



DataPro



FUND RATING REPORT

UH REAL ESTATE INVESTMENT TRUST

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January, 2024

UH REAL ESTATE INVESTMENT TRUST

DataPro Rating:

A^(f)

Fund Type: Close Ended
Real Estate
Investment
Trust (REIT)

Fund Size: ₦10.0billion

Currency: Naira

Fund Outlook: Stable

Date Issued: 16 Jan., 2024

Valid Till: 15 Jan., 2025

Reference:

Abiodun Adeseyoju, FCA.
Abimbola Adeseyoju
Oladele Adeoye

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FINANCIAL SUMMARY

	2022 ₦000	2021 ₦000	2020 ₦000	2019 ₦000	2018 ₦000
Net Asset Value	9,973,564	9,902,038	9,858,871	9,810,935	9,789,579
Investment Income	659,909	576,083	558,259	552,901	541,096
Net Income	439,747	397,855	379,160	366,094	363,650
Investment Property	9,820,059	9,932,059	9,932,059	9,920,294	9,637,916
Total Assets	11,503,001	11,357,579	10,997,033	11,036,914	10,968,704

Rating Explanation

The Long-Term Rating of A^(f) indicates Low Risk. It is assigned to Funds which have very good strength, operating performance and profile when compared to the standards established by DataPro. This Fund, in our opinion, has the strong ability to meet its on-going obligations.

RATING SYNOPSIS

The Rating took into consideration all relevant qualitative and quantitative factors to arrive at the assigned risk factor.

The qualitative information used was obtained from *The Fund* Manager during interview sessions with its representatives and examination of Trust Deeds and the Custody Agreement. The quantitative information used was obtained from the *Fund's* Audited Account.

The risk factors were assessed by considering the credit risk, interest rate risk, liquidity risk, regulatory framework and operating performance of *The Fund* Manager.

Our review of the investment strategy of *The Fund* reveals the following:

Positive Rating Factors:

- Good Credit Quality
- Good Profitability Profile
- Good Liquidity

Negative Rating Factors:

- Concentration Risk
- Credit Risk

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THE FUND

UH Real Estate Investment Trust Fund ("The Fund") formerly known as *Union Homes Real Estate Investment* was incorporated on the 19th of August, 2008. However, it commenced investment activities on the 3rd day of February, 2009.

It was registered as a *Close-ended Investment Scheme* and *Real Estate Investment Trust (REIT)* by the *Securities and Exchange Commission (SEC)* under the *Investment and Securities Act 2007*. The Fund is governed by a Trust Deed approved by *SEC*.

The *Fund* is established to provide investors with long term capital appreciation and optimization of returns. This is to be achieved by investing the Assets of the *Fund* in a strategic mix of Real Estate properties and money market instruments as specified in the Trust Deed.

The target investors are: Pension Fund Administrators, Investment Managers, Endowment Funds, Insurance Companies, International Investors and Individual Investors interested in Real Estate.

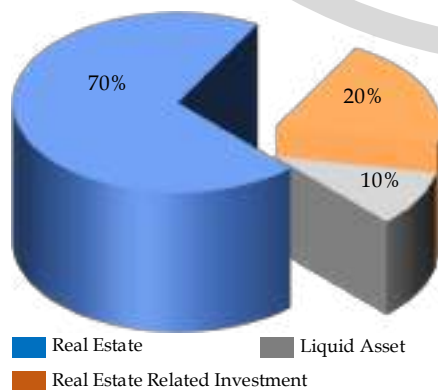
The *Fund* is listed on the floor of the *Nigerian Exchange Limited (NGX)*. Its assets are totally segregated from the assets of the Fund Manager. As at 31st December, 2022 the Net Asset Value of the Fund stood at ₦9.97b.

The *Fund* Manager is *SFS Capital Nigeria Limited*. *United Capital Trustees Limited* and *Global Investor Services* perform the duties of Trustees and Custodian respectively.

Other parties to the *Fund* are: *Greenwich Registrars and Data Solution (Registrar)*, *Baker Tilly (Auditors)*, *Ubosi Eleh & Co.* and *Jide Taiwo & Co (Real Estate Surveyors and Valuers)*.

INVESTMENT STRATEGY

TARGETED ASSETS DISTRIBUTION OF THE FUND

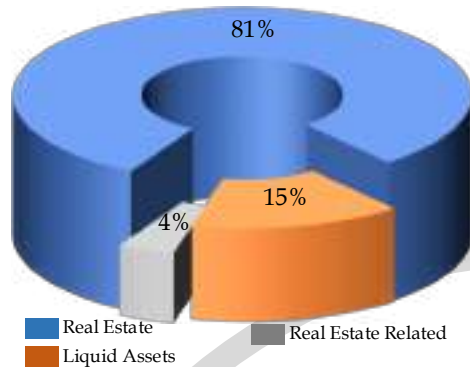


Source: UH Real Estate Trust Fund

The investment strategy is to utilize practical research-driven approach to acquiring, holding, renting, renovating and/or trading income-generating real estate, such as residential homes, shopping malls, shops, hotels, offices and warehouses while taking advantage of the Fund's tax-exempt status.

ACTUAL DISTRIBUTION OF FUND'S ASSETS (OCT., 2023)

As at 31st of October, 2023 the Fund Assets maintained a balance of ₦11.2b. The allocation of Fund compares well with the targeted Assets distribution contained in the Funds' Trust Deed.



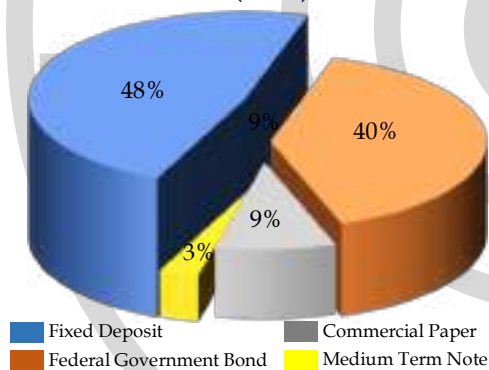
Source: UH Real Estate Trust Fund

FUND PERFORMANCE

In the financial year 2022, the Fund's Total Assets stood at ₦11.5b. This reflected a slight advancement of 1% from prior year's position. Total Assets included Investment Properties, Cash and its Equivalents, Financial Assets at Amortized Cost, Trade and Other Receivables as well as Property and Equipment.

COMPOSITION OF FINANCIAL ASSETS (2022)

Of all Asset classes, Investment Properties remained the most prevalent. It constituted 85% of the Fund's Asset in the years 2021 and 2022. However, it marginally declined from ₦9.9b (Yr. 21) to ₦9.8b (Yr. 22).



Source: UH Real Estate Trust Fund

Cash and its Equivalent including Short-term Deposits decreased by 27%, from ₦738.3m (Yr. 21) to ₦535.9m (Yr. 22). The Short-term Deposits are made for varying periods ranging from one day to three months.

Financial Assets at amortised Cost were investments in Medium Term Note, Commercial Paper, Fixed Deposit and Federal Government Bond. The value of these amounted to ₦978.5m (Yr. 22), representing 81% increase.

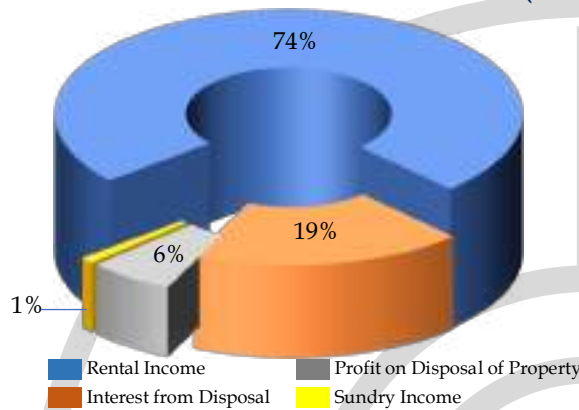
Total Liabilities were largely current in nature. Current Liabilities comprised Rent received in advance, Accruals and Other Payables, amounting to ₦1.5b (Yr. 22). The Non-Current portion represented 2% of the Fund's Liabilities.

As at the period ended 31st October 2023, the Fund Assets totaled ₦11.9b. This implied an enhancement in the Fund's Asset Quality.

• **EARNINGS PROFILE**

Investment Income from the Fund surged by 15%, from ₦576m (Yr. 21) to ₦659.9m (Yr. 22). The Fund earned its Income from Rentals, Interest on Deposits, Disposal of Property as well as Sundry earnings. Nil Profit was reported on Disposal of Property in the year 2021. However, a gain of ₦40m was recorded in the financial year 2022.

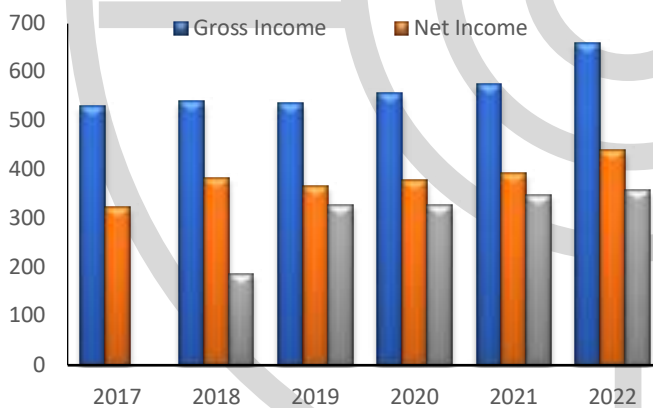
DISTRIBUTION OF FUND'S INCOME (2022)



Source: UH Real Estate Trust Fund

All sources of Income besides Sundry Income grew considerably during the year 2022. Rental Income rose by 4% while Interest on Deposits went up by 36%. In contrast, Sundry Income including Legal Fee and Scrap Sales decreased by 26% (Yr. 22). In the financial year 2022, Return on Investment improved from 6% from the prior year to 7%.

As presented in the Management Account for the period ended October 31, 2023 the Fund's Total Income was ₦675.8m.



Source: UH Real Estate Trust Fund

Total Operating Expenses scaled up by 24% in the year 2022. The key drivers of this increase were SEC Supervisory Fee and Property Maintenance Expenses. Management Fee formed the largest portion of Total Operating Expenditure for the year 2022. It amounted to ₦99.4m.

The growth in the Fund's Income cushioned the effect of the heightened Operating Expenditure. Consequently, Net Income grew from ₦397.8m (Yr. 21) to ₦439.7m (Yr. 22). However, Net Profit Margin declined from 69% (Yr. 21) to 67% in the year 2022.

REGULATORY ENVIRONMENT

The *Fund* is incorporated under the Laws of Nigeria, specifically the *Investments and Securities Act of 2007*.

The regulator performing oversight functions on the Fund Manager is the *Securities & Exchange Commission (SEC)*. The *Fund* is listed on the floor of the *Nigerian Exchange Limited (NGX)*. Consequently, it is subject to the Exchange rule.

The *Fund* is constituted by a Trust deed that provides for the rights and obligations of parties to the *Fund*.

There exists in respect of the Fund, a Custodian Agreement executed by *SFS Capital Nigeria Limited, Global Investor Services* and *United Capital Trustees Limited*.

The Fund's Investment Committee Members are as presented:

S/N	NAMES	ROLE
1.	Mr. Nsikak Ekure	Independent Member
2.	Dr. Leo Okafor	Trustees
3.	Mr. Olumide Oyefodunrin	Trustees
4.	Mr. Patrick Ilodiana	Fund Manager
5.	Mr. Dimeji Sonowo	Fund Manager
6.	Charles Musa & Co	Fund's Solicitors

Source: *UH Real Estate Trust Fund*

DIRECTORS PROFILE

The performance of the *Fund* is reviewed and monitored by the directors of the Fund Managers.

The directors are: *Dr. Leo Okafor, Mr. Patrick Ilodiana, Dr. Yemi Kale, Mr. Yemi Gbenro and Mr. Dimeji Sonowo.*

- Name:** Dr. Layi Fatona
Position: Chairman
Education:
 - M.Sc. – University of London, 1976.
 - PhD – University of London, 1980.**Experience:**
 - Shell Petroleum Development Company (SPDC)
 - Past President, Nigerian Association of Petroleum Exploration (NAPE)
 - MD/CEO, Niger-Delta Exploration Plc**Years of Experience:** 37 years
- Name:** Patrick Ilodiana
Position: Managing Director
Education:
 - B. Sc – University of Lagos
 - MBA – Pan-African University
 - FCA – The Institute of Chartered Accountant of Nigeria
 - HCIB – Chartered Institute of Bankers of Nigeria
 - ACIT – Chartered Institute of Taxation
 - ACIS – Chartered Institute of Stock Brokers
 - GMP – Harvard Business School**Experience:**
 - StanbicIBTC Bank Plc**Years of Experience:** 25years

3. **Name:** Dr. Yemi Kale
Position: Director
Education:
 - B Sc – Addis Ababa University of Ethiopia
 - M. Sc – London School of Economics
 - Ph. D. – London School of Economics**Experience:**
 - Equity Analyst, Merrili Lynch Financial Services
 - Group Head of Research, StanbicIBTC Bank
 - Special Adviser to Minister of Finance
 - Technical Adviser to Minister of National Planning
 - Presently, the statistician General of the Federation & CEO of National Bureau of Statistics
4. **Name:** Yemi Gbenro
Position: Director
Education:
 - B. Sc – University of Lagos
 - M.Sc – University of Lagos**Experience:**
 - NAL Bank Plc
 - EIB International Bank
 - MD/CEO, SFS Financial Services**Years of Experience:** 39years
5. **Name:** Dimeji Sonowo
Position: Executive Director
Education:
 - B.Sc – Ogun State University
 - MBA – Manchester Business School
 - FCA – The Institute of Chartered Accountant of Nigeria**Experience:**
 - IBTC Asset Management Ltd
 - Skye Bank Plc**Years Experience:** 24years

THE FUND MANAGER TRACK RECORD

The *Fund* Manager consists of experienced professionals. It has over ₦80billion under management and advisory.

The clients include Pension Funds, High Net Worth Individuals, NPOs, State Reserve Funds and Federal Government Parastatals.

The Fund Manager also manages a similar fund known as *SFS Real Estate Trust Fund*.

The Fund Manager has received several awards in recognition of its performance in Fund Management.

RISK FACTORS

- **CREDIT RISK**

This is the risk arising from the failure of third parties to honor their obligation as at when due.

The earnings of the Fund are largely dependent on rental income which accounted for 64% of Total Revenue for the 10-month period ended, October 31st 2023. Therefore, inability of current occupants of investment properties to pay rent as and when due will affect the income of the fund.

- **DESTRUCTION RISK**

This is the risk that revenue of the Fund may be impaired as a result of damage to physical structure of the investment properties either by human or environmental factors.

We observed that the existing investment properties are insured against fire and special perils during the year 2023.

- **LEGAL RISK**

This is the risk of loss to income arising from legal action arising from the use of the properties.

- **CONCENTRATION RISK**

The *Fund* is heavily concentrated in the real estate sector and geographically in Lagos State of Nigeria. Consequently, adverse changes in the real estate sector of the economy will affect the value of the Fund and its income potentials.

CONCLUSION

We have reviewed the investment policy in addition to the Fund performance. The Rating is constrained by sectorial and location concentration of the underlying assets.

However, attention was paid to the track record of the *Fund* Manager and the earning profile of the *Fund*.

Consequently, we consider the Fund an *“Investment Grade”*

FUND FINANCIALS

	Dec, 2022		Dec, 2021		Dec, 2020
	₹'000	Δ%	₹'000	Δ%	₹'000
Cash and cash equivalent	535,940	(27.41)	738,356	396	148,731
Other assets	5,289	(14.38)	6,177	(8)	6,721
Trade and other receivables	106,122	7.07	99,110	53	64,819
Investment properties	9,820,059	(1.13)	9,932,059	-	9,932,059
Property, plant and equipment	57,056	21.27	47,050	49	31,602
Financial assets held to maturity	978,535	82.96	534,827	(34)	813,101
TOTAL	11,503,001	1.28	11,357,579	3	10,997,033
LIABILITIES					
Rent received in advance	150,900	(26.96)	206,588	6	195,006
Accruals and other payables	1,378,537	10.38	1,248,953	32	943,156
Provisions	-	-	-	-	-
	1,529,437	5.08	1,455,541	28	1,138,162
Equity					
Unit holders equity	9,406,353	-	9,406,353	-	9,406,353
Retained earnings	567,211	-	495,685	10	452,518
Total Equity	9,973,564	0.72	9,902,038	0	9,858,871
	11,503,001	1.28	11,357,579	3	10,997,033
Profit and loss					
Investment income	659,909	14.55	576,083	3	558,259
Profit/loss before tax	439,747	10.53	397,855	5	378,160
Taxation	8,898	86.46	4,772	(338)	(2,002)
Profit after taxation	430,849	9.61	393,083	4	377,158

Signed: 
Name: Oladele Adeoye
Designation: Chief Rating Officer
Date: 16th January, 2024

For and on behalf of:
DataPro Limited
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USER GUIDE

DataPro's credit rating is an opinion of an issuer's/issues overall creditworthiness and its capacity to meet its financial commitment.

Our *short-term* ratings have a time horizon of less than 12 months in line with industry standards reflecting risk characteristics. The ratings place greater emphasis on the liquidity to meet financial commitment in a timely manner.

The long-term risk indicator is divided into 8 bands ranging from AAA(f) through DD(f). Each band could be modified by + or -. With + representing slightly less risk than -. Such suffixes are not added to the 'AAA' long -term rating category and to categories below 'CCC'. Or to short-term rating older than A1+.

LONG-TERM RATING

Investment Grade

Indicator	Meaning	Explanation
AAA(f)	Lowest Risk.	<i>(Superior)</i> Assigned to funds which have superior financial strength, operating performances and profile when compared to the standards established by <i>DataPro Limited</i> . These funds, in our opinion, have a Excellent ability to meet their ongoing obligations.
AA(f)	Lower Risk	<i>(Excellent)</i> Assigned to funds which have excellent financial strength, operating performance and profile when compared to the standards established by <i>DataPro Limited</i> . These funds, in our opinion, have a very strong ability to meet their ongoing obligations.
A(f)	Low Risk	<i>(Very Good)</i> Assigned to funds which have very good financial strength, operating performance And profile when compared to the standards established by <i>DataPro Limited</i> . These funds, in our opinion, have a strong ability to meet their ongoing obligation.
BBB(f)	Slight Risk	<i>(Fair)</i> Assigned to funds which have fair financial strength, operating performance and profile when compared to the standards established by <i>DataPro Limited</i> . These funds, in our opinion, have an ability to meet their current obligations, but

their financial strength is vulnerable to adverse changes in economic conditions.

Non-Investment Grade

Indicator	Meaning	Explanation
BB(f)	Moderate Risk	<i>(Marginal)</i> Assigned to funds which have, marginal financial strength, operating performance and profile when compared to the standards established by <i>DataPro Limited</i> . These funds, in our opinion have an ability to meet their current obligation, but their financial strength is vulnerable to adverse changes in economic conditions.
B(f)	High Risk	<i>(Weak)</i> Assigned to funds which have, weak financial strength, operating performance and profile when compared to the standard established by <i>DataPro Limited</i> . These funds, in our opinion have an ability to meet their current obligation, but their financial strength is vulnerable to adverse changes in economic conditions.
CCC(f)	Higher Risk	<i>(Poor)</i> Assigned to funds, which have poor financial strength, operating performance and profile when compared to the standards established <i>DataPro Limited</i> . These funds, in our opinion may not have an ability to meet their current obligation and their financial strength is extremely vulnerable to adverse changes in economic conditions.
DD(f)	Highest Risk	<i>(Very Poor)</i> Assigned to funds, which have very poor financial strength, operating performance and profile when compared to the standards established by <i>DataPro Limited</i> . These funds, in our opinion may not have an ability to meet their current obligation and their financial strength is extremely vulnerable to adverse changes in economic conditions.