Smart Investing Workshop
Investing in the capital market: A focus on indices & ETFs

Secondary Markets
Outline

1. An Overview of NSE’s Global outlook
2. Fundamentals of Investment Management
3. Indices
4. Leveraging NSE index suites
5. Indexing and its benefits
6. NSE Banking index
7. Uses of Indices
8. Features of ETFs
9. About ETFs
10. Accessing indices via ETFs
11. What to Expect from the NSE
**Varying Objectives**

**EARLY YEARS**

- Accumulation & Growth
  - Asset Allocation
  - College Planning
  - Retirement Planning

- Protection & Preservation
  - Tax Mitigation
  - Risk Management
  - Insurance Strategies
  - Business Planning

**LATER YEARS**

- Utilization & Distribution
  - Retirement Income Planning
  - Inflation Protection
  - Long Term Care Planning

- Transfer
  - Estate Planning
  - Charitable Giving
  - Legacy Consideration
  - Wealth Stewardship

**Wealth Management Cycle**
**Investing Approach**

Capture broad market beta through passive replication of cap weighted indexes.

Capture alpha via asset allocation, stock selection and market timing.

Passive implementation through replication of investment strategies:
- Strategy, Thematic, ESG or Custom.

Capture broad market beta through passive replication of cap weighted indexes.
Leveraging the NSE Index Suites

158 Stocks listed on the Exchange.

17 Indices

10 ETFs

Case A

1. Analyze all the stocks listed on the Exchange one after the other

Case B

2. Ask around / select any stock at random or any company name you are familiar with

Case C

3. Start by leveraging the NSE’s index solution. That is, a group of carefully selected securities that have been grouped together based on a criteria

To effectively leverage the NSE’s Index solution, do follow the steps identified below:

1. Be clear about your objective
2. Review all indices on the NSE’s website
3. Check details of the underlying securities. Evaluate historical performance of the Index
4. Look through the list of ETFs on the NSE’s website.
5. Speak with your broker
Leveraging Indices

An index is a hypothetical portfolio of investment holdings which represents a segment of the market.

Investors follow different market indexes to gauge market movements.

Market indices measure the value of a portfolio of holdings with specific market characteristics.

Uses

- Performance Measurement
- Investment Proxy e.g. ETFs
- Streamline opportunity
- Trading
Smart subsets curated for investors.

- The total listed equity securities represents the available opportunity set.

- The available equity opportunity set requires some analysis to achieve the right subset that meets your objectives.

- To reflect these different objectives and investor needs, the NSE has employed a range of methods to create indices for investors to leverage.
The Nigerian Stock Exchange currently has a suite of indices which it will continue to expand to cater for market performance evaluation as well as support product development efforts for the benefit of issuers.
The NSE Banking Index is a collection of ten (10) banking stocks listed on the Nigerian Stock Exchange. It is designed to give investors exposure to top 10 Banking stocks. A typical CIS is an Exchange Traded Fund which affords investors the opportunity to invest in various securities via a single fund. A banking ETF will allow investors access to a basket of banking stocks in a convenient and risk mitigating fashion.

<table>
<thead>
<tr>
<th>Stocks</th>
<th>Price</th>
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<tbody>
<tr>
<td>ACCESS</td>
<td>9.75</td>
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<tr>
<td>ETI</td>
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<td>FIDELITYBK</td>
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<td>JAIZBANK</td>
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<td>WEMABANK</td>
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<tr>
<td>ZENITHBANK</td>
<td>20.00</td>
</tr>
</tbody>
</table>

The cost of buying 1 unit each of all the stocks is N87.36

UNIT PRICE

Diversification
Cost-Effective
Convenience

BANKING INDEX

Performance – YTD 1.08%; MTD 1.08%, WTD - 3.50%

29x
more expensive

Unit Price Banking ETF = 3.72
Introducing ETFs

Shares + Mutual Funds = EXCHANGE TRADED FUNDS

- Listed on a stock exchange and traded like single shares
- Your money is pooled by a Fund Manager (like a unit trust)
- Enable investors to gain broad exposure to: stock markets, sectors, asset classes, investment themes
- Usually offered at lower costs than traditionally managed investment funds
ETFs continue to attract a large pool of investors (retail and institutional) because of their:

- **Cost Effective**: Low costs for broad exposure
- **Transparent**: Real time pricing
- **Portfolio Diversification Tools**: Baskets of Securities wrapped into one product
- **Open-Ended**: ETFs, unlike mutual funds, are open-ended
- **Flexible Trading**: Real time trading
- **Expert Portfolio Management**: Access to Asset Management expertise
**Diversifying with Commodities – Newgold ETF**

Gold is low to negatively correlated to traditional equities and fixed income securities which can be efficiently access through ETFs.

2. Currency Hedge

YTD Return – 156%

PERFORMANCE OF NEWGOLD VS NSE

Gold is low to negatively correlated to traditional equities and fixed income securities which can be efficiently access through ETFs.
There are several opportunities available for investors on the NSE platform.

**Indices**
- NSE 30 Index.
- NSE Lotus Islamic Index.
- NSE Banking.
- NSE Industrial Index.
- The Sovereign Bond Index.
- The Sovereign Bond Index.
- NSE Consumer goods index.

**ETFs**
- Vetiva Griffin 30 ETF
- New Gold ETF
- Stanbic Ibtc ETF 30
- Lotus Halal
- Vetiva Banking ETF
- Vetiva Consumer goods ETF
- Vetiva Industrial Goods ETF
- Vetiva S&P Nigeria Sovereign Bond ETF
- The SIAML Pension ETF 40
- Greenwich Alpha ETF

Indices are tracked by ETFs.
**Investor Protection**

**Regulatory Oversight**
ETFs are regulated by the Securities & Exchange Commission and the Nigerian Stock Exchange.

**Trust Structure**
Trustees are appointed to ensure adherence to the Trust Deed and the underlying assets will be held in a Trust Account.

**Custodianship**
The underlying assets are held in a custody account. The Register of unit holders are independently kept by the Registrar/Transfer Agent.
You can have it all...

Active approach
- Seeks to outperform
- Higher cost
- Requires expertise
- Shorter term focus
- May be outsourced

Core-Satellite approach
- Active satellites

Index core

Index approach
- Seeks market returns
- Lower cost
- Low manager risk
- Long-term focus
Our Product Offerings

Equities
- Ordinary shares
- Investment funds
- REITs
- Preference shares
- NDRs

Fixed Income
- Corporates
- Sovereigns
- State & Municipals
- Supranational
- Eurobonds
- Green bonds
- Infrastructure bonds
- Thematic bonds

ETFs
- Equities
- Commodity
- Bond

Derivatives
- Single stock futures
- Index futures
- Interest rate futures
- Currency futures
- Options

COLOUR KEY
- Listed Product(s)
- In Progress

NDRs – Nigerian Depositary Receipts; REITs – Real Estate Investment Trusts; ETFs – Exchange Traded Funds;
NSE is a Globally Recognized Exchange

The NSE’s national impact and global reach

Globally competitive exchange

Mobilize savings for investment

Partner with leading global associations that promote best practices and financial system stability

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13.2 Million investor accounts

₦3.53 Trillion value traded YTD

₦329.69 Billion in retail trades YTD

₦472.7 Billion in Foreign Portfolio Investor trades YTD
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