



PAC Asset Management

■ MUTUAL FUNDS ■ FIXED INCOME ■ WEALTH MANAGEMENT ■



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Monthly Fund Manager's Report – February 2023

February 2023 Market & Economic Review

MACROECONOMIC OVERVIEW

GROSS DOMESTIC PRODUCT (GDP): Nigeria's economy grew by 3.10% in 2022 from 3.40% in 2021 (according to data from the Nigeria Bureau of Statistics). In the fourth quarter of 2022, the country's GDP grew year-on-year by 3.52% in real terms as against 2.25% in Q3 2022, and 3.98% in the fourth quarter of 2021. The growth recorded in the fourth quarter of 2022 stems mainly from the activities in the services sector which contributed 56.27% to the aggregate GDP. The total annual contribution of oil to aggregate GDP in 2022 was 5.67%, while for the non-oil sector, the aggregate contribution to GDP stood at 94.33% in 2022, higher than the 92.76% reported in 2021.

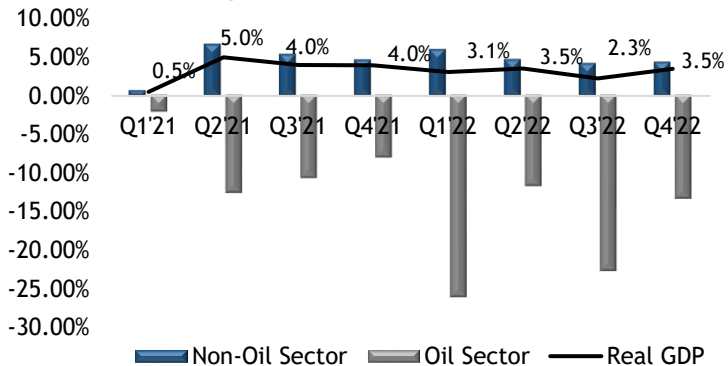
INFLATION: Nigeria's inflation accelerated again in February 2023, reaching 21.91% in annual terms from 21.82% in the previous month, according to the latest data from the National Bureau of Statistics (NBS). The country's inflation had risen for 10 straight months last year, triggering Nigeria's monetary policy authority to hike the key interest rate. Although, there was a respite in December 2022 as the pace of the price increase dipped in the month; the headline index started to rise again in January this year with the inflation rate showing an increase of 0.09 percentage points in February when compared to January 2023.

MONETARY POLICY: In pursuance of price stability and control of currency in circulation, the Central Bank of Nigeria (CBN) implemented its cash policy and the currency redesign program in February 2023. All commercial banks were instructed to stop dispensing the old N200, N500, and N1000 notes and accordingly pay depositors with new notes. The Central Bank of Nigeria (CBN) had restricted the amount individuals and corporate entities could withdraw per week to N500,000 and N5 million respectively.

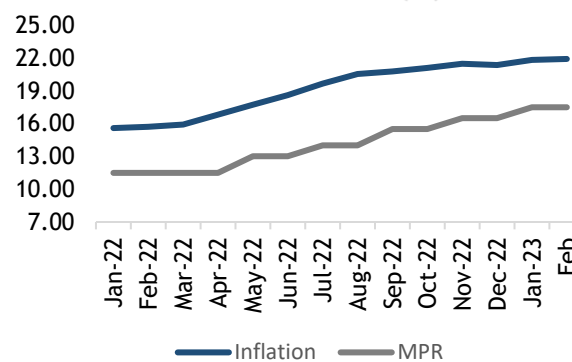
CRUDE OIL: Nigeria produced 1.3 million barrels per day (mbpd) of crude oil in the month of February 2023 - an increase from the 1.25 mbpd produced in January 2023. The average price of Brent crude declined by 0.44 in February 2023 to \$83.54 per barrel (January 2023: \$83.91) as concerns for a further hike in key interest rate by the US Fed mounts.

FOREIGN EXCHANGE: On the Investors and Exporters Window, the naira depreciated slightly by ₦0.30k in February as the exchange rate closed the month at ₦461.60/\$ (January 2023: ₦461.30/\$). This is not unconnected to the rising inflation rate in the month.

Real GDP, Oil and Non-Oil Sector Growth



Inflation/MPR (%)



Source: NGX, CBN, PAC Research

OUTLOOK: We expect Nigeria to maintain positive real GDP growth in 2023, albeit at a slower pace. The outlook considers the uptrend in Nigerian oil and gas output as the government continues its campaign against oil theft. The expectation is also based on the increasing investment in the gas sector and the resumption of oil refining by the Dangote refinery. Also, a successful election is a factor to drive growth as the change in the country's leadership is expected to usher in foreign investment inflows.

We also expect the country's inflation rate to slow as the Central Bank of Nigeria (CBN) continues its aggressive move to combat the rising headline index. While the apex bank is expected to maintain the hawkish stance in the first half of 2023, we opine that the monetary authority will consider rate reduction to fuel economic growth in the subsequent period of the same year.

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EQUITIES MARKET OVERVIEW

The month of February ended with a positive return as the NGX All Share Index of gained 4.82% to close at 55,806.26 while the Market Capitalization closed at ₦30.40 trillion. For February, the top gainers for the month were TRIPPLEG (+172.92%), MRS (130.31%) and CONOIL (76.79%).

OUTLOOK: Notwithstanding the challenging macro environment, we expect increased interest in the Nigerian equities market given the country's growth potential. As the market is still currently in its earning season, we expect investors to increase their equities holdings in anticipation of the dividend announcements by the listed companies.



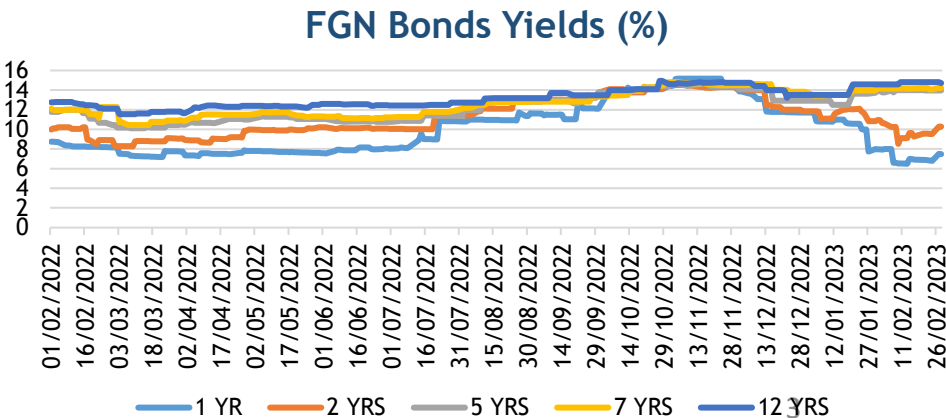
Source: NGX, PAC Research

BOND MARKET OVERVIEW

In the secondary bond market, the average yield increased by 7 basis points as it closed at 11.03% in February 2023 relative to 10.95% recorded in January 2023. At the close of the month, the 2-year, 5-year, 7-year and 12-year bonds traded at 10.27 (-0.70%), 13.95% (-0.09%), 14.23% (-0.12%) and 14.71% (0.13%) respectively.

In the primary bond market, marginal rates increased by an average of 5 bps as the FGN FEB 2028, FGN APR 2032, FGN APR 2037 and FGN APR 2049 closed at 13.9 (Jan:14.00%), 14.90% (Jan: 14.90%), 15.90 (Jan: 15.80%) and 16.00% (Jan: 15.90%) respectively.

OUTLOOK: While the recent uptick in the inflation rate remains a dominant factor to consider in hiking the key interest rate; we expect Nigeria's monetary policy authority to maintain the parameters to support the country's growth. Also, the change in leadership in May is expected to influence the decision of the country's monetary policy committee in the coming months.



Source: Bloomberg, PAC Research

The Fund seeks to ensure steady stream of income and capital preservation for investors with modest risk appetite who value liquidity and security of assets. The Fund will invest in low-risk short term Money Market securities such as Government securities, Bank Placement, Commercial Papers, and others which include Promissory notes.

FUND INFORMATION

Fund type	Open-ended
Category	Money Market Fund
Risk profile	Low
Launch date	27-Jul-16
Fund Manager	PAC Asset Management Limited
Trustees	Greenwich Trustees Limited
Custodian	UBA Global Investor Services
Auditors	BDO Professional Services
Management Fee	1% of NAV
Benchmark	91-day Nigerian Treasury Bill (3.55%)
Dividend Frequency	Quarterly
5-year Annual Growth Rate	9.55%
Dealing Days	Monday - Friday
NAV per unit (NGN)	NGN 10.00

INVESTMENT COMMITTEE

Mr. Sam Onukwue	Chairman
Mr. Sina Alimi	Member
Mr. Bunkaya Gana	Trustee's Representative
Mr. Bamidele Ige	Fund Manager
Mr Moses Ojo	Member
Mrs Taiwo Sonola	Custodian

FUND RETURNS

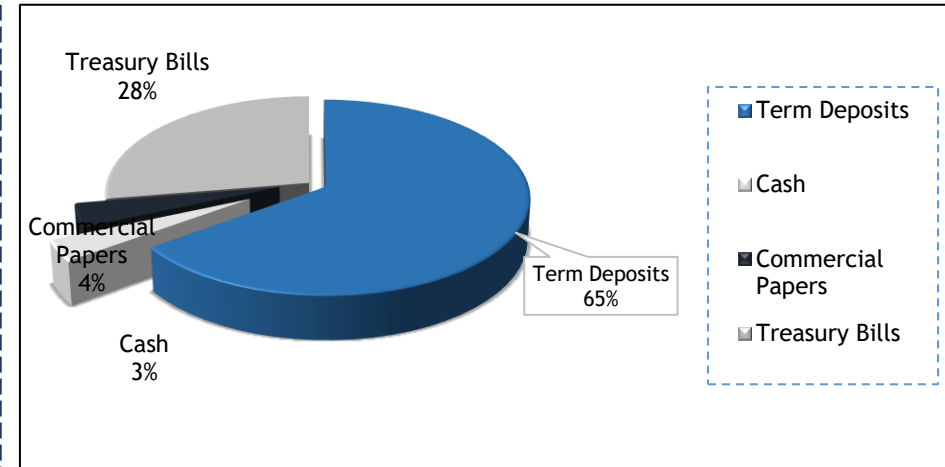
	Jan-23	Feb-23
Current Yield	10.74%	10.32%
Inception to Date	81.15%	82.43%

PERFORMANCE REVIEW:

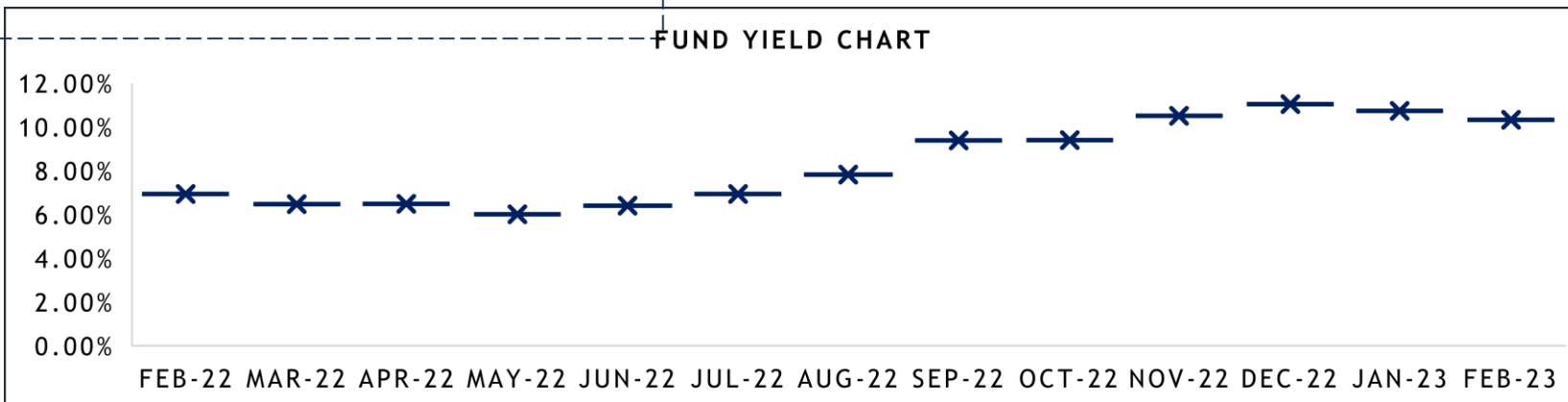
The Fixed income market saw variations in the pricing of its instruments with the treasury bill market seeing significant drops in its yields.

This impacted the money market fund's yield negatively as it decreased mildly by 42 basis points (bps) M-O-M.

The Fund Manager still maintains strategic positions to improve yields trends.



ASSET QUALITY (% TOTAL ASSETS)	31-Jan-23	28-Feb-23
Term Deposits	65.17	65.00
Cash	3.05	3.47
Commercial Papers	4.20	3.93
Treasury Bills	27.58	27.60



The objective of the Fund is to generate a steady return on capital and assured liquidity for all classes of investors. The Fund's investments will mostly be in long tenured debt instruments of the FGN, States and highly rated corporate institutions. The Fund may also invest its assets in money market securities such as Treasury Bills, Commercial papers, Bankers Acceptances and Certificate of Deposits with rated banks in Nigeria.

FUND INFORMATION

Fund type	Open-ended
Category	Fixed Income Fund
Risk profile	Moderate
Launch date	27-Jul-16
Fund Manager	PAC Asset Management Limited
Trustees	Greenwich Trustees Limited
Custodian	UBA Global Investor Services
Auditor	BDO Professional Services
Management Fee	1% of NAV
Benchmark	5-year Nigerian Sovereign Bond
Dividend Frequency	Annual
5-Year Annual Growth Rate	6.27%
Dealing Days	Monday - Friday
NAV per unit (NGN)	NGN 11.603

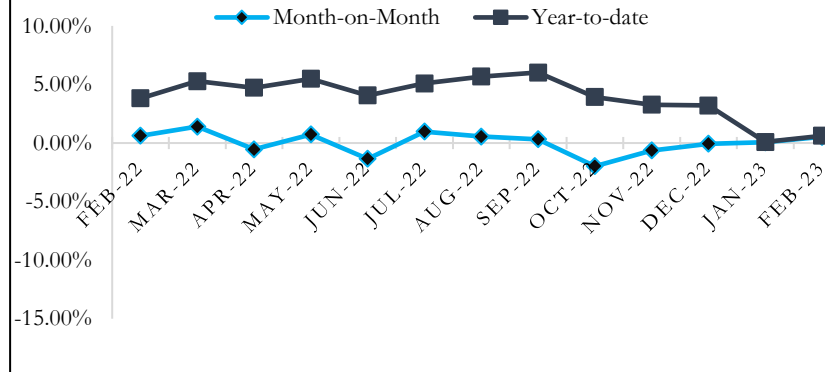
INVESTMENT COMMITTEE

Mr. Sam Onukwue	Chairman
Mr. Sina Alimi	Member
Mr. Bunkaya Gana	Trustee's Representative
Mr. Bamidele Ige	Fund Manager
Mr Moses Ojo	Member
Mrs Taiwo Sonola	Custodian

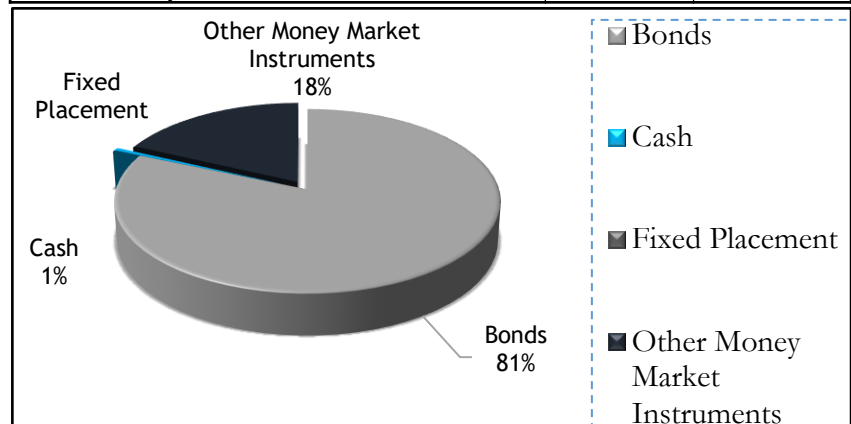
FUND RETURNS

	Jan-23	Feb-23
Month-on-Month	0.06%	0.53%
Year-to-date	0.09%	0.62%
Inception-to-date	50.89%	51.50%

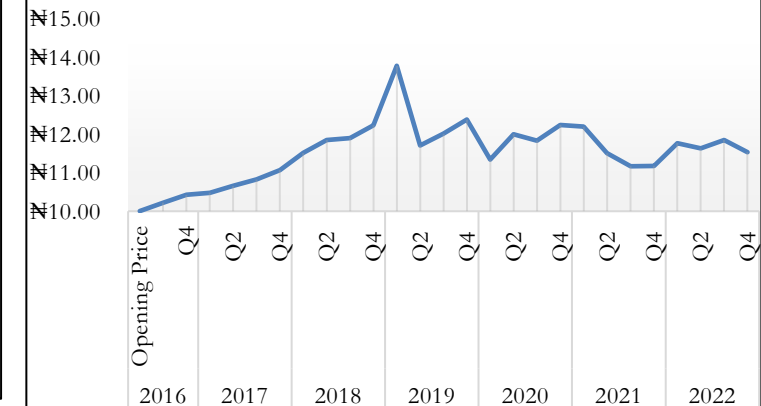
FUND RETURNS CHART



ASSET QUALITY (% TOTAL ASSETS)	Jan-23	Feb-23
Bonds	79.48	81.44
Cash	0.98	0.49
Fixed Placement	1.91	-
Other Money Market Instruments	17.64	18.07



Q-o-Q Fund Price since Inception



PERFORMANCE REVIEW:

The fund saw a slight decrease from 0.06% to 0.53% in its performance resulting from contracting Fixed Income yields.

In the secondary bond market, the average yield increased by 7 basis points as it closed at 11.03% in February 2023 relative to 10.95% recorded in January 2023.

There is however an uptick in fixed income yields which presents buying opportunities for new investors.

We encourage investors to increase their investments for better returns.

The primary objective of PACAM Balanced Fund is to achieve long-term capital appreciation, capital preservation as well as providing a stable stream of income to investors by investing the Fund's assets across a mix of investment-grade fixed income instruments, Money Market Instruments & Real Estate Assets and high-quality listed equities on the NSE.

FUND INFORMATION

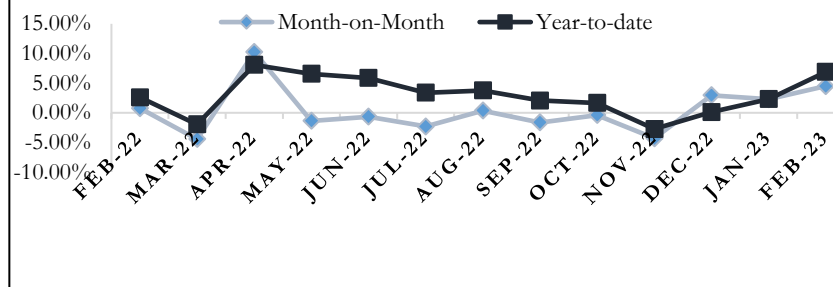
Fund type	Open-ended
Category	Balanced Fund
Risk profile	Moderate
Launch date	15-May-15
Fund Manager	PAC Asset Management Limited
Trustees	FBN Trustees Limited
Custodian	UBA Global Investor Services
Auditors	BDO Professional Services
Management Fee	1% of NAV
Benchmark	Composite index comprising of NSE ASI, 5-Year Nigerian Sovereign Bond, 1-Year Nigerian Treasury Bill
Dividend Frequency	Annual
5-Year Annual Growth Rate	11.51%
Dealing Days	Monday – Friday
NAV per unit (NGN)	NGN 1.71

INVESTMENT COMMITTEE

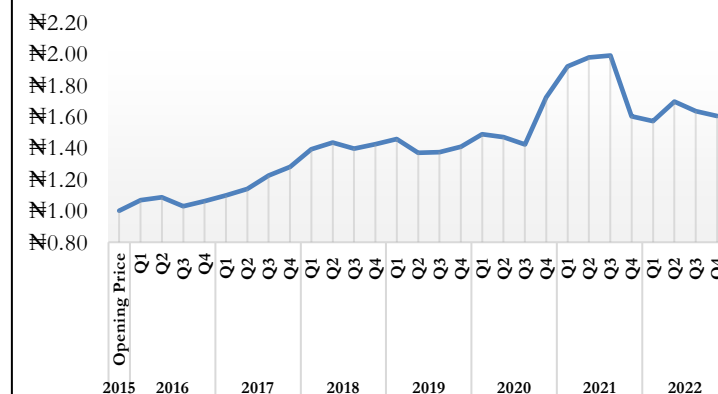
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Mr. Sina Alimi	Member
Mr. Bunkaya Gana	Trustee's Representative
Mr. Bamidele Ige	Fund Manager
Mr Moses Ojo	Member
Mrs Taiwo Sonola	Custodian

FUND RETURNS	Jan-23	Feb-23
Month-on-Month	2.26%	4.47%
Year-to-date	2.29%	6.87%
Inception-to-date	116.31%	123.88%

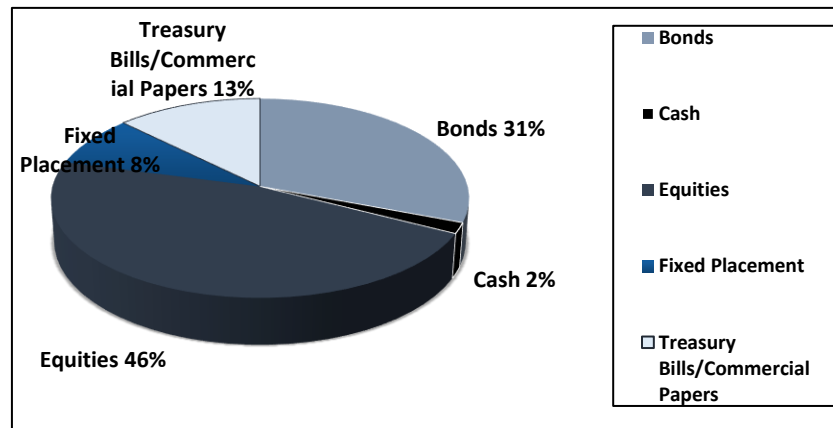
FUND RETURNS CHART



Q-o-Q Fund Price since Inception



ASSET QUALITY (% TOTAL ASSETS)	Jan-23	Feb-23
Bonds	29.34	30.76
Cash	3.08	1.76
Equities	46.89	46.60
Fixed Placement	7.54	8.24
Treasury Bills/Commercial Papers	13.16	12.65



PERFORMANCE REVIEW:

The fund NAV witnessed Y-T-D and M-O-M increase mainly due to the uptick in the equities space.

This help cushion the downturn in the fixed income space and helped better position the fund.

Investors are encouraged to consolidate their holdings in the fund as the fund is well diversified for optimum returns.

The fund manager will continue to carry out tactical allocation measures to ensure a fully optimized portfolio.

The primary objective of PACAM Equity Fund is to achieve long-term capital appreciation by investing in high quality listed equities across sectors on the Nigerian Stock Exchange (NGX) as well as Fixed income instruments, with more concentration on equity instruments.

FUND INFORMATION

Fund type	Open-ended
Category	Equity Fund
Risk profile	High
Launch date	20-May-19
Fund Manager	PAC Asset Management Limited
Trustees	FCMB Trustees Limited
Custodian	UBA Global Investor Services
Auditor	Adekunle Alli & Co.
Management Fee	1% of NAV
Benchmark	NSE All Share Index
Dividend Frequency	Annual
Compounded Annual Growth Rate	16.38%
Dealing Days	Monday – Friday
NAV per unit (NGN)	NGN 1.58

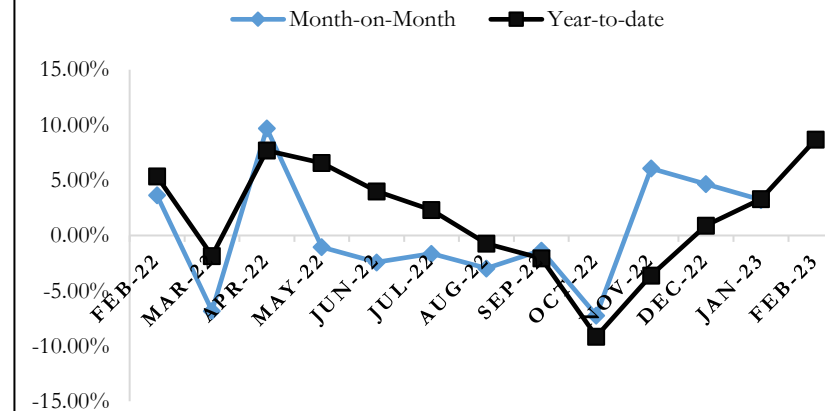
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FUND RETURNS

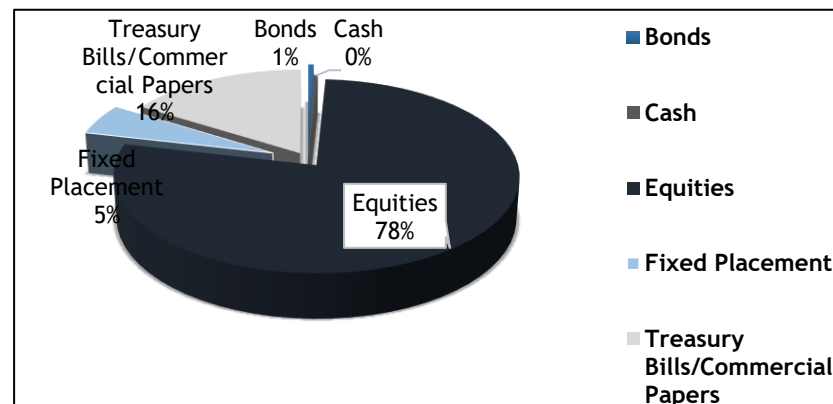
	Jan-23	Feb-23
Month-on-Month	3.23%	5.23%
Year-to-date	3.30%	8.70%
Inception-to-date	73.52%	81.38%

FUND RETURNS CHART

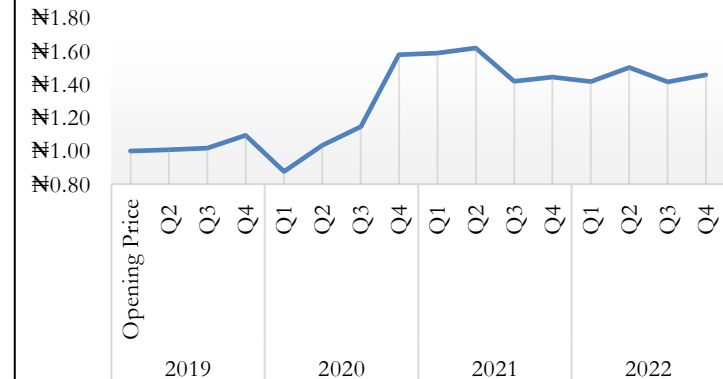


ASSET QUALITY (% TOTAL ASSETS)

	Jan-23	Feb-23
Bonds	0.51	0.50
Cash	0.02	0.39
Equities	76.75	77.72
Fixed Placement	5.85	5.26
Treasury Bills/Commercial Papers	16.87	16.14



Q-o-Q Fund Price since Inception



PERFORMANCE REVIEW:

The month of February ended with a positive return as the NGX All Share Index of gained 4.82% to close at 55,806.26 while the Market Capitalization closed at ₦30.40 trillion.

This was mainly driven by anticipation of full year financials which would also translate to dividends income for investors on some assets (stocks) they are holding.

We expect further uptick as investors are poised to increase their stake in the country's equities market given the expected dividend yield.

The objective of the Fund is to generate a steady return on capital and assured liquidity for all classes of investors. The Fund's investments will mostly be in dollar-denominated long tenured debt instruments of the FGN, States and highly rated corporate institutions. The Fund may also invest its assets in dollar-denominated money market securities.

FUND INFORMATION

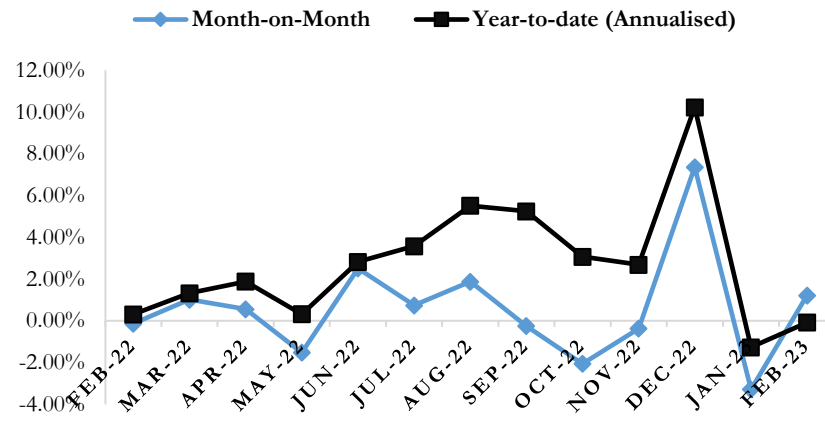
Fund type	Open-ended
Category	Dollar Denominated Bond Fund
Risk profile	Moderate
Launch date	20-May-19
Fund Manager	PAC Asset Management Limited
Trustees	FCMB Trustees Limited
Custodian	UBA Global Investor Services
Auditor	Adekunle Alli & Co.
Management Fee	1% of NAV
Benchmark	5-Year Nigerian sovereign Eurobond
Dividend Frequency	Annual
Compounded Annual Growth Rate	6.34%
Dealing Days	Monday – Friday
	\$
NAV per unit (USD)	124.36

INVESTMENT COMMITTEE

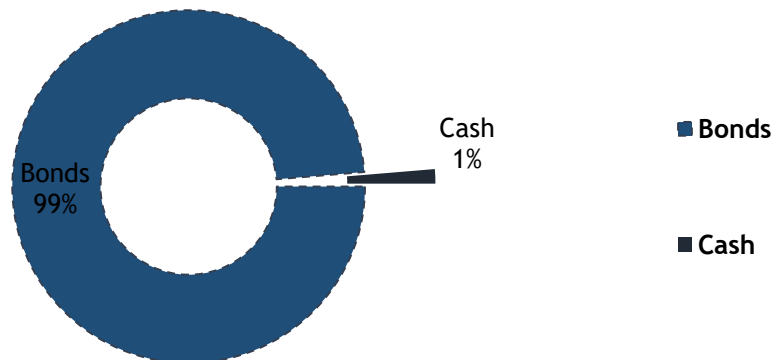
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Mr. Sina Alimi	Member
Mr. Bunkaya Gana	Trustee's Representative
Mr. Bamidele Ige	Fund Manager
Mr Moses Ojo	Member
Mrs Taiwo Sonola	Custodian

FUND RETURNS	Jan-23	Feb-23
Month-on-Month	-3.29%	1.21%
Year-to-date (Annualised)	-1.28%	-0.08%
Inception-to-date	25.80%	27.28%

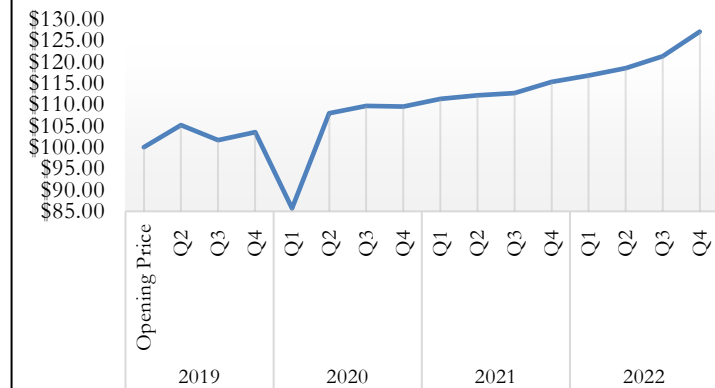
FUND RETURNS CHART



ASSET QUALITY (% TOTAL ASSETS)	Jan-23	Feb-23
Bonds	97.70	98.68
Cash	2.30	1.32



Q-o-Q Fund Price since Inception



PERFORMANCE REVIEW:

The month saw asset prices move up in the Eurobond space which led to an increase in fund's NAV during the month under review.

This presents buying opportunities for intending investors as we foresee further expansion in yields. We recommend that investors take advantage of current cheap valuation to invest in the fund.

The fund still presents tactical opportunities for entry, a hedge against inflation and devaluation of the local currency.

M-O-M Fund NAV performance

Fund Prices:	Jan-23	Feb-23	% Change
PACAM Balanced Fund	₦1.64	₦1.71	4.27%
PACAM Fixed Income Fund	₦11.542	₦11.603	0.53%
PACAM Money Market Fund	₦10.00	₦10.00	
PACAM Equity Fund	₦1.51	₦1.58	4.64%
PACAM Eurobond Fund	\$122.88	\$124.36	1.20%

To invest, kindly make payment to the bank accounts detailed below:

	PACAM Money Market Fund	PACAM Fixed Income Fund	PACAM Balanced Fund	PACAM Equity Fund	PACAM Eurobond Fund
Bank	UBA PLC	UBA PLC	UBA PLC	UBA PLC	UBA PLC
Account Name	UBA PLC Nominee - Main Street Bank Trustees & Asset Mgt. PACAM Money Market Fund	UBA PLC Nominee - Main Street Bank Trustees & Asset Mgt. PACAM Fixed Income Fund	UBA PLC Nominee - Main Street Bank Trustees & Asset Mgt. PACAM Balanced Fund	UBA NOM-FCMB Trustees/PACAM Equity Fund	UBA NOM-FCMB Trustees/PACAM Eurobond Fund
Account No.	1019535675	1019535682	1019045402	1021941770	1021941866
Currency	NGN	NGN	NGN	NGN	USD
USSD Code	*402*91904308*AMOUNT#	*402*91904309*AMOUNT#	*402*91904312*AMOUNT#	*402*91904311*AMOUNT#	-

** USSD Code is currently active for UBA and Zenith Bank account users only.*



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