



Protecting Investors in SEC Approved Collective Investment Schemes

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- Investment – Committal of money (savings or capital) to **income bearing assets** over a certain period of time
- **INVESTMENT** is not the same as **SAVINGS** (setting aside of money)
- Features of an **INVESTMENT** :
 - i. Bears returns (income in form of dividend (equities), interest (debts and bonds) and capital appreciation.
 - ii. Must be preceded by an ‘Investment Objective’
 - iii. Bears Risks and Returns which both move in the same direction (i.e. the higher the risk the higher the returns and vice versa)
 - iv. Should be managed by SEC registered Asset Management Companies /Investment Advisers and members of Fund Managers Association of Nigeria (FMAN)



Asset Types Risk and Returns

Equities



- Long Term Profile (Capital appreciation)
- Volatile on short term horizon (key risk on short term is called 'position risk')
- Best performance on long term

Fixed Income



- Steady interest income earnings
- Preservation of Capital

Others (Real Estate, Derivatives, Commodities)



- Real Estate: Capital Appreciation, Rental income
- Exchange Traded Derivatives: Capital preservation, Risk hedging, Capital appreciation;
- Commodities



Asset Types and Risk /Returns feature



Investment is driven by anticipation of returns from realized earnings and Capital growth derived from Companies' performance. Feature - High Variability

Comprise 'Listed' – shareholdings in public quoted Companies and 'Unlisted' – shareholdings in Private non quoted Companies

Each share stock /sector possess their unique risk (unsystematic)and return

Each share stock risk/return derives from their different correlation (market sensitivity) to the overall Listed Equities market movement



Fixed income investments comprise Government Bonds, Corporate Bonds, Short term Debt instruments,

- Represents borrowings with promised periodic income repayments as interest payments and a repayment of principal at end of given term.
- Promised yield (return) is usually 'priced' based on the riskiness of the issuer and market yield rate based on what other bonds of similar class are offering;
- Comparatively lower variability than Equities



Real Estate, Commodities etc comprise alternative asset classes that provide for income streams, capital appreciation and risk hedging;

- Real estate investments essentially provide for rental income and capital appreciation and good use for hedging other asset class such as equities
- Commodities (Oil, Gold, Metals, Agricultural produce etc) are other alternative asset classes





Asset Diversification

Mitigating Stand Alone Risk (SAR)

Each Asset type, class and sector have unique/ specific risk and return profile;

Exposure/over exposure by investment in one particular asset type, class or sector creates high risk of capital erosion or loss in event of economic or market downturn

Diversification ensures the spread of risk and optimization of overall returns which is what Collective Investment Schemes (Unit Trust/Mutual Funds)

MUTUAL FUNDS

785 - 2%
321 21%
548

+12%



Collective Investment Schemes (Unit Trust Schemes/ Mutual Funds): Operations and Benefits

Collective Investment Schemes (Mutual Funds) represents the best vehicle of investment by the general public:

- **Risk Diversification:** Provides for diversification by asset type/sector and by extension risks in order to achieve portfolio protection and good returns;
- **Investment Objective:** Each Fund is established with specific investment objective which will usually align with client profile such as age, risk appetite etc.
- **Professional Management:** CIS Funds are managed by professional Asset Management Companies with professional expertise and tools to manage the Funds under strict supervision of the Securities and Exchange Commission (SEC)





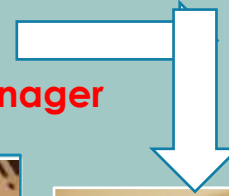
(Unit Trust Schemes/ Mutual Funds): Investor Protection

- **Governance/Trust Administration:** CIS structures which provides for administration of the Fund under a Trust structure with independent oversight by **Corporate Trustee** acting on behalf of investors ensures extra layer of Investor Protection.
- **Asset Segregation/Custodial Service:** Another critical area of investor protection is the requirement for segregation of assets of the Fund thereby placing the Funds asset with Custodians independent of the Fund Manager and Trustees. This goes to safeguard the assets from being co mingled with that of the Fund Manager in addition to ring fencing the assets from unauthorized use by a fund Manager





Fund Manager



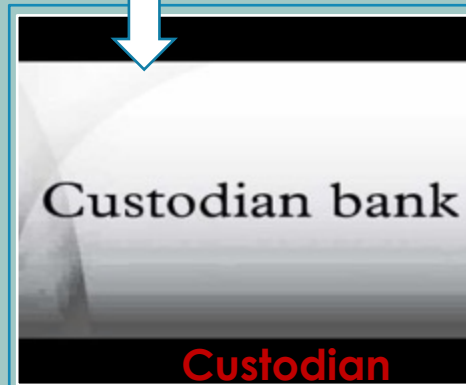
Trust Deed



Trustees



The Nigerian Fund

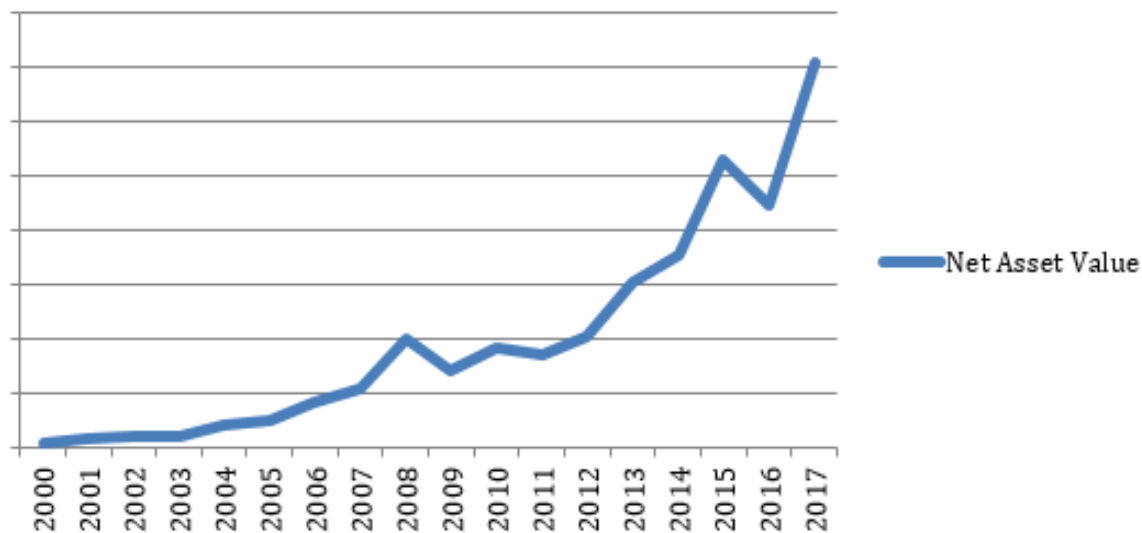


Operational Structure of Unit Trust Scheme (Mutual Fund)

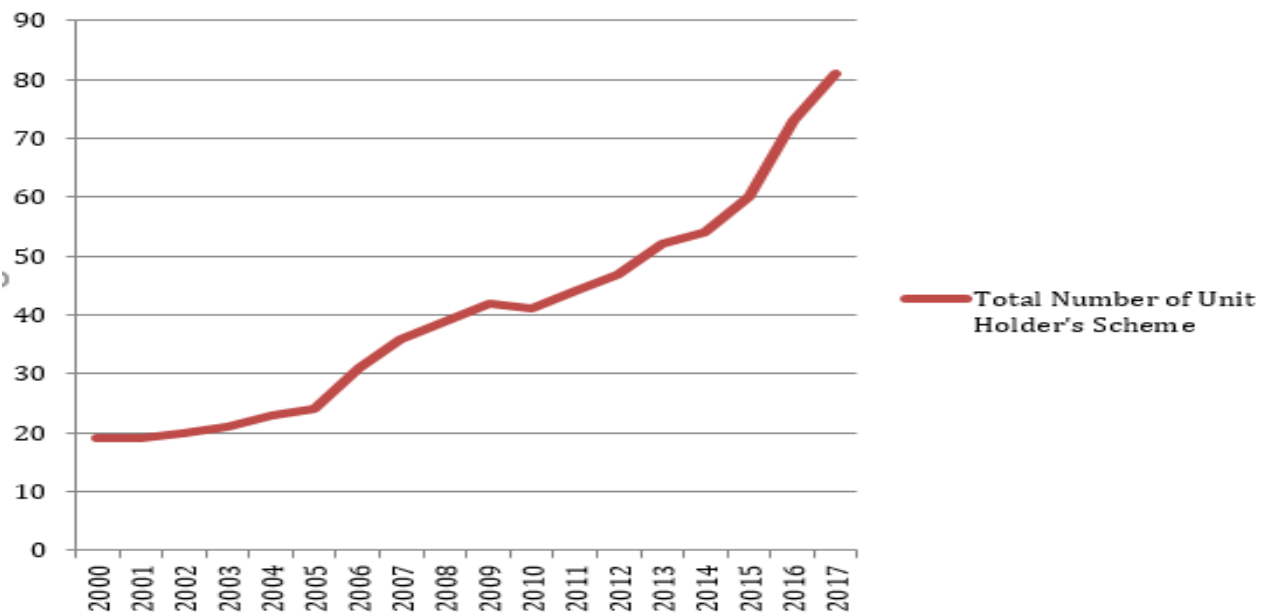
1. Fund Manager (Asset Management Company) Only those registered and supervised undertake daily management of the Fund in line with its investment objective and in compliance with the Fund's Trust deed and the SEC regulations.
2. Corporate Trustees: Exercise oversight over the Fund Manager in the interest of investors and represents them to ensure compliance by the Fund Manager with provisions of the Trust Deed and the SEC regulations.
3. Custodian Banks: Hold all the assets of the Fund including Cash, thereby providing double layer protection for investors assets through the principle of segregation of investors assets.
4. Registrars: Currently Registrars hold custody and management of the records of all investors in a Unit Trust Fund



Net Asset Value



Total Number of Unit Holder's Scheme



Investor Protection Benefit of CIS (Mutual Funds)

The Structure of Unit Trust Schemes and high regulatory oversight requirements makes it the best investment vehicle for the average investor and for safety of investments of retirement funds and savings.

In terms of value of assets under management (AUM), compounded annual growth rate (CAGR) over a 7 year period between 2012 and 2019 shows a 37.2% growth rate with total number of Unit holders as at just 430,164 Unit holders .

This quite paltry and unfortunate given the huge population of Nigerians and the huge amount of un optimized funds of over N6trillion kept in Bank Savings account which would have earned far higher returns and greater assurance of safety if invested in Unit Trust Schemes

Types of Funds



Equity Funds

EQUITY



BONDS

Bond Funds



Types of CIS (Mutual Funds)

MUTUAL

FUNDS



Real Estate Investment Fund



Balanced Fund



Money Market Funds

Money Fund



	Types Of Funds	Features	Number Registered/Aggregate Value	Types of Registered CIS (Mutual Funds) in the Nigerian Capital Market	
1.	Equity Funds	Investment Objective: Mix of Capital growth and income flow (div. payments)	Thirteen (13) N10.42 Bn.	There are a total of 77 registered/authorized Collective Investment Schemes (Mutual Funds) under the regulation/supervision of the SEC. Comprising: I. 10 Equity Funds; II. 23 (purely) Money Market Funds; III. 21 Fixed Income Funds IV. 17 Mixed Funds; V. 5 Ethical Funds VI. 3 Real Estate Investment Trust. There are 9 Exchange Traded Funds (ETFs)	
		Diversified along sectoral and stock market sensitivity			
		Sensitive to Market Volatility			
		Performs best on long term investment horizon			
		Best investment vehicle for children, young adults to late 30s			
2.	Money Market Funds	Investment Objective: High Liquidity; Mainly income (interest) flow and Capital preservation	Twenty Three (23) N833.7 Bn.		
		Comprises Short term fixed income instruments with minimum of investment grade rating requirement			
		Best for good short term yield / high liquidity investment objective demand			
		Appropriate for retirees/those close to retiring, those investing on a short term period with need for good returns. Best Alternative to a Bank Savings Account			
3.	Fixed Income Funds	Investment Objective: Mix of interest income flow, capital preservation and potential capital appreciation	Twenty One (21) N212.97 Bn.		
		Could comprise Medium to long term Government, Subnational, and Corporate Bonds			
		Appropriate for investors seeking safety of capital and good yield on investment			

	Types of Funds	Features	Number registered/Aggregate Value
4.	Balanced/Mixed Funds	Investment Objective – To achieve a mix of earning of income and Capital growth	Seventeen (20) N23.03 Bn.
		Portfolio composition depending on Fund's strategy would usually comprise a mix of quoted equity securities, fixed income and real estate.	
		Good for investors seeking a mix of long term capital growth, income earnings.	
5.	Real Estate Investment Trusts (REITS)	Investment Objective: For investors seeking investment value from real estate/property sector through earnings from rental income and capital appreciation accruing from investment in choice and high end investment properties	Three (3) N45.067 Bn.
		Portfolio would normally comprise of high value real estate assets such as luxury hotels, luxury apartments, shopping malls, Office complexes etc. and real estate related assets such as mortgages	
6.	Ethical Funds Faith based Funds (Islamic Funds)	Investment Objective: Targeted at investors with ethical investment requirements and standards such as not investing in Companies engaged in businesses and practices deemed unethical or against their faith/beliefs tobacco, arms, ammunition production, environment pollution	Five (5) Ethical Funds N4.47 Bn. Two (2) Faith Based (Islamic Funds) N2.64 Bn.

Types of Registered CIS (Mutual Funds) in the Nigerian Capital Market

Exchange Traded Funds (ETFs) are special hybrid CIS funds listed and traded on a recognized Securities Exchange such as the Nigerian Stock Exchange. It can be composed of assets such as listed equity stocks or bonds or commodities like you have of other Unit trust Schemes. However, it's unique feature is that it can be composed to track an index e.g. a Stock index, Bond index or Commodities index. It operates to ensure that the traded unit value of the component assets aligns with its net asset value.



To Do before investing



- **Before undertaking any investment decision or accepting an Offer to invest your money, you must do the following:**
- Verify if Sponsors of the Investment Products are SEC registered CMOs from a check of Information on list of SEC Approved Capital Market Operators and Fund Managers obtained by a check on the SEC web site : www.sec.gov.ng
- **List of SEC authorized Fund Managers and CIS Funds:** List of authorized Fund Managers and authorized Collective Investment Schemes can be obtained from the SEC web site as given above.

THANK
YOU!

