



Veritas
GLANVILLS PENSIONS
PLC

Q2 2023 NEWSLETTER

*A Quarterly Publication of
Veritas Glanvills Pensions
Limited*

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GLANVILLS PENSIONS



Dear Esteemed Client,

We would like to welcome you to the second half of the year 2023 and to another edition of our periodic newsletter. In this edition, you will find updates on the Macroeconomic Environment and Financial Markets, the Pension Industry, and highlights of our investment returns for the second quarter of 2023.

Please if you are yet to undergo the data recapture exercise as required by PenCom, kindly click this link <https://mobileapp1.vgpensions.com:83/> to update your record.

If you have any questions, kindly send an email to info@vgpensions.com, contactcenter@vgpensions.com, or call us on 01-2803550. You can also reach us through any of our social media platforms.

We would love to hear from you.



Weak trend in capital importation

- According to the National Bureau of Statistics, recent data on capital importation showed that the total value of capital importation into Nigeria improved slightly by 7% QoQ to US\$1.1bn in Q1 '23. However, on a YoY basis, the value of capital declined by -27.58%, due to marked YoY decreases in all categories of investment inflows.
- Portfolio investments contributed 57%, or US\$649m of the total capital inflow during the quarter. The Banking, Production, and IT services sectors had the highest capital inflows during the quarter. The banking sector accounted for US\$305m (27%), Production US\$256m (23%), and IT Services US\$16m (19%)
- In terms of destination, Lagos and Abuja received 62% and 36% of total capital inflows respectively.

Public Debt Service



- The Debt Management Office's (DMO) latest quarterly release on public debt shows that the FGN's domestic debt service increased by over N205bn, or 31% YoY to N874bn as at the end of Q1 '23. The figure represents the highest debt service payments.
- The major driver behind the rising debt service burden is the 25.49% YoY increase in the FGN's domestic debt stock to N24.7trn as of Q1 '23.

- A combination of factors including revenue underperformance, escalating expenditures, persistent fiscal deficits, and a tighter external credit environment has led to the FGN's significant reliance on domestic debt to cover the fiscal shortfall.

Nigeria Equities Market Update

- The Nigerian equities market ended the first half of the year in the green as the NGX ASI appreciated by +18.96% to 60,968.27 points while market capitalization rose from N27.92 trillion as of end-2022 to N32.79 trillion as of June 2023.
- All the NGX Indices appreciated Year-to-Date (YtD) with NGX Oil & Gas Index leading with a +67.76% return following gains recorded by major oil companies in their share prices. The NGX Insurance Index followed with a return of +58.91% while the NGX Banking Index rose by +54.59%.



- The investment apathy by the offshore community continued though it improved in May 2023. As such, activity was dominated by domestic investors which accounted for 90.49% of the total value of transactions between January and May 2023 according to data from the NGX.

Money Market Update

- The Money Market space has been challenging this year. As of June 30, 2023, the Overnight (OVN) and Overnight Policy Rate (OPR) declined to 2.00% and 1.36% respectively compared to 18.88% and 18.50% respectively on March 30, 2023.
- Fixed Deposit rates also ranged between 5.00% - 10.00% for both A and BBB-rated banks from N1 billion.



Bond & Treasury Bills Markets Update

- The activities in the bond space during the quarter were largely bullish as average yields declined by 130bps to 12.78%. Across the benchmark curve, the average yield dipped at the short (-238bps), mid (-165bps) and long (-37bps) segments.
- Similarly, at the last NTB's auctions, the CBN offered instruments worth ₦187.11bn across the 91-day, 182-day and 364-day maturities. While demand was higher for the 364-day T-bills, the total subscription settled at ₦753.47 billion (vs ₦286.13 billion in the previous auction). Stop rates declined significantly by -202bps, -755bps, and -201bps to 2.87%, 4.37% and 6.23% respectively.

Update on External Reserves

- The Nigeria external reserves in Q2 2023 decreased by US\$1.38bn to US\$34.12bn against US\$35.50 billion at the end of March. The sharp drop in the reserves is mostly due to the growing demand for foreign currency in the face of FX supply challenge and low crude oil earnings.
- Though Nigeria's oil production in June 2023 experienced an increase, global crude oil prices declined during the quarter due to inflation worries and interest rate hikes by most central banks.
- Brent crude oil price declined QoQ by 5.61% to US\$75.41 per barrel. Similarly, the WTI crude oil price depreciated by 6.65% to US\$70.64 per barrel.



Inflation Rates

- The headline inflation increased from 22.22% in April 2023 to 22.41% in May 2023 due to the persistent rise in food prices, increase in energy cost, and higher cost of production resulting from the continuous currency depreciation.
- Food inflation has remained sticky, largely because of shocks to domestic food supplies brought on by rising insecurity and other well-known structural challenges.
- Although the CBN has improved credit access for farmers through its various intervention schemes, productivity in the agricultural sector is still blunted by heightened insecurity which has become the sector's biggest challenge.

PENSION INDUSTRY NEWS

PENSION FUND ASSETS:

- The data released in May 2023 by the National Pension Commission (PenCom) showed that Assets Under Management (AUM) increased by 2.13% MoM to N16.11trn in May 2023 from N15.77trn in April 2023.
- The composition of the pension fund assets have barely changed over the years. However, the share of Equities in the overall portfolio increased by 10.86% in May '23 from N1.01 trillion in April 2023 to N1.12 trillion in May 2023.
- FGN Securities which account for the largest share of pension funds' AUM grew by 3.04% from N10.13trn in April 2023 to N10.44trn in May 2023.
- The PenCom data also revealed that the total number of RSA holders stood at 9,994,829.

Accessing RSA Balance for Payment of Equity Contribution for Residential Mortgage by Retirement Savings Account (RSA) Holders

**Dream no more!
Become a house
owner with ease...**

Now you can access 25% of
your pension for the payment
of a residential mortgage



The Pension Reform Act 2014 (PRA 2014) allows RSA holders to use a portion of their RSA balance towards payment of equity for a residential mortgage. The objective is to improve the standard of living of RSA holders under the Contributory Pension Scheme (CPS) and Micro Pension Plan (MPP) by facilitating their ownership of residential homes during their working life among others. For more information, please click <https://tinyurl.com/vgpensions-mortgage>.

VG PENSIONS: INVESTMENT PERFORMANCE RETURNS

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

Quarterly Returns (%)		
Funds	Q1:23	Q2:23
Fund I	2.51%	4.22%
Fund II	2.81%	3.82%
Fund III	2.66%	3.01%
Fund IV	2.49%	2.85%
Fund V	2.63%	5.42%

Thank you for reading

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