

United Capital Fixed Income Fund | Monthly Fact Sheet



July-23

FUND OBJECTIVE

The main objective of the Fund is to achieve consistent income streams through investment in select portfolio of securities and investments specified in the Trust Deed. The Fund's assets are invested in Federal Government bonds, Sub-national bonds, corporate bonds and high quality money market securities. The Fund is not affected by the fluctuations in the equity markets. However, opportunities for capital appreciation are dependent on changes in interest rate.

MARKET REVIEW, OUTLOOK AND STRATEGY

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 the secondary market, investors' sentiment was primarily driven by the liquidity in the financial system. Other factors that drove sentiments include the CBN overselling its July bond auction by a significant margin, the 50.0bps MPR hike by the CBN, and the Apex Bank's corporate disclosure, mandating the banks to adhere to the 65.0% LDR strictly. The financial system went into deficit terrain in the aftermath of the DMO's July auction. This created an avenue for investors' desire for higher rates to materialize, spearheaded by the surge in funding rates between banks. The 50bps MPR supported yields to stay elevated from the mid-long end of the curve. Toward the final days of July, the corporate disclosure from the CBN to the banks sparked sell-offs, as they looked to rebalance their investment positions to meet the CBN's directive. That said, average yields on sovereign bonds climbed by 12bps m/m to print at 13.1% in July-2023, from the 13.0% print in June-2023.

In the corporate bonds segment, we observed similar sentiments from investors. The average yields of FMDQ-listed corporate bonds climbed by 66bps m/m at the end of July-2023 to close at 13.2% (previously 12.5%). In tandem, the FGN Sukuk bonds closed bearish as average yields on Sukuk bonds climbed by 97bps m/m to close at 11.7% compared to the previous month's close of 10.8%.

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.

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

Fund Manager	United Capital Asset Management Ltd
Base Currency/Start Year	Naira/2006
Fund Size (M)	102.1bn
NAV Per Share (M)	1.8956
Minimum Entry (M)	10,000
Additional Investment (M)	5,000
Structure	Open Ended
Minimum Holding Period	90 days
Management Fee	1.5%
Total Expense Ratio*	1.8%
Benchmark	3-Yr FGN Bond Yield
Risk Profile	Medium
Investment Style	Income Oriented

PERFORMANCE REVIEW

The United Capital Fixed Income Fund returned 0.49% for the month of July and 6.98% year to date relative to a 10.85% posted by the benchmark for the same period.

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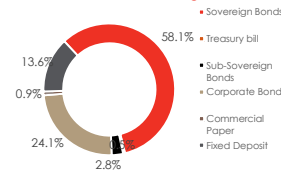
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The portfolio remains invested in FGN Bonds, money market instruments and sub-sovereign bonds with descent yields. We will

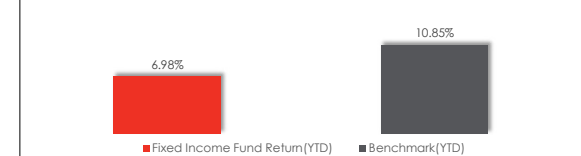
Maturity Profile of Assets

<1 yr	21.6%
1-3yr	9.0%
3-5yr	23.9%
5-10yr	28.2%
>10yr	17.3%

Current Portfolio Holdings



Fixed Income Fund Return Vs Benchmark (Annualized)



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

Governance Asset Allocation Ranges:

Money Market(10%-30%); Fixed Income: 70%-90%

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
2. Click on Bond Fund
3. Click on "Open and account" and complete the online form
4. Fund your account online with a one-time payment or recurrent

Investment Risks

- Market risk
- Macroeconomic instability
- Interest Rate Risk

Return History

	2017	2018	2019	2020	2021	2022	YTD
United Capital Fixed Income Fund	28.4%	11.3%	14.9%	9.35%	6.40%	6.33%	6.98%
Benchmark	14.0%	15.1%	10.2%	3.54%	9.45%	12.83%	10.85%

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