ARIMAFUND

Month: July 2023

Fund Objectives

The fund seeks to generate maximum total return by investing in a diversified portfolio of securities offering current income and long-term capital growth.

- Provide a consistent positive return above inflation over the medium term and long term.
- Protect capital over the long term.
- Minimize risk of capital loss.
- Manages volatility and liquidity through allocations to cash and cash equivalents.

Fund Facts

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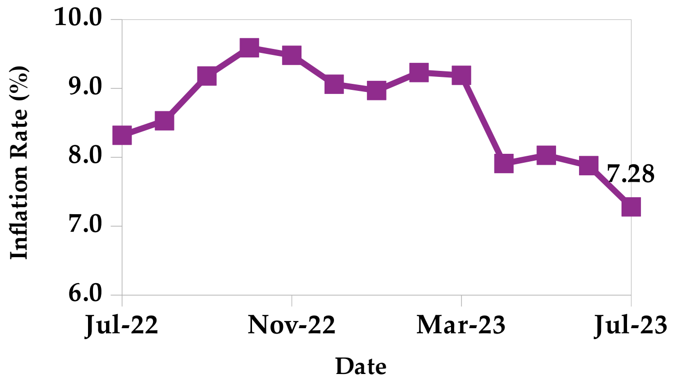
Structure	Private Investment Club
Risk Profile	Moderate
Custodian	Cooperative Bank

ECONOMIC INDICATORS

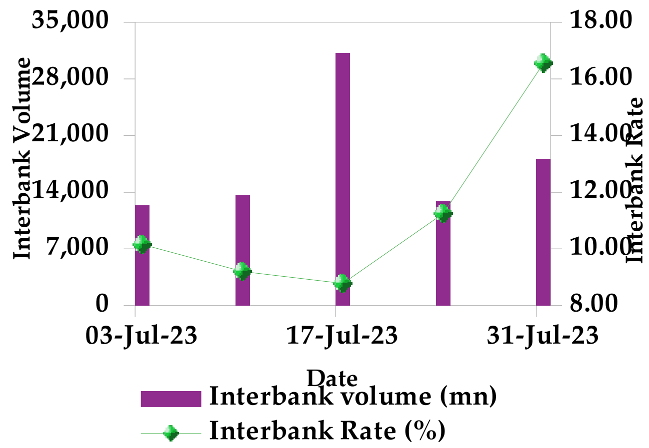
(A) Inflation

The overall year on year inflation declined to 7.3% in July from 7.9% in June. This was mainly attributed to reduced food prices. The food and non-alcoholic beverages index dropped 0.5%. The housing, water, electricity, gas and other fuels index edged 1.2% lower due to lower gas and electricity costs. However, the transport index rose by 3.5% driven by elevated petrol and diesel prices, leading to a hike in fare prices.



(B) Liquidity

Liquidity tightened during the month as a result of tax remittances which more than offset government payments. The inter-bank rate increased to 16.6% from 10.2%. The volume of inter-bank transactions decreased to Kshs 18.1 billion from Kshs 38.5 billion. Commercial banks excess reserves declined from Kshs 59.3 billion to Kshs 18.159.3 billion.

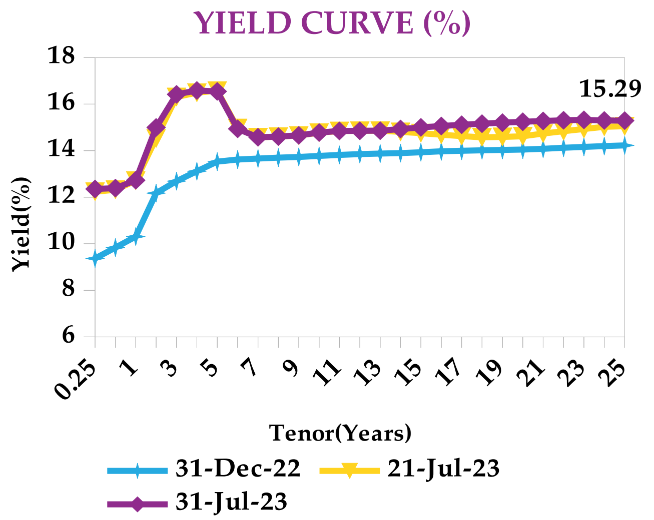


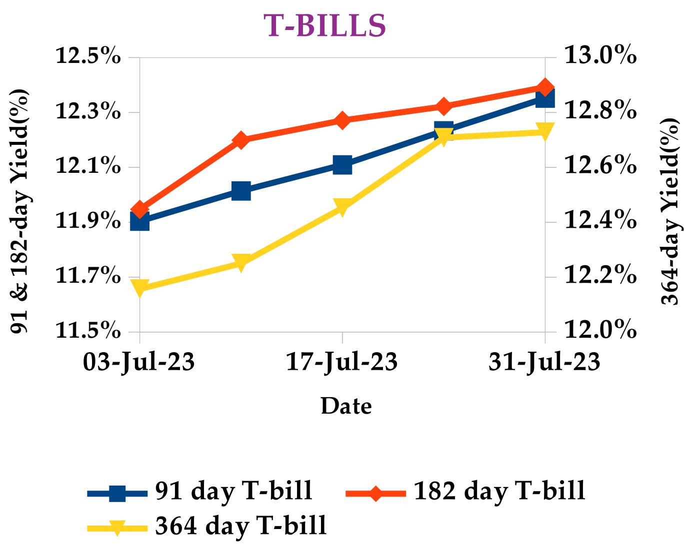
MARKET OVERVIEW

(A) Fixed Income

(1) T-Bills

T-bills recorded an overall subscription rate of 120.0% in the month of July, compared to 86.8% recorded in the previous month. The performance of the 91-day, 182-day and 364-day papers stood at 597.3%, 31.2% and 17.8% respectively. On a monthly basis, yields on the 91-day, 182-day and 364-day papers increased by 3.8%, 3.7% and 4.7% to 12.4%, 12.4% and 12.7% respectively as investors aggressively bid to compensate for a weaker Shilling and inflationary pressures.





(B) Equities

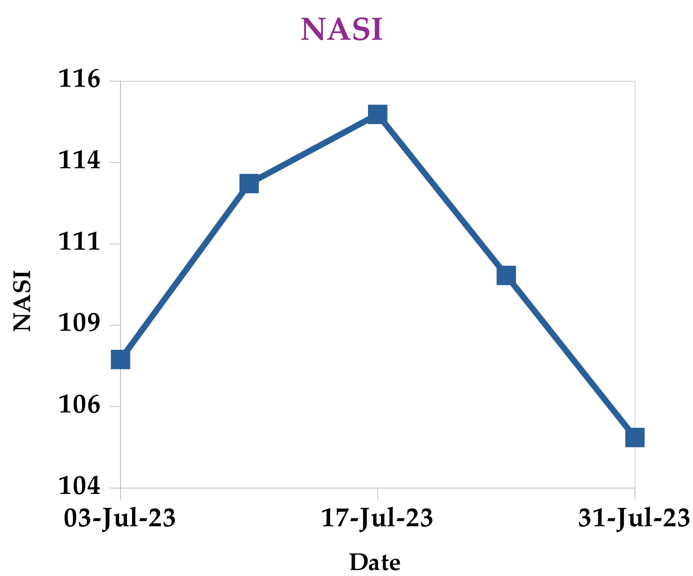
On a monthly basis, NASI settled 1.4% lower while NSE 20 and NSE 25 settled 0.2% and 0.01% higher. The performance was as a result of losses recorded by large-cap stocks such as EABL, Safaricom and KCB which were mitigated by a gains recorded by Stanbic, Equity and ABSA. At the close of the month, market capitalization lost 1.4% to settle at Kshs 1.6 trillion, total shares traded increased by 59.2% to 412.6 million shares and equity turnover went up 36.1% to close at Kshs 6.6 billion.

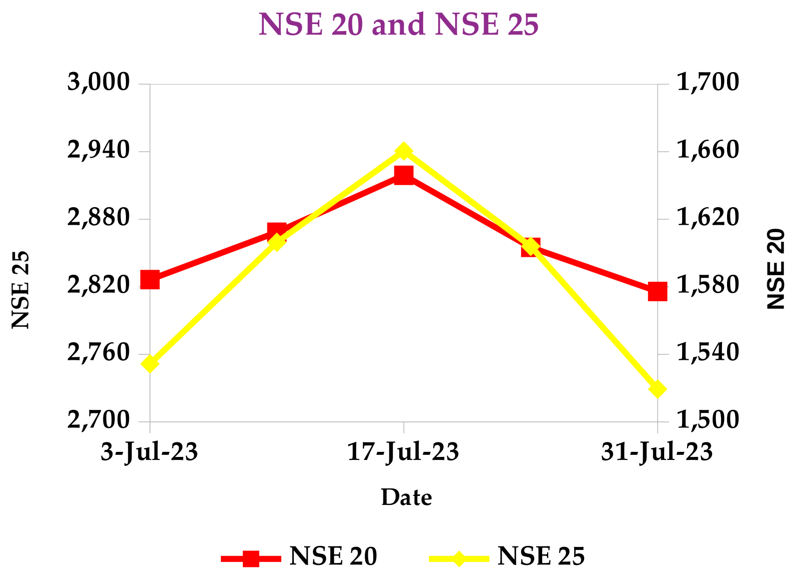
(2) T-Bonds

During the month, CBK issued a new FXD1/2023/5 bond and reopened FXD1/2016/10 with an effective tenor of 3.2 years, seeking Kshs 40.0 billion from both papers. Additionally, Central bank reopened the same FXD1/2023/5 and FXD1/2016/10 through a tap sale seeking to raise 20.0 billion with coupon rates of 16.84% and 15.04% respectively.

T-Bonds registered a total turnover of Kshs 58.4 billion from 2,516 bond deals. This represents a monthly increase of 17.2% and decrease of 10.2% respectively. The yields on government securities in the secondary market increased during the month of July.

In the international market, yields on Kenya's Eurobonds increased by an average 6 basis points.





MONTHLY HIGHLIGHTS

- Inflation eased to 7.3% from 7.9% in June, marking the lowest rate increase since May 2022 and aligning with the Central Bank's target range of 2.5%-7.5%, driven by lower food, gas and electricity prices.

- Fitch Ratings revised Kenya's long-term foreign-currency Issuer Default Rating (IDR) outlook from Stable to Negative, while affirming the IDR at 'B'.

- IMF concluded its fifth reviews under the EFF/ECF arrangements, resulting in an immediate disbursement of $415.4 million, including $110.3 million from access augmentation. The Board also agreed to extend EFF/ECF arrangement from 38 months to 48 months. The Executive Board also approved a $551.4 million 20-month arrangement under the Resilience and Sustainability Facility.

- CBK launched the DhowCSD, a new digital trading platform that allows investors in Kenya and the diaspora to participate in government securities in a simple, efficient and secure way.