Zedcrest Research

Equity Market Strategy | 2026 Top Picks: June Performance

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Our 2026 conviction stocks portfolio maintained its outperformance through the end of June 2026, delivering a year-to-date return of 58.38%, comfortably ahead of the 47.43% return recorded by the NGX All-Share Index (ASI). This translates to an outperformance of 10.95 percentage points, highlighting the continued effectiveness of our high-conviction investment strategy despite a challenging market environment characterized by broad-based selling pressure and subdued market participation.

Portfolio performance

Conviction Stocks	Weight	Opening Price	Closing Price	Stock Return (%)	Weighted Return
GTCO	12%	90.70	125.00	37.82%	4.54%
ZENITHBANK	7%	61.80	110.00	77.99%	5.46%
UNILEVER	10%	72.00	126.00	75.00%	7.50%
NB	10%	75.30	72.50	-3.72%	-0.37%
JBERGER	12%	152.90	310.80	103.27%	12.39%
NGXGROUP	10%	70.00	114.45	63.50%	6.35%
MTNN	17%	511.00	720.00	40.90%	6.95%
DANGCEM	7%	609.00	963.00	58.13%	4.07%
WAPCO	7%	134.50	310.00	130.48%	9.13%
OKOMUOIL	8%	1,095.00	1,418.00	29.50%	2.36%
				Total Return	**58.38%**
ASI		155,613.03	229,419.18	**NGX ASI Return**	**47.43%**
				Outperformance	**10.95%**

June proved to be a challenging month for Nigerian equities, with broad-based selling pressure weighing on performance across virtually every sector. We believe the weakness across our portfolio was largely market-driven rather than reflective of any deterioration in underlying fundamentals. Market participation remained relatively subdued, particularly on the buy side, allowing sell-side activity to dominate trading. In our view, the implementation of the T+1 settlement cycle, which became effective on June 1st, may have contributed to a more cautious approach among investors, particularly offshore participants adjusting to the new framework, while elevated fixed-income yields continued to provide attractive alternatives for institutional investors. Although it is difficult to attribute the market's weakness to any single factor, the combination of muted participation, profit-taking activities, and a more compelling fixed-income environment contributed to the negative sentiment observed during the month.

The banking names, GTCO and ZENITHBANK, remained relatively resilient compared to the broader market, recording month-on-month declines of 8.76% and 16.09%, respectively. Despite the pullback, both counters remain key contributors to portfolio performance, delivering year-to-date returns of 37.82% and 77.99%, respectively. The weakness during the month partly reflected investor reactions to ongoing HOLDCO restructuring announcements across the sector, as well as profit-taking activities associated with participation in Dangote Refinery's private placement. Nonetheless,

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we remain constructive on the banking space, supported by strong capital positions, operational efficiency gains, and attractive shareholder return prospects ahead of the H1 earnings season.

Within the industrial segment, DANGCEM, WAPCO, and JBERGER declined 18.39%, 9.36%, and 8.57% month-on-month, respectively. However, all three names continue to rank among the portfolio's strongest performers on a year-to-date basis, returning 58.13%, 130.48%, and 103.27%, respectively. Our positive outlook on the sector remains underpinned by strong market leadership, pricing power, and long-term exposure to domestic infrastructure and construction activity.

Consumer counters also came under pressure during the month, with UNILEVER and Nigerian Breweries (NB) declining 19.23% and 13.28% month-on-month, respectively. Despite the weakness, UNILEVER remains up 75.00% on a year-to-date basis, while Nigerian Breweries has returned -3.72% year-to-date. Although Nigerian Breweries remains in negative territory, the company is expected to benefit from a significantly stronger balance sheet and improved financial flexibility relative to previous years, reinforcing our constructive medium-term view.

Elsewhere, MTNN, NGXGROUP, and OKOMUOIL recorded month-on-month declines of 12.20%, 23.44%, and 18.97%, respectively, amid a challenging market environment characterized by profit-taking activities, portfolio rebalancing, subdued buying interest, and broader investor caution during the period. Despite the near-term weakness, the three counters remain comfortably positive on a year-to-date basis, delivering returns of 40.90%, 63.50%, and 29.50%, respectively, reinforcing our positive medium-term view on their underlying fundamentals and growth prospects.

July outlook

Looking ahead, we expect July to deliver a more balanced market environment, with H1 2026 earnings releases likely to provide fresh catalysts for fundamentally strong companies and support a modest rebound in equity sentiment. Historically, the commencement of earnings season has acted as a significant driver of market activity, particularly for companies capable of delivering resilient revenue growth, strong margins, and attractive dividend expectations, and we expect several of our conviction names to benefit from this dynamic.

Nevertheless, the broader market is likely to remain constrained by several important headwinds. The recent postponement of Nigeria's potential FTSE market reclassification has introduced an additional layer of uncertainty for foreign investors, particularly as market participants continue to assess the implications of the T+1 settlement framework on market accessibility and liquidity. While the transition aligns Nigeria more closely with international best practices over the long term, near-term foreign participation could remain relatively subdued.

Additionally, elevated fixed-income yields continue to offer attractive risk-adjusted opportunities for institutional investors, including Pension Fund Administrators (PFAs), which could limit the pace of fresh equity inflows and keep overall market participation relatively balanced. Consequently, we expect earnings releases to support selective buying opportunities rather than trigger a broad-based market rally, with company-specific fundamentals remaining the primary drivers of performance.

Despite these challenges, we remain confident in our conviction portfolio's ability to continue outperforming the broader market. Our holdings remain concentrated in businesses with strong competitive positions, resilient earnings profiles, healthy liquidity, and demonstrated pricing power characteristics that become increasingly valuable in periods when investors are more selective and fundamentally driven. Accordingly, while macro headwinds may moderate the magnitude of any market

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rebound, we expect our conviction portfolio to maintain its relative outperformance as corporate fundamentals regain prominence through the second half of the year.

Sectoral Index	YTD Performance
NGX ASI	47.43%
NGX 30	46.78%
Consumer Goods	15.57%
Oil & Gas	90.21%
Banking	36.56%
Industrial	79.03%
Insurance	-7.67%

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