



FCMB PENSIONS RSA FUNDS

FUND MANAGER'S REPORT FOR THE PERIOD APR. - JUN. 2019 (Q2 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.

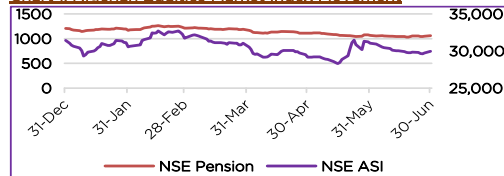
ECONOMIC & FINANCIAL MARKETS REVIEW

Global monetary policy decision makers maintain dovish posture as continued trade conflict inhibits global economic growth.

In the local market, GDP grew by 2.01% in Q1 2019 (year-on-year); lower by 38bps from 2.38% recorded in Q4 2018. This was on account of a 6.95% drop in average oil prices to \$63.83/b amidst a 2.62% rise in oil production to 1.96mbpd.

The NSE All Share Index (NSE ASI) declined by 3.5% to close at 29,966.87 points in June from 31,041.42 points recorded in March as investors' sentiments remain negative amidst absence of clarity in fiscal reforms and cabinet formation that should accelerate economic growth.

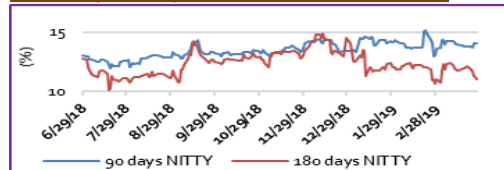
Chart 1: Nigerian Equities Market Index Movement



Sources: Bloomberg and FCMB Pensions

Average Overnight rates dropped by 584bps to 11.24% from 17.08% (in Q1 2019) as a result of a 14.95% increase in system liquidity from N194.21billion (in Q1 2019) to N223.15billion. Please see Treasury bills yield trend in the chart below.

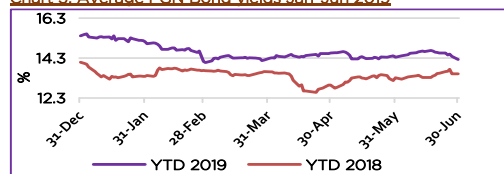
Chart 2: Nig. Treasury Bills Yields Trend in Jan-Jun 2019



Sources: Bloomberg and FCMB Pensions

Bond prices appreciated as average yields (across tenors) dropped by 34bps to 14.44% (Q1 2019: 14.78%); thus, continuing a downward trend we had envisaged at the beginning of the year.

Chart 3: Average FGN Bond yields Jan-Jun 2019



Sources: Bloomberg and FCMB Pensions

ECONOMIC & FINANCIAL MARKETS OUTLOOK FOR Q3 2019

Trade tension is expected to remain prohibitive to international trade flow - US Fed is expected to cut fed rate by at least 25bps to 2.00%. Oil (Brent) prices is expected to remain above \$60/b, supported by production cuts.

Nigeria's foreign reserve is expected to hover above US\$45.0 billion, exchange rate (Naira/US Dollar) to continue to oscillate between N360/\$ and N361/\$, whilst headline inflation will hover around 11.5% (CBN target: 12.0%). The aforementioned might provide legroom for the CBN to cut the MPR by 50bps to 13.0%.

We expect a normal yield curve amidst expectations that rates will further decline across tenors, while respite for the NSE ASI may be in sight if the downward trend in interest rates persists as a low interest rate regime is positive for capital restructuring, business expansion and retail spending which may drive the appetite for risk assets such as equities.

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 June 30, 2019 across the Funds is shown in the table below:

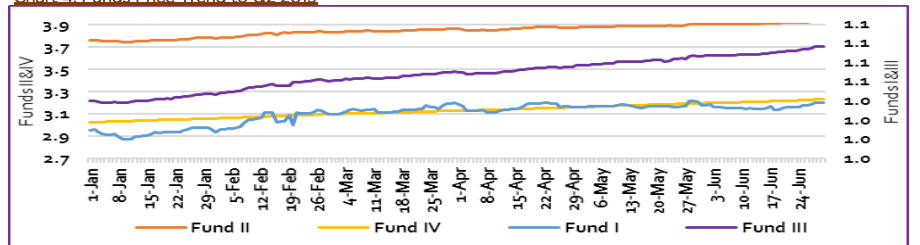
Securities	Fund I	Fund II	Fund III	Fund IV
Ordinary Shares	14.52%	8.13%	4.04%	0.00%
Money Market Instrument	22.37%	16.46%	14.30%	19.39%
Treasury Bills	33.49%	21.58%	21.75%	34.96%
Bonds	29.62%	53.46%	59.45%	45.55%
Supranational Securities	0.00%	0.00%	0.19%	0.11%
Hybrid Funds	0.00%	0.26%	0.26%	0.00%
Real Estate Investment Trust	0.00%	0.11%	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 and Q2 2019.

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
Jun. 2019	1.038	3.934	1.0964	3.2294

Chart 4: Funds Price Trend to Q2 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 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.**

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