

Financial Planning for Education, & Cytonn Weekly #10/2021

Equities

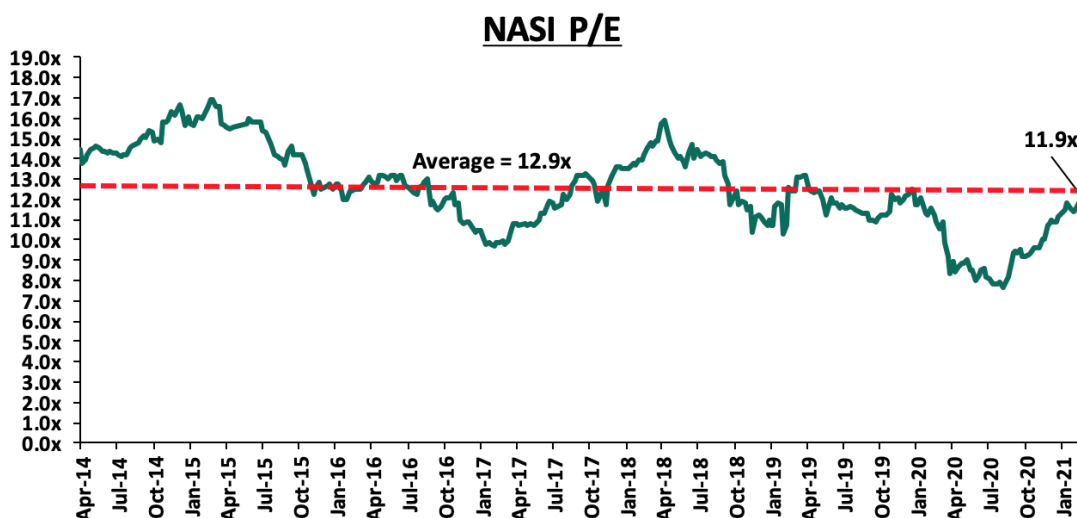
Market Performance:

During the week, the equities market recorded mixed performance, with NSE 20 declining by 0.9%, while NASI and NSE 25 gained by 0.3% and 0.9%, respectively, taking their YTD performance to gains of 6.6%, 6.1% and 2.7% for NASI, NSE 25 and NSE 20 respectively. The equities market performance was driven by gains recorded by large-cap stocks such as Equity Group, Diamond Trust Bank (DTB-K) and KCB Group of 5.1%, 4.9%, and 4.6%, respectively. The gains were however weighed down by losses recorded by stocks such as NCBA, Bamburi, and ABSA Bank, which declined by 4.1%, 3.0% and 1.9%, respectively.

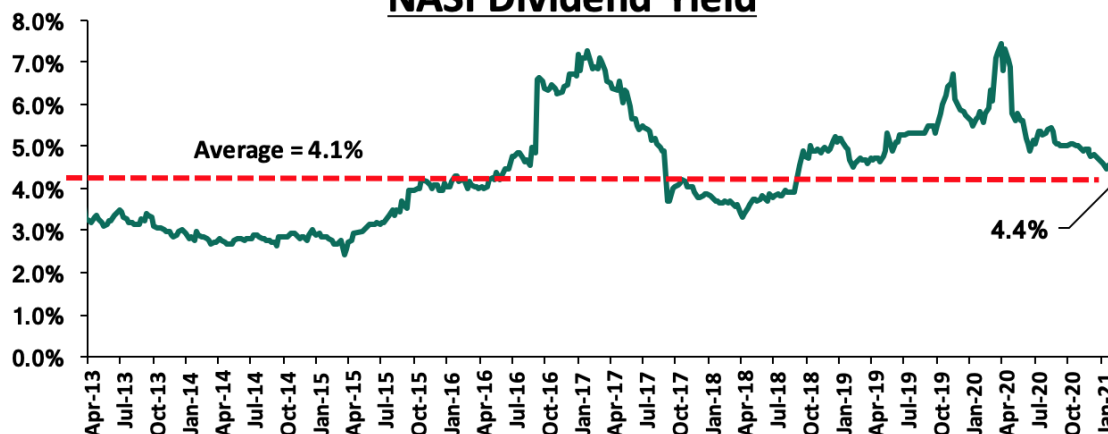
Equities turnover increased by 51.5% during the week to USD 29.6 mn, from USD 19.5 mn recorded the previous week, taking the YTD turnover to USD 227.8 mn. Foreign investors remained net sellers, with a net selling position of USD 2.9 mn, from a net selling position of USD 2.5 mn recorded the previous week, taking the YTD net selling position to USD 5.4 mn.

The market is currently trading at a price to earnings ratio (P/E) of 11.9x, 7.7% below the 11-year historical average of 12.9x. The average dividend yield is currently at 4.4%, unchanged from what was recorded the previous week, and 0.3% 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 11.9x, is 54.8% 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.



NASI Dividend Yield



Universe of Coverage:

Company	Price at 5/3/2021	Price at 12/3/2021	w/w change	YTD Change	Year Open 2021	Target Price*	Dividend Yield	Upside/Downside**	Recommendation
I&M Holdings***	44.1	43.0	(2.4%)	(4.1%)	44.9	60.1	6.3%	46.0%	Buy
Diamond Trust Bank***	71.8	75.3	4.9%	(2.0%)	76.8	105.1	3.4%	43.1%	Buy
Kenya Reinsurance	2.6	2.6	(0.8%)	12.6%	2.3	3.3	4.2%	31.2%	Buy
Equity Group***	38.1	40.0	5.1%	10.3%	36.3	43.0	22.5%	30.0%	Buy
KCB Group***	38.2	40.0	4.6%	4.0%	38.4	46.0	8.8%	23.9%	Buy
Standard Chartered***	134.5	134.5	0.0%	(6.9%)	144.5	153.2	9.3%	23.2%	Buy
Sanlam	11.2	12.5	11.7%	(4.2%)	13.0	14.0	8.0%	20.5%	Buy
Co-op Bank***	13.0	13.0	(0.4%)	3.2%	12.6	14.5	8.5%	20.5%	Buy
Jubilee Holdings	270.0	261.8	(3.1%)	(5.1%)	275.8	313.8	0.0%	19.9%	Accumulate
Britam	7.1	7.2	0.8%	2.6%	7.0	8.6	0.0%	19.8%	Accumulate
NCBA***	25.9	24.9	(4.1%)	(6.6%)	26.6	25.4	15.3%	17.5%	Accumulate
ABSA Bank***	9.6	9.4	(1.9%)	(1.1%)	9.5	10.5	2.7%	14.1%	Accumulate
Stanbic Holdings	84.5	83.0	(1.8%)	(2.4%)	85.0	84.9	4.6%	6.9%	Hold
CIC Group	2.2	2.3	3.2%	8.5%	2.1	2.1	10.9%	2.6%	Lighten
Liberty Holdings	8.1	9.6	19.1%	24.9%	7.7	9.8	0.0%	1.9%	Lighten
HF Group	3.5	3.4	(1.2%)	8.6%	3.1	3.0	0.0%	(12.0%)	Sell

*Target Price as per Cytonn Analyst estimates

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

***For Disclosure, these are 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.

