

Institutional Investor and Pension Fund Exposure in the Nigerian Stock Exchange: An Analysis of Top-Tier Equities

1. Executive Summary

This report provides a comprehensive analysis of the exposure and investment patterns of large institutional investors, particularly pension funds, within the top 20 companies by market capitalization on the Nigerian Stock Exchange (NGX). The examination reveals a significant, albeit often indirect, presence of pension capital, primarily channeled through nominee accounts and pension fund custodians. Direct, granular identification of specific pension fund holdings is challenging due to reporting structures, which aggregate investments from various clients under a single custodian.

The aggregated data indicates a concentration of institutional investments in sectors characterized by stability, consistent profitability, and established market leadership, such as Financial Services, Industrial Goods (Cement), Communications, and Consumer Goods. This preference is largely driven by the stringent regulatory framework set by the National Pension Commission (PenCom), which mandates investments in companies with proven financial track records and dividend distribution histories. While macroeconomic volatility, particularly Naira devaluation, presents ongoing challenges, the resilience of these top-tier companies continues to attract and retain institutional capital. The overall low proportion of pension fund assets currently allocated to equities suggests a cautious investment posture, yet it also indicates a substantial latent capacity for future market engagement.

2. Introduction: The Nigerian Stock Exchange and Institutional Investment Landscape

The Nigerian Exchange Limited (NGX) stands as a pivotal financial market within Africa, serving as a critical platform for capital formation, investment, and economic development within Nigeria. Its operational framework and market performance are often considered key indicators of the broader economic health and investment climate across the West African region. The NGX facilitates capital raising for corporations and governments, offering diverse investment opportunities across various sectors.¹

Institutional investors, most notably pension funds, play an increasingly significant role in shaping the dynamics of the Nigerian capital market. Their substantial Assets Under Management (AUM) and long-term investment horizons position them as crucial

contributors to market liquidity, stability, and the promotion of sound corporate governance practices among listed entities. Domestic institutional investors, with Nigerian pension funds forming the largest component of this group, accounted for a substantial 60.0% of transactions on the NGX Exchange in 2022, an increase from 46.7% in 2021.³ This high proportion of transactions indicates that pension funds are not merely passive holders of shares but actively influence market dynamics through their trading activities. Their collective buy and sell decisions can significantly impact stock prices and overall market liquidity. This active participation underscores the importance of understanding their investment preferences and the regulatory constraints under which they operate, as their actions can shape market trends and valuations.

Despite their considerable AUM, which stood at N14.36 trillion as of July 2022, Nigerian pension funds have, in recent years, reduced their exposure to domestic equities. This domestic equity allocation fell to 6.4% in July 2022, marking its lowest point since November 2020, and representing a halving from the 11.9% levels recorded at the end of 2013.³ This reduction in equity exposure, even as the overall AUM has grown, suggests that a significant portion of pension fund capital is allocated to other asset classes, such as fixed income or money market instruments. This allocation pattern points to a cautious investment approach, likely prioritizing capital preservation and stable returns over aggressive equity growth, a strategy influenced by prevailing macroeconomic conditions. However, this also implies a substantial latent capacity for equity investment that could be deployed into the market should conditions become more favorable or regulatory incentives shift.

3. Methodology and Data Sourcing

The analysis presented in this report is founded on a systematic review of publicly available financial disclosures.

Identification Criteria for Top 20 Companies: The initial step involved identifying the top 20 companies by market capitalization on the Nigerian Stock Exchange. This was achieved by cross-referencing market data from reputable financial platforms, with market capitalization serving as the primary metric for company size and market influence. The data from early 2024 was prioritized for its recency and relevance.¹

Approach to Extracting Investor Data: Shareholding information, particularly concerning institutional investors and pension funds, was extracted from the latest available annual financial reports (primarily for the fiscal years ending 2023 and 2024) and investor relations disclosures of the identified top companies. The focus was on

identifying direct holdings by institutional entities, holdings by nominee accounts (which frequently represent aggregated institutional clients, including pension funds), and any broad categories of institutional ownership explicitly stated in the reports.⁴

Acknowledgement of Data Limitations and Estimation Approaches: A significant limitation encountered during this analysis is the prevalent practice of reporting institutional holdings under nominee accounts (e.g., Stanbic Nominees Nigeria Limited, Zenith Pension Fund Custodian). These accounts aggregate investments from numerous underlying clients, making it challenging to disaggregate and precisely identify the specific pension funds or their individual exposures within a given company. While some reports categorize holdings by "Pension" or "Institutional" investors, these are often aggregate figures rather than specific fund names or detailed breakdowns.¹³ Consequently, the analysis relies on identifying these nominee accounts and broad institutional categories as proxies for institutional and pension fund exposure, acknowledging that precise, granular quantification of individual pension fund investments is not consistently available through public disclosures.¹⁶ Therefore, the report provides an estimated view of institutional exposure based on the available data.

Overview of Top 20 Companies on the Nigerian Stock Exchange

The following table presents the top 20 companies on the Nigerian Stock Exchange by market capitalization, serving as the universe for this analysis. These companies represent the largest and most influential entities within the Nigerian equity market, spanning key sectors of the economy.

Table 1: Top 20 Companies by Market Capitalization on NGX (2024)

Company Name	Ticker	Market Cap (NGN)	Market Cap (USD)	Sector	Analyst Rating (where available)
BUAFOODS PLC	BUAFOODS D	7.52 T	\$4,719.88M	Process industries / Food Products	Neutral
DANGOTE CEMENT PLC	DANGCEM D	7.3 T	\$4,623.86M	Non-energy minerals / Construction	Buy

				Materials	
MTN NIGERIA COMMUNIC ATIONS PLC	MTNN D	5.67 T	\$3,616.98M	Communicati ons / Wireless Telecommuni cation Services	Strong buy
GEREGU POWER PLC	GEREGU D	2.85 T	\$1,790.18M	Utilities / Electric Utilities	—
BUA CEMENT PLC	BUACEMENT D	2.83 T	\$1,778.07M	Non-energy minerals / Construction Materials	Neutral
TRANSCORP POWER PLC	TRANSPOWE R D	2.46 T	\$1,545.53M	Utilities / Electric Utilities	—
GUARANTY TRUST HOLDING COMPANY PLC	GTCO D	2.39 T	\$989.02M	Finance / Banks	Strong buy
ARADEL HOLDINGS PLC	ARADEL D	2 T	\$1,253.76M	Energy minerals / Oil, Gas and Consumable Fuels	Neutral
ZENITH BANK PLC	ZENITHBANK D	1.95 T	\$1,226.34M	Finance / Banks	Strong buy
NIGERIAN BREWERIES PLC	NB D	1.67 T	\$1,105.91M	Consumer non-durable s / Beverages	Buy
INTERNATIO	INTBREW D	1.57 T	\$981.81M	Consumer	—

NAL BREWERIES PLC				non-durable s / Beverages	
TRANSCORP HOTELS PLC	TRANSCOH OT D	1.42 T	\$988.20M	Consumer services / Hotels, Restaurants and Leisure	—
LAFARGE AFRICA PLC	WAPCO D	1.33 T	\$798.26M	Non-energy minerals / Construction Materials	Buy
NESTLÉ NIGERIA PLC	NESTLE D	1.26 T	\$790.86M	Consumer non-durable s / Food Products	Buy
UNITED BANK FOR AFRICA PLC	UBA D	1.18 T	\$713.33M	Finance / Banks	Strong buy
ACCESS HOLDINGS PLC	ACCESSCOR P D	1.13 T	\$703.80M	Finance / Banks	Strong buy
STANBIC IBTC HOLDINGS PLC	STANBIC D	1.1 T	\$562.05M	Finance / Financial Services	Strong buy
PRESCO PLC	PRESCO D	950 B	\$552.03M	Consumer non-durable s / Food Products	Strong buy
FIDELITY BANK PLC	FIDELITYBK D	936.46 B	\$546.50M	Finance / Banks	Buy
OANDO PLC	OANDO D	653.17 B	\$422.41M	Energy minerals /	—

				Oil, Gas and Consumable Fuels	
--	--	--	--	-------------------------------	--

Note: Market capitalization values are approximate as of the provided data in ¹ and ². USD equivalents are based on exchange rates at the time of the snippet data collection.

4. Regulatory Framework for Pension Fund Investments in Nigeria

The investment landscape for pension funds in Nigeria is meticulously governed by the National Pension Commission (PenCom). PenCom's primary mandate is to ensure the safety of pension assets and to facilitate fair returns for contributors. This regulatory oversight profoundly influences the investment universe and strategies adopted by Pension Fund Administrators (PFAs).⁴⁰

Key Regulations and Guidelines from PenCom: PenCom's "Regulation on Investment of Pension Fund Assets" is the cornerstone of these guidelines. It sets forth the permissible investment instruments, risk management frameworks, and operational requirements for PFAs. Recent updates, such as stricter guidelines for investments in Commercial Papers (CPs), emphasize the need for corporate entities issuing CPs to have a minimum credit rating of 'A', with exceptions for 'BBB' rated instruments if guaranteed by a sovereign entity, a Multilateral Development Finance Organization, or a commercial bank with an 'A' rating.⁴² This demonstrates a continuous effort to enhance risk management and safeguard pension fund assets.

Eligibility Criteria for Listed Companies: To qualify for investment by pension funds, listed companies must meet specific eligibility criteria that underscore financial health and shareholder returns. Companies are required to demonstrate a consistent track record of taxable profits over a minimum of three out of the last five years prior to the investment consideration. Furthermore, they must have a history of either distributing dividends or issuing bonuses in at least one of the preceding five years. Adherence to the NGX's free float rules is also essential, requiring companies to maintain a Free Float Factor of no less than 5%.⁴³ These criteria collectively ensure that pension funds invest in fundamentally sound, liquid, and shareholder-friendly entities.

This regulatory framework inherently directs pension fund investments towards established, profitable, and dividend-paying large-cap companies. The regulatory environment acts as a de-risking mechanism, channeling pension capital into the most stable segments of the NGX. This approach is consistent with the primary

objectives of pension funds, which prioritize capital preservation and consistent returns for retirees. The effect of these stringent requirements is a concentration of pension fund investments in blue-chip companies, which tend to be the largest by market capitalization. This also implies that companies aspiring to attract pension fund investment must consistently prioritize strong financial performance and shareholder distributions.

Asset Allocation Limits and Multi-Fund Structure: PenCom's regulations impose explicit limits on the proportion of pension assets that can be allocated to equities, varying by fund type within the Multi-Fund Structure. For instance, Fund I (Aggressive Growth) has a global limit of 30% of its portfolio value in ordinary shares, while Fund IV (Retiree Fund), designed for retirees, has a more conservative limit of 5%.⁴¹ A PFA may invest up to a maximum of 7.5% of the issued share capital of any one listed company, and cumulatively across all funds, holdings in a single listed company cannot exceed 20% of its issued share capital.⁴¹ These limits are designed to ensure diversification and manage risk exposure across different contributor risk profiles.

The NGX Pension Broad Index (NGXPENBRD): In a significant development aimed at enhancing transparency and diversification, the NGX and PenCom collaborated to introduce the NGX Pension Broad Index (NGXPENBRD). This index addresses the limitations of previous benchmarks, such as the NGX All Share Index (ASI), which included ineligible stocks, and the narrower NGX Pension Index (PI), which comprised only 40 stocks.⁴³ The NGXPENBRD expands the universe of eligible stocks to 84, selected based on stringent profitability and dividend payment criteria, and undergoes semi-annual rebalancing to reflect market dynamics accurately.⁴³ PenCom has officially endorsed this index as the benchmark for Nigeria's pension industry equity investment portfolios.⁴³ The evolution from a narrow index to a broader one signifies a strategic intent by PenCom and PFAs to enhance diversification and capture a wider range of investment opportunities within the equity market, while still adhering to strict risk parameters. This move indicates a maturing pension industry actively seeking to optimize returns and manage risk more effectively. It also suggests a long-term strategy to deepen the domestic capital market by encouraging pension funds to allocate capital more broadly across eligible companies, potentially fostering growth in a wider array of sectors beyond the traditionally dominant few, while still prioritizing the safety and stability essential for pension assets.

5. Analysis of Institutional Investor and Pension Fund Holdings in Top NGX Companies

An examination of the shareholding structures of the top 20 companies on the NGX

reveals a complex landscape of institutional and private ownership. While direct identification of specific pension funds as major shareholders is infrequent, their presence is often observed through nominee accounts and general institutional investor categories.

Table 2: Identified Institutional/Pension Fund Holdings in Top NGX Companies (2023/2024)

Company	Identified Major Shareholder / Custodian	% Holding (Approx.)	Type of Shareholder	Notes
BUAFOODS PLC	(Not explicitly detailed in snippets)	N/A	N/A	Shareholding structure not explicitly detailed for major institutional shareholders in provided snippets. ¹⁷
DANGOTE CEMENT PLC	Dangote Industries Limited	85.8%	Parent Company / Founder-controlled	Ultimate owner is Aliko Dangote. ¹²
	Stanbic IBTC Nominees Nigeria Ltd	5.64%	Nominee / Custodian	Holds shares on behalf of various investors. ¹²
MTN NIGERIA COMMUNICATIONS PLC	MTN International (Mauritius) Limited	73.39%	Parent Company	Ultimate holding company. ⁴
GEREGU POWER PLC	Amperion Power Distribution Company Limited	100% (2021)	Parent Company	20% retained by Federal Government of Nigeria in 2021. ⁴⁴ Recent

				reports (2023/2024) do not detail shareholding. ²¹
BUA CEMENT PLC	Abdul Samad Rabiul CFR, CON	56.03%	Individual Founder	Direct holding. ¹³
	BUA Industries Limited	39.75%	Related Corporate Entity	Indirect holding by Abdul Samad Rabiul. ¹³
	Pension (Aggregate)	43.23%	Institutional Category	Aggregate holding by pension funds. ¹³
TRANSCORP POWER PLC	Transnational Corporation Plc	50.99%	Parent Company	. ⁵
	Rich Point Limited	32.25%	Corporate Investor	. ⁵
	Woodrock Energy Resources Limited	6.53%	Corporate Investor	. ⁵
GUARANTY TRUST HOLDING COMPANY PLC	Stanbic Nominees Nigeria Limited	19.78%	Nominee / Custodian	Holds shares for various investors. ¹⁴
	Zenith PFC	8.32%	Pension Fund Custodian	Holds shares for various investors. ¹⁴
ARADEL HOLDINGS PLC	(Information unavailable in snippets)	N/A	N/A	Comprehensive list of major shareholders or full structure not provided in

				snippets. ²⁶
ZENITH BANK PLC	Jim Ovia, CFR	11.32%	Individual Founder	Substantial interest. ⁶
NIGERIAN BREWERIES PLC	Heineken N.V.	~72.9%	Parent Company	Majority shareholder. ⁷
INTERNATIONAL BREWERIES PLC	AB Inbev Nigeria Holdings BV	96.01%	Parent Company	Substantial shareholder. ¹⁰
TRANSCORP HOTELS PLC	Transnational Corporation Plc	76.16%	Parent Company	. ⁹
	Ministry of Finance Incorporated	11.04%	Government Entity	. ⁹
LAFARGE AFRICA PLC	Holcim Limited	83.81%	Parent Company	. ⁴⁷
	Associated International Cement Limited (AIC UK)	>5%	Corporate Investor	. ⁴⁷
	CariCement BV	>5%	Corporate Investor	. ⁴⁷
NESTLÉ NIGERIA PLC	Société Des Produits Nestlé S.A., Switzerland	66.18%	Parent Company	Ultimate holding company. ⁴⁸
UNITED BANK FOR AFRICA PLC	(Information unavailable in snippets)	N/A	N/A	Shareholding structure not detailed in provided snippets. ³⁴
ACCESS HOLDINGS PLC	Stanbic Nominees	6.17%	Nominee / Custodian	Acts as a custodian for

	Nigeria Limited			various investors. ¹⁵
	Coronation Trustees Tengen Mauritius	7.41%	Corporate Investor / Trustee	¹⁵
	Domestic institutional investors (Aggregate)	48.48%	Institutional Category	¹⁵
	Foreign institutional investors (Aggregate)	13.86%	Institutional Category	¹⁵
STANBIC IBTC HOLDINGS PLC	Stanbic Africa Holdings Limited (SAHL)	67.55%	Parent Company	¹¹
	SITL THE FIRST ANAP DOMESTIC TRUST	1.16%	Trust	¹¹
PRESCO PLC	(Information unavailable in snippets)	N/A	N/A	Shareholding structure not detailed in provided snippets. ³⁸
FIDELITY BANK PLC	(Widely held)	N/A	N/A	No single shareholder held up to 5% of issued share capital. ⁸
OANDO PLC	(Not explicitly detailed in snippets)	N/A	N/A	Shareholding structure not explicitly detailed for major

				institutional shareholders in provided snippets.
--	--	--	--	---

Note: Data primarily from 2023 and 2024 annual reports. "N/A" indicates information was not explicitly detailed in the provided research snippets.

Discussion on Concentration and Diversification:

A prominent characteristic of the ownership structure in many of the NGX's largest companies is the high percentage of shares held by founding entities or parent companies. For example, Dangote Industries Limited holds a substantial 85.8% of Dangote Cement 12, while MTN International (Mauritius) Limited controls 73.39% of MTN Nigeria.⁴ Similarly, BUA Cement is largely controlled by Abdul Samad Rabiou and BUA Industries Limited (totaling ~95.78%) 13, and International Breweries is dominated by AB Inbev Nigeria Holdings BV at 96.01%.¹⁰ This high concentration of ownership means that a significant portion of these companies' shares is not freely traded in the market. This creates a structural constraint on the overall liquidity and depth of the market for institutional investors, including pension funds. While these companies are large by market capitalization, the actual free float available for substantial institutional investment is considerably smaller. This can lead to challenges for large institutional investors seeking to acquire or divest significant positions without impacting market prices, potentially influencing their allocation strategies or requiring them to build positions over extended periods. It also suggests that the market's overall depth for institutional investment is shallower than headline market capitalization figures might otherwise indicate.

Role of Nominee Accounts/Custodians: The analysis frequently identifies "Stanbic Nominees Nigeria Limited" and "Zenith Pension Fund Custodian (Zenith PFC)" as major shareholders in companies like Guaranty Trust Holding Company Plc.¹⁴ These entities hold shares on behalf of various underlying investors, including pension funds. This practice, while standard for custodial services, fundamentally obscures the direct visibility of individual pension fund exposure in listed companies. It makes precise quantification of their total and distributed investments difficult from publicly available reports alone. The pervasive use of such nominee accounts means that while the presence of institutional capital is evident, the specific pension funds contributing this capital and their exact allocations remain largely undisclosed. This necessitates a broader estimation approach or reliance on aggregated industry data rather than company-specific disclosures for a complete picture.

Limited Direct Pension Fund Identification: Beyond these nominee accounts, direct identification of specific pension funds as major shareholders (typically defined as holding 5% or more of a company's shares) is rare in the provided financial reports.

This suggests that individual pension fund allocations, while collectively forming a significant portion of institutional investment, are often below the threshold for major shareholder disclosure or are intentionally aggregated under custodial arrangements to streamline management and reporting.

Sectoral Distribution: Institutional investments are notably concentrated in several key sectors:

- **Financial Services (Banks):** Companies like GTCO, Zenith Bank, United Bank for Africa (UBA), Access Holdings, Stanbic IBTC, and FBN Holdings are prominent. These institutions are generally large, stable, and subject to robust regulatory oversight, offering consistent profitability and attractive dividend yields, which align well with the income-generating objectives of pension funds.¹
- **Industrial Goods (Cement):** Major players such as Dangote Cement, BUA Cement, and Lafarge Africa attract significant institutional capital. These companies operate in a foundational industry, benefiting from strong domestic demand for infrastructure development and often holding dominant market positions that provide predictable cash flows.¹
- **Communications:** MTN Nigeria Communications Plc stands out as a key investment. Its large subscriber base, essential service provision, and strong cash generation capabilities make it an attractive long-term holding.¹
- **Consumer Goods:** Investments are also observed in food and beverage companies like Nigerian Breweries, International Breweries, Nestlé Nigeria, BUA Foods, and Presco Plc. These sectors are considered defensive, characterized by consistent consumer demand, which can offer stable dividends even during periods of economic uncertainty.¹
- **Utilities/Energy:** Companies such as Geregu Power Plc, Transcorp Power Plc, and Aradel Holdings Plc represent exposure to critical national infrastructure and the energy sector. Their potential for growth, driven by increasing energy demand and often supported by government policies, aligns with long-term investment strategies.¹

6. Estimated Total Pension Fund Exposure in the NGX

Aggregating the identified holdings, particularly those channeled through nominee accounts and general institutional categories, provides an estimated view of pension fund exposure within the top 20 companies. However, a precise quantification of the total pension fund investment in the entire NGX remains challenging due to the inherent data limitations discussed previously. The pervasive use of nominee accounts and pension fund custodians fundamentally obscures the direct visibility of individual

pension fund exposure in listed companies. This makes precise quantification of their specific total and distributed investments difficult from public company reports alone.

To provide a broader context, it is necessary to refer to industry-wide data from PenCom. As of July 2022, the total Assets Under Management (AUM) of Nigerian pension funds stood at N14.36 trillion. Of this, the domestic equity exposure was reported at 6.4%.³ This translates to an estimated N919 billion¹ invested in domestic equities by pension funds. This aggregate figure is crucial because it quantifies the total pool of pension capital allocated to equities. It contextualizes the limited direct company-level disclosures, suggesting that while individual holdings in specific companies might be below disclosure thresholds or held through custodians, the collective presence of pension funds as a market segment is significant. It also highlights the relatively low proportion of pension AUM currently allocated to equities, hinting at potential for future growth or a continued cautious stance in a volatile market.

7. Key Investment Themes and Rationales

The investment patterns of institutional investors, particularly pension funds, in the Nigerian Stock Exchange's top-tier companies are driven by several overarching themes and rationales, largely influenced by their long-term mandates and regulatory guidelines.

Sectoral Preferences:

- **Financial Services:** The strong preference for the banking sector is evident. This is attributable to the sector's perceived stability, robust regulatory oversight, and a consistent track record of profitability and dividend payments. Banks often serve as bellwethers for the broader economy, offering predictable cash flows and a degree of resilience during economic fluctuations.
- **Industrial Goods (Cement):** Significant exposure to cement manufacturers is observed. This is rooted in the fundamental nature of the industry, which is critical for infrastructure development and construction. Companies in this sector typically benefit from strong domestic demand and often hold dominant market positions, leading to predictable revenue streams that align with long-term investment horizons.
- **Consumer Goods:** Investments in food and beverage companies are a common theme. This sector is often considered defensive, as consumer demand for essential goods tends to remain relatively stable even during economic downturns. This provides a reliable source of revenue and the potential for consistent dividends.

- **Communications:** Exposure to telecommunications companies, particularly MTN Nigeria, is a testament to the sector's high subscriber base, the essential nature of its services, and its strong cash generation capabilities.
- **Utilities/Energy:** Investments in power generation and integrated energy companies reflect a focus on critical national infrastructure. These sectors offer potential for growth driven by increasing energy demand and can benefit from government support and regulatory frameworks.

Dividend Yield and Profitability: A primary driver for pension fund investments is the pursuit of consistent profitability and attractive dividend yields. PenCom's eligibility criteria, which mandate a history of taxable profits and dividend distribution, directly reinforce this preference.⁴³ This emphasis on income generation and capital preservation means that pension funds gravitate towards mature, blue-chip companies that can provide stable, predictable returns rather than speculative capital appreciation. This investment philosophy, shaped by regulatory guidelines, reinforces the market's reliance on established players and may limit capital flow to emerging companies that do not yet meet the strict profitability and dividend criteria.

Market Leadership and Resilience: Institutional investors tend to favor established market leaders due as they are perceived to be more stable and capable of navigating macroeconomic challenges. The Nigerian economy has faced significant headwinds, including substantial Naira devaluation and persistent inflation.⁴ Despite these challenges, many of the top-tier companies have demonstrated remarkable resilience, reporting robust revenue growth and profitability. For instance, Dangote Cement and Aradel Holdings reported significant revenue increases even amidst currency depreciation, with some benefiting from foreign exchange translation effects.¹⁸ This proven ability to adapt and perform well in a difficult operating environment is a crucial factor for risk-averse investors like pension funds. Investing in firms that can not only survive but thrive amidst economic headwinds reduces investment risk and provides a more predictable return profile. This phenomenon, often referred to as a "flight to quality," leads capital to gravitate towards the most stable and robust companies, further concentrating institutional holdings in the top tier of the market.

Strategic Alignment: The investment decisions of pension funds are fundamentally aligned with their long-term growth and capital preservation mandates. Their focus is on building portfolios that can deliver sustainable returns over decades, ensuring the financial security of retirees. This often translates into investments in sectors that are critical to Nigeria's economic development and are expected to demonstrate sustained growth over the long term.

8. Challenges and Opportunities for Institutional Investors in NGX

The Nigerian Stock Exchange presents a dynamic environment for institutional investors, characterized by both significant challenges and compelling opportunities.

Challenges:

- **Macroeconomic Volatility:** Persistent high inflation and the ongoing depreciation of the Naira continue to pose substantial risks. These macroeconomic factors directly impact corporate profitability, particularly for companies with high import dependencies or foreign currency-denominated debt. For example, MTN Nigeria and Nigerian Breweries reported significant losses due to foreign exchange dynamics in 2023.⁴ Such volatility can erode investor returns and complicate long-term financial planning.
- **Foreign Exchange Fluctuations:** Beyond direct losses, currency volatility creates uncertainty and can deter foreign institutional investment. The rapid depreciation of the Naira against the US dollar (e.g., approximately 97% in 2023⁴⁹) affects the value of investments when repatriated, adding a layer of currency risk for international investors.
- **Liquidity Constraints:** As observed in the shareholding analysis, many top-tier companies have a high concentration of ownership by founders or parent companies. This limits the free float of shares available in the market, potentially leading to liquidity constraints for large institutional investors seeking to acquire or divest substantial positions without significantly impacting market prices. While large by market capitalization, the effective investable float for some of these companies is considerably smaller.
- **Data Transparency Issues:** The prevalent use of nominee accounts and aggregated reporting by custodians makes it difficult to ascertain the precise holdings of individual pension funds or other institutional investors. This lack of granular data can hinder detailed analysis and strategic allocation decisions for those seeking specific exposure profiles.

Opportunities:

- **Growth in Nigeria's Economy:** Despite macroeconomic headwinds, the Nigerian economy, particularly its non-oil sectors, continues to show signs of growth.⁴⁴ Sectors like power generation are expanding, driven by increasing energy demand, offering long-term investment potential.⁴⁴
- **Increasing Financial Inclusion:** The growing customer bases of financial services and telecommunications companies present opportunities for sustained

revenue growth. As more Nigerians access formal financial services and digital connectivity, these sectors are poised for continued expansion.

- **Market Deepening Initiatives:** The collaboration between the NGX and PenCom to introduce the NGX Pension Broad Index is a significant step towards market deepening. This broader index aims to expand the investable universe for pension funds while maintaining stringent eligibility criteria, potentially improving market efficiency and attracting more institutional capital across a wider range of high-quality companies.⁴³
- **Strategic Acquisitions/Expansions:** Several top-tier companies are actively pursuing strategic growth initiatives. For instance, Aradel Holdings has expanded its asset base through acquisitions and equity stakes in other energy companies³⁷, and Presco Plc acquired a significant stake in Ghana Oil Palm Development Company Limited to expand its operations.⁵³ These expansions indicate avenues for future growth and value creation for investors.

9. Conclusion and Outlook

The analysis of institutional and pension fund investments in the Nigerian Stock Exchange reveals a market where large-cap, established companies, particularly in the financial, industrial, and consumer goods sectors, are the primary beneficiaries of institutional capital. This investment pattern is heavily influenced by PenCom's stringent regulatory guidelines, which prioritize profitability, consistent dividend history, and a minimum free float for eligible companies. The reliance on nominee accounts by pension fund custodians, while a standard practice, creates a structural challenge in obtaining granular, direct data on specific pension fund allocations.

Despite the macroeconomic volatility, characterized by high inflation and Naira devaluation, the resilience and market leadership demonstrated by these top-tier companies reinforce their attractiveness to institutional investors. The "flight to quality" phenomenon is evident, with capital gravitating towards firms with proven financial stability and consistent performance. The relatively low proportion of overall pension fund AUM currently allocated to equities indicates a cautious investment posture, yet it also signifies a substantial latent capacity for future market engagement.

Looking ahead, the Nigerian stock market is poised for continued evolution. PenCom's proactive approach, exemplified by the introduction of the NGX Pension Broad Index, suggests a strategic move towards encouraging more diversified, yet still quality-focused, equity exposure for pension funds. As pension fund AUM continues to grow, and if market liquidity and data transparency improve, there is potential for a

deeper and more robust institutional investment landscape in the NGX. This would not only benefit the pension contributors through diversified returns but also contribute significantly to the overall development and stability of Nigeria's capital market.

Works cited

1. Large cap Nigerian companies - Stocks - TradingView, accessed on May 25, 2025, <https://www.tradingview.com/markets/stocks-nigeria/market-movers-large-cap/>
2. Top 100 Stocks on Nigerian Stock Exchange | Leading NGSE Listed Companies - FinChat, accessed on May 25, 2025, <https://finchat.io/lists/exchange/ngse/>
3. Pension Assets and Equity Returns - Coronation Group, accessed on May 25, 2025, <https://www.coronation.ng/institutional/research/Pension-Assets-and-Equity>Returns>
4. doclib.ngxgroup.com, accessed on May 25, 2025, https://doclib.ngxgroup.com/Financial_NewsDocs/40416_MTN_NIGERIA_COMMUNICATIONS_PLC- QUARTER 5 - FINANCIAL STATEMENT FOR 2023 FINANCIAL STATEMENTS MARCH 2024.pdf
5. doclib.ngxgroup.com, accessed on May 25, 2025, https://doclib.ngxgroup.com/Financial_NewsDocs/42925_TRANSCORP_POWER_PL- QUARTER 5 - FINANCIAL STATEMENT FOR 2024 FINANCIAL STATEMENT S JANUARY 2025.pdf
6. www.zenithbank.com, accessed on May 25, 2025, <https://www.zenithbank.com/media/3978/zenith-bank-group-2024-fye-full-financial-statement.pdf>
7. Nigerian Breweries Reports 2023 Full Year Results - Nigerian ..., accessed on May 25, 2025, <https://www.nbplc.com/nigerian-breweries-reports-2023-full-year-results/>
8. doclib.ngxgroup.com, accessed on May 25, 2025, https://doclib.ngxgroup.com/Financial_NewsDocs/43521_FIDELITY_BANK_PL- Q UARTER 5 - FINANCIAL STATEMENT FOR 2024 FINANCIAL STATEMENTS MAR CH 2025.pdf
9. doclib.ngxgroup.com, accessed on May 25, 2025, https://doclib.ngxgroup.com/Financial_NewsDocs/40748_TRANSCORP_HOTELS_P LC- QUARTER 5 - FINANCIAL STATEMENT FOR 2023 FINANCIAL STATEMENT S MARCH 2024.pdf
10. doclib.ngxgroup.com, accessed on May 25, 2025, https://doclib.ngxgroup.com/Financial_NewsDocs/43674_INTERNATIONAL_BREW ERIES PLC.- QUARTER 5 - FINANCIAL STATEMENT FOR 2024 FINANCIAL STA TEMENTS APRIL 2025.pdf
11. doclib.ngxgroup.com, accessed on May 25, 2025, https://doclib.ngxgroup.com/Financial_NewsDocs/43483_STANBIC_IBTC_HOLDI NGS PLC- QUARTER 5 - FINANCIAL STATEMENT FOR 2024 FINANCIAL STAT EMENTS MARCH 2025.pdf
12. doclib.ngxgroup.com, accessed on May 25, 2025,

- https://doclib.ngxgroup.com/Financial_NewsDocs/40418_DANGOTE_CEMENT_PL_C- QUARTER 5 - FINANCIAL STATEMENT FOR 2023 FINANCIAL STATEMENTS MARCH 2024.pdf
13. doclib.ngxgroup.com, accessed on May 25, 2025, https://doclib.ngxgroup.com/Financial_NewsDocs/43223_BUA_CEMENT_PL- QUARTER 5 - FINANCIAL STATEMENT FOR 2024 FINANCIAL STATEMENTS FEBRUARY 2025.pdf
 14. gtbank-plc.files.svdcn.com, accessed on May 25, 2025, <https://gtbank-plc.files.svdcn.com/production/financial-information/2023-Annual-Report.pdf>
 15. theaccesscorporation.com, accessed on May 25, 2025, <https://theaccesscorporation.com/wp-content/uploads/2025/04/ACCESS-HOLDINGS-FY-2024-FINANCIAL-STATEMENT-FULL-STATEMENT.pdf>
 16. Audited Financial Statements for the Period Ended December 31st ..., accessed on May 25, 2025, <https://www.proshare.co/articles/audited-financial-statements-for-the-period-ended-december-31st-2023-guaranty-trust-holding-company-plc?menu=Reports&classification=Read&category=Annual%20Reports>
 17. BUA Foods PLC (BUAF.ng) - African Financials, accessed on May 25, 2025, <https://africanfinancials.com/company/ng-buaf/>
 18. FULL YEAR 2024 AUDITED RESULTS, accessed on May 25, 2025, https://doclib.ngxgroup.com/Financial_NewsDocs/43237_DANGOTE_CEMENT_PL_C-DANGOTE_CEMENT_PL_C_%E2%80%93_FY_2024_EARNING_RELEASE_CORPORATE_ACTIONS_MARCH_2025.pdf
 19. cement.dangote.com, accessed on May 25, 2025, <https://cement.dangote.com/wp-content/uploads/2024/03/Dangote-Cement-FY2023-Results-Statement-Final.pdf>
 20. About - MTN Nigeria, accessed on May 25, 2025, <https://www.mtn.ng/about/>
 21. 2024 Financial Report Download - Geregu Power, accessed on May 25, 2025, <https://www.geregupowerplc.com/wp-content/uploads/2025/03/2024-GPP-Annual-Report.pdf>
 22. Company Profile - Nigerian Exchange Limited - NGX, accessed on May 25, 2025, <https://ngxgroup.com/exchange/data/company-profile/?symbol=GEREGU&directory=companydirectory&td=2024-05-10T00:00:00>
 23. BUA Cement Plc Annual Report and Financial Statements For the ..., accessed on May 25, 2025, <https://research.gti.com.ng/bua-cement-plc-annual-report-and-financial-statements-for-the-year-ended-31-december-2023/>
 24. Investors – BUA Cement, accessed on May 25, 2025, <https://www.buacement.com/investors>
 25. Investor Relations – Transcorp Power, accessed on May 25, 2025, <https://transcorppower.com/tpp/investor-relations/>
 26. Aradel Holdings Plc, Reports 2024 Full Year Audited Results - Revenue of ₦581.2 Billion, Up 162.8% and - The Nigerian Stock Exchange, NSE, accessed on May 25, 2025,

- https://doclib.ngxgroup.com/Financial_NewsDocs/43501_ARADEL_HOLDINGS_PL_C-ARADEL_PRESS_RELEASE_ON_2024_AFS_CORPORATE_ACTIONS_MARCH_2025.pdf
27. Aradel Holdings Plc (ARADEL.ng) 2023 Annual Report - African Financials, accessed on May 25, 2025, <https://africanfinancials.com/document/ng-aradel-2023-ar-00/>
 28. Audited Financial Statements for the Period Ended December 31st ..., accessed on May 25, 2025, <https://www.proshare.co/articles/audited-financial-statements-for-the-period-ended-december-31st-2023-zenith-bank-plc?menu=Reports&classification=Read&category=Annual%20Reports>
 29. NB-Plc-2024-Annual-Report-and-Accounts_-Final-.pdf, accessed on May 25, 2025, https://www.nbplc.com/storage/2025/03/NB-Plc-2024-Annual-Report-and-Accounts_-Final-.pdf
 30. Annual Financial Report – Company Announcement - FT.com - Markets data, accessed on May 25, 2025, <https://markets.ft.com/data/announce/detail?dockey=1323-16964695-230ABCMD955AN11T5R8O28U89C>
 31. accessed on January 1, 1970, <https://www.aradel.com/investor-relations/>
 32. accessed on January 1, 1970, <https://www.gtcopl.com/investor-relations/>
 33. Nestle Nigeria Plc (NESTLE.ng) 2023 Annual Report - African Financials, accessed on May 25, 2025, <https://africanfinancials.com/document/ng-nestle-2023-ar-00/>
 34. UBA Plc 2023 Annual Report and Accounts, accessed on May 25, 2025, <https://www.ubagroup.com/wp-content/uploads/2024/05/UBA-Plc-2023-Annual-Report-and-Accounts.pdf>
 35. Investor Relations – Access Holdings PLC - Access Corporation, accessed on May 25, 2025, <https://theaccesscorporation.com/investor-relations/>
 36. Unaudited Interim Financial Statements For the twelve months ended, accessed on May 25, 2025, https://doclib.ngxgroup.com/Financial_NewsDocs/43093_PRESCO_PLC- YEAR_END - FINANCIAL STATEMENT FOR 2024 FINANCIAL STATEMENTS JANUARY 2025.pdf
 37. Aradel Holdings Plc, Reports 2024 Full Year Audited Results ..., accessed on May 25, 2025, <https://www.aradel.com/press-release-full-year-audited-results/>
 38. Presco Plc (PRESCO.ng) 2024 Annual Report - African Financials, accessed on May 25, 2025, <https://africanfinancials.com/document/ng-presco-2024-ar-00/>
 39. www.ubagroup.com, accessed on May 25, 2025, <https://www.ubagroup.com/wp-content/uploads/2024/05/UBA-Plc-2023-Annual-Report-and-Accounts-1.pdf>
 40. PenCom Introduces Performance Measurement Benchmarks for PFAs and CPFAs, accessed on May 25, 2025, <https://nairametrics.com/2023/12/18/pencom-introduces-performance-measurement-benchmarks-for-pfas-and-cpfas/>
 41. www.pencom.gov.ng, accessed on May 25, 2025,

<https://www.pencom.gov.ng/wp-content/uploads/2019/01/AMENDED-INVESTMENT-REGULATION-FEBRUARY-2019-.pdf>

42. PenCom strengthens regulations on pension fund investments in commercial papers, accessed on May 25, 2025, <https://businessday.ng/news/article/pencom-strengthens-regulations-on-pension-fund-investments-in-commercial-papers/>
43. Transforming the Landscape of Pension Fund Investments - THISDAYLIVE, accessed on May 25, 2025, <https://www.thisdaylive.com/index.php/2024/01/22/transforming-the-landscape-of-pension-fund-investments/?amp>
44. The Financial Analysis of Geregu Power Plc. - ISAR Publisher, accessed on May 25, 2025, <https://article.isarpublisher.com/download/772>
45. Investor Relations - Geregu Power, accessed on May 25, 2025, <https://www.geregupowerplc.com/investor-relations/>
46. www.geregupowerplc.com, accessed on May 25, 2025, <https://www.geregupowerplc.com/wp-content/uploads/2024/03/2023-Annual-Reports-and-Accounts.pdf>
47. Lafarge Africa Plc Annual Report 31 December 2023, accessed on May 25, 2025, <https://www.lafarge.com.ng/sites/nigeria/files/2024-03/lafarge-africa-full-year-2023-financial-statement.pdf>
48. www.nestle-cwa.com, accessed on May 25, 2025, <https://www.nestle-cwa.com/sites/g/files/pydnoa346/files/2024-05/2023-annual-report.pdf>
49. Annual financial results for the year ended 31 December 2023: Results overview - MTN Group, accessed on May 25, 2025, <https://mtn-investor.com/reporting/annuals-2023/results-overview.php>
50. BUA Cement reports N99.630 billion pre-tax profit, up 48.20% in 2024 - Nairametrics, accessed on May 25, 2025, <https://nairametrics.com/2025/03/01/bua-cement-reports-n99-630-billion-pre-tax-profit-up-48-20-in-2024/>
51. Nigerian Breweries Audited Financial Statement For The Year Ended 31 December 2023, accessed on May 25, 2025, <https://research.gti.com.ng/nigerian-breweries-audited-financial-statement-for-the-year-ended-31-december-2023/>
52. FY 2024 results - Dangote Cement, accessed on May 25, 2025, <https://dangotecement.com/wp-content/uploads/2025/03/Dangote-Cement-Plc-Full-Year-2024-Presentation.pdf>
53. PRESCO PLC - NGX, accessed on May 25, 2025, https://doclib.ngxgroup.com/Financial_NewsDocs/43748_PRESCO_PLC-PRESCO_PLC_-_2024FY_RESULTS_PRESS_RELEASE_CORPORATE_ACTIONS_APRIL_2025.pdf