

Britam Imarika Fund Commentary 30 June 2017

Markets Review

- **Inflation: Inflation dropped to 9.2% in June 2017 dropping from a 5-year high of 11.7% recorded in May 2017.** Slight drop in inflation was driven mainly by a drop in food and alcoholic beverages index which fell by 2.74% in June 2017. Overall inflation in H1 2017 averaged 9.78% compared to 6.19% in H1 2016. The rise is attributable to unfavorable weather conditions which affected food production and led to increased food prices.
- **Equities Market:** The NSE All Share Index (NASI) rose 14.66% in the first half of the year to settle at 152.92 points. The index closed 2016 at 133.34 points. The NSE-20 share index gained 13.21% to close at 3,607.18 points. Performance was driven by attractive dividend yields and better than expected performance reported in the banking sector.
- **Fixed Income market:** In the first half of 2017, bond yields fell across the yield curve by an average of 0.82%. The fall can be attributed to discipline internal borrowing by the Central bank and increased liquidity from low private sector credit growth.
- **Money Markets:** Short-term rates reduced in the first half of 2017. The Interbank rate, which is the rate of interest banks charge each other for short term loans, reduced from an average of 7.13% in Jan 2017 to average 4.47% as at close of June 2017. The 91-day Treasury bill closed at 8.28% from 8.55% in the beginning of the year while the 182-day paper fell 0.15% to close at 10.33%. The 364-day paper fell 0.13% in H1 2017 to close June 2017 at 10.90%.

Imarika Fund Performance

The Fund has returned 5.26% year to date, implying an annualized return of 13.4%.

Outlook and Strategy

We expect rates to stabilize in the coming months as we approach the general elections. We are closely monitoring market trends and movements for attractive opportunities to achieve and exceed our return objectives.