
NEWSLETTER

A Quarterly Publication by Veritas Glanvills Pensions Limited





Dear Esteemed Client,

We're excited to welcome you to the second half of the year and also to another edition of our periodic newsletter. We hope that as you resume your daily activities, you continue to take COVID-19 preventive measures to keep you and your loved ones safe.

In this edition, we will review the continuous impact of COVID-19 on the Macroeconomic environment and Financial Markets, highlighting our Investment Returns for the second quarter of 2020 and FAQs on data recapture exercise.

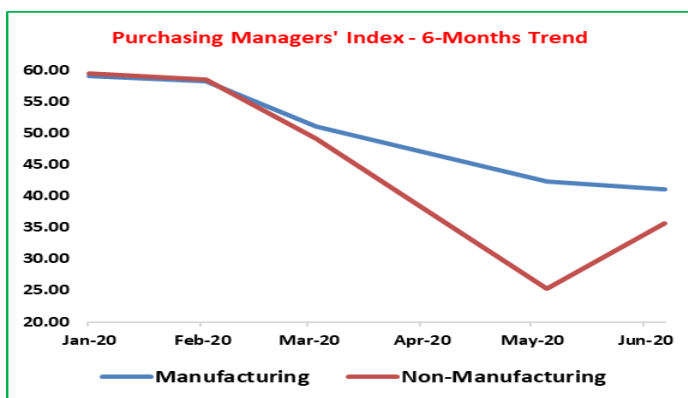
We also want to use this medium to inform you that our corporate head office has been moved from No 26 Commercial Avenue Yaba, Lagos to Plot 1698 C & D Oyin Jolayemi Street, Victoria Island, Lagos. Our mainland office, however, remains at No 26 Commercial Avenue Yaba, Lagos.

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, Thank You!



Purchasing Manager's Index Report

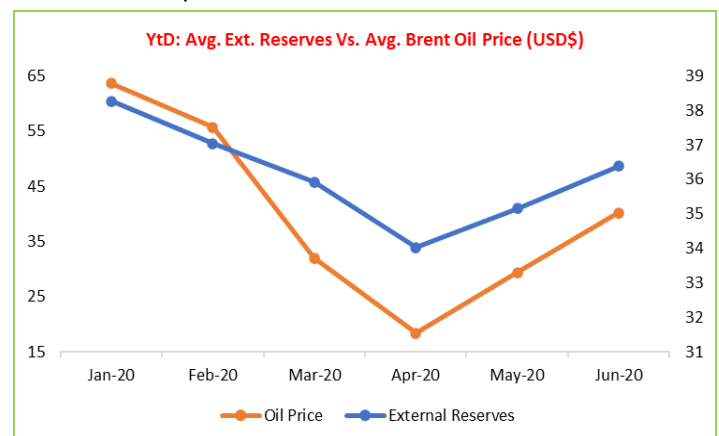
- The Purchasing Manager's Index (PMI) survey published by the Central Bank of Nigeria (CBN) for the month of June 2020 shows a contraction for the second consecutive month. The **Manufacturing PMI** in the month of June stood at 41.10 index points down from 42.40 index points recorded in May 2020. Similarly, the **Non-Manufacturing PMI** also recorded 35.70 points as against 25.30 points recorded in May 2020.



- As COVID-19 continues to spread, we foresee further headwinds though the decline may slow down as more businesses open for operations. With the CBN's efforts in stabilizing the FX market, we are still of the opinion that a combination of monetary, fiscal and trade policies is needed to stimulate a sustainable growth path.*

Movement in the External Reserves

- For the fifth time this year, Nigeria's FX reserves dipped on a week-on-week basis as FX outflows continued to outweigh inflows. The external reserve as at June 29th, 2020 dropped by USD\$395.97million MtD to USD\$36.19 billion from USD\$36.59 billion recorded in May 2020. YtD, the external reserve has depreciated by 6.21% (USD\$2.39 billion). As the CBN struggles to clear backlogs of unmet FX demand, the widening Current Account (CA) position which has seen a constant deterioration in its position since 2017 has also continued to pose a problem to Nigeria's FX position.
- However, oil prices rose in June as the International Benchmark, Brent crude closed at USD\$41.27 from USD\$37.84 recorded at the end of May. West Texas Intermediate (WTI) also finished the month on a positive note, as it closed at USD\$39.27 per barrel with an 10.65% monthly gain, after starting the month at USD\$35.49 per barrel.

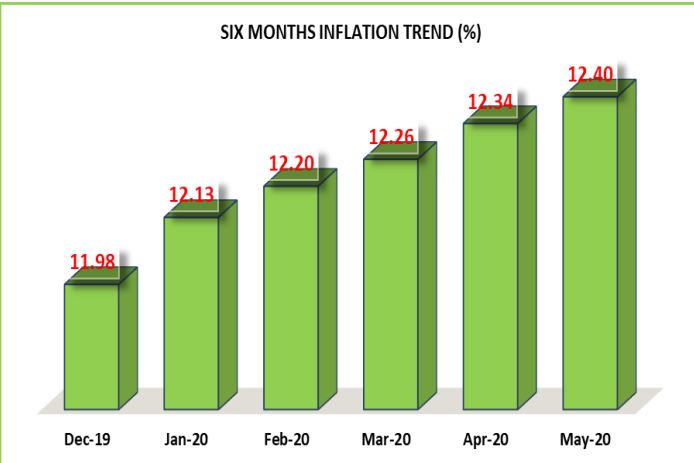


- Analysts are of the opinion that with the lifting of global lockdowns and reopening of most global economies, global oil supply and the oil demand will most likely rebalance by July 2020.*

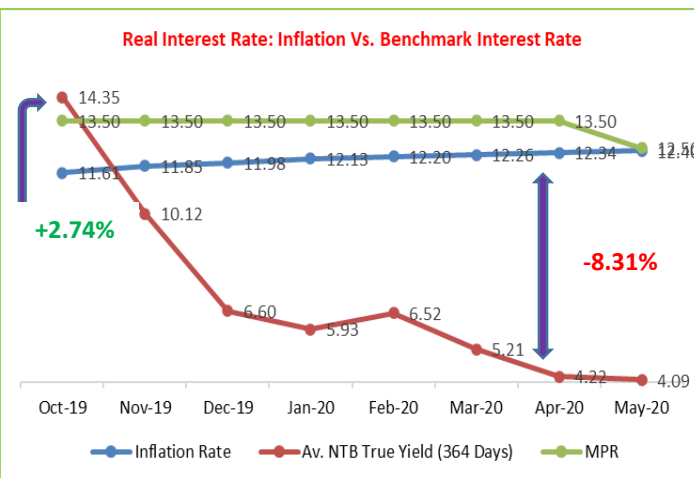
Inflation Rate

- The recently published Consumer Price Index (CPI) report for May 2020 by National Bureau of Statistics (NBS) showed that inflationary pressures intensified in

the month as supply chains came under pressure due to restrictions on movement to curb the spread of COVID-19. The headline inflation rate was up by 6bps to a 2-month high of 12.40% YoY from 12.34% YoY in May.



Measuring the impact on NTB yields, the 364-day NTB, real interest rate margin which was +2.74 percentage points in October 2019 fell to -8.31 percentage points in May 2020, owing to falling interest rates and rising inflation.



Outlook: We expect inflation rate to continue to trend higher in the near term and this outlook is based on the following factors:

- (a) Supply chains are yet to fully return to normal as the impact of the lifting of the ban on inter-state movements will not be immediate.

- (b) The raising of prices of petroleum products due to the recovery being witnessed in international oil market;
- (c) Liquidity is yet to materially improve in the FX market, with manufacturers already complaining of Foreign Currency (FCY) shortage; and
- (d) Food inflation is expected to accelerate, in line with seasonal trend, as the planting season enters full swing.

Exchange Rate

The naira depreciated by 0.04% MoM to NGN386.50/USD at the I&E window but flat MoM to NGN460/USD in the parallel market. At the Forwards market, naira appreciated across all dated contracts as the 1-month appreciated by 0.02% to NGN388.08/USD while the 3, 6, and 12-months appreciated by 0.12%, 0.28% and 0.76% to NGN391.35/USD, NGN396.19/USD and NGN412.67/USD respectively.

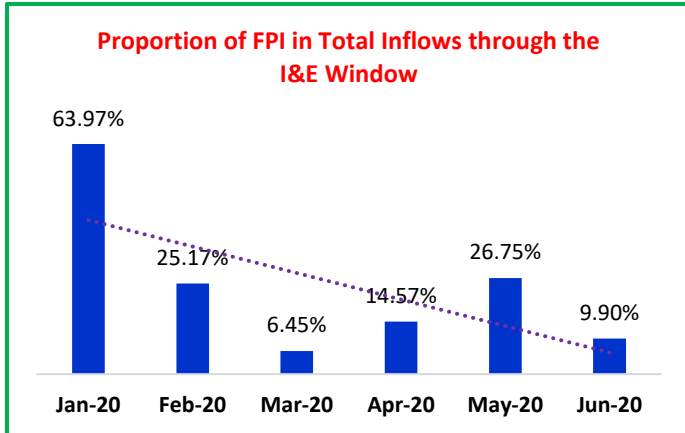
FOREIGN EXCHANGE			
Date	CBN Official Rate	I & E FX Window	
		Spot (\$/N)	
	Spot (\$/N)	Opening (Indicative)	Closing
30-Jun-20	361.00	387.10	386.50
29-Jun-20	361.00	386.86	386.00
26-Jun-20	361.00	386.36	386.33
25-Jun-20	361.00	387.08	387.27
24-Jun-20	361.00	386.33	387.17
23-Jun-20	361.00	386.00	386.63
22-Jun-20	361.00	386.83	386.00

Besides the easing of lockdown across major economies that will result in the FX market being more volatile due to stronger FX demand, the CBN's resumption of FX sales to the BDCs will also place an additional layer of pressure on the reserves as the CBN funds the backlog of unmet FX demand. However, we expect rates to continue to trade within a tight band across different segments of the FX market

Currency Transaction at the I&E Window

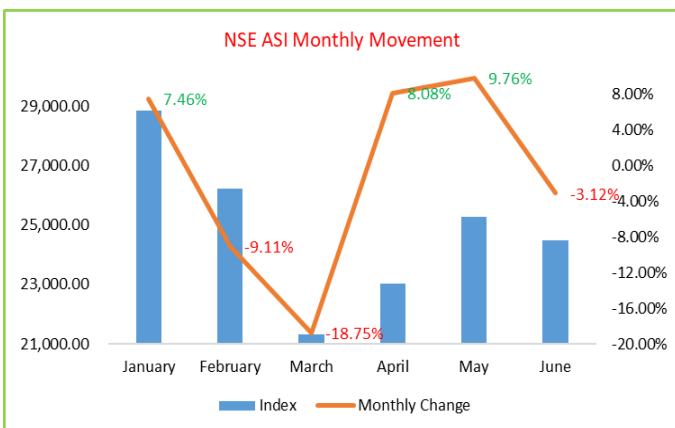
The data obtained as at June 30, 2020 from the FMDQ OTC Securities Exchange showed that total capital importation through the Investors' and Exporters' Foreign Exchange Window (I&E window) in June 2020 stood at US\$0.38bn. The amount recorded in June is the lowest since the start of the year. A cursory look at Foreign Direct Investment (FDIs) showed that FDIs further slightly declined in June to USD\$0.033 billion from USD\$0.034 billion as recorded in May 2020.

- Foreign Portfolio Investment (FPIs) also came down to USD\$0.04 billion in June from USD\$0.13 billion in the previous month. Proportion of the FPIs to the total inflow which rose to 26.75% in May declined to 9.90% in June. The total capital importation through the I&E in 2020 totaled USD\$12.37 billion.



Nigeria Equities Market Update

- The Nigerian equities market ended the month of June 2020 on a negative note as the primary health indicator of the Exchange – the All Share Index (ASI), depreciated by 3.12% (compared to the +9.76% recorded in May 2020) to close at 24,479.22 points. The rising incidences of Covid 19 across the world, oscillating crude oil prices at the international market, mixed sentiments and dwindling foreign reserves have impacted negatively on Nigeria equities market.
- Year-to-Date (YtD) loss has risen from -5.86% recorded in the previous month to -8.80% in June 2020.



- Except for the NSE Consumer Goods Index that appreciated by 3.94 Month-to-Date (MtD), all other NSE Indices closed in the red zone – with NSE Oil & Gas index declining most by 13.94%. However, Year-to-Date (YtD) NSE Consumer Goods index led on the losers' chart with a loss of 25.49% and was closely followed by NSE Oil & Gas Index with a loss of 25.17%.

Index	31-Dec-19	30-Jun-20	YtD Change
NSE Premium	2,116.22	2,125.17	0.42%
NSE 30	1,177.83	1,052.09	-10.68%
NSE Banking	356.84	281.96	-20.98%
NSE Consumer Goods	592.85	441.71	-25.49%
NSE Oil & Gas	262.54	196.47	-25.17%
NSE Lotus	1,834.76	1,825.74	-0.49%
NSE Insurance	125.82	129.72	3.10%
NSE Industrial Goods	1,075.60	1,103.86	2.63%
NSE Pension	1,054.06	953.14	-9.57%

- On the price movement chart, twenty (20) equities appreciated in price during the month, while fifty-two (52) equities depreciated in price. However, nine (9) equities remained unchanged.

TOP 5 GAINERS					TOP 5 LOSERS				
S/N	STOCK	29-May-20	30-Jun-20	% CHANGE	S/N	STOCK	29-May-20	30-Jun-20	% CHANGE
1	ABCTRANS	0.35	0.56	60.00%	1	GSK	8.10	5.50	-32.10%
2	NEIMETH	1.13	1.65	46.02%	2	JBERGER	27.50	19.85	-27.82%
3	NESTLE	995.00	1,256.80	26.31%	3	GUINNESS	20.00	14.50	-27.50%
4	UAC-PROP	0.80	0.99	23.75%	4	PZ	5.50	4.00	-27.27%
5	OKOMUOIL	64.00	77.40	20.94%	5	CAVERTON	2.58	1.98	-23.26%

- We are of the opinion that the volatility being experienced in the market will continue. We therefore advise discerning investors to have a systematic approach to buying – as this can be an effective strategy to weathering further volatility in the market. We further advise investors to trade cautiously and invest in fundamentally sound stocks*

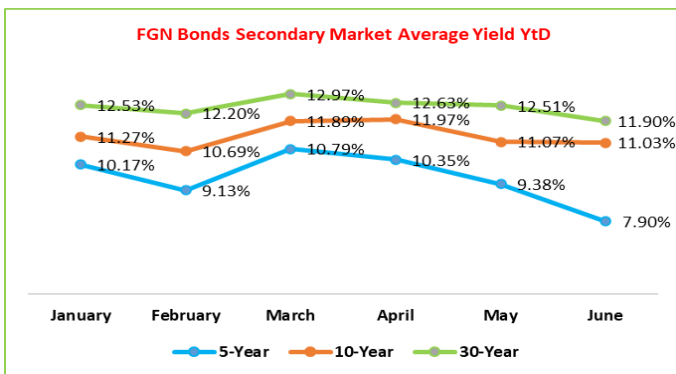
FIXED INCOME MARKET UPDATE

FGN BONDS:

- During the month of June, the Debt Management Office (DMO) conducted the monthly bond auction offering a total of ₦150.0bn across the 12.75% FGN APR 2023 (₦40.00bn), 12.50% FGN MAR 2035 (₦50.00bn) and 12.98% FGN MAR 2050 (₦60.00bn) instruments. Due to the high system liquidity level, the instruments recorded massive subscriptions at a bid to offer ratio of 3.6x. The DMO allotted a total of ₦100.0bn across the short-dated (₦32.99bn), mid-term (₦16.22bn) and long-dated

(N50.79bn) instruments. Meanwhile, marginal rates closed lower at 8.00%, 11.00% and 12.15% from 9.20%, 11.70% and 12.60% at the May auction for the short, mid, and long-term instruments.

- The DMO also announced the result of its third Sovereign Sukuk for which it offered N150 billion to investors. The offer attracted a very high level of subscription from investors with total subscriptions of N669.124 billion, representing a subscription level of 446%. The DMO allotted N162.557 billion to investors.
- Activities in the secondary bond market were bullish this month following huge buying interests by investors hunting for attractive yields. Average yields contracted by 156bps to 8.55%. Buying interest was concentrated around the short tenored instruments with MAR-24 and APR-23 bonds the most sought after as it fell by 277bps and 274bps respectively to 6.19%, and 5.64% respectively. However, selling activities were noticed around the long end of the curve as JULY-30 bond was the most offloaded bond – as its yield expanded by 15bps to 10.97%.



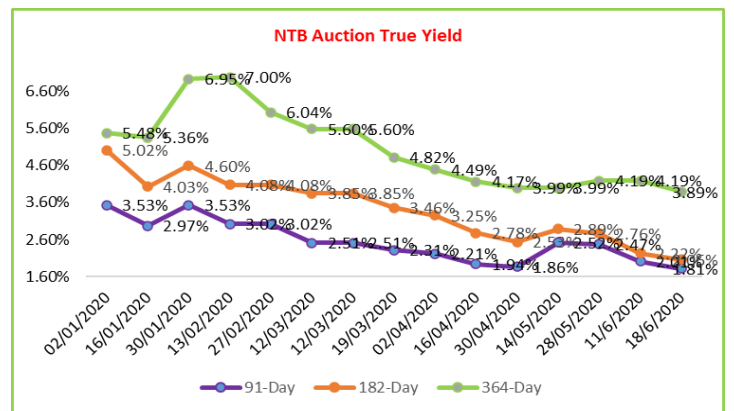
- We expect the domestic market to retain its bullish streak as investors continue to hunt for attractive yields in the month of July.

TREASURY BILLS:

- Activities in both NTB and OMO Segments of the secondary market were bullish during the month of June as average yields contracted by 10bps and 108bps to 1.99% and 4.99% respectively. At the NTB Segment of the market, increased buying activities were noticed

at the mid and long-tenored instruments. The FEB-21 and JAN-21 bills were the most sought after as the yields contracted by 80bps and 71bps to close at 2.26% and 2.18% respectively. At the OMO Segments, increased buying activities centered around the AUG-20 and JULY-20 bills as yields fell by 209bps and 210bps to 3.35% and 3.76% respectively.

- At the last NTB Auction in June, the CBN fully allotted NGN14.61billion worth of bills – NGN2.0 billion of the 91-day, NGN2.0 billion of the 182-day and NGN10.61 billion of the 364-day at respective stop rates of 1.80% (previously 2.00%), 2.04% (previously 2.20%), and 3.75% (previously 4.02%).
- The CBN also conducted OMO auction during the month of June - offering N80.00 billion for 89-Day, 180-Day and 348-Day instruments. As expected, demand at the auction was high as the instruments were oversubscribed by 2.0x, 2.4x and 2.1x respectively. Instruments worth N80.0bn (full allotment) - NGN20.00 billion of the 82-day, NGN20.00 billion of the 159-day and NGN60.00 billion of the 341-day – at respective stop rates of 4.95%, 7.79%, and 8.99%.



- We expect demand for T-bills to remain at current levels amidst tight system liquidity and low yields

MONEY MARKET:

- The Overnight (OVN) and Open Buy Back (OBB) rates closed the month of June at 16.00% and 15.00% respectively compared to 3.00% and 2.20% respectively on May 29, 2020. The OVN and OBB averaged 11.31% and 10.37% respectively in the month – signifying low system liquidity due to retail FX interventions, maturing bonds OMO funding and CRR debits by the Apex bank.

Tenor	30-Jun-20	29-May-20
O/N	16.00	3.00
OBB	15.00	2.20

- We expect the OVN rate to trend southwards early in the month of July, as inflows from OMO maturities (NGN140 billion) hit the system. However, mop-up activities by the CBN is expected to moderate the OVN rates later in the month.

CORPORATE BONDS:

- Currently, there is a Corporate Bond offer with Nova Merchant Bank Limited as the Sponsor. Please find below indicative terms of the offer:

Issuer:	NOVAMBL Investments SPV PLC
Sponsor:	NOVA Merchant Bank Limited
Programme Size:	₦50 billion
Issue Size:	Up to ₦10 billion
Tenor:	7 years
Status of Bonds:	Subordinated Unsecured
Coupon Basis:	Payable on a semi-annual basis
Repayment:	Bullet Repayment
Sponsor Rating:	Data Pro (A+); Agosto (Bbb)
Issue Rating:	Data Pro (A); Agosto (Bbb-)
Coupon Basis:	Fixed Rate; Semi-Annual
Call Option:	Callable after 5 years
Maturity Date:	July, 2027
Benchmark:	7-year Treasury Bond (FGN 27-Mar-2027)
Book Building Price Guidance:	12.00%-12.50%
Currency:	The Bonds shall be denominated in Nigeria Naira (₦)
Offer Mode:	Offer via Book-Build
Issue Price:	NGN1,000 per unit
Offer Open Date:	30 th June, 2020
Offer Close Date:	8 th July, 2020
Funding Date:	15 th July, 2020
Use of Proceeds:	To be invested in long-term corporate loans, in line with the Bank's strategic objectives
Unit of Sales:	Minimum of 10,000 units and multiple of 1,000 thereafter
Listing:	FMDQ and / or The NSE

- However, activities in the Corporate Bonds secondary market segment during the month of June was bullish as average yields contracted by 154bps to close at 8.49%. Increased buying activities were noticed across the curve with 2-Yr and 3-Yr bonds declining averagely by 169bps and 246bps to 6.90% and 8.40% respectively.
- The table below shows the Yields and Prices of some Corporate Bonds listed on the FMDQ Exchange as at June 30, 2020

Maturity	Coupon (%)	Price (₦)	Yield (%)		Change (bps)
			May 29 2020	June 30 2020	
30-Oct-21	15.50	112.96	6.50	5.49	-1.01
02-Dec-21	17.50	110.37	14.64	13.57	-1.07
16-Jan-22	17.00	111.89	5.58	4.72	-0.86
19-Dec-22	17.75	114.00	11.40	9.11	-2.29
03-Aug-23	16.50	119.10	9.58	6.83	-2.75
08-Dec-23	17.25	121.86	10.13	7.38	-2.75
30-Sep-24	13.25	114.15	9.72	7.69	-2.03
15-Jan-25	18.25	110.37	10.81	9.75	-1.06
12-Oct-25	16.50	114.40	13.47	11.25	-2.22
23-Jul-26	15.50	114.64	12.50	10.23	-2.27
14-Dec-27	16.00	124.34	9.69	8.01	-1.68
28-Aug-34	15.15	89.10	12.37	12.33	-0.04

VG PENSIONS: INVESTMENT PERFORMANCE RETURNS

Funds	Unit Price (₦)		QoQ	YTD
	Q1:2020	Q2:2020	Growth (%)	Growth (%)
Fund 1	1.1846	1.3380	12.95%	18.25%
Fund 2	3.1997	3.3971	6.17%	8.00%
Fund 3	1.2291	1.2883	4.82%	6.85%
Fund 4	3.7388	3.9231	4.93%	8.71%

From the assessment done by independent analysts, Quantitative Financial Analytics, VG Pensions recoded the highest return in both RSA Funds (4.24%) and Retiree Fund (5.38%) for the period January to April 2020. Industry average for the period was 1.64% for RSA Funds and 2.96% for Retiree Fund



DATA RECAPTURE EXERCISE IS STILL ONGOING

Benefit of Data Recapture Exercise to Contributors

- This will resolve the issue where RSA holders have more than one PIN within the same PFA.
- Multiple registrations will be resolved by the Commission during the exercise
- This will give a clean database of contributors as clients will not be able to open more than one RSA account.
- It will amount to seamless documentation towards retirement thereby reducing waiting time.

Recapture Exercise Frequently Asked Questions (FAQs)

- **Why do I have to be recaptured?**
There is a mandate from the National Pension Commission to create and maintain a comprehensive, accurate and reliable database. Hence, it is compulsory for all RSA holders and retirees.
- **What do I require to be recaptured?**
Your RSA PIN, NIN and a list of additional documents depending on your sector of employment.

- **What if I do not know my PIN?**
You are required to bring all your additional documents; our staff will use your information to ascertain your PIN
- **Why do I need my NIN?**
The mandate has emanated from PENCOM in collaboration with NIMC. It is to ensure that your records are correctly stored in our database
- **What if I do not have NIN?**
You are required to have your NIN. However, you can walk into any of NIMC offices nationwide & you will be enrolled and subsequently obtain your NIN.
- **I am already retired & receiving my monthly pension, do I need to recapture?**
Yes, the recapture exercise is for all holders of accounts in VG Pensions including RSA, AVC, and Retiree Account.
- **I am currently outside the country & unable to come into your office, how can I do my recapture?**
A web version is available to contributors that are unable to walk in to any of our offices, please visit:
<https://tinyurl.com/vgpensions-recapture-com>

Thank you for reading

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