

PENSION FUND MANAGERS SENTIMENT REPORT 2026



FUND MANAGERS SENTIMENT SURVEY

Positive Outlook for Investments

SUMMARY

The 2026 Pension Fund Managers Sentiment Report shows a clear improvement in confidence across the pension industry. All pension fund managers surveyed expect economic conditions to improve over the next quarter, supported by easing inflation and improving macroeconomic stability.

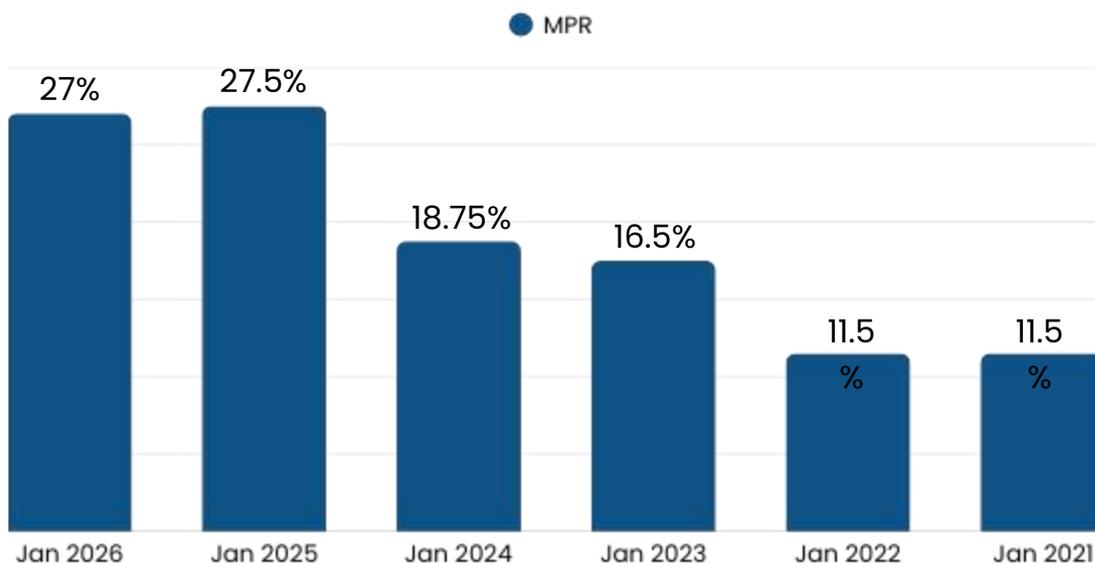
Inflation moderated significantly in 2025, reshaping expectations around interest rates and government borrowing costs. Pension funds continue to hold over 60% of assets in government securities, but portfolio rebalancing is underway as risk appetite improves. About 73% of pension fund managers plan to take on more risk in 2026, with increased allocations to equities and alternative assets, while bond exposure has edged lower.

PenOp notes that the revised PenCom Investment Guidelines have supported this shift by improving diversification opportunities and portfolio flexibility, while maintaining prudent risk standards. Overall, the outlook for 2026 is cautiously optimistic, with fund managers positioning for improved returns amid stabilising economic conditions.

MICRO-ECONOMIC SITUATION

Nigeria's economy grew by 3.98% year-on-year in Q3 2025, slightly down from 4.23% in Q2. Growth was driven mainly by the non-oil sector (96.6% of GDP), with notable contributions from agriculture (3.79%), financial and insurance (19.63%), construction (5.57%), and information & communication (5.78%). The oil sector expanded by 5.84%, down from 20.46% in Q2.

The CBN maintained the MPR at 27% in November 2025 after a 50bps cut in September, citing progress in stabilising inflation. Headline inflation eased to 16.05% in October, the lowest since March 2022, while the central bank adjusted the MPR corridor to +50/-450bps.



Source:
CBN

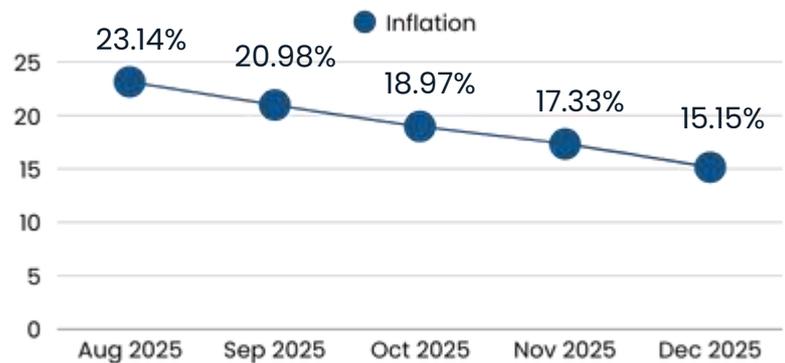


INFLATION

The moderation in inflation reflects easing price pressures across the economy. Nigeria's headline inflation fell to 15.15% in December 2025, the softest since November 2020, down from 17.33% in November, following revisions to the CPI calculation methodology. Food inflation, the largest component of the basket, eased to 10.84%, supported by a strong harvest, while core inflation, which excludes volatile agricultural and energy prices, slowed to 18.63%.

Price growth also eased across other categories, including alcoholic beverages & tobacco (14.9% vs 16.1%), clothing & footwear (13.3% vs 15.4%), housing & utilities (17.5% vs 19.1%) and furnishings & household equipment (21.3% vs 23.1%), although health (29.7% vs 28.6%) and transportation (16.8% vs 16.5%) recorded slight increases.

The sustained easing in inflation is gradually reshaping market expectations, particularly around government borrowing costs. As price pressures moderate, expectations of lower yields on government securities are beginning to build, reflecting reduced inflation risk premiums and a potential shift in monetary conditions. Nonetheless, elevated prices in key sectors continue to weigh on household purchasing power and may constrain discretionary spending. Overall, Nigeria's inflation trajectory in 2025 points to improving macroeconomic stability, even as structural vulnerabilities remain.

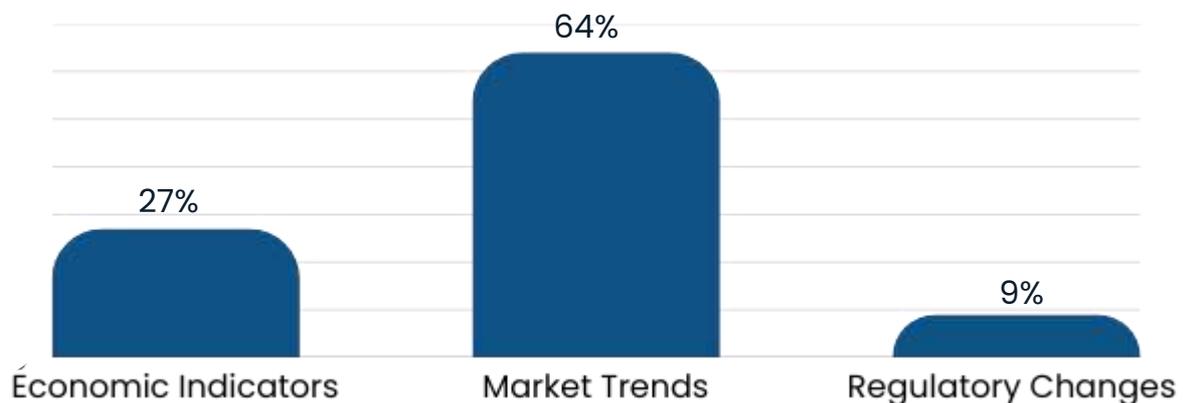


Source:
NBS



PENSION FUND MANAGERS INDICATE THAT MARKET TRENDS WILL INFLUENCE INVESTMENT DECISIONS

Over 64% of fund managers surveyed indicated that their investment decisions will be largely influenced by Market Trends. Inflation remains a key consideration, with Nigeria's headline inflation moderating to 15.15% in December 2025 after sustained easing from previous highs. Fund managers highlighted that while inflationary pressures are easing, volatility in food prices, energy, and other key consumer sectors continues to shape portfolio allocation decisions. This underscores the continued importance of macroeconomic stability in guiding investment strategies in Nigeria's dynamic financial environment.



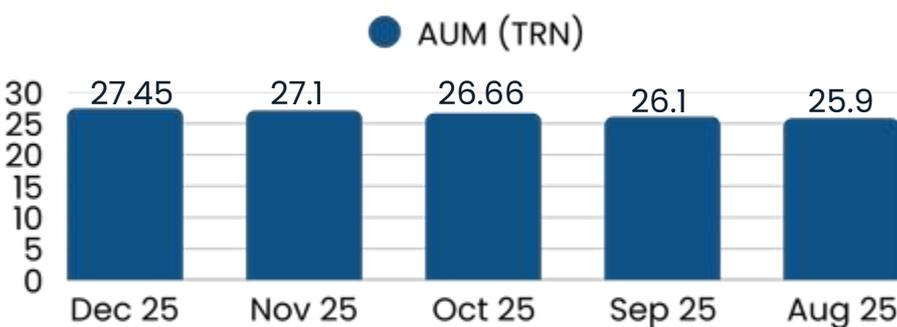
MONETARY POLICY IS TOP CONCERN FOR PENSION FUND MANAGERS

Pension funds continue to maintain a high allocation to government securities, accounting for over 60% of total assets, reflecting the impact of the Central Bank’s prolonged hawkish stance and the attractiveness of fixed-income yields. Survey results reinforce this positioning, with 55% of fund managers identifying interest rate movements as the most significant factor shaping their investment sentiment in 2026. As inflation continues to moderate into 2026, attention is increasingly focused on the Central Bank’s policy direction and its implications for bond yields across both the short and long ends of the yield curve.



DESPITE CHALLENGES, PENSION FUND MANAGERS ARE EAGER TO INVEST

Pension fund managers overwhelmingly indicate they will increase their investment over the next quarter. 83% of the fund managers polled attributed the increased assets under management as the need to increase their investments, despite the macro-economic challenges.

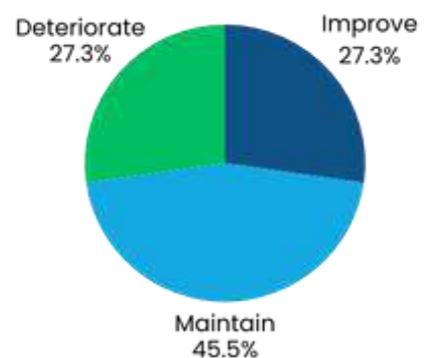


AUM
N27.25 TRN (2025)

NON-MACROECONOMIC FACTORS

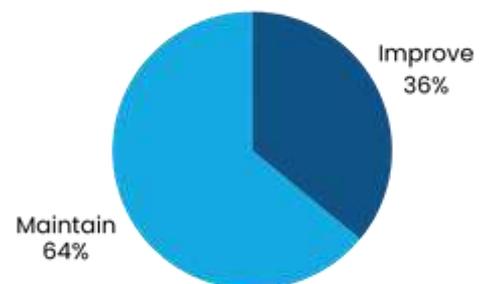
THE CURRENT POLITICAL LANDSCAPE

Political discourse in 2025 has remained tense amid ongoing economic pressures and cost-of-living concerns. The year has seen protests, industrial strikes, and sporadic threats of civil unrest, contributing to an environment of uncertainty. Most pension fund managers expect this cautious climate to persist into the next quarter, reinforcing their careful approach to investments in the real sector.



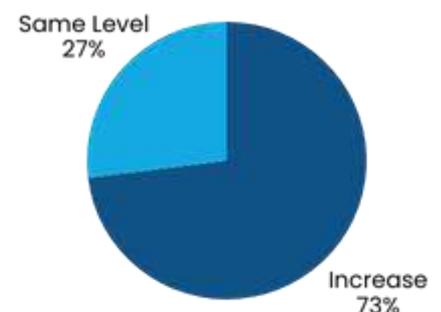
OPTIMISM ON INVESTMENT REGULATION

Following the regulator’s review of investment guidelines, fund managers note that the framework will largely be maintained, preserving the current approach. While this provides regulatory certainty, some caution that the status quo may limit new investment opportunities in the near term.



DESPITE HEADWINDS, PENSION FUND MANAGERS LOOKING TO TAKE RISKS

Despite some pension fund managers maintaining a wait-and-see approach, risk appetite is strengthening, with 73% of fund managers indicating plans to take on more risk in the coming year. Expectations of declining interest rates are encouraging managers to be more innovative and selective in their pursuit of returns.

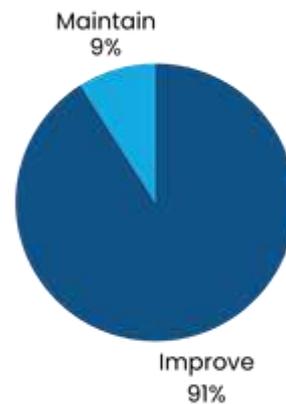


ECONOMIC OUTLOOK



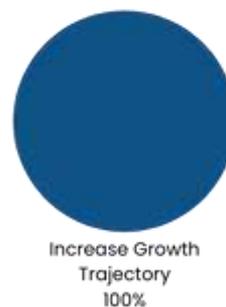
MACRO-ECONOMIC INDICATORS

About 91% of pension fund managers polled expect key macroeconomic indicators to improve over the next quarter, signalling rising optimism despite recent strains on the real economy from subsidy removal and foreign exchange liberalisation.



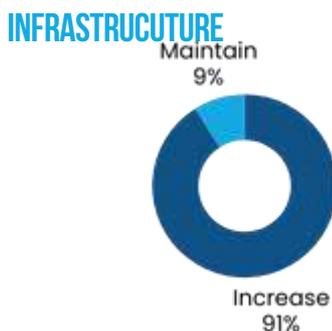
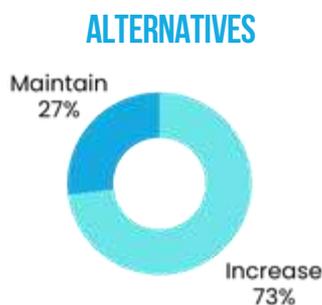
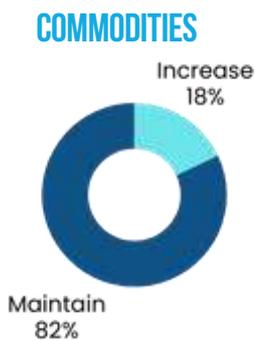
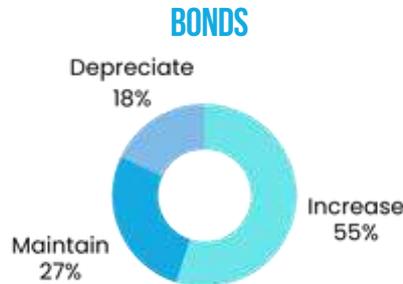
EQUITY MARKET LOOKING MORE POSITIVE

Pension fund managers remain largely bullish on the equities market. The Nigerian equity market delivered strong returns in 2025, with the NGX All-Share Index rising 51.2% and the Main Board Index up 50.9%, reflecting broad-based gains across sectors. Despite some rotation into treasury bills, the robust performance has sustained positive sentiment among fund managers, highlighting confidence in equities as a key component of pension fund portfolios.



WHERE ARE PENSION FUND MANAGERS LOOKING TO INVEST?

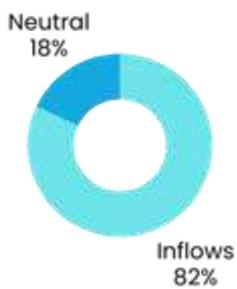
Following the introduction of the revised Investment Guidelines, pension fund managers are increasingly reallocating portfolios toward new asset classes, with a notable rise in alternative investments. While exposure to bonds has edged down slightly, allocations to equities remain elevated, reflecting a stronger risk appetite and a search for higher returns.



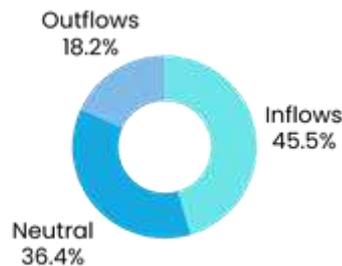
ANTICIPATED INVESTMENT MOVEMENTS ACROSS ASSET CLASSES

Pension fund managers are directing increased inflows into new asset classes and alternative investments. Equity markets are also seeing strong inflows, reflecting sustained risk appetite, while bond allocations have recorded modest outflows as managers rebalance portfolios in search of higher returns.

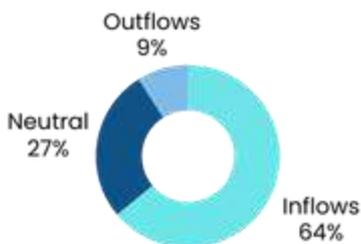
STOCKS



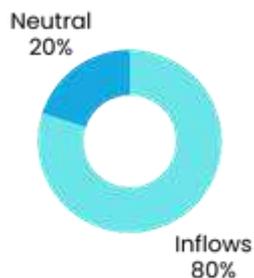
BONDS



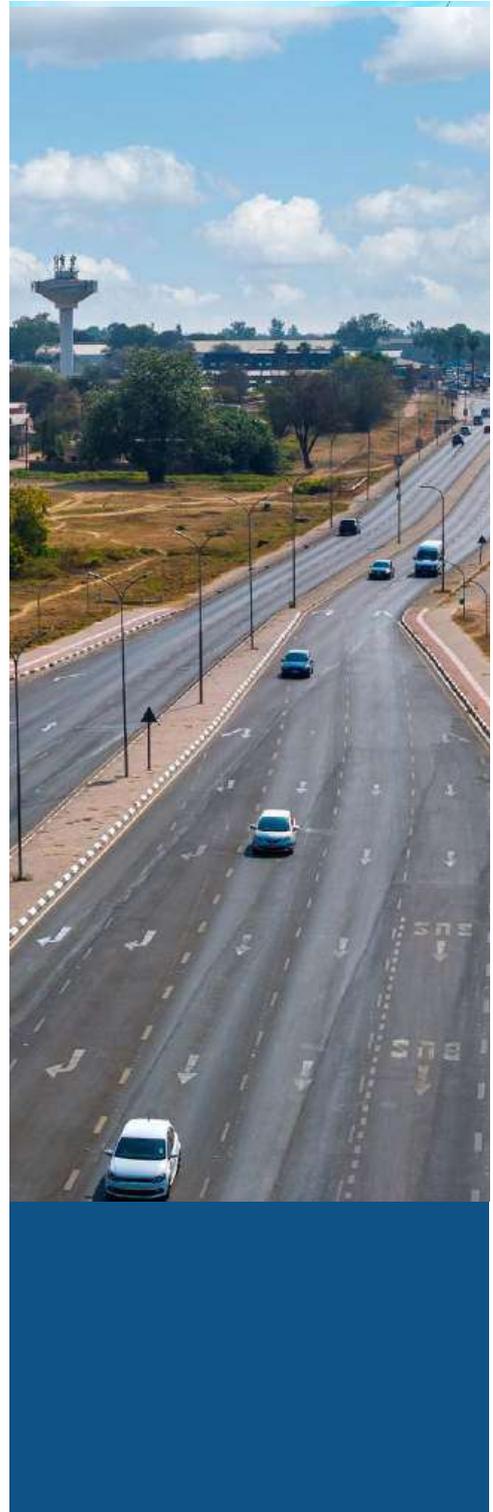
COMMODITIES



ALTERNATIVES

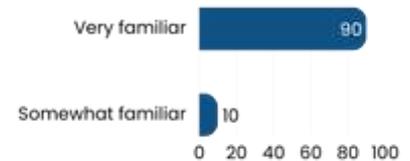


INFRASTRUCTURE

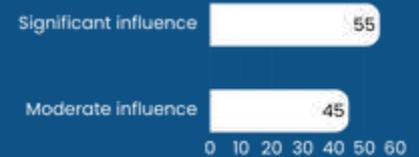


REVISED PENCOM INVESTMENT GUIDELINES

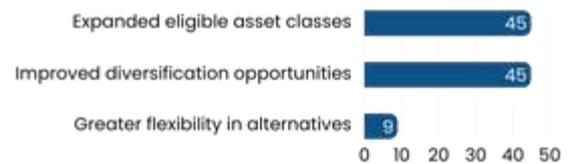
About 90% of fund managers surveyed indicated that they are familiar with the revised PenCom Investment Guidelines.



Over half of fund managers (55%) reported that the revised Investment Guidelines have influenced their investment strategies.



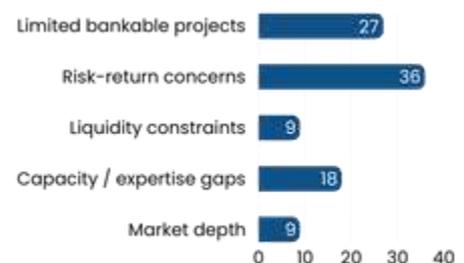
Pension fund managers highlighted the most impactful aspects of the revised guidelines as :



Pension fund manager exposure to infrastructure and private market assets to change over the next 12 months



Constraints to increased use of newly permitted asset classes

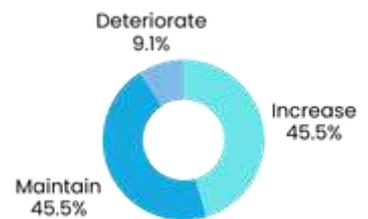


NON-MACROECONOMIC FACTORS



VOLATILITY TO CONTINUE

Only 45% of fund managers surveyed expect market volatility to ease over the next quarter, while 45% anticipate heightened volatility. In addition, 9% expect conditions to deteriorate further. In the survey, discussions, most fund managers attributed these expectations to ongoing foreign exchange pressures and the strain of a prolonged high-interest-rate environment on the real economy.



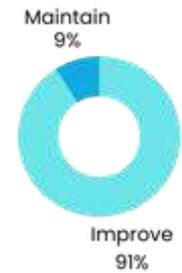
OUTLOOK FOR THE BROADER ECONOMY

All pension fund managers surveyed expect the economy to improve over the next quarter, despite lingering uncertainties. They point to declining inflation, stronger consumer confidence, a gradual recovery in industrial and manufacturing activity, and rising credit flows to businesses as key factors supporting economic growth and stabilizing the naira.



OUTLOOK FOR INVESTOR SENTIMENT

The outlook on investor sentiment is largely positive. A significant 91% of pension fund managers expect investor sentiment to improve over the next quarter, while 9% anticipate it will remain unchanged. This optimism is driven by moderating inflation, stabilizing interest rates, and improving confidence in domestic market conditions.



DISCLAIMER:

This report is based on the responses provided by Chief Investment Officers of various pension funds in Nigeria and reflects their personal views and sentiments at the time of the survey. The findings, opinions, and projections in this report are intended for informational purposes only and do not constitute financial advice or recommendations. PenOp and its affiliates make no guarantees regarding the accuracy or completeness of the information provided, and readers are advised to exercise their own judgment and seek professional advice when making investment decisions. PenOp disclaims any liability for decisions made based on the content of this report.

