



Veritas
GLANVILLS PENSIONS
PLC

Q2 2022 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 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 2022

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 for reading!



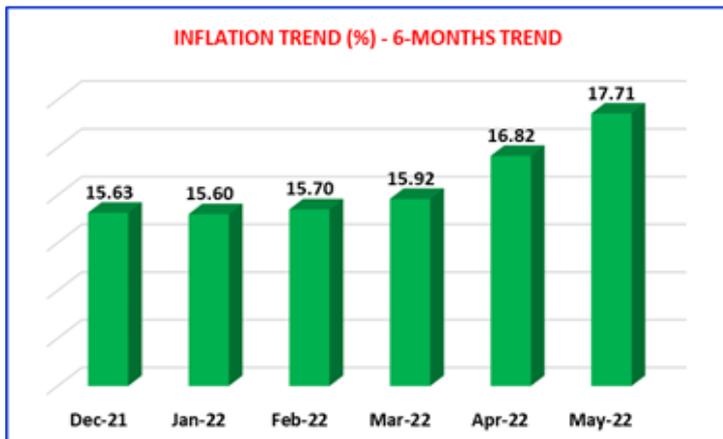
GDP Sustained Positive Growth Momentum in Q1'22

According to the National Bureau of Statistics (NBS), domestic economic activities sustained their growth momentum for the sixth consecutive quarter. Specifically, real GDP grew by 3.11% YoY in Q1'22 (Q4'21: 3.98% YoY).



Inflation Rate

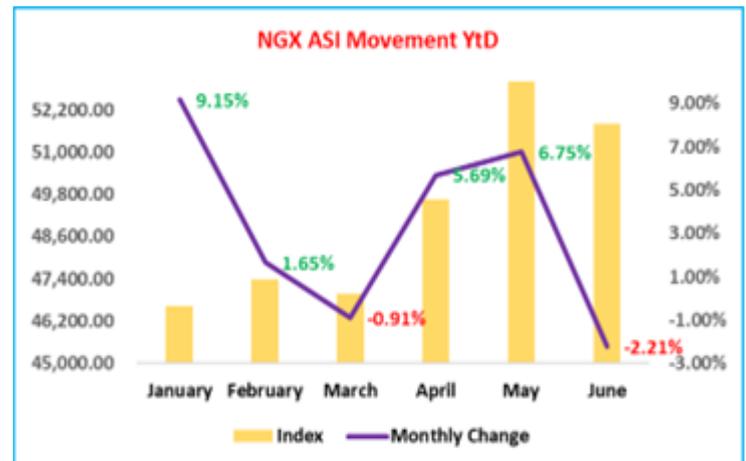
Nigeria's headline inflation rate increased for the fifth consecutive month, rising by 89bps to 17.71% YoY in May (April: 16.82% YoY) – the highest level since July 2021.



The increase was primarily driven by the food basket (+113bps to 19.50% YoY), which rose to its highest level in eight (8) months given the pass-through impact of higher global gas and energy costs, lingering spillover effect of higher transport costs, and increased food demand prices.

Nigeria Equities Market Update

- The Nigerian equities market closed Q2 2022 in the positive territory. The NGX ASI returned 10.33% in the quarter as against 9.95% in Q1 2022. YtD, the ASI has returned 21.31%.
- Only 10 out of 21 trading days in June closed on a positive note owing to sell-offs across sectors. Based on the NGX's classification, all sectors declined month-on-month in June with the largest declines seen in banks (-6.6% MoM) and Consumer Goods (-4.3% MoM).
- YtD, the performance of the financial services sector Indices has not been impressive owing to the massive sell-off in GTCO and Zenith Bank amongst other banking stocks.
- Participation in the market was still dominated by domestic investors. Foreign investors were still largely on the sidelines in the face of FX liquidity challenges and other issues.
- The decline of -2.21% in ASI in June 2022 had a negative impact on PFAs Funds' returns performance MoM and YtD



Fixed Income Market Update

- Lending Yields in the Fixed Income environment which started the year on a bullish note ended the first half of the year in the bearish zone as average yields contracted by 84bps to 11.04%.
- In H1:2022, investors showed keen interest in FGN Bonds around the short and the mid-segments of the curve. Specifically, the APR-23, MAR-27, MAY-29, and NOV-29 bonds became the toast of investors.
- Average Yields on the FGN 7-year, 14-year, and 28-year bonds hovered around 10.86%, 12.60%, and 13.10% respectively at the secondary market as of June 30.
- The low yields environment impacted Funds being managed by most PFAs negatively as Managers were faced with reinvestment risk in investing inflows, coupons, and maturities. Market players are trading cautiously in view of rising inflation and possible adjustments in Monetary and Foreign exchange policy rates.

- In the NTB space, rates rose steadily at the auctions, particularly on the 91,182, and 364-day papers peaking in June, as market participants priced in the upward review of benchmark interest rates by the monetary policy committee from 11.50% to 13.00%.
- In NTB rates on the 182- and 364-day paper closed higher from 3.37% and 5.45% in January 2022 to 3.79% and 6.07% in June 2022, while the 91-day paper closer lower from 2.49% in January 2022 to 2.40% in June 2022.
- Market participants continue to use bills for liquidity management with major interest on the short to mid-end of the curve as local banks sought to sterilize idle cash in times of liquidity glut and to raise cash when there is liquidity constraint.
- We believe liquidity will continue to be a driver of yields in the treasury bill market as significant maturities would spur demand for fixed income products in the short term.

Money Market Update

- The overnight (O/N) and Open-buy-back (OBB) rates closed at 14.00% and 13.83% respectively on June 30, 2022, compared to 5.00% and 4.50% respectively on March 31, 2022. The O/N and OBB averaged 10.00% (vs Q1:2022 7.89%) and 9.59% (vs Q1:2022 7.38%) respectively in Q2 2022.
- There was also a slight improvement in Interest rates in June as system liquidity was depressed. Rates being offered by BBB-rated banks were in the range of 6.50% - 7.50% for at least N1 billion while the first-tier banks were also offering between 6.50% -7.50%.

Update on External Reserves and Exchange Rate

- The nation's external reserves Year-to-Date (YtD) decreased by US\$1.39 billion in June 2022 to US\$39.13 billion. Reserves, which opened the year 2022 at US\$40.52 billion, have lost 3.42% of its value since the start of the year. The external reserve had been on a downward trend due to the continuous intervention by the Central Bank in the foreign exchange market in order to ensure the stability of the local currency.
- Pressure on the Naira persisted as the exchange rate premium widens. The exchange rate closed at N425.05/US\$ at the Investors and Exporters (I&E) window, representing the lowest level recorded YtD. The story was the same at the parallel market as the exchange rate closed at N615.00/US\$ from N565/US\$ at the beginning of 2022.

PENSION INDUSTRY NEWS

- Unaudited Valuation Report as at end of May 2022 showed that total pension fund assets in Nigeria increased to N14.19 trillion from N14.04 trillion recorded in April 2022. Total Retirement Savings Accounts registrations as of May 2022 stood at 9,673,238.
- About N8.81 trillion of the total pension funds is invested in Federal Government Securities, N1.19 trillion invested in Corporate Debt Securities, Local Money Market N2.20 trillion while Mutual Funds gulped N56.61 billion.
- The Commission suspended the implementation of the framework for the establishment of the pension industry Non-Interest Advisory Committee on the 27th of April 2022.
- Operational framework for co-investment by PFAs was circulated by the commission during the quarter under review.
- New directives on data recapturing exercise was issued by the Commission. PFAs are now mandated to complete the exercise within a timeline of 12 months effective May 1st, 2022.

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	Q1'22	Q2'22	YtD Growth
Fund I	1.27%	2.15%	3.45%
Fund II	2.35%	2.65%	5.06%
Fund III	2.48%	2.85%	5.40%
Fund IV	2.45%	2.47%	4.98%
Fund V	5.16%	3.19%	8.52%

Thank you for reading

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