



NEWS LETTER

What's inside...

[Economic Review](#) | [The RSA Transfer Window](#) | [FAQs](#) | [Riddles & more](#)

Dear Esteemed Customer,

Happy New Year and Welcome to the 2020 Q4 edition of the PAL Newsletter.

2020 was an exceptional year characterized with unprecedented events that impacted our social, economic, and political landscape. We are grateful that with your unwavering support, together we made it into 2021!

In this edition of our newsletter, we have the Economic Review of 2020, its impact on Funds and enlightening information about the Transfer Window Initiative launched in the Pensions Industry.

We hope you find the information useful. Until next time, we remain Your PAL for Life.

Happy Reading!



Nigeria's 2020 Economic Review

Last year began with optimism on improved economic prospects for Nigeria, this was driven by expectations that a combination of various Federal Government reforms and improved crude oil production would serve as catalysts for economic growth. Expectation were that Nigeria would improve on its economic recovery, which pushed economic growth to 2.2% in 2019, in fact the only major drag heading into the year was inflation which was on the rise. Instead, like the rest of world Nigeria's growth prospects were destabilized by the emergence of the coronavirus pandemic, which ultimately plunged the economy into its second recession in four years.

On the reform side, the early passage of the 2020 Federal Government Budget alongside the passage of the Finance bill signalled the government's intention to improve its fiscal balance. The 2020 federal budget proposed a record total expenditure of ₦10.59 trillion. This expenditure was to be partly funded by the proceeds from the implementation of the finance bill which increased Value Added Tax (VAT) from 5% to 7.5%. The government hoped to raised ₦500 billion from the VAT increase alone, while tax receipts were also expected to increase on the back of increased transparency and incentives the bill provided. However, the impact of the pandemic meant that those plans and expectations were short lived with government maintaining its expenditure budget but substantially reducing revenue expectations.

Given that Nigeria did not record its first incidence of community spread of the COVID-19 virus until the middle of March, the country was still able to record an economic expansion in the first quarter of the year. Overall, the economy expanded

by 1.87%, mainly driven by the oil sector which grew by 5.09% for the period. It was in Q2'20 that the full impact of the pandemic reflected in Nigeria's growth numbers, as crude oil prices were still subdued by global disruptions whilst local output was affected by government stay at home orders in major cities. During that period Nigeria's GDP shrank by 6.10% its sharpest contraction in 15 years. Furthermore, Nigeria officially entered a recession when the third quarter figures showed that the economy shrank by 3.6%, with the smaller contraction resulting from improved crude oil prices and the slow lifting of the government stay at home orders.

The impact of the drop in crude oil prices also affected the non-oil sector, given the fact it represents over 80% of Nigeria's exports. These lower export receipts led to depreciations of the Naira in both the official and unofficial windows. However, assistance from the International Monetary Fund via a US\$3.4billion facility helped quell the pressure on the country's reserves which closed the year at US\$35billion dollars (which is several months of import cover). Meanwhile, in response to the economic crisis, Nigeria's central bank, cut its policy rate by 200bps and launched over ₦1trillion in intervention schemes.

While the CBN's efforts were aimed at improving growth, it did little to address the rising level of inflation in the country. Nigeria's headline inflation rate opened 2020 at 12.13% after rising for much of the fourth quarter of 2019 following the closure of the country's land borders. This trend continued in 2020 with inflation increasing every single month to close the year at 15.75%.

Fixed Income Market Review

Over 2020, the fixed income market was themed by significant liquidity, because of the CBN circular, issued in October 2019, which restricted the purchase of OMO bills by Non-Bank financial institutions. The decision had a crucial impact on demand and the direction of yields in the fixed income market throughout the year.

Fixed income yields generally maintained a downward trend on the back of ample system liquidity which was largely buoyed by maturities from OMO bills (₦11.95 trillion) which spurred demand for fixed income assets over 2020. The first and fourth quarters were the most liquid with significant OMO maturities hitting the system.

Consequently, demand surged for other fixed-income assets, mostly NTB, FGN bonds and Promissory Notes. Increased interest in Corporate Bonds and Commercial papers was also observed. Activities in the secondary market increased markedly, with data from FMDQ OTC revealing growth of transactions worth ₦10.16 trillion over H1'20 relative to ₦6.68 trillion in H1'19.

Equities

Upon the initial emergence of the pandemic, the Nigerian equities market was a major recipient of global risk-off sentiments as we witnessed massive selloffs in the equities market for most of March and April. Most stocks were on full offer with almost no takers and some fundamentally sound stocks traded at their multi-year lows. Foreign and local investors sought to divest their holdings but we note that FPI outflows were significantly higher than the same period last year, even during the election period. Hence, all equity indices ended Q1 2020 in the red, with the ASI down 20.65% YTD (-31.38% Y/Y).

The market began to appreciate in May when we noticed a rebound in the fundamentally sound names as investors returned to the market. We also note that given scarcity in accessing FOREX, foreign investors began to reinvest their dividends in the equities market. It was further buoyed by institutional investors, especially PFAs who were overwhelmed with maturities from OMO and NTBs in October and few avenues for reinvestment.

Fund Manager's Report: Fund I

Investment Objective

The Fund is the ideal portfolio for relatively young contributors aged 49 and below who are willing and able to bear investment risk. The main objective of the Fund is to achieve a positive real rate of return over a medium to long term and to generate extra return for risk seeking investors.

Investment Strategy

In line with regulatory requirements for this Fund, we plan to allocate a maximum of 75% of the Fund's assets in a combination of variable income asset (public equities, private equities and infrastructural funds). The portfolio is structured aggressive, and it is actively managed to generate positive alpha.

Trend in Unit Price

The fund ended the period – 31st December 2020 with a unit price of ₦1,3466, an 18.31% return from its closing price in December 2019. In H1 2020, the financial markets were neck deep in significant downward pressures across all asset prices owing to the COVID-19 crisis and economic lockdown. Consequently,

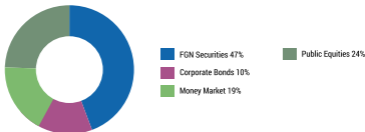
our focus was to minimize volatility and strengthen returns by investing in relatively attractive fixed income securities including corporate bond investments whilst bargain hunting stocks with strong fundamentals and

exploiting possible capital gains from existing equity investments. Overall, the fund benefitted from the strong recovery in the equities markets and significant increase in the prices of fixed income instruments.

Unit Price Trend



Asset Allocation



RSA Fund I Asset Allocation

Fund Manager's Report: Fund II

Investment Objective

This is the default Fund for contributors aged 49 and below. The key objectives of Fund II are to achieve a positive real rate of return, ensure capital preservation and meet the liquidity requirements of members.

Investment Strategy

Our strategy entails maintaining a balance of reasonable risk and capital appreciation to achieve long-term capital growth and income generation. As such, a portion of the portfolio is managed actively to generate positive alpha

Trend in Unit Price

The fund ended the period – 31st December 2020 with a unit price of ₹4.7070, a 15.63% return from 31st December 2019. In Q3 2020, lower rates across assets was sustained for fixed income instruments with further downward pressure from the sizeable monies in the system. However, the equities market started a reversal on its negative trend & became a key viable option for investors. In Q4 2020, our focus was to manage volatility and ensure sustainable return on a long-term basis, by investing in relatively attractive investments, whilst capturing capital gains from our fair value portfolio across equities and fixed income securities and positioning for 2021.



Asset Allocation



FGN Securities 62.47%

Equities 11.66%

Other Bonds 3.99%

Others 1.51%

Money Market 20.37%

RSA Fund II Asset Allocation

Fund Manager's Report: Fund III

Investment Objective

The key objectives of the RSA fund III are to provide real and satisfactory returns to members with very minimal to moderate exposure to risk. The RSA fund III is a conservative fund for contributors who are approaching retirement age (age 50 and above) who typically have low tolerance for risk, short time horizon and high liquidity requirement.

Investment Strategy

Our Strategy is to seek a low to moderate exposure to trading assets (fair value fixed income and variable income instruments) respectively to preserve capital, ensure adequate liquidity and minimize downside

volatility in fund returns.

Trend in Unit Price

The fund ended the period – 31st December 2020 with a unit price of ₦1.3486, a 13.91% return from its closing price in December 2019. In Q3 2020, lower rates across assets was sustained for fixed income instruments with further downward pressure from the sizeable monies in the system. However, the equities market started a reversal on its negative trend & became a key viable option for investors. In Q4 2020, our focus was to manage volatility and ensure sustainable return on a long-term basis, by investing in relatively attractive investments, whilst capturing capital gains from our fair value portfolio across equities and fixed income securities and positioning for 2021.



Asset Allocation



RSA Fund III Asset Allocation

Fund Manager's Report: Fund IV

Investment Objective

The composition of this fund is retired employees from the public and private sector with a low tolerance for risky investment. Hence, the key objectives of this fund is to deliver satisfactory returns to members with below average risk exposure and to maintain adequate liquidity in the fund.

Investment Strategy

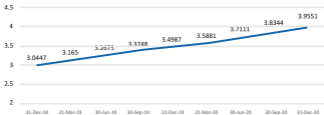
The portfolio construct ensures a maximum of 10% investment in variable income assets while other fixed income and money market assets will be managed to maintain a steady return and ensure liquidity in the fund. Additionally,

some active management strategies will be engaged to drive positive fund performance with minimal volatility.

Trend in Unit Price

The Fund ended the period – 31 December 2020 with a unit price of ~~₹~~3.9551, implying a 13.04% annual return for the year 2020. Q4 2020 started with further downward pressure on yields but began a gradual upturn towards the end of the quarter. Despite this yield uptick, yields remained suppressed across the curve. The equities market however continued its positive trend during the quarter and became a key viable option for investors. In Q1 2021, our focus is to gradually extend duration on our fixed income assets to enhance portfolio returns, while managing volatility and capturing capital gains from our fair value portfolio across equities and fixed income securities.

Unit Price Trend



Asset Allocation



RSA Fund IV Asset Allocation



The RSA Transfer Window

Introduction

As it is in the football world, where players can transfer from one football club to another during a certain period called “The Transfer Window”, the long-anticipated RSA Transfer Window for the Nigerian Pension Industry has been opened. Section 13 of the Pension Reform Act (PRA) 2014 specifies that a Retirement Savings Account (RSA) Holder may transfer his RSA from one Pension Fund Administrator (PFA) to another. The Section further states that such transfer should not be more than once a year.

To make the transfer process seamless, the National Pension Commission (the Commission) has deployed the RSA Transfer System (RTS); this is an application designed to provide an electronic platform through which RSA transfers are initiated and processed by Pensions Fund Administrators (PFAs).

Who is Eligible to Transfer His/Her RSA?

All RSA holders based on request can transfer their RSA from one PFA to another once every year, provided they have completed their Data Recapture exercise and it has been validated successfully. An RSA holder shall only be eligible for a subsequent RSA transfer after 365 days from the date of his/her last approved RSA transfer, irrespective of whether it is a leap year or not.

How it works

1

Data Recapture with your Current PFA

You must ensure that your personal details have been recaptured and updated on the ECRS by your current PFA. (This applies if you open your RSA before 1st July 2019 and have not been recaptured).

2

Submission of RSA Transfer Request to Receiving PFA

You should approach the PFA that you intend to move your RSA to (the Receiving PFA) and submit the transfer request by providing your RSA PIN, Sumama, Email, and Phone Number.

3

Validation of Identity

You shall be required to provide your fingerprint to the Receiving PFA for the authentication of your identity on the National Identity Management Commission (NIMC's) database.

4

Transfer of RSA and Funds to Receiving PFA

Your current PFA will transfer all the funds in your RSA to your new PFA at the end of the applicable transfer quarter.

5

Notification to RSA holder

You will be notified by the Commission and the Receiving PFA when your RSA has been transferred.



Benefits of RSA Transfer Window

- RSA holders can transfer their funds from one PFA to another of their choice.
- RSA transfers from one PFA to another shall be free of charge to the RSA Holder.
- The process is closely monitored by the Commission.
- It promotes timely and quality customer service to RSA holders
- Competitive return on investment.

For more information or enquiries, you can send us a mail on info@palpensions.com or call us on 01-2776900.



Q1: How can I get my data recaptured?

A1: The easiest way is to access the client login page here <https://palrsa/palpersions.com/Account/Login/>

The recapture process can be completed seamlessly from the comfort of your home, through the platform

Q2: I do not have login details for the Client login platform

A2: Please use your PIN as username and click on the "forgot link password" to enable a password reset. Ensure you have an email address registered with us prior to this.



A man gave his son ₦10 and another gave his son ₦15. What time is it?

Answer: 1:45. The man gave away a total of 25 cents. He divided it between two people. Therefore, he gave a quarter to two.

Culled from the internet

#DidYouKnow Nigeria



The Niger Delta (which is the second largest delta on the planet), has the highest concentration of monotypic fish families in the world, and is also home to sixty percent of Nigeria's mangrove forests. You should know too that Nigeria's mangrove forests are the largest in Africa and third largest on earth.

Thank you for reading.....PAL Pensions; Your Pal For Life!

We are always here for you ▼

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