

FUND REPORT - FULL YEAR 2010 AND 2011 OUTLOOK

Economic Overview:

General

The world economy which contracted 2.1 percent in 2009 grew in 2010, but as the impact of stimulus packages wanes, growth was projected to reach just 3.3 percent in 2010. World trade volumes were projected to grow 11.2 percent in 2010 and 6.8 percent in 2011 which is a strong rebound after the staggering 11.6 percent drop in 2009. Furthermore, economic growth in developing countries is projected to reach 6.2 percent in 2010 and 6.0 percent in 2011, up from just 1.7 percent in 2009.

Generally, emerging and frontier markets remain drivers of global growth even as advanced economies focus on debt, deleveraging and fiscal consolidation

Inflation

Inflation figure for November 2010 is 12.8%, this is a 60 basis point reduction from 13.40% as at October, 2010 due to activities of the CBN to control liquidity in the system.

External Reserve

The reserves which was over USD\$40 billion as at the start of the year dropped to USD\$32.3 billion as at end of December, 2010. This could be attributed to demand for foreign exchange and the drop in crude oil price at the international market in the half of the year.

Market Reviews

Money/Bond Market

The policy shift from Interest rate management to Inflation targeting announced by the Central Bank of Nigeria in Q4, 2010, which gradually resulted to upward swing in interest rates through massive withdrawal from the system in the previous month persisted and continued to influence the direction of rates throughout Q4 2010

In the bond market, the surge in activities witnessed in Q2 2010 due to lack of depth of instruments in the financial market, slowed down in Q3 and Q4 2010 as the DMO calendar mirrored huge appetite of the Federal government to debt. This led to rise in yield at the short end of the market.

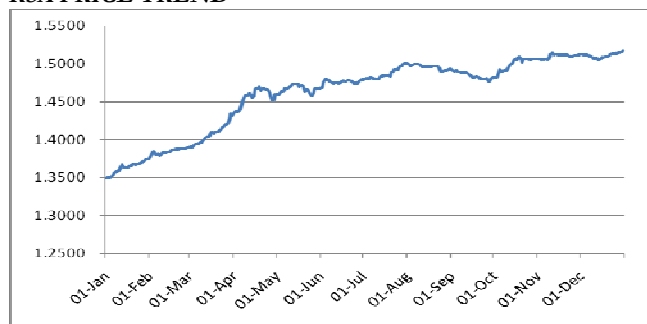
Capital Market

As we drew closer to the end of the year 2010 and though we saw the index decline by 1.11% in November, we experienced some comfort as the market performance was further boosted from the senate's approval of the AMCON board and management and a rather generous proposal by the AMCON for the resolution of bad loans in the banking sector.

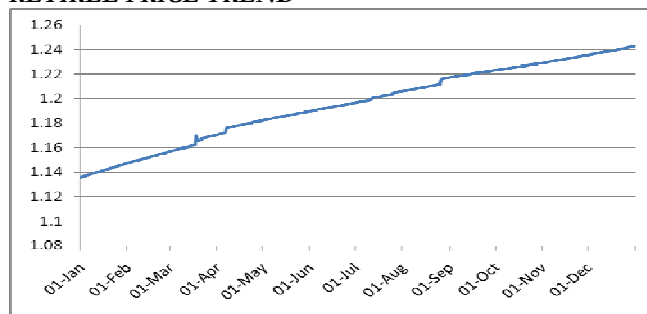
As a consequence of the effect of the AMCON news, the rather bearish nature of the market starting in Q3:2010 halted with the index returning a rather flattish performance of +0.02% in December.

Fund Performance:

RSA PRICE TREND



RETIREE PRICE TREND



RETURNS PROFILE

	YEAR START	YEAR END	RETURNS
RSA	1.3491	1.5170	12.45% P.A
RETIREE	1.1354	1.2427	9.45% P.A

Market Outlook:

General

- The advanced economies are likely to remain weak and depressed financially in 2011.
- We expect an increase in inflation in the first half of the year due to electioneering spending.
- With increased concern about inflation in 2011, we expect the CBN to increase MPR in the first half of the year.
- The Asset Management Company operations will bring back confidence in the financial market which is expected to lead to growth in the real sector.

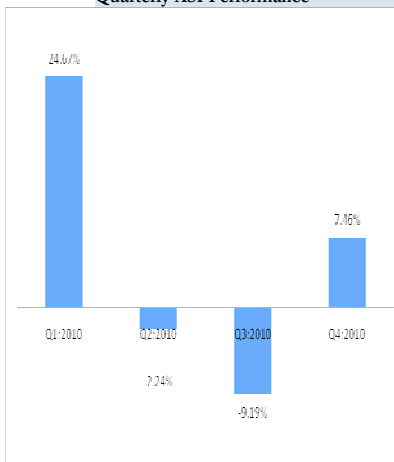
Money and Bond Market Outlook

- Interest Rates may fluctuate and rise gradually. The money market rates will however be volatile due to liquidity dictates but above the 4.25% SDR. Government continuous borrowing at high rates would also impact on the private sectors ability to patronize the bond market at reasonable rates.
- We see upside in T-bills, owing to the recent swings in T-bills yields and increase in the bi-weekly offer, and opine that this will likely continue as they continue to offer fair spread above banks' offered rates and also an avenue to deploy part of the funds.

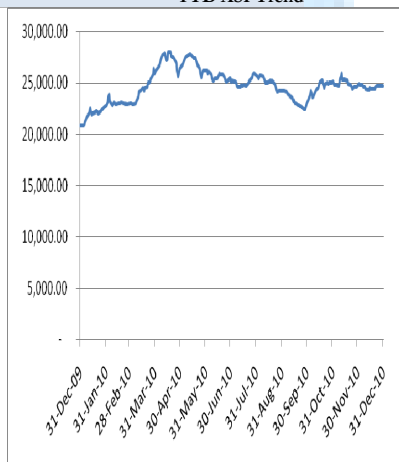
Capital Market Outlook

- The development of political risk is a key attribute of expectations for market performance in 2011 as positive investor sentiments will be largely based on successful polls. We expect some uncertainty to persist especially in the run up to the elections, and the immediate outcome of party congresses.
- We believe there would improving sentiments towards financial stocks in 2011. This should lead to a relatively strong performance and overall positive impact for the equity market index which is still dominated by banking stocks.

Quarterly ASI Performance



YTD ASI Trend



The first and last quarters of the year returned positive. Overall, the index YTD 2010 returns stood at an encouraging 18.93% which compares favourably with that of emerging markets and frontier markets.