

# United Capital Balanced Fund | Monthly Fact Sheet



September-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 September, the local equities market posted losses with bearish sentiments resurfacing. Despite significant gains in BUAFOODS (+15.6% m/m), STANBIC (+22.7% m/m) and AIRTELAF (+3.2% m/m), share price depreciations in large-cap stocks including BUACEMEN (-11.1% m/m), DANGCEM (-5.6% m/m) and MTN (-3.8% m/m) weighed on the bourse. Consequently, the benchmark All Share Index (NGX-ASI) declined by 25bps m/m to close at 66,382.14 points. As a result, YTD return weakened to 29.52%, while market capitalisation printed at N36.34tn.

The Central Bank of Nigeria (CBN) conducted three NT-bills auctions in the primary market in September. The CBN offered a total of N544.1bn worth of bills across the 91-day, 182-day and 364-day bills. The auction was met with strong investor demand owing to the buoyant liquidity in the system, with total subscriptions printing at N2.3tn, implying a bid-to-cover ratio of 4.2x. Notably, the Apex Bank sold just the amount offered at the auctions. As a result, the stop rates across the 91-day, 182-day and 364-day bills trended lower throughout the month, declining by 20bps, 145bps and 260bps to close the month at 4.99%, 6.55% and 11.37%, respectively (previously, 5.19%, 8.00% and 13.97%).

In the primary market, the Debt Management Office (DMO) conducted the September 2023 FGN bond auction with a total offer size of N360.0bn across the 2029s, 2033s, 2038s and 2053s papers. The auction was undersubscribed due to a combination of the financial system's illiquidity (at the time of the auction) and banks' recent apathy toward long-duration exposure (banks have remained reluctant to increase their exposure to loan risks, leading to CRR debits by the CBN, further contributing to the financial illiquidity situation).

Investor demand was N290.9 billion, or 0.8 times the amount offered. The DMO undersold the auction, which is what we anticipated. The non-competitive allocations comprised 20.0% (N65.0bn) of the overall allotments of N316.4bn, giving the FG an upper hand in determining the magnitude of the rate climb at the auction. The allocation of bonds to investors at competitive rates totalled N251.4 billion. Due to increased demand and better value for money at the time of the auction, marginal rates increased (underpinned by system illiquidity). Ultimately, rates on the 2029s, 2033s, 2038s and 2053s papers climbed by 65bps, 45bps, 35bps and 40bps to settle at 14.5%, 15.45%, 15.55% and 16.25% respectively.

This month, we foresee investors taking positions anticipating the Q3-2023 earnings season. Investors will continue cherry-picking activities around fundamentally sound stocks with a preference for companies with solid results in the first half of the year. In the fixed-income market, we anticipate that the FG's efforts to reduce its borrowing will be more apparent in the domestic debt market in October. Ultimately, we expect secondary market bond rates to remain at their current levels mostly. At the primary market, a combination of the anticipated auction calendar and investors' demand (supply and demand fundamentals) will determine the direction of yields.

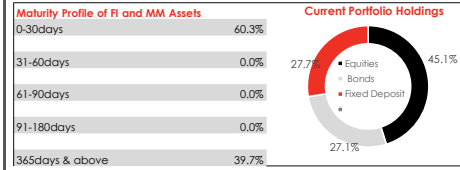
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The United Capital Balanced Fund is regulated by the Securities & Exchange Commission

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)	1.6bn
NAV Per Share (M)	1.7157
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

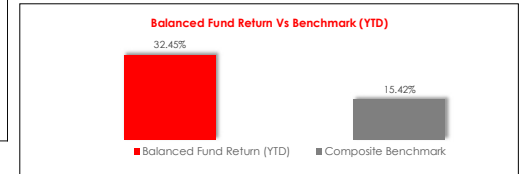
## PERFORMANCE REVIEW

The United Capital Balanced Fund returned 32.45% on a year to date ("YTD") as at the end of September, relative to 15.42% 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



## 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%	32.45%
Composite Benchmark	5.10%	22.70%	1.70%	-1.73%	25.16%	5.56%	12.82%	15.42%

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