United Capital Equity Fund | Monthly Fact Sheet

United Capital
Asset Management

January-23

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 domestic equity market maintained its upward trend in January, notably propelled by the depressed yield environment and robust system liquidity. As a result, fund managers and investors kept switching assets to profit from lower stock prices and valuations. The decent earnings reports of corporates for FY-2022 also significantly improved investor confidence, which effectively led to increased bargain hunting across profitable stocks with strong fundamentals. Notably, price movements across large-cap stocks, MTNN (+4.7% m/m), BUAFOODS (+14.6% m/m), GEREGU (+29.9% m/m), DANGCEM (+2.3% m/m), AIRTELAFRI (+1.5% m/m), and BUACEMEN (+1.7% m/m), played a decisive role in the bourse's strong close in January. The benchmark NGX-All Share Index (NGX-ASI) climbed by 3.9% m/m to close at 53,238.7 points. Consequently, YTD return settled at 3.9%, with market capitalisation growing N1.1trn to settle at N29.0tn.

From a sectorial viewpoint, market activities were broadly bullish, as all five (5) sectors under our coverage closed in the green. The Banking (+7.5% m/m) sector led the gainers due to bargain hunting in ETI (+16.5% m/m), ZENITHBA (+4.2% m/m), FIDELITY (+24.1% m/m), ACCESSCO (+7.1% m/m) and UBA (+7.9% m/m). Following behind were the Consumer Goods (+5.6 % m/m) and Oil & Gas (+5.4% m/m) sectors owing to price appreciation in BUAFOODS (+14.6% m/m), DANGSUGA (+8.1% m/m), UNILEVER (+16.8% m/m), TOTAL (+16.1% m/m), and ETERNA (+12.1% m/m). The Insurance sector grew +5.4% m/m due to buy-interest in MBENEFIT (+44.4% m/m), AIICO (+6.8% m/m), WAPIC (+12.5% m/m), and LINKASSU (+20.0% m/m). Lastly, the Industrial sector grew 2.1% m/m owing to price appreciation in DANGCEM (+2.3% m/m), BUACEMEN (+1.7% m/m), and WAPCO (+4.6% m/m).

Despite the challenging global and macroeconomic environment, underpinned by intensified inflationary pressure, most Nigerian corporates posted decent FY-2022 earnings. For corporates who released their unaudited earnings report in the Consumer goods sector, UNILEVER and CADBURY posted strong earnings, with PAT of both firms climbing by 75.8% y/y and 110.4% y/y after recording a significant 25.8% y/y and 30.3% y/y growth in revenue. For the Brewers, GUINNESS recorded a decline in profitability, as the firm's PAT declined by a notable 54.4% y/y, owing significantly to the +757.7% y/y climb in the net finance costs incurred for the period.

Among the Food processors, OKOMU and PRESCO recorded decent earnings performances, growing PAT for the period by 50.4% y/y and 11.4% y/y, following significant 69.2% y/y and 75.3% y/y growth in their revenues. We note that government incentives supported the observed growth in the sector while higher Crude Palm Oil (CPO) prices provided the biggest support. BUA FOODS recorded a decent 29.5% y/y climb in PAT for the period after recording a significant 25.4% y/y growth in revenue. On the other hand, UACN posted a loss in FY-2022, with the firm's PAT declining by 281.7% y/y to print at -N4.7bn from N2.6mn recorded in FY-2021.

For the Banking sector, listed banks whose unaudited financials were released recorded decent growth in overall profitability amid increased overall interest expense. STANBIC, FCMB, FIDELITY, WEMABANK and STERLING grew their PAT for the period FY-2022, by 42.3% y/y, 55.8% y/y, 32.6% y/y, 41.6% y/y, and 37.9% y/y, after recording a significant 39.3% y/y, 32.9% y/y, 33.9% y/y, 38.1% y/y and 17.3% y/y growth in gross earnings.

For the telecommunications sector, only MTNN had released their FY-2022 audited financials. The leading telco posted a decent earnings performance, growing PAT by 20.2% y/y, following the significant 21.6% y/y growth in its total revenue. The telco disclosed a proposed final dividend of N10.0 per share.

For the Oil & Gas sector, only TOTAL and ARDOVA had released their FY-2022 unaudited financial statement. The downstream oil firm posted a 3.1% y/y decline in its PAT, mainly owing to the 247.2% y/y climb in net financing costs incurred for the period. ARDOVA extended losses in the period, with the company's loss opposition degenerating further by 97.7% y/y to print at -N7.6bn from -N3.8bn recorded in FY-2021. This loss stemmed largely from operations, as the firm's operating loss recorded at -N2.5bn, 417.6% lesser than FY-2021's N785.7mn print.
Lastly, for the power sector, Geregu released its audited FY-2022 financials. The upstream power company posted a decline in its PAT (-50.5% y/y) and Revenue (-33.0% y/y) for the period.

Looking ahead to the medium term, we retain our positive outlook for Nigerian equities, supported by depressed yields in the money market. We expect increased bargain hunting across fundamentally sound stocks with decent FY-2022 earnings performance. However, we see room for pockets of bearish sentiments from investors owing to profit-taking activities. We recommend fund managers cherry-pick stocks with low prices, solid valuations, and dividend performance in a bid to take advantage of extension of the current bullish run.

Contact Us:

Emmanuel Akehomen | +234-703-180-3064

emmanuel.akehomen@unitedcapitalplcgroup.com

Asset Management | +234-1-631-7876

mutualfunds@unitedcapitalplcgroup.com

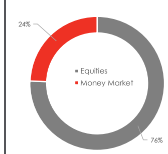
Fund Manager	United Capital Asset Management Ltd
Base Currency/Start Year	Naira/2006
Fund Size (₦)	2bn
NAV Per Share (₦)	1.0760
Minimum Entry (₦)	10,000
Additional Investment (₦)	5,000
Structure	Open Ended
Entry/Exit Charges	Nil
Management Fee	1.5%
Total Expense Ratio*	1.8%
Benchmark	NGX ASI
Investment Style	Aggressive

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

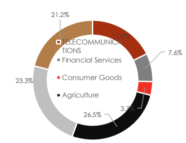
Governance Asset Allocation Ranges:

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

Fund Asset Allocation



Equity Sectoral Allocation



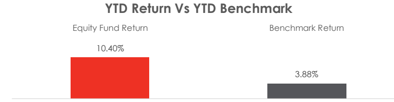
PERFORMANCE REVIEW

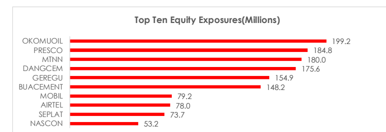
The United Capital Equity Fund returned 10.40% for the month of January 2023, compared to the benchmark All Share Index (ASI) which returned 3.88% for the month .Similarly, the year to date ("YTD") return on the Fund stood at 10.40% compared to the benchmark return of 3.88%.

The domestic equity market started with an upward trend in January, notably propelled by the depressed yield environment and robust system liquidity as a result of the effects of new naira notes admist other factors.we expect the NGX to be flooded with corporate earnings as more companies publish 2022FY numbers, which will be accompanied by dividend declarations. We believe this should provide a catalyst for buying activities even as risk-averse investors are likely to remain cautious due to medium-term expectations of an uptick in FI yields

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

YTD Return Vs YTD Benchmark





Why Choose the Fund?

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

Investment Risk

- Prone to equities market volatility

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.

Return History

	2016	2017	2018	Q1 2018	2020	2021	2022	Jan-23
United Capital Equity Fund	-1.0%	36.1%	-5.4%	-3.2%	22.91%	16.43%	7.55%	10.40%
Benchmark (ASI)	-1.9%	42.3%	-17.8%	-1.2%	50.03%	6.07%	19.98%	3.88%

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

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