

MONTHLY MARKET REVIEW AND FORECAST

NOVEMBER 2017

TRUSTFUND PENSIONS LTD RESEARCH

D E C E M B E R 2 0 1 7

Outline

Nigeria Macro Review

Domestic market review

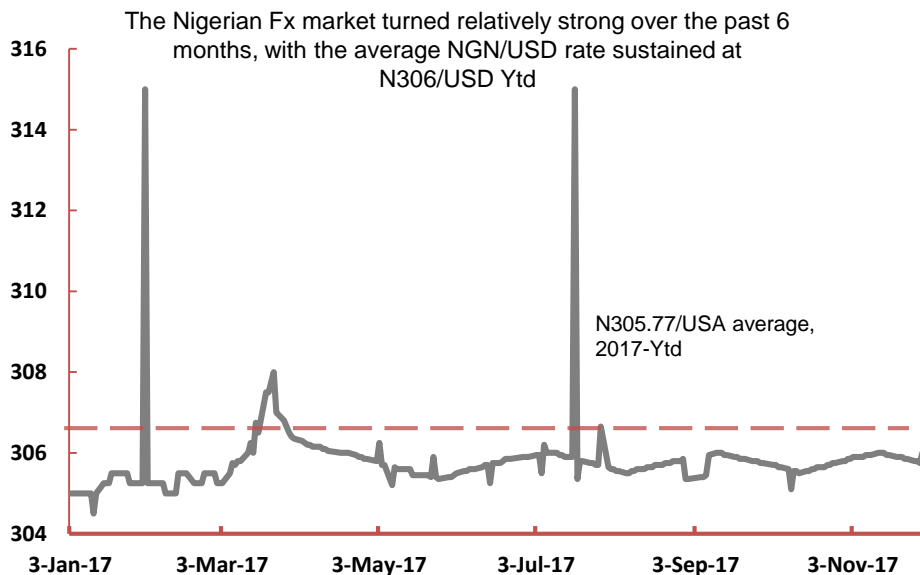
Equity market outlook

Fixed Income Markets Outlook

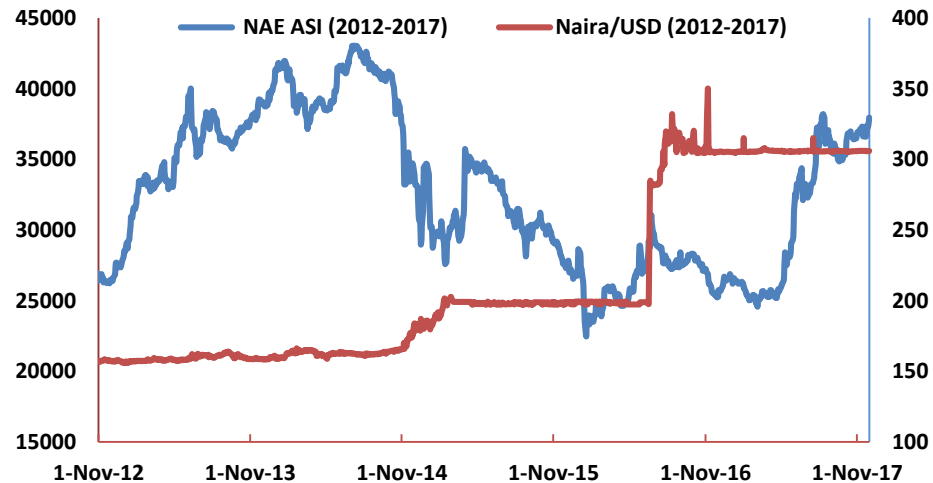
Trustfund Unit Price – Impressive stocks returns sustained unit price above 3.0000

Changing FX dynamics – Reasons and Implications for the markets

The Naira has been stable within a range band Ytd, but how sustainable? And what implication are there for the market?



Judging by recent experience, sustained stability in the FX market has been a forward indicator to significant foreign inflow into the local bourse.



Why:

- Steady increase in the Nigeria External Reserve balance following rise in crude oil price and output.
- Improved market confidence and reduced speculative trade against the Naira in the wake of sustained CBN intervention to shore up the Naira.

Strategic Deductions:

- By a-priori knowledge, sustained stability in Naira performance encourages foreign investor participation in the domestic capital market.
- Due to the persistently low interest rate in the Euro area and the recessed economy of South Africa, foreign investors like Nigeria, albeit remain cautious – thus explaining the preference for riskless Nigerian assets.

November Equity Market Round-up

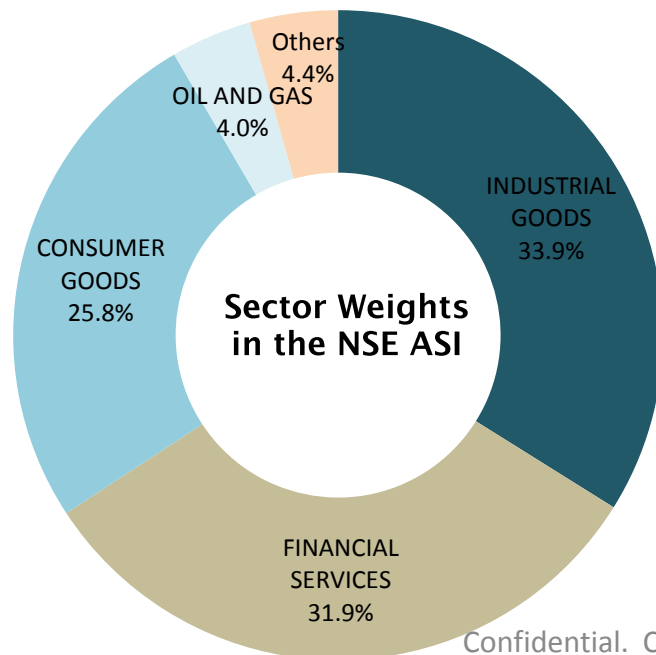
Sector Performance Summary

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/Es are adjusted for companies with negative trailing earnings

Source: Trustfund Research, NSE

Top 3 sectors take 80% of market capitalization



•The bulls dominated the equity market for most of November, with another positive month-on-month gain in the year 2017.

•Safe for some profit taking triggered by year end portfolio rebalancing and uncertainty surrounding the downgrade of the Nigerian sovereign and its financial institutions as a result of the elevated government debt, the NSE-ASI closed with a 3.45% gain, cumulating in a 41.19% gain Ytd.

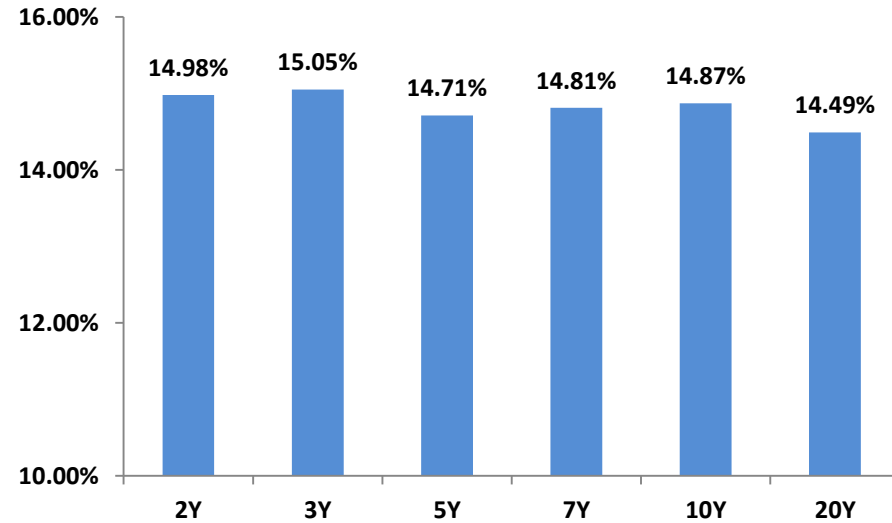
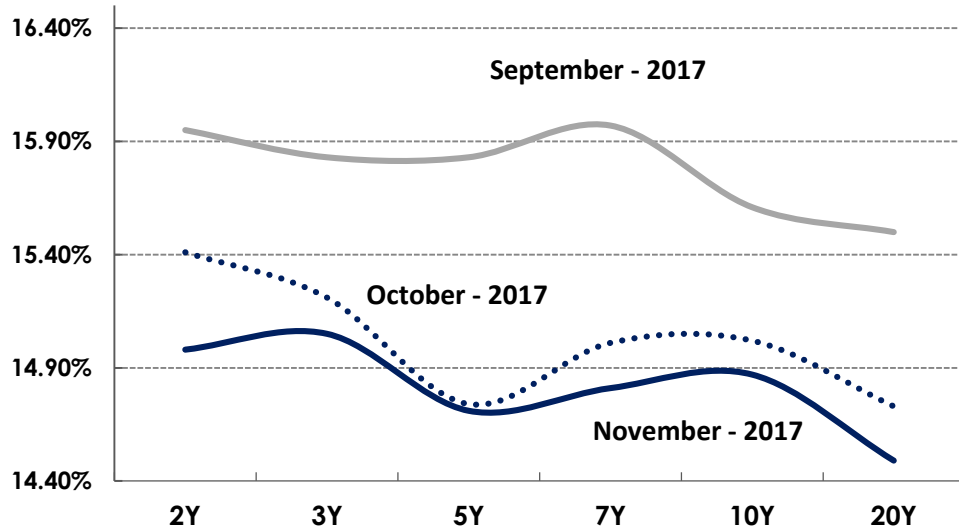
•This meant positive for our portfolio as reflected in an impressive Ytd return of 46.55% in our RSA portfolio with quality stocks that have returned an average of 135% Ytd.

•Activity level also improved on the NSE; an average daily transaction value of N6.3 billion (Vs. N3.0 billion in the preceding month).

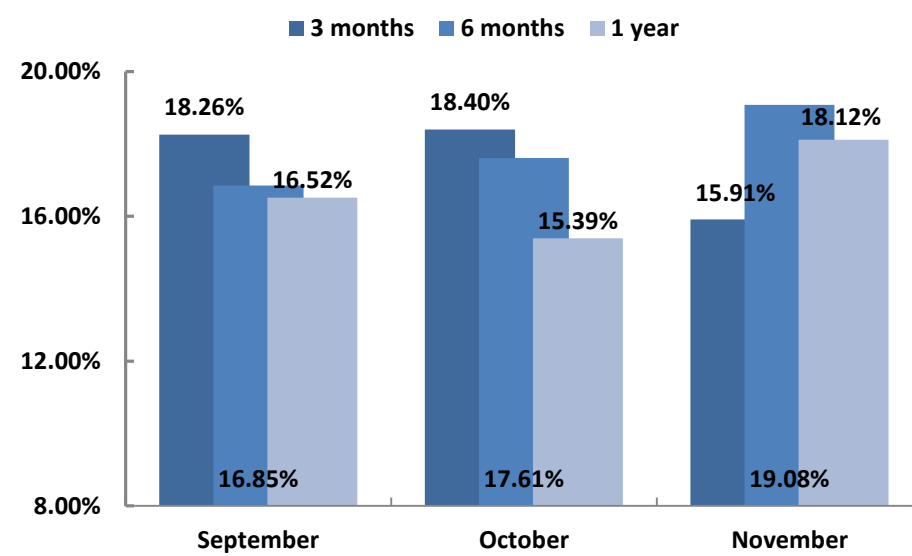
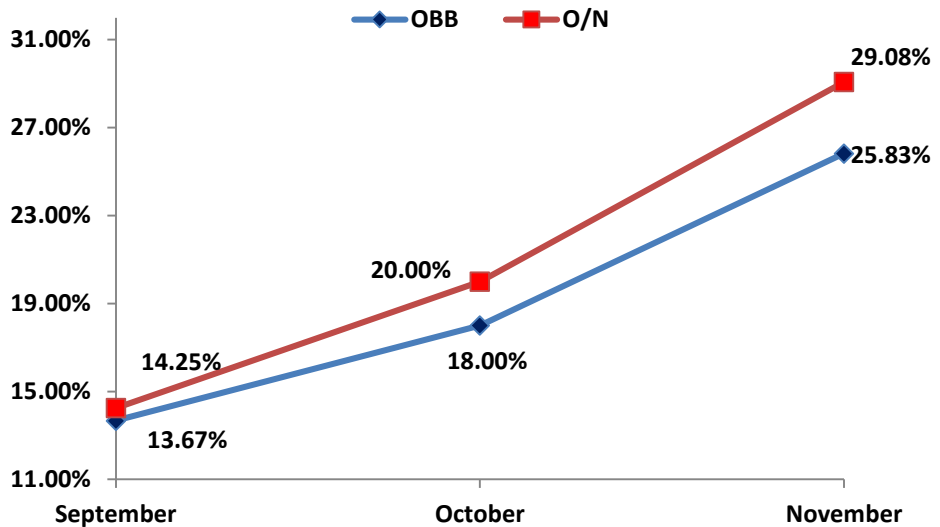
•Overall, we expect an extended rally in December, on the back of continuous decline in yield level, year end sentiment and the CBN stance to pursue an easing cycle over the coming quarters.

Market Round-up :November Bonds

2017 Bond Yield Trend (3month Avrg) Secondary Market Bond Yield in Nov. (%)



Short term Inter-Banks Placement Rates Secondary Market Treasury Bills Rates



Source: Trustfund Pensions Ltd Research; fmdqotc

Market Outlook

Forecasts of key macroeconomic variables indicate a positive outlook for the economy up to Q1 2018. This is predicated on continued implementation of the 2017 budget into early 2018, anticipated improvements in government revenue from the implementation of the Voluntary Asset and Income Declaration Scheme (VAIDS) as well as favourable crude oil prices. The development finance initiatives by the CBN in the real sector, particularly in agriculture, are expected to continue to yield positive results in terms of output expansion and job creation.

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 expectation of higher GDP growth in Q3 will buoyed 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 19.97%, 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 as the gap between the parallel and the interbank FX market compresses.

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 16.5% in order to improve the portfolio return.