

OCTOBER 2023

1. FUND PERFORMANCE

AVERAGE	2022	OCTOBER 2023	PERFORMANCE SINCE INCEPTION (01-AUGUST -2019)	
			*Cumulative	**Annualized
Cytonn Balanced Fund	0.5%	(8.8%)	(0.3%)	(0.1%)
Benchmark (50.0% NSE 20, 50.0% 91-day T-bill)	(1.9%)	0.6%	45.3%	5.3%

*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 declined by 8.8% in October 2023. The loss was mainly driven by losses recorded by portfolio stocks such as KCB Group, Safaricom and DTB-K of 16.1%, 14.7% and 6.0%, respectively. The loss was however mitigated by gains recorded by gains recorded in the fixed income docket.

Economic report and outlook

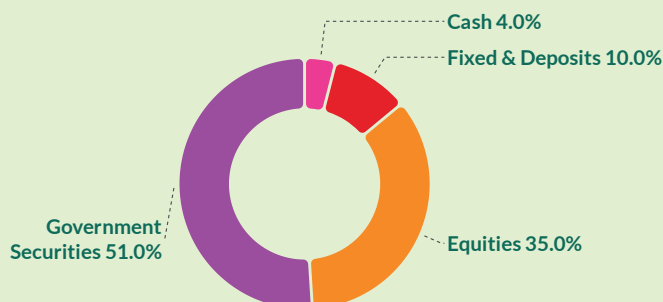
According to Kenya National Bureau of Statistics (KNBS) Quarterly Gross Domestic Product Report Q2'2023, the Kenyan economy recorded a 5.4% expansion in Q2'2023, faster than the 5.2% growth recorded in Q2'2022. The growth was mainly supported by a rebound in agriculture, fishing and forestry sector, which grew by 7.7% in Q2'2023 compared to a contraction of 2.4% in Q2'2022. The biggest gainer in terms of sectoral contribution to GDP was the financial and Insurance sector, increasing by 0.7% points to 9.6% in Q2'2023 from 8.9% in Q2'2022, while Manufacturing sector was the biggest loser, declining by 0.3% points to 8.0% in Q2'2023, from 8.3% in Q2'2022. The Financial and Insurance sector recorded the highest growth rate in Q2'2023 growing by 13.5%, albeit slower than the 16.1% growth recorded in Q2'2022. Real Estate was the second largest contributor to GDP at 10.0% in Q2'2023, remaining relatively unchanged from Q2'2022, indicating sustained growth. Notably, the Real Estate sector grew by 5.8% in Q2'2023, 0.8% points higher than the 5.0% recorded in Q2'2022. We expect the economy to grow at slower pace on the back of elevated inflationary pressures as well as the sustained depreciation of the Kenyan Shilling against the dollar which has resulted to a reduced consumer purchasing power.

During the month, yields on the shorter-dated Government papers were on an upward trajectory, with the average yields on the 364-day, 182-day and 91-day papers increasing by 0.6% points, 0.5% points, and 0.5% points to 15.3%, 15.1%, and 15.0%, respectively. Additionally, the Kenyan Shilling depreciated by 1.7% against the US Dollar to close the month at Kshs 150.6, from Kshs 148.1 recorded at the end of September 2023, largely attributable to increased dollar demand from energy and merchandise importers. The October 2023 inflation rate increased marginally to 6.9% from the 6.8% recorded in the month of September 2023, marking the fourth consecutive month that the inflation has remained within the CBK target range of 2.5%-7.5%. During the month of October 2023, the equities market was on a downward trajectory, with NASI declining the most by 7.0% while NSE 20, NSE 25 and NSE 10 declined by 3.2%, 4.2% and 4.3% respectively. The equities market performance was driven by losses recorded by large-cap stocks such as KCB, Safaricom, Stanbic Bank and Diamond Trust Bank-Kenya of 16.1%, 14.7%, 6.1% and 6.0% respectively. The losses were, however, mitigated by gains recorded by large cap stocks such as Equity Group and NCBA of 5.6% and 1.8% respectively. The market closed the month trading at a price to earnings ratio (P/E) of 4.7x, 61.8% below the historical average of 12.3x, and a dividend yield of 10.1%, 5.8% points above the historical average of 4.3%.

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.