



2018
Q2

Veritas

GLANVILLS PENSIONS

NEWSLETTER

Dear Esteemed Client

We're excited to welcome you to the second half of the year and also to your newly re-branded and innovative Pension Manager,
Veritas Glanvills Pensions Limited

Review of the Nigerian Economy

Domestic Economy

Gross Domestic Product (GDP) for Q4 2017 was revised upwards from 1.92% to 2.11%, while a growth of 1.95% was recorded in the first quarter of 2018, up from a contraction of 0.91 per cent in the corresponding 3 period of 2017. The development was due to growth in the oil and non-oil sectors by 14.77 and 0.76 per cent, respectively.

Macroeconomic Indicators

Monetary Indicators

The Monetary Policy Committee (MPC) at its 261st meeting held on the 21st and 22nd of May, 2018, against the backdrop of optimistic global growth outlook and sustained recovery in the domestic economy. Based on various considerations, held the monetary policy tools as follows:

a. Monetary Policy Rate (MPR) at 14.00 per cent (with the asymmetric corridors around the MPR at +200/-500 basis points);

b. Liquidity Ratio at 30%; and
c. Cash Reserve Ratio (CRR) at 22.50%

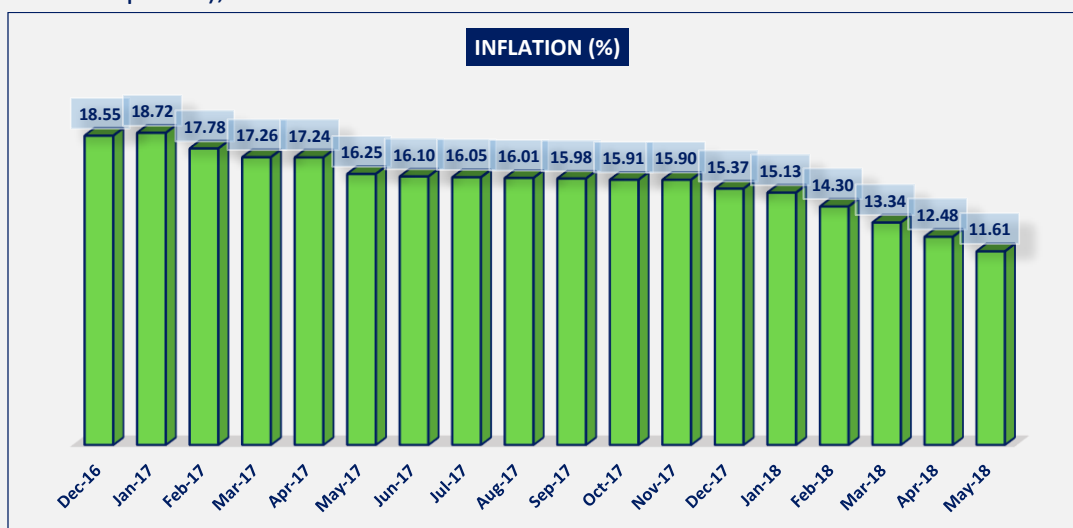
Foreign Reserves

Nigeria's foreign exchange reserves surged higher by 23.27% (YTD) to \$47.79 billion compared to ₦38.77 billion at the beginning of the year. Debt sales such as Eurobond offering by federal government and global hike in crude oil prices helped the country to accrue billions of Dollars in foreign reserves.

The Federal Government raised \$2.50 billion in Eurobonds in February and it is hoping to raise more.

Inflation

Inflation rate rose to 11.61% year on year for the month of May 2018, compared to the 12.48% reported in April 2018. This marks the 16th consecutive month of disinflation in the country.



| | Year Start (30 Dec. 2017) | 29 Jun. 2018 | % Change | Status |
|--------------------------------|------------------------------|--------------|----------|--------|
| Official Rate (₦/\$) | 305.50 | 305.25 | (0.08) | ↑ |
| External Reserve (\$' billion) | 38.77 | 47.79 | 23.27 | ↑ |
| Brent Crude Oil (\$' barrel) | 55.83 | 79.44 | 42.29 | ↑ |
| Crude Oil Prices (\$' barrel) | 53.30 | 75.69 | 42.01 | ↑ |
| Bonny Light (\$' barrel) | 51.64 | 79.12 | 53.21 | ↑ |
| Inflation (%) | 18.55 | 11.61 | (6.94) | ↑ |
| GDP Growth (Q1) (%) | -1.73 | 1.95 | 3.68 | ↑ |

Financial Markets

A. Money Market

The average overnight rate increased to 12.73% in June 2018 from 9.49 per cent in December 2017. Similarly, the average Open Buy Back (OBB) rate surged to 13.85% in June 2018 from 8.46 per cent in December 2017. The movement in the net liquidity position and interest rates reflected the combined effects of Open Market Operations (OMO) auctions, foreign exchange interventions and statutory allocation to state and local governments.

B. Treasury Bills

The Central Bank of Nigeria (CBN) on behalf of the Debt Management Office (DMO) issued a total of ₦965.29 billion of treasury bills, via; 91-day bills worth ₦61.356 billion, 182-day bills worth ₦320.924 billion and 364-day bills worth ₦583.011 billion. The stop rate averaged 12.3399%, 14.2990% and 15.6176% for the 91-day, 182-day and 364-day bills respectively. And in a spirited efforts to mop-up excess liquidity, the apex issued a total of ₦4.10 billion with tenors ranging from 90 days to 364 days for Q1'2018. The stop rates ranged from 12.90% to 16.00%.

| Treasury Bills Discount Rate | 29/06/2018 | 31/05/2018 |
|--------------------------------|------------|------------|
| 91-day Treasury Bill Rate (%) | 13.00 | 12.11 |
| 182-day Treasury Bill Rate (%) | 13.08 | 12.13 |
| 364-day Treasury Bill Rate (%) | 13.17 | 12.76 |

C. Equity Market

The All-Share Index (ASI) increased marginally by 0.46% from 38,104.54 on May 31, 2018 to 38,278.55 on June 29, 2018, amidst profit taking activities by investors and capital reversals in response to monetary policy normalization in some advanced economies particularly, the United States. Similarly, Market Capitalization rose by 0.46% from ₦13.802 trillion on May 31, 2018 to ₦13.866 trillion on June 29, 2018. The ASI has posted YTD gain of 1.89%

Outlook for H2'18

The rebound of the economy which started in second half of 2017 and into the first quarter of 2018, is likely to extend into second half of 2018. This is predicated on the quick passage and effective implementation of the 2018 budget, improved security, foreign exchange market stability as well as favourable crude oil prices. However, we are mindful of the potential impact of the 2019 election-related spending, against the weak backdrop of tax revenue efforts, herdsmen related violence and rising yields in the advanced economies.



Review of Nigerian Pension Industry



Pension Industry Portfolio

The pension industry portfolio as at April 2018 has grown to N8 trillion from N7.5 trillion recorded as at December 31, 2017.

A breakdown of the portfolio as illustrated in the table below shows that the pension fund assets were mainly invested in Federal Government

Securities, with actual assets allocation of 70.2 percent of total pension assets (FGN Bonds: 49.34 percent, Treasury Bills: 20.01 percent, Agency Bonds: 0.08 percent, Sukuk Bonds 0.69 percent and Green Bonds 0.10 percent), slightly lower than the 70.42 percent recorded in the fourth quarter of 2017.

| SUMMARY OF PENSION FUND ASSETS AS AT 30 APRIL 2018 | | | | | | |
|--|-------------------|---------------------|---------------------|-------------------|---------------------------|----------------|
| | AES | CPFAs | RSA ACTIVE FUND | RSA RETIREE FUND | TOTAL PENSION FUND ASSETS | Weight % |
| | N' Million | N' Million | N' Million | N' Million | N' Million | |
| Domestic Ordinary Shares | 97,080.93 | 45,582.43 | 591,085.71 | 7,250.67 | 740,999.73 | 9.15% |
| Foreign Ordinary Shares | 0.00 | 61,424.90 | 0.00 | 0.00 | 61,424.90 | 0.76% |
| FGN Securities: | 583,609.05 | 602,627.43 | 4,038,979.44 | 460,637.53 | 5,685,853.45 | 70.22% |
| <i>FGN Bonds</i> | 369,254.34 | 407,005.58 | 2,926,253.35 | 292,649.45 | 3,995,162.72 | 49.34% |
| <i>Treasury Bills</i> | 214,354.71 | 195,214.33 | 1,044,934.57 | 165,788.25 | 1,620,291.86 | 20.01% |
| <i>Agency Bonds (NMRC & FMBN)</i> | 0.00 | 291.25 | 5,439.44 | 393.18 | 6,123.87 | 0.08% |
| <i>Sukuk Bonds</i> | 0.00 | 116.27 | 54,613.73 | 1,469.36 | 56,199.36 | 0.69% |
| <i>Green Bonds</i> | 0.00 | 0.00 | 7,738.36 | 337.29 | 8,075.64 | 0.10% |
| State Govt. Securities | 16,069.62 | 17,873.26 | 114,636.73 | 15,440.40 | 164,020.01 | 2.03% |
| Corporate Debt Securities | 33,712.44 | 108,745.88 | 173,998.78 | 38,200.60 | 354,657.70 | 4.38% |
| <i>Corporate Bonds</i> | 33,712.44 | 108,745.88 | 166,202.89 | 37,882.40 | 346,543.61 | 4.28% |
| <i>Corporate Infrastructure Bonds</i> | 0.00 | 0.00 | 7,795.89 | 318.20 | 8,114.09 | 0.10% |
| Supra-National Bonds | 0.00 | 1,464.08 | 4,084.04 | 2,581.42 | 8,129.53 | 0.10% |
| Local Money Market Securities: | 70,111.88 | 56,926.40 | 526,621.50 | 75,016.35 | 728,676.12 | 9.00% |
| <i>Banks</i> | 63,430.96 | 55,599.44 | 464,520.44 | 66,482.30 | 650,033.14 | 8.03% |
| <i>Commercial Papers</i> | 6,680.92 | 1,326.96 | 62,101.06 | 8,534.05 | 78,642.99 | 0.97% |
| Foreign Money Market Securities | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00% |
| Mutual Funds: | 2,191.31 | 1,709.99 | 14,618.73 | 0.00 | 18,520.03 | 0.23% |
| <i>Open/Close-End Funds</i> | 2,191.22 | 1,046.70 | 5,585.89 | 0.00 | 8,823.81 | 0.11% |
| <i>Reits</i> | 0.09 | 663.29 | 9,032.84 | 0.00 | 9,696.22 | 0.12% |
| Real Estate Properties | 115,096.80 | 129,473.09 | 0.00 | 0.00 | 244,569.89 | 3.02% |
| Private Equity Fund | 0.00 | 20,530.16 | 14,329.47 | 0.00 | 34,859.63 | 0.43% |
| Infrastructure Fund | 412.28 | 2,115.70 | 6,370.68 | 0.00 | 8,898.66 | 0.11% |
| Cash & Other Assets | 2,421.12 | 30,281.52 | 8,824.40 | 4,596.74 | 46,123.78 | 0.57% |
| Total Assets Value | 920,705.42 | 1,078,754.81 | 5,493,549.49 | 603,723.70 | 8,096,733.43 | 100.00% |

Source: PenCom



Scheme Memberships

The pension industry recorded a 1.77 percent growth in the scheme membership during the period under review, moving from 7.89 million

contributors at the end of fourth quarter, 2017 to 8.03 million as at April 30, 2018. The growth in the industry membership was driven by new enrolments into the Retirement Savings Account (RSA) Scheme,

| AGE GRADE AND SECTORIAL BREAKDOWN OF RSA REGISTRATIONS AS AT 30 APRIL 2018 | | | | | | | | |
|--|-----------------|------------------|------------------|------------------|------------------|------------------|------------------|-------------|
| Age Range | Public Sector | | Private Sector | | Total | | Grand Total | |
| | Male | Female | Male | Female | Male | Female | Number | % |
| Less than 30 yrs | 91,730 | 47,960 | 407,754 | 206,434 | 499,484 | 254,394 | 753,878 | 9.39% |
| 30- 39 yrs | 719,825 | 360,363 | 1,377,901 | 539,516 | 2,097,726 | 899,879 | 2,997,605 | 37.34% |
| 40- 49 yrs | 641,717 | 395,721 | 918,705 | 261,640 | 1,560,422 | 657,361 | 2,217,783 | 27.63% |
| 50- 59 yrs | 557,250 | 318,351 | 473,095 | 92,483 | 1,030,345 | 410,834 | 1,441,179 | 17.95% |
| 60- 65 yrs | 202,413 | 80,306 | 127,315 | 15,614 | 329,728 | 95,920 | 425,648 | 5.30% |
| Above 65 yrs | 89,910 | 24,269 | 70,231 | 6,925 | 160,141 | 31,194 | 191,335 | 2.38% |
| Total | 2,302,84 | 1,226,970 | 3,375,001 | 1,122,612 | 5,677,846 | 2,349,582 | 8,027,428 | 100% |

Source: PenCom

Major Developments in the Pension Industry

During the quarter under review, there were some significant developments in the Pension Industry. These developments mostly connote major decisions taken by the Commission for the overall benefit of the industry especially its primary stakeholders, retirees and pension contributors. These are outlined hereunder:

THE MULTI-FUND STRUCTURE (LIFE-CYCLE INVESTMENT)

INTRODUCTION

The financial market in Nigeria has evolved from its vanilla-type asset classes of ordinary shares,

Federal and State Government bonds & corporate bonds to more exotic instruments such as Eurobonds, Derivatives, REITS and Private equity investments. Recognizing this and noting the growing amount of pension funds being invested in the country, the National Pension Commission (PENCOM) conceived the notion of allowing pension contributors bear the responsibility of deciding their investment futures. Therefore, they expanded the current allowable windows of investments for pension funds and increased the number of Fund types permitting the contributors to make their choice on a preferred fund in order to optimize their pension returns.



WHAT IS MULTIFUND?

Unlike the previous Regulation on Investment of Pension Funds which grouped all actively working citizens of Nigeria in a single fund structure, the new regulation introduced a multi-fund structure that categorizes contributors into different Retirement Savings Account (RSA) according to their age (life cycle) and risk profile/preference.

In the Multi-fund structure, otherwise known as THE LIFE-CYCLE INVESTMENT Fund Structure, the current RSA Fund is divided into 3 funds namely Fund I, Fund II and Fund III. The Retiree fund, Fund IV, remains as it is, and that is to cater for Contributors who have retired and are no longer working.

DIFFERENCES IN THE FUNDS

The funds are peculiar to each other as they have different risk profiles for exposure to various asset classes especially, on the variable income instruments.

Variable income instruments are financial instruments whose returns cannot be pre-determined as at the time of investing.

WHY THE MULTIFUND STRUCTURE?

The risk profiling of the fund is based on the assumption that younger people tend to have more capacity for risk and have a longer period to weather

The price of this class of instrument changes over time and they are: ordinary shares, units of open & close-ended & hybrid funds, REITs, infrastructure funds and Private equity funds.

The exposure of the each fund to variable income instrument is detailed in the table below (*Source: PenCom*):

| S/N | VARIABLE INCOME INSTRUMENT | |
|----------|----------------------------|---------------|
| | Maximum Limit | Minimum Limit |
| FUND I | 75% | 20% |
| FUND II | 55% | 10% |
| FUND III | 20% | 5% |
| FUND IV | 10% | 0% |

| S/N | ALTERNATIVE CLASS | ASSET | Infrastructure, Private Equity & Real Estate (Housing) |
|----------|-------------------|-------|--|
| | | | |
| FUND I | 75% | 2.50% | |
| FUND II | 55% | 2.50% | |
| FUND III | 20% | 0% | |
| FUND III | 10% | 0% | |

the market fluctuations. And for contributors nearing retirement, it is better to limit the amount of risks they take and reduce exposure to uncertainty as they would start drawing down on their pensions within a short period.



The Multi-fund Structure...

Have you made your choice?

BENEFITS

The new Multi-fund structure benefits all contributors to the fund.

- It presents a chance for a suitable alignment between your retirement goals, risk appetite and age.
- Contributors under 50years of age can now choose the fund they wish to belong to, based on their individual risk preference and return expectations.
- It offers opportunity for higher returns for the more risk tolerant contributor.
- It offers a better chance for your pension assets to meet your expectations when you retire.
- Allows you to change from one fund to the other, once in a year, at no cost.

DEFAULT ASSIGNMENTS

From July 1, 2018, all pension contributors will be assigned to the different funds using the default categorization set by the Regulator, while further directives are received from the contributors themselves on the choice of fund they wish to belong to. These default grouping are as follows:

- **FUND I:** Contributors shall write formally and give consent to be assigned to this fund.
- **FUND II:** This is the assigned default fund for active contributors aged 49years and below as at their last birthday.
- **FUND III:** This is the assigned default fund for active contributors aged 50years and above as at their last birthday.
- **FUND IV:** This is strictly for the retirees only.

What you should do?

Make an informed choice, contact and inform your PFA on your choice of Fund, if you do not prefer the default fund.

What's New!

New and improved ways to serve you better:



You can open RSA, access your balance & much more @ www.vgpensions.com www.growwithveritas.net for educational contents



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