

CYTONN ASSET MANAGERS LIMITED

2024 CHYF AGM

**Welcome to the 5th Annual General
Meeting of CHYF**

Opening Prayer

Confirmation of Quorum

CAML Welcome Address

Presentation by Investments

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1. Introduction to Cytonn Asset Managers

Cytonn Asset Managers Limited (CAML)

Cytonn Asset Managers Limited's key focus is on Pension and CIS fund management

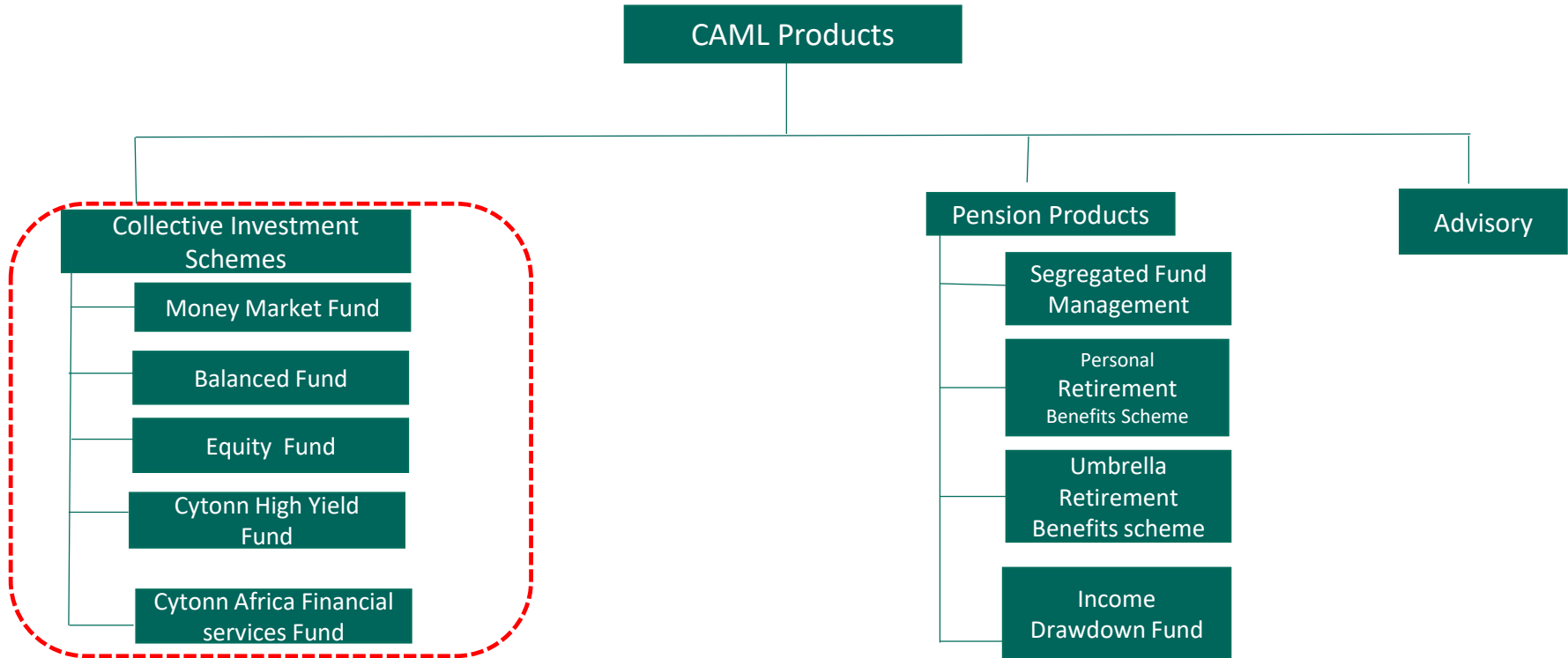
- ❑ **Cytonn Asset Managers Limited is the regulated affiliate of Cytonn Investments Management Plc**



- ❑ Cytonn Asset Managers Limited (CAML) is the regulated and is licensed as a Fund Manager by:-
 - (i) the Capital Markets Authority, and
 - (ii) the Retirement Benefits Authority.
- ❑ Its key focus is **Fund Management for Retirement Benefits Schemes** and **Collective Investments Schemes**.
- ❑ Our objective is to offer superior risk adjusted investment returns to our clients that is above market average through investments in both public markets and alternative investments markets

CAML Products

Cytonn Asset Managers Limited is Licensed to Offer Collective Investment Scheme Funds and Pension Schemes and Investment Advisory Services



- Our objective is to offer superior risk adjusted investment returns to our clients

CYTONN ASSET MANAGERS

Our Pension Products Offering



Segregated Fund Management

Segregated Funds are those where members' contributions are invested directly by the Trustees via an appointed Fund Manager. Cytonn Asset Managers offers fund management services to existing and new segregated retirement benefits schemes



Cytonn Umbrella Retirement Benefits Scheme

The Cytonn Umbrella Retirement Benefits Scheme targets organizations that do not have an occupational retirement benefits scheme or do not have the capacity to start one. It gives them an opportunity to regularly save for their retirement.



Cytonn Personal Retirement Benefits Scheme

The Cytonn Personal Retirement Benefits Scheme targets self employed individuals or individuals employed by organizations that do not have an occupational retirement benefits scheme. It gives them an opportunity to regularly save for their retirement.



Cytonn Income Drawdown Fund

The Cytonn Income Drawdown Fund is designed to provide individuals and members of retirement schemes an option to access their benefits as a regular income through an investment fund upon retirement and also enjoy investment income as their funds are invested by the Fund Manager and continue to grow

Cytonn's approval to manage NSSF Tier II contributions

CAML received RBA's approval to manage NSSF Tier II Contribution on 29th January 2024

- According to the NSSF Act No. 45 of 2013 which took effect from February 2023, 12% of an employee's pensionable wages is to be contributed to the fund with both the employer and the employee contributing 6% each subject to the set upper limit
- Additionally, the NSSF will separate the mandatory contributions into Tier I and Tier II contributions, with Tier I contributions going to the NSSF, while Tier II there is an option to take to a fund management scheme of the client's choice.
- Cytonn Asset Manager's Ltd (CAML) secured the approval from the Retirement Benefits Authority (RBA) to receive and manage NSSF Tier II contributions in line with the NSSF Act of 2013, under the:
 1. Cytonn Umbrella Retirement Benefits Scheme
 2. Cytonn Personal Retirement Benefits Scheme
- Employers interested in opting out of Tier II contributions from NSSF must submit a written request to the Authority at least 60 days before opting out
- Cytonn Asset Managers will facilitate the contracting-out process for employers and small and medium enterprises (SMEs) by filing the requisite opt-out documentation with the RBA on behalf of our clients
- **The benefit of pension contributions is to secure a source of income on retirement or at old age, by saving when you are most active in employment. It is also a tax deductible amount.**

Key Milestones - CAML

CAML was incorporated in 2016

2016

- **August:** Incorporation of CAML

2018

- **May:** CAML acquires Seriani Asset Managers Limited & Launch of CMMF
- **December:** CAML receives RBA License to manage pension schemes

2019

- **June:** Launch of three pension schemes; Personal, Umbrella & Income Drawdown Fund
- **October:** CMMF AUM hits the 500 mn mark
- **December:** Launch of Cytonn High Yield Fund (CHYF)

2020

- **February:** Launch of Cytonn Money Market Fund USD
- **May:** Launch of the Cytonn Wallet enabling instant withdrawals 24/7 with a daily limit of Kshs 300,000

2021

- **September:** Incorporation of direct and instant Paybill and Lipa na M-pesa options in the Cytonn Wallet
- **December:** Launch of Cytonn Chama, a digital feature on the Cytonn Money Market Fund

2022

- **March:** Revamping of the Cytonn Wallet for easier client interactions

2023

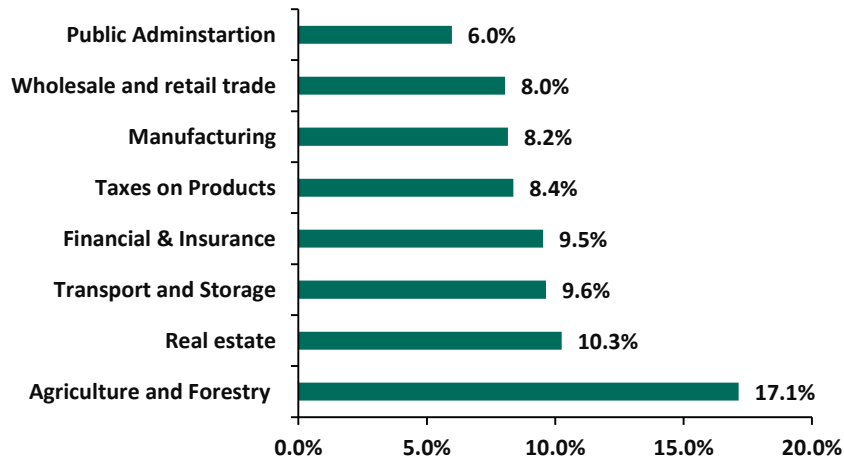
- We streamlined the onboarding process on our web client portal to provide a smoother omnichannel experience across all Cytonn Wallet platforms

2. Kenya Economic Review and Outlook

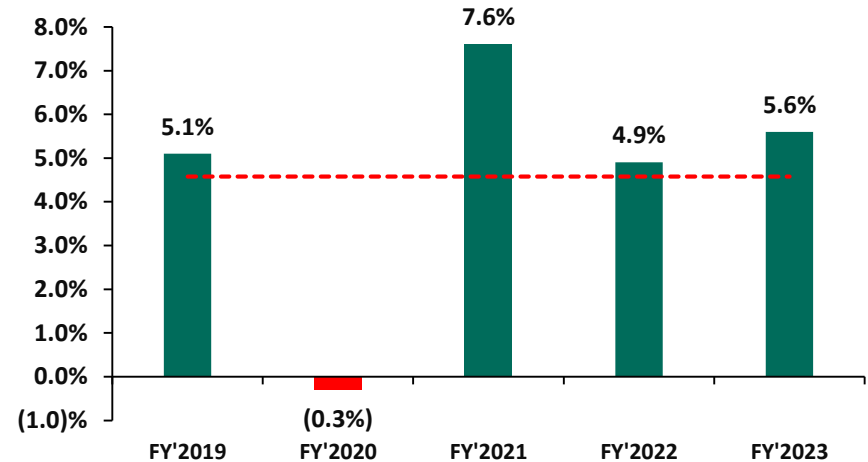
GDP Growth

The Kenyan economy recorded a 5.6% growth in FY'2023, faster than the 4.9% growth recorded in FY'2022

FY'2023 GDP Contribution by Sector



Cytonn Report: Full Year GDP Growth Rate

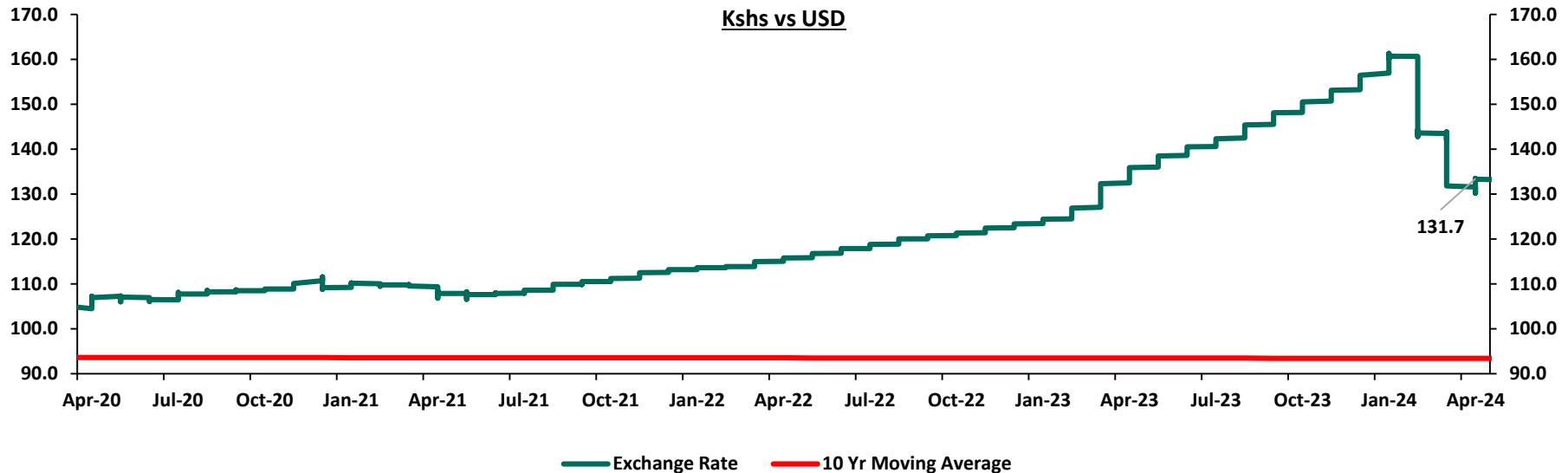


- The Kenyan economy recorded a 5.6% growth in FY'2023, faster than the 4.9% growth recorded in FY'2022, The main contributor to Kenyan GDP remained to be the Agriculture, fishing and forestry sector which grew by 6.5% in FY'2023 compared to a contraction of 1.5% in FY'2022. All sectors in FY'2023, except Mining and Quarrying, recorded positive growths
- We expect the reduced fuel prices to continue reducing production costs, leading to lower food prices in the country. However, growth is likely to be weighed down by increased taxation by the government thereby decreasing the purchasing power of consumers

*Source: KNBS, Central Bank of Kenya

Currency performance

The Kenyan shilling has appreciated by 16.1% year to date to Kshs 131.7 as of 24th May 2024, from Kshs 156.5 recorded at the beginning of the year

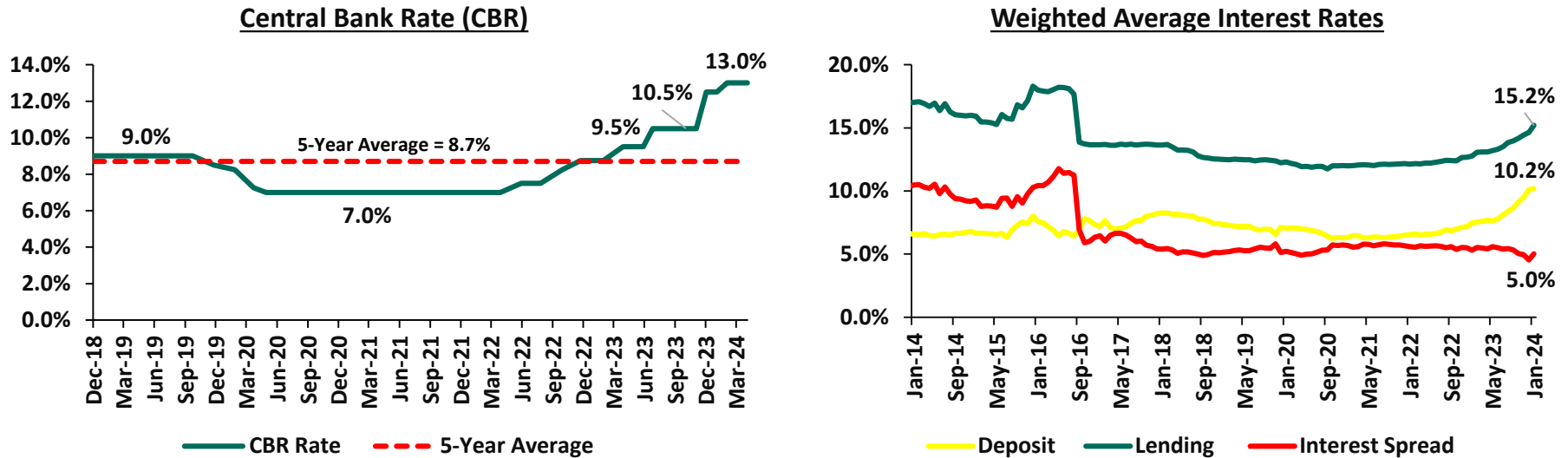


- On a year to date basis, the shilling has appreciated by 16.1% against the US Dollar, a sharp contrast to the 26.8% depreciation recorded in 2023. We note that the shilling has been supported by diaspora remittances standing at a cumulative USD 4,380.5 mn in the 12 months to March 2024, 9.0% higher than the USD 4,019.6 mn recorded over the same period in 2023, which has continued to cushion the shilling against depreciation.
- However, we expect the shilling to remain under pressure in 2024 as a result of an ever-present current account deficit and the need for government debt servicing which continues to put pressure on the forex reserves given that 67.3% of Kenya's external debt was US Dollar denominated as of December 2023.

Source – CBK

Interest Rates and Monetary Policy

The MPC increased the Central Bank Rate by 50.0 bps to 13.0% in the February 2024 sitting



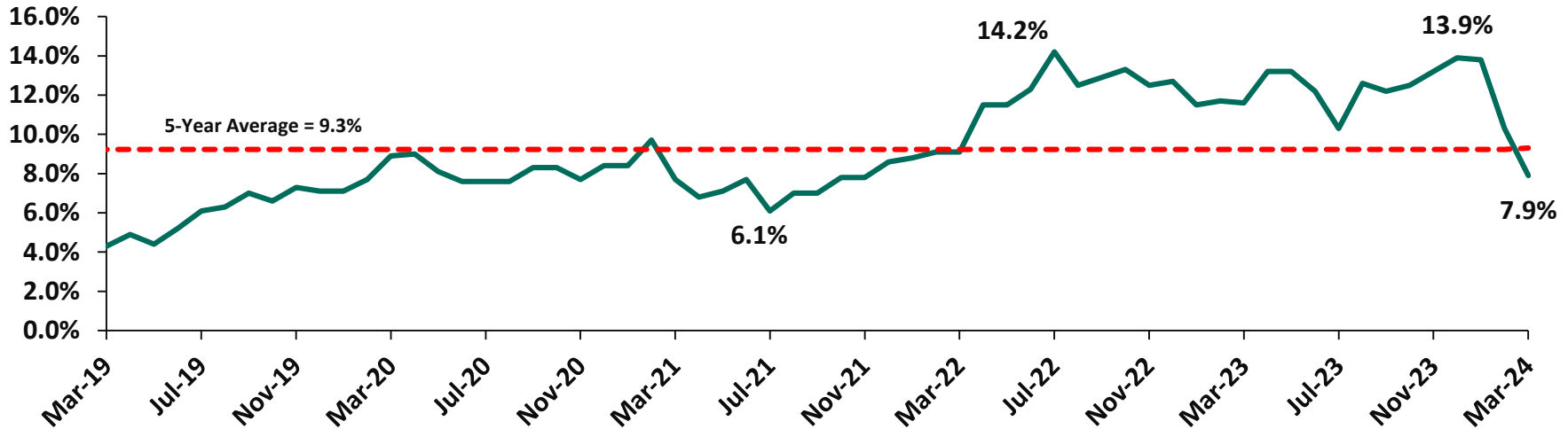
- The Monetary Policy Committee (MPC) has met twice during 2024, to review the outcome of its previous policy decisions against a backdrop of continued global uncertainties, moderating global oil prices, as well as the heightened geopolitical tensions. The MPC decided to raise the CBR rate by 0.5% points to 13.0% from 12.5% in February and maintained the rate at 13.0% in its second meeting in April 2024.
- We expect the MPC to adopt a more conservative CBR rates going forward owing to the eased inflationary pressures and the gain in the Kenyan shilling that has by gained 15.2% against the US Dollar as of 3rd May 2024.
- We also expect to see a modest decrease in interest rates going forward owing to the eased inflation and the strengthening of the Kenyan shilling as well as the continued efforts by the government to stabilize rates in the market.

*Source: Central Bank of Kenya

Private Sector Credit growth

Private sector credit growth came in at 7.9% in March 2024

Cytonn Report: Private Sector Credit Growth

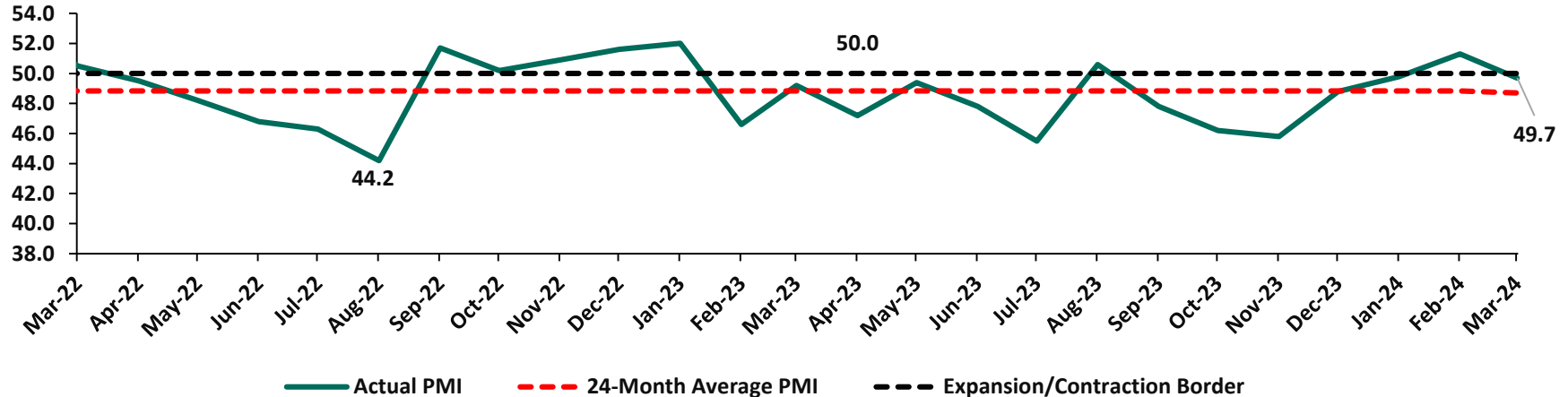


- The Kenyan private sector credit growth declined to 7.9% in March from 10.3% recorded in February 2024. This is partly attributable to the impact of monetary policy tightening following the Monetary Policy Committee’s (MPC) to maintain the Central Bank Rate (CBR) at 13.0%.
- However, we expect to see increased lending on back of the improved macroeconomic environment in the country as evidenced by the easing of inflation to 5.0% in April and the strengthening of the shilling against the dollar which is expected to drive business and entrepreneurial environment to a rebound in the medium to long-term period.

Purchasing Managers Index (PMI)

The Stanbic PMI for the month of March 2024 came in at 49.7, down from 51.3 in February 2024

Cytonn Report: Kenya's Purchasing Manager's Index for the Last 24 Months

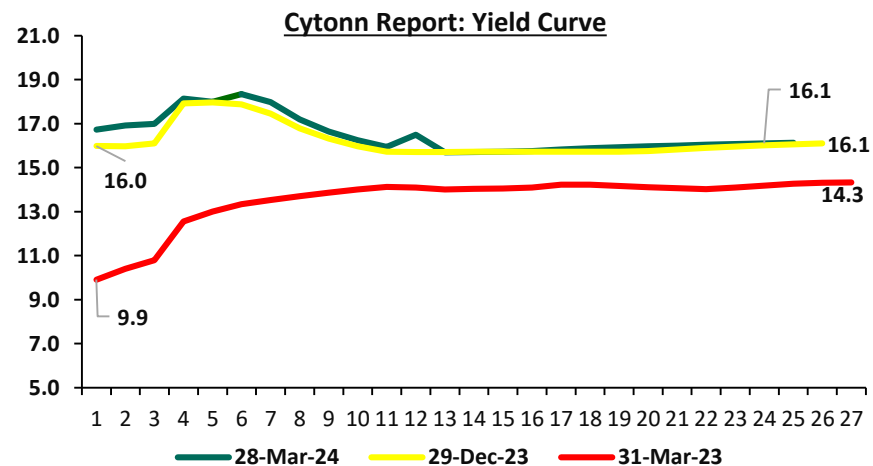
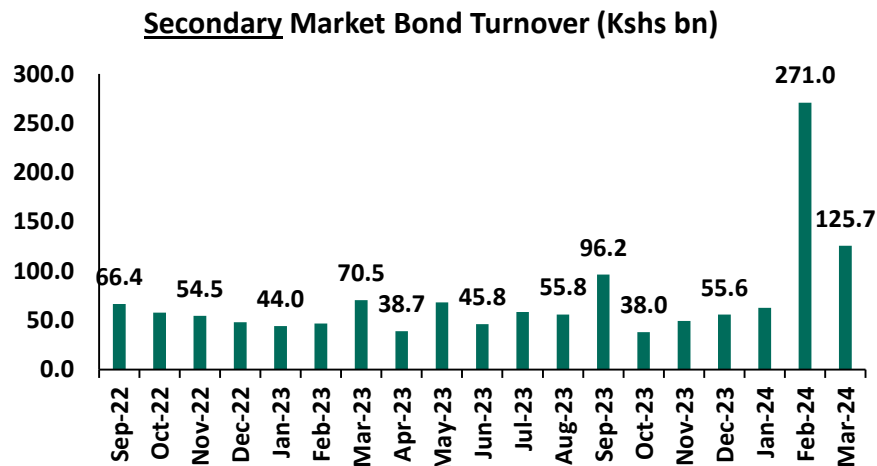


- The Stanbic Purchasing Managers Index (PMI) for March 2024 declined slightly, coming in at 49.7, down from 51.3 in February 2024, signaling a modest deterioration in operating conditions across Kenya. Key to note, a PMI reading of above 50 indicates improvements in the business environment, while a reading below 50 indicates a worsening outlook.
- The modest and softer downturn of the general business environment is mainly attributable to easing inflation and the strengthening of the Kenyan shilling experienced during the period under review.
- Going forward, we project that the business environment will improve in the short to medium term on the back of reduced food and fuel prices, as well as the eased inflationary pressures with the current inflation standing at 5.0%.

**Source: Central Bank of Kenya*

Asset Class Performance

The secondary bond market recorded increased activity in Q1'2024

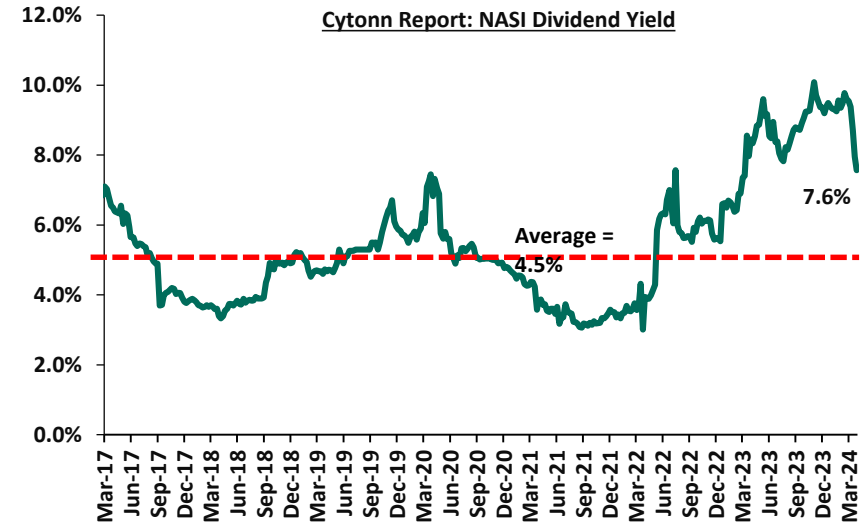
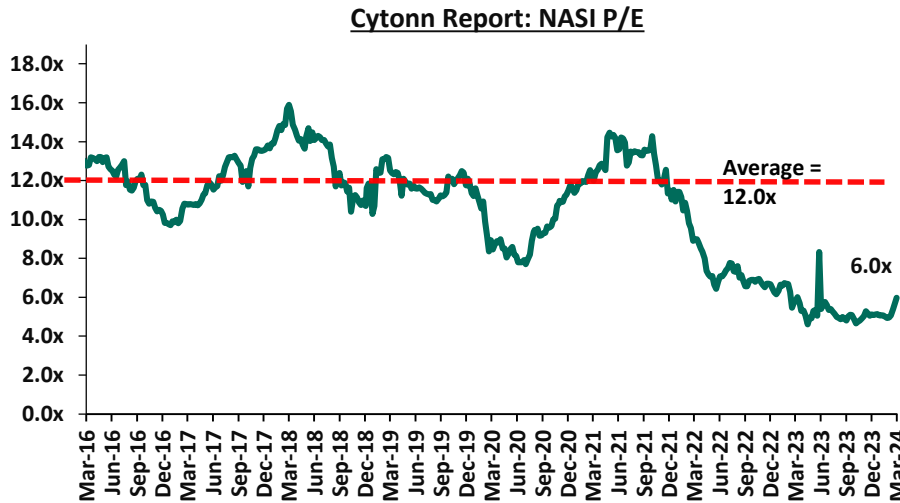


- In the secondary bond market, activity increased significantly, with the turnover increasing by 254.2% to Kshs 505.4 bn, from Kshs 142.7 bn in Q4'2023, partially attributable to the increased allocation to treasury bonds by local institutional investors as they sought higher yield in the market.
- The yield curve was on an upward trajectory in Q1'2024 with a notable increase in the yields of the shorter-term bonds. We also observed a slightly humped yield curve for the short to medium-term bonds, an indication of the prevailing uncertainty in the market regarding both medium-term interest rates and inflation.
- However, we note that yields on government papers have peaked and have begun to decline as evidenced by the 91-day paper which is currently trading at 15.8% from 16.7% recorded at the end of Q1'2024.

*Source: Central Bank of Kenya, NSE

Kenyan Equities Markets

The market closed Q1'2024 trading at a price to earnings ratio (P/E) of 6.0x



- During the Q1'2024, the equities market was on an upward trajectory, with NSE 10 gaining the most by 27.3%, while NSE 25, NASI, and NSE 20 gained by 25.0%, 22.8%, and 16.7% respectively. NASI's PEG ratio currently stands at 0.7x an indication that the market is undervalued relative to its future earnings growth. A PEG ratio greater than 1.0x indicates the market is overvalued while a PEG ratio less than 1.0x indicates that the market is undervalued
- We are "Neutral" on the Equities market in the short term due to the current tough operating environment, and, "Bullish" in the long term due to current cheap valuations and expected global and local economic recovery.

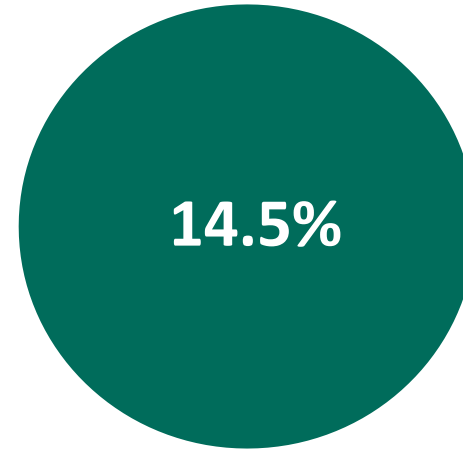
3. Cytonn High Yield Fund (CHYF) Performance

Cytonn High Yield Fund Summary

The AUM grew by 6.7% to Kshs 353.8 mn in Dec-23, from Kshs 331.7 mn in Dec-22



AUM Growth



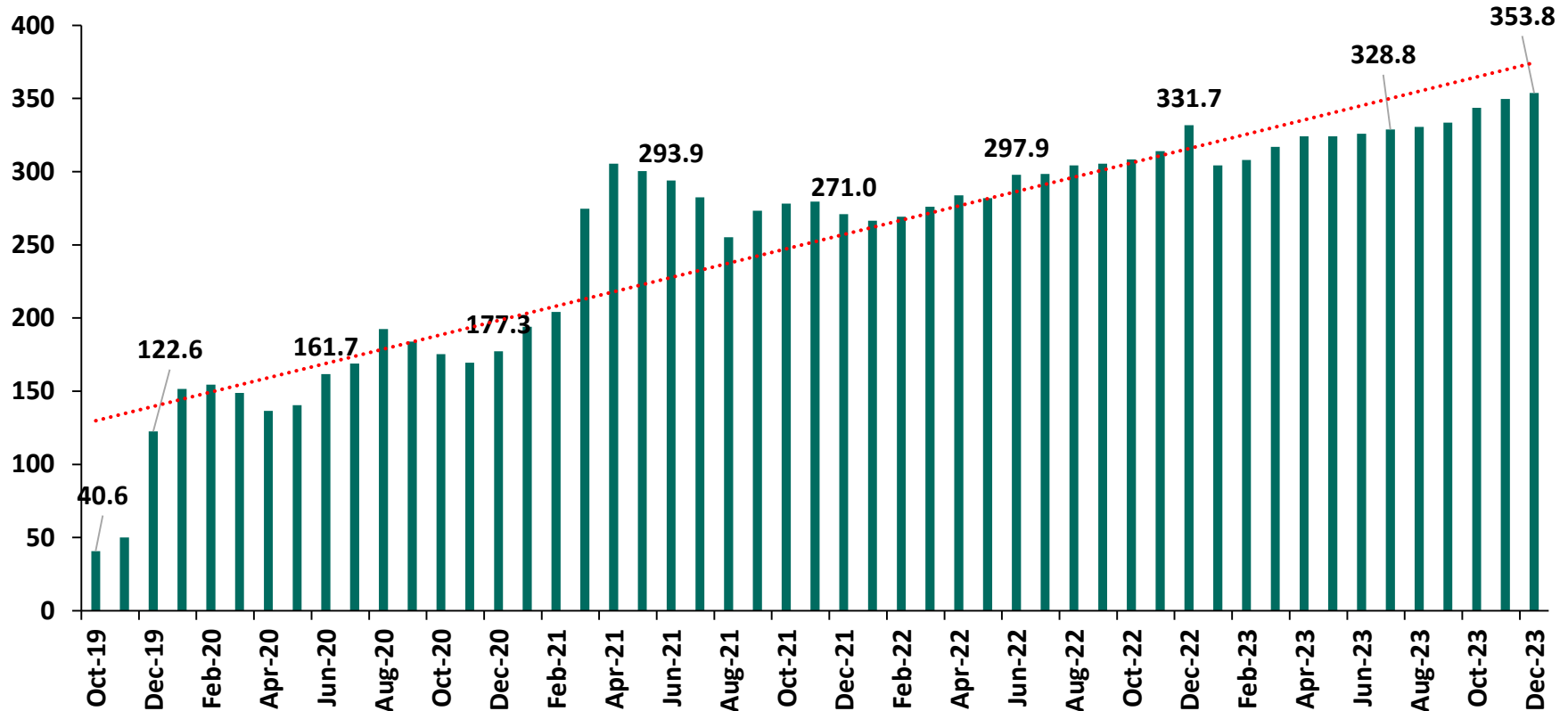
Average Return

- CHYF's Assets Under Management (AUM) recorded a growth of 6.7% to Kshs 353.8 mn from Kshs 331.7 mn as the fund gained a foothold as the only sector specific fund in the Unit Trust Funds Business
- CHYF managed an average return of 14.5% during the year, affirming it's status as a sector specific fund with the highest returns, 6.8% points above the average inflation of 7.7% during the year

Cytonn High Yield Fund Summary

The AUM has grown to 353.8 mn in Dec-2023, from Kshs 40.6 mn in Oct-19

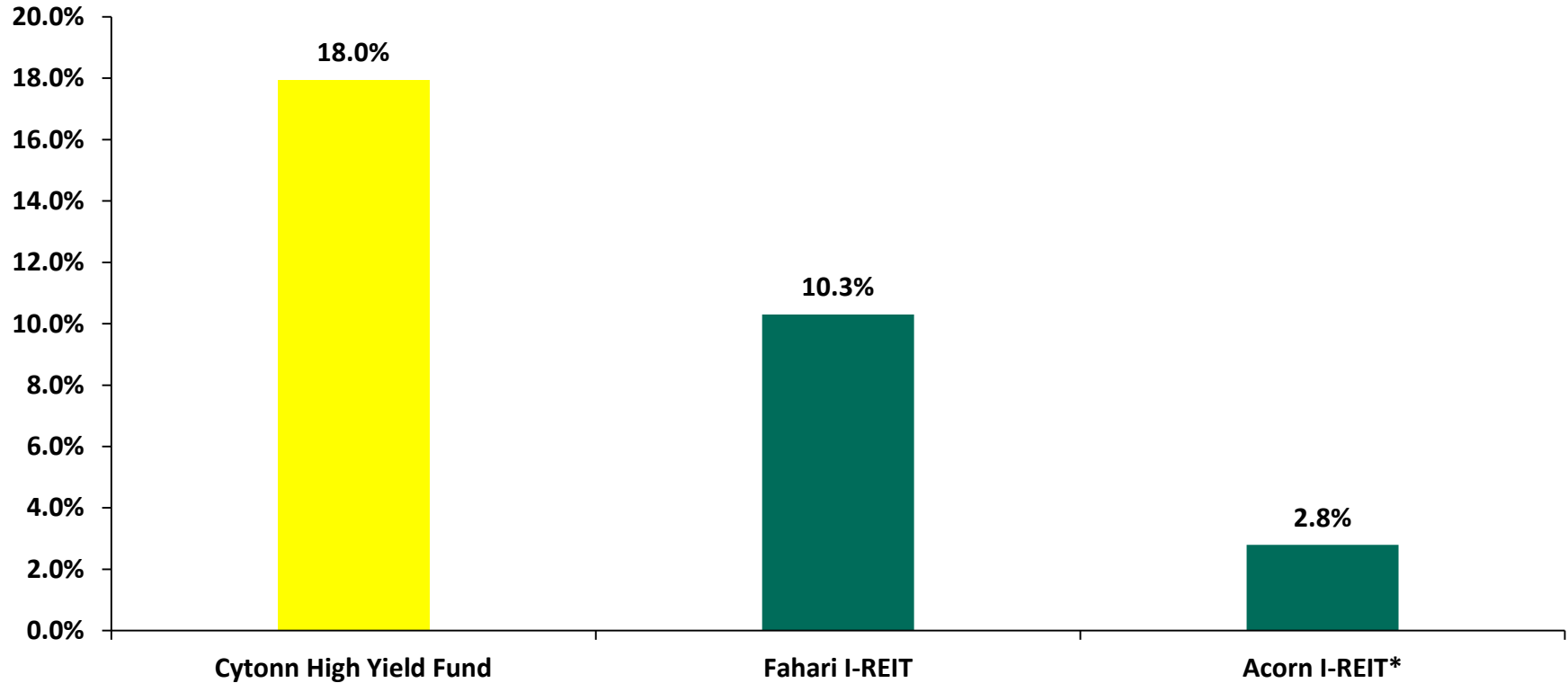
CHYF AUM Growth (Kshs mn)



Cytonn High Yield Fund Performance Summary

The Fund continues to outperform other Regulated Real Estate Funds

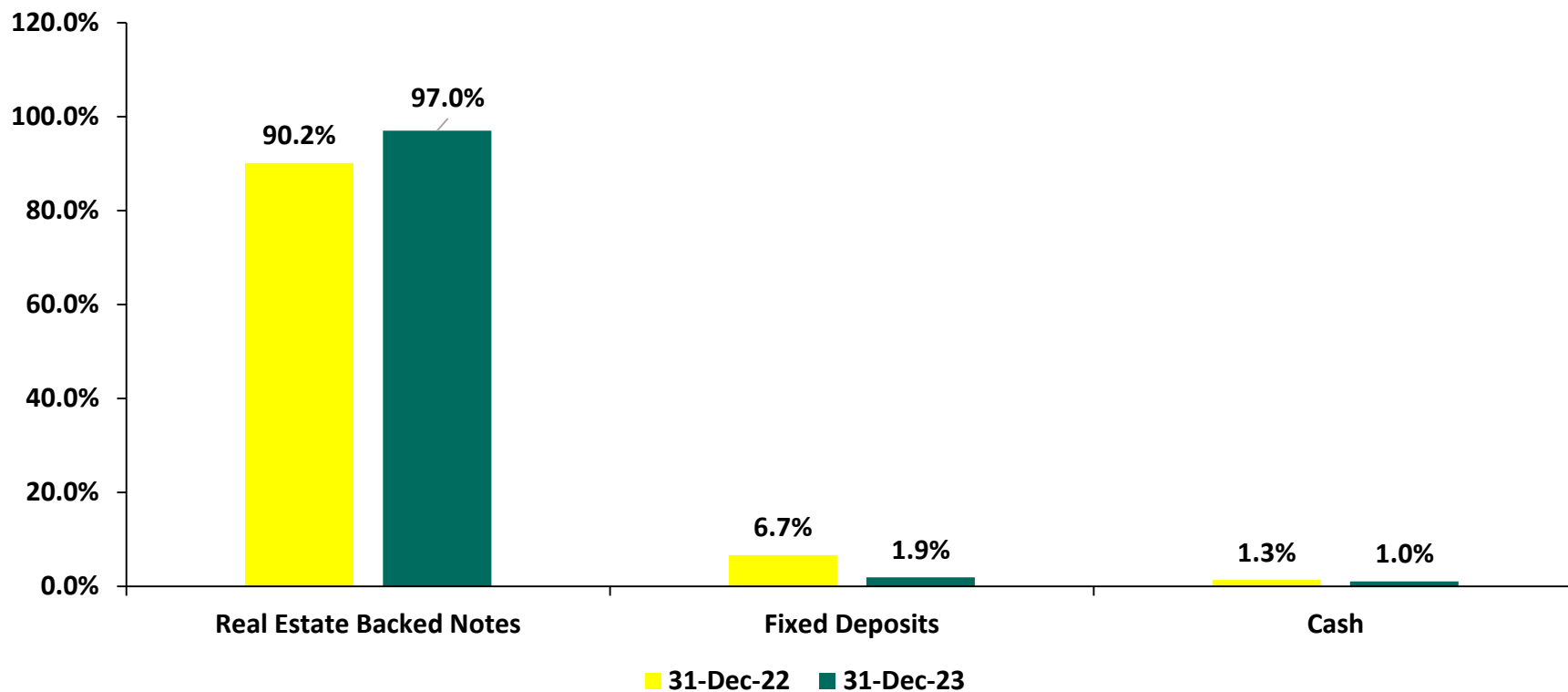
Cytonn Report: Real Estate Regulated Funds Yield Performance 31st Dec 2023



Cytonn High Yield Fund Asset Allocation

As at the end 2023, Real Estate Notes constituted 97.0% of the portfolio

CHYF Asset Allocation



- Notably, the exposure to real estate backed notes is currently at 88.9% from the 97.0% recorded at the end of 2023. Additionally, we increased the exposure in fixed deposits to 10.6% in 2024 enabling liquidity of the fund

Amendment of Cytonn High Yield Fund Name to include the word 'Special'

- The Capital Markets Authority gave a guideline under the new collective investment schemes regulations to have all the special funds amended to include the word “special” in the name.
- The guideline Stated, “A special fund shall include the word “special” in the name of the fund and describe the characteristics of the constituent assets of the fund”.
- In light of this, Cytonn Asset Managers Limited (CAML) is working to have this amendment applied for the Cytonn High Yield Fund.
- Upon completion of this amendment, CHYF will include the word “special” in its name.
- Key to note, this amendment will not have any impact on the fund’s operations and strategy.

2023 Audited Cytonn High Yield Fund Accounts

Income Statement

CHYF YoY Profit Increased by 53% to Kshs 42.8mn in Dec-23 From Kshs 26.8mn

STATEMENT OF COMPREHENSIVE INCOME		
	2023	2022
	Kshs.	Kshs.
Investment Income	55,119,253	41,711,321
Gross Profit	55,119,253	41,711,321
Operating Expenses		
Fund management fees	7,249,540	5,507,097
Professional fees	2,353,881	640,930
Trustee fees	523,512	500,778
Custody fees	395,867	394,377
Other Operating Costs	1,748,915	7,775,433
Total Operating Expenses	(12,271,715)	(14,818,615)
Profit (Loss) Attributable to Unitholders Funds	42,847,538	26,892,706

STATEMENT OF FINANCIAL POSITION

Total Assets Increased by 9% to Kshs 361.8 mn in Dec-23 from Kshs 333.7mn in Dec-22

STATEMENT OF FINANCIAL POSITION		
	31 st Dec 2023	31 st Dec 2022
	Kshs.	Kshs.
Assets		
Investments	338,107,141	317,296,763
Trade and Other Receivables	20,097,120	11,985,422
Bank Balances	3,569,221	4,454,829
Total Assets	361,773,483	333,737,014
Equities & Liabilities		
Net Assets Attributable to Unitholders	350,051,628	325,212,890
Other Payables	11,721,854	8,524,124
Total Equities & Liabilities	361,773,483	333,737,014

