

# **CYTONN ASSET MANAGERS LIMITED**

## **2024 CUTFs AGM**

# **Welcome to the 6<sup>th</sup> Annual General Meeting of CUTF**

# Opening Prayer

# Confirmation of Quorum

# **CAML Welcome Address**

# **Presentation by Investments**

# Table of Contents

1 Introduction to Cytonn Asset Managers

2 Kenya Economic Review and Outlook

3 Cytonn Unit Trust Scheme Performance

4 GCEO Remarks

5 December 2023 Audited Accounts

6 AGM Resolutions for ratification

7 AOB

# **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

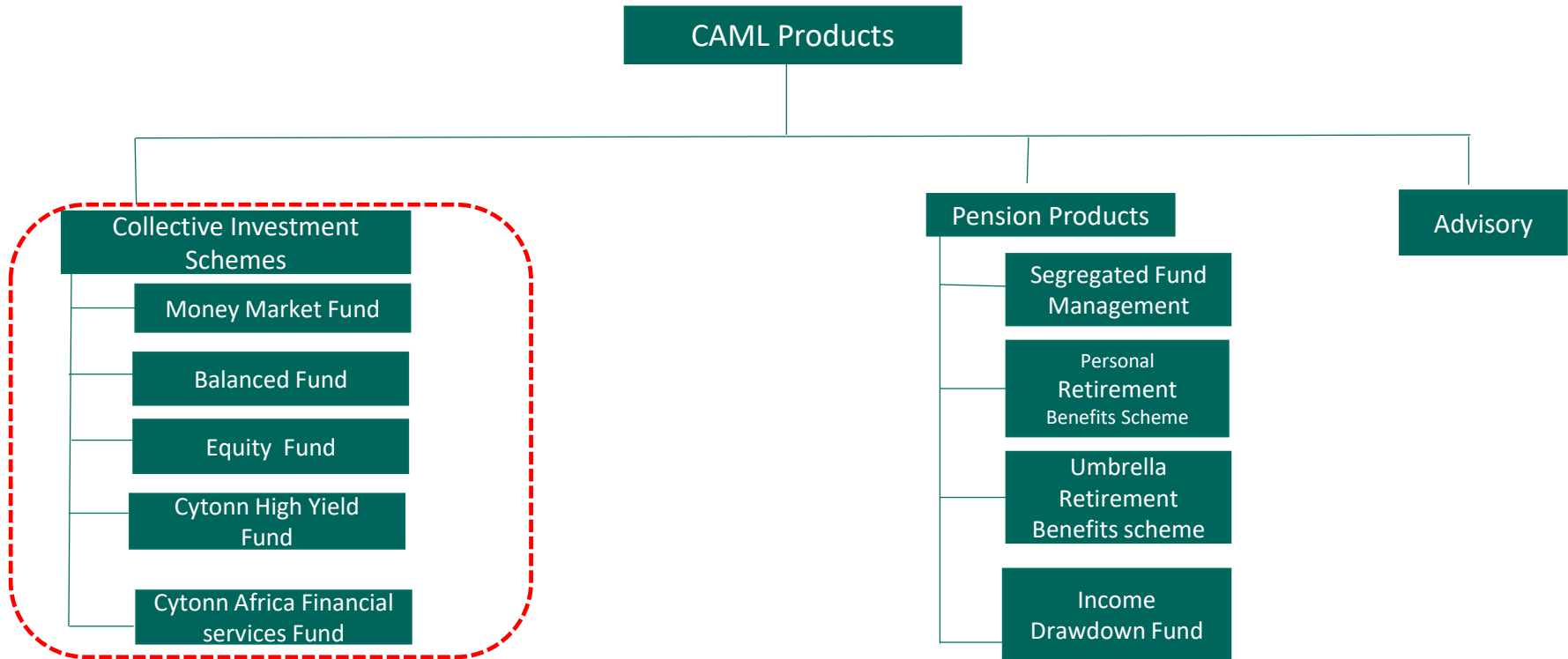
- ❑ **Cytonn Asset Managers Limited is the regulated affiliate of Cytonn Investments Management Plc**



- ❑ Cytonn Asset Managers Limited (CAML) is the regulated and 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 Schemes, Pension Scheme Products 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 29<sup>th</sup> 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

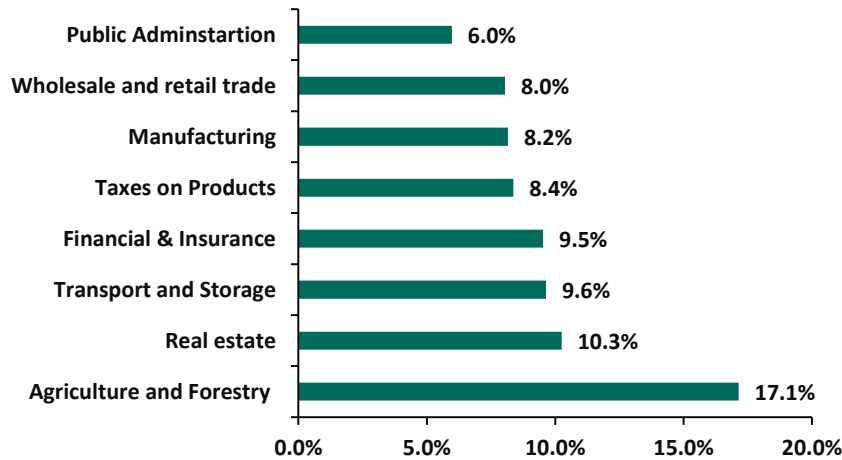
- We streamlined the onboarding process on our web client portal to provide a smoother omnichannel experience across all Cytonn Wallet platforms

## **2. Kenya Economic Review and Outlook**

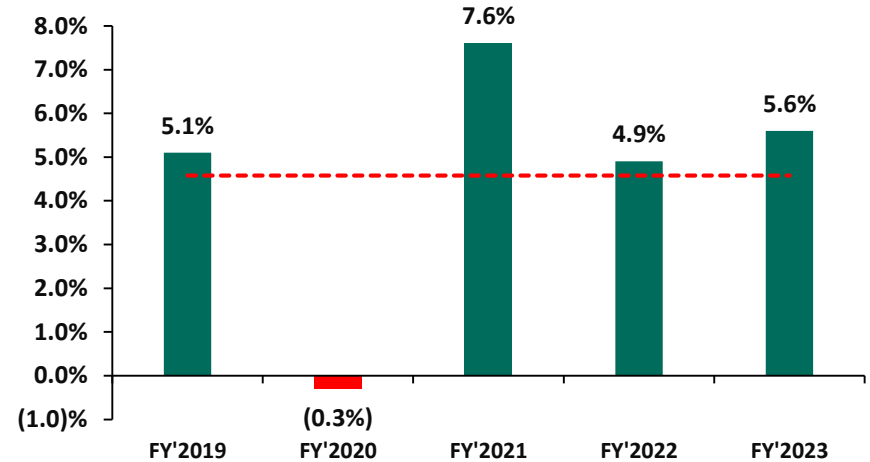
# GDP Growth

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**



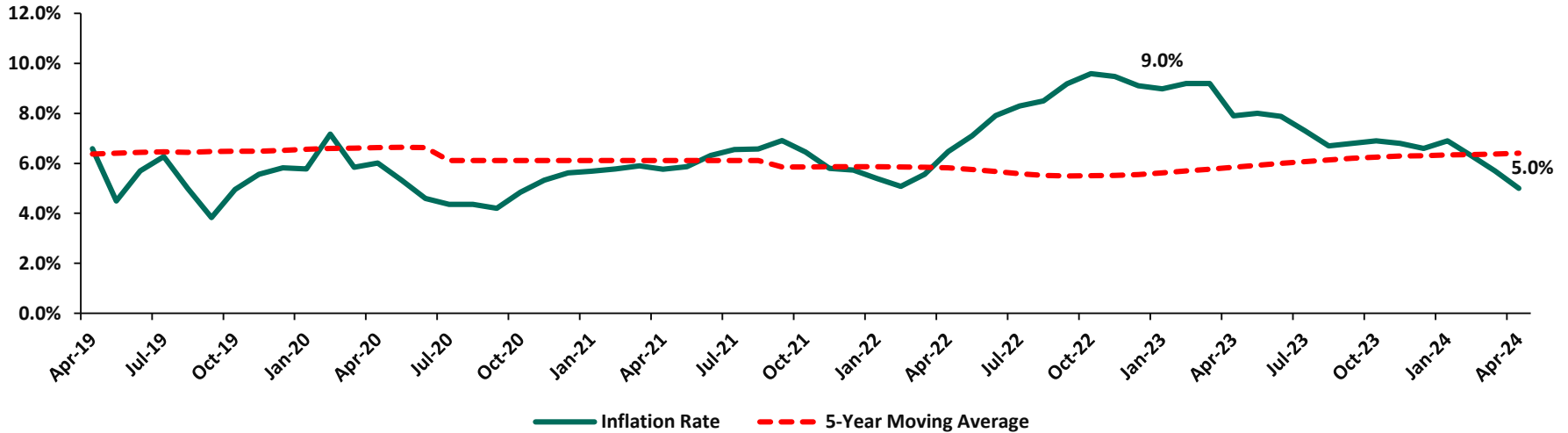
- The Kenyan economy recorded a 5.6% growth in FY'2023, faster than the 4.9% growth recorded in FY'2022, The main contributor to Kenyan GDP remained to be the Agriculture, fishing and forestry sector which grew by 6.5% in FY'2023 compared to a contraction of 1.5% in FY'2022. All sectors in FY'2023, except 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

# Inflation

## Inflation has averaged at 6.0% in the first four months of 2024

Cytonn Report: 5-Year Inflation Rates (y/y)



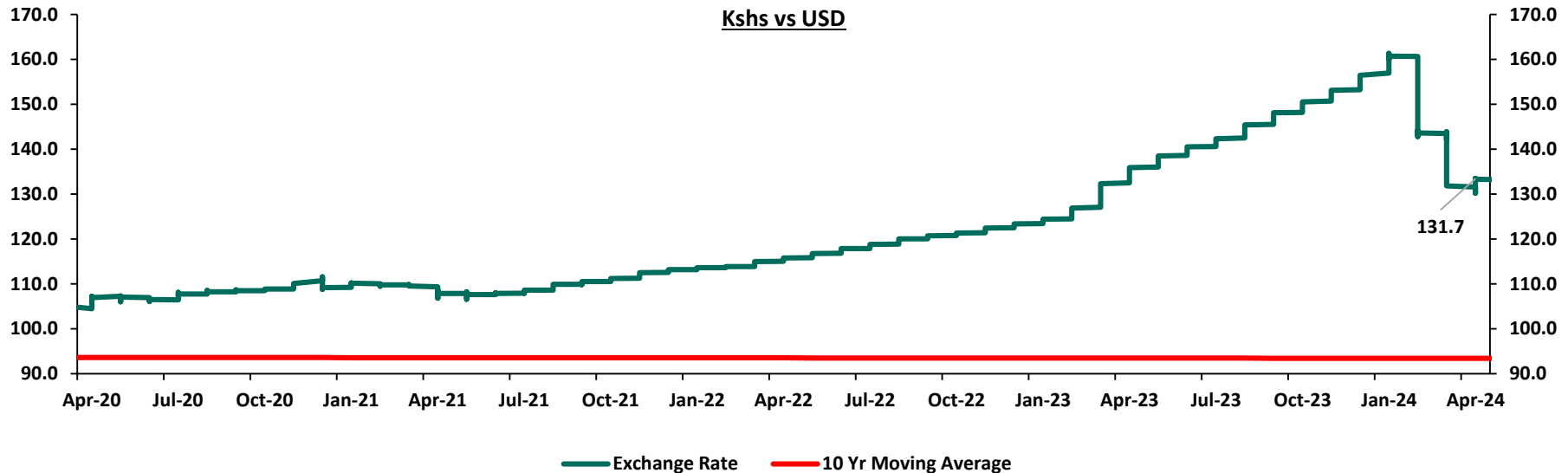
- Inflation for the month of April 2024 declined to 5.0%, down from the 5.7% recorded in March 2024. The rate of 5.0% was majorly driven by increase in prices of commodities in the following categories: Transport; Food and Non-Alcoholic Beverages; and Housing, Water, Electricity, Gas, and other fuels by 9.2%, 5.6%, and 3.8%, respectively.
- Going forward, we expect inflation to remain within the CBK’s preferred range of 2.5%-7.5%, mainly on the back of a strengthened currency, tight monetary policy, reduced fuel prices and reduced electricity prices.

\*Source: KNBS



# Currency performance

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

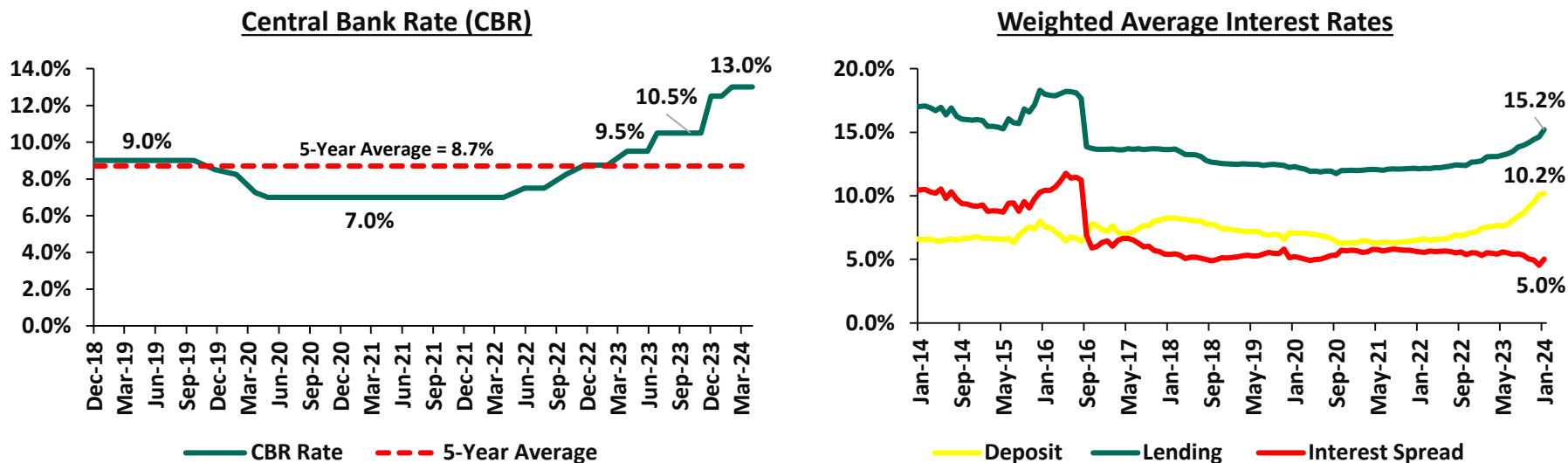


- On a year to date basis, the shilling has appreciated by 16.1% against the US Dollar, a sharp contrast to the 26.8% depreciation recorded in 2023. We note that the shilling has been supported by diaspora remittances standing at a cumulative USD 4,380.5 mn in the 12 months to March 2024, 9.0% higher 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 is US Dollar denominated.

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

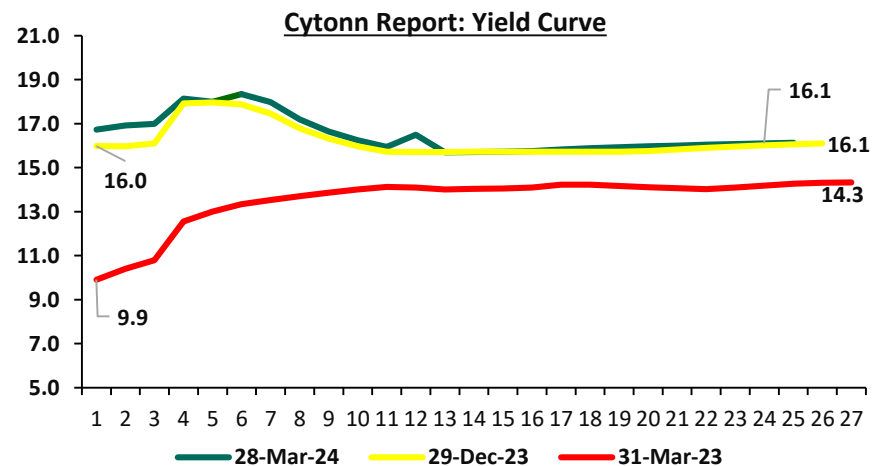
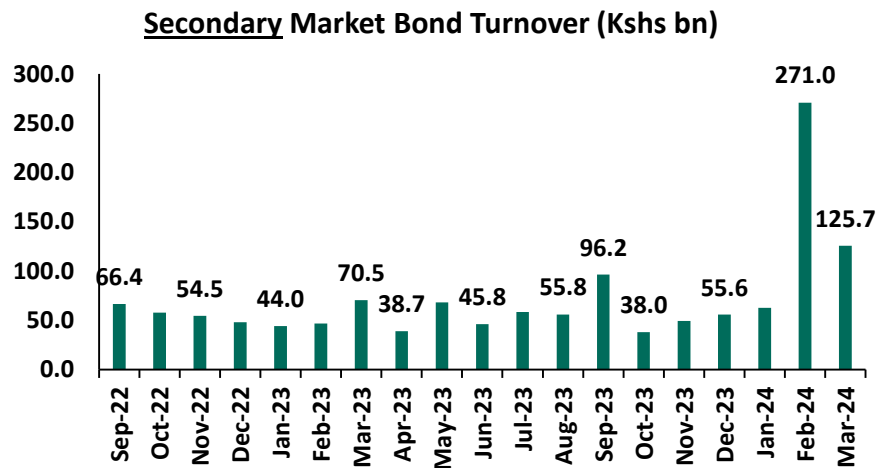


- The Monetary Policy Committee (MPC) has met twice during 2024, to review the outcome of its previous policy decisions against a backdrop of continued global uncertainties, moderating global oil prices, as well as the heightened geopolitical tensions. The MPC decided to raise the CBR rate by 0.5% points 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 3<sup>rd</sup> 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

# Asset Class Performance

## The secondary bond market recorded increased activity in Q1'2024

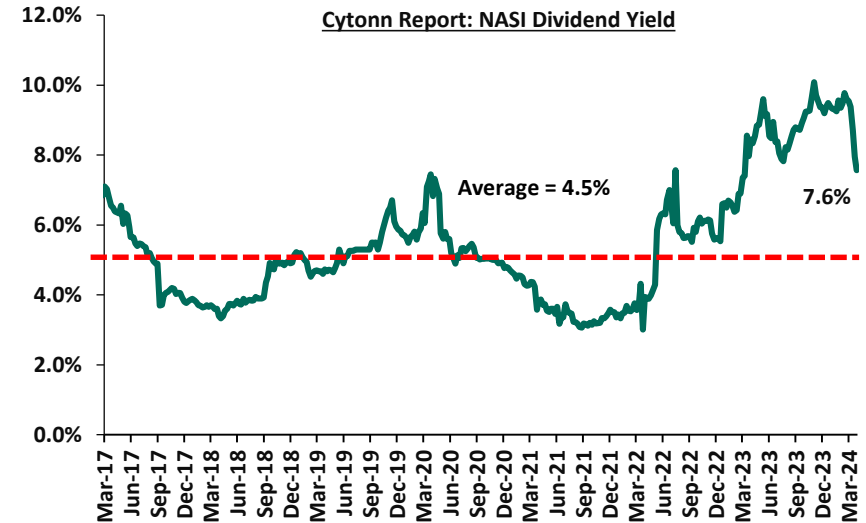
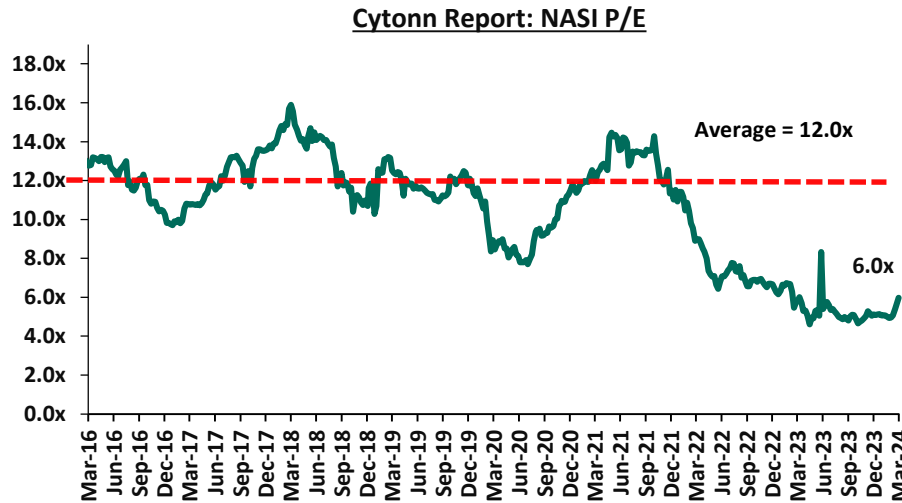


- In the secondary bond market, activity increased significantly, with the turnover increasing by 254.2% to Kshs 505.4 bn, from Kshs 142.7 bn in Q4'2023, partially attributable to the increased allocation to treasury bonds by local institutional investors as they sought higher yield in the market.
- 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 15.9% 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.

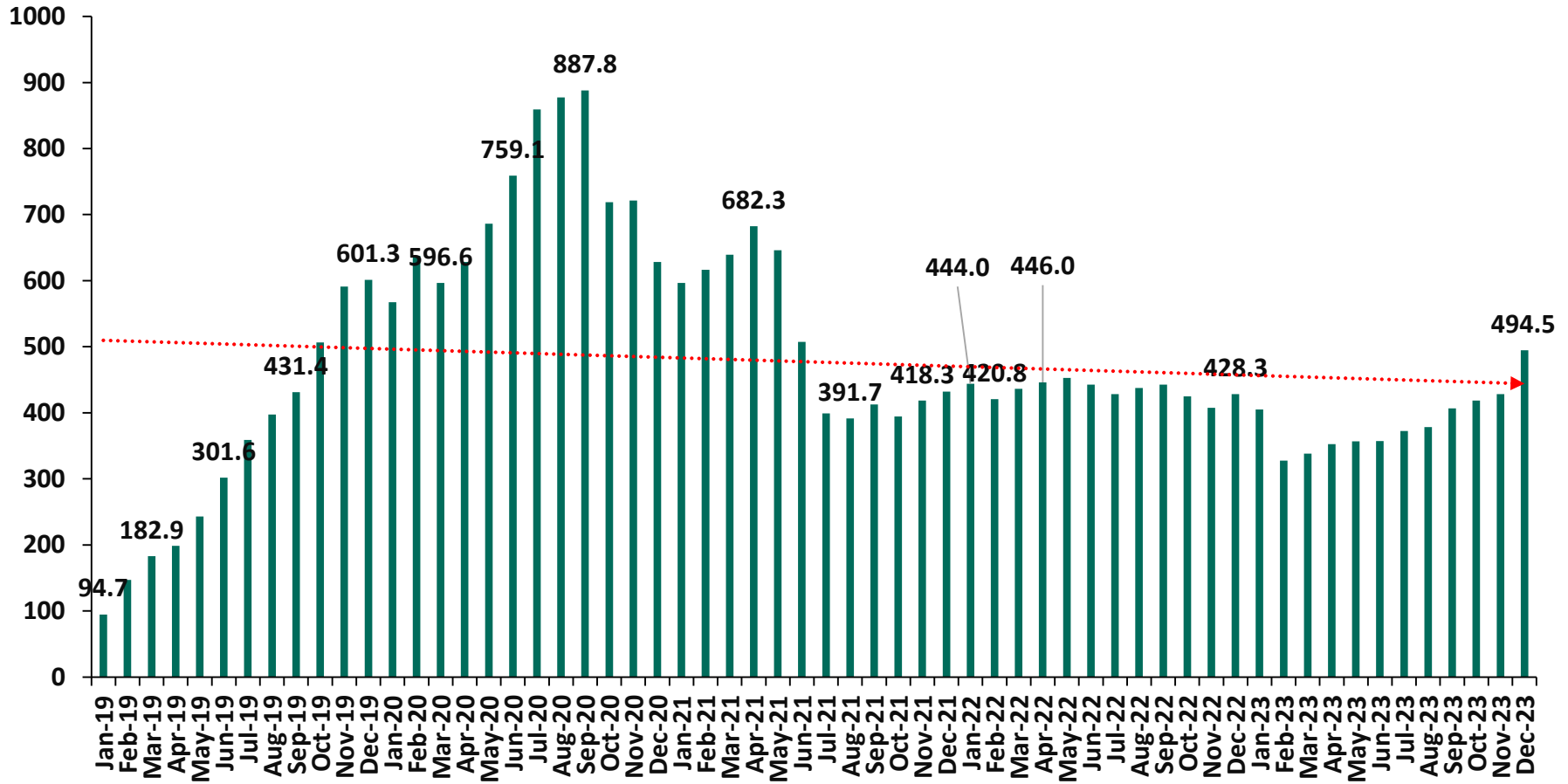
# 3. CYTONN UNIT TRUST SCHEME PERFORMANCE

# A. CYTONN MONEY MARKET FUND

# CMMF KES Summary

The fund has remained resilient despite the economic challenges in 2023 to Grow to Almost Half a Billion by Year End

**CMMF AUM Growth (Kshs Mn)**

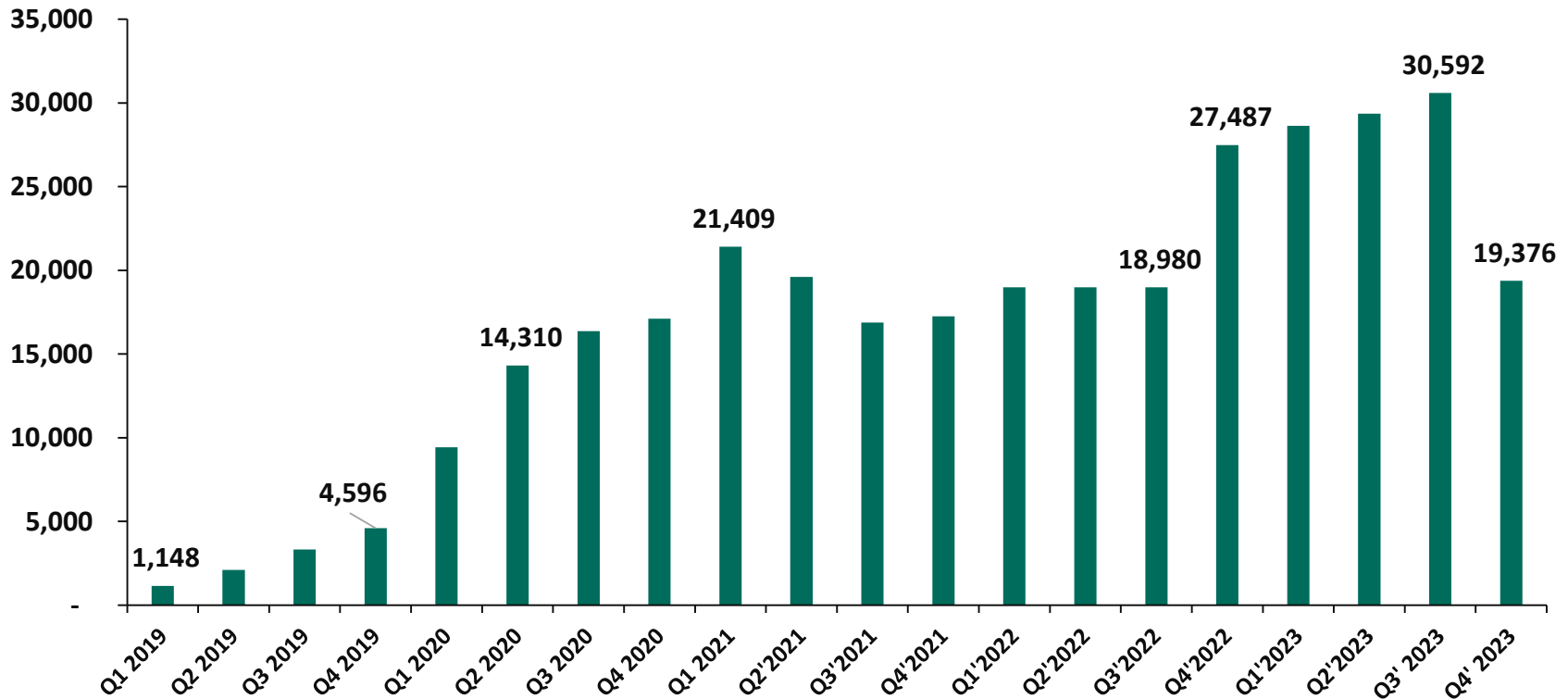




# CMMF KES Summary

The number of active unit holders as of December 2023 stood at 19,376

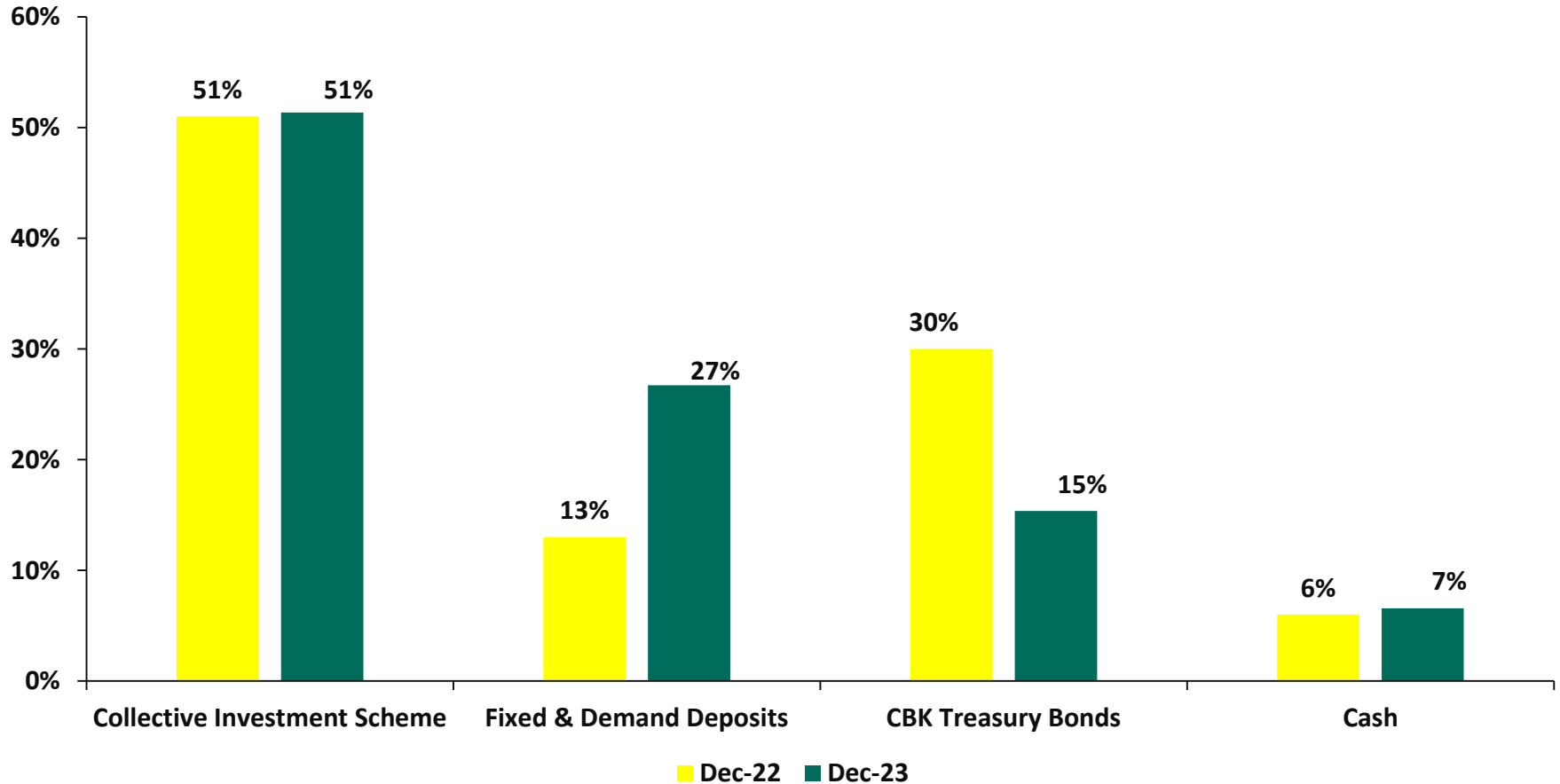
CMMF Active Unit Holders



- Notably, in Q4'2023 we redefined the active clients to those who have account balances of Kshs 100 and above as opposed to those who had a balance of more than zero

## CMMF continues to maintain a well diversified portfolio with sufficient liquidity

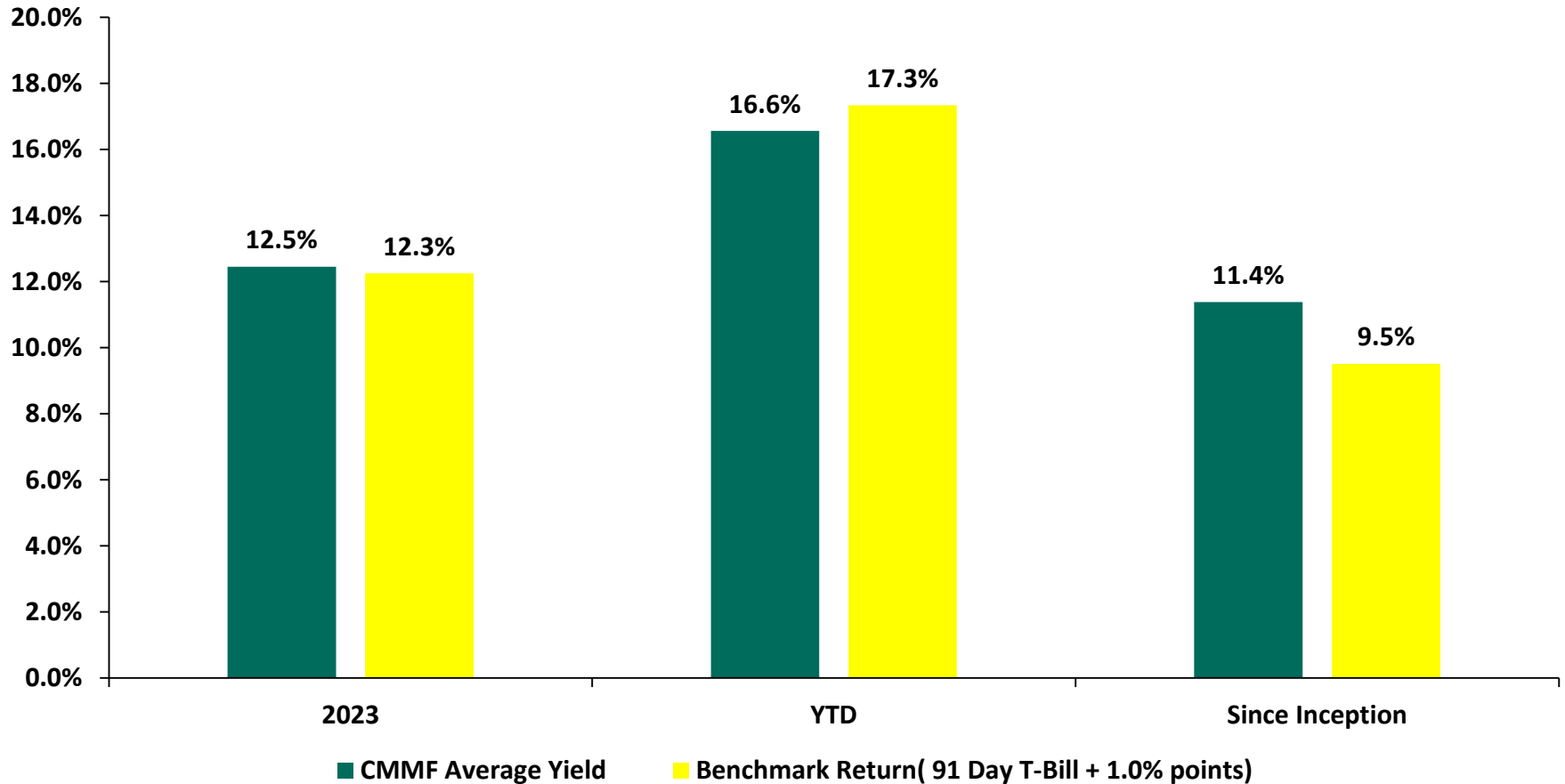
### Asset Allocation



# CMMF KES Summary

## CMMF has continued to offer above industry average returns in 2023

CMMF vs Benchmark Return



# CMMF KES Summary

## CMMF has continued to offer above industry average returns

Cytonn Report: Money Market Fund Yield for Fund Managers as published on 30th May 2024

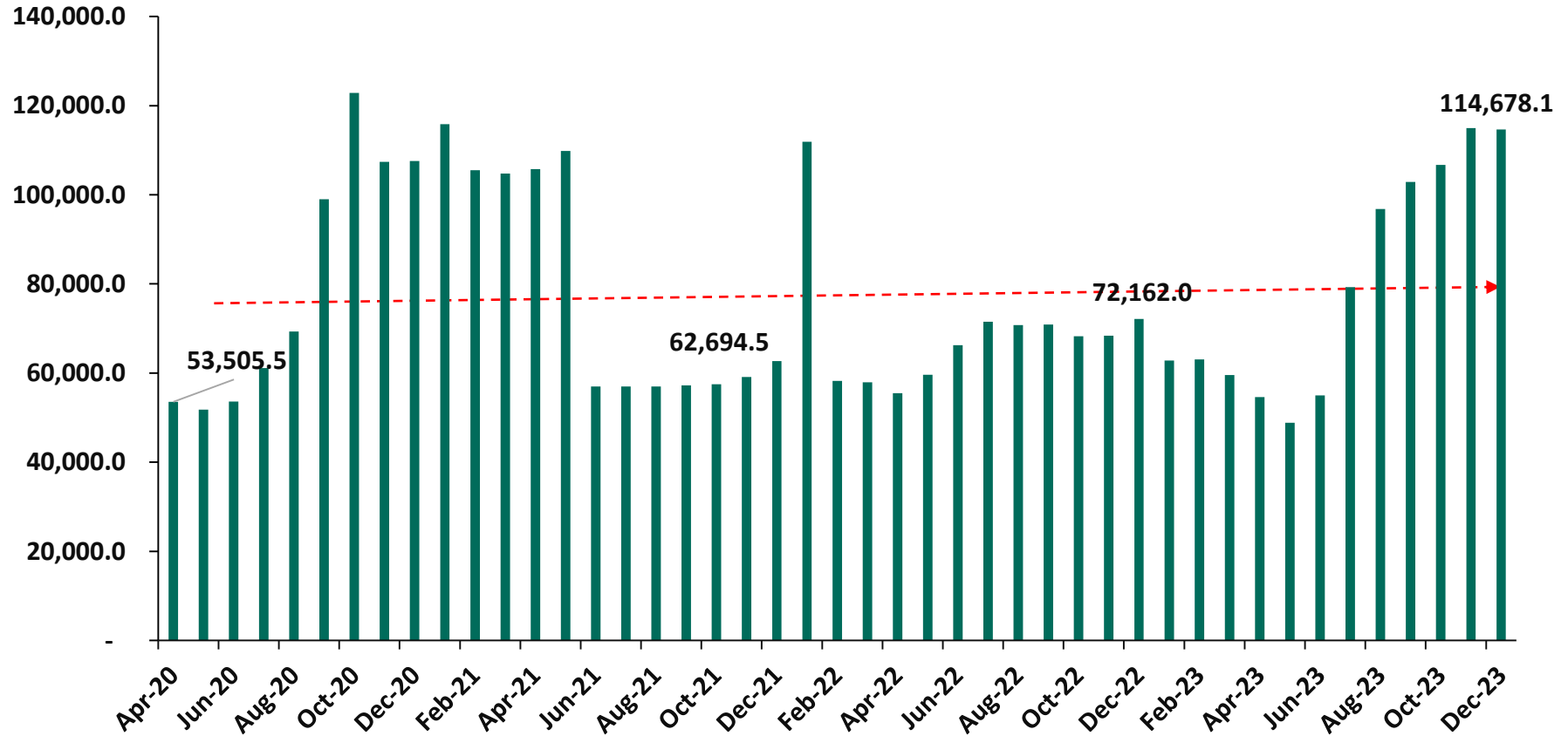
| Rank | Fund Manager   | Effective Annual Rate |
|------|--|-----------------------|
| 1    | Lofty-Corban Money Market Fund                                   | 18.30%                |
| 2    | Etica Money Market Fund  | 18.12%                |
| 3    | Cytonn Money Market Fund (Dial *809# or download the Cytonn app) | 17.67%                |
| 4    | Kuza Money Market fund   | 17.53%                |
| 5    | Nabo Africa Money Market Fund                                    | 16.64%                |
| 6    | GenAfrica Money Market Fund                                      | 16.39%                |
| 7    | Jubilee Money Market Fund  | 15.94%                |
| 8    | Enwealth Money Market Fund                                       | 15.89%                |
| 9    | Apollo Money Market Fund   | 15.80%                |
| 10   | Madison Money Market Fund  | 15.64%                |
| 11   | Co-op Money Market Fund  | 15.64%                |
| 12   | KCB Money Market Fund  | 15.63%                |
| 13   | GenCap Hela Imara Money Market Fund                              | 15.60%                |
| 14   | Absa Shilling Money Market Fund                                  | 15.37%                |
| 15   | Mali Money Market Fund   | 15.29%                |
| 16   | Sanlam Money Market Fund   | 15.26%                |
| 17   | AA Kenya Shillings Fund  | 15.22%                |
| 18   | Mayfair Money Market Fund  | 14.90%                |
| 19   | Dry Associates Money Market Fund                                 | 13.95%                |
| 20   | Equity Money Market Fund   | 13.92%                |
| 21   | Orient Kasha Money Market Fund                                   | 13.91%                |
| 22   | Old Mutual Money Market Fund                                     | 13.42%                |
| 23   | CIC Money Market Fund  | 13.24%                |
| 24   | ICEA Lion Money Market Fund                                      | 12.30%                |
| 25   | British-American Money Market Fund                               | 10.06%                |

# **B. CYTONN MONEY MARKET FUND USD**

# CMMF USD Summary

The AUM closed at USD 114,678.1 as of December 2023

CMMF USD AUM Growth

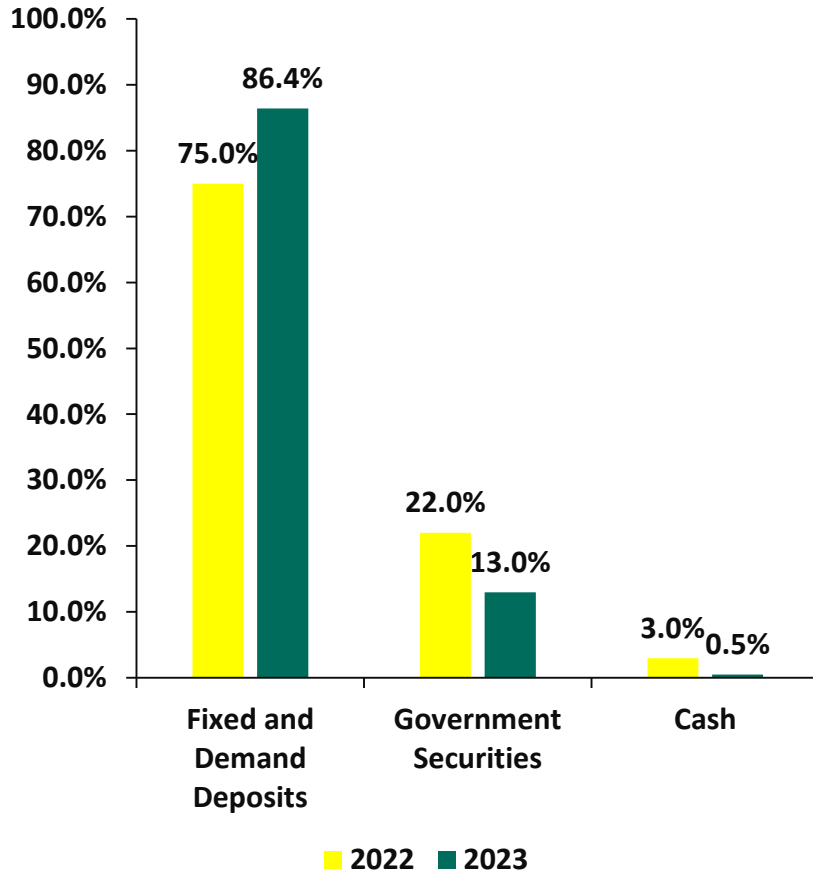


\*Amounts in USD

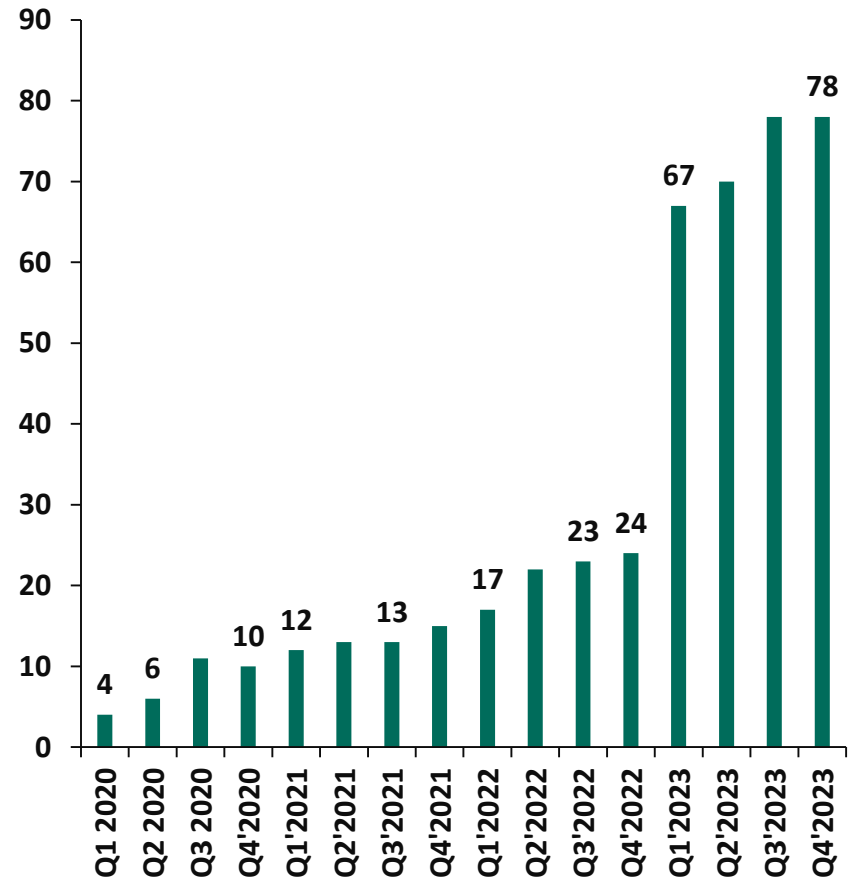
# CMMF USD Summary

The fund currently had 78 active unitholders as of December 2023

**CMMF USD Asset Allocation**



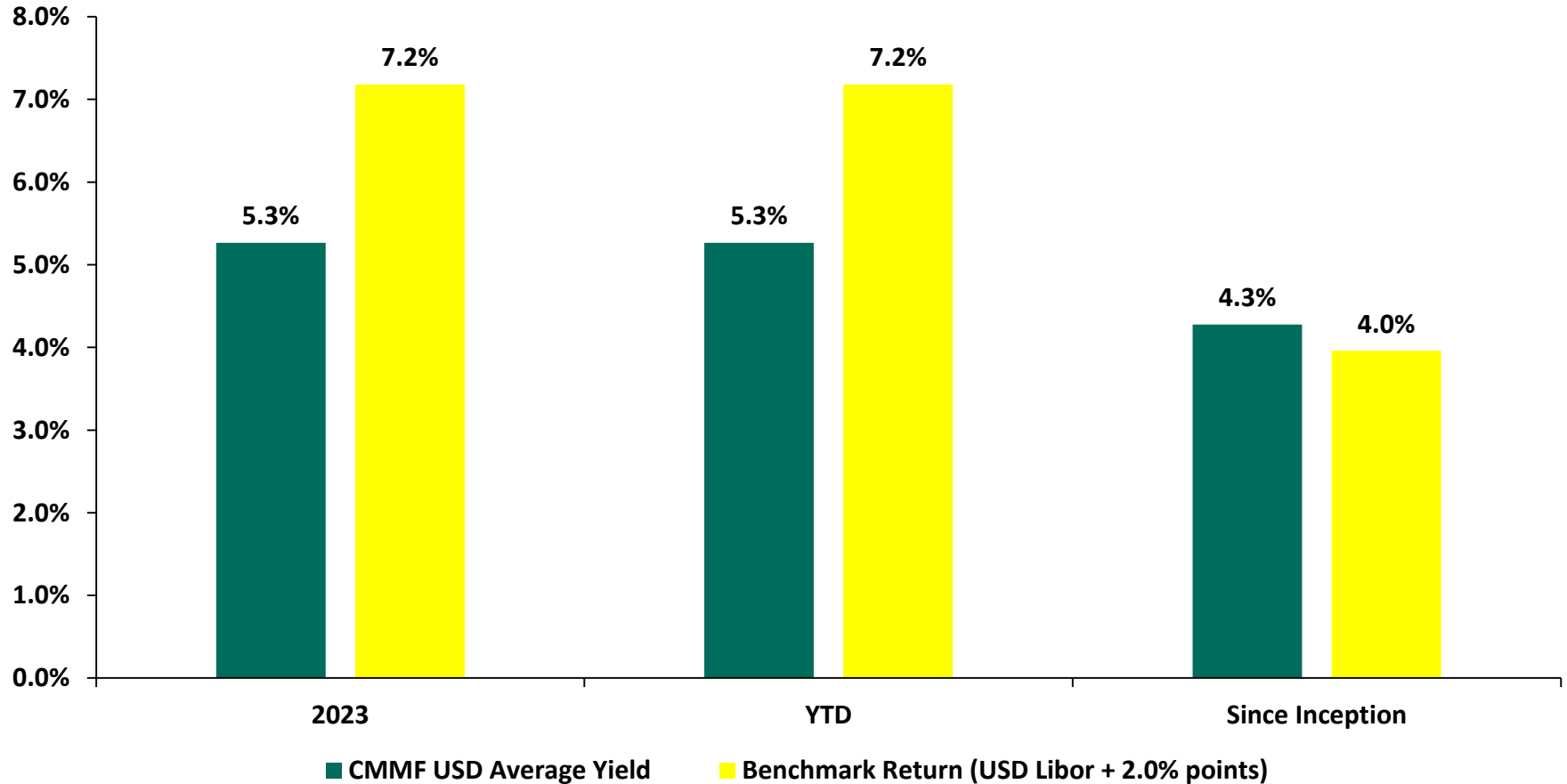
**Unit Holders**



# CMMF USD Summary

The fund has continued to outperform the benchmark since inception

CMMF USD vs Benchmark Return



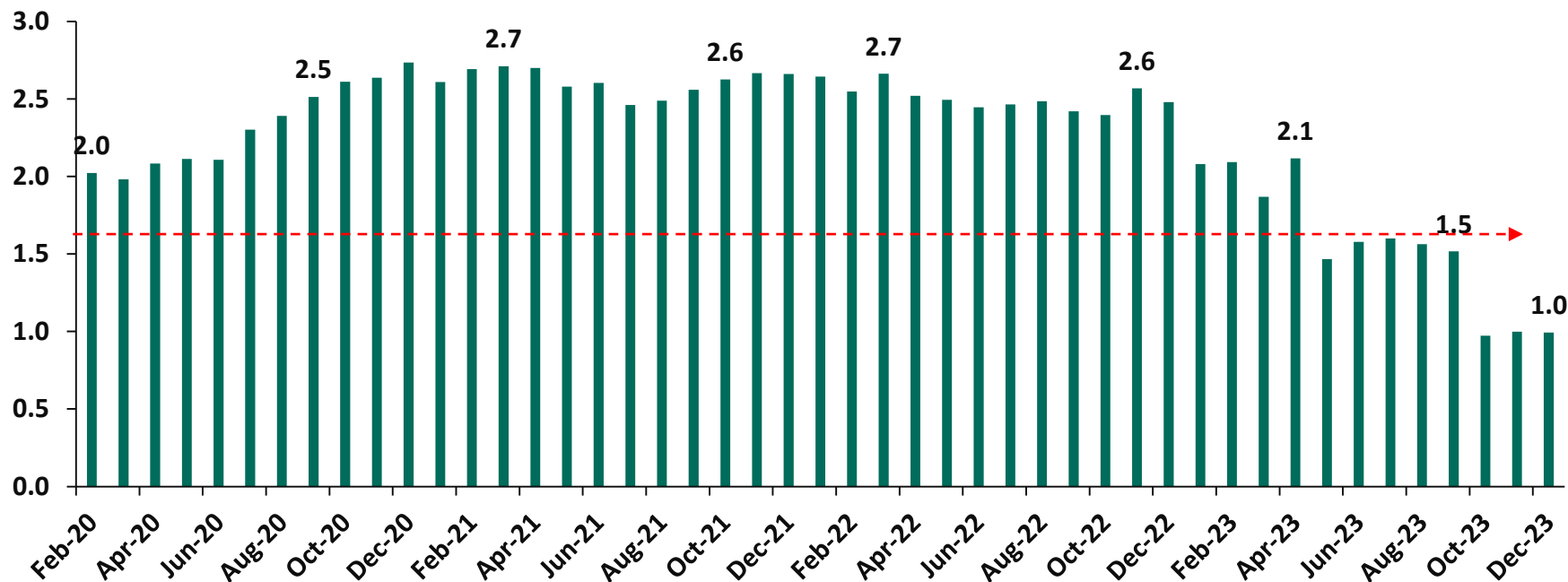


# **C. CYTONN BALANCED FUND**

# Balanced Fund Summary

## The AUM stood at Kshs 1.0 mn as of December 2023

CBF AUM Growth

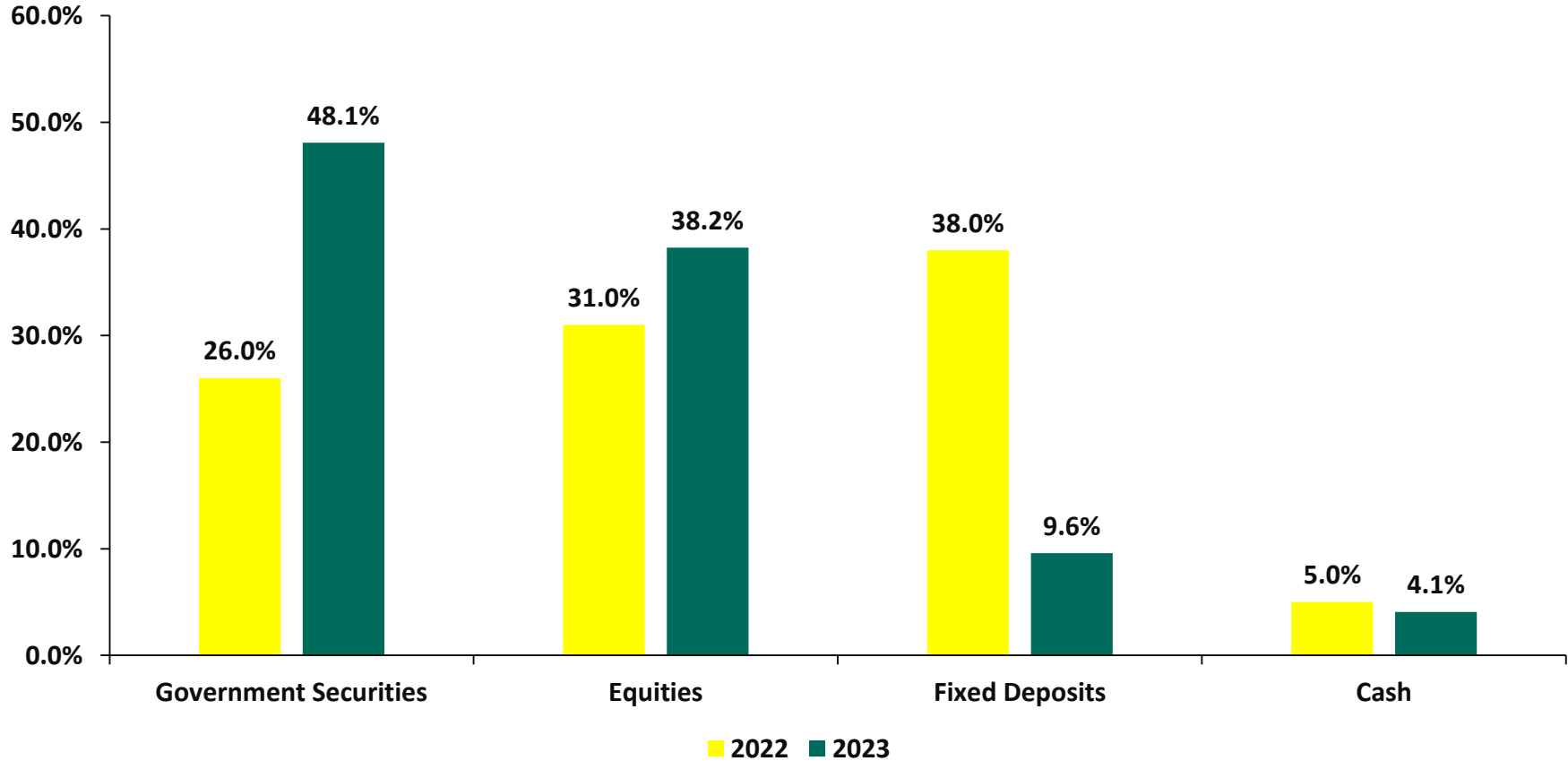


- Due to the poor equities market performance in Kenya and reduced client interest, we encourage clients to move to other funds such as CMMF whose yields have continued to grow over the period in line with fixed income instruments in the market.

# Balanced Fund Summary

**As of December 2023, Government Securities constituted 48.1% of the portfolio**

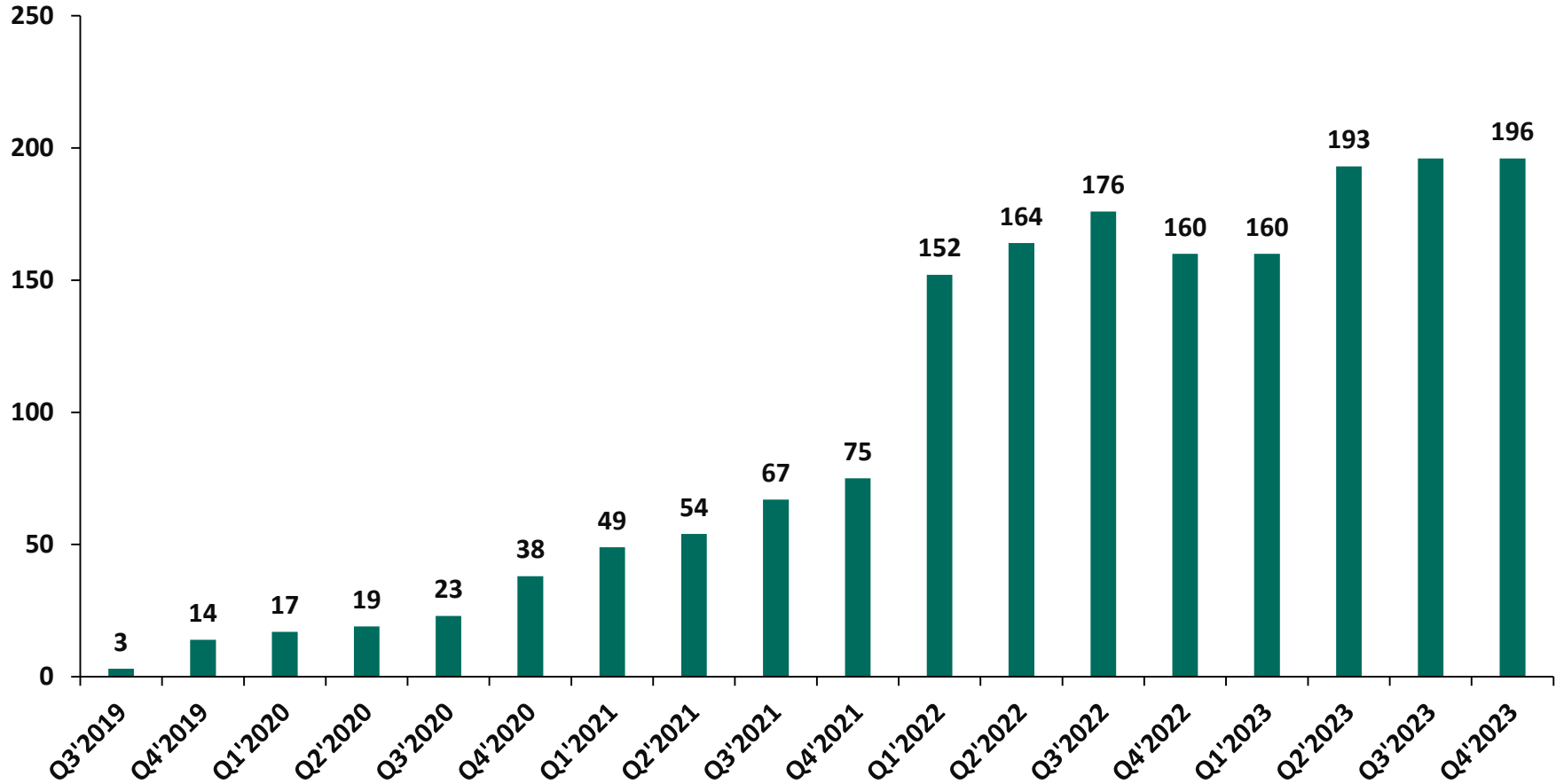
CBF Asset Allocation



# Balanced Fund Summary

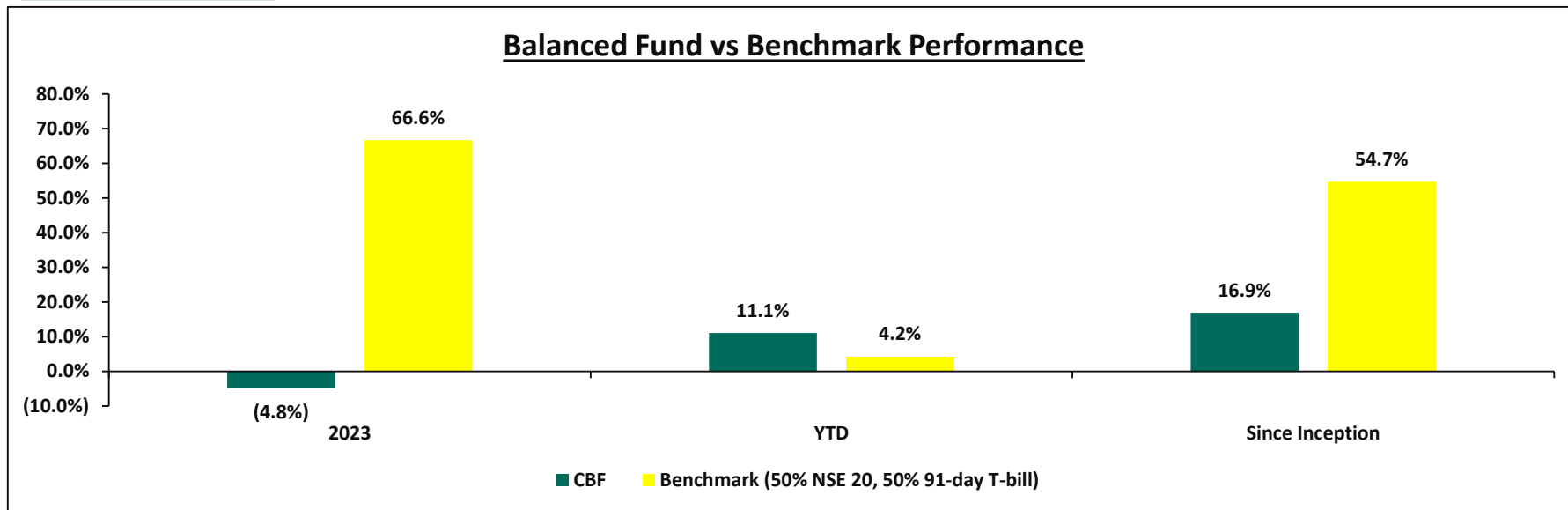
The fund had **196** unitholders as at end of Q4'2023

Balanced Fund Unit Holders



# Balanced Fund Summary

Historically, the fund has performed better than the benchmark on YTD basis



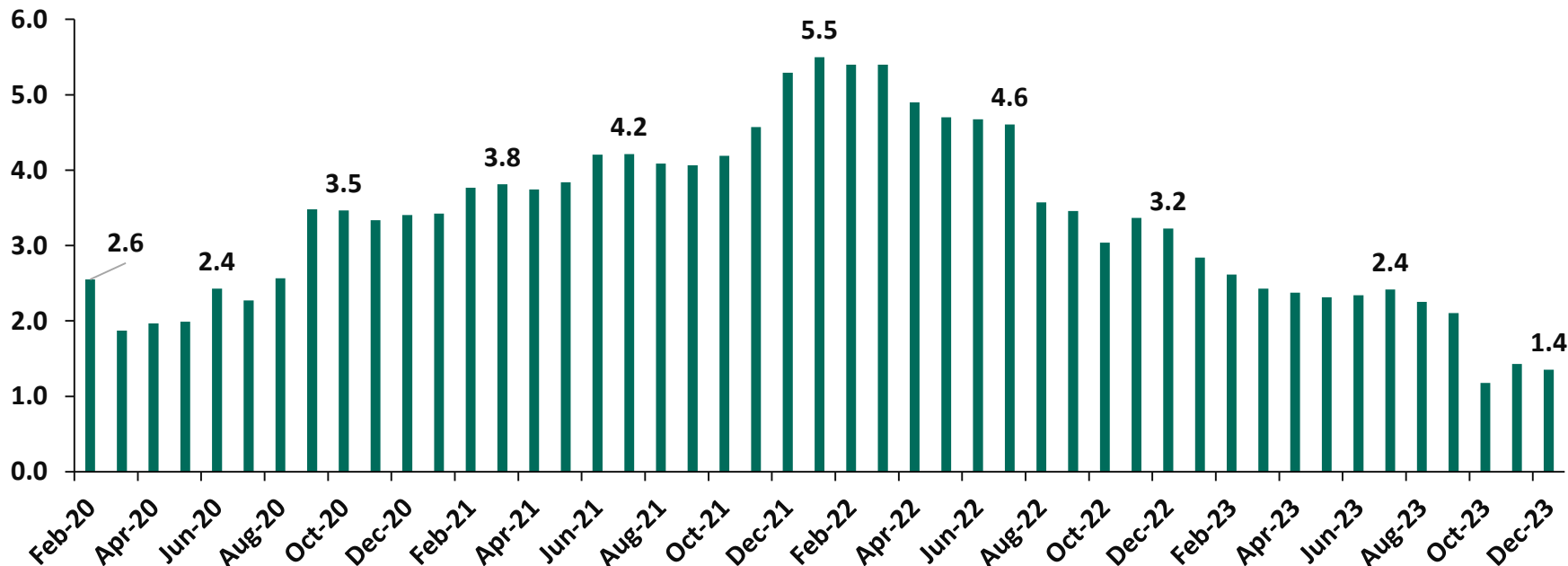
- In 2023, the Kenyan equities market was on a downward trajectory, with NASI, NSE 20, and NSE 25 declining by 27.7%, 10.4%, and 24.2%, respectively. The market trend was mirrored in the stocks held in the fund as majority of the stocks held declined in share price with KCB Group, declining the most by 42.9%, while Safaricom and DTB-k declined by 42.2% and 9.6% respectively, during the same period.
- The decline in the share prices led to a decline of 4.8% in 2023, given that 38.2% allocation was in equities as at end of 2023
- However, in Q1'2024 the equities market recorded 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.

## **D. CYTONN EQUITY FUND**

# Equity Fund Summary

## The AUM stood at Kshs 1.4 mn as of December 2023

Assets Under Management

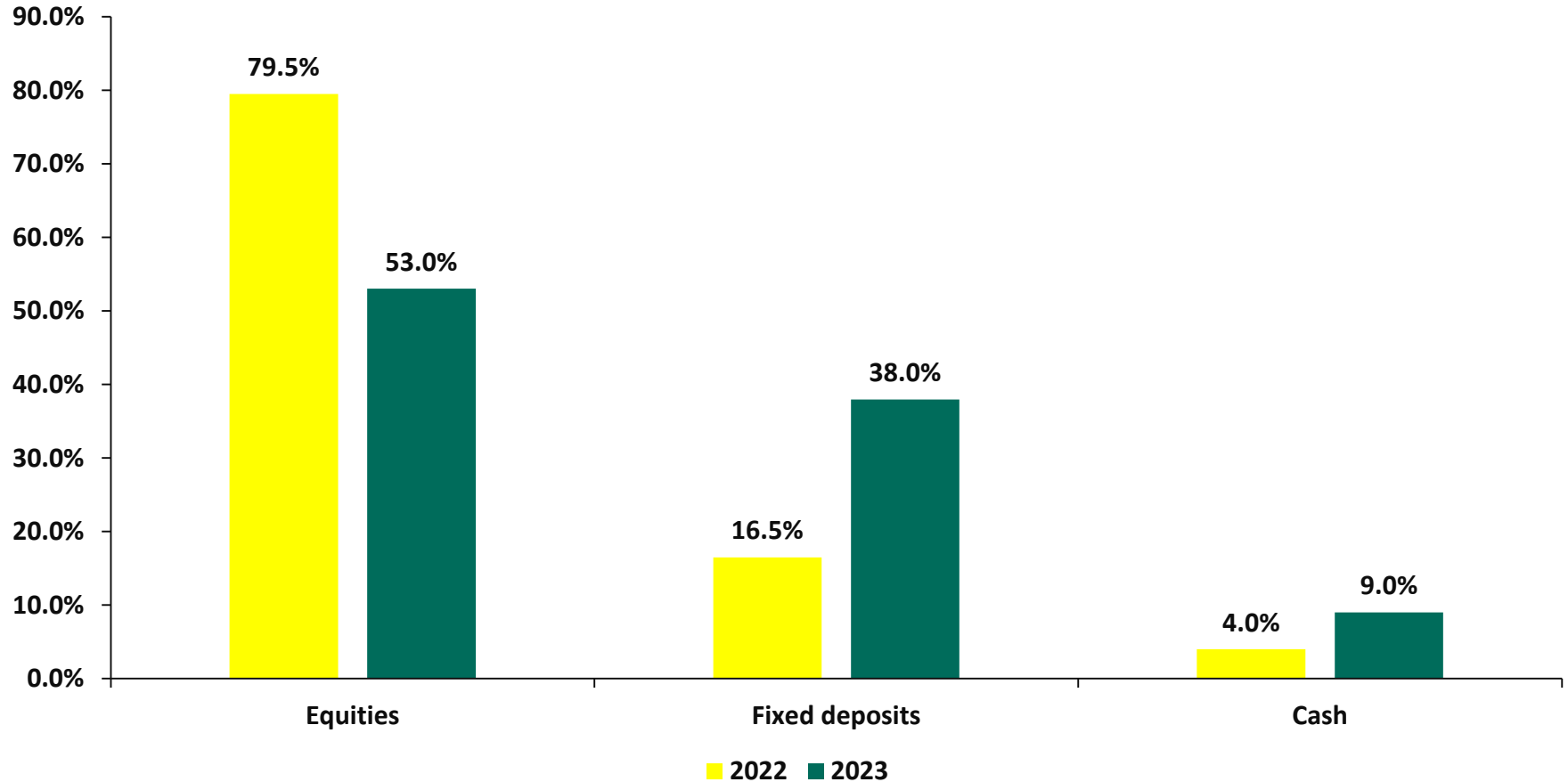


- Due to the poor equities market performance in Kenya and reduced client interest, we encourage clients to move to other funds such as CMMF whose yields have continued to grow over the period in line with fixed income instruments in the market.

# Equity Fund Summary

The Fund had the highest allocation in stocks

CEF Asset Allocation

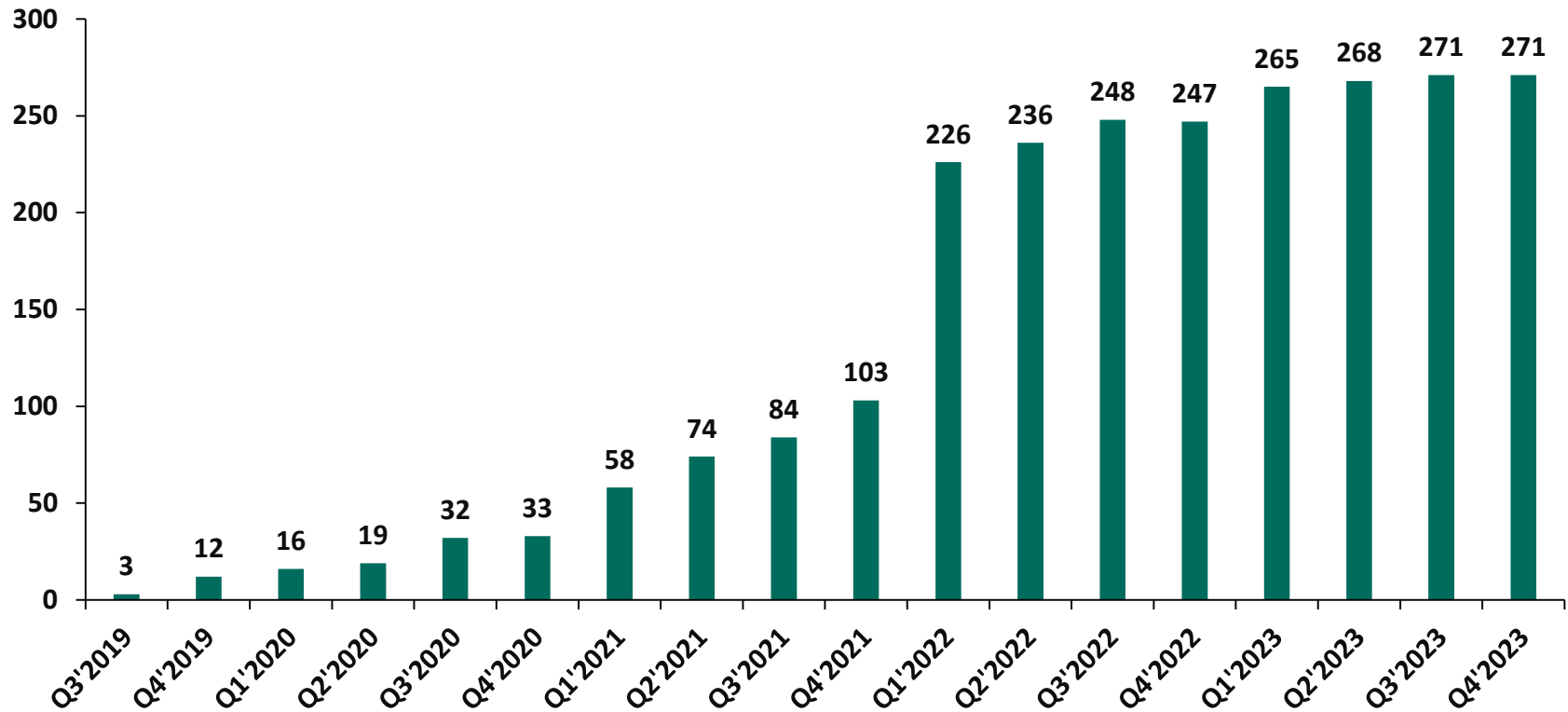




# Equity Fund Summary

The fund had 271 unitholders at end 2023

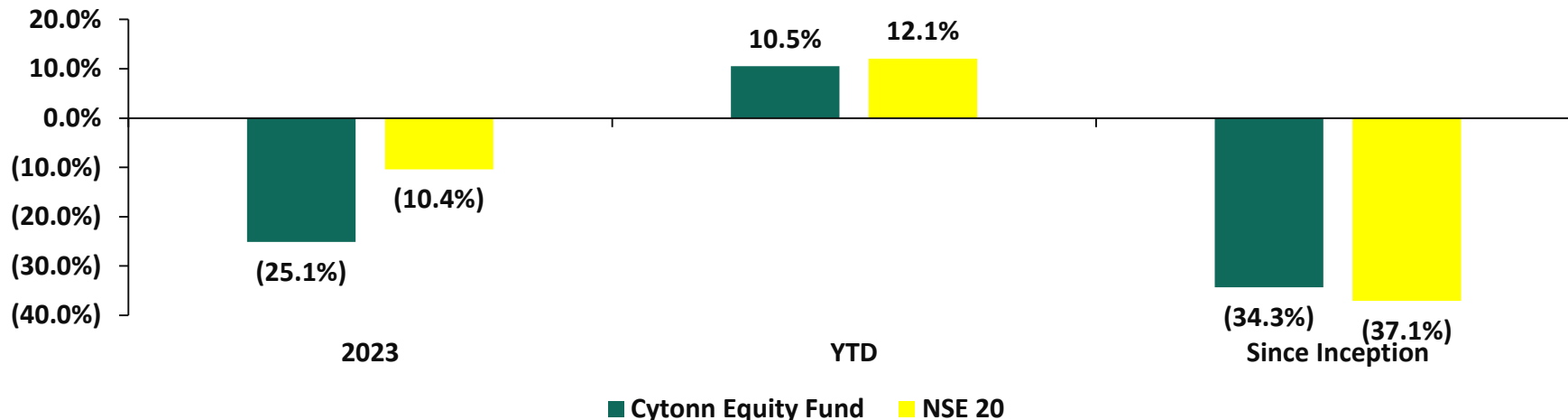
Equity Fund Unit Holders



# Equity Fund Summary

## The decline in share prices led to the underperformance of the fund in 2023

Equity Fund vs Benchmark Performance



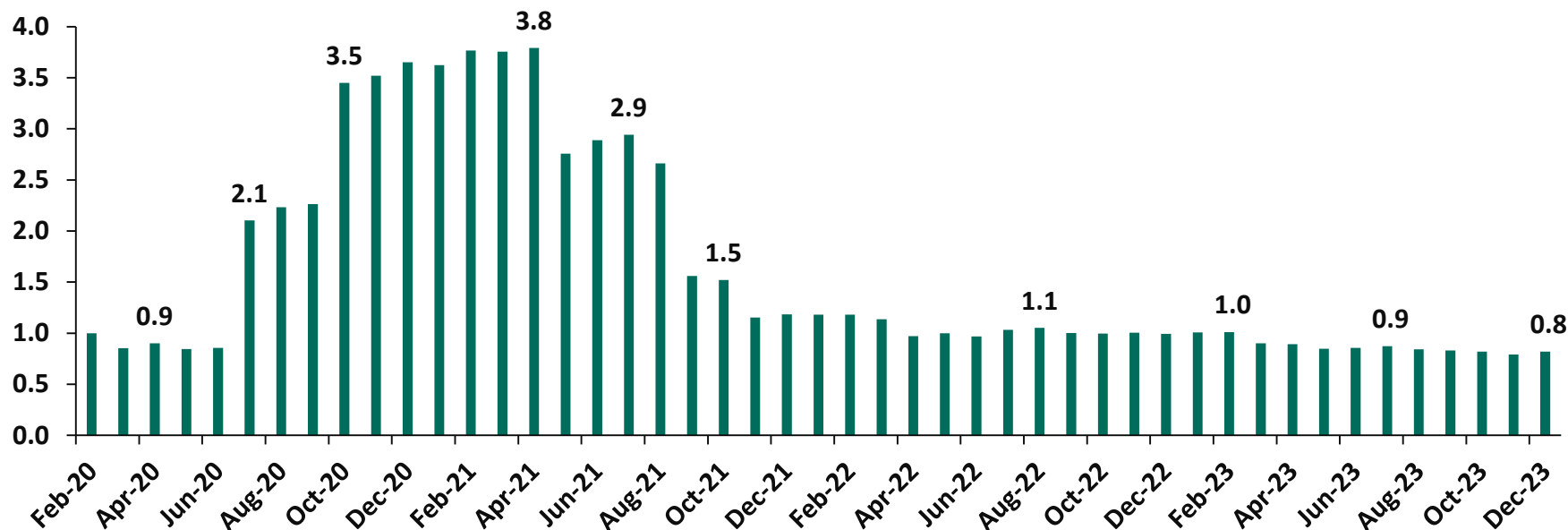
- In 2023, the Kenyan equities market was on a downward trajectory, with NASI, NSE 20, and NSE 25 declining by 27.7%, 10.4%, and 24.2%, respectively. The market trend was mirrored in the stocks held in the fund as majority of the stocks held declined in share price with KCB Group, declining the most by 42.9%, while Safaricom declined by 42.2% during the same period.
- The decline in the share prices led to a decline of 25.1% in 2023, given that 53.0% of the fund was in equities at the end of the year

**E. CYTONN AFRICA FINANCIAL  
SERVICES FUND**

# Cytonn Africa Financial Services Fund Summary

The Fund closed the year at an AUM of Kshs 0.8 mn

Assets Under Management

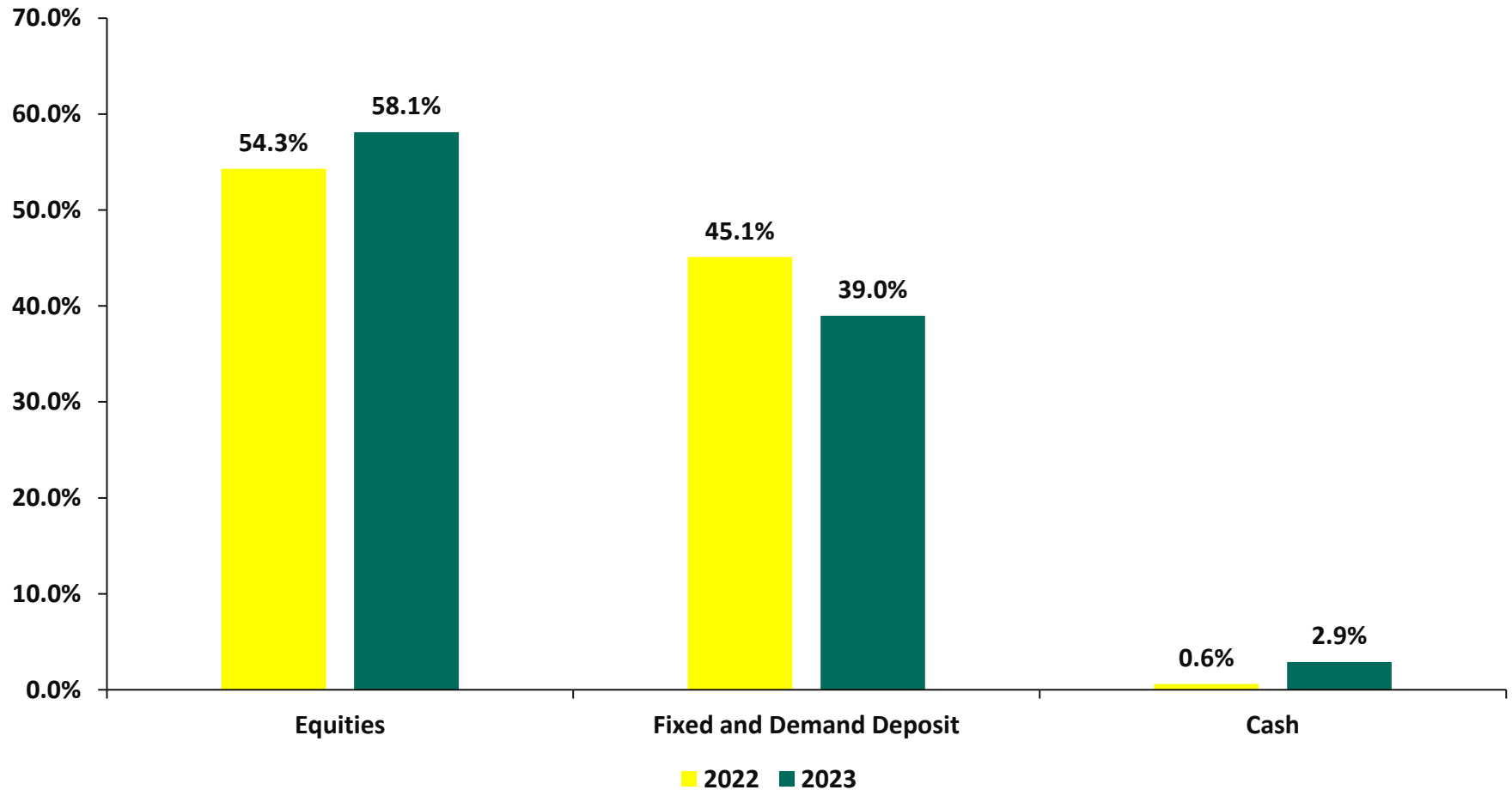


- Due to the poor equities market performance in Kenya and reduced client interest, we encourage clients to move to other funds such as CMMF whose yields have continued to grow over the period in line with fixed income instruments in the market.

# Cytonn Africa Financial Services Fund Summary

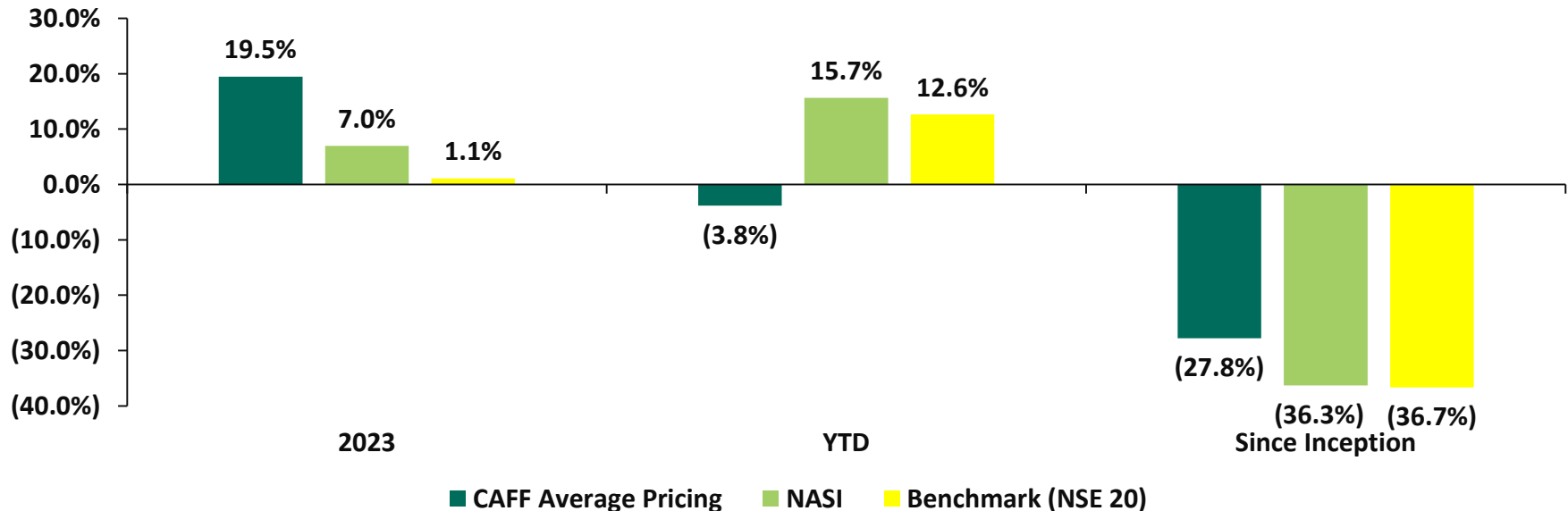
As at the end of 2023, equities securities constituted 58.1% of the portfolio

CAFF Asset Allocation



## Historically, the fund has performed better than the benchmark

CAFF vs Benchmark Performance



- In 2023, the Kenyan equities market was on a downward trajectory, with NASI, NSE 20, and NSE 25 declining by 27.7%, 10.4%, and 24.2%, respectively,
- The market trend was mirrored in the stocks held in the fund as majority of the stocks held declined in share price; with stocks such as KCB Group, Safaricom and Equity Group declining by 42.9%, 42.2% and 25.3% respectively, given that 58.1% of the fund was in equities at the end of the year

# **2023 Audited Financials Statements**

# **PRESENTATION OF THE ANNUAL REPORT & FINANCIAL STATEMENTS**

- i. Cytonn Money Market Fund – KES**
- ii. Cytonn Money Market Fund – USD**
- iii. Cytonn Equity Fund**
- iv. Cytonn Balanced Fund**
- v. Cytonn Africa Financial Fund**



# INCOME STATEMENT

**CMMF-KES profits came in at Kshs 27.1 mn in 2023 compared to Kshs 27.4 mn in 2022**

|  | CMMF - KES          |                     | CMMF - USD       |                  |
|--|---------------------|---------------------|------------------|------------------|
|  | 2023                | 2022                | 2023             | 2022             |
|  | Kshs.               | Kshs.               | Kshs.            | Kshs.            |
| Investment Income                                      | 40,823,571          | 43,360,501          | 542,462          | 239,092          |
| <b>Gross Profit</b>                                    | 40,823,571          | 43,360,501          | 542,462          | 239,092          |
| <b>Operating Expenses</b>                              |                     |                     |                  |                  |
| Fund management fees                                   | 6,113,339           | 6,915,267           | 60,551           | 63,891           |
| Professional fees                                      | 3,349,631           | 652,500             | 442,884          | 141,923          |
| Custody fees   | 655,228             | 833,534             | 41,838           | 16,304           |
| Trustee fees   | 593,950             | 668,492             | 11,672           | 17,155           |
| Other Operating Costs                                  | 3,013,481           | 6,931,797           | 281,852          | 256,042          |
| <b>Total Operating Expenses</b>                        | <b>(13,725,629)</b> | <b>(16,001,590)</b> | <b>(838,797)</b> | <b>(495,315)</b> |
| <b>Profit (Loss) Attributable to Unitholders Funds</b> | <b>27,097,942</b>   | <b>27,358,911</b>   | <b>(296,335)</b> | <b>(256,223)</b> |

# STATEMENT OF FINANCIAL POSITION

**CMMF-KES increased by 15.2% to Kshs 492.9 mn in Dec-23 from Kshs 429.0 mn Dec-22**

|  | CMMF - KES         |                    | CMMF - USD        |                  |
|--|--------------------|--------------------|-------------------|------------------|
|  | 2023               | 2022               | 2023              | 2022             |
|  | Kshs.              | Kshs.              | Kshs.             | Kshs.            |
| <b>Assets</b>                          |                    |                    |                   |                  |
| Investments                            | 454,120,179        | 401,988,710        | 16,542,056        | 8,510,302        |
| Trade and other receivables            | 6,749,738          | 5,378,070          | 713,472           | -                |
| Bank Balances                          | 32,027,215         | 21,633,427         | 1,291,905         | 268,695          |
| <b>Total Assets</b>                    | <b>492,899,833</b> | <b>429,000,207</b> | <b>18,547,387</b> | <b>8,778,997</b> |
| <b>Equities &amp; Liabilities</b>      |                    |                    |                   |                  |
| Net Assets Attributable to Unitholders | 470,755,270        | 413,611,319        | 18,259,508        | 8,566,340        |
| Other Payables                         | 22,144,563         | 15,388,888         | 287,913           | 212,656          |
| <b>Total Liabilities</b>               | <b>492,899,833</b> | <b>429,000,207</b> | <b>18,547,387</b> | <b>8,778,997</b> |

# INCOME STATEMENT

**CAFF, CEF and CBF all recorded losses after tax at Kshs 0.17mn, 0.6mn and Kshs 0.2 mn respectively in 2023**

## STATEMENT OF COMPREHENSIVE INCOME

|                       | Cytonn Africa financial services fund (CAFF) |                  | Equity Fund      |                  | Balanced Fund    |                  |
|-----------------------|--|------------------|------------------|------------------|------------------|------------------|
|                       | 2023   | 2022             | 2023             | 2022             | 2023             | 2022             |
|                       | Kshs.  | Kshs.            | Kshs.            | Kshs.            | Kshs.            | Kshs.            |
| Investment Income     | 174,776                                      | 65,867           | 226,148          | 292,872          | 352,148          | 235,319          |
| Fair Value Gain/Loss  | (203,551)                                    | (30,827)         | (590,970)        | (639,799)        | 290,710)         | (122,793)        |
| <b>Total Income</b>   | <b>(28,775)</b>                              | <b>35,040</b>    | <b>(346,822)</b> | <b>(346,927)</b> | <b>61,438</b>    | <b>112,527</b>   |
| Operating Expenses    | (142,880)                                    | (191,268)        | (272,595)        | (435,657)        | (280,712)        | (399,823.0)      |
| <b>Profit/ (Loss)</b> | <b>(171,655)</b>                             | <b>(156,228)</b> | <b>(637,417)</b> | <b>(782,583)</b> | <b>(219,274)</b> | <b>(287,297)</b> |

# STATEMENT OF FINANCIAL POSITION

**CAFF, CEF and CBF total assets were Kes 0.8mn, 1.4mn and 1.1mn respectively in 2023**

|  | Cytonn Africa Financial Services Fund (CAFF) |                | Equity Fund      |                  | Balanced Fund    |                  |
|--|--|----------------|------------------|------------------|------------------|------------------|
|  | 2023   | 2022           | 2023             | 2022             | 2023             | 2022             |
|  | Kshs.  | Kshs.          | Kshs.            | Kshs.            | Kshs.            | Kshs.            |
| <b>Assets</b>                          |  |                |                  |                  |                  |                  |
| Investments                            | 769,372                                      | 982,333        | 1,280,434        | 3,215,377        | 993,102          | 2,427,095        |
| Trade and other receivables            | 4,689  | 4,785          | 2,789            | 2,789            | -                | -                |
| Bank Balances                          | 42,157                                       | 5,597          | 166,617          | 83,000           | 123,337          | 117,150          |
| <b>Total Assets</b>                    | <b>816,219</b>                               | <b>992,715</b> | <b>1,449,840</b> | <b>3,301,167</b> | <b>1,116,440</b> | <b>2,544,245</b> |
| <b>Equities &amp; Liabilities</b>      |  |                |                  |                  |                  |                  |
| Net Assets Attributable to Unitholders | 701,406                                      | 835,494        | 1,230,052        | 2,979,980        | 802,138          | 2,117,893        |
| Other Payables                         | 114,812                                      | 157,221        | 219,787          | 321,187          | 314,302          | 426,352          |
| <b>Total Liabilities</b>               | <b>816,218</b>                               | <b>992,715</b> | <b>1,449,840</b> | <b>3,301,167</b> | <b>1,116,440</b> | <b>2,544,245</b> |

**FINAL REMARKS  
VOTE OF THANKS  
CLOSING**

