

United Capital Fixed Income Fund | Monthly Fact Sheet



May-21

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

At the May bond auction, the Debt Management Office (DMO) offered to sell ₦150.0bn worth of bonds across the 2027s, 2035s and 2049s (replacing the 2045s). Investor sentiment remained bias towards higher yields which led to more bids coming in at higher marginal rates. Like the last auction, the May bond auction was met with decent interest with bid to cover ratio of 1.9x. Consequently, the DMO took advantage, overselling at the auction, by allotting ₦175.2bn worth of bonds, compared to ₦150.0bn initially offered. In line with expectations, marginal rates on the 2027s, 2035s, and 2049s instruments closed significantly higher at 13.1%, 14.0% and 14.2%.

At the secondary market, bearish sentiment continued to dominate market proceedings in the month of May as investors continued to reprice secondary market yields higher in expectation of higher yields at the bond auction. Accordingly, the average sovereign bond yield increased, albeit at a slower pace compared to prior months, up 55bps month on month (m/m) to 12.5% in May from 11.9% at the end of April. Similarly, at the corporate bond market, average bond yield surged 94bps m/m to 13.6% in May from 12.7% at the end of April.

Looking ahead, we note the slowing momentum in the rate of upward reversal on bond yields. Also, the decision of the MPC to hold policy rate caps the upside in upward yield movement. However, we expect developments at the June auction will provide further clarity on the direction of bond yields. However, we think the upward reversal in yields on fixed income instruments may be plateauing

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

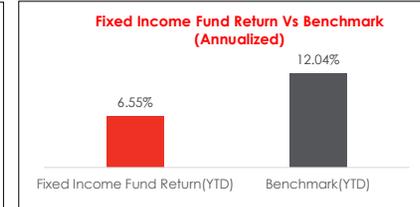
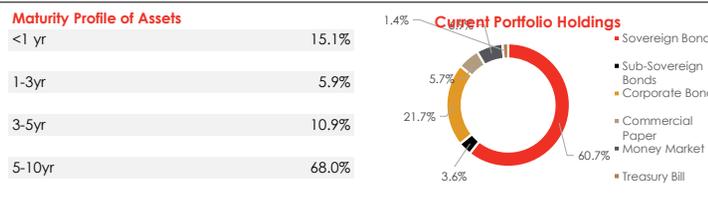
Fund Manager	United Capital Asset Management Ltd
Base Currency/Start Year	Naira/2006
Fund Size (₦)	132.7bn
NAV Per Share (₦)	1.9417
Minimum Entry (₦)	10,000
Additional Investment (₦)	5,000
Structure	Open Ended
Minimum Holding Period	90 days
Management Fee	1.5%
Total Expense Ratio*	1.6%
Benchmark	3-Yr FGN Bond Yield
Risk Profile	Medium
Investment Style	Income Oriented

PERFORMANCE REVIEW

The United Capital Fixed Income Fund returned 0.59% for the month of May bringing the Year to date ("YTD") annualised return to 6.55%, relative to the annualized return of 12.04% posted by the benchmark for the same period.

The Treasury bonds secondary market remained bearish as investors continue to anticipate higher yields for FGN bonds. Across the curve, average yield expanded following sell-offs in short, mid and long tenored bonds. Overall, we expect yields to continue its upward trend on the average over the short term.

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



* 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

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

Investment Risks

- Market risk
- Macroeconomic instability
- Interest Rate Risk

Return History

	2016	2017	2018	2019	2020	YTD
United Capital Fixed Income Fund	16.0%	28.4%	11.3%	14.94%	9.35%	6.55%
Benchmark	15.5%	14.0%	15.1%	10.20%	3.54%	12.04%

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

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.