

CardinalStone Research Model Equity Portfolio

For the fourth consecutive week, the market closed strong, up 8.32%, while our Model Equity Portfolio (MEP) returned 9.33%, outperforming the index by 1.01%. Year to date, the benchmark index is up 36.95%, while the MEP has returned 38.01%.

CardinalStone Research
research@cardinalstone.com

Figure 1: Model Equity Portfolio

Security	January 19, 2024	January 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	54,281,532	41,206,023	2.74%	-1.61%	18.91%	-5	80
Guaranty Trust Holding Co PLC	65,624,544	43,426,332	2.89%	-0.34%	8.52%	-1	48
Access Holdings PLC	56,678,095	54,033,117	3.59%	-4.67%	23.54%	-19	94
Stanbic IBTC Holdings PLC	260,000	260,000	0.02%	0.00%	-6.68%	0	-0
Zenith Bank PLC	55,757,600	42,529,485	2.83%	-4.44%	11.25%	-16	52
Fidelity Bank PLC	15,194,942	14,961,174	0.99%	-1.54%	17.97%	-2	21
FCMB Group Plc	7,207,406	7,547,378	0.50%	4.72%	50.00%	2	23
Ecobank Transnational Inc	18,935,960	19,412,106	1.29%	2.51%	26.79%	3	38
MTN Nigeria Communications PLC	158,416,332	160,491,417	10.67%	1.31%	11.33%	15	149
Airtel Africa PLC	201,650,238	201,650,238	13.40%	0.00%	5.99%	0	104
Dangote Cement PLC	246,508,838	393,911,848	26.18%	28.82%	116.97%	597	1,671
BUA Cement Plc	134,924,737	163,227,131	10.85%	20.98%	85.21%	206	688
Lafarge Africa PLC	30,503,345	28,556,323	1.90%	-6.38%	39.68%	-14	74
Dangote Sugar Refinery PLC	26,245,195	27,114,567	1.80%	3.31%	45.00%	6	77
Nestle Nigeria PLC	12,564,788	11,556,243	0.77%	-8.03%	0.00%	-7	0
Unilever Nigeria PLC	3,115,250	3,246,990	0.22%	4.23%	41.55%	1	9
SEPLAT Energy PLC	60,015,004	72,617,919	4.83%	21.00%	33.10%	92	166
Transnational Corp of Nigeria PLC	41,050,136	36,317,815	2.41%	-11.53%	90.53%	-34	158
BUA Foods PLC	115,895,883	131,252,088	8.72%	13.25%	40.54%	112	347
Cadbury Nigeria PLC	3,045,000	0	0.00%	-20.86%	-88.19%	-2	2
Cash	68,292,284	51,276,784	3.41%	0.00%	0.00%	0	0
Total	1,376,167,112	1,504,594,978	100%	9.33%	38.01%	933	3,801

Source: CardinalStone Research

Our strategic move to increase our position in DANGCEM, based on last week's recommendation, proved to be quite the masterstroke as the stock singularly contributed 597bps to the MEP's overall performance. In line with earlier speculations, Nigerian billionaire Femi Otedola confirmed his investment in DANGCEM, acknowledging the company's effort for long-term wealth preservation and ensuring shareholders reap the ultimate benefits of the company's success.

BUACEMENT also benefitted from the DANGCEM rally, contributing an additional 206 bps to our portfolio's performance, while WAPCO experienced a marginal dip of 14bps. Despite the 37bps cost incurred in the banking sector amid ongoing profit-taking, we managed to minimize the extent of losses by strategically reducing positions in GTCO, ZENITHBANK, and UBA. We remain optimistic on banks, as the FCMB's stellar FY'23 earnings release signals a potentially robust earnings season for banks in the coming weeks.

Elsewhere, BUAFOODS and SEPLAT jointly contributed a substantial 203bps. Regarding SEPLAT, we attribute the rally to the recent breakfast meeting where the company discussed its 9M'23 earnings and forward-looking strategic plans. Additionally, we exited our notional position in CADBURY as the stock's momentum diminished.

In corporate updates, FCMB reported an impressive threefold growth in FY'23 earnings, translating to a record-high EPS of N4.82 (FY'22: 1.57). This remarkable performance was significantly supported by its Q4'23 financials.

Looking ahead, we plan to take profits on DANGCEM this week, gradually reducing our notional position to align with market weight. Also, as the FY'23 earnings season gains momentum, we will actively monitor and adjust our positions accordingly.

Disclosure

Analyst Certification

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Buy ≥ +15.00% expected share price performance

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

Sell < 0.00% expected share price performance

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 with weak fundamentals, where potential returns of less than 0.00% is expected, between the current price and analyst’s target price.

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

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

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