

Wealth Creation & Management

**Presentation to
Daystar
Lagos**

**Saturday, 26th of
May 2007**

Presentation Overview

- Create / foster capital market awareness
- Develop business value driven investment mind-set
- Foster individual investment area of competence
- Demystify the capital market
- Create investors per excellence

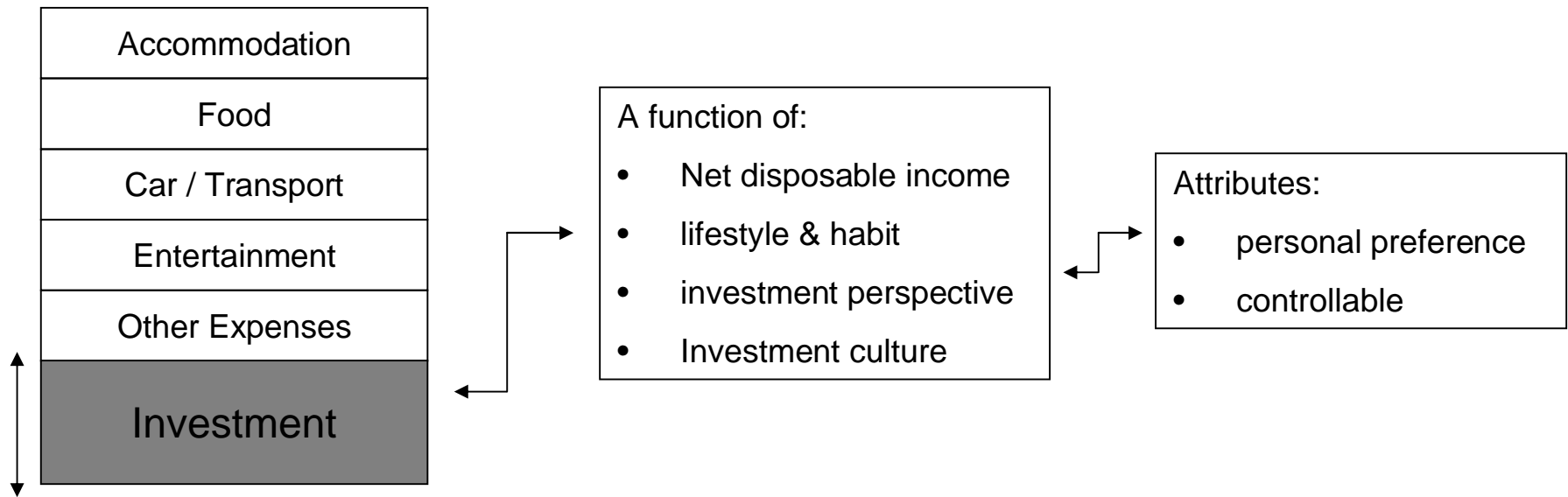
Presentation Content

- » Wealth creation strategies (Step 1)
- » Wealth creation strategies (Step 2)
- » LDI's Bullseye investment strategy
- » Operations of the stock market
- » Successful investor
- » Stock table
- » Wealth creating stocks
- » Investment precepts
- » Walter & Norman

I count him braver who overcomes his desires, than him who conquers his enemies, for the hardest victory is the victory over self.

Aristotle

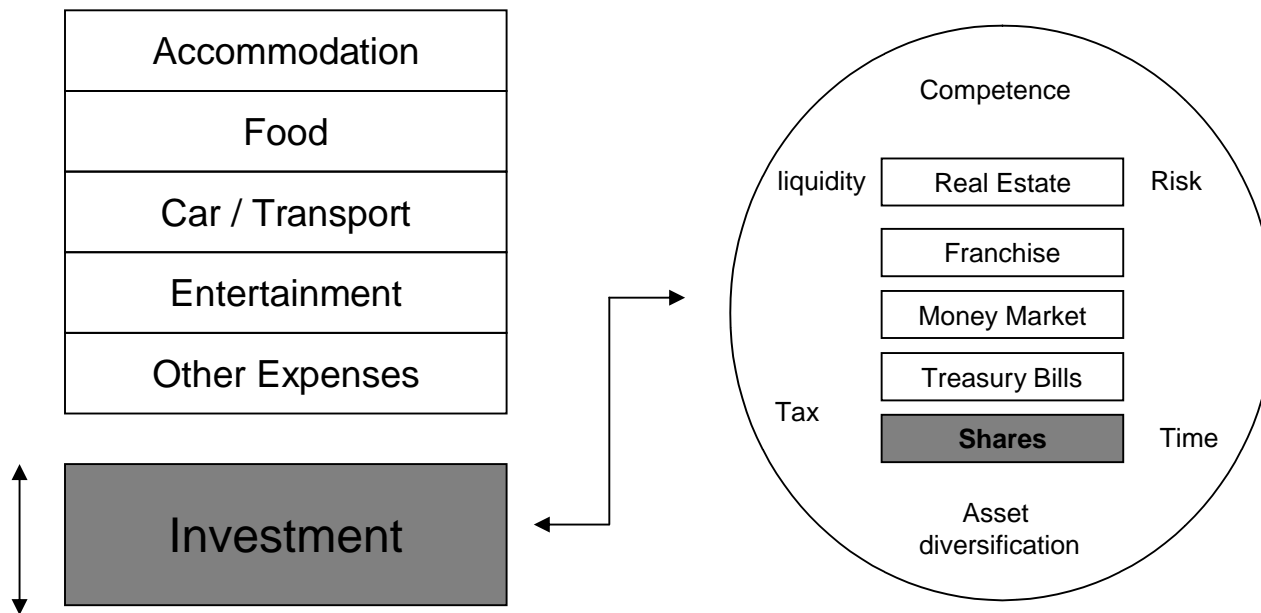
Wealth Creation Strategies (Step 1)



We are what we repeatedly do. Excellence, then, is not an act, but a habit.

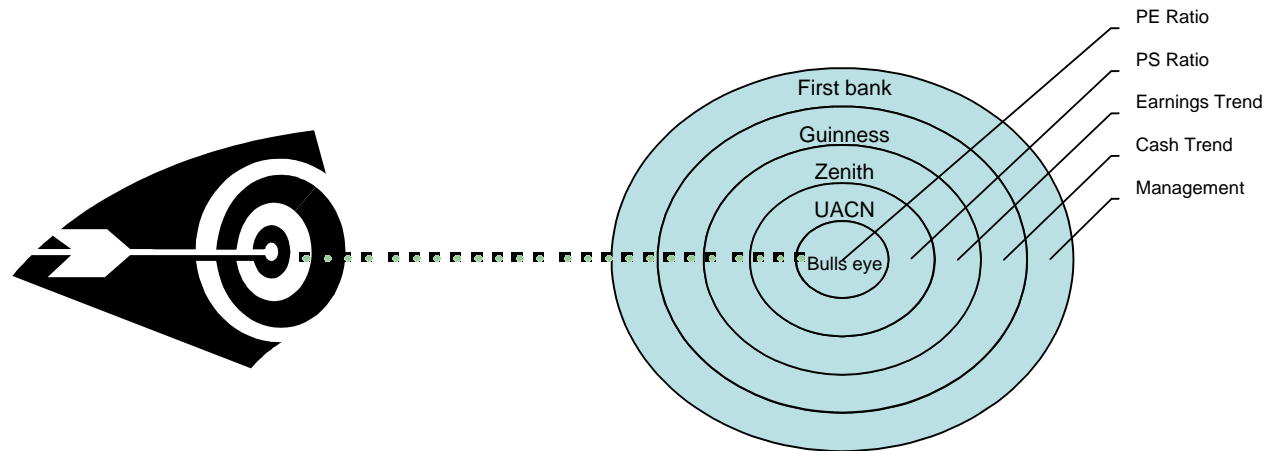
Aristotle

Wealth Creation Strategies (Step 2)



Eyes that look are common. Eyes that see are rare.

LDI's Bullseye Investment Strategy



- Every successful investment portfolio must be based on a method that is result oriented.
- Our method is the dart board and its center (bulls eye) represents the point/time when all performance metrics support a buy decision.
- Once a target stock enters the centre of the dart board (bulls eye), a buy decision is activated.
- Now the key here is patience. You must be prepared to wait and deploy your money only on the best opportunities (stocks).
- With LDI's bulls eye investment strategy, you are waiting for the market to come to you. This is the opposite of the traditional approach of most stockbrokers and financial advisers who encouraged investors to buy overvalued stocks and then misled them to hold on to them through hype.
- To buy low and sell high, you have to wait until prices are truly low. Stock prices do not go up forever. Sometimes it is best to step back and let the market fall.
- Relax and sit back and watch the market come to you.
- Determine in your heart that this year you will be a patient investor.

Make no small plans here.

Abraham Lincoln

Operations of the Stock Market

- **Primary Market**

- **Parties involved**

- Raising new funds
- NSE
- SEC
- Issuing houses
- Corporate Lawyers
- Chartered Accountants
- Stockbrokers
- Registrars

- **Transaction types**

- IPO
- Offer for sale
- Right issues
- Private placements

- **Secondary Market**

- **Parties involved**

- The investor
- Stock Broking firm
- Registrar
- CSCS
- NSE
- SEC

- **Transaction types**

- Securities
- 1st tier market transactions
- 2nd tier market transactions

Both success and failure are very costly. However, the price of success is much lower than the price of failure.

Successful Investor

1. Circle of competence
2. Long term orientation (till death do us apart)
3. Be **patient** and **picky**
4. Future prospect (and not just past performance)
5. Diversification v concentration
6. Asset diversification

All that a great man ought to ask for is the opportunity, the rest he should do for himself.

Hamilton Wright

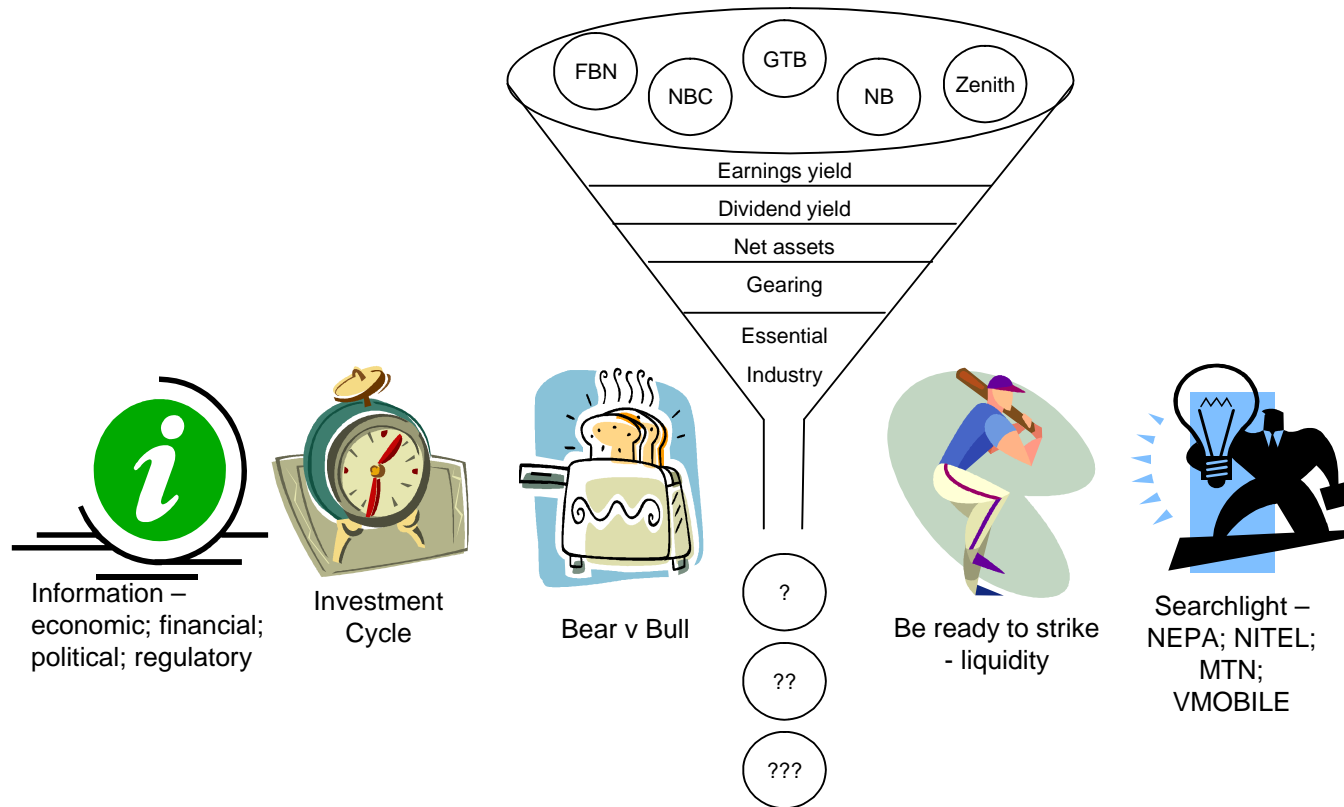
Stock Table

(Stock update As At Friday March 29, 2007)

Stock	Today	Previous	1 day change (abs)	1 day change (%)	Mark down price	Today Low	Today High	Year Low	Year High	YTD Change (%)	Earnings Per Share (EPS)	P/E Ratio	Financial Year End
First Bank	37.30	37.40	0.10	0.26	35.88	37.65	38.20	32.00	41.90	1.96	1.98	19.25	March
Zenith Bank	38.10	37.60	0.50	1.33	20.56	37.81	39.48	24.40	38.10	56.15	1.59	24.02	June
Nigerian Breweries	36.96	35.20	1.76	5.00	41.02	37.03	38.80	34.99	44.15	(5.21)	1.44	25.64	Dec
Guinness	121.50	121.00	1.50	1.23	109.37	119.00	122.00	104.00	125.00	12.15	5.59	21.74	June
Unilever	12.75	13.00	(0.25)	(1.92)	16.12	12.55	13.10	12.30	14.50	2.00	0.00	0.00	Dec
Cadbury	37.01	36.52	0.49	(1.34)	60.20	37.10	38.79	27.90	47.45	14.00	0.00	0.00	Dec
Mobil	189.00	189.00	0.00	0.00	165.90	185.00	198.00	165.50	195.00	5.61	9.65	19.58	Dec

Column	Description
Stock	Name of the stock.
Today	Current stock prices.
Previous	Previous day's stock price.
1 day change (abs)	Change in stock price between current and previous day. When a stock is in bracket, it represents a drop in price.
1 day change (%)	Shows one day percentage change in stock price. If the number is in bracket, it shows a drop in price.
Mark down price	This shows the price of a stock after it's marked down for cash dividend and/or bonus share issue.
Today Low	Shows the lowest price a stock was traded on at a particular date.
Today High	Shows the highest price a stock was traded on at a particular date.
Year Low	Shows the lowest price a stock was traded in the last 12 months.
Year High	Shows the highest price a stock was traded in the last 12 months.
YTD Change (%)	Shows the percentage capital or price gain made by a stock from January to its current price. (where the figure is in brackets, it shows the percentage drop in price of the stock).
Earnings Per Share (EPS)	Represents what each issued shares of the company earns if the company's profit after tax is shared amongst all its issued shares.
P/E Ratio	It is the market price of a stock divided by its earnings per share (EPS). It indicates the premium investors are paying for a company's earnings, or how long investor will have to wait to recover their investment in a stock based on current earnings.
Financial Year End	Shows the month the company closes its financial year.

Wealth Creating Stocks



Watch therefore, for you know neither the day nor the hour....

Jesus Christ

Investment Precepts

The great investors do some homework and develop a set of investment precepts to guide them in their selection of investments.

The best investors employ a mind-set that takes account of just a few things, but those things are indispensable.

- Investment precepts:
 - Economic characteristics
 - Financial condition
 - Earnings stability and growth
 - Strong sales and profit margins
 - Large amount of internally generated cash to fund growth (Unilever v Ashaka Cement)
 - Quality and integrity of management
 - Wise allocation of capital
 - Consistent maximisation of business potential
 - Channelling rewards of success to shareholders.
 - Business Value > Stock price
 - Net assets per share \geq stock price
 - PE ratio \leq 10 (depending on industry)

Test all things, hold fast to what is good.

Apostle Paul

Walter & Norman

- **Walter**

- Viewed money as the ultimate goal in business.
- Always willing to do business with almost anybody as long as the enterprise was not immoral or illegal. He loved to wheel and deal.
- Excitement of deals seem to blind him to the risks involved.
- While he acknowledge the existence of risks, in an academic sort of way, he never really comprehended them on an emotional level.
- This trait made him a tremendous promoter, and he has an amazing ability to raise venture capital. Unfortunately, it also made him a poor businessman. When he lost his shirt, as it were, a lot of trusting people lost theirs as well.

- **Norman**

- Viewed money as a mere consequence – important to be sure, but not the only reason for being in business.
- Limited his involvement to ventures for which he was trained.
- Careful to investigate each opportunity fully to make sure there were no surprises.
- Once he became involved, he developed a detailed plan and followed it through to completion.

Conclusion

- Success in business is often nothing more than knowing and heeding the principles of Holy scripture.
- He who manages his business or his personal affairs accordingly will prosper, and he who ignores these biblical teachings does so to his own harm.

Scriptural Principles:

- A warning against seeking wealth – “People who want to get rich,” according to Apostle Paul, “fall into temptation and a trap and into many foolish and harmful desires that plunge men into ruin and destruction.” (1 timothy 6:9).
- A warning against greed – Studies show that most bad investments are made out of greed. A man sees an opportunity to get rich quick, and it blinds him to the risks involved. Inevitably his family suffers the consequences. As the ancient sage observed, ‘ a greedy man brings trouble to his family...’ (proverbs 15:27).
- A warning against chasing fantasies – the writer of the proverbs declares: “he who works is land will have abundant food, but he who chases fantasies lacks judgment.”
- An exhortation to exercise good judgment and seek wise counsel - A simple man believes anything, but a prudent man gives thought to his steps (Proverbs 14:15). He who walks with the wise grows wise, but a companion of fools suffers harm (Proverbs 13:20).
- An exhortation to be diligent in everything – The plans of the diligent lead to profit as surely as haste leads to poverty (proverbs 21:5). It is a wise man who makes himself diligent in the matters.

Questions & Answers

Rules of Engagement

- To Do

- Buy only what you know.
- Buy under priced stock (business value > stock price).
- Consider quality and integrity of management.
- Diversify your assets.
- Read financial pages.

- Not To Do

- Buy stocks outside your circle of competence.
- Buy stocks at premium prices.
- Companies run by untested management.
- Put all your investment into same category of investment.
- Ignore financial news.