

**MONTHLY MARKET REVIEW
AND FORECAST**

MARCH 2018

TRUSTFUND PENSIONS LTD RESEARCH

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Outline

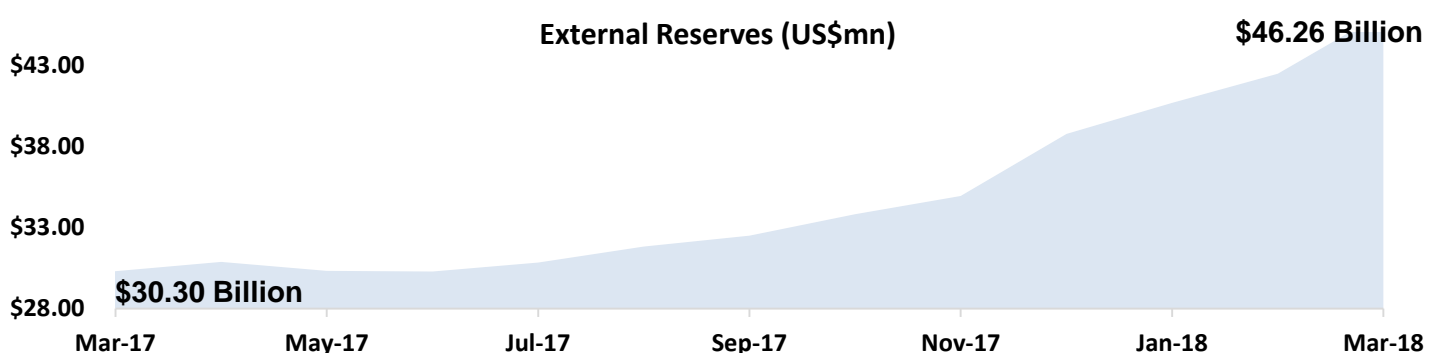
Nigeria Macro Review

Domestic market review

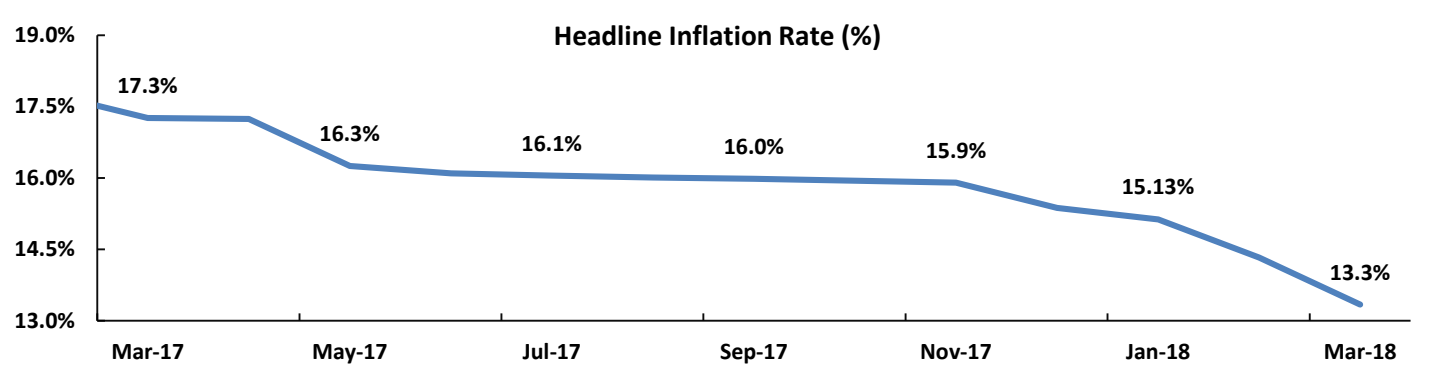
Equity market outlook

Fixed Income Markets Outlook

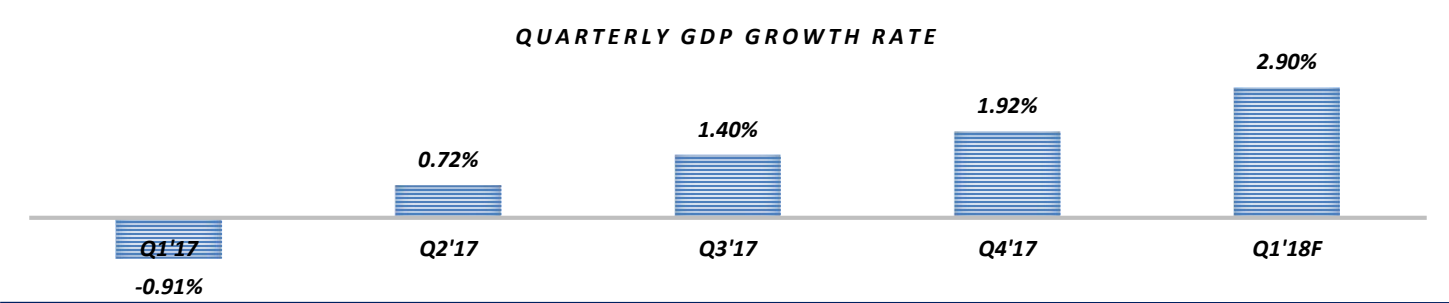
Key Macro Variables: Evolving In the Positive Direction



The rising foreign capital inflows into Nigeria; favorable crude oil price; and increased oil production have led to significant accretion to the external reserves.



Headline Inflation rate declined further to 13.34% in March, mainly on account of base effect of the previous year.

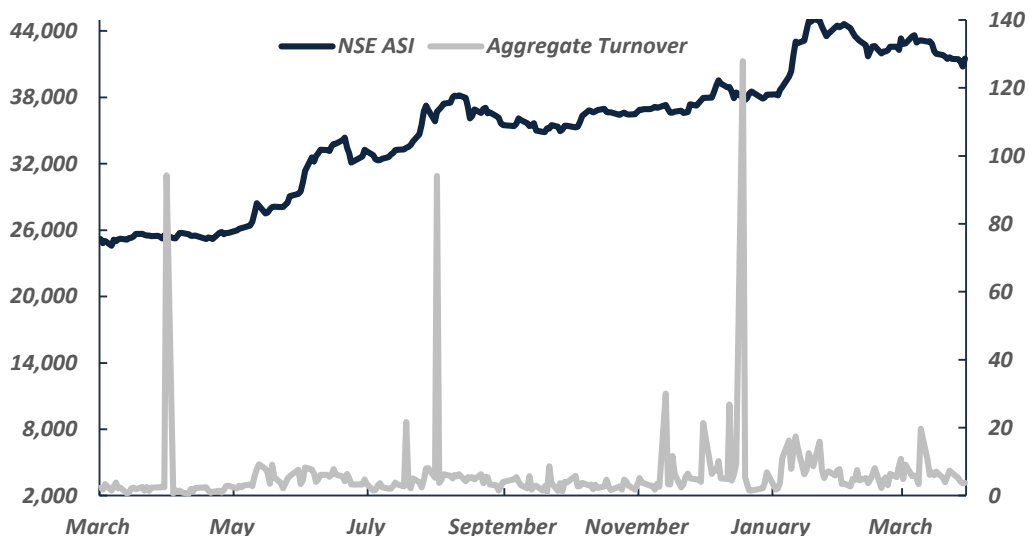


Decelerating inflation & increasing macro confidence weighed on Nigeria's bond yields. Average 10-yr bond yield closed March at 13.42%.

GDP growth is expected higher in 2018Q1 as macro variables evolve in the positive direction.

Thus, we look forward to lower yield environment in 2018Q2.

March Equity Market Round-up



- The Nigerian equity market extended bearish run to two months in a row despite the positive corporate earnings that were reported in the month.
- Last month's decline added to the 2.28% decline in the previous month, pulling the Ytd return to 8.53% from the high of 17.9% recorded in January.
- Average daily turnover remained light, underscoring a conservative post-earning sentiment and weak investor interest in stocks (except for the block trade on DANGCEM).
- We, however, believe the positive economic environment brought on by lower inflation reading, improved Purchasing Manager Index (PMI) and expectation of improved Q1 GDP figure will dictate major activities in the month ahead.
- This would likely buoyed market reprising considering the technical oversold of some counters due to significant profit taking.

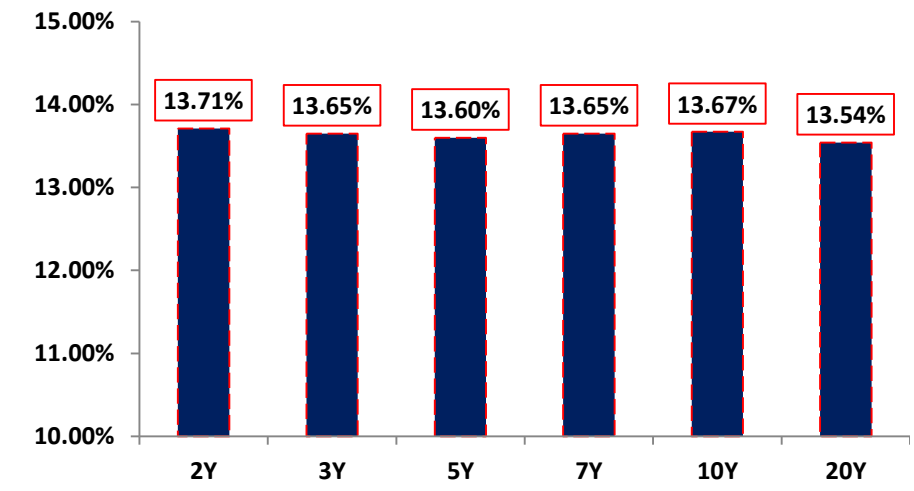
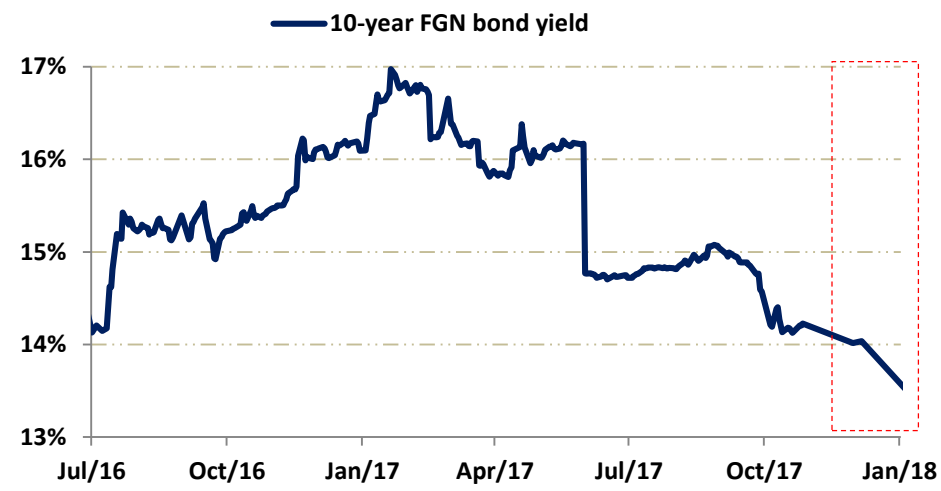
Sector Performance Summary

Sector Indexes	Today's Return	YTD Return	P/E (x)	Dividend Yield
FINANCIAL SERVICES	-5.11%	4.9%	7.7x	1.9%
CONSUMER GOODS	0.55%	-1.2%	23.3x	1.8%
INDUSTRIAL GOODS	1.29%	10.4%	22.9x	3.3%
OIL AND GAS	0.18%	5.7%	10.5x	4.9%
HEALTHCARE	-0.2%	33.8%	0.0x	1.1%
SERVICES	-1.2%	8.2%	3.0x	0.0%
AGRICULTURE	0.2%	5.9%	19.2x	2.1%
CONGLOMERATES	0.0%	0.1%	9.6x	6.4%

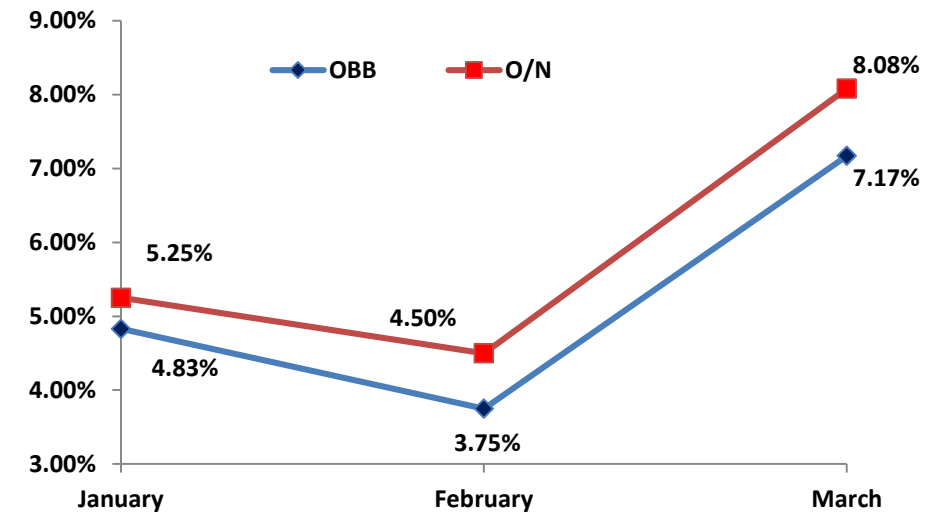
*YTD means Year-to-Date; WTD means Week-to-Date. Sector P/Es are adjusted for companies with negative trailing earnings

Market Round-up :February Bonds

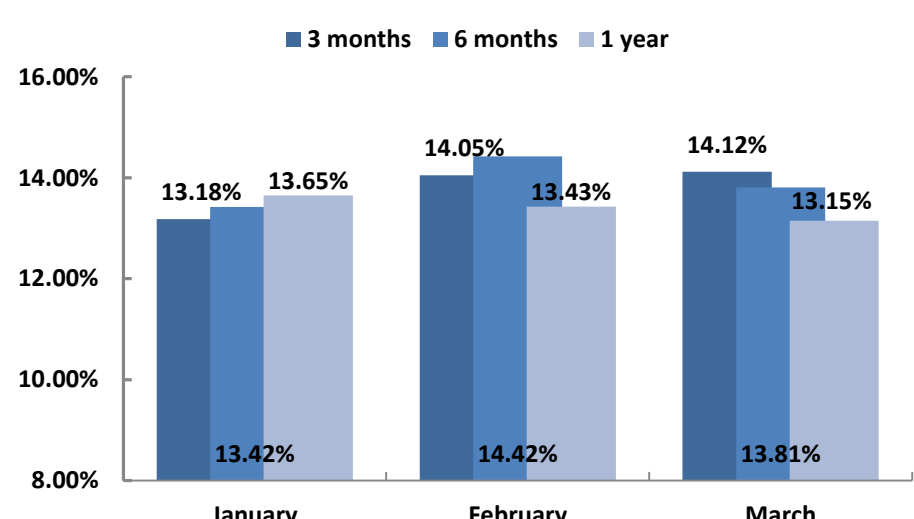
10 year average Bond Yield closed Mar. at 13.42% **Secondary Market Bond Yield in Mar. (%)**



Short term Inter-Banks Placement Rates



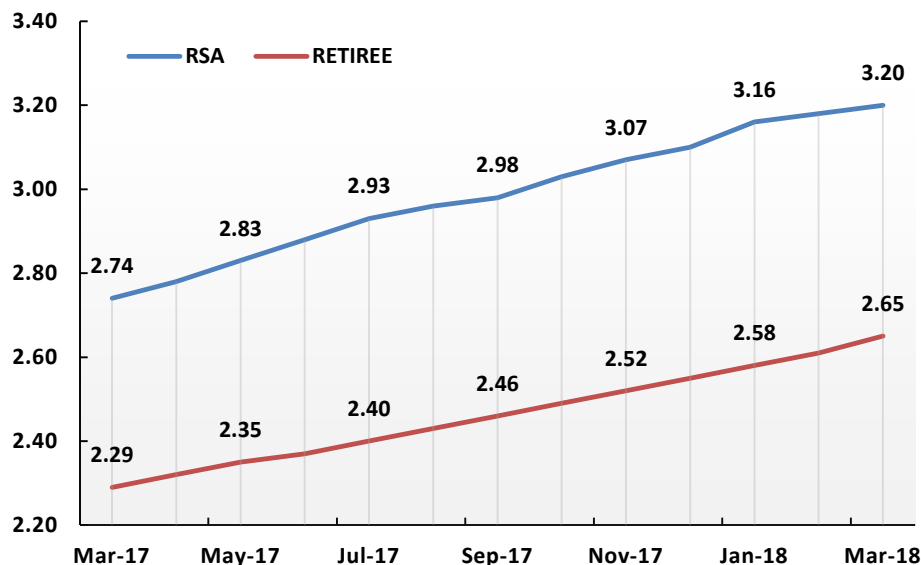
Secondary Market Treasury Bills Rates



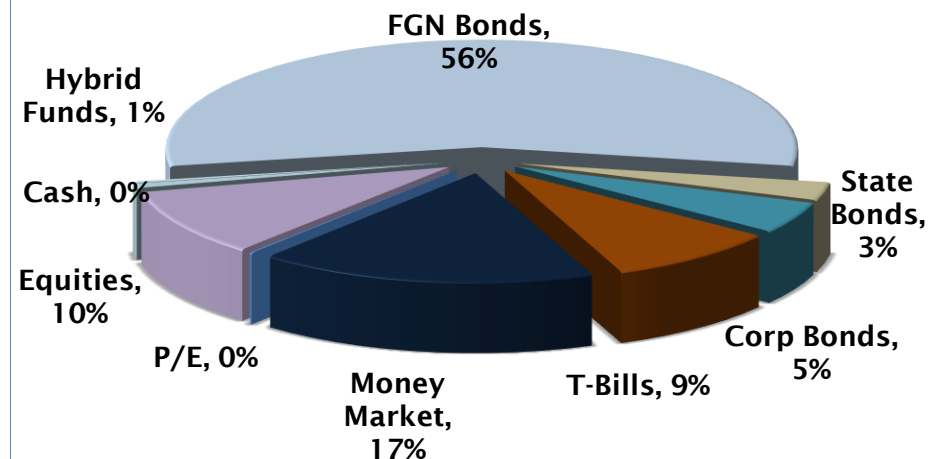
Source: Trustfund Pensions Ltd Research; fmdqotc

Trustfund Unit Price – At 3.2000, the unit price remained resilient despite weak equity return

Trustfund Unit Price is on course to attain the projected 3.7000 level by 2018 year end.



Summary of Asset Allocation



**The RSA portfolio maintains a defensive style which helps to protect Investment value from unanticipated shocks to asset prices*
** Gross return includes fees*

- ✓ The unit price increased by 0.63% to 3.20 from 3.18 in February despite the negative return on equities which loss 4.12% in the month.
- ✓ Supporting this was the relatively attractive rates on Treasury bill and Money market instruments which subsisted at an average effective yield of 14.5%.
- ✓ The Retiree fund unit price also grew by 1.54% to 2.65 from 2.61 recoded in the previous month.

Market Outlook

Data from the National Bureau of Statistics (NBS) indicate that real Gross Domestic Product (GDP) grew by 1.92% in the fourth quarter of 2017, up from 1.40% and 0.72% in the third and second quarters, respectively, indicating that the economy is gradually returning to a path of sustainable positive growth. Nonetheless, effective implementation of the Economic Recovery and Growth Plan (ERGP) by the Federal Government and quick passage of the 2018 budget will continue to enhance aggregate demand and confidence in the Nigerian economy.

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 15%, 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 to equities at an attractive entry price to improve the portfolio return.