

United Capital Equity Fund | Monthly Fact Sheet

October-22



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 domestic equities market continued to witness bearish investor sentiment as the benchmark NGX-All Share Index (NGX-ASI) lost for the fifth consecutive month. The month started off on a depressing note as an unprecedented surge in interest rates, particularly in the money market (aided by CBN's broadly hawkish monetary policy and tight system liquidity) supported asset rotation at a faster pace during the month. The selloffs intensified into the month as investors aggressively dumped their equity positions in favour holding positions in money market instruments. Also, the earnings season swung into full effect but did little to raise risk appetite as several bellwether names posted disappointing Q3-2022 reports. Overall, we witnessed increased sell pressure in blue-chip companies like AIRTELAF (-36.3% m/m), DANGCEM (-10.0% m/m), WAPCO (-9.2% m/m), MTNN (-1.5% m/m), SEPLAT (-4.0% m/m), and NB (-13.5% m/m). That said, the benchmark NGX-All Share Index (NGX-ASI) fell by 10.6% m/m to close at 43,839.1 points, the highest monthly loss since Mar-2020 (at the peak of the pandemic selloff). Consequently, YTD return moderated to 2.6%, with market capitalisation settling at N23.9tn.

Our sectoral analysis reflected the overall negative sentiment, as four (4) out of five (5) sectors under our coverage closed in the red. The Industrial Goods sector (+6.5% m/m) was the outlier this month due to buying interest in BUACEMENT (+34.6% m/m). This was despite heavy selloffs in DANGCEM (-10.0% m/m). Leading the laggards was the Insurance index (-5.2% m/m) owing to sell pressure in NEM (-18.5% m/m), LINKASSU (-17.0% m/m), CORNERST (+10.7% m/m), and MANSARD (-3.6% m/m). The Oil and Gas Sector (-5.1% m/m) followed closely, dragged by losses in TOTAL (-6.7% m/m), SEPLAT (-4.0% m/m), and OANDO (-10.4% m/m). Similarly, the Consumer Goods Index (-2.9% m/m) closed in the southwards as investors sold off NB (-13.5% m/m), INTBREW (-16.2% m/m), UNILEVER (-12.6% m/m), and NASCON (-13.6% m/m). Finally, the Banking index (-1.1% m/m), dragged by losses in EIT (-11.6% m/m), ACCESSCORP (-3.1% m/m), and UBA (-2.4% m/m).

The Q3-2022 earning season entered full swing, with companies releasing results. The banking sector showed resilience, with banks growing their profit after tax ZENITHBANK (N174.3bn, +8.6% y/y), FIDELITYBK (N35.0bn, +31.9% y/y), WEMABANK (N8.2bn, +31.2% y/y), FBNH (N91.3bn, +123.5% y/y), UBA (N116.0bn, +10.9% y/y) and GTCO (N130.3bn, +0.7% y/y). The consumer goods sector had mixed results, with companies like GUINNESS (N2.7bn, -32.0% y/y) and FLOURMILL (N5.7bn, -45.9% y/y) reporting underwhelming profit after tax year-on-year growth and companies like CADBURY (N2.8bn, +86.1% y/y), CHAMPION (N1.3bn, +98.3% y/y), NB (N14.8bn, +79.6% y/y) reporting solid growth in profit after tax. Also, Unilever Plc released its Q3-2022 results with a 21.5% y/y growth in revenue printing at N21.0bn. Gross profit declined by 46.6% y/y to N3.0bn (vs N5.6bn in Q3-2021) due to a 54.0% growth in Cost of Sales to N18.0bn in Q3-2022 from N11.7bn in Q3-2021. Thus, the company recorded a loss of N2.5bn at the end of the period. Interestingly, most consumer goods stocks reported poor Q3-2022 standalone numbers, a sign that cost pressures are finally showing strength.

In the Oil and Gas sector, SEPLAT and TOTAL grew revenues by 41.6% y/y and 39.2% y/y to N258.7bn and N337.2bn, respectively. SEPLAT maintained margins growing profit after tax by 143.7% y/y to N33.8bn and announced an interim dividend of 2.5cents. Conversely, TOTAL's profit after tax shrunk by 6.6% y/y to N12.5bn. In the Telecommunication sector, MTNN and AIRTELAFRI grew revenues by 20.7% y/y and 12.9% y/y to N1.5bn and \$2.6bn, respectively. Profit after tax for MTNN grew by 22.1% to N269.0bn, while for AIRTELAFRI, it declined by 1.5% y/y to \$330.0mn. The industrial sector BUACEMENT, WAPCO, and DANGCEM revenues grew by 40.5%, 23.1% and 15.2% y/y to N262.6bn, N269.8bn and N1.2tn, respectively. In addition, Profit after tax increased by 12.3% and 11.2% y/y to N74.0bn and N44.9bn, while DANGCEM's PAT declined by 23.4% y/y to N213.1bn.

We expect the bear market to continue in November as the prevailing interest rate environment creates medium to long-term uncertainty in the equities market.

Contact Us:

Emmanuel Akehomen | +234-703-180-3064
emmanuel.akehomen@unitedcapitalgroup.com
 Asset Management | +234-1-631-7874
mutualfunds@unitedcapitalgroup.com

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

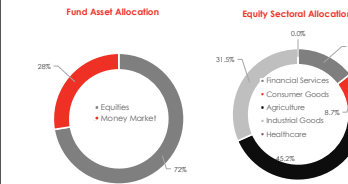
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Fund Manager	United Capital Asset Management Ltd
Base Currency/Start Year	Naira/2006
Fund Size (N)	1.7bn
NAV Per Share (N)	0.9113
Minimum Entry (N)	10,000
Additional Investment (N)	5,000
Structure	Open Ended
Entry/Exit Charges	Nil
Management Fee	1.5%
Total Expense Ratio*	1.8%
Benchmark	NGX ASI
Investment Style	Aggressive

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

Government Asset Allocation Ranges:

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



Why Choose the Fund?

- Diversification across sectors
- Seamless entry and exit
- Low entry threshold
- Professional management with robust risk framework
- Long term capital growth

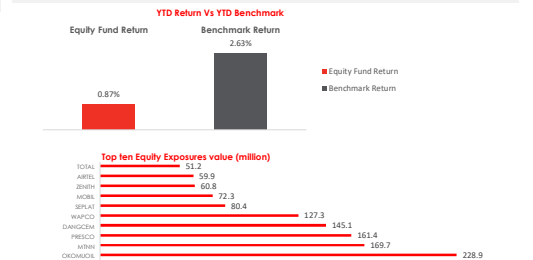
How to Participate

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.

PERFORMANCE REVIEW

The United Capital Equity Fund returned -5.94% for the month of October 2022, compared to the benchmark All Share Index (ASI) which returned -10.58% for the month. However, the Year to date (YTD) return on the Fund stood at 0.87% compared to the benchmark return of 2.63%.

We opine that the equity market would witness intermittent profit-taking activities given the improving yields in the FI market. Overall, we expect the local bourse to maintain cautious trading sentiments as electroneering activities kick off in full gear. The fund would continue to take positions in only fundamentally justified stocks as the unimpressive macro story remains a significant headwind for corporate earnings. We will maintain our allocation in line with the investment policy objectives and the Trust Deed.



Investment Risk

- Prone to equities market volatility

Return History

	2015	2016	2017	2018	2019	2020	2021	YTD 2022
United Capital Equity Fund	-6.0%	-1.0%	36.1%	-5.4%	-1.59%	22.91%	16.43%	0.87%
Benchmark (ASI)	-17.4%	-1.9%	42.3%	-17.8%	-14.60%	50.03%	6.07%	2.63%

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