

Dear Valued Client,

## Q2:2019 Portfolio Report

The Nigerian macroeconomic fundamentals continue to improve Quarter-on-Quarter (QoQ) save for marginal rise in inflation level in May 2019 to 11.40% from 11.33% in April 2019. The economy expanded in Q1'2019 as Gross Domestic Product (GDP) printed at 2.01% YoY while Purchasing Managers Index (PMI) which measures manufacturing capacity utilization stood at 57.4 in June, indicating an expansion in the manufacturing sector. We believe continued FX stability, expansionary fiscal policies, stable crude oil prices and improved oil production will foster a similar growth trend in the short to medium term.

Yield in the money market declined in the quarter though the Monetary Policy Committee (MPC) voted to retain the Monetary Policy Rate at its meeting held on the 20th and 21st of May 2019. The decline was more pronounced within the 91day - 182day tenors, evidenced by the lower stop rates across all tenors at the Primary Market Auctions (PMA) while average Treasury Bills and bonds yields closed the quarter at 12.88% (vs. 12.17% in Q1:2019) and 14.07% (vs. 13.87% in Q1:2019) respectively. The reduced rates on Treasury instruments spurred issuance of commercial papers by corporates, at higher yields to investors.

The CBN governor, Godwin Emefiele, laid down the Apex Bank's 5-year plan following his reappointment in May, with particular focus on lowering inflation rate, stabilizing exchange rate, growing external reserves, fostering growth in the non-oil sector amongst others. Based on these, we expect yields to moderate further in Q3 2019, provided there are no external shocks that will impact the economy.

Despite impressive macroeconomic fundamentals, activities and return on the equities market was negative in the first half of the year. The Year-To-Date return of the equities market was a negative of 4.66% which implies QoQ return of -3.64%. Market performance was stifled by low participation of foreign investors who favored money market securities in the period. We however anticipate a moderate run on the shares of companies operating in the priority sectors of the economy as they turn out their half year financial reports. We also expect a shift of interest in favor of the equities market as yield on money market instruments continue to decline, while counters trade at good entry prices. Our expectation is also hinged on likely return of investors as they take position in view of companies half year reports and interim dividend declaration, this corporate should spur moderate run of the counters. Similarly, we expect planned stimulation fiscal and monetary policies, and an upward trending high oil prices complimented by OPEC further cut in global supply of crude oil, to further drive same.

As your active value investment manager, we have also favoured money market instrument for preservation and steady growth of your wealth, where possible. However, in line with our expectaton of the equities market, we have taken position in stocks with strong fundamentals and dividend paying policy, to capture potential gains while exiting stocks with relatively weak fundamentals.

Also in our quest to provide you with competitive alternative investments to aid diversification and create optimal value, we have created three GIPS complaint composites; Meristem Conservative Composite; Meristem Fixed Income Composite and Meristem Balanced Composite. The composites are a combination of asset classes varied by risk levels and return expectations. Our Indices, the NSE Meristem Value Index and the NSE Meristem Growth Index were launched to provide stlye investment strategies while our recently reviewed Meristem Ethical Earning Portfolio seeks to provide diversifiacton benefits and competitive return to ethical investors. The Meri-Dollar Investment Portfolio rate is now more competitve and available for subscription.

Other structured products available for subscription at very attractive return rates are: Target Date Plan, Meristem Real Estate Backed Ethical Portfolio, and our Equity and Money Market Mutual Funds. For more information on these product, please send your enquiry through any member of our team or Contact Centre, and we will be happy to attend it.

As always, thank you for the opportunity to serve you and please be assured that we value our continued relationship, hence our commitment to delivering excellent service to you.

Yours faithfully,



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