

# United Capital Equity Fund | Monthly Fact Sheet



July-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

In July, the bulls maintained their strong dominance in the Nigerian Exchange Limited (NGX) as investors' positive sentiments on fundamentally strong stocks persisted. In addition, the rally was spurred by the commencement of the Q2-2023 earnings season. Notably, buy-interests in large-cap stocks such as DANGCEM (+23.5% m/m) and BUACEMEN (+7.3% m/m), as well as banking stock, STANBIC (+28.7% m/m) drove the local bourse northwards. As a result, the benchmark NGX-All Share Index (NGX-ASI) climbed by 5.5% m/m to close at 64,337.5 points. Consequently, YTD return strengthened to 25.1%, from June's 19.5% print, with market capitalisation settling at N35.0tn.

On a sectoral level, market activities were bullish, as three (3) sectors under our coverage closed in the green zone while the other two (2) closed in the red zone. The Oil & Gas Sector (+20.1% m/m) sector led the board due to gains in SEPLAT (+21.0% m/m) and CONOIL (+32.5% m/m). Trailing behind was the Industrial Goods Sector (+14.2% m/m) owing to buy-interests in DANGCEM (+23.5% m/m) and BUACEMEN (+7.3% m/m). This was followed by the Banking Sector (+3.8% m/m), buoyed by bargain-hunting activities in UBA (+14.3% m/m) and FIDELITY (+22.9% m/m). On the flip side, the Insurance Sector (-5.9% m/m) led the laggards on the back of price depreciations in WAPIC (-27.7% m/m) and CORNERST (-20.0% m/m). Lastly, the Consumer Goods Sector (-4.6% m/m) declined on account of losses in NB (-18.9% m/m) and NESTLE (-6.0% m/m).

On financial results, several companies released their H1-2023 earnings results. In the Banking Sector, WEMA and ETI recorded strong topline growth due to increases of \$1.9% y/y (H1-2023: N7.64bn) and 40.6% y/y (H1-2023: N445.9bn) in their interest income. Notably, Wema's Profit After Tax (PAT) grew by 98.9% y/y to N10.5bn in H1-2023. ETI's PAT climbed by 36.1% y/y to N103.2bn in H1-2023 from N77.3bn in H1-2022. Lastly, FBNH's income for H1-2023 printed at N383.3bn, up by 69.4% y/y from N226.3bn in H1-2022. Owing to a whopping 1,758.0% y/y climb in the fair value gains from financial assets held by the bank, FBNH recorded a significant 231.1% y/y climb in its PAT to settle at N187.2bn (vs N56.6bn in H1-2022).

In the Consumer Goods Sector, Nigerian Breweries recorded a loss after tax of N47.6bn in H1-2023, down 354.0% y/y from the profit of N18.7bn recorded in H1-2022. This is due to the 848.7% y/y growth in net finance costs following the elevated interest rate environment. Similarly, Cadbury and Guinness recorded losses of N14.5bn (down 720.9% y/y) and N18.2bn (down 216.1% y/y) in H1-2023. However, Unilever recorded a PAT growth of 44.8% y/y to print at N2.8bn in H1-2023 (vs N1.9bn in H1-2022) due to the 23.7% y/y increase in its revenue.

In the Industrial Goods Sector, DANGCEM and BUACEMEN posted H1-2023 topline growth of 17.7% y/y and 17.2% y/y to settle at N950.8bn and N221.1bn, respectively. However, the 164.2% y/y climb in net finance costs narrowed DANGCEM's PAT to N178.6bn in H1-2023, up 3.8% y/y compared to the previous period. Similarly, BUACEMEN's PAT grew marginally by 3.7% y/y to N63.6bn due to the 269.9% y/y rise in net finance cost.

For food processors, NASCON recorded an impressive result as the company grew its revenue by 51.9% y/y to settle at N38.2bn in H1-2023 from N25.1bn in H1-2022. Notably, the company's PAT grew by an impressive 279.2% y/y to print at N5.8bn (vs N1.5bn in H1-2022) in the period under review due to the 316.9% y/y and 128.1% y/y increases in other income and finance income, respectively. Lastly, OKOMU's PAT declined by 3.8% y/y in H1-2023 to N16.2bn due to a decline of 0.4% in revenue and a 237.4% y/y increase in finance costs.

Lastly, telecommunication companies recorded unimpressive results. For context, Airtel Africa recorded a post-tax loss of \$151.0mn in H1-2023, compared to the post-tax profit of \$178.0mn in H1-2022. In the same vein, MTN Nigeria's PAT fell by 29.1% y/y to N128.7bn in the period under review (vs N181.6bn in H1-2022). The companies' profitability was weighed down by increases in operating costs and finance costs for the period.

On corporate actions, the NGX suspended seven (7) companies from trading on its facility effective 11-Jul-2023 for having failed to file their Audited Financial Statements (AFS) for the year-ended 31-Dec-2022. The suspended companies are Aframedia Plc., Ardova Plc., C&I Leasing Plc., International Energy Insurance Plc., Phamadeko Plc., Presco Plc., and Royal Exchange Plc.

In August, investors' sentiments towards the Nigerian equities market would be mixed. Driving bearish sentiments would be the hike in benchmark interest rates and weak H1-2023 earnings (due to FX-related losses caused by the Naira's devaluation). However, this would be offset by bulls chasing real returns in the high inflationary environment as the equities market remain the most attractive market segment given the depressed rates in the fixed income market.

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

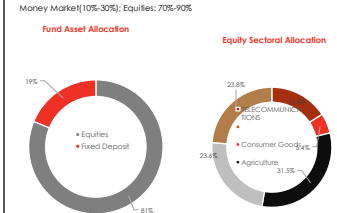
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|                           |                                     |
|---------------------------|-------------------------------------|
| Fund Manager              | United Capital Asset Management Ltd |
| Base Currency/Start Year  | Naira/2006                          |
| Fund Size (N)             | 2.5bn                               |
| NAV Per Share (N)         | 1.2383                              |
| 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                          |

\*Subject to management fee reduction per net 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

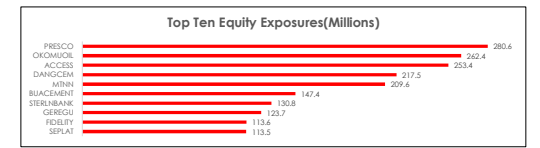
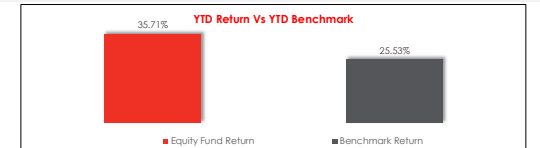
1. Log in to our online platform [www.investnow.ng](http://www.investnow.ng)
2. Click on "Equity Fund"
3. Click on "Open and account".
4. Fund your account online with a one-time payment or recurrent payments.

## PERFORMANCE REVIEW

The United Capital Equity Fund returned 4.89% for the month of July 2023, compared to the benchmark All Share Index (ASI) which returned 5.60% for the month. Similarly, the year to date (YTD) return on the Fund stood at 35.71% compared to the benchmark return of 25.53%.

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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.



## Investment Risk

- Prone to equities market volatility

## Return History

|                               | 2016  | 2017  | 2018   | 2019  | 2020  | 2021  | 2022  | YTD    |
|-------------------------------|-------|-------|--------|-------|-------|-------|-------|--------|
| United Capital of Equity Fund | -1.0% | 36.1% | -3.4%  | 11.6% | 22.9% | 18.4% | 7.6%  | 33.5%  |
| Benchmark (ASI)               | -1.9% | 42.3% | -17.8% | 14.6% | 50.0% | 6.1%  | 20.0% | 25.53% |

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