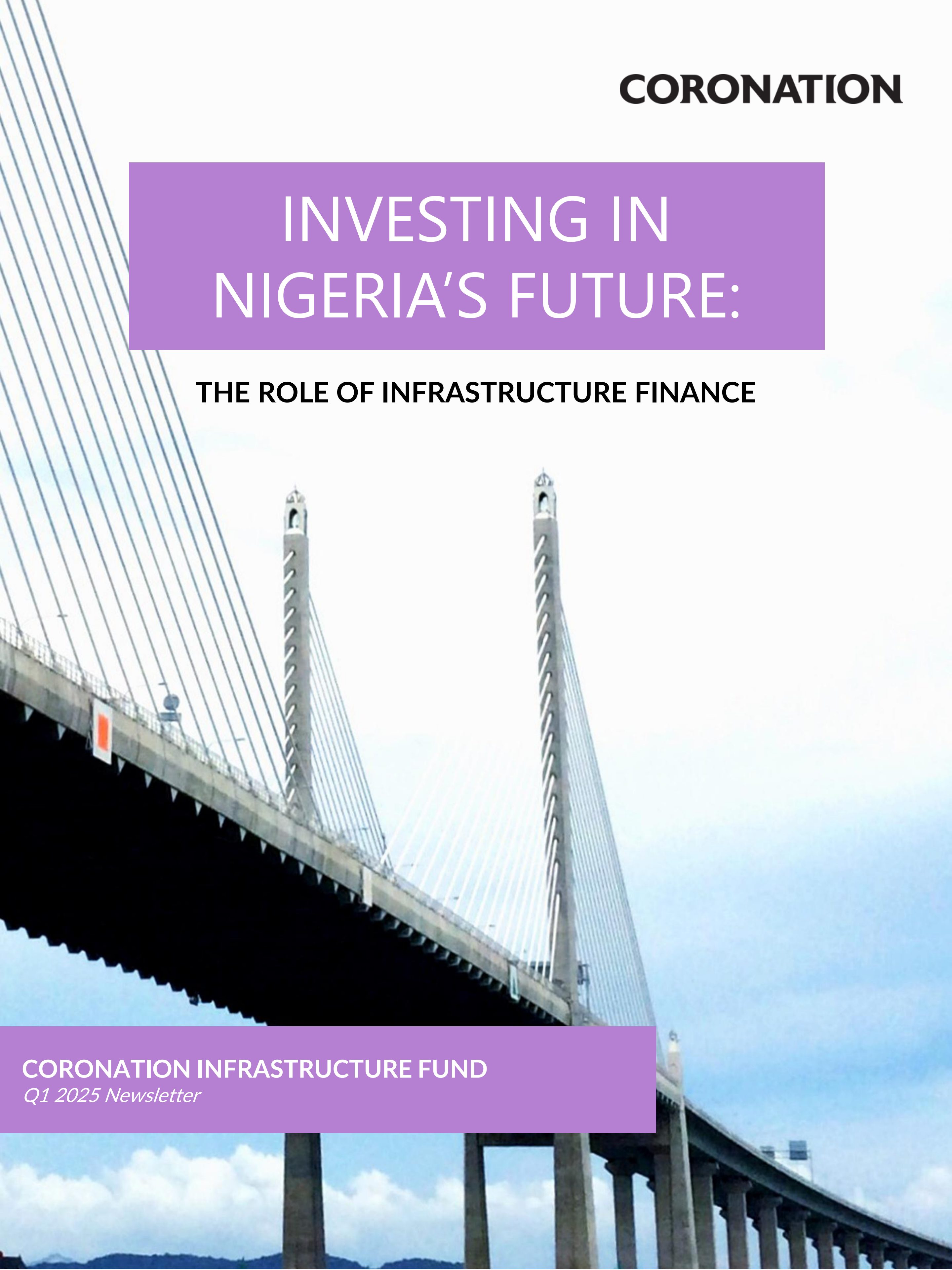


CORONATION

INVESTING IN NIGERIA'S FUTURE:

THE ROLE OF INFRASTRUCTURE FINANCE

CORONATION INFRASTRUCTURE FUND

Q1 2025 Newsletter

INTRODUCTION

Dear Readers,

The Coronation Infrastructure Fund ("CIF" or "the Fund") is a close-ended infrastructure debt fund managed by Coronation Asset Management Ltd and registered with the Nigeria Securities and Exchange Commission ("SEC"). An investment in CIF falls under alternative investments, which is a financial asset that does not fit into the conventional equity, fixed income or cash categories. The CIF aims to bridge the gap between the long-term funding needs of infrastructure projects sponsors and the long-term outlook of investors with patient capital.

In this flagship edition of the CIF quarterly newsletter, we explore the critical role of infrastructure in Nigeria and how infrastructure funds contribute to national economic development. This edition covers:

- The role of Infrastructure as a catalyst for economic development.
- The Nigeria infrastructure landscape.
- The characteristics of infrastructure projects.
- The state of Infrastructure financing in Nigeria.

INFRASTRUCTURE AS A CATALYST FOR ECONOMIC DEVELOPMENT

Economic development extends beyond mere economic growth. While economic growth measures national income, economic development focuses on sustainable improvements in the overall well-being of the population. Infrastructure financing plays a critical role in enabling a country meet the essential needs of its populace, ensuring sustainability and long-term prosperity.

Investors view infrastructure investments as an indicator of sound economic planning, good governance, and political stability. Consequently, rapid infrastructure development can attract further investment and drive economic activities.

Infrastructure funds play a key role in developing, structuring, executing, and monitoring infrastructure deals that drive sustainable economic development. These funds are well regulated and have a fiduciary duty of acting in investor's best interests while pursuing their investment objectives.

ECONOMIC GROWTH INDICES

3.84%
Q4 GDP Growth (YoY)

23.1%
Inflation for February 2025 (Rebased rate)

3.6%
Annual GDP estimate for 2025-2026

ECONOMIC DEVELOPMENT INDICES

131/190
Ease of Doing Business

161/193
Human Capital Index

54years
Avg. Life Expectancy

Source: World Bank, UNDP, NBS, World Bank

THE STATE OF INFRASTRUCTURE FINANCING IN NIGERIA

The World Bank projects that Nigeria will remain Africa's largest economy by GDP in 2025, with key sectors such as ICT, energy, agriculture, and healthcare as key drivers of this growth. These sectors require substantial investments in infrastructure to thrive and make a real impact.

On the back of a number of key reforms passed since 2023, the Nigerian government passed the "Budget of Restoration" in February 2025. This budget demonstrates a renewed focus on sectors that have a direct impact on the well-being and socio-economic development of Nigeria.

One of the key purposes of infrastructure development is to cater for the present and future generations. Nigeria's population stands at over 200 million according to most recent estimates and it is projected to double by 2050.

The 2025 budget proposes a significant increase in capital expenditure.

- **Human Capital**: Increased funding for healthcare, education, and skills development. However, it remains uncertain if this will mitigate the effects of the suspension of U.S. aid to Nigeria's health sector by the new American administration.
- **Infrastructure:** Higher allocation than in 2024, though still below the target annual infrastructure spending required to close the funding gap.
- **Agriculture:** Increased investment in local food production and productivity improvements to combat food inflation.
- **Defense:** Increased funding to support counter-insurgency efforts and national security programs, boosting local and international investor confidence and reducing political risk.

$3Tn
Infrastructure Deficit over the next 30 years

$100Bn
Target Annual Infrastructure Spending

30%
Infrastructure Stock as a % of GDP

Nigeria's 2025 Budget
₦54.9Tn

Agriculture	Human Capital	Infrastructure	Defense
₦3.7Tn	₦5.7Tn	₦5.9Tn	₦6.1Tn
7%	10%	11%	11%

Source: State House Government, World Bank, Augusto

INFRASTRUCTURE FUNDS; A VIABLE ALTERNATIVE

Over the years, the government and bilateral/ multilateral partners have been the largest provider of infrastructure finance in Nigeria. The government has funded infrastructure majorly through budget allocations, bonds, Development Finance Institutions (DFIs) and the sovereign wealth fund. However, the existing infrastructure deficit has shown that there is an urgent need for increased participation from the private sector as government alone cannot bridge the gap effectively.

Infrastructure funds are alternative investment schemes duly registered by the Securities and Exchange Commission (SEC) to invest primarily in infrastructure projects and companies. These funds offer a long-term investment horizon and generate returns for investors through capital appreciation and income distribution.

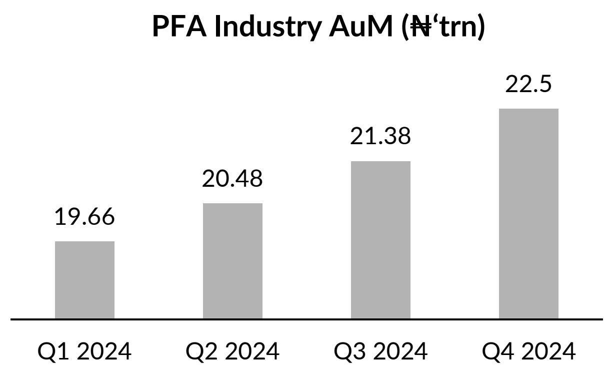
Infrastructure funds typically raise capital from investors with a long-term investment outlook, such as Pension Fund Administrators (PFAs), Insurance companies, DFIs, Sovereign Wealth Funds, Family Offices, and other qualified investors. This long-term capital aims to align with the long-term funding requirements of infrastructure projects.

THE ROLE OF PFAs IN INFRASTRUCTURE INVESTMENT

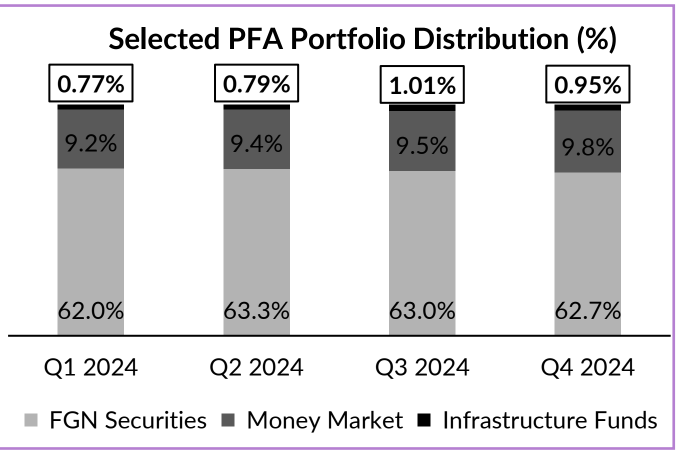
PFAs are the largest providers of capital to infrastructure funds in Nigeria due to the nature of their assets. This investor class has witnessed tremendous growth on the back of the pension reforms which kickstarted with the 2004 Act and the introduction of the multi-fund structure to allow a broader range of investments that aligns with different pension contributors risk appetites. As per the National Pension Commission (PenCom) regulation on investments, PFAs are allowed a global limit of 10% for Fund I and 5% for Fund II, and an issuer limit of 5% for Fund I and II for investment in infrastructure funds.

However, Infrastructure Funds have continued to receive less than 1.5% allocation from PFA's total Assets under Management (AuM) despite their strategic importance not only to the national economy but returns required to meet future liabilities of pension fund holders and their beneficiaries. This is in stark contrast to PFA investment allocations to infrastructure projects in developed economies.

There is a need for a renewed focus to help marshal domestic capital, rather than overreliance on foreign debt, to unlock sustainable development.

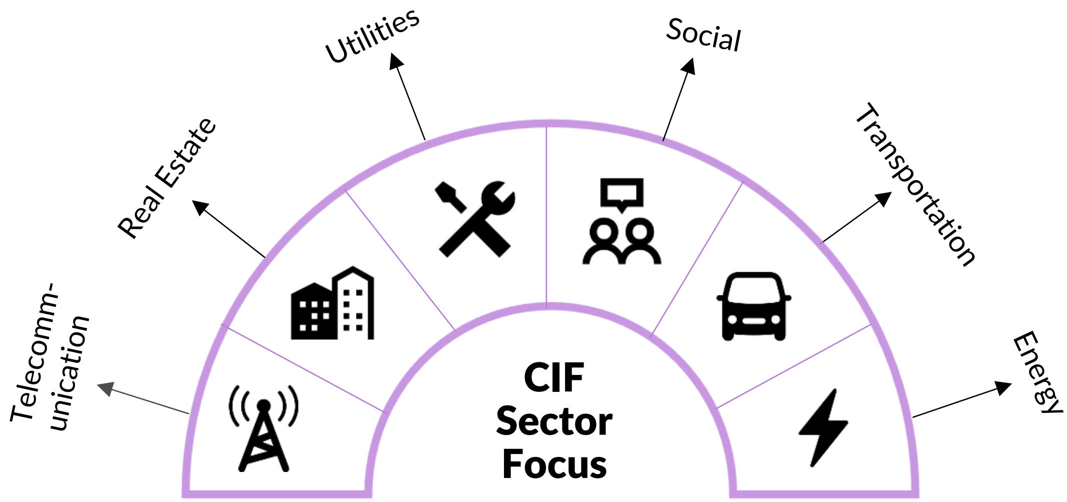


Source: PenCom



BENEFITS OF INFRASTRUCTURE INVESTMENTS

- Economic Development
- Resilient Returns
- Foreign Investment Attraction
- Portfolio Diversification
- Debt Sustainability



ATTRIBUTE OF INFRASTRUCTURE PROJECTS

1. **Essential Goods and Services**: Many infrastructure projects aim to improve the standard of living through investments in public goods as well as improve ease of doing business.

2. **Strong Cashflows:** Many infrastructure projects are designed to meet essential needs, leading to resilient and predictable cashflows. Project contracts also accommodate mechanisms for price escalations due to inflation, exchange rate fluctuations, and macroeconomic changes.

3. **Risk Sharing**: Infrastructure projects are capital-intensive and long-term in nature. Risk allocation is a standard practice, involving mechanisms such as:

- Special Purpose Vehicle (SPV) structures.
- Turnkey & take-or-pay contracts.
- Insurance and performance guarantees.
- Credit enhancements.
- Sponsor's equity contribution and guarantee.
- Government concessions & incentives etc.

Potentially viable infrastructure projects in Nigeria remain largely unfunded due to the huge financing gap between these projects and available financing. There is a need for savvy investors to hold a diversified investment portfolio consisting of viable traditional and alternative investment products, thereby, acting not only as agents of economic development but earning good risk adjusted returns on their portfolios. Institutional investors, particularly PFAs, should deepen their understanding of the case for infrastructure finance and reassess their investment strategies in response to these recent developments.

FUND PERFORMANCE & OUTLOOK

Did You Know?

- The Coronation Infrastructure Fund achieved a 43% subscription rate in its maiden ₦20bn Series I fundraise in May 2024. The highest series one fund raise by an infrastructure fund in Nigeria.
- The Fund has a diversified investor base, including PFAs, financial institutions, and high-net-worth individuals.
- CIF targets a 3%-5% premium on the 10-year FGN bond with semi-annual income distribution to investors.
- The Fund plans to launch Series II in Q2 2025, pending regulatory clearance.

Contacts

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