

## H1 2019 Macroeconomic and Financial Market Review

The first half of 2019 was primarily dominated by political events with the general elections in February which resulted in the re-election of President Muhammadu Buhari as well as a majority for the ruling All Progressives Congress party in the legislature. The political distractions restrained economic activities over the period with Q1 2019 GDP growth still fragile at 2.1 percent dampened by a continued contraction in oil production.

Despite concerns over the trade war between the US and China, the external environment remained largely supportive for Nigeria thanks to higher oil prices (+24 percent) which resulted in an expansion in Nigeria's external reserves to USD45 billion at the end of June (from USD43.2 billion in December 2018). As a consequence, the Naira has remained largely stable which has helped drive subdued inflationary readings (May Inflation: 11.4 percent).

In terms of market performance, the favourable external picture and de-risking of the local landscape induced strong foreign capital flows into the fixed income market which drove moderation in Naira interest rates. However, the equity market treaded in bearish territory as investors largely remained on the sidelines with the NSEASI down 5 percent in H1 2019. That said, the period witnessed some major transactions with the listing of Telco giants MTN Nigeria and Airtel Africa Plc.

In the second half of the year, we expect a pick-up in economic activities as clarity improves on the economic policy direction with the appointment of the new Federal Executive Council.

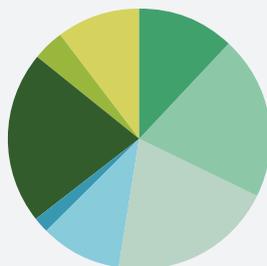
## H1 2019 Investment Returns and Asset Allocation

In H1 2019, we recorded positive returns across all our Sigma RSA Funds despite the decline in the equity market. This, in our view, is indicative of the well-diversified nature of our investment portfolios.

|          | 31-Dec-18 | 31-Jun-19 | YTD   | Annualized |
|----------|-----------|-----------|-------|------------|
| Fund I   | 1.0490    | 1.0903    | 3.94% | 7.94%      |
| Fund II  | 3.1387    | 3.2750    | 4.34% | 8.76%      |
| Fund III | 1.0203    | 1.0772    | 5.58% | 11.25%     |
| Fund IV  | 3.1399    | 3.2959    | 4.97% | 10.02%     |

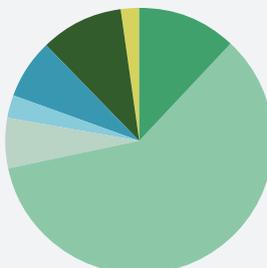
See below asset allocation across our various RSA Funds as at the end of June 2019.

### Fund I



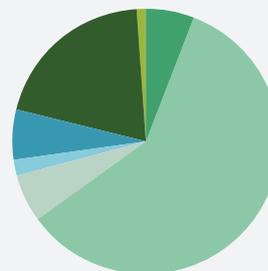
|                   |     |
|-------------------|-----|
| Equity            | 12% |
| FGN Bond          | 20% |
| Treasury Bills    | 20% |
| Corporate Bonds   | 10% |
| Open/Closed Funds | 2%  |
| Money Market      | 21% |
| CPs               | 4%  |
| Cash              | 1%  |

### Fund II



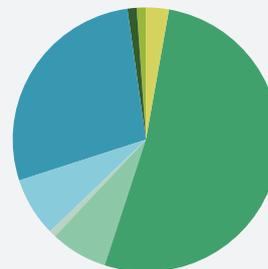
|                   |     |
|-------------------|-----|
| Equity            | 13% |
| FGN Bond          | 59% |
| Treasury Bills    | 6%  |
| SG Bonds          | 3%  |
| Corporate Bonds   | 7%  |
| Money Market      | 10% |
| Cash              | 0%  |
| CPs               | 0%  |
| Open/Closed Funds | 2%  |

### Fund III



|                 |     |
|-----------------|-----|
| Equity          | 6%  |
| FGN Bond        | 59% |
| Treasury Bills  | 6%  |
| SG Bonds        | 2%  |
| Corporate Bonds | 6%  |
| Money Market    | 20% |
| Cash            | 0%  |
| CPc             | 1%  |

### Fund IV



|                 |     |
|-----------------|-----|
| Equity          | 3%  |
| FGN Bond        | 52% |
| Treasury Bills  | 7%  |
| SG Bonds        | 1%  |
| Corporate Bonds | 7%  |
| Money Market    | 28% |
| Cash            | 1%  |
| CPs             | 1%  |

## Enhanced Contributor Registration System (ECRS)

On June 24th 2019, the National Pension Commission transitioned from its existing Contributor Registration System (CRS) to Enhanced Contributor Registration System (ECRS) for PIN generation. Therefore, from 1st of July, benefit payment requests can only be processed for customers that have successfully completed the data recapture exercise. In addition, customers with duplicate PINs will be deemed as transferred by the first PFA to recapture their data and as such data recapture will be required for all customers. Kindly note that your National Identification Number (NIN) is now a regulatory requirement for registration.

## The Wise Investor Series – Investing in Equities

**WHAT ARE EQUITIES?** Equities refer to an ownership interest/stake in a company. Quite simply, owning equity in a company implies that one is a "part-owner" of said company and bears the risk and return of the business – alongside other shareholders of the company. Equity investment can either be; Public (owning the shares of a company listed on an exchange/stock market) or Private (investment in a non-publicly quoted company, i.e. companies that are not on any exchange/stock market).

**HOW DOES ONE EARN RETURNS FROM EQUITY INVESTING?** Equity investors earn returns through capital appreciation (increase in the value of the company they invested in) and/or dividends (this refers to sharing a portion or all of a company profits to its shareholders). Dividends however are not promised, so they may occur in some years and not in other years (typically when the company has an increased need for cash preservation). Nonetheless, many mature companies often make steady dividend payments to their shareholders. Capital appreciation is highly dependent on a company's value (as well as market sentiment for publicly listed companies – the companies with good growth prospects usually). Therefore, companies with strong positive future cash flow prospects tend to be good investments, as their current value would be a lot lower than its future value.

**WHAT ARE THE MERITS OF EQUITY INVESTING?** Equity investments demand a higher return than fixed income investments due to the higher level of risk associated with equity investing. That said, there are no promised returns with equity investing and so while one can possibly make a significantly high return in the event that the company he/she invests in turns out to be way more profitable than imagined, there is also the possibility of negative surprises in the company invested in (e.g. fraud) that can erode an investor's capital.

**HOW DO I SELECT THE RIGHT COMPANIES TO INVEST TO AVOID THESE RISKS?** Before buying a stake in a company, it is necessary to understand its business operations and assess its profitability. While a more thorough analysis will be carried out by your financial advisor, key things to look out for will be the trend in the company's profitability margins, debt ratios, liquidity ratios and where these stand in comparison to similar companies. These will give a potential investor a first level glance at its ability to generate earnings. The level of debt exposure and ability to meet debt obligations are also important metrics to assess. However, investors should not rely only on these ratios as the basis for investing as other factors such as corporate governance should be taken into consideration under the guidance of financial adviser.