

THE MULTI-FUND STRUCTURE (LIFE-CYCLE INVESTMENT)

INTRODUCTION

The financial market in Nigeria has evolved from its vanilla-type asset classes of ordinary shares, Federal and State Government bonds & corporate bonds to more exotic instruments such as Eurobonds, Derivatives, REITS and Private equity investments. Recognizing this and noting the growing amount of pension funds being invested in the country, the National Pension Commission (PENCOM) conceived the notion of allowing pension contributors bear the responsibility of deciding their investment futures. Therefore, they expanded the current allowable windows of investments for pension funds and increased the number of Fund types permitting the contributors to make their choice on a preferred fund in order to optimize their pension returns.

WHAT IS MULTIFUND?

Unlike the previous Regulation on Investment of Pension Funds which grouped all actively working citizens of Nigeria in a single fund structure, the new regulation introduced a multi-fund structure that categorizes contributors into different Retirement Savings Account (RSA) according to their age (life cycle) and risk profile/preference.

In the Multi-fund structure, otherwise known as THE LIFE-CYCLE INVESTMENT Fund Structure, the current RSA Fund is divided into 3 funds namely Fund I, Fund II and Fund III. The Retiree fund, Fund IV, remains as it is, and that is to cater for Contributors who have retired and are no longer working.

DIFFERENCES IN THE FUNDS

The funds are peculiar to each other as they have different risk profiles for exposure to various asset classes especially, on the variable income instruments.

Variable income instruments are financial instruments whose returns cannot be pre-determined as at the time of investing.

The price of this class of instrument changes over time and they are: ordinary shares, units of open & close-ended & hybrid funds, REITs, infrastructure funds and Private equity funds.

The exposure of the each fund to variable income instrument is detailed in the table below:

S/N	VARIABLE INCOME INSTRUMENT	
	Maximum Limit	Minimum Limit
FUND I	75%	20%
FUND II	55%	10%
FUND III	20%	5%
FUND IV	10%	0%

S/N	ALTERNATIVE ASSET CLASS		Infrastruct ure, Private Equity & Real Estate (Housing)
	Maximum Limit	Minimum Limit	
FUND I	75%	2.5%	
FUND II	55%	2.5%	
FUND III	20%	0%	
FUND III	10%	0%	

WHY THE MULTIFUND STRUCTURE?

The risk profiling of the fund is based on the assumption that younger people tend to have more capacity for risk and have a longer period to weather the market fluctuations. And for contributors nearing retirement, it is better to limit the amount of risks they take and reduce exposure to uncertainty as they would start drawing down on their pensions within a short period.

BENEFITS

The new Multi-fund structure benefits all contributors to the fund.

- It presents a chance for a suitable alignment between your retirement goals, risk appetite and age.
- Contributors under 50years of age can now choose the fund they wish to belong to, based on their individual risk preference and return expectations.
- It offers opportunity for higher returns for the more risk tolerant contributor.
- It offers a better chance for your pension assets to meet your expectations when you retire.
- Allows you to change from one fund to the other, once in a year, at no cost.

Capacity to choose

By signing this form, you hereby confirm and warrant to us that you have read the information regarding the Multi Fund Structure and understood the risks associated with each fund, on the basis of which you have chosen the

If you are unsure as to whether you have all the necessary information to make this choice, you will need to obtain further information on the various funds and associated risks before you continue. Our Customer Care Centre is available to provide the information you need and answer your questions on the Multi Fund Structure. Please call: 07046475720; or email info@vgpensions.com for further assistance.

Indemnity

I hereby indemnify VG Pensions and release the Company for any losses and from any liabilities that may be incurred as a result of defects in my decision to choose this fund, due to failure on my part to duly ascertain and understand the characteristics of the various funds.

Consent

I, having read and understood the Multi Fund Structure grouping, I have chosen and hereby confirm my choice to have my pension funds in and to have them invested under the regulations guiding the investment of this specific Fund.

DEFAULT ASSIGNMENTS

- All pension contributors will be assigned to the different funds using the default categorization set by the Regulator, while further directives are received from the contributors themselves on the choice of fund they wish to belong to. These default grouping are as follows:
- **FUND I:** Contributors shall write formally and give consent to be assigned to this fund.
- **FUND II:** This is the assigned default fund for active contributors aged 49years and below as at their last birthday.
- **FUND III:** This is the assigned default fund for active contributors aged 50years and above as at their last birthday.
- **FUND IV:** This is strictly for the retirees only.

Signature

Date