

Q1 2020 Macroeconomic and Financial Market Review



Dear Esteemed Client,

Welcome

to the quarterly edition of our newsletter.

In this edition, we will review the impact of COVID-19 on the Macroeconomic and Financial Market, highlighting our Asset Allocation and Investment Returns for Q1 2020. We will also discuss the pandemic, focusing on our measures to protect you and your RSA from its impact.

If you have any questions about any of these topics, kindly make enquires via info@sigmapensions.com or through any of our social media platforms.

Thank You!

After a strong start to the year, the global economic environment deteriorated sharply in March following the outbreak of the novel Corona virus (COVID-19) which hit economic activities as countries shut down cities to cope with infections. In its aftermath, the IMF estimates that the world economy entered a recession in the first quarter of the year and major global financial markets declined by over 30 percent. In addition to the pandemic, oil prices posted its worst quarter since 1990 (down 54 percent to USD22.74/bbl) after a breakdown of the production cut agreement between members of the Organization of Petroleum Exporting Countries (OPEC) and their allies in early March. Alongside reduced global crude demand, the resulting ramp-up in production by Saudi Arabia and Russia has led to an over-supply problem across global oil markets.

On the domestic front, the pressures on oil prices drove a depletion in Nigeria's external reserves in Q1 2020 (down by 8 percent to USD35.5billion). This forced the Central Bank of Nigeria (CBN) to weaken the exchange rate across the Official window (-15 percent to NGN360/\$) and Investors and Exporters' (-4 percent to NGN380/\$) window. However, thinning liquidity supply across the official windows and CBN's decision to halt sales to BDC operators drove pressures at the parallel market, where the Naira fell 14 percent to NGN415/\$. Elsewhere, headline inflation accelerated to 12.2 percent in February (from 11.98 percent at the end of 2019) as the impact of border closures continued to induce pressure on food prices.

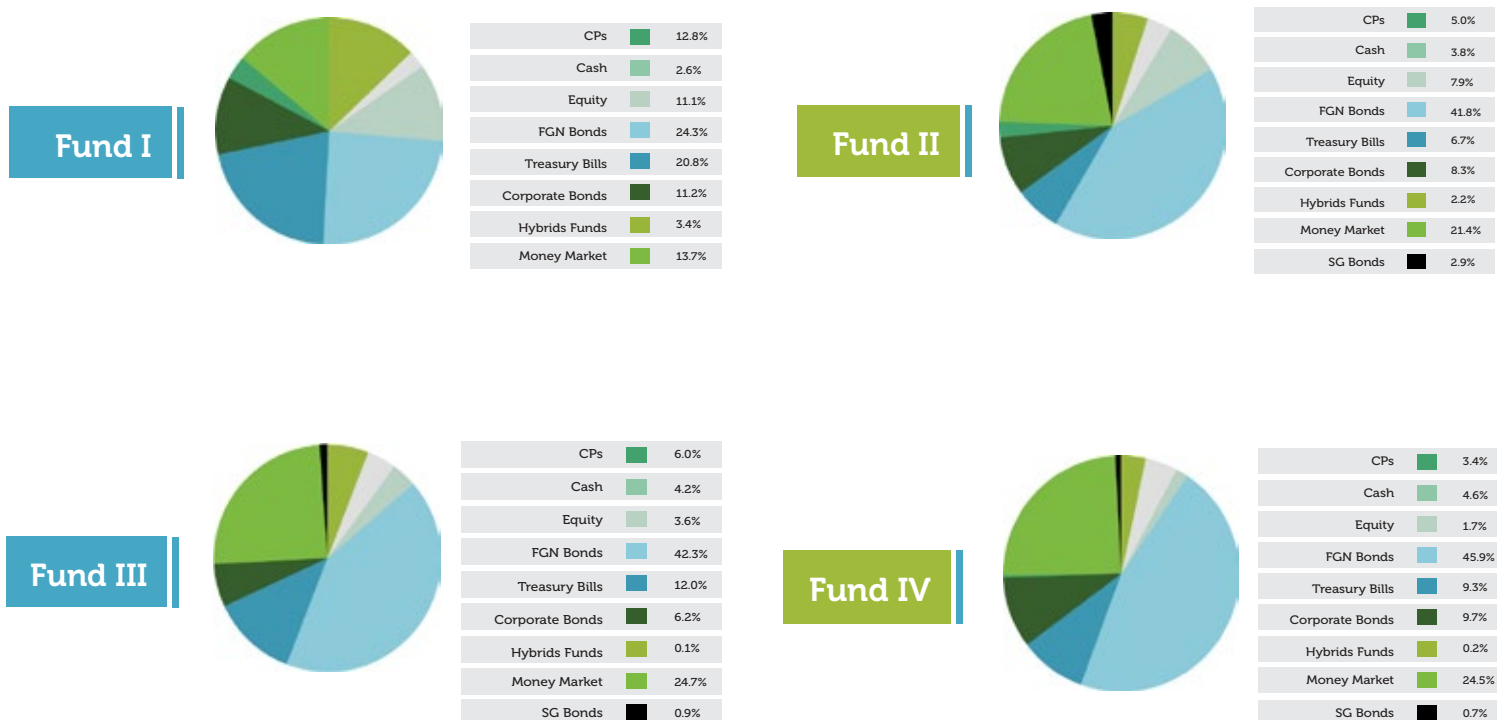
In terms of market performance, after a rally in January when the Nigerian Stock Exchange was amongst the best performing globally, the deterioration in oil prices and the COVID-19 outbreak induced bearish sentiment across the bourse. The Nigerian All Share Index fell 20.7 percent in Q1 2020 with deep declines across all sectors. In the fixed income space, the dip in oil prices resulted in a sell-off in bonds with the S&P Nigeria Government Bond Index losing over 3 percent in Q1 2020. However, treasury bill yields remained depressed at 3-4 percent due to thin supply of the instrument.

Q1 2020 Investment Returns and Asset Allocation

The sell-offs across domestic equity and debt markets impacted asset prices across the investment landscape with negative implications for our flagship RSA portfolios. However, relative to the large declines in stock prices, our limited exposure to stocks ensured that the same magnitude of losses was not reflected in our portfolio returns.

	RSA Unit Prices		Returns
	31-Dec-19	31-Mar-20	QTD
Fund I	1.1497	1.1181	-2.75%
Fund II	3.4769	3.4717	-0.15%
Fund III	1.1502	1.1658	1.36%
Fund IV	3.4769	3.5374	1.74%

See below asset allocation across our various RSA Funds as at the end of March 2020



FAQs

1. I have noticed a reduction in my RSA balance over the past month, what is happening?

Ans: As you are aware, the COVID-19 pandemic which has swept through the entire world over the past month has also driven losses in financial markets globally.

Nigeria is not immune from the fall-out of COVID-19 as the bond and stock markets have recorded declines.

2. Is Sigma Pensions the only PFA affected with this declines?

Ans:The impact is on everyone one!

However, some PFAs have been more significantly hit than others, and this is due to the level of the exposure within their portfolios.

3. How can Sigma Pensions ensure that my capital is not eroded from the market decline?

Ans: So far, the decline in the fund value has only slightly reduced the returns/interest component on your 2020 RSA balance. Not all of the interest that has accrued to your RSA account since inception has been eroded from this.

As of today, your principal remains intact and we are putting measures in place to reduce the volatility in the fund value.

4. It appears there is an impending global economic recession, would it be worse than the 2008 global recession?

Ans:According to the IMF, the global economy is likely to have gone into recession in the first quarter of 2020.

The difference between now and the 2008 crisis is that the ongoing slow down in economic activities is due to an unprecedented pandemic as opposed to the former which was a global financial weakness.

Thus, from an impact perspective, we expect that as the COVID-19 situation improves, economic activities would resume which raises prospect for financial markets to recover.

5. In the event that a vaccine/cure for COVID-19 is not found in the near term, what measures is Sigma Pensions taking to protect our funds?

Ans:Due to the absence of a cure/vaccine for the rapidly spreading pandemic which could imply lingering downward pressure to returns, Sigma Pensions is currently reducing fund exposure to variable income assets such as stocks, while at the same time building exposure in relatively more secure asset classes such as fixed income securities.

8 QUICK WAYS TO CONTACT US

EMAIL | info@sigmapensions.com

SOCIAL MEDIA | [@sigmapensions](#)   

MOBILE APP | SigmaBUDDY  (Coming Soon on iOS)

USSD | *7737*2#

WEB LOGIN | www.sigmapensions.com

WHATSAPP | 08086662291 

LIVE CHAT | www.sigmapensions.com

CALL CENTRE | 0700SIGMAPENSIONS or 09-4613333



Due to the recent increase in COVID-19 cases in the country, our offices have been temporarily closed.

We encourage you to make use of our alternative channels even from the comfort of your homes:

Prevent the spread of COVID-19



do not sneeze in the palm of your hand



sneeze on your elbow or scarf



wearing mask



do not touch your face with your hands



Wash food

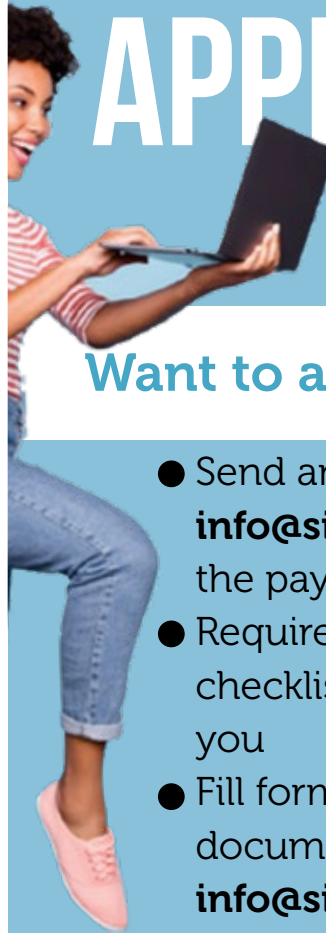


Wash your hands



avoid infected people

BENEFITS APPLICATION



Want to apply for benefits?

- Send an enquiry email to **info@sigmapensions.com** on the payment type
- Required forms and document checklist will be forwarded to you
- Fill forms, scan all required documents and send to **info@sigmapensions.com**
- Documents will be processed accordingly
- Track payment request status by dialing ***7737*2#**

S



Stay At Home

I



Isolate if you feel symptomatic

G



Get supplies you need in case of a lockdown

M



Maintain a good personal hygiene

A



Apply disinfectants to frequently touched surfaces

STAY HOME, STAY SAFE, STAY HEALTHY!