

NOVEMBER 2023

1. FUND PERFORMANCE

AVERAGE	2022	NOVEMBER 2023	PERFORMANCE SINCE INCEPTION (JANUARY-2020)	
			*Cumulative	**Annualized
Cytonn Africa Financial Services Fund	(18.8%)	(0.5%)	(25.5%)	(7.9%)
Benchmark (NSE 20)	(12.4%)	2.4%	(44.0%)	(14.9%)

*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 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 declined marginally by 0.5% in the month of November 2023. The performance was mainly driven by losses recorded by portfolio stocks such as ABSA, Equity Group, and Coop Bank of 3.9%, 2.8%, and 2.6%, respectively. However, the losses were mitigated by gains recorded by Safaricom and KCB Group of 12.9% and 7.7% respectively, as well as the gains in the fixed income docket.

Economic report and outlook

According to the 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. In contrast, the 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 a 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 in a reduced consumer purchasing power.

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 28.8 bps, 36.8 bps, and 36.4 bps to 15.6%, 15.4%, and 15.4% respectively from 15.3%, 15.1% and 15.0 recorded the previous month. Additionally, the Kenyan Shilling depreciated by 1.7% against the US Dollar to close the month at Kshs 153.2, from Kshs 150.7 recorded at the end of October 2023, largely attributable to increased dollar demand from energy and merchandise importers. The y/y inflation in November 2023 eased marginally by 0.1% points to 6.8%, from the 6.9% recorded in October 2023, marking the fifth consecutive month that the inflation has remained within the CBK target range of 2.5%-7.5%.

During the month of November 2023, the equities market was on an upward trajectory, with NASI gaining the most by 3.8%, while NSE 20, NSE 25, and NSE 10 gained by 2.4%, 0.4%, and 0.2% respectively. The equities market performance was driven by gains recorded by large-cap stocks such as Bamburi, Safaricom, and KCB of 53.1%, 12.9%, and 7.7% respectively. The gains were, however, weighed down by losses recorded by large-cap stocks such as EABL, Stanbic, and Absa of 10.7%, 5.8%, and 3.9% respectively. The market is currently trading at a price-to-earnings ratio (P/E) of 5.0x, 58.5% below the historical average of 12.2x. 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

FUND ALLOCATION

