

# United Capital Balanced Fund | Monthly Fact Sheet

August-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 Nigerian Exchange (NGX, or bourse) started the month of August on a weak note, as investors were overwhelmed by mixed sentiments. Nonetheless, the uncertainties surrounding the macroeconomic environment continued to dampen investors' interest across board, on a broader scope. However, bordering around fundamentally sound stocks with solid corporate actions and fundamentals, the benchmark NGX-All Share Index (NGX-ASI) closed the month under review higher, up by 3.4% m/m to close at 66,548.99points. Consequently, YTD return settled at 29.85%, with market capitalisation gaining N1.4tn to settle at N36.4tn. Notably, sustained buy-interests in BUAFODDS (+32.6% m/m), MTNN (+6.9% m/m), and DANGSUGA (+103.7% m/m) significantly drove the bourse's month-on-month positive close.

The Central Bank of Nigeria (CBN) conducted two NT-Bills primary market auctions in August. The CBN conducted its first NT-bills auction for the month of August, rolling over maturing bills to the tune of N153.97bn. Investors' demand was mostly skewed toward the 364-day bill which was oversubscribed by 5.5x. Stop-rates on the 91-day, 182-day, and 364-day bills declined by 100bps, 210bps, and 233bps, to print at 5.0%, 5.9%, and 9.8% respectively. At the second auction of the month, the CBN offered a total of N303.2bn maturing bills across all tenors. Investors' demand was strong, with a bid-to-cover of 5.1x, as total subscriptions were N1.5tn. Stop rates settled higher as investors were more aggressive with bids. The 91-day paper closed at 5.19 (+0.19 ppt), while the 181-day and 364-day NT-bills closed at 8.0% (+2.10 ppt) and 13.97% (+4.17 ppt) respectively.

The CBN also conducted an OMO auction at the primary market, to mop-up liquidity to the tune of N150.0bn. The OMO bills on offer were the 96-day, 187-day, and 362-day bills. Investors' demand came in strong, with total subscriptions printing at N307.9bn, implying a bid-to-cover ratio of 2.1x. Stop rates across the bills offered printed at 10.0%, 12.98% and 14.49%.

In the primary market, the Debt Management Office (DMO) conducted the Aug-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 was weak as the total subscription printed at N312.6bn, implying a bid-to-cover ratio of 0.9x. Notably, the DMO undersold the auction, allotting a total of N227.8bn. The marginal rates on the 2029s, 2033s, 2038s and 2053s papers climbed by 135bps, 140bps, 110bps and 155bps to settle at 13.85%, 15.00%, 15.20% and 15.85%, respectively.

**Looking into the coming month (September), we retain our positive outlook for Nigerian equities, supported by a relatively depressed outlook for the yield environment. We expect increased bargain hunting across Tier-1 banks, as they are scheduled to release their H1-2023 financials in September. In the fixed-income market, we expect system liquidity to remain the key driver of rates in the market. Liquidity will be supported by larger FAAC payments resulting from savings from petrol subsidy payments and N10.0bn worth of OMO maturities. In line with the new administration's effort to sustain a low-interest rate regime, we envisage minimal mop up activities by the CBN through CRR**

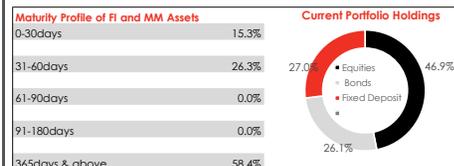
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The United Capital Balanced Fund is regulated by the Securities & Exchange Commission

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)	1.5bn
NAV Per Share (M)	1.7213
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](http://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

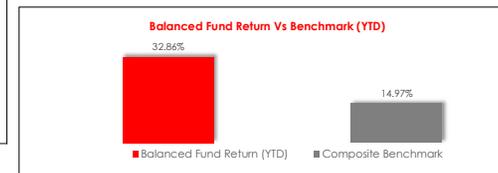
## PERFORMANCE REVIEW

The United Capital Balanced Fund returned 32.86% on a year to date (YTD) as at the end of August, relative to 14.97% 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%	1.16%	3.77%	14.35%	6.19%	4.89%	32.86%
Composite Benchmark	5.10%	22.70%	1.70%	-1.73%	25.16%	5.56%	12.82%	14.97%

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