

Great investment opportunities come around when excellent companies are surrounded by unusual circumstances that cause the stock to be misappraised.

- Warren Buffett



NSE as a glance
(For week ended September 22nd)

Index: 47,317.94 -2.91%
Cap: N10.02trn -1.9%
Volume: 3.1 bn +17%
Value: N39.3bn -22%

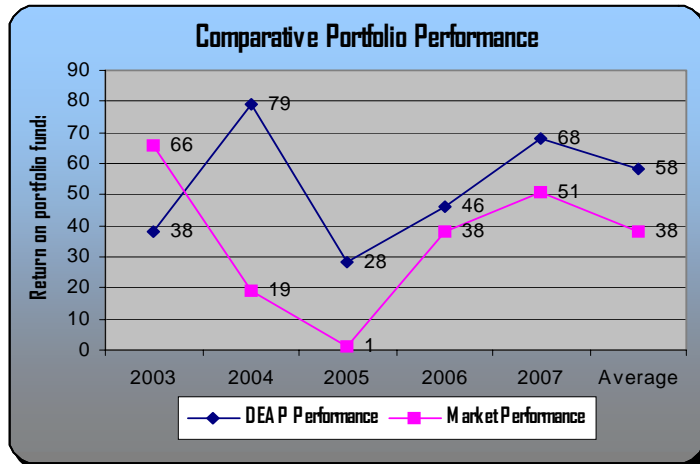
Creating a balanced portfolio with Fixed Income Investments

The term 'investment' is often closely linked with 'returns' because of the expectation following delayed consumption. While this is true, 'risk' is even more strongly associated with investment because returns may not come as expected.

The declining equities' market not just in Nigeria but also in most parts of the world points to the high risk associated with investing, particularly in the stock market, with its highly volatile nature.

As equity investors' level of fear increases over persistent declines in share prices, so does the need for safer investment options.

Getting a balanced investment mix is something that everyone who does any kind of investing needs. Most investors aim to build



to do a bit of asset rebalancing to ensure they have the right mix of investment that would create a balance between risk and return.

Diversify into more than type of market

A balanced portfolio will not resort only to trading in various types of stocks, but should also include some items that are more financially sound, even though they may not yield such a high return. To your stock trading, you need to include some managed instruments such as funds, bonds and possibly even property. The principle, simply stated, is that you do not want to risk losing everything. Though the rate of returns on these may not be as high as the stock market or other high-risk investments, yet they will provide a good hedge against loss - even in a rather economically strapped time.

A general rule in investing in stock is that you should never invest more than you want or can afford to lose. The reason is obvious - you could lose it all. However, by taking a percentage of your investments and dividing them up between these various investment instruments, you should be able to gain a much more stable portfolio.

Though fixed income investment are mostly issued by governments, some corporate organisations have developed funds which have either fixed return or guaranteed minimum return. These include Corporate Bonds of Triple 'A' companies. In the Nigerian financial system, fixed income instruments are not popular. This is because bank deposits are best-known financial products that have long

dominated the financial market. With greater access to information arising from globalization, Nigerian investors are now reaping the benefits of financial intermediation to the fullest extent by having other investment outlets, other than bank deposits and equities. The Bond market in Nigeria and Funds, both private and listed must come in to provide more options to the investor in determining his weighted average return from his

investment. Examples of fixed income funds that give higher than returns than bank deposits in the Nigerian Market at the present time include fund management products of DEAP Capital Management and Trust plc, which are sold to select private clients on request, and, Kakawa Guaranteed Income Fund.

Other funds from corporate organisations, which do not have fixed or guaranteed income, also exist. However, they invest higher portion of the pooled investment in fixed income securities, thus ensuring some form of stability in income for investors. Examples of these include Coral Income Fund and Zenith Income Fund managed by FSDH Asset Management and Zenith Capital respectively.

Benefits of Fixed Income Investments

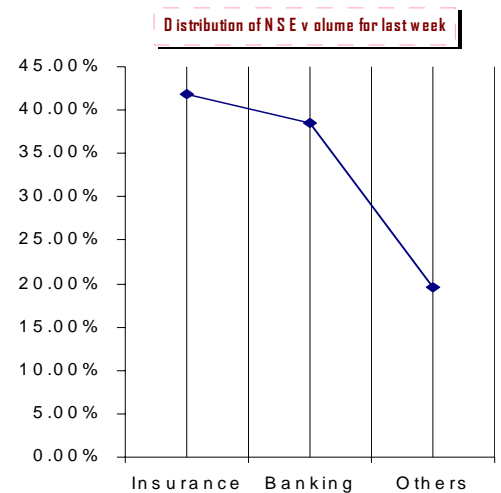
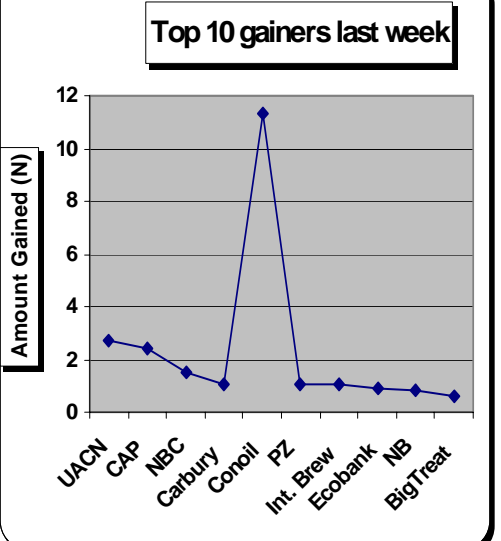
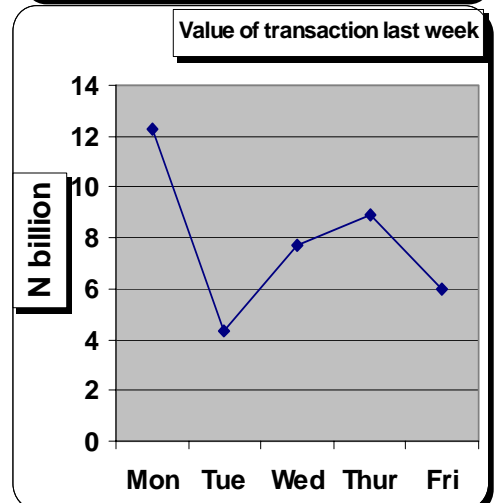
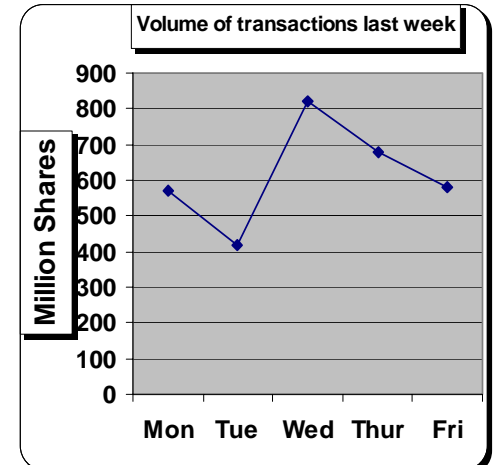
Reduce Risk - Fixed income investments investors help to reduce the overall risk of your investment portfolio. Depending on the issuer, they can provide a guaranteed fixed return when held to maturity and are a source of stable cash flow. An active investor who currently owns stocks or equity or mutual funds, can add stability to the value of his/her portfolio by including fixed income investments such as the because of the potential return they provided.

Regular Income - Fixed income investments provide a stable and regular stream of income.

Diversification - Fixed income investments are essential to the performance of an individual investor's portfolio.

Flexibility - Fixed Income Funds also allow for easy entry and exit, though redemption earlier than 90 days may not any attract return.

Bears tightens on NSE



of the prevalent market trend. One viable option is choosing stocks using the growth strategy.

a balanced portfolio, which means a portfolio that contains just the right amount of each major asset class, as determined by the investor's ideal asset allocation.

By investing in only one area of the market, you are more apt to run into a larger loss if that part of the market performs poorly during a given time period. On the other hand, if you diversify enough, other profitable areas can make up for poor growth in one area. This allows you to continue doing at least reasonably well in some areas - in other words - all is not lost.

Investors whose investment portfolios consist predominantly of stocks would need

INVESTORS' EDUCATION

Stock market terms you must know

Ever come across words Ex-div, Cum-Div or Cum-Scrip among others and wondered what they mean?

Well, a regular reader of business newspapers must have come across these and a host of other terms that describe the stock market activities.

Let us go through a few of these terms used in routine stock market parlance.

Ex-Dividend (EX-DIV)

This means without current dividend. The buyer of stock is not entitled to the current dividend. The seller gets the dividend. Shares purchased during the without dividend period will not earn a dividend declared in that period for the new owners.

Ex-Scrip

This simply means without scrip or bonus. The buyer of shares is not entitled to the scrip or bonus. It goes to the seller. Shares purchased during the without scrip period will not earn a scrip declared in that period for the new owner.

Ex-Right

This simply means without the rights. Companies raising additional money may do so by offering their existing shareholders the right to subscribe to new or additional shares, usually at a discount on the prevailing market price.

Cum-Div

This means with dividend. The buyer of shares is entitled to the current dividend.

Cum-Scrip

This means with scrip or bonus. The buyer of shares is entitled to the current scrip or bonus shares.

Scrip Issue

This is the issuance of shares by a company to its shareholders in proportion to their existing holdings. This is done by capitalizing existing reserves of the company, which already belong to the shareholders, and it is merely the formal recognition of the increase in the capital invested by those shareholders through the ploughing back of previous profits.

Debentures

Debentures, like bonds, have agreed interest rates (which could be fixed or floating) and a set maturity date.