

CardinalStone Research Model Equity Portfolio

Last week, the domestic bourse closed lower for the sixth consecutive week, with the ASI down by 139bps, while the MEP shed 96bps, outperforming the index by 43bps. Year-to-date, the MEP has returned 31.47% vs the NGX-ASI's return of 31.27%.

CardinalStone Research
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Security	April 19, 2024	April 26, 2024	Security weighting	Weekly change	Change since 29 Dec 23*	Performance attribution (bps)	
	position, N	position, N				Past Week	ytd
United Bank for Africa PLC	40,202,089	40,733,394	2.83%	1.32%	-10.33%	4	-25
Guaranty Trust Holding Co PLC	25,529,844	27,054,014	1.88%	5.97%	-12.35%	10	0
Access Holdings PLC	15,627,587	15,259,879	1.06%	-2.35%	-28.29%	-3	-58
Stanbic IBTC Holdings PLC	200,000	198,000	0.01%	-1.00%	-28.93%	-0	-1
Zenith Bank PLC	57,760,551	53,042,084	3.69%	-8.17%	-15.65%	-32	-94
Fidelity Bank PLC	6,664,691	7,039,112	0.49%	5.62%	-13.36%	3	-14
FCMB Group Plc	3,678,797	3,499,966	0.24%	-4.86%	-7.43%	-1	-1
Ecobank Transnational Inc	18,525,840	18,525,840	1.29%	0.00%	24.40%	0	36
MTN Nigeria Communications PLC	117,504,780	105,964,132	7.36%	-9.82%	-23.48%	-79	-306
Airtel Africa PLC	321,035,262	321,035,262	22.31%	0.00%	16.59%	0	288
Dangote Cement PLC	144,811,904	144,811,904	10.07%	0.00%	105.28%	0	1,775
BUA Cement Plc	125,526,841	125,526,841	8.72%	0.00%	47.63%	0	382
Lafarge Africa PLC	20,592,242	22,464,264	1.56%	9.09%	14.29%	13	38
Dangote Sugar Refinery PLC	22,563,117	10,563,117	0.73%	0.00%	-15.79%	0	-30
Nestle Nigeria PLC	9,095,108	8,037,044	0.56%	-11.63%	-27.70%	-7	-29
Unilever Nigeria PLC	2,094,231	2,325,213	0.16%	11.03%	2.03%	2	0
SEPLAT Energy PLC	102,679,370	102,679,370	7.14%	0.00%	45.89%	0	229
Transnational Corp of Nigeria PLC	14,715,116	14,715,116	1.02%	0.00%	61.66%	0	103
BUA Foods PLC	176,995,225	176,995,225	12.30%	0.00%	96.43%	0	823
Cadbury Nigeria PLC	0	0	0.00%	-6.32%	-6.32%	0	2
Geregu Power PLC	64,800,000	64,800,000	4.50%	0.00%	150.63%	0	21
Transcorp Power PLC	73,138,000	72,536,600	5.04%	-0.82%	55.79%	-4	9
Cash	88,947,532	100,947,532	7.02%				
Total	1,452,688,128	1,438,753,909	100%	-0.96%	31.47%	-96	3,147

Source: CardinalStone Research

*since listing

The tactical decision to exclude FBNH, which lost 16.26% WoW, remained the primary driver of the MEP's outperformance. Last week's contraction in the stock may be linked to reactions to the company's extraordinary general meeting postponement and change in executive leadership. In addition, recovery in some banking names like GTCO and UBA also helped offset pass-through from sell-offs in other banking tickers. Overall, our banking exposures cost the portfolio 20bps.

It is worthy of note that the banking index has lost 25.75% since the CBN announced the recapitalization exercise on 28 March 2024 and is down 14.79% year-to-date. Friday's close marked the lowest point in the index since 4 December 2023.

Meanwhile, following the announcement on the suspension of the proposed merger of NASCON, DANGSUGAR and Dangote Rice Limited, we have begun lowering our position in DANGSUGAR to a strongly underweight position. We note that traded volumes were very minimal during the week, and we will continue to lower our position this week as liquidity permits.

Moreover, we are diligently tracking the ongoing Q1'24 earnings season, demonstrating our commitment to staying abreast of market trends. We will promptly publish any mid-week portfolio changes that may be necessary in response to these developments.

Disclosure

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CardinalStone employs a 3-step rating system for equities under coverage: Buy, Hold, and Sell.

Buy $\geq +15.00\%$ expected share price performance

Hold $+0.00\%$ to $+14.99\%$ expected share price performance

Sell $< 0.00\%$ expected share price performance with weak fundamentals

A BUY rating is given to equities with strong fundamentals, which have the potential to rise by at least $+15.00\%$ between the current price and the analyst’s target price

An HOLD rating is given to equities with good fundamentals, which have upside potential within a range of $+0.00\%$ and $+14.99\%$,

A SELL rating is given to equities that are highly overvalued or have weak fundamentals, where potential returns of less than 0.00% are expected between the current prices and the analyst’s target prices. However, for equities with potential returns of less than 0.00% , HOLD ratings may be assigned if they have recent histories of strong earnings and/or their outlooks are favourable for the next 12 months, even if they appear to be currently overvalued by the market.

A NEGATIVE WATCH is given to equities whose fundamentals may deteriorate significantly over the next six (6) months, in our view.

A POSITIVE WATCH is given to equities whose fundamentals may improve significantly over the next six (6) months, in our view

Rating	Buy	Sell	Hold	Negative Watch
% of total recommendations	58%	21%	21%	0%
% with investment banking relationships	0%	0%	0%	0%

CardinalStone Research distribution of ratings/Investment banking relationships as of April 29, 2024

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