

JULY 2020

1. FUND PERFORMANCE

AVERAGE	JULY 2020	PERFORMANCE SINCE INCEPTION (01-AUGUST-2019)	
		*Cumulative	**Annualized
Cytonn Equity Fund	(5.6%)	(5.7%)	(5.7%)
Benchmark (NSE 20)	(7.1%)	(31.3%)	(31.3%)

*Aggregate percent amount that your investment would have gained since the fund started (01-August-2019)

**Percentage you can expect to earn with the fund during one year of investment on basis of the so far realized monthly returns since inception.

2. FUND MANAGER'S REPORT AND OUTLOOK

Fund Objective

The Cytonn Equity Fund is a moderate to high-risk fund that seeks to generate long-term capital growth and endeavors to maximize the total return to investors over the long term by investing in both listed and unlisted equity securities.

Portfolio Strategy

The Fund seeks to invest in companies with low valuation and good growth potential while providing sufficient stability by investing in relatively mature companies. The key is to deliver a high total return from both capital appreciation and attractive dividend yields. The Fund seeks to outperform the benchmark, NSE 20, by maintaining a carefully selected and diversified portfolio

Portfolio Performance

The Cytonn Equity fund declined by 5.6% in July 2020. The performance of the fund was mainly driven by declines recorded in the stocks held in the fund's portfolio where; I&M Holdings, Equity Group, KCB Bank and Safaricom PLC all declined by 7.6%, 6.2%, 5.4% and 1.7%, respectively during the month.

Economic report and outlook

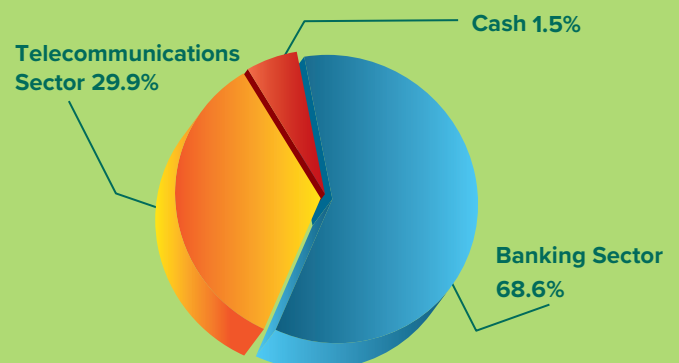
According to Kenya National Bureau of Statistics (KNBS), the economy recorded subdued growth of 4.9% in Q1'2020, lower than 5.5% in 1'2019 a 2-year low, mainly supported by the Agricultural sector which recorded a slightly faster growth of 4.9%, compared to 4.7% seen in Q1'2019, coupled with slower growth 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:** Moderate to High
- ⦿ **Minimum Initial Investment:** Kshs. 1,000
- ⦿ **Minimum Additional Investment:** Kshs. 1,000
- ⦿ **Annual Management Fee:** 2.5%
- ⦿ **Initial Fee:** Nil
- ⦿ **Inception Date:** 01-August-2019
- ⦿ **Trustee:** Co-operative Bank Limited
- ⦿ **Custodian:** KCB Bank
- ⦿ **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.