

# United Capital Fixed Income Fund | Monthly Fact Sheet



July-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 July bond auction, the Debt Management Office (DMO) offered to sell N150.0bn worth of bonds across the 2028s, 2036s and 2050s. At the auction, investor demand was healthy as the 2028, 2036 and 2050 instruments were oversubscribed by 1.1x, 1.5x and 3.1x, respectively. However, the auction bids were surprisingly lower compared with the previous auction which had bid-to-cover ratios of 1.3x, 2.6x and 4.5x. The surprisingly low bid levels came despite recent bond maturity and coupon inflows worth N800.0bn.

That said, at the auction, marginal rates for the 2028, 2036 and 2050 instruments were lower by 39bps, 35bps and 45bps, respectively to close at 12.35%, 13.15% and 13.25%, compared to marginal rates of 12.74%, 13.50% and 13.70% on the 2027, 2035 and 2050 at the May auction. Interestingly, the DMO sold N138.1bn, against N150.0bn which it initially offered. We suspect this is a deliberate move by the DMO to signal to investors its intention to continue to drive interest rates lower.

At the secondary market, increased system liquidity in July did little to drive yields lower, as the average yield on Bonds closed at 12.1%, down 1bps from 12.2% at the end of June. However, in the corporate bond market, the average yield on corporate bonds also closed flat at 12.7% in the period under review.

**Looking ahead, in August, we expect the sustained downturn in the yield environment, especially at bond auctions to continue, that said, in the secondary market we expect bond yields to remain tight.**

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

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Fund Manager	United Capital Asset Management Ltd
Base Currency/Start Year	Naira/2006
Fund Size (₦)	119.8bn
NAV Per Share (₦)	1.9008
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 0.51% for the month of July bringing the Year to date ("YTD") annualised return to 6.70%, relative to the annualized return of 10.82% posted by the benchmark for the same period.

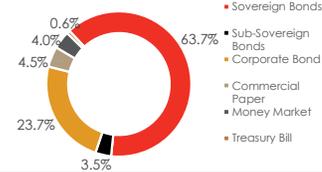
The Treasury bonds market closed the month on a bullish note despite relatively lower demand, as investors continued to cherry-pick instruments at the mid and long segments of the curve. Across the curve, average yield declined at the short and long term end. Overall, we maintain our expectations of lower average yields in the medium term as investors are likely to maintain the strategy of playing at the short to medium segments of the yield curve with careful selective positioning on long-dated instruments.

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.

## Maturity Profile of Assets

<1 yr	10.3%
1-3yr	6.2%
3-5yr	11.3%
5-10yr	72.2%

## 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](http://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

	2016	2017	2018	2019	2020	YTD
United Capital Fixed Income Fund	16.0%	28.4%	11.3%	14.94%	9.35%	6.70%
Benchmark	15.5%	14.0%	15.1%	10.20%	3.54%	10.82%

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