

MONTHLY MARKET REVIEW AND FORECAST

FEBRUARY 2018

TRUSTFUND PENSIONS LTD RESEARCH

M A R C H 2 0 1 8

Outline

Nigeria Macro Review

Domestic market review

Equity market outlook

Fixed Income Markets Outlook

Key Macro Variables

— 10-year FGN bond yield

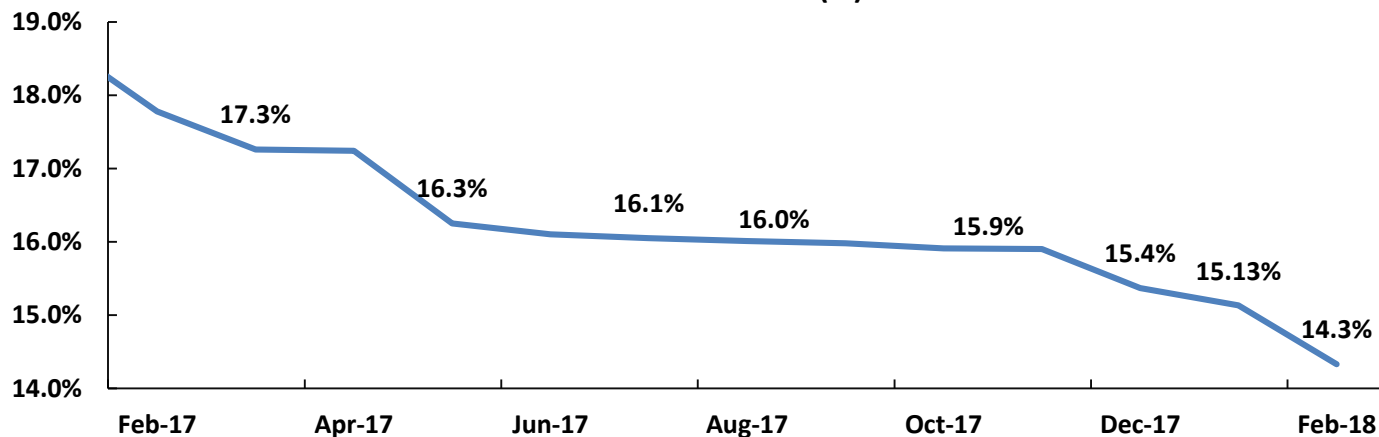


Decelerating inflation (now 14.3%) & increasing Macro Confidence weigh on Nigeria's bond yields. Average 10-yr bond yield closed February at 13.42%.

Thus, we look forward to lower yield environment in 2018Q2 even so it will be short-lived by political risks on the run-up to 2019 elections.

Thus, we think 2018Q2/Q3 may be a good time to take advantage of likely volatility in the rate environment

Headline Inflation Rate (%)



February Equity Market Round-up

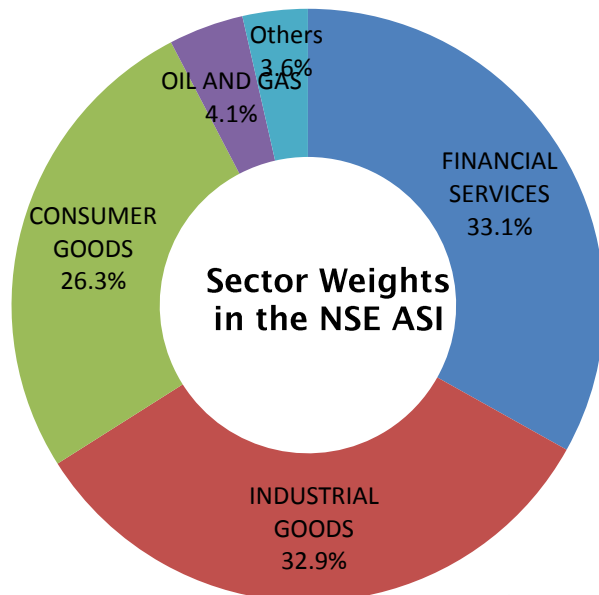
Sector Performance Summary

Sector Indexes	Today's Return	YTD Return	P/E (x)	Dividend Yield
FINANCIAL SERVICES	-3.22%	16.6%	8.6x	1.8%
CONSUMER GOODS	2.39%	2.5%	30.1x	1.8%
INDUSTRIAL GOODS	4.88%	17.6%	24.4x	3.1%
OIL AND GAS	0.28%	4.5%	10.9x	4.7%
SERVICES	-1.3%	15.5%	13.2x	6.7%
CONGLOMERATES	0.0%	-0.4%	9.6x	6.4%
AGRICULTURE	0.0%	4.6%	18.9x	2.1%
HEALTHCARE	2.6%	3.7%	#DIV/0!	1.4%

*YTD means Year-to-Date; WTD means Week-to-Date. Sector P/E's are adjusted for companies with negative trailing earnings

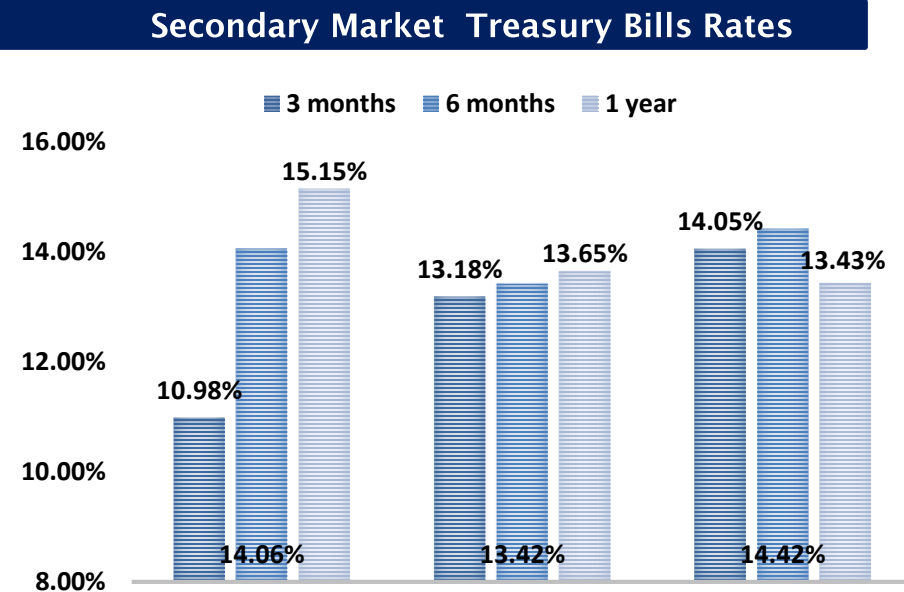
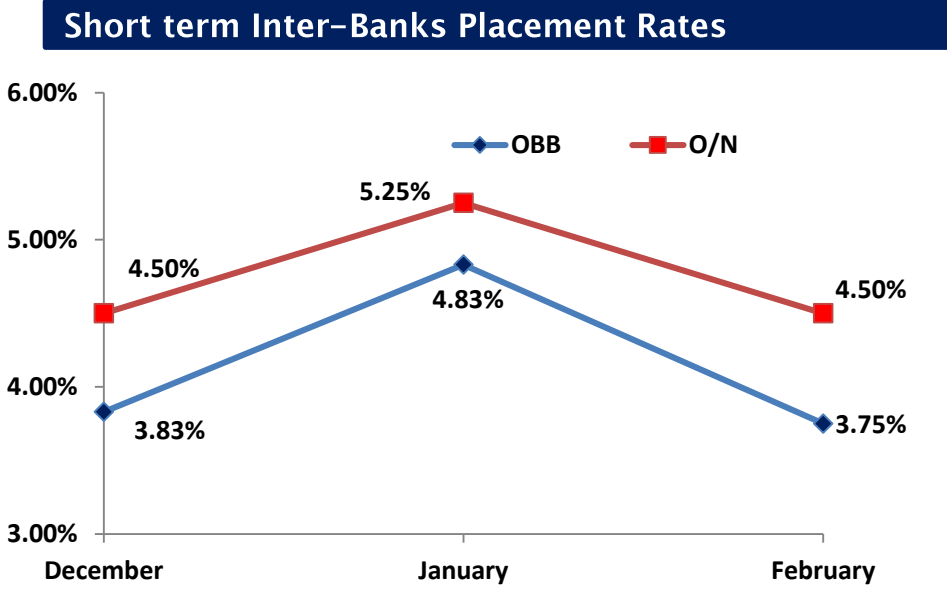
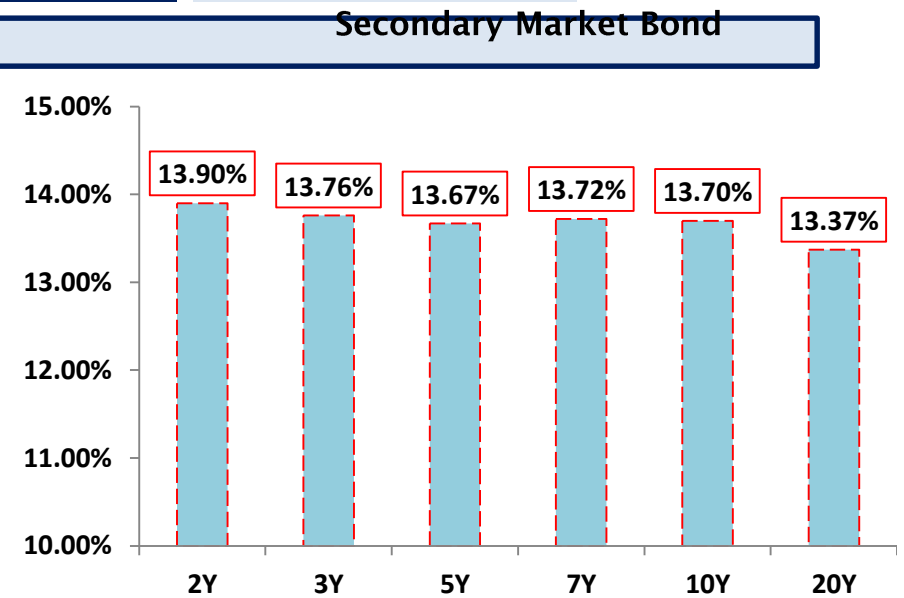
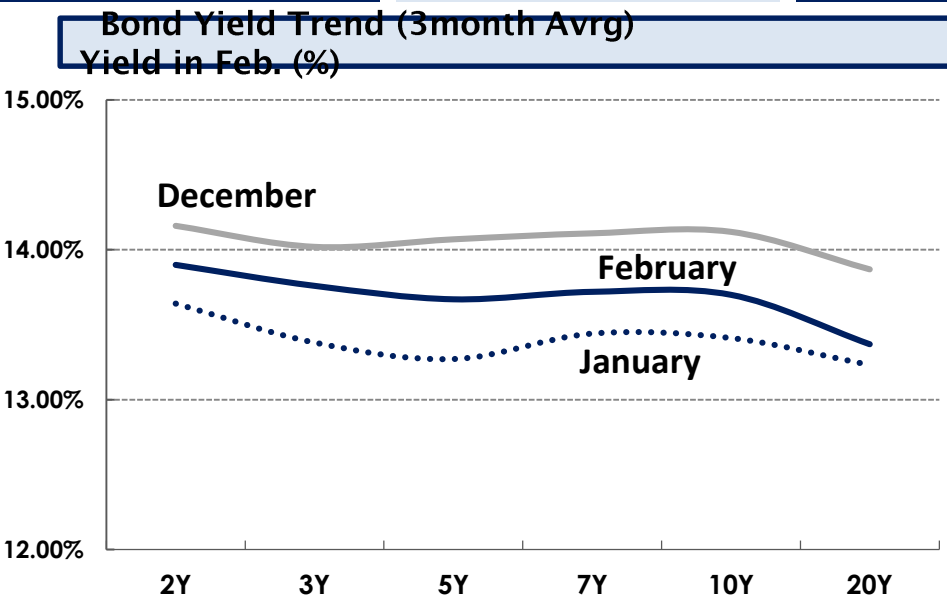
Source: Trustfund Research, NSE

Top 3 sectors take 92.3% of market capitalization



- No thanks to some profit booking within the Financial basket (SKYEBANK (-34.01%) WEMABANK (-32.65%) and DIAMONDBNK (-26.1%)), the Nigerian equity market index shed a notable 2.28% in February.
- We, however, note the improved domestic investors upbeat about the 2017FY corporate earnings of blue-chips, particularly those with attractive dividend history and striking 2017 9-month Profit after Tax (PAT).
- We reiterate the need for caution, as the improved sentiment expected with the year-end corporate declarations in March might be transient (with profit taking resurging in the 2nd half of the year).
- We believe investors will remain watchful due to fragile macro economic recovery and pre-election sentiment expected in the second half of the year.
- Overall, the negative return in February reflected on some of the stocks contained in our portfolios as return on equities in the RSA portfolio slowed by 28% to 10.21% from 14.16% recorded in January.

Market Round-up :February Bonds



Market Outlook

The Nigerian macroeconomic fundamentals continue to improve, with a positive impact on the growth rate of the Nigerian economy. The economy strengthened in Q4 2017, helped by the resurgence of activities in the non-oil sector. However, a more inclusive growth is required given the higher population growth rate than current GDP Growth. This couple with the continuous deceleration of inflation should help propel the needed convergence between Monetary and Fiscal policies in the months ahead. Hence a dovish tone is expected in the next MPC meeting.

Equity

We will continue to take strategic positions in stocks that have good fundamentals to take advantage of the expected year end rally in the market. We expect that the stability in the economy, the drop in yields on fixed income and improved liquidity in the FX market will buoy sentiment on stocks in the months ahead.

Bonds

We will realign our portfolios to increase the long-dated bonds with not less than 15% coupon and be on the look out for Infrastructure and corporate bonds with attractive premium, as current yield level proffers the opportunity for private investors to return to the debt market.

Money Market

At 14.5%, average money market rates remain attractive for liquidity and profitability. Similar to the bonds market, we expect T-bills yields to trend lower in the near term, as confidence improves on Nigeria macro space and inflation sustains the downtrend

We will take profit on some assets where need be and redirect the proceeds to instruments at the short end of the yield curve and at an effective yield of not less than 14.0% in order to improve the portfolio return.