CIC Asset Management Ltd - CICAM

CICAM UMBRELLA FUND

Fact Sheet

March 2023

CIC GROUP

Key Features

Fund Manager	CIC Asset Management Ltd
Launch Date	May - 18
Risk Profile	Low - Moderate
Trustee	Kenya Commercial Bank
Custodian	Co-op Custodial Services
Auditors	Kirenge & Associates

Market Commentary

GDP: Leading indicators point to a strong performance in Q1 of 2023, having aver-aged 5.6% to Q3 of 2022. The economy is expected to remain resilient in 2023 de-spite the global uncertainties, supported by a sturdy services sector and recovery in agricultural output, following onset of rains in the food basket areas of the country. That notwithstanding, ravaging drought, debt escalation concerns and forex issues present potent challenges to the country's resilience. Mass action calls by the opposition to address the high cost of living and social strife pose a upside risk to economic slow-down as well. Moreover, Kenya received a sovereign credit rating downgrade by S&P with our foreign investment environment recently labelled as undesirable by Morgan Stanley Capital Investments (MSCI). GDP growth will likely moderate over the next 18-24 months with the IMF has upgrading Kenya's 2023 growth outlook to 5.3%.

Exchange rates: The KES has consistently lost ground against all major currencies. No-tably, it has depreciated by 7.26% against the dollar in Q1; exchanging at KES 132.23 as at end of Q1'23 compared to KES 123.37 end of Q4'22. The decline is largely attributed to; increased import bill as global inflation pushes prices upwards, current account deficit owing to negative trade balance, progressive increase in interest rates across global economies and high debt servicing costs. Forex reserves are at precarious levels closing the quarter at 3.59 months' worth of import cover. This has been reflected by the limited amount of FX being sold to priority sectors/those with privileged access. The KES is expected to remain under pressure in the short to medium term. However, oil imports on credit and a new foreign exchange code could possibly offer some respite to the downtrend.

Inflation: Annual headline inflation registered at 9.2% (9.19%) in March 2023 in comparison to 5.3% in March 2022. Price pressures remain elevated by food and energy costs, attributable to unfavourable weather conditions and lingering supply disruptions. Inflation has been sticky which has raised doubts as to whether we shall experience a transitory rebound as had earlier been expected. We anticipate head-line inflation to remain above the CBK's upper band target of 7.5% in the near to medium term, largely reflecting the projected increases in electricity prices, the scaling down of the fuel subsidy and tax implementations on essentials goods. Moreover, ex-ternal spill overs are expected to persist as a risk factor. Despite the fillips from the short rains and decrease in global oil prices, risks are firmly titled to the downside that anchor inflation expectations.

Interest rates: The MPC met in March and raised the policy rate to 9.5% from 8.75% previously, citing the necessity to reign in on the raging inflationary pressures and currency mis alignments. The short-term papers as at Q1 2023 were 9.9%, 10.4% and 10.8% respectively for the 91, 182 and 364-day papers. Overall, the 91-day treas-ury bill exhibited the highest demand reflecting preference for as short a tenor as possible by investors. Yields on treasury bonds increased steadily, with a 0.19% on average across the yield curve, with the short-term papers accelerating faster than the medium and long-term papers. The downgrade in Kenya's credit rating by S&P and MSCI coupled with currency pressures and revenue collections shortfalls will continue sustaining government's appetite for domestic debt. As such, rates are expected to remain elevated in the near-term.

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Fund Objective
- The fund provides a solution to organizations that find setting up a Retirement Fund and continuously comply-ing with the complex legal and statutory demands a challenge in both monetary and human resource cost.
- SMEs and start-up organizations.

Fund Outlook

Global risks continue negatively affecting our stock market, and coupled with the interest rate hikes in de-veloped economies, foreign exits have sustained.
The low prices in the market continue to provide attrac-tive price points into stocks with strong fundamentals and perpetual dividend payout thus locking in good yields.
The government continues relying on the domestic debt market to meets is deficit owing to expensive external debt financing. Rates on government securities are hence expected to continue increasing in the near term.
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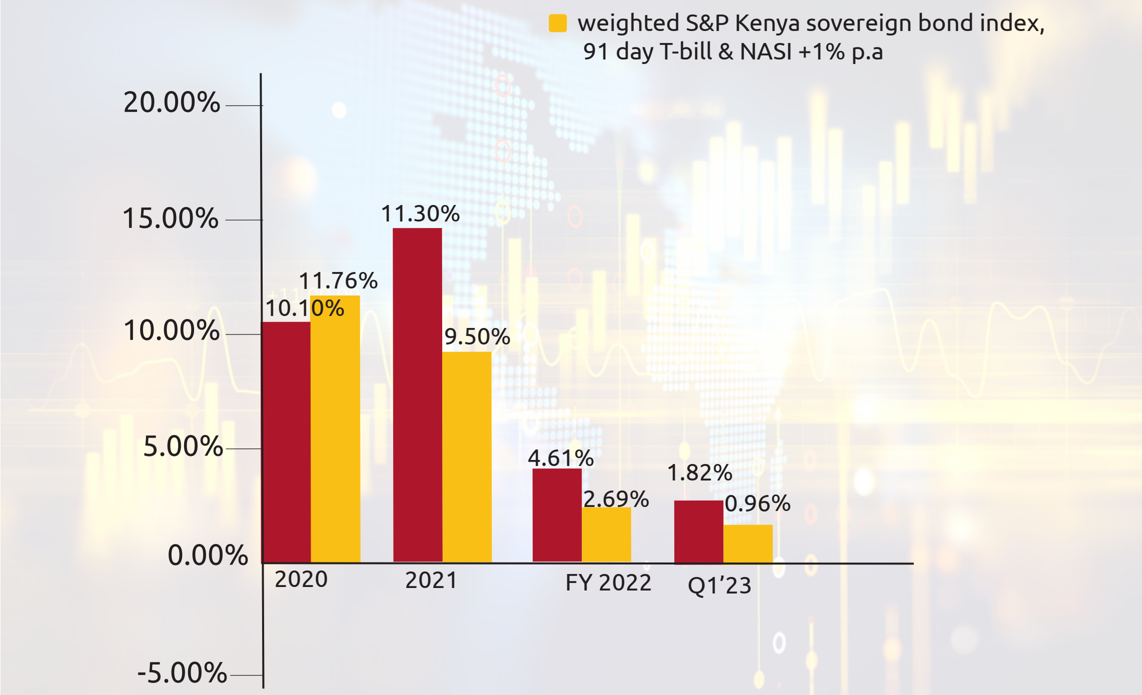
Fund Performance



Asset Allocation