

United Capital Equity Fund

Mutual Funds Factsheet | January 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

In January, the bulls started the year strong in the Nigerian Stock Exchange (NGX) as we saw bargain hunting activities across stocks with strong fundamentals ahead of the FY-2023 earnings season. In addition, the release of several positive FY-2023 earnings results and corporate action declarations spurred the m/m increase. As a result, the benchmark NGX-All Share Index (NGX-ASI) rose by 35.3% m/m to close at 101,154.7 points. Consequently, market capitalization increased by N14.4tn to settle at N55.4tn.

On a sectoral level, market activities were broadly bullish, as four (4) of the five (5) sectors under our coverage closed in the green. The Industrial goods sector (+107.9% m/m) sector led the gainers. Following behind were the Consumer Goods (+24.3% m/m), Insurance (+21.7% m/m) and Oil & Gas (+20.0% m/m) sectors. On the flip side, the Banking sector (-3.4 % m/m) sector was the sole loser.

On corporate disclosures, the earning season commenced with several corporates releasing their financial reports. In the banking sector, FCMB, FIDELITY, FBNH, WEMA and STANBIC recorded 206.9% y/y, 205.7% y/y, 127.4% y/y, 105.8% y/y, 74.2% y/y growth in their Profit After Tax (PAT) to settle at N95.5bn, 142.8bn, 310.0bn, 23.4bn and 140.6bn, respectively, in FY-2023. This is on the back of increased income from trading activities and Foreign Exchange Revaluation (FX) gains.

In the consumer goods sector, Honeywell Plc and Flourmills Plc recorded a 9.0% y/y and 40.0% y/y growth in revenue to N124.0bn and 1.6tn in 9M-2023. Unlike Honeywell which recorded a post-tax loss of N9.2bn in 9M-2023, Flourmills' PAT settled at N258.0mn in 9M-2023, albeit lower than the N10.0bn recorded in 9M-2022. Elsewhere, Cadbury Plc posted a 46.0% y/y growth in its revenue from N55.2bn in FY-2022 to N80.4bn in FY-2023. Although gross profit inched up by 130% y/y to N17.8bn during the period, Cadbury recorded a post-tax loss of N27.6bn owing to increased net finance costs in FY-2023. Lastly, UACN posted a 295.4% y/y growth in PAT from a loss position of N4.0bn in FY-2022 to N7.8bn in FY-2023. This was supported by the 1070.2% y/y and 228.2% y/y climb in other operating income (N8.7bn) and net finance income (N2.7bn), respectively.

For the brewers, Guinness' revenue printed at N142.6bn in H1-2024, up 20.4% y/y compared to its print of N118.5bn in H1-2023. However, Guinness recorded a post-tax loss position of N5.2bn in H1-2024 due to the 255.8% y/y increase in finance costs owing to losses on remeasurement of foreign exchange balances. Similarly, International Breweries (INTBREW) reported a revenue growth of 20.9% y/y from N218.7bn in FY-2022 to N264.3bn in FY-2023. Nevertheless, INTBREW posted a post-tax loss of N59.5bn in FY-2023, 175.0% higher than the loss of N21.6bn recorded in the corresponding period of 2022.

Lastly, Geregu Power recorded a total revenue of N82.9bn in FY-2023, up 74.1% y/y compared to the N47.6bn print in FY-2022. The company's PAT inched up by 57.8% y/y from N10.2bn in FY-2022 to N16.1bn in FY-2023 despite the 2038.7% y/y climb in net finance costs during the period. Consequently, the company declared a final dividend of N8.0 per ordinary share to be paid 28th March, 2024.

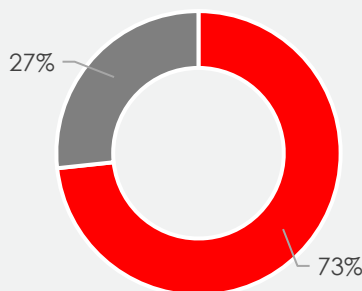
Looking ahead into Feb-2024, we maintain our positive outlook for the domestic equities market for Q1-2024, supported by the commencement of the FY-2023 earnings season. Investors will continue bargain-hunting stocks with strong fundamentals. We strongly anticipate impressive outings among corporates in the financial services sector (particularly the banks) given the impact of the Foreign Exchange (FX) revaluation gains and elevated interest rate environment in 2023. Thus, we expect an increased appetite among investors towards corporates in the financial services sector. Additionally, investors will look to position themselves in dividend-paying stocks ahead of full-year dividend declarations.

FUND FEATURES

Fund Manager	United Capital Asset Management Ltd
Base Currency/Start Year	Naira/2006
Fund Size (₦)	2.7bn
NAV Per Share (₦)	1.6480
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

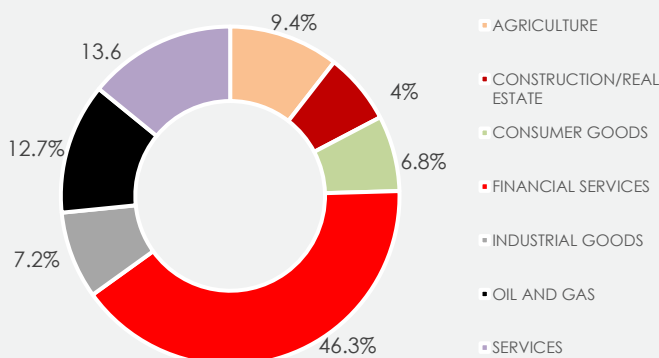
* Inclusive of management fee; Returns are net of all fees

Fund Asset Allocation



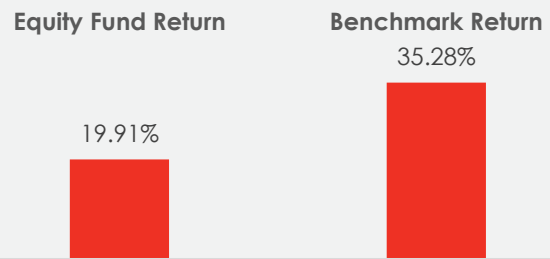
■ Equities ■ Fixed Deposit

Equity Sectoral Allocation

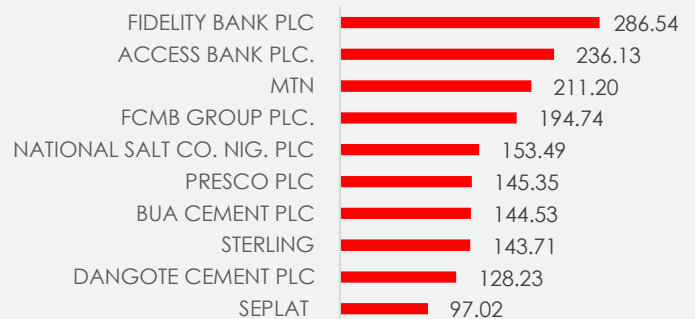


Governance Asset Allocation Ranges:
Money Market(10%-30%); Equities: 70%-90%

Equity Fund Performance Vs Benchmark



Top Ten Equity Exposures(Millions)



RETURN HISTORY

	2016	2017	2018	2019	2020	2021	2022	2023	2024 YTD
United Capital Equity Fund	-1.0%	36.1%	-5.4%	-1.6%	22.9%	16.4%	7.6%	48.38%	19.91%
Benchmark (ASI)	-1.9%	42.3%	-17.8%	14.6%	50.0%	6.1%	20.0%	45.9%	35.3%

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

PERFORMANCE REVIEW

The United Capital Equity Fund returned 19.91% for the month of January 2024, compared to the benchmark All Share Index (ASI) which returned 35.3% for the month.

The bulls continued dominating the Nigerian Exchange Limited (NGX) floor in December. Positive sentiments amongst investors towards fundamentally sound stocks dominated the market.

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.

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.

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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