

FEBRUARY 2023

1. FUND PERFORMANCE

AVERAGE	2022	FEBRUARY 2023	PERFORMANCE SINCE INCEPTION (01-AUGUST -2019)	
			*Cumulative	**Annualized
Cytonn Balanced Fund	0.5%	0.9%	11.6%	3.0%
Benchmark (50.0% NSE 20, 50.0% 91-day T-bill)	(1.9%)	0.1%	(4.0%)	(2.4%)

*Aggregate percentage amount that your investment would have gained since the fund started (01-August-2019)

**Percentage you can expect to earn with the fund during one year of investment on the basis of the so far realized monthly returns

2. FUND MANAGER'S REPORT AND OUTLOOK

Fund Objective

The Cytonn Balanced Fund is a medium-risk fund that seeks to achieve a reasonable level of current income and offer investors long-term capital growth.

Portfolio Strategy

The fund seeks to outperform the weighted returns from both fixed income instruments and the Equities listed in the Nairobi Securities Exchange. This is achieved by both optimizing asset allocation and security selection. The fund will therefore be invested in a diversified set of securities ranging from equities, fixed income, and collective investments schemes among others.

Portfolio Performance

The Cytonn Balanced Fund gained by 0.9% in February 2023, delivering above market returns.

Economic report and outlook

According to Kenya National Bureau of Statistics (KNBS) Quarterly Gross Domestic Product Report Q3'2022, the Kenyan economy recorded a 4.7% growth in Q3'2022, significantly lower than the 9.3% growth recorded in Q3'2021 when most sectors of the economy were recovering from the impacts of COVID-19 pandemic. The biggest gainer in terms of sectoral contribution to GDP was Financial and Insurance sector, increasing by 0.8% points to 8.9% from 8.1% in Q3'2021, while Agriculture and Forestry was the biggest loser, declining by 1.5% points to 14.8% in Q3'2022, from 16.3% in Q3'2021. Accommodation and Food Services sector recorded the highest growth rate in Q3'2022 growing by 22.9% compared to the 127.5% growth recorded in Q3'2021. The Real Estate sector recorded a growth of 5.1% in Q3'2022, 2.0% points lower than the 7.1% growth recorded in Q3'2021. The decline in performance was mainly attributed to increased cost of construction materials on the back of inflationary pressure and prevailing local currency depreciation that hindered optimum investments.

During the month, yields on the shorter dated Government papers were on an upward trajectory with the average yields on the 364-day and 182-day papers increasing by 0.2% points each to 10.6% and 10.1%, respectively. The yield on the 91-day paper also increased by 0.1% points to 9.6% from 9.5% recorded in January 2023. Additionally, the Kenyan Shilling depreciated by 2.0% against the US Dollar to close the month at Kshs 126.9, from Kshs 124.4 recorded at the end of January 2023, majorly attributable to increased dollar demand from energy and merchandise importers.

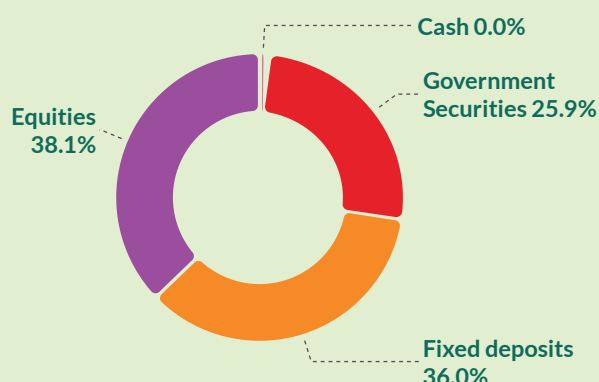
February 2023 inflation rate came in at 9.2%, a slight increase from 9.0% recorded in January 2022. The inflation rate remains worryingly above the government target range of 2.5%-7.5%, mainly attributable to the high food and fuel prices.

During the month of February, the equities market recorded mixed performance, with NASI and NSE 25 gaining by 0.1% and 0.7%, respectively, while NSE 20 declined by 0.6%. The equities market performance was driven by gains recorded by large cap banking stocks such as Standard Chartered Bank of Kenya (SCBK), Equity Group, NCBA Group and Cooperative Bank of Kenya of 4.0%, 3.4%, 2.2% and 1.6% respectively. The gains were however weighed down by losses recorded by large cap stocks such as Bamburi and Stanbic Holdings of 5.2% and 4.5%, respectively. The market is currently trading at a price to earnings ratio (P/E) of 6.7x, 46.6% below the historical average of 12.5x, and a dividend yield of 7.4%, 3.3% points above the historical average of 4.1%.

FUND PROFILE

- ◉ **Fund Manager:** Cytonn Asset Managers Limited
- ◉ **Risk Profile:** Medium
- ◉ **Minimum Initial Investment:** Kshs. 1,000
- ◉ **Minimum Additional Investment:** Kshs. 100
- ◉ **Annual Management Fee:** 2.5%
- ◉ **Initial Fee:** Nil
- ◉ **Trustee:** Goal Advisory
- ◉ **Custodian:** State Bank of Mauritius (SBM) Kenya Ltd
- ◉ **Benchmark:** 50.0% NSE 20, 50.0% 91-day T-Bill

FUND ALLOCATION



Disclaimer: Past performance is not a guarantee of future performance and the value of the fund may fluctuate from time to time.

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