

# Newsletter

## 1st Quarter 2016

Dear Esteemed Customer,

Welcome to the 2016 Q1 edition of the PAL Newsletter. The beginning of the year was plagued with difficulties and uncertainties. A lot of businesses have wrestled with the practicalities of an unforgiving economy. Our stand however, is that shareholders and investors alike must remain optimistic against all odds.

As confidence and investment from foreign financiers wane, the focus is gradually moving inward, asking the question: 'Can Nigeria successfully and sufficiently meet its demands capitalizing on available internal opportunities?' There have been murmurs about the pension fund and the numerous investment opportunities it can provide to boost the Nigerian economy – particularly in the area of infrastructure.

Evidently, in some developed economies, pension funds have been used to successfully finance infrastructure projects. So we wonder if Nigeria can do the same. The Nigerian reality however begs to demand that proper policies and securities are in place to ultimately safeguard the contributors' retirement funds in the long run.

In this edition of the newsletter, we will look at the demerits, challenges and the viability of utilizing Nigerian pension funds to finance infrastructure investments. We hope you will be able to engage with and enjoy the subject matter.

Happy reading!

Whilst, developed economies have more infrastructure funds available as an investment option; in Nigeria there are limited options, which again is a constraint to us. This point was reiterated by the PenCom Director General, when she stated the majority of the fund available for infrastructure financing remain idle due "to the non-availability of investment instruments that qualify for pension investment as stipulated in the investment regulations issued by the commission" (Mrs. Chinelo Anohu-Amazu, 2016).

In a nutshell, the proposal to use pension funds as investment in infrastructure is a welcome development, however, foremost in the mind of all is the safety and security of the funds. In order to guard against misappropriation, there is a need for the creation of functional institutions to formulate frameworks working closely with stakeholders such as investment banks, intermediaries and development finance institutions (DFIs) – who have the required expertise. A federal government guarantee on infrastructure investments would also provide the required comfort for pension funds to initiate exposure to the investment class.

## QUOTABLE QUOTES

The secret of getting ahead  
is getting started — Mark Twain

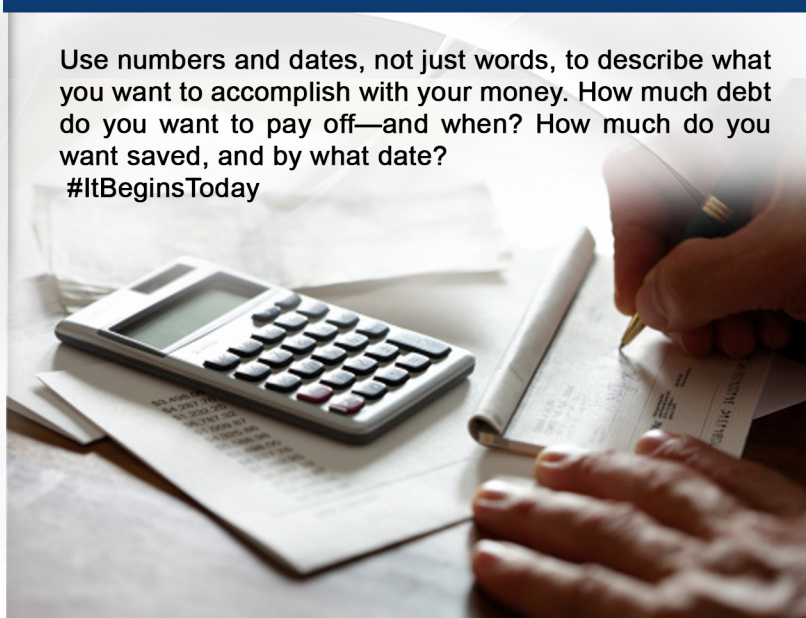


## UTILISING NIGERIA'S PENSIONS FUND TO FINANCE INFRASTRUCTURE

In Nigeria, infrastructure as an asset class is still at the infancy stage with the infrastructure deficit widely estimated at \$100 billion over 10 years (i.e. \$10-\$15 billion annually). Total pension savings is currently about \$25 billion, and based on current regulation, about ₦3.4 billion is investable in Infrastructure from the RSA Active Fund. Thus, it is generally recognized that pension funds are a growing and valuable pool for funding infrastructure projects in Nigeria. Most infrastructure development projects within Nigeria are at the greenfield stage. This has posed challenges to pensions funds' ability to invest in infrastructure. The National Pension Commission's (PenCom) investment guideline only allows pension funds to invest in infrastructure through infrastructure bonds or infrastructure funds, not directly in infrastructure projects. Investing directly in infrastructure would involve significantly more expertise in infrastructure development especially on project management, which is beyond the scope of operations of PFAs.

## FINANCIAL TIPS

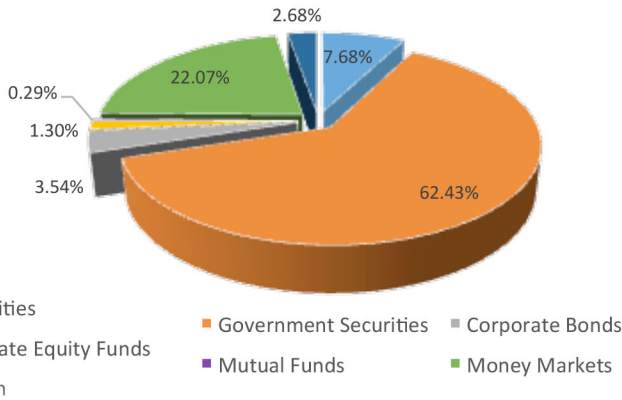
Use numbers and dates, not just words, to describe what you want to accomplish with your money. How much debt do you want to pay off—and when? How much do you want saved, and by what date?  
#ItBeginsToday



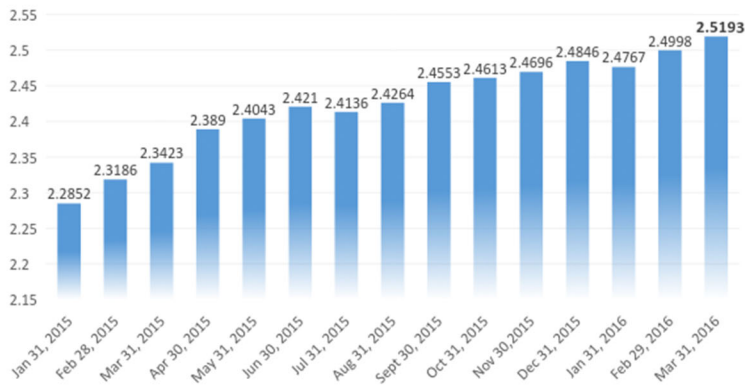
# PAL VALUE FUND 1st QUARTER, 2016

The PAL Value Fund (PALVF) opened the year with a unit price of ₦2.4858 and closed with a unit price of ₦2.5193 at the end of the first quarter of 2016. This represents a Year till Date return of 1.35% as at the end of March 2016. The PAL Value Fund Portfolio as at 31st March 2016 comprised of the following asset classes: Government Securities (62.43%), Equities i.e. ordinary shares (7.68%), Money Market instruments (22.07%), Corporate Bonds (3.54%), Private equity funds (1.30%), Mutual Funds (0.29%) and Cash (2.68%).

## PAL VALUE FUND ASSETS ALLOCATION



## PAL Value FUND UNIT PRICE



## WHAT WE'VE BEEN UP TO...

One of our goals is to enhance awareness of the industry trends amongst contributors, retirees as well as employers. In this quarter, we had quite a few activities that involved employers as well as retirement savings account holders.

### HR/PDO CONFERENCE

In April we hosted a HR/PDO conference. It was organized to intimate HR personnel and Pension Desk Officers (PDOs) on issues and topics that relate to their profession and the pension industry. Experts in Human Resources and other fields were invited to discuss different industry themes such as Change Management (Learning Impact NG), Estate Planning (FBNTTrustees), EPCOSS Software (UBA PFC) and Outplacement (Jobberman).

Participants were sensitized on recent PenCom draft guidelines as well as topical issues relating to the industry such as the Minimum Pension Guarantee, Residential Mortgage Equity Contribution, amongst others. The conference ended with an opportunity to network with professionals in various business sectors.

Thank you to all our participants for attending!



HR/PDO Conference

## PAL @ FBS

The Fashion Business Series (FBS) returned to Lagos this year. Hosted by Style House Files, founders, Heineken Lagos Fashion and Design Week, the forum was aimed at developing a platform that will position the fashion industry to become a significant contributor to the nation's GDP.

Our MD, Dave Uduanu, facilitated a VIP Signature Session which was open to fashion entrepreneurs and thought leaders in Fashion; he was also a panelist in a discussion on how to make fashion more investible. He remarked that the Fashion Business Series was the perfect forum to discuss the sustainability of the fashion industry and how the Pensions sector can become a fundamental ally in the process.



PAL @ FBS



## JUST FOR LAUGHS

The class teacher asks students to name an animal that begins with an "E". One boy says, "Elephant." Then the teacher asks for an animal that begins with a "T". The same boy says, "Two elephants." The teacher sends the boy out of the class for bad behavior. After that she asks for an animal beginning with "M". The boy shouts from the other side of the wall: "Maybe an elephant!"