



FCMB PENSIONS RSA FUNDS

FUND MANAGER'S REPORT FOR THE PERIOD JUL. - SEP. 2020 (Q3 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.

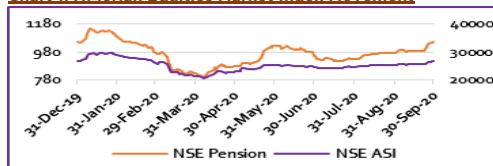
ECONOMIC & FINANCIAL MARKETS REVIEW

The global economy witnessed some positive recovery in the third quarter of 2020 as most economies eased economic lockdown, a fallout of the Covid-19 pandemic. This was reflected by the above 50pts JP Morgan composite index as policy makers continue to support expansionary measures by keeping interest rates low while fiscal authorities injected stimulus into their economies. These twin actions led to the improvement of the global equities market despite the Pandemic.

The Nigerian economy recorded negative GDP growth (-6.1%) for the second quarter of 2020 below World Bank's forecast of -5.4%. PMI numbers for both manufacturing and non-manufacturing sectors also stood below 50pts indicating economic contraction over the reporting period. Inflation rate also continue to rise (Sep'20: 13.71%) as the hike in food prices persists.

On improved investors optimism and following a second 100% cut in MPR, the Nigerian Stock Exchange All Share Index (NSE ASI) gained 10.30% during the period under review (Q2 2020: 14.92%) as the fixed income space appears unattractive due to declining fixed income yields.

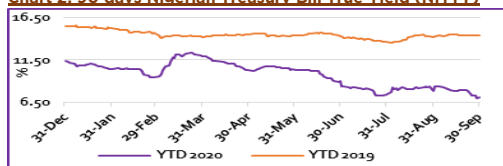
Chart 1: Nigerian Equities Market Index Movement



Sources: Bloomberg and FCMB Pensions

Average Overnight rates in Q3 2020 declined by 47bps to 7.93% from 8.40% in Q2 2020 despite that system liquidity declined by 6.90% from N224.63 billion (in Q2 2020) to N209.13 billion, following elevated CRR debit by the CBN. Please see Treasury bills yield trend in the chart below.

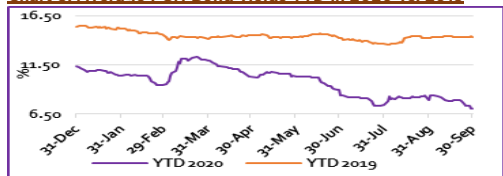
Chart 2: 90 days Nigerian Treasury Bill True Yield (NITTY)



Sources: Bloomberg and FCMB Pensions

Bond prices appreciated as average yields (across tenors) fell further by 247bps from 10.49% recorded in Q2 2020 to 8.02% recorded in Q3 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 Q4 20

We expect the FG and CBN to continue to focus on resuscitating the domestic economy going into Q4 2020 and early 2021 as the nation braces for another recession when Q3 2020 GDP figures are published.

We opine that the CBN will maintain its accommodative posture by ensuring that a level of system liquidity is achieved in order to keep short-term interest rates at single digit. In addition, we expect the complete harmonization of exchange rates at some point in Q4 2020 or early 2021. While inflation rate may continue to trend higher over Q1 2021. Overall, we expect improvement in economic activities to be driven by coordinated policies by both monetary and fiscal authorities.

ASSET ALLOCATION LIMITS

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:

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: 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 Sep. 30, 2020 is shown in the table below:

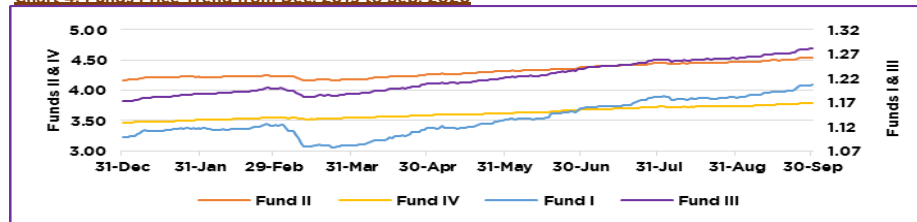
Securities	Fund I	Fund II	Fund III	Fund IV
Ordinary Shares	7.49%	5.55%	2.73%	0.00%
Money Market Instrument	19.92%	20.05%	20.05%	35.38%
Treasury Bills	0.73%	2.06%	6.50%	1.55%
Bonds	71.84%	71.94%	70.37%	63.05%
Supranational Securities	0.00%	0.00%	0.04%	0.02%
Hybrid Funds	0.00%	0.32%	0.30%	0.00%
Real Estate 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 price levels of each Fund as at end of FY 2019, Q1 2020, Q2 2020 and Q3 2020.

Period	Fund I	Fund II	Fund III	Fund IV
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
Sep. 2020	1.2069	4.5387	1.2825	3.7824

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



Source: FCMB Pensions

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).

While the initial Funds I to IV were created to benefit contributors with more control over how their pension funds are invested based on their risk tolerance, Fund V gives room for small (unincorporated) business employees and self-employed to save for retirement based on their capacity while 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. FCMB Pensions... the smart choice for a happy retirement.**

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