

# NEWSLETTER

A Quarterly Publication of Oak Pensions Limited



## WHAT'S INSIDE THIS ISSUE

- **Review of the Domestic Economy**
  - Q1'20 GDP Performance
  - Inflation
  - Interest Rates
  - Foreign Reserves
  - Financial Markets
  - Outlook
- **Pension Industry News**
  - Total Pension Asset up to N10.20 trillion
  - PenOp gets new President, Others
  - FCMB Pensions acquires 96.00% stakes in AIICO Pensions
  - PenCom hands over First Guarantee Pension Ltd to reconstituted board
- **OAK Pensions Funds Performance**
  - Fund I
  - Fund II
  - Fund III
  - Fund IV

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Dear Esteemed Customers,

We welcome you to this edition of our Quarterly Newsletter for Q2'20 and this publication promises to be thrilling with insightful information, bordering on the economy, the Nigerian Pension Industry and other related company news.

The Nigerian economy expanded by 1.87% in Q1'20 which represents -0.23% and -0.68% slide from the 2.10% recorded in the corresponding period of 2019 and 2.55% recorded in the previous quarter, respectively. The slowdown comes on the heels of the COVID-19 public health crisis global disruption and a sharp fall in oil prices as well as restricted international trade.

During the period under review, the total pension assets under the Contributory Pension Scheme rose from N10.20 billion as at December 2019 to N10.57 billion as of the end of April 2020. While Wale Odutola was elected as the new president of the Pension Fund Operators Association of Nigeria (PenOp) and FCMB Pensions acquired 96.00% stakes in AIICO Pensions.

Mr. Abdullahi Aliyu took over the mantle of leadership as the new Managing Director of Oak Pension Limited, replacing Mr. Samuel Inyang whose tenure ended in March and the company resolved to working remotely following the scourge of the corona virus pandemic.

These and many more information are contained in this quarter's edition and we therefore invite you to enjoy this captivating Oak Pensions Newsletter.

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

### ***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

## Q1'20 GDP Performance

Nigeria's Gross Domestic Product (GDP) report for the first quarter of 2020, recorded a growth of 1.87% year-on-year which represents -0.23% and -0.68% slide from the 2.10% recorded in corresponding period of 2019 and 2.55% recorded in the previous quarter respectively. This resulted from the COVID-19 public health crisis global disruption, a sharp fall in oil prices as well as restricted international trade.

The oil sector expanded by 5.10% YoY in Q1 2020, albeit it is a moderation from the growth level recorded over Q4 19, reflecting base effect from lower crude produced in Q4 18. Crude oil production improved over the review period printing at 2.07mbpd, relative to 2.00mbpd in Q4 19

At the other end, tepid growth was seen in the non-oil sector printing at 1.5% YoY (Q4 19: 2.3% YoY), owing to a contraction in trade and moderation in manufacturing and services sectors. To begin, the trade sector declined by 2.8% YoY (vs Q4 19: -0.6%), which we believe mirrors border closure, naira depreciation at both the parallel market and the IEW towards the later part of Q1 2020.

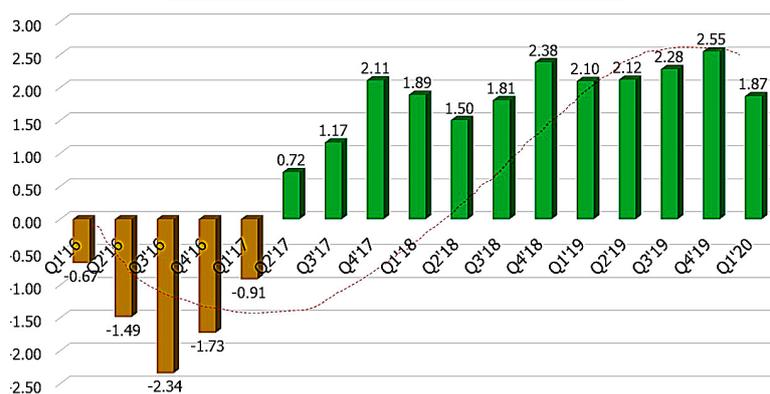
## Inflation

Nigeria's headline inflation rose for the tenth consecutive month to 12.40% YoY (1.17% MoM). The current inflation rate is 6bps higher than the previous reading as both food and core inflation edged higher in the period.

## Interest Rate

The Monetary Policy Committee (MPC) in its last meeting for the year held the Monetary Policy Rate (MPR) at 12.50%. 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

FX Reserves boosted by recent concessionary borrowing from them IMF, increased by 6.02% to close the quarter at \$36.06 billion. However, with capital flows declining, and flows waiting to exit, not to mention higher imports demand when trade restrictions are lifted, FX reserves likely to come under pressure

## Financial Markets

NSE ASI lost 8.80% in Q2'20 only with a corresponding value on the index of 24,479.22 and Market. The lackluster performance in the key benchmark indicator resulted from the growing influence of COVID-19, drop in crude oil prices as well as the growing domestic economic challenges and persistent FX illiquidity.

Interest rates remained subdued in Q2 on elevated liquidity in the banking system. The low interest rate regime extended to the fixed income space as yield maintained a downward trajectory.

The bond market continues to witness remarkable hike in prices and corresponding decline in yields across the curve, owing to global and domestic factors. Given Nigeria's current weak fiscal position due to a prolonged period of debt financing for recurrent expenditure, its influence on yield and debt instrument pricing has largely been limited to the domestic treasury bills market where yields have remained at low single digits in H1'20 due to a stranglehold in supply of short tenured risk free instruments.

## Outlook

Key macroeconomic variables indicate the likelihood of subdued output growth for the Nigerian economy in 2020. Based on the current downturn in oil prices. The major downside risks to this outlook, include: the continued spread of COVID-19; further decline in crude oil prices and the reduction in accretion to external reserves; reduced government revenue leading to weak aggregate demand; declining non-oil receipts; as well as infrastructural and security challenges.

Despite the improved outlook for crude oil prices and abating impact of Covid-19, we do not see any significant moderation in yields, particularly at the long end of the curve due to the need for additional borrowing to support capital expenditure and our expectations of higher inflationary forces for the rest of the year

Despite the challenges in the economy occasioned by the coronavirus pandemic, the total pension assets under the Contributory Pension Scheme rose by N359.00 billion from N10.20 trillion as of the end of December 2019 to N10.57 trillion as of the end of April 2020. The bulk of the fund, totaling N7.00 trillion of 66.25% of the funds were invested in Federal Government of Nigeria's securities.

Some of the funds were invested in agency bonds, supra-national bonds, commercial papers, foreign money market securities, and open/closed-end funds. Other investment portfolios where the operators invested the funds are Real Estate Investment Trusts, private equity funds, infrastructure funds, cash and other assets

## **PenOp gets new president, others**

The Pension Fund Operators Association of Nigeria (PenOp) elected the Chief Executive Officer of ARM Pension Managers Limited, Wale Odutola, as its new president. Wale Odutola and other new executive committee members were elected during the association's bi-annual election held in June. Prior to his election, Odutola was the head of media and branding and would lead the association for the next two years. He took over from the CEO of Leadway Pensure Limited, Mrs Ronke Adedeji, the erstwhile president of PenOp.

## **FCMB Pensions acquires 96.00% stakes in AIICO Pensions**

FCMB Pensions and AIICO Pensions agreed on an acquisition deal that will see the former acquire 96.00% in the latter. FCMB Pensions is a member of the FCMB Group Plc, a second-tier lender with interests in commercial and corporate banking.

According to the proposed acquisition deal, FCMB will acquire an additional 26.00% stake in AIICO Pension (which is held by other shareholders) would also be acquired by FCMB Pensions Ltd, thereby bringing the proposed acquisition to 96.00% stake.

FCMB Pensions has since grown its assets under management (AUM) to N325.00 billion with 350,000 customers as at March, while that of AIICO Pensions is estimated at N126.00 billion with over 240,000. A combined AUM of N451.00 billion and almost 600,000 customers will take the entire Groups customer base to 8,000,000 and its total AUM (inclusive of all investment management activities) to over N560.00 billion.

## **PenCom hands over First Guarantee Pension Ltd to reconstituted board**

The National Pension Commission (PenCom) handed over First Guarantee Pension Limited to a reconstituted board. The regulatory body had appointed Interim Management Committee (IMC) on August 12, 2011, following internal wrangling in the company.

The IMC which supervised the affairs of the PFA was appointed after an intervention was undertaken in August 2011, based on the findings of the Routine and Special examinations carried out by the commission.

Following the result of the judgment delivered by the Court of Appeal, Abuja, on April 30, 2020, the intervention has been concluded.

# INVESTMENT RETURN AND ASSET ALLOCATION

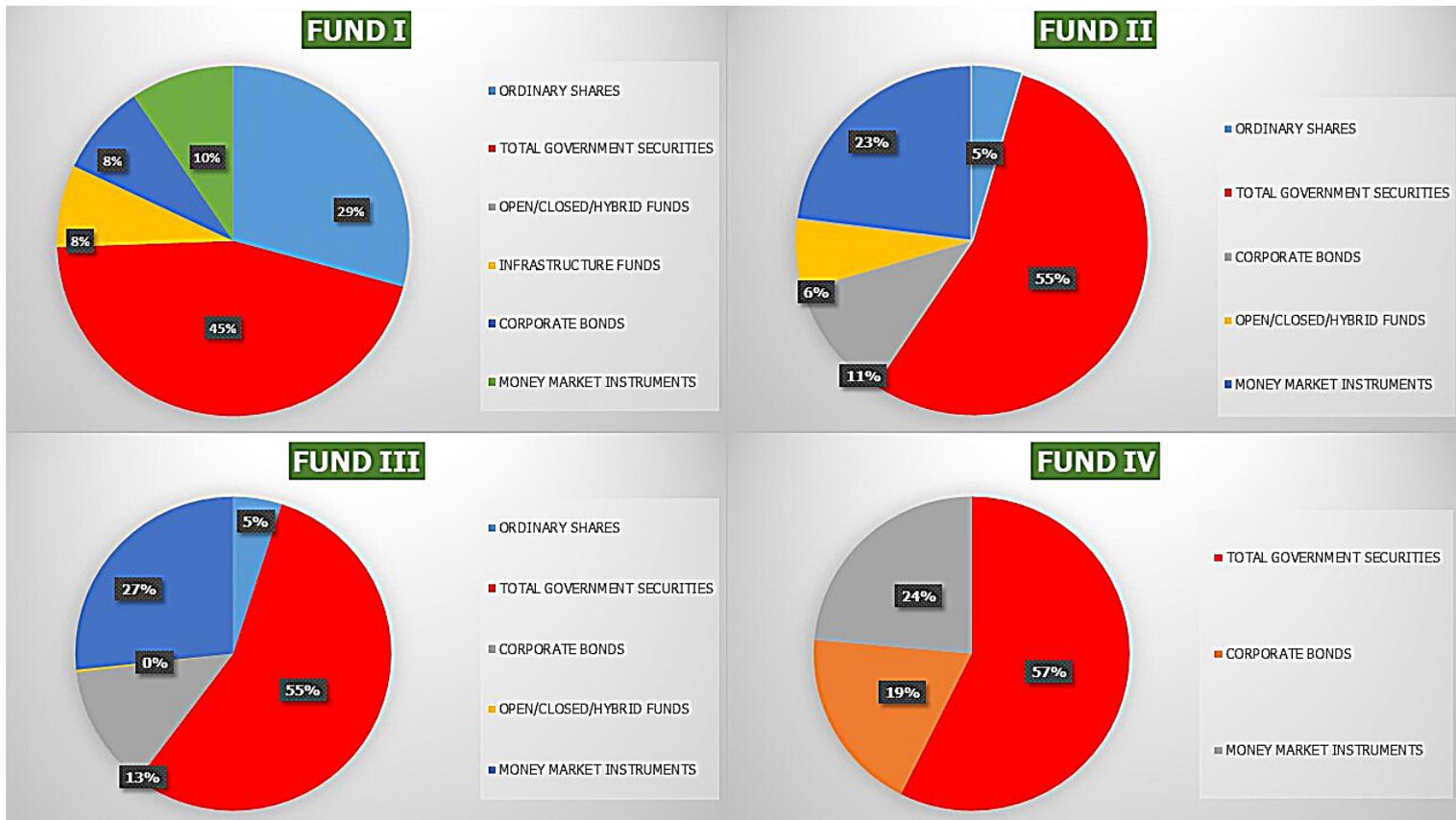
In June 2020, the funds on the average returned positive amidst low yields environment, decline in the equity market and challenging macro economic environment. We intend to further diversify our investments to attend superior returns as we expect the current macroeconomic realities to continue given the ravaging impact of COVID-19 and challenging investment climate.

FUND PERFORMANCE AS AT 30- JUNE-2020				
FUNDS	GROWTH IN FUND (%) MoM	GROWTH IN FUND (%) YoY	ANNUALISED RETURN	PRICE
Fund I	1.96%	-8.44%	8.59%	1.1239
Fund II	2.16%	8.02%	14.81%	3.2665
Fund III	2.89%	13.26%	14.09%	1.2573
Fund IV	-1.17%	13.14%	13.22%	3.9731

## 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, investment in fixed income instruments was under-weighted in favour of variable income and to take advantage of their superior return following the low yield environment in the fixed income space.

See below asset allocation across our various RSA Funds as at the end of June 2020.



## Abdullahi Aliyu resumes as New Managing Director

During the period under review, Mr. Abdullahi Aliyu was appointed as the new Chief Executive Officer (CEO) of OAK Pensions Limited, replacing the outgoing CEO, Mr. Samuel Inyang whose tenure elapsed in March.

Abdullahi Aliyu whose reign commenced in April, prior joining OAK Pensions was an Executive Director at Pensions Alliance Limited (PAL Pensions) and has over 14 years of pension industry experience under his belt.

He holds a B.Sc. in Accounting from the Bayero University, Kano where he graduated in 1989 and also holds a Master's in Business Administration from the same University in the year 2004. He is also an alumnus of Lagos Business School.

Mr. Aliyu has expertise in the areas of: Leadership and People Management; Strategy Planning & Implementation; Investment Management; Budget & Cost Control; Marketing/Sales Design & Implementation and Revenue forecasting.

He is expected to bring all these experiences to fore and pilot the direction of the company

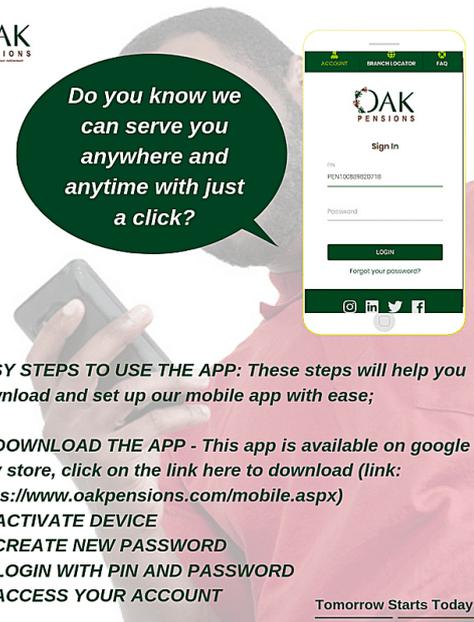
## OAK Pensions opens remotely for business

In response to the new normal brought about by the ravaging impact of Covid-19, the office commenced working remotely for staff members to ensure that clients needs are given utmost attention. In line with federal government directives to ensure a 75.00% attendance in workplace at every time, the office now operates a skeletal structure on Mondays, Wednesdays and Fridays.

IT infrastructures have been put in place to ensure that staff members operate effectively to meet clients' expectations are exceeded.

## Crossword Puzzle

C L A S S E S M O P	ruby
H T I D M I Y U I E	blocks
H E B Z B E P T T L	heredocs
E S R L M M P A E B	classes
A A A E O D A B R I	iterator
R F C H D C H L A X	module
R U O H U O K E T E	objects
A R B H L A C S O L	flexible
Y P P Y E I N S R F	each
E S S T C E J B O S	happy
	mutable
	lambda
	hash
	array



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*Thank you for reading...*