

Dear Valued Client,

Q2:2018 Portfolio Report

The Nigerian economy remained on the growth path as the Gross Domestic Product (GDP) in Q1'2018 recorded a 1.95% growth compared to Q1'2017 and implied the GDP declined quarter on quarter by 13.40%, while inflation rate reduced to 11.61% in May. Also, the Purchasing Manager Index (PMI) showed improvement between May and June, as capacity utilization edged up in the real sector of the economy. In our view, the measures taken by the Central Bank of Nigeria (CBN) especially with regard to FX management did well for the economy and facilitated free flow of goods and services across the Nigerian borders.

At the Monetary Policy Committee (MPC) meeting held on 21st and 22nd of May 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.

Based on this decision and the consistent reduction in inflation rate, we expect the fixed income market to remain relatively attractive. We have also seen the yields gradually revert to average levels across the investment tenors, as the Federal Government reduced domestic borrowings. This has driven growth in commercial papers issuance by Corporate organizations, as investors search for low risk investment alternatives to treasury instruments.

The equities market reversed returns made in the Q1'2018 following a strong bullish start in the year as sentiments swayed in the negative direction. The All-Share index recorded a 2018 year high of +17.91% on the 19th of January. However, the market has since turned down due to reduction in equities in foreign investor portfolios, profit-taking by investors and lacklustre results released in Q2'2018 by some listed companies. Hence, the market declined by 7.77% in Q2:2018 to close with a return of 0.09% Year-to-date. Also, the implementation of par value rule by the Nigerian Stock Exchange (NSE) impacted negatively on equities performance as insurance stocks recorded massive declines in value.

The Q1'2018 corporate earnings scorecards of listed companies released so far in 2018, have shown mixed financial performances as the economy remained largely slow in H1'2018. This may be owing to delayed passage of 2018 budget. However, in the near term, we believe the shares of companies operating in the priority sectors of the economy, will still present opportunities for potential gains by year end, especially for long term investors. We intend to tread with caution as political activities gather momentum ahead of 2019 general elections, our strategy is to optimize value on our portfolios through selection of 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 active value 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 inform you of our cutting edge products- Meristem Ethical Earnings Portfolio and Meristem Real Estate Backed Ethical Portfolio which offer highly attractive income to ethical and other classes of investors. For more information on these products, please send your enquiry through any member of our team, and we will be happy to attend it.

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; also our Equity and Money Market Mutual Funds and Target Date Portfolios.

Given that we pride ourselves as investment manager with bias to value creation, and in line with our mandate to transparently provide competitive returns, we are constantly in search of investment opportunities across all asset classes that meets your portfolio and return objectives. Furthermore, as we approach a new election year, we shall ensure that portfolios are well positioned and protected from downside risks, while maximizing best possible returns.

Please be assured that we value your continued relationship with us and we are strongly committed to serving you better.

Yours faithfully,



SULAIMAN ADEDOKUN, CFA
MANAGING DIRECTOR