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## 2004 YEAR REVIEW AND 2005 OUTLOOK REPORT

### KEY ECONOMIC INDICATORS

	2004 (%)	2003 (%)	2002 (%)
Real GDP Growth - CBN	6.0 – 7.0 <sup>1</sup>	3.5	3.3
Real GDP Growth – IMF	4.0	N/A	-0.9
91-day T-bill Rate (year end)	14.50	14.50	14.0
182-day T-bill Rate (year end)	16.00	N/A	N/A
% Change in NSE All-Share Index	18.46	65.84	10.7
NSE ASI Range	20,257 - 30,703	12,140 - 21,147	10,173 – 13,005
% Change in Naira Value/US\$	3.03	-7.96	-11.86
12-Month Average Inflation Rate	18.20 <sup>2</sup>	14.00	12.9
Minimum Rediscount Rate	15.0	15.0	16.5

<sup>1</sup> Estimate by President Olusegun Obasanjo stated while delivering 2005 Appropriation Bill to the National Assembly

<sup>2</sup> As at October 2004

Source: Federal Office of Statistics (FOS), Central Bank of Nigeria (CBN), The Nigerian Stock Exchange (NSE)

## Socio-Economic Highlights of the year 2004

During the year, a couple of socio-economic events occurred, which affected the direction of the financial markets and the economy as a whole. The key events include the following:

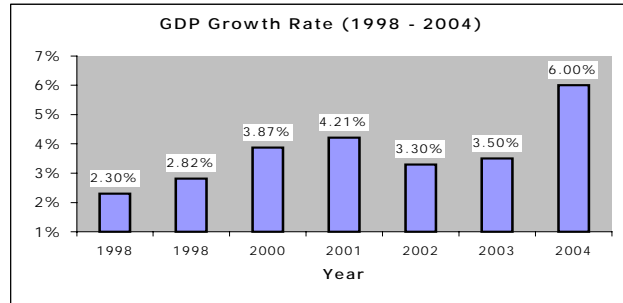
- After almost 12 months of crisis rocking the embattled Governor of Anambra State Dr. Chris Ngige and his estranged godfather, following the botched abduction of the Governor, the National Executive Committee of the Peoples Democratic Party on account of the confessed electoral fraud in the 2003 gubernatorial polls, suspended the Governor and Chief Chris Uba from the party each for a month.
- With the collapse of Nigeria Airways in 2002, the government intensified the quest for a functional replacement. The new flag carrier christened, Virgin Nigeria is owned partly (51%) by Nigeria, with 49 percent share holding held by Virgin Atlantic. However, there have been controversies surrounding the status of the new national carrier these range from shareholding's structure to operational routes, and the management structure.
- The announcement by the President in respect of a special levy of N1.50 per litre of PMS and AGO for road maintenance which took off effect January 1, 2004 was met with thick opposition as the Nigerian Labour Congress (NLC) threatened an industrial strike action to express it's displeasure. As a fallout of this, the implementation of the fuel tax was abolished during the year. We note that the Nigerian Labour Congress (NLC) embarked on strike action twice during the year, to protest the increase in the pump price of petroleum products. PMS sold at N44 per litre at the beginning of the year and between N48 and N49.5 at the close of the year.
- One of the notable appointments during the year was the appointment of the Governor of the Central Bank of Nigeria (CBN), Professor Charles Soludo, following the retirement of the erstwhile Governor Chief (Dr.) Joseph Sanusi.
- Following the sweeping changes and reforms promised by the Governor of the Central Bank of Nigeria (CBN) on resumption in office, the minimum paid up capitalisation of banks was raised from N2 billion to N25 billion. The move is aimed at strengthening the Banking Industry. According to the Governor, the upward review of the capital base forms part of the major elements of the reforms by the CBN in the first phase of the banking sector reforms. Banks are expected to fully comply by December 31, 2005.
- In 2004, the banking industry witnessed the announcement of four proposed mergers and one acquisition. How these mergers will pan out is yet to be seen. Some of the banks that have signed Memorandum of Understanding's (MOU) to date are:
  - a) **First Consolidated Group**
    - ✓ Allstates Trust Bank Plc
    - ✓ Universal Trust Bank Plc
    - ✓ Lion Bank Of Nigeria Plc
    - ✓ Hallmark Bank Plc
    - ✓ Gulf Bank of Nigeria Plc
  - b) **Intercontinental Group**

- ✓ Intercontinental Bank Plc
  - ✓ Equity Bank of Nigeria Ltd
  - ✓ Gateway Bank Plc
  - ✓ Global Bank plc
  - c) **Astral Bank Plc**
    - ✓ Guardian Express Bank Plc
    - ✓ Manny Bank Plc
    - ✓ Assurance Bank Nigeria Ltd
    - ✓ First Atlantic Bank Plc
  - d) **Sterling Bank**
    - ✓ Prudent Bank Plc
    - ✓ Magnum Trust Bank Plc
    - ✓ NBM Bank Ltd
    - ✓ Trust Bank of Africa Ltd
    - ✓ EIB International Bank Plc
  - e) **Wema Group**
    - ✓ Wema Bank Plc
    - ✓ Lead Bank
    - ✓ Fountain Trust Bank
  - f) **Guaranty Trust Bank** recently signalled intentions to acquire **Inland Bank Nigeria Plc** to help strengthen its reach of the Northern market, but it appears that the acquisition may be stalled.
  - g) **Zenith Bank Plc** has also indicated its intention to acquire a yet unnamed bank.
- In October, President Obasanjo presented the 2005 budget proposal of N1.6 trillion to a joint session of the National Assembly. The budget proposal has projected a deficit of N314 billion for the 2005 fiscal year. The deficit is to be financed with the excess crude oil savings for 2004, privatisation proceeds, sale of government property, recovered looted funds and long-term funds from the capital market. One major highlight of the Bill is the benchmark of \$27 per barrel for the sale of crude oil, which was later reviewed to \$30 per barrel following a meeting with the National Assembly.
  - The proposed budget was notable in that it was prepared in the context of a three-year medium-term expenditure framework i.e. (2005 – 2007), a shift away from the single year budget.
  - Nigeria failed to hand over the oil-rich Bakassi Peninsula to Cameroun on the September 15<sup>th</sup> deadline agreed by the joint commission set up by the UN to implement the 2002 International Court of Justice ruling on their common border. However the meeting of the commission in the last quarter to set a new date for the handover ended in a deadlock.
  - The Bureau for Public enterprises (BPE) has made some progress in offloading some smaller and less sensitive state enterprises. A total of N4.8 billion was realised from sale of government shares in six companies, including Delta Steel and Peugeot Automobile of Nigeria. However political opposition and the delay of the enactment of the Power sector reform bill, which is passing through the National Assembly for the second time has led to the delay in the privatisation of the National Electric Power Authority (NEPA). The legislation is expected to pave way for the unbundling of NEPA into various units for privatisation.
  - Following the hike in the price of crude oil in the international market, the Organisation Of Petroleum Exporting Countries (OPEC) increased the cartel's

production ceiling four times during the year. The last increase was effective November 1, 2004 when Nigeria's production quota was increased to 2.224m b/d from 2.142m b/d. The increase was in an attempt to stall the incessant rise in the world crude oil prices.

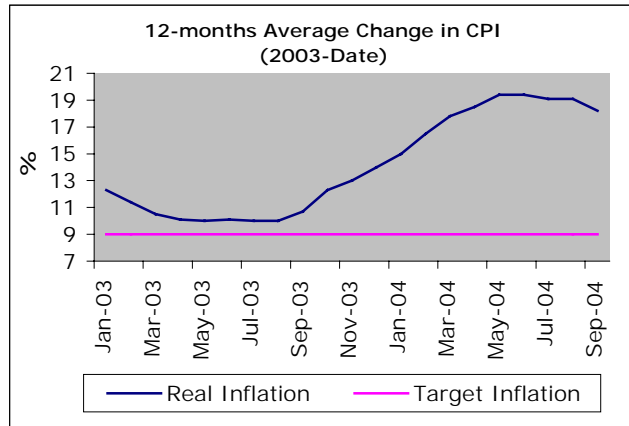
## Review of the Economy

Despite the promises by the authorities to keep the inflation rate as a single digit, records provided by the Federal Office of Statistics (FOS) shows that 12-month average inflation rate remained in double digits.



- The incessant price hikes in the price of petroleum products led to a resurgence in inflation, drop in consumer purchasing power, and a drop in corporate profits amongst others. This was in response to the high price of crude oil in the international market resulting in higher landing cost of petroleum products.

- Owing to the depreciation of the dollar in the international market, the naira for the first time in seven years recorded a positive growth against the dollar. The value of the naira appreciated against the dollar by 3.03% to close the year at \$132.85 in the official market.



- In a bid aimed at fostering the present administrations reform agenda, the Federal Government moved to articulate the National Economic Empowerment and Development Strategy (NEEDS), directed at addressing Nigeria's deep-rooted macroeconomic and structural challenges. The initiatives to improve oil sector efficiency and enhance public sector transparency and accountability were introduced as part of NEEDS. These prudent sets of macroeconomic policies in 2004 were aimed at achieving macroeconomic stability and to further enhance Nigeria's growth prospects.

- The Federal Government's commitment to improve transparency was evidenced by Nigeria's participation in the Extractive Industries Transparency Initiatives (EITI), New Partnership for Africa's Development (NEPAD) peer review mechanism, and the G8 Transparency Initiative. The strengthening of the Economic and Financial Crimes Commission (EFCC) and the Independent Corrupt Practices Commission (ICPC) were also important steps taken by the Nigerian Government to fight corruption.

- The relatively high rate of inflation ranging between 15% and 19.4% as against a target of 9% set by the president impacted negatively on the economy.



second half was bearish. The following are factors that contributed to the movements witnessed in the market.

- The high level of speculative activities fuelled mainly by institutional investors and stockbrokers involvement in stock market activities in the first half of the year drove the stock market as the NSE All-Share Index rose steadily in the first six weeks of the year.
- Favourable benefit announcements by some blue chip companies and the low interest rates obtainable in the money market gave a major boost to stock market activities.
- However, profit taking by investors in the third week of February took the steam temporarily out of the market, as the market continued to ride on the wings of speculative trading.
- The benefit declaration in the petroleum marketing sector between the months of June – July, and the increase in the pump price of petroleum products, which investors believed, would translate into improved earnings for companies in the petroleum sector, gave birth to another rally in the market as this had a spill over effect on other sectors. In June, the NSE All-Share index had attained an all-time high of 30,703.46 while the market capitalisation achieved a high of N2.19 trillion, thus bringing the growth in the NSE All-Share Index as at June 18, 2004 to 52.5% YTD.
- In the wake of the rising stock prices, the much-awaited primary market offers such as the Zenith Bank and Guaranty Trust Bank offers, trickled into the capital market, this impacted negatively on the secondary market as funds gradually left the secondary market to purchase the primary offers.
- While the market was yet to recover from the impact of primary market offers, the Governor of the CBN on July 6, 2004 announced an increase of 1150% in the minimum capital base of banks from N2 billion to N25 billion. This triggered off panic in the banking sector as investors dumped the shares of smaller banks for the bigger banks.
- The withdrawal of parastatal funds from the financial system put pressure on the liquidity level of banks. This, sparked off a massive sell off in equities as most banks that were directly or indirectly involved in the stock market were either selling or recalling such funds that had hitherto fuelled speculative trading. From July 1, to December 31, 2004 the market recorded a negative performance of 13.2% in its value to close the year at 18.46%.
- As a result of the proposed banking reforms a number of banks continued to approach the capital market, to raise fresh equity capital. An estimated sum of N25.6 billion was raised via Initial

#### Equities Market Statistics

	2004	2003
Turnover (Volume)	19.8 billion	13.2 billion
Turnover (Value)	₦230.44billion	₦117.4 billion
Closing NSE All-Share Index	23,844.45	20,128.94
Change in NSE All-Share Index	18.46%	65.84%
Closing Market Capitalisation	₦1,925.9 billion	₦1,324.8 billion
Quoted Equities	207	200
Change in CTSL 40 NEMI	30.63%	62.40%
Change in CTSL 20 NEGI	33.62%	67.99%
Change in CTSL Mfg. Index	22.97%	70.08%
Change in CTSL Banking Index	39.57%	19.94%
Change in CTSL Pet. Mkg. Index	37.29%	167.97%
Change in CTSL Insurance Index	10.39%	56.95%

Public Offerings (IPO's); N62 billion via supplementary issues by already listed companies; N18.1 billion via Rights Issues and N6 billion via Bonds Issues in the year.

- In spite of the relatively poor performance of the Nigerian stock market when compared with 2003, the NSE All-Share Index outperformed most of the major world stock markets indices in 2004 with a 21.49% growth in the Nigerian stock market, in US\$ terms, the market outperformed the American, British, French, German, Spain, India, Hong Kong and Japanese markets. (see table 2)
- Foreign portfolio investments made in the Nigerian capital market through The Nigerian Stock Exchange during the year were approximately N7.5 billion compared with an estimated N1 billion in 2003.

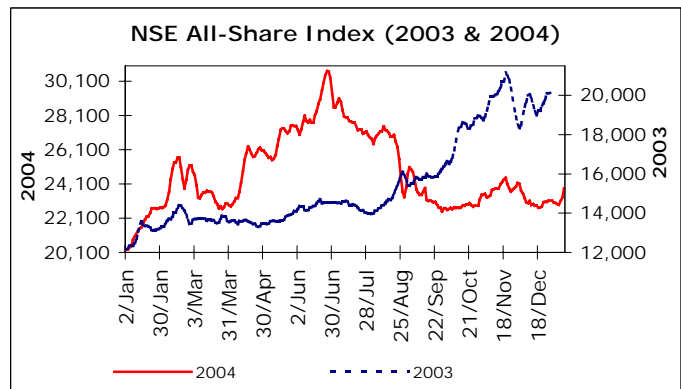
### New Listings In The Year Include:

#### Equity

- ✓ Standard Trust Bank Plc
- ✓ Zenith Bank Plc
- ✓ First City Monument Bank Plc
- ✓ ACB International Bank Plc
- ✓ Tourist Company Of Nig. Plc
- ✓ Acen Insurance Plc

#### Bond

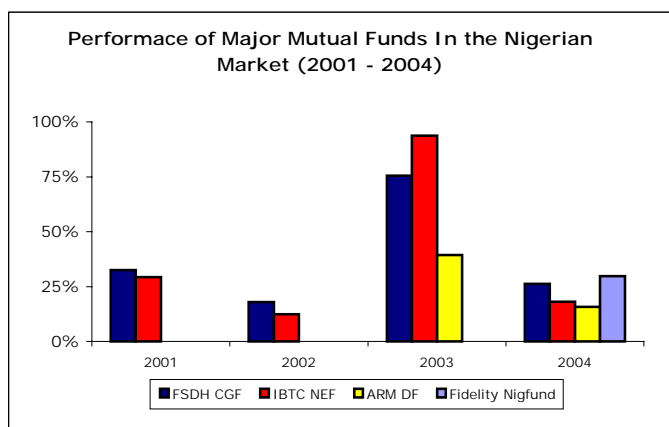
- ✓ 25<sup>th</sup> FGN Floating Rate Bond 2006
- ✓ 26<sup>th</sup> FGN Floating Rate Bond 2008
- ✓ 27<sup>th</sup> FGN Bond Floating Rate Bond 2010
- ✓ 28<sup>th</sup> FGN Floating Rate Bond 2013
- ✓ 1<sup>st</sup> C/River State F/Rate Red. Ranch Dev. Bond 2004/2007.



- The best performance was recorded in the **banking sector**, which was the most active sector during the year in terms of volume turnover. This is partly attributable to the exceptionally strong demands for banking stocks several days after listing of new issues. Such strong demand in most cases led to an appreciation ranging between 20% - 40% in the price of such stocks. The CTSL Banking Index rose by 39.57% to close the year at 167.40
- The **CTSL Petroleum Marketing Index** grew by 37.19%. The growth recorded was mainly on the heels of favourable benefit declaration by companies in this sector. Following, the deregulation of the down stream sector in the oil industry in the last quarter of 2003, the share prices of major oil marketing companies have continued to ride on the wings of an anticipated improvement in the earnings of companies operating within the sector.
- The **Manufacturing sector** also recorded positive returns, as the CTSL Manufacturing Index appreciated by 22.97%. The growth in the sector came on the heels of the announcement of impressive results and benefits to the shareholders of blue chip manufacturing companies such as Nigerian Bottling Co., Cadbury, Nigerian Breweries and P.Z Industries. The isolated demand for the shares of Nigerian Breweries in response to the bonus announcement of one new share for every one share already held gave a major boost to the growth in this sector. Also the ban on importation of goods that could otherwise be manufactured locally and the ever-strong campaign of NAFDAC, clamping down on illegal importation and

manufacture of banned and fake products also contributed to the growth in this sector.

- The growth in the **Insurance sector** was not too impressive. The CTSL Insurance Index recorded a positive return of 10.39%. The low level of liquidity of stocks in this sub sector has served as a major deterrent to growth in the insurance sector.
- As at December 31, 2004 there were eight **Unit Trust/ Mutual Funds** with memorandum listing on The Nigerian Stock Exchange (NSE), compared to the seven funds in 2003. This suggests an increase in the awareness of mutual funds as more investors shift away from investing in individual equities towards investing in funds. The eight funds are; Icon Unit Trust, Centre-Point Unit Trust, First Interstate Unit Fund, The IBTC Nigerian Equity Fund, The Discovery Fund, Fidelity Nigfund, The Frontier Fund.



## 25 Most Capitalised Stocks

	Company	Market Capitalisation as at 31-Dec-2004 (=N=)	% of Total Market Capitalisation
1	NIGERIAN BREW PLC.	323,677,668,152.00	16.81
2	GUINNESS NIG PLC	138,041,229,150.85	7.17
3	FIRST BANK NIG. PLC	94,432,877,381.25	4.90
4	ZENITH BANK PLC	94,140,000,000.00	4.89
5	UNION BANK NIG. PLC	93,962,400,000.00	4.88
6	NESTLE FOODS NIGERIA PLC	79,064,818,750.00	4.11
7	NIG. BOTTLING CO. PLC	79,064,818,750.00	3.90
8	GUARANTY TRUST BANK PLC	70,140,000,000.00	3.64
9	OANDO PLC	64,111,215,420.00	3.33
10	TOTAL NIGERIA PLC	61,959,340,164.48	3.22
11	CADBURY NIGERIA PLC	59,049,717,294.00	3.07
12	CONOIL	53,919,600,000.00	2.80
13	UNILEVER NIG. PLC	46,912,873,484.50	2.44
14	STANDARD TRUST BANK	44,460,000,000.00	2.31
15	MOBIL OIL NIG PLC	44,233,018,928.00	2.30
16	TEXACO (NIG) PLC	42,924,085,568.00	2.23
17	OCEANIC INTERNATIONAL BANK NIG. PLC	37,800,000,000.00	1.96
18	AFRICAN PETROLEUM PLC	29,808,000,000.00	1.55
19	INTERCONTINENTAL BANK PLC	28,027,356,500.00	1.46
20	U.B.A PLC	27,693,000,000.00	1.44
21	P.Z. INDUSTRIES PLC	25,352,970,684.60	1.32
22	M-NET/SUPERSPORT	23,632,494,900.00	1.23
23	FIRST CITY MONUMENT BANK	23,310,000,000.00	1.21
24	ASHAKA CEM. PLC	19,743,750,000.00	1.03
25	W.A. PORTLAND COMP. PLC.	19,381,760,022.60	1.01

Company	Market Capitalisation as at 31-Dec-2004 (=N=)	% of Total Market Capitalisation
TOTAL	1,620,811,450,754.78	84.16

## Stock market Returns

### 25 Top Performers<sup>1</sup>

S/N	Security	Price 31-Dec-2003	Price 31-Dec-2004	Cash Dividend	Bonus Ratio	Change in price (%)	Total Return (%)
1	ALUMINIUM MAN. OF NIG PLC	0.50	2.00	0.05	-	300.00	310.00
2	CHAMPION BREWERIES PLC	1.26	4.78	-	-	279.37	279.37
3	FIRST ATLANTIC BANK PLC	1.15	3.26	0.08	1 for 4	183.48	260.87
4	TRIPPLE GEE AND CO. PLC	0.33	1.00			203.03	203.03
5	WEST AFRICAN PROV. INS. CO. PLC	1.05	2.65	0.18		152.38	169.05
6	NCR (NIGERIA) PLC	0.59	1.44			144.07	144.07
7	CAP PLC	3.95	7.15	0.50	1 for 4	81.01	138.92
8	PHARMA –DEKO PLC	2.44	5.42	0.20		122.13	130.33
9	LINKAGE ASSURANCE PLC	0.94	1.51	0.05	1 for 3	60.64	119.50
10	LENNARDS (NIG) PLC	0.37	0.77			108.11	108.11
11	ROYAL EXCHANGE ASSURANCE PLC	3.20	5.01	0.15	1 for 4	56.56	100.39
12	A.G LEVENTIS NIGERIA PLC	0.65	1.23	0.07		89.23	100.00
13	INTERCONTINENTAL BANK PLC	4.25	7.81	0.40		83.76	93.18
14	NAL BANK PLC	1.61	1.76	0.05	1 for 2	9.32	89.59
15	R T BRISCOE PLC	5.26	7.22	0.61	1 for 4	37.26	83.17
16	*STANDARD TRUST BANK PLC	4.20	7.41	0.20		76.43	81.19
17	UNION DICON SALT PLC	3.35	6.02			79.70	79.70
18	MUTUAL BENEFIT ASSURANCE PLC	0.52	0.93			78.85	78.85
19	BERGER PAINTS PLC	3.00	4.85	0.40		61.67	75.00
20	CEMENT CO. OF NORTH NIG. PLC	3.83	6.63			73.11	73.11
21	**OCEANIC INT'L BANK NIG PLC	3.67	6.30			71.66	71.66
22	NIGERIAN-GERMAN CHEMICALS PLC	2.20	3.42	0.30		55.45	69.09
23	JOHN HOLT PLC	0.59	0.99			67.80	67.80
24	P.Z INDUSTRIES PLC	9.13	11.64	0.75	1 for 4	27.49	67.58
25	OANDO PLC	85.40	112.00	2.00	1 for 4	31.15	66.28

### 25 Worst Performers

S/N	Security	Price 31-Dec-2003	Price 31-Dec-2004	Cash Dividend	Bonus Ratio	Change in price (%)	Total Return (%)
1	SCOA NIG PLC	3.10	1.15			(62.90)	(62.90)
2	COOPERATIVE BANK PLC	3.15	1.18			(62.54)	(62.54)
3	UNIVERSAL TRUST BANK PLC	2.03	0.78			(61.58)	(61.58)
4	IPWA PLC	1.20	0.50			(58.33)	(58.33)
5	CUTIX PLC	3.62	1.58	0.10		(56.35)	(53.59)
6	FSB INTERNATIONAL BANK PLC	2.60	1.33			(48.85)	(48.85)
7	LIBERTY BANK PLC	1.64	0.88			(46.34)	(46.34)
8	UNITED NIGERIA TEXTILE PLC	3.25	1.87			(42.46)	(42.46)
9	W.A. PORTLAND CO. PLC	18.51	11.30			(38.95)	(38.95)
10	PREMIER PAINTS PLC	1.06	0.67			(36.79)	(36.79)
11	ADSWITCH PLC	0.66	0.45			(31.82)	(31.82)
12	AIICO INSURANCE PLC	2.48	1.67	0.10		(32.66)	(28.63)

<sup>1</sup> Please contact CTSL Research for a comprehensive list of returns in 2004

S/N	Security	Price 31-Dec-2003	Price 31-Dec-2004	Cash Dividend	Bonus Ratio	Change in price (%)	Total Return (%)
13	G CAPP A PLC	3.04	2.23			(26.64)	(26.64)
14	THOMAS WHYATT NIG. PLC	0.50	0.38			(24.00)	(24.00)
15	INCAR NIGERIA PLC	1.71	1.30			(23.98)	(23.98)
16	CO-OPERATIVE DEVELOPMENT BANK PLC	0.96	0.73			(23.96)	(23.96)
17	CRUSADER INSURANCE PLC	1.00	0.70	0.08		(30.00)	(22.50)
18	LONGMAN NIGERIA PLC	3.00	2.22	0.12		(26.00)	(22.00)
19	MORISON INDUSTRIES PLC	1.57	1.17	0.08		(25.48)	(20.70)
20	ALBARKA AIR PLC	1.00	0.80			(20.00)	(20.00)
21	LASACO ASSURANCE PLC	1.10	0.83	0.05		(24.55)	(20.00)
22	JULIUS BERGER NIG PLC	20.00	16.40	0.15		(18.00)	(17.25)
23	PRESKO PLC	12.18	9.71	0.50		(20.28)	(16.17)
24	CORNERSTONE INSURANCE CO. PLC	1.63	1.25	0.13		(23.31)	(15.64)
25	REGENT BANK PLC	1.00	0.85			(15.00)	(15.00)

## Outlook for 2005

### The Economy

- We are somewhat sceptical of some of the macro-economic targets set by President Obasanjo in the proposed 2005 budget particularly, the government's ability to achieve the 6% – 7% growth in GDP and the target inflation rate of not more than 10%. However, we are optimistic that the various economic reforms should steer the economy in the direction of these set targets.
- It would appear that the present administration in its second term in office is showing greater commitment to economic reforms, this is evident in the early presentation of the President's 2005 budget proposal addressed to the National Assembly.
- With the new commitment to saving oil windfalls, and the government resolve to stick to its aggregate expenditure ceiling of N1.62 trillion, resulting in a deficit of N314 billion, the expected higher prices of crude oil in the international market which has hovered at record levels between \$40 and \$50 in the past two years should translate into excess revenue for the nation.

### Outlook For The Fixed Income Market

- We anticipate that interest rates will remain relatively low going by the Government's efforts at ensuring that interest rates drop lower than it is presently. Hence we expect some level of relative stability in the first quarter of 2005.
- Monetary policy for the year according to the last communiqué of the Monetary Policy Committee of the apex bank might be very tight with the possibility of withdrawals of public sector funds from the financial system. The reason for this according to the committee is the expected surge of liquidity into the system due to sharing of excess crude oil revenue, and financing of the deficit.

- We foresee a possible realignment of Government securities from the 91-days and 182-days treasury bills to 365-days treasury bills, as this would enable government stretch out its liabilities.

## Outlook For The Equities Market

- The awareness created in the capital market in the last 18 months is highly commendable; the knowledge base of investors has increased tremendously. Meanwhile, we note that the banking and petroleum marketing sub sectors has played a major role in bringing about this increased awareness of the market. The Nigerian secondary market is faced with the enormous challenge of a gradual shift in attention, as funds that would ordinarily be used in the purchase of shares in the secondary market will be diverted to primary market issues.
- By the end of the first half of the year we foresee a growth of between 12% and 15%, and a growth of between 15% and 18% by the end of the year.
- We anticipate that the effect of the revised Pension Reform Bill could begin to translate into higher earnings in the insurance sub sector as insurance companies benefit from increased patronage of Group Life Policies and annuities by the second quarter; this would be driven primarily by the implementation of the various provisions of the Pension Reform Act 2004.
- Corporate earnings and corporate benefits such as cash dividends and bonus declaration from most of the blue chips companies, which has traditionally served as major driver of the Nigerian stock market will not be as impressive as in other years and this would impact the market negatively. Some of the factors responsible for the expected decrease in the cash and scrip dividend paid by companies are:
  - ✓ Lower growth rate in profits resulting from labour strikes, inflation, and relatively high borrowing cost.
  - ✓ Considerably high number of shares in issues resulting from new funds raised across different sectors
- With a number of banking stocks currently on technical suspension, such as UBA, Afribank, Intercontinental, Wema, Zenith, Oceanic, First Atlantic, STB, FCMB, ACB Int'l, Access, Chartered representing 41% of companies in the banking sector, we expect that more banks such as UBN would join the league before the end of the first quarter. The expected corporate actions on these stocks are likely to limit available investment opportunities for short term investors and may likely lead to reduced activity in this sub sector.
- With the on-going consolidation in the banking sector, we anticipate a ripple effect on the entire market as more companies outside the banking sector, seek quotation on the Nigerian Stock Exchange.
- As the market awaits the guidelines on the revised pension bill, we anticipate that the impact of this bill would be evident in the market towards the second half of 2005 causing a rebound in the stock market. It is expected that funds from the various pension schemes would fuel a rise in the market.

## Recommended Asset Allocation

	Q1, 2005	Q2, 2005	Q3, 2005	Q4, 2005
Equities	70%	65%	60%	55%
Fixed Income	30%	35%	40%	45%

## Model Equity Portfolio

Our model trading portfolio for the first quarter of 2005 is as shown below:

S/N	COMPANY	PRICE (10-Jan-04)	TARGET ENTRY PRICE	FORECAST EXIT PRICE	ABSOLUTE RETURNS*	RECOMMENDED WEIGHT	WEIGHTED RETURN
1	GTB	11.69	11.69	17.00	39.32	28%	10.88%
2	Ashakacem	24.01	23.5	28.00	11%	11%	1.14%
3	UACN	14.17	14.17	16.50	15%	15%	2.18%
4	Nestle	150.00	143.00	168.00	13%	12%	1.54%
5	Glaxo Smithkline	8.87	8.00	10.00	20%	19%	3.81%
6	African Petroleum	68.00	65.00	78.00	15%	15%	2.18%
7	Oando	108.06	108.00	125.00	11%	11%	1.14%
8	UAC Property	8.75	8.30	10.00	15%	15%	2.32%
	TOTAL PORTFOLIO RETURN						21.8%

\*Inclusive of all transaction costs

Please note that in creating this model portfolio, we have taken the performance and liquidity of the selected stocks into consideration.

## World Stock Market Indices<sup>2</sup>

North/Latin America	YTD CHANGE %
Dow Jones Industrial Average	3.15
S&P 500 Index	8.99
NASDAQ	8.59
Brazil Stock Market Index	17.81
<b>Europe</b>	
FTSE 100 Index (UK)	7.54
SMSI Index (Spain)	18.70
Swiss Market Index	3.74
CAC 40 Index (French)	7.40
DAX Index (Germany)	7.34
<b>Africa</b>	
NSE All-Share Index	18.46
JSE All-Share Index (S/A)	21.85
GSE all-Share Index (Ghana)	91.32
Cairo SE Gen (Egypt)	52.04
<b>Asia/Pacific*</b>	
NIKKEI 225 Index (Japan)	7.61
Hang Seng Index (Hong Kong)	13.15
BSE 30 Index (India)	13.08

Source: Bloomberg, FSDH/CTSL Research, Yahoo Finance

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