



# Unit Trust Fund Performance Q3'2020, & Cytonn Weekly #07/2021

## Equities

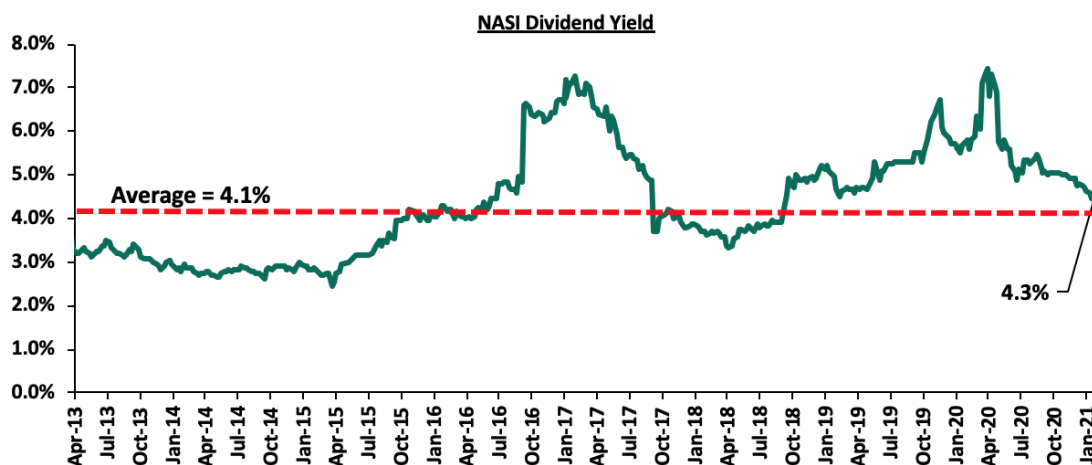
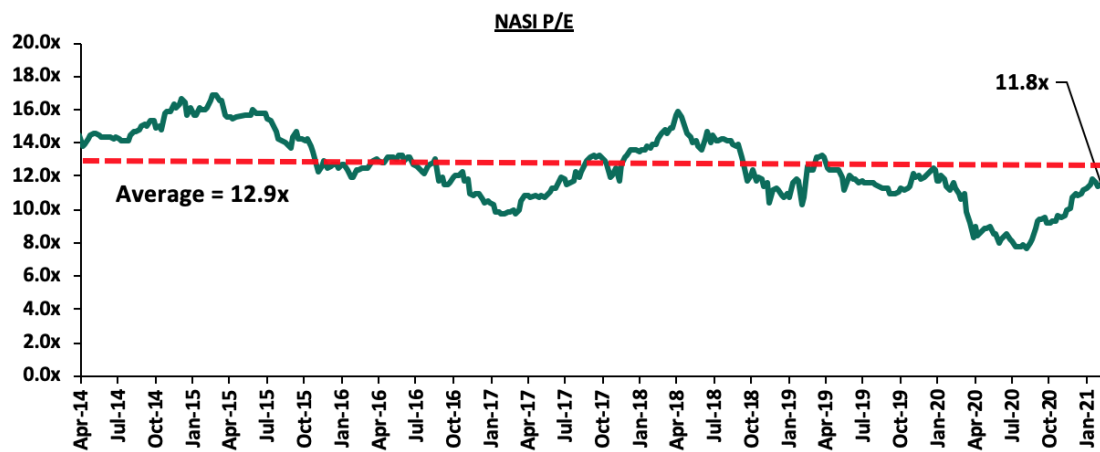
### **Market Performance:**

During the week, the equities market recorded mixed performance, with NASI and NSE 25 gaining by 0.9% and 0.7% respectively, while NSE 20 declined marginally by 0.1 taking their YTD performance to gains of 8.9%, 0.9% and 6.7% for NASI, NSE 20 and NSE 25 respectively. The equities market performance was driven by gains recorded by large-cap stocks such as BAT, KCB Group, Bamburi and DTB-K of 14.1%, 3.9%, 3.1% and 2.5%, respectively. The gains were however weighed down by losses recorded by stocks such as EABL and NCBA Group which declined by 2.3% and 1.6%, respectively.

Equities turnover declined by 19.1% during the week to USD 22.1 mn, from USD 18.6 mn recorded the previous week, taking the YTD turnover to USD 149.6 mn. Foreign investors turned net sellers, with a net selling position of USD 2.5 mn, from a net buying position of USD 1.3 mn recorded the previous week, taking the YTD net buying position to USD 0.1 mn.

The market is currently trading at a price to earnings ratio (P/E) of 11.8x, 8.4% below the 11-year historical average of 12.9x. The average dividend yield is currently at 4.3%, unchanged from what was recorded the previous week, and 0.2% points above the historical average of 4.1%.

With the market trading at valuations below the historical average, we believe that there are pockets of value in the market for investors with a higher risk tolerance. The current P/E valuation of 11.8x is 53.8% above the most recent valuation trough of 7.7x experienced in the first week of August 2020. The charts below indicate the market's historical P/E and dividend yield.



### Universe of Coverage:

Banks	Price at 12/02/2021	Price at 19/02/2021	w/w change	YTD Change	Year Open	Target Price*	Dividend Yield	Upside/Downside**	P/TBv Multiple	Recommendation
Diamond Trust Bank***	69.0	70.8	2.5%	(7.8%)	76.8	105.1	3.8%	52.4%	0.3x	Buy
I&M Holdings***	45.0	44.8	(0.4%)	(0.1%)	44.9	60.1	5.7%	39.8%	0.7x	Buy
Sanlam	11.3	10.1	(10.6%)	(22.3%)	13.0	14.0	0.0%	38.6%	1.1x	Buy
Kenya Reinsurance	2.5	2.5	0.8%	7.4%	2.3	3.3	4.4%	37.5%	0.3x	Buy
Liberty Holdings	7.5	7.5	(0.3%)	(3.1%)	7.7	9.8	0.0%	31.4%	0.6x	Buy
Britam	7.3	7.0	(4.1%)	0.0%	7.0	8.6	3.6%	26.4%	0.8x	Buy
KCB Group***	38.0	39.5	3.9%	2.9%	38.4	46.0	8.9%	25.3%	1.0x	Buy
Standard Chartered***	135.0	135.0	0.0%	(6.6%)	144.5	153.2	9.3%	22.7%	1.1x	Buy
Jubilee Holdings	276.0	265.3	(3.9%)	(3.8%)	275.8	313.8	3.4%	21.7%	0.7x	Buy
Co-op Bank***	12.7	12.8	0.8%	2.0%	12.6	14.5	7.8%	21.1%	1.0x	Buy
ABSA Bank***	9.6	9.6	0.2%	1.1%	9.5	10.5	11.4%	20.6%	1.2x	Buy
Equity Group***	37.9	38.5	1.6%	6.1%	36.3	43.0	5.2%	17.0%	1.1x	Accumulate
Stanbic Holdings	85.0	84.0	(1.2%)	(1.2%)	85.0	84.9	8.4%	9.5%	0.8x	Hold
NCBA***	24.5	24.1	(1.6%)	(9.6%)	26.6	25.4	1.0%	6.7%	0.7x	Hold
CIC Group	2.1	2.1	0.0%	0.5%	2.1	2.1	0.0%	(0.9%)	0.8x	Sell
HF Group	3.5	3.5	0.3%	11.8%	3.1	3.0	0.0%	(14.5%)	0.1x	Sell

\*Target Price as per Cytonn Analyst estimates

\*\*Upside/ (Downside) is adjusted for Dividend Yield

\*\*\*Banks in which Cytonn and/ or its affiliates are invested in

*We are "Neutral" on the Equities markets in the short term. We expect the recent discovery of a new strain of COVID-19 coupled with the introduction of strict lockdown measures in major economies to continue dampening the economic outlook. However, we maintain our bias towards a "Bullish" equities markets in the medium to long term. We believe there exist pockets of value in the market, with a bias on financial services stocks given the*

***resilience exhibited in the sector. The sector is currently trading at historically cheaper valuations and as such, presents attractive opportunities for investors.***

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