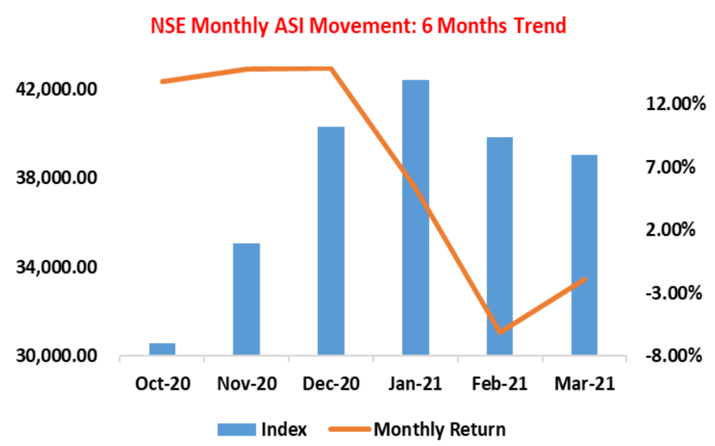
INVESTMENT DEPARTMENT

Quarterly Financial Markets Update – March 2021

Nigeria Equities Market Update

- The Nigerian equities market ended Q1:2021 on a negative note as the primary health indicator of the Exchange – the All-Share Index (ASI), depreciated by 3.04%.

- The decline is attributable to weak investors' sentiments, mixed macro-economic indices, and improving yield on fixed income instruments which have led to significant outflow of funds from the equities market to other investment windows. Participation in the market was also dominated by domestic investors - as foreign investors were still largely on the sidelines in the face of FX liquidity challenge.



- Besides NSE Insurance and Oil & Gas indices that closed the quarter in the green zone, all other NSE indices declined in the quarter. NSE Industrial Goods Index led on the losers' chart with a loss of 7.92% and was closely followed by NSE Premium Index with a loss of 6.58%.

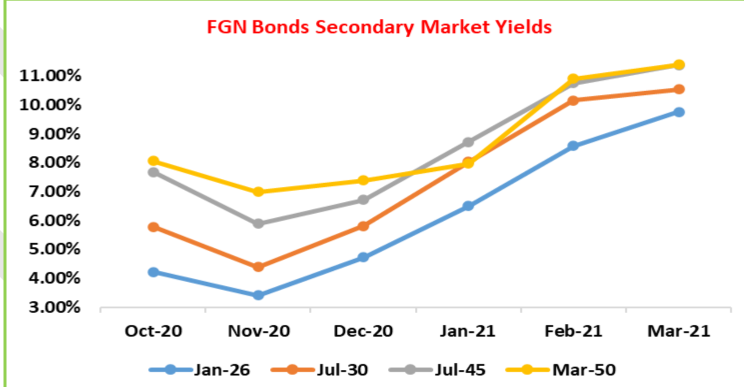
- *We are of the opinion that the investors' sentiments in the equities space will continue to be influenced by the movement of yields in the fixed income space, Q1:2021 Corporate Earnings and developments in the macroeconomic landscape. However, we advise investors to continue to trade cautiously and invest in fundamentally sound stocks.*

Fixed Income Market Update

FGN BONDS:

- The bond yields in the year have been quite volatile since the end of 2020 when the DMO's actions resulted in higher yields over a short period. The trend came despite the 'lower-for-longer' mantra that was being pushed by the Monetary Policy Committee of the Central Bank of Nigeria (CBN). Yields have since spiked, with the average yields on Treasury bonds rising from 6.12% as at December 2020 to 9.82% as at Q1:2021.

- Yields expansions were noticed across the entire curve following huge selloffs especially in the mid and long tenured instruments - FEB-28, MAR-35, JUL-45 and APR-49 bonds rising by 451bps (to 10.49%), 444bps (to 11.50%), 462bps (to 11.95%) and 445bps (to 11.83%) respectively.



- *In the coming quarter, we expect the bond market to experience increased activities and we believe that long-term bond issues will have to be at rates higher than current levels, especially in a market with spiraling inflation. However, government's efforts to achieve debt sustainability could result in suppressed yields.*

TREASURY BILLS:

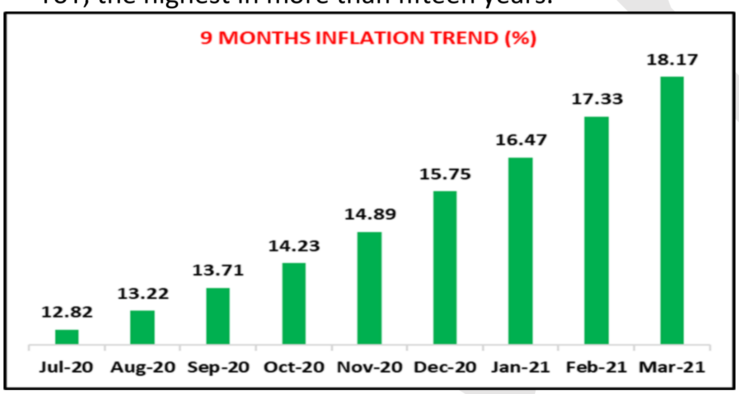
- The impact of the CBN's OMO regulation that restricted participation of non-bank corporates from OMO transactions is gradually fading out as yields recover across segments. In Q1:2021, average OMO yields expanded to 6.45% from 0.58% at the start of the year.

- Yields in the NT-Bill market also advanced during the quarter as average yields in the NT-Bill market rose to 4.13% from 0.46% at the beginning of the year.
- *We are of the opinion that yields in the Treasury Bill space will continue to rise as the government is positioned to borrow more in the year and the CBN continues to implement measures to contain the liquidity in the banking system. We also believe that rising inflation rate might propel the CBN to auction more OMO instruments at higher rates in 2021.*

Inflation Rate

- The published Consumer Price Index (CPI) report for March 2021 by NBS showed that inflationary pressures intensified in the month as supply chains came under pressure. The headline inflation rate rose by 84bps to 18.17% YoY, the highest since January 2017.

- Inflation rate has increased consistently since August 2019 following the effect of the land border closure along with structural challenges. As in previous months, food inflation continued to be the major driver of inflation in Nigeria. In March, food inflation rose by 116bps to 22.95% YoY, the highest in more than fifteen years.



- Issues of insecurity, foreign exchange liquidity crunch and restrictions, increase in VAT, rising price of petroleum products, structural factors relating to infrastructure and power supply deficit as well as exchange rate depreciation continue to drive up average prices in Nigeria.

- *Over the near term, we are of the opinion that inflationary pressures will persist as the insecurity in major food producing regions will worsen yields from harvest this year. We also believe that the CBN's stance on growing the economy will continue to drive increased money supply and escalate inflation rate in the near term.*

PENSION INDUSTRY NEWS

PENSION FUND ASSETS:

- Unaudited Valuation Report as at end of February 2021 showed that total pension fund assets in Nigeria as at the period under review decreased to N12.25 trillion from N12.30 trillion recorded in January 2021. The decline of N51.30 billion in February was mainly attributed to the depreciation in the prices of Fixed Income Securities (FISs) in the trading portfolios, which created unrealized losses on Marked to Market FISs.

- About N8.13 trillion of the total pension funds is invested in Federal Government Securities. Further breakdown showed that the pension managers invested N870.30 billion in Corporate Debt Securities, Local Money Market N1.62 trillion while Mutual Funds gulped N158.96 billion.

VG PENSIONS: INVESTMENT PERFORMANCE RETURNS

- Veritas Glanvills Pensions Limited continues to perform well in all the Fund categories. Please see the table below:

Funds	Unit Price (N)			YTD Growth (%)
	January	February	March	
Fund I	1.5864	1.5675	1.5733	0.96%
Fund II	3.7894	3.7718	3.7829	1.12%
Fund III	1.4263	1.4229	1.4272	1.20%
Fund IV	4.2508	4.2704	4.2968	1.82%
Fund V	1.0698	1.0730	1.0775	0.96%