

# NEWSLETTER

A Quarterly Publication of Oak Pensions Limited



## WHAT'S INSIDE THIS ISSUE

### • Review of the Domestic Economy

- 2Q21 GDP numbers confirm the weak recovery
- Inflation
- Interest Rates
- Foreign Reserves
- Financial Markets
- Outlook

### • Pension Industry News

- PenCom unveils 5 strategic agenda for industry growth
- House passes bill to exempt police from pension scheme

### • OAK Pensions Funds Performance

- Fund I
- Fund II
- Fund III
- Fund IV

### • Company News

- Oak Pensions lead Nigerian Pension Fund Administrators in Q3 2021
- **Transfer Window:** Oak Pensions Limited as your Preferred PFA
- Oak Pensions Launches IOS Version of its Mobile Application

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Dear Esteemed Customers,

We welcome you to our Q3 quarterly newsletter and quarter's bulletin encapsulates happenings around the domestic economy as well as developments in the Nigerian pensions industry. The edition is also packed with news bordering on your choice PFA and other useful tips aimed at keeping your informed and entertained.

Nigeria's GDP grew 5.00% Y-o-Y, driven primarily by the low base effect after the economy contracted 6.10% in 2Q20 at the onset of the pandemic, while the non-oil economy grew 6.70% in 2Q21 as against the contraction of 6.10% in 2Q20.

In the period under review, the House of Representatives at the plenary unanimously passed for a second reading a bill to exempt the Nigeria Police Force (NPF) from the contributory pension scheme like their counterpart in the military and the intelligence agencies. While PenCom commenced online enrolment exercise for retirees/prospective retirees of treasury-funded Federal Government Ministries Departments Agencies (MDAs).

Finally, Oak Pension Limited emerged as the best performing PFA for Q3'2021, according industry-based analysis carried out by Nairametrics.

We enjoin you to relax and enjoy this edition of the Oak Pensions Newsletter.

Kindly reach us on 0700CALLOAK or send an email to [newsletter@oakpensions.com](mailto:newsletter@oakpensions.com)

**Editor**

### ***Our Vision***

***"To be amongst the top five performing PFAs."***

### ***Our Mission***

***"To ensure financial security for a better future"***



# Review of the Domestic Economy

## 2Q21 GDP numbers confirm the weak recovery

Nigeria GDP grew 5.00% Y-o-Y, driven primarily by the low base effect after the economy contracted 6.10% in 2Q20 at the onset of the pandemic, while the non-oil economy grew 6.70% in 2Q21 vs. a contraction of 6.10% in 2Q20. The key agriculture sector (25.00% of GDP and largest employer) grew an anemic 1.30%, the lowest in nearly three years, while the oil sector remained in contractionary mode, largely due to disruption in the Niger Delta, the country's key oil production area, as well as OPEC's production quotas.

Furthermore, the recovery in other key sectors, including manufacturing and construction, was relatively muted considering the extent of contractions suffered in the same quarter last year.

## Inflation

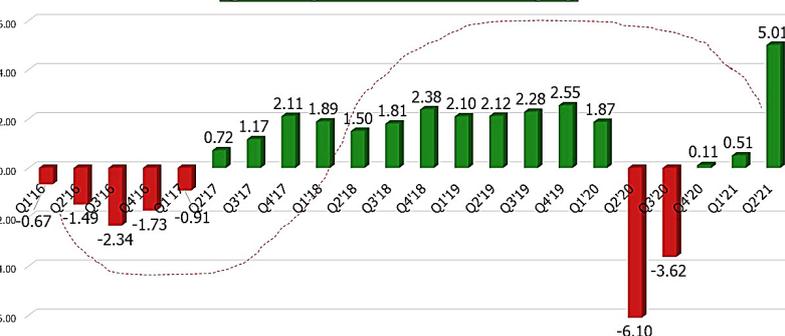
Nigeria's headline inflation sustained downward trend by declining by 38bps to 16.63% year-on-year for the month of September 2021, the sixth consecutive decline after peaking in March 2021 at 18.17% year-on-year.

The contraction in inflation is predicated on the decline in the food prices by 43bps to 19.57% even as the core inflation rate for the month under review increased by 33bps 13.74%. Notably, the decline in the food inflation rate outweighed the increased in core inflation leading to the contraction in headline inflation rate.

## Interest Rate

Monetary Policy Committee (MPC) in its last meeting held the Monetary Policy Rate (MPR) at 11.50%. The Committee also kept other key policy parameters unchanged.

Quarterly GDP Growth Trend (%)



Source: National Bureau of Statistics (NBS), OAK Pensions Research Team

## Foreign Reserves

External reserves rose by \$2.40 billion in the third quarter ended September. The reserves which stood at \$34.02 billion as of the end of August rose to \$36.41 billion as of September 2021. With the oversubscription of the \$4.00 billion Eurobond sourced by the federal government from the international debt market, the reserve is likely to get more firepower in Q4

## Financial Markets

The NGX ASI gained 6.10% in Q3 2021 with a corresponding value of the index at 40,221.17 as at 30th Sept 2021. The NGX ASI appreciated 1.48% YTD. The downward pressure was occasioned by waned demand for equity as investors sought better yields in the fixed income space. Investors switched out of equities to take advantage of fixed income instruments.

Money market rates reflected the tight liquidity conditions in the banking system during the review period as the apex bank curtailed excess system liquidity.

Bond yields tapered marginally from the previous quarter's levels, credit to inflows from coupon payment on bonds. Consequently, bond MTM positions improved.

## Outlook

We are of the opinion that the rebound witnessed recently would be sustained for the last quarter of the year. This will however be hinged on the continued stability in oil price and robust vaccination in Nigeria and across other countries. Foreign exchange market stability, further reduction in inflationary pressure in the economy and continued interventions by the monetary and fiscal authorities are very important factors to sustain the recovery momentum.

We are of the opinion that key to sustaining the recent uptrend will be the 9M-2021 earnings season. We note investors typically position for dividends in the last earnings season of the year, particularly in stocks expected to deliver healthy dividend yields. Usually, such buy interest spills to other stocks driving a fairly broad-based buy interest. Thus, the performance of corporates in their 9M-2021 numbers will be critical for investors as it would be the key driver of a risk-on approach to trading

We expect rates in the bond market to tilt northward, but not at the 14.00% -16.00% levels of 2016, as CBN and DMO continue to artificially weigh down rates.

## **PenCom unveils 5 strategic agenda for industry growth**

In line with its objectives to regulate, supervise and ensure effective administration of pension matters and retirement benefits in Nigeria, the National Pension Commission (PenCom), has unveiled five strategic focus areas with the mandate of ensuring measurable impact on the economy and positioning the industry for sustainable growth in the post-COVID-19 era.

According to the Commission, the five strategic focus areas which are aimed at maintaining momentum on initiatives are: Increased portfolio diversification of pension fund investments, sustainable growth of the pension industry through expansion of coverage of the Contributory Pension Scheme with special emphasis on States and the informal sector, enhanced pursuit of the resolution of the pension liabilities of the Federal Government under the Contributory Pension Scheme, public awareness campaign efforts and; the vigorous improvement of customer service delivery.

## **House passes bill to exempt police from pension scheme**

The House of Representatives at the plenary unanimously passed for a second reading a bill to exempt the Nigeria Police Force (NPF) from the contributory pension scheme like their counterpart in the military and the intelligence agencies.

The lawmaker opined that members of the police force, being the frontline security agency in the country, are exposed to danger daily than other security agencies, and as such, deserve better treatment during and after service.

## **PenCom commenced online enrolment**

The National Pension Commission (PenCom) has started online enrolment exercise for retirees/prospective retirees of treasury-funded Federal Government Ministries Departments Agencies (MDAs).

PenCom in a statement noted that the following groups of people are eligible for the online verification and enrolment exercise.

Employees of Federal Government treasury-funded MDAs who retired between January and August 2021; Employees of Federal Government treasury-funded MDAs who are due to retire from September 2021; Employees of Federal Government treasury-funded MDAs who missed the enrolment exercises in previous years.

It said self-assisted retirees/prospective retirees for the year 2021 are required to visit PenCom's website to initiate the online enrolment process.

# INVESTMENT RETURN AND ASSET ALLOCATION

Following the respite witnessed in the equity market as well as the halt in liquidity tightening measure by CBN to reduce dollar demand which led to Naira liquidity and tight interbank rate, the fund witnessed muted improvement across board. This action by CBN caused fixed income yields to tilt north, resulting in depletion of funds due to large allocation to variable income. To stem the tide, we embarked on a crisis control mode to salvage the depletion by reducing our exposure in variable income and further diversify our investments to attend superior returns. This is beginning to pay off as the portfolio performance emerged from the doldrums to rank amongst the best in Q3.

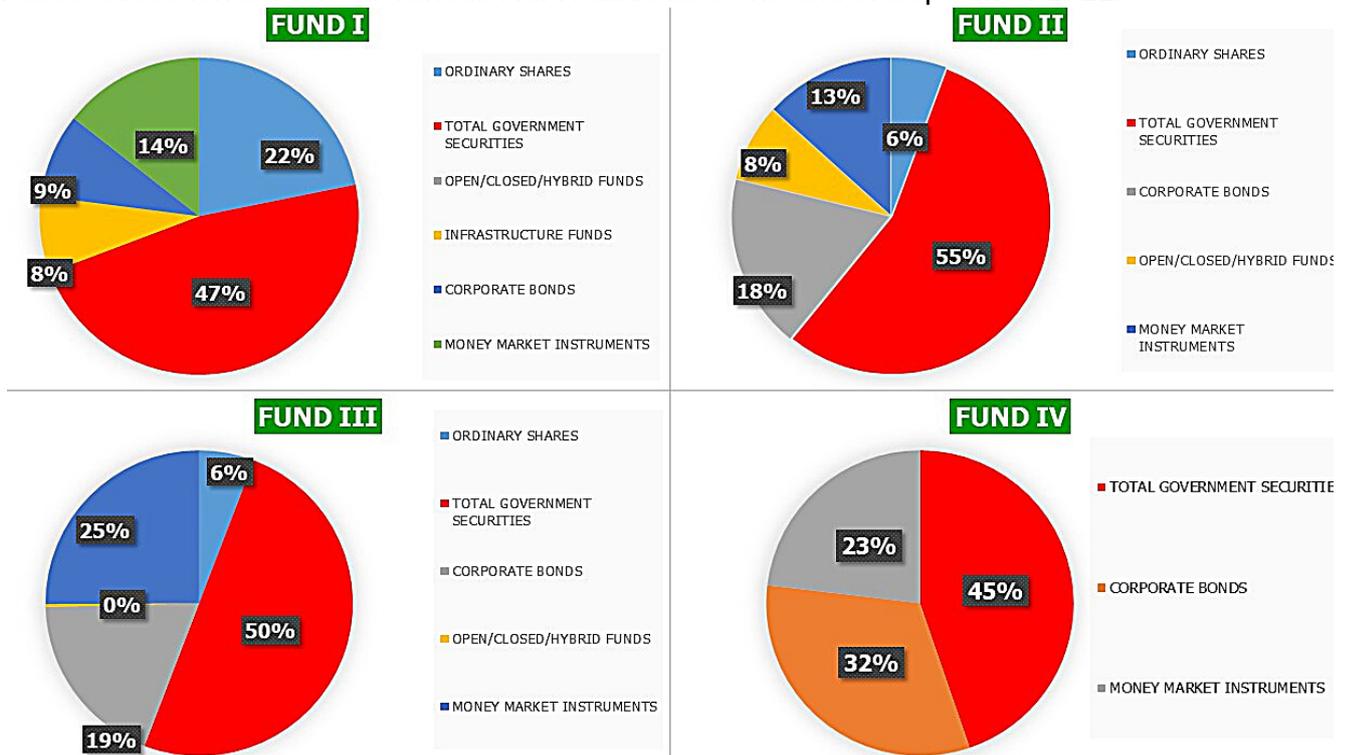
We intend to sustain this trend to ensure that the fund performance is maintained for the remainder of the year.

FUND PERFORMANCE AS AT 30- SEPTEMBER-2021				
FUNDS	GROWTH IN FUND (%) MoM	GROWTH IN FUND (%) YoY	ANNUALISED RETURN	PRICE
Fund I	-5.67%	29.21%	-0.15%	1.4833
Fund II	-0.76%	-1.65%	-2.55%	3.5487
Fund III	-0.26%	-2.20%	-5.13%	1.3671
Fund IV	0.33%	0.86%	2.26%	4.4477

## Asset Allocation

Our asset allocation approach involves continuous assessment of our investment portfolio and re-balancing to reflect the prevailing market dynamics. Following the upturn in fixed income instruments, leading to depletion in variable income investment. This is couple with the free-fall of stocks in the equity market, we under-weighted investment in variable income to strike a balance so as to achieve superior return following the upsurge in yields in the fixed income space.

See below asset allocation across our various RSA Funds as at the end of September 2021.



## Oak Pensions lead Nigerian Pension Fund Administrators in Q3 2021

Oak Pensions, Sigma Pensions, and First Guarantee Pension Limited were the best performing PFAs in the period under review, growing on average by 3.45%, 3.17%, and 3.14%, respectively, according to industry-based analysis carried out by Nairametrics.

The analysis was carried out for the period of July, August and September and reflected the growth in unit price for this period.

## Oak Pensions Launches Mobile Application

As part of our commitment to continue to improve service delivery to our esteemed customers from every touchpoint, Oak Pensions Limited has launched an Internet Operating System (IOS), aimed to give contributors access to their Retirement Savings Account (RSA). The new application is built and will be managed by an in-house team that understands the needs of the customers of the pension giant.

The application enables RSA holders to access the following functionalities:

- View price history records and charts for the fund they belong to
- Query their contribution history and also view it as well as initiate input
- Access their personal, employer and additional information
- Access frequently ask questions
- View different benefit types, guidelines, initiate benefit request as well as required documents necessary for processing benefits request

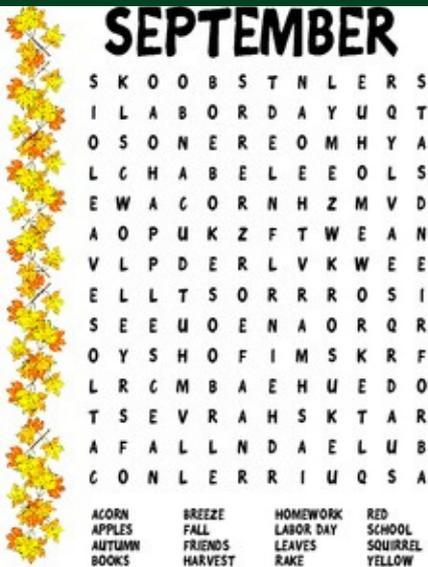
## Transfer Window: Oak Pensions Limited as your Preferred PFA

It is no longer new that PenCom granted PFAs licenses to commence implementation of the Retirement Savings Account (RSA) transfer window under the Contributory Pension Scheme (CPS). The transfer window gives pensioners the platform to switch their Pension Fund Administrators (PFAs) as a result of lower returns on investment management or poor customer service delivery to move their RSA to other competing firms in the pension industry.

Consequently, a total of 12,681 contributors have migrated from their PFAs to new operators in the first of 2021. This brings to fore the need for contributors to choose PFAs that can guarantee better service delivery and offer impressive returns on their investment. That is why Oak Pension Limited remains the preferred PFA of choice with impressive track records and a dominant player in the industry.

## Word Search

### SEPTEMBER



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*Thank you for reading...*