

2026 Asset Allocation Guide

Seizing Upside Without Losing Guardrails



January 2026

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AFRICA'S **BEST** **BROKER**

CardinalStone Securities has been named Africa's Best Broker at the
2025 Euromoney Capital Markets Awards.



For three consecutive years, we have led the Nigerian Exchange in brokerage rankings, and now, we are proud to see that excellence recognised across the continent.

This milestone is a win for the Nigerian capital market, a proof of the strength, resilience, and growing influence of our ecosystem. **Thank you to our clients, partners, regulators, and our people for making this possible.**



Introduction

Selecting a star-studded line-up for the new season

Equities as your “forwards” driving growth, fixed income as “defenders” providing stability, and cash and alternatives as your “goalkeeper” and “midfield”, balancing risk and opportunity.

2026 looks set to be laced with a mix of optimism and uncertainty. Geopolitical tensions are likely to remain intermittent concerns, just as fiscal drags and stickier-than-expected inflation look set to continue riling developed markets. These factors are a key risk to the monetary policy outlook, with the US Fed Chair expecting just one rate cut in 2026 and the European Central Bank (ECB) expecting inflation to be sticky for longer after holding rates at its December 2025 meeting. At the same time, the US-led AI-driven capital expenditure is providing some positive traction, albeit still expected to account for only 0.4% of the world’s Gross Domestic Product (GDP).

Against this backdrop, Nigeria’s macro pulse stands out for its improving stability. For one, the World Bank in its most recent report raised its 2025 and 2026 GDP growth

forecasts for Nigeria while keeping global growth expectations broadly unchanged. Domestic inflation has also continued to moderate, while the Naira has been relatively stable. The anticipated reclassification of Nigeria to Frontier Market status by FTSE Russell in 2026 (formal review expected in March) also creates scope for renewed foreign investment appetite in the Nigerian capital market. This environment positions Nigeria favourably relative to several global and emerging markets.

In view of these shifts, an appropriate asset allocation strategy needs to harness Nigeria’s potential tailwinds while offering a strong leaning towards AI-led market momentum and hedging global volatilities through exposure to quality defensive equities, fixed income sub-portfolio, and suitable alternative assets.



Our 70:30 allocation in favour of local assets is retained for 2026. We also have a projected equity market return of 28.7% for the domestic market, which is derived from a combination of expected earnings growth, dividend yield, and a partial valuation re-rating. After adjusting for potential Naira changes, this return remains above the 3-year and 5-year average returns of the MSCI World and MSCI EM equity indices. It is also above the 3-year average returns of 21.3%, 14.6%, 20.3%, and 23.7% for the S&P 500, FTSE 100, JSE, and the Nairobi Stock Exchange (NSE), respectively.

Most of the referenced comparable indices are trading at P/Es that are at premiums to their respective 5-year mean levels and are related to ecosystems whose macros suggest risks of possible re-ratings, albeit to different degrees. By contrast, the 6.5x P/E of the Nigerian equity market is at a material discount to its long-term mean level of 10.5x despite reform-driven macro tailwinds. Even under a conservative scenario where valuation normalises partially (say to c.8.5x), the implied upside from projected earnings growth and dividends remains compelling. The foregoing favours a clear tilt to Nigerian equities in our view, subject to ongoing monitoring of reform execution risk and a conscious play in AI and select defensives in our global equities exposure.

We also forecast a 14.8% to 18.9% total return on 5-year to 10-year FGN instruments after accounting for a potential budget deficit-induced 80bps increase in yields, their respective durations, and coupons. This range of return should compare to an 18.0% to 20.0% annual yield on 1-year NTBs after accounting for the impact of inflation-induced downward revisions to MPR to a range of 23.0% to 24.0% and expected liquidity levels. These projections are underpinned by a base-case scenario where the long end of the curve is more responsive to the large 2026 budget deficit, and the short end slightly tracks the apex bank's policy rate adjustments and inflation targeting.

We expect returns on these Nigerian assets to remain compelling vs EMEA and World peers, supported by a base case assumption of relative Naira stability (N1,350.00/\$ to N1,450.00/\$), with currency outlook remaining a first-order risk factor and a key determinant of realised foreign investor return. Consequently, of the 70.0% global allocation to the domestic market, we assign 35.0% to Nigerian equities and 30.0% to Nigerian fixed income. The latter is structured to take advantage of historical borrowing patterns, deficit-inspired sticky to higher yields in H1'26, and inflation-induced NTB yield compression in H2'26. Even though this positioning reflects high conviction in domestic reforms and

valuation support, we recognise the high concentration risk inherent in this allocation.

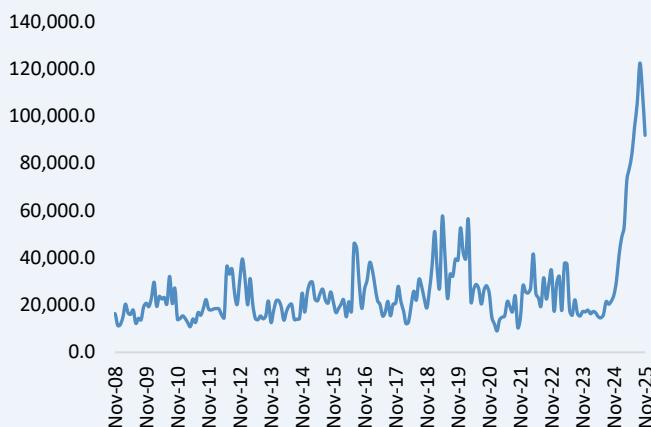
As hinted above, we retain our relatively low exposures (10.0% apiece) to foreign equities and fixed income. This cautious position is underpinned by macro-related concerns (e.g, government deficits and projected flat-to-lower growth in the USA, UK, EU, and China) and a still elevated World Uncertainty Index. Yet, we acknowledge that global assets play a critical role in providing liquidity, diversification, and optionality during periods of domestic stress. In addition, tactical allocations to high-potential sectors, such as AI, in the US market may still hold some upside. To this point, we note that 2025 US equity advancement was mostly driven by a handful of AI-related stocks, with the top 10 stocks (mostly AI) responsible for 70.0% of market gains. AI investments continue to see significant traction as tech giants ramp up acquisition of the chips, data centres, and electrical supplies necessary to feed their training projects and accelerate inference demand. Business adoption is also on the rise, with JPMorgan noting that 44.0% of US firms now pay for some kind of AI model or platform.

Elsewhere, we retain our recommendation on EM hard currency government bonds, with lower default prospects and expectation of a weaker dollar (especially in H1'26) capable of driving a narrowing of spreads/yields (appreciation) in 2026. The prognosis on dollar passthrough is supported by the expected Fed rate cut in 2026. Investment-grade credit also stands to benefit from rate cuts and more stable corporate balance sheets. We, however, note the uncertainty stoked by the potential expiration of Jerome Powell's tenor as Fed Chair in May 2026 and Stephen Miran's interim governor seat in January 2026, with political body language suggesting the risk of more dovish replacements. Elsewhere, we note the risk of a greater tariff-induced inflation impact in the US. In view of the implied uncertainty over yield direction, we recommend proper duration management within the global fixed income sub-portfolio.

World uncertainties and their potential implications for traditional assets continue to inform our exposure to alternative assets. These assets should bring diversification value, supportive cash-flow profiles, and the capacity to mitigate inflation to our broad hypothetical portfolio. With policy easing expected to unfold gradually, real assets such as infrastructure and core real estate remain well-positioned to deliver steady, uncorrelated returns within the portfolio.

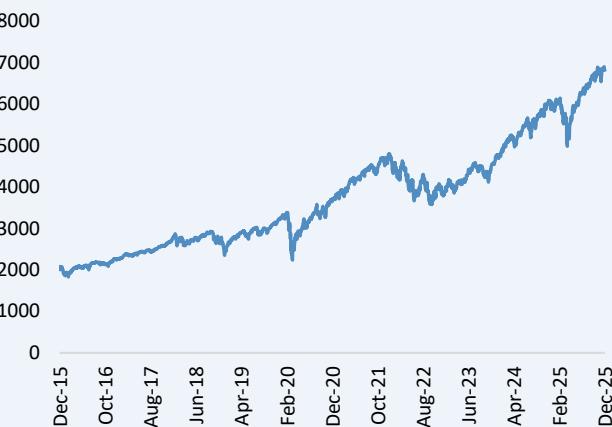


Figure 1: World Uncertainty Index



Source: WUI, CardinalStone Research

Figure 3: The S&P 500's uptrend had been primarily supported by AI tickers



Source: Bloomberg, CardinalStone Research

Figure 2: S&P 500 is trading at a premium to its 10-year mean P/E



Source: Bloomberg, CardinalStone Research

Figure 4: The DJIA is trading at a premium to its 10-year mean P/E



Source: Bloomberg, CardinalStone Research

Figure 5: Broad asset allocation summary

| Asset Class | Nigeria | Foreign | Total | Rationale |
|----------------------------|--------------|--------------|---------------|--|
| Fixed Income | 30.0% | 10.0% | 40.0% | Despite the potential yield impact of high budget deficit, our base case assumption of 80bps rise in yields for mid tenured instruments alongside their durations still suggests 14.8% to 18.9% total annual returns that we consider decent. We also see scope for 18.0% to 20.0% return on 1-year NTBs. |
| Equities | 35.0% | 10.0% | 45.0% | The case for local equities is supported by an improved GDP outlook, favourable inflation trajectory, relative FX stability, credit rating upgrades, strong earnings, and compelling valuation. Global exposures should be concentrated in AI-related counters and defensives to accommodate emerging fundamental and momentum drivers and reduce risks. |
| Real Assets & Alternatives | 3.0% | 7.0% | 10.0% | Locally, Nigerian funds are positioned to benefit from the FGN's infrastructure focus and urban growth. Globally, allocations can be directed toward infrastructure funds in markets with strong long-term urbanisation trends. Safe-haven precious metals such as gold also remain viable given expected global uncertainties, while commodities like oil palm, cocoa, etc., are of growing interest as well. |
| Cash & Liquidity | 2.0% | 3.0% | 5.0% | Maintain some liquidity for tactical repositioning and opportunistic deployment. |
| Total | 70.0% | 30.0% | 100.0% | |

Source: CardinalStone Research



Domestic equities

Reforms, stability, and growth reinforce an overweight call

Our overweight stance on Nigerian equities is underpinned by a strengthening macroeconomic backdrop and improving market dynamics. Stronger-than-expected GDP growth, easing inflation, and sustained currency stability have bolstered investors' sentiment, while enhanced FX transparency and more efficient capital repatriation mechanisms are attracting renewed foreign portfolio participation. In addition, the potential reclassification of Nigeria to Frontier Market status by FTSE Russell (formal review due in March 2026) could unlock further foreign inflows and deepen market liquidity. Meanwhile, the NGX's transition to a T+2 settlement cycle should improve trading efficiency and align the market more closely with global standards.

Stronger macroeconomic environment

First, we note that a clearer Monetary Policy Committee (MPC) shift from a hawkish to a dovish stance due to sustained moderation in inflation should offer exciting opportunities for the equities market. The reduction in policy rate should stimulate liquidity, lower funding costs, and support valuations, with a consequent moderation in short-term FI yields, making the relative attractiveness of our projected 28.7% equity return even more compelling. We also note that the stronger-than-expected GDP growth in 2025 signals a broad-based economic recovery, setting the stage for improved corporate earnings across key sectors. Our 2026 sectoral allocation remains pro-growth, predominantly cutting across the energy, banking, Industrials, telecommunication, and oil palm sectors.

The banking sector is poised for a year of normalised earnings, supported by a more favourable macroeconomic backdrop. This dynamic should encourage diversified income streams beyond core lending, while improved economic conditions strengthen prospects for loan growth and asset quality. In addition, capital deployment post-recapitalisation

provides further upside for the sector. However, a stronger MPC dovish tilt poses a potential headwind, as lower interest rates could compress banks' margins.

The oil & gas sector performance will mostly hinge on the balance between softer prices and rising domestic output. While the IEA projects weaker oil prices, sustained production growth should cushion the impact. SEPLAT's expanded CAPEX program, including new gas projects and a 120–150 well drilling campaign, is expected to drive sector momentum in 2026. Similarly, ARADEL should be boosted by the consolidation of ND Western and RAEC. Beyond the implied production uplift, consolidation will allow ARADEL to migrate associate earnings into fully consolidated subsidiary results, enhancing earnings visibility, balance sheet depth, and operational control. Meanwhile, the Federal Government's plan to gradually clear the estimated N4.0 trillion power debt through a bond could be a major catalyst for the power sector, as it is expected to remedy the longstanding liquidity crisis facing the sector.

Telcos are set to continue benefiting from the tariff hike, renewed CAPEX, and a rebound in subscriptions post-NIN-SIM disruptions. In addition, a positive FX environment should translate to gains related to dollar-denominated liabilities, just as a favourable energy outlook looks set to support margins.

The oil palm sector should benefit from strong domestic demand and elevated CPO prices. The sector outlook should also be buoyed by rising investments in mills and replanting initiatives, with PRESCO's local and international expansions particularly notable. We also note ELLAHLAKES' planned deployment of its N232.2 billion capital raise to the acquisition of a palm oil plantation (N155.0 billion), industrial cassava processing plant (N45.0 billion), oil palm mill (N8.0 billion), piggery commercialisation (N8.0 billion), and working capital needs (N16.2 billion).



PRESCO remains our preferred pick in the sector, given its compelling valuation.

Lastly, for the industrials, we note that the related leading indicator (local construction PMI) remained above 50 for most of 2025, reversing 2024's contraction and signalling sustained industrial growth. This improvement reinforces our outlook for solid topline gains, while moderating inflation supports margin expansion. Cement majors under our coverage (BUACEMENT, DANGCEM, WAPCO) are poised to benefit from strong government CAPEX, with capital spending accounting for 43.6% of the 2025 budget and expected to remain elevated in 2026.

Potential reclassification of Nigeria to boost the market

The FTSE Russell recently placed Nigeria on its watchlist for possible reclassification from unclassified to frontier market status, as it now meets all five FTSE Quality of Markets criteria required for inclusion. These criteria cut across market accessibility, regulatory & legal environment, market transparency, trading & settlement efficiency, and brokerage & custody.

Figure 6: Domestic market return in the last few years

| | |
|------|--------|
| 2007 | 74.7% |
| 2008 | -45.8% |
| 2009 | -33.8% |
| 2010 | 18.9% |
| 2011 | -16.3% |
| 2012 | 35.4% |
| 2013 | 47.2% |
| 2014 | -16.1% |
| 2015 | -17.4% |
| 2016 | -6.2% |
| 2017 | 42.3% |
| 2018 | -17.8% |
| 2019 | -14.6% |
| 2020 | 50.0% |
| 2021 | 6.1% |
| 2022 | 20.0% |
| 2023 | 45.9% |
| 2024 | 37.7% |
| 2025 | 51.2% |

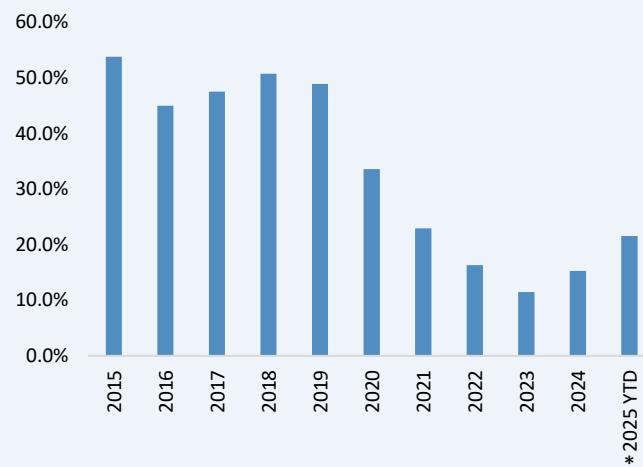
Source: NGX, CardinalStone Research

This move signals growing confidence in the country's ability to support repatriation of foreign investment proceeds after years of challenges. In particular, the progress was enabled by significant central bank reforms that boosted FX transparency and liquidity. Should this move result in an upgrade, we expect better visibility from the global market and a material re-rating of Nigerian equity counters to international peer median multiples.

NGX's transition to a T+2 settlement cycle

The Nigerian Exchange Group (NGX) transitioned its trade settlement cycle to T+2 on the 28th of November 2025 as part of efforts to align with global standards and improve market liquidity. This move is also expected to strengthen investors' confidence, as a shorter settlement cycle helps minimise uncertainties between trade and settlement. It should also enhance the exchange's competitiveness by attracting more foreign and domestic investors through adherence to global standards.

Figure 7: Foreign participation in equities on the uptrend



Source: NGX, CardinalStone Research

* Data used for 2025 was from January to November

Figure 8: ASI and MEP return

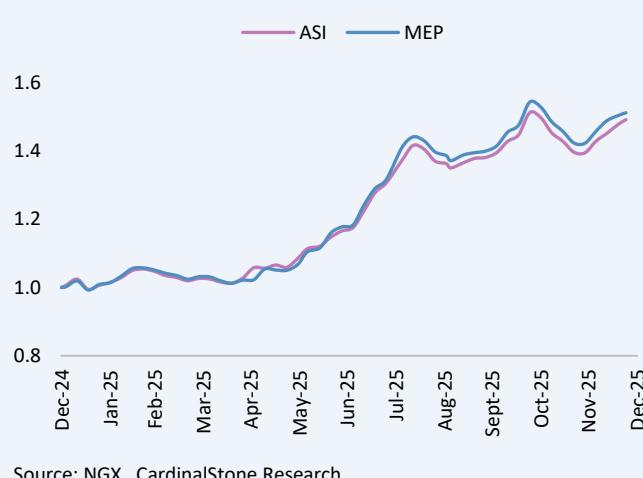
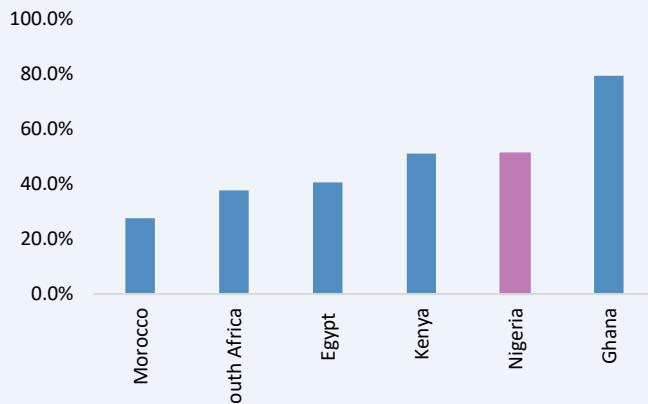




Figure 9: Nigeria's equity market return vs select peers (2025)



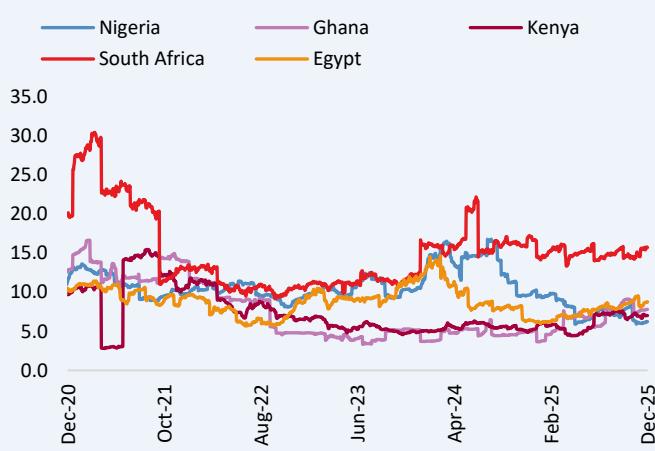
Source: Bloomberg, CardinalStone Research

Figure 10: The NGXASI is at a steep discount to its 10 year mean P/E



Source: NGX, CardinalStone Research

Figure 11: NGXASI P/E compared with other African countries



Source: Bloomberg, CardinalStone Research

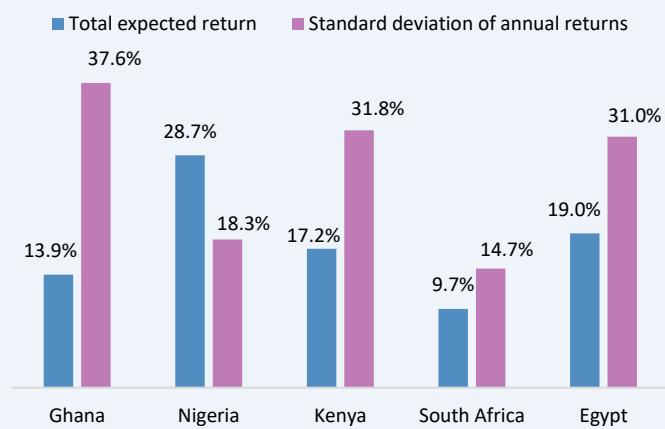
We forecast the equity market return of 28.7% for 2026

While computing expected equity market returns with the Grinold-Kroner model, we maintained the following assumptions:

- Current dividend yield as provided by Bloomberg
- Expected inflation based on our forecast
- For the real earnings growth, we adopted the long-run mean GDP growth rate (5 years)
- We assume zero % change in share outstanding
- For % changes in PE, we assumed reversion to the historical level (5-year average) will occur over the next 5 years at the rate of 20.0% per annum

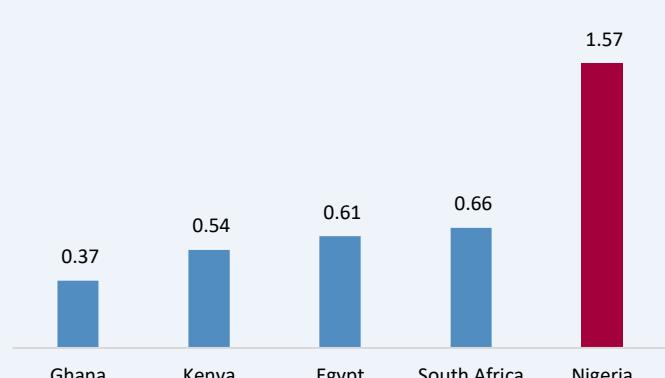
From our analysis, we expect the Nigerian equities market to return 28.7% in 2026, marking the 7th consecutive annual gain. On a risk-adjusted basis, we foresee an expected return per risk of 1.6x in 2026.

Figure 12: Forecasting equity market returns for 2026 using Grinold Kroner model



Source: Bloomberg, IMF, CardinalStone Research

Figure 13: Expected return per risk (x) is higher in Nigeria than in other select African countries



Source: Bloomberg, CardinalStone Research



Figure 14: Our stock recommendation

| Stocks | 12-month TP | Upside | Dividend yield | Links to latest reports |
|------------|-------------|--------|----------------|----------------------------|
| ACCESSCORP | 42.29 | 101.4% | 11.4% | Click here |
| AIRTELAFRI | 3,906.75 | 72.1% | 4.4% | Click here |
| ARADEL | 812.23 | 21.2% | 4.5% | Click here |
| DANGCEM | 778.2 | 27.8% | 9.9% | Click here |
| ETI | 50.08 | 19.5% | 0.0% | Click here |
| FCMB | 14.64 | 21.5% | 5.0% | Click here |
| FIDELITYBK | 24.99 | 31.5% | 7.9% | Click here |
| GTCO | 128.63 | 41.8% | 9.3% | Click here |
| MTNN | 669.42 | 31.0% | 3.0% | Click here |
| PRESCO | 1801.34 | 24.2% | 6.5% | Click here |
| SEPLAT | 9,121.64 | 57.0% | 5.1% | Click here |
| STANBIC | 115.27 | 15.3% | 6.0% | Click here |
| TRANSCORP | 67.38 | 48.4% | 3.3% | Click here |
| UBA | 61.91 | 48.6% | 7.9% | Click here |
| UNILEVER | 87.58 | 21.6% | 2.9% | Click here |
| WAPCO | 202.87 | 50.8% | 8.1% | Click here |
| ZENITHBANK | 97.86 | 58.3% | 9.5% | Click here |

Source: NGX, CardinalStone Research

Reference price date is December 31, 2025



Domestic fixed income

Belly under pressure, wings more anchored

In framing our fixed-income outlook for 2026, we examined the supply and demand dynamics, focusing on expected paper issuances and liquidity conditions. We also considered inflation and monetary policy actions.

To start with, in our macro section of the outlook, we projected the FGN's fiscal deficit at N15.7 trillion for 2026, lower than the proposed N23.8 trillion. This narrower gap does not depict stronger revenue mobilization. Instead, it is driven largely by softer spending expectations, particularly on CAPEX. Of the projected deficit, we estimate that N11.0 trillion will be financed locally, with the balance catered for externally. This implies that the government will need an average monthly domestic borrowing requirement of N916.7 billion, principally dominated by FGN bond issuances.

On liquidity, the 2026 average monthly inflows from maturities and coupons are estimated at c.N595.6 billion¹, lower than the estimated borrowing needs. This net-financing gap will likely cause bond yields to increase in the period.

NTBs: Sticky upfront, gradual easing later

We perceive that the 1-year NTB yields may stabilise at 21.0%/22.0% in H1'26, with an average inflation of 17.2% (vs CBN target of 16.5%) likely to influence the apex bank to hold off on rate cuts until the May MPC meeting, after which more aggressive cuts are likely in H2'26. We expect the impact of the rate cuts to pull down the 1-year NTB yield to a range of 18.0% - 20.0%.

What we think of bond yield dynamics

We do not anticipate a parallel shift in the yield curve. Instead, we believe that the mid-segment may be the most responsive, given the concentration of on-the-run bonds in that bucket. We estimate an 80bps increase in the yield curve at the mid segment. At the long end, we see yields rising by about 60bps, a consequence of longer-dated paper

issuances as the government may focus on maturity management to reduce near-term refinancing pressure. That said, the long end is expected to remain relatively less sensitive than the mid-segment, as yields mostly flatten at extended maturities. At the short end, we project a modest increase of 40bps.

Bond yields unlikely to rise progressively through the year

Over the past two years, the government has frontloaded borrowings in the first quarter of the year, doing 40.0% of the year's borrowing. If a similar pattern should occur in 2026, we estimate about N4.4 trillion borrowings in Q1'26, compared with the expected liquidity of N3.3 trillion over the same period. This imbalance suggests that most of the upward pressure on yields will materialise in the first quarter, with some spillover into Q2'26. We expect yields to stabilise in H2'26, reinforced by the prospect of a faster moderation in inflation and potential MPC rate cuts, which should give the DMO some leeway to keep yields relatively stable.

Tactical duration management is key for 2026

We forecast a 14.8% to 18.9% total return on the 5-year to 10-year FGN instruments after accounting for a budget deficit-induced increase in yields, their respective durations, and coupons. This range of return should compare to 18.0% to 20.0% yield on 1-year NTBs after accounting for the impact of inflation-induced downward revisions to MPR to a range of 23.0% to 24.0% and expected liquidity levels. Overall, we advise fund managers to play at the short to mid segment of the curve, especially in H1'26, given their return prospects. Investors could also begin to build more duration in H2'26 as inflation and policy rates narrow and borrowing needs reduce following the H1 frontloading.

1. In estimating the expected liquidity, we assumed that NTBs would be rolled over. We also assume that the CBN would likely mop up maturing OMOs to keep inflation in check and to retain as much FPI funds as possible. The view on trying to retain FPI, given pre-election year consideration.



Figure 15: Naira yield curve (%) per quarter



Figure 16: Average NTB and bond yields

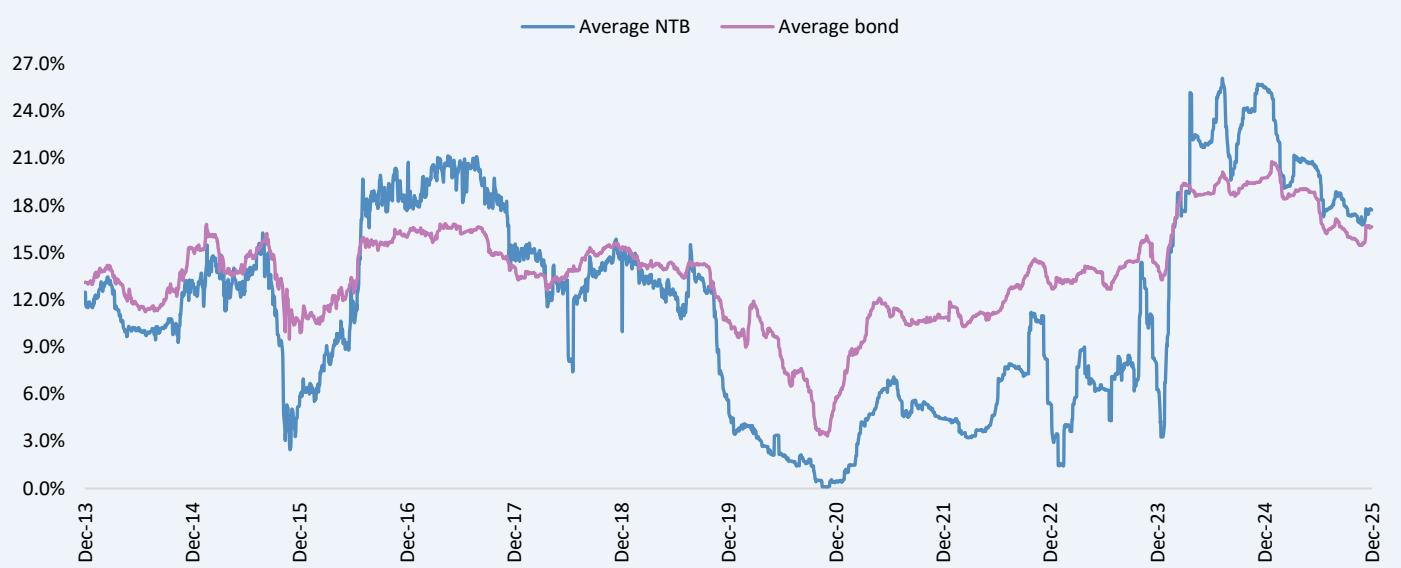


Figure 17: Annual return on Nigerian bond index



Figure 18: Local bond return in Nigeria vs select peers

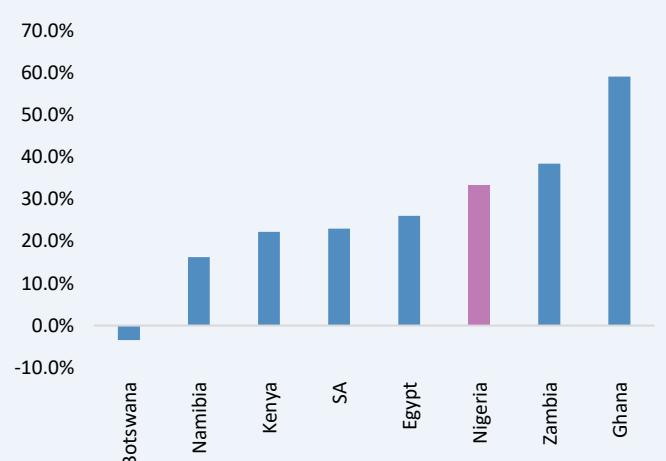
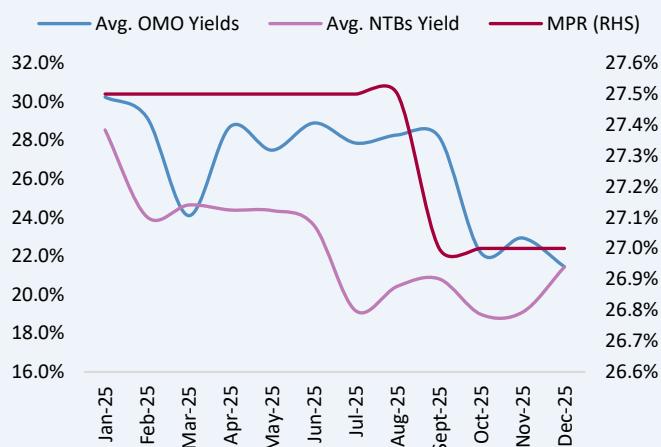




Figure 19: Yields and MPR trend



Source: Bloomberg, CardinalStone Research

Figure 20: Expected liquidity for 2026 (N' trillion)



Source: CBN, FMDQ, CardinalStone Research

Figure 21: Forecasted returns for the Nigeria bond market in 2026

| FGN Bonds | Curve segment | Issue Date | Coupon (%) | Outstanding value (N'billions) | Yield (%) | Modified Duration | Change YtM | Expected return |
|---------------------|---------------|------------|------------|--------------------------------|-----------|-------------------|------------|-----------------|
| 17.945 27-AUG-2030 | Short | 27-Aug-25 | 18.0% | 458.4 | 17.0% | 3.2 | +0.4% | 16.6% |
| 18.50 21-FEB-2031 | Short | 21-Feb-24 | 18.5% | 2,713.2 | 17.1% | 3.9 | +0.4% | 16.9% |
| 17.95 25-JUN-2032 | Mid | 25-Jun-25 | 18.0% | 2,032.6 | 17.3% | 3.9 | +0.8% | 14.8% |
| 19.89 15-MAY-2033 | Mid | 15-May-24 | 19.9% | 2,512.7 | 17.1% | 4.4 | +0.8% | 16.4% |
| 19.00 21-FEB-2034 | Mid | 21-Feb-24 | 19.0% | 1,492.3 | 17.0% | 4.6 | +0.8% | 15.3% |
| 22.60 29-JAN-2035 | Mid | 29-Jan-25 | 22.6% | 368.3 | 16.5% | 4.6 | +0.8% | 18.9% |
| 16.2499 18-APR-2037 | Long | 18-Apr-17 | 16.3% | 1,796.7 | 16.4% | 5.8 | +0.6% | 12.7% |
| 15.45 21-JUN-2038 | Long | 21-Jun-23 | 15.5% | 691.3 | 16.2% | 5.6 | +0.6% | 12.1% |
| 15.70 21-JUN-2053 | Long | 21-Jun-23 | 15.7% | 1,770.2 | 15.0% | 6.6 | +0.6% | 11.8% |

Source: FMDQ, CardinalStone Research



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Personal Pensions Plan:

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Mortgage Equity Contribution: Access home ownership with your pension savings.

Diaspora Pension Contributions: Secure your retirement while working abroad.

Approved Existing Scheme: Custom pension solutions for organizations.

RSA Switch: Move your pension to a trusted partner.

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Take control of your retirement with a pension plan that works for you.



Infrastructure and real estate

Global infrastructure

The global infrastructure demand has evolved beyond assets such as roads, bridges, airports, and utilities to include modern infrastructure like renewable energy, digital connectivity, and electrified mobility. The evolution is shaped by population growth, economic development, and technological advancement.

According to the Organisation for Economic Co-operation and Development (OECD), the global infrastructure gap to achieve Sustainable Development Goals (SDGs) could reach \$18.0 trillion by 2040. This widening financing gap presents a compelling opportunity for private capital participation, particularly as governments contend with fiscal constraints from elevated public debt (Figure 22). The opportunity is even more pronounced in emerging economies, where rapid urbanisation, demographic growth, and a historical focus on recurrent expenditure over capital investment continue to widen the infrastructure deficit.

The current reality of elevated sticky inflation (compared to pre-COVID levels) has renewed investors' interest in infrastructure assets, which offer a more resilient pathway to long-term real returns and greater portfolio stability. Consequently, global infrastructure funds are valued at c.\$1.4 trillion and projected to exceed \$2.3 trillion by 2030 as institutional investors seek defensive, inflation-linked assets.

The compelling investment case for infrastructure assets is strengthened by its long operational life, predictable cash flow, and low correlation with traditional markets, providing a valuable source of diversification. In addition, many of these assets also feature baked-in inflation hedges, protecting against rising costs. Therefore, sovereign wealth and pension funds have increasingly led the charge in infrastructure investment.



Elsewhere, regulators are actively steering more capital toward qualifying infrastructure assets, given their defensive characteristics—such as high barriers to entry, strong regulatory oversight, and a lower long-term risk profile.

For example, under Europe's Solvency II framework, insurers receive favourable capital treatment for investments that meet the regulation's infrastructure criteria. In practice, the

spread risk capital charge for a qualifying infrastructure investment is roughly 25.0%–30.0% lower than that of a comparable corporate bond.

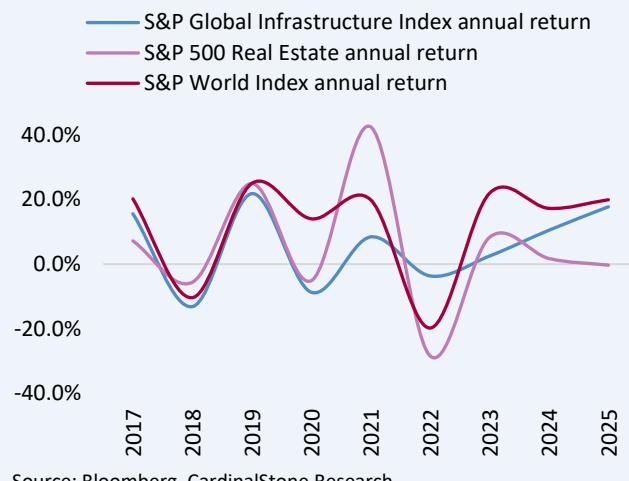
As instruments vary between debt, equity, or a mix of both, investors are encouraged to align their infrastructure allocations with their risk appetite and return objectives.

Figure 22: Global public debt exceed \$100.0 trillion



Source: UN trade and development, CardinalStone Research

Figure 23: Infrastructure assets boast competitive returns (%)



Source: Bloomberg, CardinalStone Research

Figure 24: Infrastructure assets framework

| Asset Category | Description | Characteristics | Typical Holding Period | Investment Profile | Risk-Return Profile & Investor Appeal | |
|----------------------|---|---|------------------------|---|---|-------------|
| Core Assets | These are essential, mature, and fully operational assets, including regulated utilities, established toll roads, and brownfield power plants. | Generate stable and predictable cash flows, typically supported by long-term contracts or regulations, which exhibit low operational and market risk. | 7–10+ years | Brownfield assets with long-term contracts with governments or creditworthy counterparties | Low Risk. Appeals to investors seeking low risk, income-oriented returns. | Lower risk |
| Core-Plus Assets | Operational assets with potential for moderate optimisation or growth, such as midstream gas pipelines, logistics hubs, or telecom towers in developing markets. | May carry some price or demand risk while offering higher yields than pure core assets.. | 6–9 years | Mostly brownfield assets with long-term contracts with greater scope for capital appreciation | Attractive to investors seeking a balance of stability and moderate upside. | |
| Value-Added Assets | Typically provides substantial upside potential. This can involve asset expansions, transitioning from brownfield to greenfield upgrades, or implementing operational improvements. | Comes with higher construction, demand, or regulatory risks. Offers higher potential returns once those risks are mitigated. | 5–7 years | Brownfield or greenfield assets with shorter-term contracts or less creditworthy counterparties; reliant on capital expenditure | Higher potential returns. Specialist infrastructure funds often target these opportunities to capture both income and capital appreciation. | |
| Opportunistic Assets | This represents the highest level of risk and potential return, including greenfield development projects or distressed turnarounds. | Often face uncertainties in regulation, revenue generation, or construction. Offer the potential for significant returns. | 3–5 years | Brownfield or greenfield assets with long-term contracts in developing markets or with revenue volatility | Highest risk and return profile. Typically pursued by sovereign wealth funds, private equity, or highly specialised investors. | Higher risk |

Source: CardinalStone Research



Figure 25: Traditional infrastructure financing instruments

| Asset Category | Instrument | Features | Options |
|-------------------|------------|--|--|
| Debt/fixed income | Bonds | Project bonds Municipal, sub-sovereign bonds Green bonds, Sukuk | Corporate bonds; Green bonds Subordinated bonds |
| | Loans | Direct/co-investment lending to infrastructure project; syndicated project loans | Direct/co-investment lending to infrastructure corporate |
| | Hybrid | Subordinated loans/bonds, mezzanine finance | Syndicated loans, securitised loans, collateralised loan obligations |
| Mixed | Listed | YieldCos | Subordinated bonds, convertible bonds, preferred stock |
| | Unlisted | Direct/co-investment in infrastructure project equity, PPP | Listed infrastructure & utilities stocks, close-end funds, Real Estate Investment Trusts (REITs), etc. |
| Equity | | | Direct/co-investment in infrastructure corporate equity |

Source: OECD, CardinalStone Research

In the Nigerian context.....

Nigeria faces a significant infrastructure deficit, with total infrastructure stock estimated at 30.0% of GDP, well below the World Bank's 70.0% benchmark required for sustained economic growth. This shortfall is increasingly constraining productivity and living standards, particularly as the population, which is growing by over 2.5% annually, is projected to reach 400 million by 2050. Reflecting this gap, Nigeria ranked 24th of 54 African countries in the Africa Infrastructure Development Index (2022), with a score of 24.3, lagging peers such as Egypt and Libya. Bridging this gap will require an estimated \$3.0 trillion over the next 30 years (c.\$100.0 billion annually), underscoring the urgency of positioning infrastructure as a distinct and investible asset class.

Despite its compelling investment profile, infrastructure financing in Nigeria remains dominated by public and development capital, with minimal participation from domestic institutional investors. Notably, the pension industry, which warehouses the largest pool of long-term domestic capital (N26.7 trillion as of October 2025), has allocated only 1.1% (N299.2 billion) of its assets to the infrastructure asset class. This gap highlights the significant pool of untapped capital available to support infrastructure development in the nation.

Figure 26: Over the last 5 years, Nigeria's recurrent expenditure (N'trillion) has surpassed its capital expenditure by an average of 2.4x



Source: Budget Office, CardinalStone Research

Figure 27: Nigeria's PPP (\$ billion) is below its African peers



Source: African Development Bank, CardinalStone Research



This limited participation largely reflects institutional conservatism and risk aversion, as pension funds have traditionally concentrated investments in risk-free government securities, foregoing the return premium associated with credit risk in infrastructure projects. Nonetheless, there are encouraging signs of evolution within the Nigerian pension industry. PFAs have more recently increased investments in infrastructure mutual funds, recording a robust 41.3% 5-year CAGR in their portfolio holdings. This trend reflects a gradual shift in investors' perception and a growing recognition of the investment potential within the sector. Notably, this performance significantly outpaces the growth rates of investments in private equity at 31.6% and Real Estate Investment Trusts (REITs) at 14.7%.

Positively, InfraCredit's guarantees have been instrumental in allowing pension funds to invest in infrastructure by improving credit ratings. As of the third quarter of 2025, InfraCredit had guaranteed debt totalling N308.0 billion across 22 infrastructure projects and attracted investments from 20 pension fund investors.

Overview of Nigeria's real estate market

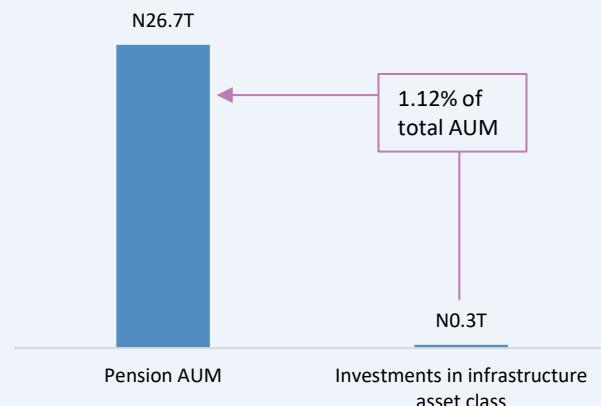
Nigeria's real estate market (residential and non-residential buildings) is expected to reach a value of N3.6 trillion by FY'25 and expand at an average rate of 0.7% over the next 10 years. The expected growth is due to the surge in demand for residential properties in the country, driven by rising population and urbanisation. However, supply is expected to trail demand in the market due to several reasons, including:

- Infrastructure deficit
- Rapid urbanisation and demographic pressures
- Limited availability of affordable housing
- High construction and financing costs
- Regulation and land acquisition challenges

A key trend expected to transform the real estate market is the demand for properties with modern facilities. Accordingly, research from Lawrence Berkeley National Laboratory suggests that homes with Solar System Home Systems (SHS) can improve in value by c.4.0% given their association with green trends and lower energy price volatility. This trend suggests that the investment case for Nigerian real estate can be improved with greater

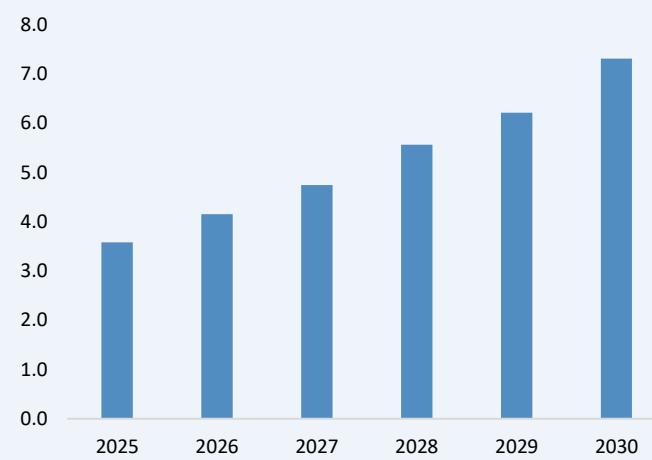
alignment to alternative clean energy sources.

Figure 28: Investment by PFAs in the infrastructure asset class remains minimal



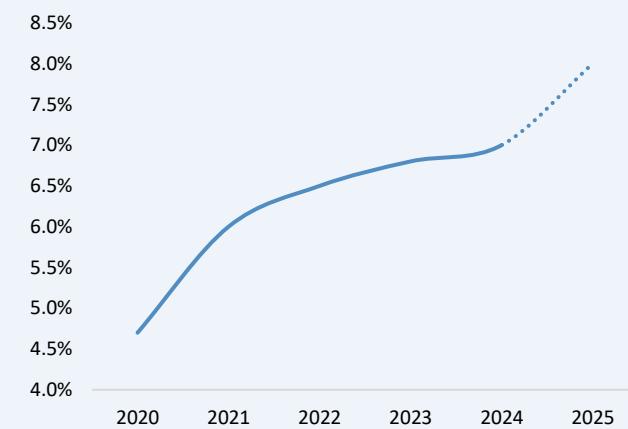
Source: PENCOM, CardinalStone Research

Figure 29: Real estate market value trend (N'trillion)



Source: Fitch BMI, CardinalStone Research

Figure 30: Housing demand growth rate



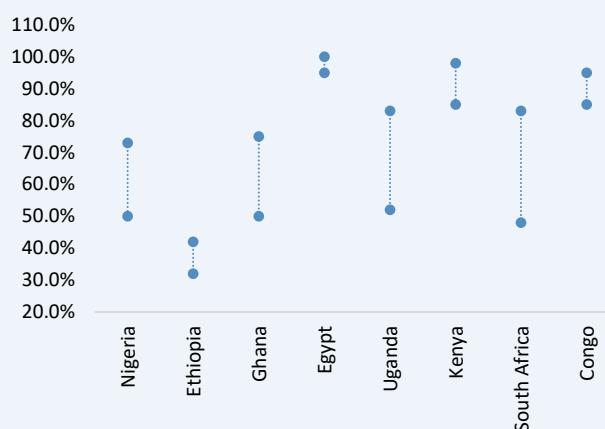
Source: Nigerian Housing Market (NHM), CardinalStone Research



Surging population widens housing deficit

The increase in Nigeria's population has been a primary driver of the shortfall in housing, intensifying the infrastructure deficit in the real estate sector. According to the United Nations (UN) Habitat, Nigeria's urban population has risen from 9.4% of the total population in 1950 to 52.0% in 2020 and is projected to reach 70.0% by 2050. To keep up with this growth, at least 700,000 housing units should be built every year, with cities like Lagos experiencing an increase of 20.0% in housing demand annually. Furthermore, capital budgets and allocations for housing and infrastructure seem to be currently insufficient. According to the Budget Office's 2024 Capital Performance Report, only c.40.2% of appropriated capital was released to

Figure 31: Projected change in urbanisation levels from 2020-50



Source: OECD/SWAC, CardinalStone Research

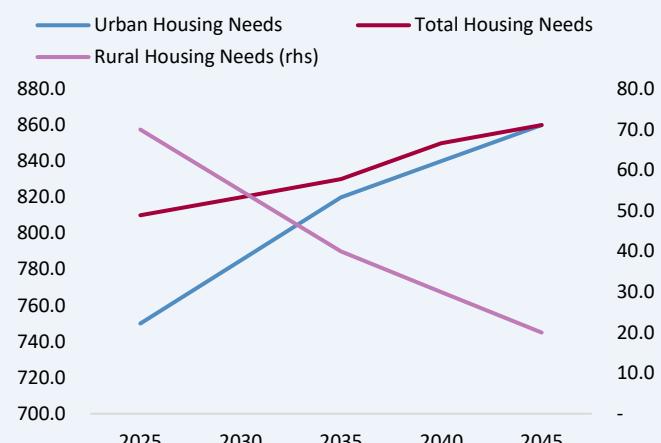
Figure 32: Housing deficit to population ratio

| Countries | 2025 population (million) | Stock deficit (million)* | Deficit to population ratio | Adequate housing index* |
|--------------|---------------------------|--------------------------|-----------------------------|-------------------------|
| Egypt | 118.4 | 1.5 | 1.2% | 1.0 |
| South Africa | 64.7 | 2.6 | 4.1% | 0.9 |
| Ghana | 35.1 | 2.8 | 8.0% | 0.7 |
| Kenya | 57.5 | 7.0 | 12.1% | 0.6 |
| Nigeria | 237.5 | 19.6 | 8.2% | 0.6 |
| Uganda | 51.4 | 6.2 | 12.1% | 0.5 |
| Ethiopia | 135.5 | 18.1 | 13.4% | 0.4 |
| Congo | 112.8 | 14.7 | 13.0% | 0.4 |

Source: World Bank, CardinalStone Research

the Federal Ministry of Housing and Urban Development, and only 52.8% of the released amount has been utilised, implying an underinvestment in the sector.

Figure 33: Increased urban housing needs (000's Units)



Source: UN population division, World Bank, CardinalStone Research

The country's housing deficit results from a combination of challenges as well as untapped investment opportunities across cities and urban areas. The Federal Government has maintained an optimistic stance, with ongoing reforms and strategies being introduced to facilitate real estate development in Nigeria. Ongoing initiatives include:

- Reforming federal housing institutions, including the Federal Housing Authority (FHA) and the Federal Mortgage Bank of Nigeria (FMBN), to better deliver on their mandates
- Establishing a National Social Housing Fund (NSHF) to mobilise and administer concessionary funding for the provision of decent shelter for no-income, underprivileged, and internally displaced Nigerians.
- In collaboration with the Ministry of Finance Incorporated (MOFI), through the Real Estate Investment Funds, the CBN has also introduced single-digit mortgage interest rates to improve homeownership accessibility and development
- Rent-to-own schemes are also being introduced to facilitate home ownership through flexible payment structures.
- The introduction of the Renewed Hope Cities & Estates Programme, offering affordable housing across the country. More recently, the Ministry approved a uniform sale pricing across units under the estate's components, which further drives accessibility.

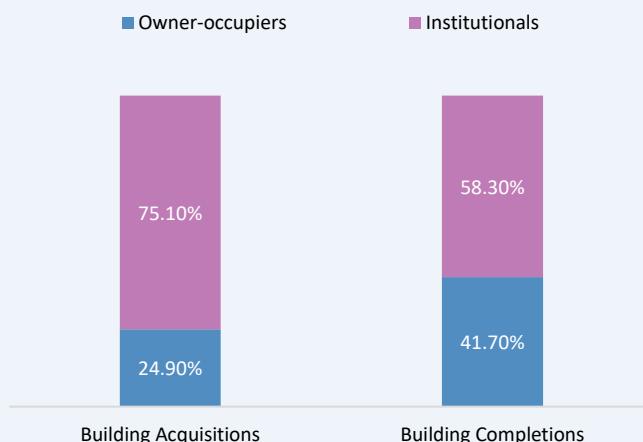
*Stock Deficit- the number of existing homes that are currently not adequate

*Adequate Housing Index - measures the share of households whose housing meets minimum adequacy standards according to the World Bank



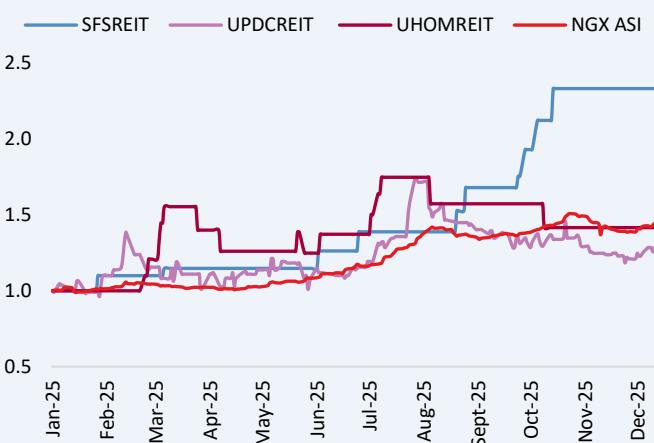
- Tax relief incentives for real estate developers engaged in affordable housing and sustainable construction practices.
- To ease regulatory bottlenecks, there have been reforms to the Land Use Act to simplify the method of land acquisition. The use of digital systems has also aided in streamlining activities and promoting transparency in the sector.

Figure 34: Between 2016 and 2025, large pan-African private equity funds remain the major driver for building acquisitions and completions



Source: Estate Intel, CardinalStone Research

Figure 35: 2025 performance: REITS vs equity index (Rebased = 1)



Source: NGX, CardinalStone Research

Figure 37: Commercial developers are increasing exposure to hospitality

| Name | Location | No of rooms | Status |
|-------------------------|----------|-------------|------------|
| Novotel Hotel | Lagos | 170 | Ongoing |
| Ibis Hotel | Lagos | Unspecified | Ongoing |
| Landmark Renaissance | Lagos | 218 | Conceptual |
| Radisson RED Lagos | Lagos | 62 | Ongoing |
| Protea Hotel by Marriot | Abuja | 144 | Conceptual |
| Radisson Blu Abuja | Abuja | 258 | Conceptual |

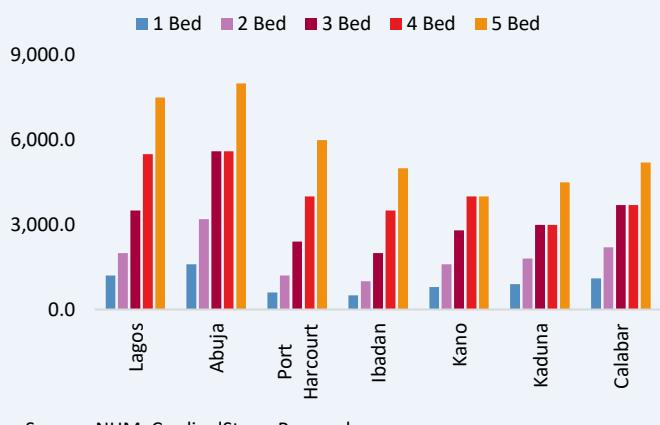
Source: W Hospitality Group, CardinalStone Research

Opportunities for investors

Real estate offers investors a range of opportunities across residential, commercial, industrial properties, and emerging areas like affordable housing and mixed-use developments. With residential properties making up a significant proportion of Nigeria's real estate market, investors face less risk as demand for housing, particularly in urban areas, outstrips supply. Meanwhile, for affordable housing and mixed-use developments, Private-Public Partnerships (PPPs) allow investors to collaborate with the government, reducing demand risks and allowing for lower entry barriers for developers.

Real Estate Investment Trusts (REITS) also offer opportunities in the market without direct property exposure, offering the benefits of diversification, professional management, tax efficiency, and stable income. There are also several debt and equity infrastructure funds with a promising return outlook, with the more prevalent former offering decent spreads on yields of comparable government instruments. The debt funds offer a compelling case for huge institutions (such as PFAs) in a rising or high-interest-rate environment, given their floating feature.

Figure 36: Average rental prices in select cities (N'000s)



Source: NHM, CardinalStone Research

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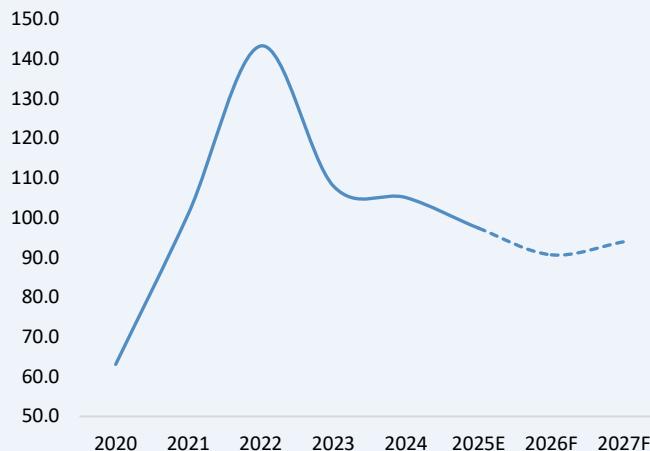
Enhancing portfolio resilience through commodities

Global commodities moved through 2025 in a restrained price environment, with the World Bank's Commodity index forecast to decline by 7.3%, the third consecutive YoY decline due to broad-based easing across energy and major agricultural markets. Stronger OPEC and non-OPEC oil supply, improved harvests in key producing regions, and reduced freight congestion collectively softened fundamentals. Energy Information Agency (EIA) data revealed that rising United States crude and liquids output kept global inventories robust, while Food and Agricultural Organisation (FAO) supply assessments indicated better crop availability from West Africa, Latin America, and Southeast Asia, limiting upward pressure on food prices. Precious metals, however, continued to be the outliers, with gold and

silver prices rising significantly in the period, owing to sustained central bank accumulation and increased geopolitical hedging that supported the growth in these safe-haven metals. The International Copper Study Group also noted that copper remained relatively stable due to a tight mine supply and consistent demand for electrification. Locally, Nigerian Upstream Petroleum Regulatory Commission (NUPRC) data has shown a slow recovery in oil and gas volumes, with Nigeria's position in line with these global changes. While safe-haven metals and transition-critical minerals continue to have potential for relative strength, the World Bank predicts sustained moderation in energy and general agricultural prices on steady supply circumstances through 2026.



Figure 38: World Bank Commodity Index



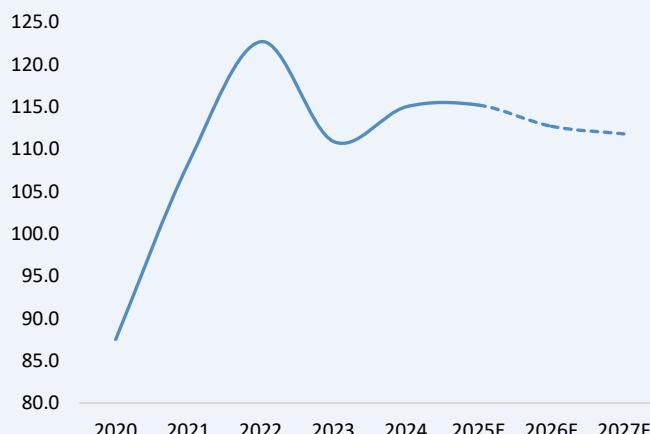
Source: World Bank, CardinalStone Research

Figure 41: World Bank Minerals Index



Source: World Bank, CardinalStone Research

Figure 39: World Bank Agricultural Index



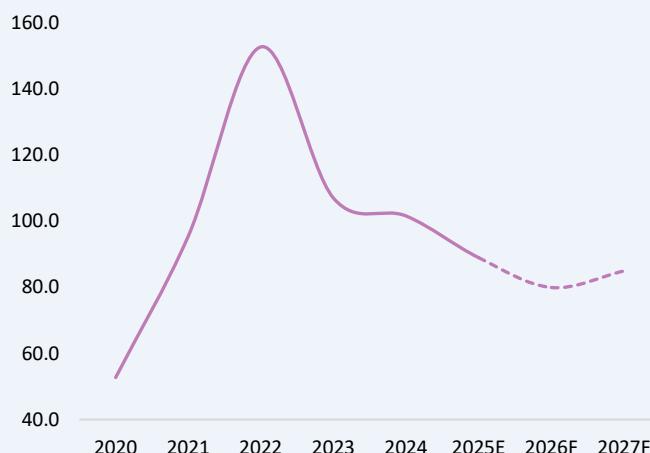
Source: World Bank, CardinalStone Research

Figure 42: Silver prices (\$/oz)



Source: Bloomberg, CardinalStone Research

Figure 40: World Bank Energy Index



Source: World Bank, CardinalStone Research

Figure 43: Gold prices (\$/oz)



Source: Bloomberg, CardinalStone Research



Metals and minerals

Geopolitics and electrification shape metal markets

Divergent macro and sectoral influences guided the metals and minerals industry in 2025. Global energy-related inflation decreased, but pricing dynamics in important areas were altered by supply disruptions, changing industrial demand, and growing geopolitical threats. The war in Eastern Europe, tensions in the Middle East, and renewed trade barriers among major economies influenced both cost structure and investment sentiments. Precious metals such as gold and silver advanced astronomically on safe-haven flows, sustained central bank accumulation, and a weaker U.S. dollar. Industrial metals like copper have reflected a more cyclical trajectory, supported by infrastructure and energy-transition spending, although tempered by weakness in China's property sector as a major drag for construction-related metals such as iron ore and Zinc.

As global monetary policy pivots towards cautious easing and fiscal stimulus revives industrial output, the metal and minerals outlook is cautious in 2026, where safe-haven assets consolidate elevated valuations, and base metals regain cyclical traction, amid the global push for electrification and infrastructure renewal.

Gold

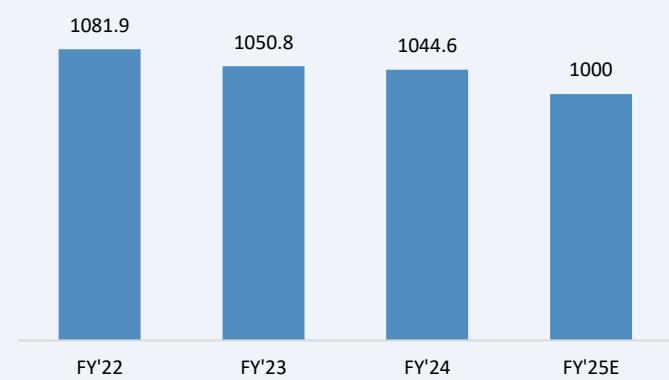
Gold has averaged \$3,445.5/oz in 2025 YtD, up 44.2% from the 2024 average. The rally has been driven largely by strong investment demand, supported by heightened geopolitical and trade tensions. Growing macroeconomic concerns and policy uncertainty have also pushed investors toward safe-haven assets. In addition, shifting global monetary policy expectations, following signs of slower tightening by major central banks, have further strengthened demand for gold. The devaluation of the U.S. dollar later in the year also provided a tailwind,

Figure 44: Gold demand in recent quarters (tonnes)



Source: World Gold Council, CardinalStone Research

Figure 45: Central bank accumulation on course for over 1,000Mt for the fourth consecutive year



Source: World Gold Council, CardinalStone Research



cushioning prices from profit-taking pressures. Central banks have also continued their record gold purchases in 2025, with purchases reaching 633.6 tonnes as of 9M'25 and on course to cross the 1000 tonne mark for the fourth consecutive year.

Gold prices are expected to rise more modestly in 2026, with the World Bank forecasting an average price of \$3,575.0/oz in 2026, supported by continued central bank purchases, although recent quarters have shown softening purchases. Weaker real yields, expectations of further U.S. policy rate cut, still-elevated geopolitical tensions and potential slower global growth are expected to sustain interest in gold in the near term.

Domestically, in 2025, the Federal Government expanded its gold-acquisition drive, buying locally mined gold in Naira for direct placement into CBN reserves to reduce dollar demand and steady the currency. CBN's audited 2024 accounts valued its 687,402 troy-ounce gold position at N2.8 trillion after global price gains, highlighting the reserve impact. The government's plan to scale funding signals a sustained push to formalise artisanal supply. Near term, continued procurement should reinforce reserve buffers and deepen the structure of Nigeria's emerging gold value chain.

The strategy of increasing exposure to Gold in 2026 could protect portfolio purchasing power and optimise returns as sustained central bank demand and geopolitical risk keep upside for the commodity. This could be done via SPDR Gold Shares (GLD) or Gold Trust (IAU) Exchange Traded Funds (ETFs), which are among the largest-backed gold ETFs and provide a relatively low-cost pathway to invest in gold. In addition, adequate monitoring of U.S. real yields and CBN policy decisions is key to local translation effects.

Silver

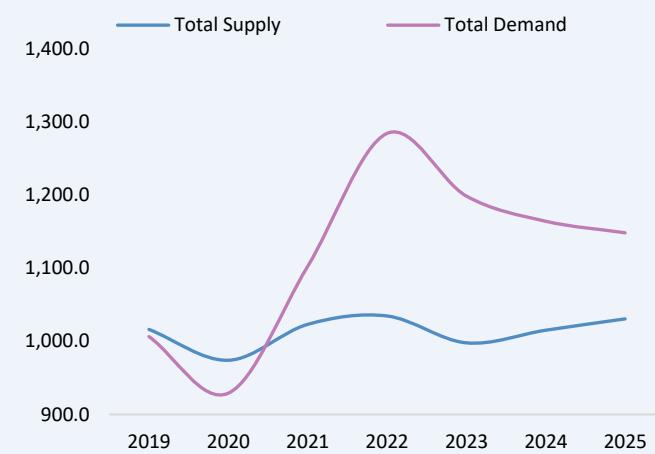
Silver prices averaged \$40.2/oz in 2025, up 41.9% YoY, also supported by safe-haven demand, growing excitement over its long-term industrial applications in solar power, data centres, and electric vehicles, alongside shrinking inventories in Shanghai and London vaults.

There are also emerging prospects for a silver bull market in early 2026, driven by expectations of a more dovish Federal Reserve leadership, lower U.S. real interest rates, and renewed downward pressure on the dollar. Furthermore, fiscal transfers and investment spending linked to the One Big Beautiful Bill are expected to reach households and businesses in the first half of 2026, lifting consumption, strengthening capital-expenditure momentum, and

improving both U.S. and global growth prospects. Rising geopolitical and economic tensions could further bolster safe-haven demand and ETF-linked inflows. Overall, the World Bank forecasts silver prices to rise by 7.9% YoY to \$41.0/oz in 2026.

Silver exposure could be done through the iShares Silver Trust (SLV), with the commodity attractiveness hinged on it being a safe-haven metal, as well as expected continued demand driven by green technologies and electronics. Monitoring of industrial demand and inventory build-up dynamics remains key to know when to trim or increase exposure.

Figure 46: Total demand and supply for silver ('million ounces)



Source: World Silver Survey, Metals Focus, CardinalStone Research

Figure 47: Top silver producing countries (million ounces)



Source: World Silver Survey, Metals Focus, CardinalStone Research



Copper

Copper gained \$2,084 (+23.7%) in 2025, supported by resilient industrial demand, tightening supply conditions, and a series of disruptions across major producing regions. Supply constraints have been amplified by the suspension of operations at Indonesia's massive Grasberg mine and recent disruptions at Codelco's El Teniente underground mine in Chile. Market participants are closely assessing the fallout from these outages while also watching for policy signals from the ongoing Fourth Plenum in Beijing, amid optimism that new stimulus measures could further bolster demand from the world's largest metals consumer. Copper prices have largely consolidated within the \$9,000–\$10,000/Mt range in 2025 and are projected to average around \$9,800/Mt in 2026.

Demand for copper is expected to expand modestly over the near term (+1.0% for 2026 according to the World Bank), as subdued global activity and continued weakness in China's property sector continue to weigh on consumption. However, this headwind is expected to be offset by expanding renewable energy capacity (including its use in electric vehicles), accelerating grid investments and a rebound in global semiconductor activity, alongside increasing defence spending and artificial intelligence, which is said to boost medium-term demand.

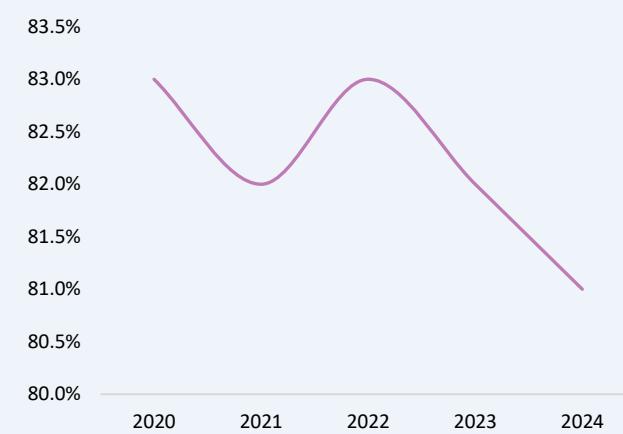
Exposure to copper can be achieved via physical means through the Sprott Physical Copper Trust (COP.U) or futures-linked funds such as the ISE Global Copper Index Fund (CU) or United States Copper Index Fund (CPER). It could also be achieved through miner equities like COPX to participate in structural electrification demand despite a modest 2026 price base of \$9,800.0/mt. Staggered exposure should be done to manage cyclical downside risk from weaker Chinese activity, and hedge concentrated risk with broader base metal baskets.

Figure 48: World copper mine production ('000 MT)



Source: ICSG, CardinalStone Research

Figure 49: Mine capacity utilisation (%)



Source: ICSG, CardinalStone Research



Energy

Oversupply concerns weigh on oil prices

Oil

The energy sector has experienced significant volatility in 2025, driven primarily by elevated output from non-OPEC+ producers and the phased unwinding of OPEC+ production cuts introduced in 2023. This expanding supply has consistently weighed on prices, especially as global demand growth softened in advanced economies amid weaker manufacturing activity and accelerating energy transition policies. Consequently, annual average crude oil price declined to \$67.98/bbl in 2025 (2024: \$82.00/bbl), marking a third consecutive yearly decline. The decline was further bolstered by soft demand from China and the EU.

While the oil market struggled with a 2.3 mbpd oversupply in 2025, natural gas markets remained comparatively stable, supported by strong US LNG exports and the fading of prior years' disruptions.

Domestically, 2025 saw a modest recovery in crude oil output and steady improvements in gas utilisation, reflecting early gains from recent reforms as well as upgraded infrastructure and improved security aimed at revitalising Nigeria's hydrocarbon sector.

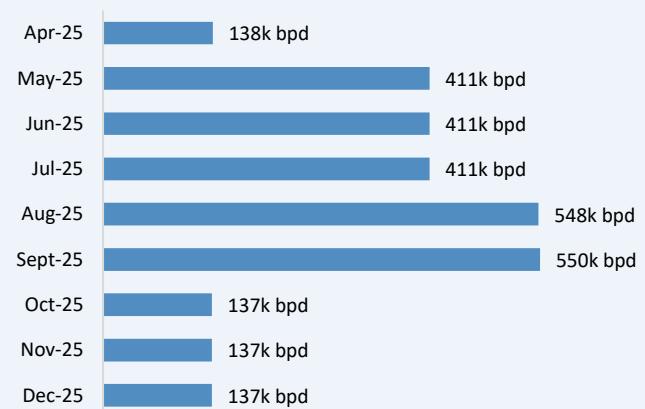
In 2026, we expect further softening, with Brent averaging around \$55.08/bbl. This outlook is driven by subdued oil consumption, with IEA demand growth forecast at less than 1.0 mbpd, well below historical trends, due to the accelerating switch to alternative energy sources, improved energy efficiency in developed economies, and transport electrification. A continuing global supply glut further weighs down the outlook, as non-OPEC+ production expands. Key risks to this forecast include potential OPEC+ policy changes, such as a slowdown in the unwinding of production cuts, which could support prices.

Figure 50: Brent crude prices YTD (\$/bbl)



Source: Bloomberg, EIA, World Bank, CardinalStone Research

Figure 51: Monthly OPEC+ supply hikes in 2025



Source: Reuters, CardinalStone Research



Nigeria's upstream sector posted a modest improvement in 2025, with data from the NUPRC showing crude output averaging 1.46 mbpd as of September 2025, up from 1.32 mbpd in the same period in 2024. Improved security, better OPEC quota adherence, and the restoration of key terminals supported performance, though low investments and infrastructure gaps still limit progress toward the government's ambitious 2.0 mbpd target. However, recent brownfield investments and development projects, including

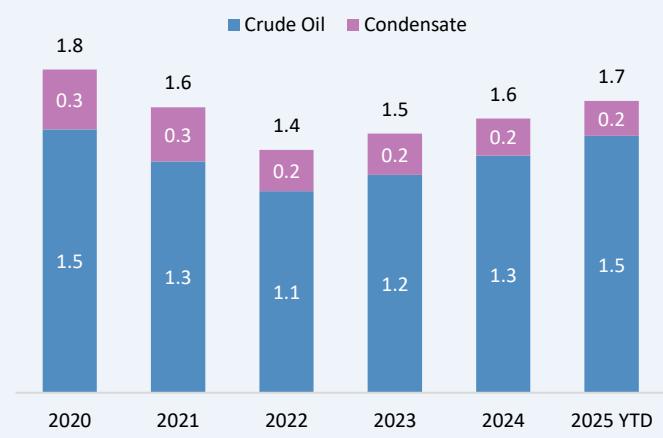
ExxonMobil's \$1.5 billion deepwater programme (Usan and other offshore assets) and Shell's Bonga North-West expansion, are expected to add incremental barrels gradually in 2026. SEPLAT's SEPNU portfolio will continue to contribute meaningfully, with idle-well restoration and minor infill drilling lifting WI production. Collectively, these developments provide some room for modest upside to domestic output while underpinning a gradual recovery in Nigeria's oil sector.

Figure 52: Global oil supply (mb/d)



Source: International Energy Agency (IEA), CardinalStone Research

Figure 53: Nigeria's oil production (mb/d)



Source: NUPRC, CardinalStone Research



Agriculture

Improved supply to cap price upsides

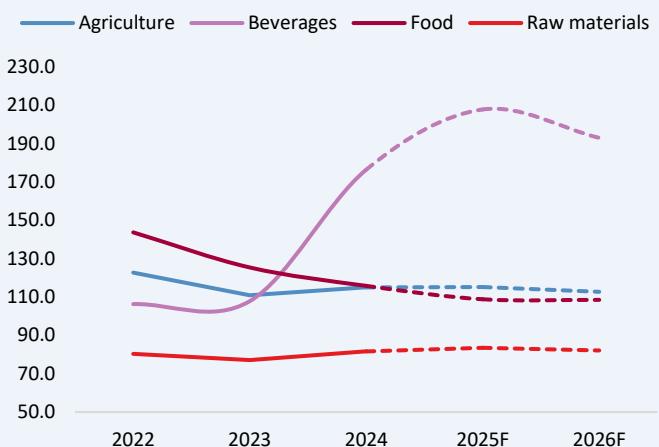
In 2025, improved harvests of several commodities and low demand from key importers offset isolated weather and supply shocks in key producing regions, causing global agricultural prices to move slowly through the year. Specifically, the World Bank agricultural price index is expected to close relatively flat in 2025 (+0.2% YoY), with the drop in the food price index reflecting ample global supplies and favourable growing conditions, which could offset the rise in beverage prices, which occurred due to weather-related shortfalls in cocoa and coffee production earlier in the year.

The agricultural price index is expected to edge down by 2.2% in 2026, driven by favourable seasonal harvests, ample grain supplies and moderating beverage-crop prices. Additionally, input cost risks persist, particularly from fertiliser and energy, which could reintroduce volatility if geopolitical tensions intensify.

Nigeria's agricultural commodity landscape in 2025 was shaped by policy efforts aimed at easing food inflation and stabilising supply conditions.

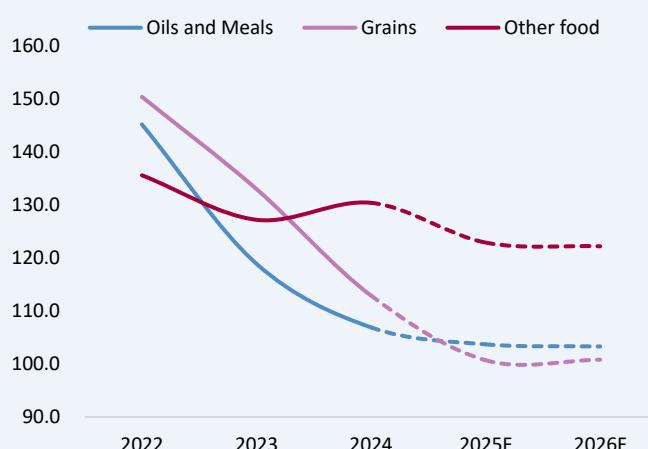
The 150-day duty waiver on staple cereals created a brief oversupply that tempered market prices. The Federal Government's spending on agriculture also rose from N362.9 billion in 2024 to N826.5 billion in 2025. Field performance during the wet season was mixed but directionally positive, with improved rainfall supporting output in key producing belts and survey evidence pointing to better seed, fertiliser and agrochemical usage across smallholder networks. Even with these gains, long-standing weaknesses in post-harvest handling, grading consistency and outbound logistics continued to limit the value realised from export-oriented crops, particularly cocoa, sesame, and hibiscus, where quality differentials and freight bottlenecks remain major constraints to market competitiveness.

Figure 54: Key agricultural price indices



Source: World Bank, CardinalStone Research

Figure 55: World Bank Food sub-indices



Source: World Bank, CardinalStone Research



Cocoa

Cocoa prices were elevated for most of 2025, following supply shortages which were prevalent for most of the 2024/25 season, due to unfavourable weather conditions. However, prices began to decline from Q3'25 following interventions from West African producers, improving weather conditions, and favourable producer price policies. Cocoa prices are expected to grow 9.1% YoY in 2025 (\$8.0 per kg), but dip by 6.0% YoY in 2026 (\$7.5/kg). The cocoa demand has deteriorated, and recovery is gradual, as challenges linger in West Africa. Further downside risks to prices come in the form of weather-related developments, particularly if La Niña conditions in West Africa prove more favourable to production than anticipated.

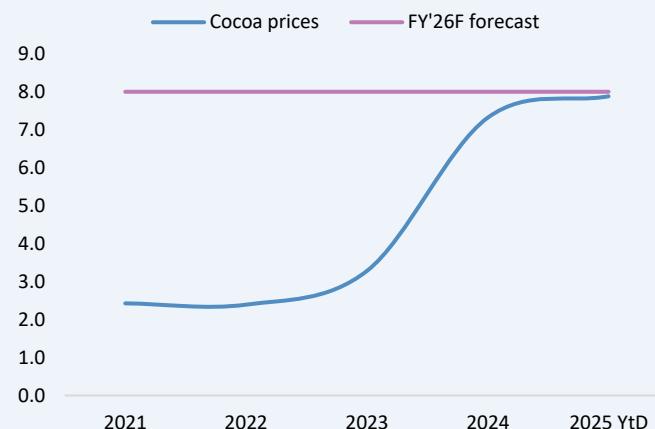
Locally, the Nigerian cocoa sector showed incremental recovery due to better rainfall patterns in major producing zones, and government support measures improved farmers' receipts. Production remained modest, but domestic initiatives to increase processing and improve farmgate prices provide a foundation for higher farmer activity in the coming season. The near-term focus for stakeholders would be on converting improved field conditions into higher, quality-graded volumes and leveraging policy support to expand local processing capacity.

Given likely softer prices in 2026 from rebuilt West African supply, large directional bets in cocoa futures could be avoided. Small tactical long positions in speciality cocoa blends can be done if adverse weather conditions reduce West African output. Cocoa exposure could be achieved through ETFs and ETNs such as iPath Dow Jones-UBS Cocoa Subindex (NIB) or larger aggregate agricultural funds such as PowerShares DB Agricultural Fund.

Oil Palm

Crude palm oil (CPO) weakened for most of 2025 from Q4'24 peak levels owing to seasonal production recovery in Malaysia and Indonesia, and a partial switch by buyers toward competing oils as relative prices moved. Prices picked up in Q3'25, supported by domestic feedstock demand for biodiesel production, driven by plans to raise blending mandates in Indonesia. Palm oil prices are expected to rise by 5.9% YoY in 2025 to \$1,020/ton, according to the World Bank. Further upside is likely to be capped by comfortable global inventories, although short-term rallies could still occur if supply disruptions emerge or if demand from China and India proves stronger than

Figure 56: Yearly average International Cocoa bean price (\$/kg)



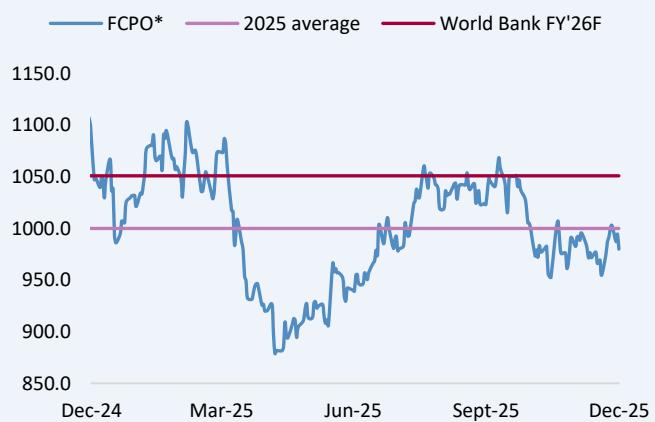
Source: Bloomberg, ICCO, World Bank, CardinalStone Research

Figure 57: Total cocoa production in Nigeria ('000 Mt)



Source: FAOSTAT, AFEX, CardinalStone Research

Figure 58: Global CPO price (\$/Mt)



Source: Bloomberg, ICCO, World Bank, CardinalStone Research

FCPO* – Futures Crude Palm Oil

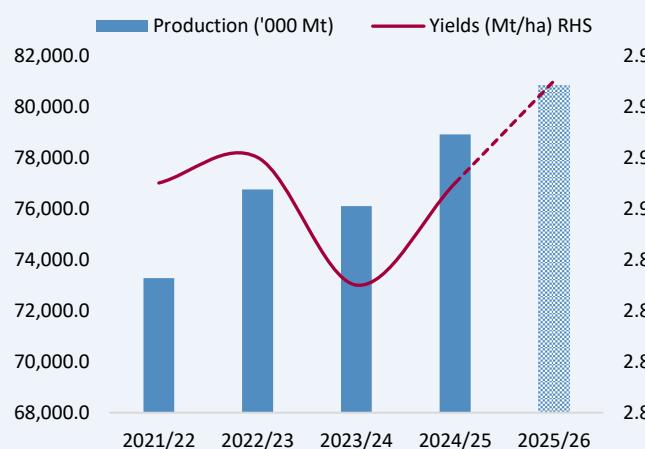


expected. The World Bank, however, still projects CPO prices to inch up by 3.0% YoY in 2026, owing to robust demand due to improved price competitiveness relative to alternative oils.

Locally, the palm oil industry is experiencing growth due to improving yields from the replanting programme and gradual upgrades in processing capacity by major players. Local prices continue to track Southeast Asian benchmarks due to import parity dynamics for refined oils. Structural competitiveness will depend on reducing post-harvest losses and scaling refinery output. Incremental gains in processing and productivity could improve supply to match the growing demand and create selective exportable surpluses. However, policy support for value chain upgrades would need to be material to enable players to capture these gains.

With CPO price upside structurally capped by ample inventories, despite potential for price upticks due to biodiesel demand, it is imperative to favour selective exposure to upstream yield improvement and domestic processors rather than raw oil futures. Invest in players globally and locally that are focused on productivity gains and refinery throughput improvements to benefit from import parity dynamics, with players such as PRESCO and OKOMUOIL offering such exposure. Oil Palm futures, including FCPO, are likely to remain instruments for short, seasonality-aligned rallies rather than vehicles for broad, across-cycle positioning.

Figure 59: World Palm oil production and yields



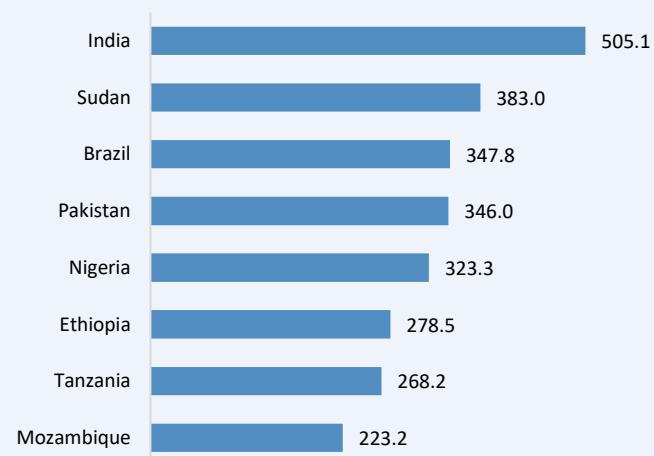
Source: USDA, CardinalStone Research

Sesame seed

The global sesame seed market (valued at \$13.8 billion in 2025 and expected to grow to \$18.3 billion by 2030 at a CAGR of 5.8%, according to Mordor Intelligence) has

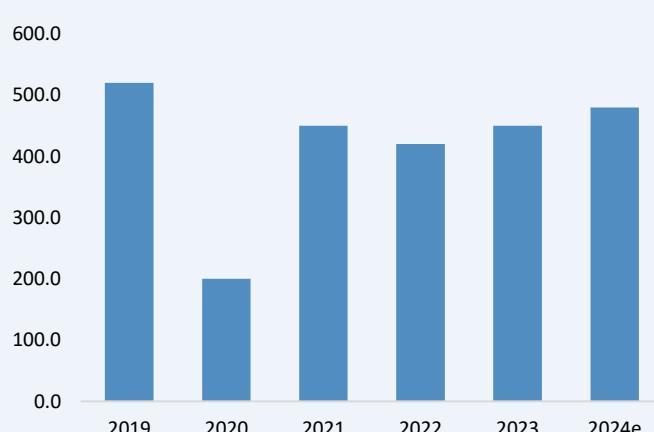
historically been driven by rising demand for natural plant-based oils, increased incorporation in functional foods, and the enduring appeal of ethnic culinary traditions. In 2025, the market demonstrated regional divergence. India's harvest cycles and shipping flows exerted the largest near-term influence on global availability as the much-anticipated monsoon rains arrived late to revive already mature sesame crops, resulting in lower-than-expected output. Geographical instability and logistical challenges for the major African producer (Sudan) also limited supply. Meanwhile, import-driven Chinese demand has also been rising. Locally, the sesame seed market remains strong, as Nigeria retained a strong export position in sesame in 2025, supported by competitive pricing and improving aggregation practices in major producing states.

Figure 60: Top Sesame seed exporting countries in 2024/25 (\$'million)



Source: TradelMex, CardinalStone Research

Figure 61: Nigeria's Sesame seed production ('000 Mt)



Source: FAOSTAT, AFEX, CardinalStone Research



While bottlenecks such as logistical and quality handling erode premiums at the port, the commodity remains one of Nigeria's leading agricultural exports.

Global sesame seed prices are poised for mild strength in the 2025/26 season, as tight supplies from major producers constrain global availability amid steady demand from China, Japan, and Korea. Locally, production is expected to rise modestly in 2025/26, supported by an expansion in cultivated area. Farmers continue to shift into sesame cultivation, given its relatively low fertiliser requirements, strong export demand, and its reliability as a cash crop, which reinforces the positive supply outlook. The early season improvement in output is likely to keep prices subdued initially; however, prices are projected to firm gradually as the season progresses, driven by consistent export demand and tightening inventory levels. Sesame seed pricing in Nigeria is expected to average around N1.3 million per Mt, according to AFEX research.

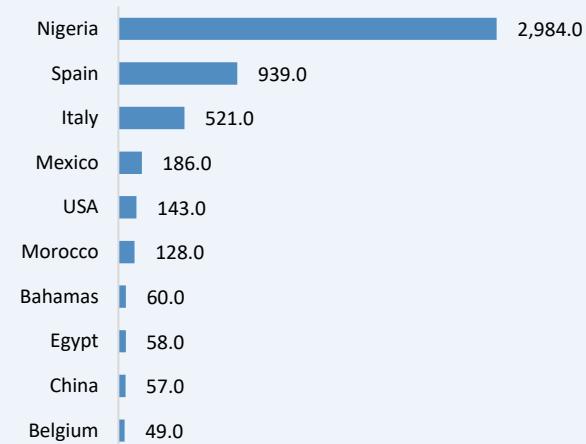
Hibiscus

The global hibiscus (roselle) market expanded through 2025 as demand for natural, antioxidant-rich ingredients rose across beverages, nutraceuticals and cosmetics industries. Market research places the hibiscus extract market at about \$193.3 million in 2025 with a projected CAGR of 8.0% to 2030. Supply for the product remains regionally fragmented, as major supply corridors, which include West Africa, South Asia and parts of Latin America, are exposed to harvest seasonality and quality variability. This variability supports a price premium for consistent export-grade lots. Locally, Nigeria continued to strengthen its position as a competitive supplier of dried hibiscus in 2025, driven by expanding smallholder acreage, improving aggregation, and growing interest from processors and exporters.

Market reports point to rising export demand from Europe, North America, and the Middle East, boosting the outlook for the commodity. However, supply-side challenges, ranging from weather variability to a fragmented value chain, could cap volume growth and sustain premium pricing for higher-grade produce. Nigeria stands well-placed to benefit from rising global demand, but meaningful upside will depend on investment in value-added processing. Scaling industrial drying, extract-grade facilities, and stronger quality controls will be essential for transitioning from raw dried calyx exports to higher-margin powder and extract products.

For soft commodities like sesame seeds and hibiscus, we hold the view that opportunities may lie in value chain investments. Priority should be given to processors with reliable drying, cleaning and extraction capacity, as well as aggregators that can deliver consistent, export-grade volumes. Investors can also take positions in companies with direct exposure to these crops, where operational scale, quality assurance, and stronger market access translate into steadier returns. This approach anchors performance in structural margins rather than the unpredictability of raw commodity prices.

Figure 62: Top exporters of hibiscus (no of export shipments)



Source: Volza export trade data, CardinalStone Research
Data up to November 2025*

Commodity markets enter 2026 on a steadier footing, anchored by ample global inventories and a softer energy complex, even as metals linked to geopolitics and electrification retain firm support. Agriculture remains mixed: while broad crop prices have largely normalised, niche segments such as cocoa, sesame and hibiscus continue to trade on weather, quality and origin-specific risks.

In 2025, Nigeria showed measured progress with stronger oil and gas output, improving farm-level activity, and early wins in mineral formalisation, though logistics bottlenecks and shallow processing capacity still cap value capture. In this environment, the outlook favours selective positioning over broad exposure, with the most resilient opportunities concentrated in transition-sensitive metals, steady precious-metal demand, and exportable crops backed by consistent quality assurance.

1. We note that market studies highlight gaps in drying, quality control, and extract grade processing in Nigeria that can reduce the value capture.



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