

# United Capital Equity Fund

Mutual Funds Factsheet | February 2024

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## FUND OBJECTIVE

The United Capital Equity Fund invests in quoted equities that are traded on the Floor of the Nigerian Exchange ("NGX"). The objective of the Fund is to achieve high returns over a medium to long-term period. The Fund is suited for investors who have a long-term outlook and have funds that can be set aside for investments extending for a period of more than one year. The Fund is impacted by fluctuations in stock prices.

The Fund seeks to achieve long-term capital appreciation and income distribution through investment in fundamentally strong companies. As such, the Fund targets investors who seek significant capital appreciation in the long-term and can tolerate the volatility in the stock market.

## MARKET REVIEW, OUTLOOK AND STRATEGY

The local bourse ended its four months positive streak in February. The negative performance is attributable to the positive performance in the fixed income market and weak earnings report of some of the large tickers. At the end of the month, only two (Consumer goods and Oil and Gas) out of the five sectors closed in the green, strong fundamentals ahead of the FY-2023 earning season. As a result, the benchmark index (NGX-ASI) YTD return declined by 1.16% to 33.71%, settling at 99,980.30 points. Consequently, market capitalization reduced to N54.71tn.

On a sectoral level, market performance was mixed, as two (2) of the five (5) sectors under our coverage closed in the green. The consumer goods sector (+16.45% m/m) sector led the gainers. Gains in BUAFOODS, VITAFOAM and CADBURY helped suppress the losses recorded in FLOURMILLS, GUINNESS and UNILEVER. Following behind was the oil and gas sector (+4.14% m/m), with SEPLAT and MRS driving the performance following the impressive FY'23 earnings result.

The Industrial goods sector led the losers, followed by the Insurance sector and banking sector. Overall, gains in BUAFOODS, GEREGU, AIRTEL, SEPLAT helped offset losses in MTN, DANGCEM, BUACEM and ACCESSCORP.

On corporate disclosures, more companies released their FY'23 earnings report during the month. In the banking sector, FIDELITY and FBNH recorded 116.80% y/y and 127.57% growth in their Profit After Tax (PAT) to settle at 101.30bn and 309.89.8bn respectively for FY 2023.

In the consumer goods sector, Nigerian Breweries reported a N106.3 billion loss, due to a 482.1% YoY jump in net loss on foreign exchange transactions, which stemmed from its deposits from imports of N16.2 billion (from N6.9 billion in FY'2022) and foreign denominated bank loans. Nestle reported a net loss of N93.1 billion in its earnings on the back of foreign exchange revaluation losses, which amounted to N195.1 billion at the end of the period.

For the Oil and Gas, Seplat hit the billion-dollar revenue mark. It recorded a 18.3% YoY growth in earnings to \$123.9 million, owing to strong output growth, lower finance costs and a lower effective tax rate for the period.

In the cement space, DANGCEM recorded earnings growth of 19.2% YoY, driven by price increases across Nigerian and Pan-African markets. Volume growth in the pan-African space offset weakness in Nigeria. WAPCO reported a 4.7% YoY decline in earnings owing to lower product output, significant net foreign exchange loss and an elevated tax charge for the period following the expiration of its pioneer tax. BUACEMENT reported a 31.24% decline in its PAT. While it recorded a 37.40% increase in its topline, it was eroded by cost pressure and FX losses.

Lastly, MTN recorded a decline in its PAT on the back of elevated FX loss (804.9% YoY to N740.4 billion) reported during the period resulting from a 49.1% devaluation of the Naira

**Given the hawkish stance (as shown in the last MPC meeting) of the apex bank, we expect a shift in investors' interest from the equity market to the fixed income market. As such, we expect to see further sell-offs in the equity market. Additionally, we expect to see more FY'23 earnings report during the month. This is also expected to drive investors' sentiment in the coming month.**

**We expect yields to rise further in the fixed income market. From the Q2 NTB calendar released, the CBN is expected to return to the market frequently in March. From the liquidity profile, system liquidity is projected to improve compared to February driven by bond maturity and coupons and NTB maturity. The expectation is that the liquidity will be mopped up via the auctions (NTB, Binds and OMO). Overall, the high yield environment is expected to persist.**

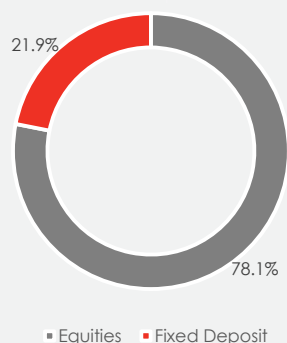
*Past performance is not a reliable indicator of future performance and individual investors' returns may differ depending on individual investment period. Performance is net of fees and charges. This information has been prepared for the purpose of providing general information, without taking into 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

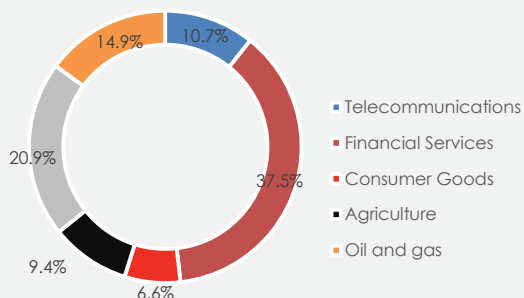
<b>Fund Manager</b>	United Capital Asset Management Ltd
<b>Base Currency/Start Year</b>	Naira/2006
<b>Fund Size (₦)</b>	3.2bn
<b>NAV Per Share (₦)</b>	1.5477
<b>Minimum Entry (₦)</b>	10,000
<b>Additional Investment (₦)</b>	5,000
<b>Structure</b>	Open Ended
<b>Entry/Exit Charges</b>	Nil
<b>Management Fee</b>	1.5%
<b>Total Expense Ratio*</b>	1.8%
<b>Benchmark</b>	NGX ASI
<b>Investment Style</b>	Aggressive
<b>Base Currency/Start Year</b>	Growth Oriented

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

### Fund Asset Allocation

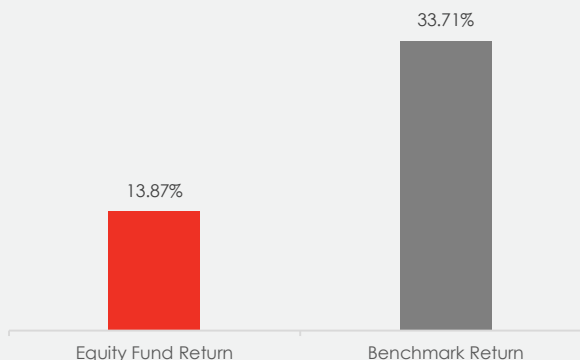


### Equity Sectoral Allocation

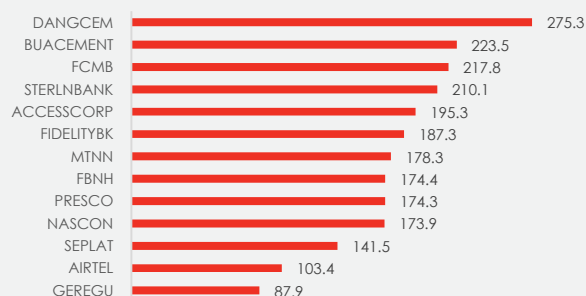


**Governance Asset Allocation Ranges:**  
 Money Market(10%-30%); Equities: 70%-90%

### Equity Fund Performance Vs Benchmark



### Top ten Equity Exposures value (million)



### RETURN HISTORY

	2016	2017	2018	2019	2020	2021	2022	2023	2024 YTD
UCAP Equity Fund	-1.00%	36.10%	-5.42%	-1.59%	22.91%	16.43%	7.55%	48.38%	13.87%
Benchmark (ASI)	-1.90%	42.30%	-17.80%	14.60%	50.03%	6.07%	19.98%	45.90%	33.71%

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

### PERFORMANCE REVIEW

The United Capital Equity Fund returned 13.87% for the month of February 2024, compared to the benchmark All Share Index (ASI) which returned 33.71% for the month.

The bears dominated the equities market in February following the positive performance in the previous month. This is largely attributable to the high yield environment in the fixed income market and weaker than expected FY '23 earning report. These factors led to sell-offs by investors in the market. Consequently, the equities market lost 1.16% month on month.

We would carefully cherry-pick activities around fundamentally sound stocks with solid performance in anticipation of FY earnings.

The fund would continue to take positions in stocks with low prices, solid valuations, and dividend performance in a bid to take advantage of potential market rally. We will maintain our allocation in line with the investment policy objectives and the Trust Deed.

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### WHY CHOOSE THE FUND?

- Delivers significantly higher returns than regular domiciliary bank deposits
- A good hedge against depreciation of the Naira
- Seamless Entry and Exit
- Professional management with robust risk framework
- Long term capital preservation and growth

### INVESTMENT RISK

- Credit Risks
- 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 "Equity Fund"
3. Click on "Open and account".
4. Fund your account online with a one-time payment or recurrent payments.



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