

# United Capital Balanced Fund

Mutual Funds Factsheet | July 2024

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## 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 July, the bears dominated the Nigerian Stock Exchange (NGX) despite pockets of buy-interests during the month. We observed that the activities in the fixed-income market continue to serve as a key demotivator for risk on sentiments in the equities market. Notably, share price depreciations in large-cap stocks, DANGCEM (-10.0% m/m) and MTNN (-6.5% m/m) dragged the local bourse southwards. During the month, two major factors weighed on investors' sentiments and supported the bearish trend in the market. Firstly, the Monetary Policy Committee (MPC) hiked the benchmark interest rate by 50bps from 26.25% to 26.75% as part of its inflation-targeting framework. This weighed on investors' sentiments as the hike is expected to keep fixed-income rates elevated further. Additionally, the recent amendment of the Finance Act, which accommodates a 70.0% windfall tax on banks' Foreign Exchange (FX) gains from 2023-2025, added sell pressures on banking stocks. As a result, the benchmark NGX-All Share Index (NGX-ASI) declined by 2.3% m/m to close at 97,774.2 points. Consequently, YTD return weakened to 33.8% from June's print of 30.5%, with market capitalisation settling at N52.7tn.

At the primary market, the CBN conducted two (2) NT-bills auctions during the month. At the first auction, investors' demand was mildly strong, as total subscription printed at N308.7bn. Notably, CBN overallocated the auction, selling a total of N207.3bn bills. Thus, the stop rate on the 364-day bill rose by 56bps from 20.68% to settle at 21.24%. Meanwhile, the stop rates across the 91-day and 182-day bills remained unchanged at 16.30% and 17.44%, respectively.

At the second auction, the CBN conducted an NT-Bill Primary Market Auction (PMA) with an offer size of N278.0bn across the 91-day, 182-day and 364-day bills. Given the mildly strong demand at

the auction, the CBN decided to allow stop rates to inch higher at the auction, with stop rates across all the bills offered climbing by 220bps, 206bps, and 86bps, to settle at 18.5%, 19.5%, and 22.1%, respectively.

The Debt Management Office (DMO) conducted its July-2024 bond auction, with a total offer size of N450.0bn across the 5-YR "APR 2029" (reopened), 7-YR "FEB 2031" (reopened) and 9-YR "MAY 2033" (reopened) bond papers. The auction was undersubscribed reflective of investors' lackluster interest toward duration exposure. Investors' total bids printed at N279.7bn, implying an undersubscription rate of 0.9x. The DMO opted to undersell the auction, selling papers to the tune of N225.7bn. Given the weak demand for duration exposed instruments at the auction, marginal rates on all three offerings rose: on the 2029 (+25bps to 19.89%), the 2031 (+81bps to 21.00%), and the 2033 (+48bps to 21.98%).

In the secondary market, we observed sell pressures (particularly in the aftermath of the CBN's 296th MPC meeting) dominate the market. Thus, average yields on sovereign bonds closed higher to print at 19.76% in June-2024, a 101bps m/m climb from the 18.75% print in June-2024. Also, the average yields on sovereign bonds closed higher to print at 19.76% in June-2024, a 101bps m/m climb from the 18.75% print in June-2024.

**Looking ahead into August, we expect mixed sentiments to persist in the equities market. Given the developments in the fixed-income market, we expect bearish sentiments amongst investors. The impact of the high yields in the fixed-income market will continue to be a key demotivator as investors switch their asset classes to less risky assets. Additionally, we expect the 50bps increase in the Monetary Policy Rate (MPR) and the windfall tax to continue driving bearish market sentiments in the background. However, we believe this bearish trend to be short-lived. This is hinged on the anticipation of more impressive H1-2024 corporate earnings releases, bank recapitalization exercise, corporate actions, and dividend prospects. This is expected to incentivize buy-interests as investors take positions in the market.**

**In Fixed-income markets, we expect the outcome of the MPC's 296th meeting to continue to encourage more activities at the CBN's SDF window, compared to the SLF window. This will look to underpin the financial system's liquidity profile. Also, we expect total maturities to the tune of N1.4trn (N362.3bn from coupon payments, N940.5bn from maturing NT Bills, and N116.5bn from maturing OMO bills), 64.8% higher than N878.9bn in July, to help bolster the liquidity of the system. Factoring in FAAC payments, we expect the month of August to be mostly liquid. The efficacy of the CBN's preferred mop up mechanism will determine the extent of liquidity in the financial system. We expect the CBN to continue to tactically manage its cost of capital.**

**FUND FEATURES**

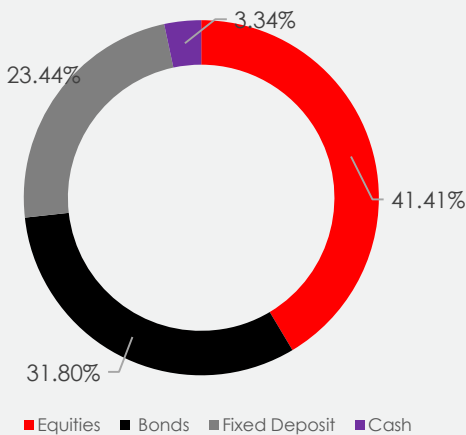
<b>Fund Manager</b>	United Capital Asset Management Ltd
<b>Base Currency/Start Year</b>	Naira/2006
<b>Fund Size (₦)</b>	1.7bn
<b>NAV Per Share (₦)</b>	1.6464
<b>Minimum Entry (₦)</b>	10,000
<b>Additional Investment (₦)</b>	5,000
<b>Structure</b>	Open Ended
<b>Entry/Exit Charges</b>	Nil
<b>Management Fee</b>	1.5%
<b>Total Expense Ratio*</b>	1.8%
<b>Benchmarks</b>	91-Day T-bills/NSE ASI/3-year FGN Bond
<b>Risk Profile</b>	Moderate
<b>Investment Style</b>	Market Oriented

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

**MATURITY PROFILE OF ASSETS**

0-30days	3.32%
31-60days	19.83%
61-90days	34.41%
91-180days	0.00%
180-365 days	0.00%
>1 year	42.43%

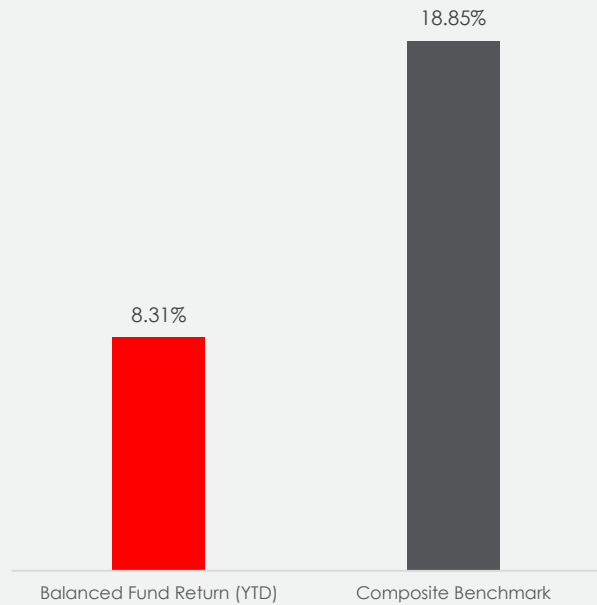
**Current Portfolio Holdings**



**Governance Asset Allocation Ranges:**

Quoted Equities (40-60%), Fixed Income (20% - 60%); Money Market Instruments (40% - 60%)

**Balanced Fund Return Vs Benchmark (YTD)**



**RETURN HISTORY**

	2016	2017	2018	2019	2020	2021	2022	2023	2024 YTD
UCAP Bal. Fund	5.00%	22.40%	1.16%	3.77%	14.35%	6.19%	4.89%	42.19%	8.31%
Composite Benchmark	5.10%	22.70%	1.70%	-1.73%	25.16%	5.56%	12.82%	19.97%	18.85%

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

**PERFORMANCE REVIEW**

The United Capital Balanced Fund returned 1.45% for the month of July 2024 and a YTD return of 8.31%, compared to 18.85% posted by the composite benchmark during the same period.

The equities market declined in July 2024, as the NGX All Share Index lost 2.28% MoM. The decline was on the back of high yield environment in fixed income space, rights issues and public offers, government policies and market reaction to the release of earnings results.

Looking ahead, we would actively monitor activities in the equities market ahead of the release of more H1 financial performance. Exposure to the market will remain on the lower limit while also taking position in attractive tickers that are currently undervalued and increase exposure to fixed income market given the attractive yield in that space.

We will maintain our allocation in line with the investment policy objectives and the Trust Deed.

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.

### 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

### INVESTMENT RISK

- Market risk of equity exposure
- Macroeconomic instability

### 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



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