. In addition, investors sentiments towards the Nigerian equities market would be mixed. Driving bearish sentiments would be the hike in benchmark interest rates and weak H1-2023 earnings (due to fx losses caused by the naira's devaluation). However, this would be oscillated by bulls chasing real returns in the high inflationary environment as the equities market will remain the most attractive market segment given the sustained depressed rates in the fixed income market.

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

Fund Manager	United Capital Asset Management Ltd
Base Currency/Start Year	Naira/2006
Fund Size (N)	1.6bn
NAV Per Share (N)	1,7324
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:

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

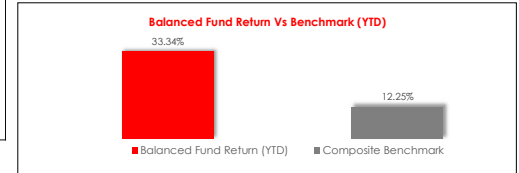
PERFORMANCE REVIEW

The United Capital Balanced Fund returned 33.34% on a year to date ("YTD") as at the end of July, relative to 12.25% posted by the composite benchmark during the same period.

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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%	11.6%	3.77%	14.35%	6.19%	4.89%	33.34%
Composite Benchmark	5.10%	22.70%	1.70%	-1.73%	25.16%	5.56%	12.82%	12.25%

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

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.