

CIC MONEY MARKET FUND

Fact Sheet

Dec 2022



Key Features

Fund Manager	CIC Asset Management Ltd
Launch Date	June - 11
Risk Profile	Low
Trustee	Kenya Commercial Bank
Custodian	Co-op Custodial Services
Auditors	PWC
Minimum Investment:	Ksh 5,000.00
Minimum Additional Investment	Ksh 1,000.00
Initial Fee	Nil
Annual Management Fee:	2.0%
Effective Annual Yield	8.73%
Distribution	Monthly

Market Commentary

GDP: The economy grew by 4.7% in Q3'22; down from 9.9% in Q3'21. Services sector continued to perform strongly; particularly trade (+9.1%), accommodation & food services (+22.9%) and professional, administrative & support services (+8.7%). Agriculture, a key growth sector, continued to underperform (-0.6%) as unfavourable weather conditions and higher input costs weighed in on low production. Presently, 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. World Bank projects our GDP to average 5% in 2023-24 largely boosted by private investments; we are less optimistic due to the recession fears globally.

Exchange rates: The shilling has lost substantial value against the USD year to date (-9.04%). 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 and slowdown of remittances weakened the Kes. The fed rate hikes coupled with increased demand for hard currency also led to wider forex spreads in 2022. Kenya's reserves remained adequate at USD 7,439 million (4.17 months of import cover) as at Dec 29, but this was largely tied to a boost of IMF funding. Globally, signs are clear that currency weakness will overwhelm many policymakers across markets. A weaker shilling is detrimental to Kenya as it increases the cost of financing foreign debt which is currently at levels deemed as unsustainable.

Inflation: Headline inflation increased by an average 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: The Monetary Policy Committee (MPC) raised the central bank rate (CBR) 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, which averaged 9.4% in Q4 from 8.7% in Q3, and to manage the KES depreciation (-2% in Q4) against major currencies. Short term rates maintained an upward trajectory in Q4 with the 91,182 and 364 papers closing at 9.4%, 9.8% and 10.3%. Inflationary pressures will be the main driver of monetary policy actions in 2023. Barring any further rate hikes, we expect interest rates

to edge upwards in Q1'23 and remain sticky for the remainder of the year.

Outlook: Rates gradually increased in the quarter and the same is expected to persist in Q1'23 given the preference by the government to borrow locally owing to the dollar strengthening. The rate of Money Market Fund will similarly witness gradual increment.

Who should invest?

Investors who are seeking ;

- Capital preservation whilst not seeking long-term capital growth
- A high degree of capital stability and who are strictly risk averse.
- A short term parking bay for surplus fund particularly in times of market volatility

Key benefits

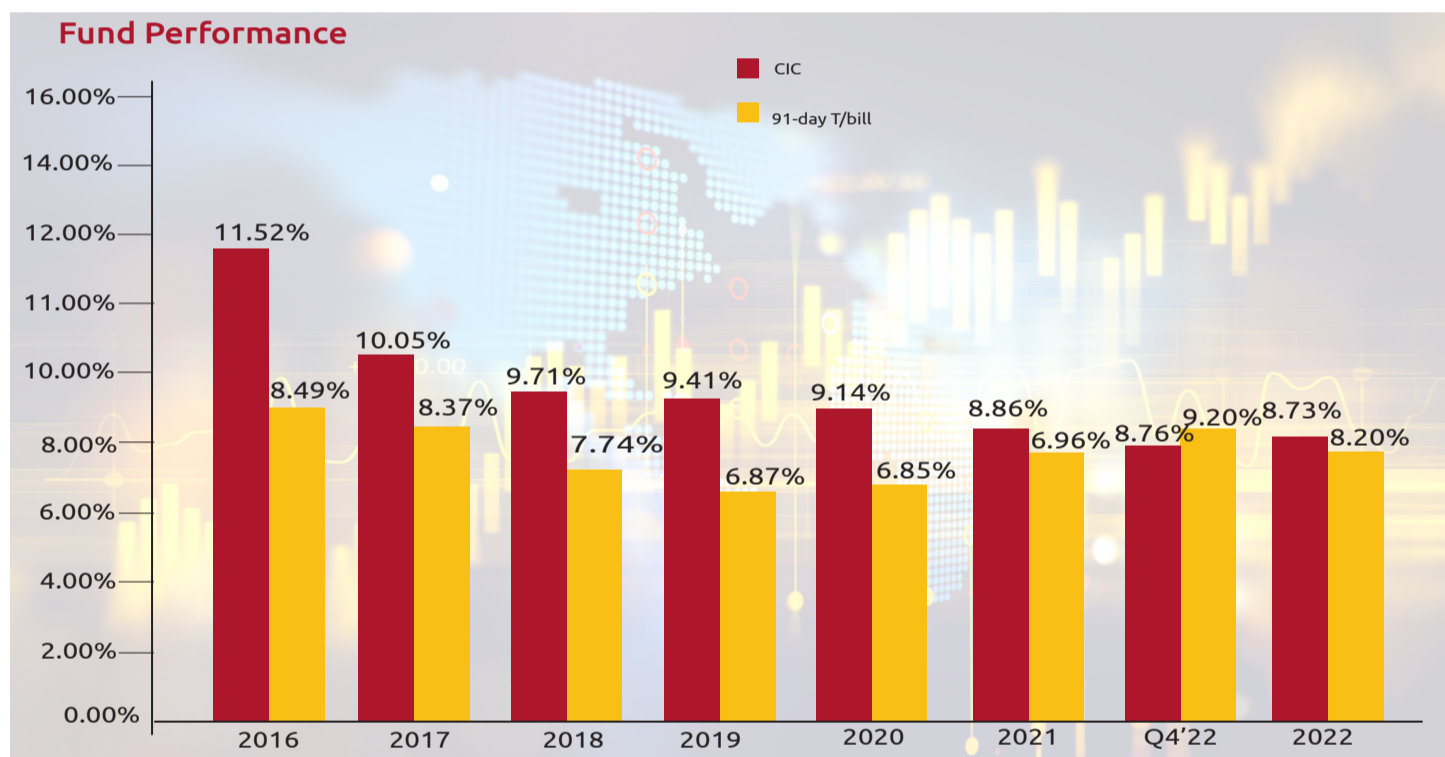
Liquidity: The client is able to withdraw their funds at short notice with no penalty fees.

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

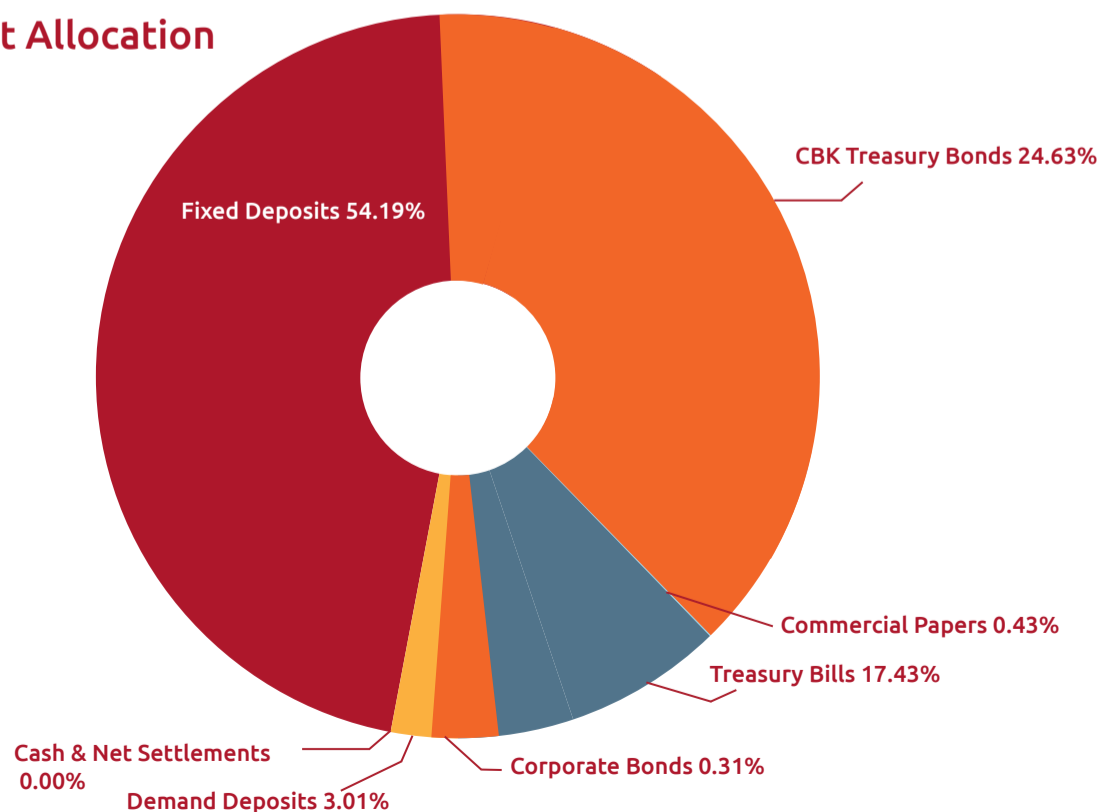
Security: The fund invests in government paper and liquid instruments.

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.



Asset Allocation



Statutory Disclaimer: 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.