

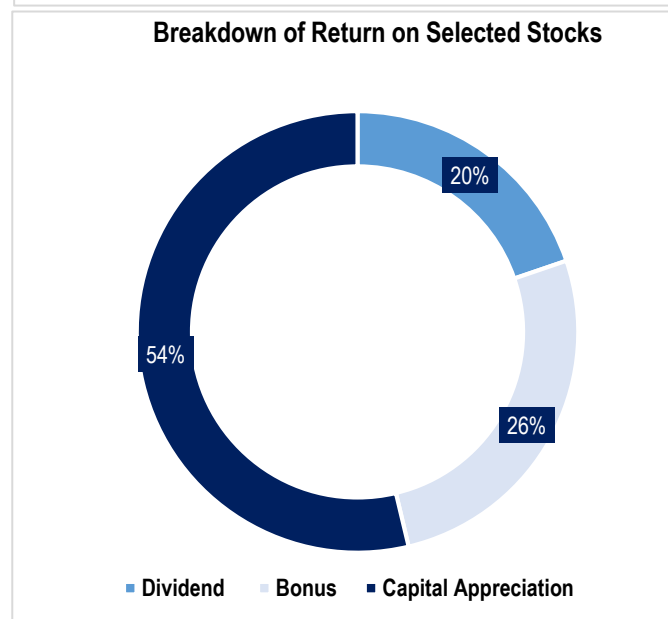
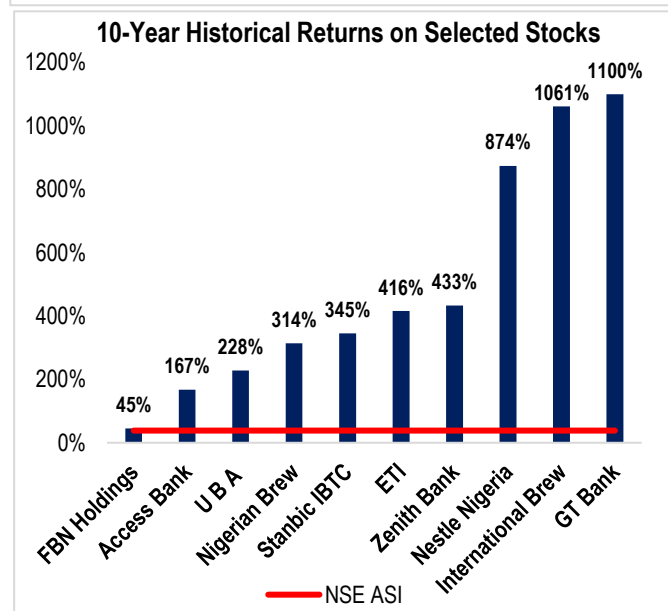
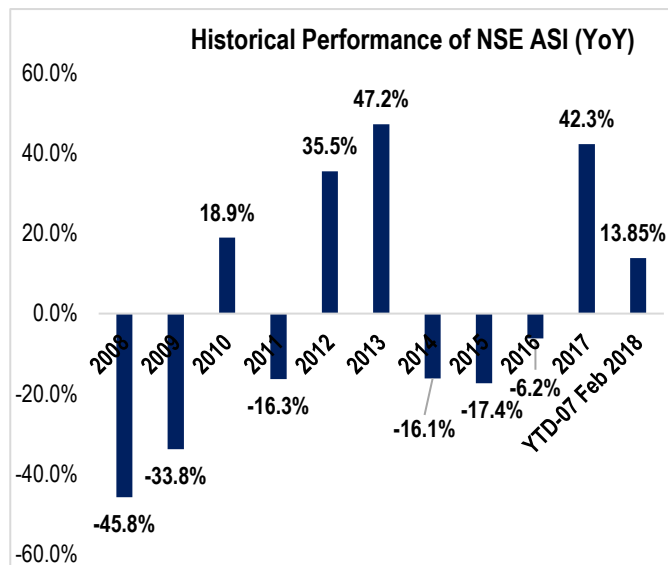
Benefits of Long-Term Investment Strategy in the Equity Market

FSDH Research recommends that investors should maintain long-term investment strategy in the equity market. This will help to hedge against portfolio losses associated with short-term stock price volatility. Our analysis of historical returns shows that investors make good returns in the equity market if they invest in stocks that have strong fundamentals and maintain a long-term view. An investor who maintains a long-term strategy will earn capital appreciation, cash dividend and/or bonus over the investment horizon.

Our analysis of the yearly returns of the equity market as measured by The Nigerian Stock Exchange All-Share Index (NSE ASI) between 2008 and 07 February 2018 shows that the market recorded both losses and gains during the period. Although the equity market depreciated in more years than it appreciated, some stocks recorded returns in excess of 1,000%.

An analysis of the total return of an initial investment of N100,000 each in the ten highest capitalized stocks (except Dangote Cement and Seplat) between December 2008 and 07 February 2018 shows that GT Bank recorded the highest return of 1,100%. FBN Holdings recorded the lowest return of 45%. We excluded Dangote Cement and Seplat from our analysis because the two companies were not listed on the floors of the NSE in 2008.

The breakdown of the total return in the GT Bank stock shows that capital appreciation, cash dividend and bonus issue contributed 33%, 20% and 47% respectively. FBN Holdings recorded the lowest performance because of a capital depreciation. The breakdown of the total return on the selected stocks shows that capital appreciation contributed the highest



return, accounting for 54% of the return. Bonus and cash dividend contributed 26% and 20% respectively.

FSDH Research advises investors to engage their investment manager before they invest in the equity market. The investment manager will create an equity portfolio for the investor based on his investment objectives. The client will also benefit from the experience of the investment manager.

Historical Return Analysis on Selected Stocks (An initial investment of N100,000 each)

Stocks	Initial Price *	Units Bought	Current Price**	Current Units Held	Total Dividend (N)	Current Value of Investment (N)	Return(N)
GT Bank	10.32	9,399	48.95	20,026	219,898	1,200,184	1,100,184
Nigerian Breweries	40.85	2,374	142	2,374	77,067	414,175	314,175
Nestle	191.44	506	1,445	607.20	96,208	973,612	873,612
Zenith Bank	14.67	6,613	32.00	12,399	136,554	533,334	433,334
International Breweries	4.91	19,755	57.50	19,987	12,052	1,161,329	1,061,329
Stanbic IBTC	10.90	8,899	45.35	8,899	41,567	445,137	345,137
FBNH	21.11	4,594	12.75	8,291	39,573	145,280	45,280
U B A	13.15	7,376	12.20	21,160	69,552	327,703	227,703
Access	7.07	13,719	12.55	15,091	77,540	266,931	166,931
ETI	40.60	2,389	19.65	15,290	215,474	515,915	415,915

*Price as at December 31, 2008 ** Price as at February 07 , 2018

Return computations include purchase transaction costs and withholding tax on dividend

Sources: Nigerian Stock Exchange and FSDH Research

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