



Dear Valued Client,

### **Q1: 2018 Portfolio Report**

The economy continue to stride on the growth path, as the country's Gross Domestic Product (GDP) in 2017 grew in real terms by 0.83% YoY, while inflation moderated to 14.33% (February, 2018). Also, the Purchasing Manager Index (PMI) showed stronger month-on-month growth, as capacity utilization improves in the real sector of the economy. In our view, the various measures taken by the monetary and fiscal authorities bode well for the economy.

In 2018, at the first Monetary Policy Committee (MPC) meeting for the year held on 3<sup>rd</sup> – 4<sup>th</sup> of April 2018, the MPC maintained the status quo on all policy variables; 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. On the back of aforementioned, we expect the fixed income market remained fairly buoyant. However, in 2018 so far we have seen market yields gradually reverting to mean level across different tenors, as the Federal Government reduced domestic borrowings in favour of long term foreign debt, by way of Eurobonds issuances.

Given the Ministry of Finance's plan to redeem portions of the country's high yielding debt, we expect the high demand levels witnessed at the end of 2017 to persist over the short-term, resulting in significantly lower yields than witnessed in 2017, which could potentially cause redirection of capital towards the equities market and alternative investment options.

The equities market started 2018 with a strong bullish sentiments, as the All-Share index advanced to a year high of +17.91% on the 19<sup>th</sup> of January. However, the market has since tempered following tempering of foreign portfolio investment (FPI) into equities and profit-taking by investors, hence, the market closed Q1:2018 with a return of +8.53%. Also, the implementation of par value rule by the Nigerian Stock Exchange in the year has resulted in significant drop in the value of some equities, especially the insurance stocks.

Based on the FY2017 corporate earnings scorecards of listed entities released so far in 2018, significant improvements in financial performances were noted on most companies, partnered by increase distribution to investors. We believe the equities of companies operating in the priority sectors and those of leaders in their respective sectors, still present opportunities for potential gains in the year, especially for long term investors.. Hence, our strategy is to optimize value on our portfolios through securities selection in value and growth stocks, while protecting downside risks with appropriate level of fixed income and alternative investments as we continually seek positive risk-adjusted returns for our clients.

As your investment manager, we persist in our quest to provide you with competitive alternative investments, to aid diversification and create greater value in your portfolio. Thus, we are pleased to introduce our newest products- Meristem Ethical Earnings Portfolio and Meristem Real Estate Backed Ethical Portfolio which offer highly attractive income to ethical investors. For more information on these products, please send in a request through any member of our team, and we will be happy to attend to your enquiry.

Other structured products still available for subscription at very attractive return rates are: our foreign currency denominated products- Meristem Dollar Investment Portfolio & Real Estate Advantage Portfolio ARENA, with minimum subscription amounts of USD2,000 and GBP2,000 respectively; our Equity and Money Market Mutual Funds and Target Date Portfolios. Part of our core services include Retirement Planning as well as Estate planning.

As your investment manager, and in line with our mandate to transparently provide competitive returns, be assured that we are constantly in search of investment opportunities, combining both equity and fixed income securities as may suit portfolios in order to achieve best possible returns. Furthermore, as we approach election year, we shall ensure that portfolios are well positioned to be immune from apparent risks, while we continue to maximize returns.

Please be assured that we value our continued relationship and we are sternly committed to serving you better.

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**