



FCMB PENSIONS RSA FUNDS

FUND MANAGER'S REPORT FOR THE PERIOD APR. - JUN. 2020 (Q2 2020)

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.

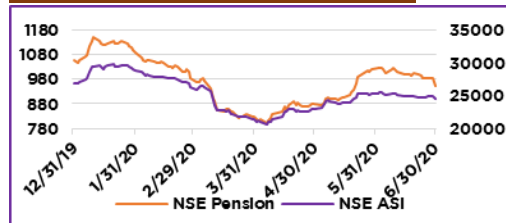
ECONOMIC & FINANCIAL MARKETS REVIEW

In the second quarter of 2020, covid-19 continued to impact negatively on the global economies. However, global stock markets recorded outstanding returns after a disappointing Q1'20 outing. During the review period global monetary policy authorities stimulated their economy with series of monetary easing and interventions to aid unstable markets and citizens.

In a similar fashion, the responses by the CBN which included lower interest rates and providing several intervention funds continued to douse the impact of the pandemic and attendant lockdown on the economy.

Consequently, the Nigerian Stock Exchange All Share Index (NSE ASI) gained 14.92% during the period under review (Q1 2020: -20.60%) as investors sailed the tide despite the increased number of reported cases of the virus in Nigeria.

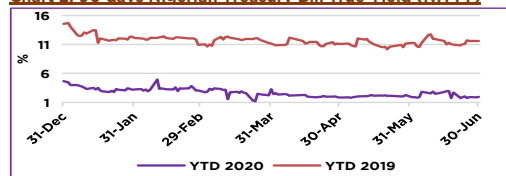
Chart 1: Nigerian Equities Market Index Movement



Sources: Bloomberg and FCMB Pensions

Average Overnight rates in Q2 2020 declined by 317bps to 8.40% from 11.57% in Q1 2020 as system liquidity declined marginally by 0.21% from N379.06 billion (in Q1 2020) to N378.26 billion. Please see Treasury bills yield trend in the chart below.

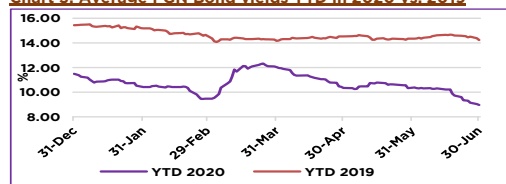
Chart 2: 90 days Nigerian Treasury Bill True Yield (NITTY)



Sources: Bloomberg and FCMB Pensions

Bond prices appreciated as average yields (across tenors) fell further by 31bps from 10.85% recorded in Q1 2020 to 10.54% recorded in Q2 2020 as shown in the chart below.

Chart 3: Average FGN Bond yields YTD in 2020 vs. 2019



Sources: Bloomberg and FCMB Pensions

ECONOMIC & FINANCIAL MARKETS OUTLOOK FOR Q3 2020

Having signed an agreement with the IMF before the nation accessed an emergency funding of US\$3.4 billion to implement critical structural reforms, the World Bank is also dangling another US\$1.5 billion facility support if the nation implements identified reforms. The reforms include harmonization and floating the exchange rate and removal of subsidies on PMS and electricity tariffs.

With a substantial amount of Foreign Portfolio Investments (OMO bills) likely to leave the financial system as from September 2020, we anticipate that the FG is likely to implement these reforms in Q3'20 which, in our view is positive for the economy and financial markets in the medium and long terms.

DISCLAIMER: The views expressed in this report are provided for information purposes only. Please note that past performance is not a guarantee for future performance. The material herein is obtained from a variety of sources and we make no representation as to its accuracy or completeness. This material has been issued by FCMB Pensions Limited which is regulated by the National Pension Commission.

ASSET ALLOCATION LIMITS

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

| Table 1: Regulatory Maximum Limit | | | | |
|-----------------------------------|--------|---------|----------|---------|
| Asset Class | Fund I | Fund II | Fund III | Fund IV |
| Ordinary shares | 30% | 25% | 10% | 5% |
| Money Market Instruments | 30% | 30% | 35% | 35% |
| FGN and CBN Securities | 60% | 70% | 80% | 80% |
| Corporate Debt Securities | 35% | 40% | 45% | 45% |
| State and Local Govt. Debts | 10% | 15% | 20% | 20% |
| Supra-national bonds/sukuk | 20% | 20% | 20% | 20% |
| Infrastructure Funds | 10% | 5% | 0% | 0% |
| Private Equity Funds | 10% | 5% | 0% | 0% |
| Open, Closed and Hybrid Funds | 25% | 20% | 10% | 5% |

Source: Pencom & FCMB Pensions

FCMB PENSIONS RSA FUNDS

FCMB PENSIONS RSA Funds' assets are invested in a mix of securities in line with the Pension Commission's regulation on investment of pension assets. The Funds' asset allocation structure as at Jun. 30, 2020 across the Funds is shown in the table below:

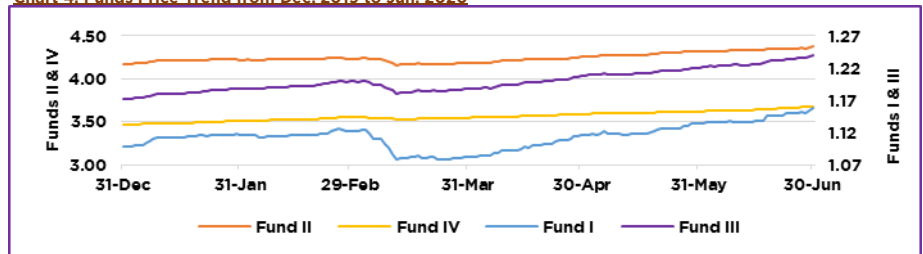
| Table 2: Structure of Funds Investment Portfolio (as at Jun. 30, 2020) | | | | |
|--|----------------|----------------|----------------|----------------|
| Securities | Fund I | Fund II | Fund III | Fund IV |
| Ordinary Shares | 6.48% | 4.52% | 2.05% | 0.00% |
| Money Market Instrument | 20.06% | 20.20% | 20.51% | 31.44% |
| Treasury Bills | 1.91% | 2.74% | 7.81% | 2.69% |
| Bonds | 71.54% | 72.31% | 69.40% | 65.83% |
| Supranational Securities | 0.00% | 0.00% | 0.08% | 0.05% |
| Hybrid Funds | 0.00% | 0.17% | 0.15% | 0.00% |
| Real Estate Investment Trust | 0.00% | 0.07% | 0.00% | 0.00% |
| Total | 100.00% | 100.00% | 100.00% | 100.00% |

Source: FCMB Pensions

The table below shows the Unit Prices of each Fund as at end of Q3 2019, FY 2019, Q1 2020 and Q2 2020.

| Table 3: Periodic Unit Prices | | | | |
|-------------------------------|--------|---------|----------|---------|
| Period | Fund I | Fund II | Fund III | Fund IV |
| Sep. 2019 | 1.0460 | 4.0140 | 1.1240 | 3.3310 |
| FY 2019 | 1.0983 | 4.1708 | 1.1718 | 3.4671 |
| Mar. 2020 | 1.0819 | 4.1805 | 1.1876 | 3.5466 |
| Jun. 2020 | 1.1573 | 4.3851 | 1.2397 | 3.6779 |

Chart 4: Funds Price Trend from Dec. 2019 to Jun. 2020



PENSION INDUSTRY NEWS

Sequel to the commencement of the Multi-Fund Structure in July 2018, the National Pension Commission (PenCom) has recently released another Amended Regulation on Investment of Pension Fund Assets in February 2019 which introduced two additional Funds; Fund V (Micro Pension Fund) and Fund VI (Non-Interest Fund).

The initial Funds I to IV were created to benefit contributors over how their pension funds are invested based on their age and risk tolerance. While Fund V gives room for small (unincorporated) business employees and self-employed to save for retirement based on their capacity, Fund VI allows contributors who choose to have their pension contribution invested in Non-Interest Money and Capital Market Products.

NOTICE, COMPLAINTS AND FEEDBACK

In order to serve our customers better, kindly contact us at our Head Office located at **Plot 207 Zakaria Maimalari Street, Cadastral Zone AO, CBD, Abuja, FCT**. We can also be reached via FCMB branches nationwide. You can visit our website at www.fcmbpensions.com, call us on any of following telephone numbers **(+234) 07080633000-4** or send us an email at info@fcmbpensions.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. FCMP Pensions... the smart choice for a happy retirement.**