

United Capital Money Market Fund | Monthly Fact Sheet



August-23

FUND OBJECTIVE

The United Capital Money Market Fund allows investors to invest in high quality money market instruments like Treasury bills and certificates, Commercial papers and Bankers' acceptance. The Fund is an income Fund. It provides liquidity, capital preservation, as well as moderate and stable return. The Fund is appropriate for corporate and individual investors who desire less volatility in returns using their surplus funds for short periods of time. The main objective of the Fund is to achieve consistent income streams through investment in a portfolio of money market securities and investments specified in the Trust Deed. The money market fund preserves capital, offers quarterly interest payment as well as safety and liquidity.

MARKET REVIEW, OUTLOOK AND STRATEGY

In August, the financial system started the month buoyant with a N810.5bn surplus. Bolstering liquidity within the month were FAAC payments and coupon inflows to the tune of c. N66.8bn. For most of the month, the system remained liquid although we observed pockets of illiquidity around the third week of the month. The resulting illiquidity saw interbank rates rise as high as 25.2%. Thus, despite rates printing at single digits for majority of the month, the average Open Repo Rate (OPR) and Overnight Rate (OVN) climbed month-on-month by 4.7ppfs and 5.0ppfs, respectively. The financial system closed the month with a surplus N267.8bn balance. Consequently, the Open Repo Rate (OPR) and the Overnight Rate (OVN) closed at 1.9% and 2.6% respectively.

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 N153.99bn. At the auction, investors' demand was strong, with total subscriptions printing at N836.3bn, implying a bid-to-cover ratio of 5.4x. Investors' demand was mostly skewed toward the 364-day bill which was oversubscribed by 5.5x.

The CBN elected to allot the exact amount on offer. Investors were cautious with bids owing to the prevailing liquidity in the financial system at the time of the auction, hence, stop rates across all the bills offered tapered. Stop-rates on the 91-day, 182-day, and 364-day bills declined by 100bps, 210bps, and 235bps, 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. However, CBN decided to allot the exact amount on offer. 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 secondary market, despite the prevailing system liquidity over the course of the month we observed average yields inch up progressively throughout the month driven by investors chasing higher yields following the CBN's OMO auction. Further catalysing bearish sentiments was the pocket of system illiquidity towards the end of the month. Therefore, the average yield on NT-Bills rose by 0.15ppfs m/m to close at 7.27% (previously 7.12%).

In September, we expect system liquidity to remain the key driver of rates in the market. In the money market, NT-Bills worth N544.1bn are expected to mature in the month. 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 up the CBN through CRR debits and Open Market Operations.

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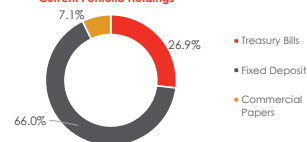
The United Capital Money Market Fund is regulated by the Securities & Exchange Commission

Fund Manager	United Capital Asset Management Ltd
Base Currency/Start Year	Naira/2006
Fund Size (M)	43.1bn
NAV Per Share (N)	1.0
Minimum Entry (N)	10,000
Additional Investment (N)	5,000
Structure	Open Ended
Minimum Holding Period	30 days
Benchmark	91-day T-Bills
Management Fee	1.0%
Total Expense Ratio*	1.3%
Risk Profile	Low
Income Distribution	Quarterly

Maturity Profile of Assets

0-30days	31.5%
31-60days	0.0%
61-90days	3.2%
91-180days	47.2%
180-365 days	18.2%

Current Portfolio Holdings



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

Governance Asset Allocation Range

Money Market (100%)

Why Choose the Fund?

- Short-term capital preservation
- Seamless entry and exit
- Low entry threshold
- Professional management with robust risk framework

How to Participate

1. Log in to our online platform www.investnow.ng
2. Click on "Money Market Fund"
3. Click on "Open an account" and complete the online form
4. Fund your account online with a one-time payment or recurrent payments.

Return History

	2016	2017	2018	2019	2020	2021	2022	Aug-23
Money Market Fund Returns	13.1%	14.2%	12.9%	12.9%	5.42%	6.91%	9.34%	9.19%
Benchmark Returns	13.7%	11.0%	12.6%	11.2%	1.52%	3.34%	3.97%	5.31%

* Represents the Fund's Effective yield vs the Benchmark Return

PERFORMANCE REVIEW

The United Capital Money Market Fund yielded an average return of 9.19% for the month of August 2023, higher than the benchmark rate of 5.31%. The performance of the Fund was driven by lower interest rate reflected by decline in yields in money market instruments.

The Fund will continue to invest in high quality money market instruments that generate competitive returns for the benefit of the subscribers. The Fund is well positioned to deliver above-average returns despite the declining yield environment.

Money Market Fund Return vs Benchmark



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.