

NSIA Announces Audited Financial Results for 2017 Financial Year

Abuja, Nigeria - The Nigeria Sovereign Investment Authority ("NSIA" or "The Authority"), manager of Nigeria's sovereign wealth funds, today announced its audited results for 2017, reflecting the Fund's fiscal position and investment activities for the year.

Highlights of NSIA's activities and performance during the period are as follows:

- Total comprehensive income (including the impact of foreign exchange gains) of ₦27.93 billion (previous year: ₦149.83 billion).
- Total comprehensive income (excluding the impact of foreign exchange gains) of ₦26.28 billion (previous year: ₦46.24 billion).
- Total Assets recorded a growth of 27% to ₦533.88 billion at year end (previous year: ₦420.93 billion):
 - 68% of asset growth attributed to National Economic Council (NEC) Contribution: Additional \$250 million allocated by NEC at the 2016 Governing Council Meeting received in Q3 2017.
- Return on Capital Employed (ROCE¹) on the core funds:
 - Stabilisation Fund: 5.17%
 - Future Generations Fund: 6.05%
 - Nigeria Infrastructure Fund: 3.50%
- Rapid deployment of funds into infrastructure projects specifically in agriculture, healthcare, education and infrastructure enabling financial institutions:
 - InfraCredit: fully operational with capital injection of \$25 million.
 - Presidential Fertiliser Initiative: NAIC-NPK Ltd a wholly owned NSIA subsidiary produced 8 million bags of fertiliser with equivalent of 2 million bags carried over as inventory; over \$100 million capital injection.
 - Novum Farms: Committed \$25 million to UFF-NSIA fund co-sponsored by Old Mutual for an integrated farm in Nassarawa.
 - Bridge International Academies Limited: Committed \$5million to deliver affordable quality primary education to lower-income families.
 - Other projects in the pipeline include the development of the Nigeria Commodity Exchange (NCX), Customers Single Window (CSW) and Healthcare Projects for which development expenses have been incurred.
- Assets under management:
 - NSIA core capital- \$1.5 billion
 - Other 3rd party managed funds- \$511.4 million comprised of:
 - NBET - \$350 million (\$390.45 - Fair value 31 Dec 2017)
 - DMO - \$100 million (\$120.95 million - Fair value 31 Dec 2017)

¹ ROCE is based on the Audited Financial Statement as presented in Naira

Outlook Summary

- The global market is expected to remain volatile, however the Authority will continue to maintain a diversified asset strategy to mitigate the effects of movements in the market.
- The asset allocation strategy of NSIA has been restructured to reflect an increased focus on domestic infrastructure investments with 50% of future contributions to be dedicated to Infrastructure.
- Presidential Infrastructure Development Fund (PIDF) is expected to drive 2018 infrastructure investment strategy as \$650 million has been voted by National Economic Council to complete selected national road and power infrastructure projects.
- NBET portfolio redemption of principal in Q2 2018

Financial Statement Review

The Authority's financial performance in 2017 affirmed the potency of Management's investment strategy and highlighted its resilience in the face of market volatility. Both interest income and investment income correlated positively with the more efficient investment approach adopted within the period under review. While the Total Comprehensive Income dwindled from ₦149.83 billion in 2016 to ₦27.93 billion in 2017, (2016: ₦46.24 billion to 2017: ₦26.28 billion excluding the effects of foreign exchange) the fundamental components of income rose as Interest Income grew by 106% (from ₦10.57 billion in 2016 to ₦21.77 billion in 2017) while Investment Income also grew by 96% (from ₦1.33 billion in 2016 to ₦2.60 billion in 2017).

The decline of the Net Foreign Exchange Gains which accounted for the reduced Net Operating Income recorded in 2017 was as a result of Government's currency management policies which were aimed at stabilizing and reflecting the Naira's real value in 2016. To this effect, the Naira weakened in value from ₦196/\$ to ₦305/\$ in 2016. Considering that at the end of that year, about 80% of the Authority's Assets Under Management (AUM) were denominated in United States Dollars (US\$), the devaluation resulted in the recognition of significant exchange gains in the Authority's Naira books at the close the year. The NSIA continues to translate its foreign balances at the CBN rate which has remained stable through 2017 thereby resulting in a more reflective income position as at year end 2017.

Other contributory factors to 2017 financial performance relative to the prior year included the lag in re-investment of matured funds whilst awaiting inauguration of the new Board and the impact of rapid deployment of funds into infrastructure projects in the year, leading to higher Group operating expenses. These programmes included InfraCredit; set up to provide infrastructure credit guarantees, the Presidential Fertiliser Initiative, Healthcare Projects in Tertiary Medical Centres in Kano, Lagos and Umuahia and the acquisition of an Integrated Farm in Nassarawa State, which culminated in a significant rise in operational costs being consolidated into the Group accounts of the NSIA.

Fund Review

The Mandate Funds

Within the year, the Authority committed significant capital across all three ring-fenced funds and gained traction within the Nigeria Infrastructure Fund (NIF) as commitments were being made on investments identified in previous periods. With respect to the other funds, the Authority continued to operate a diverse investment portfolio of traditional and alternative assets.

Infrastructure Fund

The sector focus for infrastructure investments in 2017 were Agriculture, Healthcare, Motorways, Real Estate and Power. The highlight of activities undertaken across the infrastructure sectors are provided below:

Agriculture

The agriculture sector has remained strategically important to NSIA, particularly as it is an area where the Authority is able to make significant socio-economic impact and earn substantial financial returns through direct investments. Key programmes undertaken by the Authority within the period under review included:

- *Presidential Fertiliser Initiative (PFI)*

The NSIA maintained its role as programme manager/advisor and implementation channel for the PFI. The NSIA provided \$100 million bridge financing for this programme. In this role, the Authority contributed to price stabilization for NPK 20:10:10 fertiliser by managing the various cost elements in. At the same time, the Authority bridged the deficit gap in the fertiliser supply chain for the benefit of domestic farmers. Consequently, over 8 million bags of fertiliser were produced while 11 domestic blending plants were resuscitated culminating in the creation of an estimated 250,000 direct and indirect jobs in 2017.

- *Novum Agric Industries Ltd*

Under the UFF-NAIC Fund (a US\$200 million 50-50 co-sponsored agriculture fund with UFF Agric Fund), NSIA concluded plans to invest US\$25 million in Novum; a fully integrated farm located in the Nassarawa in late 2017. The investment was closed within the Q1 2018. We expect the impact of the investment will begin to manifest in Q1 2019 with visible improvements in crop yield with the attainment of a two season (wet and dry season) farming operation and the use of modern infrastructure.

- *Babban Gona Farmer Services Ltd (BG)*

BG is a high impact, scalable agricultural franchise, which seeks to sustainably improve the lives of small holder farmers through the provision of microfinance, farming inputs, harvesting and storage services, marketing services and training.

NSIA appraised the viability of the programme from a social and commercial returns perspective and committed to invest US\$5 million within the first quarter of 2018 which has been achieved. We expect at least 20,000 out-grower farmers to benefit from the programme.

Key National Road Projects

The NSIA is involved in several road projects across the country including the Lagos-Ibadan Expressway, Abuja-Kano Expressway, Second Nigeria Bridge and East-West Road. While these projects fall within investible transactions for the Authority, it is noteworthy that NSIA's involvement is principally to ensure an increased inland road stock while creating cross-country arterial roads to catalyse the flow of economic activities. Appropriate funding plans and project structures are being redeveloped for these projects and will be unveiled in 2018.

Healthcare

The healthcare sector was accorded a heightened degree of attention within the year as a key Infrastructure focus area. Final contracts were drawn up with the approved partners of federal tertiary medical facilities under a Medical PPP programme in 2017. Within Q1 2018, NSIA closed the development of a privately managed advanced cancer radiotherapy treatment centre to be located within Lagos University Teaching Hospital (LUTH); and privately operated medical diagnostic centres equipped with modern facilities to be located at the Aminu Kano Teaching Hospital (AKTH); and the Federal Medical Centre Umuahia (FMCU) respectively. It is expected that by year end, the Lagos centre would have reached an advanced stage of construction.

Creation of Financial Institutions that enable investments in Infrastructure:

- Infrastructure Credit Guarantee Limited - InfraCredit

As was previously reported, the NSIA co-created and invested in InfraCredit, a company established to provide credit enhancement against local currency bonds for eligible domestic infrastructure transactions. Within the period under review, InfraCredit completed its first transaction; a 10-year bond deal for Viathan Power which significantly reduced Viathan's interest expense by enabling it to access ₦10 billion of long term funding via a direct bond raise with institutional investors.

- Nigerian Mortgage Refinance Company (NMRC):

NMRC was incorporated in June 2013 and currently has several shareholders including some primary mortgage banks, IFC, MOFI etc., with NSIA having approximately 21% shareholding in the institution. The NMRC is a wholesale institution which refinances mortgage loan portfolios and caters to financial institutions as opposed to individual borrowers.

- Development Bank of Nigeria (DBN)

The NSIA performs fiduciary duties on behalf of the Federal Ministry of Finance in relation to the DBN. In this regard, the NSIA controls a 20% stake in DBN on behalf



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of the Federal Government of Nigeria. As of October 2017, DBN commenced lending activities to Micro, Small and Medium Enterprises (MSMEs) valued at over N5billion. This initial facility was made available to over 20,000 Micro, Small and Medium Scale Enterprises through some Microfinance institutions as part of efforts to unlock access to credit to the economy. Small scale enterprises make up 60% of Nigeria's economy and the NSIA through the DBN seeks to empower these businesses.

- *Family Homes Funds Limited (FHFL):*

Family Homes Fund Limited (FHFL) was incorporated and commenced operation in September 2016 as a flagship initiative of the Honorable Minister of Finance with a 51% - 49% shareholding structure between MOFI and NSIA. FHFL is designed to create a blended pool of long-term funds to solve the problems in mass housing development and seeks to provide affordable homes and mortgages.

- *Nigeria Commodity Exchange (NCX):*

The pre-privatisation of the Nigeria Commodity Exchange is ongoing. KPMG has already concluded the preliminary report for the NSIA which will drive the next phase of the project. NSIA is treating the transaction as a greenfield investment and will progress this further in the course of 2018.

Stabilisation Fund (SF)

The Authority's 2017 Investment Performance as reported by JP Morgan, NSIA's global fund custodian, shows a 3% growth in Net Asset Value in dollar terms. This lends credence to potency of the strategy for manager selection and underscores the effectiveness of the focus sectors for the year. Nonetheless, the Authority maintained the liquidity and capital preservation objectives of the SF in line with the fund mandate. At year-end 2017, the SF's position remained unchanged as the fund was fully invested.

Future Generations Fund (FGF)

FGF is an intergenerational savings fund managed by the NSIA using a Diversified Asset Allocation Strategy. Within the period, the FGF remained evenly apportioned across global public equities, private equity, hedge funds and 'other diversifiers' (which are investments designed to reduce correlation with other asset classes). From a performance stand point, the Future Generations Fund was up 8.6% for the year.

As at December 2017, the Authority had deployed over 50% of its capital across all the strategic asset classes of the FGF.

Outlook for 2018

In 2018:



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- Global market volatility in 2018 is expected to be driven by rising interest rates in the USA. Domestically, anticipation of a further decline in interest rate in the Nigerian market would potentially discourage investors. Nonetheless, the Authority would continue to maintain its diversified asset strategy to drive returns and mitigate market volatility.
- The NSIA anticipates increased investments in infrastructure as more projects come up to financial close.
- The deployment of the Presidential Infrastructure Development Fund will drive infrastructure investment.
- Increased commitment to development of institutions that will enhance infrastructure investments in Nigeria.

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About NSIA

The Nigeria Sovereign Investment Authority, a corporate body established by the Nigeria Sovereign Investment Authority (Establishment, etc.) Act 2011, is mandated to manage funds in excess of budgeted hydrocarbon revenues. Its mission is to play a leading role in driving sustained economic development for the benefit of all Nigerians through building a savings base for the Nigerian people, enhancing the development of Nigeria's infrastructure and providing stabilisation support in times of economic stress. NSIA operates three mandate funds: the Stabilisation Fund, the Future Generations Fund and the Nigeria Infrastructure Fund.

For more information please visit www.nsia.com.ng

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Financials

Summary of Consolidated and Statement of Financial Position as at YE Dec 31, 2017

	Group 31-Dec-17 N'000	Group 31-Dec-16 N'000	Authority 31-Dec-17 N'000	Authority 31-Dec-16 N'000
Assets				
Cash and cash equivalents	22,336,959	148,267,906	8,545,297	141,076,852
Investment securities	429,852,525	249,822,688	404,313,672	234,132,773
Other assets	49,134,358	4,698,044	72,310,092	7,355,693
Inventories	13,797,596	-	-	-
Investment in subsidiaries	-	-	16,085,655	7,096,155
Investment in associates	2,453,380	1,957,853	1,600,490	1,600,000
Property and equipment	16,306,560	16,187,064	48,503	66,304
Intangible assets	1,201	621	63	621
Total assets	533,882,579	420,934,176	502,903,772	391,328,398
Liabilities				
Trade and other payables	29,285,925	24,089,561	7,884,464	3,718,488
Borrowings	3,534,631	-	-	-
Total liabilities	32,820,556	24,089,561	7,884,464	3,718,488
Equity and reserves				
Contribution by Government	280,662,500	204,375,000	280,662,500	204,375,000
Retained earnings	170,402,086	147,845,348	170,859,498	147,172,616
Fair value reserves	43,190,981	36,661,142	43,497,310	36,062,294
Currency translation reserves	6,801,726	7,958,502	-	-
Non-controlling interest	4,730	4,623	-	-
Total equity and reserves	501,062,023	396,844,615	495,019,308	387,609,910
Total liabilities and equity	533,882,579	420,934,176	502,903,772	391,328,398

Summary of Consolidated and Statement of Comprehensive Income for YE Dec 31, 2017

	Group 31-Dec-17 N'000	Group 31-Dec-16 N'000	Authority 31-Dec-17 N'000	Authority 31-Dec-16 N'000
Interest income	21,766,964	10,568,967	21,339,050	10,519,365
Investment income	2,603,755	1,326,161	362,081	631,878
Net gain on financial assets	4,153,564	27,747,126	4,153,564	27,747,126
Net foreign exchange gains	1,652,172	92,796,051	1,703,128	92,796,051
Other income	7,960	666,107	7,960	663,877
Share of profit of investment in associate	434,988	289,755	-	-
	30,619,403	133,394,167	27,565,783	132,358,297
Investment management and custodian fees	(654,562)	(564,855)	(654,562)	(564,855)
Local custodian fees	(6,765)	(20,535)	(6,494)	(20,535)
Foreign custodian fees	(47,755)	(96,811)	(47,755)	(96,811)
Operating and administrative expenses	(4,719,621)	(2,332,541)	(3,170,090)	(2,241,905)
Finance costs	(85,223)	-	-	-
Loss from infrastructure subsidiaries investments	(2,146,165)	-	-	-
	22,959,312	130,379,425	23,686,882	129,434,191
Taxation	(402,038)	(132)	-	-
Profit for the year	22,557,274	130,379,293	23,686,882	129,434,191
Net change in fair value of available-for-sale financial assets	8,187,284	25,968,800	9,152,952	25,825,522
Net amount transferred to profit or loss	(1,717,936)	(12,359,477)	(1,717,936)	(12,359,477)
Share of other comprehensive income of associates	60,049	(461,502)	-	-
Exchange differences on translating foreign operations	(1,156,763)	6,306,224	-	-
Total comprehensive income for the year	27,929,908	149,833,338	31,121,898	142,900,236
Total comprehensive income for the year is attributable to:				
Owners of NSIA	27,929,801	149,831,928	31,121,898	142,900,236
Non-controlling interest	107	1,410	-	-
Total comprehensive income for the year	27,929,908	149,833,338	31,121,898	142,900,236