



INTEGRITY

Review of H1 2004 & Outlook for H2 2004

ECONOMIC GROWTH

Whilst we expect money supply to expand in line with the government's target, which ordinarily should boost consumer spending, weak employment growth, and the recent hike in fuel price would make real growth in personal income vis-à-vis consumer spending almost impossible in the short term. Fiscal policy is however likely to boost growth with the settlement of domestic public sector arrears as provided for in the 2004 budget, in addition to higher public expenditure. We are maintaining our mid-term growth forecast range of 3% -5%, however with a bias for the upper end of the range.

INFLATION & INTEREST RATES

We expect inflation rate to rise further over coming months as the impact of high domestic fuel prices filters through the economy. We have raised our forecast range for inflation to between 16 and 28% (12-mth moving average) in H2 2004 with a bias to the upper end of the range. As a result of the pressure on domestic prices, and expanding bank credit to the public sector, we expect the CBN would act proactively by tightening monetary policy in H2-04.

CURRENCY

We expect that that high global oil prices and favourable foreign exchange inflows will continue to support the currency in the second half of the year. Consequently, our forecast is for **support and resistance levels for the Naira at ₦150/\$1 and ₦132/\$1 respectively at the parallel market.**

EQUITY MARKET

In the very short term, we remain hard pressed to rationalize the run up in equity prices from a fundamental perspective, believing that stocks have climbed prematurely and are at their highs due to positive investor sentiment. The high level of speculation in the market, in addition to valuations concerns provide a basis for a near-term pause in the market. Our fear is that unless the pace of growth in earnings and economic conditions improve, the equity market will remain richly valued. Our top picks over the second half of 2004 include Union Bank, Guinness, Guaranty Trust Bank and WAPCO, while our forecast range for the NSE All-Share Index is 23,100 – 30,700. We recommend a cautious investment strategy, staying on the lower end of our equity allocation band. Our 2004 recommended asset allocation for a typical growth portfolio with moderate risk is 45-60% Equities, 25-30% Fixed Income, 15-20% Real Estate and 0-5% in cash.

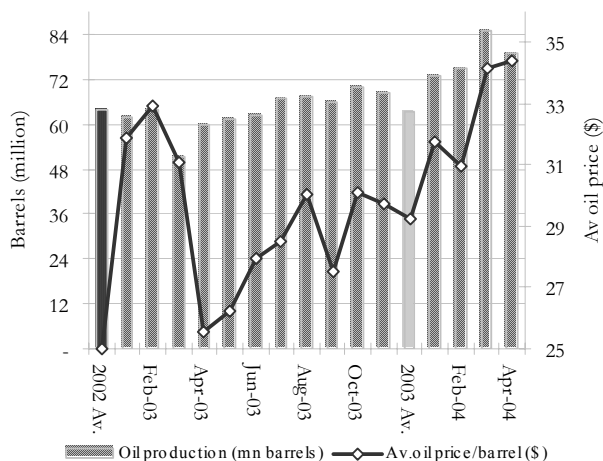
Growth

Declining productivity, unsustainable external debt burden, rising domestic debt, poor infrastructure, weak public service delivery, a weak environment for private sector development, as well as poor fiscal policy have consistently characterised the Nigerian economy. Data from the Federal Office of Statistics (FOS) revealed the performance of the economy improved substantially in 2003, with real output (GDP) increasing by 10.2%, compared with 3.5% in 2002. The performance surpassed the 5.0% target growth set for fiscal 2003. Agricultural output increased by 6.1%, compared with the 4.0% achieved in 2002 and exceeded the 5.8% 2002 – 2003 growth target. Industry grew by 0.96% above the level in 2002 due, largely, to the 9.6% and 1.1% increases in mining and manufacturing production respectively. The agricultural sector, comprising crops, livestock, forestry and fisheries accounted for 35.8% of total GDP, while the industrial sector, consisting of crude petroleum, mining and quarrying, and manufacturing accounted for 36.2%. The share of the services sector was 12.6 %, while the other sectors accounted for the balance of 15.3%.

Manufacturing expansion in Nigeria has continued to be impaired by low effective demand for locally made goods, as a result of the influx of cheaper and better quality imported products, especially from South East Asia, and the poor state of social infrastructure. In a measure designed to protect local industries against competition from foreign industries, encourage patronage for locally made products, and enhance the development and growth of local industries, the Federal Government, in January 2004, placed 41 items on the import restriction list. These include some household products, various brands of leather products, furniture, fresh fruits, frozen chickens, etc. Other supportive policy measures which have continued to benefit the sector as a whole are the increased utilization of SMIEIS funds by manufacturers, surveillance activities of the National Association of food and drug Administration and Control (NAFDAC) and Standards Organisation of Nigeria (SON).

Oil prices rose over the first half of the year, significantly above the government’s revised \$25 per barrel estimate for fiscal 2004. Over the first four months of the year, the spot price of Nigeria’s reference crude, the bonny light, averaged \$32.82, representing a 12.32% increase from 2003. This provided a significant positive variance for government revenues as oil revenues accounting for 73% of expected total revenues in the 2004 budget. During the year, the OPEC production quota was reviewed twice. The initial production cut, effective from April 1, 2004, put OPEC’s ceiling at 23.5 million barrels per day (bpd) from 24.5 million bpd - leaving Nigeria with a production quota of 1.918 million bpd, down from 2.018 million bpd. In a subsequent attempt to cool soaring global oil prices, OPEC agreed, as part of a two-stage plan, to raise official output target by 2.5 million bpd to 26 million bpd effective August 1, 2004.

Fig 1: Oil prices above government's estimate of \$25



Source: CBN Annual Reports and Monthly Economic Reports

The External Sector

With oil contributing over 95% of Nigeria's export earnings (as well as 40% of GDP and 80% of government revenue), and merchandise dominating imports, the country's balance of payments primarily reflects changes in global oil prices and quota restrictions by OPEC. In 2003, the external sector experienced moderate pressure, resulting in a drawdown of external reserves and a balance of payment deficit of 2.2% of GDP, significantly lower than the 10.3% deficit in 2002. Favourable dynamics of higher global oil prices, and weaker demand for foreign exchange resulting from the ban on a wide range of imported goods, led to a net positive foreign exchange inflow; thus driving consistent rise in the gross official external reserve from a low of \$7.12billion in September 2003 to \$10.118billion as at May 2004.

Exchange Rates

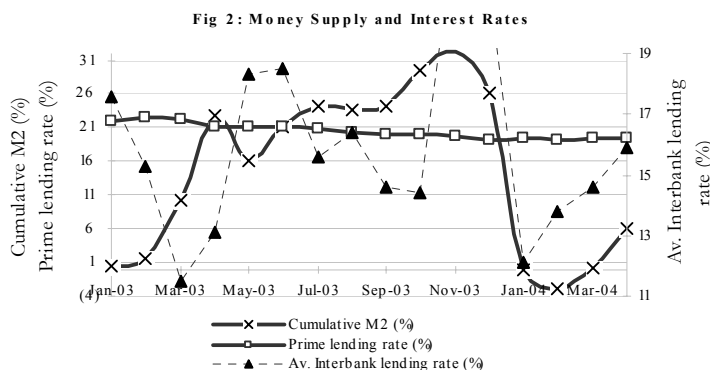
Benefiting from this, the Naira appreciated by 6.40% from N148.5/\$ in December 2003 to N139/\$ as at in June 2004 - supported further by CBN's intervention in foreign exchange markets. Overall, the premium between parallel and official market rates narrowed to about 5.46% as at June 2004, compared with 8.53% at the beginning of the year. Since its introduction in June 2002, the Dutch Auction System has brought stability to the foreign exchange market, resulted in a narrowing of the spread between official and parallel rates, and slowed down the rate of reserve loss.

Domestic Debt

The Federal Government's expenditure profile has closely mirrored developments in revenue flow, giving rise to a similar boom/bust pattern. The difficulty in scaling down government expenditure given significant declines in oil prices has, historically, led to substantial federal deficits. Consequently, the government has resorted to borrowing from the banking system, especially the central bank, to finance the deficit, with adverse implications for domestic prices and the exchange rate. Total domestic public debt accounted for the equivalent of 18.1% of GDP in 2003¹, compared with 19.8% of GDP at 2000. Of this amount, the CBN accounted for N686.8 billion (51.65%). The rising profile of total domestic debt, the disproportionate share held by CBN, the preponderance of short tenured issues, as well as the uneven distribution of payments which leads to large swings in liquidity requirements and volatility, all aggravate the already high interest rate environment.

Monetary Policy

The large and volatile movements in oil revenue and hence, public sector deposits, have been a key source of volatility in the financial system. This, coupled with the poor banking habit of the citizenry, which keeps more funds outside the banking system, has weakened the effectiveness of monetary policy initiatives. Over the first half of the year, in keeping with its resolve to boost activity in the real sector, the CBN kept the Minimum Rediscount Rate unchanged at 15%. To tighten monetary policy, the apex bank relied on Open Market Operations, the adjustment of key bank ratios (cash reserve and liquidity), and discount window operations for enhanced effectiveness. This stemmed, to an extent, expansion in money supply through the lending activities of banks in the face of persistent liquidity overhang in the economy. In addition, the monetary policy committee of the central bank also embarked on a partial withdrawal of public sector funds as a



Source: CBN Annual Reports

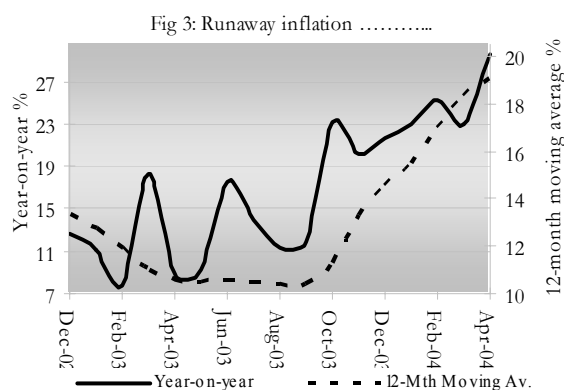
¹ CBN 2003 Annual Report and Statement of Accounts

further strategy for mopping up excess liquidity in banks. Despite these measures, in the first four months of the year, cumulative M2 broad money supplies rose by 6%, implying an annualized growth rate of 18%, exceeding the 16% target, but significantly lower than the 22.7% rate over the same period last year.

In keeping with historical trends, given the volume of public sector participation, money market rates traded volatile over the period, reflecting the episodic release of funds and ensuing instability. Average interbank lending rates, following a sharp drop from a high of 23.2% in November 2003, to 12.1% in January 2004, subsequently drifted higher (see fig X).

Inflation

Though the Federal Government projected an average inflation rate of 10% in the 2004 budget, this has remained a tall order



given persistent policy divergence between the CBN and Ministry of Finance: whereas CBN employs restrictive monetary policy tools, the Federal Ministry of Finance is embarking upon fiscal expansion. Inflationary pressures within the economy intensified over the period; with clear evidence of sharp rises in the price of a range of goods and services largely reflecting lagged effects of fuel price hikes on production cost, as well as the recent import prohibition. Underscoring this, the year-on-year inflation and the 12-month moving average recorded growth rates of 28.99% and 18.6% in April, up from 21.2% and 14% respectively as at December 2003.

A Review of the Approved 2004 Appropriation Bill

Budget 2004, a practical expression of the National Economic Empowerment and Development Strategies (NEEDS) programme, was crafted to lay the foundation for a medium term economic reform agenda (NEEDS), which runs from 2004 to 2007, and build a stronger and sustainable economic future for the nation by improving the fundamental indicators of the economy. This budget and subsequent ones would underpin the core socio-economic reforms in NEEDS focused on:

- ❑ Public Expenditure/Budget Reforms and Revenue Reforms
- ❑ Public Sector Reforms
- ❑ Accelerated Privatisation, Anti-Corruption, and Transparency

The 2004 budget is based on a total OPEC quota for Nigeria of 2.24million barrels a day and a projected average crude oil price of \$25 per barrel. Total collectible revenue for the entire federation is projected at N3.02 trillion and the federal revenue is projected at N1.12 trillion (oil revenues are expected to form 73%, 8% from Customs & Excise, and the balance from other taxes such as company income). Federal expenditure projected at N1.3 trillion translates to a projected fiscal deficit of N181 billion, amounting to 2.1% of GDP. If achieved, this would reflect greater fiscal discipline as this represents a substantial reduction from past deficits that have averaged 4.6% of GDP over the period from 1999 to 2003. The government hopes to achieve this reduction by paying more attention to cutting government waste and reducing inefficiency and corruption in government business.

Table 1: Highlights of the 2004 Appropriation Bill

	2004	2003 ²	% Change
Revenue (₦ trillion)	1.12	0.95	17.89%
Projected Av. Oil price (\$/barrel)	25	22	13.64%
Total Expenditure (₦ trillion)	1.302	1.145	13.54%
Projected GDP growth (%)	5%	5%	

Table 2: Total Budget Allocation

	N bln	% of Budget
Recurrent Expenditure	539.29	41.40%
Capital Expenditure	349.87	26.86%
Foreign Debt service	183.60	14.10%
Domestic	185.77	14.26%
<i>Statutory Transfers</i>		
National Judicial Council	30.00	2.30%
Niger Development Delta Commission	14.00	1.07%
Transfer to States	-	0.00%
Total	1,302.52	

Economic growth feeds on economic investments and rapid economic growth demands, among other inputs, massive economic investments. About 66% of the 2004 capital budget is allocated to the priority sectors of roads, water resources, power, agriculture, education, health and security.

Table 3: Budget Allocation - Capital Expenditure

	₦	% of Capex Budget
Power and Steel	54,624,000,000	15.61%
Works	46,607,064,300	13.32%
Water Resources	37,497,754,831	10.72%
Health	26,410,000,000	7.55%
Education	21,550,000,000	6.16%
Defence	10,657,110,640	3.05%
Agriculture and rural development	10,550,000,000	3.02%
Police affairs/police force	10,000,000,000	2.86%
Aviation	4,620,700,000	1.32%
Solid Mineral Development	4,008,250,000	1.15%
Transport	2,450,000,000	0.70%
Industry	1,388,500,000	0.40%
Petroleum resources	150,000,000	0.04%

In a move away from past conduct, the current administration has reiterated its commitment to a minimum 80% implementation of the total budget, whilst striving for full implementation of the capital budget. To ensure this

- The release of funds is facilitated by the functioning of a Cash Management Committee, which works based on forecasts by spending agencies and revenue collection agencies to try to match expected expenditures with expected revenues. This reduces the government's dependence the Central Bank Ways and Means Account, which is usually rolled over into short term debt instruments at high interest rates.

² Initial + supplementary budgets

- ❑ the government intends to implement quarterly monitoring of budget implementation and share the results with the National assembly and the public.

Key points of the 2004 Appropriation Bill

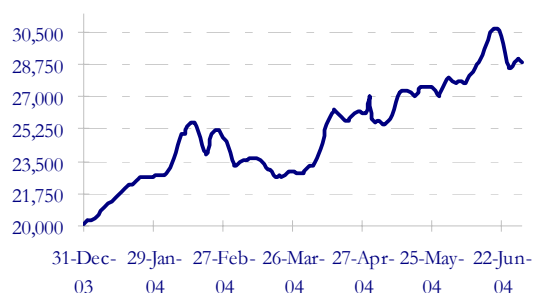
- ❑ Major improvements to budget substance and process, in addition to fiscal discipline, by bringing spending more in line with revenues leading to a small fiscal deficit of 2.1% of GDP (N181 bln) to be financed through recourse to return of looted funds and other savings that the Federal Government
- ❑ Improvements in quality and efficiency of spending by downsizing government and making parastatals, agencies, universities, and institutes self – funding;
- ❑ Decline in recurrent (non-debt) expenditures from 47% of total expenditures in 2002, and 44% in 2003 to 41% in 2004;
- ❑ Reduction in debt service payment as a percentage of total expenditures from 38% in 2002 and 41% in 2003 to 31%; enabling increase in capital expenditures to 31% of total expenditures from 23% in 2003;
- ❑ Improving revenue collection following reforms in Customs and Federal Inland Revenue Service
- ❑ Accountability
- ❑ A shift in the emphasis of oil sector investment from petroleum to gas; JV cash call – US\$ 3.2 billion
- ❑ Pension Reform Bill
- ❑ Monetisation of public sector benefits
- ❑ The overhaul and revival of a fully funded national pension

In addition, the federal government proposes to make important policy changes in the area of tariffs and trade. The direction of the proposed new tariff policy is towards harmonization with the ECOWAS tariff requirement, which essentially has four bands. 0% for primary products, 5% for raw materials and capital goods, 10% for intermediate goods and 20% for finished goods, with appropriate additional tariff protection for those carefully targeted products in which Nigeria needs to develop comparative and competitive advantage. This policy is expected to take hold by the end of November 2004.

The Capital Market

The rally that started in the second half of 2003 continued into the first six months of 2004. The market benefited from increased market awareness, increased speculative trading, the low interest rate environment, rising liquidity from banks, strong technical support from favorable dividend and bonus announcements, and increased funds inflow due to reallocation of assets from the money market into equities following the perceived distress syndrome in the money market. Despite this rally, average earnings growth for quoted companies on the NSE was more or less flat³ for 2003; substantially lower than the 23.28% average growth rate recorded in 2002. This was largely as a result of a significant rise in production and operational costs across the different sectors of the economy.

Fig 4: 2004 YTD Performance



Globally, primary market activity is an important gauge for the robustness of the environment. Using this as a proxy, over the past half year, in the wake of rising stock prices and increased investor confidence on the growth prospects of the economy, the capital market was quite receptive to a number of equity offerings (initial public and public offers, and rights issues). Some of the

³ ARM Estimates

companies that raised or are planning to raise fresh equity capital are IMB, Standard Trust bank, Oceanic International Bank and African Petroleum; and those in the process of raising are Zenith International Bank Plc, Guaranty Trust Bank Plc and RT Briscoe

H1-04 Model Portfolio

Our H1-04 model equity portfolio (see table YY), benefitting from its overweight position (see table WW) in Guaranty Trust Bank, Nestle and Total, returned 46.82% relative to the Index 43.51% appreciation of the NSE-All Share Index.

Table 4: ARM H1 2004 Model Portfolio Performance

	H1 '04 Return	
ARM H1-04 Model Portfolio Return (in ₦ terms)	46.82%	
NSE-All Share Index (in ₦ terms)	43.51%	
ARM 40 Index ⁴ (in ₦ terms)	54.52%	
Shares	H1-04 Returns	H2-2004 Model Portfolio*
Unilever	-2.32%	Guaranty Trust Bank*
Oando	60.42%	First Bank
First Bank of Nig	41.50%	Union Bank
Total	40.29%	Nigerian Bottling Company
Guaranty Trust Bank	48.95%	UAC Nigeria Plc*
Union Bank	43.90%	Nestle Foods Plc
Nigerian Breweries	113.13%	Guinness Nig Plc
WAPCO	-8.16%	Unilever
Nestle	38.80%	WAPCO*
Guinness	91.67%	Oando Plc*

* significant underweight given the long administrative process associated with primary market activity

Table 5: Performance Attribution of the ARM H1 2004 Model Portfolio

Security	Index weight*	YTD Return	Weighted Index Performance	Portfolio Weights	Weighted Portfolio Performance	Variance
NB	26.83%	113.13%	0.30	10.00%	0.11	(0.19)
GUINNESS	10.09%	91.67%	0.09	10.00%	0.09	(0.00)
GUARANTY	2.54%	48.95%	0.01	10.00%	0.05	0.04
UBN	6.42%	43.90%	0.03	10.00%	0.04	0.016
FIRSTBANK	5.35%	41.50%	0.02	10.00%	0.04	0.019
TOTAL	3.79%	40.29%	0.02	10.00%	0.04	0.03
NESTLE	4.73%	38.80%	0.02	10.00%	0.04	0.020
UNILEVER	2.81%	-2.32%	(0.00)	10.00%	(0.00)	(0.00)
WAPCO	1.55%	-8.16%	(0.00)	10.00%	(0.01)	(0.01)

*ARM 40 Index

The fixed income segment of the capital market was dormant for most of the period. However, the following State Government bonds were floated over the period

- 2nd Lagos State Floating Rates Redeemable Bond – N350 million
- 1.6 million units Delta State Floating Rates Redeemable Bond - N160 million

⁴ A market value weighted Index comprising the 40 most-capitalized stocks on the NSE

- 600,000 units 1st Ekiti State floating rate redeemable bond – N57.1 million

Sector Highlights

Conglomerates

Conglomerates have experienced significant growth in recent years. Positive developments that have contributed to growth within this sector include:

- the ban on the importation of several goods into the country which gave support to the local manufacturing industry as consumers were forced to look for locally produced alternatives.
- increased crack down on the production and sale of fake products by NAFDAC.

The Nigerian market offers huge growth potential to this industry in terms of the large population, rising personal income levels, fast rate of urbanisation, increased rural wealth, growing brand consciousness and health awareness. However, the poor state of infrastructure, especially in the areas of power generation and distribution, hazardous road networks and lack of steady water supply, remains a significant challenge, and contributes to the cost burden of manufacturing and distributing products locally.

The conglomerates sector posted an impressive performance, returning 40.73%⁵ over the first half of the year compared to the 43.51% return in the NSE driven by gains in John Holt, PZ Industries, and UAC Nigeria Plc. Trading at a current PE of 12.76X and prospective PE of 10.27X, relative to a market PE of 22.67X and 20.44X, the sector remains relatively cheap. We expect improving performance reflecting strong fundamentals, strong brand names, and a likely increase in earnings as a result of restructuring efforts by companies within the sector. Our top picks within this sector are UAC of Nigeria Plc and Unilever Nigeria Plc.

Banking

Within the last decade, the Nigerian banking industry has witnessed remarkable growth with several innovative and dynamic banks emerging. As a result of increased competition in the sector, banks have had to explore more ways of staying ahead by developing new products and services and embarking on major strategic and restructuring initiatives. Branch networking and on-line inter-branch communication are no longer a competitive edge, but a pre-requisite for survival. Acquisition of merchant banks, stock brokerages, and discount houses by many commercial banks is now a growing trend as more banks try to diversify their revenue base and become one-stop financial institutions.

In the last 12 months, a major high point for the industry was the appointment of seven banks by the CBN as settlement banks for commercial bank cheques and other financial instruments. These banks include First Bank, Union Bank, United Bank for Africa, Zenith International Bank, Guaranty Trust Bank, Standard Trust Bank and Afribank. This duty, performed as a statutory function by the Central Bank, was ceded to the banks on the 1st of April 2004.

The earlier hike in bank's capital base to N2billion had led to a wave of fund raisings activities within the sector as operators moved to comply with the directive. The CBN recently raised the minimum capital base of banks from ~~N2~~ billion in share capital to ~~N~~25 billion in shareholders funds, effective December, 2005. Currently, there are 89 banks operational in Nigeria out of which only First Bank and Union Bank presently meet this requirement while UBA, GTB, STB and Zenith Bank are close to the target. We expect this development will lead to a shakeout in the industry, causing a wave of mergers and acquisitions as small banks consolidate to meet the requirement and large banks buyout smaller banks in order to leverage their branch network and client

⁵ ARM Estimates

base, thereby strengthening the industry. Overall, we anticipate increasingly intense competition within the sector as banks beef up their deposit base in order to increase the volume of their transactions.

In the equity market, the banking sector maintained its lead as the most active sector on the NSE as the sector witnessed more primary market activities than any other sector. Over the first half of the year, the sector underperformed the NSE; returning 28.8% relative to 43.51% return of the NSE. Currently, the sector trades at a sector PE of 11.18x and a forward PE of 8.84x while the NSE trades at a current PE of 22.67x and prospective PE of 14.42x. We believe the sector still has room for growth especially amongst major players with access to a larger pool of funds. Our preferred picks are First Bank, Union Bank and Guaranty Trust Bank.

Food and Beverages

In recent years, the food and beverage sector has experienced steady growth driven largely by a growing population, higher nominal incomes and strong brand awareness. Notwithstanding recent growth, there remain challenges in the local business environment that continue to affect our outlook for the food and beverage sector, and the manufacturing industry as a whole. These include the failing infrastructure system, especially in the areas of power generation and distribution, the hazardous road networks and lack of steady water supply, which add to the operating costs of local businesses.

Despite the aforementioned concerns, our outlook for the sector remains positive. We believe the highlighted points bode well for the industry and economy as a whole:

- ❑ the import ban,
- ❑ continued implementation of the privatisation programme which is indicative of the Federal Government's resolve to strengthen the private sector as pivotal to economic growth and development in Nigeria.
- ❑ increased NAFDAC policing, clamping down on the illegal importation of banned and fake goods.

The food and beverage sector⁶ slightly underperformed the broader market, returning 41.45% over the first half of 2004, compared to the 43.51% return on the NSE. The sector currently trades on an average PE of 33.69x, relative to the current market average of 22.67x, reflecting recent price appreciation. Whilst pricey in the short term, we expect an improvement in 2005 estimated earnings multiples to 18.78x, relative to the market average of 20.44x; reflecting positive long term growth prospects, strong brand names, high product quality, favourable dividend payout and bonus histories, will continue to support valuation levels. Our sector picks are Nestle Nigeria Plc. and Nigerian Bottling Company.

Petroleum Marketing

The downstream sector has been a major problem for the country as the NNPC has found it impossible to maintain the country's four refineries and, by extension, to provide adequate supply of diesel, gasoline, and kerosene nationwide. The government has been vigorously pursuing the refurbishing and rehabilitation of the four petroleum refineries in order to restore local supply of crude products. Despite colossal sums spent on turn around maintenance, performance remained at significantly low levels. As a result, the country imports about 70% of its domestic fuel requirements. The focus of the Federal Government's policy on the downstream sector can be summarized as follows:

- ❑ to maintain self-sufficiency in refining
- ❑ to ensure regular and uninterrupted domestic supply of all petroleum products at reasonable prices; and
- ❑ to establish infrastructure for the production of refined products for export.

⁶ Food and beverage sector includes 7-Up, Cadbury, Flour Mills, Nestle and Nigeria Bottling Company

Despite strong growth in revenues (price increases) within the sector margins have shrunk considerably over the last few years as operating and distribution costs continue to rise. In an attempt to increase profit margins, the face of petrol retailing across the globe is moving towards the retailing of non-fuel products. We expect deregulation will drive increased competition in the retail market for petroleum products over coming years as more players enter the sector – thus driving the need for differentiating factors to bring in additional revenues. Against this background, our sense is that market operators must realize that non-fuel business should be given a critical push to keep gas stations viable in the long-run. In response, and not surprisingly, marketers have increasingly developed the convenience store concept in their outlets and have added more product lines to their stores.

In the equity market, the petroleum marketing sector¹ underperformed slightly the broader market, returning 40.75%⁷ over the first half of the year compared to the 43.51% return on the NSE. Given recent price appreciation, the sector appears overvalued, trading on an average PE of 33.46x, relative to the market average of 22.67x and prospective PE of 23.4x relative to a market PE 20.44x. Given recent deregulation, merger and acquisition activity within the sector, we expect that focus will remain on benefits accruing from ambitious cost-cutting and growth plans. Beyond this phase, for us, maintaining cost control across the business, as against cost cutting, will be the dominant theme. Longer term, we anticipate market focus will shift to the sustainability of each company's operational and financial model, and its ability to grow organically. Our top picks within this sector are Total and Oando.

Brewery

The Brewery Industry has witnessed a strong performance in the last few years benefiting from economic growth and improved consumer purchasing power which has increased the nominal quantity of product sales.

Sector specific initiatives that have maximised this growth include:

- ❑ Increased marketing activity;
- ❑ Capacity investments to increase supply capabilities; and
- ❑ Supply chain improvements, reducing inefficiencies between production and delivery.

On the equity markets, the Brewery sector⁸ significantly out performed the NSE - returned 95.92% in the first half of 2004, compared to the 43.51% return posted by the broader market. This reflected overwhelmingly positive investors' sentiments as a result of Nigerian breweries 1 for 1 bonus announcement. Valuations are currently extreme, with the sector PE at 50.10X relative to the current market average of 22.67X. Using the price per hectolitre ratio, which measures the market capitalisation per hectolitre of production, the Nigerian brewery sector ranks amongst the most expensively valued in the world with an average price/hectolitre of \$345.75 compared to a general world average of \$183.47⁹. Whilst we appreciate the fact that sector is a significant component of the NSE's index (33.6%) and realize the tracking error that could result from significantly underweighting it; we are of the opinion that the valuation concerns raised above make a compelling case for underweighting the sector. Our top pick within this sector is Guinness.

⁷ ARM Estimates

⁸ composed of Guinness and Nigerian Breweries

Building Materials

The building materials sector in Nigeria is set for a rebound. Imports had accounted for over 75% of the currently estimated demand of 10 million tonnes per annum in the country, relative to an installed capacity of about 5.5 million tonnes per annum. Of this, actual capacity utilization was less than 50%, in a country that could source all the raw materials for cement production locally. The government which had earlier divested most of its holding in companies in the industry in a bid to make their management more efficient, has initiated a new policy thrust aimed at encouraging local production of cement by announcing plans to ban all cement imports by 2006. The domestic market has thus become attractive with the breadth of a ready and growing market available to companies within the sector. Some of the major importers have reacted by acquiring stakes in local cement manufacturing companies and embarking on major restructuring exercises aimed at boosting production capacity. From a production capacity of just over 2.5 million tonnes per annum as at the beginning of H2 2003, extra capacity of over 4 million tonnes is in the pipeline; with WAPCO already having realised a 1.3 million tonne increase in capacity within the past year. Though infrastructural challenges still beset the industry as a whole, these developments have considerably changed the outlook for the once moribund sector setting the stage for resurgence in manufacturing activity to the great advantage of the companies and the economy in general.

The equity market is, however, yet to take cognisance of the great promise the sector holds. The sector was one of the worst performing sectors on the NSE in the first half of 2004. Average sector return for H1 2004 was 6.60% and stripping the shares of Cement Company of Northern Nigeria, it comes to a meagre 1.83% compared with a return on the NSE index of 43.51 as at the end of H1 2004. As most cement manufacturing companies recorded a loss in the last financial year, the only company with an applicable earnings multiple is Ashaka Cement Company with a PE ratio of 8.47x; considerably lower than the broader market PE of 22.67x. We however believe that the sector has a large growth potential. With most of the companies in the sector currently undergoing reorganization, available figures do not adequately reflect its future and we expect the sector to start reaping the fruits of the current wave of restructuring beginning from 2005. Our top picks are WAPCO and Ashaka.

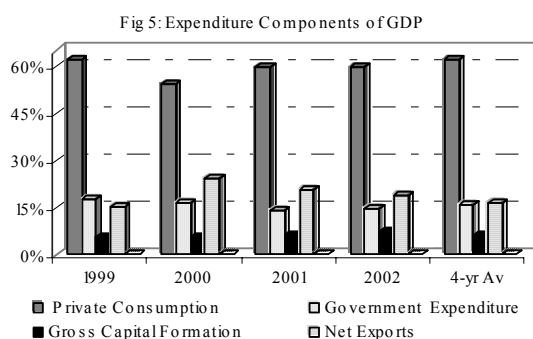
⁹ countries are Belgium, China, Holland, USA, Italy, South Africa and Nigeria

Outlook

Economic growth

Given the dominance of government activity on the economy and government's dependence on the oil sector, economic activity is highly correlated with oil price volatility and government spending patterns. Nigeria's future course of economic and political development depends primarily on good leadership and a sound decision-making process. Fiscal policy reforms will need to be at the core of the government's economic reform agenda to achieve macroeconomic stability, as well as to raise sustainable growth and reduce poverty. In addition, there is a need to achieve substantially higher rates of domestic saving and attract foreign direct investment to accelerate growth and development. Given this, and the narrow economic base, the economy remains extremely vulnerable to exogenous shocks as well as internal pressures for looser fiscal and monetary policy. The experience of resource-rich countries around the world demonstrates the risks of spending extraordinary revenue from high oil prices and provides clear evidence of the need to prudently manage the higher revenues to facilitate long-term development.

Strong ethnic and religious tensions have claimed many lives and, at times, threatened national unity. While such tensions appear to have eased, the undercurrent of these conflicts continues to constrain economic policy decisions.



Historical analysis of the expenditure components of GDP (see fig YY:) indicate that private consumption, at 62%, remains the largest contributor to economic growth, while government spending and net exports contribute 16.4% and 15.58% respectively. Our forecast for industrial production and private consumption remains hinged on infrastructure development, monetary stability and real growth in personal incomes. Whilst we expect money supply to expand in line with the government's target, which ordinarily should boost

Source: CBN Annual Reports
 consumer spending, weak employment growth, and the recent hike in fuel price would make real growth in personal income vis-à-vis consumer spending almost impossible in the short term. Fiscal policy is however likely to boost growth; with expansion as a result of the settlement of domestic public sector arrears as provided for in the 2004 budget, in addition to higher public expenditure. In addition, economic growth is likely to benefit from higher capital expenditures in the Oil and Gas sector after years of under investing.

Our growth expectations for the year remain hinged on the ability of the government to keep faith with the key principles of disciplined monetary and fiscal policies, privatization and maintenance of law and order. **Against this backdrop, we are maintaining our forecast range of 3.5% - 5%; with a bias for the upper end of the range.**

The Government's Role in the Economy

With the majority of public enterprises remaining an unproductive drain on public resources, as well as a source of endemic corruption, we reiterate the need to reduce the role of the government in the economy. Privatization of state-owned enterprises is a critical requirement for stronger growth and improved governance. We believe the federal government should place a high priority on an open, transparent, and far-reaching privatization program. Slow progress so far raises some concern that the state will continue to inhibit economic growth through excessive intervention.

Improved Environment for Private Enterprise

In addition to attracting needed private capital in infrastructure and utilities, the Government should strengthen Nigeria's regulatory and judicial framework while liberalizing its trade and investment framework to provide a more hospitable environment for the private sector and to boost foreign portfolio investment into Nigeria. Corruption, business fraud, and poor protection of intellectual property rights further damage the international image of Nigeria and remain serious disincentives to investors. Consequently, fundamental to a growth strategy for the country is the strengthening of democratic institutions and processes by broadening representation, institutionalizing accountability, more transparent processes, reliance on the rule of law, and steady progress in targeting corruption and strengthening institutional capacity as well as instituting a credible commitment mechanism to reduce the risk of policy reversals and implementation failures also remains key.

Open Trade Regime

In its determination to revamp the manufacturing sector, and the economy in general, the Federal Government has stated its resolve to continue to ban products for which indigenous manufacturers have the capacity to produce. However, we question the government's response of protectionism¹⁰ as an apt response to competition. Whilst positive in the short term, this is likely to depress the country's long-term growth potential by cushioning firms, preventing sufficient diversification of sources of national income, creating new jobs, integrating Nigerian firms with the global economy, providing a conduit for new technologies which can serve as the foundation for long-term growth and development, and discourage much needed retraining to improve efficiency and meet future needs. From the foregoing, we expect short term improvements in industrial production and capacity utilization, particularly in protected industries, as they benefit from increased demand for their products.

The External Sector

Nigeria has four major partners for export goods – these are United States, United Kingdom, European Union, with Japan becoming increasingly important. Most of the exports to these countries include crude petroleum, cultural products, and other minerals. Analysis of the direction of trade confirms Nigeria's dependence on these regions for both imports and exports. Hence, there is a need to open up new markets and implement domestic policies that make Nigeria's exports, preferably in manufactured/semi-manufactured goods, competitive globally. Though the merchandise trade balance is currently dominated by oil exports, we anticipate that Liquefied Natural Gas exports will be an expanding source of export earnings in coming years.

Under OPEC's new production agreement (25.5 million bpd, and subsequently 26 million bpd), Nigeria will have an initial quota of 2.101 million bpd. Given that the OPEC had already been producing an estimated 26.2 million bpd per day in May (official quota: 23.5 million bpd), the increase in OPEC's production quotas effectively incorporates production that had been running above quota and will not, by itself, add any additional oil production beyond what was already announced. However, in line with history, we anticipate that countries that have extra capacity will continue to exceed their official quota. However, petroleum inventories in the countries of the Organization for Economic Cooperation and Development (OECD), which import on average about 74% of Nigeria's production, remain at relatively low levels. However, assuming no new disruptions to oil production in the Middle East or elsewhere, a modest trend toward more normal stock levels than previously expected would emerge under current world oil supply assumptions – implying slight moderation in oil prices from current levels. Resulting from the foregoing, we expect some moderation in the rate of build up of foreign reserves.

With an external debt of over \$US30 billion, servicing of debt is a major economic challenge and a critical development issue. Nigeria currently spends about one third of its budget on debt servicing – a situation made more glaring given the volatility of oil

export revenue. Nigeria's huge debt burden has had, and continues to have grave consequences for the economy and welfare of the people. The servicing of the external debt has severely encroached on resources available for socio-economic development and poverty alleviation. Recognizing the crucial linkages between debt, poverty, development and the survival of Nigeria's nascent democracy, the current administration has attached priority to obtaining rapid and substantial external debt reduction, as a crucial component of its development strategy.

The major planks of Nigeria's strategy include regularization of relations with the international financial community to pave the way for constructive engagement; negotiation of favorable terms for debt rescheduling and restructuring under "traditional" debt relief mechanisms in the short term; and, building on that in the medium term to secure deeper and substantive debt reduction. A major challenge faced by the Debt Management Office (DMO) is ensuring that reasonable level of resources are earmarked for debt servicing to avoid the risk of default, and to maintain conducive relations for debt relief negotiations with creditors. The DMO also faces the related challenge of ensuring that budget resources are released in time to effect debt service payments.

Fiscal Policy

Sound fiscal policy management, predicated on consistency, sustainability, efficiency, accountability and transparency is essential for accelerating the pace of economic recovery. A major problem of fiscal adjustment has been the difficulty of lowering the largest components of recurrent expenditure such as wages and salaries, while attempting to increase the level of capital formation. To generate growth, a sizable portion of government expenditure should be allocated to capital and socio-economic factors. The current administration has made important progress in this regard by computerizing the payroll in some ministries and agencies, the government has been able to weed out a number of ghost workers (3,000 in Abuja alone saving about N58 million a month). Beyond the issue of allocation, the quality of expenditure remains critical in ensuring efficiency and optimal utilization of resources. To overcome the practice of embarking on development projects that are not properly monitored, the government set up, and remains committed to the Budget Monitoring and Price Intelligence Unit (BMPIU), also known as the Due Process Office.

Till date, the new revenue formula proposed by the Revenue Mobilisation Allocation and Fiscal Commission (RMAFC) is yet to be approved. Under the proposed revenue formula, the 3 tiers of government (federal, state and local) will get 46.6%, 33% and 20.4% respectively compared with the old formula of 54.7%, 24.7% and 20.6% allocations respectively. We reiterate our concerns regarding the passage of the new revenue formula bill as more funds will be made available to state governments; and unless the same level of fiscal discipline being asserted by the federal government is instilled in states' finance, federal government efforts could be undermined. Against this background, not only is there a need to ensure that fiscal policies are prudent, but there is a need to improve policy coordination across the three tiers of government.

Excess revenue accruing to Nigeria from crude oil between January and April currently stands at N209.4 billion; made up of N139.9 billion from the Federation Account, N63.6 billion in Petroleum Profit Tax (PPT) and N5.7 billion in royalties. The 1999 constitution, which gives state and local governments full and automatic rights to their share of oil revenues, and their insistence on spending them, have made prudent management of oil windfall gains difficult. Continued spending by state governments of oil windfall, in the event that oil prices remain higher than the budgeted \$25 per barrel constitutes a major risk to the restoration of macro-economic stability in the country. Though the Federal Government has so far resisted pressure from some states to share the money, we remain apprehensive regarding the ultimate outcome. However, the envisaged elimination of recourse to Central Bank financing in the proposed budget should eliminate fiscal dominance in the macro-economic framework, thus significantly reducing the burden on monetary policy to ensure macro-economic stability.

¹⁰ the policy of imposing duties or quotas on imports in order to protect home industries from overseas competition

From the foregoing, there is a strong case for adopting a fiscal rule to guide fiscal policy; this will help de-couple expenditure policy from the highly volatile short-run impact of oil price movements. In addition, it provides a much-needed guidepost for sustainable public investment and consumption of oil resources, taking into account intergenerational equity concerns by committing some portions of oil revenue to future generations. In this way, expenditure is stabilised at levels consistent with long-run targets and, as the government can draw on the extra savings generated during boom times to sustain expenditure when oil prices are low.

Not surprisingly then, the main challenge for the rest of 2004 will be to implement prudent macro-economic policies to reverse the effects of expansionary policies. Given Nigeria's federal structure, a key risk to effective macro-economic management continues to be the size of sub-national government spending and the lack of policy co-ordination among the three tiers of government. Prudent fiscal policy - one that safeguards macroeconomic stability and preserves competitiveness while also cushioning the economy against a future downturn in oil prices - will be central to facilitate private sector investment. Pursuance of vigorous efforts to reduce the wage bill, contain federal capital expenditures, and enhance domestic taxation should lead to a sizable primary balance and, hence, drive fiscal sustainability.

Improved Social Sector Spending

With prudent fiscal management, additional resources will become available to target the social sector in order to alleviate poverty. The government should focus on targeting investments in priority areas while building capable institutions to ensure the effective use of funds for Nigeria's developmental needs. In this regard, we welcome the responsiveness of the (NEEDS) approach to Nigeria's federal system, as well as the goal of co-ordinating the development framework with individual State Economic Empowerment and Development Strategies (SEEDS). It will be imperative that NEEDS become operational, and the policies that it entails clearly linked to the budget process.

Inflation

Indications are that the inflation rate will rise further over coming months as the impact of high domestic fuel prices filters through the economy. Further fuel price increases as a result of persistently high global oil prices could lead to additional build up of inflationary pressures. On the positive side, the firming of the currency since the beginning of the year should marginally reduce imported inflation. Given the sharp rise in prices, we have raised our forecast range for consumer price inflation¹¹ to between 16 and 28% over the second half of 2004.

Monetary Policy

As a result of the pressure on domestic prices, and expanding bank credit to the public sector, we expect the CBN would act proactively by tightening monetary policy in H2-04. Whilst efforts by the DMO to restructure domestic debt towards longer dated securities could lower short term interest rates over coming months, planned withdrawal of public sector funds would continue to exert upward pressure. In view of the prevailing high cost of doing business in Nigeria, resulting from the poor state of infrastructure in the country, we remain skeptical of the sustainability of the current regulated approach to keep interest rates low. Longer term, given the government's renewed interest in the bond market for long term financing; we expect reduced pressure in the money market, and by extension, a reduction in interest rates. In order to enhance the effectiveness of monetary policy there is a need to address the issue of fiscal dominance. Some of the ways in which this could be achieved are through the

- reduction in the overall budget deficit and financing it in a non-inflationary manner. In this regard, the current effort by the federal government to access the capital market and restructure the outstanding debt stock is a welcome development.

¹¹ Moving Average

- DMO's assumption of full responsibility for government debt management, thus relieving the CBN of that role
- Compliance with the West African Monetary Zone convergence criteria, limiting central bank financing of government debt to 10% of estimated current revenue

Exchange Rates

Indications are that high global oil prices and good foreign exchange inflows will continue to support the currency in the second half of the year. For the rest of the year, we are forecast **support and resistance levels for the Naira at ₦150/\$1 and ₦132/\$1 respectively at the parallel market.** Longer term however, and on a fundamental basis, the overall state of the economy, which should provide support to the currency, remains weak and largely dependent on developments in crude oil markets. In the current environment of import dependency, fiscal profligacy, spiraling inflation, growing unemployment and a declining contribution of industry to economic expansion, there is, as yet, no basis for a strong Naira.

The Capital Market

On a general note and reflecting to an extent, growing confidence of investors, the capital market's depth and breadth has improved in the last 24 months; operators are getting more equipped as the knowledge base and capacity increases. Nonetheless, due to its emerging market status, the Nigerian capital market faces enormous challenges, some of which include gaining international acceptance and meeting the long-term financing needs of the larger economy. Whilst there has been significant improvement in the capital market activities, the potential for growth remains very high. Underscoring this, at \$9.6 bln, the NSE's capitalization as a percentage of GDP, stood at 18% as at year end 2003; significantly below the 33.7% average¹² recorded across the African continent.

The revised pension reform bill was finally signed into law in June 2004. The main goal, and consequence, of the new pension reform is the improvement in the standard of living of workers during their retirement. Across the globe, social security systems are being reformed to adjust to changing economic circumstances and to aging populations. A key challenge in Nigeria, and indeed most developing nations, is the large size of the informal sector of the economy, as this implies that a large number of people are not covered.

A well-funded pension scheme is a means of securing long term instruments in the nation's financial systems, bringing about stability on the long run. Going forward, we expect effects of the reform will trickle into the economy gradually, starting from increased liquidity once contributions to the schemes take off. The resultant increase in the rate of savings should lead to a decline in interest rates, providing a boost for the real sector of the economy and driving overall economic efficiency. The stock market is likely to record higher valuations, driven primarily by the huge inflow of funds. Longer term, more companies would access the market to raise funds – thus driving the development of an entrepreneurial spirit and deepening the market further.

Pension reforms also favour the accumulation of "institutional capital" (a better legal framework; increased professionalism in the investment decision-making, increased transparency and integrity) in the capital market. The reforms could also act as a catalyst to the current privatization programme due to the availability of long-term funds to take up opportunities. This would reduce the obligations of the Federal Government, thereby allowing the judicious application of scarce funds on infrastructure programmes. In this regard, the conclusion of the privatisation exercise, in particular, the proposed privatisation of NITEL and NEPA, and the

¹² Nigeria, South Africa, Botswana, Egypt, Ghana, Kenya, Malawi, Mauritius, Namibia, Swaziland, Tanzania and Zambia

conclusion of the sale of the 33.94% BIAO¹³ shares of Afribank PLC could boost capital market activities further. We anticipate that the reforms would support the development and the deepening of the Nigerian capital market in the following ways

- the improvement in financial market regulations that should follow pension reform;
- the impulse to innovation that comes from a growing demand for financial assets;
- lower price volatility and cost of capital and;
- improvements in the allocation of funds due to the rising professionalism and specialization of the market

Having outlined these benefits, we deem it pertinent to point out that the positive impact of pension reforms on capital market development will not be realized unless three main conditions are met:

- investment regulations do not limit necessarily options for pension funds portfolio diversification;
- that there is a stable macroeconomic environment; and,
- that there exist among the authorities an adequate understanding of the relationships between pension fund accumulation and capital market development and, also, the political will to go ahead with the necessary changes in capital market laws and regulations.

The Nigerian Stock Exchange has remained focused on improving market infrastructure, expanding the market's investor base, and consolidating the global outlook through active relationship with participating organisations in the international arena. The move towards floorless trading system would help deepen the market and as well place it to international standard. On corporate governance, the NSE's market regulatory activities remain fundamental to the building and enhancement of Nigeria's international reputation for fair dealing and high standards. The NSE has responsibility to maintain the stability of a sound, dynamic, and integrated financial system. One of the efforts to make this happen is by combating money-laundering practices in the financial industry - stressing the crucial matter of having Anti Money Laundering Law supported by all market participants through good understanding of the law and earnestly and consistently implementing the "Know Your Client" principles. A key factor in driving the long-term vibrancy of the capital market is the continued scrutiny of key players by the NSE and SEC to ensuring strict compliance to corporate governance codes and international business practices. Our sense is that this will go a long way in ensuring investors' confidence, making the market more attractive to international investors and attracting much needed investible funds required to grow the economy.

Given the recent strong performance of the equity market, valuations are somewhat pricey and we remain hard pressed to rationalize the run up in equity prices from a fundamental perspective, believing that stocks have climbed prematurely. The high level of speculative activity in the market, in addition to valuation concerns provide a strong basis for a near-term pause in the market. Our fear is that unless the pace of growth in earnings and economic conditions improve, the equity market will remain richly valued and susceptible to sharp declines. Given the marked rise in operational costs witnessed over the past year, healthy growth in profits might be a tall order. Whilst demand and supply remain the primary determinants of equity prices, other factors which we expect will impact prices over coming periods are:

- company performance in terms of profitability, financial strength and corporate actions such as dividends and bonuses
- the direction of interest rates
- the level of liquidity
- increased primary market activity

¹³ Banque Internationale de Le Afrique Occidentale

In view of our expectations for higher interest rates, there is the possibility for a gradual shift in funds from the equity market to money market investments. With a number of stocks already on suspension, (GTB, UACN, African Petroleum, Oando) and others such as WAPCO, a number of banks and insurance companies, set to go on technical suspension over coming periods as they raise fresh funds from the market, we expect a shift in investor focus, given the long administrative process associated with the initiation and completion of the fund raising process. This is likely to limit available investment options within the capital market. Against this background, we expect investors to subscribe actively to quality primary market issues but to shift funds from most of the other issues set for primary market activity to other trading stocks, especially those that have not participated fully in the market's rally.

From the foregoing, we recommend a cautious investment strategy by staying on the lower end of our equity allocation band. We continue to recommend that medium/long term investors gradually accumulate the following shares: First Bank, Guaranty Trust Bank, Union Bank, Guinness, WAPCO, UACN, Ashaka, NBC, Unilever, Oando and Total. Our forecast range for the NSE All Share Index is **23,100 – 31,700**. Our H2 2004 recommended asset allocation for a typical growth portfolio with moderate risk is 45-60% Equities, 25-30% Fixed Income, 15-20% Real Estate and 0-5% in cash.

The Fixed Income Market

The 2003 return of the federal government to the capital market after a 12-year absence through the issuance of N150 billion bonds, in addition to its plan to use the capital market to finance future deficits, suggest the government might be gradually doing away with the outdated and inflation-laden "ways and means" mode of financing deficits. Given the recent involvement of federal and state governments in the fixed income sector of the capital market, we expect a slight improvement in investor participation. Other economic benefits aside from controlling inflation are the enhancement and stabilization of the exchange rate, reduction of excess liquidity in the system, development and deepening of the fixed income market, thus making it true source of funds as obtains in every modern economy. Such deepening also helps to pave the way for private sector domestic issuance. Our sense is that the evolution of the bond market will likely improve risk rating, ultimately improving the capital market's quality. Other benefits of a functioning bond market are

- More transparent pricing of credit risk
- Diversity and dis-intermediation of commercial banking
- Wider variety of investible products for institutional investors
- Improved secondary market liquidity
- Promoting economic stability
- An impetus for the development of the financial services sector
- Evolution of a transparent yield curve for the Nigerian market

Table 6: ECONOMIC INDICATORS

	H2 2004e	H1 2004	2003	2002	2001	2000
GDP Growth	3.5% - 5%	3.5 - 5%	3.5%	3.3%	3.9%	2.8%
CPI (12-month moving average)	16-28%	18.6%(Apr)	10.8%	12.9%	18.9%	6.9%
Exchange Rate (₦/\$) parallel rate	132 - 150	136 - 148.5	130-155	134-140	120-141	118.5
MRR	14 - 18%	15% (Jun)	15.0	16.5	20.5	14.0
All-Share Index Performance	10% to 20%	43.51%	65.8%	10.7%	35.2%	54%
All-Share Index Range	23,100-31,700	20,128 - 30,703	12,137- 21,148	10,170- 13,010	8,111- 11,359	5,266 - 8,111

Table 7: H1 2004 SECTOR PERFORMANCE

Breweries	86.97%	Chemical & Paints	14.88%
Footwear	72.68%	Printing & Publishing	13.69%
Computer & Office Equipment	54.54%	Conglomerates	10.09%
Real Estate	43.18%	Healthcare	5.93%
Engineering Technology	41.74%	Industrial/Domestic Products	5.67%
Petroleum(Marketing)	35.84%	Agriculture	0.44%
Banking	32.82%	Machinery(Marketing)	-3.94%
Food/Beverages & Tobacco	29.99%	Textiles	-3.94%
Packaging	22.50%	Airline	-7.90%
Automobile & Tyre	22.17%	Building Materials	-12.24%
Insurance	21.56%	Construction	-13.27%

Table 8: BEST & WORST PERFORMING STOCKS

Stock	Sector	H1 2004 Return	Stock	Sector	H1 2004 Return
Champion Brew. Plc	Breweries	258.73%	Eterna Oil & Gas Plc	Energy	-67.66%
NCR (Nigeria) Plc	Computer & Office Equipment	196.61%	IPWA Plc	Chemical & Paints	-56.67%
U T C Nig. Plc	Conglomerates	176.39%	FSB International Bank Plc	Banking	-50.00%
Costain (Wa) Plc	Construction	148.48%	Liberty Bank Plc	Banking	-40.85%
Mutual Benefits Assurance Plc	Insurance	148.08%	Cutix Plc		-39.23%
Nampak Nig Plc	Packaging	135.00%	AIICO Insurance Plc	Insurance	-37.90%
Pharma - Deko Plc	Health Care	120.90%	Universal Trust Bank	Banking	-35.96%
West African Prov.Ins.Coy.Plc	Insurance	116.67%	Manny Bank Plc	Banking	-35.34%
Nigerian Brew Plc.	Breweries	113.13%	S C O A Nig. Plc	Conglomerates	-25.81%
Aluminium Extrusion Ind.Plc	Industrial & Domestic Products	112.00%	C & I Leasing Plc	Managed Funds	-23.33%

Table 9: CORPORATE PERFORMANCE SCORECARD					
		Year End	Most recent results	Y-o-Y change in turnover	Y-o-Y change in PAT
Banking					
1	Access Bank	31-Mar	Third Quarter 03/4	23.6%	6.7%
2	Afribank	31-Mar	Third Quarter 03/4	3.0%	-27.5%
3	Chartered Bank	31-Mar	Third Quarter 03/4	15.7%	11.8%
4	FBN	31-Mar	Third Quarter 03/4	-1.5%	-4.5%
5	GTB	28-Feb	First Quarter 04/5	27.5%	41.0%
6	NAL Bank	30-Jun	Third Quarter 03/4	100.7%	123.9%
7	UBA	31-Mar	Third Quarter 03/4	-1.8%	16.6%
8	UBN	31-Mar	Third Quarter 03/4	6.0%	3.0%
9	Wema Bank	31-Mar	Third Quarter 03/4	32.0%	82.9%
Breweries					
1	Guinness	30-Jun	Full Year 2003	52.3%	30.0%
2	Nigerian Breweries	31-Dec	First Quarter 04	22.4%	-21.1%
Building materials					
1	Ashaka	31-Dec	Full Year 2003	16.7%	39.5%
2	WAPCO	31-Dec	Full Year 2003	3.5%	NA
Conglomerates					
1	CFAO	31-Dec	Half year 2003	6.7%	9.4%
2	UAC	31-Dec	First Quarter 2004	8.8%	27.0%
3	Unilever	31-Dec	First Quarter 2004	15.5%	15.7%
Food & beverages					
1	7-up	31-Mar	Half year 03/4	6.3%	1.6%
2	Cadbury	31-Dec	Full Year 2003	28.8%	22.7%
3	Flour Mills	31-Mar	Third Quarter 03/4	9.3%	250.0%
4	Nestle	31-Dec	First Quarter 04	23.9%	29.3%
5	Nig Bottling Co.	31-Dec	Full Year 2003	6.6%	5.5%
Petroleum Marketing					
1	AP	31-Dec	First Quarter 2004	70.7%	18.5%
2	Conoil	31-Dec	Nine months 2003	65.1%	176.6%
3	Mobil	31-Dec	First Quarter 2004	29.7%	55.0%
4	Texaco	31-Dec	First Quarter 2004	83.0%	-0.1%
5	Total	31-Dec	First Quarter 2004	56.2%	0.6%
6	Oando (formerly Unipetrol)	31-Dec	First Quarter 2004	69.2%	469.2%
Real estate					
1	UAC properties	31-Dec	Full Year 2003		



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