CYTONN BALANCED FUND FACT SHEET

Cytonn ASSET MANAGERS LIMITED

Fund Fact Sheet

JULY 2020

1. FUND PERFOMANCE

AVERAGE	JULY 2020	PERFOMANCE SINCE INCEPTION (01-AUGUST -2019)	
		*Cumulative	**Annualized
Cytonn Balanced Fund	(0.4%)	(14.3%)	14.3%
Benchmark (50.0% NSE 20, 50.0% 91-day T-bill)	(3.3%)	(18.1%)	(18.1%)

**Aggregate percent 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 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 recorded marginal losses of 0.4% in the month of July 2020. The 0.4% loss in the fund's performance was mainly driven by losses recorded in Equity Group, KCB Group and Safaricom's shares of 6.2%, 5.4% and 1.7% respectively. The loss was however, weighed down by gains recorded in Fixed Income Securities.

Economic report and outlook

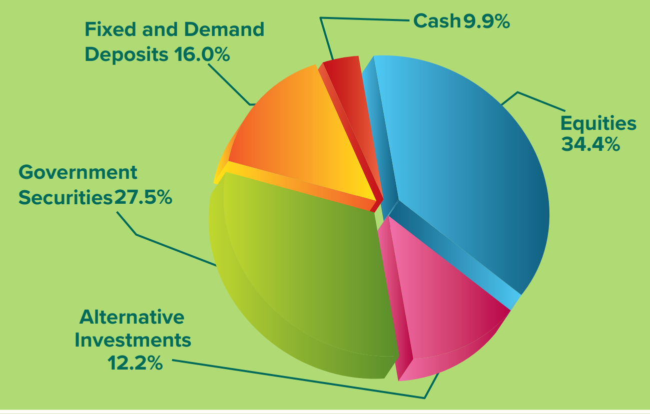
According to Kenya National Bureau of Statistics (KNBS), the economy recorded subdued growth of 4.9% in Q1'2020, lower than 5.5% in Q1'2019 a 2-year low, mainly supported by the Agricultural sector which recorded a slightly faster growth of 4.9%, compared to 4.7% seen in Q1'2019, coupled with slower growth in other sectors attributable to effects emanating from the COVID-19 pandemic. During the month, there was a downward readjustment on the yield curve, from the December levels, which has seen the FTSE NSE Kenya Government Bond Index gain marginally by 0.1% YTD. The decline is mainly due to increased demand, due to the bias by banks towards government securities as opposed to lending due to increased credit risk. Inflation has remained within the Central Bank's target of between 2.5% - 7.5%, with the July y/y inflation coming in at 4.4% a decline from 4.6% in June, driven by a 0.8% decline in the food and non-alcoholic drinks' Index, coupled with a 0.4% decline in the housing, water, electricity, gas and other fuels' index. During the month, the Kenyan shilling remained under pressure against the US dollar, losing by 1.1%, to close the month at Kshs 107.7 from Kshs 106.5 in June, mainly attributable to increased dollar demand from merchandise importers as the easing of Coronavirus restrictions continued to jumpstart economic activities, thus boosting demand for hard currency.

The Nairobi securities markets was on a downward trajectory, with NASI, NSE 20 and NSE 25 declining by 3.2%, 7.1% and 4.9%, respectively. The NASI performance was driven by large declines recorded by Co-operative bank, ABSA and SCBK of 13.6%, 9.8% and 9.4%, respectively. With the market trading at valuations below the historical average, the valuations current P/E valuation of 7.9x, 39.4% below the historical average of 13.1x. The average dividend yield is currently at 5.3%. The yields on the 91-day, 182-day, and 364-day papers declined by 0.6% points, 0.9% points, and 0.8% points, respectively, to 6.1%, 6.5%, and 7.4%, respectively, in July, from 6.7%, 7.4% and 8.2%, respectively, recorded in June.

FUND PROFILE

- **Fund Manager:** Cytonn Asset Managers Limited
- **Risk Profile:** Medium
- **Minimum Initial Investment:** Kshs. 1,000
- **Minimum Additional Investment:** Kshs. 1,000
- **Annual Management Fee:** 2.5%
- **Initial Fee:** Nil
- **Inception Date:** August 2019
- **Trustee:** Co-operative Bank of Kenya Ltd
- **Custodian:** KCB Bank
- **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 will fluctuate from time to time.*

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