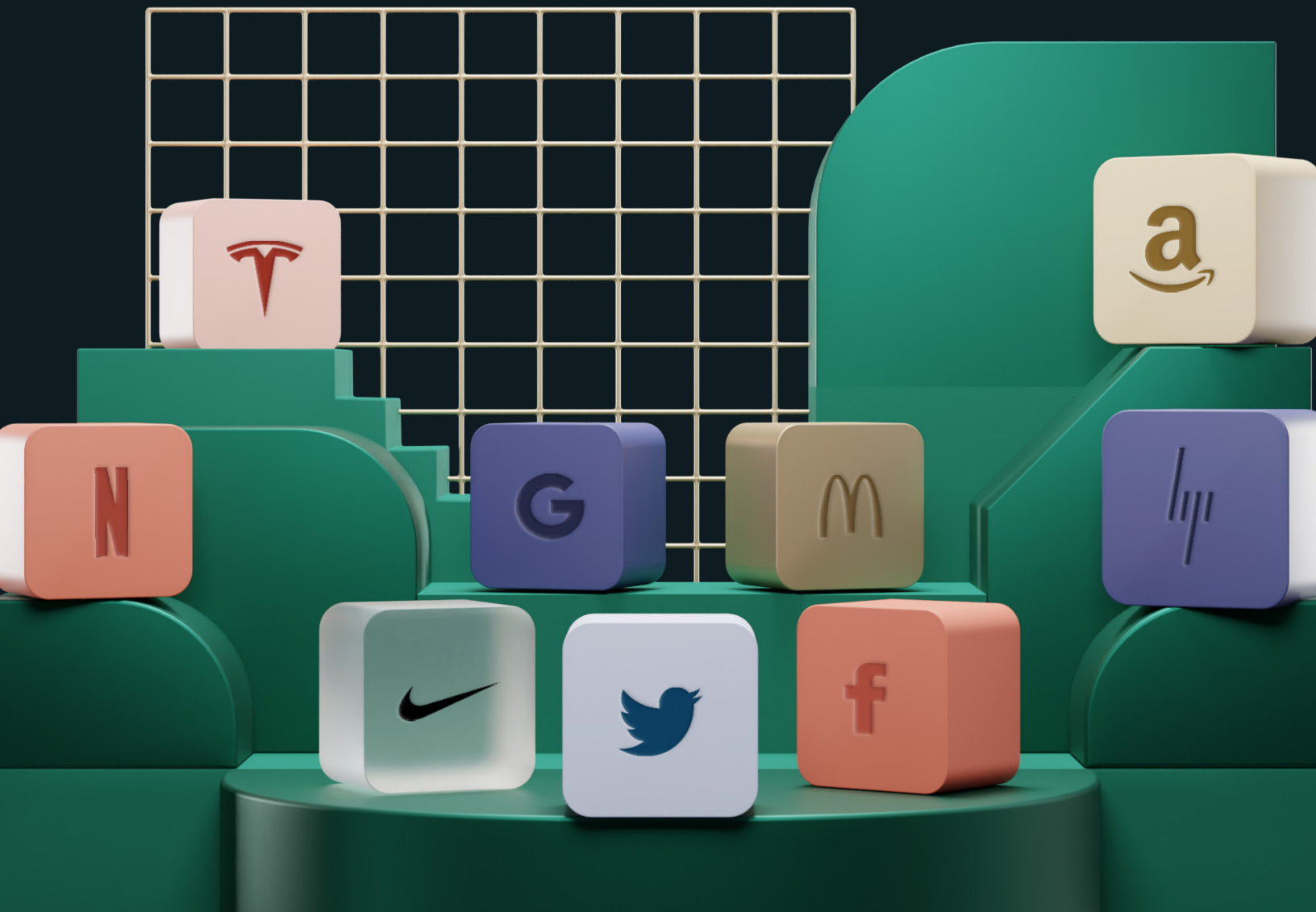




2022 Investment Report

Nigerian Retail Investors Remain Resilient Amid Market Downturn



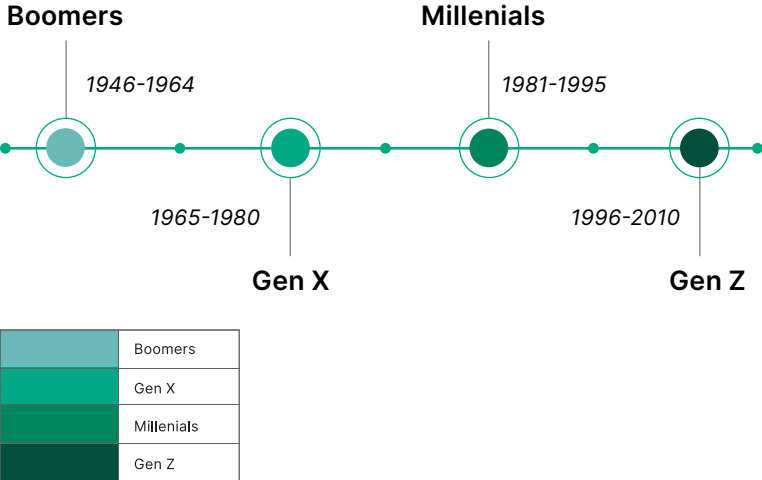


Markets work in cycles. And 2022 represented the first downturn in the markets after a decade of a bull run in US equities. This has stemmed from an end to low interest rates, rapidly rising inflation, and aggressive monetary policy tightening by the US Federal Reserve. For many Nigerian investors - new to investing in US stocks - this year marked their first bear market.

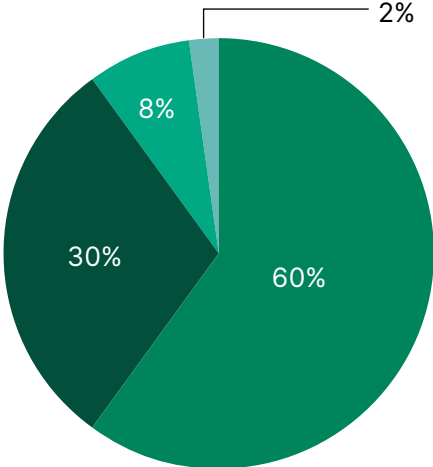
Nevertheless, Nigerian retail investors have proven resilient and continued investing in US stocks. This report provides insights into Nigeria's nascent retail investing and how investors of different ages have adjusted their risk appetite in growing economic uncertainty.

Investors by Age Demographic

Generational Cohorts



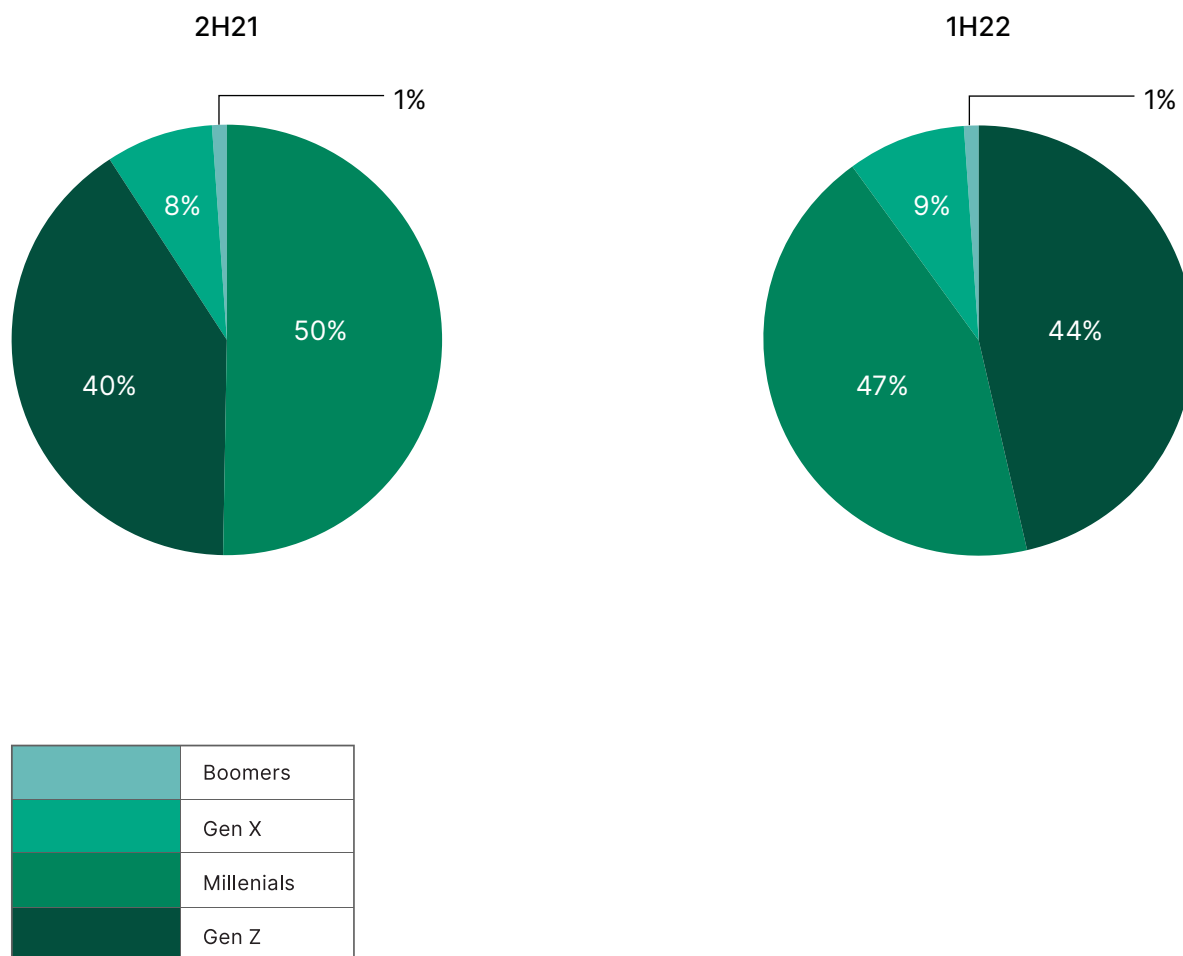
Users By Age Demographic



Nigerian Investors are Unphased and Have Kept Trading

Even though the US stock market started to decline in January, new account openings remained strong, up 23% in 1H22 from 2H21. Millennials and Gen Z continued to dominate new account openings with 90% of total share.

Account Openings (% Share by Demographic)

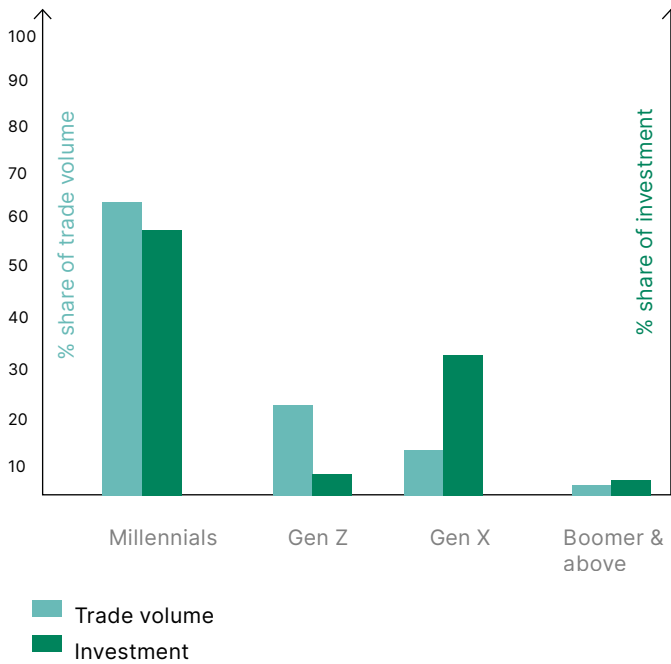


As to be expected, Millennials and Gen Z make up 85% of total trades. The average individual millennial and Gen Z investor doesn't invest as often as their older counterparts (Gen X and Boomers), but they make up for it in aggregate, as they account for 90% of investors.

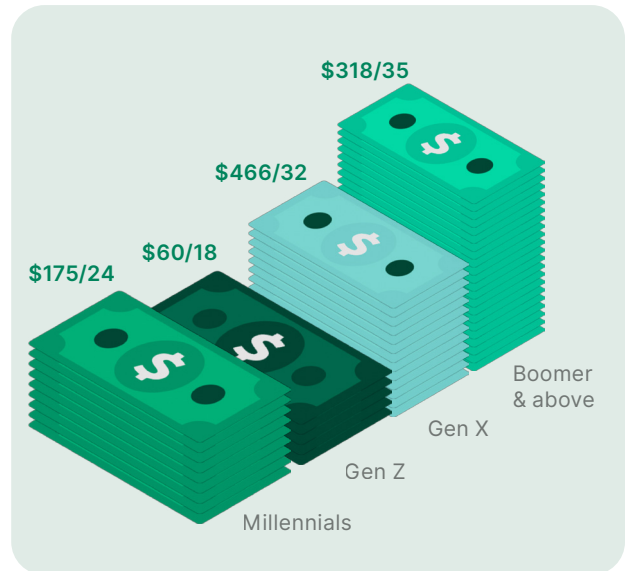
But the total share of investment by value paints a different picture. Despite representing only 8% of investors, Gen X represents the second largest investor group with 31% of total investment.

Out of all demographic cohorts, Gen X trades most frequently and invests larger amounts at a time.

Gen X has the largest average trade size at \$466, more than 2.5 times that of Millennials. This is because Gen X has accrued more savings to invest, having worked longer and typically commanding larger salaries than Millennials and Gen Z.



Average Trade Size (USD) and Average Trade Volume

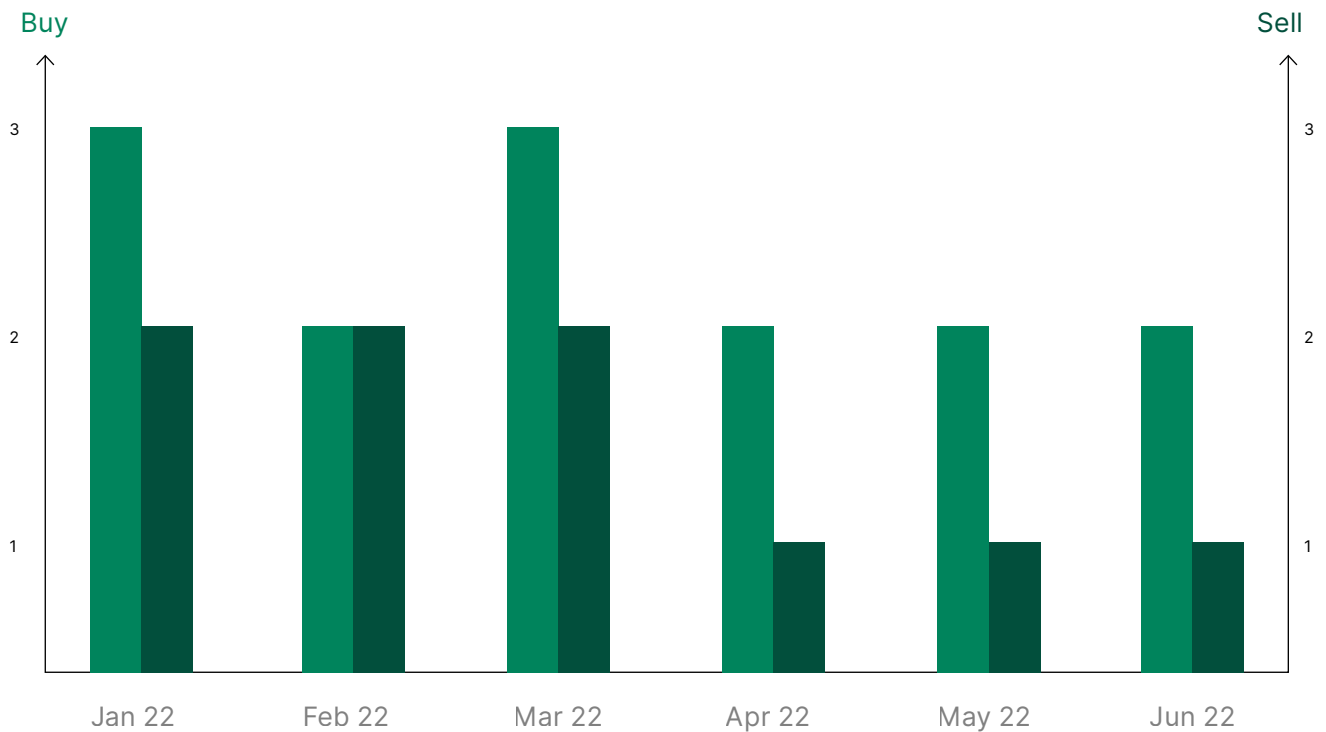


Investors Hold Steady Without Panic Selling

The first half of 2022 went into a bear market as stocks declined at least 20% from peaks in January. But, most investors held steady and bought the dip. Despite the market downturn, buying outpaced selling for all months in 1H22 (except in February when buy and sell volumes were equal) among investors of all ages.

This suggests that retail investors aren't panic selling, and are investing for the long-term. With buying of stocks outpacing selling and a spike in new accounts, it's clear that retail investors are not slowing their investing activity despite tough conditions. What we are seeing, however, is an adjustment in risk behavior.

Buying vs Selling (Ratios)



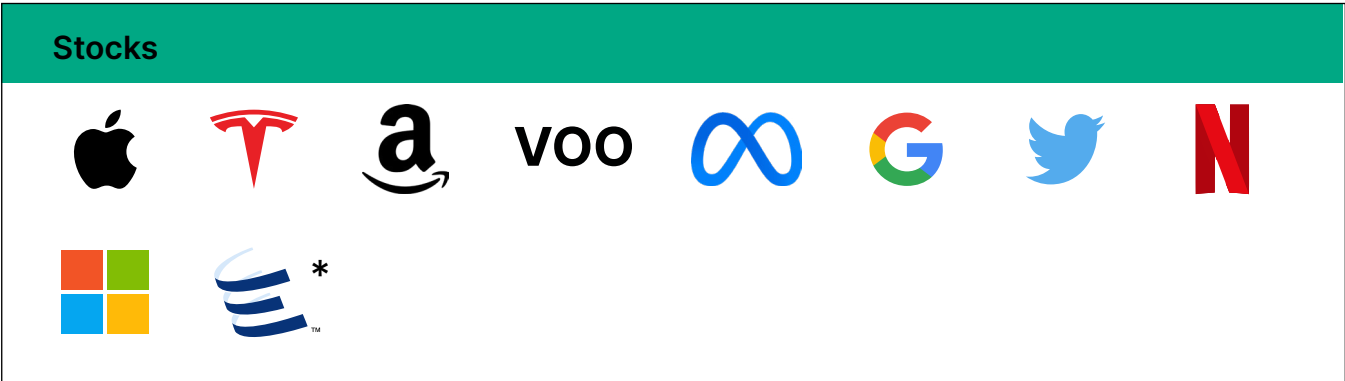
Tech Stocks Continue to Dominate While Safer Investments Emerge for Uncertain Times

Even though retail investors continued to buy amid the uncertainty of 1H22, their risk appetite and behaviors changed, with some interesting caveats by age group. Apple, Tesla, and Amazon remained the top three most popular stocks in 1H22 compared to 2H21, although Tesla and Apple swapped spots. This shows that investors continue to see tech stocks as having long-term value. However, the downturn in the markets did cause a change in investor risk behavior, as shown by the following trends:

Most Popular Stocks by Volume (2H21)



Most Popular Stocks by Volumes (1H22)



* Energy Transfer LP Unit

Increase in ETFs for Gen Z and Gen X

ETFs appeared in the top three stocks for the first time in 1H22. In an all-time first for investors, the Vanguard 500 Index Fund ETF (VOO) was Gen Z’s third most popular security in value terms, but fourth most popular in volume, indicating that although Gen Z wants to diversify their portfolios, they are constrained in the number of shares they can buy due to the security’s high price. Gen X follows a similar pattern.

Top Traded Securities by Value

2H21	1H22
Millennials	
TSLA AMC AAPL	TSLA AAPL UPST
Gen Z	
TSLA AMC AAPL	TSLA AAPL VOO
Gen X	
DIDIY TSLA AAPL	TSLA AAPL VOO
Boomers	
TSLA BABA SKLZ	TSLA AAPL VTI

Millennials are Buying for a Bargain

Interestingly, unlike other cohorts, Millennials weren't as interested in ETFs. Millennials' third most popular security was Upstart Holdings Inc (UPST). UPST floated on the stock market last year, and has since dipped in 2022, falling over 80% from January to October 2022. This suggests that Millennials are still looking for bargain stocks to hold and carry.

Constraints Around Ability to Invest

The first half of 2022 has brought fluctuations in trade values while volumes have remained overall steady. This suggests that the demand to invest is there, but retail investors' ability to invest may be constrained. One of the biggest constraints on investors is the depreciation of the naira. Since January 2022, the naira has [dropped 37%](#) against the dollar, limiting how much investors can invest since they need more naira to buy US stocks.



Conclusion

If the volatility of 2022 has taught us anything, it's that investors will keep investing. Data suggests that despite constraints to investing (such as the depreciation of the naira), Nigerian investors are putting their money to work during the bear market to reap long-term rewards.

Buying outpaced selling for the majority of 1H22 among investors of all ages, and new account openings remained strong. The main investor risk adjustments came in the form of an increase in ETF buying and investing in bargain stocks to hold and carry.

Although older investors have more income to invest, younger investors have adopted investing online first, and still remain the predominant group, driving investment volumes in aggregate. Millennials are the largest single investor cohort. Together with Gen Z, they make up 85% of total trades. Although Gen X and Boomers make up a small percentage of total users, they're responsible for the largest and most frequent trades, reflecting their higher incomes.



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