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ECONOMIC REVIEW**The Naira: taking a new turn**

The Naira took a turn for the better in March. It stabilised against the dollar in CBN's official window and strengthened in the parallel market. The naira came back from a low of N187 to the US dollar to close between N169 and N172 in the black market. In the official market the Nigerian currency stabilised around N146 to N148 versus the dollar.

The improvement seen this month was as a result of recent measures introduced by the CBN to close the growing gap between the official CBN rate, and the parallel market rate. These new foreign exchange measures include: the extension of the Retail Dutch Auction Sessions (RDAS) to bank BDC's; bank BDC's were earlier excluded from sourcing dollars from the CBN window. The frequency of RDAS sessions was also increased from bi-weekly to daily effective 18th march 2009. Also, investment in securities denominated in foreign currency and foreign currency demand for setting up offshore subsidiaries were excluded from bidding in auctions to stop leakages. These measures combined helped to increase the amount of dollar liquidity in system and eased the devaluation pressure on the naira.

New reforms to tackle Global crisis

Efforts to stem the tide of the global economic crisis in Nigeria were on the way this month with banks been the focal point. The global crisis team called for more disclosure from banks in the area of financial reporting. Banks were requested to adopt the International Financial Reporting Standard (IFRS) which allows for greater disclosure in financial reporting. Also, a single financial year end was once again in the cards this time effective December 2009.

Banks were singled out for attention because of the crucial role they play as intermediaries in the economy.

CBN reaffirms confidence in Nigerian banks

To prevent the contagion from the global banking crisis from spreading into the Nigerian banking system the Central bank has reaffirmed its commitment to prevent any bank failure. Aside from its confidence boosting campaign, the apex body is mulling the creation of a public-private asset management company to buy off banks' bad debt. The creation of this company will strengthen CBN's contingency planning framework for addressing systemic distress.

Inflation: consumer prices up

February's inflation figures show an appreciation in consumer prices. The composite inflation index which tracks the price of a basket of goods was up .77% on a month-on-month basis in February compared to .29% for the same period in 2008. The year-on-year inflation figure now stands at 14.6% against January's figure of 14.00%. Core inflation (All items less farm produce and energy) is now at 9.1% compared to 12.6% in January.

In February most items in the index basket were on the upward trend except for Transport, Recreation & Culture, Education and Clothing & Footwear that declined. The prices of these four items declined by 1.09%, 1.04%, .19% and .06% respectively. However, the index was spurred on by an appreciation in Healthcare cost by 1.52%, rise in the rate Restaurants & Hotels charge by 1.05%, a .92% rise in the price of Alcoholic beverages and Tobacco, a .88% hike in food prices, .36% rise in Housing, Water, Electricity and Gas prices amongst others.

The inflation rate in Nigeria has been on the increase since the CBN abandoned its inflation targeting monetary policy. This change in monetary policy was as a result of the need to increase the level of liquidity in the system to combat the effect of the global crisis.

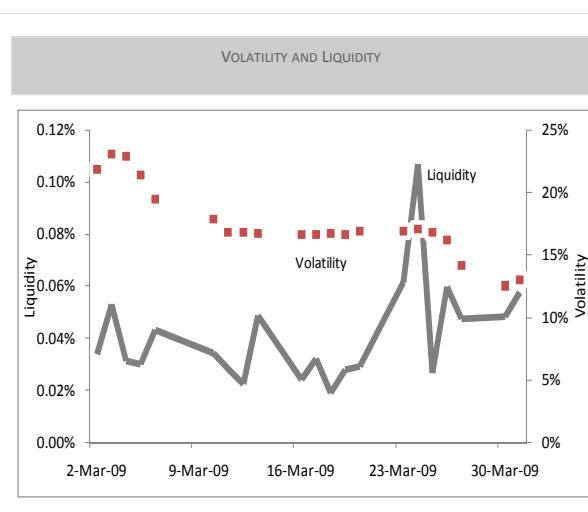
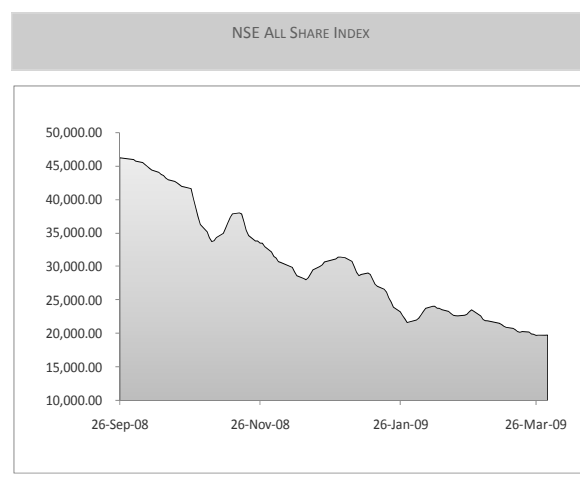
NIGERIAN MARKET MONITOR

Market Review

Investor's bearish sentiments persisted in March driving the Nigeria stock exchange all share index lower by 3,525.25 points. This compares to a gain of 1,563.38 points recorded in February. The Index closed in the negative territory in 17 out of 20 trading days in the month dropping an average of .77% daily. Performance wise, the NSE index recorded a 15.08% month-on-month decline compared to a gain of 7.17% recorded in the previous month. The index's year-to-date performance widened in March by 11.21% from 25.67% recorded the previous month to 36.88% as at March ending. The index's figure now stands at 19,851.89 points.

Analysts attribute the negative sentiments driving the index down to the lack of a catalyst to chart the index on a new course. Earlier hopes that the federal government would intervene to reverse the persistent bearishness in the market were dashed this month when the Finance minister announced government's unwillingness to undertake such a venture. This revelation dented investor's confidence further resulting to increased selling pressure on the exchange. Foreign analyst are also of the opinion that the low level of disclosure about the extent of bad debt banks are carrying as a result of margin loans is creating an air of uncertainty around the market and keeping investors off.

Market indicators show a slight improvements from last month. The median volume traded in March appreciated by 22% while the median traded value went up by 1.56% against February's figures.



TOP 5 GAINERS

Security	PRICE PREVIOUS MONTH	PRICE CURRENT MONTH	% GAIN
AP	56.60	62.40	10.25%
CADBURY	9.00	9.92	10.22%
BOCGAS	15.40	16.97	10.19%
UNILEVER	6.94	7.64	10.09%
NAHCO	5.92	6.51	9.97%

TOP 5 LOSERS

Security	PRICE PREVIOUS MONTH	PRICE CURRENT MONTH	% LOSS
RT BRISCOE	11.97	9.64	-19.47%
C&I LEASING	7.40	6.68	-9.37%
CRUSADER	4.22	3.81	-9.72%
NASCON	5.07	4.58	-9.66%
ETI	12.54	11.33	-9.65%

GLOBAL MARKET MONITOR

Global markets bounced back into positive territory after two consecutive monthly declines in their indices. Markets around the world posted positive gains for the month of March, on the back of a stabilizing macro landscape which buoyed market sentiment and investors appetite. The US treasury's plan to relieve banks of toxic assets raised hopes of an economic recovery that might be in view.

In Asia, Japanese benchmark index Nikkei 225, emerged from a loss of 14.57% as at end of February to close the month 10.36% higher, inching up by 541 points. During the month, Japanese investors welcomed the news on how their government is expected to include roll plans to buy shares from the market as part of its economic stimulus package. The index is however down by 8.5% for the quarter.

US stocks enjoyed the most of March rally, the broad S&P 500, gained 62.7 points in the month to close 8.54% higher. The Dow also inched up by 7.7% in the month. This US rally was spurred by a number of reasons which includes impressive results, stable economic data as well as government plans to buy up toxic assets, all these contributed to get the equity market back on track.

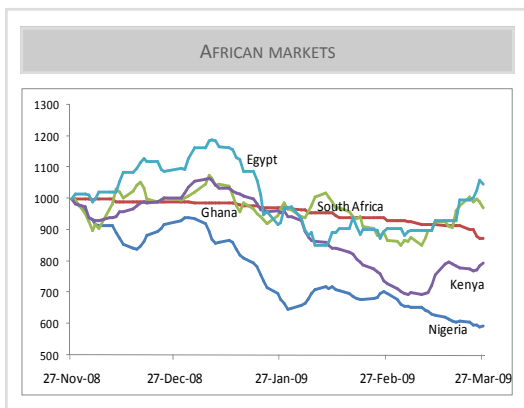
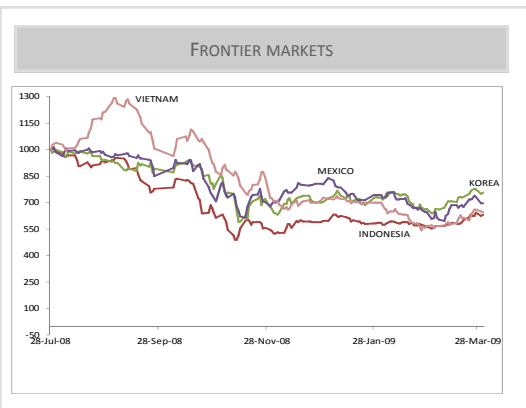
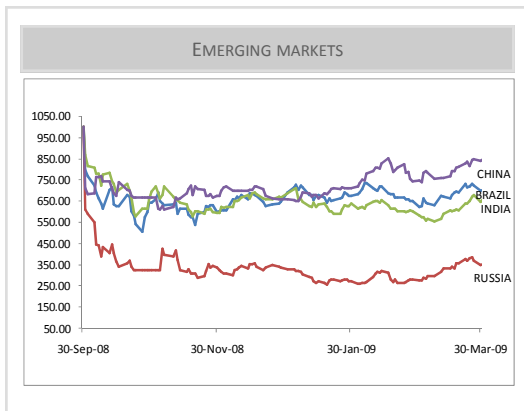
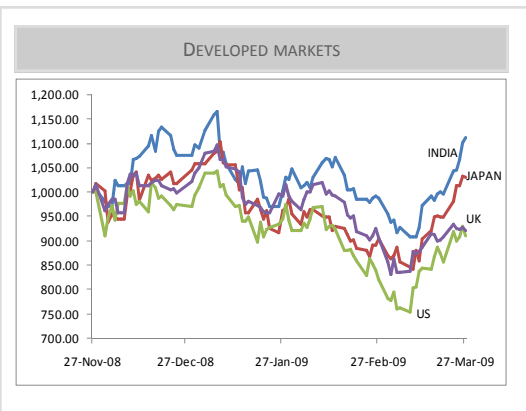
Europe also ended March in an upbeat note, the FTSE 100 closed the month higher. The index was up 2.51% for the month. However the index is still down 11.46% for the year.

AFRICAN MARKETS		
	MTD %	YTD %
Nigeria	-15.08	-36.88
Ghana	4.22	-2.12
Egypt	16.58	-9.25
Kenya	13.35	-20.43
South Africa	10.28	-5.32

DEVELOPED MARKETS		
	MTD	YTD
Japan	10.36	-5.72
UK	2.51	-11.46
US	8.57	-11.63

EMERGING MARKETS		
	MTD	YTD
Brazil	7.18	8.99
Russia	25.88	9.61
India	7.03	-6.22
China	16.51	33.27

FRONTIER MARKETS		
	MTD	YTD
Bangladesh	-5.18	-11.95
Indonesia	11.56	5.8
Korea	13.47	7.27
Mexico	7.72	-13.17
Pakistan	19.25	13.13
Philippines	6.06	6.02
Turkey	7.23	-2.45
Vietnam	14.21	-11.27



PORTFOLIO ALLOCATION

Portfolio Positioning

Equities	Underweight
Nigeria	Neutral
Africa (x Nigeria)	Neutral
Developed World	Neutral
Emerging World	Neutral
Fixed Income	Overweight
Fixed Deposits	Overweight
FGN Bonds	Underweight
Real Estate	Underweight
Alternatives	Neutral
Private Equity	Neutral
Commodities	Neutral

Sector Positioning

Sector	Positioning
Banking	Overweight
Building Materials	Overweight
Consumer Goods	Overweight
Healthcare	Overweight
Insurance	Overweight
Industrials	Neutral
Petroleum Marketing	Underweight
Packaging	Neutral
Others	Neutral

The current turbulence in the global macroeconomic environment poses short-term challenges which necessitated the review of our portfolio allocation strategy. However, we view this uncertainty as a great opportunity to begin to accumulate underpriced assets with a view to holding for the long-term.

Equities: We continue to recommend that clients keep diversification as a watchword, particularly in these times of uncertainty. Hence we recommend that clients desist from keeping all their equity and currency exposure in one country.

Last year's correction has made select equity markets, including Nigeria, very attractive over the medium to long term. Therefore, we recommend that investors begin to leg -in to the market with caution; accumulate select high quality names on dips with the view to be fully invested over 12 months.

We now remove our underweight to global equities and now recommend a neutral allocation, as these markets have likely priced in most of the bad news of the global crisis. In addition, historically, these markets tend to recover long before the data reflects good news.

Fixed income: Fixed income assets will increasingly appear as a good investment alternative to the stock market as rates stay high and markets remain volatile. We expect rates to remain in the high double digits, making simple fixed deposits very attractive. Also, institutional investors will have ample opportunity to buy credit at depressed prices due to the global de-risking that is still ongoing.

Other Asset Classes: We have downgraded our previous weighting of real estate from a neutral to an underweight position. We expect the high-end of the real estate market to correct anytime soon as valuations appear stretched primarily due to speculative activity.

SECTOR POSITIONING

Given the ongoing market correction, we continue to see true value across a range of sectors and industries. We are particularly biased towards the banking and insurance sectors as stocks have continued to show solid earnings growth even as stock prices dropped. We however recommend a cautious and defensive position within these sectors—overweight the quality names as we expect the market to place a premium on these stocks.

We continue to recommend that clients diversify their holdings across several sectors as this minimizes portfolio risk. Non-financial sectors, such as consumer goods, healthcare, and building materials, also look very attractive. We are however underweight the petroleum marketing sector as valuations indicate that these stocks may still be overpriced relative to the rest of the market. We are neutral Industrials, Packaging and others as there are no clear catalysts to unlock their value in the medium term.

Globally, we recommend an overweight to defensive sectors such as Food & Beverages and Healthcare whose earnings are likely to be more resilient to the global slowdown.

PORTFOLIO REVIEW**Performance:**

Most stocks on our watch list closed lower this month by an average of 12.63%. Out of the 17 stocks on our watch list 3 stocks appreciated while 14 declined. Flourmills was the best performing stock in the month appreciating 17.16% followed by Guinness with a 13.80% gain and 7-up with 3.04%. The top five laggards were BAGCO which lost 44.74% of its value, Crusader insurance with a drop of 42.71%, AIICO insurance reversed some of last month's gain to close 35% lower, Mutual benefit insurance and Continental Reinsurance with a decline of 32.04% and 23.33% respectively.

Downgrade/Upgrade:

Crusader was upgraded from a sell on our list to a buy at its current price. Current market conditions continue to present opportunities for investors with an investment horizon of between one year and five years. The golden rule still remains BUY low and SELL high.

Additions/Deletions:

There were no additions or deletions from our recommendation list this month.

PORTFOLIO PERFORMANCE

Company	Sector	Target Price	Previous Price	Last Price	MTD
ASHAKA CEMENT	MATERIALS	27.80	9.00	8.05	-10.56%
LAFARGE WAPCO	MATERIALS	40.65	16.76	15.22	-9.19%
NIGERIAN BOTTLING COMPANY	CONSUMER GOODS	46.10	23.00	21.49	-6.57%
SEVEN-UP BOTTLING PLC	CONSUMER GOODS	46.32	37.85	39.00	3.04%
DANGOTE SUGAR	CONSUMER GOODS	29.25	15.50	13.44	-13.29%
FLOUR MILLS	CONSUMER GOODS	113.04	12.12	14.20	17.16%
NIGERIAN BREWERIES PLC	CONSUMER GOODS	54.21	36.42	35.75	-1.84%
GUINNESS NIGERIA PLC.	CONSUMER GOODS	103.76	79.00	89.90	13.80%
UAC NIGERIA PLC	CONSUMER GOODS	59.30	27.56	26.49	-3.88%
NESTLE NIGERIA PLC	CONSUMER GOODS	136.78	156.99	138	-12.10%
PZ CUSSENS	CONSUMER GOODS	31.13	17.00	15.80	-7.06%
BAGCO	CONSUMER GOODS	5.10	2.28	1.26	-44.74%
AIICO INSURANCE	INSURANCE	3.15	1.40	0.91	-35.00%
SOVEREIGN TRUST INSURANCE	INSURANCE	2.29	0.95	0.89	-6.32%
CRUSADER INSURANCE	INSURANCE	5.61	6.65	3.81	-42.71%
MUTUAL BENEFIT ASSURANCE	INSURANCE	2.88	1.03	0.70	-32.04%
CONTINENTAL REINSURANCE PLC	INSURANCE	1.94	1.20	0.92	-23.33%

RECOMMENDATION LIST**SUITABLE FOR AGGRESSIVE INVESTORS WITH HIGH RISK APPETITE AND A 12 MONTH HORIZON*

	Sector	Last Price	Target Price	Recommendation	Rationale
ASHAKA CEMENT	MATERIALS	8.05	27.80	BUY	Supply gap in the cement market, rising cement prices and capacity addition would boost long term earnings despite energy constrains
LAFARGE WAPCO	MATERIALS	15.22	40.65	BUY	Rising cement prices, increased demand for cement and capacity additions would boost margins
NIGERIAN BOTTLING COMPANY	CONSUMER GOODS	21.49	46.10	BUY	Capacity expansions and upgrade of plants will help boost sales and efficiency ratios
SEVEN-UP BOTTLING PLC	CONSUMER GOODS	39.00	35.99	HOLD	Capacity expansions and upgrade of plants will help boost sales and efficiency ratios but, rising raw material cost will drag down margins
DANGOTE SUGAR	CONSUMER GOODS	13.44	29.25	BUY	Capacity additions and increased demand for bio-fuels will widen demand-supply gap
FLOUR MILLS	CONSUMER GOODS	14.20	113.04	BUY	Capacity additions and growth in flour consumption driving price
NIGERIAN BREWERIES PLC	CONSUMER GOODS	35.75	54.21	BUY	Substantial scope for growth in the beer market, increased demand from growing middle class and generous dividend payout
GUINNESS NIGERIA PLC.	CONSUMER GOODS	89.90	103.76	BUY	Substantial scope for growth in the beer market, increased demand from growing middle class and generous dividend payout
UAC NIGERIA PLC	CONSUMER GOODS	26.49	59.30	BUY	Continuing disposal of non-performing assets will free up cash and capital across the business
NESTLE NIGERIA PLC	CONSUMER GOODS	138	136.78	SELL	Increasing economic conditions will spur demand but, increase in price of raw materials a major downside risk
PZ CUSONS	CONSUMER GOODS	15.80	31.13	BUY	Strong competition from Procter & Gamble, Unilever and imports will keep margins low
BAGCO	CONSUMER GOODS	1.26	5.10	BUY	Biggest supplier of woven sack in Nigeria. Capacity to grow earnings is enhanced by the growing demand for cement in Nigeria.
AIICO INSURANCE	INSURANCE	0.91	3.15	BUY	Economic growth, reforms in the insurance sector and improved capitalisation key to achieving target price
SOVEREIGN TRUST INSURANCE	INSURANCE	0.89	2.29	BUY	Economic growth, reforms in the insurance sector a catalyst but ,margins compared to peers a bear point
CRUSADER INSURANCE	INSURANCE	3.81	5.61	BUY	Economic growth, reforms in the insurance sector and improved capitalisation key to achieving target price
MUTUAL BENEFIT ASSURANCE	INSURANCE	0.70	2.88	BUY	Economic growth, reforms in the insurance sector a catalyst but ,margins compared to peers a bear point
CONTINENTAL REINSURANCE PLC	INSURANCE	0.92	1.94	BUY	Economic growth, reforms in the insurance sector a catalyst but ,margins compared to peers a bear point

***We recommend an overweight of banking stocks generally but, as a result of measures taken by the Banker's Committee to combat de-marketing of banks by fellow peers. Our recommendation in the interim will not include individual banks. Please call your broker for a list of banking stocks to buy.**

STOCK SELECTION METHODOLOGY

Stocks on our recommendation list are selected from the universe of equities quoted on the Nigerian Stock exchange. This portfolio of stocks is ideal for investors with a medium to long term investment horizon and high risk tolerance.

In selecting stocks that form this portfolio we screened companies listed on the exchange for features listed below:

Stock return relative to Industry average return:

First, considering the ongoing market correction we screened for stocks which have performed poorly compared to their industry average. These stocks could have a greater upside potential compared to their peers.

Stocks with Return on Equity (ROE) greater than industry average:

Stocks that passed the first screen were screened further to identify those that are creating value. ROE is one of the quickest ways to gauge whether a company is creating value from capital invested by shareholders or destroying it. Companies with ROE higher than their industry average are more desirable.

Stocks with Price to Earnings (P/E) ratio trading at a discount to their industry average:

As a final screen, we screened for companies with P/E ratios lower than their industry average. The price-earnings ratio is a good basic measure of how a share is valued. Companies with a P/E lower than the industry average are more valuable than those that trade higher.

Stocks that passed the above three screens we valued using several discounted cash flow valuation techniques.

DISCLAIMER

Opinions and estimates offered constitute our judgment and are subject to change without notice, as are statements of financial market trends, which are based on current market conditions. We believe the information provided here is reliable, but do not warrant its accuracy or completeness. This material is not intended as an offer or solicitation for the purchase or sale of any financial instrument. The view and strategies described may not be suitable for all investors. Past performance is not indicative of future returns. The inclusion of past performance figures is for illustrative purposes only. Indices do not include fees or operating expenses and are not available for actual investment. Indices presented are representative of various broad base asset classes. They are unmanaged and are shown for illustrative purposes only.

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