



FCMB PENSIONS RSA FUNDS

FUND MANAGER'S REPORT FOR THE PERIOD JUL. - SEP. 2019 (Q3 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.

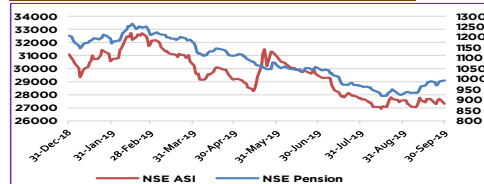
ECONOMIC & FINANCIAL MARKETS REVIEW

Global monetary policy decision makers maintained a dovish posture in order to halt slowing global economic growth amidst continued trade conflict that has inhibited global economic growth.

The Nigerian Bureau of Statistics (NBS) reported that the domestic economy advanced by 1.94% year-on-year in real terms in Q2 2019 (Q2 2018: 1.50%); signaling that the pace of expansion continued to decline when compared to 2.10% recorded in Q1 2019.

Nigerian Stock Exchange All Share Index (NSE ASI) declined further by 7.80% during the period under review (Q1 2019: -3.50) owing to weak economic fundamentals and high interest rates.

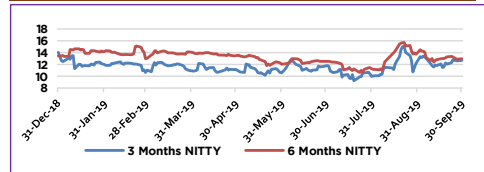
Chart 1: Nigerian Equities Market Index Movement



Sources: Bloomberg and FCMB Pensions

Average Overnight rates rose slightly by 18bps to 11.42% from 11.24% in Q2 2019. However, there was a 14.95% increase in system liquidity from N223.15 billion (in Q2 2019) to N264.64 billion. Please see Treasury bills yield trend in the chart below.

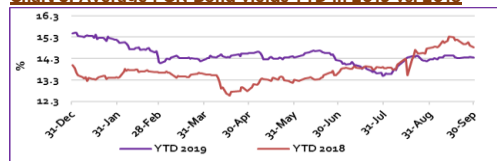
Chart 2: Nig. Treasury Bills Yields Trend in Jan.-Sep. 2019



Sources: Bloomberg and FCMB Pensions

Bond prices appreciated as average yields (across tenors) fell further by 0.34bps from 14.44% recorded in Q2 2019 to 14.10% recorded in Q3 2019.

Chart 3: Average FGN Bond yields YTD in 2019 vs. 2018



Sources: Bloomberg and FCMB Pensions

ECONOMIC & FINANCIAL MARKETS OUTLOOK FOR Q3 2019

Nigeria's foreign reserve is expected to remain relatively stable considering the tight monetary stance of the CBN to hold rates at 13.50% amidst widespread dovish posture in advanced economies. Thus, we expect foreign reserves to stay above \$40 billion; exchange rate (Naira/US Dollar) to continue to oscillate between N360/\$ and N364/\$; whilst headline inflation will hover around 11.5% (CBN target: 12.0%).

We expect a slightly inverted yield curve amidst expected maturities estimated at over N6.0 trillion in Q4 2019. We opine that decision makers will make efforts to prevent currency speculation. The 1-year OMO instruments are currently being offered in the secondary market at yield around 14.5% (15.3% at last auction).

In anticipation of further rate decline in the next 6 months (going into 2020), we anticipate increased activity in the equities market. We opine that Investors will be drawn to tickers trading at attractive dividend yields and ROEs.

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:

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 Fund's asset allocation structure as at Sep. 30, 2019 across the Funds is shown in the table below:

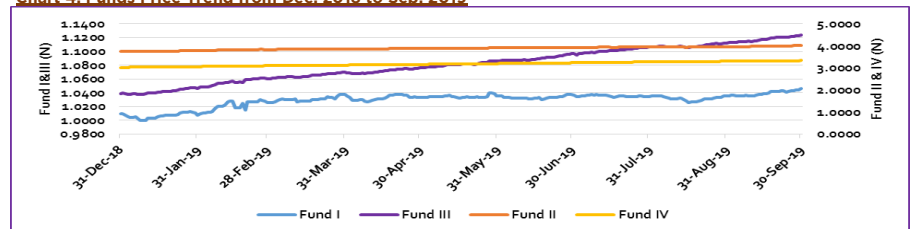
Securities	Fund I	Fund II	Fund III	Fund IV
Ordinary Shares	8.76%	6.17%	2.90%	0.00%
Money Market Instrument	23.65%	18.22%	12.79%	14.42%
Treasury Bills	25.30%	22.01%	20.38%	36.57%
Bonds	42.29%	53.25%	63.56%	48.93%
Supranational Securities	0.00%	0.00%	0.13%	0.08%
Hybrid Funds	0.00%	0.25%	0.24%	0.00%
Real Estate Investment Trust	0.00%	0.10%	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 Dec 2018, Q1 2019, Q2 2019 and Q3 2019.

Period	Fund I	Fund II	Fund III	Fund IV
FY 2018	1.009	3.758	1.039	3.024
Mar. 2019	1.038	3.863	1.070	3.127
Jun. 2019	1.038	3.934	1.096	3.229
Sep. 2019	1.046	4.014	1.124	3.331

Chart 4: Funds Price Trend from Dec. 2018 to Sep. 2019



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 the 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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