Dear Valued Client,

Q1:2019 Portfolio Report

The economy was resilient as fundamentals improved Year-on-Year (YoY), despite the political uncertainties that clouded the country as general elections were held. Gross Domestic Product (GDP) in Q4'2018 grew by 2.38% YoY, its highest since the fall-out of recession in Q2'2017. Consequently the economy grew by 1.93% in 2018 compared to 1.11% in 2017. Inflation rate further moderated by 0.06% in February 2019 to settle at 11.31% compared to 11.37% in January 2019 while February Manufacturing PMI settled at 57.1 as against 58.5 in January 2019. The improvement in these economic fundamentals during the period was on the back of stable FX rate and steady growth in the non-oil sector.

The Monetary Policy Committee (MPC) met on the 25th and 26th of March and voted to reduce the MPR by 50 basis points from 14.00% to 13.50%, while other metrics remained unchanged. The Committee's position was based on improvements in key macroeconomic indicators and their outlook, which are downward trend in inflation rate, modest GDP growth rate, and stable FX rate. The Committee also considered the relative slowdown of policy rate hike in advance economies and the likely shift of foreign investors to emerging markets. Similarly, the Committee's stand was premised on the relatively low volatility of benchmark oil prices and an expectation of price levels staying above budget benchmark price, as well as its resultant effect on external reserves. The Committee also recognized Federal Government's initiatives towards increasing its revenue through fiscal measures.

The Fixed income market remained an attractive space for investors. As macroeconomic conditions improve and policy rate hike slowdown, the market had been the recipient of capital inflow into the economy notwithstanding relative decline in yield. Overall, average yield on treasury bills and bonds have since declined by 2.38% and 1.24% respectively. We expect yield to moderate further in H1'2019 as capital inflows push demand for these instruments on the expectation that the CBN maintain its FX policies. We also expect Federal Government, upon passage of the Budget by Parliament, to finance some of her long term projects through the market.

Equities market however remained bearish in Q1'2019. The bourse shaved 1.9% by end of Q1'2019 as investors switched to safe assets on the back of political tension, as general elections were conducted. Mixed result of 2018 financial scorecards further propelled same mood as outlook of counters were reviewed. However, we are cautiously optimistic that continued improvement in macroeconomic fundamentals and with the expectation that this will boost investor's confidence in the economy, we believe the current prices present good entry opportunities for potential uptick in H2'2019. We also expect declining yield to further drive same as investors shift interest to the equities market. Our strategy for H1'2019 is thus to ensure that our portfolios are positioned in counters with strong fundamentals while also riding on market sentiments, protect downside risks with fixed income and alternative investments, and continually seek positive risk-adjusted returns for our clients.

Some of our structured products still available for subscription at very attractive return rates are: Target Date Plan, foreign currency denominated products- Meristem Dollar Investment Portfolio & Real Estate Advantage Portfolio with minimum subscription amounts of USD2,000 and GBP2,000 respectively; and our Equity and Money Market Mutual Funds. Our core services also include Retirement Planning and Estate planning. Please be informed that Meristem Asset Management remains Global Investment Performance Standards (GIPS) compliant.

Please be assured that we value our continued relationship and our commitment to delivering excellent service to you.

Yours faithfully,

SULAIMAN ADEDOKUN, CFA
MANAGING DIRECTOR