

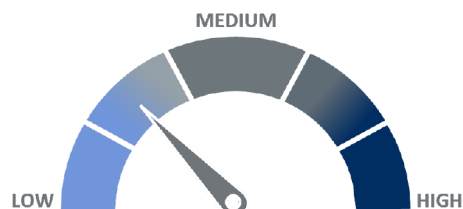
General Fund Information

Fund Structure	CIS
Region	Kenya
Currency	KES
Asset Class	Fixed Income
Portfolio Manager	AA Kenya Investment Team
Headline Fee	2.00%
TER (includes Headline Fee)	0.03%
Initial Fee	2.5%
Distribution Frequency	Semi-annually
Launch Date	May 19, 2005
Financial Year End	December
Minimum Lump Sum Investment	100000
Risk Rating	Medium-Low
Net Asset Value (NAV)	10.11
Assets Under Management (AUM)	345,359,612.00

Fund Objective

The primary objective of this Fund is to outperform a regular short-term money market investment over time. The Fund aims to provide maximum income and relative capital stability from a portfolio of Kenyan interest-bearing investments. It aims to pay out a high level of income without putting the investor's money at undue risk, although there will be a degree of price fluctuation caused by movements in the bond market.

Risk Rating



Gross Performance (%)

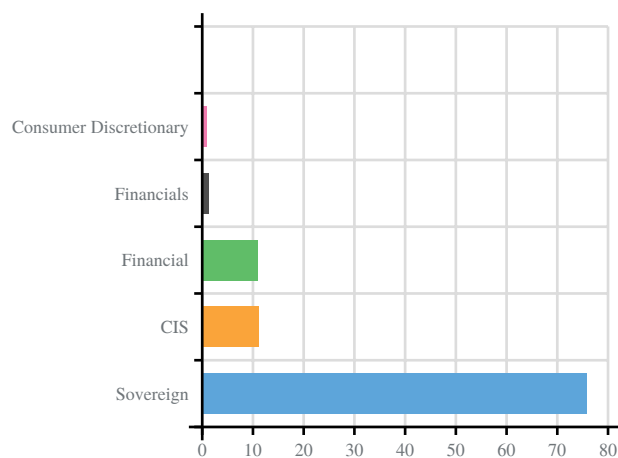
	1 Month	3 Months	6 Months	1 Year	2 Years*	3 Years*	5 Years*
Fund	1.25	3.01	6.42	6.28	7.43	7.88	8.61
Benchmark**	0.29	2.80	3.62	4.67	7.40	8.10	9.45
Value Add	0.96	0.21	2.80	1.61	0.03	-0.22	-0.84

*Annualised **FTSE NSE (80.00%)91.00-day T-Bill (20.00%)

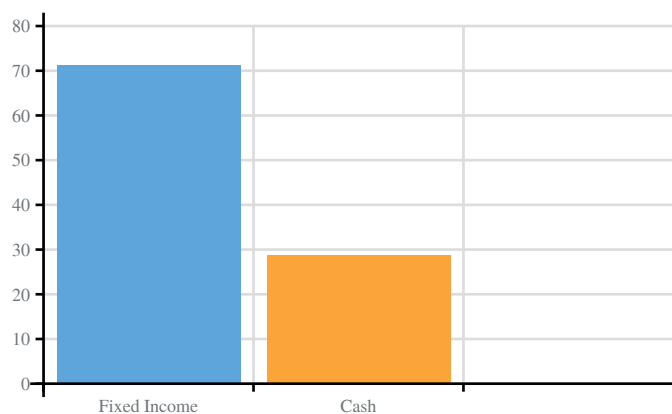
Issuer Exposure (%)

Central Bank of Kenya	75.8
Stanbic Bank	5.9
The Co-operative Bank of Kenya	5.8
AA Kenya Enhanced Yield Fund	5.6
CIS	5.6
East African Breweries Limited	0.8
Kenya Mortgage Refinance Company	0.5

Sector Allocations (%)



Asset Class Breakdown (%)



Region Breakdown (%)

Zero length axis (min >= max)

Portfolio Manager Commentary

The headline inflation rate for March 2024 eased by 0.6% to 5.70%, compared to 6.30% in February 2024 and 9.19% in March 2023 according to the Kenya National Bureau of Statistics. Although inflation eased year-on-year, Kenya recorded an increase in the cost of transportation (up 9.7%), housing and utilities (up 8.0%) and food and beverages (up 5.5%) over the same period – with these three divisions accounting for approximately 57% of the weight of the 13 broad categories. However, the decline in commodity prices (due to the appreciation of the Kenyan shilling against the US Dollar) assisted in offsetting some of these pressures, with the Purchasing Manager's Index showing that the general business environment was improving.

The dollar exchange rate improved to a level of KES132.00 at the end of March 2024, compared to KES143.60 the previous month and KES160.50 at the end of January 2024 – a strengthening of 17.8% over two-months. The Kenyan shilling strengthening is attributable to increased dollar supply due to a shift in investor sentiment. The shift began on 15 February 2024, after government announced their intention to use the \$1.5 billion in Eurobond proceeds to retire over 70% of the outstanding \$2.0 billion international bonds due in June 2024, providing relief to investors of a possible default. The Kenyan shilling has been further supported by the increased US Dollar flows following IMF funding as well as increased activity in the international bond markets which boosted the country's foreign reserves. Subsequently, we have seen a reversal in sentiment in the Kenyan shilling, with hoarders of US Dollars turning into panic sellers, further strengthening the KES.

During the last week of March, T-bills were undersubscribed, with the overall undersubscription rate coming in at 66.0%, a reversal from the oversubscription rate of 102.8% recorded the previous week. Investor's preference for the shorter 91-day paper persisted as they sought to avoid duration risk. The yields on the government papers recorded mixed performances, with the yield of the 364-day paper increasing marginally to 17.0%, while the 182-day and 91-day papers decreased marginally to 16.9%, and 16.7%, respectively.

The Government of Kenya continues to issue new Treasury bonds and re-open some. Their continued issue of short paper and high interest rates has led to an upward sloping yield curve with notable increase in shorter-term bond yield. We highlight a slightly humped yield curve for short-to-medium term bonds, indicating the prevailing uncertainty in the market regarding both medium-term interest rates and inflation. We believe this reiterates investors view of the medium-to-long term economy.

Positive sentiment continues to spill over into the equities market, which the NSE 10 gaining 27.3%, the NSE 20 gaining 25.0%, the NSE 25 gaining 22.8% and the NASI 16.7%. As illustrated, the equities market was mainly driven by large-cap stocks, with Equity Group, KCB, Cooperative Bank and Safaricom all gaining 40.1%, 37.2%, 31.6% and 31.5% respectively. We remain of the view that Kenyan stocks as an asset class remain undervalued relative to their historic levels, presenting an opportunity for investors to reposition their stock portfolios to accumulate at relatively cheap levels.

Disclaimer

Unit trusts are generally medium to long term investments. The value of units, and any income derived therefrom may go down as well as up and past performance is no indication of future growth. In certain circumstances the Manager may be required to suspend the redemption of units. All information and opinions provided are of a general nature and are not intended to address the circumstances of any particular individual or entity. We are not acting and do not purport to act in any way as an advisor or in a fiduciary capacity. No one should act upon such information or opinion without appropriate professional advice after a thorough examination of a particular situation. We endeavour to provide accurate and timely information but we make no representation or warranty, express or implied, with respect to the correctness, completeness of the information and opinions. We do not undertake to update, modify or amend the information on an accuracy or frequent basis or to advise any person if such information subsequently becomes inaccurate. Any representation or opinion is provided for information purposes only.