Kingsgate Advisors Institute

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Topic:

# Where Is the Smart Money Going?
Investor Appetite and Positioning in Nigeria's Changing Market

Kingsgate Advisors Institute Podcast

**Kingsgate Brief**

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## Topic: Where Is the Smart Money Going? Investor Appetite and Positioning in Nigeria's Changing Market

***Guest:***

**Robert Omotunde**

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***Host:***

**Dr. Oluwanbepelumi Olanubi**

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***EPISODE SUMMARY:***

*The discussion examined where "smart money" is moving in Nigeria's changing investment landscape, showing that investment decisions today are being shaped not only by wealth creation but also by survival pressures from inflation, weakened purchasing power and the search for alternative income. The conversation moved across equities, fixed income, dollar assets, valuation, risk appetite and portfolio discipline, stressing that investors must look beyond market excitement and assess fundamentals, time horizon, diversification and risk. It also explored the proposed Dangote Refinery listing, noting that while the business may be fundamentally attractive, investors should wait for formal offer documents and assess valuation, governance, earnings potential, foreign-exchange exposure and possible concentration risk in the Nigerian stock market.*

**[Dr Oluwanbepelumi Olanubi]**

Hello, everyone. Good morning, good afternoon, good evening, wherever you are tuning in today. Welcome to this episode of Kingsgate Brief. It's been six months since our last episode, but we're back, and we're better. We're returning with richer conversations, stronger expert perspectives, and a renewed commitment to helping our audience understand the forces shaping Africa, emerging markets, and the global economic landscape at large.

At Kingsgate Advisors Institute, we believe that knowledge should not remain confined to academic journals, policy meetings, financial institutions, or boardrooms. Kingsgate Brief is one of the platforms where we bring in top economists, policymakers, investors, business leaders, and experienced practitioners to break down important issues, go beyond the headlines, and provide accessible, forward-looking, actionable insights for you. Our purpose is to help individuals, businesses, investors, and government institutions make better-informed decisions.

As you know, my name is Oluwanbepelumi Olanubi. I serve as Executive Director of the institution, and today I'll be your host. Let's sit back and enjoy the conversation. But before we dive into today's topic, I want to encourage you to visit our social media pages: follow us on LinkedIn, follow us on Instagram, subscribe to our YouTube channel, and turn on the notification bell so you're among the first to know when we upload new series and podcasts, which we'll be doing every month going forward. We've covered a range of topics in the past, including cybersecurity, the changing financial landscape, economic uncertainty, tax reform, and more. Visit our YouTube page to explore and get a better sense of how the economic landscape is changing.

Let's turn our attention to today's topic, one I'm sure you don't often see covered: where is the smart money going? What is investor appetite and positioning in Nigeria's changing markets? Nigeria's investment environment is evolving. Investors are trying to interpret developments across the stock market, the fixed income market, inflation, interest rates, exchange rate dynamics, and corporate performance, all of which affect investment decisions. The key question is no longer simply which asset is producing the highest return. It's now what is driving that return, what risks are involved, and how investors should position themselves for what comes next.

By the end of today's conversation, you should have a clear understanding of what is currently driving investor appetite in Nigeria, why capital appears to be moving, why domestic and foreign investors respond differently to the same economic and market conditions, and how to think about opportunities across equities, fixed income, dollar-denominated assets, and alternative investments. You'll also understand what sound portfolio positioning looks like: diversification, valuation, time horizon, and risk management. And I believe that by the end of today's conversation, you'll better understand how investors should assess major market opportunities, including the proposed Dangote Refinery listing, without being carried away by brand recognition or market excitement.

To unpack all this, I am delighted to welcome my brother and friend, Mr Robert Omotunde. Robert is a partner, executive director, and chief investment officer at MDU Capital Limited, with more than 19 years of experience spanning banking, macroeconomic and investment research, asset management, and world-class governance. His professional expertise covers equities, fixed income, currencies, commodities, and alternative assets. Over the course of his career, he has worked with institutions including Intercontinental Bank, Meristem Securities, Apel Asset Management, and Capital Sankore Securities, managing diversified portfolios in both naira and dollar. He has been responsible for investment strategy, asset allocation, portfolio construction, rebalancing, and performance management.

Robert is an associate of the Chartered Institute of Stockbrokers, the Chartered Institute for Securities and Investment in the United Kingdom, and the Chartered Institute of Bankers of Nigeria. He is also an authorised dealing clerk of the Nigerian Exchange and a Senior Fellow at Kingsgate Advisors Institute, specialising in economic policy and analysis.

Robert, it's a pleasure to have you with us today. Thank you for joining us.

**[Robert Omotunde]**
Thank you very much, Doctor, for having me. It's indeed my pleasure to be here.

**[Dr Oluwanbepelumi Olanubi]**
Let's dive right in. A good place to start is with the bigger picture. When you look at Nigeria's investment landscape today, what does smart money actually look like beyond the headline numbers? What could it be hiding?

**[Robert Omotunde]**
Well, smart money. I believe by "smart money" you mean the kind of money that generates significant returns for the investor, because we're tempted to assume that if someone is rich, they must be smart. In reality, people who have money but don't know how to manage it eventually lose it. In Nigeria today, smart money isn't just something people chase because they want to be rich. It's become more of a necessity because of the compendium of challenges that households, individuals, and businesses alike are having to deal with. Let's cast our minds back roughly three years, to the appointment of the new central bank governor. That appointment changed the trajectory of the Nigerian economy. We were on a fairly good path before then. I remember it well, since that was during my research days: July 1st, 2014, the day the new central bank governor took office. The market was excited and looking forward to something different, since we had just come off four or five years under Governor Lamido Sanusi, and people thought, okay, he's a banker, let's see what he brings.

As an economist, the first shock came with the announcement itself: he wanted to pursue policy objectives that, in economics, are simply not achievable together. I remember thinking, "What have we gotten ourselves into?"

That was July 1st, 2014. I remember the debates back then. The rest, as they say, is history. That central bank pursued what we'd call an unorthodox economic policy for roughly ten years. He even got a second term, something none of the three governors before him had achieved. But the consequence, to put it modestly, was that it set the economy back. Actually, the more honest word is that it damaged the economy, because the central bank was delving into areas it should never have touched: fiscal, trade, and investment policy, all of which are outside its mandate. There was no more monetary policy independence to speak of.

The result was the multiple exchange rate system Nigeria ended up with. That system created a lot of bad publicity for the economy and pushed most investors out. We were dropped from several global indices we'd been part of, notably the JP Morgan Emerging Market Bond Index. Nigeria's fixed-income market had come a long way since 2003, during the Obasanjo administration, and that trajectory was strong enough that by around 2011 to 2012, Nigeria was added to that emerging market bond index. That inclusion pushed our fixed-income market to new heights. We were doing extremely well before all those challenges set in.

Now, smart money today is having to contend with the legacy of those issues: inflation and the backlog left by the multiple exchange rate system, which has since been corrected following the new central bank appointment around 2023, putting us back on the path to a more professional central bank. We've seen the exchange rate come down from a high of around 1,800 naira to the dollar to around 1,400 now, and it's fairly stable. Most indices are now considering Nigeria for inclusion again; the latest is FTSE Russell, which just announced Nigeria will be added to its frontier markets index list.

I'm saying all this to make the point that what we call smart money today isn't about building wealth or prosperity anymore. It's tied to survival. All the issues I mentioned created serious domestic price pressure, which people call inflation, which went as high as 34% around February 2024. Then, seemingly overnight, it dropped to 15%. That wasn't magic, it was a rebasing of the consumer price index, the index that tracks inflation. That rebasing exercise moved the base year to around November 2024, from the previous base year of 2009, which itself was already out of step with convention, since a rebasing exercise should ideally happen every five years or so.

The result was a shock, a positive one, mathematically speaking. But people said, wait, we went from 34% to 15%, yet food prices in the market are exactly the same. And that's because what we track is a rate of change, not the price level itself. Prices are still rising, just more slowly. A lot of Nigerians don't realise that if inflation moves from 10% to 5% year on year, that means the rate of increase in prices has slowed from 10% to 5%. Even at 5%, prices are still higher in real terms than they were the previous year.

That brings me to a broader point: economists typically measure inflation as a flow variable, but I prefer to think of it from a stock perspective too. Anyway, let's not bore you with the jargon. The point is that smart money today is trying to keep pace with high domestic prices, diminishing purchasing power, and both within-country and cross-border migration.

Not many people realise that the migration happening today is largely a middle-class phenomenon, because to migrate, your pockets need to be reasonably deep. It's happening within the middle class, partly for economic survival, since a lot of people have lost hope in the country and left lucrative jobs to migrate elsewhere. There's also what we'd call employment migration within the country: people leaving lower-paying jobs for better-paying ones.

People are also looking for alternative sources of income, because a nine-to-five job is no longer enough to cover their basic needs: food, shelter, and clothing. Take food alone: food inflation has been intense in Nigeria over the past five years, so intense that people who would typically spend 5% to 10% of their income on food are now spending 50% to 60%, and some spend close to a 100%. Consider that the minimum wage is seventy thousand naira. If someone earns a hundred thousand, and there are many people in Nigeria earning that or less, including university graduates, with a spouse and even just one child, feeding three people on a hundred thousand naira is a struggle, no matter where you live, Lagos, Abuja, anywhere. And that's before factoring in clothing and shelter. Shelter is a completely different challenge; even bankers struggle to afford quality housing in this country, and I say that honestly.

Hence, people are looking for alternative sources of revenue, which pushes them into investments they wouldn't ordinarily make, chasing quick gains to supplement their income. That means they're not patient investors, and the capital isn't patient either.

To answer your question in one sentence: smart money in Nigeria today is really about chasing outsized returns to make up for the shortfall that people's basic income can no longer cover. Sorry, I took the long way around to answer that. It's a good question, though.

**[Dr Oluwanbepelumi Olanubi]**
You took us through the reforms, and what's come out of them, that's good. I had a conversation earlier this week where the focus was on hustle: how people don't rely on a single source of income anymore just to sustain a decent livelihood, and how a side hustle isn't just a reflection of entrepreneurial spirit, but a matter of survival. You touched on that well.

I want to take the conversation deeper into the stock market. The stock market has attracted significant attention, while fixed income instruments continue to offer high yields. What's driving appetite across these asset classes, beyond the middle-class hustle you described? What's supporting the fundamentals here, for both Nigerian and international investors? Walk us through it.

**[Robert Omotunde]**

Yes. I'd always say the equities market is a barometer for the health of an economy. If you look at a country's stock market, you get a sense of what its economy looks like. The current phase has been very positive, what we'd call a bullish market. It's been bullish since last year, 2025, into this year. Year to date, the market is up about 52% after the close of June, the midpoint of the year, driven by strong positive sentiment across sectors: oil and gas, banking, industrial goods, telecoms, and consumer goods. Virtually every sector has benefited.

What's encouraging is that the market is now beginning to price in developments that hadn't been priced in before. For roughly ten years, the effects of the central bank policies I described earlier weighed on economic growth. Before 2014, this economy could comfortably grow above 6 to 7%, even approaching 8%, and the country was targeting double-digit growth. Then, the demand-side currency management, trade restrictions, and border closures all combined to hurt companies. Since the stock market reflects the health of the economy, and the economy wasn't doing well, the market reflected that too.

What we're beginning to see now is the correction of the exchange rate, from as high as 1,800 to around 1.3 at the official rate, closer to 1.4 in the parallel market, being priced in by domestic investors. I emphasise domestic investors because we've been excluded from the emerging market indices that would otherwise attract foreign funding, so we've had to rely on domestic capital.

If you look at capital formation in Nigeria over the years, we've consistently been able to raise capital domestically. Pension funds were one of the best outcomes of the reforms between 2004 and 2007, when we transitioned back to democracy. Today, pension fund assets run into the tens of trillions of naira. Likewise, the banking sector recapitalised to 25 billion naira in 2006, and after the recent recapitalisation, several banks now comfortably hold over a trillion naira in shareholders' funds. The country has grown, even as inflation has grown alongside it. Hence, the market is now recognising that we have strong fundamentals that deserve to be priced in.

If you look at our valuations relative to other frontier markets, I won't call us an emerging market yet, because I'd argue Nigeria isn't there. We're still a frontier market. Compared with the Next Eleven or other comparable African countries, our price-to-earnings ratios are still in line with theirs. Yet our currency has depreciated by more than 100% between roughly 2002 and today, and that depreciation hasn't been fully reflected in the market yet. That's what's now being priced in, and investors are getting curious about it.

In my office, I have interns who aren't earning much yet, but they're investing in equities and making good money, and they're happy to talk about it. I often remind them that they're one or two years into the market, while some of us have been watching it for closer to twenty years, and we know it moves in cycles. So, while it's going up now, prepare for when the correction comes.

Overall, the current market sentiment is fundamentally justified. By fundamentals, I mean the business model of the company you're investing in: its revenue model, profitability, earnings potential, and future sustainability. We're not just investing because share prices are rising, but because these companies are genuinely operating well, unlike what we saw in the 2007 crisis, when some companies were barely functioning, yet their share prices kept climbing.

Research has become far more embedded in the market now. There isn't an investment house today that doesn't treat research as a core part of its process, and that's making investors more informed. People will ask which stock you're recommending, and then ask to see the analysis behind it. We still have pockets of bubble behaviour, as every market does, stocks moving up without fundamentals to justify it, and that's where investors need to be discerning and rely on a good investment house that will challenge them with solid research. But generally speaking, it's a fundamentally sound sentiment we're seeing right now.

**[Dr Oluwanbepelumi Olanubi]**
Good to know. I like that you were upfront that there are still pockets of concern. But it's encouraging that knowledge has expanded, and that there's support in the form of investment advisers who can guide people. Let's talk about positioning, for an individual investor, let's say Michael, someone who's either a new investor or a returning one. Given the current macroeconomic landscape, the stock market fundamentals, and the changing environment, how should an investor position themselves? How should they weigh equities against government securities, corporate debt, dollar assets, and other alternative investments? How should they proceed carefully, both at an individual level and more broadly?

**[Robert Omotunde]**
At the individual level, notwithstanding the survival-driven investing we discussed earlier, we have to recognise that the equities market isn't only for short-term gains. It can serve that purpose, but most investors need to start thinking longer-term and repositioning their portfolios to withstand the test of time. If you invest purely for the short term, you can't consistently beat the market, and the volatility you experience may discourage you from investing at all.

Before the 2007 market crash, people used to say you could buy a stock on Monday, sell it Friday, fly to Dubai, and come back Monday with real gains, that's how strong the bubble was. People would take out bank loans, invest the proceeds, pull out five days later, repay the loan, and pocket the difference. No stock market anywhere behaves that way normally. Those were, as we say, the days of collective ignorance. Now that we know better, investors need a balanced portfolio across asset classes.

When we talk about asset classes, equities are one class, and fixed income is another, even though technically, under CFA classification, both are simply "securities." But because they behave differently, we treat them as separate asset classes. It's worth being upfront that equities are easier to access than fixed income. If you make a placement through your bank or a savings app for thirty days, that's fixed income, technically. But the kind of fixed income I mean, bonds and large treasury bills, isn't as accessible to most investors because of the size of investment required. To participate meaningfully in a treasury bill auction, you might need fifty million naira or more; a standard bond size is around a hundred million.

That doesn't mean people can't trade in smaller, fractional amounts, they do. But because of how returns work in fixed income, most retail investors lack the patience for it, since fixed income really pays off at scale. If you invest a billion naira in a bond yielding around 18%, that's substantial money. But tell a retail investor with a hundred thousand naira that they'll earn eighteen thousand naira a year, and they'll wonder what that's worth to them. That's why fixed income isn't as accessible: the returns only feel meaningful at a large scale. For those still building capital, especially younger investors, equities are the better starting point.

What we now emphasise is diversification, spreading your investments across several opportunities, a fairly universal principle. Some will yield a great deal, some very little, some may barely cover costs, but overall, the portfolio should perform well. Don't put all your eggs in one basket. That said, there are times you can concentrate your investment in one basket if you're confident in the fundamentals. Some investors did exactly that with stocks like First Bank in 2023 and 2024, and today they're reaping the rewards. I know of someone, through a colleague, who put about 70 million naira into a single stock three or four years ago; that position is now worth about 1.7 billion naira. The stock market can be very rewarding. Take Presco or Okomu as examples: three or four years ago, you could buy either for around 100 naira or less. Today, Presco trades around 1,600 to 1,700 naira, and Okomu similarly. So, don't hold me to the idea that concentrating your investment is generally advisable, I'm just being honest that sometimes, if you're confident in the fundamentals, going heavy on a single stock can pay off, even against the standard principle of diversification. If I were teaching a business class, I wouldn't recommend it that way, because even someone who's up over 2,000% on a stock should eventually consider taking some profit, since equities can fall as fast as they rise. Diversification remains key to successful equity investing, and its importance can't be overstated.

**[Dr Oluwanbepelumi Olanubi]**
Very interesting dynamics. Some would say there's no bad time to enter the stock market and still come out ahead, but positioning clearly matters too. Thank you for that. One more question on positioning before we move to risk. How can an investor clearly tell whether an asset is genuinely undervalued or just looks cheap? In this age of social media recommendations, how does an investor, especially someone new to this, and I know a lot of young people in our community are interested in this topic, learn to distinguish a fundamentally sound investment from something social media is simply hyping, without fully researching it themselves, and without succumbing to the fear of missing out, thinking "everyone's investing in this, let me put all my savings in too"? How do people avoid losses and come out ahead?

**[Robert Omotunde]**
That's an interesting question, because to really develop that expertise, the individual investor needs to be genuinely interested in learning it. It's worth it for retail equity investors to take short courses on understanding equity market fundamentals. I've met investors who've made real money in equities and can now easily afford a course like the ABBA program from the gains they've made, so it's worth investing in that knowledge. I say that because I can explain some of it, but you won't get the full picture unless you're motivated to learn it yourself.

Now, to your actual question: how do you know whether a security is backed by fundamentals, and whether it's undervalued?

**[Dr Oluwanbepelumi Olanubi]**
And also whether it's undervalued.

**[Robert Omotunde]**
Right. How do you know if something is undervalued or overvalued? If it's overvalued, you stay away. If it's undervalued, you buy in. If it's fairly valued and you already hold it, you might stay or exit; that's a judgment call. Here's roughly how it works: undervalued means the stock should probably be selling for 100 naira, but it's trading at, say, 29 naira. Overvalued means it should be selling at 20 naira but is trading at 100 naira. Fairly valued means you believe it should sell around 20 naira, and it's trading close to that, say 19 naira or 21 naira to 22 naira. You can identify under- or overvaluation by the size of the gap between the price and what you consider the underlying value. The real question is how you determine that value in the first place. Let me stick to equities, since undervaluation and overvaluation work quite differently in fixed income. For equities, valuation ultimately comes down to fundamentals. Say I'm a company listed on the exchange, selling consumer goods. Who buys my products? What's my production capacity? Do I have competition? What's my market share? Am I the leader, one of the leaders, or a fringe player? What's the growth potential of the industry I'm in? Do I sell only locally, or do I export too? Does the exchange rate affect my supply chain or cost structure? Do I sell in naira or in dollars? Each of these factors shapes how the stock should be valued.

I don't expect the average investor to dig into all of that themselves; that's the job of analysts like us. We look at everything and summarise it: here's the issue, here's our take. That's why investors need a securities trading partner, an investment house they work with, and in Nigeria today, essentially nobody invests in stocks without going through one. So, push that investment house for research. If they're not producing research for you, ask for it, and if they still don't provide it, that's reason enough to move to a firm that will, because research is what should drive your buying decisions. Fundamentals determine valuation first and foremost.

Now, once you've established that a company is fundamentally sound, generating good revenue and profitability, most Nigerian investors focus on dividends. A dividend is a return the company pays you periodically while you still hold your shares. Most investors invest for dividends, but I've always argued that dividend investing is really the elementary form of equity investing, because the stocks that have delivered the greatest capital appreciation globally are rarely the big dividend payers. What makes them valuable is that they reinvest what they'd otherwise pay out as dividends back into the business, growing it, and that's what drives capital appreciation. Which would you rather have: a 10% dividend yield per annum, or 100% capital appreciation per annum? Clearly, the latter, if the company is solid.

You can't assess a company's fundamentals without looking at its management and board. The board oversees the company, but more importantly, is the day-to-day management competent? Are they investing in genuinely productive expansion, or white elephant projects that won't actually grow revenue? No company can be profitable without generating revenue first, so revenue is the starting point, the size of the pie before it gets divided into costs, taxes, and profit.

Once the revenue fundamentals look sound and the business is performing well, we look at specific metrics to gauge valuation. Sometimes it's hard to judge whether a stock is fairly valued in isolation, especially if it's the only company of its kind listed on the exchange, so we compare it to similar companies elsewhere. What ultimately drives pricing is the level of earnings a company can generate. If a company earns 10 trillion naira in revenue but only turns 1 billion naira in profit, that's a margin of less than 0.1%, hence, despite the impressive revenue figure, is it really worth investing in? That thin a margin won't even let the company fund further capital investment to grow.

That's why we look at what's called the asset turnover ratio, which measures how efficiently a company's assets generate revenue, especially relevant for manufacturing businesses, though it applies to financial services too. Take the Dangote Refinery, for example, which has invested around 20 billion dollars. At some point, you'd expect the revenue it generates to approach the value of that asset base. If a company has an asset turnover ratio of roughly one, it means it's generating revenue roughly equal to its invested capital. That's separate from profit margin, a company might generate a trillion naira in revenue with a hundred billion in profit, a 10% margin, which isn't bad and can improve over time. But the efficiency of generating revenue relative to invested capital is itself a measure of how well the business is run.

Beyond that, valuation is also relative. If I look at a stock listed on the exchange, I'll compare it against others in the same sector. If one is trading at five times earnings despite stronger fundamentals than a peer trading at ten times earnings, that suggests the first one may be undervalued.

**[Dr Oluwanbepelumi Olanubi]**
Let's discuss risk and appetite a bit. I want to ask: what are the fundamentals for an individual

investor? Since you are zooming in on individual investors rather than institutional investors to decide, what are the fundamentals that individuals should look at when it comes to designing their risk appetite? How do you even know what your risk appetite is? How do I even have a very large risk appetite, or am I a very conservative investor and all that? And second, I'd like you to speak to how investors sometimes misjudge their own confidence when trading, looking at an asset and thinking there's a problem with it. How do you actually measure that?

**[Robert Omotunde]**
I won't get into confidence intervals the way you would in epidemiological analysis. But let's start with how you know your own risk appetite. You've probably heard the terms: some people are risk lovers, some are risk averse, some are risk neutral. These are terms finance uses loosely, and honestly, they're not entirely accurate. Who actually loves risk? If you put in a billion and watch it disappear, that's not something anyone enjoys.

At a firm I worked at, we traded cryptocurrencies on the side, just small amounts, while I studied the fundamentals of that market. I concluded that the market is largely a scam; that's a discussion for another day, one I'd happily engage with on an intellectual basis using comparative analysis, but not today. The point is, we put in money, took on some leverage, and at the end of the day, watched it slip away. You can lose everything you put in. That's a form of risk. But nobody enjoys watching an investment they've put money into go straight down. When we call someone a risk lover, it doesn't mean they enjoy losing money. It just means they're willing to take on risk.

And someone who's risk-averse isn't inclined to take on risk at all. They just want security: even if an investment only gives them 1%, they'd rather have their money protected and take the modest return. You can afford to think that way once you're a trillionaire. If you're a trillionaire, a 1% return is still ten billion. What more could you want? But within a smaller threshold, say a million or ten million, you have to be willing to take on risk, in a manner of speaking, if you want meaningful returns. Your risk appetite really depends on the returns you're hoping to achieve.

In our asset management business, if a client comes to me wanting a 50% return target with zero risk, I'll tell them, honestly, they're in the wrong place. There's no such thing. No investment is entirely free of risk. In fixed income, we talk about "risk-free rates." You may have heard the term. That refers to investments issued by the government, typically treasury bills and bonds. But I always like to point out that "risk-free" refers to only one dimension of risk: credit risk. Risk actually has many dimensions, credit risk, credit spread risk, liquidity risk, market risk, foreign exchange risk, inflation risk, interest rate risk, event risk, and more.

The "risk-free" label comes from just one of those: if the government issues you a treasury bill, it's termed risk-free because the government won't default, since the bill is issued in a currency the government controls through its central bank. Even if the government were technically bankrupt, the central bank could simply create more money. In the old days, they printed it; today it's just created digitally. That's what economists call seigniorage. In a fully digital, cashless system, seigniorage can effectively equal the entire value of your money supply, since there's no cost to issuing currency.

While these treasury bills are called risk-free, you can still lose money on them, just not through credit risk, but through other dimensions like interest rate risk, which matters a great deal in fixed income trading. A treasury bill can still lose you 5%, maybe 10%, depending on market dynamics. Bonds are a different story: a bond that's risk-free from a credit standpoint can still lose you 50%. That happened here in Nigeria.

Back in 2020, during COVID, our yields crashed significantly. Long-term bonds were selling at single-digit yields, some as low as 5% at DMO auctions. By 2021, all of that had reversed, and DMO rates climbed sharply. People still holding those bonds bought at 5% yields, long-duration bonds that are highly sensitive to yield changes, are now sitting on markdowns of 40% to 50% in their books.

And it's still risk-free in the sense that the government won't default. But those other risk dimensions have hit the bond's value regardless. Your perspective on risk really depends on who you are. If you're seventy years old, taking on a risk that could cost you 50% of your savings isn't wise. As a rule in finance, the younger you are, the more risk you can afford to take; the older you get, the less risk you should be taking.

That said, some people are young at heart, or simply young by temperament, and they still say they don't want risk, they just want steady returns. And here's the thing: there's no investment that isn't profitable, I mean that honestly. Take an amount you can comfortably part with every month, something so small it wouldn't matter even if you were struggling, say 5,000 naira, and set it aside consistently for 20 years in an investment averaging 5 to 10% returns. Come back to it after 20 years, and you'll be amazed at what it's worth.

I haven't run the exact numbers here, but you'd be shocked to learn that 5,000 naira a month over 20 years can grow to around 50 million naira.

I'm being completely honest. Ask anyone who's been contributing to a pension for 10, 15, or 20 years: the amount they've actually saved is usually far less than the amount they've gained through returns. That's the power of compounding, purely from the fixed income side.

For equities, it works a bit differently. If you're young, especially if you're already working, it's worth setting aside a limited amount for a long-term equity portfolio and essentially forgetting about it. It shouldn't be money you dip into when you want a new iPhone, it's money you're building for the future.

Take a stock like Seplat, for example. It's currently trading around 11,000 naira. Three, four, five years ago, it was trading below 1,000 naira, roughly eleven times its earlier price.

Think about what that means for the stocks you're buying today. A retail investor can easily buy a million units of a stock trading at 5 naira. Now imagine, twenty years from now, that same stock trading at 500 naira, it's entirely possible. That would turn your 5 million naira investment into 500 million naira. Someone might argue: What about inflation? Wouldn't that eat into the gains? And my answer is no, not at that scale. Twenty years of inflation at our average rate won't erase the difference between 5 million naira and 500 million naira.

Equities can be very rewarding, but you need to balance risk across sectors and securities. Consider those who invested in Nestlé back in 1972, when it listed. If someone bought a million units back then for maybe 100,000 naira, or even less, look at Nestlé's price today. I actually know a family where the original investor was a great-grandparent who bought into Nestlé and passed the shares down. The children have been selling portions of those shares to buy houses.

That's how equity investment can play out over generations. Nigeria's financial market infrastructure has come a long way and keeps developing, moving us closer to global standards. Today, NGX rules cap how much a stock can gain in a single day, similar to circuit breakers in the US. We've also moved the settlement from three days to two days, and now to one day. Eventually, there may be no daily price cap at all, and you could see a stock jump 100% in a single day simply on an announcement, say, that a refinery is coming on stream, because the market is pricing in the fundamentals instantly.

The message is: diversify within an asset class, equities, in my case, but also across asset classes: a bit of equities, a bit of fixed income, derivatives once our market matures, real estate, venture capital. Some venture investments don't require huge capital; people put in five million naira believing in a business, and over time, that five million becomes two hundred million or more. That's essentially how venture capital works. I hope that answers the question.

**[Dr Oluwanbepelumi Olanubi]**
Thank you for that perspective. This is a chance to reposition yourselves in case you've been sleeping on opportunities, wondering how much you're really earning or why you should put money into a particular asset class. Now's the time to wake up. That was a powerful example, keeping aside as little as 5,000 naira for 20 years, and the story about the grandparent who bought shares for his grandchildren is remarkable. I think we all want that for ourselves. So, let's start repositioning. Last question as we wrap up: we can't have this conversation without talking about the Dangote Refinery. The proposed listing is already generating considerable interest. Once the formal documentation and offer come out, what should investors examine beyond the Dangote name and the scale of the refinery? What should they look at, bearing in mind foreign exchange exposure,

governance structure, cash flow, and dividend prospects? And how might the listing affect the Nigerian stock market as a whole, what perception would it create for global investors, and how would it deepen the market?

**[Robert Omotunde]**
Thank you. Until Dangote formally submits itself for listing, analysts can't do a fully accurate val - uation of the business. But based on the information available, we can construct a reasonable approximation of what that valuation might look like.

The first thing to address is how investors should even think about it, going back to the idea of the stock market as a barometer of economic health. Look at the composition of the NGX market cap - italisation today: Airtel Africa in telecoms, MTN, Dangote Cement, BUA Cement, GTCO, probably the only bank in the top ten by market cap, and Seplat should be on that list too.

I mention these deliberately because if you look at the drivers of our economy alongside the drivers of the NGX, there's very little divergence between them. MTN and Airtel Africa represent services, and services make up the largest share of our GDP. They're right there in the top ten. Look at Aradel, or Seplat, or Geregu Power; power counts as some form of manufacturing or utility service, and it's also in that top ten. The stock market is essentially mirroring what the economy is producing.

It would honestly be a disservice to the country if the Dangote Refinery came on stream without eventually being listed, given how characteristic it is of Dangote Industries generally to hold most of its businesses privately for a long time. That's part of why there's been so much hype around it. But I'll be honest, I think people tend to overhype these things. I'm speaking from experience: MTN spent more than ten years before eventually listing. There was a private placement at one point that generated a lot of buzz, though not really accessible to retail investors, and there was hype again around 2018 about Dangote's plans, which moved the whole market.

Analysts run their valuation numbers, but often the hype doesn't match the fundamentals. Look at what happened after MTN actually listed around 2020: all that hype settled down quickly. It listed around 110 to 115 naira and stayed near that level for a long time. If you'd wanted to buy MTN, then you could have gotten it cheaper than the hype suggested, because the initial valuation was inflated. The people benefiting most from MTN today, now that it's appreciated significantly, are those who bought in after the initial listing settled, not during the hype.

Is it wrong for people to want to get in on something like this? Not necessarily. But the point we've established throughout this conversation is that a stock's valuation should be driven by funda - mentals. Are the fundamentals for a Nigerian refinery sound? I don't think anyone would argue otherwise. Nigeria had moribund refineries for years until someone took it on, breaking ground in

2013 and finishing around 2023, roughly ten years later, and began supplying the market. It's now the dominant refinery in Nigeria and has genuinely helped ease pressure on foreign exchange, contributing to Nigeria's path toward resolving some of its currency problems. Whether fuel prices are actually coming down is a separate discussion for another day.

The point is, the fundamentals are sound, that's not really in question. But a company can have sound fundamentals and still come to market overvalued. Those are two separate things: the business itself can be healthy while the price attached to it is too high.

How do we judge that? Since I expected questions about the Dangote Refinery, I did a quick back-of-the-envelope analysis to help contextualise things for investors.

Normally, we value a company by comparing it to its peers. In Nigeria, there's no comparable company to Dangote Refinery, since it's the only refinery of that scale in the country. Hence, I looked globally, using the two approaches I mentioned earlier: asset turnover and price-to-earnings.

Dangote invested around $20 billion in the refinery. Looking at the top refineries globally, Valero, Marathon, Phillips 66, China Petroleum, and Reliance, most are listed, with the first three on the New York Stock Exchange. Those three refine around 3.2 million, 2.9 million, and 2.2 million barrels a day, respectively. Dangote is actually the largest single-site refinery in the world, but these global peers often operate across multiple locations, so their combined capacities range roughly between 2.2 and 3.2 million barrels a day, compared with Dangote's 650,000 barrels per day.

These top three trade at price-to-earnings ratios between 7.4 and 8.6. I also found one in Hong Kong trading around 9.8 times price-to-book, and an outlier, Reliance in India, trading at about 20 times earnings. Even including all of these, a simple average comes to roughly 11 times earnings. Looking at asset turnover ratios for these companies globally, the average comes to about 1.5 times.

Taking Dangote Refinery's $20 billion investment at face value, and assuming it eventually reaches a 1.5 times asset turnover ratio at full capacity, that would put revenue at around $30 billion. Applying an average margin of about 10%, that implies roughly $3 billion in earnings.

Applying the average price-to-earnings multiple of about 11 times to that, Dangote Refinery could be valued at roughly $33 billion. Converting that at around 1,400 naira to the dollar puts it at about 46 trillion naira. For context, the entire NGX market capitalisation today is around 148 to 152 trillion naira.

That means Dangote Refinery alone, on this back-of-the-envelope basis, could represent roughly a third of the entire market cap. And remember, Dangote is already represented in the market through Dangote Cement. Add BUA Cement and BUA Foods, both under the same corporate group, and Seplat and Transcorp, and you're looking at just three individuals and roughly six companies already accounting for the bulk of the top ten, which today represents about 70 to 72% of total market capitalisation. If my estimate holds, adding Dangote Refinery to that mix could push the top ten's share to 80 or 90% of the entire NGX.

What does that tell you? It tells you there's a real concentration risk. These companies are closely tied to specific individuals: we know who drives BUA, who drives Dangote Cement, who drives Dangote Industries, and largely who's behind Seplat and Transcorp. The question worth sitting with is: what happens to these companies when those individuals are no longer at the helm? Historically, Nigerian companies haven't always handled that transition well, though that may be improving. And frankly, many of these leaders are getting older, several are approaching or past seventy. We also need to think about succession and how resilient the NGX will be through that kind of transition.

From a valuation standpoint, caution is warranted. If the numbers come out and the pricing looks overvalued, I wouldn't touch it at that price, because an overvalued stock eventually gets corrected by the market, and that's when the real buying opportunity shows up.

Is Dangote fundamentally a sound company? Yes. Will the refinery likely be a fundamentally sound stock? I'd say yes. But could it still be overvalued at listing? Possibly. And if it is overvalued, I won't buy at that price. I'd rather wait for it to become fairly valued or undervalued, since undervalued assets carry more upside, fairly valued ones tend to just hold steady and defensive, while overvalued ones carry the greater risk of correction.

That's really the mindset to apply here. And beyond this conversation, I'd encourage people to take some of the courses available through academies and institutes, including, if I may say so, Kingsgate Advisors Institute, to build on what we've only been able to touch on in an hour or so today.
Thank you very much for having me.

**[Dr Oluwanbepelumi Olanubi]**
And there we have it. Thank you so much, I like to call you Dr Robert, because as far as I'm concerned, you already have a PhD's worth of insight. Thank you for sharing your perspective. As you mentioned, we do have an academy, and I'm sure by the end of the year, we'll have you take a session there where our students and scholars can benefit even further from this. I personally look forward to that.

To our viewers, thank you for staying with us and for listening to today's discussion. I believe it's helped us look beyond the headlines to understand what's driving investor appetite, how different asset classes compare, and why disciplined positioning matters in a changing economy. Please, I recommend you follow us across our social media pages, on LinkedIn and Instagram, turn on the notification bell, and subscribe to our YouTube channel so you're always aware when we upload a new episode.

Until next time, keep asking better questions, keep learning, keep making informed decisions. Thank you all, and goodbye.

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