

NEWSLETTER

A Quarterly Publication of Oak Pensions Limited



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FROM THE EDITORIAL DESK

Dear Esteemed Customers,

We would like to welcome you to this edition of our Quarterly newsletter. As is our tradition, this edition is filled with insightful and interesting materials that border on the current happenings in the Nigerian Pension Industry, as well as other lifestyle tips aimed at ensuring you are not only informed, but entertained as well.

During the Quarter, your choice pension fund administrator, Oak Pension Limited has recapitalised its shareholders' funds to meet the deadline stipulated by the regulator. We have also highlighted some happenings within the Nigerian Pension Industry, with particular mention of the he Nigerian Pension industry recorded another milestone in 2022 as the total fund asset under management gained a sum of N1.12 trillion in the year to hit a record high of N13.42 trillion.

We therefore invite you to sit, relax and enjoy this edition of the Oak Pensions Newsletter.

Kindly reach us on 0700CALLOAK or send an email to newsletter@oakpensions.com

Editor



Review of the Domestic Economy

Nigeria's real GDP continues northward, up by 3.1% y-o-y

The economy recorded a real growth rate of 3.11% year-on-year in Q1 2022, representing a decline of 0.88% when compared to the preceding quarter (3.98%), but reflecting an uptick of 2.60% relative to the growth rate recorded in Q1 2021 which stood at 0.51%. In nominal terms, aggregate GDP stood at N45.32 trillion in Q1 2022, up by 13.25% when compared to the amount recorded in the first quarter of 2021 which stood at N40.01 trillion. The year-on-year nominal growth rate for Q1 2022 stood above the levels as of Q1 2021 (12.25%) and the preceding quarter (13.11%).

The oil & gas sector continued to underperform the broader economy in Q1-2022 as crude oil production struggled to recover. In Q1-2022, the oil sector fell 26.00% broadly due to weaker crude production during the period. The contraction in Q1-2022 extends the sector's downturn woes into the eighth consecutive quarter.

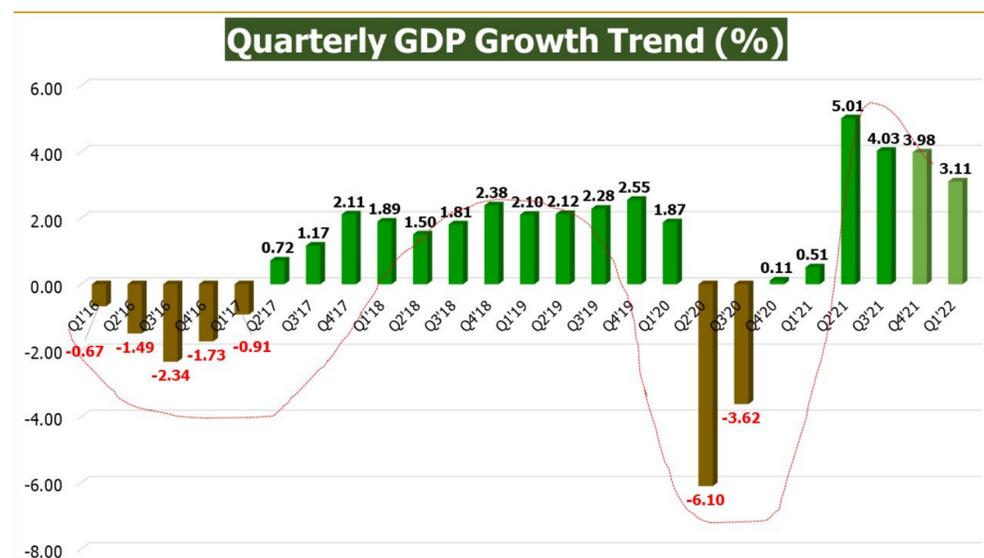
However, The non-oil sector continues to remain the key driver of the nation's growth since the start of the post-covid economic recovery. In Q1-2022, the non-oil sector expanded by 6.10% year-on-year, outperforming its Q1-2021 growth rate of 0.80% year-on-year as well as Q4-2021 growth rate of 4.70%.

Inflation

Inflation appreciated by 89 basis points to 17.71% Year-on-Year in May 2022 when compared to the figure (16.82%) recorded in April 2022. This is the fourth consecutive monthly increase recorded and the highest level in over eleven months. The upward tick in May inflation is driven majorly from the supply side/cost push inflation other than the demand pull inflation, as we have the continuous rise in insecurity, global supply chain disruption from the ongoing crises between Russia and Ukraine resulting into rise in imported good prices (flour, wheat etc.) and rise in crude oil and diesel price.

Food inflation grew by 19.50%y/y, 113basis point higher than 18.37% recorded in April 2022.

The core inflation which measures all items less farm produce stood at 14.90%y/y in May 2022, 72 basis points higher than 14.18% in April 2022.



MPC hikes policy rate to stem inflationary pressures

The Monetary Policy Committee (MPC) concluded its 3rd meeting for year, with all 11 members of the committee unanimously voting for a rate hike. In sum, the Monetary Policy Rate (MPR) was increased by 150bps to 13.00%. This marked the first increase since July 2016 (+200bps to 14.00%). All other parameters remained unchanged including the Asymmetric Corridor of +100/-700bps around MPR, CRR at 27.50% and liquidity ratio at 30.00%.

Foreign Reserves

Nigeria's foreign exchange reserves dipped \$973.78 million quarter-to-date in 2022. The foreign exchange reserves which stood at \$40.52 billion at year end 2021 has now plunged to \$39.55 billion at the end of its first quarter. The same data shows that Nigeria lost \$827.34 million in Q1 2021 which is a \$144.01 million decline when compared with Q1 2022.

Financial Markets

The NSE ASI lost 3.04% in Q1 2021 with a corresponding value on the index of 39,045.13 as at 31 Mar 2021. For Q1'21, the Banking Index was down 5.94%, the Consumer Goods Index was down 5.30%, the Oil and Gas Index was up 17.54% and the Industrial Goods Index was down 7.92%. The downward pressure in the equity space was due to investors switch for better yields in the fixed income space.

Money market rates oscillated within and outside the Standing Facilities Corridor (SFC), reflecting the prevailing liquidity conditions in the banking system.

Fixed-income yields have come under pressure since the start of the year. Average bond yields have contracted by c.100bps, while mean NTB yields are 115bps lower over the same period. On the bond front, the market outturn may have reflected the impact of the robust system liquidity that was buoyed by inflows from heavy bonds maturities (N602.00 billion), coupon payments (c.N250.00 billion), and FAAC disbursement (N1.20 trillion in Q1'22).

Outlook

We retain modest expectations for GDP growth this year, as the growing predominance of inflationary and geopolitical downside risks should keep growth between 2.50% and 3.00% in 2022.

We expect to see the current trend maintained for Q2 with the market quiet outside of crosses and for foreign investors to continue switch trades or be net sellers of the market. We also expect that local investors will largely be on the sidelines. Dividend payments are expected in Q2 and we will likely see some of these being reinvested into the market especially by some long-term foreign investors.

With system liquidity build-up - the primary driver of the Nigerian fixed income market - poised to lose steam from April and FGN releasing a more aggressive bond borrowing calendar for Q2'22, we think that yields may be nearing their inflexion points

Pension Industry News

20 Pension Fund Administrators meet deadline for N5.00 billion minimum capital - PenCom

Twenty Pension Fund Administrators (PFAs) met PenCom's deadline to increase their Minimum Regulatory Capital (shareholders' fund) from N1.00 billion to N5.00 billion by April 27. PenCom approved recapitalisation for PFAs, with a 12-month transition from April 27, 2021 to April 27, 2022.

The commission declared then that the recapitalisation was expedient as the value of pension fund assets under management and custody had grown exponentially.

The assets had grown by 244 per cent from N3.00 trillion in 2012 (when the previous recapitalisation was done), to N12.29 trillion (as at Dec. 31, 2020). The sustained growth in assets implies greater fiduciary responsibilities that require more operational capacity by the PFAs.

There was also an urgent need to ramp up PFAs capacity to manage the increasing number of registered contributors and value of pension fund assets in their custody.

PenCom explained that 10 PFAs had met the new regulatory capital requirement of N5 billion as at Dec. 31, 2021, while the others intensified efforts to meet the April 27, 2022 deadline.

Number of Nigerians contributing pension rise to 9.5 million in 2021

The Nigerian Pension industry recorded another milestone in 2021 as the total fund asset under management gained a sum of N1.12 trillion in the year to hit a record high of N13.42 trillion. In the same vein, the pension penetration rate of Nigeria rose to 14.00% after PFAs registered 313,339 new contributors.

Notably, the total pension fund asset under management rose from N12.31 trillion recorded as of the end of the previous year to N13.42 trillion as of December 2021. This represents a 9.1% increase when compared to the previous year.

12,681 RSA Transfers Recorded In Q1, 2021- PenCom

The National Pension Commission (PenCom), recorded a total of 12,681 Retirement Savings Account (RSA) transfer requests in the first quarter of 2021, which ended on March 31, 2021.

The figure more than quadrupled the figure recorded in the maiden transfer quarter which ended on December 31, 2020, with a total number of 2,799 RSAs.

The Agency equally expects a consistent upward trend as RSA holders continue to realise the ease with which they can initiate the transfer of the RSA's .

PENCOM Says PRA 2014 Review To Improve Regulatory Efficiency

In preparatory to the review, the Commission organised a two day retreat to identify salient issues to be reviewed in the PRA 2014 as a prelude to advancing legislative action on the Bill.

The Agency is also looking forward for the National Assembly to organize a public hearing in order to provide an avenue for stakeholders to formally make input into the proposed amendments.

The PRA 2014 was enacted following a review of the initial Pension Reform Act of 2004, which introduced legal and institutional frameworks of the Contributory Pension Scheme (CPS) and established PenCom to regulate and supervise all pension matters in Nigeria.

FG Releases N16.67 Billion Fund To Offset Accrued Pension Rights Under CPS

The National Pension Commission (PenCom), says government has released N16.67 billion for the payment of Accrued Pension Rights to 2021 retirees of Treasury-funded Ministries, Departments and Agencies (MDAs).

The Federal Government had earlier settled all arrears of accrued pension rights payments to the verified and enrolled retirees up to December 2020.

Police Pension Liability Hit N1.84 Trillion- PenCom

The National Pension Commission, PenCom, has warned of additional financial burden being placed on Federal Government if the Nigeria Police Force, NPF is exempted from the Contributory Pension Scheme, CPS.

The Director General of PenCom, Aisha Dahir-Umar, while speaking in Abuja during a public hearing on two pension-related Bills by the House Committee on Pension, said, the exemption of the NPF from the CPS would result in the dismantling of the institutions, systems and processes that Government had put in place in the last few years towards the implementation of the pension reform programme.

She said the absence of other social security benefits in Nigeria is partly responsible for the clamour by the retirees for exemption or to access substantial amounts as lump sum from their RSA balance.

Investment Return and Asset Allocation

FUND PERFORMANCE AS AT 31- MARCH-2022

FUNDS	GROWTH IN FUND (%) MoM	GROWTH IN FUND (%) YoY	ANNUALISED RETURN	PRICE
Fund I	2.64%	17.27%	4.34%	1.6125
Fund II	-0.04%	4.16%	2.62%	3.7245
Fund III	-0.13%	4.65%	2.68%	1.4367
Fund IV	1.16%	1.28%	2.51%	4.6884

In Q1'2022, asset under management (AuM) inched up year-to-date across the funds, following renewed strength in the equity market and improved positive net flow from RTS window. This performance is amidst rising yields in the fixed income space which impacted negatively, especially on our marked-to-market portfolio. Month-on-month, funds performance were depressed in Fund II and III, owing to their huge exposure to variable income

Going forward, we intend to scale down our exposure in variable income and further diversify our investments to attend superior returns as we expect the current macroeconomic headwinds to abate given the discovery of vaccine for COVID-19 and renewed normalcy in economic activities globally.

Asset Allocation

Our asset allocation approach involves continuous assessment of our investment portfolio and re-balancing to reflect the prevailing market dynamics.

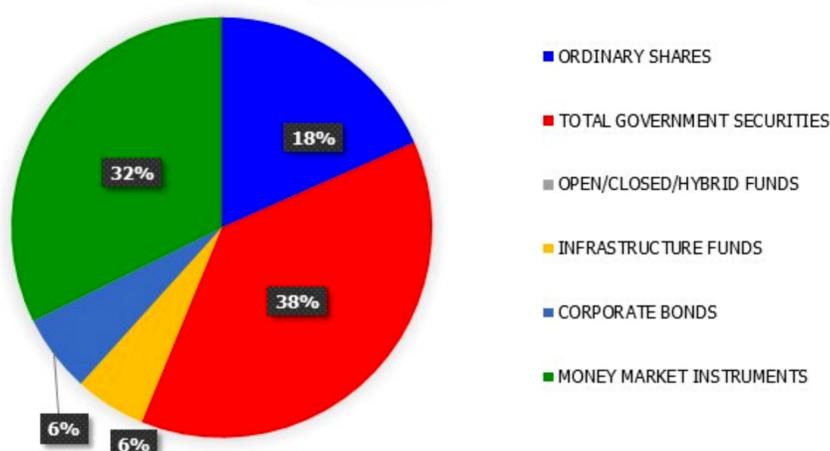
For the quarter in review, we reduced our investment in variable income and increased our held to maturity positions across the funds to take advantage of the prevailing market conditions.

The largest allocation for Fund I was in FGN Securities (38.00%), with money market and ordinary shares following closely at 32.00% and 18.00%, respectively. Going into next quarter, we intend to scale down on ordinary shares exposure since all the FGN securities are held to maturity to mitigate volatility by variable income instruments.

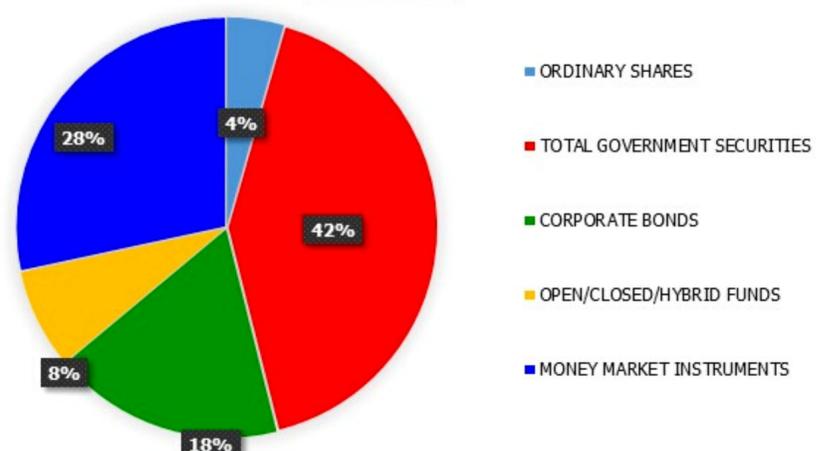
Allocation for Fund II and III were similar with the largest chunk of the contribution going to FGN Securities, with money market following suit. Exposure to ordinary shares still trails industry allocation, however, we intend to take advantage of the bearish outlook for equities market to accumulate value stocks for these portfolios.

This we intend to achieve by simultaneously underweighting our market to market positions to cushion volatility that may arise from other variable income investments

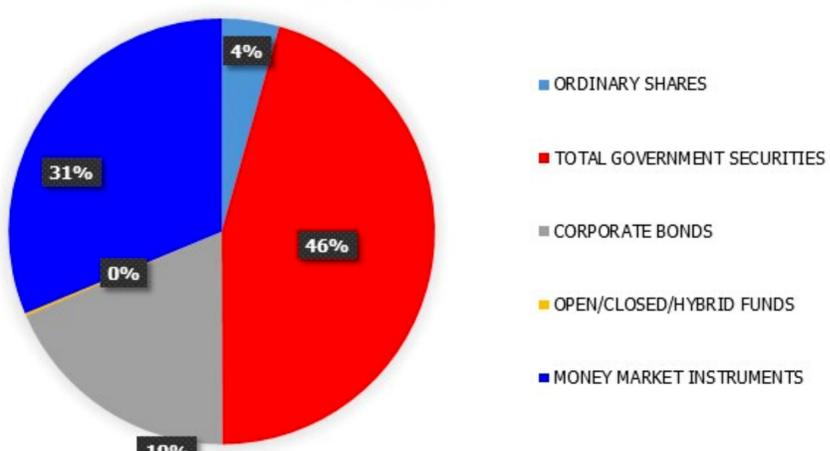
FUND I



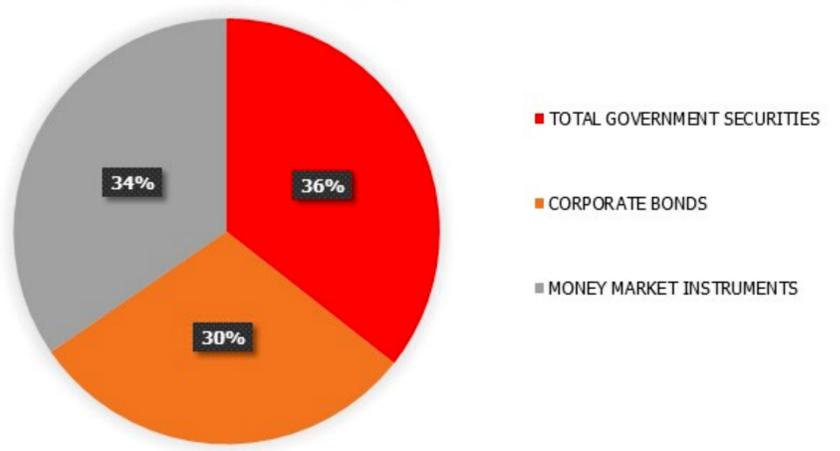
FUND II



FUND III



FUND IV



Company Forum

Oak Pension Limited Raises Shareholders' Fund

As April 2022 deadline given to Pension Fund Administrators (PFAs) to meet the new N5.00 billion minimum share capital regime draws closer, your choice pension fund administrator, Oak Pension Limited has recapitalised its shareholders' funds to meet the deadline stipulated by the regulator.

The shareholders' fund which was initially at N1.73 billion has been raised to N5.00 billion and this is expected to further position the company to compete favourably in the industry.

National Pension Commission (PenCom) in April last year announced increase in the minimum share capital of pension fund administrators from the present level of N1.00 billion to N5.00 billion. The PenCom, gave the operators 12 months to meet the new capital regime.

Oak, First Quarantee lead Nigerian Pension Fund Administrators in Q1 2022

The Nigerian pension fund industry has grown more competitive in recent times since individuals can now easily move from one PFA to another. In the recent industry-based analysis, carried out by Nairametrics Research, the 22 PFAs printed a 2.44% average returns on investment in Q1 2022.

According to the analysis, Oak Pensions, First Guarantee Pension Limited and Leadway were the best performing PFAs in the period under review, growing on average by 3.01%, 2.97%, and 2.89% respectively.



X	L	O	L	S	O	N	M	F	I	H	S	G	D	D	OLIVER
Q	G	E	N	O	X	I	R	O	P	H	E	L	I	A	OLIVIA
G	H	Z	O	R	L	A	N	D	O	Q	T	Y	R	Z	OLSON
Y	W	T	L	O	L	I	V	E	R	R	P	G	X	H	OPAL
Q	W	O	E	O	F	O	R	K	X	N	M	U	D	I	OPHELIA
G	P	R	B	R	B	S	Y	H	X	C	J	A	K	Q	OPRAH
W	P	L	O	R	M	C	F	O	T	J	D	N	N	L	ORLANDO
S	E	Y	L	I	O	A	G	O	T	R	G	W	W	D	ORLY
K	Q	H	I	C	B	R	O	D	R	H	X	Y	X	M	ORMAND
F	J	Y	V	K	R	P	L	H	Z	S	E	Z	R	S	ORRICK
S	X	U	I	O	P	R	A	H	O	Y	I	L	Q	Q	ORSIN
J	H	M	A	O	K	Y	Q	C	W	D	C	N	L	G	OSCAR
J	I	R	J	R	N	B	R	T	E	S	G	Y	Q	O	OTHELLO
I	D	O	Z	Z	I	E	J	J	N	G	C	P	N	G	OWEN
U	L	O	P	A	L	L	S	J	K	X	I	N	Y	H	OZZIE

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Thank you for reading...