dfc ASSET MANAGEMENT

WHY NIGERIA'S RE-ENTRY INTO JP MORGAN'S INDEX

Matters Now More Than Ever

After nearly a decade in the cold, Nigeria is now knocking on the doors of JPMorgan once again; this time with a stronger case and better economic fundamentals.

The country's move to rejoin the JPMorgan Government Bond Index for Emerging Markets (GBI-EM) is more than just a bureaucratic development. It is a symbolic step toward economic credibility, market transparency, and restored investor confidence.

Let’s be clear: Nigeria didn’t exit the index by choice. The delisting in 2015 was a direct consequence of capital market dysfunction—particularly the lack of liquidity and transparency in the foreign exchange (FX) market.

For global investors tracking the GBI-EM index, this was a red flag, and for Nigeria, it marked a sharp decline in investor inflows and visibility.

Today, the story is changing.

A Reform Story That’s Hard to Ignore

In recent months, Nigeria has undertaken bold reforms, most notably the unification of FX rate windows and a reduction in central bank interventions. These moves, though painful in the short term, are aimed at creating a market where prices are more reflective of real demand and supply—exactly the kind of transparency and discipline foreign investors want to see.

And it's working. Investor sentiment is slowly rebounding. The naira, after months of volatility, is showing signs of stabilization. Credit rating agencies are taking notice—Fitch recently upgraded Nigeria’s long-term foreign currency rating, citing improved macroeconomic indicators and governance reforms.

Timing Is Everything

The decision to actively pursue re-entry into the JPMorgan index couldn’t be better timed. Nigeria is at a critical juncture—its debt markets need depth, its currency needs support, and its policymakers need validation.

Rejoining the GBI-EM index could unlock billions of dollars in passive inflows and bring back portfolio investors who have long stayed on the sidelines.

This isn’t just about prestige. Being part of the JPMorgan index sends a clear message to global markets: Nigeria is ready to do business under international standards.

Beyond Symbolism: Real Market Impact

The implications are real and far-reaching. Inclusion in the GBI-EM index means Nigeria’s sovereign bonds will be tracked by a wide pool of global fund managers. This boosts liquidity, narrows yields, and potentially lowers borrowing costs for the government over time. For domestic investors, the ripple effects could be significant—greater stability, more competitive pricing, and a deeper secondary market.

Key Wins For Small Businesses

But let's not get ahead of ourselves.

The Path Ahead Is Still Fragile

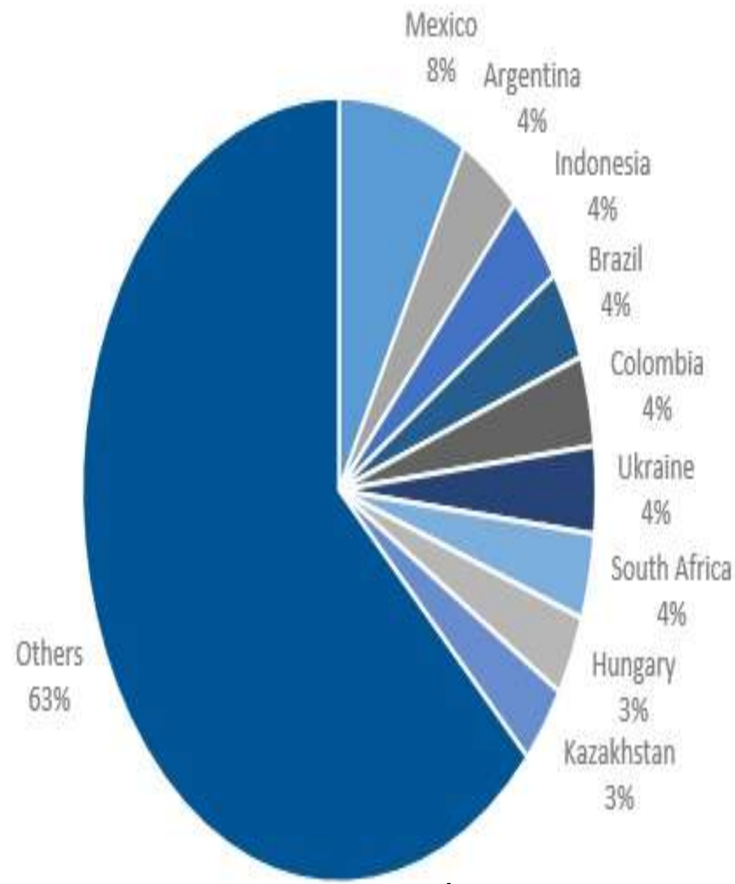
Reforms need to be sustained. Confidence, once shaken, takes time to rebuild. The Central Bank must remain committed to market-driven FX policies, and fiscal authorities must complement monetary efforts with responsible budgeting and revenue mobilization.

Rejoining the index is not the end goal—it's a milestone on the journey to a more resilient and globally integrated Nigerian economy.

At DFC Asset Management, we welcome this development and view it as a positive signal for the financial markets.

But we also recognize that sustained progress will depend on consistency, transparency, and investor-focused policy execution For the financial market

Let's maintain the consistency.



Countries in the GBI-EM

Important Disclaimers

This document has been issued and approved by DFC Asset Management Co Ltd and is based on information from various sources that we believe to be reliable. However, no representation is made as to its accuracy or completeness. While reasonable care has been taken in preparing this document, DFC Asset Management Co. Ltd accepts no responsibility or liability for any errors of fact or for any opinion expressed herein. This document is for informational purposes only and does not constitute an offer or solicitation to any person to enter into any trading transaction.

The investments discussed in this report may not be suitable for all investors. This report is provided solely for the information of DFC Asset Management Co. Ltd clients, who are expected to make their own investment decisions. DFC Holdings Ltd conducts designated investment business with market counterparties and customers, and this document is directed only to such persons. DFC Asset Management Co. Ltd accepts no liability for any direct or consequential loss arising from the use of this report or its contents.

This report is for private circulation only and may not be reproduced, distributed, or published by any recipient for any purpose without the prior express consent of DFC Asset Management Co. Ltd. Users of this report should be aware that investments can fluctuate in price and value. Past performance is not necessarily indicative of future performance.