



Dear Valued Client,

### **Q3:2018 Portfolio Report**

The Nigerian economy sustained its positive growth in Q2:2018 with real Gross Domestic Product growth rate at 1.50%, a 0.78% advancement over the 0.72% recorded in Q2:2017. Relative to Q1:2018, this represents a 2.94% quarterly growth. Inflation rate on the other hand declined in July to 11.14% until August when it reversed its nineteen months downward trend and advance to 11.23%. Manufacturing PMI fell in September to 56.2, reflecting input slack in the real sector coupled with sluggish purchase, as against the 57.1 level recorded in August. These occurrences would have impacted the exchange rate negatively save for the continued injection of FX into the economy by the CBN. Hence, external reserves declined to \$44b.

The Monetary Policy Rate (MPR) and other policy rates were maintained at the Monetary Policy Committee (MPC) meetings held in July and September, 2018. This was on the back of expectation of increased liquidity given the upcoming general election in the country, increased FAAC allocation and expected implementation of fiscal policy. However, the committee confirmed the slack in the economy, with the hope that the fiscal and monetary policy implementation will provide the needed stability in the interim. In response to economic situation and despite the decision of the MPC, the CBN increased stop rates on Treasury Bills in September, resulting in a general improvement in the yield environment. This saw an increased demand for government debt instruments, thereby rendering Commercial Papers less attractive. The hike in August inflation is expected to further pressure yield increment, potentially forestalling capital flight from the economy.

In the equities market, the bearish sentiment which started towards the tail end of the first quarter of the year became stronger and persistent in Q3:2018, resulting in the highest Year-To-Date loss of 16.27% on the 13<sup>th</sup> of September, from -0.77% on the 2<sup>nd</sup> of July. Although the earnings result released by listed companies in the period were mixed, the mood in the market remained down, with sell-offs further aggravated. This is evidenced by the reduction in both Foreign and domestic participation in the market between June and August by 30.70% and 26.36% respectively. The market lost a cumulative 14.40% in Q3'2018, closing with a Year-to-Date return of negative 14.32%.

Despite the poor performance in the equities market, conditioned largely by the level of activities in the economy, we believe that some companies possess growth and value potentials. This particularly creates opportunities for medium to long term investments as well as possible upside potential towards the end of the year. We however still apply caution given the upcoming general elections next year. With our expectation of the yield environment in the fixed income market, and the introduction of alternative investment vehicles, we will utilize these potentials to deliver optimal performance on portfolios within appropriate risk levels. Our strategy as your portfolio manager is therefore to select well-researched and fundamentally justified securities to generate optimal return while minimizing downside risks.

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. The products are particularly useful in meeting up with obligations denominated in these currencies, and in hedging against exchange rate volatility, while also providing highly attractive return on investment. Also our Equity and Money Market Mutual Funds and Target Date Portfolios are equally available to meet varying degrees of clients' interest.

We are very appreciative of your continued partnership with us as we work tirelessly to continuously deliver value and excellent service to you.

Yours faithfully,

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

**SULAIMAN ADEDOKUN, CFA**  
**MANAGING DIRECTOR**