

SPOTLIGHT

Balham Girl to City Superstar

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Sandie Okoro, Global General Counsel, HSBC Asset Management

CONSUMER GOODS

Consumer goods sector optimism reignites



Ngozi Osamor of Unilever congratulates Friday Igwe on winning a new Hyundai car in the company's *Close Up Buy, Win and Display* promo last year. Marketing bonanzas like these are eating deep into consumer companies' profits.

Consumer goods' brands from leading companies are usually first in line to benefit when the economy rises, and first to take a hit when it falters. Using listed companies on the Nigerian Stock Exchange as a proxy, Imara Africa Securities forecasts that these companies present a good bargain at current prices.

Purveyors of basic necessities feel the pinch

LAST WEEK IMARA Africa Securities published *Sub-Saharan Africa Fast Moving Consumer Goods Sector Report: Limited Window of Opportunity on Nigerian Consumer Specials*.

The Johannesburg-based firm regularly provides incisive coverage of several com-

panies on the Nigerian Stock Exchange. IAS is also known for its sector-wide reports that give investors a 360° view of company-specific issues and broader trends. This latest report does not disappoint.

In a nutshell, **Kudakwashe Kadungure**, the IAS analyst, explains that Nigerian consumer companies have reeled from the compounding effects of a triple whammy spurred by 'a slowdown in

fundamentals following macro shocks, the Boko Haram insurgency in the country's north-eastern region and now Ebola virus disease.'

As an aggregate, companies in the consumer goods basket like **Cadbury Nigeria, Dangote Flour, Flour Mills of Nigeria, Nestlé Nigeria, PZ, UAC, and Unilever Nigeria** have erased gains chalked up in the third quarter of 2013. IAS projects that the fall to investor disfavour may linger for the short- to medium-term duration in spite of the country's solid fundamentals. Herein lies what it describes as 'a rare opportunity' to pick up bargains in the Nigerian consumer goods sector.

Concrete evidence of the sector's slipping fortune can be found in the drop in aggregated market capitalization of a sample of consumer companies on the Nigerian Stock Exchange. This has fallen 5.75 per cent from N1.68 trillion a year ago to N1.59 trillion today. Analysts place the blame for the loss in value squarely at the feet of deteriorating earnings since the Q3 2014.

To shed more light on this, aggregated revenue growth since July last year has been a disappointing 4.3 per cent year-on-year. Over the first half of this year, things have taken a turn for the worse with the sector posting a decline of 1.13 per cent overall. Worst hit were Cadbury **↓12.00%**, Flour Mills of Nigeria **↓5.12%**, and Unilever Nigeria **↓1.31%**.

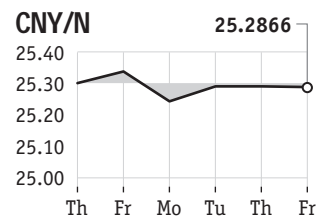
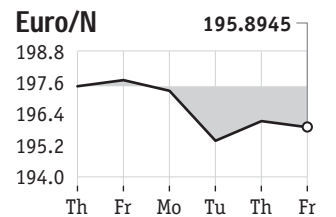
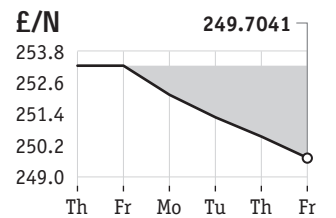
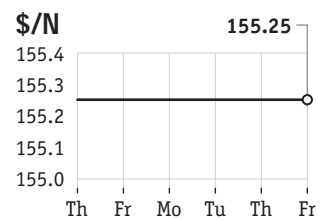
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Inside

Is art collecting a good investment? The answer depends on many factors.

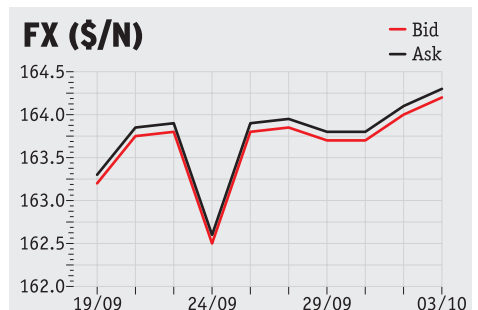
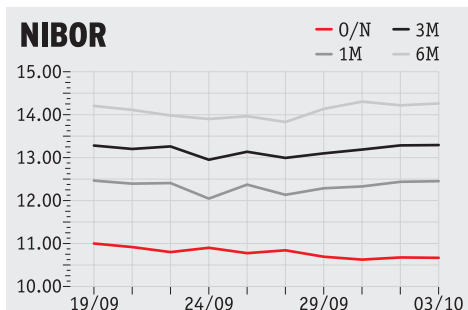
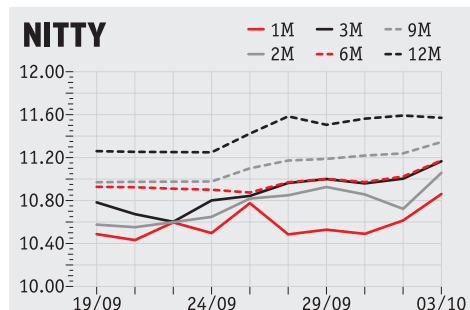
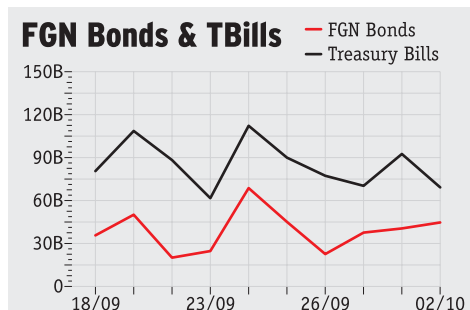
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FOREX RATES



Currency	Central Rate
SWISS FRANC	162.0225
YEN	1.4244
CFA	0.2889
WAUA	229.8479
RIYAL	41.3790
DANISH KRONA	26.3113
SDR	230.2668

FIXED INCOME & FOREX



Source: FMDQ

CONSUMER GOODS

Consumer goods sector optimism reignites

Continued from Page VM1

Irony of deflated wallets in a booming economy

The dismal corporate performance notwithstanding analysts at Imara Africa rate Nigeria one of the top performers in sub-Saharan Africa.

Then why do the numbers not add up on the consumer goods side?

According to Imara Securities a number of factors have slowed the transmission of wealth to consumers in the middle and lower income groups. These were the 50 per cent hike in petrol prices, the imposition of duties on imported processed rice, and increased energy costs.

But that is not all

Competition also played a role in the erosion of profitability. As raw material costs have risen, manufacturers have been reticent about passing on full costs to consumers so as not to soil their attractiveness to price sensitive customers. In addition, companies like PZ Cussons and Unilever increased spending on marketing and promotions. These reduced margins further, and increased sales expenses.

The worst is over

'The Nigerian consumer is a longer term story and an important ingredient in my portfolio' wrote **Mathias Althoff**, a money manager at **Tundra Fonder**, a few months ago. The Stockholm, Sweden based fund management firm oversees the equivalent of \$180 million, and has over 50 per cent of its **Nigeria and Sub-Sahara African Fund** invested in Nigeria. Analysts at Imara Africa Securities completely agree.

The FCMG report is optimistic that the effects of the macro shocks have been fully absorbed and needed adjustments made by consumers. Pointing to economic forecasts of GDP growth at 7 per cent for 2014 and 2015, IAS expects a recovery in consumer spending to occur from the last quarter of this year.

The Imara Africa Securities publication comes on the heels of a **Renaissance Capital** report, *Nigerian consumer companies: Down but not out*, released a month ago. According to **Robyn Collins** and **Oyindamola Olanrewaju** of RenCap, who prepared the report, 'stronger economic growth, moderately looser spending as the February 2015 elections approach, and moderately higher oil output' will be positive for consumer sentiment.

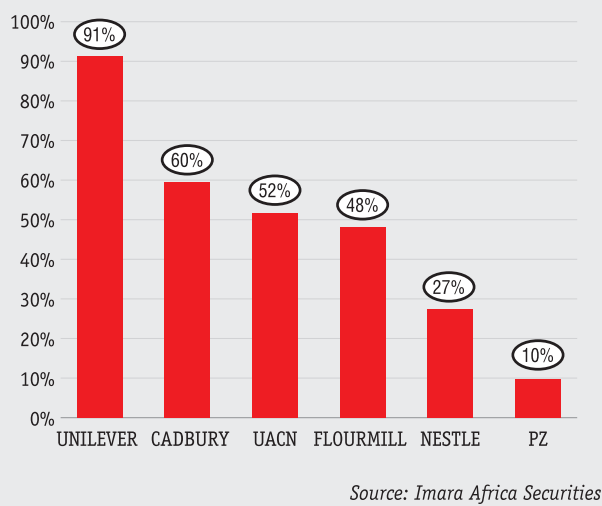
Both the IAS and RenCap reports reach the same conclusion that consumer confidence is poised to turn positive for the first time since the first half of 2011. This predictive concurrence should telegraph to investors that this is the best time to load up on soap makers, biscuit bakers, and drinks mixers. ❌



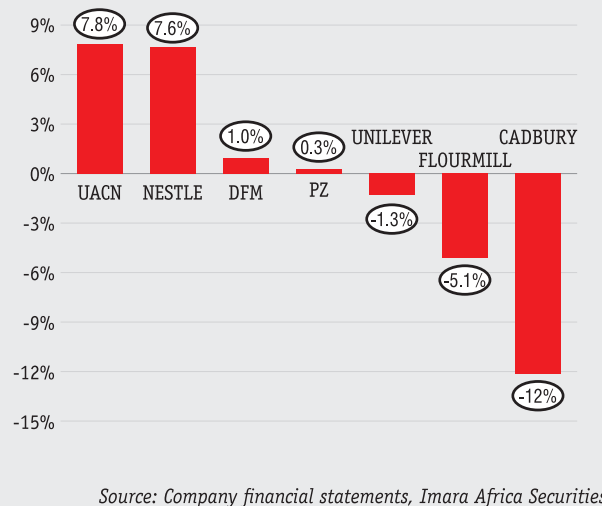
The Nigerian consumer is a longer term story and an important ingredient in my portfolio.

- Mathias Althoff, money manager, Tundra Fonder

2-year forward EPS outlook



H1 2014 Revenue Growth

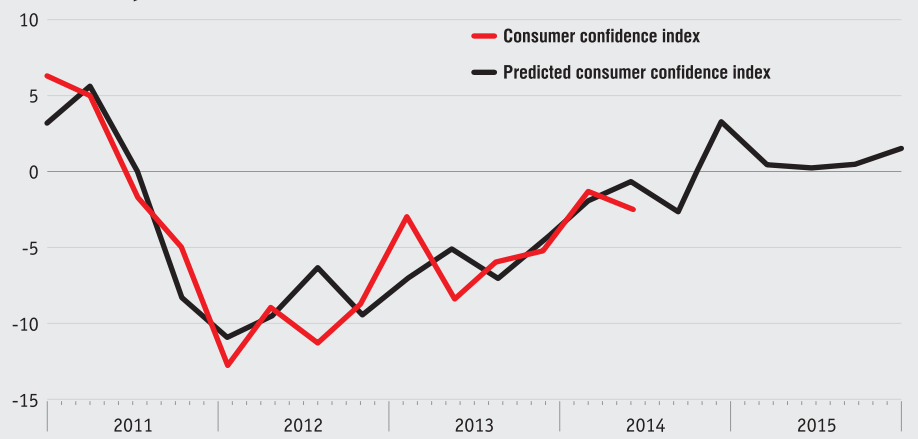


Data visualisation by Publican Media

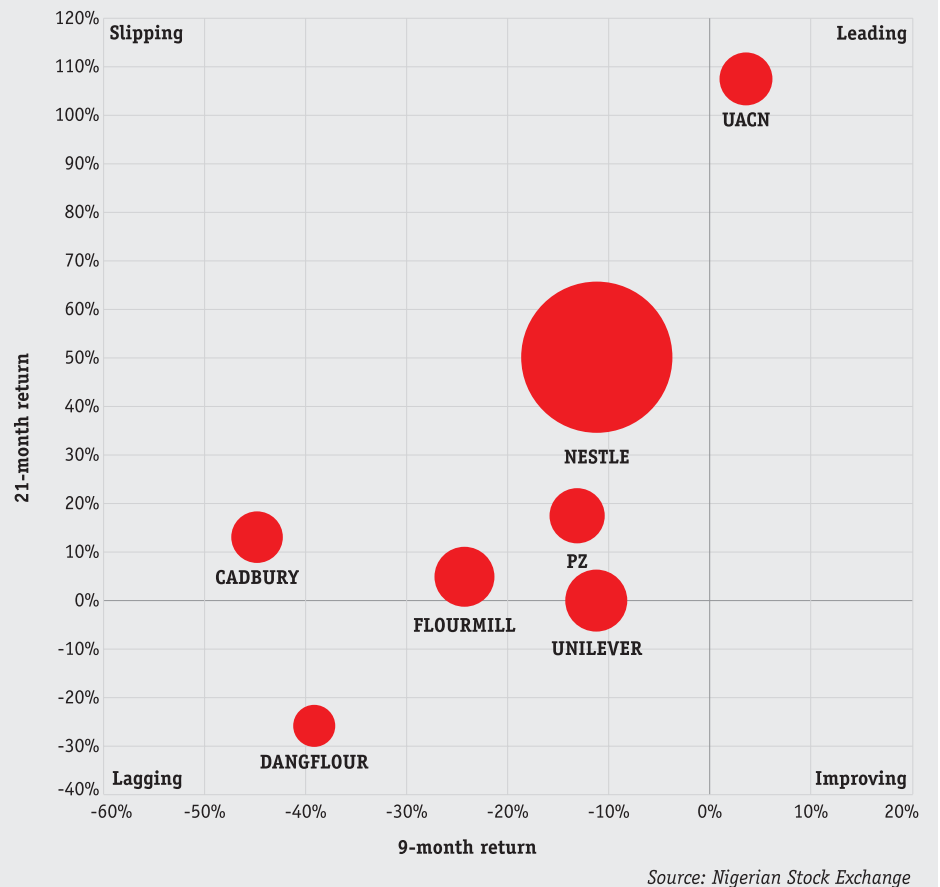
IMARA AFRICA SECURITIES RECOMMENDATIONS

Company	Recommendation	Friday closing price	Target Price
Cadbury Nigeria	BUY	53.69	61.97
Dangote Flour	BUY	6.55	9.13
Flour Mills of Nigeria	BUY	62.00	83.69
Nestlé	HOLD	1,050.00	1,060.20
PZ Cussons	HOLD	32.15	33.47
UAC	BUY	58.00	76.58
Unilever	HOLD	47.99	44.77

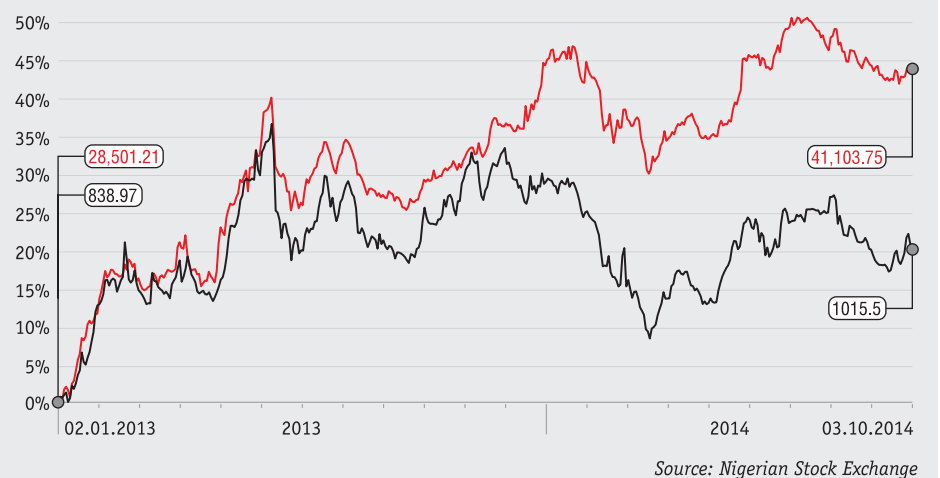
Actual vs predicted consumer confidence index



9-mth vs. 21-mth Stock Price Performance

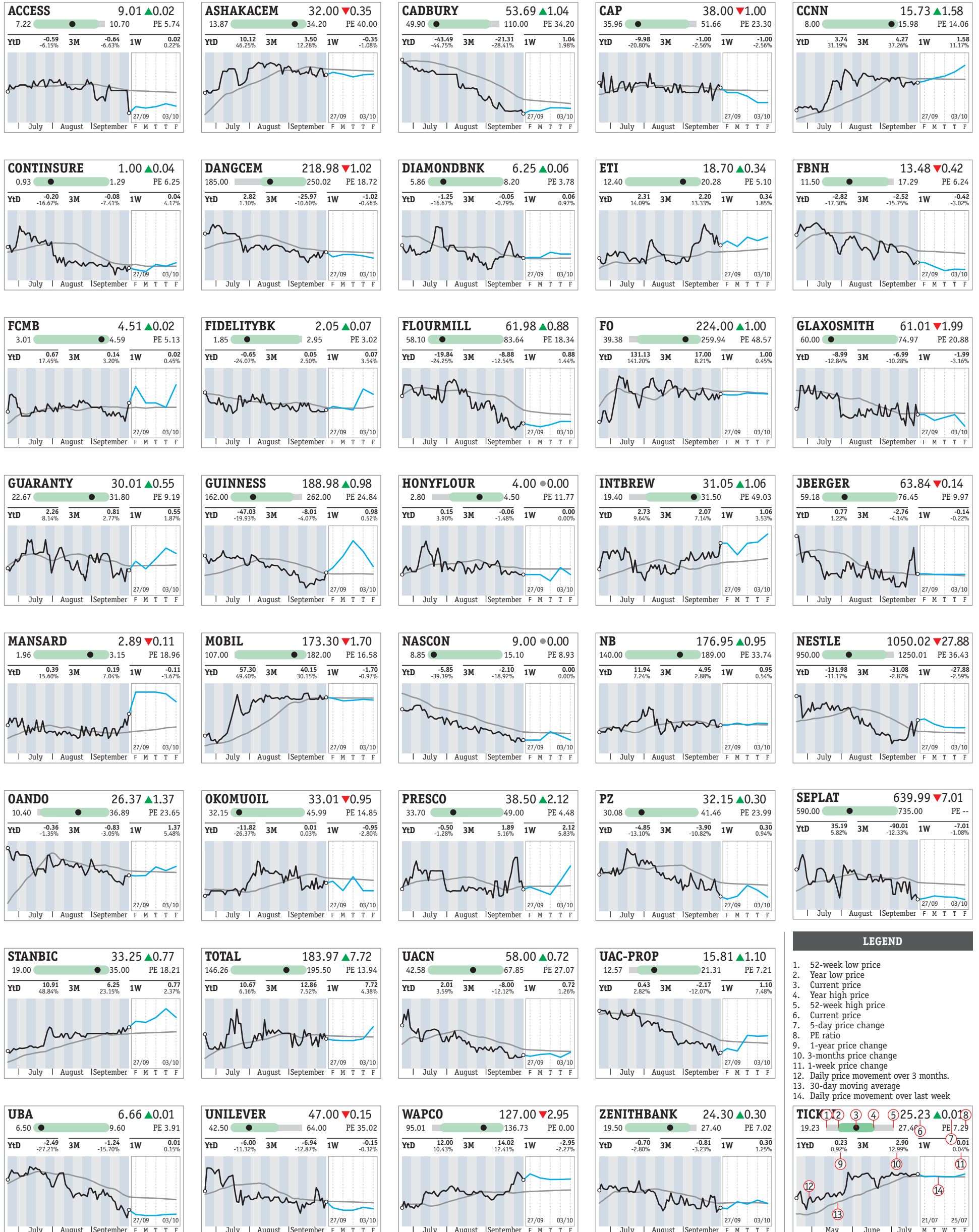


Index Performance



MARKET SNAPSHOT

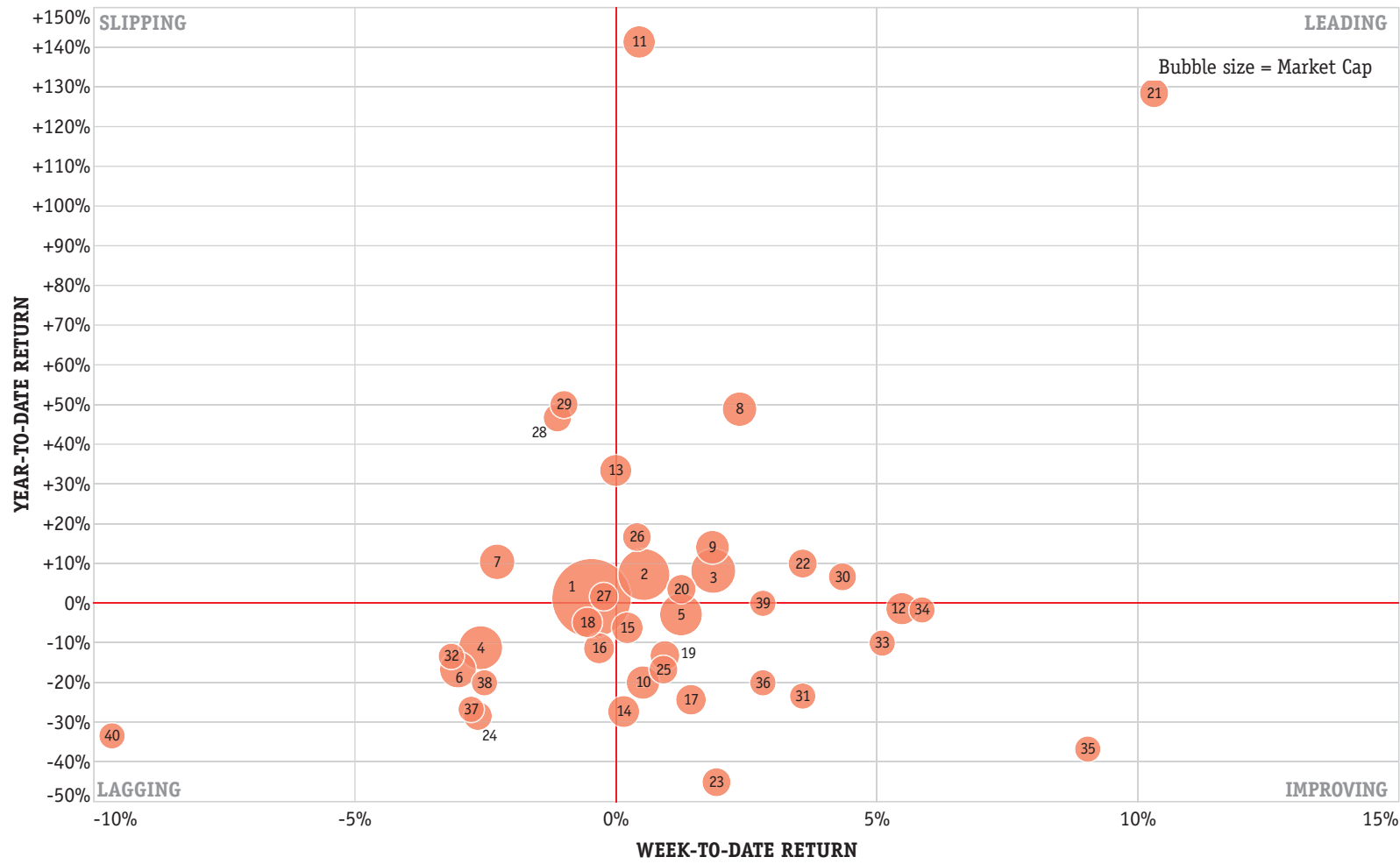
3-MONTH PRICE TREND OF BELLWETHER STOCKS



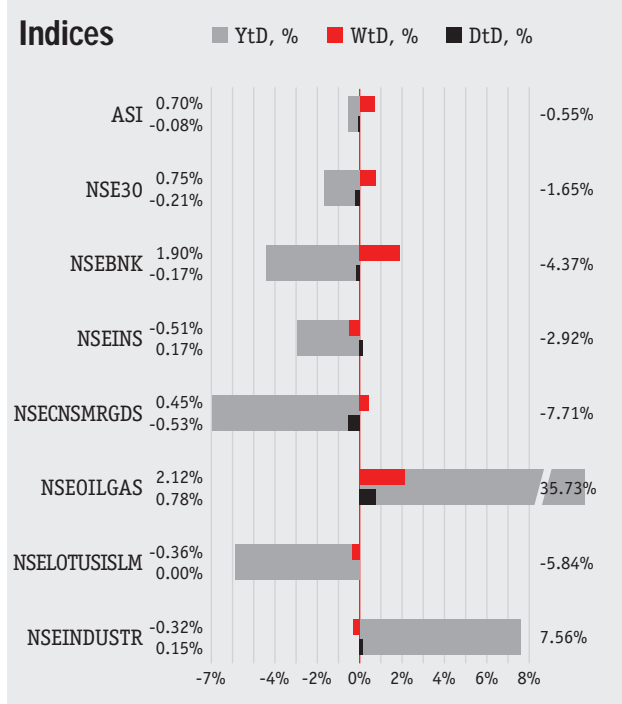
LEGEND

- 52-week low price
- Year low price
- Current price
- Year high price
- 52-week high price
- Current price
- 5-day price change
- PE ratio
- 1-year price change
- 3-months price change
- 1-week price change
- Daily price movement over 3 months.
- 30-day moving average
- Daily price movement over last week

MARKET SNAPSHOT

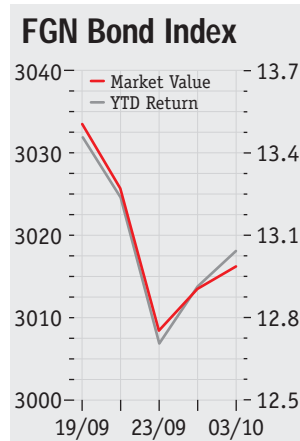


#	TICKER	WTD	YTD
1	DANGCEM	-0.46	1.30
2	NB	0.54	7.24
3	GUARANTY	1.87	8.14
4	NESTLE	-2.59	-11.17
5	ZENITHBANK	1.25	-2.80
6	FBNH	-3.02	-17.30
7	WAPCO	-2.27	10.43
8	STANBIC	2.37	48.84
9	ETI	1.85	14.09
10	GUINNESS	0.52	-19.93
11	FO	0.45	141.20
12	OANDO	5.48	-1.35
13	TRANSCORP	0.00	33.41
14	UBA	0.15	-27.21
15	ACCESS	0.22	-6.15
16	UNILEVER	-0.32	-11.32
17	FLOURMILL	1.44	-24.25
18	UBN	-0.54	-4.79
19	PZ	0.94	-13.10
20	UACN	1.26	3.59
21	7UP	10.24	128.00
22	INTBREW	3.53	9.64
23	CADBURY	1.98	-44.75
24	DANGSUGAR	-2.63	-27.79
25	DIAMONDBNK	0.97	-16.67
26	FCMB	0.45	17.45
27	JBERGER	-0.22	1.22
28	ASHAKACEM	-1.08	46.25
29	MOBIL	-0.97	49.40
30	TOTAL	4.38	6.16
31	FIDELITYBK	3.54	-24.07
32	GLAXOSMITH	-3.16	-12.84
33	STERLNBANK	5.12	-9.60
34	PRESCO	5.83	-1.28
35	SKYEBANK	9.09	-36.14
36	CONOIL	2.83	-19.50
37	OKOMUOIL	-2.80	-26.37
38	CAP	-2.56	-20.80
39	NEIMETH	2.80	0.00
40	MAYBAKER	-9.95	-32.55



TRADING BREAKDOWN BY SECTOR

Sector	%
Financial Services	73
Natural Resources	8
Services	5
Others	14



GLOBAL INTEREST RATES & INFLATION TARGETS

Central Bank	Rate	Last Date Change	% Change	Inflation Target
China	6.00%	05.07.2012	-0.31	4.00%
Japan	0-0.10%	05.10.2010	-0.20	2.00%
UK	0.50%	05.03.2009	-0.50	2.00%
USA	0-0.25%	16.12.2008	-0.1	2.00%
Eurozone	0.05%	04.09.2014	-0.10	<2.00%
Brazil	11.00%	02.04.201	+0.25	4.5% +/-2.0%
Canada	1.00%	20.07.2010	+0.25	2.0% +/-1.0%
Egypt	8.25%	05.12.2013	-0.50	
India	8.00%	28.01.2014	+0.25	
Indonesia	7.50%	12.11.2013	+0.25	4.5% +/-1.0%
Malaysia	3.25%	10.06.2014	+0.25	
Mexico	3.00%	06.06.2014	-0.50	3.00% +/-1.0%
Morocco	3.00%	28.03.2012	-0.25	
Nigeria	12.00%	10.10.2011	+2.75	6.00% - 9.00%
Qatar	4.50%	10.08.2011	-0.50	
Russia	8.00%	28.07.2014	+0.50	5%*
Thailand	2.00%	12.03.2014	-0.25	0.5% - 3.0%
Turkey	8.75%	24.06.2014	-0.75	5.00%

* +/- 1.5 pct point uncertainty band

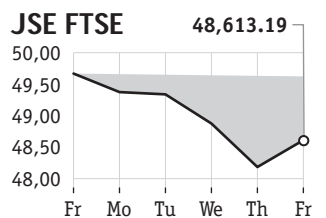
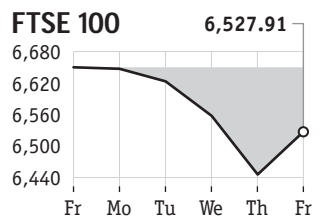
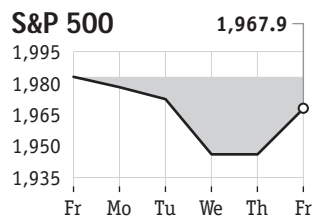
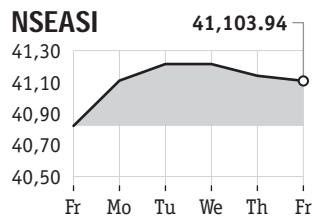
MARKET SNAPSHOT

Date	Deals	Turnover Volume	Turnover Value	Traded Stocks	Advanced Stocks	Declined Stocks	Unchanged Stocks	All Shares Index Value
1 29.09.2014	4,567	274,021,093	4,739,691,885.99	105 ↕ 123	24 ↕ 29	27 ↕ 23	54 ↕ 71	41,105.38
2 30.09.2014	4,894	1,079,687,542	8,084,705,772.57	106 ↕ 123	30 ↕ 17	23 ↕ 40	53 ↕ 66	41,210.10
3 02.10.2014	4,967	673,973,619	6,319,258,315.77	104 ↕ 111	29 ↕ 21	25 ↕ 31	50 ↕ 59	41,135.75
4 03.10.2014	4,322	560,322,603	5,758,044,369.95	112 ↕ 117	22 ↕ 29	23 ↕ 22	67 ↕ 66	41,103.94

The ↕ arrow signifies week-on-week change in value. This week's value is shown on the left of the ↕ sign, and last week's value on the right.

INDEX PERFORMANCE

Index	Week Opening	Week Close	Change	WtD	MtD	QtD	YtD
1 All Shares Index	40,819.72	41,103.94	284.22	0.7	-0.26	-0.26	-0.55
2 NSE 30 Index	1,861.61	1,875.63	14.02	0.75	-0.35	-0.35	-1.65
3 NSE Banking Index	420.30	428.29	7.99	1.9	0.74	0.74	-4.37
4 NSE Insurance Index	149.16	148.40	-0.76	-0.51	-0.53	-0.53	-2.92
5 NSE Consumer Goods Index	1,010.92	1,015.47	4.55	0.45	-1.64	-1.64	-7.71
6 NSE Oil/Gas Index	451.76	461.33	9.57	2.12	0.11	0.11	35.73
7 NSE Lotus Islamic Index	2,705.81	2,696.03	-9.78	-0.36	-1.09	-1.09	-5.84
8 NSE Industrial Index	2,748.03	2,739.15	-8.88	-0.32	0.08	0.08	7.56



ART AS AN ALTERNATIVE INVESTMENT

Book review: Art as an Investment?

A Survey of Comparative Assets, by Melanie Gerlis – Part 2



Oliver Enwonwu

is the director of leading Lagos gallery, Omenka and president of the Society of Nigerian Artists. oliver@omenkamagazine.com

T HREE WEEKS AGO, we brought you the first in a two-part series of a review on the book, *Art as an Alternative Asset? A Survey of Comparative Assets*, written by market expert Melanie Gerlis. In this week's concluding episode, we will start off with a brief summary of Gerlis' views about the risks of art in comparison with several other assets like gold, property, wine and luxury goods.

She asserts, "Art has no intrinsic worth but unlike gold, is a market comprised of unique objects rather than supporting a product that can be commoditized." She also posits that like property, it is a heterogeneous good, though property has an actual and economic utility. In the same vein, Gerlis writes that the luxury—goods industry requires confidence to boost demand for its products, but unlike the art market, now has a mass-market audience to support harder times.

Crucially, she points out that depending on several factors outside the control of the investor, art can be a great hedge against inflation and a store of wealth, and offers great returns when compared to other pedestrian assets. Other benefits of art include the aesthetic experience, as well as VIP access to exclusive social events—all of which are very real non-economic returns.

However, most investment decisions are based on an asset's worth in relation to



Praise Singer by Demas Nwoko, oil on board, 91.4 x 122 cm. Sold N7.7 million at Arthouse contemporary auction, Lagos, May 7, 2012

its price, and neither can be pinned down in the elusive art market. In spite of this, art as an investment portfolio seems to defy expert opinion, largely due to issues of transparency and regulation.

In her book, Gerlis also examines issues relating to the scant data available on the sales of art and the inconsis-

ency of art indices, the limitations of art and wine funds, the exuberant costs of buying, selling and owning art, and the varying influences of the auction room including low estimates, and the financial capability of bidders.

Crucially, the author observes that it is the dealers who have the most informa-

tion in the art market. They determine the prices; not the investors, who remain spectators. Significantly, she highlights the fact that advances in technology and globalization only serve to force an increase in information flow, which ironically is inimical to the art market, which thrives on an asymmetry of information. "Here, worth and price are known only to a few."

Auction houses do not offer a level playing field as it is quite common for dealers to bid up work by artists they are affiliated with, as well as third-party guarantors who bid up works in which they hold a financial interest. She describes it as 'a market that thrives on asymmetry of information' and that 'there is a large body of powerful players in whose interest it is to preserve the opacity.' Melanie Gerlis con-

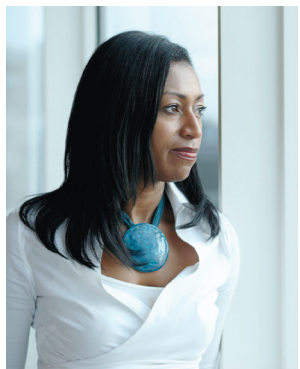
cludes that the lack of verifiable and meaningful data continue to underpin the art market and its illiquid status, warning collectors not to view art purely as an investment.

In the past, time was once an important leveler. Significantly, Gerlis points out that the investment strategy to buy art to hold for a generation is no longer tenable especially with regards to contemporary art. She continues that the market for investment grade art by deceased artists is dwindling and increasingly out of the reach of museums.

Perhaps, a justification for significant holdings in art is based on its relationship with other assets in a portfolio. This is a core tenet of Modern Portfolio Theory (MPT) a term coined by Nobel Prize-winning professor, **Harry Markowitz**, and which mathematically underpins asset investment today. Markowitz has demonstrated that the best performing portfolio of assets is one that is diversified, with both risk and reward balanced out. ✖

SPOTLIGHT

Sandie Okoro, Global General Counsel, HSBC Asset Mgt



Sandie Okoro

I N THE KEENLY watched Powerlist 2013 of Britain's most influential black people, Sandie Okoro sits comfortably in the 6th position behind David Adjaye, the Tanzanian-born star architect of Ghanaian parentage, and Ken Olisa, the British boardroom grandee of mixed Nigerian descent. On the list she's ahead of Chuka Umunna, the shadow business secretary, and Idris Elba, the actor. Not bad for a woman whose childhood ambition to become a lawyer inspired by

an addiction to Crown Court, a TV drama series from the seventies, was dismissed by a white teacher with the scalding words 'little black girls from Balham, don't become judges.' Today, she is the most senior lawyer of minority descent in the City, London's financial district.

Born to a Nigerian father, and a Trinidadian mother in 1964, Sandie, as she known in the industry, is a self-confessed motivator. On her Twitter page, she trumpets that her role is to inspire her followers 'higher'. She believes that 'inspiration and motivation can change mindsets and that mindsets change lives.' She certainly puts her resources where her mouth is. Years ago, she co-founded **See the Possibilities**, a mentoring programme aimed at encouraging young students in the London area to think about careers in the City. She does not stop there. Sandie frequently admonishes those who have risen to let the ladder down so others can climb up too. Get-

ting to the top is not a zero sum game in her books.

After her secondary education at Putney High School, an all-girls private school, where she excelled in history, Sandie proceeded to the University of Birmingham to study law and politics. As things turned out,

had her first taste of finance and she would return to it before long.

In 1989, at the relatively young age of 25, Sandie joined Schrodgers, an investment bank, as the head of its trustee company. She says that when she resumed she had the vagu-

counsel responsible for managing its legal risk across the globe.

At the start of this year, she was named as the global general counsel at HSBC Asset Management. The company has \$428 billion under management, over 2,000 employees, and is present in 30 countries.

2014 is already shaping up to be a historic one for the gap toothed lawyer. In July she was awarded an honorary doctorate degree by City University, London for her outstanding achievements in the legal profession and financial services. In her acceptance speech she told graduands at the ceremony that 'the most important advice I can give you is do not give up -there will be many barriers that you will face but never give up. Do not stand in your own way; you must believe in yourself.'

From the look of things she has followed her own advice. In doing so, she has cracked the glass ceiling for women of colour and immigrants in the UK.

Do not stand in your own way; you must believe in yourself.

- Sandie Okoro

she did not practice at the Bar, in spite of becoming a member of Lincoln's Inn. Her towering student debts meant that she needed a good paying job since pupillages were non-paying. This led her to accept a training contract at Coopers & Lybrand, the predecessor firm of PricewaterhouseCoopers.

The career move put paid to her dreams of becoming a judge. It did not hinder her ambition to excel. Though she lasted only a year at the professional services firm, she had

est idea about what merchant banks did. She wasted no time learning the intricacies of her new craft. She would remain at Schrodgers for seventeen years.

In 2002, not long after she returned from her maternity leave, Sandie was made a director at Schroder Investment Management, an unusual move that left her humbled and determined to deliver better results. In 2007, she left to join Barings Asset Management, the storied British mon- estion manager as its first general

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