

United Capital Fixed Income Fund | Monthly Fact Sheet



August-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 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.

In the secondary market, FGN Bonds ended the month on a negative note, despite the financial system remaining liquid through most of the month. We have observed a weak correlation between system liquidity and average bond yields, particularly following current disposition of commercial banks to comply with the 65.0% Loan-to-Deposit Ratio (LDR) enforced by the CBN. As a result, some investors have been standoffish towards FGN Bonds with short-selling activity resumed. The bearish sentiment in the market was led by selloffs of the MAR-2025 (+240bps m/m), APR-2029 (+153bps m/m), MAY-2029/NOV-2029 (+148bps m/m), JAN-2026 (+145bps m/m) and NOV-2028 (+138bps m/m). That said, average yields on sovereign bonds climbed by 96bps m/m to print at 14.06% in Aug-2023, from the 13.10% print in July-2023.

In the corporate bonds segment, we observed similar sentiments from investors. The average yields of FMDQ-listed Corporate Bonds climbed by 122bps m/m at the end of August-2023 to close at 14.38% (previously 13.16%). In tandem, the FGN Sukuk Bonds closed bearish as average yields on Sukuk bonds accelerated by 166bps m/m to close at 13.39% compared to the previous month's close of 11.73%.

In September, we expect bond yields to continue to trend northwards as seen in August. However, we anticipate pockets of bullish sentiment in the last twelve (12) days of the month as investors seek to reinvest inflows from FGN Bond coupon payments totaling N351.92bn. Lastly, we foresee healthy participation in the FGN Bond auction in which the DMO will offer N320.0 – N400.0bn across the APR-2029, JUN-2033, JUN-2038 and JUN-2053.

Fund Manager	United Capital Asset Management Ltd
Base Currency/Start Year	Naira/2006
Fund Size (M)	101.6bn
NAV Per Share (M)	1.9037
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 August and 6.80% year to date relative to a 12.49% posted by the benchmark for the same period.

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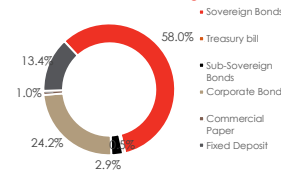
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The portfolio remains invested in FGN Bonds, money market instruments and sub-sovereign bonds with descent yields. We will maintain current allocation to enhance yield income for the Fund.

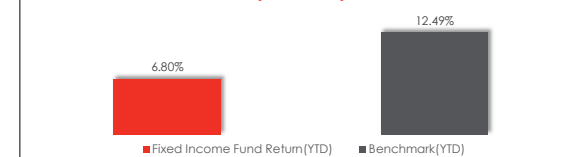
Maturity Profile of Assets

<1 yr	22.0%
1-3yr	9.0%
3-5yr	23.7%
5-10yr	28.1%
>10yr	17.2%

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

Investment Risks

- Market risk
- Macroeconomic instability
- Interest Rate Risk

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

Return History

	2017	2018	2019	2020	2021	2022	YTD
United Capital Fixed Income Fund	26.4%	11.3%	14.9%	9.35%	6.40%	6.33%	6.80%
Benchmark	14.0%	15.1%	10.2%	3.54%	9.45%	12.83%	12.49%

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

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

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