

United Capital Fixed Income Fund

Mutual Funds Factsheet | July 2024

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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

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 lacklustre 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. In tandem, we observed sell offs in corporate bonds, as average yields at the end of July-2024 rose by 154bps m/m to close at 22.44% (previously 20.90%). Similarly, the FGN Sukuk bonds closed mildly bearish as average yields on Sukuk bonds rose by 116bps m/m to close at 20.37% compared to the previous month's close of 19.21%.

Looking ahead into August-2024, we expect the bonds market to remain quiet, with lackluster interest from investors. From another perspective, we expect the lingering debt sustainability concerns amid the laggard revenue streams to continue to fuel mild bearish sentiments, with the recent MPR hike supporting bond yields to remain elevated.

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 FEATURES

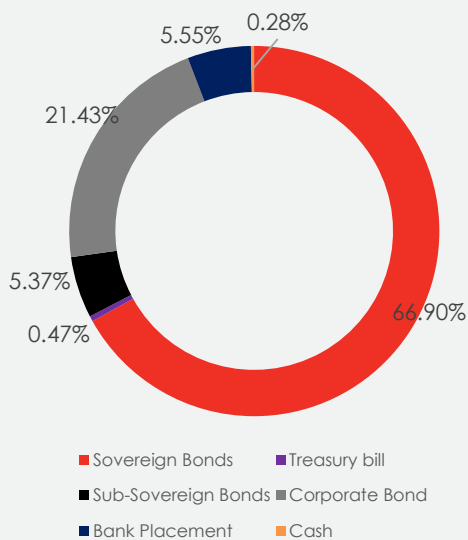
Fund Manager	United Capital Asset Management Ltd
Base Currency/Start Year	Naira/2006
Fund Size (₦)	85.7bn
NAV Per Share (₦)	1.9019
Minimum Entry (₦)	10,000
Additional Investment (₦)	5,000
Structure	Open Ended
Minimum Holding Period	90 days
Management Fee	1.5%
Total Expense Ratio*	1.8%
Benchmark	3-Yr FGN Bond Yield
Risk Profile	Medium
Investment Style	Income Oriented

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

MATURITY PROFILE OF ASSETS

<1yr	7.43%
1-3yr	32.65%
3-5yr	30.83%
5-10yr	18.36%
>10yr	10.73%

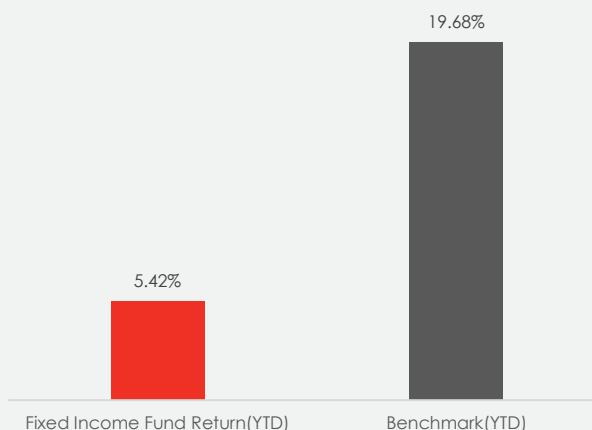
Current Portfolio Holdings



Governance Asset Allocation Ranges:

Money Market(10%-30%); Fixed Income: 70%-90%

Fixed Income Fund Return vs Benchmark (Annualized)



RETURN HISTORY

	2020	2021	2022	2023	2024 YTD
UC Fixed Income Fund	9.35%	6.40%	6.33%	6.88%	5.42%
Benchmark	3.54%	9.45%	12.83%	13.30%	19.68%

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

PERFORMANCE REVIEW

The United Capital Fixed Income Fund annualized return for the month of July 2024 is 7.69% while the annualized YTD return is 5.42% relative to a 19.68% posted by the benchmark for the same period.

The return can be attributed mainly to accrued coupons on bond holdings as well as accrued interest on money market instruments held in the fund during the period.

In July, bearish sentiment continued to persist during the month as average yields increased to 19.76% from 18.75% recorded in prior month. This is on the back of continued tight system liquidity and the hawkish stance of the apex bank.

We expect continued bearish sentiment going into August and to continue in the near term with lackluster interest from investors.

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.

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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 RISK

- 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 payments



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