

July-21

## FUND OBJECTIVE

The objective of the fund is to provide investors with a low-risk investment with stable and competitive returns through investments in short, medium and long-term Sharia-Compliant securities and investment products, whilst ensuring the preservation of capital and maintaining a reasonable degree of liquidity.

The Fund aims to provide its Unitholders with halal profits on the growth of their capital over the long-term in accordance with the principles of Islamic finance.

## 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.

In the Sukuk bond market, we noticed some of the improved system liquidity drove buying interest in Sukuk instruments, as the average yield dropped 4bps to close at 11.8% at the end of July.

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

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**The United Capital Sukuk Fund is regulated by the Securities & Exchange Commission**

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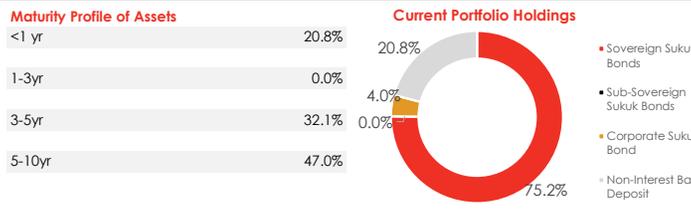
Fund Manager	United Capital Asset Management Ltd
Base Currency/Start Year	Naira/2020
Fund Size (₦)	1.5bn
NAV Per Share (₦)	1.9008
Minimum Entry (₦)	10,000
Additional Investment (₦)	5,000
Structure	Open Ended
Minimum Holding Period	90 days
Management Fee	1.5%
Total Expense Ratio*	1.6%
Benchmark	3-Yr FGN Sovereign Sukuk Yield
Risk Profile	Medium
Investment Style	Income Oriented

## PERFORMANCE REVIEW

The United Capital Sukuk Fund returned 0.27% for the month of July and an annualised return of 10.91%, relative to the annualized return of 11.12% 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.

The portfolio remains invested in FGN Sukuk 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:

Non-Interest Bank Deposit (20%-40%); Sukuk Bond: 60%-80%

## 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](http://www.investnow.ng)
2. Click on Sukuk 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

## Investment Risks

- Market risk
- Macroeconomic instability
- Interest Rate Risk

## Return History

	Feb-21	Mar-21	Apr-21	May-21	Jun-21	Jul-21
United Capital Sukuk Fund	5.65%	5.32%	13.72%	16.71%	11.74%	10.91%
Benchmark	6.79%	8.26%	11.23%	12.19%	11.62%	11.12%

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

