

Britam Imarika Fund Commentary 30 September 2017

Markets Review

- **Kenya's GDP growth rate in April, May and June 2017 was recorded at 5.0% rising from 4.7% recorded in January, February and March 2017.** The increase is as a result of marginal growth in the agricultural sector. Prolonged election period, low private sector credit growth, unfavorable weather conditions seen in early 2017 and reduced government spending will likely see 2017 GDP growth fall below the 5.8% level recorded in 2016.
- **Inflation: Inflation fell to 7.06% in September 2017 from 8.04% recorded in August 2017.** The fall was mainly on account of reduction in the price of some food items due to an increase in supply. As a result the Food and Non-Alcoholic Drinks' Index decreased by 1.28% between August and September 2017.
- **Equities Market:** The NSE-20 share index fell by 275.66 points in September alone to close the month at 3,751.46 points marking a 6.85% fall in the month. The index is however up 17.74% since the start of the year. The NSE All Share Index (NASI) also fell in September shedding 6.95 points – closing the month at 162.21 points. Since the end of 2016, the NSE All Share Index is up 21.65%.
- **Fixed Income market:** The yield curve fell marginally in the month falling by an average of 0.18%. The downward movement was seen across all tenors of the yield curve. In the September 2017 primary auction, the Central Bank of Kenya (CBK) offered KES 30Bn of FXD1/2017/2 and FXD1/2017/10 (Re). Bids for both papers totaled KES 44.317Bn and the CBK accepted KES 26.978Bn at an average rate of 11.619% for the 2-year paper and 13.072% for the 10-year bond.
- **Money Markets:** Short-term interest rates as indicated by the 91-Day, 182-Day and 364-Day Treasury bill rates changed little in the month. The 91-Day shed just 0.018% in the month to close September at 8.130%. The 182-Day rate rose marginally by 0.003% to settle at 10.317% while the 364-Day Treasury bill rose to close the month at an average of 10.958% recording an increase of 0.049%. The average interbank rate, which is the rate at which banks lend to each other over a short period of time, rose to 8.161% at the close of September from 5.101% average at the beginning of the month.

Imarika Fund Performance

The Funds annualized return is 13.5%.

Outlook and Strategy

The market remains relatively attractive even as we go through an electioneering period. The portfolio has been structured to withstand any short-term election related shocks. We continue to monitor and take-up attractive investment opportunities to maximize investment return.

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