

STANLIB Kenya Bond Fund

Quarterly update at 31 December 2019

STANLIB

Who are the investment managers?

STANLIB Kenya Limited, an authorised Financial Services Provider under the Collective Investments Schemes Regulations Act and Retirement Benefits Act 3 of 1997, manage the investments of the fund.



Simon Ikua

MBA, CIFA, BA (Maths & Economics)
Portfolio Manager

Simon joined STANLIB Kenya in 2015. He has over 10 years' experience in the investment management industry. He is responsible for the day-to-day management of STANLIB Kenya Bond Fund, including security selection and rebalancing. Simon is also responsible for the management of two Ugandan domiciled funds and the Swaziland Money Market Fund.

Fund review

Individual

The STANLIB Kenya Bond Fund is designed for individuals who have cash available to invest over the medium to long term. The fund effectively provides an investment opportunity for individuals who require medium risk and protection against inflation. The target investment period is 3 - 5 years.

Institutional

The STANLIB Kenya Bond Fund is designed for investors who traditionally hold large cash balances but need extra returns at moderate risk. Institutional investors benefit from a well-diversified investment at marginal fees. The fund is suitable for institutional investors who require undivided participation in a well-diversified portfolio of market instruments. The product is also well suited for individual retirement benefit schemes.

Market overview

Bond Market: In 2019, the NSE yield curve shifted downwards by 18 basis points, which translated to capital gains for bond portfolios, as demand for Government bonds remained high.

Majority of the bonds issued by CBK in 2019 were medium to long term in nature in a move to elongate the country's bond maturity profile.

Short-term interest rates: In 2019, the 91 and 182 day paper declined by 17 and 28 basis points to settle at 7.18% and 8.15% respectively while the 364 day paper rate increased by 4 basis points to close the year at 9.80%.

Inflation: Overall inflation averaged 5.2% in 2019 compared to 4.7% recorded in 2018. The slight spike in 2019 is mainly due to increase in food inflation underpinned to rise in food prices in the course of the year.

Currency: In 2019, the Kenyan shilling appreciated by 0.5% and 2.7% against the green back and euro to settle at 101.30 and 113.64 respectively but weakened by 3.5% against the British pound to settle at 134.39. Capital inflows, improved diaspora remittances and suitable forex reserves supported the local currency in 2019.

Looking ahead

The fund will continue investing in high-yielding fixed income securities. We expect the fund will continue to offer competitive risk-adjusted returns.

The commentary gives the views of the portfolio manager at the time of writing. Any forecasts or commentary included in this document are not guaranteed to occur.

Change in allocation of the fund over the quarter

Asset type	Q4 2019	Q3 2019	Change
Domestic Cash & Mny Mkt	62.26	21.35	40.92
Domestic Fixed Interest	37.74	78.65	-40.92

Fund classes

Class	Type	Price (cpu)	Units	NAV (Shilling)
A	Retail	88.05	10,446,933.41	9,198,694.31
B1	Retail	88.86	100,000.00	88,855.53

All data as at 31 December 2019.

Units – amount of participatory interests (units) in issue in relevant class.

Disclosures

Collective Investment Schemes in Securities (CIS) are generally medium to long term investments. The value of participatory interests may go down as well as up and past performance is not necessarily a guide to future performance. CIS are traded at ruling prices and can engage in borrowing and scrip lending.

The STANLIB Kenya Bond Fund is a portfolio of the STANLIB Unit Trust Funds Scheme(the Scheme).

The manager of the Scheme is STANLIB Kenya Limited(the Manager). The Manager is authorised in terms of the Capital Markets Collective Investment Schemes Regulations 2001 Act (CMA) and the Retirement Benefits Act (RBA) 3 of 1997 to administer Collective Investment Schemes (CIS) in Securities. The manager has a right to close a portfolio to new investors in order to manage the portfolio more efficiently in accordance with its mandate. The Manager does not provide any guarantee either with respect to the capital or the return of a CIS portfolio. A schedule of fees and charges and maximum commissions is available on request from the Manager. STANLIB Kenya is owned by Liberty Holdings who is the principal shareholder of Liberty Kenya Holdings Limited, a company which is listed on the Nairobi Securities Exchange and whose other local subsidiaries are Heritage Insurance and CFC Life Assurance Limited.

The trustee of the Scheme is Kenya Commercial Bank.

The investments of this portfolio are managed, by the Manager, company registration number C.9522, under the Capital Markets (Collective Investment Schemes) Regulations, 2001, CMA Licence 043 and RBA Licence RBA/1/14/001.

Prices are calculated and published on each working day, these prices are available on the Manager's website (<http://ww2.stanlib.com/Kenya>) and in Kenyan printed news media. This portfolio is valued at 16h00. Forward pricing is used. Investments and repurchases will receive the price of the same day if received prior to 16h00.

This is a portfolio that derives its income primarily from interest-bearing instruments. The yield (if shown) is a current effective yield calculated daily.

All performance returns and ranking figures quoted are shown in KSh and are based on data sourced from Morningstar or Statpro and are as at 31 December 2019.

Annualised return figures are the compound annualised growth rate (CAGR) calculated from the cumulative return for the period being measured. These annualised returns provide an indication of the annual return achieved over the period had an investment been held for the entire period. Actual annual figures are available on request from the Manager.

Portfolio performance figures are calculated for the relevant class of the portfolio, for a lump sum investment, on a NAV-NAV basis, with income reinvested on the ex-dividend date. Individual investor performance may differ due to initial fees, actual investment date, date of reinvestment of income and dividend withholding tax. Portfolio performance accounts for all costs that contribute to the calculation of the cost ratios quoted, all returns quoted are after these costs have been accounted for.

Statistics - Positive Months: the number of individual 1 month periods during the specified time period where the return was not negative; Max Gain: the maximum gain in a trough-to-peak incline before a new trough is attained, quoted as the percentage between the trough and the peak. It is an indicator of upside risk over a specified time period (quoted for all periods of 1 year or longer); Max Drawdown: the maximum loss in a peak-to-trough decline before a new peak is attained, quoted as the percentage between the peak and the trough. It is an indicator of downside risk over a specified time period (quoted for all periods of 1 year or longer, where blank no loss was experienced); Highest and Lowest: the highest and the lowest 1 year return (%) that occurred during the specified time period (quoted for all relevant classes launched 1 year or more prior to current month end date).

Additional information about this product including, but not limited to, brochures, application forms and annual or quarterly reports, can be obtained free of charge, from the Manager and from the Manager's website (<http://ww2.stanlib.com/Kenya>).

Contact details

Manager

STANLIB Kenya Limited
Reg. No. C.9522
1st Floor, Liberty House, Nyerere road
Telephone: +254 (20) 326 8508
Email: customercare.kenya@stanlib.com
Website: <http://ww2.stanlib.com/Kenya>

Investment Manager

STANLIB Kenya Limited
An authorised financial services provider, FSP No.
Reg. No. C.9522
1st Floor, Liberty House, Nyerere road
Telephone: +254 (20) 326 8508
Website: <http://ww2.stanlib.com/Kenya>

Trustee

Kenya Commercial Bank
Reg. No. C9/88
KCB Towers, 7th Floor, Kenya Road, Upper Hill
Telephone: +254 (20) 228 7000