



Dear Valued Client,

Q4:2017 Portfolio Report

The Nigerian economic fundamentals continued to improve as GDP growth came in 1.40% y-o-y in Q3:2017 with inflation moderating to 15.90% (November, 2017) and Purchasing Manager Index (PMI) showing stronger month on month growth as capacity utilization improves. The various measures taken by the monetary and fiscal authorities are yielding fruits as the country return to growth path. We believe that FX price stability, increase in crude oil prices and production levels will bode well for the economy in the medium to long term.

At the Monetary Policy Committee (MPC) meeting held on 20th – 21st of November 2017, the Committee maintained the status quo; 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, the fixed income market remained fairly buoyant through the last quarter of 2017, with yields remaining relatively high for most of the period.

By the end of the period, in line with the expectations of reduced domestic borrowings backed by statements from the Ministry of Finance in relation to the cost of the country's debt, the Federal Government issued Eurobonds worth USD3bn (of USD5.5bn planned). The proceeds from the Eurobond issuance was earmarked for the redemption of high-yielding naira Treasury assets, which was done at the end of Q4:2017, and consequently led to decline in yields given the immediate supply-demand imbalance.

Given the Ministry of Finance's plan to redeem portions of the 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 will potentially cause redirection of capital towards the equities market.

Equities market halted three years losing streak and posted a gain of 42.30% in 2017. Investors' sentiment remained strong for equity asset class as economic indicators confirm upswing. The corporate earnings scorecards of listed entities showed significant improvement as at Q3'17 as companies consolidated on their H1:2017 profitability level. Though, the equities rallied significantly in 2017, we believe select stocks of companies operating in the priority sectors and those of leaders in their respective sectors still present opportunities for potential gains in the year 2018 especially for long term investors. Hence, we are optimistic about the equities market for the first half of the year. Our strategy for H1:2018 is to position our portfolios in value stocks with equities space and high dividend paying stocks in key sectors of the economy 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 one of our newest products- Meristem Ethical Earnings Portfolio, which offers highly attractive income to ethical investors. For more information on this product, 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. We held a successful Center of Influence Seminar on Estate Planning on the 30th of November 2017.

As we commence this New Year, while we beseech the Almighty for a better year ahead, please be assured of our commitment to exploring innovative ideas to create more value and serve you better than ever.

I thank you for your steadfast support and wish you a prosperous year- 2018!

Yours faithfully,

A handwritten signature in blue ink, appearing to read "Sulaiman Adedokun".

SULAIMAN ADEDOKUN, CFA
MANAGING DIRECTOR