



Overview of the Wealth Management Business

A Presentation at the Networth Wealth Management Forum 2008

By

Abimbola Olashore

LeadCapital Limited

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- Definitions
 - Wealth
 - Wealth Management
- Present State
- Why has Wealth Increased
- Asset Classes
- Wealth Management
- Risk Management
- Wealth Preservation
- Challenges/Opportunities
- Outlook
- Conclusions





Definitions



- Wealth
 - Wealth, is an aggregate of a person's tangible and intangible assets, goodwill, network of friends , experience and even failures
 - Is not the same thing as having a huge deposit of money in the bank accounts or having very rich investment portfolio.



- Wealth Management
 - Wealth Management is a term that originated in the 1990s in the US with the Broker Dealers, Banks, and Insurance Companies
 - Wealth Management has generally evolved from high net worth financial consulting for persons who are top clients of any firm
 - Wealth Management is classified as an advanced type of financial planning that provides individuals and even families
 - Private banking
 - Estate planning
 - Asset management
 - Legal service resources
 - Trust management
 - Investment management,





Present State

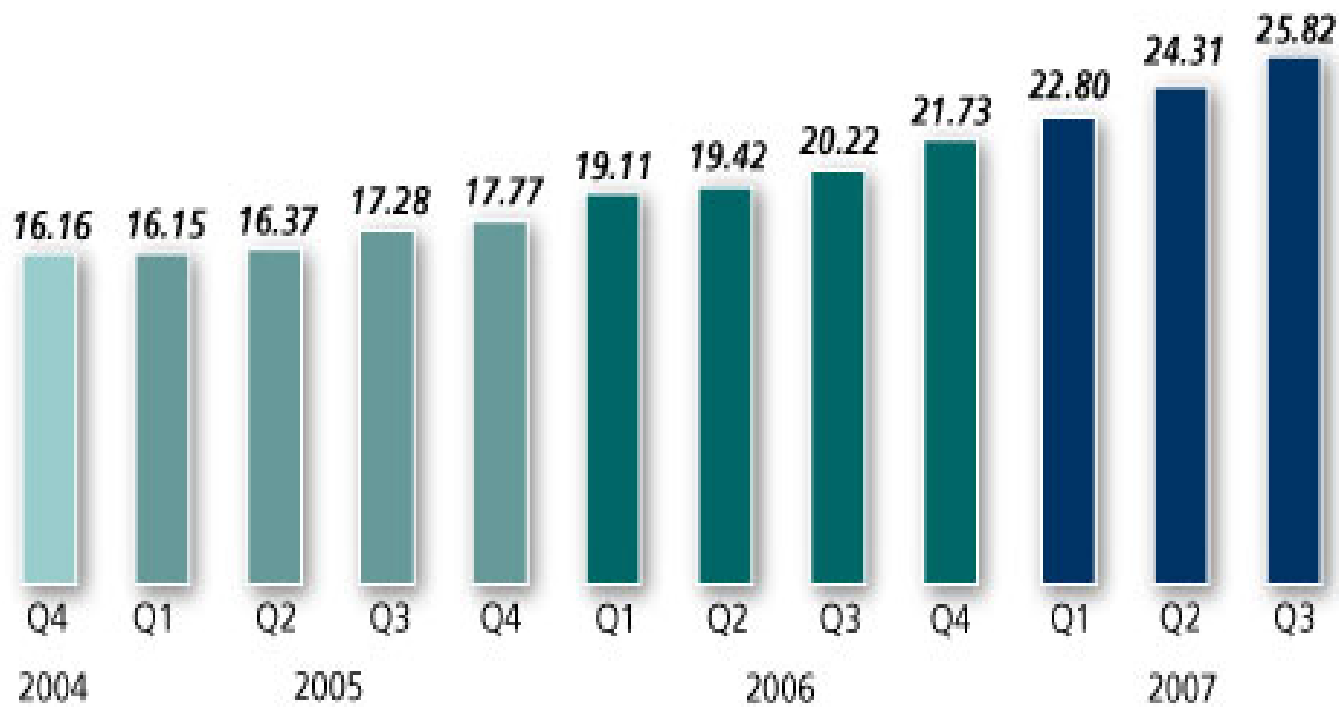


- Wealth is held on behalf of clients by
 - Fund managers
 - Trustees
 - Banks
 - Investment Banks
 - Commercial Banks
- Greater majority of wealth is managed by fund managers
- Mutual fund assets worldwide increased 6.2 percent to \$25.82 trillion at the end of the third quarter of 2007



Worldwide Mutual Fund Assets – *Historical trends*

trillions of U.S. dollars, end of quarter

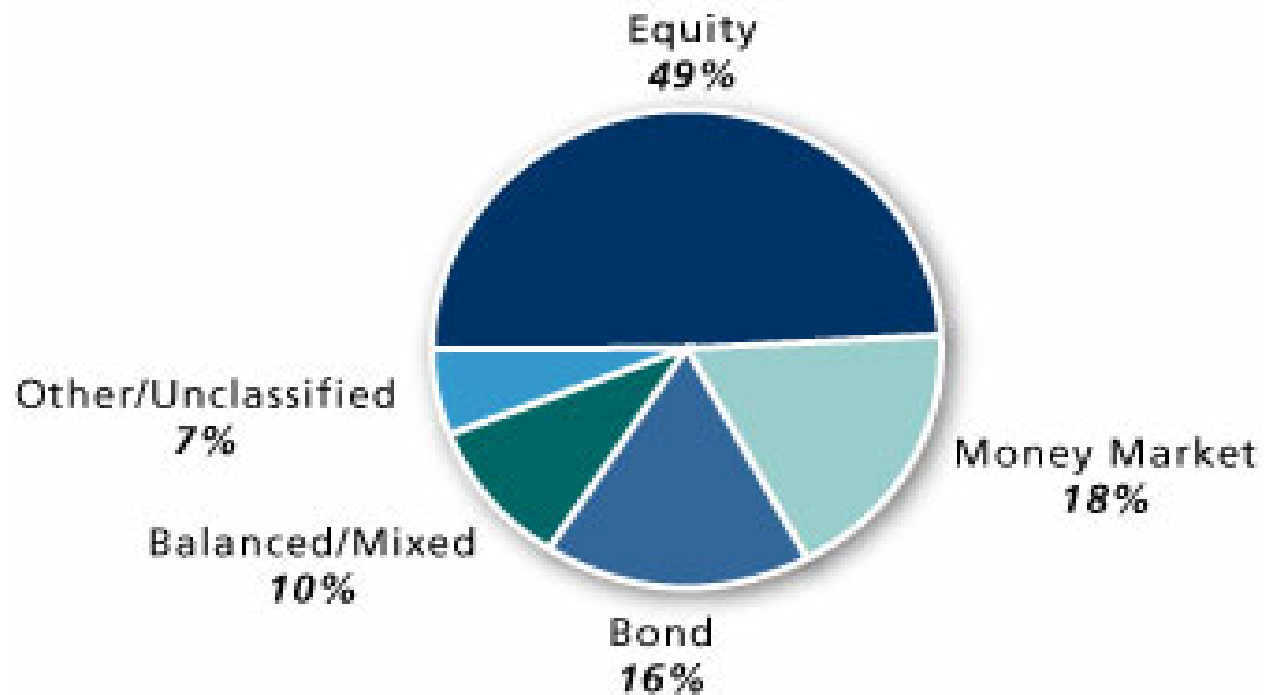


Net Sales Of Mutual Funds Worldwide (billions of U.S. dollars)

| | 2005 | | 2006 | | | | 2007 | |
|-----------------------|------|-----|------|-----|-----|-----|------|-----|
| | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 |
| All Funds | 284 | 437 | 206 | 252 | 404 | 416 | 432 | 319 |
| Equity | 160 | 246 | 74 | 65 | 150 | 118 | 103 | 32 |
| Bond | -14 | 65 | -5 | 8 | 40 | 69 | 98 | -51 |
| Money Market | 81 | 28 | 71 | 124 | 143 | 134 | 138 | 282 |
| Balanced/Mixed | 34 | 73 | 48 | 38 | 45 | 69 | 58 | 23 |
| Other | 22 | 25 | 19 | 18 | 26 | 26 | 35 | 33 |

Source: Worldwide Mutual Fund Assets and Flows

Worldwide Mutual funds by type 2007



Source: Worldwide Mutual Fund Assets and Flows



- In 2008, the following funds have been launched so far
 - First Bank Launched FBN heritage Fund
 - Union Bank also launched a fund
- Over the years various organization have launched a variety of funds
- This is highlighted in tabular form below



- In Nigeria, the following funds were launched in during the years

| Name of Scheme | Year of commencement | Opened or close ended | Fund Manager | Initial floatation price | Level of subscription (%) | Net asset Value (N) |
|----------------------------------|----------------------|-----------------------|-------------------------|------------------------------|---------------------------|---------------------|
| DVCF oil and Gas Fund | 2007 | Open Ended | DVCF oil and Gas Plc | 1000,000,000 units @ N1 each | 33.7 | 462,887155.17 |
| Oceanic Vintage Fund | 2007 | Open Ended | Oceanic Bank Plc | 2000,000,000 units @ N1 each | 121.95 | 2,963,662,832 |
| Kakawa Guaranteed Income fund | 2007 | Open Ended | Kakawa Asset Management | 1000,000,000 units @ N1 each | 143.8 | 1,803,803,007 |
| Sky Shelter Fund | 2007 | Open Ended | Sky Bank Plc | 20,000,000 units @ N100 each | 100 | New Scheme |
| IBTC Guaranteed Investment Funds | 2007 | Open Ended | IBTC Asset Management | 10,000,000 units @ N100 each | 104.6 | New Scheme |
| UBA Equity Fund | 2006 | Open Ended | UBA Asset Management | 1000,000,000 units @ N1 each | 108.47 | New Scheme |
| UBA Money Market Fund | 2006 | Open Ended | UBA Asset Management | 1000,000,000 units @ N1 each | 240.97 | New Scheme |
| UBA Bond | 2006 | Open Ended | UBA Asset Management | 1000,000,000 units @ N1 each | 206.61 | New Scheme |

Source: Securities and Exchange Commission website

| Name of Scheme | Year of commencement | Opened or close ended | Fund Manager | Initial floatation price | Level of subscription (%) | Net asset Value (N) |
|-----------------------|----------------------|-----------------------|--------------------------|------------------------------|---------------------------|---------------------|
| UBA Balanced Fund | 2006 | Open Ended | UBA Asset Management | 1000,000,000 units @ N1 each | 213.07 | New Scheme |
| Coral Ethical Fund | 2006 | Open Ended | FSDH Asset Management | 500,000 units @N1 each | 100.42 | 483,379,700 |
| Coral Income Fund | 2006 | Open Ended | FSDH Asset Management | 500,000 units @N1 each | 101.99 | 476,940'007 |
| Legacy Fund | 2006 | Open Ended | FCMB Capital | 1000,000,000 units @ N1 each | 111.84 | 1,046,077,480 |
| IBTC Ethical Fund | 2005 | Open Ended | IBTC Asset Managers | 1000,000,000 units @ N1 each | 116.31 | 2,720,685,202 |
| Coral Growth Fund | 2005 | Open Ended | FSDH Asset Management | 1000,000,000 units @ N1 each | 119.24 | 2,048,379,685 |
| A-Z Mutual Investment | 2004 | Open Ended | Intercontinental Capital | 500,000 units @N1 each | 51.3 | 283,944350 |

- Prior to 2004 the following funds were launched
 - 2003
 - The frontier Fund by Sterling Capital
 - 2002
 - Nigeria International Growth Fund by Fidelity Bank
 - 2000
 - IMB Energy Fund by IMB International Bank
 - Nigeria Global Investment by Denham Management
 - 1998
 - Nigeria Energy Sector Fund by Sterling Capital
 - 1997
 - Nigeria International debt Fund by Afrinvest WA





Why has Wealth Increased?



Why has Wealth Increased?

Environmental Factors

Political Stability
Exemplified by Continued democratic Government

Strong oil prices
Increasing export revenue
Healthy reserves
Strong local currency

General economic stability/improvement
Interest rates have remained relatively stable
Value of the naira has appreciated over the last 12 months
Non-oil export contribution to GDP has increased

Pension reforms
Pool of long term funds
Emergence of PFAs' & PFC's

Financial Sector reforms
Banking
Insurance
Mortgage

Debt relief
Agreement resulted in total liquidation
Improvement in Nigeria's ratings

Deluge of public offers and placements have had their impact on the overall market capitalisation

Restructuring of domestic debt
Repayment of Contractors through bonds
Introduction of Pension Bonds

Higher returns from the stock Market when compared with the fixed income market

Privatisation and Commercialisation of many previously government owned and run parastatals

External reserves has grown from \$8bn to over \$50bn over in the past 5 years

BB- Rating for Nigeria by Fitch and S&P

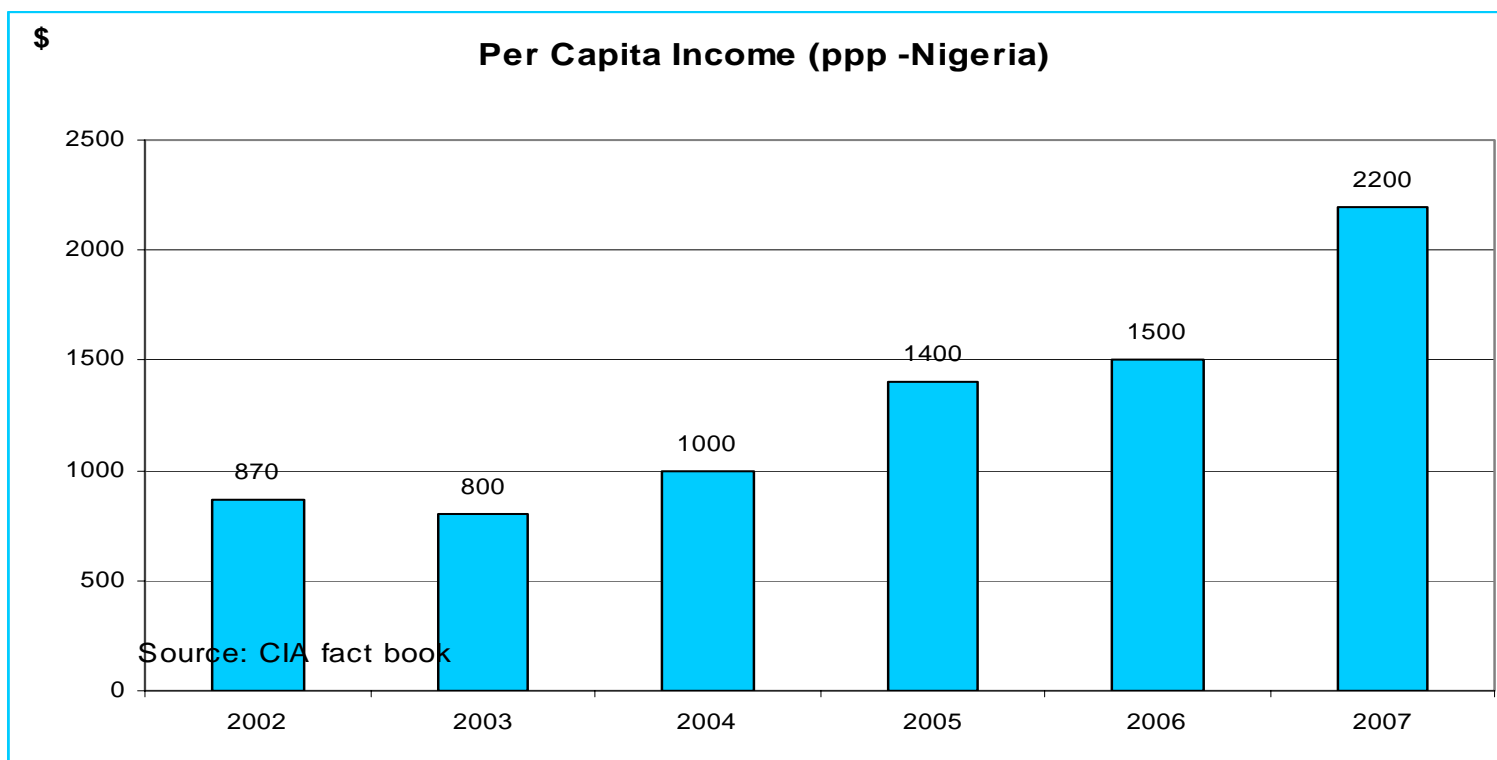
**Removal of Nigeria from the FATF list of non co-operating countries
Opened doors for the inflow of funds from foreign portfolio managers**

African Stock Markets - Stock market performance of selected African markets in 2007

| COUNTRY | INDEX | INDEX AS AT 31/12/06 | INDEX AS AT 31/12/07 | YTD (% Change in local currency) | YTD (% Change in USD) |
|---------------|------------------|----------------------|----------------------|----------------------------------|-----------------------|
| ZIMBABWE | MINING INDEX | 409,303.20 | 2,363,257,849.30 | 577,285.60 | 160.70 |
| ZAMBIA | LUSE ALL SHARE | 1,837.60 | 3,533.50 | 92.30 | 120.40 |
| MAURITIUS | SEM 7 | 264.40 | 477.40 | 80.60 | 108.50 |
| MALAWI | MALAWI ALL SHARE | 2,310.70 | 4,849.80 | 109.90 | 108.40 |
| COTE D IVOIRE | BRVM 10 | 131.00 | 224.90 | 71.00 | 96.40 |
| COTE D IVOIRE | BRVM COMPOSITE | 112.70 | 199.51 | 77.10 | 96.30 |
| NIGERIA | ALL SHARE | 33,189.30 | 57,990.20 | 74.70 | 90.90 |
| MAURITIUS | SEMDEX | 1,204.50 | 1,852.30 | 53.80 | 77.60 |
| EGYPT | CASE 30 | 6,973.40 | 10,549.70 | 51.30 | 56.10 |
| ZIMBABWE | INDUSTRIAL INDEX | 569,844.00 | 1,911,538,304.00 | 335,349.40 | 51.40 |
| MOROCCO | MADEX | 7,743.80 | 10,464.30 | 35.10 | 46.90 |
| HONG KONG | HANG SENG | 19,964.70 | 27,812.70 | 39.30 | 38.90 |
| MOROCCO | ALL SHARE | 20,357.00 | 25,658.00 | 26.00 | 37.90 |
| MOROCCO | CFG 25 | 20,357.00 | 25,658.00 | 26.00 | 37.00 |
| GHANA | GSE ALL SHARE | 5,006.00 | 6,597.80 | 31.80 | 25.60 |
| UGANDA | COMPOSITE | 849.80 | 991.10 | 16.60 | 19.60 |
| TUNISIA | ALL SHARE | 2,331.10 | 2,614.10 | 12.10 | 19.00 |
| SWAZILAND | ALL SHARE | 175.20 | 201.50 | 15.00 | 17.40 |
| S AFRICA | ALL SHARE | 24,915.20 | 28,158.00 | 13.00 | 15.40 |
| TANZANIA | TANZANIA INDEX | 999.50 | 1,022.50 | 2.30 | 12.10 |
| KENYA | NSE 20 | 5,645.70 | 54,444.80 | (3.60) | 5.20 |

Source: Securities Africa Limited

- Per capita income is low but growing

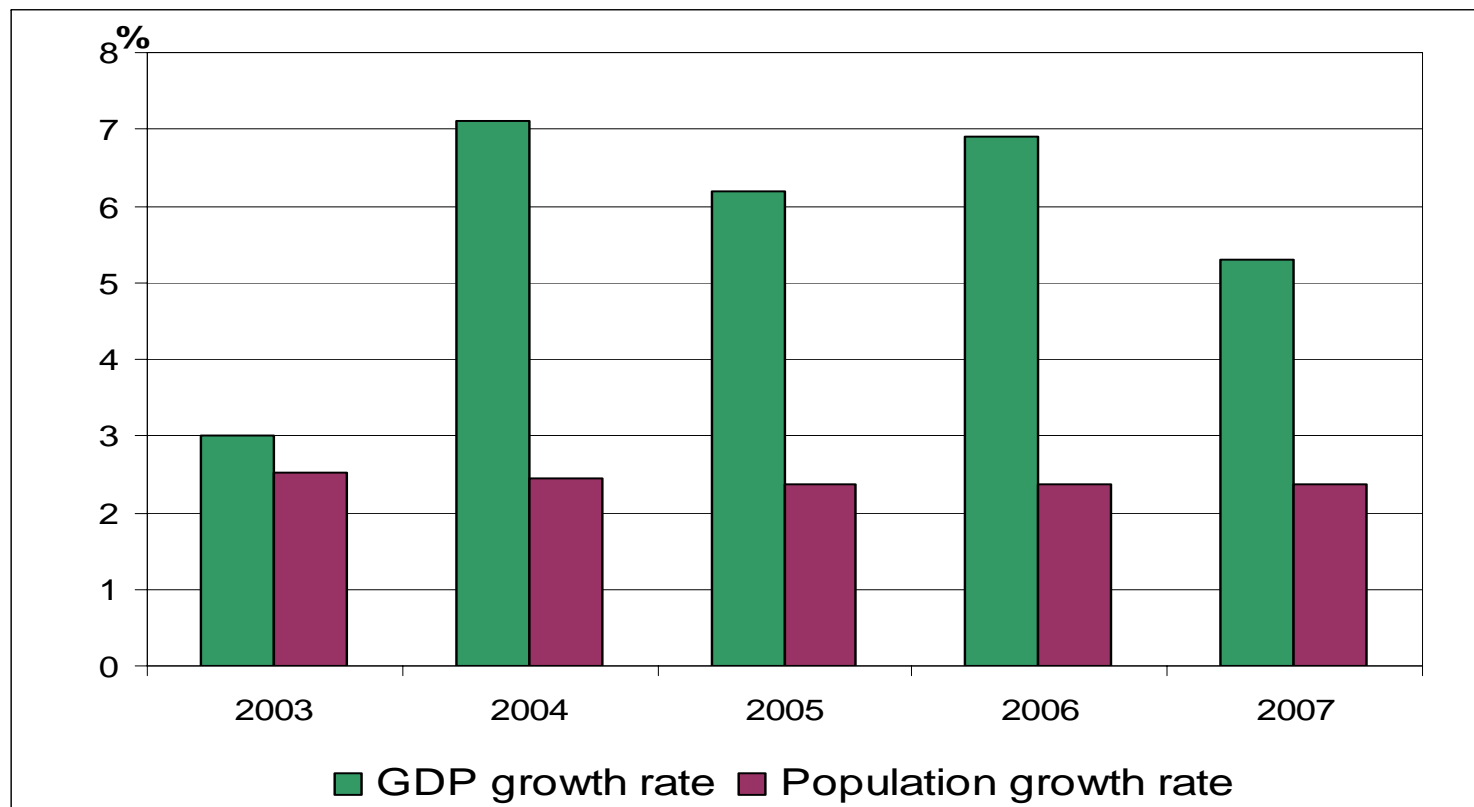


- GDP growth rate is on the increase



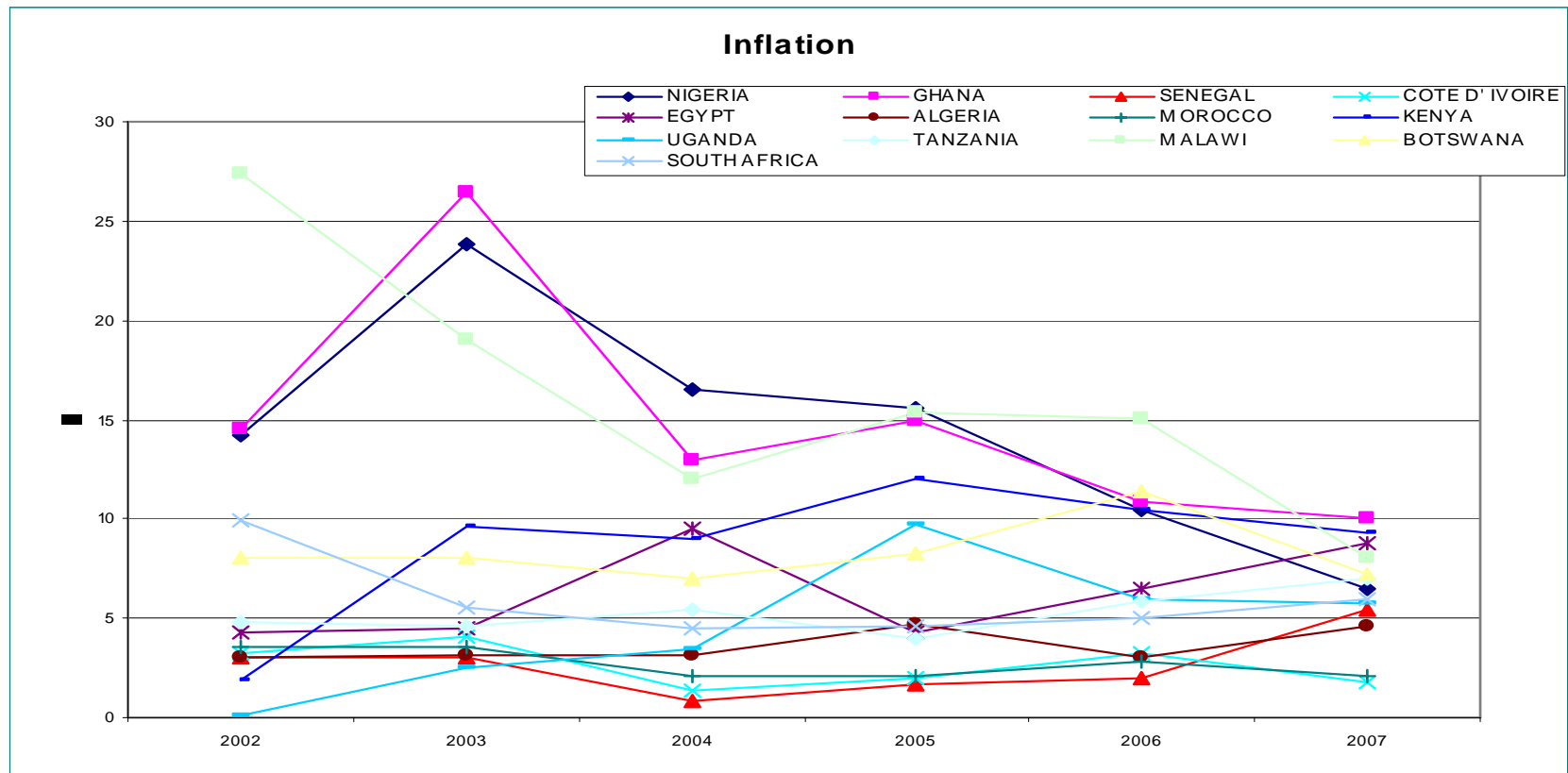
Source: CIA world fact book

- GDP growth rate has consistently outperformed population growth



Source: CIA world fact book

- Across Africa Inflation rate (CPI) has been on the decline since 2004



Source: CIA world fact book



Asset Classes



Equities

- The Equities market has Experienced Rapid Growth in the Last 10 years

| | 31-Dec-96 | 31-Dec-01 | % chg 1996 -2001 | 02-Jan-08 | %chg |
|---------------------|-----------|-----------|------------------|------------|----------|
| NSE All Share Index | 6,992.10 | 10,963.11 | 57% | 58, 579.77 | 434.34% |
| Market Cap (Nbn) | 26.04 | 648.44 | 149% | 10,283.79 | 1469.92% |
| Market PE ratio (x) | 10.08 | 13.35 | 33% | 30.00 | 124.72% |
| CBN EX Rate (N/\$) | 80 | 113 | 42% | 118.0 | 15.04% |



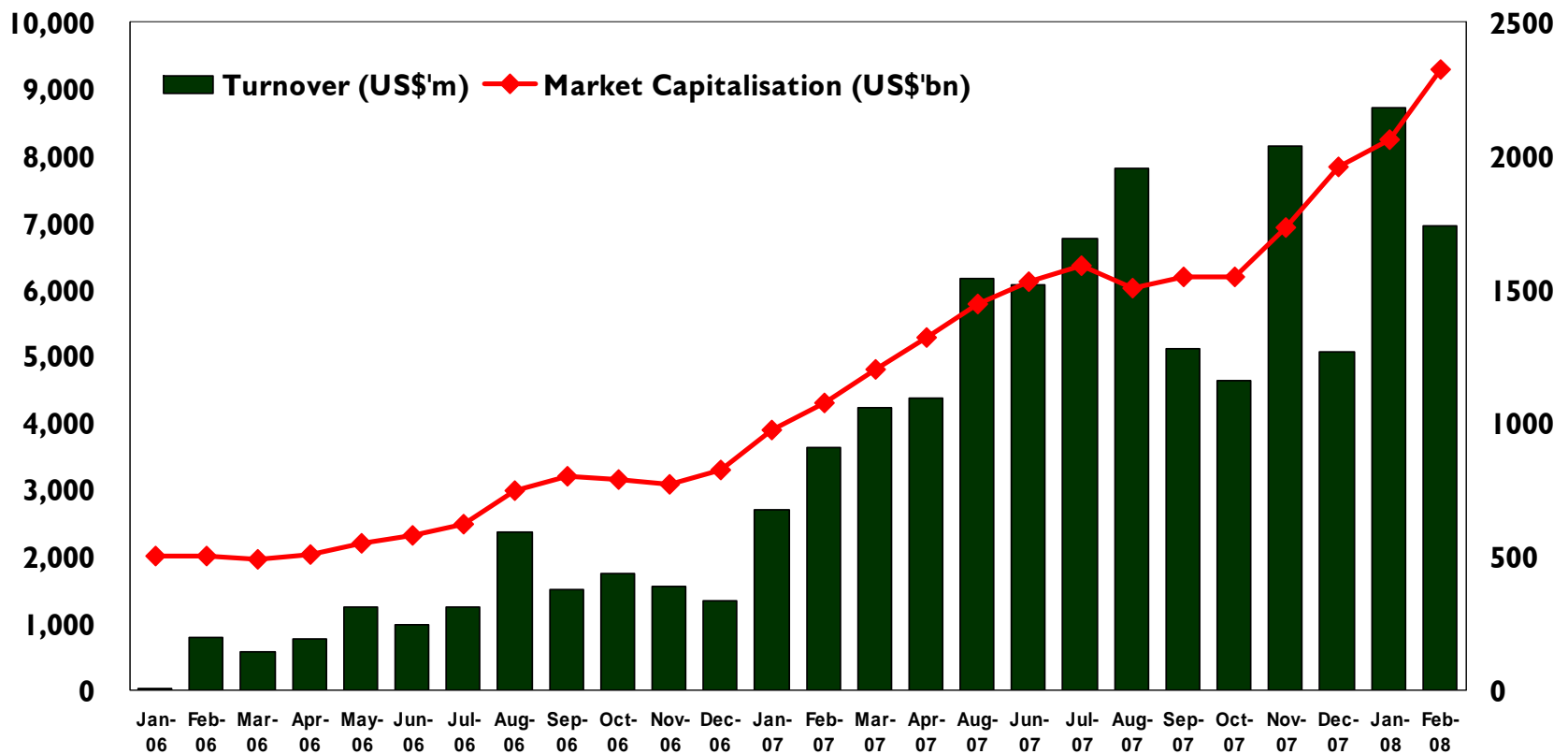
Snapshot

2003 to 2004

1. Successful elections in 2003 aided to growth of the market in subsequent years
2. A market capitalisation of over N11 trillion from just N1 trillion in 2004
3. We achieved in four years, what we could not achieve in 40 years

2004 to 2008

1. All share index now over 62,000 points from a base of 100 in 1984
2. The market now trades an average of N20billion a day
3. There is more awareness on the benefits of the capital market
4. Remote trading has commenced
5. Foreign direct and portfolio investment
6. Investment by Nigerians in Diaspora Clearing and settlement simplified



Other Options

Real Estate

- Three rules for real estate investment
 - Location
 - Location
 - Location



Bonds

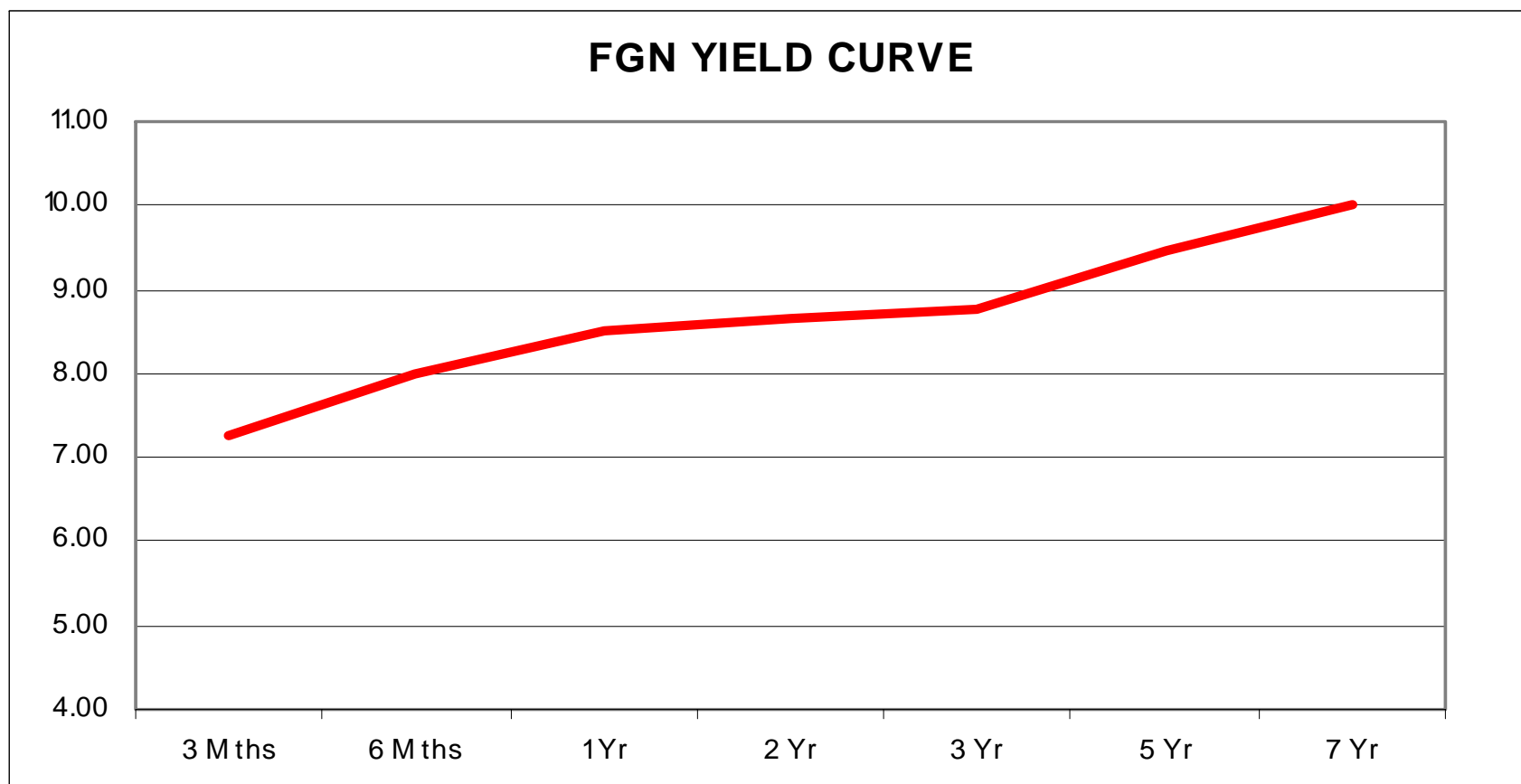
- Secondary market trading in Federal Government Bonds began in 2006
- The introduction of secondary trading has aided the development of a yield curve
- Primary market is characterised by oversubscription



Bond Market Revived - characterized by Oversubscription

| Instruments | Total Issue Amount (N'M) | Total Subscription (N'M) | Total Allotment (N'M) | Total Allotment (\$'M) |
|--------------------------|--------------------------|--------------------------|-----------------------|------------------------|
| 1st FGN Bonds 2003 | 150,000.00 | 72,565.69 | 72,565.69 | 562.52 |
| 2nd FGN Bonds 2005 | 140,000.00 | 326,361.87 | 178,273.72 | 1,381.97 |
| 3rd FGN Bonds 2006 | 235,000.00 | 584,031.30 | 272,082.84 | 2,109.18 |
| Special FG Bonds 2006 | 162,645.95 | 162,645.95 | 162,645.95 | 1,260.82 |
| 4th FGN Bonds 2007 | 175,000.00 | 445,990.00 | 175,000.00 | 1,367.19 |
| Grand Total | 862,645.95 | 1,591,594.81 | 860,568.20 | 6,681.68 |

Bond Market Revived -





Wealth Management



Prerequisites

- Power of Planning
 - Great preparation is the foundation for painless retirement
 - You must build according to a blue print
 - Where am I?
 - Where am I going?
 - How do I get there?
 - How do I perpetuate my wealth and success?
 - You must have the discipline to work out your plan



- GOAL SETTING
 - Enables quantification of results
 - Acts as a guidance for risk tolerance
 - Enables setting of investment policy and objective
- Goals should be time specific and can be
 - Hidden
 - Intermediate
 - Lifetime



- CONSTRAINTS
 - Constraints are unique and tied to goals
 - Constraints include
 - Time Horizon
 - Liquidity and Marketability Requirement
 - Risk Tolerance
 - Available Resources
 - Environmental



Wealth Life Cycle – Getting It Right?

Ages 26-50
Accumulation.

More contributions are done to assets at this stage. Value goes up based on contributions.



Ages 50-65
Consolidation &
Preservation

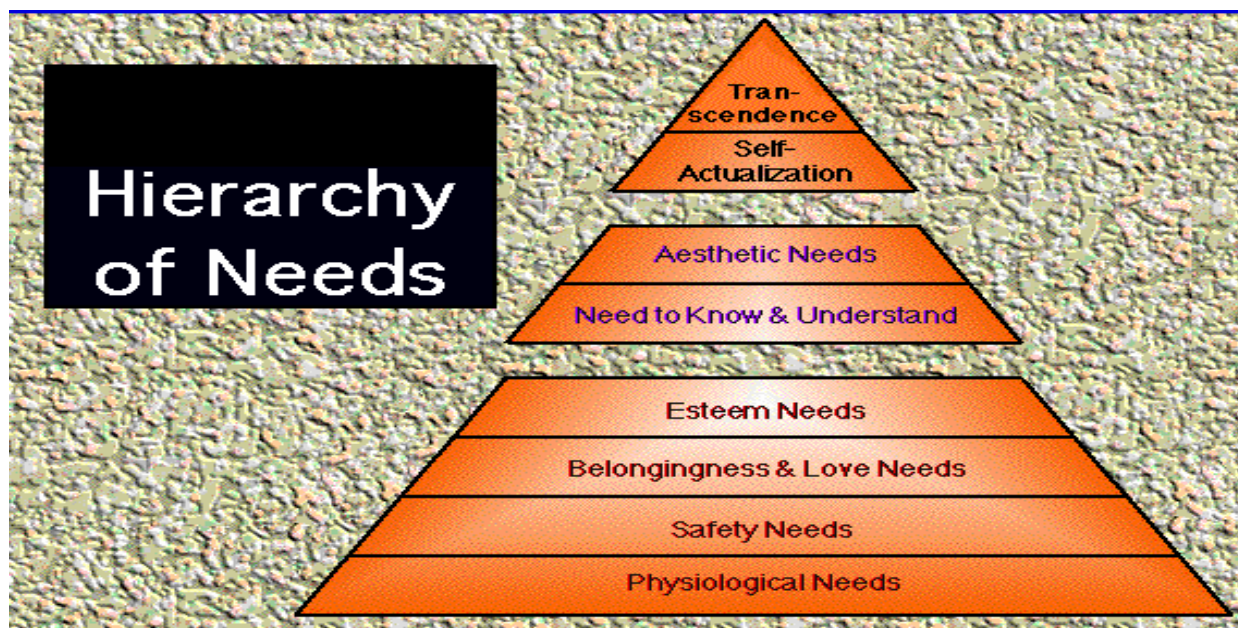
Assets earn as much as contributions. At this time, proper structure to preserve wealth should be in place.



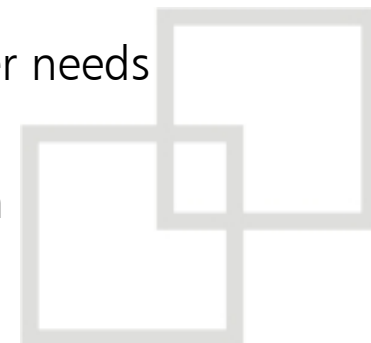
Age 65 and over
Dissipation and
Transfer

Returns should exceed contributions. Structures should be in place for a smooth transfer.

Maslow's Hierarchy Of Needs



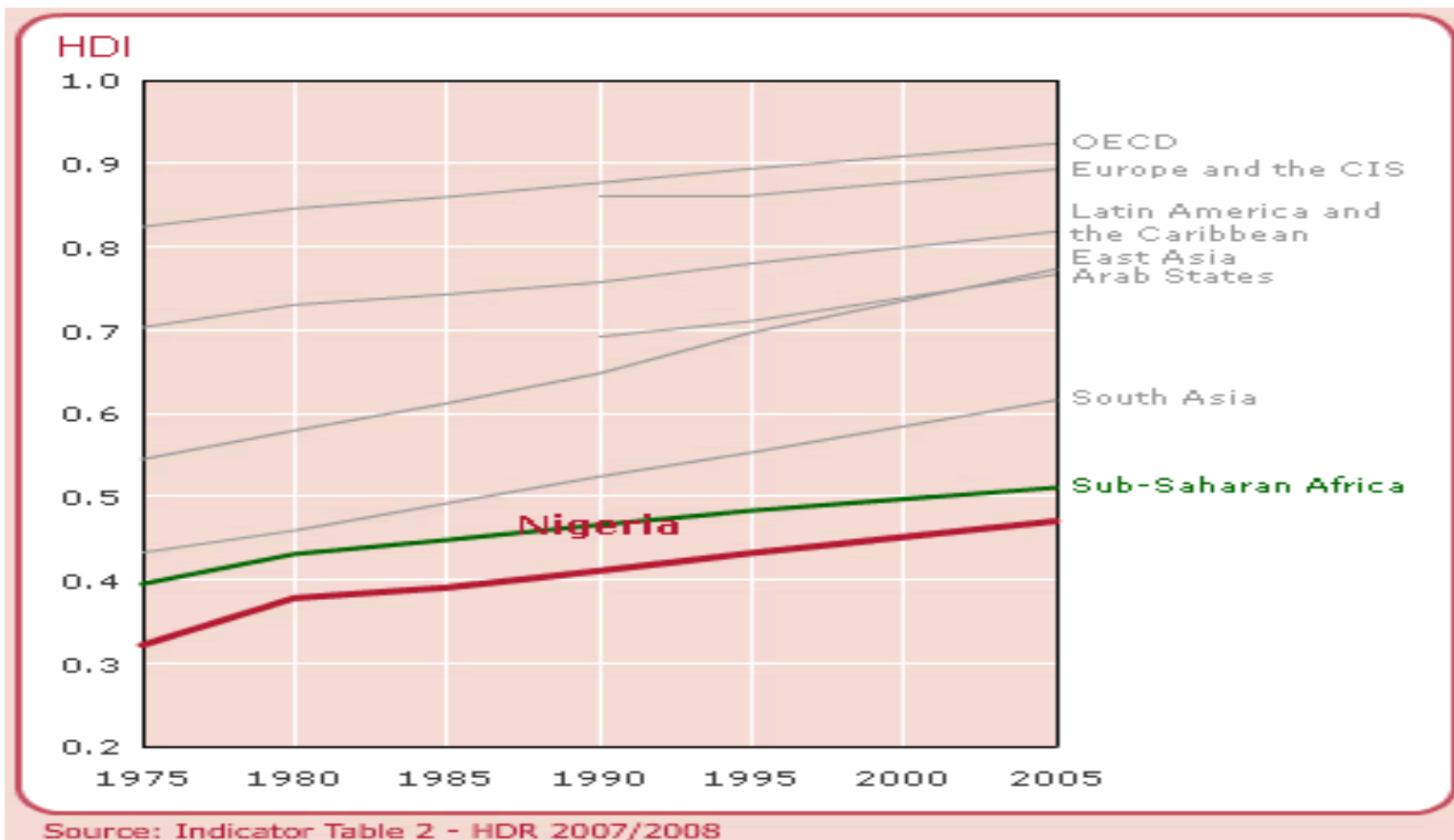
- Where do you stand?
 - Meeting higher needs is preconditioned on fulfilling lower needs
 - Needs differ from human wants!
 - Wealth accumulation is an element of Self - Actualization



- The human development index (HDI) measures the average achievements in three basic dimensions of human development
 - a long and healthy life, as measured by life expectancy at birth
 - knowledge, as measured by the adult literacy rate and combined gross enrolment ratio for primary, secondary and tertiary schools
 - a decent standard of living, as measured by GDP per capita



- Gradual improvement in HDI over the years



The Concept And Structure Of Wealth

| THE NATURE OF WEALTH | | | | | | | | | |
|------------------------------|---|--|------------------------|--|-------------------------|------------------|------------------------|-------------------------------------|---|
| CLASSIFICATION | WEALTH = value of ASSETS minus LIABILITIES | | | | | | | | |
| Economic status | Passive Assets | | | Procreative Assets (Expected) Man-made real or know-how | | | | | |
| Type | Financial Assets | | | Real Assets | | | Man-made (Actual) | | |
| Class | Money | Debt | Equity | Natural | | | Non-viable | Degenerate | Viable |
| Time scale | Normally enduring | Normally limited to less than 50 years | Normally unlimited | Enduring | Regenerative (Periodic) | Depletable | Consumable (transient) | Durable | Durable |
| Examples: | Coin, notes, bullion | Bank deposits, Debentures | Shares Life, assurance | Land Water-ways | Cattle Forests Crops | Minerals Oil Gas | Food Fuel Clothing | Houses Vehicles Machines Structures | Tools/patents Machines Organisations Structures |
| SOURCES OF NEW VALUES | | | | | | | | | |
| Appreciation | No | No | Yes | Yes | Yes | Yes | No | Not usually | Yes |
| Income | No | Usually | Mostly | Yes | Yes | Yes | Rarely | Not necessarily | In excess of cost |
| Income type | N.A. | Interest | Dividends | Rents | Sales Fees Royalties | Sales Royalties | Rents | Rents Profits | Sales |

- Threats to Wealth
 - Taxes
 - Divorce (particularly in Developed countries)
 - Creditors Claims
 - Long –term health care cost
 - Family Dispute
 - Procrastination
 - Dying in testate





Risk Management



- Risk Profiling
 - Fear of risk is the most restrictive investment constraint.
 - Individual risk tolerance differ.
 - Understanding of concept of risk aids reaching informed decisions
 - The risk/return tradeoff is the balance an investor must decide on between the desire for the lowest possible risk for the highest possible returns



- Concept of Risk
 - Risk is the chance that an investment's actual return will be different than expected.
 - Systematic Risk - A risk that influences a large number of assets. An example is political events. It is virtually impossible to protect yourself against this type of risk.
 - Unsystematic Risk - Sometimes referred to as "specific risk". It's risk that affects a very small number of assets



- Credit/default Risk - risk that a company or individual will be unable to pay the contractual interest or principal on its debt obligations.
- Country Risk - the risk that a country won't be able to honor its financial commitments. When a country defaults it can harm the performance of all other financial instruments in that country as well as other countries it has relations with.
- Foreign Exchange Risk - when investing in foreign countries you must consider the fact that currency exchange rates can change the price of the asset as well.



- Interest Rate Risk - the risk that interest rates will rise/fall during the term of your investment. A rising interest rate hurts the performance of stocks and bonds.
- Political Risk - An financial risk that a country's government will suddenly change its policies. This is a major reason that second and third world countries lack foreign investment.
- Market Risk - we are all familiar with this one. It's the day to day fluctuations in a market variables - Also referred to as volatility



- Diversification
 - Risk management technique that mixes a wide variety of investments within a portfolio.
 - Designed to minimize the impact of any one security on overall portfolio performance.
 - Diversification is possibly the greatest way to reduce the risk.



- Hedging
 - Making an investment to reduce the risk of adverse price movements in an asset. Normally, a hedge consists of protecting a position in a related security.
 - This strategy is used when investors are unsure of what the market will do. A perfect hedge reduces your risk to nothing (except for the cost of the hedge).





Wealth Preservation



- Institutionalization
 - Wealth is best preserved if properly structured and made part of a well-established system. This enables
 - Ease of management
 - Objective planning
 - Proper risk profiling and risk mitigation



- Professional Management
 - Professional managers are needed to assist in the preservation of wealth
 - Things to watch out for in choosing Managers
 - Performance record
 - People
 - Systems/process
 - Risk Management
 - Philosophy
 - Research



- Asset / Wealth Managers

- Examples of international professional managers and asset under management include-

- State Street Global Over \$766 billion
- Barclays Global Over \$715 billion
- Fidelity Investments Over \$639 billion
- Deutsche Asset Over \$511 billion
- JP Morgan Fleming Over \$374 billion

- As mentioned earlier the trend of using wealth/asset managers is catching on also in Nigeria. Examples include

- Asset and Resource Management Co. (ARM) Over N15 billion
- IBTC Asset Management Over N33 billion
- Afrinvest WA Over N1.5 billion
- FSDH Over N6 billion





Outlook



- Nigeria economy is projected to grow in the coming years on the back of
 - Continued democratic governance
 - Increasing commodities and oil prices
 - Greater macroeconomic stability
 - Lower interest rates
 - Lower inflation rates
 - Continuous economic reforms
- This will encourage growth in the local stock markets propelled by
 - Diversification of tradable instruments which would include new classes debt and equity instruments as well as derivatives and options



- A growing market will create room for the
 - Embracement of modern technology in wealth management
 - Create competitiveness among market operators
 - Locally
 - Globally
 - Encourage development of a wide range of products
 - Create new approach to customer service / management
 - Encourage best practices across board





Challenges / Opportunities



- Challenges

- Country risks
- Market depth
- Human resources
- Corporate governance issues
- Regulatory risks
- Exchange risks
- Limited investment options
- High risk of overvaluation
- Over reliance on technical as oppose to fundamental analysis

- Opportunities

- Young growing Population
- Increasing wealth creating opportunities
- Market Cap as a % of GDP is less than 40%
- Basically an equities market leaving room for other instruments
- Other sectors with large companies are presently excluded (Communications, upstream oil & Gas etc)





Conclusions



Snapshot of LeadCapital

- Total Number of clients – 7000
- Assets under management
 - Over N9 billion
- Types of funds
 - Fund Management
 - Telecoms Fund
 - LeadCapital premium fund
 - Alternative Market fund
 - Portfolio Management
 - To be launched within the next two months
 - Lead Equity Fund
 - Real Estate Fund
 - Telecoms fund 2



- Branches
 - Victoria Island
 - Ikeja
 - Apapa
 - Abuja
 - Port Harcourt
- Future Branches
 - Ibadan
 - Oshogbo
 - Other commercial Areas in the country



- **Contacts**
 - **Bimbo Olashore – Chief Executive Officer**
 - ❖ Email – bimbo.olashore@leadcapitalng.com
 - ❖ Telephone – 01-262004
 - ❖ Mobile - 0803 403 0223, 07028040001
 - **Wale Adewunmi – Managing Director**
 - ❖ Email – wale.adewunmi@leadcapitalng.com
 - ❖ Telephone – 01-262004
 - ❖ Mobile - 08033088012, 07028040002

