

United Capital Equity Fund

Mutual Funds Factsheet | May 2024

Contact Us:

Emmanuel Akehomien | +234-703-180-3064 | emmanuel.akehomien@unitedcapital.com

Asset Management | +234-1-631-7876 | assetmanagement@unitedcapital.com



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

In May, the bears dominated the Nigerian Exchange Group (NGX). We continued to observe portfolio rebalancing following through from April due to investor's risk-off sentiment. All market segments remained under pressure with the main source of concern being the high yields offered in the fixed-income markets. However, bullish sentiment returned to the market in the final trading days of the month as investors began taking positions in dividend-paying stocks. May was a dividend-paying month, as 14 companies of the 47 that have declared this year paid dividends. These included premium stocks such as UBA (N2.30/share), ZENITHBA (N3.50/share), UNILEVER (N0.75/share), and DANGCEM (N30.00/share). The market is also widely considered to be in the oversold region. As a result, the benchmark NGX-All Share Index (NGX-ASI) rose by 1.09% m/m to close at 99,300.38 points. Consequently, YTD return strengthened to 32.80% from 31.36% in April, while market capitalisation climbed to close at N56.2tn.

The renewed buy-interest was reflected in the performance of the market on a sectoral level, as four (4) of the five (5) sectors under our coverage closed higher. The Banking sector (+2.97% m/m) led the gainers following gains in FIDELITYBK (+13.33% m/m) and ZENITHBA (+2.80% m/m). Trailing behind were the Oil & Gas (+2.06% m/m), Consumer goods (+1.19% m/m) and Industrial goods sector (+0.16% m/m) sectors due to price appreciation particularly in stocks as SEPLAT (+3.60% m/m), DANGSUGA (+20.82% m/m), NESTLE (+13.69% m/m) and WAPCO (+2.89% m/m). The sole laggard was the Insurance sector (-3.26% m/m).

On corporate disclosure, more Q1 2024 earnings were released. In the banking sector, Zenith, GTCO, UBA and FBNH recorded a 291.4% y/y, 685.9% y/y, 166.1% y/y, 315.6% y/y growth in Profit after Tax (PAT) to settle at 258.34bn, 457.13bn, 142.58bn and 208.16bn respectively in Q1 2024). This is on the back of increased interest income given the elevated interest rate environment during the period. FBNH has proposed a dividend of N0.40 per share for FY 2023.

In the Agriculture sector, PRESCO published its FY 2023 audited results alongside its Q1 2024 report. For FY 2023, the company recorded a 152.2% increase in its earnings, fueled by solid revenue growth, FX revaluation gains, and a material gain on the revaluation of its biological assets. While for Q1 2024, PAT increased by 141.5% YoY majorly driven by a 191.8% in other income. The company declared a FY 2023 dividend of ₦24.30 to be paid on 30th May, 2024

SEPLAT announced it had signed an agreement involving NNPC Ltd. and Mobil regarding Mobil's divestment of a \$1.28bn stake in Mobil Producing Nigeria Unlimited. The market reacted positively to the news as the stock price increased by 10% to close at ₦3410 by month end. During the month, the company also commissioned its ANOH Gas processing plant. The plant is expected to deliver dry gas and LPG to the domestic market upon commencement of operations. The company paid the final and special dividend for 2023 during the month and announced the exchange rate for its Q1 2024 interim dividend (1 USD = N1,484.75) to be paid on June 14th, 2024.

Following the footsteps of Nigerian Breweries, International breweries also announced its plan to raise up to N588bn capital through rights issue. The company intends to use the net proceeds to settle the outstanding US Dollar denominated loan and working capital support. The company secured a \$424 million loan in 2018 for capital expenditure and corporate needs. However, due to recent exchange rate shifts and foreign exchange constraints, sourcing the required USD for loan repayment has become challenging and has put a downward pressure on earnings. Existing shareholders will be eligible to purchase six new ordinary shares for every share they currently hold. The qualification date for the rights issue was May 2, 2024. The application list opened on May 17, 2024, and will close on June 10, 2024, as approved by the Securities and Exchange Commission.

Looking ahead into June 2024, we expect mixed sentiments toward risk asset classes. Given the indications that equities market is considerably oversold, induced by the +600bps MPR hike in Q1-2024, we expect bargain-hunting in the equities market as investors take positions in fundamentally sound stocks (currently trading around the oversold region). Generally, we still expect the elevated interest rate environment to continue to demotivate investors' appetite for risk assets.

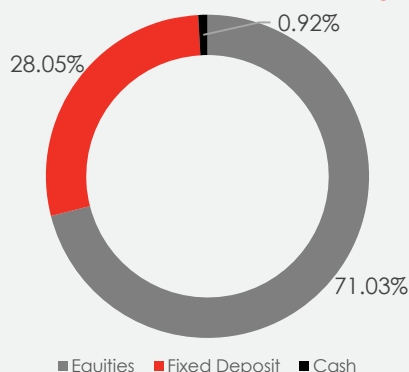
Past performance is not a reliable indicator of future performance, and individual investors' returns may differ depending on individual investment period. Performance is net of fees and charges. This information has been prepared for the purpose of providing general information, without taking into 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 (₦)	3bn
NAV Per Share (₦)	1.4848
Minimum Entry (₦)	10,000
Additional Investment (₦)	5,000
Structure	Open Ended
Entry/Exit Charges	Nil
Management Fee	1.5%
Total Expense Ratio*	1.8%
Benchmark	NGX ASI
Investment Style	Aggressive
Base Currency/Start Year	Growth Oriented

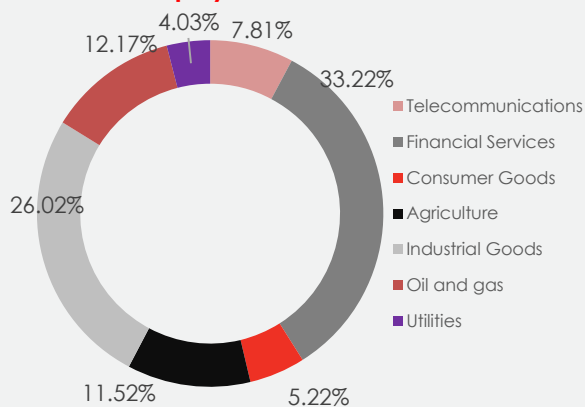
* Inclusive of management fee; Returns are net of all fees

Current Portfolio Holdings



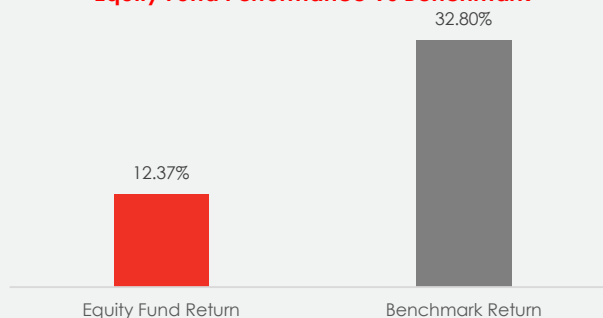
■ Equities ■ Fixed Deposit ■ Cash

Equity Sectoral Allocation

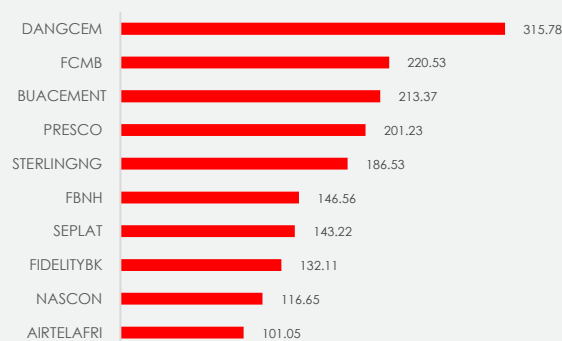


Governance Asset Allocation Ranges:
Money Market(10%-30%); Equities: 70%-90%

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%	12.37%
Benchmark (ASI)	-1.90%	42.30%	-17.80%	14.60%	50.03%	6.07%	19.98%	45.90%	32.80%

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

PERFORMANCE REVIEW

The United Capital Equity Fund returned 2.87% for the month of May 2024 translating to a YTD return of 12.37%, relative to the return of 31.36% posted by the benchmark for the same period.

The equities market improved in May 2024, as the NGX All Share Index gained 1.09% MoM. The increase was on the back of renewed interest in tier 1 banking and selected consumers tickers as the price decline presented investors with attractive entry points. Also, positive reaction to the SEPLAT, NNPC and Mobil agreement helped improve market performance during the last three trading days of the month.

For the rest of H1 2024, we would actively monitor activities in the equities market, exposure to the market will remain on the lower limit while also taking position in attractive tickers that are currently undervalued and increase exposure to fixed income market given the attractive yield in that space.

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
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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