

CHAIRMAN'S STATEMENT

Distinguished Shareholders,

It is my pleasure to welcome you all to the 2nd annual general meeting of our Company. With a good start in 2007, we have passed through the second full year of operation since our company commenced pension fund business mid 2007. Indeed the 2008 financial year was quite turbulent for several companies especially in the financial services industry. However our company made good progress towards reaching its strategic goals.

I hereby present to you a summary of FUG's performance for the financial period ended December 31, 2008. As a background to FUG's performance, a review of major developments in the local and global environment within which our company operated is also presented.

Global Environment

The world economy recorded a sharp, broad and synchronized global downturn in the late 2008. The world gross product (WGP) recorded the first actual contraction since the Second World War. Credit conditions were tight in major developed economies. Hence major financial institutions have engaged the process of deleveraging and cleansing their balance sheets. Domestic demands dropped in major economies. However a rebound in the real economy is anticipated in subsequent years due to strong fiscal stimulus provided by Governments in large number of developed and developing countries and to the restocking of inventories by industries world wide.

Domestic Environment

The Nigerian economy achieve real gross domestic product growth rate of 6.77%% as at December 2008. This fell short of the 2008 budget estimate of 11%. The major reason for the single digit growth was the significant production constraint in the oil and gas sector caused by Niger Delta unrest as well as infrastructure inadequacy. As experienced in the last two years, growth was largely driven by the non-oil sector. Non-oil sector accounted for 77% of the GDP with Agriculture and Services as the largest contributors.

The year-on-year inflation figure stood at 14.8% while the 12-month average stood at 10.9% as at November 2008. The increase in inflation was attributed to the rise in both the food index (which accounted for 63.7% of CPI basket) and non-food (all items less farm produce) inflation index. High food prices persisted for much of 2008 due to domestic food supply and demand imbalance.

Federal Government (FGN) Bonds experienced another record year in 2008 with bond issues and allotments both rising 17% and 10% respectively from 2007 levels. This year also witnessed the first ever 20-year issue in line with the strategy to restructure existing debts to longer maturities and extend benchmark yield curve. There was also a notable increase in the secondary market. A turnover of N10.4billion was recorded in OTC for government bonds, 154% higher than the N4.1billion recorded in 2007.

The Monetary Policy Committee ("MPC") increased the Monetary Policy Rate ("MPR"), twice from 9.5% at the start of the year to 10.25% in June 2008. However in September, the MPC reversed its policy stance as a result of liquidity dearth in the interbank market. Hence to lubricate the interbank system the Committee reduces MPR from 10.25% to 9.75%. While

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this monetary intervention offered some respite to the interbank system the effect was short-lived. The 7-day NIBOR declined 6 percentage points to 11.8% after the decision but increased shortly.

The country's external reserves declined from its peak of US\$64.8b in August 2008 to US\$54.8b as at December 2008. The decline was attributed to lower oil prices. Official Naira exchange rate depreciated 12.8% against the US dollar to N131.25 in December 2008.

The All Shares Index (ASI) declined 43.8% in the second half of 2008 after a 3.5% decline in the first half of the year, resulting in annual decline of 45.8%. From its peak in March 2008, the NSE ASI declined by 55.5% led by decline in the banking, building materials, textiles and conglomerate sectors. Infrastructure inadequacy also accounted for the decline. Regulatory intervention in the equity market had insignificant effect and further reduced investors confidence as it failed to address the fundamental issues. The impact of the decline was also felt by the Pension Fund Industry as the fund managers (PFAs) are statutorily permitted to invest up to 25% of the fund in Equities asset class.

The Pension Industry recorded a remarkable growth in 2008 as assets under management reached N1.098 trillion as at December 2008, which represents 34.81% increase from the N815.18b realized in the previous year. Retirement Savings Accounts (RSAs) also increased by 36.4% from 2.543m in 2007 to 3.467m as at December 2008. Public Sector contributors were 63.6% while Private sector contributors were 36.4%. During the year under review National Pension Commission (PenCom) intensive compliance enforcement saw remarkable increase in private sector participants from 8,080 employers to 149,439 employers as at December 2008. PenCom licensed operators as at December 2008 was 38 made up of 26 Pension Fund Administrators (PFAs), 7 Closed Pension Fund Administrators (CPFAs) and 5 Pension Fund Custodians (PFCs).

Summary of Financial Performance

Our Company closed the first full financial year with a loss after tax of N187.26m, and shareholders fund position of N165.88m, compared with loss after tax of N218.87m and shareholders fund position N282.61m as at December 31, 2008. contained in FUGs approved budget for the same period. However, I expect improvement on this in the current financial year as we continuously strengthen and enforce our marketing strategies and as PenCom implement compliance measures as contained in the Pension Reforms Act 2004.

The fixed assets as at the period ended December 31, 2008 stood at N109.65m, and a Deferred tax assets of N137.72m, while the current assets is made up of prepayments and other receivables of N99.77m and cash and short term funds of N707,000.

Human Capital Development

FUG remains committed to recruitment and retention of a competent workforce being a key success factor in the pension industry. Hence during the period under review, 18 employees received training locally which includes two international training delivered locally.

Board of Directors

During the period under review there was no change in the composition of the Board members

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Conclusions

I count it an honor and privilege to offer our sincere appreciation to our shareholders, clients, employees and other stakeholders for their continued support and patronage which has enabled us to witness the first full year of advancement of this great business endeavor. The financial results depict a good progress viz a viz projections and industry realities and we look forward with great excitement to more rewarding and successful years ahead.

Mr Olukayode Pitan

Chairman Board of Directors