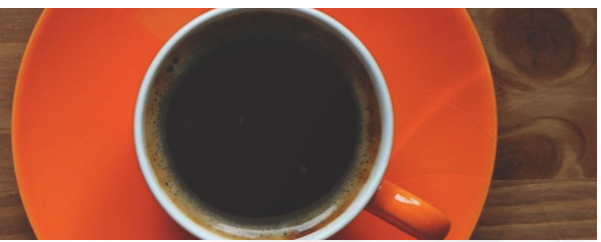


Newsletter

2nd Quarter 2016



Dear Esteemed Customer,

Welcome to the 2016 Q2 edition of the PAL Newsletter.

The first half of the year has just been concluded and this presents the perfect opportunity to reflect upon, evaluate and realign our plans for the remaining half of the year. In the last six months, the Nigerian economy has experienced substantial changes and challenges. Some of the changes which translated to challenges were the delay in the passing of the 2016 budget, the removal of the fuel subsidy and the exchange rate restriction introduced by the CBN. These uncertain economic directions and other factors contributed to inflation in the cost of goods and services. Consequently, a lot of businesses were negatively affected.

As the nation forges ahead, we at PAL Pensions will not relent in delivering outstanding service and ensuring that our esteemed customers stay informed with the necessary information concerning burning industry issues.

In this edition of the newsletter, we will be looking at key highlights of the New Foreign Exchange policy and how it affects the Nigerian populace. We hope you will be able to engage with and enjoy the subject matter.

Have a good read everyone!

NEW FOREIGN EXCHANGE POLICY

On June 15, 2016, the Central Bank of Nigeria released new Foreign Exchange (FX) policy to guide the operations of the Nigeria Inter-Bank Foreign Exchange Market. Below are the key highlights of the new policy:

Key Highlights of the New FX Policy

- Nigeria's Central Bank allows the Naira exchange rate to be market-determined (a single market), with the CBN intervening when necessary to smooth out volatility. This means that there is only one rate and one market; the Central Bank will only step in when appropriate e.g. temporary scarcity or an oversupply. Unlike the previous system which maintained two different markets; the interbank and the official market. Currently, there is just one market, driven by demand and supply.
- Unlike the prior system, the interbank market is open to Authorised Dealers, Authorised Buyers, Oil Companies, Oil Service Companies, Exporters, End-users and any other entity the CBN may designate from time to time

- Inter-bank funds will not be sold to Bureau-de Change

- The forty-one (41) items classified as "Not Valid for Foreign Exchange" remain inadmissible in the Nigerian FX market. These items include: Rice, Cement, Private Airplanes / Jets, Roofing Sheets, Steel Drums, Wooden Doors, Toothpicks, Textiles and Euro Bond/ Foreign Currency Bond / Share Purchases amongst others.

What does the Policy mean for every Nigerian?

- You can approach your bank with appropriate documents to access foreign currency. The CBN can sell FX to you upon submission of a bid through your bank, which must be FX Primary Dealer (FXPD). An FXPD is a bank that deals with the CBN in wholesale foreign exchange transactions with a minimum of \$10m. Your bid is only eligible upon provision of appropriate documentation and must be trade backed.
- The hike in inflation to 15.6% in May was mainly driven by the ripple effect of a weak Forex policy which led to increase in prices of food items and fuel but with the new FX policy, we expect that the prices of food items will moderate as FX liquidity improves, particularly on imported food.
- The price differential between the Parallel markets, Bureau de change, Black market operators and the interbank market will narrow due to improvement in FX inflows as investors, individuals and businesses who had refused to import their dollars into Nigeria can now supply their forex at a price they believe is market determined.
- The impact of the new FX policy on petrol prices will depend on the price discovery of Naira i.e. what the market determines to be the true value. If the true value of Naira is higher than the current assumed price of ₦286/\$, it is left for the government to determine if there will be further hike in petrol price and also if the value of Naira is lower than the ₦286/\$ petrol price may be reviewed downwards.
- The news is also positive for the Capital Market. The equity and bonds market will trade higher as market expects re-entry of foreign portfolio investors.

QUOTABLE QUOTES

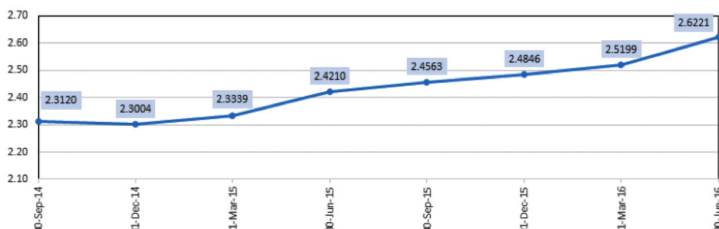
If you need motivation to start adopting better money habits, craft a financial vision board, it can help remind you to stay on track with your financial goals.

#ItBeginsToday

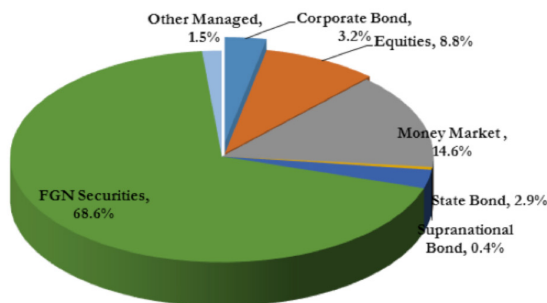
PAL VALUE FUND 2ND QUARTER, 2016

The PAL Value Fund (PALVF) began the year with a unit price of ₦ N2.4846; to close at ₦2.6221 as at June 30, 2016. At the end of Q2, the YTD return is 5.56 %. The PAL Value Fund Portfolio as at 30th June 2016 consists of the following asset classes in the following proportions: Federal Government Securities (68.6%), Corporate Bonds (3.2%), Supranational Bond (0.4%), State Government Bonds (2.9%), Money Market (14.6%), Equities (8.8%), Other Managed Funds (1.5%).

PAL Value Fund Unit Price as at 30th June 2016



PAVF ASSET ALLOCATION STRUCTURE AS @ 30 JUNE, 2016



WHAT WE'VE BEEN UP TO...

One of our goals is to enhance awareness of the industry trends amongst contributors/retirees, employers as well as new entrants. In this quarter, we had quite a few activities that involved employers as well as retirement savings account holders. We brought you details and pictures of the conferences in Lagos; now take a look at our Ibadan session.



A cross section of clients at the Customer Conference held in Ibadan

Customers resident in Ibadan and environs were invited to our Customer Conference. The conference which was attended by about 1,000 active contributors, retirees and employers, created an avenue for the management of PAL Pensions and customers to interact. It was a platform to sensitize HR personnel on issues and topics that relate to their profession, the pension industry and preparedness for prospective retirees. Customers were also able to interact with their relationship managers and discuss challenges they face whilst dealing with pension issues. We want to use this as an opportunity to thank all the attendees of our Ibadan Customer Conference!



We encourage team spirit. A Cross section of the Pal football team at the UBA PFC 5-Aside Tournament amongst Pension Fund Administrators



We are interested in the future of our youths. Winners at the PAL Pensions sponsored NYSC inter-platoon debate competition

FREQUENTLY ASKED QUESTIONS

CAN I CLOSE MY CURRENT RETIREMENT SAVINGS ACCOUNT AND OPEN A NEW ONE WITH YOU?

You are expected to have only one Retirement Savings Account. The National Pension Commission (PenCom) adopts a "First PIN" rule that recognizes the first RSA Personal Identification Number (PIN) obtained by a client as the valid one to be maintained. However, you can transfer from one PFA to another when the transfer window is declared open by the National Pension Commission (PenCom).

I HAVE TWO PINS FROM DIFFERENT PFAS, BOTH ARE FUNDED, HOW DO I TRANSFER ALL FUND TO ONE RSA?

The National Pension Commission recognizes the first PIN issued to an RSA holder and is responsible for account reconciliation. Once the accounts have been reconciled and actual contributions determined, PENCOR will instruct for transfers to be made where necessary to the PFA with the first PIN and further instruct for the invalidation of the second PIN with the other PFA.



JUST FOR LAUGHS

A curious child asked his mother: "Mummy, why are some of your hairs turning grey?" The mother tried to use this occasion to teach her child: "It is because of you, dear. Every bad action of yours will turn one of my hairs grey!" The child replied innocently: "Now I know why grandmother has only grey hairs on her head."