CIC Asset Management Ltd - CICAM

CICAM UMBRELLA FUND

Fact Sheet

March 2022

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: The economy expanded by 7.5% in 2021 buoyed largely by rebounds in most economic activities from the contractions in 2020. Major growth drivers included services (65.1%), education (21.4%), financial & insurance (12.5%) and manufacturing (6.9%). Kenya's economy has shown considerable resilience to the enormous shocks of the pandemic and we expect a further positive GDP (>5%) print in 2022 owing to broad based sector growth. External economic conditions pose a risk to our outlook; specifically the Russia-Ukraine war has dampened global trade and flow of resources, resulting in higher input and output costs. Locally, we expect the agriculture sector to be slightly affected negatively by uneven rainfall patterns.

Exchange rates: The Kes has steadily depreciated by 1.24 % in Q1'22 with the dollar closing at 114.31. This is largely attributable to the rising costs of imports owing to global tensions and servicing of external debt obligations. Forex reserves resultantly declined quarter on quarter to USD 7.8Bn (equivalent to approx. 4.66 months of import cover). We expect the shilling to continue depreciating due to higher costs of imports and lower dollar inflows. The prolonged geopolitical tensions in Europe will lead to a further rise in costs of inputs and disrupt the ease of global trade pressuring the shilling further.

Inflation: Inflation averaged 5.34% in Q1'22 compared to 6% in Q4'21. The conflict in eastern Europe has led to higher commodity prices which pose an upside risk. On the supply side, high prices of select imports e.g. steel and wheat, high energy and transport costs are slowing production. Meanwhile on the demand side, the rising commodity prices has resulted to a slow-down in household demand. Moreover, the buffers and coping mechanisms of household, firms and the public finances have been depleted. Given the weak fiscal position, any additional subsidies may be off the table for now. However, we believe that the central bank will deploy other measures to keep inflation expectations well anchored within their target range of 2.5% to 7.5%.

Interest rates: The CBK retained its benchmark rate at 7% in Q1'22. The stance was maintained despite rising inflation, with the authorities noting that it was still range bound and that it was necessary to continue providing an environment necessary to spur economic resilience. Short-term rates inched up in Q1 with the 91,182 and 364-day papers closing at 7.28%, 8.13 and 9.76% respectively. The yield curve steepened in Q1 with rates rising across all tenors. Having frontloaded much of the local borrowing in the first half of the fiscal year, we expect borrowing pressures in Q2 to be muted.

Equities:
The market registered losses in Q1'22 with the NASI & NSE-20 declining by 2.93% and 6.44% respectively. The Russia-Ukraine conflict saw investors seek to hedge against risk and flee to safer assets and markets. Foreigners maintained a bearish sentiments and were net sellers for the majority of the quarter. On account of the current global risks, we expect to see foreign investor outflows persist hence dampening prices. Locally, the political scene could partially disrupt growth prospects hence local investors will shy away from the market in the short term. The low prices however continue providing opportune entry points into select stocks with strong fundamentals.

Who should invest?
Investors who;

- SME's and start up organizations
- The fund provides a solution to organizations that find setting up a retirement fund and continuously complying with the complex legal and statutory demands a challenge in both monetary and human resource cost.

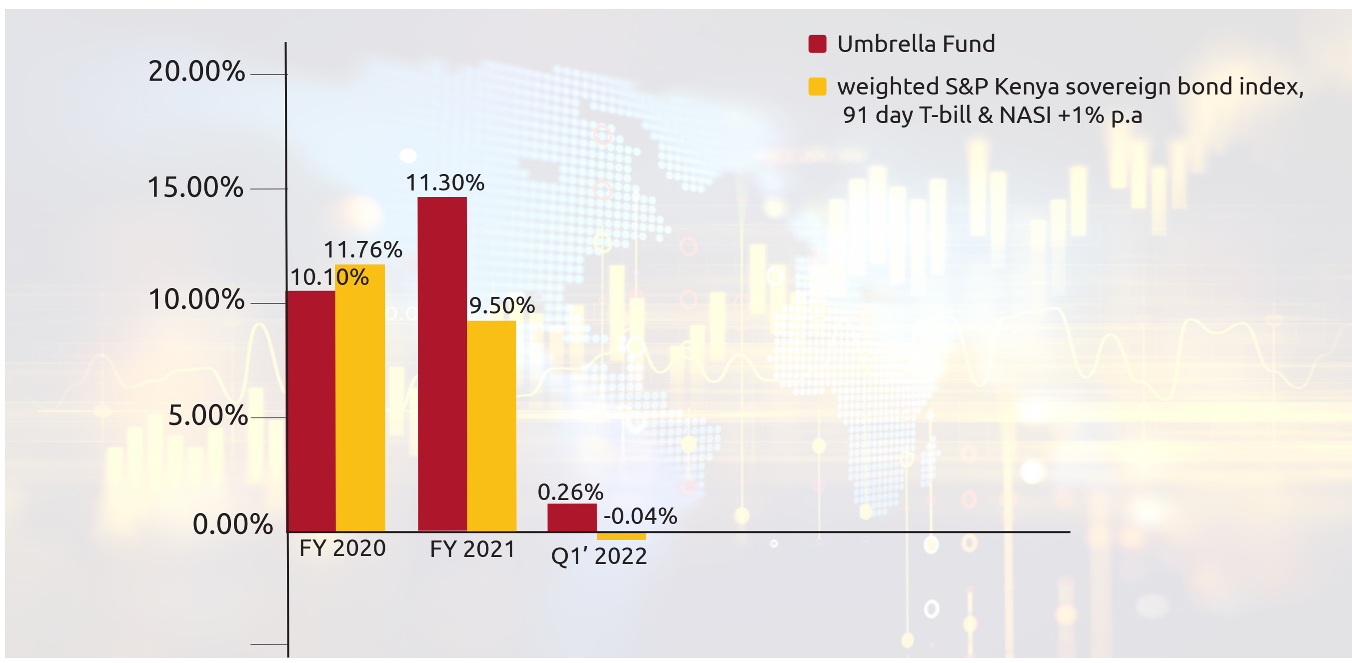
Fund Outlook

The Russia-Ukraine conflict has created uncertainty in our equities market, with foreigners seeking safer havens and assets. This has led to a decline in the fund value in Q1.

In the bond market, activity remains healthy with government expected to rely more on domestic debt as the financial year comes to a close; owing to more expensive foreign borrowing following a rise in the US Fed rate.

We expect the Umbrella Fund to register resilience despite the prevailing uncertainties, owing to prudent investment in asset classes based on market conditions and expectations.

Fund Performance



Asset Allocation