Pensions Alliance Limited

PAL VALUE FUND NEWSLETTER

SEPTEMBER 21,2010 Volume I, issue I.

FUND PERFORMANCE

The PAL Value Fund (PAVF) is up 10.90% year to date ("YTD"). Overall annualised return from inception stood at 14.80%. The Fund's Unit price opened the year with 1.4466 and stood at 1.6039 as at 31st August 2010. During the month, Fund inflow and outflows (to meet Benefit payments) stood at N644million and N247million respectively. The reduction in the Unit Price in August was largely due to the 6.20% drop in the Nigeria Stock Exchange All Share Index (ASI). Recall that the PAVF has an allocation of 25.00% to the Equity Market: even though the NSE ASI dropped this month, it is however up by 16.46% year to date.

MARKETS AND STRATEGY

On the macro side, consensus estimate of GDP Growth rate for 2010 is put at about 7% on the back of stable oil prices, consistent production levels, growth in non-oil sectors especially agriculture. As stated earlier, oil prices remained stable within the US$70 – US$78/barrel range with production levels at about 2.0 million barrels per day.

However, the Country's Sovereign savings christened the "Excess Crude Account" was depleted from $22bn to $460m between May 2007 and August 2009 on account of distribution to the three tiers of Government. Overall, the Country's financial position is still very strong with very low debt to GDP Levels and reserves that can cover up to 12 months of import. We expect the Naira to remain stable relative to the US Dollar.

The Financial Markets presented a mix bag during the month under review. Bond yields were up by about 1.50% whilst the NSE All Share Index was down by 6.23%. The Money Market remained unchanged with rates hovering between 1.50% and 6.00% per annum for the typical 30day placements.

The Sovereign Bond Market continues to present attractive yields to investors. Yield on the Benchmark 20 year FGN bond closed at around 11.50% up from about 7.00% in May this year. Even though this is below historical inflation figure of 13.00%, the theory is that inflation expectation which is indicative of future inflation is now down to around 10.00%. We have increased our allocation to the FGN Bond slightly from 51.00% to 55.00% on the back of this attractive yield. In the next four months, we will continue to invest more in the Bond market especially Sub-National and Corporate Bonds at yields of between 12.00% and 13.50%. We only invest in State Bonds with solid ISPO Backing and Bonds issued by strong Corporations with investment grade ratings.

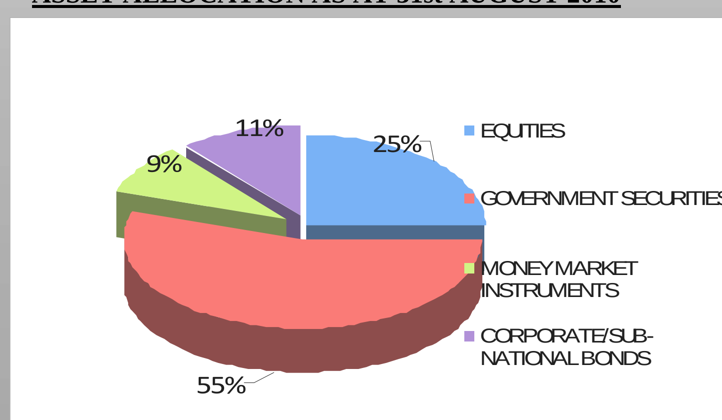
The AMCON Bill was finally signed into law by the President in July. During the month under review the ASI lost 6.23% in August, on the back of the requirement for Banks to further deleverage their Balance Sheet and reduce Margin Loans to not more than 10.00% of total assets. In addition, the shares of Banks going forward, will no longer be accepted as Collateral for Margin Loans. During the month under review, the SEC sacked the leadership of the Nigerian Stock Exchange and installed an interim Administrator in their place. The event led to panic sale by Investors especially Foreign Fund Managers and Local Institutional Investors who decided to stay on the side line for more clarity on the Exchange's future.

The 6.23% reduction in the ASI led to a drop of 0.56% in the Unit Price of the PAL Value Fund. We believe that this has no impact on the fundamental strengths of the Companies in our equity Portfolio. Rather, for long-term Investors, this presents once again a significant buying opportunity. In addition, we have reviewed our sector weights in the Equity Portfolio and have reduced the allocation to Banking Stocks in favour of more Real Sector Companies.

OUTLOOK

We expect Bank Stocks to rebound once AMCON settles down to its business of buying toxic assets and providing interim recapitalisation equity to Government rescued banks. We believe that the NSE ASI will add an additional 5.00% to 10.00% before the end of the year to close the year's index at about 26,000 points We do not envisage any reduction in the CBN Benchmark MPR of 6% and on the Fixed Income side we see FGN 20 Year Bonds' yield trending up between 12.00% - 12.50% before the end of the year. We reassure you, our valued contributors that we are working hard to close the year with an annual return of about 12.00%. Once again, we re-emphasise that as a Pension Fund Administrator, monthly volatility in the Fund's Unit Price should not be a major cause for concern. We always like to measure our performance by the year end result especially relative to the performance of other alternative investment outlets.

ASSET ALLOCATION AS AT 31st AUGUST 2010



Head office
Bull Plaza (7th Floor) P.O. Box 168
38/39 Marina lagos
Tel; 234-1-2802290-3, 234-1-4622201
E-mail: info@pensionsalliance.com

Abuja Office:
DB 5/6 2nd floor, Orji Uzor Kalu House
Plot 979 Michika Street, off Ahmadu Bello Way
CBD Abuja
Tel:09-6712379

Port_Harcourt Office
2nd Floor Afribank Building
5 Trans-Amadi Road
Tel; 084-463744
Fax: 084-463174

Yaba Office;
274 Murtala Muhammed way,
Opposite Nigerian Railway Corporation
Alagomeji, Yaba Lagos
Tel: 01-7432522, 01-4484097