

# CHAIRMAN'S STATEMENT

Distinguished Shareholders,

I count it a privilege to welcome you all to the 3<sup>rd</sup> annual general meeting of our Company. The financial year 2009 was the second full year of operation since the establishment of our Company and it was yet another year of laying a strong foundation for a most prospective business of Pension Fund Management. Indeed certain foundational landmarks were reached in our budget and strategic goals initiatives. To God be, all the glory.

As presented below is a summary of FUG's performance for the financial period ended December 31, 2009. However prior to the financial summary presentation, a review of major developments in the local and global environment within which our company operated is also presented.

## **Global Environment**

The global economy experienced a severe recession inflicted by a massive financial crises and acute loss of confidence in 2009 financial year. While the rate of contraction was expected to moderate from the second quarter onward, world output was projected to decline by 1.3% in 2009 as a whole and to recover only gradually in 2010, growing by 1.9%. Achieving this turnaround will depend on stepping up efforts to heal the financial sector, while continuing to support demand with monetary and fiscal easing.

## **Domestic Environment**

The Nigerian economy achieve real gross domestic product growth rate of 6.9%% as at December 2009 as a result of positive contribution from the oil sector and a resilient performance in the non-oil sector. With the continuous rise in crude oil prices and improvement on crude oil production levels in the third quarter of 2009, the Naira enjoyed stability around the N150/\$ mark, while reserves stabilized at \$43billion.

The year-on-year inflation figure stood at 10.4% as at September 2009 from 15.1% in December 2008 attributed mainly by the decline in both the food index (which accounted for 64% of CPI basket) and non-food (all items less farm produce) inflation index.

In line with the shift in asset allocation towards less-risky fixed income instruments, secondary market activity in the FGN bond market notably increased in 2009. Turnover in the OTC market for Government bonds rose 77% to N18.5 Trillion.

The CBN left the Monetary Policy Rate (MPR), the benchmark interest rate, unchanged at 6% but introduced an asymmetric corridor of interest rate around the MPR. In addition the CBN left the rate on the standing lending facility at 200bp above MPR (8%) but changed the rate on standing deposit facility to 400bp below MPR (2%). This measure was introduced to discourage hoarding of funds by some highly liquid banks. Also the CBN proposed a N500billion quantitative easing program to bridge the money supply gap in 2009. The modalities of easing include the creation of Asset Management Company (AMC) for the purchase and retirement of bad debt assets of banks.

The All Shares Index (ASI) declined 33.8% in 2009. The banking sector, which represents about half of the market capitalization, decline by 38.7%, counteracting gains recorded by some non-financial sectors. In particular the building materials, conglomerates and breweries

## CHAIRMAN'S STATEMENT

sectors consolidated on the gains made in the first half of 2009 financial year to become the year's best performers.

The Pension Industry recorded a remarkable growth in 2009 as assets under management reached N1.530 trillion as at December 2009, which represents 39.2% increase from the N1.099b realized in the previous year. Retirement Savings Accounts (RSAs) also increased by 15.7% from 3.467m in 2008 to 4.012m as at December 2009. PenCom licensed operators as at December 2009 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 2009 financial year with a loss after tax of N113.5m, and shareholders fund position of N429.6m, compared with loss after tax of N187.3m and shareholders fund position N334.1m as at December 31, 2008, there was an improvement. However, I expect more improvement in the subsequent years ahead 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, 2009 stood at N72.5m, and a Deferred tax assets of N166.7m, while the current assets is made up of prepayments and other assets of N14.5m and cash and short term funds of N393.1m

### **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, 9 employees received training locally.

### **Board of Directors**

During the period under review there was a change in the composition of the Board members due to the resignation of Mrs Elizabeth Ebi and Mr Diamond Uju the two directors of Future View Financial Services as a result of Future View's divestment from FUG.

### **Conclusions**

It is my 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 this improved results and now set for further advancement. The financial results depict a good improvement viz a viz projections and industry realities and we look forward with great expectation to more advancement towards realizing the strategic business goals of our Company.

**Mr Olukayode Pitan**

Chairman Board of Directors

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