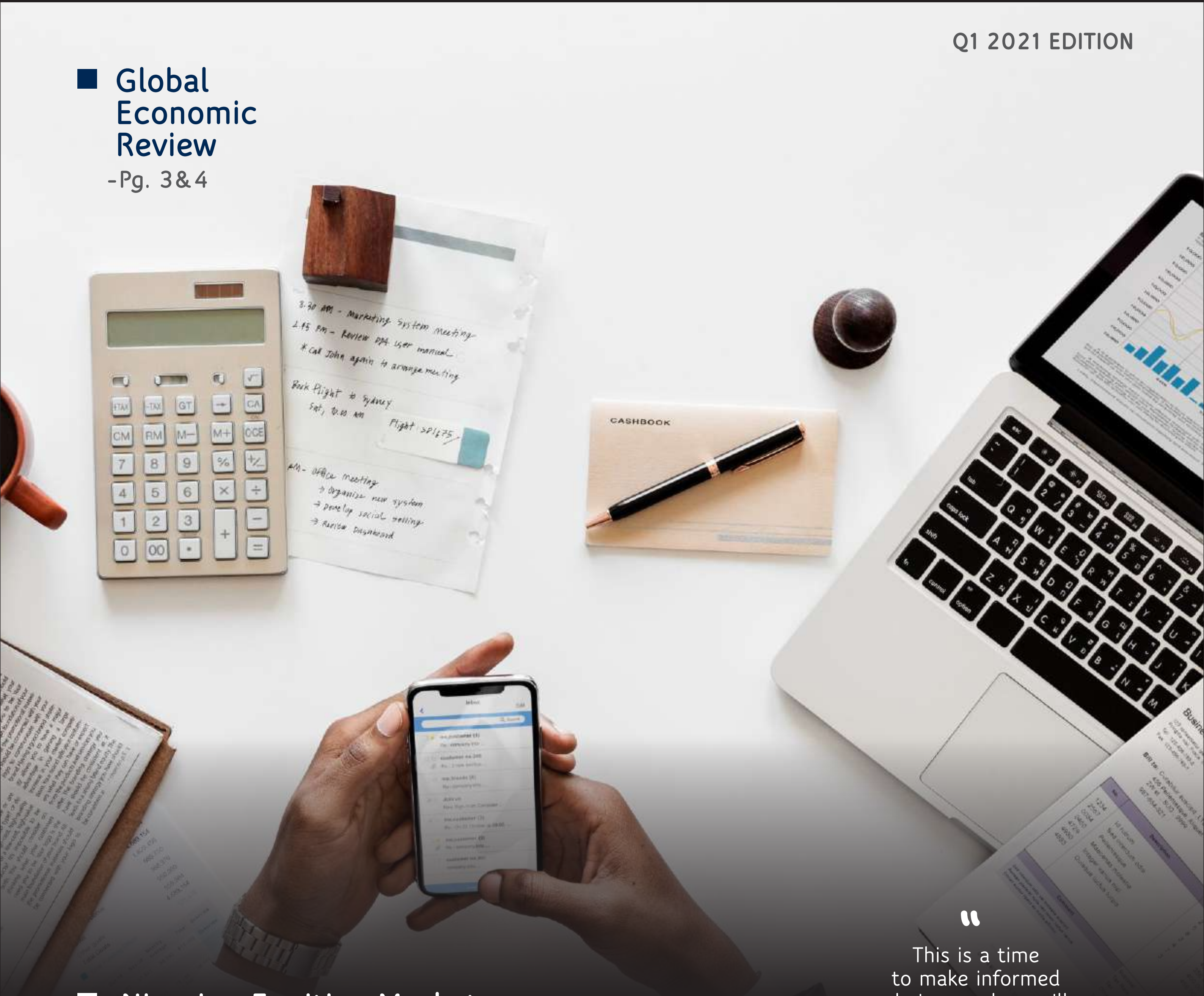
FirstBank
Private Banking

Wealthdigest

PRIVATE BANKING QUARTERLY NEWSLETTER

Q1 2021 EDITION



- Global Economic Review -Pg. 3&4

- Nigerian Equities Market – Rising with the Tide -Pg. 5&6

- Diversifying and Managing Your Individual Investment Risk -Pg. 9&10

"This is a time to make informed choices and we will be happy to work with you to provide clarity to aid your choices."

- COVID-19 -Pg. 11&12

Introduction

In 2020, the financial and social impacts of the COVID-19 pandemic on the lives of families and businesses globally were clearly unprecedented. The year 2021 seems even less predictable with the second wave despite the discovery of the vaccine which has also generated its own controversies. As conveyed in the last edition of the Wealth Digest, in dealing with the fears and uncertainties of the times, we recognize the need to support our clients even more in reassessing their financial priorities and articulating their wealth needs and expectations. Our goal is to ensure that they stay on track while ensuring that their investment strategies remain aligned with their financial goals. One of the valuable lessons from 2020 is that turbulence, as we had then and now, also brings significant opportunities.

In this edition of the Wealth Management Digest, we present a contextual view of the expectations of the global and domestic economies in Q1-2021. We also put into perspective some of the challenges that the pandemic has created and highlight the need for investors to properly diversify investments, in a bid to minimize risk. Our objective is to guide our clients in making rational and informed decisions, not borne out of panic or fear, but which rather ensure that they come off the second wave of COVID-19 pandemic better off.

FirstBank Private Banking supports you in planning for and achieving your long term financial goals through the different life stages in a holistic manner. We provide you with a comprehensive range of services covering core banking, wealth management and lifestyle solutions. We are available to hold a portfolio review session with you to offer guided advice to design and implement a customized financial plan.

Global Economic Review

Global economies have started to witness unbalanced recovery from the COVID-19 with the U.S, U.K, and India still dealing with rising cases of the disease. Some of these economies have seen narrowing gaps in unemployment and have continued to maintain a dovish monetary stance.

Oil prices in the international markets averaged $44.19 in Q4 and this has helped to alter the trajectory of output recovery in some African countries, supported by domestic easing of the lock down, and the resumption of local and international flights. This combined effect is expected to narrow the demand supply imbalance and improve the economic outlook.

"The initiatives are efforts to reduce speculative activities in the FX space and relieve pressure on exchange rate."

The Domestic Economy

The Nigerian economy began to see some improvements in the risk sentiments amidst rising inflation, with GDP improving from -6.1% to -3.64% between Q2 and Q3, 2020. Recent ratings by Fitch showed Nigeria moved from negative outlook to stable albeit with some foreign exchange concerns due to unmet backlog of demands for FX and vulnerability to oil shocks. Monetary Policy has been dovish to support aggregate demand, stimulate production and reduce growing unemployment.

The concern for economic growth has continued to dictate the direction of the Central Bank of Nigeria's monetary policy, which in turn defines the direction of short-term interest rates. Money market rates have witnessed a record low amidst rising inflation. The recent announcement of a new 90-day bill is expected to change the downtrend in short term interest rates.

The CBN recently relaxed guidelines on FX utilization for diaspora remittances and inflows to domiciliary accounts supported with the announcement of a new 90-day Bill to FX supply and liquidity. The initiatives are efforts to reduce speculative activities in the FX space and relieve pressure on exchange rate.

Nigerian Monetary Policy Q-4 2020

- Reduction of MPR from 12.5% 10 11.5%. (November,2020)
- Adjustment of the asymmetric corridor from +200/-500 to +100/-700 bps.
- Retention of the CRR and liquidity ratio at 27.5% and 30% respectively (November,2020)

Nigerian Equities Market – Rising with the Tide

The growth in the positive sentiment in domestic equities was buoyed by the unattractive yields of fixed income instruments in exchange for high dividend paying stocks. Year to date, the All Share Index ("ASI") had posted 50.03% with most of the gains of 53.01% recorded during the Q4.

Growing inflation may however necessitate a monetary response and change the direction of MPR in the near-term. This is expected to moderate the uptrend in stock prices.

Snapshot of NSE Sector performance as at 31 December 2020

Premium Banking	Consumer	Goods	Insurance	Oil/Gas	Industrial Goods
64.01%	10.14%	-3.29%	50.61%	-13.84%	90.81%

Budget - The 2021 Appropriation Bill

- Proposed expenditure budget of N13.08trillion
- Aggregate expected revenue of N 8.43 Trillion
- Budget Deficit of N4.65trillion
- Inflation target at 11.79%
- Budget foreign exchange rate assumption of USD/NGN 379
- Oil benchmark at $40 per barrel

Key Macroeconomic Variables

Inflation	MPR	CRR	Exchange Rate N/$	Average Oil Price $
14.89%	11.50%	27.5%	380	44.19

Local Currency Fixed Income Watch

Federal Government of Nigeria Bonds Auction Stop Rates.

	12.50% FGN Mar 2035	9.80% FGN Jul 2045
November 2020	5.0%	5.785%
December 2020	6.945%	7.0%

Nigerian Treasury Bills Auction Date 30/12/2020

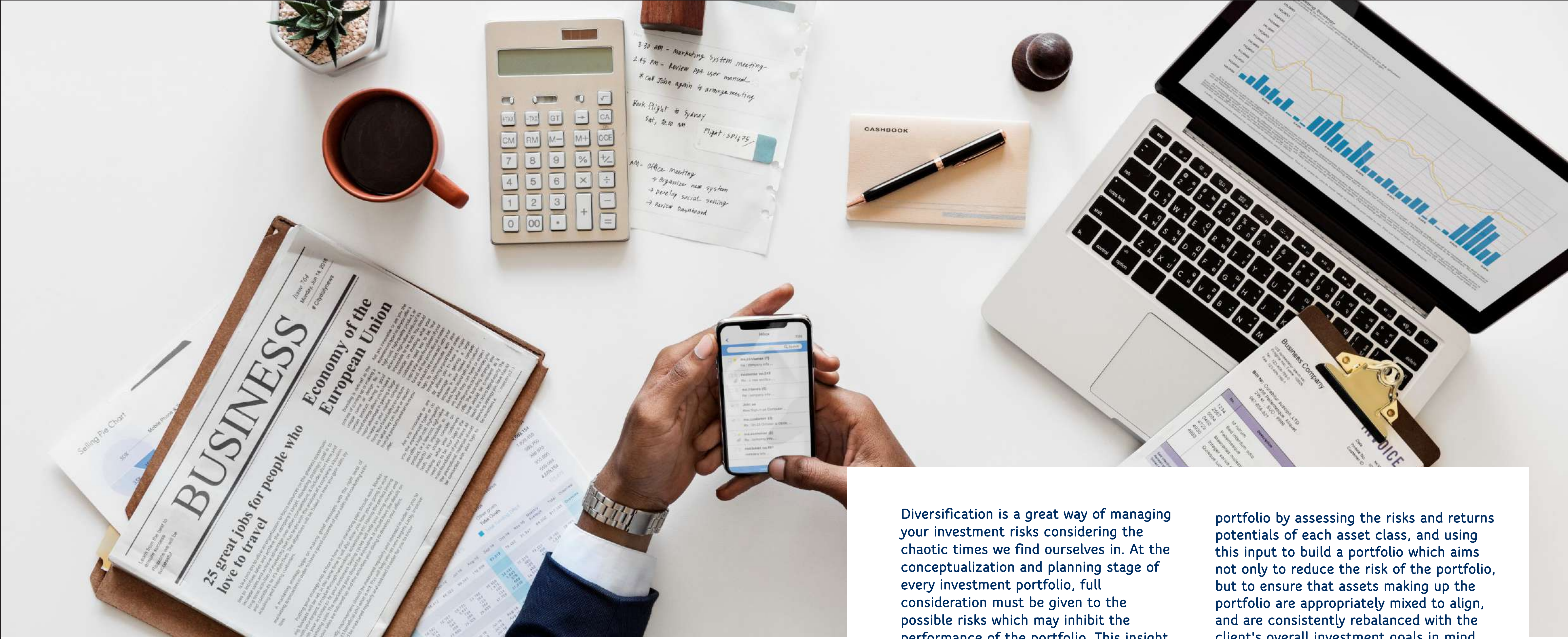
	91-Day	182-Day	364-Day
Previous	0.048	0.5	1.139
Current	0.35	0.5	1.21

Federal Government of Nigeria Eurobonds December 2020

SOVEREIGNS	MATURITY	COUPON%	November YIELD%	December YIELD%	Change%
NIGERIA 2027	28-Nov-27	6.500	5.49	5.06	-0.43
NIGERIA 2030	23-Feb-30	7.143	6.23	5.92	-0.31
NIGERIA 2031	21-Jan-31	8.747	6.82	6.45	-0.37
NIGERIA 2032	16-Feb-32	7.875	6.79	6.48	-0.31
NIGERIA 2038	23-Feb-38	7.696	7.22	6.94	-0.28
NIGERIA 2047	28-Nov-47	7.625	7.35	7.10	-0.25
NIGERIA 2049	21-Jan-49	9.248	7.93	7.64	-0.29

At FirstBank Private Banking, we support our clients planning for and achieving your long-term financial goals as they pass through the different life stages. A very important part of the process lies in creating a very well-structured investment plan.

The next article provides some introductory insights into the concept of portfolio diversification as a strategy for building an efficient portfolio and managing your portfolio risks.



Diversifying and Managing Your Individual Investment Risk

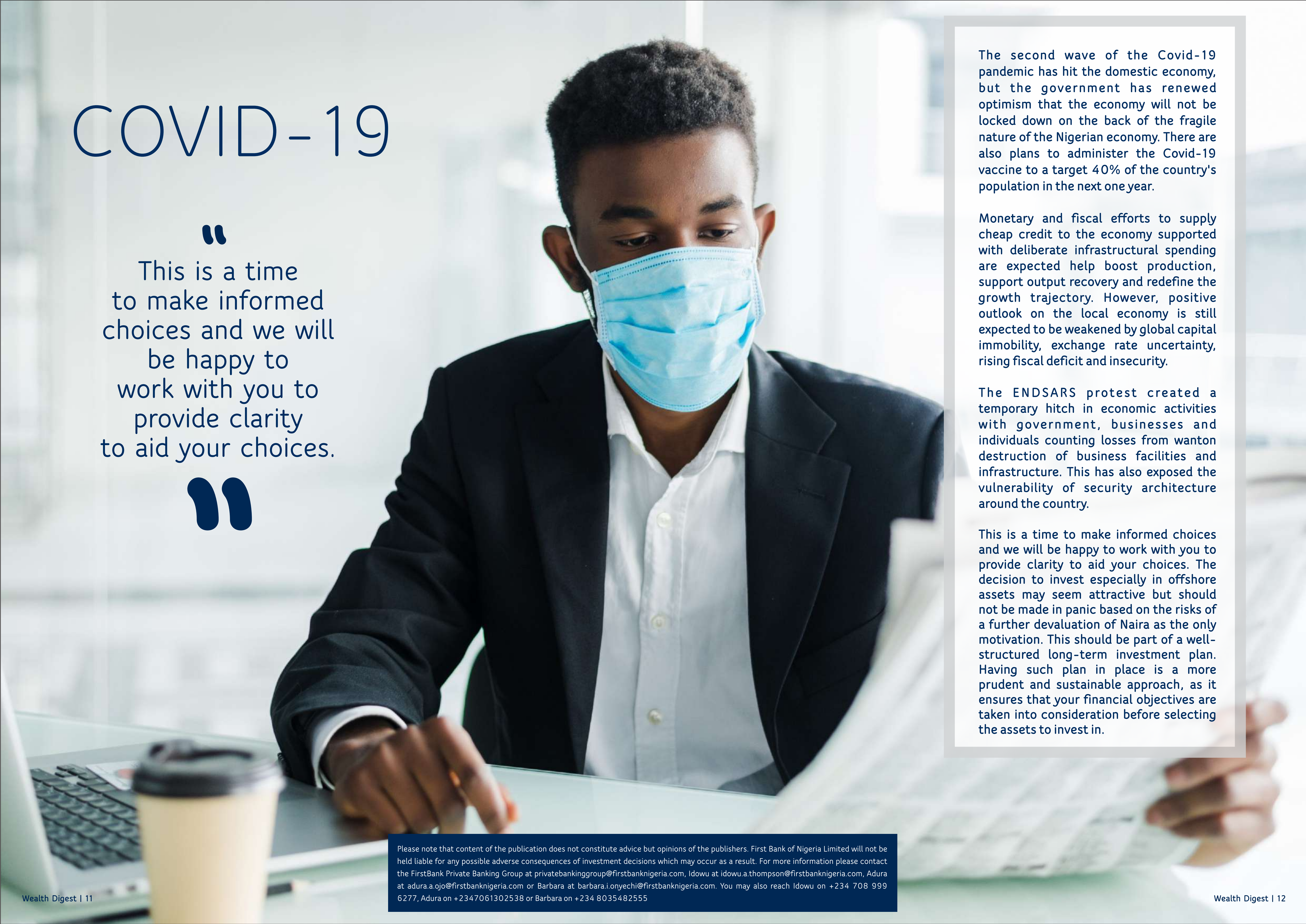
Diversification is a great way of managing your investment risks considering the chaotic times we find ourselves in. At the conceptualization and planning stage of every investment portfolio, full consideration must be given to the possible risks which may inhibit the performance of the portfolio. This insight helps to achieve several things including:

1. Anticipating those probable events which may have negative impact on the expected returns of your investments.
2. Matching product risk exposures with your risks profile and characteristics
3. Moderating the risks of losses in the event of unanticipated occurrences during the investment horizon.
4. Understanding the risk /returns characteristics of the asset classes underlying the portfolio.
5. Determining the appropriate diversification plan especially important at these times

Diversification involves constructing a portfolio by assessing the risks and returns potentials of each asset class, and using this input to build a portfolio which aims not only to reduce the risk of the portfolio, but to ensure that assets making up the portfolio are appropriately mixed to align, and are consistently rebalanced with the client's overall investment goals in mind. The portfolio will be carefully constructed to minimize the correlation with the asset classes making up the portfolio.

The main aim of diversification is to ensure you do not put all your eggs in one basket and ultimately reduce the risks of the portfolio. Besides understanding the risks and return characteristics of an asset class, it is pertinent to consider the risks and opportunities associated with environmental, social and governance factors as input into any diversification plan. Diversification could be done based on:

- Assets class
- Industry
- Cross-border (geography or currency)
- Age as this is usually a determinant of client's risk appetite.
- The nature of the investor's employment and the industry of employment



COVID-19

> "This is a time to make informed choices and we will be happy to work with you to provide clarity to aid your choices."

The second wave of the Covid-19 pandemic has hit the domestic economy, but the government has renewed optimism that the economy will not be locked down on the back of the fragile nature of the Nigerian economy. There are also plans to administer the Covid-19 vaccine to a target 40% of the country's population in the next one year.

Monetary and fiscal efforts to supply cheap credit to the economy supported with deliberate infrastructural spending are expected help boost production, support output recovery and redefine the growth trajectory. However, positive outlook on the local economy is still expected to be weakened by global capital immobility, exchange rate uncertainty, rising fiscal deficit and insecurity.

The ENDSARS protest created a temporary hitch in economic activities with government, businesses and individuals counting losses from wanton destruction of business facilities and infrastructure. This has also exposed the vulnerability of security architecture around the country.

This is a time to make informed choices and we will be happy to work with you to provide clarity to aid your choices. The decision to invest especially in offshore assets may seem attractive but should not be made in panic based on the risks of a further devaluation of Naira as the only motivation. This should be part of a well-structured long-term investment plan. Having such plan in place is a more prudent and sustainable approach, as it ensures that your financial objectives are taken into consideration before selecting the assets to invest in.