

## Market Commentary

### Equities

Buoyed by rising oil prices and gradually reopening of the economy, bullish sentiments sustained on the Nigerian Stock Exchange (NSE) in the month of May. Investors shrugged off rising Covid-19 cases, unemployment figures and projections of a recession as they continued to cherry pick blue chip stocks with sound fundamentals.

The composite NSE ASI gained 8.89% to close at 25,267.82 in May as investors and speculators jostled for select stocks. Low yield environment in the fixed income space and rising inflation have forced traditional asset managers to look towards the equities market where dividend yields offer better returns in spite of the inherent risk in this asset class. Comforted by rising crude oil prices, foreign investors were also not left out as they bought cautiously into the market. This month's gain eased Ytd return on the index to -5.9%

Monthly performance across major sectoral indices were positive with Industrial index (18.97%) leading the gainers, followed by Consumer Goods (14.51%), Banking (11.98%), Oil and Gas (9.17%) and Insurance (8.15%). The NSE30 also printed 8.89% in gains for the period under review.

### Money Market

Nigeria's headline consumer price index (CPI) expanded for the eight-straight period in the month of April 2020 increasing to 12.34% y/y by 1.02% m/m (March: 12.26% y/y). This is primarily led by frontloading of major food items preceding the lockdown which caused a rise in food inflation to 15.03% y/y (+24bps/1.18% m/m). On the other hand, core inflation within the same period was up 25bps to 9.98%y/y which interprets to 0.93% m/m.

According to the National Bureau of Statistics' (NBS) GDP report, the Nigerian economy expanded in Q1-2020, by 1.87% y/y (vs. 2.55% y/y in Q4-2019). The breakdown revealed that the oil sector rebounded, growing by 5.06% y/y (vs -1.50% in Q1-19) amid higher crude oil production (2.07mb/d; +11.0% vs Q1-19). Conversely, output in the non-oil sector printed 1.55% y/ (-95bps vs. Q1-2019).

At the last MPC meeting in May 2020, the committee caved in to prevalent economic events and effected a 100bps rate cut, dropping the Monetary Policy Rate (MPR) to 12.50%. The committee acknowledged inevitable threat of negative growth in Q2-20 and elected to cut rate by indicating its resolve to sustain its dovish policy stance, despite imminent currency and inflationary pressure.

The treasury bills market remained bullish secondary market trading as yields continue to dip on excess liquidity. However, the average PMA yields moderated slightly by +33bps m/m as NTB yields printed 2.45% (previously 2.50%), 2.72% (previously 2.85%), and 4.02% (previously 3.84%). Consequently, average yield across the NTB segment closed at 2.1% for the month.

### Fixed income

Activities in the Bond market were mostly bullish, leading average yield to contract by 30bps to close at 10.1% by month end. While trading was mixed for most of the week, there was a strong level of demand on the final trading day of the week following the reduction of the MPR to 12.5%. Across the curve, yields contracted at short (-45bps), mid (-34bps) and long (-14bps) segments as investors accumulated the MAR-2025 (-171bps), APR-2029 (-49bps) and JUL-2030 (-37bps) bonds.

### Foreign Exchange

For the fourth straight week, the CBN recorded FX reserves buildup, with the country's external balance growing by USD535.00 million WTD to USD36.40 billion. We attribute the driver of the reserve accretion to the inflow of RFI facility by the IMF, which continues to outweigh FX outflows.

Nonetheless, the Naira depreciated against the USD by 0.10% w/w to NGN386.33/USD at the I&E window and by a steeper 2.2% w/w to NGN460.00/USD in the parallel market. In the Forwards market, the naira depreciated against the USD across the 1-month (-0.08% to NGN388.01/USD) and 3-month (-0.04% to NGN391.49/USD) contracts, while it appreciated across the 6-month (+0.02% to NGN396.63/USD) and 1-year (+0.06% to NGN414.75/USD), contracts.

## Market Outlook

In the month of June, analysts and investors will remain fixated on data on global infection rate of the Covid 19 epidemic. This indicator will to a large extent, determine the pace at which cities will reopen globally and the speed of resumption of economic activity which had hitherto come to a complete standstill.

Concerns have continued to rise over the possibility of a second wave of the virus which could wipe out gains from the recovery being witnessed across economies and asset classes.

Either way, in the near term, oil prices are set to rebound slightly from the OPEC+ cuts agreement, increased demand induced by the relaxation of the lockdown and overall positive sentiments.

Having returned 9.76% in May (the best monthly performance since January 2018), we expect bearish sentiments to return to the domestic equities market in June. Investors and analysts alike are pricing in a poor second quarter outing by companies listed on the stock exchange. This coupled with aggressive profit-taking is expected to exert sell pressure on the Nigerian bourse.

In the fixed income space, our focus will remain on the restructuring of foreign-local debt portions of the government financing for the 2020 National budget. We expect yields in the fixed income space to inch upwards to support government domestic borrowing.

In line with current market events in our local markets, the activities of Foreign Portfolio Investors (FPIs), policy direction of the Central Bank of Nigeria's (CBN), direction of oil prices in the near term and reactive fiscal policies amongst several other macroeconomic indicators will be vital points in defining the direction of the markets and economy at large. Given our continuously depleting foreign reserve balances, we will continue to watch oil prices and update our models on its impact on the yield environment.

In consideration of the above, the Fund Manager will continue to maintain the delicate balance between fixed and variable income asset classes. For the Milestone Funds, signs of a strong recovery in the equities market will prompt a reallocation with increased exposure to stocks with strong fundamentals. Furthermore, in view of the interest rate expectation in the fixed income space, we expect more commercial papers ('CP') issuances during the period. The fund manager will continue to invest in high quality instruments that offer a premium to government securities.

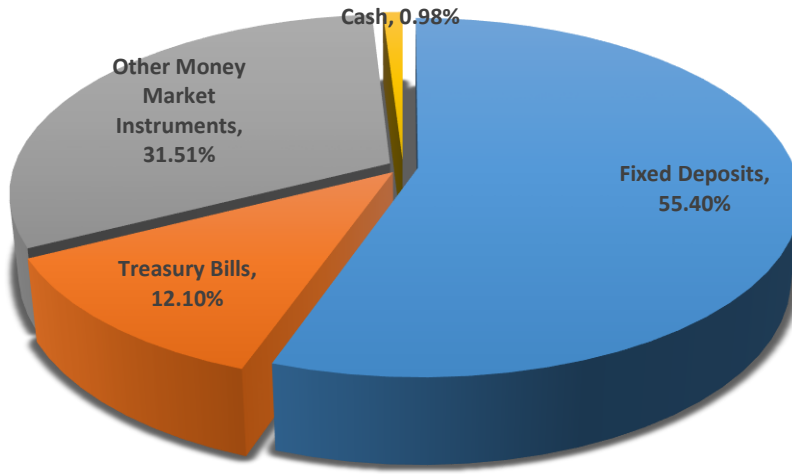
\*The daily annualized yield is stated net of fees and expenses.

\*\*The fund manager is required to maintain a stable Unit price of N100 for the Money market Fund. However, the price of investments and the income from them may rise or fall and investors may not get back the full amount invested.

\*\*\* Past performance is not a guarantee of future results.

\*\*\*\*Other money market instrument includes unsubordinated short-term debt securities such as Bankers' Acceptances and Commercial Papers of companies, other Money Market Funds and other instruments introduced and approved by the Central Bank of Nigeria from time to time and as permissible under Securities and Exchange Commission Rules & Regulations.

## Cordros Money Market Fund



Fund Overview	
Inception Date	13 <sup>th</sup> Oct 2016
Financial Year End	31st December
Current Fund's NAV	N9.50Billion
Weighted DTM	79.52 days
Price	N100
Benchmark	91-day T-Bill
Income distribution	Quarterly
Minimum Investment	N10,000
Subsequent Investment	N5,000
Fund Rating	A
Rating Agency	Agusto & Co. Ltd
Annual Management Fee	1.00%
Risk profile	Low

### Fund Performance

The fund's yield as at the end of May 2020 was 5.25% with weighted average Day-To-Maturity (DTM) of 79.52 days.

### Asset Allocation

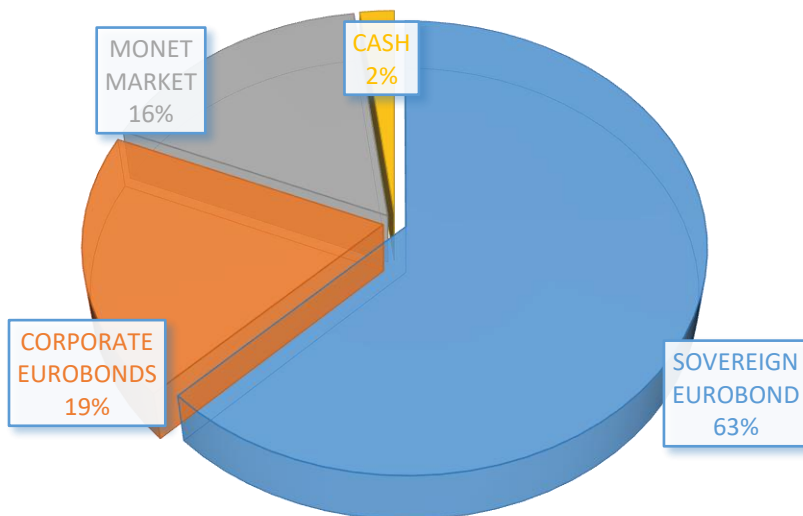
Instrument	Weighting	Range
Fixed Deposit	55.40%	10% - 60%
Treasury Bills	12.10%	25% - 80%
Other Money Market Instruments	31.15%	10% - 65%
Cash	0.98%	-%

### CMMF vs. 91-day T-Bill

Period	Q4 19	Q1 20	Mar 20	Apr 20	May 20
CMMF*	11.13%	7.56%	6.39%	5.70%	5.25%
91-Day T-bills*	9.17%	2.82%	2.20%	2.53%	2.10%

\*Yield at end of period.

## Cordros Dollar Fund



### Fund Overview

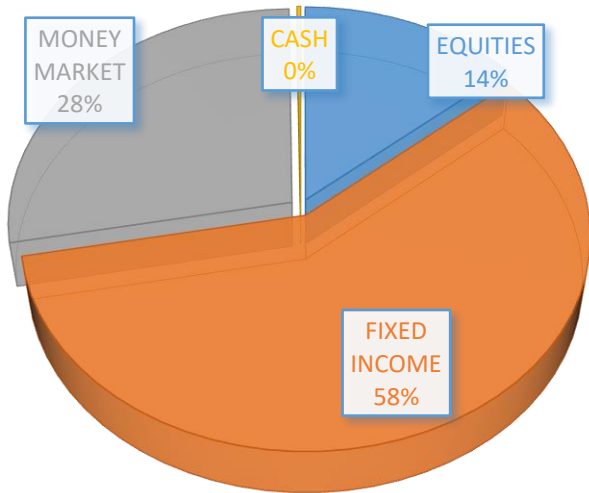
Inception Date	27 <sup>th</sup> Nov 2020
Financial Year End	31st December
Fund's NAV	\$2,853,178.66
Price	\$100.53
Income distribution	Annually
Minimum Investment	USD500
Subsequent Investment	USD500
Annual Management Fee	1.50%
Risk profile	Medium

### Asset Allocation

Instrument	Weighting	Range
Sovereign Eurobond	62.62%	0% - 80%
Corporate Eurobond	18.81%	0% - 80%
Money Market	16.55%	0% - 50%
Cash	2.02%	0% - 5%

	CDF	
	BID PRICE (\$)	OFFER PRICE (\$)
May-20	105.53	105.53
Apr-20	99.80	99.80

## Cordros Milestone Fund 2023



### Asset Allocation

Instrument	Weighting	Allocation Band
Equities	13.74%	5% - 65%
Fixed Income	58.25%	10% - 60%
Money Market	27.78%	10% - 85%
Cash	0.23%	0% - 5%

### Fund Overview

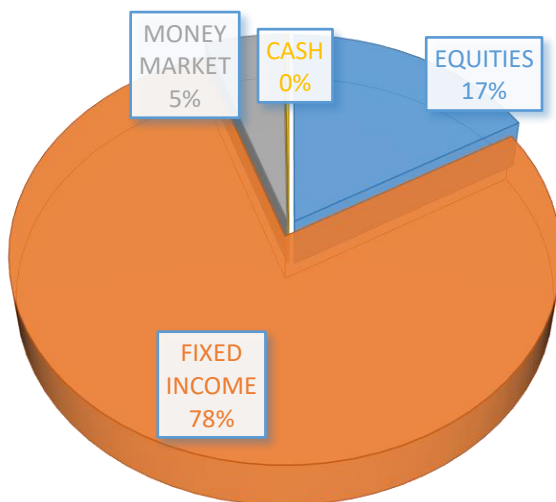
Inception Date	27 <sup>th</sup> Sep 2018
Financial Year End	31st December
Fund's NAV	N427,162,287.60
Price	N97.37
Benchmark	NSE 30
Income distribution	Annually
Minimum Investment	N2,500
Subsequent Investment	N1,000
Annual Management Fee	1.50%
Risk profile	Medium

	CMF 2023	
	BID PRICE (₦)	OFFER PRICE (₦)
May-20	97.16	97.37
Apr-20	96.12	96.47

### Fund Performance

The near bleak outlook of the Nigerian equities market in the short term forced a compelling argument for the fund manager to shift focus to fixed income instruments. Consequently, though the benchmark index appreciated by 8.89% in May, the bid price of the CMF 2023 appreciated by N1.04 per unit or 1.08% during the period under review.

## Cordros Milestone Fund 2028



### Asset Allocation

Instrument	Weighting	Allocation Band
Equities	16.55%	5% - 65%
Fixed Income	78.15%	10% - 60%
Money Market	5.07%	10% - 85%
Cash	0.24%	0% - 5%

### Fund Overview

Inception Date	27 <sup>th</sup> Sep 2018
Financial Year End	31st December
Fund's NAV	N284,004,631.22
Price	N105.53
Benchmark	NSE 30
Income distribution	Annually
Minimum Investment	N2,500
Subsequent Investment	N1,000
Annual Management Fee	1.50%
Risk profile	Medium

	CMF 2028	
	BID PRICE (₦)	OFFER PRICE (₦)
May-20	105.27	105.53
Apr-20	103.75	104.14

### Fund Performance

The near bleak outlook of the Nigerian equities market in the short term forced a compelling argument for the fund manager to shift focus to fixed income instruments. Consequently, though the benchmark index appreciated by 8.89% in May, the bid price of the CMF 2028 appreciated by N1.52 per unit or 1.47% during the period under review.