



# Unit Trust Funds (UTFs) Performance, FY'2022, & Cytonn Monthly – April 2023

## Equities

### Market Performance:

During the month of April, the equities market was on a downward trajectory, with NASI, NSE 20 and NSE 25 declining by 4.5%, 2.7% and 3.7%, respectively. The equities market performance was driven by losses recorded by large cap stocks such as Bamburi, Standard Chartered Bank of Kenya (SCBK), Safaricom, KCB Group and EABL of 14.3%, 12.4%, 8.8%, 7.5% and 6.6%, respectively. The losses were however mitigated by gains recorded by large cap stocks such as NCBA Group, Diamond Trust Bank Kenya (DTB-K) and BAT of 7.6%, 6.8% and 1.3% respectively.

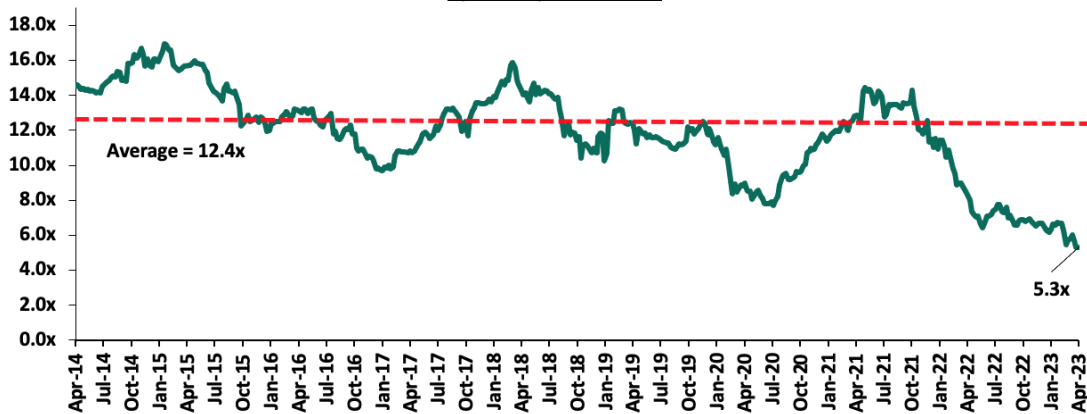
During the week, the equities market was on a downward trajectory, with NASI, NSE 20 and NSE 25 declining by 0.2%, 1.0% and 0.5%, respectively, taking the YTD performance to losses of 15.5%, 5.8%, and 9.0% for NASI, NSE 20, and NSE 25, respectively. The equities market performance was mainly driven by losses recorded by large cap stocks such as Bamburi and Standard Chartered Bank of Kenya (SCBK) of 14.3% and 12.4%, respectively. The losses were however mitigated by gains recorded by other large cap stocks such as Diamond Trust Bank Kenya (DTB-K) and Co-operative Bank each of 1.9%, while Equity Group and NCBA Group gained by 1.4% and 1.3%, respectively.

Equities turnover declined by 87.4% in the month of April to USD 31.4 mn, from USD 248.7 mn recorded in March 2023. Foreign investors remained net sellers, with a net selling position of USD 2.1 mn, compared to March's net selling position of USD 15.0 mn.

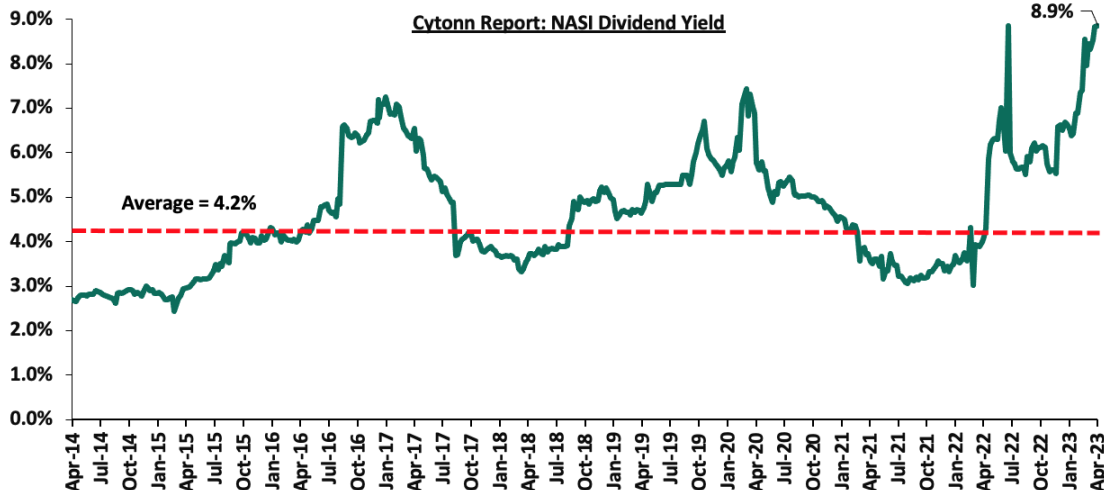
During the week, equities turnover increased by 62.6% to USD 7.6 mn, from USD 4.7 mn recorded the previous week taking the YTD turnover to USD 379.8 mn. Foreign investors remained net sellers, with a net selling position of USD 1.3 mn, from a net selling position of USD 1.0 mn recorded the previous week, taking the YTD net selling position to USD 43.1 mn.

The market is currently trading at a price to earnings ratio (P/E) of 5.3x, 57.2% below the historical average of 12.4x, and a dividend yield of 8.9%, 4.7% points above the historical average of 4.2%. Key to note, NASI's PEG ratio currently stands at 0.7x, an indication that the market is undervalued relative to its future growth. A PEG ratio greater than 1.0x indicates the market may be overvalued while a PEG ratio less than 1.0x indicates that the market is undervalued. The charts below indicate the historical P/E and dividend yields of the market;

**Cytonn Report: NASI P/E**



**Cytonn Report: NASI Dividend Yield**



**Monthly highlights:**

- i. Following the release of the FY'2022 results by Kenyan listed banks, the Cytonn Financial Services Research Team undertook an analysis on the financial performance of the listed banks and identified the key factors that shaped the performance of the sector. The Core Earnings per Share (EPS) for the listed banks recorded a weighted growth of 26.6% in FY'2022, compared to a weighted growth of 82.9% recorded in FY'2021. Additionally, the listed banks' Asset Quality improved with weighted average NPL ratio declining by 0.6% points to 11.7% in FY'2022, from 12.3% in FY'2021. We however note that despite this improvement in the asset quality, the NPL ratio remains higher than the 10-year average of 8.8%. For more information, please see our **Cytonn Weekly #16/2023**.

**Universe of coverage:**

Cytonn Report: Universe of Coverage as of 28 April 2023

Company	Price as at 20/04/2023	Price as at 28/04/2024	w/w change	m/m change	YTD Change	Year Open 2023	Target Price*	Dividend Yield	Upside/Downside**	P/TBv Multiple	Recommendation
Jubilee Holdings	189.3	180.0	(4.9%)	1.7%	(9.4%)	198.8	305.9	6.7%	76.6%	0.3x	Buy
Liberty Holdings	4.0	4.0	0.5%	(17.3%)	(21.0%)	5.0	6.8	0.0%	69.6%	0.3x	Buy
Britam	4.3	4.3	(1.2%)	(7.7%)	(17.5%)	5.2	7.1	0.0%	66.0%	0.7x	Buy

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I&M Group***	20.3	17.3	(14.6%)	(17.0%)	1.5%	17.1	24.5	13.0%	54.6%	0.4x	Buy
Sanlam	7.8	8.1	3.6%	(1.2%)	(15.2%)	9.6	11.9	0.0%	46.7%	0.8x	Buy
Standard Chartered***	170.0	149.0	(12.4%)	(12.4%)	2.8%	145.0	195.4	14.8%	45.9%	1.1x	Buy
KCB Group***	33.0	32.9	(0.3%)	(7.5%)	(14.3%)	38.4	45.5	6.1%	44.6%	0.5x	Buy
Kenya Reinsurance	1.8	1.9	3.3%	0.0%	1.1%	1.9	2.5	10.6%	43.4%	0.1x	Buy
CIC Group	1.8	1.7	(4.4%)	(11.7%)	(9.4%)	1.9	2.3	7.5%	41.6%	0.6x	Buy
ABSA Bank***	12.4	12.2	(1.6%)	(5.1%)	(0.4%)	12.2	15.1	11.1%	35.7%	1.0x	Buy
NCBA***	39.0	39.5	1.3%	7.6%	1.4%	39.0	48.7	10.8%	34.2%	0.8x	Buy
Equity Group***	45.2	45.8	1.4%	0.7%	1.7%	45.1	56.3	8.7%	31.7%	0.9x	Buy
Co-op Bank***	13.1	13.3	1.9%	1.1%	9.9%	12.1	15.9	11.3%	30.8%	0.6x	Buy
Diamond Trust Bank***	53.8	54.8	1.9%	6.8%	9.8%	49.9	64.6	9.1%	27.2%	0.3x	Buy
Stanbic Holdings	114.5	116.0	1.3%	5.5%	13.7%	102.0	131.8	10.9%	24.4%	0.8x	Buy
HF Group	3.8	3.9	1.6%	1.8%	23.2%	3.2	4.5	0.0%	14.7%	0.2x	Accumulate

\*Target Price as per Cytonn Analyst estimates

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

\*\*\*For Disclosure, these are stocks in which Cytonn and/or its affiliates are invested in

*We are “Neutral” on the Equities markets in the short term due to the current adverse operating environment and huge foreign investor outflows, and, “Bullish” in the long term due to current cheap valuations and expected global and local economic recovery.*

*With the market currently trading at a discount to its future growth (PEG Ratio at 0.7x), we believe that investors should reposition towards value stocks with strong earnings growth and that are trading at discounts to their intrinsic value. We expect the current high foreign investors sell-offs to continue weighing down the equities outlook in the short term.*

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