



FCMB PENSIONS RSA FUNDS

FUND MANAGER'S REPORT FOR THE PERIOD JAN. - MAR. 2019 (Q1 2019)

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:

Table 1: Regulatory Limit

FUNDS	I	II	III	IV
Asset Class	(%)	(%)	(%)	(%)
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

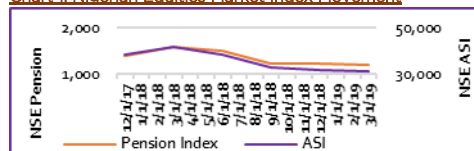
ECONOMIC & FINANCIAL MARKETS REVIEW

Nigeria's macroeconomic indicators suggest sustained economic growth; PMI above 50.0 points, foreign reserves above \$44 billion, exchange rate steady around N360/\$ and Inflation at 11.25%. In the same vein, Oil prices (Brent) increased by 27.1% from \$53.80p/b (Dec. 18) to \$68.39p/b (Mar. 19) following a Saudi-led OPEC supply cut with concerns that US sanctions on Iran and disruptions in Venezuela will further tighten the market.

The biggest event in the quarter was the 2019 Presidential elections and President Buhari's of the ruling APC emerged the winner over the major contestant Alhaji Atiku Abubakar of the PDP. Given his administration's performance scorecard in his first term, market reaction was negative following his emergence as the winner of the elections as investors seem not to be comfortable with his economic policies in his first term in office.

Equities Market activities during the period under review were largely bearish and volatile as the market yielded to pre-and-post election events. In addition, given the level of uncertainty and lack of fiscal policy direction ahead of the elections, the All Share Index (ASI) declined by 1.24% from its year opening of 31,430.5pts to close at 31,040.42pts.

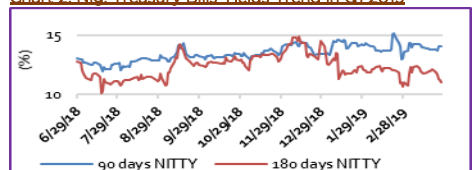
Chart 1: Nigerian Equities Market Index Movement



Sources: Bloomberg and FCMB Pensions

In the **Money Market** space, the CBN squeezed the system of liquidity as it mopped up N7.94 trillion (via OMO and NTBs); slightly higher than N7.36 trillion mopped up in Q4 2018. The tight posturing of the Apex bank may not be unconnected to efforts to stem the tide of Dollar outflows during the electoral season. As a result, system liquidity dropped by 22.4% from N250.9 billion to N194.8 billion, and average overnight rate (O/N) rose by 100bps from 16.1% in Q4 2018 to 17.1%. Please see Treasury bills yield trend in the chart below.

Chart 2: Nig. Treasury Bills Yields Trend in Q1 2019



Sources: Bloomberg and FCMB Pensions

Unlike the equities market, the **Bond Market** was largely bullish as investors put aside concerns relating to potential outcome of the 2019 general elections and linked reactions. Consequently, average FGN bond yields declined 0.94% points from 15.05% in Q4 2018 to 14.11% in Q1 2019 (Q1 2018: 13.98%).

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 Fund's asset allocation structure as at Mar. 31, 2019 across the Funds is shown in the table below:

Table 2: Structure of Funds Investment Portfolio (as at March 31, 2019)

Securities	Fund I	Fund II	Fund III	Fund IV
Ordinary Shares	18.12%	9.49%	4.75%	0.46%
Money Market Instrument	21.15%	16.69%	10.78%	15.78%
Treasury Bills	33.75%	23.50%	21.73%	36.17%
Bonds	26.89%	49.14%	61.59%	46.31%
Supranational Securities	0.00%	0.00%	0.19%	0.11%
Hybrid Funds	0.00%	0.28%	0.28%	0.00%
Real Estate Investment Trust	0.00%	0.11%	0.00%	0.00%
Cash	0.10%	0.81%	0.67%	1.16%
Total	100.00%	100.00%	100.00%	100.00%

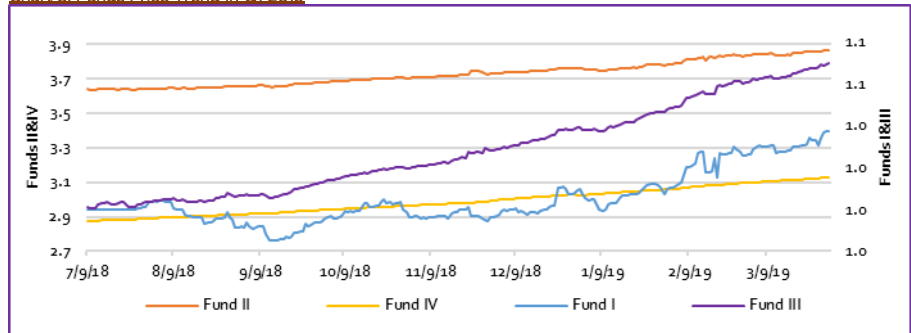
Source: FCMB Pensions

The table below shows the Unit prices of each Fund as at end of 2018 and the Q1 of 2019

Table 3: Periodic Unit Prices

Period	Fund I	Fund II	Fund III	Fund IV
FY 2018	1.0093	3.7578	1.0391	3.0243
Mar. 2019	1.0375	3.8631	1.0697	3.1268

Chart 3: Funds Price Trend in Q1 2019



Source: FCMB Pensions

ECONOMIC & FINANCIAL MARKETS OUTLOOK FOR Q2 2019

With global inflation likely to retreat, economic growth slowing and a trade deal likely to be agreed between the US and China, there is the possibility of rate cut by the US Fed. These should augur well for the domestic economy as the MPC may consider a further rate cut later in 2019.

With the incumbent, President Buhari declared the winner of the 2019 Presidential elections, we expect to see some stability in economy given the President's stance on the stability of the exchange rate and expectations for continued implementation of key reforms under the Economic Recovery and Growth Plan (ERGP). In addition, signals by the CBN government to implement policies that will ensure easing in interest rates are likely to augur well for the economy later in the year.

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, our head office is located at Plot 207 Zakaria Maimalari Street, Cadastral Zone AO, CBD, Abuja, FCT. We also have 204 other offices across the country. 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.**

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