

# CYTONN AFRICAN FINANCIAL SERVICES FUND PERFORMANCE



# **DECEMBER 2023**

### 1. FUND PERFOMANCE

AVERAGE	2022	DECEMBER 2023	PERFOMANCE SINCE INCEPTION (JANUARY-2020)	
			*Cumulative	**Annualized
Cytonn Africa Financial Services Fund	(18.8%)	1.0%	(27.1%)	(8.5%)
Benchmark (NSE 20)	(12.4%)	0.4%	(43.8%)	(14.8%)

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

## 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 by holding a diversified portfolio of Securities.

#### **Portfolio Strategy**

The fund seeks to invest in the financial services sector stocks of Sub-Saharan African 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**

The Cytonn Africa Financial Services Fund marginally gained by 1.0% in the month of December 2023. The performance was mainly driven by gains recorded by portfolio stocks such as KCB Group and ABSA bank, of 15.3%, and 4.6%, respectively, as well as the gains in the fixed income docket. However, the gains were weighed down by losses recorded by Equity Group and Safaricom of 11.4% and 1.1% respectively.

#### **Economic report and outlook**

According to Kenya National Bureau of Statistics (KNBS) Quarterly Gross Domestic Product Report Q3'2023 GDP the Kenyan economy recorded a 5.9% expansion in Q3'2023, faster than the 4.3% growth recorded in Q3'2022. All sectors in Q3'2023 recorded positive growths, with varying magnitudes across activities. Most sectors recorded improved growth compared to Q3'2022 with Accommodation and Food Services, Agriculture, Forestry and Fishing, and Mining and Quarrying Sectors recording the highest growth improvements of 9.1% points, 8.0% points, and 5.6% points, respectively. Other sectors that recorded expansion in growth rate, from what was recorded in Q3'2022 were Financial and Insurance Services, Information and Communication, and Real Estate sectors, of 5.1%, 2.7%, and 2.2% points respectively.

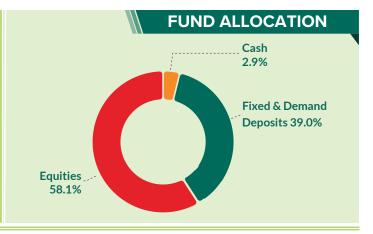
During the month, yields on the shorter-dated Government papers were on an upward trajectory, with the 364-day, 182-day, and 91-day papers yields increasing by 30.7 bps, 48.2 bps, and 45.6 bps to 15.9%, 15.9%, and 15.8% respectively from 15.6%, 15.4% and 15.4 recorded the previous month. Additionally, the Kenyan Shilling depreciated by 2.2% against the US Dollar to close the month at Kshs 156.5, from Kshs 153.2 recorded at the end of November 2023, largely attributable to increased dollar demand from energy and merchandise importers.

The y/y inflation in December 2023 decreased by 0.2% points to 6.6%, from the 6.8% recorded in November 2023, marking the sixth consecutive month that the inflation has remained within the CBK target range of 2.5%-7.5%.

During the month of December 2023, the equities market recorded mixed performances, with NSE 20 gaining the most by 0.4%, followed by NASI and NSE 25 which gained by 0.2% and 0.1% respectively, while NSE 10 declined by 0.5%. The equities market performance was driven by gains recorded by large-cap stocks such as KCB Group, Stanbic Bank, ABSA bank, Standard Chartered Bank, Bamburi Cement, and Diamond Trust Bank Kenya of 16.2%,6.6%, 3.2%, 2.7%,2.3%, and 2.0% respectively. The gains were, however, weighed down by losses recorded by large-cap stocks such as Equity Bank and Safaricom of 7.8% and 1.1% respectively. The market is currently trading at a price-to-earnings ratio (P/E) of 5.1x, 57.7% below the historical average of 12.1x. The dividend yield stands at 9.4%, 5.0% points above the historical average of 4.4%.

#### **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) Kenya Ltd
- Benchmark: NSE 20



<sup>\*\*</sup>Percentage you can expect to earn with the fund during one year of investment on basis of the so far realized monthly returns.