

Key Features

Fund Manager	CIC Asset Management Ltd
Launch Date	Nov - 20
Risk Profile	Low
Trustee	Kenya Commercial Bank
Custodian	Co-op Custodial Services
Auditors	PWC
Minimum Investment:	USD 10,000
Minimum Additional Investment	USD 1,000
Initial Fee	Nil
Annual Management Fee	0.5%
Effective Annual Yield	3.37%
Distribution	Monthly

Market Commentary

GDP: The economy grew by 4.7% in Q3'22; down from 9.9% in Q3'21. Services sector maintained strong performance while agriculture, a key growth sector, continued to underperform as unfavorable weather conditions and higher input costs weighed in on low production. Developed nations i.e US, China, UK, and EU macro indicators hang in the balance with projections of a slip into a recession by some economies. This could resultantly have a negative ripple effect to Kenya as we have several trading relations with the big nations aside from our external debt in foreign currency.

Exchange rates: The USD strengthened against most currencies in the year, with the US dollar index hitting a 20-year high in September. Before cooling off slightly in Q4 With the global risks heightening, the dollar has been sought after as a safe haven. The Fed rate hikes have also been a contributing factor, coupled with the US economy being resilient. The KES has lost substantial value against the USD year to date (-9%). It exchanged at Ksh 123.37 per USD on 31 Dec, losing a further 2% in Q4. Lower foreign funding amid a faster growth in imports weakened the KES. The fed rate hikes coupled with increased demand for hard currency also led to wider forex spreads in 2022. Globally, signs are clear that currency weakness will overwhelm many policymakers across markets.

Inflation: In the US, consumer prices for all items (CPI-U) rose 6.5% from Dec-21 to Dec-22. This marks a decrease in inflation from 7.1% in Nov-22. The decrease in gasoline prices supported the downturn in inflation. Monthly inflation declined 0.1% in Dec-22, the 1st decrease in monthly inflation since May 2020. Locally, headline inflation increased by an average of 9.4% in Q4'22 from 8.7% in Q3'22. This was largely driven by supply side factors that exerted upward pressure on food and energy prices. The uptick in the cost of living reduces the purchasing power of households and subsequently lower savings and investments to the economy. We anticipate inflation will remain above CBK's upper band target of 7.50 % in Q1'23. Domestic price pressures will remain elevated although inflation will ease back from the highs of 2022 and ebb slowly into being transitory in 2H'23

Interest rates: Continuing on the push to contain soaring inflation, the US federal reserve was raised further in Q4, with 2 consecutive raises of 0.75% in both Sep and Nov and a final 0.5% raise in Dec bringing the benchmark interest rate to close the year at 4.25%-4.5%. This brings the rate hikes in the year to a total of 7, an aggressive stance by the Fed but one that has seen inflation slightly decrease in Dec.

In Kenya, The Monetary Policy Committee raised the central bank rate from 8.25% to 8.75% in Nov'22; a

cumulative rise of 1.75% in 2022. The CBR hikes' intention have largely been to taper inflation and to manage the KES depreciation. Inflationary pressures will be the main driver of monetary policy actions in 2023 across the globe with rates expected to continue increasing both locally and in the US.

Outlook: Rates are bound to increase both in the US and in Kenya. Combined with the strength of the USD, the dollar fund presents an opportunity to reel in higher returns while also preserving one's investments from FX depreciation. The fund is expected to continue registering strong performance in Q1'23.

Who should invest?

Investors who are seeking;

- Capital preservation whilst not seeking long-term capital growth.

- A high degree of capital stability and with a risk neutral appetite
- Currency diversification.

Key Benefits

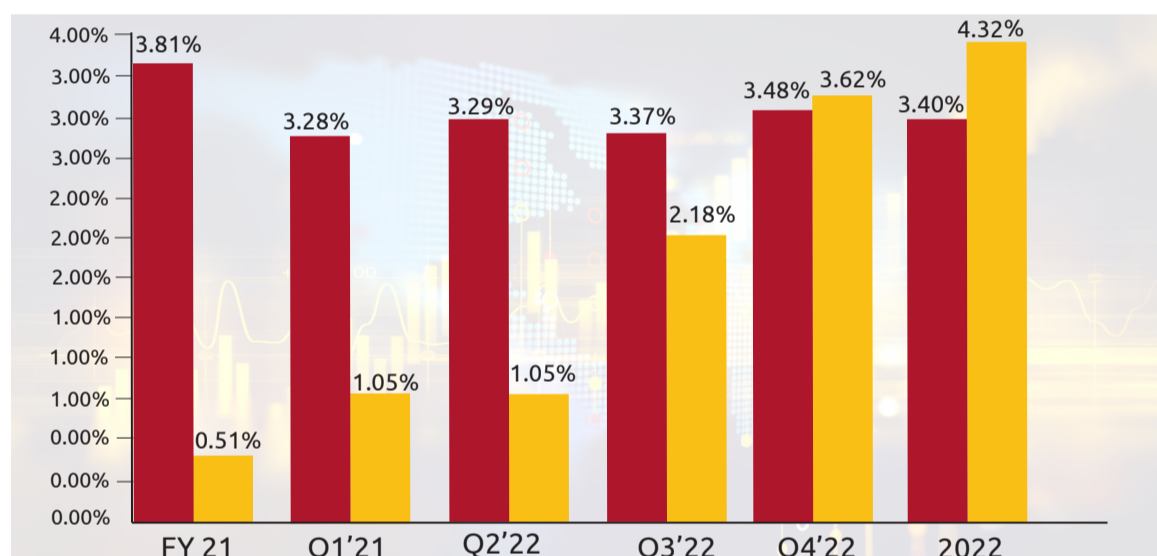
Liquidity: The client is able to withdraw their funds at short notice with no penalty fees.

Flexibility: The client is able to switch or transfer funds to another fund that he/she may have with CICAM.

Security: The fund invests in government paper and liquid instruments.

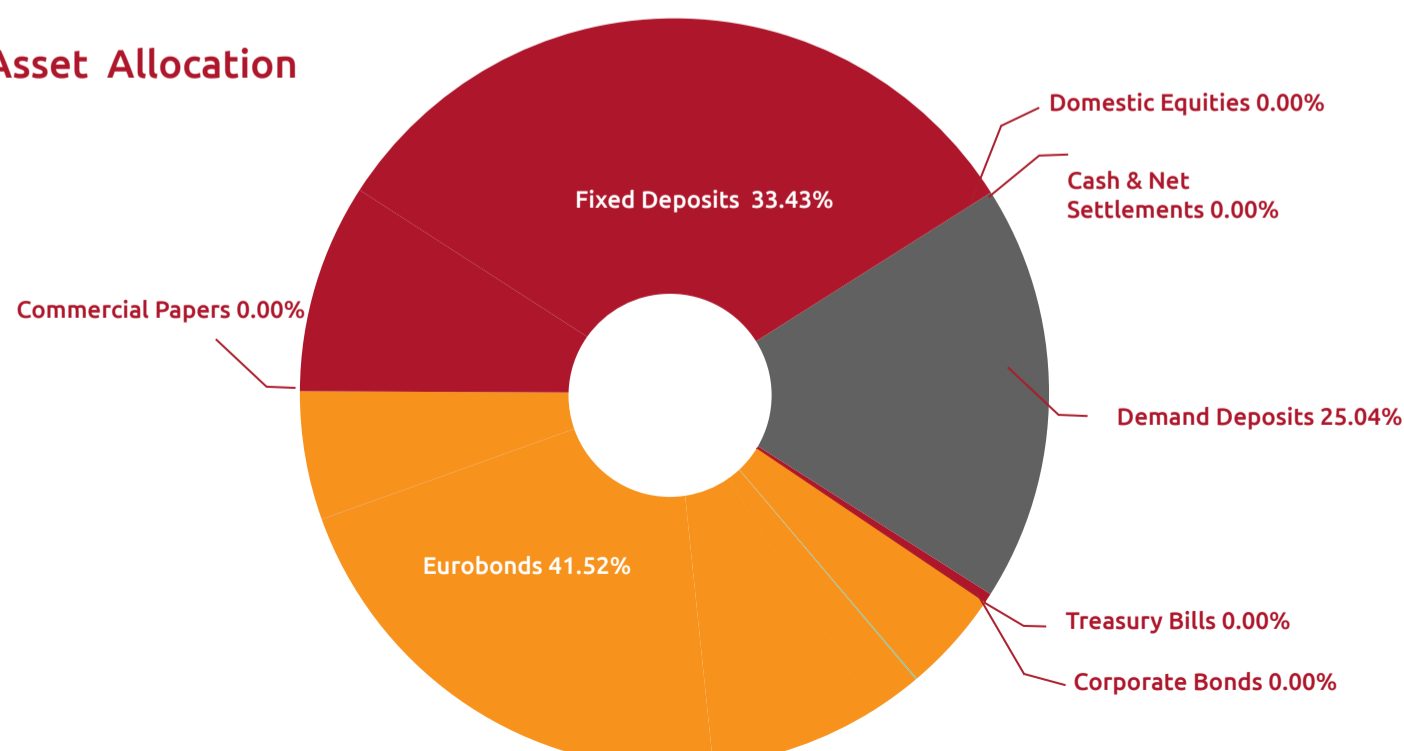
Competitive Returns: Interest is calculated daily and credited at the end of each month. As an institutional client, the fund benefits from placing deposits in large sums and as such is able to negotiate for competitive rates.

Professional fund management: prospective investors benefit from the expertise of our seasoned professionals.



Fund Performance

Asset Allocation



The value of units may go down as well as up and past performance is not necessarily a guide to the future. There are no guarantees on the client's capital as the performance of units in the fund is determined by changes in the value of underlying investments hence value of your unit trust investment.