

FBNQuest Securities Limited

Understanding Stockbroking

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Introduction

FBNQuest Securities is the equities brokerage arm of the FBNQuest group. We are a subsidiary of FBNQuest Merchant Bank Limited (“**FBNQMB**”) and a member of the FBN Holdings Group (“**FBNH**”).

FBNQuest Securities was established in 1991 and was formerly trading under the name, Premium Securities Limited. The firm has consistently ranked amongst the top 10 Stockbroking Firms in Nigeria over the last 7 years.

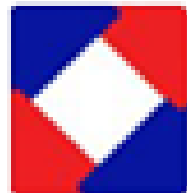
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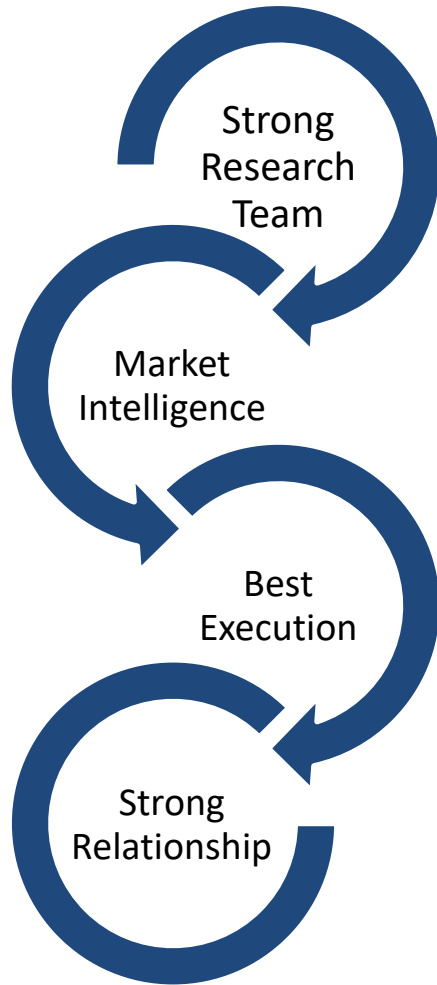


THE Nigerian
STOCK EXCHANGE



NASD PLC

Our Strength



Our unrivalled top-bottom investment research approach distinguishes us from herd-mentality competitors, and this forms the bedrock of our business

Go-To-Broker for Market Information

We don't just trade, we partner with clients towards achieving their investment goals.

Strong relationship with regulators: Seamlessly help our clients optimise and consolidate their existing portfolios.

Equities Trading

- This involves buying and selling of stocks for clients either via the NSE trading Platform, the NASD OTC platform or Outright OTC.
- The execution of trades directly on the exchange can only be performed by a broker, who is licensed by the NSE and is a member of the Chartered Institute of Stockbrokers.
- The NSE trading platform is called X-Gen and its a FIX enabled system that allows different functionalities including direct access and remote trading. Retail investors have increasingly engaged the remote trading. The NASD trading platform is also automated.
- Client orders are obtained via a variety of sources namely; the Bloomberg terminal, phones, mails and Order Management Systems.



The Nigerian Stock Exchange

The Nigerian Stock Exchange (NSE or the Exchange) was founded in 1960 as a registered company limited by guarantee, and its licensed under the Investments and Securities Act (ISA) and regulated by the Securities and Exchange Commission (SEC) of Nigeria

The NSE is the second largest stock exchange by market capitalization in Africa. (N18.4trillion, \$48b) vs (JSE - \$1.2trillion, 25X); (EGX-\$41b 1X),

There are about 164 listed companies on the Nigerian Stock Exchange, 120 listed bonds, 10 listed ETPs.

The NSE has 14 electronic trading floors around Nigeria

The securities currently traded on the floor of the NSE include, Shares, Bonds, Commodities Backed Funds and Exchange Traded Funds.

Shares trade within a band of + or – 10% in a single day

Settlement takes 3 days - T + 3 days. (T- Transaction Day)



Equities Trading – The Nigerian Stock Exchange

New Equities Market Structure



Benefits of the New Market Structure

- Enables market makers to enhance liquidity and reduce imbalances
- Enhances pricing (Reduces spread)
- Dampens volatility around the open & close auctions and during continuous trading.



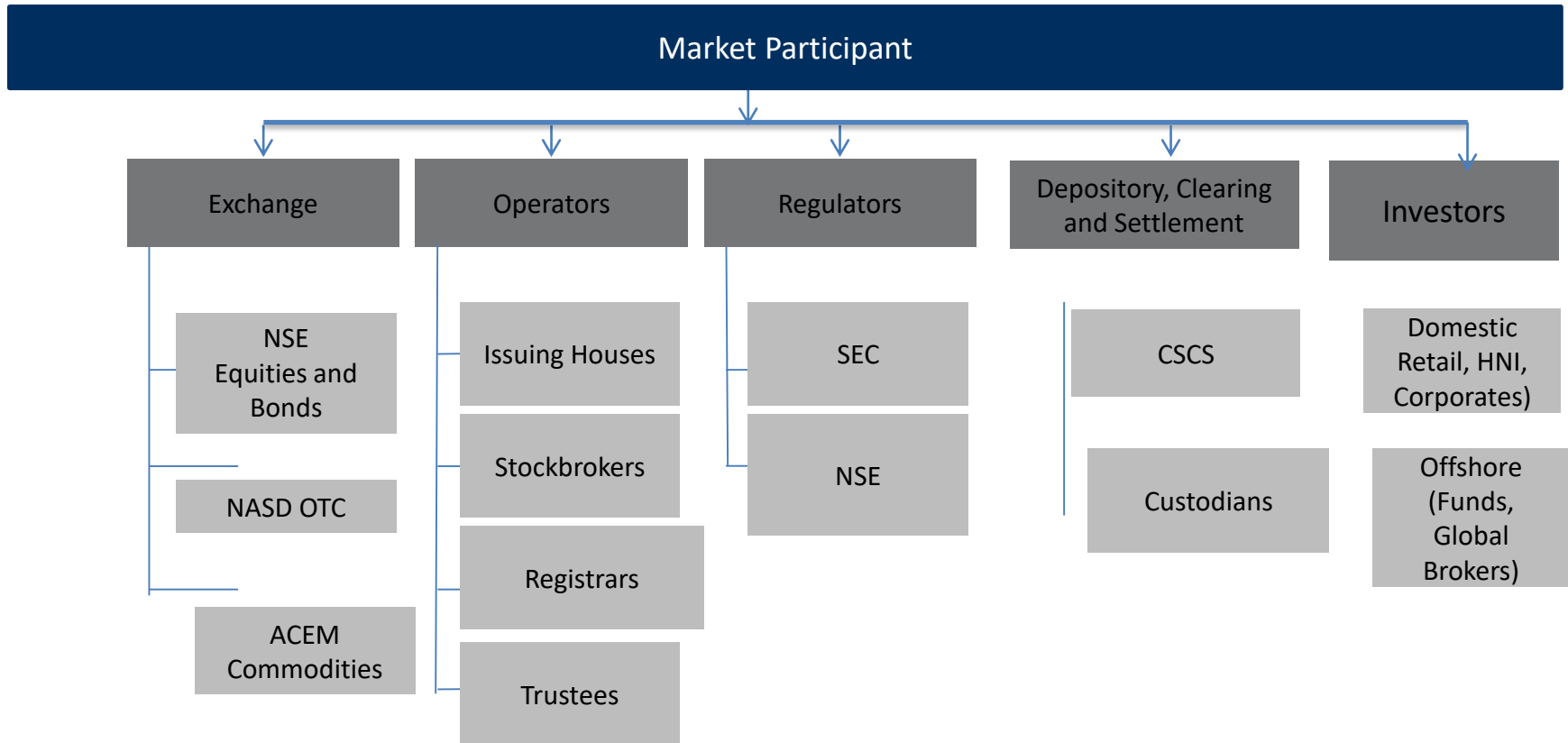
Maximum upward price movement in one day is 10%



Maximum downward price movement in one day is 10%

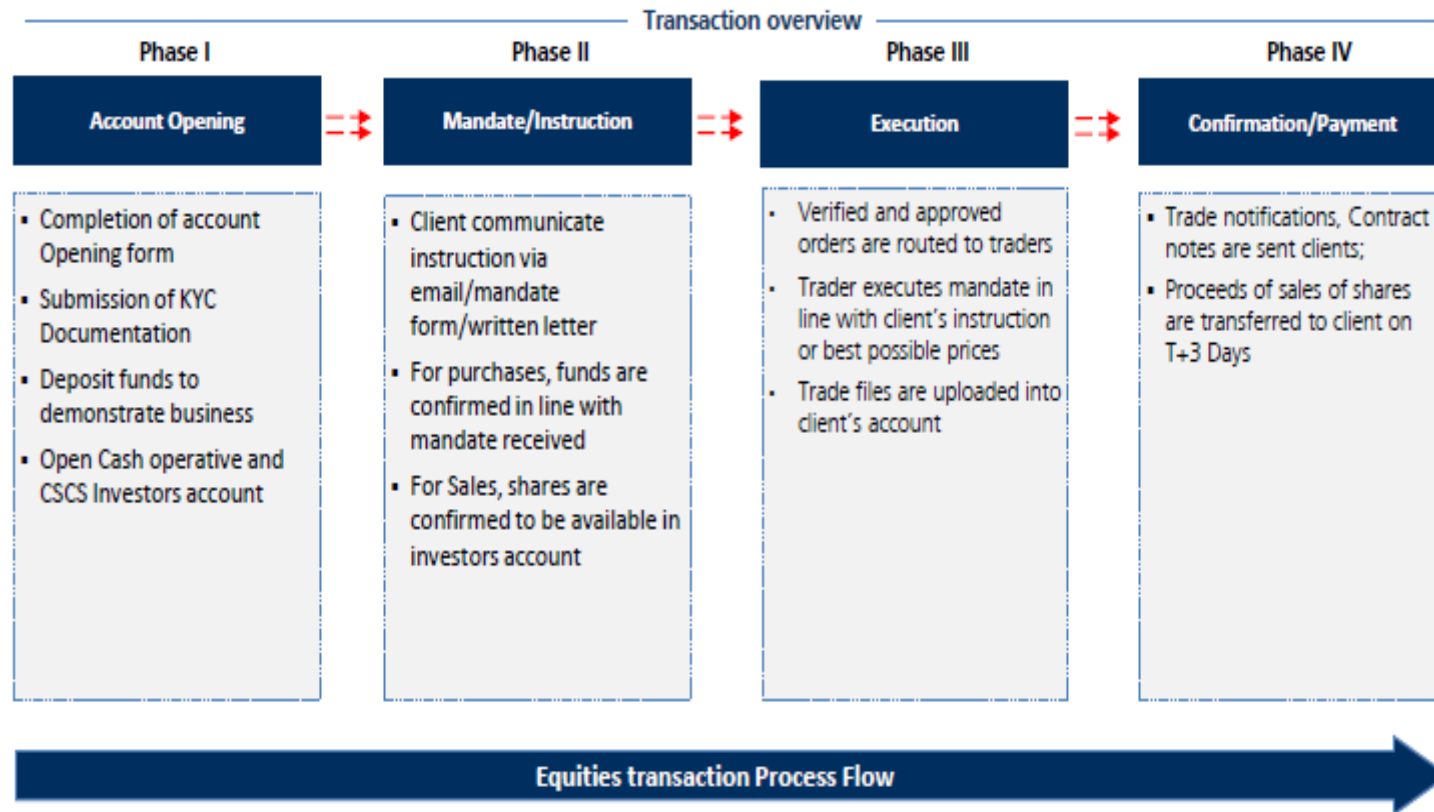


Stock Market Participants



Equities Transaction Process Flow

- Highlighted below are tasks required to achieve a complete execution of mandate from inception



Analyzing the Nigerian Equities Market Index-Chart



Analyzing the Nigerian Equities Market Index

The Nigerian All Share Index is the market indicator that helps investors gauge market/price movements overtime, i.e., helps compare current price levels with past prices to calculate market performance. It is computed from the prices of selected stocks and measured in points.

Year	y/y Return(%)	Points
• 2002	+10.71%	12,137.72
• 2004	+15.91%	23,292.58 (Government Policies and Oil Price)
• 2006	+38.74%	33,189.30 (Influx of Hot Money-Margin Trading)
• 2007	+74.73%	57,990.22 (Influx of Hot Money-Margin Trading)
• 2008	-45.77%	31,446.96 (Global melt down, index peaked at 66,286.58)
• 2009	-33.77%	20,827.17 (Global melt down)
• 2013	+47.19%	41,329.19 (Recovery from Global melt down)
• 2016	-6.17%	26,874.62 (Devaluation of Naira & Oil Plunge)
• 2017	+42.30%	38,243.19 (Introduction of I&E window IRO Fx issues)
• 2020 March	-20.65%	21,300.47 (Fx issues, Global Pandemic)
• YTD	+30.90%	35,137.99 (Recovery from pandemic ; low interest rate environment)

Equities Investment Climate Pre 2008

- Porous Regulation

- Little or No Investor Education

- Uninformed Decision making

- Rogue Stockbrokers

Equities Investment Climate -Now

- Better Regulation and Investor Protection

- Improved Literacy and Research Availability

- Enlightened Decision Making and Technology

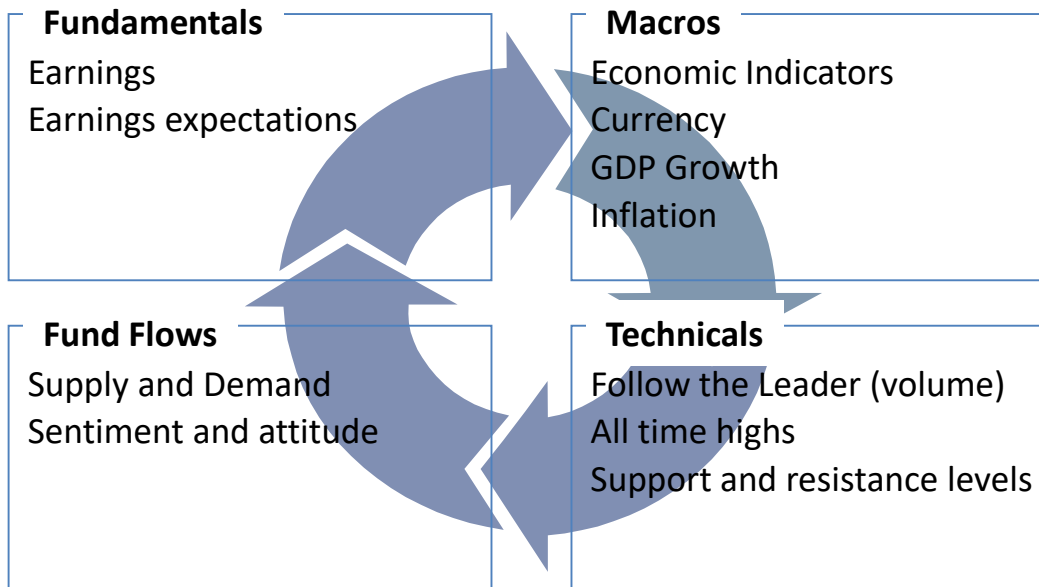
- Professionalism Improved

Equities Trading – How Money is made and Factors affecting Price Movement

How Money is made

- Capital Gains/Price Appreciation: Stock price goes up and you Sell (Buy low, sell high)
- Dividends: Though not all companies pay dividends

Factors affecting Price Movement



Investment Strategies

Why Invest in stocks

- The return on investments in the market can be 3-4 times the annual return of inflation, savings and treasury bonds. You can make good money in the market
- You can lose money too.....

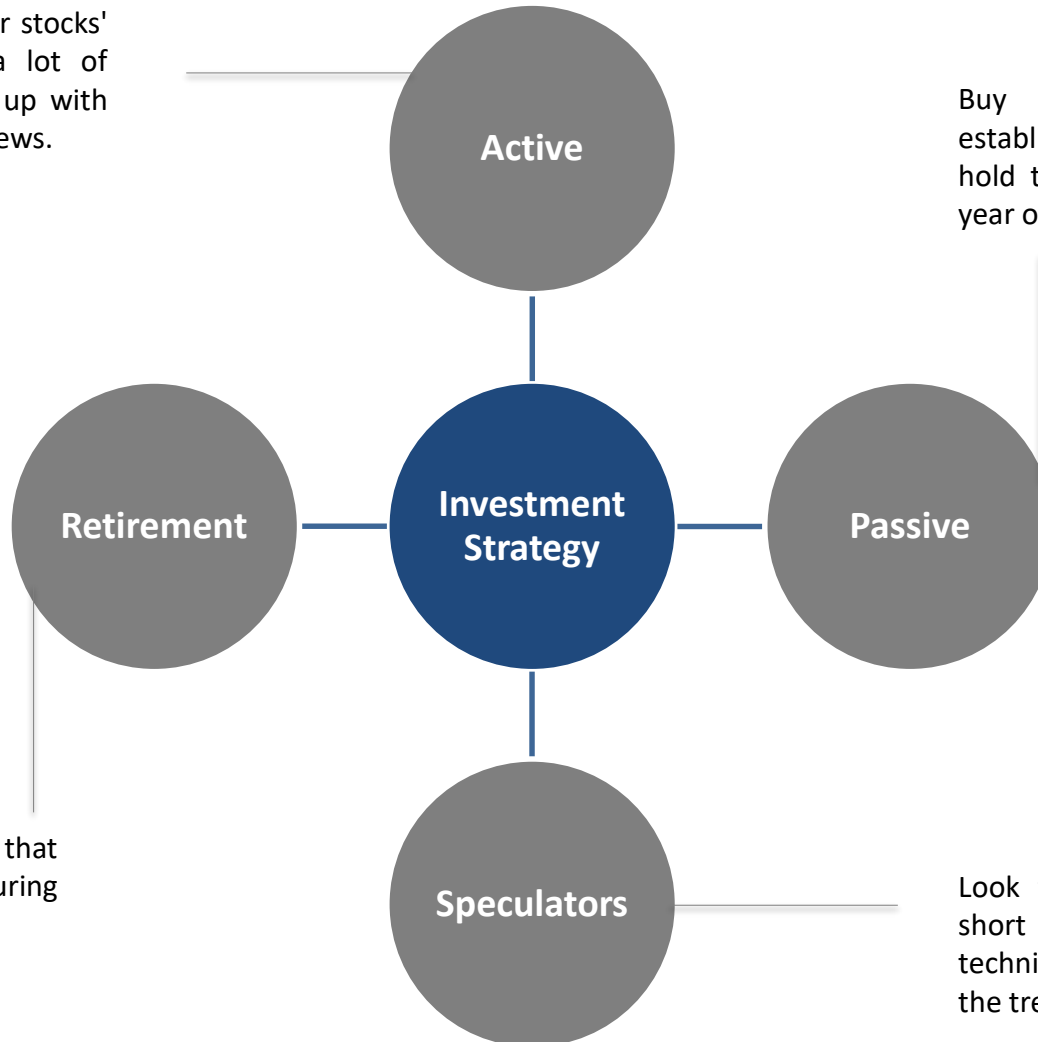
To Invest in Stocks

- What are your financial goals?
- What is your risk tolerance? Return rises with risk
- Do you want to actively manage your portfolio?
- Diversify
- Don't put all your eggs in one basket!

Investment Strategies

Stay abreast of their stocks' performance, do a lot of research and keep up with the daily financial news.

Buy individual stock in established companies and hold that investment for a year or more



Dividend stocks that produce income during retirement

Look for opportunities for short term trades using technical analysis. Trading the trends

Summary

- The equities market has not recovered fully from losses recorded in 2008, however, opportunities still exist especially at times like these.
- Sell-offs due to weak market sentiments that trailed the Covid-19 pandemic and other macro hiccups created a dip and which has been overturned by the low interest rate environment on fixed income securities.
- The circuit breaker rule of NSE was triggered for the first time since its introduction on November 12 2020 as the NSEASI posted a record intra-day surge. The YTD return on the market index currently stands at about 30.9%.
- Some listed companies have continued to outperform the larger index and have continued to deliver decent returns to their shareholders.

Zenith Bank has continued to delight investors with decent dividends ranging from N1.60 in 2012 and up to N2.70 in 2019 Financial years, giving dividend yields north of 10%. There are other companies in this category such as GTB, UBA and Access, and a few Non Banks (Nestle, MTNN, Dangcem).

There still exist opportunities to be maximized in the equities market.

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Thank you

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