

Britam Imarika Fund Commentary 31 December 2017

Markets Review

- **GDP growth is estimated to have decelerated to 4.4% in the third quarter of 2017 compared to 5.6% growth recorded in a similar period in 2016.** The economic slowdown was mainly as a result of political uncertainty and effects of adverse weather conditions.
- **Annual inflation fell to 4.50% in December 2017 from 4.73% recorded in November 2017.** Year on year food inflation dropped from 5.79% in November to 4.68% in December 2017. Overall, annual inflation averaged 8.02% in 2017 compared to an annual average of 6.30% in 2016.
- **Short-term interest rates as indicated by the 91-Day, 182-Day and 364-Day Treasury bill rates showed varied movement in December.** While the 91-Day reduced by 0.006% to close the year at 8.005%, the 182-Day rate increased by 0.102% closing at 10.583%. The 364-Day paper closed the year at 11.128%, raising by 0.11% from the previous month.
The 91-Day has averaged 8.348% in 2017, a drop from 8.651% average in 2016. The 182-Day averaged 10.426% in 2017 while the 364-Day averaged 10.947%. This marked a drop for both papers from 10.9384% average for the 182-Day paper in 2016 and 11.7518% for the 364-Day Treasury bill.
- **Fixed Income markets interest rates were largely unchanged within the month increasing by an average of 0.06%.** 2017 has seen fixed income rates fall by an average of 0.79%. December's primary auction attracted bids worth KES 21.89Bn from KES 30.00Bn that was on offer. The CBK took up KES 10.05Bn seeking to raise KES 20.0Bn through a tap sale issued later in the month. From this, the CBK was able to collate KES 7.82Bn.
- **Equities Markets fell during the month;** the NSE-20 Share Index dropped 92.75 points to close the year at 171.20 points. The index is up 16.50% since the start of the year. The NSE All Share Index (NASI) reduced by 92.75 points in December to close at 3,711.94 points. Year to date, the NASI is up 28.39%.

Imarika Fund Performance

The Funds annualized return as at the end of 2017 stands at 13.7% pa.

Outlook and Strategy

Despite slow economic growth in 2017, the markets posted good performance with equities returning 28% and the 364-Day rate averaging 10.9% in the year. 2018 is set to post better economic performance on the back of improving weather conditions and reduced political temperatures boding well for investment markets. The fixed income market in particular is expected to offer higher returns as stakeholders gather towards repealing the interest rate cap law. Our strategy is anchored towards getting high risk-adjusted returns continuing to pick attractive opportunities in the market.



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