

1. FUND PERFORMANCE

AVERAGE	MARCH 2020	PERFORMANCE SINCE INCEPTION (01-AUGUST -2019)	
		*Cumulative	**Annualized
Cytonn Balanced Fund	(3.3%)	9.7%	14.9%
Benchmark (50.0% NSE 20, 50.0% 91-day T-bill)	(8.1%)	6.0%	8.9%

*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 collective investments schemes among others.

Portfolio Performance

The Cytonn Balanced fund recorded a performance of (3.3%) in the month of March 2020. The fund performance was weighed down by losses in the equities market attributable to the ongoing COVID-19 pandemic. The equities market was on a downward trend, with NASI, NSE 20 and NSE 25 decreasing by (11.2%), (15.9%) and (15.1%), respectively, The decline in NASI was largely due to losses recorded in large-cap stocks such as BAT Kenya, Equity, EABL, KCB and ABSA, which recorded losses of (26.2%), (26.0%), (23.0%), (22.2%) and (22.0%) respectively. Despite the decline in equities, the fund was cushioned by the fixed income investments. The yields on the 91-day paper remained unchanged from the previous month at 7.3%, while the yields on the 182-day paper and 364- day paper recorded a decrease of 0.2% points and 0.7% points to close at 8.1% and 9.1% in March, respectively, from 8.3% and 9.8% recorded in February.

Economic report and outlook

Economic growth remains subdued due to the ongoing COVID-19 pandemic, which has disrupted various sectors. The Central Bank revised the growth projection downward to 3.4% from 5.2% previously. There has been pressure on interest rates with the yield curve shifting upwards from the December levels, this is despite a downward revision of the Central Bank Rate to 7.25% from 8.25% by the Monetary Policy Committee to cushion the economy. On the short end of the yield curve, the Central Bank of Kenya has managed to maintain the yields relatively stable with the 91 day T-Bill remaining unchanged in March at 7.3%. Inflation has remained within the Central Bank's target of between 2.5% and 7.5%, with the March inflation coming in at 6.1% driven by increases in food prices. We expect inflation to remain stable despite supply side disruption due to COVID- 19 as low demand for commodities compensates for the cost-push inflation, coupled with the low oil prices in the international markets. We have seen a lot of pressure on the currency due to the demand for the dollar as a safe haven but we do not foresee further declines as the Central Bank remains active in the market to cushion the shilling.

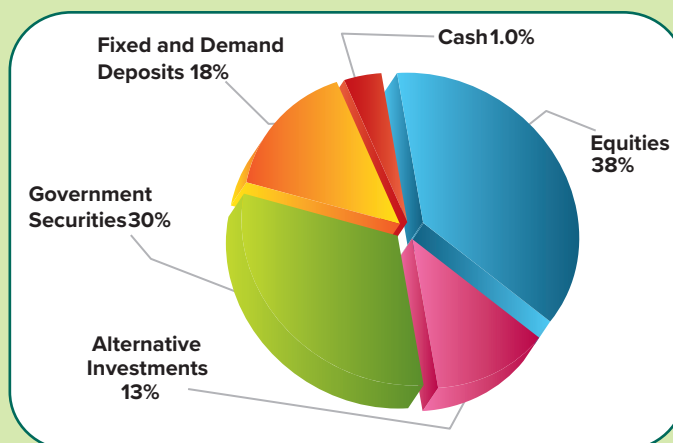
The Nairobi securities markets recorded an 11.2% decline in the month of March as measured by the Nairobi

All Share Index. With the decline the valuations are now significantly attractive with the current market price to earnings ratio (P/E) at 8.7x, which is 34.5% below the historical average of 13.2x, and the dividend yield is at 7.2%, 3.3% points above the historical average of 3.9%. Despite the decline we expect that once the COVID-19 Pandemic is sorted the portfolio will be set to grow and deliver good returns for the investor.

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.