

Rising Dividend Yields Signal Buy Opportunities in Bear Bourse

Table of Content

Executive Summary	3
Bear Bourse – The Two Major Causative Factors	4
The Trickle-Down Effects	5
External Reserves Dwindle on Capital Outflows	5
CBN Retains Tight Monetary Policy	5
Equities Sell-Offs Uncover Value	6
Bear Market Unveils Rising Dividend Yield of “Black Gold Stocks”	8
Slower Economic Growth, Political Uncertainties to be Short-lived	8
Cash Cows to Remain Resilient	8
Equities Market Offering Dividend Growth & Capital Gain Opportunities	10
Attractive Dividend Yields justifying A Buy-and-Hold Strategy	11
Impressive Total Returns from A Buy-and-Hold Strategy	12
Long Run Equities Total Returns Exceeding Fixed Income Yields	12

EXECUTIVE SUMMARY

It is no longer news that foreign portfolio investors (FPIs) are leaving our shores to pitch their tents with developed markets, especially the United States, given that investors' return on money loaned to advanced economies has become increasingly attractive. Just in September 2018, the U.S Fed Reserve inched up its benchmark rate again by 0.25% to range between 2.00% - 2.25%. The repatriation of funds abroad by FPIs was initially triggered by political uncertainty, which seems to have become the norm in Nigeria during election periods, and then further accelerated by the increasing yield on fixed income asset in United States.

The huge foreign capital outflows resulting from the aforementioned factors – namely local political uncertainty and higher yields in foreign markets – chiefly contributed to the dwindling external reserves (*see figure 01*) which started moderating virtually every week from June 2018 to date; it dropped w-o-w by 1.06% to USD43.84 billion as at October 5, 2018 and by 8.42% from USD47.87 billion in May 10, 2018, the highest it has touched this year.

In order to halt the declining foreign reserves, CBN at the last Monetary Policy Committee (MPC) meeting in September 2018, retained the Monetary Policy Rate at 14% and signaled the use of other rates, such as stop rate, as part of its strategy to keep the participation of the FPIs in the capital market.

Against the backdrop of the afore-mentioned unfavorable conditions which have significantly depressed the market price of most corporates on the exchange, we opine that investors should pitch their tents with dividend-paying companies or cash cows. We expect most corporates to maintain their respective dividends per share paid in 2017 as hinted by some banks which paid higher interim dividends in 2018.

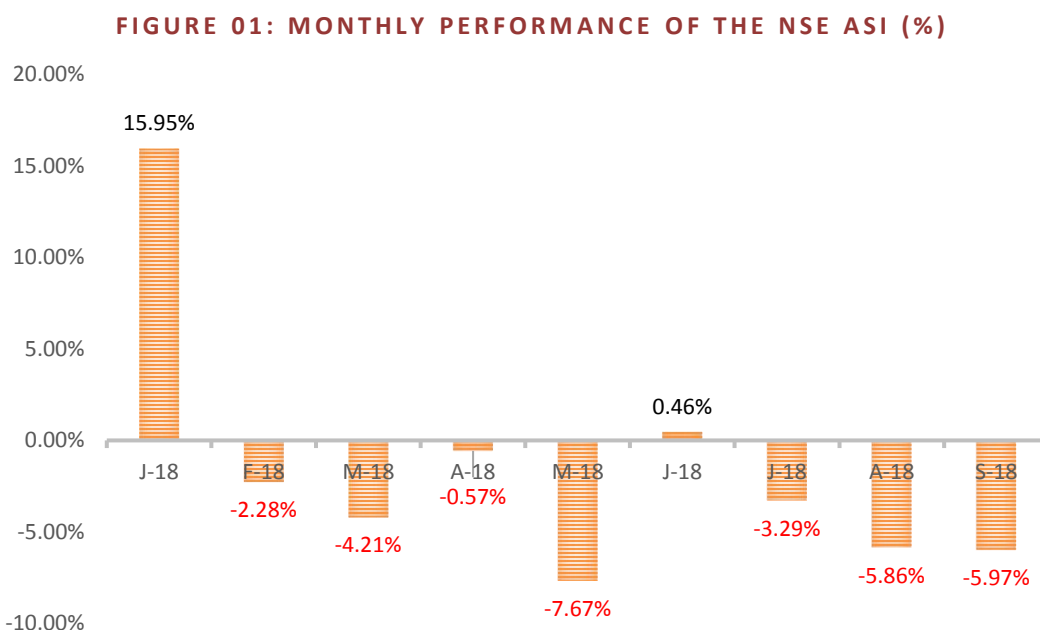
Nevertheless, we do not lose sight of the possible downside risk associated with equity prices in the near term, even after 2019 general elections, given the expected further increases (2 to 3 times) in U.S Fed rates in 2019 and possible elongated slower local economic growth amid recent episode of flooding in about fourteen states.

In conclusion, we opine that the bear markets can avail value investors the opportunity of building a collection of great stock portfolios which continually yield dividends and tend to exceed annual inflation. Thus, the key to optimizing the benefit from the stock market lies in the strategy of buying the dip in order to benefit from growing dividend payouts and capital appreciation.

BEAR BOURSE – THE TWO MAJOR CAUSATIVE FACTORS

It is no longer news that foreign portfolio investors (FPIs) are leaving our shores to pitch their tents with developed markets, especially the United States, given that investors’ return on money loaned to advanced economies has become increasingly attractive. Just in September 2018, the U.S Fed Reserve inched up its benchmark rate again by 0.25% to range between 2.00% - 2.25%. The repatriation of funds abroad by FPIs was initially triggered by political uncertainty, which seems to have become the norm in Nigeria during election periods, and then further accelerated by the increasing yield on fixed income asset in United States. Investors are palpably concerned, and rightly so, about the outcome of the 2019 presidential election – whether or not there would be free and fair general elections and political stability – given historical tendencies of election-induced violence.

The two major causative factors, *political uncertainty* (its negative effect on local bourse started earlier in the year than investors anticipated) and recently, *higher yield environment abroad* (especially in the US), have negatively impacted the Nigerian equities market and significantly eroded the substantial profit made by investors in the first month of 2018 (January) as market capitalization shed a whopping N3.94 trillion between January 31, 2018 and September 29, 2018, See Figure 01 below:

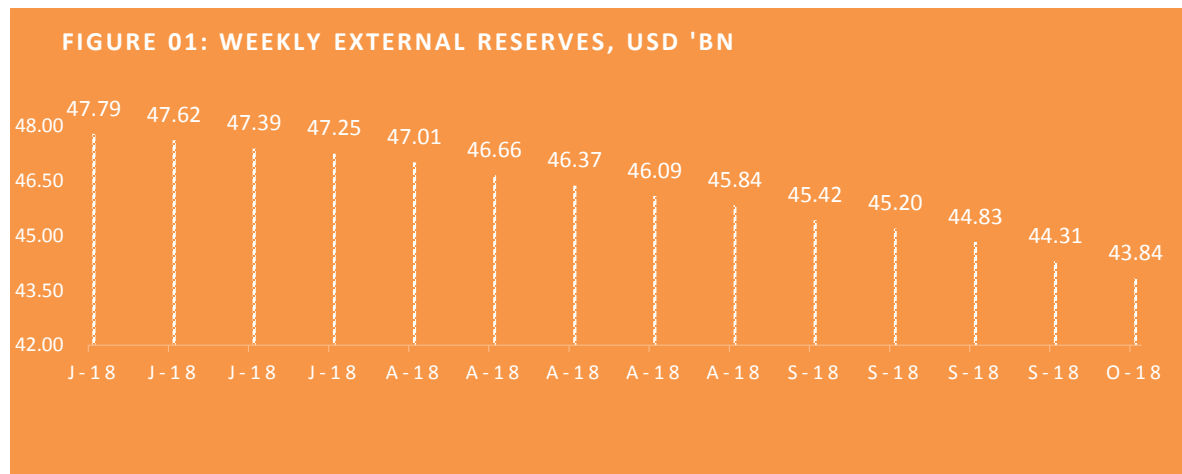


Source: NSE, Cowry Research

THE TRICKLE-DOWN EFFECTS

1. External Reserves Dwindle on Capital Outflows

The huge foreign capital outflows resulting from the aforementioned factors – namely local political uncertainty and higher yields in foreign markets – chiefly contributed to the dwindling external reserves (*see figure 01*) which started moderating virtually every week from June 2018 to date; it dropped w-o-w by 1.06% to USD43.84 billion as at October 5, 2018 and by 8.42% from USD47.87 billion in May 10, 2018, the highest it has touched this year. This is in addition to Central Bank of Nigeria’s continued forex intervention in different segments of the market to douse pressure on the local currency from wholesale and retail demand. Against this backdrop, the apex bank devalued the exchange rate at the interbank window by 9.49% to N361.34/USD as at October 5, 2018 from N330/USD in August 8, 2018; hence resulting in its convergence to exchange rates at other market segments such as the Bureau De Change, Black Market and I&E FX Window.

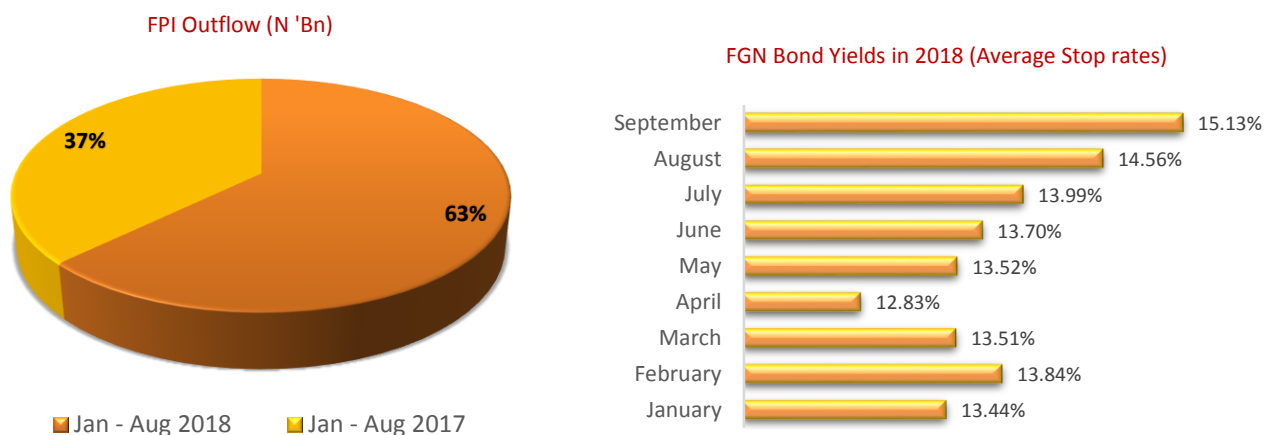


Source: CBN, Cowry Research

2. CBN Retains Tight Monetary Policy

In order to halt the declining foreign reserves, CBN at the last Monetary Policy Committee (MPC) meeting in September 2018, retained the Monetary Policy Rate at 14% and signaled the use of other rates, such as stop rate, as part of its strategy to keep the participation of the FPIs in the capital market (*see Figure 02*). More so, across local treasury bills and bonds maturities, we have seen increased yields to around 14% and 15% respectively in recent times from the 11.00% and 13.50% levels recorded earlier in the year. Thus, this made investors to shift focus towards fixed income investments as they reduced their exposure to variable income investments – the year to date (YTD) FPI outflows from Nigerian equities market rose year on year by 68.24% to N469.71 billion in August 2018 from N279.19 billion (*see figure 02*).

Figure 02: Foreign Portfolio Outflows and FGN Bond Yields



Source: NSE, DMO, Cowry Research

3. Equities Sell-Offs Uncover Value

Given the increasing yield environment both at home and abroad as well as the political uncertainty in Nigeria, the Nigerian Stock Exchange was greeted by negative investors' sentiment; the main performance index, ASI, plunged year to date by 15.23% to 32,417.70 points as at October 9, 2018 from 38,243.19 points in December 29, 2017. Also, the continuous decline in stock prices translated to N1.79 trillion YTD loss for investors in the period under review. All sectored gauges were hit (see *table 01*) as shares were dumped across-the-board by investors, especially in the month of May 2018, that FPI outflows were most significant (see *table 02*).

Table 01: Y-o-Y Performance of Sector Gauges

Sector Gauges	09-Oct-18	29-Dec-17	Year-to-Date %Change
NSE Banking	412.90	475.44	-13.15%
NSE Insurance	124.29	139.37	-10.82%
Consumer Goods	745.70	976.10	-23.60%
NSE OIL/GAS	289.84	330.69	-12.35%
NSE Industrial	1,525.20	1,975.59	-22.80%

Source: NSE, Cowry Research

However, activities in the equity market got a boost as retail investors and domestic institutional investors took advantage of the undervalued stocks to accumulate more shares amid sell-offs by FPIs (*see table 03*). Also, further participation by the pension fund administrators in the equities market, following the implementation of the Pension Multi-Fund Structure which took off in July 2018, contributed to the increased market turnover. Hence, in 9M 2018, total deals rose y-o-y by 24.68% to 861,576 deals, total volume of equities traded increased by 31.12% to 82.96 billion while Naira votes rose y-o-y by 55.02% to N999.70 billion.

Table 02: Local and Foreign Investment Flows on the NSE

	FPI Inflows (N Bn)	FPI Outflows (N Bn)	Domestic Spending (N Bn)
Jan-18	91.75	74.64	228.05
Feb-18	44.89	38.33	128.83
Mar-18	69.71	62.5	140.27
Apr-18	64.28	58.25	89.7
May-18	62.06	130.89	125.32
Jun-18	47.96	54.45	85.38
Jul-18	19.83	16.34	109.9
Aug-18	36.66	34.31	62.87

Source: NSE, Cowry Research

Table 03: Y-o-Y Investment Activities on the NSE

Market Activities	9M 2018	9M 2017	%Change
Deals	861,576	691,028	24.68%
Total Volume (N 'bn)	82.96	63.27	31.12%
Naira Votes (N 'bn)	999.70	644.90	55.02%

Source: NSE, Cowry Research

BEAR MARKET UNVEILS RISING DIVIDEND YIELD OF “BLACK GOLD STOCKS”

So far, listed companies on the local bourse have recorded good performances on the average as revealed by most of the half year financial statements released on the exchange. More so, as third quarter earnings season beckons, we think the positive results would be sustained till year end despite the recently weakening macro-economic fundamentals. CBN, at its September 2018 MPC meeting, mentioned that Nigerian economy was at the brink of recession as economic growth rate came in slower at 1.50% in Q2 2018 compared to 1.95% in Q1 2018 and thus, retained its Monetary Policy Rate (MPR) at 14%. Also, World Bank recently reviewed Nigeria’s economic growth rate in 2018 to 1.9% from its earlier forecasted 2.3% growth.

Slower Economic Growth, Political Uncertainties to be Short-lived...

We agree with the imminent slower growth rate in the country’s GDP but also note that it is likely to be short-lived amid relatively high crude oil prices and production levels. In addition, the political uncertainty – underlying factor for the eroding positive macro-economic fundamentals – is expected to last until first quarter of 2019. Also, as the coast gradually becomes clearer in the political space, given the emergence of the Presidential candidates for the two major political parties – All Progressives Congress (APC) and Peoples’ Democratic Party (PDP) and others – we feel the heavy sell pressure on the equities market should begin to wane in the medium term. Nevertheless, we still do not lose sight of the possible downside risk associated with equity prices in the near term, even after 2019 general elections, given the expected further increases (2 to 3 times) in U.S Fed rates in 2019 and possible elongated slower local economic growth amid recent episode of flooding in about fourteen states.

Cash Cows to Remain Resilient...

Against the backdrop of the afore-mentioned unfavorable conditions which have significantly depressed the market price of most corporates on the exchange, we opine that investors should pitch their tents with dividend-paying companies or cash cows. We expect most corporates to maintain their respective dividends per share paid in 2017 as hinted by some banks which paid higher interim dividends in 2018. The current lower stock market prices avail investors the opportunity to invest in some fundamentally-sound companies which are significantly undervalued as they trade below their book values and offer potentially mouth-watering dividend yields and higher returns on both equity and assets amid growth in earnings per share (see *table 04*); thus, silently creating future value for the patient investors.

Based on our findings, apart from the fact that corporates are significantly undervalued – as they trade below their book values –, most of them have been consistent with dividend payments; they have also increased the dividend per share paid over-time even during the period of recession when some of them recorded lower earnings per share (*see appendix 01*). The positive corporate actions coupled with the recent lower prices have led to higher projected dividend yields in 2018. More so, amid increased EPS recorded by most corporates in their respective half year results, we expect better margins to be delivered which would translate to higher returns on both equity and assets.

Table 04: 2018 Projected Dividend Yields and Other Financial Ratios of Selected Companies Based on H1 2018 Estimates

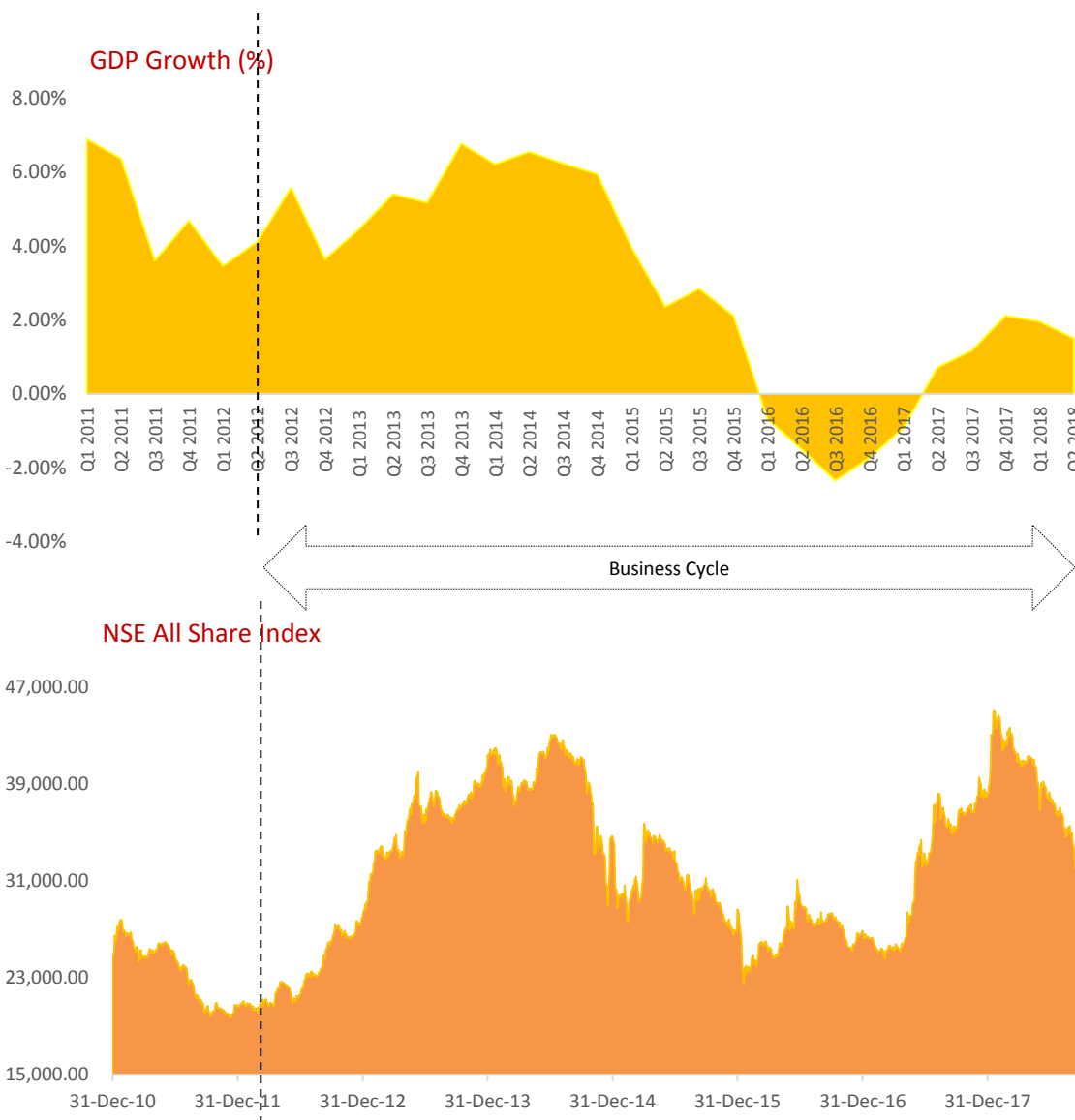
	DIVIDEND YIELD	EPS	P/E	PAT MARGIN	EBIT MARGIN	ROE	ROCE	GEARING RATIO	Net Asset Value	PRICE/BOOK RATIO
LEARN AFRICA	13.86%	0.32	3.15	8.70%	12.78%	7.39%	7.26%	3.23%	4.34	0.23
ZENITH BANK	12.59%	5.21	4.12	25.37%	0.00%	22.72%	0.00%	104.97%	22.92	0.94
UCAP	11.59%	0.67	4.51	51.81%	0.00%	22.01%	0.00%	226.70%	3.04	0.99
AFRICA PRUDENTIAL	10.00%	0.99	4.06	45.39%	0.00%	27.62%	0.00%	74.83%	3.57	1.12
TOTAL	8.96%	33.42	5.68	3.63%	6.52%	38.90%	15.32%	42.79%	85.92	2.21
DANGOTE SUGAR	8.28%	2.12	7.12	15.13%	23.04%	25.47%	20.70%	1.49%	8.32	1.81
CONOIL	8.23%	1.59	15.31	1.01%	3.52%	5.97%	6.54%	37.25%	26.58	0.91
MAY & BAKER	8.16%	0.54	4.54	5.74%	12.74%	14.28%	16.44%	49.63%	3.78	0.65
UBA	8.13%	2.56	3.12	16.97%	0.00%	17.65%	0.00%	112.53%	14.51	0.55
NASCON ALLIED INDUSTRIES	8.00%	1.66	11.28	17.16%	22.48%	45.09%	19.29%	0.40%	3.68	5.09
ACCESS BANK	7.98%	2.74	2.97	15.66%	0.00%	17.22%	0.00%	135.90%	15.91	0.51
CAVERTON	7.65%	0.57	3.41	6.77%	19.86%	11.84%	11.41%	99.16%	4.85	0.40
GTB	7.37%	6.50	5.64	42.17%	0.00%	38.46%	0.00%	62.74%	16.89	2.17
BERGER PAINTS	7.25%	0.84	8.20	7.42%	55.61%	9.32%	41.96%	16.94%	9.03	0.76
CAP PLC	7.23%	2.62	10.82	23.89%	30.77%	106.37%	48.96%	2.18%	2.46	11.51
ETERNAL	6.40%	1.48	4.22	0.56%	0.91%	15.01%	8.20%	50.45%	9.86	0.63
FIDELITY PLC	6.11%	0.82	2.20	13.32%	0.00%	12.86%	0.00%	113.74%	6.36	0.28
FCMB GROUP PLC	5.62%	0.58	3.08	6.82%	0.00%	6.49%	0.00%	86.29%	8.92	0.20
CCNN	5.39%	4.14	5.60	21.54%	30.54%	30.60%	24.39%	3.55%	13.54	1.71
FLOUR MILLS NIGERIA	5.00%	1.78	11.24	1.37%	4.21%	4.90%	5.40%	115.26%	36.32	0.55
DANGOTE CEMENT	4.71%	13.28	16.79	23.46%	41.56%	31.09%	23.19%	59.96%	42.71	5.22
MOBIL	4.44%	30.22	5.96	6.34%	9.04%	36.42%	21.30%	0.00%	82.98	2.17
NIGERIAN BREWERIES	4.42%	4.61	20.28	10.04%	17.21%	21.50%	17.10%	18.55%	21.44	4.36
JULIUS BERGER	4.00%	3.93	6.36	3.55%	9.08%	17.18%	5.56%	114.06%	22.87	1.09

Source: NSE, Cowry Research

EQUITIES MARKET OFFERING DIVIDEND GROWTH & CAPITAL GAIN OPPORTUNITIES

From a historical perspective, the period spanning from 2011 to 2018 represents at least two election cycles (2011, 2015) coupled with a complete business cycle (between Q2 2012 to Q2 2018) which featured growth, slowdown, recession and recovery phases. The bear markets coincided with the election years of 2011 and 2015 and economic recession between 2016 and 2017 (see figure 03), when dividend yields were accentuated by depressed stock prices – and in some cases, increased cash dividend payouts –, which when considered alongside other attractive valuation metrics, signaled buy opportunities.

Figure 03: Nigeria’s Business Cycle and Stock Market Evolution



Source: NBS, NSE, Cowry Research

Attractive Dividend Yields justifying A Buy-and-Hold Strategy

During the afore-stated period, from 2011 to 2018, dividend paying quoted companies generally maintained cash dividend payouts – irrespective of the business cycle – which cumulatively presented very attractive dividend yields relative to their respective depressed share prices as at December 08, 2011 when the market index, NSE ASI, was at its lowest. For some companies such as NASCON, UBA and ZENITH, their dividend yields when adjusted for a 93.23% cumulative annual inflation rate remained positive.

Table 05: Adjusted Dividend Yields of Selected Stocks from 2011 - 2018

	Dividend Yield (DY)	Capital Gain	Total Return	Inflation Rate	DY Less Inflation	Total Return less Inflation
NASCON ALLIED INDUSTRIES	141.98%	391.36%	533.33%	93.23%	48.75%	440.10%
UBA	134.04%	246.81%	380.85%	93.23%	40.81%	287.62%
ZENITH BANK	109.30%	94.35%	203.65%	93.23%	16.08%	110.42%
DANGOTE SUGAR	105.68%	240.91%	346.59%	93.23%	12.45%	253.36%
ACCESS BANK	105.63%	88.97%	194.60%	93.23%	12.40%	101.37%
PRESKO	94.41%	558.39%	652.80%	93.23%	1.18%	559.57%
CAP PLC	91.87%	111.13%	203.01%	93.23%	-1.35%	109.78%
GTB	91.26%	173.33%	264.59%	93.23%	-1.97%	171.36%
FIDELITY PLC	90.00%	59.17%	149.17%	93.23%	-3.23%	55.94%
OKOMU	75.70%	238.42%	314.12%	93.23%	-17.53%	220.89%
STANBIC IBTC HOLDINGS	67.07%	587.50%	654.57%	93.23%	-26.16%	561.34%
CCNN	59.38%	420.83%	480.21%	93.23%	-33.85%	386.98%
GLAXOSMITHKLINE	57.72%	-40.59%	17.12%	93.23%	-35.51%	-76.10%
BERGER PAINTS	51.88%	-26.06%	25.82%	93.23%	-41.35%	-67.41%
CONOIL	49.92%	-32.33%	17.59%	93.23%	-43.30%	-75.63%
TOTAL	45.96%	-7.58%	38.38%	93.23%	-47.27%	-54.85%
FBNH	42.35%	5.29%	47.65%	93.23%	-50.88%	-45.58%
DANGOTE CEMENT	42.10%	90.29%	132.40%	93.23%	-51.13%	39.17%
NESTLE NIGERIA	41.76%	250.00%	291.76%	93.23%	-51.47%	198.53%
MOBIL	34.19%	30.65%	64.84%	93.23%	-59.04%	-28.39%
JULIUS BERGER	33.31%	-37.81%	-4.50%	93.23%	-59.92%	-97.73%
NIGERIAN BREWERIES	29.69%	-8.02%	21.67%	93.23%	-63.54%	-71.56%
ETERNAL	28.79%	87.88%	116.67%	93.23%	-64.44%	23.44%
LEARN AFRICA	25.76%	-67.87%	-42.11%	93.23%	-67.47%	-135.33%
HONEYWELL FLOUR	22.89%	-55.63%	-32.75%	93.23%	-70.34%	-125.98%
FCMB GROUP PLC	21.46%	-59.09%	-37.63%	93.23%	-71.76%	-130.86%
MAY & BAKER	20.44%	27.07%	47.51%	93.23%	-72.79%	-45.72%
UNILEVER	18.46%	58.46%	76.92%	93.23%	-74.77%	-16.31%
FLOUR MILLS NIGERIA	13.92%	-66.08%	-52.16%	93.23%	-79.31%	-145.39%
PZ CUSSION	13.14%	-56.55%	-43.41%	93.23%	-80.09%	-136.64%
GUINNESS	12.94%	-63.23%	-50.29%	93.23%	-80.29%	-143.52%
DANGOTE FLOUR	7.84%	53.92%	61.76%	93.23%	-85.39%	-31.46%
UCAP*	94.49%	129.13%	223.62%	53.60%	40.89%	170.02%
AFRICA PRUDENTIAL*	52.21%	60.64%	112.85%	53.60%	-1.39%	59.25%
CAVERTON*	6.07%	210.14%	-14.17%	53.60%	-47.53%	-67.77%
SEPLAT*	7.78%	-20.24%	218.13%	53.60%	-45.82%	164.53%

Source: NBS, NSE, Cowry Research

Impressive Total Returns from A Buy-and-Hold Strategy

In addition to dividend yields, stock returns were further enhanced by capital gains, resulting in impressive total returns on investment (*see table 06*). Again, adjusting total returns for a 93.23% cumulative annual inflation rate, total returns for several stocks were quite spectacular. Returns on shares of STANBIC, PRESCO, NASCON and CCNN led the pack with adjusted total returns of 561.34%, 559.57%, 440.10% and 386.98% respectively. We note that the likes of ZENITH, ACCESS and FIDELITY appear underpriced compared to others given their comparatively lower capital gains but relatively higher dividend yields.

Table 06: Adjusted Total Returns of Selected Stocks from 2011 - 2018

	Dividend Yield (DY)	Capital Gain	Total Return	Inflation Rate	DY Less Inflation	Total Return less Inflation
STANBIC IBTC HOLDINGS	67.07%	587.50%	654.57%	93.23%	-26.16%	561.34%
PRESCO	94.41%	558.39%	652.80%	93.23%	1.18%	559.57%
NASCON ALLIED INDUSTRIES	141.98%	391.36%	533.33%	93.23%	48.75%	440.10%
CCNN	59.38%	420.83%	480.21%	93.23%	-33.85%	386.98%
UBA	134.04%	246.81%	380.85%	93.23%	40.81%	287.62%
DANGOTE SUGAR	105.68%	240.91%	346.59%	93.23%	12.45%	253.36%
OKOMU	75.70%	238.42%	314.12%	93.23%	-17.53%	220.89%
NESTLE NIGERIA	41.76%	250.00%	291.76%	93.23%	-51.47%	198.53%
GTB	91.26%	173.33%	264.59%	93.23%	-1.97%	171.36%
ZENITH BANK	109.30%	94.35%	203.65%	93.23%	16.08%	110.42%
CAP PLC	91.87%	111.13%	203.01%	93.23%	-1.35%	109.78%
ACCESS BANK	105.63%	88.97%	194.60%	93.23%	12.40%	101.37%
FIDELITY PLC	90.00%	59.17%	149.17%	93.23%	-3.23%	55.94%
DANGOTE CEMENT	42.10%	90.29%	132.40%	93.23%	-51.13%	39.17%
ETERNAL	28.79%	87.88%	116.67%	93.23%	-64.44%	23.44%

Source: NBS, NSE, Cowry Research

Long Run Equities Total Returns Exceeding Fixed Income Yields

In a few cases, cumulative dividend yields even exceeded discount rates of 364-day treasury bills in the period spanning 2011 to 2018. NASCON, UBA and ZENITH all recorded relatively higher yields than T-Bills held to maturity; even more so, total returns of several other stocks outperformed returns from short dated fixed income instrument (*see table 07*). It is noteworthy that fixed income yields were mostly inflated by unfavourable macroeconomic variables.

Thus, it is expected that while fixed income investments might be outperforming dividend yields in times of macroeconomic stress, in the long run, particularly during an economic boom, it is expected that in more cases than not, dividend yields from cash cows could cumulatively outperform cumulative yields from fixed income investments as companies are expected to increase their dividend pay outs even as their stock prices are expected to soar. Hence, we expect savvy investors to “buy the dip”.

Table 07: Total Returns of Selected Stocks vs 364-Day T-Bills Discount Rates from 2018 - 2018

	Dividend Yield (DY)	Capital Gain	Total Return	364-day T-Bills	DY Less T-Bills	Total Return less T-Bills Yield
NASCON ALLIED INDUSTRIES	141.98%	391.36%	533.33%	106.07%	35.91%	427.27%
UBA	134.04%	246.81%	380.85%	106.07%	27.97%	274.78%
ZENITH BANK	109.30%	94.35%	203.65%	106.07%	3.24%	97.58%
DANGOTE SUGAR	105.68%	240.91%	346.59%	106.07%	-0.39%	240.52%
ACCESS BANK	105.63%	88.97%	194.60%	106.07%	-0.43%	88.53%
PRESCO	94.41%	558.39%	652.80%	106.07%	-11.66%	546.73%
CAP PLC	91.87%	111.13%	203.01%	106.07%	-14.19%	96.94%
GTB	91.26%	173.33%	264.59%	106.07%	-14.81%	158.52%
FIDELITY PLC	90.00%	59.17%	149.17%	106.07%	-16.07%	43.10%
OKOMU	75.70%	238.42%	314.12%	106.07%	-30.37%	208.05%
STANBIC IBTC HOLDINGS	67.07%	587.50%	654.57%	106.07%	-38.99%	548.51%
CCNN	59.38%	420.83%	480.21%	106.07%	-46.69%	374.14%
GLAXOSMITHKLINE	57.72%	-40.59%	17.12%	106.07%	-48.35%	-88.94%
BERGER PAINTS	51.88%	-26.06%	25.82%	106.07%	-54.19%	-80.25%
CONOIL	49.92%	-32.33%	17.59%	106.07%	-56.14%	-88.47%
TOTAL	45.96%	-7.58%	38.38%	106.07%	-60.11%	-67.68%
FBNH	42.35%	5.29%	47.65%	106.07%	-63.71%	-58.42%
DANGOTE CEMENT	42.10%	90.29%	132.40%	106.07%	-63.96%	26.33%
NESTLE NIGERIA	41.76%	250.00%	291.76%	106.07%	-64.31%	185.69%
MOBIL	34.19%	30.65%	64.84%	106.07%	-71.88%	-41.23%
JULIUS BERGER	33.31%	-37.81%	-4.50%	106.07%	-72.76%	-110.57%
NIGERIAN BREWERIES	29.69%	-8.02%	21.67%	106.07%	-76.38%	-84.40%
ETERNAL	28.79%	87.88%	116.67%	106.07%	-77.28%	10.60%
LEARN AFRICA	25.76%	-67.87%	-42.11%	106.07%	-80.31%	-148.17%
HONEYWELL FLOUR	22.89%	-55.63%	-32.75%	106.07%	-83.18%	-138.81%
FCMB GROUP PLC	21.46%	-59.09%	-37.63%	106.07%	-84.60%	-143.69%
MAY & BAKER	20.44%	27.07%	47.51%	106.07%	-85.63%	-58.55%
UNILEVER	18.46%	58.46%	76.92%	106.07%	-87.61%	-29.14%
FLOUR MILLS NIGERIA	13.92%	-66.08%	-52.16%	106.07%	-92.15%	-158.23%
PZ CUSSION	13.14%	-56.55%	-43.41%	106.07%	-92.93%	-149.48%
GUINNESS	12.94%	-63.23%	-50.29%	106.07%	-93.13%	-156.36%
DANGOTE FLOUR	7.84%	53.92%	61.76%	106.07%	-98.22%	-44.30%
UCAP	0.00%	0.00%	0.00%	106.07%	-106.07%	-106.07%
AFRICA PRUDENTIAL	0.00%	0.00%	0.00%	106.07%	-106.07%	-106.07%
CAVERTON	0.00%	0.00%	0.00%	106.07%	-106.07%	-106.07%
SEPLAT	0.00%	0.00%	0.00%	106.07%	-106.07%	-106.07%

Source: CBN, NSE, Cowry Research

In Summary...

- The key to optimizing the benefit from the stock market lies in the strategy of buying the dip in order to benefit from growing dividend payouts and capital appreciation.
- We opine that the bear markets can avail value investors the opportunity of building a collection of great stock portfolios which continually yield dividends and tend to exceed annual inflation; thus, yielding passive but satisfactory income streams.
- While yields on fixed income tend to exceed dividend yields in a bearish market (except in a few cases as shown in table 07 above), we believe that during an equities market rebound dividend yields would trump yields on fixed income which are often depressed in times of economic boom.



APPENDIX

Appendix 01: Historical Per Share Data

	Historical Share Prices			Historical Dividends						
	Price: 08/12/11	Price: 18/12/15	Total Dividends	2017	2016	2015	2014	2013	2012	2011
LEARN AFRICA	3.61	0.77	0.93	0.14	0.1	0	0.12	0.12	0.2	0.25
ZENITH BANK	11.5	13.97	12.57	2.7	2.02	1.8	1.75	1.75	1.6	0.95
UCAP	na	1.27	1.4	0.35	0.5	0.35	0.2	na	na	na
AFRICA PRUDENTIAL	na	2.49	2	0.4	0.3	0.6	0.35	0.35	na	na
TOTAL	198	145	91	17	17	15	11	11	11	9
DANGOTE SUGAR	4.4	6	4.65	1.75	0.6	0.5	0.4	0.6	0.5	0.3
CONOIL	33.25	26.04	16.6	2	3.1	3	1	4	1	2.5
MAY & BAKER	1.81	0.96	0.37	0.2	0.06	0.06	0.05	na	na	na
UBA	2.35	3.53	3.15	0.65	0.75	0.6	0.1	0.5	0.5	0.05
NASCON ALLIED INDUSTRIES	4.05	6.81	5.75	1.5	0.7	0.55	0.5	0.9	0.9	0.7
ACCESS BANK	4.26	4.57	4.5	0.65	0.65	0.55	0.6	0.6	0.85	0.6
CAVERTON	na	2.47	0.25	0.15	na	na	0.1	na	na	na
GTB	13.5	19.05	12.32	2.7	2	1.77	1.75	1.45	1.55	1.1
BERGER PAINTS	8.52	10	4.42	0.5	0.5	0.75	0.75	0.7	0.52	0.7
CAP PLC	15.63	37.6	14.36	2.05	2.2	2.35	2.35	2.25	1.56	1.6
ETERNAL	3.3	1.74	0.95	0.4	0.3	0.25	na	na	na	na
FIDELITY PLC	1.2	1.42	1.08	0.11	0.14	0.16	0.18	0.14	0.21	0.14
FCMB GROUP PLC	3.96	1.82	0.85	0.1	0.1	0.1	0.25	0.3	na	na
CCNN	4.8	7.92	2.85	1.25	0	0.1	0.35	0.7	0	0.45
FLOUR MILLS NIGERIA	62.5	21	8.7	1	1	1	2.1	2	1.6	
DANGOTE CEMENT	105.1	150.01	44.25	10.5	8.5	8	6	7	3	1.25
MOBIL	133.95	125.84	45.8	8	8	7.2	6.6	6	5	5
NIGERIAN BREWERIES	93.5	115.99	27.76	4.13	3.58	4.8	4.75	4.5	3	3
JULIUS BERGER	38.43	41.68	12.8	1	0	1.5	2.7	2.7	2.5	2.4
OKOMU	23.58	27.21	17.85	3	1.5	0.1	0.25	1	7	5
HONEYWELL FLOUR	2.84	1.91	0.65	0.06	0.06	0	0.05	0.17	0.16	0.15
PRESCO	8.05	32.5	7.6	2	1.5	1	1	0.1	1	1
GLAXOSMITHKLINE	23.65	35	13.65	7.9	0.3	0.9	0.75	1.3	1.3	1.2
NESTLE NIGERIA	400	800	167.05	42.5	10	29	27.5	25.5	20	12.55
FBNH	8.5	4.7	3.6	0.25	0.2	0.15	0.1	1.1	1	0.8
STANBIC IBTC HOLDINGS	6.56	15	4.4	1.1	0.05	0.95	1.3	0.8	0.1	0.1
DANGOTE FLOUR	5.1	1.23	0.4	0.2	na	na	na	na	0.1	0.1
GUINNESS	213.5	123	27.63	1.84	0.64	0.5	3.2	3.2	10	8.25
PZ CUSSION	29	28.98	3.81	0.15	0.5	0.7	0.61	0.56	0.43	0.86
UNILEVER	26	45.5	4.8	0.5	0.1	0.05	0.1	1.25	1.4	1.4
SEPLAT	na	203	42.84	na	na	15.8	27.04	na	na	na

Source: NSE, Cowry Research

Appendix O2: Total Returns of Selected Stocks from 2015 - 2018

	Dividend Yield (DY)	Capital Gain	Total Yield	Inflation Rate	DY Less Inflation	Total Yield less Inflation
UCAP	94.49%	129.13%	223.62%	53.60%	40.89%	170.02%
UBA	56.66%	130.88%	187.54%	53.60%	3.06%	133.94%
ETERNAL	54.60%	256.32%	310.92%	53.60%	1.00%	257.32%
AFRICA PRUDENTIAL	52.21%	60.64%	112.85%	53.60%	-1.39%	59.25%
DANGOTE SUGAR	47.50%	150.00%	197.50%	53.60%	-6.10%	143.90%
ZENITH BANK	46.67%	59.99%	106.66%	53.60%	-6.93%	53.06%
ACCESS BANK	40.48%	76.15%	116.63%	53.60%	-13.12%	63.03%
NASCON ALLIED INDUSTRIES	40.38%	192.22%	232.60%	53.60%	-13.22%	179.00%
GTB	33.96%	93.70%	127.66%	53.60%	-19.64%	74.06%
TOTAL	33.79%	26.21%	60.00%	53.60%	-19.81%	6.40%
MAY & BAKER	33.33%	139.58%	172.92%	53.60%	-20.27%	119.32%
LEARN AFRICA	31.17%	50.65%	81.82%	53.60%	-22.43%	28.22%
CONOIL	31.11%	-13.59%	17.51%	53.60%	-22.49%	-36.09%
FIDELITY PLC	28.87%	34.51%	63.38%	53.60%	-24.73%	9.78%
GLAXOSMITHKLINE	26.00%	-59.86%	-33.86%	53.60%	-27.60%	-87.46%
MOBIL	18.44%	39.07%	57.50%	53.60%	-35.16%	3.90%
DANGOTE CEMENT	18.00%	33.32%	51.32%	53.60%	-35.60%	-2.28%
CAP PLC	17.55%	-12.23%	5.32%	53.60%	-36.05%	-48.28%
BERGER PAINTS	17.50%	-37.00%	-19.50%	53.60%	-36.10%	-73.10%
CCNN	17.05%	215.66%	232.70%	53.60%	-36.55%	179.10%
OKOMU	16.91%	193.27%	210.18%	53.60%	-36.69%	156.58%
FCMB GROUP PLC	16.48%	-10.99%	5.49%	53.60%	-37.12%	-48.11%
DANGOTE FLOUR	16.26%	538.21%	554.47%	53.60%	-37.34%	500.87%
FLOUR MILLS NIGERIA	14.29%	0.95%	15.24%	53.60%	-39.31%	-38.36%
STANBIC IBTC HOLDINGS	14.00%	200.67%	214.67%	53.60%	-39.60%	161.07%
PRESKO	13.85%	63.08%	76.92%	53.60%	-39.75%	23.32%
FBNH	12.77%	90.43%	103.19%	53.60%	-40.83%	49.59%
NIGERIAN BREWERIES	10.79%	-25.86%	-15.07%	53.60%	-42.81%	-68.67%
NESTLE NIGERIA	10.19%	75.00%	85.19%	53.60%	-43.41%	31.59%
SEPLAT	7.78%	210.34%	218.13%	53.60%	-45.82%	164.53%
HONEYWELL FLOUR	6.28%	-34.03%	-27.75%	53.60%	-47.32%	-81.35%
CAVERTON	6.07%	-20.24%	-14.17%	53.60%	-47.53%	-67.77%
JULIUS BERGER	6.00%	-42.66%	-36.66%	53.60%	-47.60%	-90.26%
PZ CUSSION	4.66%	-56.52%	-51.86%	53.60%	-48.94%	-105.46%
GUINNESS	2.42%	-36.18%	-33.76%	53.60%	-51.18%	-87.36%
UNILEVER	1.43%	-9.45%	-8.02%	53.60%	-52.17%	-61.62%

Source: NBS, NSE, Cowry Research



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