

# United Capital Equity Fund | Monthly Fact Sheet



September-23

## FUND OBJECTIVE

The United Capital Equity Fund invests in quoted equities that are traded on the Floor of the Nigerian Exchange (NGX<sup>®</sup>). 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 September, the local equities market posted losses with bearish sentiments resurfacing. Despite significant gains in BUAFOODS (+15.6% m/m), STANBIC (+22.7% m/m) and AIRTELAF (+3.2% m/m), share price depreciations in large cap. Stocks including BUACEMEN (-11.1% m/m), DANGCEM (-5.6% m/m) and MIN (-3.8% m/m) weighed on the bourse. Consequently, the benchmark All Share Index (NGX-ASI) declined by 25bps m/m to close at 66,382.14 points. As a result, YTD return weakened to 29.52%, while market capitalisation printed at N36,344n.

From a sectorial viewpoint, market activity was primarily bullish, as three (3) sectors of the five (5) sectors under our coverage closed higher. The Consumer goods index (+4.5% m/m) led the market gains on the back of sustained buy-interest across BUAFOODS (+15.6% m/m). Trailing behind were the Insurance (+5.3% m/m) and the Banking index (+3.08% m/m) owing to share price appreciation across CORNERST (+15.0% m/m), MANSARD (+9.6% m/m), NEM (+7.4% m/m), and UBA (+23.6% m/m). On the flip side, the Industrial Goods index (-6.9% m/m) depreciated owing to share price depreciation across BUACEMEN (-11.08% m/m) and DANGCEM (-5.6% m/m), while the Oil and Gas index (-2.8% m/m) following price depreciations in CONOIL (-19.0% m/m), MRSOIL (-5.0% m/m) and ETERNA (-6.3% m/m).

On corporate actions, Stanbic IBTC Holdings Plc released its H1-2023 financial statements. The report revealed that in the period under review, Gross Earnings and Profit After Tax (PAT) rose by 58.0% y/y and 121.5% y/y to N211.5bn and N67.9bn, respectively. Similarly, Fidelity Bank's H1-2023 financials revealed Gross Earnings of N247.1bn (+59.6% y/y) and PAT of N62.0bn (+166.0% y/y). Also, GTCO's financials for H1-2023 showed a whopping 181.1% climb in revenue and a 267.4% acceleration in its PAT for the period under review.

Looking at Zenith Bank Plc's Audited H1-2023 Financial Result showed increased Net Interest Income for the period under review by 41.8% y/y from N184.7bn in H1-2022 to N261.9bn. Zenith Bank Plc recorded an impairment charge of N207.9bn, a 727.7% y/y increase, with 98.5% (N204.8bn) of the impairment charges attributed to Expected Credit Losses (ECL) on Loans and Advances. The Bank recorded a whopping 161.8% y/y increase in its bottom line [Profit After Tax (PAT)], from N111.4bn in H1-2022 to N291.7bn, underpinned by a significant turnaround in its Foreign Currency Revolutation (FCY), recording gains to the tune of N353.4bn, up by 5,794.0% y/y compared to FX Revolutation loss of (N6.2bn) recorded in H1-2022. This completely absorbed any shock that would have emanated from the 727.7% y/y increase in impairment charges in the period (H1-2023). Consequently, Zenith Bank declared an interim dividend of N0.50 kobo per share, with a qualification date of 22 September 2023. Dividends were paid electronically to shareholders on 29 September 2023.

SHL, on corporate action, United Bank for Africa Plc's Audited H1-2023 Financial Result showed Net Interest Income of 56.7% y/y (from N177.5bn in H1-2022 to N278.1bn). UBA recorded an impairment charge of N153.9bn, a 1,748.1% y/y increase, with 93.5% (N143.9bn) of the impairment charges attributed to Expected Credit Losses (ECL) on Loans and Advances. The Bank recorded an enormous 437.8% y/y increase in its bottom line, from N70.3bn in H1-2022 to N378.2bn in the period under review. UBA's impressive result was due to improved FCY Revolutation gains (up by 1,290.5% y/y from N2.1bn in H1-2022 to N29.2bn) and Net fair value on derivatives (profit) of N348.4bn up by 1,641.8% y/y from a loss position of N22.4bn recorded same period last year. Interestingly, UBA declared an interim dividend of N0.50kobo per share, indicating a 150.0% increase compared to a dividend of N0.20kobo per share, which was announced in the same period in 2022. The qualification date was 26 September 2023, with dividends to be paid electronically to shareholders on 06 October 2023.

Finally, Oando Plc released its financial results for FY-2021, showing that the company recorded a 68.4% y/y growth in revenue (FY-2021: N803.5bn vs FY-2020: N477.1bn). However, Gross Profit increased marginally by 2.7% y/y to N41.5bn in FY-2021 (vs. N40.4bn in FY-2020). This is due to the bump in the cost of sales, which grew by 74.5% y/y to N761.9bn from N436.6bn. Despite 15.2% y/y and 13.1% y/y increases in administrative expenses and finance costs, the 266.8% y/y gains from the reversal of impairment on financial assets helped to offset these losses and reduce pressure on overall profitability. As a result, Oando's Profit After Tax (PAT) grew to N32.9bn from a previous loss position of N140.7bn.

**This month, we foresee investors taking positions anticipating the Q3-2023 earnings season. Investors will continue cherry-picking activities around fundamentally sound stocks with a preference for companies with strong results in the first half of the year. In line with our expectation for a relatively illiquid financial system in the first two weeks of the month and resulting higher money market rates, we expect renewed attention in short-term fixed-income securities and pockets of bearish sentiments from investors towards equities, owing to profit-taking activities.**

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

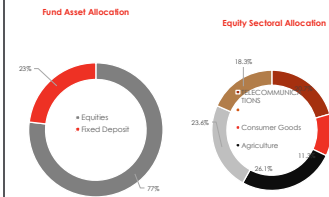
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|                           |                                     |
|---------------------------|-------------------------------------|
| Fund Manager              | United Capital Asset Management Ltd |
| Base Currency/Start Year  | Naira/2006                          |
| Fund Size (N)             | 2.5bn                               |
| NAV Per Share (N)         | 1.2341                              |
| 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. [View our prospectus at: www.unitedcapitalgroup.com](#)

## 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

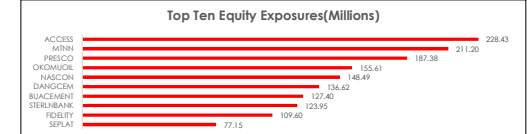
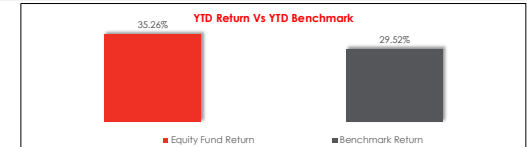
1. Log in to our online platform [www.investnow.ng](http://www.investnow.ng)
2. Click on "Equity Fund"
3. Click on "Open and account".
4. Fund your account online with a one-time payment or recurrent payments.

## PERFORMANCE REVIEW

The United Capital Equity Fund returned -1.47% for the month of September 2023, compared to the benchmark All Share Index (ASI) which returned -0.26% for the month. Similarly, the year to date (YTD) return on the Fund stood at 35.26% compared to the benchmark return of 29.52%.

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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 Equity Fund | -1.0% | 36.1% | -5.4%  | -1.6% | 22.91% | 16.43% | 7.50%  | 35.26% |
| Benchmark (ASI)            | -1.9% | 42.3% | -17.8% | 14.6% | 30.02% | 6.07%  | 19.96% | 29.52% |

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