

SEPTEMBER 2023

1. FUND PERFORMANCE

| AVERAGE | 2022 | SEPTEMBER 2023 | PERFORMANCE SINCE INCEPTION (01-AUGUST -2019) | |
|---|--------|----------------|---|--------------|
| | | | *Cumulative | **Annualized |
| Cytonn Balanced Fund | 0.5% | (1.9%) | 1.6% | 0.4% |
| Benchmark (50.0% NSE 20, 50.0% 91-day T-bill) | (1.9%) | 0.9% | 43.7% | 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 1.9% in September 2023. The loss was mainly driven by losses recorded by portfolio stocks such as KCB Group, Equity Group, I&M Bank, and Safaricom of 11.7%, 8.5%, 5.3% and 5.2%, respectively. The loss was however mitigated by gains recorded by portfolio stocks such as Co-op Bank of 1.3% as well as gains in the fixed income docket.

Economic report and outlook

According to Kenya National Bureau of Statistics (KNBS) Quarterly Gross Domestic Product Report Q1'2023, the Kenyan economy recorded a 5.3% expansion in Q1'2023, although slower than the 6.2% growth recorded in Q1'2022. The growth was mainly supported by a rebound in agricultural activities, which grew by 5.8% in Q1'2023 compared to a contraction of 1.7% in Q1'2022. The biggest gainer in terms of sectoral contribution to GDP was the financial and Insurance sector, increasing by 1.9% points to 8.8% in Q1' 2023 from 6.8% in Q1'2022, while Agriculture and Forestry was the biggest loser, declining by 4.9% points to 18.5% in Q1'2023, from 23.4% in Q1'2022. The accommodation and Food Services sector recorded the highest growth rate in Q1'2023 growing by 21.5%, albeit slower than the 40.1% growth recorded in Q1'2022. Real Estate was the second largest contributor to GDP at 10.0% in Q1'2023, 1.5% points increase from 8.5% in Q1'2022, indicating sustained growth. The Real Estate sector grew by 5.2% in Q1'2023, albeit 0.8% points lower than the 6.0% recorded in Q1'2022. The decline in Real Estate performance was mainly attributed to the increased cost of construction materials arising from increased inflationary pressures and prevailing local currency depreciation, which hindered optimum investments.

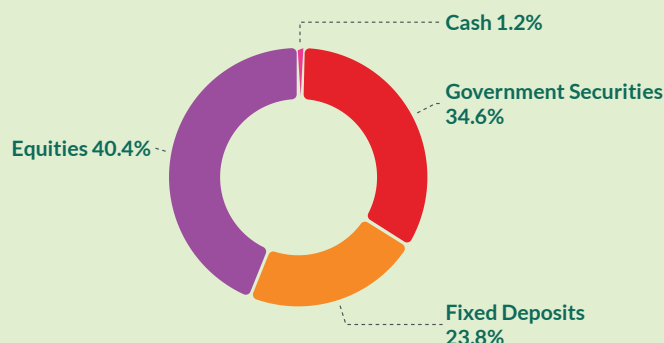
During the month, yields on the shorter-dated Government papers were on an upward trajectory, with the average yields on the 364-day, 182-day and 91-day papers increasing by 1.2% points, 1.3% points, and 1.2% points to 14.7%, 14.5%, and 14.5%, respectively. Additionally, the Kenyan Shilling depreciated by 1.9% against the US Dollar to close the month at Kshs 148.1, from Kshs 145.4 recorded at the end of August 2023, largely attributable to increased dollar demand from energy and merchandise importers.

The September 2023 inflation rate increased marginally to 6.8% from the 6.7% recorded in the month of August 2023, marking the third consecutive month that the inflation has remained within the CBK target range of 2.5%- 7.5%. During the month of September 2023, the equities market was on a downward trajectory, with NASI, NSE 20, NSE 25 and NSE 10 declining by 4.0%, 2.0%, 4.1% and 4.9% respectively. The equities market performance was driven by losses recorded by large-cap stocks such as KCB, Equity Group, Safaricom, NCBA and EABL of 11.7%, 8.5%, 5.2%, 4.7% and 3.1% respectively. The losses were, however, mitigated by gains recorded by large cap stocks such as Standard Chartered Bank Kenya, ABSA, Coop Bank and Stanbic Bank of 3.6%, 2.1%, 1.3% and 1.1% respectively. The market closed the month trading at a price to earnings ratio (P/E) of 4.8x, 60.7% below the historical average of 12.3x, and a dividend yield of 9.1%, 4.8% 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.