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OAK PENSIONS
...securing your retirement

NEWSLETTER

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FROM THE EDITORIAL TEAM

Dear Esteemed Customers,

Welcome to the second edition of our quarterly newsletter for 2022. This edition promises to be captivating and encapsulates happenings around the domestic economy as well as developments in the Nigerian pensions industry. It is also packed with news bordering on your choice PFA and other useful tips aimed at keeping your informed and entertained.

The nation's GDP grew by 3.10% y/y in Q1‘22 compared with 3.90% y/y in Q4 '21. This growth can be partly attributed to positive base effects (GDP grew by 0.51% y/y in Q1 ’21) and CBN interventions in key sectors. On a q/q basis, it contracted by -14.70%, reflecting slower economic activity compared with the preceding quarter

In the period under review, the National Pension Commission, PenCom, has announced that 20 Pension Fund Administrators, PFAs, have met the N5 billion minimum recapitalisation deadline, which was raised from N1 billion previously.

Finally, Oak Pensions, Nigeria’s leading Pension Fund Administrator (PFA), is working to open branches in some key states in Nigeria in order to onboard thousands of prospective contributors as well as expand operations of the pension business.

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

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

Nigeria Records Real GDP Growth of 3.11% YoY in Q1 2022

The nation's GDP grew by 3.10% y/y in Q1'22 compared with 3.90% y/y in Q4 '21. This growth can be partly attributed to positive base effects (GDP grew by 0.51% y/y in Q1 '21) and CBN interventions in key sectors. On a q/q basis, it contracted by -14.70%, reflecting slower economic activity compared with the preceding quarter.

The oil economy contracted by -26.00% y/y in Q1, compared with -8.10% y/y recorded in Q4. Meanwhile, the non-oil economy grew 6.10% y/y in Q1 '22 compared with 4.70% y/y in Q4 '21.

Inflation

Headline inflation appreciated by 104 basis points to 19.64% (y/y) in July 2022 when compared to the figure (18.60%) recorded in June 2022. This marks the sixth consecutive monthly increase recorded and the highest level in over seventeen (17) years.

The upward trend in the monthly headline inflation for the period under review was driven majorly by the high exchange rate pressure as Naira reaches its lowest low to N710.00/$ at the parallel market in July 2022. Also, we have the continuous rise in insecurity in the country and the global supply chain disruption from the ongoing crises between Russia and Ukraine.

Interest Rate

The CBN MPC at the July 2022 meeting unanimously voted to raise the MPR by 100bps to 14.00% in a bid to aggressively combat inflationary pressures. Indeed, the committee expressed concerns along the challenging economic climate impacted by external shocks, supply-chain challenges worsened by geo-political tensions, rising commodity prices and higher inflation.

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

Foreign Reserves

Nigeria's external reserves closed Q2'22 at $39.16 billion, gaining $5.83 billion in one year compared to $33.32 billion recorded as of the corresponding period of 2021.

Despite this improvement, the Nigerian economy is starved of foreign exchange as currency traders continue to lament tightened forex liquidity, leading to further depreciation of the local currency at the FX market.

Financial Markets

The NGX ASI gained 10.33% in Q2'22 with a corresponding value of the index at 51,817.59 as at 30th June 2022. For Q2 2022, the Banking Index was down 2.81%, the Consumer Index was up 12.60%, the Oil & Gas Index was up 23.82% and the Industrial Goods Index was up 1.69%.

Money market rates oscillated within the asymmetric corridor, reflecting prevailing liquidity conditions in the banking system. Consequently, the monthly weighted average Open Buy Back (OBB) and Inter-bank Call rates increased in Q2'22 to 10.89 and 11.10 per cent, from 9.39 and 8.38 per cent in Q1'22, respectively.

Yields in the bond market increased to close 45bps higher on average. This was driven by the 150bps monetary policy rate hike by the MPC, as well as the decline in coupon payments and OMO repayments during the quarter

Outlook

We think the economy will be traverse a murky recovery path as pandemic-related disruptions continue to ease and activities normalise in contact-facing sectors. We expect growth to be supported by the non-oil sector, specifically the Telecoms, Finance & Insurance, Trade and Entertainment sub-sectors. In the oil sector, we expect terminal shut-ins due to decaying infrastructure and pipeline disruptions to limit crude oil production, although growth will be higher than in 2021.

We do not expect any material change in the performance of the equity market in 2022, compared to 2021. We still expect participation from international investors to remain low similar to 2021 with a continued focus on dual listed stocks.

PENSION INDUSTRY NEWS

20 PFAs meet N5.00 billion PenCom recapitalization deadline

The National Pension Commission, PenCom, has announced that 20 Pension Fund Administrators, PFAs, have met the N5 billion minimum recapitalisation deadline, which was raised from N1 billion previously. The Commission has also approved FCMB Pensions Limited's acquisition of AIICO Pension Managers Limited.

It also approved the merger of Tangerine Pensions Limited and APT Pension Funds Managers Limited, as well as the subsequent renaming of the merged entity Tangerine APT Pensions Limited.

Similarly, PenCom approved Norrenberger's acquisition of IEI-Anchor Pension Managers Limited following its acquisition of IEI Plc, the majority shareholder.

The recapitalisation exercise was motivated by the urgent need to increase PFAs' capacity to manage the growing number of registered contributors and the value of pension fund assets under management.

CPS enrollees hit 9,621,979 — PenCom

No fewer than Nine Million, Six hundred and Twenty one thousands, nine hundred and Seventy Nine (9,621,979) enrollees have now joined the Contributory Pension Scheme, CPS, after successfully registering with different Pension Fund Administrators, PFAs and opening Retirement Saving Accounts, RSAs in the country.

The National Pension Commission, PenCom, which disclosed this in its 2022 second quarter (Q2) report, informed that Ninety three thousand one hundred and fourteen (93,114) new enrollees have registered with PFAs and opened RSAs, bringing the total RSA registrations from inception, to 9,621,979 as at June 30, 2022.

The report stated that the RSA Transfer System, RTS, was a total of 7,663 RSA holders initiated RSA transfers, in the first RSA Transfer Quarter of 2022, which was concluded in the first week of May 2022.

Nigerian Pension Fund Administrators pay N49.5 billion taxes in 3 years

Pension Fund Administrators (PFA) in Nigeria incurred a sum of N18.85 billion as income tax in 2021, a 15.60% increase compared to N16.31 billion spent in the previous year, and 31.40% increase when compared to N14.35 billion incurred in 2019. This brings the total tax expenses in the past three years to N49.50 billion, according to a report by the National Pensions Commission (PenCom).

The report shows that Stanbic IBTC, ARM Pension, and Premium Pensions declared the highest income taxes in the review year, jointly accounting for 70.40% of the total tax expenditure of the industry.

The list under consideration includes 21 PFAs that were operating as of the end of 2021, although this list has shrunk in recent times, owing to some mergers and acquisitions, in a bid to shore up their minimum capital requirement to N5.00 billion as directed by the PenCom.

Source: National Bureau of Statistics (NBS), National Pension Commission (PenCom)

INVESTMENT RETURN AND ASSET ALLOCATION

The portfolio suffered from the twin issues of equity market volatility as well as CBN measures to quell dollar demand which led to Naira liquidity and tight interbank rate. This caused fixed income yields to moderate north, resulting in depletion of funds due to large allocation to variable income. To remedy the situation, we embarked on a crisis control mode to salvage the depletion by reducing our exposure in variable income and diversifying our investments to attend superior returns.

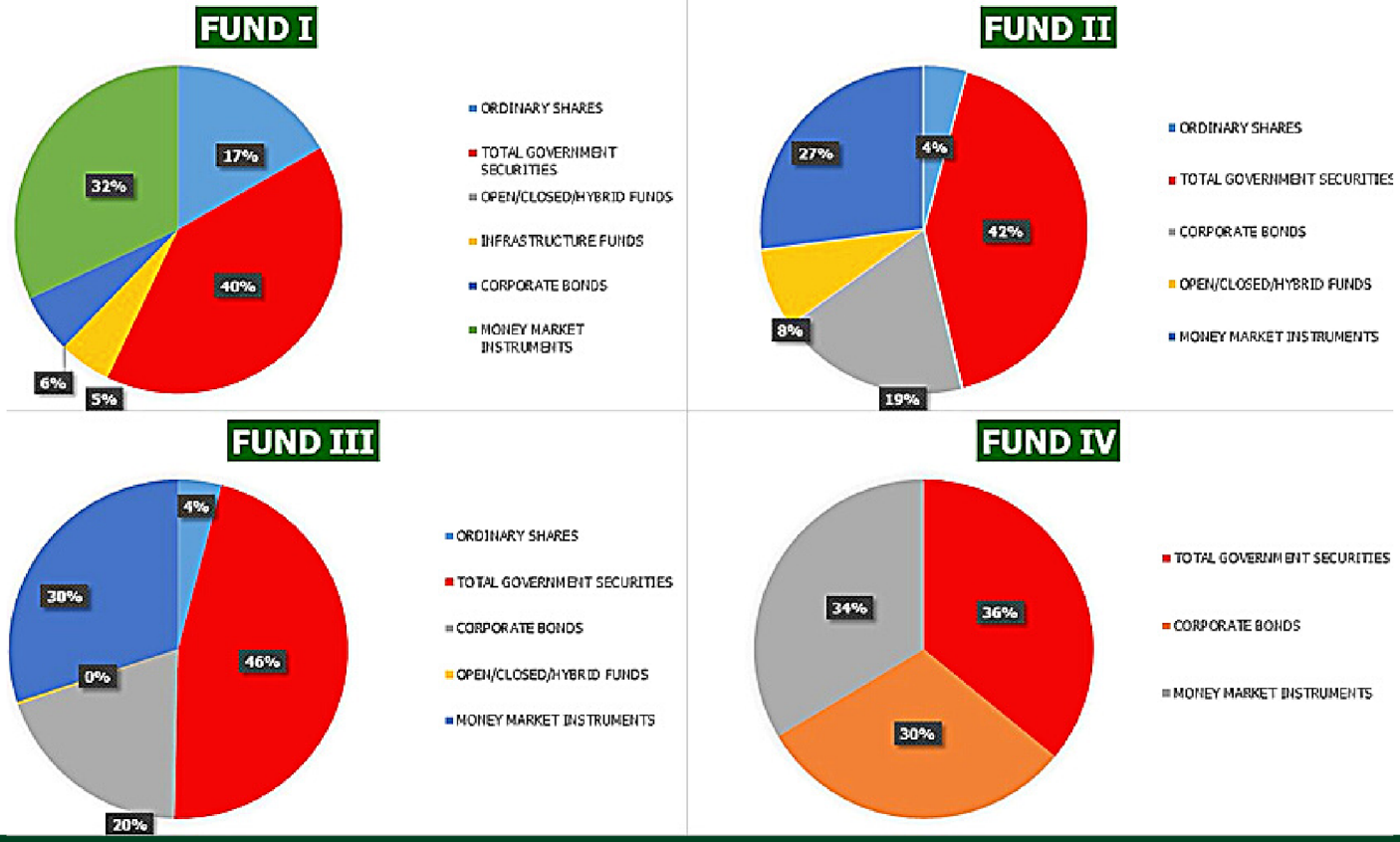
We expect an improved performance in the portfolio across board going forward.

FUND PERFORMANCE AS AT 30- JUNE-2022				
FUNDS	GROWTH IN FUND (%) MoM	GROWTH IN FUND (%) YoY	ANNUALISED RETURN	PRICE
Fund 1	0.73%	23.72%	14.15%	1.6502
Fund II	-0.50%	5.88%	9.12%	3.7898
Fund III	-1.10%	8.06%	9.24%	1.4619
Fund IV	3.20%	7.48%	10.34%	4.8022

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 June 2022.



Oak Pensions set to open new branches in key states in Nigeria

Oak Pensions, Nigeria's leading Pension Fund Administrator (PFA), is working to open branches in some key states in Nigeria in order to onboard thousands of prospective contributors as well as expand operations of the pension business.

While the company embarked on a rebranding exercise on some branches in selected states, complete new branches were instituted in other states. The company with this new strategy would have presences in Bauchi, Zaria and Port-harcourt.

Other states were the Oak Pensions's presence would be felt include; Plateau and Asaba.

Oak Pension emerges among the best performing Nigerian Pension Fund Administrators in H1 2022

The Nigerian pension industry recorded an average return of 5.02% in the first half of 2022, as all the pension fund administrators printed positive returns in the period. The pension industry has grown highly competitive in the last two years following the opening of the transfer window, which allows contributors to switch PFAs.

Oak Pensions, your preferred PFA emerged amongst the top three (3) with a return of 6.78%, higher than the industry average of 5.02%. The company placed third behind Stanbic IBTC Pensons Managers and ARM Pensions Managers, respectively.

Word Search

Enquiries in relation to this publication may be directed to newsletter@oakpensions.com

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