



STANBIC IBTC
**INFRASTRUCTURE
FUND NEWSLETTER**

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Asset Management

A member of Standard Bank Group

2022 National Budget and Infrastructure Investor Inference: Unlocking Infra Opportunities

President Muhammadu Buhari has signed the ₦17.13trn 2022 Appropriation Bill into law. This is an increase of c.₦735bn compared to the initially proposed budget of ₦16.39trn. The 2022 budget which will be the last full year budget of the current administration is projected to have a total capital expenditure of ₦5.47trn dedicated to infrastructure projects across multiple MDAs or sectors, representing c.32% of the total budget. According to the President, Nigeria requires a cumulative of \$1.5trn (c.₦615trn) over the next 10years to achieve an appreciable level of infrastructure stock. Some observed challenges include insufficient budgetary allocations to

infrastructure and the attendant poor implementation of the budget as well as declining Federal Government revenue which is projected to continue except necessary reforms are activated. Consequently, it is quite evident that new funding approaches need to be considered to complement existing traditional sources of infrastructure spend which almost exclusively relies on government. It is clear we need more public private partnership initiatives to cover a fraction of the funding gap. Funding infrastructure projects opens a lot of opportunities to discerning investors to earn competitive returns whilst making positive social impact. Stanbic IBTC Infrastructure Fund has been set up to unlock these infrastructure opportunities for the qualified investor group through a careful selection and preparation of bankable infrastructure projects with sponsors and promoters.



Thinking Outside the Box! Have you Heard About “The Road Infrastructure Tax Credit Scheme”?

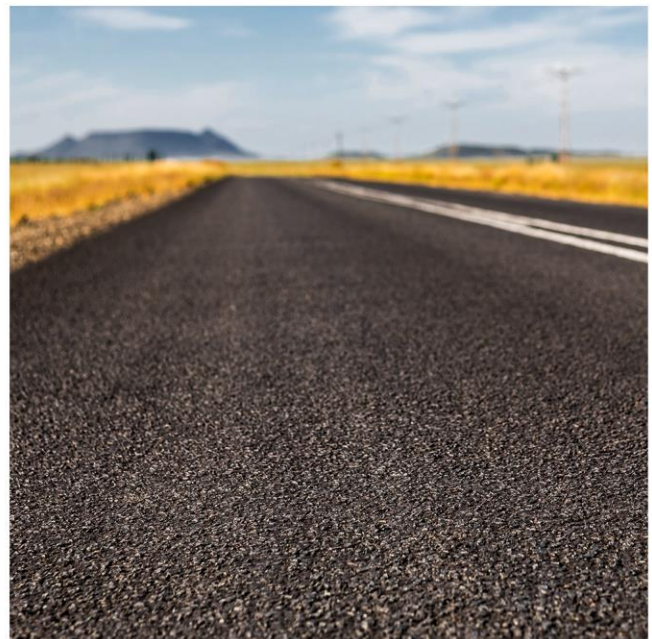


As the Federal Government revenues came under strain in the current economic cycle, one innovative policy idea which emerged- much to our liking is -The Road Infrastructure Tax Credit Scheme (RITC). The RITC scheme since inception in 2019, has provided the private sector with the needed motivation to construct and rehabilitate eligible roads within the country in exchange for a tax credit that can be carried forward to subsequent years until it is fully utilized. The most notable participant is Dangote Cement Plc with a tax credit certificate estimated to be worth c.N22.3billion for the construction of the Apapa-Oworonshoki-Ojota road in Lagos and the Lokoja-Obajana-Kabba road in Kogi and Kwara States. The Nigerian National Petroleum Company Limited (NNPC), MTN



Nigeria, GZI Industries, Access Bank and Transcorp Group are some of the corporations that have indicated interest in the scheme. Some of the interested corporations may require medium to long term funding to undertake these projects and this may provide investment opportunities for infrastructure investors to latch onto. The premise is compelling: these road opportunities not only bring development and uptick in economic activities to related stakeholders, it also provides investors with opportunities to finance road construction and rehabilitation through partnership with sponsor companies whose core businesses are most likely unrelated to core infrastructure development while repayment is assured via the tax credit and a return uplift of MPR plus 2% to compensate for the cost of funding. Interestingly, the scheme is expected to be relatively liquid as the tax credit can be traded on a recognized exchange.

Bring the road! Build the Road! Nigerians await them and investors yearn for them! Kudos to the Ministry of Work & Housing as well as the Federal Ministry of Budget, Planning and Finance.



Which Infrastructure Sectors should Infrastructure Capital Flow to in 2022?

Without a crystal ball to allow investors certainly know what sectors offers the most optimal infrastructure investment, there are some broad trends that are like twinkle stars amidst a cloudy night sky guiding the discerning investors

a. Healthcare

Despite commitments to the African Union by African countries to increase proportion of budget spent on the Healthcare sector to 15% (nearly two decades ago), Nigeria still spends < 4% of its budget on the sector. Also, according to Nigerian Medical Association (NMA), Nigerians spend an average of \$1 billion annually on medical tourism for a range of healthcare needs, evidencing the distinct lack of confidence in the domestic healthcare system, thus leading to a loss of revenue potential in the sector.

There is growing evidence of supply led growth in the healthcare sector supported by an existing market segment with the ability and willingness to pay for quality healthcare services. The impact of the covid-19 pandemic is a supporting evidence as there would clearly be increased need for domestic quality healthcare, amidst travel restrictions and ban placed by developed countries of the world, thus placing an urgent need to resuscitate the existing deteriorated healthcare system in the country. This situation provides an opportunity for investors to meet a yearning demand in the healthcare sector through provision of long-term capital deployed to provide affordable and accessible high-quality care thus earning an attractive return while solving a social problem.

Recently, the Nigerian Senate passed the Tertiary Hospitals Development Tax (THDT) Fund Bill which is aimed at promoting the rehabilitation, construction, and management of tertiary healthcare facilities in the country. The Bill also makes provision for the training and development of health workers while providing opportunities for improving the research output of professionals in the medical field. This is a welcome development considering the rise in brain drain in the healthcare sector in the country. Statistics from Nigeria Health Watch indicate that while 80,000 doctors are registered with the Medical and Dental Council of Nigeria as at June 2021, less than half of those doctors currently practice within the country. Due to the poor state and funding of the healthcare sector, the National Association of Resident Doctors (NARD) estimate that the country loses over N576 bn to medical tourism annually. If well executed, the bill would help fix some of the challenges in the sector.

Within the pipeline of infrastructure projects of The Fund are opportunities to bring healthcare infrastructure projects to investors. Investors can be assured that when we do come to them, it is because the projects have scaled a rigorous deal assessment and appraisal process.

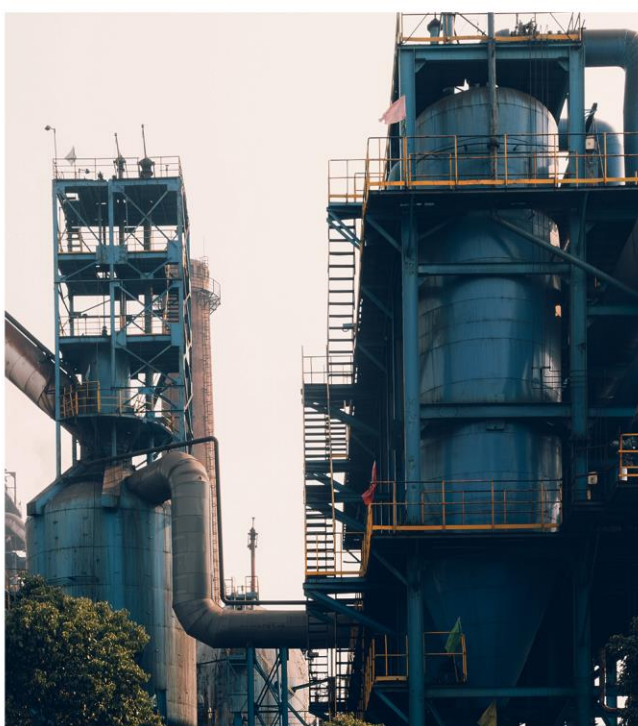


b. Gas

In Nigeria, the demand for Liquefied Petroleum Gas (LPG) has grown by over 1,300% from c.70,000 metric tonnes in 2010 to over 1million metric tonnes in 2020 according to industry sources such as DPR, PPPRA and Energex. The current increase in prices of LPG further strengthens the proposition that the demand for LPG exists and is expected to be on the upward trend in the Nigerian market as consumers become increasingly aware of the benefits in terms of the cost and efficiency of LPG.

The Stanbic IBTC Infrastructure Fund, subsequent to her first fund raise, is financing the construction of a 20,000 metric tonnes mixed LPG storage terminal in Lagos. The project with the capacity to blend propane and butane consists of 4 units of 5,000 metric tonnes propane rated Horton Spheres designed to international standards. Upon completion, the project will partly fill the acute

shortage of storage facilities for gas and meet the rising demand of LPG products as end users continues to gravitate towards cleaner energy.



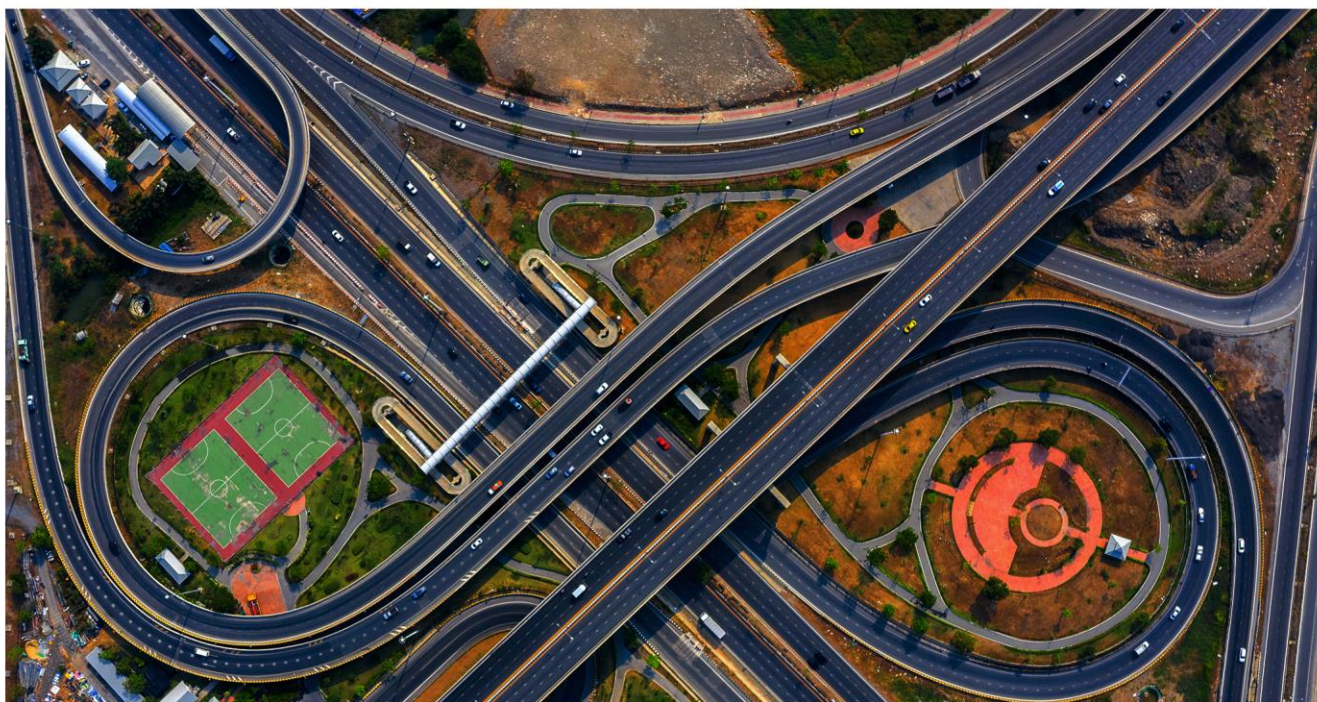
c. Renewable Energy

Light it up and do it clean too!!!

Alternative power solution is trending. Some leading multilateral financing agencies in developed nations have plugged into financing infrastructure projects in developing countries especially Africa. In September 2021, the U.S. International Development Finance Corporation (DFC) approved the funding of over nine investments totaling \$925mn. The investment will focus on renewable energy, climate change, smart city infrastructure etc. in African countries such as Nigeria, Ghana, Senegal and Togo. DFC would provide a direct equity investment in Daystar Power Group, a Nigerian-based company in the business of providing solar and hybrid power programs to commercial and industrial clients. This investment will help reduce the cost of power, increase reliability of supply, and reduce pollution in Nigeria, Ghana, Senegal and Togo. Adoption of alternative power solutions present a viable path towards addressing the energy crisis in the country.

We see increased activities in the renewable energy space and we are working to back the winning horse!





Quick Facts: Stanbic IBTC Infrastructure Fund (“The Fund”) – Our Mandate.

The Fund is the newest addition to the bouquet of funds managed by Stanbic IBTC Asset Management Limited. The ₦100bn Fund is designed for institutional investors such as Pension Fund Administrators, Asset Managers, Insurance companies and HNIs. The Fund’s objective is to provide unitholders with competitive risk adjusted returns above the benchmark- FGN Bond by investing in infrastructure or infrastructure related projects. The Fund will achieve its objective through careful investment selection, structuring and execution as well as investment monitoring whilst communicating clearly and transparently with its investors.

Did you Know?

Stanbic IBTC Infrastructure Fund has made its first distribution to Tranche 1 unitholders. This was based on income earned on investments made and represents gross distribution of ₦1.24 per unit.

Upcoming Events

Stanbic IBTC Infrastructure Fund webinar – Q1 2022 (Actual date and time to be communicated)

Happy new year. Till we come your way again, stay safe and healthy. Thank you!

Kindly send your comments or questions to SIIFinvestor-relations@stanbicibtc.com