

1. FUND PERFORMANCE

AVERAGE	JULY 2020	PERFORMANCE SINCE INCEPTION (JANUARY-2020)	
		*Cumulative	**Annualized
Cytonn Africa Financial Services Fund	(6.0%)	(21.4%)	(33.8%)
Benchmark (NSE 20)	(7.1%)	(32.4%)	(48.9%)

*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

The Cytonn African Financial Services Fund declined by 6.0% in July 2020. The performance of the fund was mainly driven by declines recorded in the stocks held in the fund's portfolio where; Co-operative, Equity Group, KCB and Safaricom declined by 13.6%, 6.2%, 5.4% and 1.7%, respectively.

Economic report and outlook

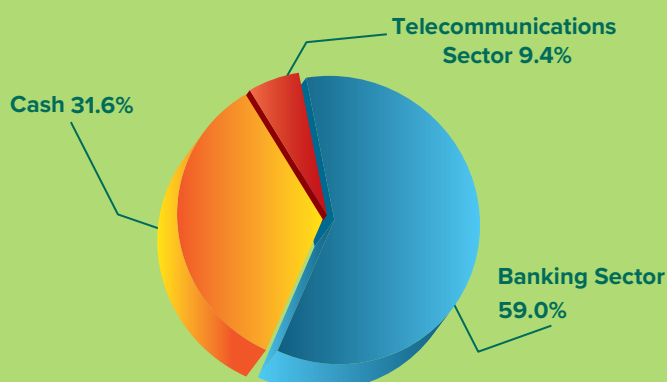
According to Kenya National Bureau of Statistics (KNBS), the economy recorded subdued growth of 4.9% in Q1'2020, lower than 5.5% in Q1'2019 a 2-year low, mainly supported by the Agricultural sector which recorded a slightly faster growth of 4.9%, compared to 4.7% seen in Q1'2019, coupled with slower growth in other sectors attributable to effects emanating from the COVID-19 pandemic. During the month, there was a downward readjustment on the yield curve, from the December levels, which has seen the FTSE NSE Kenya Government Bond Index gain marginally by 0.1% YTD. The decline is mainly due to increased demand, due to the bias by banks towards government securities as opposed to lending due to increased credit risk. Inflation has remained within the Central Bank's target of between 2.5% - 7.5%, with the July y/y inflation coming in at 4.4% a decline from 4.6% in June, driven by a 0.8% decline in the food and non-alcoholic drinks' Index, coupled with a 0.4% decline in the housing, water, electricity, gas and other fuels' index. During the month, the Kenyan shilling remained under pressure against the US dollar, losing by 1.1%, to close the month at Kshs 107.7 from Kshs 106.5 in June, mainly attributable to increased dollar demand from merchandise importers as the easing of Coronavirus restrictions continued to jumpstart economic activities, thus boosting demand for hard currency.

The Nairobi securities markets was on a downward trajectory, with NASI, NSE 20 and NSE 25 declining by 3.2%, 7.1% and 4.9%, respectively. The NASI performance was driven by large declines recorded by Co-operative bank, ABSA and SCBK of 13.6%, 9.8% and 9.4%, respectively. With the market trading at valuations below the historical average, the valuations current P/E valuation of 7.9x, 39.4% below the historical average of 13.1x. The average dividend yield is currently at 5.3%.

FUND PROFILE

- ◉ **Fund Manager:** Cytonn Asset Managers Limited
- ◉ **Risk Profile:** High
- ◉ **Minimum Initial Investment:** Kshs. 1,000,000
- ◉ **Minimum Additional Investment:** Kshs. 1,000,000
- ◉ **Annual Management Fee:** 2.5%
- ◉ **Initial Fee:** Nil
- ◉ **Trustee:** NatBank Trustee & Investment Services Limited
- ◉ **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.