

United Capital Equity Fund

Mutual Funds Factsheet | July 2024

Contact Us:

Emmanuel Akehomen | +234-703-180-3064 | emmanuel.akehomen@unitedcapital.com

Asset Management | +234-1-631-7876 | assetmanagement@unitedcapital.com



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 bears dominated the Nigerian Stock Exchange (NGX) despite pockets of buy-interests during the month. We observed that the activities in the fixed-income market continue to serve as a key demotivator for risk on sentiments in the equities market. Notably, share price depreciations in large-cap stocks, DANGCEM (-10.0% m/m) and MTNN (-6.5% m/m) dragged the local bourse southwards. During the month, two major factors weighed on investors' sentiments and supported the bearish trend in the market. Firstly, the Monetary Policy Committee (MPC) hiked the benchmark interest rate by 50bps from 26.25% to 26.75% as part of its inflation-targeting framework. This weighed on investors' sentiments as the hike is expected to keep fixed-income rates elevated further. Additionally, the recent amendment of the Finance Act, which accommodates a 70.0% windfall tax on banks' Foreign Exchange (FX) gains from 2023-2025, added sell pressures on banking stocks. As a result, the benchmark NGX-All Share Index (NGX-ASI) declined by 2.3% m/m to close at 97,774.2 points. Consequently, YTD return weakened to 33.8% from June's print of 30.5%, with market capitalisation settling at N52.7tn.

On a sectoral level, market activities were broadly bearish, as all four (4) of the five (5) sectors under our coverage closed in the red. The Industrial goods sector (-5.6% m/m) led the laggards due to selloffs in DANGCEM (-10.0% m/m). Trailing behind were the Consumer goods (-4.5% m/m) and Banking (-3.5% m/m) sectors following share price depreciations in NESTLE (-9.8% m/m), DANGSUGA (-13.6% m/m), ZENITHBA (-7.3% m/m) and UBA (-9.6% m/m). The Insurance sector (-2.6% m/m) declined on account of losses in NEM (-6.5% m/m), MBENEFIT (-9.0% m/m), and UNIVINSU (-16.7% m/m). Conversely, the Oil & Gas sector (+5.6% m/m) was the sole gainer due to buy interests in CONOIL (+37.1% m/m).

On corporate disclosures, the H1-2024 earnings season commenced in full swing as several corporates released their financial results. Seplat Energy Plc recorded a 106.6% y/y growth in revenue from N278.3bn in H1-2023 to N575.1bn in H1-2024. The company's Profit Before Tax (PBT) grew significantly by 461.7% y/y

from N43.5bn in H1-2023 to N244.0bn in H1-2024. However, we saw a jump in taxes paid (H1-2024: N176.0 bn vs N1.4bn in H1-2023), which weighed on overall profitability during the period under review. As a result, Profit After Tax (PAT) increased by 61.9% y/y from N42.0bn in H1-2023 to N68.1bn in H1-2024. Also, Total Energies Plc's PAT climbed by 134.1% y/y from N8.7bn in H1-2023 to N20.6bn in H1-2024 following a 93.0% y/y and 253.0% y/y growth in revenue and other income, respectively.

In the banking sector, First Bank Nigeria Holdings recorded a topline revenue growth of 118.8% y/y from N641.0bn in H1-2023 to N1.4tn in H1-2024. The company recorded a 155.4% y/y increase in interest income owing to the hawkish monetary policy environment. As a result, PAT grew by 93.7% y/y from N186.0bn in H1-2023 to N360.3bn in H1-2024. Among tier-2 banks, ETI, STERLING, WEMA, and JAIZ recorded 195.6% y/y, 52.3% y/y, 153.5% y/y, and 199.2% y/y growth in their Profit After Tax (PAT) in H1-2024 to settle at N311.08bn, N16.3bn, N26.6bn, and N11.3bn, respectively. This is on the back of increased interest income given the elevated interest rate environment during the period. Additionally, increased trading activities and gains in foreign exchange (FX) revaluation contributed to the growth.

On the bank recapitalisation exercise, Access Holdings commenced their Right Issue on the 8th-July-2024. The offer size is 17,772,612,811 ordinary shares of N0.50k each at N44.50 per share on the basis of one (1) new ordinary share for every two (2) existing ordinary shares held. The Issue will close on the 14th-August-2024. Similarly, GTCO commenced their Offer for Subscription on the 15th-July-2024. The offer size is 9,000,000,000 ordinary shares of N0.50k each at N44.50 per share. The Issue will close on the 12th-August-2024. Meanwhile, Fidelity Bank Plc announced an extension of its Public Offer and Right Issue application period to the 12th-August-2024.

Looking ahead into August, we expect mixed sentiments to persist in the equities market. Given the developments in the fixed-income market, we expect bearish sentiments amongst investors. The impact of the high yields in the fixed-income market will continue to be a key demotivator as investors switch their asset classes to less risky assets. Additionally, we expect the 50bps increase in the Monetary Policy Rate (MPR) and the windfall tax to continue driving bearish market sentiments in the background. However, we believe this bearish trend to be short-lived. This is hinged on the anticipation of more impressive H1-2024 corporate earnings releases, bank recapitalisation exercise, corporate actions, and dividend prospects. This is expected to incentivise buy-interests as investors take positions in the market. Thus, we recommend that fund managers adopt a strategic approach to the equities market and invest in fundamentally solid stocks with strong potentials.

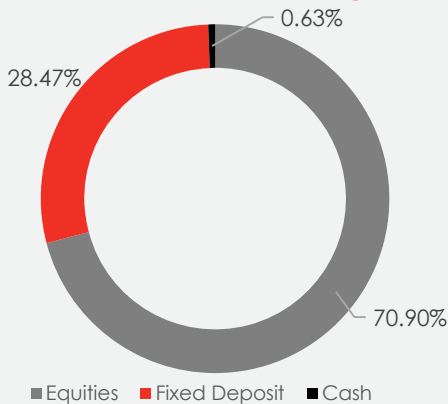
Past performance is not a reliable indicator of future performance, and individual investors' returns may differ depending on individual investment period. Performance is net of fees and charges. This information has been prepared for the purpose of providing general information, without taking into account your objectives, financial situation or needs. Before making an investment decision, you need to consider whether this information is appropriate to your objectives, financial situation or needs. Please consult your financial adviser. This information has been compiled from sources considered to be reliable but is not guaranteed. Any potential investor should consider conducting further enquiries in deciding whether to acquire or continue to hold units in a fund.

FUND FEATURES

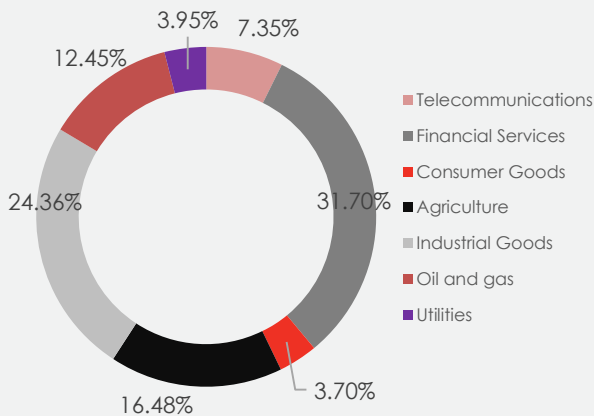
Fund Manager	United Capital Asset Management Ltd
Base Currency/Start Year	Naira/2006
Fund Size (₦)	3.2bn
NAV Per Share (₦)	1.2854
Minimum Entry (₦)	10,000
Additional Investment (₦)	5,000
Structure	Open Ended
Entry/Exit Charges	Nil
Management Fee	1.5%
Total Expense Ratio*	1.8%
Benchmark	NGX ASI
Investment Style	Aggressive
Base Currency/Start Year	Growth Oriented

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

Current Portfolio Holdings

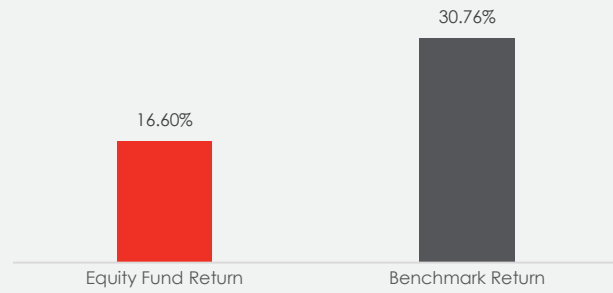


Equity Sectoral Allocation

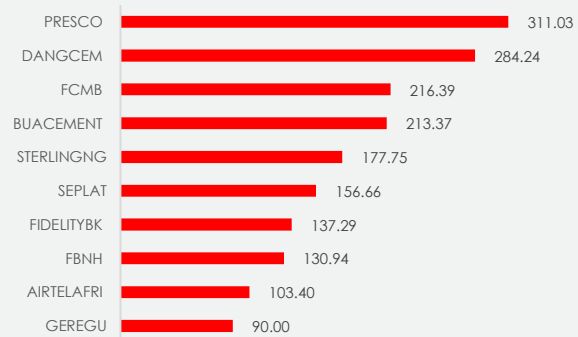


Governance Asset Allocation Ranges:
Money Market(10%-30%); Equities: 70%-90%

Equity Fund Performance Vs Benchmark



Top ten equity exposures (million)



RETURN HISTORY

	2016	2017	2018	2019	2020	2021	2022	2023	2024 YTD
UCAP Equity Fund	-1.00%	36.10%	-5.42%	-1.59%	22.91%	16.43%	7.55%	48.38%	16.60%
Benchmark (ASI)	-1.90%	42.30%	-17.80%	14.60%	50.03%	6.07%	19.98%	45.90%	30.76%

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

PERFORMANCE REVIEW

The United Capital Equity Fund returned 1.14% for the month of July 2024 translating to a YTD return of 16.60%, relative to the return of 30.76% posted by the benchmark for the same period.

The equities market declined in July 2024, as the NGX All Share Index lost 2.28% MoM. The decline was on the back of high yield environment in fixed income space, rights issues and public offers, government policies and market reaction to the release of earnings results.

Looking ahead, we would actively monitor activities in the equities market ahead of the release of more H1 financial performance. Exposure to the market will remain on the lower limit while also taking position in attractive tickers that are currently undervalued and increase exposure to fixed income market given the attractive yield in that space.

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.

Past performance is not a reliable indicator of future performance, and individual investors' returns may differ depending on individual investment period. Performance is net of fees and charges. This information has been prepared for the purpose of providing general information, without taking into account your objectives, financial situation or needs. Before making an investment decision, you need to consider whether this information is appropriate to your objectives, financial situation or needs. Please consult your financial adviser. This information has been compiled from sources considered to be reliable but is not guaranteed. Any potential investor should consider conducting further enquiries in deciding whether to acquire or continue to hold units in a fund.

WHY CHOOSE THE FUND?

- Delivers significantly higher returns than regular domiciliary bank deposits
- A good hedge against depreciation of the Naira
- Seamless Entry and Exit
- Professional management with robust risk framework
- Long term capital preservation and growth

INVESTMENT RISK

- Credit Risks
- Macroeconomic instability
- Interest Rate Risk

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.



Diversify your investments with our Mutual Funds today.

Balanced Fund Equity Fund Fixed Income Fund Money Market Fund

Nigerian Eurobond Fund Sukuk Fund Wealth for Women Fund