



Dear Valued Client,

Q1:2017 Portfolio Report

Following the improvements noted in Q4:2016, the Nigerian economic fundamentals continued to improve with inflation moderating to 17.78% (February 2017) for the first time in 15 months, positive accretion to external reserves, Naira appreciation, stability of crude oil prices at about \$50pb and crude oil production levels ramped up to budgeted level.

At the Monetary Policy Committee (MPC) meeting held in March 2017, the Committee decided to retain Monetary Policy Rate (MPR) at 14%, Cash Reserve Requirement (CRR) at 22.5%, Liquidity ratio at 30%, while also maintaining the asymmetric corridor of +200bps & -500bps. Figures from the National Bureau of Statistics (NBS) showed that real GDP contracted by 1.50% in 2016 (compared to 2.79% growth in 2015). However, with the release of the Economic Recovery and Growth Plan (ERGP) by the Federal Government of Nigeria, our expectation is that real GDP for 2017 will improve, further supported by IMF's 0.80% growth projection for full year 2017.

The fixed income segment experienced a few positively inclined activities and continued to provide a high yield environment for investors, albeit with slight reduction across instrument yields. The asset class remains a safe and rewarding haven for investors. Also, with the decline in inflation rate, investors' real returns saw a deflection to the positive region. The introduction of the Federal Government Savings Bonds generated a lot of activity at the retail end of the market and thus, is expected to boost the savings culture in the country. Overall, Average treasury bills and bonds yields closed the quarter at 17.03% and 16.27% respectively. We expect interest rates to remain high in H1'2017 as the Central Bank of Nigeria maintains its price stability stance and huge government borrowing to finance 2017 budget deficit continues. As such, we remain bullish on the fixed income asset class for the first half of the year.

Equities market remained bearish in Q1'2017 and returned -5.05% for the quarter, as investors' sentiment skewed to safer assets. Given the attractiveness of low prices, better than expected earnings scorecards of listed entities amidst tight economic constraints and improving fundamentals of the domestic economy, we believe select stocks of companies operating in the priority sectors present opportunities for potential gains in the year 2017 especially for long term investors. Hence, while we are less optimistic about equities market in the near term, our strategy for H1:17 is to position our portfolios in large-cap and dividend paying stocks in key sectors of the economy while protecting downside risks with Fixed Income and Alternative investments, as we continually seek positive risk-adjusted returns for our clients.

With regard to alternative assets, we offer investment opportunities through our Pounds and Dollar denominated products. With initial investment of GBP2,000 and USD2,000 respectively, investors can invest in these products and also contribute as low as GBP500 or USD500 monthly to grow their investment. These investment opportunities do not only provide investment diversification but also serve as a currency hedge against the Naira depreciation.

We are delighted to announce that our Tri-leaf Estate located at Awoyaya, Lekki-Ajah axis is now fully subscribed and sold out. However, to further meet our clients' needs, we are currently considering other development projects in areas such as Ebute-metta, Yaba and other prime mainland locations. We will keep you updated as we make progress in this regard.

Our other structured products and services- Equity and Money Market Mutual Funds, Retirement Planning and Target Date Portfolios are still available for subscription, while preliminary analysis has begun on our infrastructure fund. Further information will be provided in due course.

In Q2:17, while there will still be headwinds, we expect milder intensity as government promotes business friendly economic policies to stimulate investment and growth necessary to lead the country out of its current recession trough.

I thank you for your support of the Meristem brand and look forward to a continually beneficial relationship.

Yours faithfully,

A handwritten signature in blue ink, appearing to read "Sulaiman Adedokun", is written over a light blue horizontal line.

SULAIMAN ADEDOKUN, CFA
MANAGING DIRECTOR