

Dear Esteemed Customer,

It is a delight to bring you another edition of our quarterly newsletter. Introspectively our Company remains committed to delivering excellent services and investment returns.

In this edition, we have addressed and given a detailed review on the new “MULTIFUND STRUCTURE” as approved by PENCOM. The article elaborates on the uniqueness and usefulness of the scheme and how it applies to you-as an individual and we- as a company. We have also included a review of the performance of the Nigerian economy and an update of our fund performance in the third quarter of this year 2017. We are certain this will make for an interesting and enlightening read.

As is our practice, we welcome your suggestions and contributions on how best we can meet and surpass your expectations. Kindly, reach us on 01-2776900, 0800PALPENSIONS or send an email to info@palpensions.com

Happy Reading!

Review of the Nigerian Economy

GDP

According to the recently released GDP figures by the Nigerian Bureau of Statistics, Nigeria's GDP grew by 0.55% YoY in Q2'17 after five consecutive quarters of negative growth. The recovery in the nation's GDP was largely due to an expansion in the oil sector. Crude oil production rose from 1.71mbpd in June to 1.86mbpd in August over the period reflecting peace in the Niger Delta. In addition, the manufacturing sector buoyed by improved FX liquidity also contributed to GDP growth in Q2 2017. We expect GDP growth to remain positive in Q3 and Q4 2017 respectively on the back of improved foreign exchange liquidity and higher crude oil production levels.

Crude oil prices

Crude oil prices increased during the quarter from US\$49.85/pb in June to US\$54.4/pb in September 2017. Crude prices during the period were buoyed by geopolitical tensions between US and Iran, expectations of an extension of the production cut deal by OPEC members and disruptions to US crude output by the hurricane disasters. OPEC recently granted Nigeria an extension in its exemption from the production cut deal citing concerns that the country's production is yet to stabilize.

Forex reserves

Nigeria's forex reserves increased by US\$1.9bn to US\$32.2bn in September from US\$30.3bn in June 2017. The pick-up in oil production and inflow of capital from foreign FPIs have been the obvious reasons for the accumulation in the FX reserves. We expect marginal accretion in FX reserves for the rest of the year as oil revenues pick-up and macroeconomic environment remains favorable for foreign capital inflows. We however note that a drop in global crude prices, downturn in macroeconomic conditions, the resumption of militant attacks on crude oil installations and increased FX intervention by the CBN pose significant downside risks to reserve accretion.

Inflation

Inflation decreased marginally to 16.01% in August from 16.10% in June. Core inflation decreased to 12.3% in August from 12.46% in June due to the impact of base effect from high readings in 2016. Food inflation on the other hand, increased to 20.25% in August from 19.91% in June on the back of higher domestic food price as the weaker naira encouraged the export of farm produce. Despite the commencement of the harvest season in September, we expect significant upward pressure on food prices in Q4 2017 as the impact of the Benue flooding crisis begins to kick-in. We also expect core inflation to moderate further albeit not enough to balance out pressures from food prices. As such, we do not anticipate a significant decline in headline inflation readings in the last quarter of the year.

Monetary Policy

The Monetary Policy Committee of the Central Bank of Nigeria (CBN) left the monetary policy rate unchanged at 14% despite the drop-in inflation figures. The decision to leave monetary policy unchanged was to allow for adequate recovery of the economy and because a change in policy could create instability in the foreign exchange market and led to a resurgence in inflation.

Stock market

The Nigerian Stock Exchange All Share Index (NSE ASI) appreciated 7.01% in the period between July to September 2017 (YTD: 31.65%). We note that the equity market momentum in Q3 has slowed significantly compared to Q2 largely due to profit taking. With very little or no triggers to suggest a market rebound, we expect activity in the market to remain largely subdued through the rest of the year. Other sub-indices such as the NSE30, the banking index and the consumer index appreciated by 7.84%, 10.16% and 15.89% respectively during the period.

Fixed Income Market

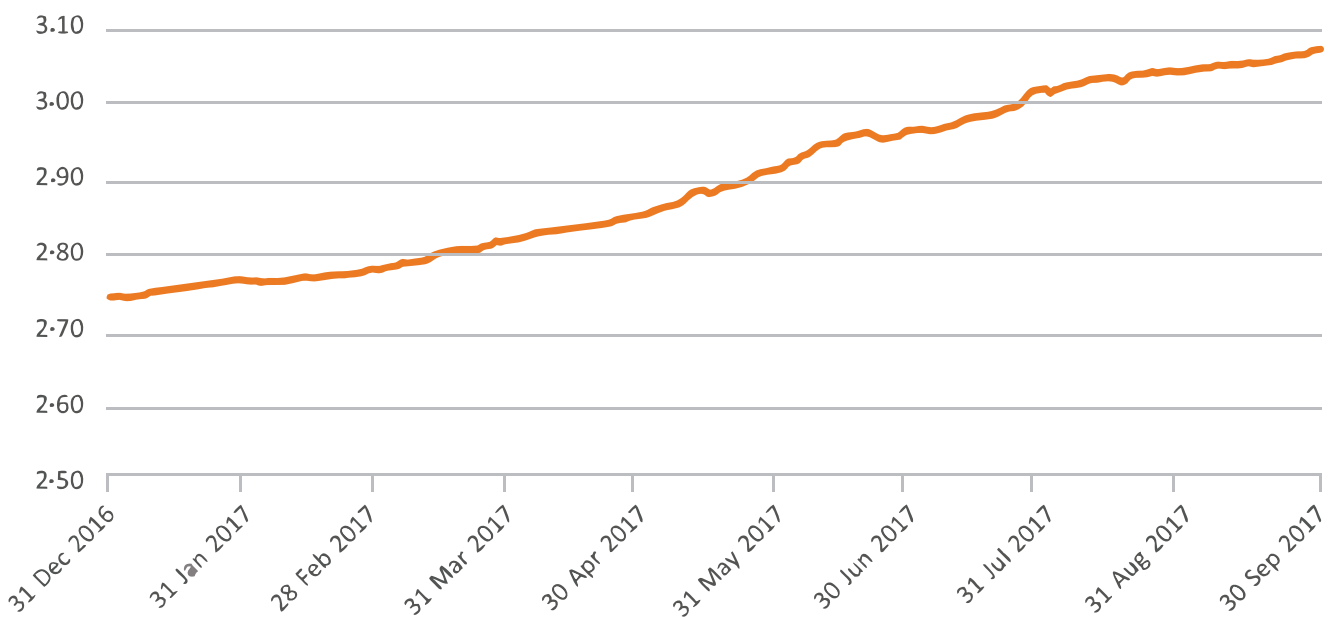
Yields on treasury bill instruments declined 120bps on average across all tenors in September from 19.29% average yields in July 2017. Discount rates on the 90, 180 and 364-day instruments closed 13.15%, 16.80% and 17.00% respectively in September lower than the 13.50%, 17.50% and 18.59% each instrument closed at the auction in July. The decline is attributed to increased demand of the one-year instrument as the CBN discontinued its issuance and lower clearing rates at OMO auctions. Consequently, we are beginning to see a correction in the yield curve, with yields on FGN bonds declining 100bps-150bps in September from 16.00% - 16.50% yield levels in July 2017. We expect yields to remain at current levels in the short term as government borrows more in the local market to finance the budget deficit. However, we expect increased downward pressure in rates in the medium to long term with the reduced inflation and increased foreign borrowing.



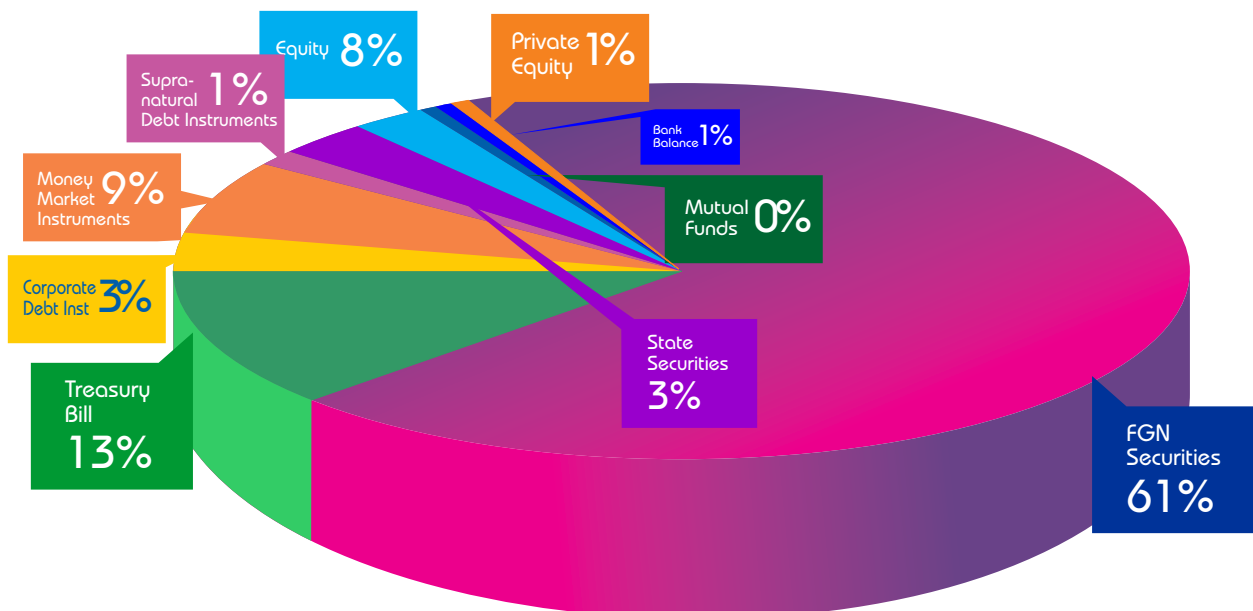
PAL VALUE FUND – 3RD Quarter

The PAL Value fund opened the quarter with a unit price of N2.9613 and stood at N3.0685 as at September 30, 2017. This represents an end of quarter return of 3.62% and YTD return of 11.93%. The PAL Value fund portfolio as at 30th September 2017 comprised of the following asset classes: Federal Government Securities (73.47%), Corporate Bonds (3.43%), Supranational Bond (0.29%), State Government Bonds (3.50%), Money Market (8.87%), Equities (7.99%), Other assets(1.42%).

PALVF Unit Price Year to 30th September, 2017



PAVF Asset Allocation Structure As @ 30th September, 2017



New Multiple Fund Structure

What is Multi-Fund Structure?

The Multi-Fund structure is a framework that aims to align the age and risk profile of RSA holders by dividing the RSA Fund into three Fund types while retaining the single Retiree fund (four types of fund in all; 3 active funds and 1 Retiree fund).

What are the different Fund Types?

Fund I – This is an optional fund meant for contributors aged 49 and below. Contributors must write formally to opt for this Fund.

Fund II – This is the default fund for contributors aged 49 and below.

Fund III – This is the default fund for contributors aged 50 and above.

Fund IV – This is the Retiree Fund.

What are the features of each Fund Type?

Fund Type	Maximum exposure to variable income instruments	Minimum exposure to variable income instruments
Fund I	75% of portfolio value	20% of portfolio value
Fund II	55% of portfolio value	10% of portfolio value
Fund III	20% of portfolio value	5% of portfolio value
Fund IV	10% of portfolio value	0% of portfolio value

Fund I & II 2.5% of AUM invested in alternative assets

What are variable income instruments?

Variable income instruments are investments that generate income or returns that cannot be pre-determined from the date the investments were made and are not guaranteed. In addition, the prices of such instruments fluctuate daily. Instruments in this category include Ordinary Shares, Collective Investment Schemes ("CIS") such as Mutual Funds, Real Estate Investment Trust; Infrastructure Funds and Private Equity Funds.

Such investments have the potential to generate high returns over the long term but could be risky owing to uncertainty and fluctuations in market prices and returns.

What has age and risk profile got to do with how my pension funds are invested?

In investing money, everyone has a limit to the amount of risk that they can take and the amount of uncertainty they can handle. This is known as risk tolerance. Typically, younger people tend to have more capacity for risk because they still have time to recover from losses (if any). Once a person is approaching retirement, it is advisable that they limit the amount of risks they take and reduce exposure to uncertainty as they would start drawing from their pensions within a short period.

Consequently, the allowable exposures to variable income instruments have been designed such that Fund I has the highest allowable limit, followed by Fund II, III and IV respectively. This reduces the risk and uncertainty of contributors in line with their ages.

Why Should I take more risk just because I am young?

The biggest threat to your retirement savings is inflation. Inflation means the general increase in the prices of goods and services and therefore cost of living. Younger people bear the risk that inflation may erode the purchasing power of their savings by the time they retire. While fixed income instruments are less risky and guarantee your invested principal, they do not offer good protection from inflation. Variable income instruments, on the other hand, are not guaranteed but should offer inflation protection in the long term. Younger people should consider inflation risk when setting their risk tolerance.

Can I decide which Fund Type to be assigned to?

On the day of commencement, a default fund selection will be done for all RSA holders. All active contributors that are 49 years and below would be placed in Fund II while active contributors that are 50 years and above would be placed in Fund III. Contributors who make a formal request can switch among funds within a PFA once in 12 months without a fee. Additional requests to switch among Funds within a year will attract a fee to be determined by PenCom from time to time. Contributors in Fund II can be transferred to Fund I after a formal request or consent form. Contributors in Fund III can request to be transferred to Fund II after a formal request or consent by filling a form. Contributors in Fund III and Fund IV will not be allowed to choose Fund I.

When will the 12-month period start counting, will it be from the date of commencement or from the date of my first switch?

The 12-month period will start counting from the date of switch among funds.

Are there any benefits in this multi-fund structure?

The new structure allows RSA holders more control over how their pension funds are invested based on their risk tolerance. For instance, an RSA holder in Fund III owing to the default classification based on age, may have more tolerance for risks and uncertainty and could opt to be assigned to Fund II.

How soon will this new guideline take effect?

The operational framework to guide the transition to the Multi-Fund structure has been released and it is expected to commence second quarter of 2018.

Who takes the ultimate switch responsibility between the contributor and the PFA?

Whilst the contributor has the right to switch between funds depending on his or her preference, the PFA will be responsible for effecting the switch upon receipt of a formal request from the contributor.

What are the impacts on my pension balance when my PFA moves into the multi-fund structure?

The balance in your RSA will not change due to the movement to the multi-fund structure because the entire balance would be moved to the appropriate fund without charges. However subsequent growths in your balance would depend on contributions such as the mandatory monthly contributions, voluntary contributions as well as returns generated by the PFA on that particular fund.

What is/are the requirement(s) for switching from one fund type to another?

To switch from one fund type to another, a formal request or a consent form must be submitted by the contributor to his or her PFA.

Do I need to seek an advice from external financial advisor or my PFA before taking a decision to switch?

Whilst you are at liberty to seek advice from external financial advisers, information would be made available on the fund performance and indices to enable you to make an informed decision.

If my date of birth is wrongly captured, which Fund Type will my PFA profile me?

You can check and update your records with your PFA before the commencement of the transition.

Can I move back to the preferred fund free of charge after my date of birth correction (especially when my date of birth was wrongly captured by my PFA)?

Yes, you will be able to move free of charge given that a contributor has the option to move for free once within 12 calendar months. However, you can check and update your records with your PFA before the commencement of the transition.

Can I split my additional voluntary contribution in a separate Fund Type while my mandatory goes into another Fund Type?

Every RSA holder is entitled to only one Pin for all types of contributions. Consequently, your voluntary contribution will be in the same Fund as your mandatory contribution.

Will the RSA and AVC funds have separate fund price or the same?

The RSA and AVC will have the same fund price because they will be invested in the same fund the contributor selects.

How will the Fund Prices under the Multi-Fund Structure be determined at the point of crossing over to the new structure and what would happen to the Old Fund Price and units?

At the point of crossing over to the new structure, default contributors for Fund II and Fund IV will be valued with the accounting units of their fund at the prevailing unit price whilst contributors switching or moving into Fund I and Fund III, the naira value of their contribution shall be transferred to purchase units in the Fund at a nominal unit price of N1.0000 each respectively on the effective take-off date. New entrants into any Funds subsequent to take off date shall buy into the Fund at the prevailing value of an accounting Unit of the fund selected by the contributors.

What are the multi-funds options for Approved Existing Schemes?

Approved Existing Schemes are governed by the Board of Trustees who have the right to structure the portfolios in the best interest of the beneficiaries subject to PenCom's approval. Consequently, the BOTs of contributory AESs can amend their agreements and restructure them along the lines of the Multi-Fund structure if they choose to.

Once an RSA holder makes a withdrawal such as 25% and then becomes unemployed, can he request that his funds be moved to another fund structure since no contributions are entering his RSA?

The regulation does not restrict movements due to withdrawal of 25%. If the individual is below 50 years, the option is to switch between Fund I and Fund II.

Is it possible for a client below 50 years to move to fund III?

No, Fund III is strictly for active contributors of 50 years and above.

If I decide to switch from Fund III to Fund II, can I switch back to Fund III?

Yes, but it will be at a cost if you intend to switch back to Fund III within 12 months.

With the new multi-fund structure, can I be given the option to choose which specific variable income instruments my funds can be invested in?

No, the regulation only allows contributors to select a Fund, but the PFAs would continue to have the responsibility of selecting the specific instruments that the Funds would be invested in.

Will the fee for moving between funds be deducted from the RSA or paid as a separate amount into the bank?

The fee would be deducted from the RSA balance of the contributors.

WHAT'S NEW!

1. We have moved offices!
Our head office is now at **Plot 289, Ajose Adeogun Street, Victoria Island, Lagos.**
Our Pensions Service Centre has moved to the mainland – **1st floor, 205b Ikorodu road, Obanikoro, Lagos.**
2. New and improved ways to serve you better:
 - You can now reach our Call Centre on **0800PALPENSIONS (08007257367467)**
 - You can download the PAL App to access a full bouquet of PAL Pensions' services at your fingertips. It is available on the App Store and Google Play store.
 - You can access your Pension balance on the go. Send **PAL** to **20052** and following the prompts.



HOT SHOT

A young businessman had just started his own firm. He rented a beautiful office and had it furnished with antiques. Sitting there, he saw a man come into the outer office. Hoping to look like a hot shot, the businessman picked up the phone and started to pretend he was working on a big, important business deal.

He threw huge figures around and made giant commitments. Finally, he hung up and asked the visitor, "Can I help you?"

The man said, "Yeah, I've come to activate your phone lines."

Culled from the internet

#DIDYOUKNOWNIGERIA

The Walls of Benin (800-1400AD), in present day Edo State, are the longest ancient earthworks in the world. They enclose 6500 square kilometers of community lands that connected about 500 communities and is over 16000 km long.

Thankyou for reading.....**PAL Pensions; Your Pal for Life!**



**FREQUENTLY
ASKED QUESTIONS**

WHAT PERCENTAGE OF MY RETIREMENT SAVINGS ACCOUNT (RSA) BALANCE WILL I COLLECT AT RETIREMENT?

Your lump sum and monthly pension is a function of 3 things: your RSA balance, age at retirement and last salary. You are however guaranteed to receive a minimum of twenty five percent (**25%**) of your RSA balance as lump sum payment. This is calculated using a template provided by **PENCOM**.