

# PENSION FUNDS AND INFRASTRUCTURE IN NIGERIA

*September 2025*

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## Forward

Nigeria has a huge infrastructure deficit. Estimates indicate that the country requires annual investments of about \$100 billion every year for the next 10 years to bridge this gap. The deficit is evident in many aspects of Nigerian life — from the poor state of our roads, to the limited and sometimes non-existent rail systems, to airports in need of upgrades. It is also reflected in the lack of running water in many communities and the severe power and electricity shortages that persist across the nation.

Over the years, the government has attempted to address these challenges through budget allocations and borrowings. Unfortunately, these efforts have not been sufficient. There is a growing sense that the private sector needs to play a significant role in funding infrastructure — at scale and in a sustainable manner. Pension funds, in particular, come to mind as an obvious set of investors, given the long-term nature of the funds they manage and the fact that infrastructure is a defensive asset class that can improve yields and diversify investment portfolios.

However, pension fund investment in infrastructure in Nigeria remains relatively low, even though it has been growing over the last five years. From virtually 0% in 2004, infrastructure now accounts for about 1.3% of pension assets as of the time of this report. While this growth is encouraging, there is still significant room for expansion. There are challenges to overcome, but there are also bright spots and opportunities.

This maiden infrastructure report aims to provide insight into the perspectives of Nigerian pension funds on infrastructure investment. It examines the challenges, identifies what needs to be done, and explores the types of infrastructure projects that attract pension fund interest. We surveyed the top pension funds in the country to gather their thoughts and understand their investment outlook for infrastructure.

We believe this report will help bridge the gap between pension fund managers and the infrastructure market. It is our hope that it will catalyse more investments, ultimately increasing infrastructure funding in a way that delivers returns for pension funds, drives economic development, and benefits all stakeholders.

We are pleased to present this maiden report and look forward to engaging with stakeholders to advance the cause of sustainable infrastructure investment in Nigeria.



**Oguche Agudah**  
Chief Executive Officer, PenOp

This publication marks the inaugural PenOp report. It will aim to investigate and assess the role of pension funds in infrastructure in the Nigerian's economy.

Infrastructural development financing is very important to PenOp, the government, researchers and general public. Constant dearth of Infrastructural development due to insufficient yearly budgetary allocation are perceived to have adversely affected nation's prospect for economic growth and development. Many studies have been conducted on Infrastructural Development, but not many considered the use of pension fund as alternative means of financing. Pension funds investments into infrastructure has continued to be a largely untapped market, below one per cent (2%) of AUM, despite the steady growth in pension fund assets.

The use of pension funds for financing infrastructure remains untapped as a source of financing, even when the investment guideline permits them to invest up to 10 percent of the fund into infrastructure. Over the years, PFAs fear that investment of pension funds in infrastructural development would sink contributors' funds due to lack of safety, but the

PFAs have disclosed their plans to invest heavily in infrastructure this year. Infrastructure is key to transformative power in a country and its economy. Infrastructure represents those capital projects or goods that will serve as the basis for the enhancement of industrialization and economic growth of a nation. This includes paved road, a good railway system, constant electricity, an operational seaport, good communication networks, an effective financial system, a good security system and a good governance/legal system that support business growth and good return on investment which aimed at the overall well-being of the populace and the economy of the nation.

These and more are some of the areas this report will look at. How the industry can mobilise pension fund investment into infrastructure, the sentiment of the fund managers, their expectations, how they weigh potential risks and the investment outlook into this space.

## Summary of the Findings

Infrastructure investment in Nigeria is crucial due to its role in economic growth and development. The lack of adequate infrastructure poses challenges to businesses, poverty reduction, and overall economic prosperity.

However, the report highlights that Nigerian pension funds have historically avoided direct infrastructure investment due to regulatory guidelines and risk aversion.

The report emphasizes the need for investment diversification and notes that investing in infrastructure can provide long-term stable cash flows, inflation protection, and essential services. While infrastructure investment is still relatively nascent as an asset class, it is gaining traction worldwide.

Infrastructure investment in Nigeria faces challenges, including regulatory hurdles, lack of transparency, and limited investment opportunities. However, the report suggests that credit enhancements, transparent project execution, tax incentives, and the proliferation of bankable projects could catalyze pension fund capital into infrastructure.

The report provides insights into the strategies of Nigerian pension fund managers. While infrastructure bonds are favored as a conduit for investment, infrastructure-listed equity is less preferred due to market volatility. Power and Transport sectors are preferred choices for infrastructure investment, while agriculture and healthcare also hold potential. The caution around telecommunications is due to concerns about crowding out of investment.

The report underscores the importance of infrastructure investment for Nigeria's economic growth and development. It outlines challenges and strategies for pension fund managers to engage more actively in infrastructure investment and diversify their portfolios for stable and long-term returns.

# 50%

of fund managers believe the biggest barrier to pension fund managers investing in infrastructure is the lack of bankable projects.

# 55%

of fund managers believe Infrastructure is the most attractive alternative asset class with more than half of polled fund managers admitting they actively look for infrastructure investment opportunities.

# Pension Funds in Nigeria

Pension funds have always played a vital role in providing retired Nigerians with financial security and ensuring their well-being after years of service. In Nigeria, the establishment and evolution of pension schemes have been a significant aspect of the country's social and economic development.

## Pre-Independence Era:

Prior to Nigeria's independence in 1960, no formal pension schemes were in place. Public servants relied on gratuities, which were one-time lump sum payments, as a form of retirement benefit. However, this system was largely inadequate in providing long-term financial stability for retirees.

## The Introduction of Pension Schemes:

The first major milestone in Nigeria's pension history was the establishment of the Nigerian Provident Fund (NPF) in 1951. The NPF was a defined contribution scheme that covered public sector employees. It required employees and employers to make regular contributions towards their retirement funds.

## The Civil Service Pension Scheme:

In 1979 the Civil Service Pension Scheme (CSPS) was introduced to replace the NPF. This new scheme aimed to consolidate pension arrangements for public servants and enhance the management of pension funds. The CSPS operated on a defined benefit basis, where retirement benefits were determined by an employee's salary and years of service.

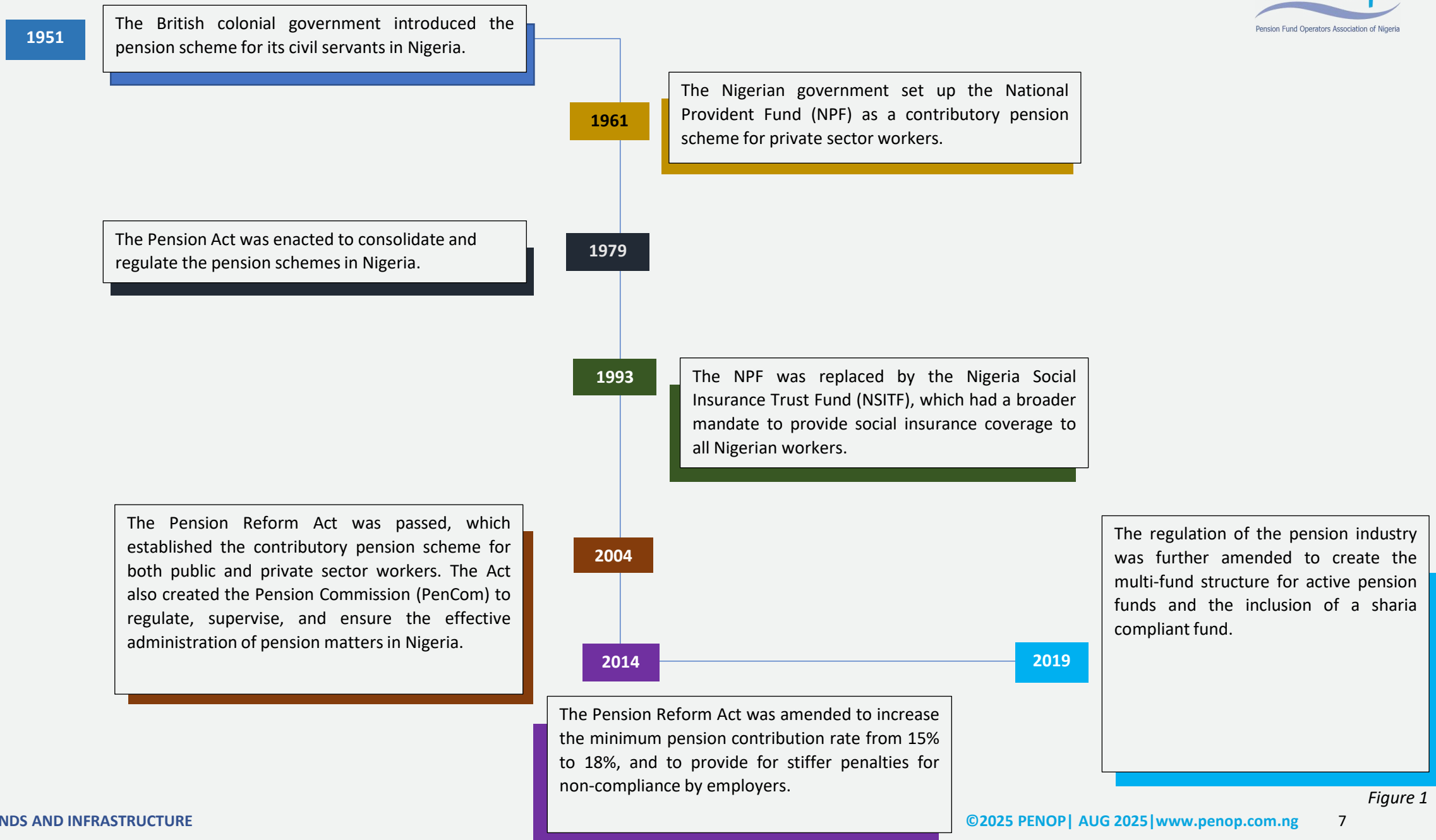
## The Pension Reform Act 2004 & 2014:

The Nigerian pension system underwent significant reforms with the introduction of the Pension Reform Act in 2004. This act sought to address several challenges facing the pension sector, including mismanagement, inadequate funding, and delays in benefit payments.

- a) **Contributory Pension Scheme:** The key feature of the Pension Reform Act 2004 was the introduction of the Contributory Pension Scheme (CPS). Under this scheme, public and private sector employees were mandated to contribute towards their retirement funds. The CPS shifted the government's pension provision responsibility to individual employees.
- b) **National Pension Commission (PenCom):** The Pension Reform Act also established the National Pension Commission (PenCom) as the regulatory body responsible for overseeing and regulating pension funds in Nigeria. PenCom's mandate includes ensuring compliance, protecting pension assets, and promoting transparency and efficiency within the pension industry.

To further strengthen the pension system, the Pension Reform Act was amended in 2014. The amendments aimed to address loopholes and improve governance within the pension sector. Key provisions included the establishment of the Pension Transitional Arrangement Directorate (PTAD) to manage pension schemes for public service retirees and the introduction of the Micro Pension Scheme to cater to the informal sector.

# Timeline of Pension Industry



Since the inception of the Pension Reform Act, the industry has witnessed continued geometric growth in assets under management. Growing at an impressive average of over 20% per year for 15 years. This growth has seen the pension industry accumulate the country's largest pool of investible capital and the main driver for investment outside Foreign Direct Investment.

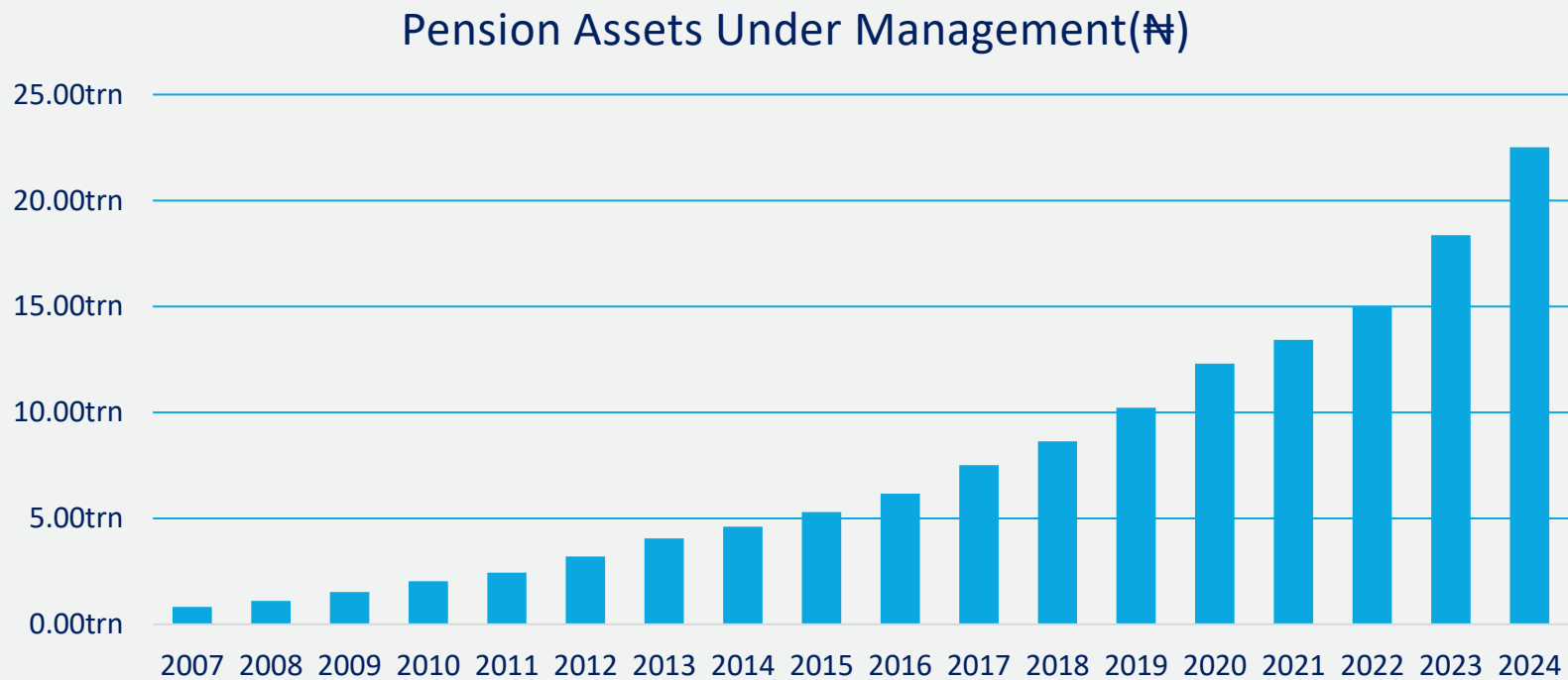


Figure 2



| Exit Rules                                                                                                                                                                                                            | Entry Rules                                                                                                                                                                                                                                                                | Fund Manager                                                                                                                                                                                                                                                                                                                                                                                                                                                             | Investment Limits                                                                                                                                                                                                                                                                                      |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <ul style="list-style-type: none"> <li>• Maturity dates that precede expiration of the concession where applicable.</li> <li>• Feasible and enforceable redemption procedure in event of an adverse event.</li> </ul> | <ul style="list-style-type: none"> <li>• Fund must exceed N5bn</li> <li>• 60% of fund invested within Nigeria</li> <li>• Credit enhancements including guarantees by sovereign entities or backed by Development Financial Institution or Sovereign Wealth Fund</li> </ul> | <ul style="list-style-type: none"> <li>• In the event a fund does not have eligible SWF or MDFO as limited partners, the fund manager must have a minimum Investment Manager rating of BBB issued by at least two rating agencies and retain a minimum investment of 3% of the infrastructure fund.</li> <li>• Where the fund has an eligible SWF and a Multilateral Development Finance Org as LP, the fund manager shall retain a minimum of 1% of the fund</li> </ul> | <ul style="list-style-type: none"> <li>• 60% of Infrastructure fund invested in Nigeria</li> <li>• Fund I, II &amp; V must have a minimum of 2.5% invested in infrastructure.</li> </ul> <p>Maximum limits:</p> <ul style="list-style-type: none"> <li>• Fund I: 10%</li> <li>• Fund II: 5%</li> </ul> |

Table 1

| Jurisdiction                                 | Description                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |
|----------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Canada(Alberta, New Brunswick, Ontario)      | In Alberta, general investment limits and a concentration limit 10% apply. In some Canadian jurisdictions, there are no quantitative limits. However, investments of the pension plan must be prudent, and must be made in accordance with the Plan's Statement of Investment Policies and Goals. At the Federal level, the general investment limits apply (prudent person rule, 10% concentration limit and 30% votes limit if applicable).                                                                                                                                                                                                                                                                                                                                                                                                                                           |
| China                                        | 30% (infrastructure investments are currently classified as “real estate assets”).                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
| Croatia                                      | Transferable securities issued for the financing of infrastructure projects: 55%, 35% and 10%, respectively, for mandatory pension funds categories A, B, and C. An additional limit for funds A and B of investing up to 25% in a single investment project. Funds C can invest only in debt-transferable securities issued for the financing of infrastructure projects.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |
| Kenya(explicit infrastructure investments)   | Infrastructure bonds issued by the government and public bodies: 90%                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
| Mexico(explicit infrastructure investments)  | Listed equity: 50% (from Seed Fund to SB80-84, the most aggressive), 40% (SB75-79), 35% (SB70-74), 30% (SB65-69 and SB60-64), 10% (SB55-59) and 0% (Income Fund, the most conservative).<br>Unlisted equity investments or loans are not allowed.<br>Corporate bonds: 100%, with issuer limits depending on credit rating: for a Mexican issuer 5% (AAA), 3% (AA), 2% (A), and 1% for BBB (local credit rating). For state-owned companies (Pemex and CFE) 10%. For an international issuer 5% (global credit rating BBB- or higher).<br>Infrastructure bonds (“Trust Certificates”): from 20% to 40%, depending on the fund. Structured instruments (capital development certificates, CKDs and investment project certificates, CERPIS): from 10% to 20%. Mexican real estate investment trusts (FIBRAs) and energy and infrastructure investment trusts (FIBRA-Es): from 5% to 10% . |
| Nigeria(explicit infrastructure investments) | Unlisted infrastructure funds (bond and equity): 10% (Fund I), 5% (Fund II), not allowed (Fund III), not allowed (Fund IV), 5% issuer concentration limit, 20% issue limit. Infrastructure bonds (private listed): 25 % (Fund I), 20% (Funds II and Fund III), 10% (Fund IV), issue concentration limit: 7.5% (Funds I and II), 5% (Funds III and IV), issue limit (based on credit rating): BBB – 25%, A - 30%, AA and above – 35%.                                                                                                                                                                                                                                                                                                                                                                                                                                                    |
| Romania                                      | 15% (infrastructure project companies, established according to the Government Emergency Ordinance no. 39/2018 regarding the public-private partnership or specialized investment funds in infrastructure only).                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |
| Switzerland                                  | 10%                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |

Table 2

# INFRASTRUCTURE AS AN ASSET CLASS

# Evolution of Infrastructure as An Asset Class

Specialist investment funds were first set up by Australian investment banks in the 1990s, with local pension funds as their earliest investors. However, it was Canadian pension plans that pioneered institutional investment in infrastructure and interest has grown ever since in all major continents.

More broadly, investing in some form of infrastructure is not new. Institutional investors have always included some infrastructure investing like airports and railways in their portfolio. But as an asset class, it is still nascent.

Historically, infrastructure investment was primarily funded and managed by governments through public financing. However, in the 1990s, there was a shift towards involving the private sector in infrastructure development. Governments began to embrace public-private partnerships (PPPs) to leverage private capital, expertise, and efficiency in infrastructure projects.

Infrastructure investment funds started to emerge, specifically dedicated to financing and managing infrastructure assets.

According the Global Infrastructure Investor Association, global infrastructure AUM now exceeds \$2.04trn.



|                                                                                     |                                             |                                                                                                                                                                                                                                                                                                                                                      |
|-------------------------------------------------------------------------------------|---------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|    | <b>Transportation Infrastructure:</b>       | This sector involves the construction and maintenance of transportation networks, such as roads, highways, bridges, tunnels, railways, airports, seaports, and public transit systems. It plays a crucial role in facilitating the movement of people, goods, and services.                                                                          |
|    | <b>Energy Infrastructure:</b>               | This sector encompasses the development and maintenance of energy generation, transmission, and distribution systems. It includes power plants (fossil fuel, nuclear, and renewable energy sources), electricity grids, pipelines, and other infrastructure required for generating and delivering electricity, oil, gas, and other forms of energy. |
|    | <b>Water and Sanitation Infrastructure:</b> | This sector focuses on providing clean and accessible water supply systems, wastewater treatment plants, drainage systems, and sanitation facilities. It aims to ensure access to safe drinking water, proper sanitation, and effective management of water resources.                                                                               |
|    | <b>Communication Infrastructure:</b>        | This sector includes telecommunications networks, such as landline and mobile phone systems, internet infrastructure, fiber-optic cables, satellite communication systems, and data centers. It enables the transmission of information, voice, and data across different regions and plays a crucial role in modern communication.                  |
|    | <b>Social Infrastructure:</b>               | This sector comprises essential facilities for society, including educational institutions (schools, colleges, universities), healthcare facilities (hospitals, clinics), community centers, public housing, recreational facilities, and public amenities. Social infrastructure contributes to the well-being and development of communities.      |
|  | <b>Public Works Infrastructure:</b>         | This sector involves infrastructure projects initiated and funded by the government, which serve public needs. It includes government buildings, courthouses, prisons, public parks, libraries, and other facilities necessary for the functioning of public administration and services.                                                            |
|  | <b>Industrial Infrastructure:</b>           | This sector focuses on infrastructure that supports industrial activities and economic development. It includes industrial parks, manufacturing facilities, warehouses, logistics hubs, and specialized infrastructure required by various industries.                                                                                               |

## Infrastructure at the Heart of Nigeria's Development

Infrastructure is a cornerstone of economic growth and development, forming the backbone that enables businesses to thrive and communities to function. In Nigeria, however, the lack of adequate infrastructure remains a critical barrier to progress. The World Bank estimates the country faces an annual infrastructure deficit of about \$100 billion, with the most pressing gaps in power, roads, and water. Unreliable electricity continues to undermine business competitiveness, poor road networks increase the cost of transporting goods, and inadequate access to clean water weakens public health and productivity.

This shortage of infrastructure also perpetuates poverty. Communities without reliable utilities, transport, or basic services have fewer opportunities for jobs, education, and healthcare, making it difficult to break the cycle of deprivation. While successive governments have taken steps to address these challenges, investment has consistently fallen short. The National Integrated Infrastructure Master Plan (NIIMP), which outlines a \$1.5 trillion investment program over 30 years, is a welcome framework, but its impact will depend on effective execution, greater efficiency in project delivery, and stronger collaboration with the private sector.

Nigeria's infrastructure gap is also evident in its 131st position out of 190 countries in the World Bank's Doing Business Report, where weak infrastructure significantly reduces competitiveness. Closing this gap is not just about building assets; it is essential for creating jobs, driving productivity, reducing poverty, and unlocking the country's full economic potential.

# \$100bn

Infrastructure deficit  
per year

# 121

Nigeria's ranking out of  
190 countries in "ease of  
doing business".

# How Infrastructure Promotes Growth

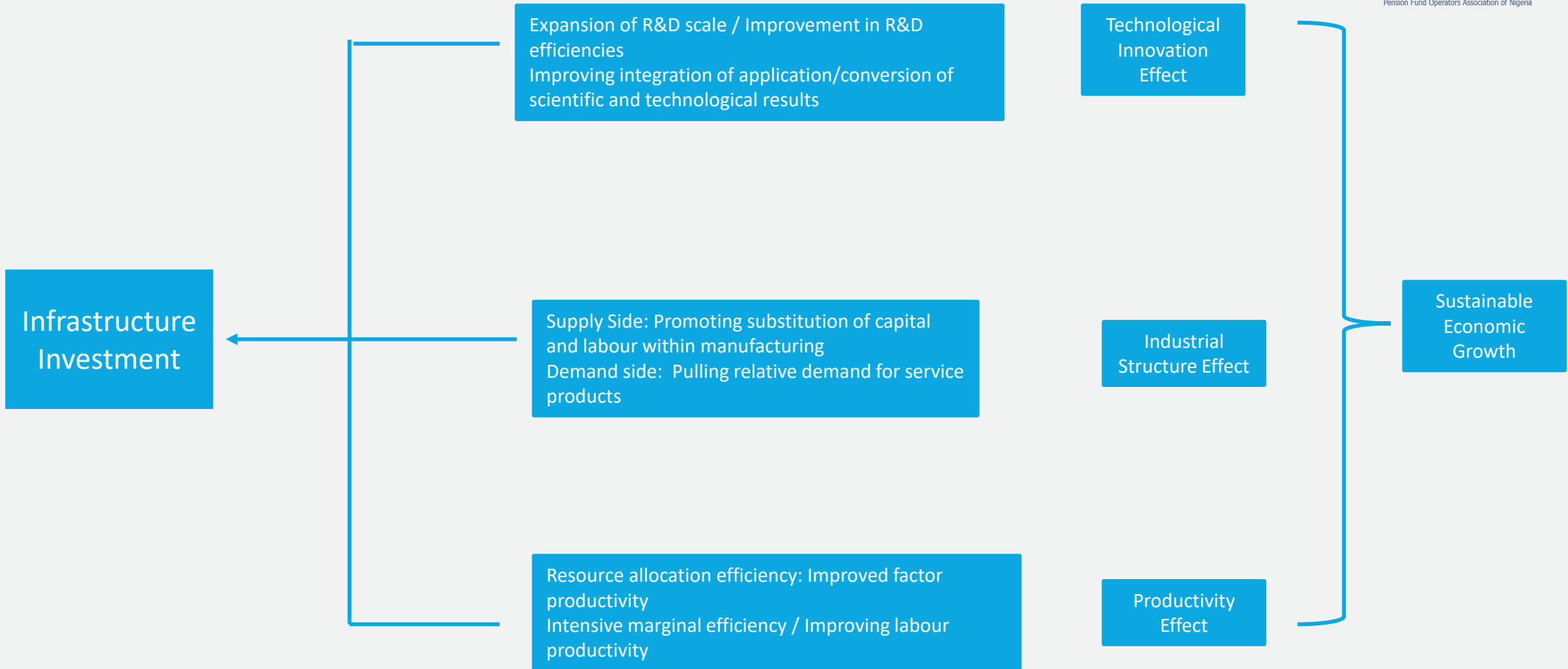
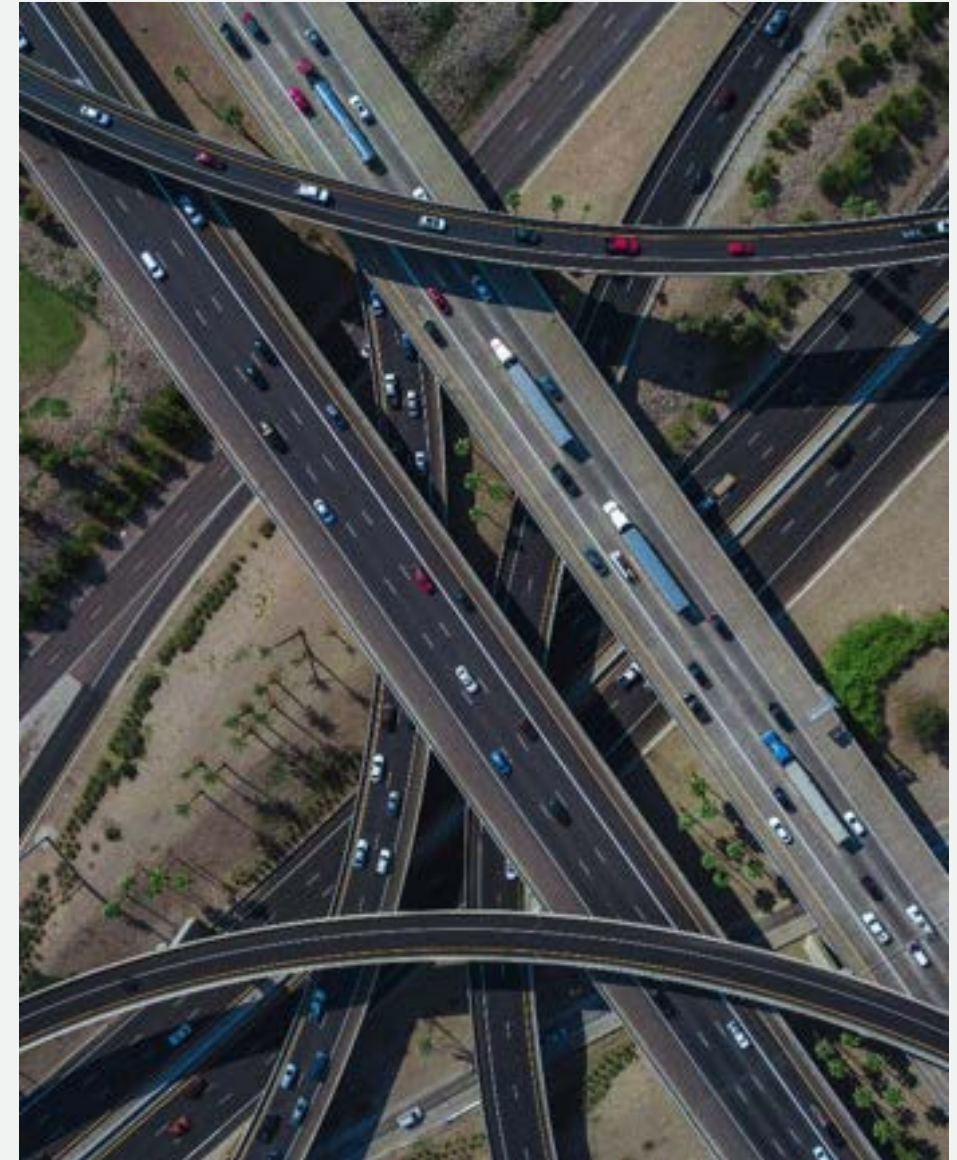


Figure 3



# Why Are Fund Managers Investing In Infrastructure

1. **Long-Term and Stable Cash Flows:** Infrastructure investments often generate long-term and stable cash flows. This is because infrastructure assets typically provide essential services or utilities with steady demand, leading to predictable revenue streams. For example, toll roads, airports, and utilities often have reliable income sources from user fees, contracts, or government subsidies.
2. **Inflation Protection:** Infrastructure investments can offer a degree of inflation protection. Many infrastructure assets can adjust prices or user fees periodically to account for inflation. As infrastructure projects are often long-term in nature, they can serve as a hedge against inflation, as the value of their cash flows tends to rise with inflation over time.
3. **Essentiality and Resilience:** Infrastructure assets are characterized by their essentiality and resilience. They provide critical services necessary for the functioning of societies and economies, such as transportation, energy, water, and communication. Even during economic downturns, these services remain in demand, providing a level of stability to infrastructure investments.
4. **Long Economic Lifespan:** Infrastructure investments typically have long economic lifespans, often lasting several decades or even longer. This longevity can contribute to the durability of cash flows and provide a stable investment proposition over an extended period.
5. **Diversification Benefits:** Infrastructure investments offer diversification benefits to investors. They tend to have low correlations with traditional asset classes such as equities and bonds, providing an opportunity to enhance portfolio diversification. Infrastructure's performance may exhibit a degree of independence from broader market fluctuations, contributing to a more balanced investment portfolio.
6. **Social and Environmental Impact:** Infrastructure investments have the potential to create positive social and environmental impacts. Projects that focus on sustainable development, renewable energy, clean water, and improved public services can contribute to societal well-being and environmental sustainability.

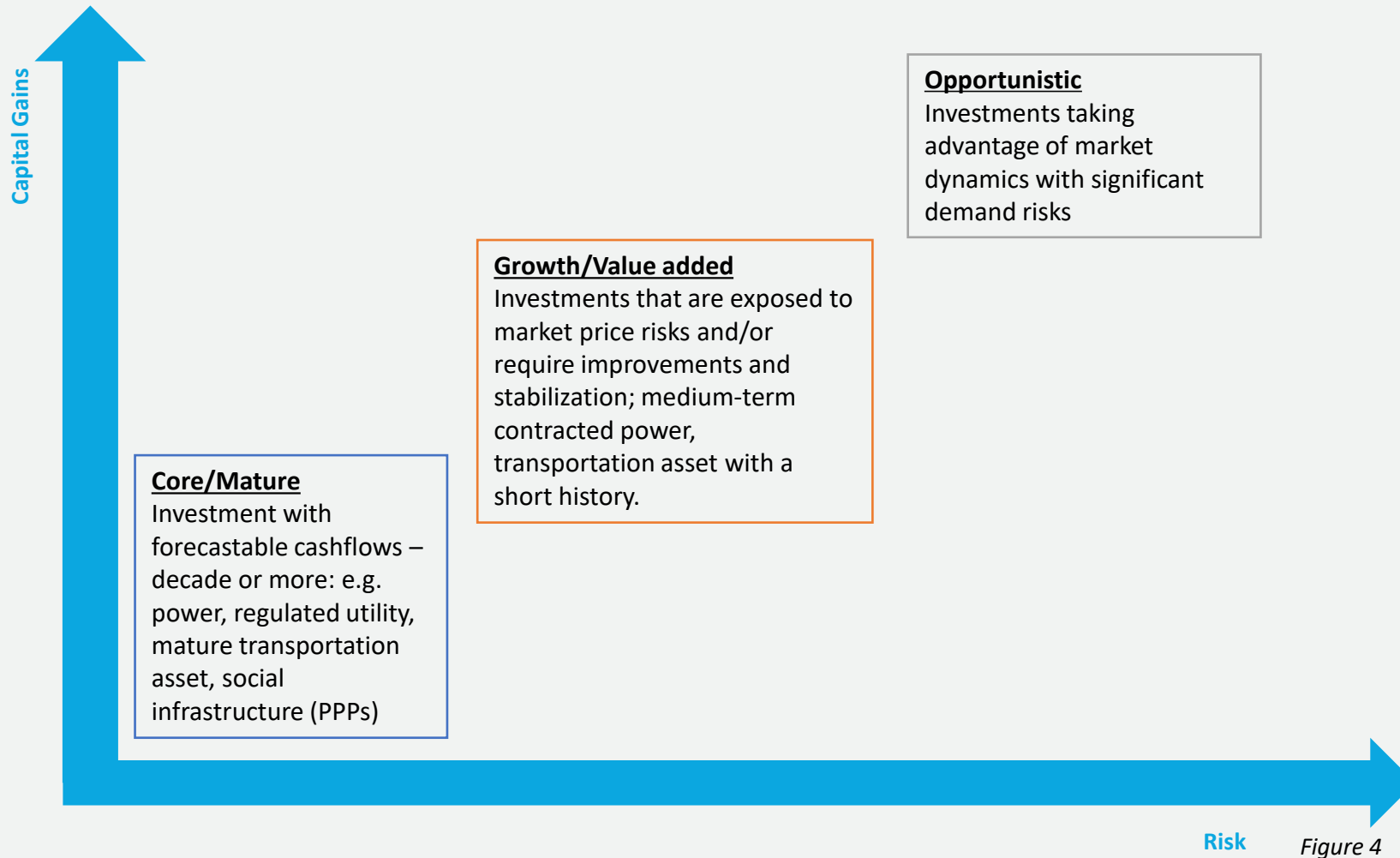




# Entry Modes For Infrastructure Investment

Depending on the point of entry, infrastructure investment provides a variety of risk-return profiles:

- Mature infrastructure provides stable, long-term income-oriented returns.
- Growth and development infrastructure offer material capital appreciation potential.



## Financing Options

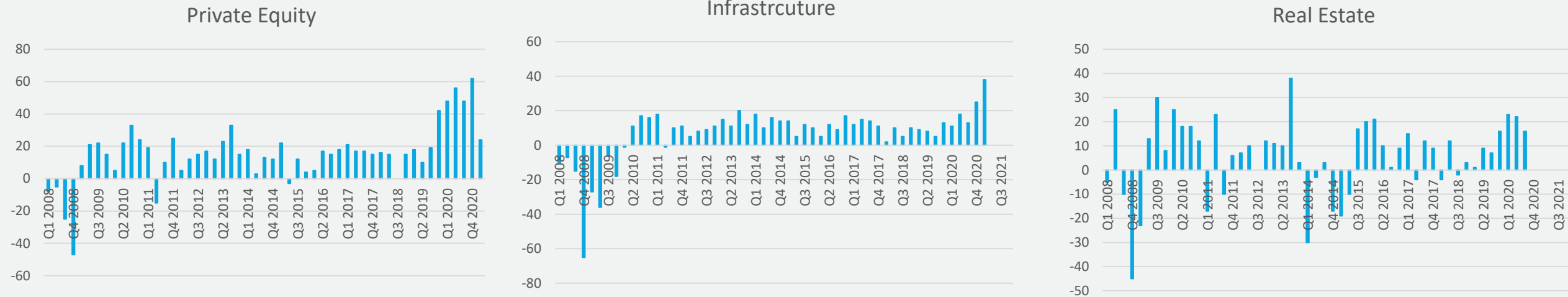
**Equity Financing:** This involves the issuance of equity stakes in infrastructure projects. This can be developmental/greenfield infrastructure projects or brownfield/existing infrastructure projects in the form of operating equity with established cashflows. Equity financing usually involves creating a legal entity through a special purpose vehicle (SPV) which is responsible for developing and operating the infrastructure project.

**Debt Financing:** Debt financing involves raising capital through borrowed funds from lenders with the obligation to repay. Mezzanine financing is increasingly becoming popular in project finance with lenders having the right to convert debt obligation to infrastructure equity.

# Cyclical Resilience of Infrastructure Asset Class

Infrastructure has proven to provide more steady returns relative to most other alternative asset classes. It has also gained a reputation as an asset class that can offer a hedge against economic downturns, which has enabled infrastructure funds in 2021 to raise over \$130 billion, 55% more than was raised in 2016.

## Annualized quarterly return



Source: Preqin

Figure 5

The stable and predictable nature of returns has seen this asset class become a staple of pension fund asset allocation. According to Preqin, an estimated 15% of global pension assets are invested in infrastructure.

# PERFORMANCE OF INFRASTRUCTURE INVESTMENTS

## Infrastructure Listed Equity Performance

The Nigerian equity market has only just recovered from the Financial Crises of 2008, with market participation by domestic and foreign investors lagging pre-financial crisis levels. The performance of infrastructure-listed equity must be viewed in the context of the wider market in which these infrastructure firms operate.

These are some of the primary reasons the equity market has struggled:

- **Volatility:** The low trading volumes have left the market susceptible to extreme volatility.
- **Limited Liquidity:** The Nigerian equity market suffers from limited liquidity, particularly in relation to the size of the economy. The market lacks depth and breadth, which means that it can be difficult to buy or sell large quantities of shares without significantly impacting prices.
- **Weak investor confidence:** Investor confidence plays a crucial role in the growth and stability of any equity market. In Nigeria, concerns about corporate governance, market manipulation, and insider trading have weakened investor confidence. This can lead to reduced participation and liquidity in the market.

- **Lack of market infrastructure:** The Nigerian equity market still faces challenges related to its infrastructure. Issues such as inadequate trading systems, limited market surveillance capabilities, and inefficient clearing and settlement processes can hinder the smooth functioning of the market.
- **Foreign investor concerns:** Attracting foreign investment is essential for the growth of the Nigerian equity market. However, concerns about political instability, security issues, foreign exchange controls, and repatriation of funds can deter foreign investors from participating in the market.

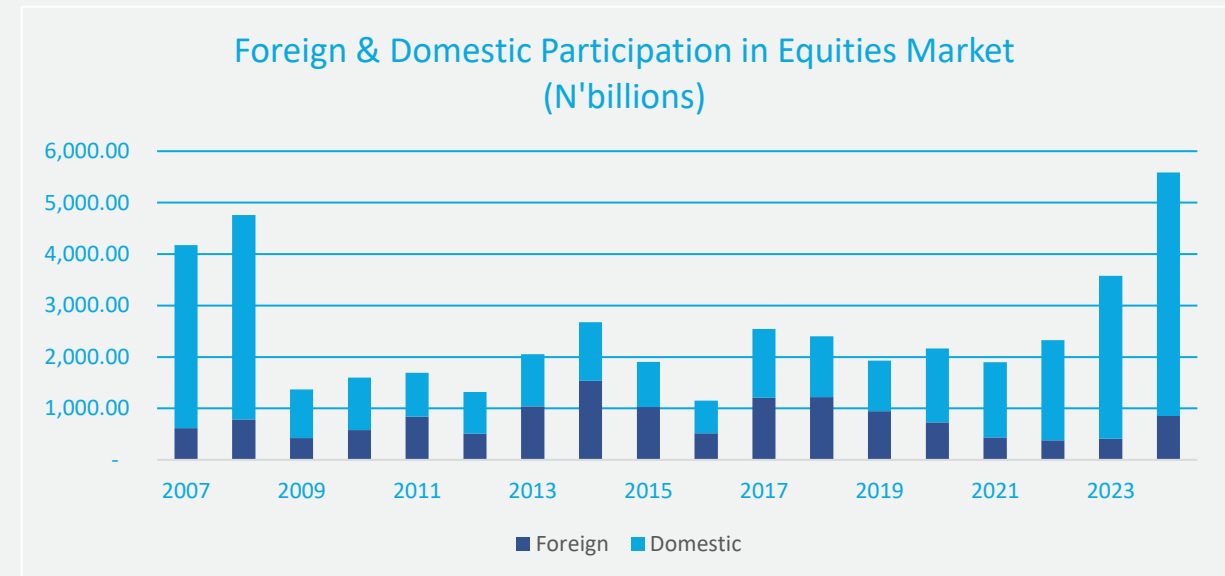


Figure 6

## Infrastructure Listed Equity Performance

Agriculture and Healthcare like much of the market have seen very low trading volumes leading to price volatility.

On the selected equities in the Agri-allied sector, equities produced negative returns in more than half of the periods under review. To emphasise this, both Ellah Lakes and FTN had periods with no changes in share price lasting over a year. Another reason for poor performance in the Agri-allied sector is the lack of core infrastructure and security which has severely impacted productivity.

For the Healthcare equities market on the NGX, 3-year rolling average of forward PER has declined significantly from 18x in 2021 to 6X at the beginning of 2023 but has climbed back to around 13.7x by mid-2025.

**Agri-allied Equities Returns (%)**

| Company                  | 2019   | 2020   | 2021   | 2022   | 2023  | 2024  | 2025 Aug |
|--------------------------|--------|--------|--------|--------|-------|-------|----------|
| Livestock feeds PLC      | -5.66  | 162.26 | -81.13 | -84.40 | 122.7 | 69.7  | 94.2     |
| FTN Cocoa Processors PLC | 0      | 2.30   | -29.09 | -17.14 | 1.61  | 80.4  | 284.62   |
| Ellah Lakes PLC          | 0.26   | 0      | 0      | -15.24 | 8.97  | -19.4 | 400      |
| Presco                   | -25.78 | 49.37  | 23.75  | 56.61  | 27.96 | 83.40 | 211.58   |

Table 4

In general, the healthcare sector faces significant challenges ranging from problems with access for a population that cannot afford healthcare, a depleting healthcare workforce, high disease burden and an inadequate distribution system. All these lead to lack of productivity within the sector.

Despite the challenges, healthcare infrastructure providers listed on the exchange have consistently posted net margin growth.

**Healthcare Equities Returns (%)**

| Company               | 2019   | 2020  | 2021   | 2022  | 2023 | 2024  | 2025 Aug |
|-----------------------|--------|-------|--------|-------|------|-------|----------|
| Fidson healthcare Plc | -33.96 | 3.317 | 2.73   | 28.57 | 8.6  | 77.0  | 177.42   |
| May & Baker Nig Plc   | -21.22 | 61.75 | -13.54 | -5.49 | 8.25 | 51.37 | 92.02    |

Table 5

Conglomerates including utilities and power have endured significant macroeconomic challenges in recent years. The price cap on power, a heavily regulated sector has discouraged investment.

Furthermore, customers are unable or unwilling to pay cost-reflective tariffs for units of electricity. Distribution is also a major issue as the federal government still controls the transmission of electricity through the Transmission Company of Nigeria and poor revenue collection mechanisms have led to a struggling sector.

However, the sector still has the potential for exponential growth. With promised liberalisation of regulation and there is scope for growth. With current prices well below their fair value, there is evidence these stocks are undervalued

Conglomerates Equities Returns (%)

| Company              | 2019  | 2020   | 2021   | 2022   | 2023  | 2024   | 2025 Aug |
|----------------------|-------|--------|--------|--------|-------|--------|----------|
| Chellarams Plc       | -9.74 | -9.71  | -0.88  | 0%     | 129.3 | -9.8   | 183.73   |
| Custodian investment | -3.23 | -2.50  | 31.67  | -23.97 | 90.0  | 51.3   | 138.30   |
| John Holt            | 16.67 | -8.93% | -53.19 | 2.67   | 74.44 | 188.52 | 10.14    |
| Transcrop            | -20.8 | -7.22  | -5.88  | -0.88  |       |        | 20.39    |

Table 6

The Nigerian transportation index on the Nigerian equities market also seen periods of extreme volatility due to the low volume of trades. The fundamentals of the industry are positive. Companies like NAHCO, ABC Transport and Trans Nationwide Express have continued to improve both top-line and bottom-line figures post Covid.

However, stock market performance has been poor, with extreme volatility as institutional investors have shied away from investing in infrastructure equities.

Transportation Equities Returns (%)

| Company                  | 2018   | 2019   | 2020   | 2021   | 2022   | 2023   | 2024  | 2025 Aug |
|--------------------------|--------|--------|--------|--------|--------|--------|-------|----------|
| NAHCO                    | -8.29  | -34.25 | -4.15  | 62.60  | 105.33 | 213.58 | 46.93 | 125.84   |
| ABC Transport            | -42.00 | 55.17  | -15.56 | -18.42 | -19.35 | 138.24 | 39.77 | 306.50   |
| Trans-Nationwide Express | -16.44 | 42.62  | 21.84  | 11.76  | 7.89   | 40.2   | 68.2  | 55.80    |

Table 7

## Infrastructure Fund Performance

### Chapel Hill Denham Nigeria Infrastructure Debt Fund



The NIDF is Nigeria's first listed infrastructure debt fund and Africa's first such vehicle, managed by Chapel Hill Denham. Established in 2017, it is a closed-ended, Naira-denominated fund that provides long-term debt financing (5–20 years) to infrastructure projects across sectors such as power, transport, telecoms, gas, water, and social infrastructure.

The fund targets stable returns of 300–450 basis points above FGN bond yields, prioritizing capital preservation and predictable cash flows. It is listed on both the FMDQ OTC Exchange and the Nigerian Exchange (NGX).

#### Fund returns

| 2019   | 2020   | 2021  | 2022   | 2023   | 2024   |
|--------|--------|-------|--------|--------|--------|
| 18.55% | 11.74% | 9.76% | 14.31% | 22.41% | 18.55% |

Table 8

### Stanbic IBTC Infrastructure Fund



The **Stanbic IBTC Infrastructure Fund (SIIF)** is a ₦100 billion shelf programme established under the SEC Rules for Infrastructure Funds in Nigeria. It is a closed-ended collective investment scheme specifically designed for qualified investors such as Pension Fund Administrators, Insurance Companies, High Net-Worth Individuals, and Institutional Investors. The fund was created to channel long-term capital towards addressing Nigeria's significant infrastructure financing gap.

#### Fund returns

| 2021                                                                                   | 2022 | 2023 | 2024 |
|----------------------------------------------------------------------------------------|------|------|------|
| A target return of 2% - 5% above the prevailing yield on a FGN bond with similar tenor |      |      |      |

Table 9



# Infrastructure Fund Performance

## CardinalStone Umbrella Infrastructure Fund

The **CSUIF** is a ₦500 billion close-ended umbrella hybrid fund created to finance critical infrastructure in Nigeria while generating long-term returns for investors. It has two sub-funds:

- Debt Fund** – targets returns of **300–500 basis points above FGN bond yields**
- Equity Fund** – targets an **IRR of ~15%**

**Focus Areas:** Power & renewables, gas infrastructure, telecoms, transport & logistics, utilities, and social infrastructure.

### Key Features:

- Minimum investment: ₦10 million
- 10-year lock-in period
- Semi-annual income distribution (up to 90% of net income)
- ESG principles and strong governance structure

### Fund returns

| 2019 | 2020 | 2021 | 2022 |
|------|------|------|------|
|      |      |      |      |

Table 10

## United Capital Infrastructure Fund



### Fund returns

| 2019 | 2020 | 2021 | 2022 |
|------|------|------|------|
|      |      |      |      |

Table 11

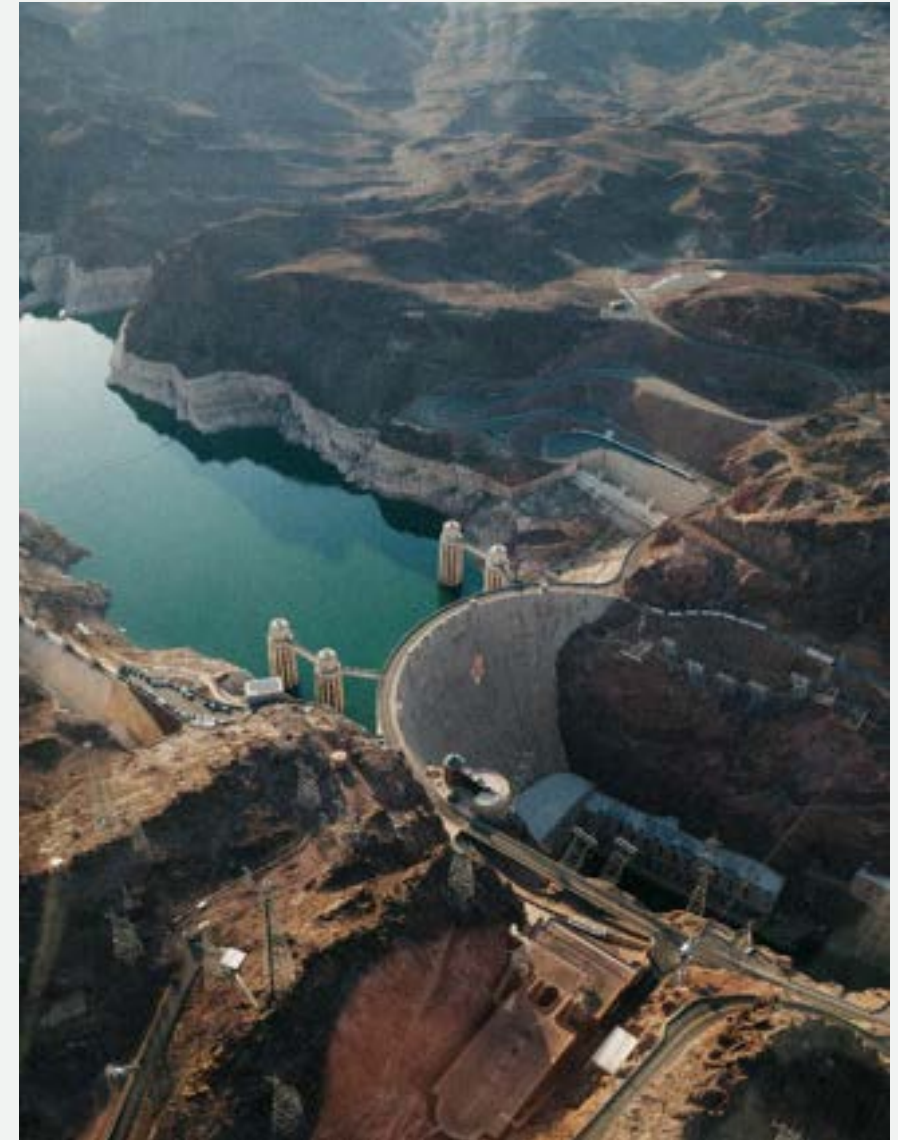
# **NIGERIAN PENSION FUNDS AND INFRASTRUCTURE**

Nigerian Pension funds have avoided investing directly into infrastructure as per PENCOM guidelines which generally discourage direct investments. Pension funds have almost exclusively invested in infrastructure through specialist infrastructure funds or Corporate debt instruments. Typically seeking established fund managers with a track record of performance and exits.

The mode of investment in has also been crucial in infrastructure investment participation. PFAs have preferred investing in Infrastructure debt rather than infrastructure equity or hybrid infrastructure funds.

## Why PFAs prefer Infrastructure Debt to Infrastructure Equity

- **Predictable Returns:** Infrastructure debt investments typically provide a fixed income stream in the form of interest payments. This predictable cash flow can be attractive to investors seeking stable, regular returns.
- **Lower Risk Profile:** Compared to equity investments, debt investments generally have a lower risk profile. In case of financial distress or default, debt holders are typically prioritized over equity holders when it comes to recovering their investments.
- **Seniority in Capital Structure:** Debt holders are higher in the capital structure compared to equity holders. In the event of a company's bankruptcy or financial troubles, debt holders are generally paid before equity holders.



# Nigerian Pension Funds and Infrastructure Allocation

Compared to foreign institutional investors and pension funds, Nigerian pension fund managers have historically allocated a smaller proportion of their assets under management to Private Equity and Infrastructure.

For reasons such as regulation, transparency of infrastructure process, from project financing to implementation, macroeconomic conditions, high return rates for risk-free assets, a lack of technical capacity do adequate due-diligence etc. Pension funds in Nigeria must weigh a higher risk-return uncertainty when making assessments of which infrastructure funds and debt instruments to invest in. Only 3% of assets are invested in alternatives and 35% of that is invested in specialist infrastructure funds.

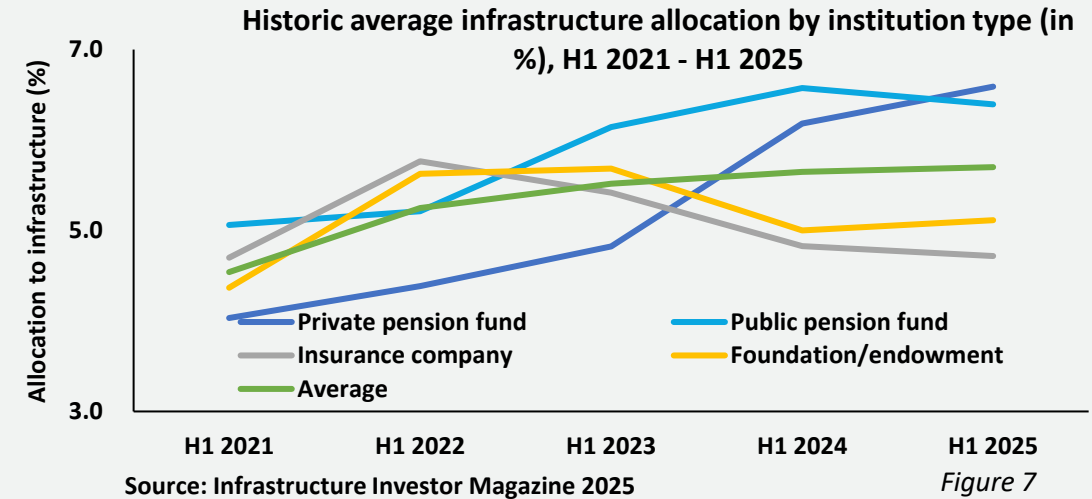


Figure 7

Asset Allocation of Nigerian Pension Funds

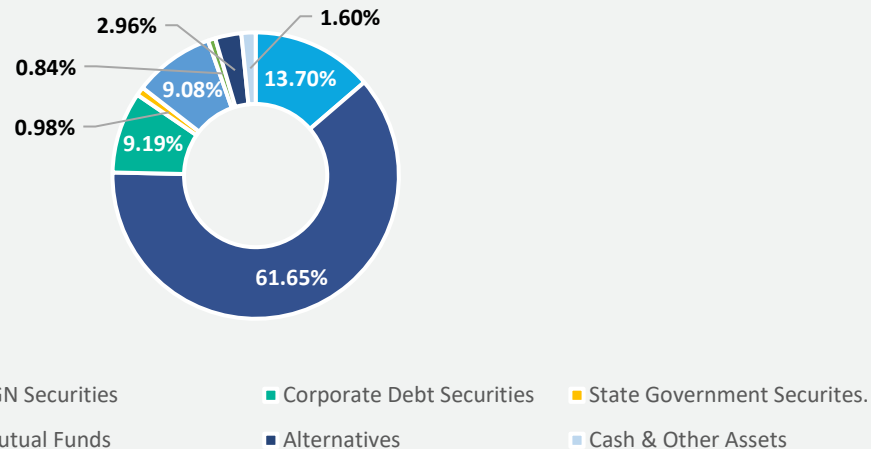
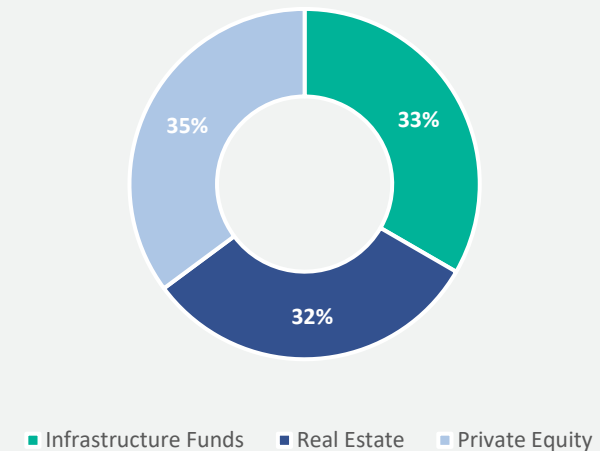


Figure 8

Source: PENCOT 2025

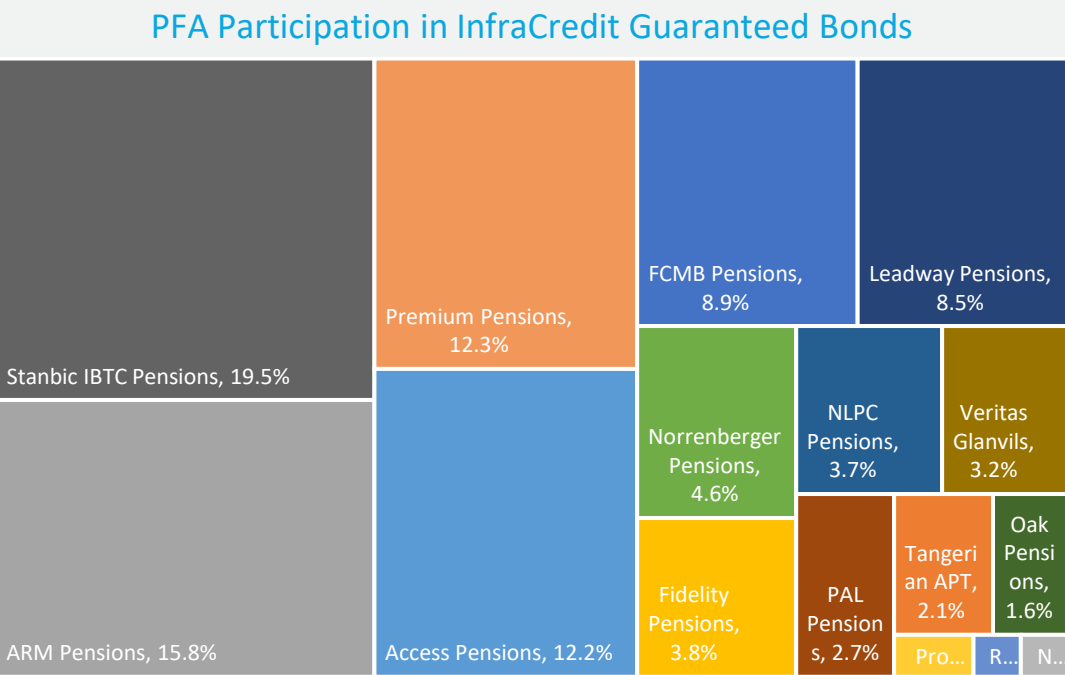
Makeup of Pension Fund Assets Invested in Alternatives



Source: PENCOT 2025

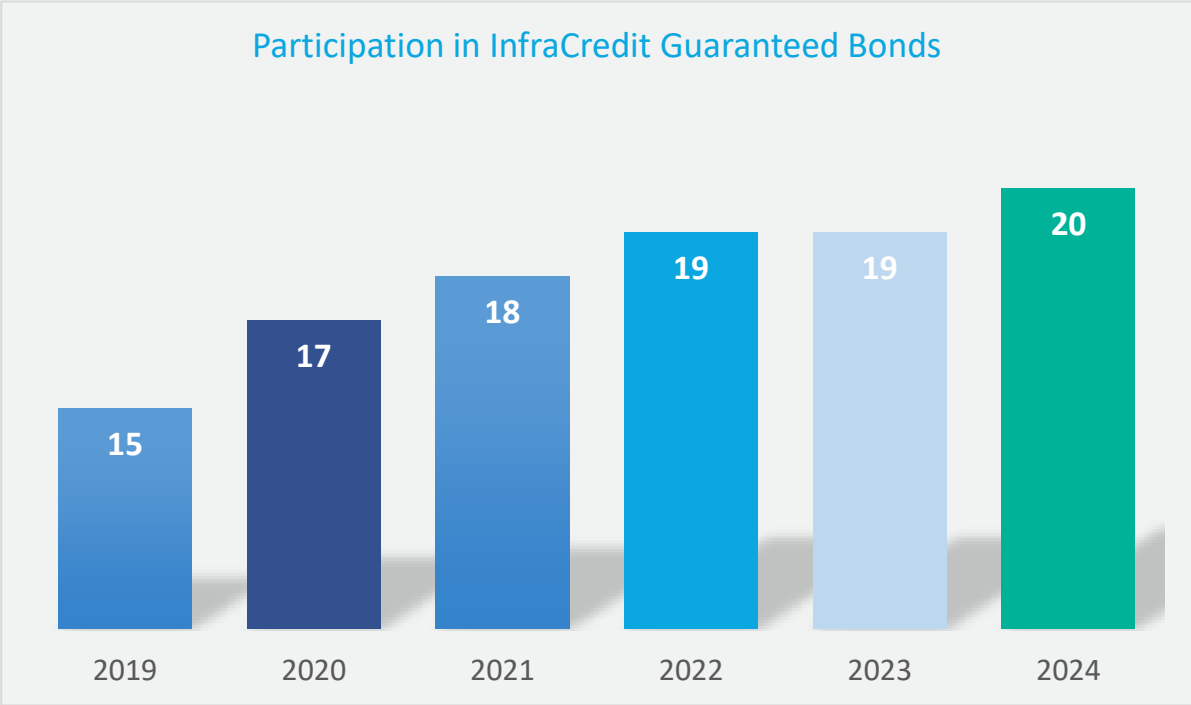
Figure 9

Pension funds have predominately invested in infrastructure debt. Credit enhancements like guarantees have been instrumental in enticing pension funds to invest in infrastructure. Credit enhancements provided by InfraCredit have raised over N101bn in capital investment into specialist infrastructure bonds. Pension funds have also invested N152bn in sovereign Sukuks.



Source: InfraCredit 2024

Figure 10



Source: InfraCredit 2024

Figure 11

The impact of credit enhancements on PFA Uptake infrastructure financing has opened up a model that can be used for multiple sectors, especially with new issuers. Boosting their ability to raise capital at far below market value and for much longer time horizons, up to 20 years.

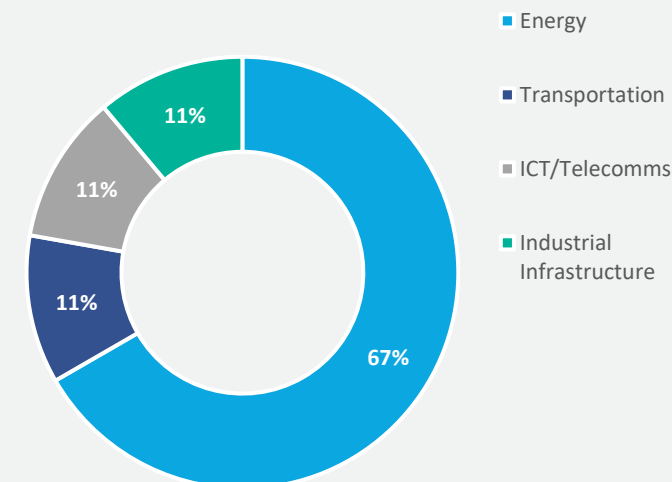
# Nigerian Pension Funds and Infrastructure

## Pension Fund Participation in InfraCredit Deals (2017 -2022)

| Project Sponsor                          | Sector                           | Instrument /Description                                                                                   | Investment Type | PFA Subscription | Interest Rate |
|------------------------------------------|----------------------------------|-----------------------------------------------------------------------------------------------------------|-----------------|------------------|---------------|
| <b>VIATHAN</b>                           | Off Grid Energy                  | NGN 10.0 billion, 16.00%, 10-year, Series 1 Senior Guaranteed Fixed Rate Bond                             | Brownfield      | N9.6bn           | 16.00%        |
| <b>NORTH SOUTH POWER COMPANY LIMITED</b> | Renewable Energy                 | NGN8.5billion, 15-Year, 15.60%, Series 1 Guaranteed Fixed Rate Senior Green Infrastructure Bonds Due 2034 | Brownfield      | N7.3bn           | 15.60%        |
| <b>GEL UTILITY LIMITED</b>               | Off grid Power-Energy            | NGN13 billion, 15-Year, 15.15%, Series 1 Senior Guaranteed Fixed Rate Infrastructure Bonds                | Brownfield      | N9.9bn           | 15.15%        |
| <b>TRANSPORT SERVICE LIMITED (TSL)</b>   | Transport                        | NGN 12 billion, 10-year, 10.00%, Series 1 corporate bond                                                  | Brownfield      | N6.6bn           | 10.00%        |
| <b>LAGOS FREE ZONE COMPANY</b>           | Inputs to Infrastructure         | NGN10.5 Billion, 20-year, 13.25%, Series 1 Senior Guaranteed Bond                                         | Brownfield      | N8.7bn           | 13.25%        |
| <b>GPC ENERGY AND LOGISTICS</b>          | Transportation and Logistics     | NGN20 Billion, 10-year, 13.00%, Series 1 Guaranteed Bond                                                  | Brownfield      | N20bn            | 13.00%        |
| <b>PAN AFRICAN TOWERS (PAT)</b>          | ICT/Telecommunications           | NGN10.0 billion, 10-Year, Series I Senior Guaranteed Fixed Rate                                           | Brownfield      | N9.0bn           | N/A           |
| <b>ASIKO POWER LIMITED</b>               | Off-Grid Power Generation        | NGN1.5 billion 7-Year Series I Senior Guaranteed Fixed Rate                                               | Brownfield      | N/A              | N/A           |
| <b>GAS TERMINALLING STORAGE LIMITED</b>  | Gas to Clean Cooking             | NGN3.5 billion, 7 years                                                                                   | Brownfield      | N/A              | N/A           |
| <b>DARWAY COAST</b>                      | Energy Supply (Renewable Energy) | NGN800 Million 7-year Guaranteed Bond                                                                     | Brownfield      | N/A              | N/A           |

Source: InfraCredit

Table 10



**N101bn+**  
raised

# **GROWTH DRIVERS FOR PENSION FUND INVESTMENT IN NIGERIAN INFRASTRUCTURE**



## Growth Drivers in Infrastructure

Nigeria is home to Africa's largest population with over 200 million people and also the continent's biggest economy. Furthermore, when compared to geographical peers, Nigeria has a somewhat deep financial market.

Despite this, like most Sub-Saharan countries, Nigeria still has a huge infrastructure deficit, limiting efforts at achieving inclusive growth. At 30%, the country's infrastructure stock is well below the World Bank's recommended infrastructure stock of GDP of 70%.

Recurring federal administrations have focused on significant investment in infrastructure. For example, as of 2021 the Nigerian government had borrowed \$2.3bn in loans from the China EXIM bank and had an outstanding balance of \$3,5bn. Furthermore, the government has also raised significant capital from the domestic market. In the last six years, Nigeria has raised N742.6bn in sovereign Sukuks according to the Debt Management Office. Commercialising infrastructure has proven to be a significant factor in driving investment. The Infrastructure Concession Regulatory Commission Act (2005) established the ICRC which regulates the Public and Private Partnership PPP) regime in Nigeria. Concession projects have proved essential in commercializing infrastructure and drawing institutional capital.

However, the most important factor driving institutional investment in infrastructure is returns. With inflation galloping and the real returns for yields on government securities declining, institutional investors are actively looking for alternative investments to diversify their portfolio

# 40%

Nigeria's current infrastructure stock

# N742.6bn

The total amount of Sovereign Sukuks raised between 2017 – 2023. Sukuks are used by the Nigerian government to invest in infrastructure.

## Negative Return on Fixed Income Securities

For Institutional investors, the real return on federal government securities has continued to decline as the inflation rate continues to accelerate.

This has heightened the need for portfolio rebalancing towards alternative and variable income investments. The combination of government action and macroeconomic conditions has seen institutional investors push for more investment in infrastructure.

### Return on FGN Fixed Income Securities against Inflation

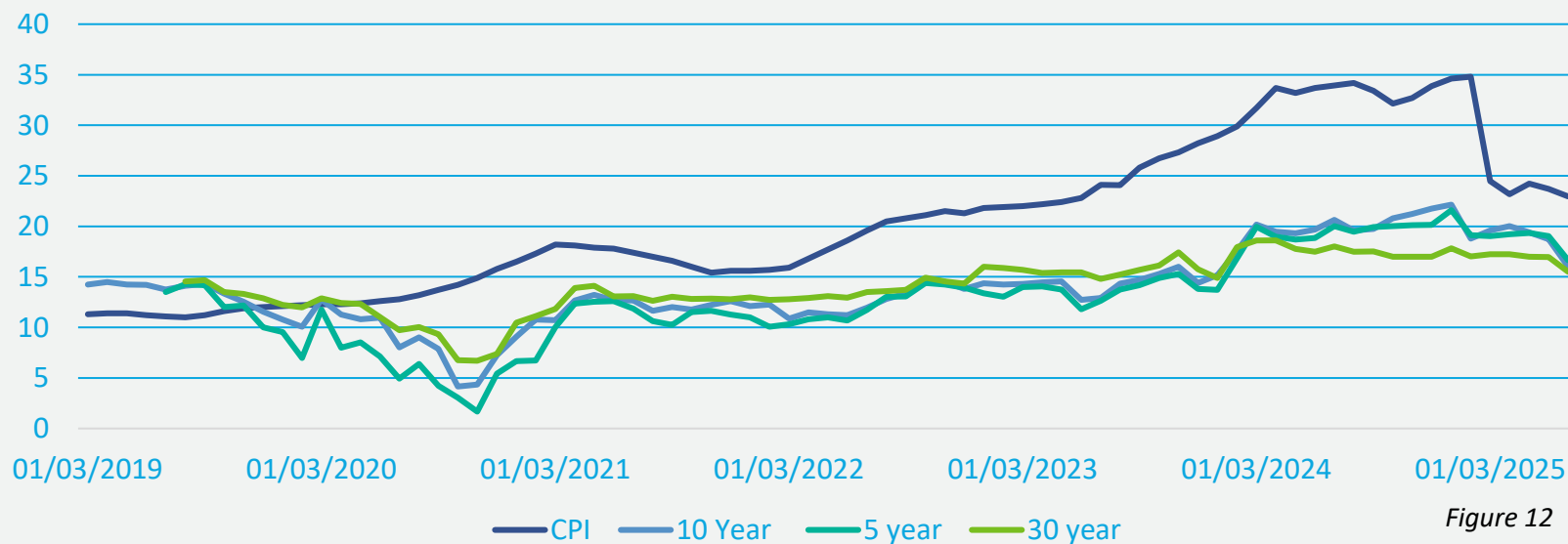


Figure 12

# 26.85%

Three-year average of Consumer Price Index

# 16.85%

Three-year average yield of 10-year federal government bond

# Nigeria-centric Challenges Affecting the Attractiveness of the Asset Class for Pension Funds

While there is a strong interest in investment diversification, the relatively high risk inherent in infrastructure as an asset class can be a challenge for pension funds.

As managers of retirement and public funds, PFAs in general have a lower appetite for risk than other institutional investors. Furthermore, emerging market economies have higher inherent risks, and the need for a safety-first approach is more acute in Nigeria these are the consideration fund managers must make when looking at infrastructure asset class.

Furthermore, regulatory hurdles persist. PENCOM guidelines dissuade pension funds from direct investment in Infrastructure.

Investing in infrastructure is usually in the form of debt i.e. bonds or equity through a fund. As shown on (table. 2), Nigeria remains one of the few countries where limits have been imposed on how much pension funds can invest in infrastructure (China, Croatia, Switzerland and Romania). The limits on each fund's exposure to infrastructure mean total pension fund assets available for infrastructure investment exceed N3trn (\$2bn) as of June 2025. With pension assets being the largest pool of investible capital in the country, the ability to raise domestic capital is limited.

| Global Limit         |         |          |          |           |          |          |
|----------------------|---------|----------|----------|-----------|----------|----------|
| Conduit              | Fund I  | Fund II  | Fund III | Fund IV   | Fund V   | Fund VI  |
| Infrastructure Funds | 10%     | 5%       | N.A      | N.A       | N.A      | 5%       |
| Size                 | 32.95bn | 512.9bn  | N.A      | N.A       | N.A      | N82.12bn |
| Infrastructure Bonds | 25%     | 20%      | 20%      | 10%       | 10%      | 20%      |
| Size                 | N82.4bn | N2.06trn | N1.28trn | N182.78bn | 146.01mn | N32.85bn |

Source: PENCOM

Table 11

# Developments Necessary to Catalyse Pension Fund Capital into Infrastructure

The challenges facing the infrastructure asset class are multi-faceted, therefore need a multi-pronged approach to finding solutions.

The necessity of credit enhancements has been well established. Government play a key role in enhancing these investments, through first-loss guarantees and guaranteed exits. Furthermore, the government also play a crucial role in de-risking these infrastructure investments.

For many infrastructure projects, the process from bidding to execution is opaque. Leaving room for corruption, delays and costs exceeding budgets. A transparent process is necessary to give pension funds and institutional investors confidence that projects are being executed in the most proficient way.

In essence, for the ecosystem to thrive, there needs to be a proliferation of bankable projects that match financing with long-term pension fund liabilities. Furthermore, as pension assets are public, tax incentives can be vital in attracting incentives as fund managers look for savings for their RSA holders.

In addition, the increased number of bankable projects should lead to the increased number of specialist funds investing in infrastructure, to act as an appropriate vehicle for pension funds to channel their investments through.

However, the pension funds bear some responsibility. Increasing capacity within the industry to do due diligence on infrastructure investment is necessary for investment to grow. Scaling these inhibitors will be crucial for pension funds to engage more in infrastructural investment to a level more in line with global practices.

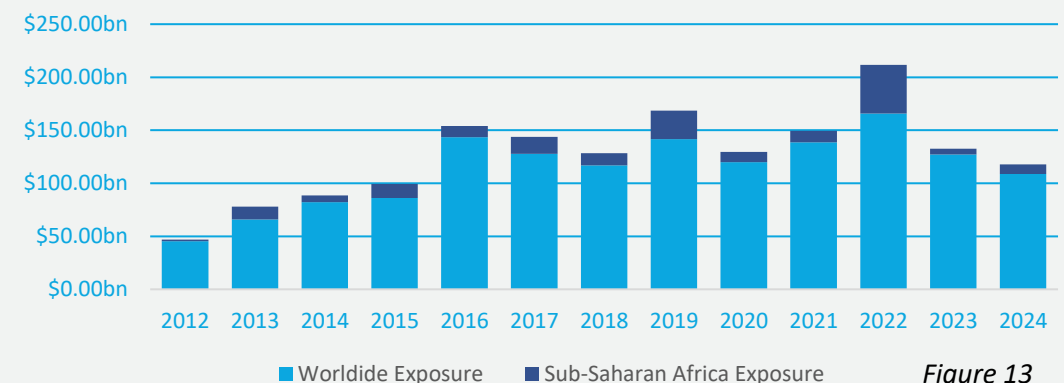
**Headquarters for top 100 Infrastructure Specialist Funds**

|                       |           |        |
|-----------------------|-----------|--------|
| United States         | \$387.9bn | 40.54% |
| Europe                | \$379.1bn | 39.89% |
| Canada                | \$89.1bn  | 9.37%  |
| Australia/New Zealand | \$73.9bn  | 7.78%  |
| China                 | \$8.7bn   | 0.92%  |
| Other Asia            | \$5.5bn   | 0.58%  |
| Latin America         | \$5.0bn   | 0.53%  |
| Middle East           | \$1.5bn   | 0.39%  |

*Table 12*

Highlighting the difficulty in raising capital for infrastructure in Nigeria and Sub-Saharan Africa is the relatively poor depth of Infrastructure specialist funds

**Exposure of Specialist Infrastructure Funds to Africa**



*Figure 13*

Source: Infrastructure Investor

# **CASE STUDY FROM STANBIC IBTC ASSET MANAGEMENT**

1

## Can you shed some light on the Infrastructure deficit in Nigeria and how Stanbic IBTC is trying to close the gap ?

Nigeria faces a significant infrastructure deficit, marked by the absence of modern, broad-based facilities across key sectors. This gap is further exacerbated by the limited number of viable infrastructure projects and a substantial financing shortfall. Bridging this divide requires a multifaceted approach—one that fosters collaboration among stakeholders, mobilises long-term capital, and promotes sustainable development. In response to this urgent need, Stanbic IBTC Asset Management Limited (the "Fund Manager") launched the Stanbic IBTC Infrastructure Fund (the "Fund to bridge the gap between sponsors of infrastructure projects and institutional pools of long-term capital).

The Fund serves as a conduit for financing critical infrastructure projects, enabling investors to participate in nation-building efforts while earning competitive returns. By facilitating access to capital and fostering stakeholder alignment, the Fund Manager is playing a pivotal role in narrowing Nigeria's infrastructure gap and driving inclusive economic growth.

Over the last four years, the Fund has invested in critical infrastructure projects with significant social benefits to the economy, particularly in the healthcare, gas, transport & logistics, and energy sectors, while delivering impressive returns to investors.

In a bid to further amplify its impact, the Fund Manager secured approval from the Securities & Exchange Commission in December 2024 to launch the Stanbic IBTC Infrastructure Growth Fund, a ₦350 billion private fund structured to invest predominantly equity and quasi-equity instruments in infrastructure and infrastructure related projects. The fund is structured to catalyze long-term growth and promote sustainable economic development.

2

## Why is it important for investors to consider investing in alternative assets?

The global investment landscape is increasingly shifting towards alternative assets. These investments not only deliver competitive financial returns but also contribute meaningfully to societal development. A prime example is the Stanbic IBTC Infrastructure Fund, which, in just four years of operation, has played a pivotal role in narrowing Nigeria's infrastructure gap. The fund has supported projects valued at over ₦200 billion while consistently exceeding its return targets to investors.

Alternative assets present an attractive win-win opportunity: they enable investors to achieve strong financial performance while driving tangible impact in communities and economies.

3

## Why should investors have exposure to Infrastructure Funds?

Infrastructure Funds offer a compelling proposition for institutional investors seeking diversification and enhanced returns. As an alternative asset class, they potentially deliver higher returns compared to traditional investments such as equities and bonds, reflecting the unique risk profile inherent in infrastructure projects. One of the key advantages of Infrastructure Funds is their low correlation with traditional asset classes. This characteristic enhances portfolio diversification, helping investors manage risk more effectively across economic cycles. Moreover, these funds provide indirect access to large-scale infrastructure investments that would otherwise be inaccessible due to their substantial capital requirements.

Also, beyond financial returns, infrastructure funds often invests in projects with long term social and economic impact, thus providing investors with the dual benefit of long-term transformative benefits and financial returns.

It is also worthy to mention that infrastructure investment tend to be resilient to economic fluctuations or the business or economic cycles. In periods of recession, the number of people using infrastructure projects as well as the revenue generated from the projects remain relatively unchanged thus, providing investors with investments with stable cashflows.

4

## Why should investors trust Stanbic IBTC with their money?

With over three decades of operations, Stanbic IBTC Asset Management Limited has established a reputation for excellence in the Nigerian financial services landscape. The Fund Manager, Stanbic IBTC Asset Management, has the largest assets under management in Nigeria, at over ₦3 trillion. This impressive feat is a testament to the company's robust operational practices, commitment to delivering superior returns, the expertise of its highly skilled workforce and to the trust investors have in the company. The Fund Manager also leverages the expertise of the Standard Bank Group in its operations. Investors can be certain that Stanbic IBTC Asset Management Limited is at the forefront of the asset management and financial services industry in Nigeria.

Questions and answers with

**Dolu Olugbenjo**

Chief Investment Officer,  
Stanbic IBTC Infrastructure Fund

Stanbic IBTC Infrastructure Fund is of the alternative asset class within Stanbic IBTC Asset Management's managed funds. The fund was registered in 2021 and has since supported projects in the various sectors of Nigeria, with about ₦70 billion investment capital. Here are highlights of two projects the Fund has supported:

## 200,000 standard cubic metre per day (SCMD) LNG Processing Plant in Ogun State



### SPONSOR

A group that has been a key player in Nigeria's gas sector since 2009, with active operations in natural gas processing and distribution through Compressed Natural Gas (CNG), Liquefied Natural Gas (LNG), and Pipeline Natural Gas (PNG)

### USE OF PROCEEDS

The project involves the development of 200,000 Standard Cubic Meter Per Day (SCMD) LNG processing plant in Abeokuta, Ogun State, Nigeria. The Project is the first phase of the planned development of a 600,000SCMD LNG processing plant.

### INVESTMENT IMPACT

- Deepen access to LNG, as a fuel source for power generation.
- Contribute to the reduction of gas flaring in Nigeria by improving the commercial viability of upstream gas infrastructure investments thereby contributing to Nigeria's net-zero targets.

PROJECT COST  
**₦70BN**

SIIF's INVOLVEMENT  
**₦20BN**



## New port facilities in Apapa, Lagos



### SPONSOR

A Group with its flagship subsidiary operating for 20 years as a concessionaire in Tin Can Port, Apapa, Lagos.

### USE OF PROCEEDS

The Project entails the development of a new container terminal with a capacity of 9,500 Twenty Equivalent Units, construction of a quay wall, dredging of the harbor, and the procurement of essential port equipment.

### INVESTMENT IMPACT

The Project aims to generate significant economic and social benefits, including improving trade flows, creating jobs, and addressing the challenges of congestion and limited capacity at the country's existing ports.

### PROJECT COST

**₦55BN**

### SIIF's INVOLVEMENT

**₦20BN**

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[SIIFinvestor-relations@stanbicibtc.com](mailto:SIIFinvestor-relations@stanbicibtc.com)



# **THE PENSION FUND ADMINISTRATORS ON INFRASTRUCTURE**

# The Profile of the Nigerian Pension Funds

The participating PFAs in the survey account for 68% of assets under management by active pension funds.

The participating pension fund managers highlight the incredible growth and scale of the assets under management, with 70% of them currently managing over N1trn(\$660m) in assets, while 30% of participating PFAs manage between \$50m - \$600m worth of pension assets.

Despite impressive compounded annual growth in pension assets, the uptake in infrastructure investment has not been as impressive. None of the pension fund managers polled had exhausted their regulatory limit in both infrastructure funds and infrastructure bonds. This isn't limited to infrastructure but alternatives in general, with fund managers, preferring to invest in high-yielding government securities. 50% of fund managers polled had allocated less than 1% of their assets to alternatives.

Assets Under Management of Surveyed Pension Fund Managers

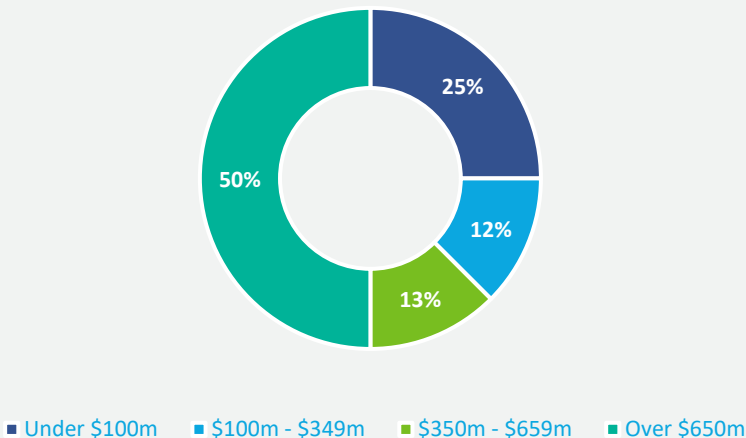


Figure 13

Exposure to Alternatives For Participating PFAs

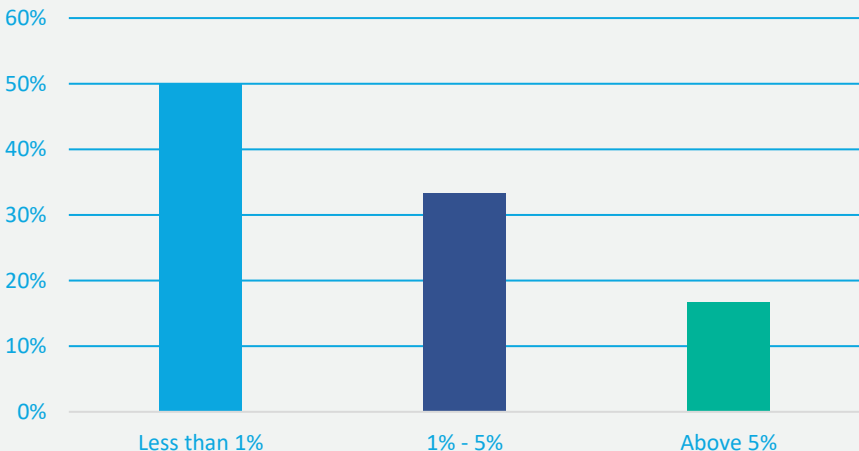


Figure 14

# Barriers to Nigerian Pension Funds Investing in Infrastructure

50% of Pension Fund Managers that participated in the survey believe the biggest hindrance to infrastructure investment is the lack of bankable projects and deal pipelines.

Although there is broad agreement on what the problems are, managers have different opinions of how important those problems are. One in every four of pension fund managers believes the most important hurdle to infrastructural investment is the macroeconomic and political risk factors. These include factors such as people not being able to afford to pay for using the infrastructure and the risk of future government administrations changing policy over an infrastructure project.

Why take risks on infrastructure projects when you can invest in government risk-free securities for a slightly lower return, is the question some of the participants asked. They believe infrastructure investment has to offer significantly more return than risk-free securities which traditionally offer relatively high rates or returns.

In the immediate, fund managers say the immediate remedy to scale barriers to infrastructure investment is PENCOM raising investment limits on infrastructure. They pleaded for flexibility in guidelines in form of permitting new instruments and more conservative funds like the Fund III and Fund IV exposure to infrastructure.

Views on Barriers to Infrastructure Investment

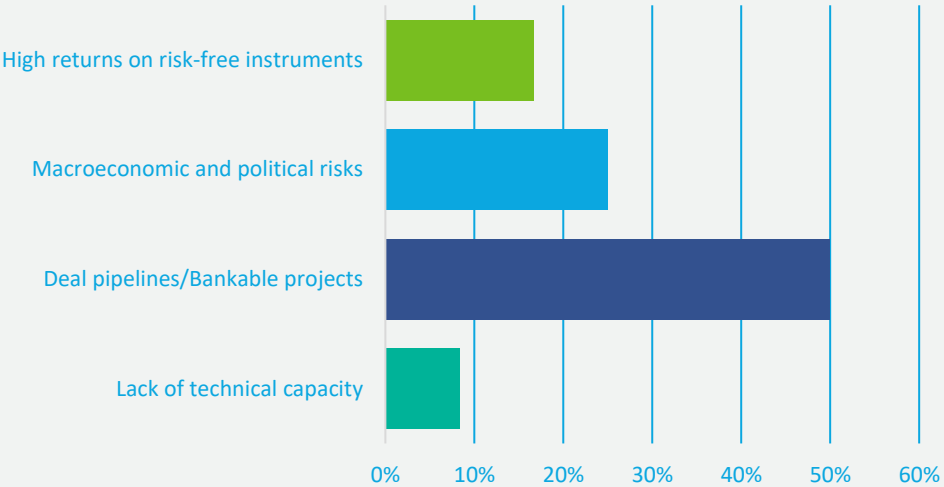


Figure 15

Views on Remedies to Lack of Infrastructure Investment

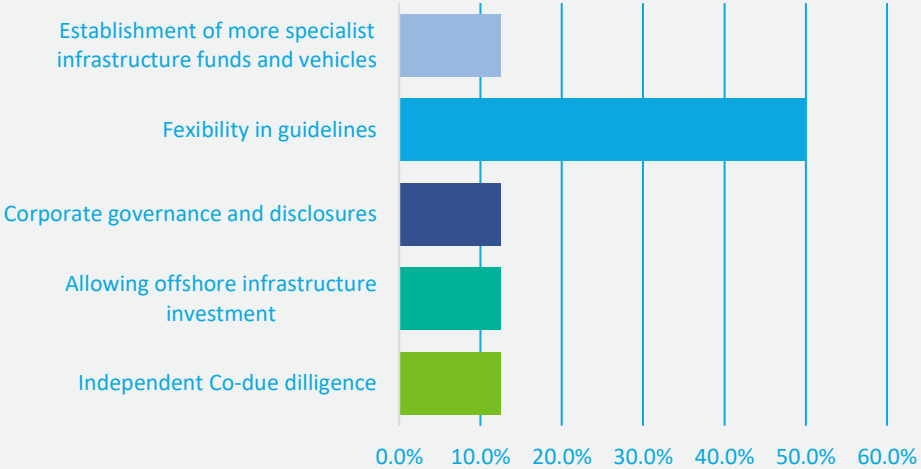


Figure 16

# Fund Managers Strategies

There is unanimous agreement among the participating fund managers that the pension industry needs to invest more in infrastructure.

100% of the respondents outlined that they were either considering or actively looking for infrastructure investments to add to their portfolio.

The majority of respondents said they were actively looking to invest in infrastructure. This is in line with the global private pension fund belief that investments in infrastructure were under-allocated. This painted a positive picture for the asset class with all respondents stating that if a well-packaged deal was brought, they would give the transaction priority.

For many Pension Fund Managers, the structure of planned investment into infrastructure is key in galvanising capital from the pension funds.

A proposed structure must have key elements of having a steady cash flow to allow pension funds match the investment with liabilities. Furthermore, planned investments must have planned exits, especially when it comes to investing through a private fund vehicle. These considerations lead to a preference of a debt arrangement with credit enhancements for first time issuers.

Strategies Towards Alternative Asset Classes

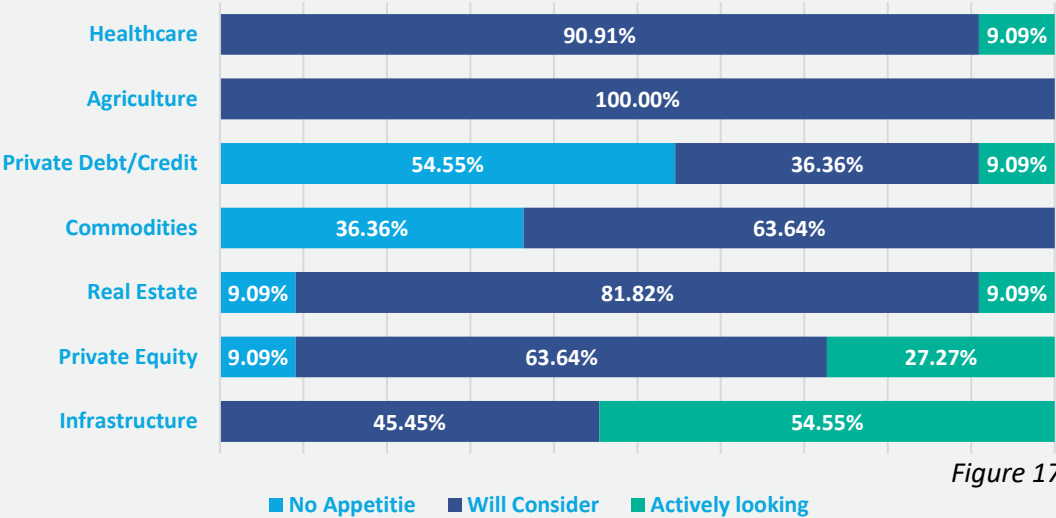


Figure 17

Global Strategies Towards Infrastructure

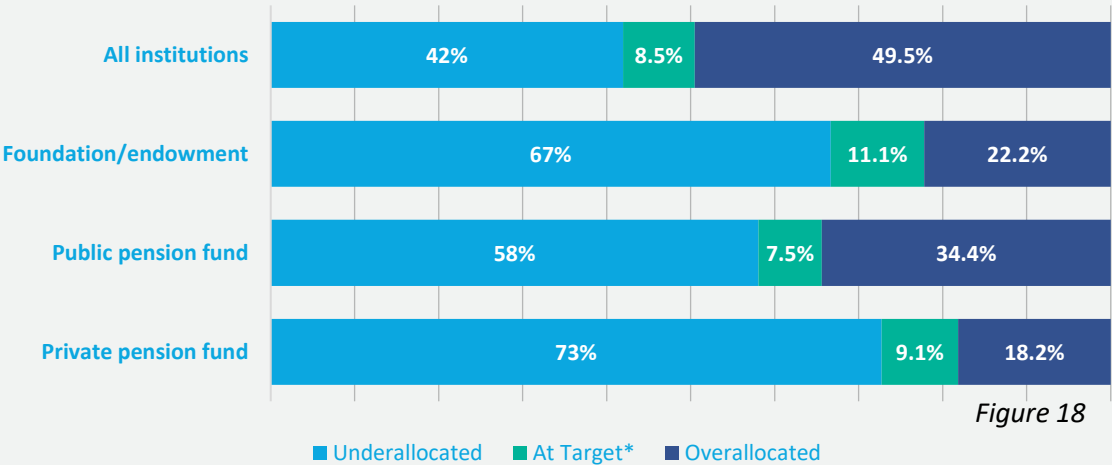


Figure 18

Source: Infrastructure Investor Investor’s Report FY 2025

# Investment Vehicles

55% of fund managers surveyed said they would prefer Infrastructure Bonds as a conduit for investing in infrastructure while the least preferred option was Infrastructure listed equity with just 13% of respondents listing infrastructure-listed equity as the preferred option.

According to the fund managers surveyed, infrastructure bonds were a credible way of de-risking investment in infrastructure by increasing the predictability of returns. Credit enhancements like being guaranteed by a sovereign were also crucial for investments in infrastructure. The fund managers surveyed outlined their caution with infrastructure equity as equity investments performance depended on the depressed stock exchange market and finding listed infrastructure dividend-paying companies was too difficult. In the longer term, fund managers predicted a shift towards infrastructure equity and the fund manager’s approach, as they expect macroeconomic conditions to improve.

What Investment Vehicles Fund Managers Prefer

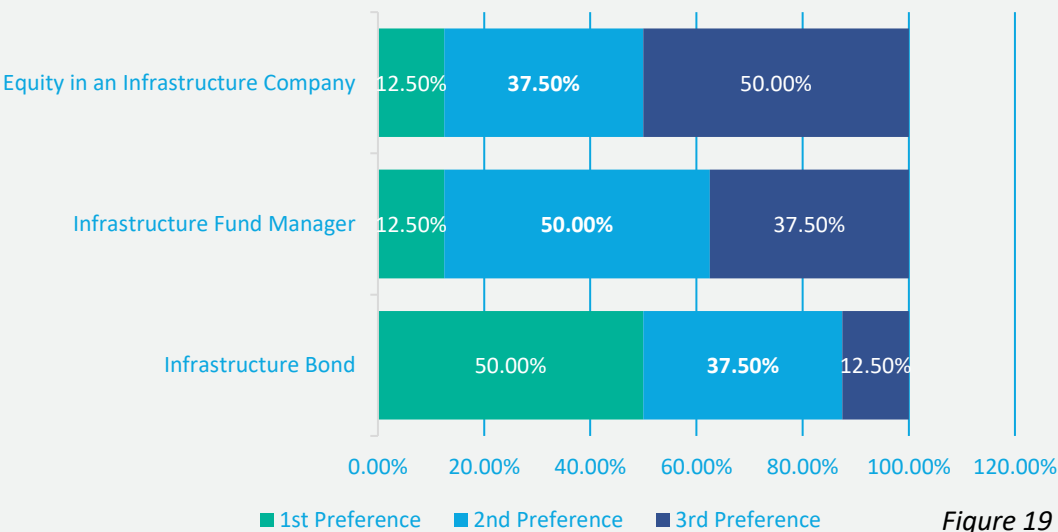


Figure 19

Global Infrastructure Investment Strategy

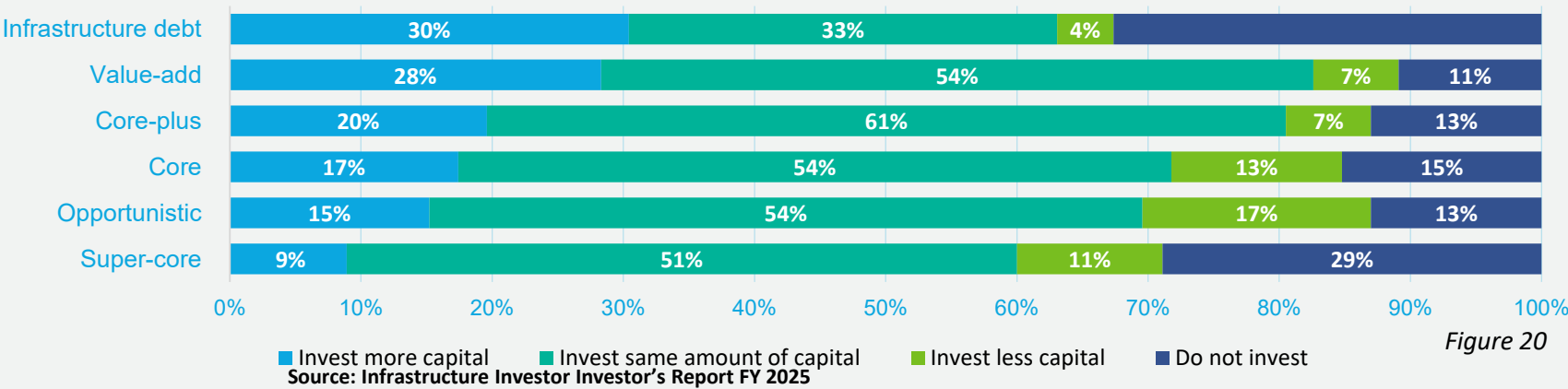


Figure 20

# Infrastructure Sectors

50% of respondents said their preference was investing in either Power or Transportation infrastructure sectors.

Fund managers also noted the potential of agriculture and healthcare as two sectors that could yield significant and consistent returns if structured adequately. Surprisingly, only 6% of respondents outlined telecommunication as a preference. This suggests that there is a caution about crowding out phenomenon has the telecommunication infrastructure is already receiving significant investment from international and domestic players like the large telecommunication companies. For many of these sectors, the pertinent question among fund managers remained the guarantee of consistent returns. Sectors that could be seen as being easier to monetize more consistent returns were more attractive and compensate for potential high yield infrastructure sectors.

Fund Mangers Preference For Infrastructure Sectors

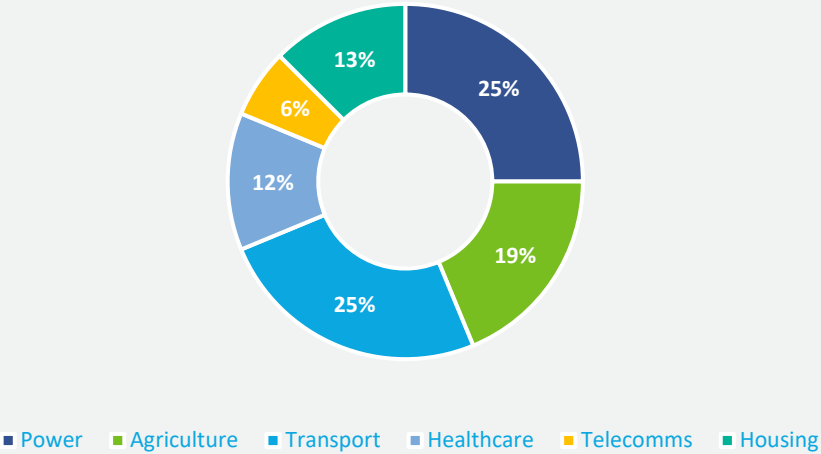


Figure 22

Global Fund Managers Investment Strategy by Sector

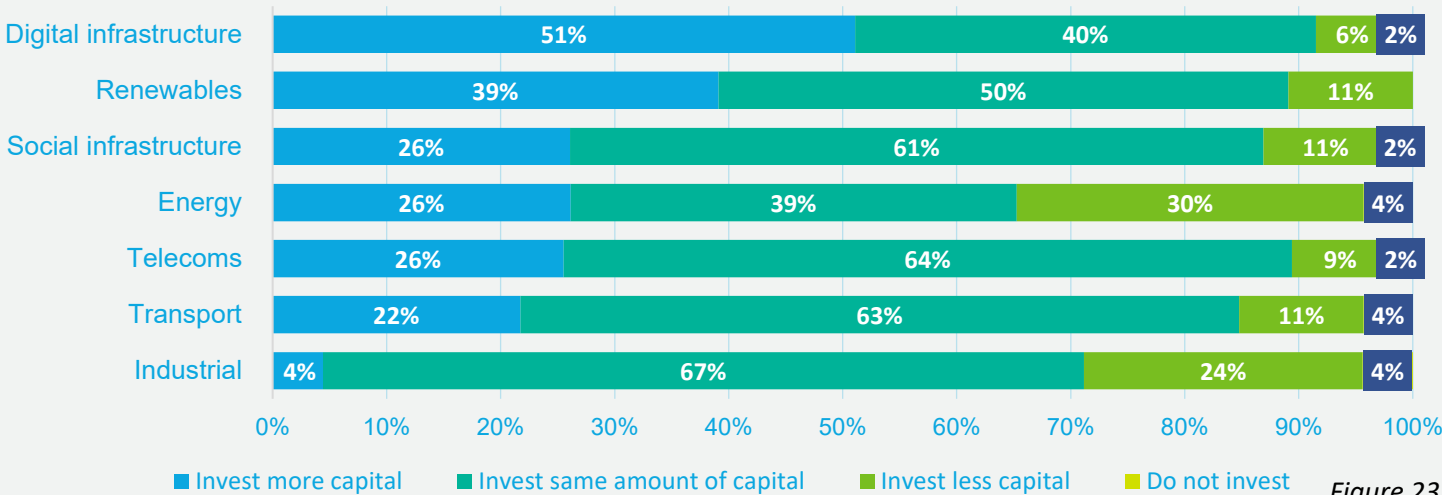


Figure 23

# Looking to the Future

A lot of discussion has been had on the best way to galvanize pension fund investment into infrastructure. One such way is for pension funds to pull resources together to form a consortium with a mandate to invest in infrastructure.

Of the pension funds polled, 100% said they would be interested in forming a consortium to invest in infrastructure. A consortium potentially increases bargaining power, reduces the cost of due diligence and signals the market pension funds are ready to invest in infrastructure which could potentially lead to an increased pipeline.

When observing what fund managers would be looking for in a potential consortium, the overwhelming majority was the technical expertise a consortium could pull from within and outside the industry.

However, a potential consortium does not remove or reduce the enhancements requirements for any potential deal. Fund managers emphasized the need for any deal to outperform risk-free instruments and to only invest in credible project sponsors.

Determining Factors in Forming a Consortium of Pension Funds

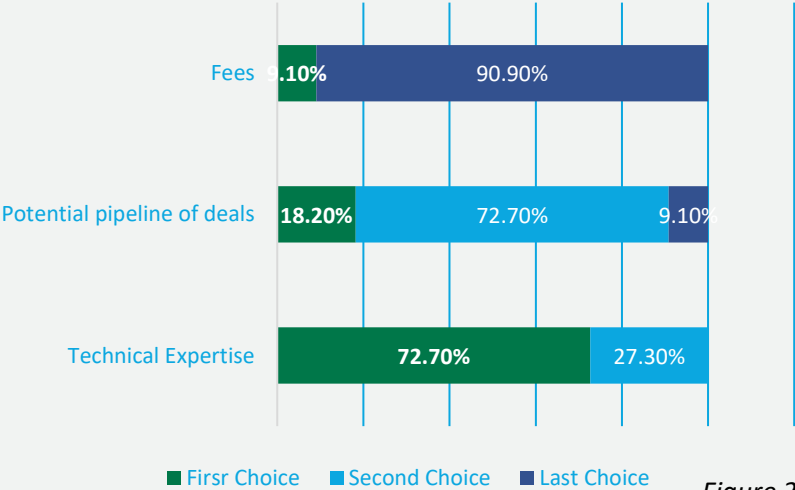


Figure 24

Fund Manager's Priorities on Individual Deals

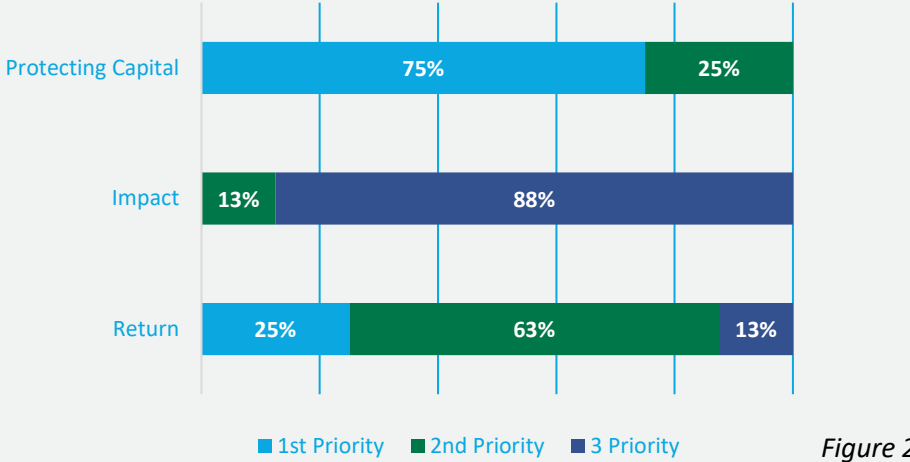


Figure 25



“We believe Infrastructure investing is an evolving as capacity is being developed to encourage more participation.”

“We reckon there are enormous opportunities, very few vehicles, weak institutional frameworks and substantial regulatory constraints.”

“They need to be de-risked as much as possible to enable me to invest and preserve my contributors’ capital.”

“We do both and also work through other foreign LPs to scope the universe of opportunities while encouraging foreign GPs to consider setting up vehicles/parallel funds in Nigeria.”

“There’s quite an enormous infrastructure gap that needs to be bridged by huge capital investments.

Governments need to actively solicit much more private sector investments in the power sector (especially generation), oil & gas (particularly in refining), agriculture & and healthcare sectors.”

“Infrastructure investment in Nigeria is low due to the unavailability of quality instruments or bankable projects”.

“We do not actively seek opportunities in the infrastructure space. We only rely on project advisors to bring infra issues to us after robust DDs.”

“In Nigeria's infrastructure investment landscape, there have been notable advancements, especially with the emergence of entities such as InfraCredit. Their provision of credit enhancements has aided in mitigating the risks associated with infrastructure assets.

However, InfraCredit alone cannot fully address the issues faced by Nigeria's infrastructure investment sector.

Further actions are necessary to establish an enabling environment that entices private investors, including but not limited to enhancing the legal and regulatory framework, increasing the number of DFIs that provide credit enhancements, among others.”

“At PenOp, we regularly receive requests to facilitate conversations around investments in alternative assets. From private equity and private credit to structured products, real estate, and other vehicles, promoters often see the pension industry as a natural pool of long-term capital.

Through these engagements, however, it has become clear that pension funds do not treat all forms of alternatives equally. Each asset type comes with its own risk profile, liquidity constraints, and return dynamics. Among these, infrastructure stands out. With its unique fundamentals and its alignment with the long-term liabilities of pension funds, infrastructure can rightly be considered a distinct asset class rather than just another segment of alternatives.

Pension funds in Nigeria remain deeply interested in infrastructure opportunities. The country’s significant infrastructure gap, coupled with the asset class’s ability to generate predictable, stable cash flows, makes it the number-one focus area within alternatives for many pension fund managers. Infrastructure also offers diversification benefits, hedges against inflation, and supports real economic productivity — features that align with the fiduciary responsibility of pension funds to deliver sustainable returns.

Beyond portfolio considerations, infrastructure investment has wider systemic benefits. By channelling pension savings into roads, power, housing, transport, and digital connectivity, these funds directly contribute to national development. Moreover, as infrastructure investment creates jobs and stimulates economic growth, it can help drive higher pension penetration. A more dynamic workforce entering the formal system ultimately expands the contributor base and strengthens the sustainability of the pension industry itself.

In this sense, infrastructure is not only an attractive investment option but also a strategic lever for both economic transformation and pension industry growth.”

**Akinbola Akintola (Head, Investor Relations & Research)**

## ABOUT PENOP

The Pension Fund Operators Association of Nigeria (PenOp) is the trade association and umbrella body of all licensed pension funds in Nigeria. It is an impact focused organization and a market building enterprise that was established to promote the operations of the pension industry in Nigeria, provide for self-regulation, and ensure that international best practices relating to the industry are observed by the operators registered in Nigeria. It engages with various stakeholders to ensure that the pension industry has a positive impact on the operators, the contributors and the economy as a whole.

Pension Fund Operators Association of Nigeria  
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