

# United Capital Equity Fund

Mutual Funds Factsheet | October 2023

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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 October, the bulls returned to the Nigerian Exchange Limited (NGX) following the expected commencement of the Q3-2023 earnings season. Due to this, positive sentiments amongst investors towards fundamentally sound stocks dominated the market. Notably, buy interests in large-cap stocks such as AIRTELAF (+19.4% m/m) and BUACEMEN (+25.2% m/m) spurred the rally. As a result, the benchmark NGX-All Share Index (NGX-ASI) climbed by 4.3% m/m to close at 69,236.2 points. Consequently, YTD return strengthened to 35.1%, from September's 29.5% print, with market capitalization settling at N38.0tn.

On a sectoral level, market activities were broadly bullish, as four (4) sectors under our coverage closed in the green zone while only one (1) closed in the red zone. The Banking sector (+7.5% m/m) led the gainers, buoyed by price appreciations in UBA (+24.4% m/m), ACCESSCO (+11.0% m/m) and ZENITHBA (+5.4% m/m). Trailing behind was the Industrial goods sector (+6.5% m/m) owing to buy interests in BUACEMEN (+25.2% m/m). This was followed by the Oil & Gas (+2.4% m/m) and Consumer goods (+1.5% m/m) sectors due to gains in SEPLAT (+3.7% m/m) and DANGSUGA (+16.9% m/m). On the flip side, the Insurance sector (-1.6% m/m) was the sole loser on account of price depreciations in CHIPLC (-18.3% m/m), NEM (-8.2% m/m) and CORNERST (-6.8% m/m). On financial results, the Q3-2023 earning season has entered full swing, with corporates releasing their 2023 nine-month unaudited results. In the Consumer goods sector, Nigeria Breweries Plc posted a 2.1% y/y marginal increase in revenues to N401.8bn and posted a Loss After Tax of N57.2bn in 9M-2023. Similarly, Cadbury Nigeria Plc posted losses after tax of N10.2bn. This is due to the impact of the Naira devaluation on their finance costs. However, we observed that Unilever Plc's Profit After Tax (PAT) increased by 579.9% y/y from a loss of N348.0mn in 9M-2022 to N1.7bn in 9M-2023. This was supported by the 4404.9% y/y growth in the company's net finance income, which was mainly boosted by a massive improvement in the company's Interest on call deposits and bank accounts.

In the banking sector, Access Holdings Plc grew its Revenues and PAT by 75.8% y/y and 83.1% y/y to N1.5tn and N250.4bn, respectively. In a similar vein, Zenith Bank Plc's PAT expanded by 149.1% y/y from N174.3bn in 9M-2022 to N434.2bn in 9M-2023, while UBA Plc's PAT grew

by 287.2% y/y from N116.0bn in 9M-2022 to N449.3bn in 9M-2023. The strong growth was supported by increases in interest and non-interest income, as well as Foreign Exchange (FX) revaluation gains for the period under review.

In the Industrial goods sector, Dangote Cement Plc grew its topline revenue by 28.7% y/y in 9 M-2023 from N1.2tn in the corresponding period of 2022 to N1.5tn. Overall, PAT stood strong, up 30.2% y/y from N213.1bn in 9M-2022 to N277.5bn in the period under review. However, BUA Cement Plc's PAT grew marginally by 2.8% y/y to N76.1bn (previously, N74.0bn) owing to the 48.4% y/y and 56.9% y/y climb in operating expenses and finance costs, respectively.

For food processors, BUA Foods recorded an impressive result as the company grew its revenue by 80.9% y/y from N289.8bn in 9M-2022 to N524.4bn in 9M-2023. Notably, the company's PAT grew by 53.6 y/y to print at N105.6bn (vs N68.8bn in 9M-2022) in the period under review. However, Dangote Sugar Refinery recorded a post-tax loss of N22.0bn as their finance costs grew by 563.7% y/y due to the impact of FX losses on their books. Lastly, OKOMU's PAT grew by 15.9% y/y in 9M-2023 to N20.9bn on the back of inflows from inflows from exceptional income. As a result, the company declared an interim dividend of N4.50/share. Lastly, telecommunication companies recorded mixed results. For context, Airtel Africa recorded a post-tax loss of \$13.0mn in 9M-2023, compared to the post-tax profit of \$330.0mn in 9M-2022. Meanwhile, MTN Nigeria's PAT fell by 45.2% y/y to N147.4bn in the period under review (vs N269.0bn in 9M-2022). The companies' profitability was weighed down by the 173.4% y/y increase in finance costs for the period.

On corporate actions, Guinness Nigeria Plc released a statement informing the public it will no longer import or distribute certain Diageo international premium spirits products, including Johnnie Walker, Singleton, and Baileys and others imported items under its 2016 Sale & Distribution Agreement with Diageo Plc. This move is in line with Guinness Nigeria's long-term growth strategy. This move will help reduce Guinness' exposure to foreign exchange volatility. Lastly, Oando Plc (Oando or the Company) notified the public that the Federal High Court, Lagos Division, has further adjourned the hearing of the petition filed on March 25, 2021, by fourteen (14) shareholders of the Company to November 28, 2023. The adjournment is to enable Oando to provide a further report of compliance with the Court's order, which directed the Company to file its Scheme of Arrangement document with the Securities and Exchange Commission and the NGX within 30 days, among other orders.

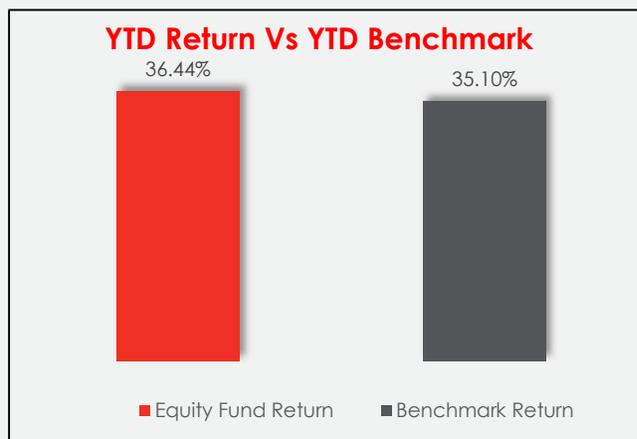
**Looking ahead, we expect mixed sentiments in the equities market in Nov-2023. First, we believe the bulls' dominance will linger as the positive sentiments towards the market will continue to drive the rally. Hence, we recommend cherry-picking activities around fundamentally sound stocks with solid performance. However, downside risks are imminent as there may be profit-taking activities off strong-performing stocks amongst investors. In addition, the expectation of a relatively illiquid financial system may drive fixed-income market rates higher, serving as a headwind to the equities market. Thus, we recommend a calculated approach for equity-vested investors and fund managers.**

*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.*

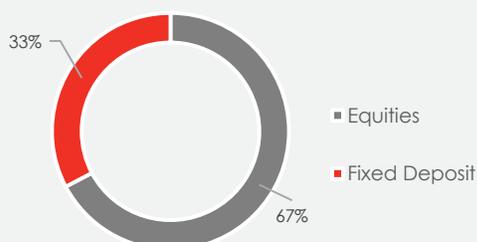
**FUND FEATURES**

| Fund Manager              | United Capital Asset Management Ltd |
|---------------------------|-------------------------------------|
| Base Currency/Start Year  | Naira/2006                          |
| Fund Size (₦)             | 2.5bn                               |
| NAV Per Share (₦)         | 1.2452                              |
| 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                     |

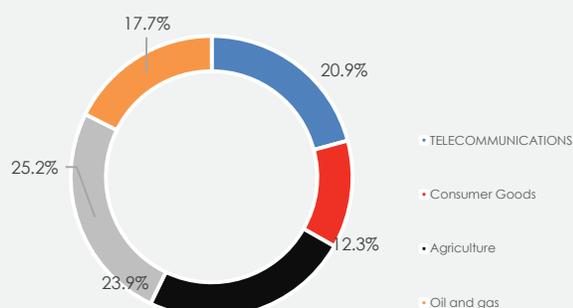
\*Inclusive of management fee; Returns are net of all fees



**Fund Asset Allocation**



**Equity Sectoral Allocation**



**Governance Asset Allocation Ranges:**

Money Market(10%-30%); Equities: 70%-90%

**RETURN HISTORY**

|                            | 2016  | 2017  | 2018   | 2019  | 2020  | 2021  | 2022  | YTD    |
|----------------------------|-------|-------|--------|-------|-------|-------|-------|--------|
| United Capital Equity Fund | -1.0% | 36.1% | -5.4%  | -1.6% | 22.9% | 16.4% | 7.6%  | 36.4%  |
| Benchmark (ASI)            | -1.9% | 42.3% | -17.8% | 14.6% | 50.0% | 6.1%  | 20.0% | 35.10% |

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

**PERFORMANCE REVIEW**

The United Capital Equity Fund returned 0.91% for the month of October 2023, compared to the benchmark All Share Index (ASI) which returned -0.25% for the month. Similarly, the year to date ("YTD") return on the Fund stood at 36.44% compared to the benchmark return of 35.1%.

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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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