

United Capital Equity Fund | Monthly Fact Sheet



August-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 Nigerian Exchange (NGX, or bourse) started the month of August on a weak note, as investors were overwhelmed by mixed sentiments. During the month, a set of investors remained fixated with a strong interest in fundamentally sound stocks with potentials in terms of recently released corporate actions, some were found among FX speculators who sought to take advantage of the unabating arbitrage in the FX market, while other investors diverted their interest toward the money market in a bid to exploit the higher yield environment (in the aftermath of August's DMO auction).

Nonetheless, the uncertainties surrounding the macroeconomic environment continued to dampen investors' interest across board, on a broader scope. However, bordering around fundamentally sound stocks with solid corporate actions and fundamentals, the benchmark NGX-All Share Index (NGX-ASI) closed the month under review higher, up by 3.4% m/m to close at 66,548.99points. Consequently, YTD return settled at 29.85%, with market capitalisation gaining N1.4tn to settle at N36.4tn. Notably, sustained buy-interests in BUAFOODS (+32.6% m/m), MTN (+6.9% m/m), and DANGSUGA (+103.7% m/m) significantly drove the bourse's month-on-month positive close.

From a sectorial viewpoint, market activity was mostly bullish, as all four (4) sectors out of the five (5) sectors under our coverage closed in the green terrain. The Consumer goods (+24.5% m/m) sector led the market gains, on the back of sustained buy-pressure across BUAFOODS (+32.6% m/m), and DANGSUGA (+103.7% m/m). Trailing behind were the Insurance (+3.1% m/m), Oil and Gas (+0.9% m/m), and Industrial goods (+0.6% m/m) sectors owing to share price appreciation across CORNERST (+59.1% m/m), SEPLAT (+10.0% m/m), DANGCEM (+2.3% m/m), and WAPCO (+9.2% m/m). On the flip side, the Banking (-3.6% m/m) sector was the sole loser, owing to share price depreciation across FIDELITY (-18.0% m/m), ZENITHBA (-3.0% m/m), UBN (-7.1% m/m), ACCESSCO (-2.4% m/m), and JAIZBANK (-19.8% m/m).

On corporate financial releases, following the commencement of the Q2/H1 2023 earnings season, many companies that had not released their financials in July 2023 did so in August 2023. Presco Plc released its FY-2022 and Q1-2023 financials, which revealed that the company grew its revenue in 2022 by 70.8% y/y from N47.4bn to N81.0bn. However, a significant 118.0% y/y increase in administrative expenses and a 226.9% y/y surge in finance costs eroded the company's profit before tax for the period, as it fell 25.0% y/y from N26.4bn (in FY-2021) to N19.8bn. For H1-2023, Presco Plc grew its revenue by 15.3% y/y to print at N48.1bn. Despite a 34.7% y/y increase in the company's finance costs for the period, the firm increased its Profit After Tax (PAT) by 11.8% y/y to print at N15.1bn.

On corporate disclosures, Dangote Sugar Refinery Plc (the "Company") notified the Nigerian Exchange Limited and the investing public that the Board of Directors of the Company at its meeting held on 28 July 2023, resolved to recommend the proposed merger between the Company, NASCON Allied Industries Plc ("NASCON") and Dangote Rice Limited ("DRL") to the shareholders of the Company for consideration and approval, subject to parties agreeing terms and conditions.

Further on corporate disclosures, some listed Tier-1 Banks disclosed to the investing public that there will be delays in the release of their H1-2023 Audited Financials. These Banks include Access Holding, Zenith Bank Plc., United Bank for Africa, and Stanbic Holdings Plc. Nevertheless, the 1 following dates were approved by the NGX for the Banks to file their results (on or before), 15 Sep 2023, 14 Sep 2023, 15 Sep 2023, and 29 Sep 2023, respectively. However, Stanbic Holdings Plc (Stanbic) released its H1-2023 financials on 29 August 2023. The Stanbic recorded an impressive 58.0% increase in its gross earnings for H1-2023. Despite Stanbic's whopping 110.0% upsurge in its interest expense for the period, its Net Interest Income for the period improved by a significant 44.3%, from N50.4bn (in H1-2022) to N72.7bn. That said, Stanbic Holdings Plc recorded a significant 121.5% in its Profit After Tax (PAT) for the period, from N30.7bn (in H1-2022) to N67.9bn.

Looking into the coming month (September), we retain our positive outlook for Nigerian equities, supported by a relatively depressed outlook for the yield environment. We expect increased bargain hunting across Tier-1 Banks, as they are scheduled to release their H1-2023 financials in September. However, we anticipate pockets of bearish sentiments from investors, owing to profit-taking activities. We recommend fund managers to continue to cherry-pick stocks with strong fundamentals, corporate actions, and dividend performance (particularly Tier-1 Banks, for interim dividends).

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

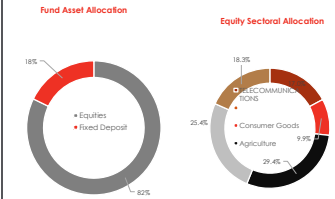
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Fund Manager	United Capital Asset Management Ltd
Base Currency/Start Year	Naira/2006
Fund Size (N)	2.5bn
NAV Per Share (N)	1.2525
Minimum Entry (N)	10,000
Additional Investment (N)	5,000
Structure	Open Ended
Entry/Exit Charges	Nil
Management Fee	1.5%
Total Expense Ratio*	1.8%
Benchmark	NGX ASI
Investment Style	Aggressive

*As a percentage of management fee, before payment 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

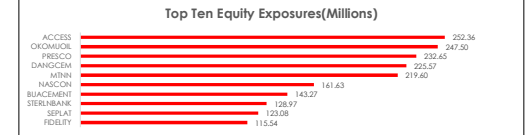
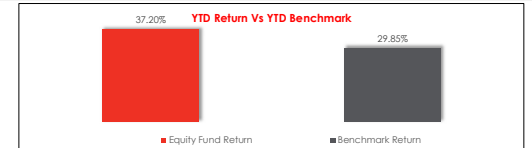
1. Log in to our online platform www.investnow.ng
2. Click on "Equity Fund"
3. Click on "Open and account".
4. Fund your account online with a one-time payment or recurrent payments.

PERFORMANCE REVIEW

The United Capital Equity Fund returned 1.15% for the month of August 2023, compared to the benchmark All Share Index (ASI) which returned 3.38% for the month. Similarly, the year to date ("YTD") return on the Fund stood at 37.20% compared to the benchmark return of 29.85%.

In August, the equities market started on a weak note, as investors were overwhelmed by mixed sentiments. During the month, a set of investors remained fixated with a strong interest in fundamentally sound stocks with potentials in terms of recently released corporate actions, some were found among FX speculators who sought to take advantage of the unabating arbitrage in the FX market, while other investors diverted their interest toward the money market in a bid to exploit the higher yield environment (in the aftermath of August's DMO auction).

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

	2014	2017	2018	2019	2020	2021	2022	YTD
United Capital of Equity Fund	-1.0%	36.1%	-5.4%	-1.6%	22.9%	18.4%	7.6%	37.2%
Benchmark (ASI)	-1.9%	42.3%	-17.8%	14.6%	50.0%	6.1%	20.0%	29.85%

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