



PAL NEWS

4th Quarter, 2010

From the Editor



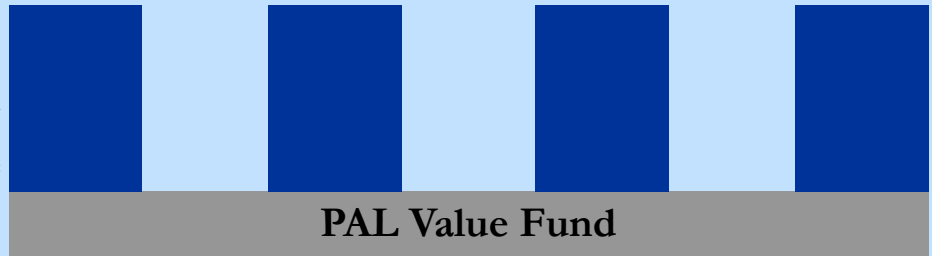
Uche Biosa

Dear esteemed Clients, we are so very close to the long-awaited Multiple Funds System which will hedge against losses that are primarily occasioned by too few investment outlets. However, the responsibility rests more on the RSA holder or Retiree to get closely involved with the management of his/her funds.

The time to shirk your responsibility and leave everything in the hands of your PFA for good or bad is over. Henceforth, you will be expected from time to time to call in at PAL's nearest office to enquire about what is going on in the investment world and how your funds are doing in respect to returns. This does not mean however that you begin to dictate to your PFA, rather you become a partner with us.

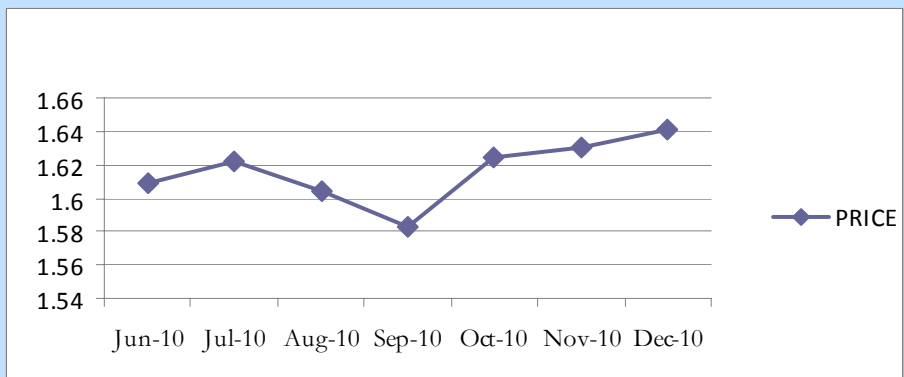
The immediate advantage is that RSA holders become well educated and enlightened about the investment environment such that a greater appreciation of the complexities of fund management will begin. As you read this note, please determine not to be ignorant or remain an investment illiterate.

As an RSA holder myself, I am really excited and can't wait to begin to reap the benefits of this new investment regime.

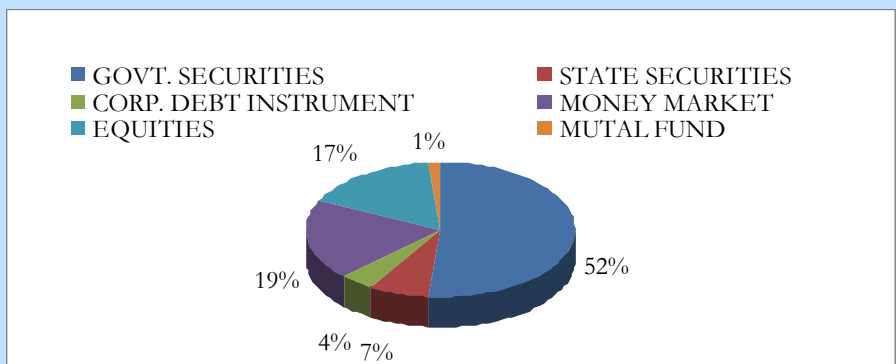


The Pal Value Fund unit price was N1.4469 at the beginning of the year 2010 and N1.6406 as at 31st December 2010. The fund has grown at 13.39%, the portfolio was made up of the following Asset Classes as follows: Government Securities (52%), Money market (19%), Equities (17%), State Securities (7%), Corporate Debt Instruments (4%) and Mutual Funds (1%).

PAVF Price Trend



PAVF Asset Allocation Structure as at 31st December 2010



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A CASE FOR MULTIPLE FUNDS IN THE PENSION INDUSTRY By Mathews Eriakha

Pension assets (funds) are technically long term in nature, therefore any attempt to analyze their returns or profitability in the short term is unwise and totally misses the point. Again, the funds are a pool from different contributors with a wide range of investment portfolio appetites. There are the extremely cautious and conservative investors at one extreme and the very aggressive investors at the other extreme. In between these two extremes also exist, investors who would like to play safe but take calculated risks with high yield in mind. To satisfy these diverse groups of investors who are all in the pool, a carefully thought out plan that can creatively cater to the investment appetites of these groups is desired and is long overdue.

With this scenario in mind, it is becoming increasingly difficult to continue to operate the single fund regime that currently exists in the industry. The Nigerian state is a very peculiar one, with its unstable economy, political volatility and I dare say instability as well as frequent policy changes by the federal government, and the social challenges facing the country. It is clear that any new approach or introduction to Pension Fund management must be functional and creative.

We therefore welcome the introduction of Multiple Funds (which is still being muted) into the market. Recall that after the stock market crash of 2008, a number of PFA clients particularly Retirees or those on the verge of retirement recorded significant losses to their RSA balances. The saving grace at the time was the rigid adherence to the approved limits for each asset class by PAL. This helped to mitigate against the dip in the capital market. Straightway, Pencom gave the green light on the creation of the Retiree Fund which also helped to calm frailed nerves.

JOKE

Three Old Men

Three elderly gentlemen were talking about what their grandchildren would be saying about them fifty years on.
'I would like my grandchildren to say, 'He was successful in business', declared the first man.
'Fifty years from now, 'said the second, 'I want them to say, 'He was a loyal family man'.
Turning to the third gent, the first gent asked, 'So what do you want them to say about you in fifty years?'
'Me?' the third man replied. 'I want them all to say, 'He certainly looks good for his age!'



QUOTES

"The question isn't at what age I want to retire, it's at what income".

~George Foreman.

On the other hand though, the dip in the rates of money market instrument immediately demonstrated that the configuration of the Retiree Fund was far from being a permanent solution. It is obvious that that current investment outlets are really too narrow and highly restrictive. For quite awhile, Pencom and Industry operators have been reviewing their options in this regard and PFA's have been in favor of Multiple Funds. Its design and implementation remain the final huddle.

The immediate benefits of the Multiple Funds regime are that it will allow RSA holders to be able to choose from a mix of investment vehicles that will give them optimal returns on their investment. For example, a prospective Retiree left with about five year's service before retirement can decide the investment classes that will give him peace of mind (safety & security) while expecting reasonable yield. To restrict RSA holders to the present approved asset classes or Retirees to only fixed income outlets will not be beneficial.

In conclusion, we encourage Pencom to fast track the framework for the Multiple fund regime and release the guidelines for its take off as soon as possible. Pension Fund investments remain the highest yielding financial vehicle, since the global economic downturn that hit world economies in 2008. Multiple funds will serve as the shock absorber to the upheavals in the economy that tend to deplete pension assets when there is a fundamental shift either in fixed income securities, equities or even the money market.

FAQs & Answers

I am aware that my employer is yet to remit some outstanding contributions on my behalf and I am retired now. Can I start collecting my pensions?

Your RSA has to be fully consolidated to enable us get approval for your payment from the National Pension Commission hence your employer will have to remit all outstanding contributions before payments can be made to you. However, where there is acknowledgement of indebtedness by the employer, we will be unable to process your payment request.

Why is my personal bank statement of account needed for my payment request process?

Payments of your retirement benefits whether temporary or full access is made into your bank account. Hence for the purpose of correctness, your bank statement of account or a letter of introduction from your bank is required to confirm your bank account number.

