

1. FUND PERFORMANCE

AVERAGE	AUGUST 2021	PERFORMANCE SINCE INCEPTION (JANUARY-2020)	
		*Cumulative	**Annualized
Cytonn Africa Financial Services Fund	4.7%	7.6%	4.5%
Benchmark (NSE 20)	2.4%	(24.3%)	(15.4%)

*Aggregate percent amount that your investment would have gained since the fund started (16-Jan-2020)

**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

CAFF is a high-risk fund that aims to achieve the highest possible return for the investor through investing in financial services stocks in Sub Saharan Africa. The investment risk is reduced through holding a diversified portfolio of Securities.

Portfolio Strategy

The fund seeks to invest in the financial services sector stocks of Sub Saharan Africa countries that possess a high potential return, in the form of capital appreciation and dividend yield. The fund seeks to outperform the benchmark, NSE 20, by maintaining a diversified portfolio.

Portfolio Performance

Cytonn Africa Financial Services Fund successfully delivered above-market returns in August 2021, gaining by 4.7%. The Fund outperformed its benchmark NSE-20, which gained by 2.4% during the month.

Economic report and outlook

According to the Kenya National Bureau of Statistics (KNBS), the Kenyan economy recorded a 1.1% contraction in Q3'2020 down from a growth of 5.8% recorded in a similar period in 2019. This was the second consecutive contraction, after the 5.7% contraction recorded in Q2'2020, pointing to an economic recession. Kenya's economy is expected to rebound in 2021, with the National Treasury projecting a GDP growth of 6.6%, attributable to an upturn in economic activity following the reopening of the economy. The growth will largely be supported by the gradual recovery of the business environment more so in sectors such as trade, tourism and education which were the worst hit by the pandemic in 2020.

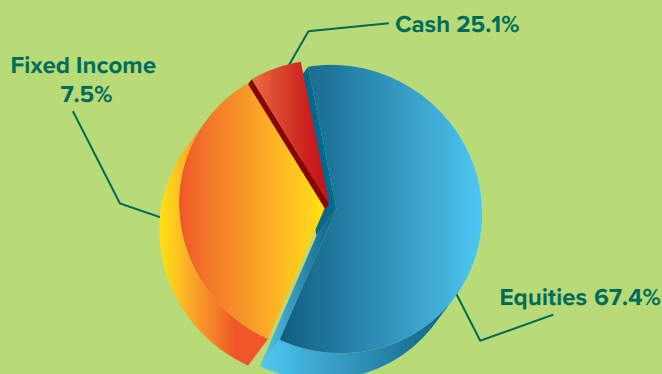
During the month, the yields on the government securities in the secondary market remained relatively stable, which saw the FTSE NSE Kenya Government Bond Index increase marginally by 0.1%, taking the YTD performance to a 1.5% decline. Yields on the shorter dated papers increased, with the 364-day, 182-day and 91-day papers all increasing by 0.2% points to 7.6%, 7.2% and 6.7%, respectively. During the month, the Kenya Shilling depreciated by 1.2% against the US Dollar to close the month at Kshs 109.9, from Kshs 108.6 recorded at the end of July 2021, mostly attributable to increased dollar demand from general importers.

The equities market was on an upward trajectory in the month of August, with NSE 20, NASI and NSE 25 gaining by 2.4%, 2.7%, and 3.3%, respectively. The equities market performance was driven by gains recorded by banking stocks such as ABSA, Equity Group, SCBK and KCB Group which gained by 10.2%, 8.9%, 6.8% and 6.1%, respectively. The gains were however weighed down by losses recorded by other large cap stocks such as EABL and Bamburi, which declined by 2.1% and 1.2%, respectively. The market is currently trading at a price to earnings ratio (P/E) of 13.5x, 4.4% above the historical average of 12.9x, and a dividend yield of 3.2%, 0.8% points below the historical average of 4.0%. Key to note, NASI's PEG ratio currently stands at 1.0x, an indication that the market is trading at par to its future earnings growth. The current P/E valuation of 13.5x is 75.3% above the most recent trough valuation of 7.7x experienced in the first week of August 2020.

FUND PROFILE

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

FUND ALLOCATION



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