

United Capital Equity Fund | Monthly Fact Sheet



April-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 was mostly bearish in April, stimulated by the higher yields in the fixed-income market. Equity-vested fund managers opted to cherry-pick stocks with strong fundamentals (attractive dividend-paying stocks with low pricings) as the Q1-2023 earnings season gradually came to an end. Notably, sell-offs across AIRTELAFRI (-15.5% m/m) and MTNN (-4.7% m/m) significantly drove the bourse's month-on-month negative close. That said, the benchmark NGX-All Share Index (NGX-ASI) declined by 4.5% m/m to close at 52,403.5 points. Consequently, YTD return settled at 2.3%, with market capitalisation shedding N1.4tn to settle at N28.5tn.

Sector wise, market activities were mostly bearish, as all three (3) sectors under our coverage closed in the red. The Industrial goods (-4.0% m/m) sector led the losers, recording losses despite gains in WAPCO (+0.5% m/m). Trailing was the Banking (-3.3% m/m) and Oil and Gas (-1.7% m/m) sectors owing to sell-offs in ETI (-1.3% m/m), WEMABANK (-5.0% m/m), ZENITHBA (-0.2% m/m), SEPLAT (-3.0% m/m) and ETERNA (-1.6% m/m). On the flip side, the Consumer goods (+4.8% m/m) and Insurance (+3.9% m/m) sectors closed the month in the green, owing to bullish sentiments across BUAFODDS (+11.8% m/m), DANGSUGA (+14.7% m/m), MANSARD (+24.7% m/m), NEM (+4.7% m/m), LINKASSU (+14.0% m/m), and SOVREBAN (+17.9% m/m).

Despite the challenging macroeconomic environment, underpinned by cash crunch, most Nigerian corporates posted decent Q1-2023 earnings. On corporate actions, UBA, ACCESSCO, GTCCO, and Zenith released their Q1-2023 unaudited financial results. The top tier-1 banks increased their revenue for the period climbing by 40.9% y/y, 56.6% y/y, 43.7% y/y, and 20.2% y/y, respectively. Despite their tax expense climbing by 140.0% y/y, 28.6% y/y, 43.2% y/y, and 110.2% y/y, the top-tier banks managed to remain profitable, with their PAT climbing by a significant 29.2% y/y, 24.1% y/y, 34.7% y/y, and 13.4% y/y, respectively. Among the top tier-2 banks, Stanbic IBTC, FCMB, and Fidelity grew their earnings for Q1-2023 by a significant 44.0% y/y, 49.9% y/y, and 67.4% y/y respectively. Despite a 283.2% climb in impairment loss for the period, Stanbic IBTC grew its PAT by 91.5% y/y, FCMB and Fidelity grew their PAT by 78.8% y/y and 64.2% y/y in Q1-2023 respectively.

Among the FMCG companies, Cadbury, Unilever, and Nestle released their Q1-2023 unaudited financial results. The FMCG players recorded a decent climb in revenue for the period, each growing their revenue by 29.5% y/y, 19.7% y/y, and 16.0% y/y in that order. Despite Cadbury and Unilever's income taxes for the period climbing by 124.0% y/y and 272.7% y/y respectively, both companies grew their PAT for the period by 124.0% y/y and 48.7% y/y, apiece. On the other hand, Nestle Nigeria Plc's PBT for the period declined by 10.4% owing to a 158.7% y/y climb in the firm's net finance expense. Thus, Nestle's PAT dropped by 9.9% y/y in Q1-2023. The food processors, BUA Food, Nascon, and Dangote Sugar Refinery, released their Q1-2023 unaudited financial results. The food processors recorded a significant climb in their turnover for the period, each growing revenue for the period by 60.2% y/y, 57.1% y/y, and 8.1% y/y in that order. Despite their income taxes for the period climbing by 174.6% y/y, 333.8% y/y, and 21.3% y/y, BUA Foods, Nascon, and Dangote Sugar grew their PAT by 71.0% y/y, 325.3% y/y, and 43.8% y/y respectively.

The Oil & Gas players, Seplat and Total released their Q1-2023 unaudited financial results. Seplat's and Total's revenue for the period climbed by a significant 51.1% y/y and 39.0% y/y, respectively. Supported by a 50.4% y/y decline in income tax, the upstream oil and gas firm (Seplat) recorded a whopping 218.7% y/y climb in its PAT. Conversely, Total's PAT declined by 5.0% y/y owing to a significant 110.2% y/y climb in its finance cost for the period.

Among the Brewers, Nigerian Breweries, and International Breweries both realized losses for the period Q1-2023, with their turnover falling by 10.5% y/y and 5.4% y/y, respectively. The loss incurred by Nigerian Breweries came on the back of a 55.2% y/y climb in net finance costs, while a 10.5% y/y climb in International Breweries' cost of sales further expanded the company's losses for the period. Guinness Nigeria outperformed its peers in Q1-2023, growing its revenue for the period by 8.2% y/y. Despite a significant 1,694.3% y/y spike in the brewer's net finance cost, Guinness Nigeria realized a profit of N1.8bn, albeit 72.3% lesser than what was recorded in the same period last year.

The cement firms, Dangote Cement (DangCem), BUA Cement, and Lafarge released their Q1-2023 unaudited financial results. BUA Cement and Lafarge grew their revenue for the period by 9.7% y/y, and 1.3% y/y, respectively. BUA's PAT declined by 19.0% y/y, weighed by a whopping 8439.3% y/y climb in its net finance costs. Lafarge's PAT declined by 15.3% y/y, weighed by a 92.3% y/y climb in income tax. Nevertheless, Dangote Cement's PAT improved by 3.4% y/y despite the cement giant's turnover for the period falling by 1.8% y/y. The observed climb in Dangem's PAT was mostly influenced by a 26.3% decline in the firm's income tax expense for the period.

Looking ahead, we expect mixed sentiments in the Nigerian equities market, comprising of increased bargain hunting across fundamentally sound stocks with fantastic Q1-2023 earnings performance and pockets of bearish sentiments from investors, owing to profit-taking activities. We recommend fund managers to continue to cherry-pick stocks with low prices, solid valuations, and dividend performance, in a bid to take advantage of a potential rally.

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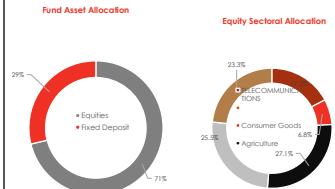
The United Capital Equity Fund is regulated by the Securities & Exchange Commission

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Fund Manager	United Capital Asset Management Ltd
Base Currency/Start Year	Naira/2006
Fund Size (N)	2bn
NAV Per Share (N)	1.0327
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

*Exclusive of management fee. Returns gross of all fees

Governance 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.

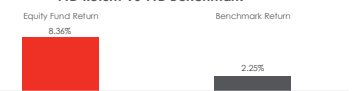
PERFORMANCE REVIEW

The United Capital Equity Fund returned -0.60% for the month of April 2023, compared to the benchmark: All Share Index (ASI) which returned -3.21% for the month. Similarly, the year to date ("YTD") return on the Fund stood at 8.36% compared to the benchmark return of 2.25%.

The domestic equity market was mostly bearish in April, stimulated by the higher yields in the fixed-income market. Equity-vested fund managers opted to cherry-pick stocks with strong fundamentals (attractive dividend-paying stocks with low pricings) as the Q1-2023 earnings season gradually came to an end.

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.

YTD Return Vs YTD Benchmark



Top Ten Equity Exposures(Millions)

GEREGU	203.5
DANGCEM	199.3
PRESCO	192.4
OKOJASON	188.7
MTNN	183.0
BUNCEMINI	145.8
NASCON	95.8
SEPLAT	74.7
ROBUST	60.0
ACCESS	59.9

Investment Risk

- Prone to equities market volatility

Return History

	2014	2017	2018	2019	2020	2021	2022	YTD 2023
United Capital Equity Fund	-1.0%	36.1%	-5.4%	11.6%	22.9%	16.4%	7.6%	8.4%
Benchmark (ASI)	-1.9%	42.0%	-17.6%	14.6%	50.0%	6.1%	20.0%	2.3%

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