FUND MANAGER’S REPORT FOR THE PERIOD ENDED JUNE 30, 2018 (Q2 2018)

Investment Philosophy: Our investment activities are guided by the need to secure the long-term interest of our contributors and fund owners. To this end, our goal is to ensure capital preservation whilst delivering positive real return to our contributors’ funds through the implementation of investment strategies, risk management policies, careful execution of transactions and best practices, all of which deliver value consistently.

ASSET ALLOCATION LIMITS

The Fund assets can only be invested in asset types approved by the National Pension Commission (PenCom). The prescribed asset classes and their limits are listed below:

- FGN or CBN Securities (80%)
- State Government Bonds (20%)
- Ordinary Shares or Equities (25%)
- Money Market Instruments (35%)
- Corporate Bonds/Debt (15%)
- Supranational Bonds (20%)
- Infrastructure Funds (5%)
- Private Equity Funds (5%)
- Mutual Funds (20%)
- Real Estate

ECONOMIC & FINANCIAL MARKETS REVIEW

Nigeria’s GDP grew by 1.95% (year-on-year) in real terms in Q1 2018: a significant improvement compared to (0.91%) growth in the first quarter of 2017. However, compared to the preceding quarter (Q4 2017: 2.11%), economic growth accelerated at a slower pace. This snap was driven largely by contraction in the services sector. The major constituents of the Services sector that contributed to the decline were: Trade (-2.1%) and Real Estate (-8.4%) sectors.

In the month of June 2018, Inflation rate declined for the 17th consecutive month since January 2017. The NBS reported that the CPI increased by 11.23% in June 2018 year-on-year; less than 11.61% recorded in May 2018.

The decline in inflation rate has been a major contributor of declining rates in the Money market space. However, the CBN has been committed to mopping up of liquidity by issuing instruments at lower yields (around 12%-13%), the average yield, in Q2 2018, of 3month, 6month and 12month Treasury bills were 12.065, 12.63% and 13.27% respectively against 14.13%, 15.03% and 15.34% in Q1 2018. Please see chart below.

Chart 1: Nigeria Treasury Bills Yield Trend in H1 2018

Source: Bloomberg/ Legacy Pension Managers

The Debt Management Office (DMO) continued with lower domestic bond issuances of lower yields, in line with the Federal Government’s preference for Dollar denominated debts. As such, average bond yields in Q2 2018 was 13.27% against the 13.57% reported in Q1 2018; representing a decrease of 0.80%. The total of N172 billion of FGN bonds was issued during the period compared to N254 billion issued in Q1 2018.

The Nigeria’s equities market was shaped by investor’s low risk appetite; supported by early pre-election jitters, late signing of the 2018 budget, and concerns surrounding FX stability as expectations of more interest rate hikes by the U.S Federal Reserve were rife.

PENSION INDUSTRY NEWS

The National Pension Commission (PenCom) has recently released an Amended Regulation on Investment of Pension Fund Assets for the Pension Industry. The new investment guideline introduces a multi-fund structure, which would replace the “one size fits all” structure that puts all active contributors into one Retirement Savings Account (RSA) Fund. The Multi-Fund structure is a framework that aims to align the age and risk profile of RSA holders by dividing the RSA Fund into four distinct Funds. The current RSA Fund will be sub-divided into three separate Funds, while the RSA Retirees Fund would be the 4th Fund. The new structure would benefit contributors by issuing RSA holders more control over how their pension funds are invested based on their risk tolerance. The effective date for the commencement of the Multi-Fund structure is July 1, 2018.

NOTICE, COMPLAINTS AND FEEDBACK

In order to serve our customers better, we have relocated to our new head office in the Central Business District (CBD) of Abuja. Our new head office is located at Plot 207 Zakaria Maimalai Street, Cadastral Zone AO, CBN, Abuja, FCT. We also have 48 other offices across the country. You can visit our website at www.legacypension.com, call us on any of following telephone numbers (+234)7080633004, 08012752888 and 08059580902 or send an email at info@legacypension.com.

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LEGACY PENSION RETIREE FUND


<table>
<thead>
<tr>
<th>S/N</th>
<th>ASSET CLASS</th>
<th>Jun’18</th>
<th>Sep’17</th>
<th>Dec’17</th>
<th>Variance (Q2’18 Vs. Q1’18)</th>
<th>Variance (Q2’18 Vs. Q4’17)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Cash</td>
<td>0.90%</td>
<td>3.71%</td>
<td>1.68%</td>
<td>180.48%</td>
<td>188.29%</td>
</tr>
<tr>
<td>2</td>
<td>Commercial Papers</td>
<td>2.07%</td>
<td>1.56%</td>
<td>1.73%</td>
<td>-65.96%</td>
<td>179.99%</td>
</tr>
<tr>
<td>3</td>
<td>Corporate Bonds</td>
<td>2.00%</td>
<td>1.02%</td>
<td>0.54%</td>
<td>-0.02%</td>
<td>-31.89%</td>
</tr>
<tr>
<td>4</td>
<td>Ordinary Shares</td>
<td>0.96%</td>
<td>0.63%</td>
<td>0.47%</td>
<td>74.66%</td>
<td>121.83%</td>
</tr>
<tr>
<td>5</td>
<td>Federal Government Securities</td>
<td>36.83%</td>
<td>34.05%</td>
<td>36.18%</td>
<td>-1.77%</td>
<td>14.95%</td>
</tr>
<tr>
<td>6</td>
<td>Money Market - Banks</td>
<td>10.74%</td>
<td>12.24%</td>
<td>13.13%</td>
<td>32.50%</td>
<td>-15.85%</td>
</tr>
<tr>
<td>7</td>
<td>Supranational Securities</td>
<td>0.19%</td>
<td>0.19%</td>
<td>0.24%</td>
<td>-0.03%</td>
<td>-31.61%</td>
</tr>
<tr>
<td>8</td>
<td>State Government Securities</td>
<td>3.25%</td>
<td>3.69%</td>
<td>3.48%</td>
<td>-0.92%</td>
<td>16.33%</td>
</tr>
<tr>
<td>9</td>
<td>Treasury Bills</td>
<td>42.38%</td>
<td>42.90%</td>
<td>42.55%</td>
<td>0.29%</td>
<td>16.85%</td>
</tr>
</tbody>
</table>

Source: Legacy Pension Managers

In our quest to maintain sustainable growth of our contributors’ funds, Legacy’s Q2 2018 Retiree Fund delivered an annualized return (net of fees) of 13.98% to our valued Retirees This is against the 15.24% (annualised) and 15.63% returns reported in Q1’18 and Q4’17 respectively. The decline in the current period return is due to the low interest rate regime.

The Fund, which was launched at N1.0000 in February 2009, closed on June 30, 2017 with a unit price of N2.8673 as against December 2016 closing price of N2.6872, translating to a return of 13.98%. From inception, the Fund has returned 186.73%. Please see graph below for the unit price trend in Q2 2018.

Chart 3: Retiree Fund Price Trend in Q2 2018

Source: Legacy Pension Managers

We align with the 3.1% growth rate for global economy projected by World Bank. Whilst considering some of the downside risks and possible volatility in the financial markets, the Bank expects advanced economies to grow by 2.2% while it projected a 4.5% growth for emerging economies. On the national scene, we expect inflation to continue its decline, although moderately and perhaps a tick up may occur amidst the possibility that the Naira may depreciate somewhat in the Importers & Exporters FX window coupled with expected rise in election spending.

ECONOMIC & FINANCIAL MARKETS OUTLOOK FOR Q3 2018

We believe the 3.1% growth rate for global economy projected by World Bank. Whilst considering some of the downside risks and possible volatility in the financial markets, the Bank expects advanced economies to grow by 2.2% while it projected a 4.5% growth for emerging economies. On the national scene, we expect inflation to continue its decline, although moderately and perhaps a tick up may occur amidst the possibility that the Naira may depreciate somewhat in the Importers & Exporters FX window coupled with expected rise in election spending.

Source: Bloomberg

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LEGACY PENSION RETIREE FUND

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