

**MONTHLY MARKET REVIEW
AND FORECAST**

DECEMBER 2017

TRUSTFUND PENSIONS LTD RESEARCH

J A N U A R Y 2 0 1 8

Outline

Nigeria Macro Review

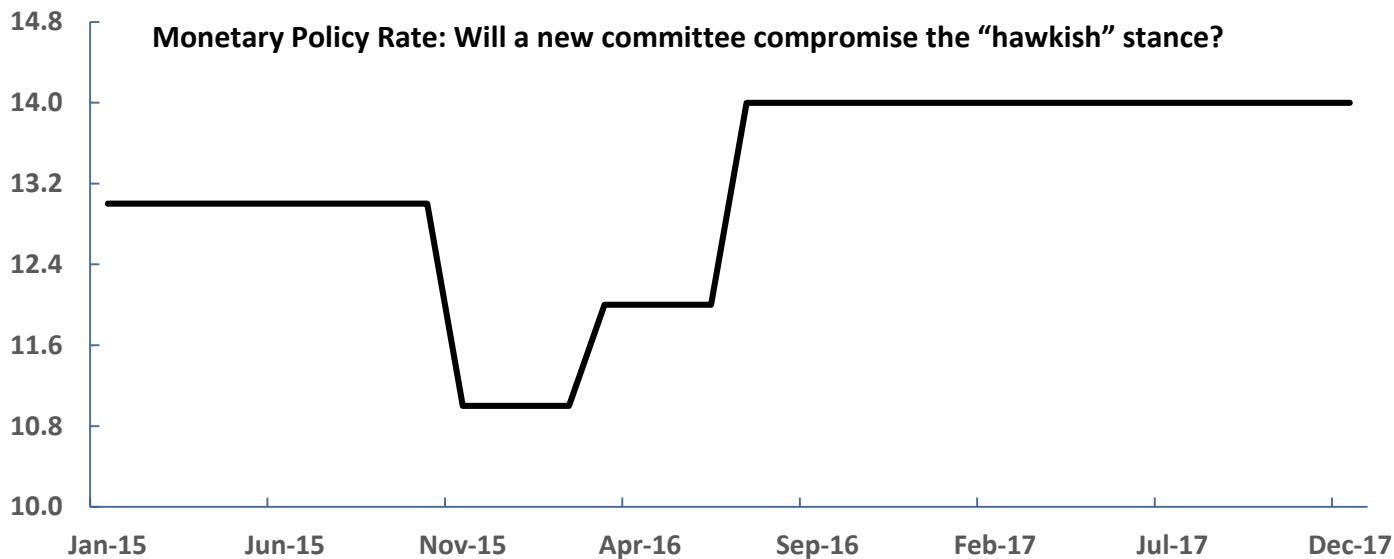
Domestic market review

Equity market outlook

Fixed Income Markets Outlook

Income Report (Projected/Actual)

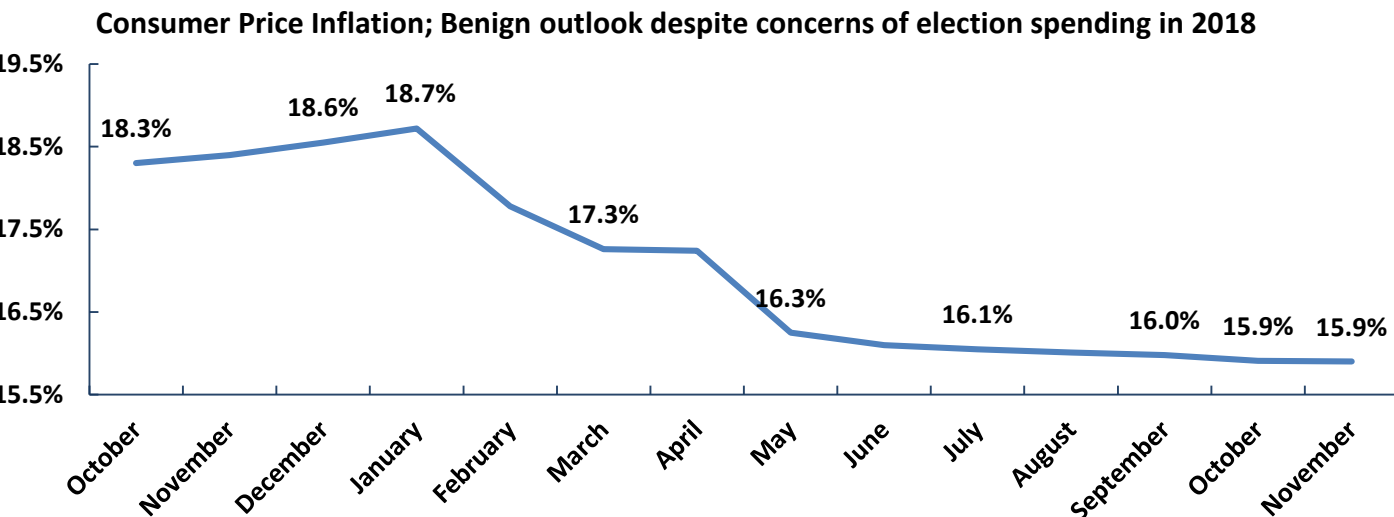
Key Monetary Variables



To consolidate on fiscal stance, the MPC will keep interest rate in check. Albeit, with a benign inflation rate outlook, the expected committee member may dance to the tone of tight policy regime.

Thus, we look forward to lower yield environment in 2018Q1 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



December Equity Market Round-up

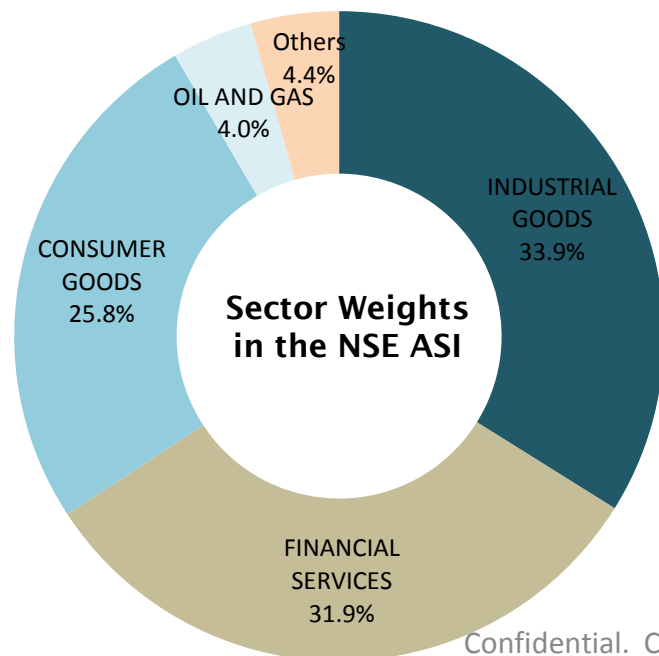
Sector Performance Summary

Sector Indexes	Today's Return	YTD Return	P/E (x)	Dividend Yield
HEALTHCARE	-0.01%	-15.2%	0.0x	1.4%
CONSUMER GOODS	-0.49%	31.6%	24.2x	2.4%
FINANCIAL SERVICES	-2.97%	68.9%	6.6x	4.8%
SERVICES	-0.63%	6.9%	10.3x	4.9%
ICT	0.0%	12.4%	0.0x	2.1%
OIL AND GAS	4.6%	-19.9%	10.0x	5.8%
INDUSTRIAL GOODS	-4.0%	25.5%	20.4x	3.6%
AGRICULTURE	0.0%	110.3%	18.2x	0.8%

*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 80% of market capitalization



•Nigerian equity market index gained 0.79% in December, explained by positive sentiments on NEIMETH (+29.30%), FCMB (+28.70%), SEPLAT (+26.50%) and FBNH (+23.20%).

•Majorly, the local equity market gained N3.80billion in 2017, with market capitalization improving to N13.61billion from N9.25billion at the close of 2016.

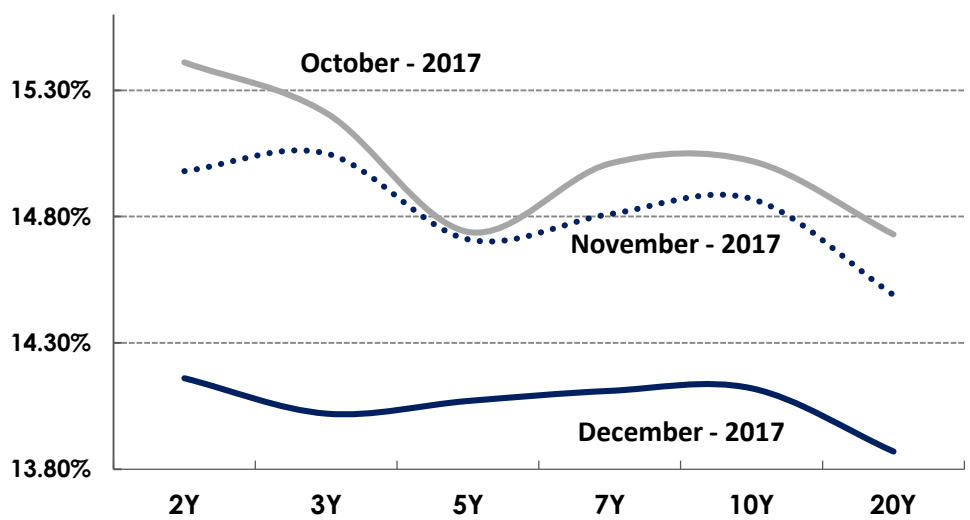
•Average daily turnover in 2017 was N5.13billion, significantly higher than N2.33billion daily in the preceding year.

•2017 equity market performance reflected a range of global and macroeconomic factors, including rising crude oil price which provided stem for Nigeria External reserves and FX stability {Naira gained 35%YoY in the parallel market to N363.5/\$USD} and Nigeria exit from its first recession in over two decades.

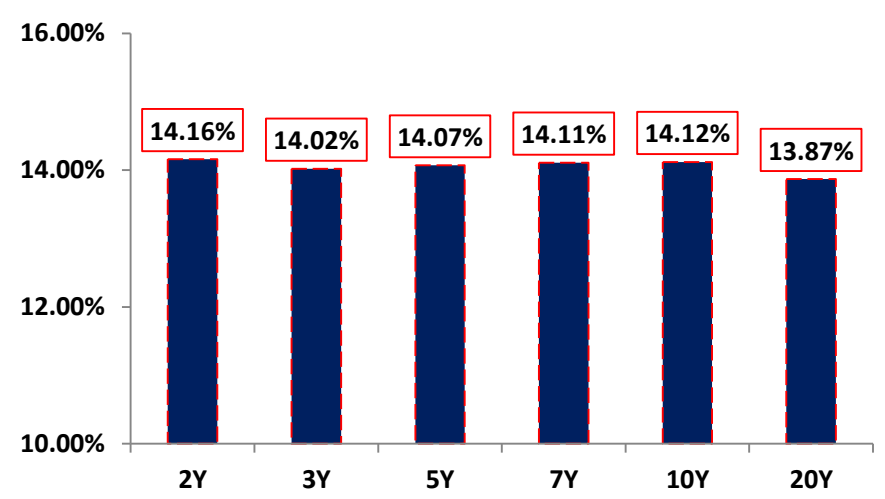
•Overall, the YTD performance was awesome at 42.30%, rendering the local bourse a 3rd position in the league of global exchanges (CNN Money Int.), with valuation still attractive at 2.4% div yield and 14.9x P/E.

Market Round-up :December Bonds

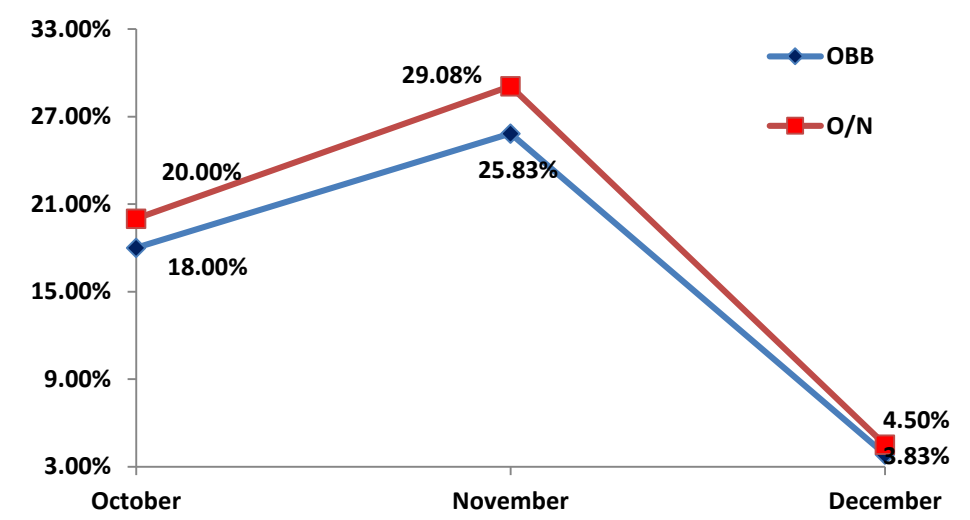
2017 Bond Yield Trend (3month Avrg)



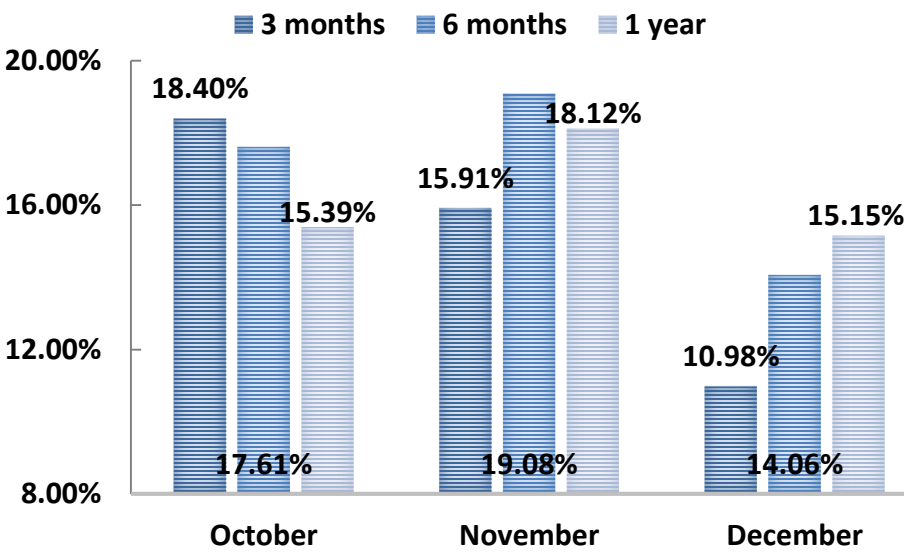
Secondary Market Bond Yield in Dec. (%)



Short term Inter-Banks Placement Rates



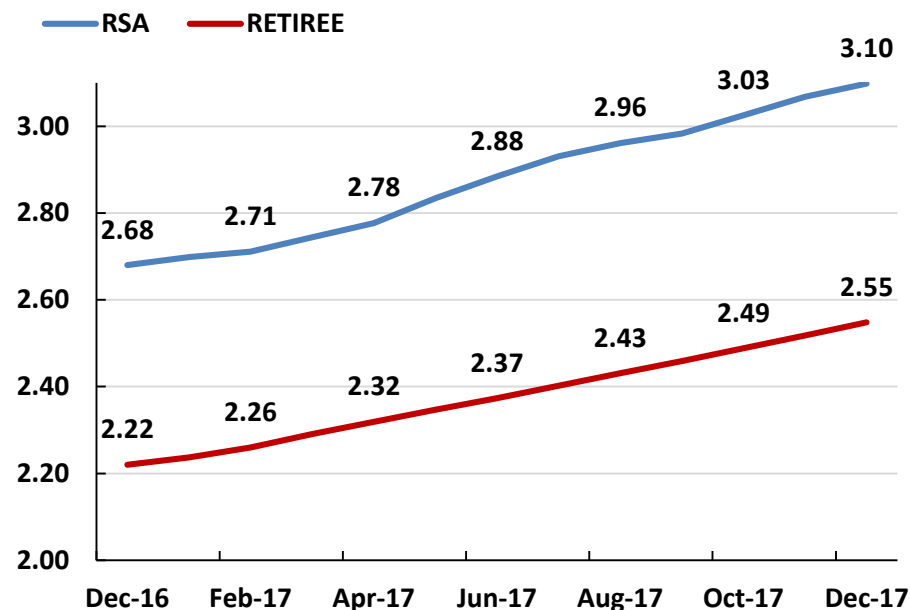
Secondary Market Treasury Bills Rates



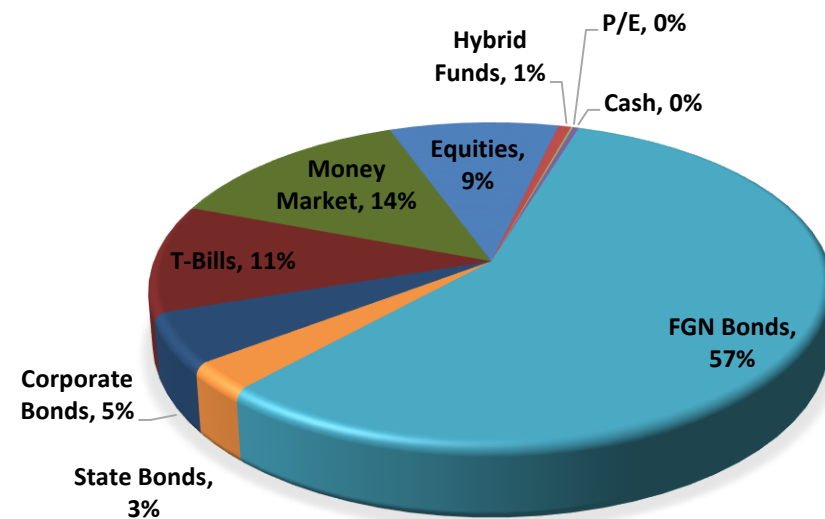
Source: Trustfund Pensions Ltd Research; fmdqotc

Trustfund Unit Price – Impressive stocks returns sustained unit price above 3.0000

Following improved appetite on equities, Trustfund Unit Price outperformed projection in 2017 reaching a record 3.1000



Summary of Asset Allocation



- ✓ Our unit price in December scaled the 3.0000 level on impressive returns recorded on stocks contained in our portfolio and supported by the attractive yields on Treasury bill and Money market instrument. Hence the 7.4% growth in the unit price to 3.07 from 2.88 recorded at the end of the second quarter.
- ✓ The Retiree fund unit price mirrored the RSA performance of 7.4% to 2.55 from 2.37 recoded in June, 2017.

Market Outlook

Our outlook is convince on sustaining the growth momentum in 2018 as the dynamic adjustment path will readjust better in 2018 coupled with strong Oil production and stability in Oil prices. This will grease both external reserve and exchange rate positively. We see monetary policy slanting towards a mid point to accommodate growth, thus we can expect a 100bps shave to the monetary policy rate accompanied by a cut in the quantity base. Growth, however, remains vulnerable to shock as the real sector, such as Trade, Manufacturing, Finance and Information Technology are yet to recover fully.



We will be on the lookout for investment opportunities that provides return in excess of inflation to improve the portfolio return.