



## FUND MANAGER'S REPORT FOR THE PERIOD ENDED JUNE 2018 (Q2 2018)

**Investment Philosophy:** Our investment activities are guided by the need to secure the long-term interest of our contributors and fund owners. To this end, our goal is to ensure capital preservation whilst delivering positive real return to our contributors' funds through the implementation of investment strategies, risk management policies, careful execution of transactions and best practices, all of which deliver value consistently.

### ASSET ALLOCATION LIMITS

The Fund assets can only be invested in asset types approved by the National Pension Commission (PenCom). The prescribed asset classes and their limits are listed below:

- **FGN or CBN Securities (80%)**
- **State Government Bonds (20%)**
- **Ordinary Shares or Equities (25%)**
- **Money Market Instruments (35%)**
- **Corporate Bonds/Debt (35%)**
- **Supranational Bonds (20%)**
- **Infrastructural Funds (5%)**
- **Private Equity Funds (5%)**
- **Mutual Funds (20%)**

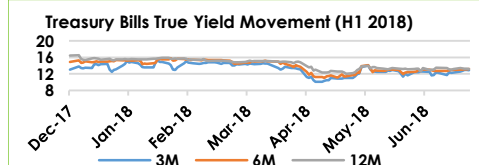
### ECONOMIC & FINANCIAL MARKETS REVIEW

Nigeria's GDP grew by 1.95% (year-on-year) in real terms in Q1 2018; a significant improvement compared to (0.91%) growth in the first quarter of 2017. However, compared to the preceding quarter (Q4 2017: 2.11%), economic growth accelerated at a slower pace. This snag was driven largely by contraction in the services sector. The major constituents of the Services sector that contributed to the decline were; Trade (-2.1%) and Real Estate (-8.4%) sectors.

In the month of June 2018, Inflation rate declined for the 17<sup>th</sup> consecutive month since January 2017. The NBS reported that the CPI increased by 11.23% in June 2018 year-on-year; less than 11.61% recorded in May 2018.

The decline in inflation rate has been a major contributor of declining rates in the **Money market** space. However, the CBN has been committed to mopping up of liquidity by issuing instruments at lower yields (around 12%-13%). The average yield, in Q2 2018, of 3month, 6month and 12month treasury bills were **12.06%**, **12.63%** and **13.27%** respectively against **14.13%**, **15.03%** and **15.34%** in Q1 2018. Please see chart below.

**Chart 1: Nig. Treasury Bills Yields Trend in H1 2018**

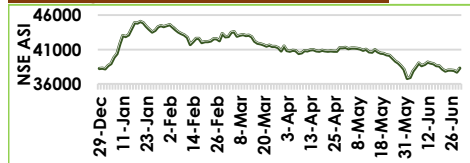


Source: Bloomberg/ Legacy Pension Managers

The Debt Management Office (DMO) continued with lower domestic bond issuances at lower yields, in line with the Federal Government's preference for Dollar denominated debts. As such, average **bond yields** in Q2 2018 was **13.27%** against the **13.57%** reported in Q1 2018; representing a decrease of **8.76%**. A total of **₦172 billion** worth of FGN bonds was issued during the period compared to **₦254 billion** issued in Q1 2018.

The Nigeria's **equities market** was shaped by investor's low risk appetite; supported by early pre-election jitters, late signing of the 2018 budget, and concerns surrounding FX stability as expectations of more interest rate hikes by the U.S Federal Reserve was rife.

**Chart 2: Nigerian All-Share Index trend in H1 2018**



Source: Bloomberg and Legacy Pension Research

### LEGACY PENSION RSA FUND

**LEGACY PENSION RSA FUND** assets are invested in a mix of securities in line with the Pension Commission's regulation on investment of pension assets. The Fund's asset allocation structure as at Jun. 30, 2018 against Mar. 31, 2018 & Dec. 31, 2017 positions is shown in the table below:

**Table 1: Asset Allocation Structure (Jun. 2018 Vs Mar. 2018 and Dec. 2017)**

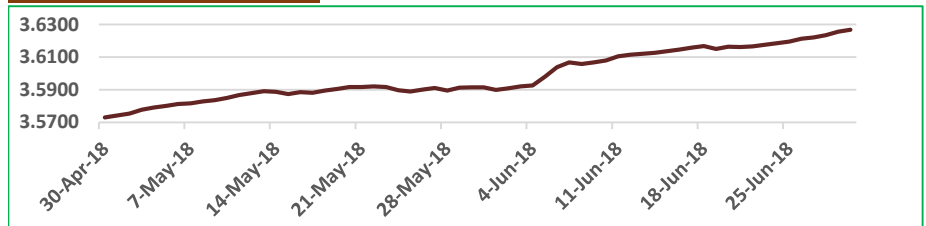
S/N	ASSET CLASS	Jun.'18	Mar.'18	Dec.'17	Variance (Q2'18 Vs. Q1'18)	Variance (Q2 2018 Vs. Q4 2017)
1	Cash	0.25%	0.27%	0.19%	-4.82%	33.66%
2	Close End Funds	0.09%	0.10%	0.09%	-8.65%	-2.37%
3	Commercial Papers	2.64%	1.61%	1.94%	64.37%	36.28%
4	Corporate Bonds	1.79%	1.49%	1.22%	19.79%	46.43%
5	Ordinary Shares	5.56%	5.37%	4.35%	3.60%	27.83%
6	FGN Bonds	40.23%	36.59%	39.28%	9.93%	2.41%
7	Hybrid Funds	0.22%	0.23%	0.24%	-3.44%	-7.31%
8	Treasury Bills	37.42%	43.14%	38.28%	-13.26%	-2.24%
9	Money Market - Banks	9.20%	8.77%	12.04%	4.82%	-23.63%
10	Real Estate Investment Trust	0.15%	0.16%	0.16%	-3.54%	-5.98%
11	Supranational Securities	0.12%	0.12%	0.15%	-0.89%	-21.31%
12	State Government Sec.	2.33%	2.16%	2.06%	7.98%	13.17%
	<b>TOTAL</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>		

Source: Legacy Pension Managers

In our quest to maintain sustainable growth of our contributors' funds, Legacy's RSA Fund delivered an annualised return (net of fees) of **13.06%** as at Q2 2018. This is against the **16.37% (annualised)** and **15.41%** returns reported in Q1'18 and Q4'17 respectively. The decline in the current period return is due to the low interest rate regime.

The Fund, which was launched at **₦1.0000** in April 2006, closed on June 30, 2018 with a unit price of **₦3.6268**, as against December 2017 closing price of **₦3.4126**, translating to a return of **13.06%**. **From inception, the Fund has returned 262.68%**. Please see graph below for the unit price trend in Q2 2018.

**Chart 3: RSA Fund Price Trend in Q2 2018**



Source: Legacy Pension Managers

### ECONOMIC & FINANCIAL MARKETS OUTLOOK FOR Q3 2018

We align with the 3.1% growth rate for global economy projected by World Bank. Whilst considering some of the downside risks and possible volatility in the financial markets, the Bank expects advanced economies to grow by 2.2% while it projected a 4.5% growth for emerging economies. On the national scene, we expect inflation to continue its decline, although moderately and perhaps a tick up may occur amidst the possibility that the Naira may depreciate somewhat in the Importers & Exporters FX window coupled with expected rise in election spending.

### PENSION INDUSTRY NEWS

The National Pension Commission (PenCom) has recently released an Amended Regulation on Investment of Pension Fund Assets for the Pension Industry. The new investment guideline introduces a multi-fund structure, which would replace the "one size fits all" structure that puts all active contributors into one Retirement Savings Account (RSA) Fund. The Multi-Fund structure is a framework that aims to align the age and risk profile of RSA holders by dividing the RSA Fund into four distinct Funds. The current RSA Fund will be sub-divided into three separate Funds, while the RSA Retirees Fund would be the 4th Fund. The new structure would benefit contributors by issuing RSA holders more control over how their pension funds are invested based on their risk tolerance. The effective date for the commencement of the Multi-Fund structure is July 1, 2018.

### NOTICE, COMPLAINTS AND FEEDBACK

In order to serve our customers better, we have relocated to our new head office in the Central Business District (CBD) of Abuja. The new head office is located at **Plot 207 Zakaria Maimalari Street, Cadastral Zone AO, CBD, Abuja, FCT**. We also have 48 other offices across the country. You can visit our website at [www.legacypension.com](http://www.legacypension.com), call us on any of following telephone numbers **(+234) 7080633004, 08032752888 and 08059580002** or send us an email at [info@legacypension.com](mailto:info@legacypension.com).

We value your opinion and feedback and would want to hear from you, with regards the quality of our services. We are committed to ensuring you receive the best service possible. **Thank you for your highly valued patronage.**