2024

AIB-AXYS Africa Investment Play

Swinging into Action.
Investment Strategies for 2024.

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Our trading philosophy is anchored on precise and timely execution of clients' orders while maintaining the highest standards of transparency, client confidentiality and independence.

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Our Bond dealing desk offers investors' access to Fixed income securities such as T-bills, T-bonds, and Corporate bonds issued in the primary market and subsequently trading in the secondary market.

Our bond dealers command a combined experience of over 20 years in the Kenyan market with a solid track record of delivering value to Fixed income investors through regular insight on interest rates movements and market sentiment as well as first class execution of trades.

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As a member of the Nairobi Securities Exchange and licensed Nominated Advisor (NomAd), AIB-AXYS Africa's strength lies in its ability to act as a financial advisor, placement agent and/or sponsoring stockbroker for companies raising capital through the main market or the GEMS segment of the NSE.

What's Inside

Letter from the CEO

Dear Valued Clients,

In the midst of unparalleled challenges and transformative global shifts, I am delighted to present the AIB-AXYS Africa Investment Play 2024. This comprehensive report delves into the nuances of the current economic landscape, offering vital insights crucial for shaping our strategic decisions in the upcoming year. Our research and insights aim to arm you with a strategic understanding of key factors influencing business operations, investment decisions, and overall market dynamics in the Kenyan market.

The year 2023 proved to be one that many Kenyan investors would prefer to put behind them, characterized by a steep decline in the stock market and rising domestic interest rates that weighed down bond valuations, resulting in low portfolio returns. Some solace was found in overseas investments, as a weakening shilling, coupled with improved returns on the global market, resulting in a 24.4% gain in USD terms recorded by the MSCI World Equities Index, offering better returns for those who opted for international diversification.

Looking ahead, we cautiously anticipate a more promising 2024, although the recovery is likely to be gradual, with a significant uptick expected in the second half of the year. The focus on sovereign debt sustainability is expected to be central theme for analysts in 2024, given Kenya's high foreign debt repayment obligations. While the government expresses confidence in meeting its foreign debt obligations, the accompanying uncertainty is expected to impact market sentiment and impede significant recovery in the first half of 2024.

Against the backdrop of the evolving global economic landscape, I underscore the importance of international diversification in our investment strategies. Diversifying portfolios across different regions and asset classes can mitigate risks and capture opportunities that may not be available in domestic markets alone.

Moreover, international diversification provides exposure to economies with robust growth potential, enhancing the resilience and performance of our investment portfolios. In collaboration with AXYS Mauritius, AIB-AXYS Kenya is well-equipped to offer our clients an opportunity to invest globally and reap the benefits of international diversification. As volatility persists, I encourage you to explore this opportunity.

At AIB-AXYS, our commitment is unwavering in leveraging our expertise and global insights to identify compelling opportunities across international markets. Our dedicated team of analysts and advisors continually monitors macroeconomic trends and geopolitical developments to ensure that our clients' investments are well-positioned to navigate market fluctuations and capitalize on emerging opportunities.

In conclusion, I urge you to thoroughly review the AIB-AXYS Africa Investment Play 2024 and engage with our team to discuss how we can align your investment strategies with the prevailing economic dynamics. Together, we can navigate the complexities of the global economy and pursue sustainable growth and prosperity for your portfolios. Thank you for your continued trust and partnership. We eagerly anticipate working closely with you in the year ahead.

Warm regards,
Paul Mwai.

List of Abbreviations

AfDB	African Development Bank
CBK	Central Bank of Kenya
CBR	Central Bank Rate
ECF	Extended Credit Facility
EFF	Extended Fund Facility
EMDE	Emerging Markets and Developing Economies
EU	European Union
FDI	Foreign Direct Investment
GDP	Gross Domestic Product
IMF	International Monetary Fund
KES	Kenya Shilling
KNBS	Kenya National Bureau of Statistics
KRA	Kenya Revenue Authority
LCU	Local Currency Units
MPC	Monetary Policy Committee
NSE	Nairobi Securities Exchange
PMI	Purchasing Managers Index
RSF	Resilience and Sustainability Fund
SDR	Special Drawing Rights
SSA	Sub-Sahara Africa
USD	United States Dollar
VAT	Value Added Tax

Opening Statement

In many ways, the past few years have demonstrated that volatility is the new normal. The global economy has been through immense challenges; from the embers of a global health pandemic, to cost of living pressures and simmering geopolitical tensions, threatening to split the globe into major rival blocs. The ensuing rapid monetary policy tightening not only chipped away at business and consumer confidence, but also triggered bouts of financial sector instability.

These multiple overlapping shocks - otherwise referred to as the poly-crisis - have left the world at a crossroads. Against this canvas, it is hard to recall a time when the trade-offs for policymakers were more compelling. While fiscal policymakers remained puzzled on how to nudge their economies back on the sustainable growth path, monetary policy makers have on their part, demonstrated their ability to remain rigidly hawkish, longer than markets can remain solvent - all in efforts to anchor inflation expectations.

The good news is that inflation appears to be narrowing towards central bank targets across many economies. Yet, headline inflation remains extremely fragile and prone to varied shocks. As such, we do not expect a sharp U-turn in the path of interest rates. Rate cuts in 2024, if any, are likely to be gradual and intermittent at best. To avoid the much-feared economic recession/prolonged slowdown, we think the focus needs to shift from containing inflation within policy targets to sustaining an optimal growth-inflation mix. Yet at the same time, we sense an ideological shift from pro-expansionary fiscal regimes of the yester-years to an increased focus on fiscal sustainability – especially for low and middle-income countries.

Looking ahead, we are stepping into a new regime characterized by higher volatility and increased uncertainty even as several economies brace up for an upbeat election year. Since elections are largely the conduits of major socioeconomic and political change, we anticipate several policy inflection points in 2024. Yet, we foresee this global shift tilting towards deglobalization and autarky, as nations become more protective of their own resources and markets. As such, global trade is likely to slow down, and retaliatory trade barriers are likely to increase in the year.

We expect significant divergence of performance both across and within all major asset classes in 2024, even as the lagged impact of monetary policy tightening takes effect. Yet, we remain net positive on equities. However, the need for investors to be increasingly selective cannot be overstated. In other words, we think security selection will bear the most impact on portfolio returns in 2024. We tip fixed income assets to experience higher rate volatility as markets price-in mixed expectations about the interest rate trajectory over coming quarters. Yet, we think investors are better off extending duration exposure to lock-in attractive yields. Commodity prices on the other hand, should experience higher volatility, largely stemming from foreseeable supply and demand mismatches.

Defensive portfolio allocation strategies will be necessary in this new regime, and the as golden rule goes, diversification remains key. As such, the volatility we mention so frequently should not lull us into inertia; On the contrary, we can stand prepared to filter the noise and swing into action.

Ronny Chokaa,
Snr. Research Analyst.

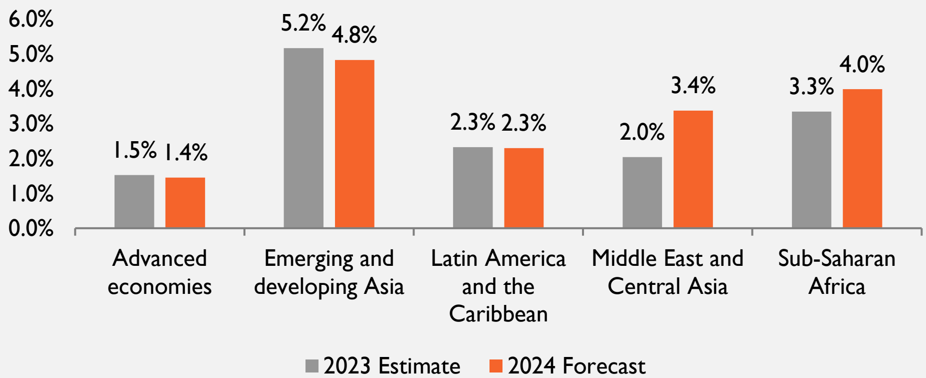
Global Macro Outlook

Mixed Fortunes Ahead: 2024 Growth prospects

Growth in 2023 remained suppressed on account of multiple overlapping shocks, namely rapid monetary policy tightening, disruptions to recovering supply-chains, alongside underlying price pressures. Yet, global growth remained resilient in 2023 to surprise on the upside in several cases. Furthermore, there was a significant rotation of demand from goods to services led by tourism – which bounced back to pre-pandemic levels, whereas elevated commodity prices weakened general demand. Corporates recorded resilient-than-expected earnings by applying their pricing power alongside effective cost-containment measures.

Broadly, economic recession pressures were more pronounced in advanced economies relative to emerging and developing economies. Service-oriented economies such as Spain recorded resilient growth compared to manufacturing powerhouses like Germany. In the US, exceptional labor market strength coupled with timely fiscal expansion helped the economy avert a recession. Chinese growth accelerated on account of monetary policy stimulus, however dragged down by its extended real estate sector woes. Emerging markets in general however recorded a mild slowdown in 2023.

Chart 1: Regional Growth Projections



Source: IMF October 2023 World Economic Outlook, AIB-AXYS Research

Mixed fortunes abound in 2024 as growth is projected to diverge considerably across regions – accelerating markedly in the Sub-Sahara Africa and Middle East regions, while slowing further in advanced and emerging Asian economies. Risks to growth are pegged on lagged effects of monetary policy tightening, disruption of supply chains leading to slowed global trade, coupled with ongoing fiscal consolidation campaigns across several economies. Similarly, we anticipate a wider divergence of performance within all regions in the coming quarters.

Politics to Keep Markets Guessing: Geopolitical Landscape

Geopolitical fragmentation was a key theme throughout 2023 as the ongoing Gaza and Ukraine conflicts threatened to split major world powers into rival groups. This remains a key risk in 2024 and could potentially disrupt the recovering global supply chains – slowing down global trade in the process. We are already witnessing this unfold in the decoupling of US firms in China coupled with the recent re-routing of major shipping lines operating in the Red Sea region. We think this is set to raise commodity price volatility, especially prices of crucial food items over coming quarters.

Added to this, we note that countries representing 60% of global GDP and in regions spanning over half the global population will be conducting elections in 2024. Developed markets such as the United States, United Kingdom, Russia alongside key emerging market nations such as India, Taiwan, Mexico, and South Africa are set to conduct elections in 2024. Elections, whether parliamentary or presidential, can often precede great policy regime shifts. Our concern is that the simmering global uncertainty is likely to make nations increasingly protective of their economies and trigger restrictive trade policies.

The Burden of *Higher-for-Longer*: Interest Rate Outlook

The past two years have seen one of the fastest monetary policy tightening regimes in history. Central banks have around the world demonstrated their resolve to keep rates higher for longer to achieve price stability, despite market calls for rate cuts. Tight financial conditions wrought significant financial distress across both developed and emerging markets. Lingering effects range from the widespread slowdown in credit demand, rising credit delinquencies as well as the slowing economic momentum. It has also magnified debt-service costs and deterred access to international debt markets for emerging and developing economies (EMDEs). In our view, the lagged impact of monetary policy tightening on growth is yet to take its full course.

At present inflationary pressures appear to be moderating across developed, emerging and frontier economies. Yet, central banks have remained reluctant to easing – reiterating their commitment to data dependency. Whereas some EMDEs such as China and Brazil pivoted towards rate cuts, advanced economies have leaned towards higher rates. As such we do not anticipate a sharp U-turn in interest rates; We expect forthcoming rate cuts, to be gradual and intermittent at best, as monetary policymakers monitor the cool down in inflation to sufficient levels. In our consideration, markets have overpriced rate cut expectations in 2024.

On the exchange rate domain, hard currencies maintained their relative strength in the year, buoyed by tight financial conditions and resilient economic performance throughout 2023. Looming risks of public debt distress widened credit risk spreads between emerging and frontier markets, fueling capital outflows to dollar-priced assets. Looking ahead, we expect hard currencies to outperform emerging and frontier market currencies due to skewed macroeconomic risks in the latter.

Widening divergence: Asset Class Outlook

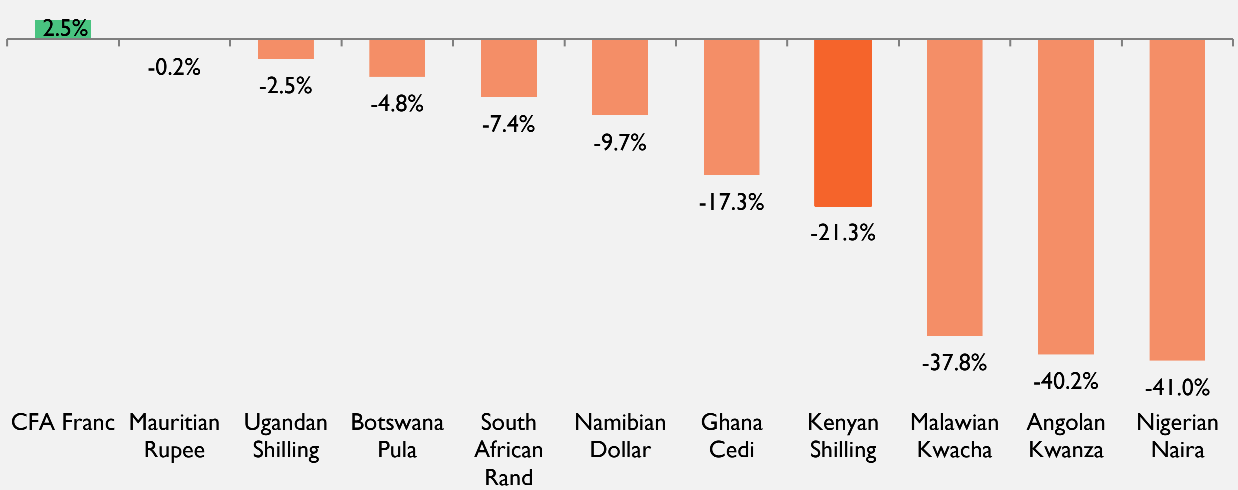
2023 witnessed increased divergence in return performance both across and within asset classes, due to the varied impact of concurrent shocks. Listed equities recorded higher dispersion in valuation returns, even for corporates in the same sector, due to differences in pricing power and balance sheet strength. While sectors such as oil and gas, banking sectors realized windfall profits, other sectors such as consumer discretionary and manufacturing buckled under the varied economic headwinds. However, we think these patterns are cyclical.

For fixed income assets, we witnessed a sharp widening of credit spreads between investment grade bonds and high yield bonds largely on the back of debt sustainability risks. Since markets are keen fiscal referees, we expect credit spreads to remain elevated even in the positive scenario of a quick decline in benchmark rates in developed markets. We think investors should stand ready to take advantage of the emerging pockets of mispricing across asset classes.

Sub-Sahara Africa Macro Outlook

Sub-Sahara African (SSA) economies endured varied macroeconomic imbalances throughout 2023 to record an estimated growth slowdown to 3.3% in 2023. Growth in the continent was shaped by unstable consumer demand, weak external demand, tight financial conditions, and regional political instability. However, inflationary pressures decelerated markedly on average in the year, thanks in part to proactive monetary policy tightening. Inflation eased faster in nations that tightened policy rates earlier such as Uganda, compared to nations which were much slower in tightening. On the downside, most Sub-Sahara Africa national currencies recorded exchange rate losses relative to hard currencies, as shown below.

Chart 2: Select African Exchange Rate Performance vs US Dollar



Source: Central Banks Data, AIB-AXYS Research

Currency pressures persisted for the second consecutive year, reflecting knock-on effects of monetary policy tightening, coupled with a pricing-in of deteriorated macroeconomic indicators. The Nigerian Naira shed the largest margin, trimming up to 41.0% against the US Dollar. The Kenya Shilling similarly depreciated 21.3% throughout 2023 relative to the greenback. The West African CFA Franc, however recorded an average gain of 2.5% against the US dollar.

Mounting Fiscal Sustainability Concerns

During the past four decades, popularly termed as the *Great Moderation era*, governments were largely pro-expansionary – easily able to source affordable financing for either recurrent or development spending. Governments could exercise vast populist interventions, including among others, consumption subsidies to cushion low-income earners. This was especially the case during the 2020 pandemic, where governments stepped in with generous relief packages for the vulnerable. This hastened public debt accumulation.

However, the rapid monetary policy tightening over the past two years magnified debt-service costs and deterred prospective sovereign borrowers. Additionally, slowing revenue growth amid a protracted economic slowdown raised the share of debt-service to overall revenues – highlighting fiscal sustainability concerns in the process. This resulted in eroded fiscal buffers – trimming the capacity of Sub-Sahara African governments to exercise populist policies or fund infrastructure growth.

Sovereign credit spreads between advanced and developing economies widened in 2023 amid mounting concerns on fiscal debt sustainability. The multiple overlapping shocks weighed adversely on several SSA economies, triggering debt-restructuring measures in countries such as Ghana, Zambia and more recently, Ethiopia.

Going forward, we expect a seismic shift in how governments allocate spending to maximize overall welfare while slowing debt accumulation to sustainable thresholds. SSA governments are currently in fiscal consolidation mode – limiting expenditure growth, while mobilizing revenue collections. This has invariably led to increased personal and corporate taxation rates across the region as well as shrinking development budgets.

Despite the resilience of economic growth in the region, real per capita incomes have remained subdued, shafted by the soaring inflation and exchange rate weakening. This slows down the rate of convergence with the standards of living in developed countries. We expect the easing inflation pressures, alongside accelerated economic recovery to support a recovery of real incomes and gradually restore consumption and savings back to pre-pandemic levels.

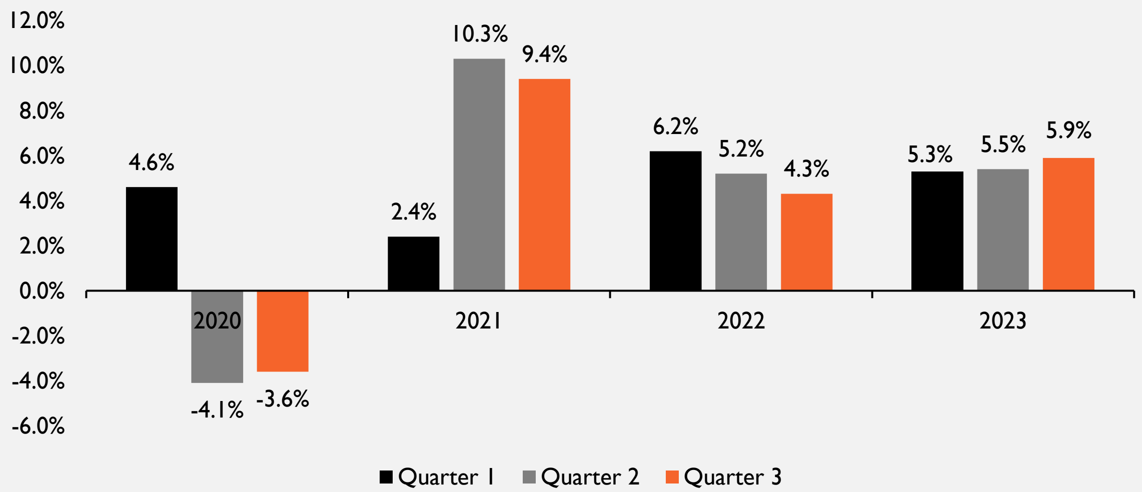
Kenya Macro Outlook

Services on the lead: Economic Growth

Kenya's GDP growth exceeded market expectations to record a growth rate of 5.9%, in the third quarter of 2023, compared to a growth rate of 4.3% a year prior. Growth was driven by robust growth in the services and industry sectors following rebounded demand amid moderating inflationary pressures. Sustained recovery in the agriculture sector following improved weather patterns and government-backed input subsidies similarly buoyed overall growth. Subsectors such as accommodation and restaurant services, financial and insurance services, manufacturing, and construction sectors contributed substantially to the economic upswing.

However, this upswing was tempered by muted growth in electricity and water supply, as well as transport and storage sectors, on account of depressed demand. We anticipate the economy to sustain its growth momentum to 6.0% in 2024 on the back of a booming services sector, accelerated investment growth and a recovery in real incomes. However, risks to this projection are pegged on factors such as elevated interest rates, exchange rate pressures and volatile commodity prices amid rising global uncertainties. Additionally, the ongoing fiscal consolidation drive is set to drag the government spending multiplier on growth.

Chart 3: Kenya Quarterly GDP Growth



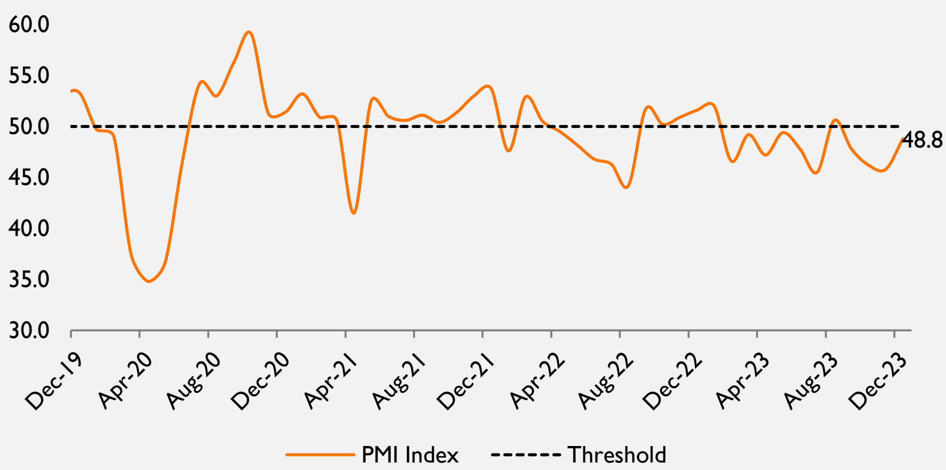
Source: Kenya National Bureau of Statistics, AIB-AXYS Research

Muted Optimism: Purchasing Managers Index

Stanbic Bank Kenya's Purchasing Managers Index (PMI) trailed in the contraction territory for the better part of 2023, to clock an average of 48.1 in 2023, lower than the 2022 average of 49.2. PMI readings above 50.0 signal improvements in business sentiment, while readings below 50.0 signal a deterioration. The dull sentiment in 2023 was attributable to soaring input costs, exchange rate pressures and alongside faltering consumer demand.

Companies in the services sector recorded a general uplift in activity, whereas persistent pressures prevailed in the manufacturing sector. We further note that purchasing power improved towards the second half of 2023, amid a softening of price pressures. Looming risks such as uncertain tax landscape, supply chain disruptions and commodity price shocks may exert pressure on business sentiment. However, in the near term, we anticipate a recovery in business confidence, underpinned by positive impacts of monetary tightening.

Chart 4: Stanbic Bank Kenya Purchasing Managers Index



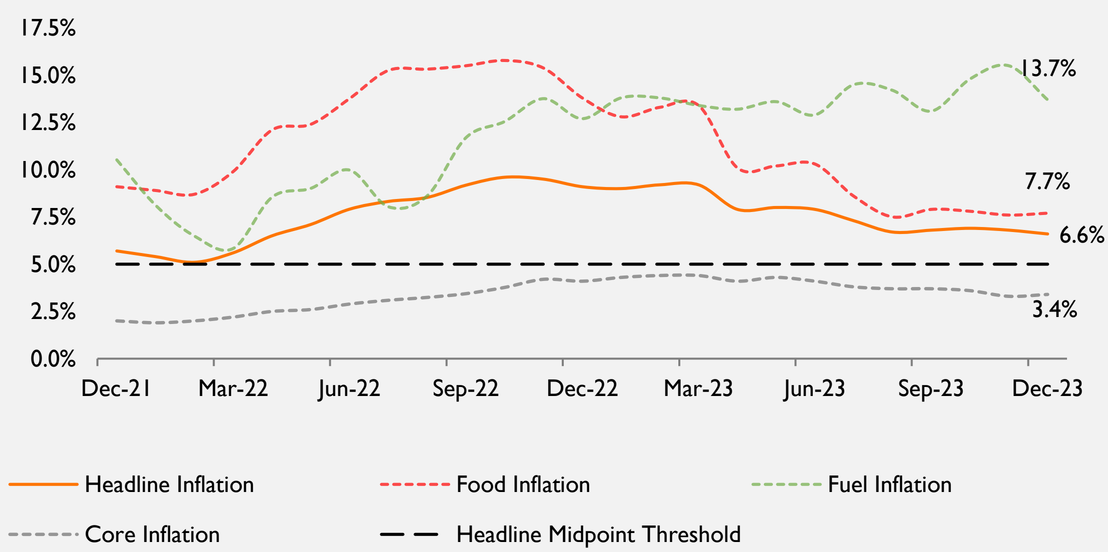
Source: Stanbic Bank Kenya, AIB-AXYS Research

Moderating Price Pressures: Price Levels

Price pressures eased progressively throughout 2023 as signaled by the softening of headline inflation rate to 6.6% by December 2023, compared to 9.1% a year prior. The easing price pressures were largely supported by declining food prices following replenished supply in the year. Food inflation rate slid to 7.7% in December 2023, down from 13.8% a year prior. Fuel prices, however, remained volatile with fuel inflation rates averaging at 13.9% throughout 2023.

Core inflation (Non-food, Non-fuel) rate decreased 70bps y/y to 3.40% in December 2023, pointing to a moderation of underlying price pressures. While headline inflation remains within the National Treasury's upper target range, monetary policy makers are keen on lowering it to the midpoint target of 5.0% over the near term.

Chart 5: Inflation Trends



Source: Kenya National Bureau of Statistics, AIB-AXYS Research

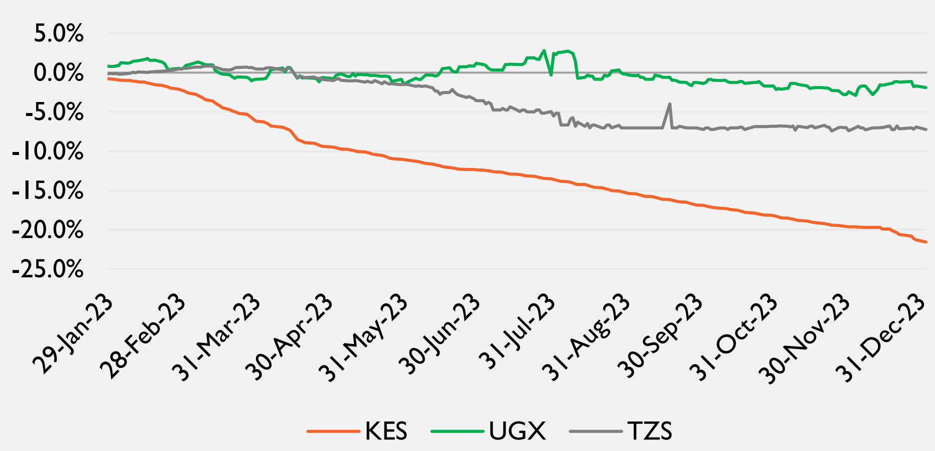
We anticipate mild and transitory inflation rates over the first half of 2024 underpinned by stabilizing food supply growth and compressed credit demand in the real economy. Nonetheless, we remain wary of the economy's vulnerability to the mounting global uncertainty – which may trigger secondary inflationary cycles. Since monetary policy is largely unfortified against food and fuel price shocks, we anticipate that inflation will remain susceptible to commodity price volatility in the international markets, alongside exchange rate pressures.

The Cost of 'Wait-and-See': Exchange Rate Vintage

The Kenya shilling shed significant value against both peer and key hard currencies throughout 2023, on account of several domestic and global factors. On the external front, the rapid monetary policy tightening in developed countries loosened interest rate differentials between the two regions – accelerating capital outflows as investors fled to dollar-denominated assets.

We estimate that the pace of monetary tightening was rather too gradual. For instance, by June 2023, the US Fed had tightened the Fed Funds Rate by a cumulative 525 bps since January 2022. Comparatively, the Central Bank of Kenya had only hiked the benchmark rate by 250bps. This lagged rejoinder, alongside other factors, piled heavy pressure on the Kenya shilling. A widening current account deficit, coupled with periodic dwindling of forex reserves below recommended thresholds stoked uncertainty and fueled the demand for the US dollar denominated assets.

Chart 6: Cumulative 2023 Volatility on East Africa Currencies



Source Central Banks Data, AIB-AXYS Research

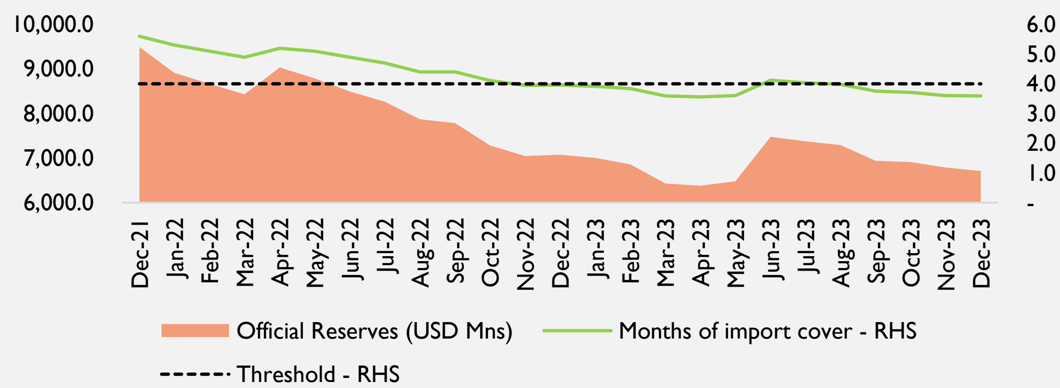
Chart 6 above highlights the relative volatility between the Kenya shilling and regional currencies namely the Tanzania and Uganda shilling. We attribute the relative performance of the Tanzania shilling and Uganda shilling to resilient debt sustainability indicators, supported by agile growth in foreign direct investment and exports. On a broader level, the Kenya shilling lost significant ground against key regional and global currencies.

Looking ahead to 2024, we pencil a marginal easing in the local currency's volatility driven by a recovering agricultural exports sector alongside anticipated foreign direct investments induced by expectations of interest rate easing across key developed markets. However, risks to this projection are pegged on prolonged monetary tightening and increased global competition with Kenya's key exports such as coffee, tea, and horticulture. At the same time, regained access to the avocado markets across Asia offers a new source of export growth.

Shrinking Buffers: Forex Reserves

Kenya's stock of gross forex reserves trailed close to the minimum required months of import cover for the better part of 2023. Kenya's stock of official reserves stood at USD 6,612Mn, enough to cover 3.5 months of import cover. We anticipate foreign direct investment inflows from portfolio investments, tourist arrivals, privatization of state assets coupled with capital calls from multilateral guarantors to lift capital buffers closer to required thresholds. However, repayment of external debt obligations, including the USD 2.0Bn Eurobond bullet repayment in the year, will push reserves to about 2.5 to 3.0 months of import cover.

Chart 7: Forex Reserves Trend

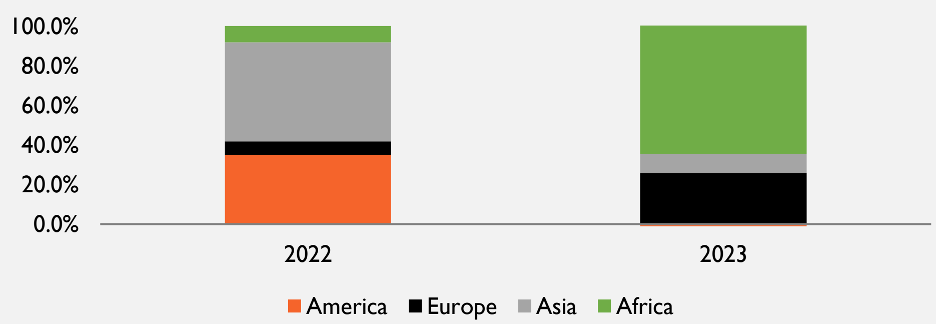


Source: Central Bank of Kenya, AIB-AXYS Research

Africa, the Rising Star: Diaspora Remittances

Growth in diaspora remittances slowed to 4.0% y/y growth to USD 3.82Bn over the 11 months to November 2023, reflecting cost-of-living pressures in offshore economies. Notably, African nations collectively emerged as the fastest source of remittance growth – pointing to increased mobility of labor and capital across the African region. While the America region, by far, remains the largest single contributor to remittances in absolute terms, its contribution to overall growth remains on the decline. We anticipate sustained dollar inflows from Kenyan nationals residing abroad throughout 2024.

Chart 8: Regional Contribution to Growth in Diaspora Remittances (Eleven months to November 2023)



Source: Central Bank of Kenya, AIB-AXYS Research

Revenue Collection Lags Prorated Targets: Fiscal Performance

Fiscal revenue collection amounting to KES 882.34Bn over the first five months of fiscal year 2024 trailed below the pro-rated target of KES 1,073.65Bn (82.2% performance). Nevertheless, the government revised its ordinary revenue targets upwards by 22bps to KES 2,576.8Bn in its Supplementary Budget I for the fiscal year 2024. This points to an ambitious Exchequer, eager to mobilize revenues and broaden the tax base.

While lagging tax collections growth points to the challenging business environment, the Exchequer maintains its resolve to tighten tax loopholes and ramp up collections in a bid to allay debt-distress risks. We expect that the implementation of legislated taxes and levies outlined in the Finance Act 2023, alongside outlined proposals in the Medium-Term Revenue Strategy (MTRS) 2024-2027 will progressively raise the revenue to GDP ratio to the 20% target. In the near term, however, we anticipate the varied economic trials to persist, straining revenue collections.

Table 1: Fiscal Performance for the first five months of FY2023/2024

	Revised Estimates	Actual Receipts/Issues	Prorated Target	% Achieved
Opening Balance		2.62		
Tax Revenue	2,495.83	847.35	1,039.93	81.5%
Non-Tax Revenue	80.93	32.37	33.72	96.0%
Total Revenue	**2,576.76**	**882.34**	**1,073.65**	**82.2%**
Domestic Borrowing	851.90	222.27	354.96	62.6%
External Loans and grants	849.76	77.04	354.07	21.8%
Other domestic financing	3.19	3.54	1.33	266.6%
Total Financing	**1,704.85**	**302.86**	**710.36**	**42.6%**
Recurrent Expenditure	1,360.12	444.11	566.72	78.4%
Development Expenditure	457.22	55.68	190.51	29.2%
CFS Allocation	2,078.85	575.85	866.19	66.5%
County allocation	385.42	107.55	160.59	67.0%
Total Expenditure and Transfers	**4,281.61**	**1,183.19**	**1,784.00**	**66.3%**

Source: The National Treasury and Planning, AIB-AXYS Research

As demonstrated above, diminished government expenditure and transfers corresponded with underperformance in revenue collection over the same period. Total expenditure clocked KES 1,183.2Bn – representing 66.3% of the prorated KES 1,784.0Bn target. We noted with concern, the minimal disbursement to development spending with a 29.2% absorption, lower than county government disbursements (67.0%). Yet, the government in its FY2023/2024 Supplementary Budget I Estimates, projects a 6.3% increase in total spending to KES 3,981.5Bn to meet arising needs ranging from food security, education and disaster management following an El Nino crisis in 2023.

The government tapped 42.6% - equivalent to KES 302.86Bn – of the prorated estimates of KES 710.36Bn over the first 5 months of FY2023/2024 in net debt financing. This came as the government raised its net borrowing targets by 23.3% to KES 886.6Bn, on account of rising external debt-service costs. We therefore estimate that this fiscal slippage will widen the budget deficit from the projected 4.4% of GDP to 5.3% of GDP in the fiscal year 2024.

Lingering Debt Sustainability Concerns

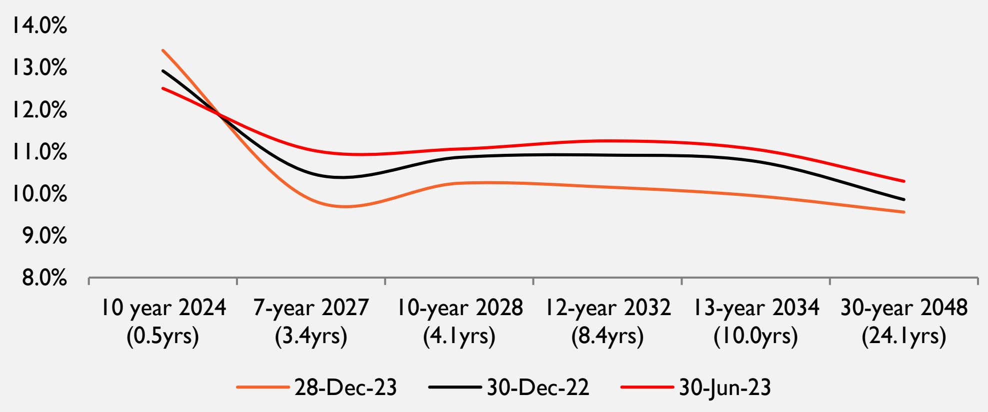
The present value of government's debt-to-GDP ratio rose to 64.4% in 2023, up from 63.1% in 2022, remaining above the IMF's recommended threshold of 55.0%. During the past year, Moody's rating downgraded Kenya's issuer rating to a B3 (Negative) from B3 with a stable outlook while Fitch Ratings downgraded to B (Negative) from B with a stable outlook. S&P ratings downgraded Kenya's Issuer Rating to B (Negative) from B (stable outlook).

The IMF (Country Report, July 2023) projects Kenya's external debt-service to exports ratio to peak at 31.1% in 2024, up from 22.0% in 2023. The National Treasury projects that the public debt-to-GDP ratio will remain elevated over the medium term yet decline progressively to 56.6% by 2027. We expect the mounting external debt-service, including an upcoming USD 2.0Bn Eurobond bullet repayment to accelerate the drawdown in official reserves. We maintain that the ongoing fiscal consolidation drive will lower debt vulnerabilities.

Accessing affordable commercial external debt remains a challenge on account of elevated yields in international debt markets. This has elevated sovereign refinancing and liquidity risks. The strategic alternatives currently lie in concessional borrowing from multilateral institutions such as the IMF, Afreximbank and the AfDB. The National Treasury is also considering climate change financing options, Debt for Nature Swaps, Samurai, and Panda bonds.

We witnessed yields on Kenya's Eurobonds cool in the latter half of 2023, following reassurances from multilateral finance partners in 2023, on their ongoing commitments with the government of Kenya. However, volatility persisted on the 2024 Eurobond, despite the repayment of the penultimate coupon on the bond towards the close of December 2023. We expect higher volatility in the near term, driven by mixed investor sentiment, in an increasingly uncertain landscape.

Chart 9: Kenya Eurobond Yield Curve Evolution



Source: Central Bank of Kenya, AIB-AXYS Research

Tying Loose Ends: Monetary Policy

The Central Bank of Kenya's Monetary Policy Committee (MPC) implemented a cumulative 375bps tightening of the Central Bank Rate (CBR) to 12.5% by December 2023. This aligned with our 2022 predictions as the committee aimed to anchor inflation expectations, mitigate exchange rate pressures, and address economic uncertainties.

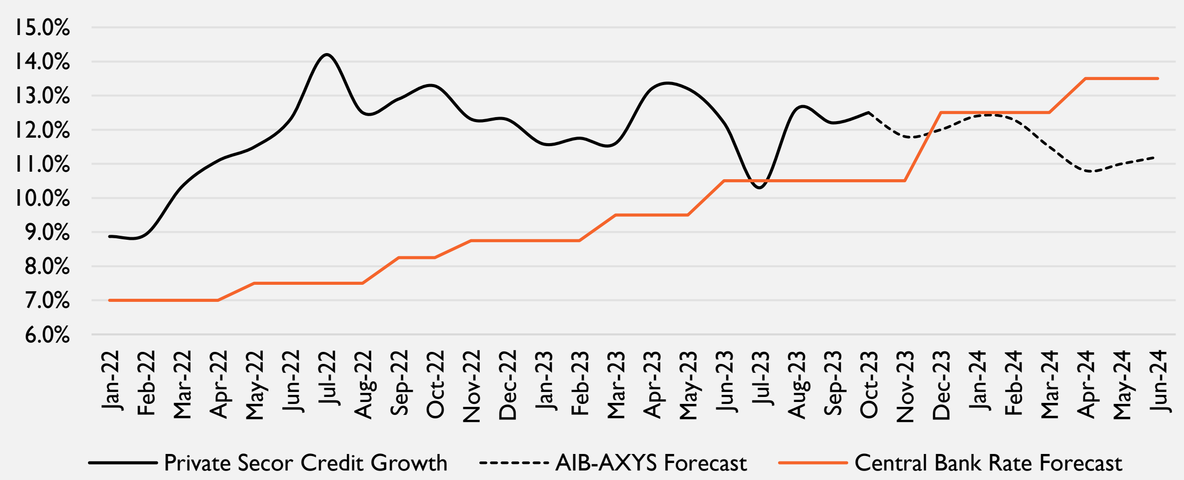
Other reforms such as the introduction of the symmetric interest rate corridor of ±250bps about the Central Bank Rate across the interbank market, and the reduction of the discount window spread from 600bps to 400bps above the CBR helped ease liquidity pressures and avert a systemic banking sector distress.

As pointed out earlier, we think the pace of monetary policy tightening was too gradual. For instance, by June 2023, the US Fed had tightened the Fed Funds Rate by a cumulative 525bps since January 2022. Comparatively, the Central Bank of Kenya had only hiked the benchmark rate by 250bps. This loosened interest rate differentials and accelerated dollar outflows to developed markets.

Private sector credit growth remained resilient, despite the prolonged monetary policy tightening in 2023, on the back of fast recovering consumer demand. Private sector credit growth rate accelerated 30bps m/m in October 2023 to 12.5%. We attribute the acceleration to robust lending to the in the manufacturing, trade, and transport sectors.

Going forward, we see more runway for further tightening of the policy rate to firmly anchor inflationary pressures and support stable inflows. We expect upward calibration of the benchmark rate to eliminate embedded price pressures in the real economy. We, however, estimate that credit demand will buckle under the pressure of elevated interest rates, amid an extensive roll-out of risk-based credit pricing models.

Chart 10: Central Bank Rate and Private Sector Credit Growth Forecast



Source: Central Bank of Kenya, AIB-AXYS Research

Equities Outlook

The past year recorded notable divergencies, both across and within sectors of the listed equities market. The impact of protracted economic shocks was no less apparent in 2023 than in each of the past five years – signaling that legacy effects of the pandemic still linger on. Volatility across equity markets increased compared to prior years, reflecting spillovers of global macro shakeups on the public equities segment.

From a global perspective, public equity markets demonstrated resilient recovery amidst the uncertainty from the simmering geopolitical landscape, monetary policy tightening and hangovers of the pandemic. MSCI World Equities Index recorded a 2023 average gross return of 24.4% in USD terms – reversing from a dull -17.7% in 2022. We attribute this improvement to resilient-than-expected corporate performance in 2023, despite the varied macroeconomic headwinds. Since markets are discounting mechanisms, we think this performance reflects rebounded optimism for equity markets heading into 2024.

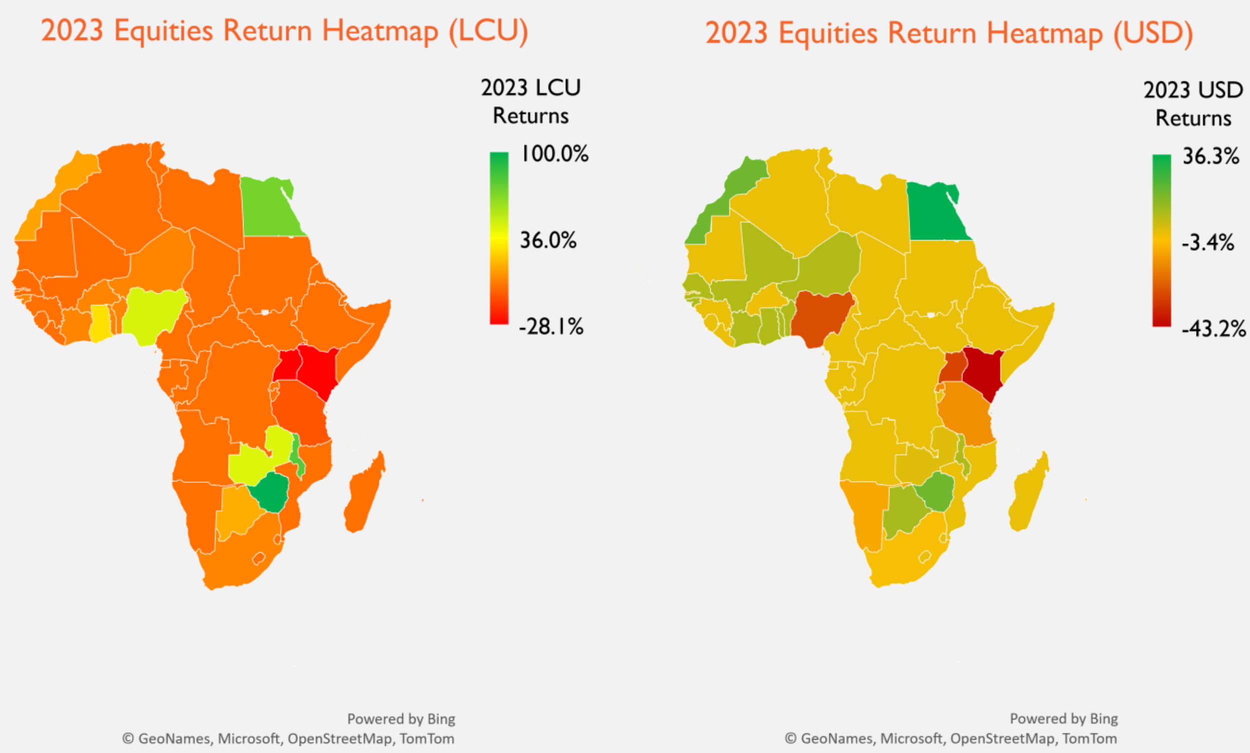
Table 2: Regional Equities Performance (USD % Terms)

Regional Equities	2023 Return	2022 Return	Change
MSCI Developed Markets	21.9%	-19.4%	▲ 41.3%
MSCI Emerging Markets	10.3%	-19.7%	▲ 30.0%
MSCI Frontier Markets	12.2%	-26.1%	▲ 38.2%
MSCI World Average	**24.4%**	**-17.7%**	**▲ 42.2%**

Source: MSCI World, AIB-AXYS Research

From a regional perspective, African equities markets demonstrated resilient performance in 2023 to deliver an average return of 16.3% in local currency units (LCU) – after excluding Zimbabwe which delivered an outsized 981.5% LCU return. This remarkable return however reverses to 0.4% in US dollar terms on account of considerable domestic currency weakness relative to the greenback across most African markets.

Chart 11(a) and (b): Africa Equities Return Heatmap



Source: African-Markets, AIB-AXYS Research

Zimbabwe posted the highest LCU return of 981.5% in 2023 followed by Malawi and Egypt which posted returns totaling 78.9% LCU and 70.5% LCU, respectively. Uganda was the most depressed market, posting a discount of -28.1% LCU. However, the scales shift when we compare USD-equivalent performance for 2023. Egypt was the best performer in USD terms, posting a gross return of 36.3%, while Kenya trailed to post a -43.2% USD equivalent return. This trend points to underlying price pressures within most African markets.

Broadly, the Southern and Northern Africa equity markets performed better on average, compared to West Africa and East Africa equity markets. East Africa equity markets recorded weakened performance – grounded by slowing economic performance and bouts of political instability, especially in Kenya.

Masking Divergence: Kenyan Equities Outlook

2023 proved to be a bumpy ride for the Kenyan equities market as trading activity at the Nairobi Securities Exchange declined 29.7% in 2023 to KES 65.45Bn. Aggregate trading turnover was compressed, in part, by the effects of rapid monetary policy tightening – which highlighted the appeal of fixed income assets. Total market capitalization similarly shrunk 27.5% in the year, contributed by an outsized valuation discounts on large-cap blue-chip equities.

Table 3: Kenya Equity Market Yearly Statistics

Statistic	2023	2022	% change
Equity Turnover (KES, Mn)	65,450.3	93,143.2	▼ (29.7%)
Market Cap (KES Bn)	1,439.0	1,986.1	▼ (27.5%)
Nairobi All-Share Index	92.11	127.47	▼ (27.7%)
NSE-10 Index	907.51		▼ (9.2%)
NSE-20 Index	1,501.16	1,676.10	▼ (10.4%)
NSE-25 Index	2,380.23	3,133.64	▼ (24.0%)
Foreigner buys (KES Mn)	26,616.4	38,846.4	▼ (31.5%)
Foreigner sales (KES Mn)	39,077.2	62,846.3	▼ (37.8%)
Net foreign flows (KES, Mn)	(12,460.9)	(23,999.9)	▼ (48.1%)

* - *NSE 10 Index launched in September 2023*

Source: Nairobi Securities Exchange, AIB-AXYS Research

The Nairobi All-Share Index trimmed 27.7% throughout 2023 to close at 92.11 points. This underperformed against a median African median return of 9.1% in local currency units and an East African Average discount of -12.4%. However, observing trends in a market capitalization-weighted index such as the Nairobi All-Share Index may conceal great divergence. This is because such indices place greater emphasis on the performance of highly capitalized blue-chip counters.

The agriculture sector sustained its positive earnings momentum throughout 2023, propelled by improved weather conditions, government-backed incentives such as fertilizer subsidies that enhanced production quantities. Furthermore, the weakening shilling also buoyed overall earnings for firms exporting to offshore markets.

The automobile sector recorded a slump in 2023, on the back of waning demand and rising input costs exacerbated by a weakening Kenya shilling. Banking sector valuations declined marginally in 2023 on the back of pressurized net interest margins and rising credit delinquencies in the year. Commercial and services sector valuations remained depressed on the back of waning consumer demand that compressed sector-wide profitability. Construction sector firms, however, recorded a general improvement following rebounded real estate activity in the year.

Table 4: Kenyan Listed Equities Sectoral Performance

Sector	2023 Sectoral Return	2022 Sectoral Return	Change (%)
Agriculture	▲ 22.0%	▲ 11.2%	▲ 10.9%
Automobiles and Accessories	▼ (47.3%)	▲ 39.8%	▼ (87.1%)
Banking	▼ (4.2%)	▲ 0.6%	▼ (4.8%)
Commercial and Services	▼ (3.0%)	▼ (15.4%)	▲ 12.4%
Construction and Allied	▲ 8.0%	▼ (1.9%)	▲ 10.0%
Energy & Petroleum	▲ 11.1%	▼ (7.1%)	▲ 18.3%
Insurance	▼ (11.4%)	▼ (22.9%)	▲ 11.4%
Investment	▼ (3.5%)	▼ (6.6%)	▲ 3.1%
Investment Services	▼ (11.2%)	▼ (15.3%)	▲ 4.0%
Manufacturing and Allied	▲ 4.3%	▲ 2.2%	▲ 2.1%
Telecommunication	▼ (42.4%)	▼ (36.4%)	▼ (6.1%)
Market Average*	**▼ (7.1%)**	**▼ (4.7%)**	**▼ (2.3%)**

** - Market Average computed on an equal-weighted sector average basis*
Source: Nairobi Securities Exchange, AIB-AXYS Research

Energy sector stock valuations improved notably in the year, buoyed by strong pricing power, and stable demand growth. Insurance sector valuations broadly reflected a slump on account of rising claims ratios and increased delinquencies. Manufacturing sector firms endured varied macroeconomic headwinds to retain net positive valuations by the close of 2023 – pointing to optimistic market expectations for the sector. The telecommunication sector i.e. Safaricom's market valuation declined, in part, due to prolonged and price-agnostic portfolio outflows by foreign investors in favor of dollar-denominated assets.

The above points to a resilient stock market performance overall. In our view, the Kenyan equities market remains an efficient barometer of the status of the domestic and global economy. We think this is a great indication because we can identify – with more confidence – which sectors to invest in at every point of the business cycle.

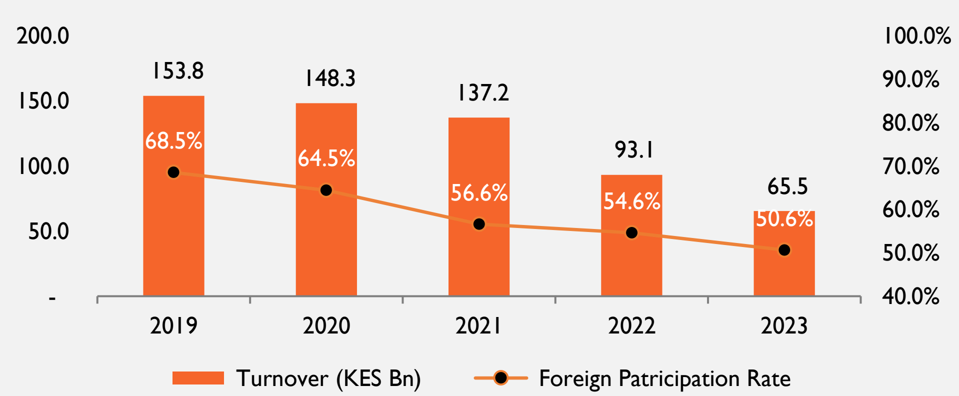
Table 5: NSE Top Movers 2023

Top Movers 2023	Turnover (KES Mn)		Closing Price	
Safaricom Plc	KES	34,932.53	KES	13.90
East African Breweries	KES	22,550.66	KES	114.00
Equity Group Holdings	KES	9,438.18	KES	33.65
KCB Group	KES	4,368.52	KES	21.90
British American Tobacco Kenya	KES	2,040.32	KES	407.50
Co-operative Bank of Kenya	KES	1,678.27	KES	11.40
Absa Bank Kenya	KES	1,595.65	KES	11.45
Standard Chartered Bank	KES	1,255.90	KES	162.00
NCBA Group	KES	1,103.62	KES	38.95
Stanbic Holdings	KES	1,014.26	KES	108.75

Source: Nairobi Securities Exchange, AIB-AXYS Research

The top traded counters of 2023 included *Safaricom*, *East African Breweries* and *Equity Group Holdings* with turnovers clocking KES 34.93Bn, KES 22.55Bn and KES 9.44Bn, respectively. Trading activity on popular blue-chip counters declined in 2023 compared to the prior year – largely due to a drop in foreign participation rates. However, we expect a looming reversal of sentiment as key Central Banks hint at lowering policy rates from H1 2024. If this happens sooner, we anticipate a tidal wave of foreign portfolio investments back into emerging and frontier market public equities.

Chart 12: Total Equities Market Turnover (in Bn KES) and Foreign Participation Rate (%)



Source: Nairobi Securities Exchange, AIB-AXYS Research

Table 6: Top 2023 Net Foreigners' Picks

Top Foreigner Net Buys	Turnover (KES Mn)		Top Foreigner Net Sales	Turnover (KES Mn)	
Equity Group Holdings	KES	1,090.80	Safaricom Plc	KES	(12,733.82)
Absa Bank Kenya	KES	402.32	British American Tobacco	KES	(1,142.01)
Stanbic Holdings	KES	220.73	Co-operative Bank of Kenya	KES	(299.89)
KCB Group	KES	163.28	KenGen Co.	KES	(85.13)
East African Breweries	KES	87.91	Bamburi Cement	KES	(72.11)
Standard Chartered Bank	KES	59.42	Centum Investment	KES	(68.89)
Jubilee Holdings	KES	45.18	B.O.C Kenya	KES	(40.61)
Umeme Ltd	KES	32.51	Nation Media Group Plc	KES	(37.76)
Kenya Re Insurance	KES	23.50	Diamond Trust Bank	KES	(35.39)
BK Group	KES	20.78	TPS Eastern Africa	KES	(17.61)

Source: Nairobi Securities Exchange, AIB-AXYS Research

Table 7 below shows the winners and losers in the capital gains dimension throughout 2023. Small-cap and medium-cap counters outperformed large cap counters due to an ongoing pricing of fundamentals. On the flipside, large cap stock valuations broadly reflected the cyclical impact of varied macroeconomic shocks.

Table 7: 2023 Winners and Losers (Capital Gains)

Top Gainers 2023	Closing Price		% Change	Top Losers 2023	Closing Price		% Change
Umeme Ltd	KES	16.00	▲ 115.6%	Unga Group	KES	16.85	▼ (47.3%)
Kapchorua Tea Kenya	KES	215.00	▲ 89.8%	Car & General	KES	25.00	▼ (47.3%)
Kenya Orchards	KES	19.50	▲ 87.5%	Trans-Century Plc	KES	0.52	▼ (44.1%)
Eveready East Africa	KES	1.08	▲ 56.5%	KCB Group	KES	21.90	▼ (42.5%)
ABSA New Gold ETF	KES	2,915.00	▲ 34.5%	Safaricom Plc	KES	13.90	▼ (42.4%)
Eaagads Ltd	KES	13.95	▲ 32.9%	KenGen Co.	KES	2.01	▼ (37.6%)
Williamson Tea Kenya	KES	208.00	▲ 30.0%	Sanlam Kenya Plc	KES	6.00	▼ (37.4%)
Nation Media Group Plc	KES	20.05	▲ 25.7%	Liberty Kenya Holdings	KES	3.69	▼ (34.1%)
Carbacid Investments	KES	15.00	▲ 25.0%	East African Breweries	KES	114.00	▼ (31.9%)
TPS Eastern Africa	KES	16.45	▲ 23.2%	Nairobi Business Ventures	KES	2.70	▼ (28.4%)

Source: Nairobi Securities Exchange, AIB-AXYS Research

**Prices as of 29th December 2023*

Umeme Limited recorded the highest valuation gains throughout 2023, to register a 115.6% return. *Kapchorua Tea* and *Kenya Orchards* followed, posting 89.8% and 87.5% returns, respectively. On the flipside, *Unga Group* recorded the worst valuation losses in 2023, declining 47.3% to KES 16.85 per share. We noted large cap stocks such as *KCB Group*, *Safaricom Plc* and *East African Breweries* suffered significant valuation losses amounting to 42.5%, 42.4% and 31.9% respectively.

Table 8 below shows the winners in the dividends dimension in 2023. Ironically, a Ugandan-cross listed energy firm – *Umeme* – emerged the best counter in 2023 across the Kenyan Equities market, both in terms of capital gains and in dividend yields. *KenGen Plc* emerged second with a strong dividend yield of 14.9%. *Williamson Tea Kenya* emerged third with a dividend yield of 14.4%.

Table 8: Top 2023 Dividend Picks (Dividend Yields)

Top Dividend Counters 2023	Total Dividend		Closing Price		Trailing Dividend Yield
Umeme Ltd	KES	2.49	KES	16.00	15.6%
KenGen Co.	KES	0.30	KES	2.01	14.9%
Williamson Tea Kenya	KES	30.00	KES	208.00	14.4%
British American Tobacco Kenya	KES	57.00	KES	407.50	14.0%
Standard Chartered Bank	KES	22.00	KES	162.00	13.6%
Co-operative Bank of Kenya	KES	1.50	KES	11.40	13.2%
I&M Holdings	KES	2.25	KES	17.50	12.9%
Equity Group Holdings	KES	4.00	KES	33.65	11.9%
Absa Bank Kenya	KES	1.35	KES	11.45	11.8%
Kapchorua Tea Kenya	KES	25.00	KES	215.00	11.6%

Source: Nairobi Securities Exchange, AIB-AXYS Research

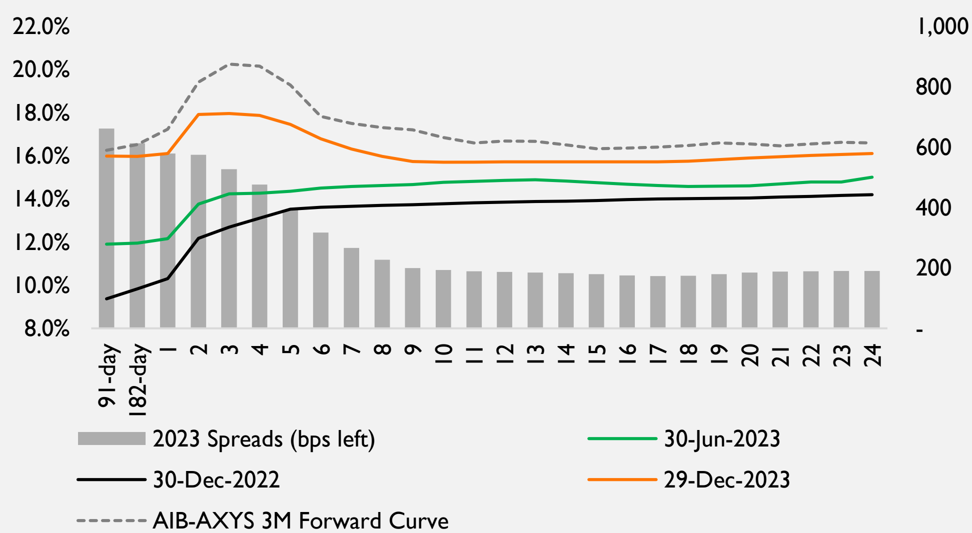
**Prices as of 29th December 2023*

Fixed Income Outlook

The Kenyan Fixed Income Market remained intensely agile throughout 2023, recording one of the fastest annual surges in yields - leading to an effective yield curve inversion. We think the rising volatility in the fixed income space derives from a combination of global and domestic factors.

On the external front, the rapid monetary policy tightening in 2022 and 2023 led investors to price-in bearish capital gain expectations for bonds. On the domestic front, the rising concerns around fiscal sustainability indicators, coupled with an elevated inflationary regime in 2023 led investors to raise the macroeconomic risk premium in purchasing Treasuries. The Shilling, which invariably responds to macroeconomic pressures, similarly experienced higher volatility in 2023, fueling the upward yield spiral.

Chart 13: Kenya Domestic Yield Curve Evolution 2023 and Forecast



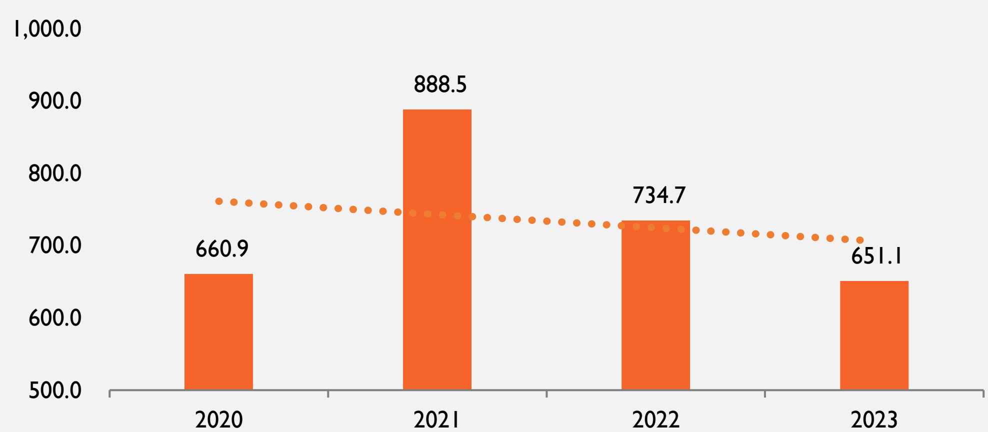
Source: NSE, AIB-AXYS Research

The yield curve soared fastest at the head and upper belly of the curve, rising by a cumulative 661bps on the 3-month treasury bill, to end 2023 at c. 16.0%. Yields similarly humped at around the 2yr to 5yr, driven by aggressive investor bidding at Treasury bond auctions. At the tail-end, yields similarly adjusted upwards, albeit at a slower pace, due to declined demand for long-duration bonds in a highly uncertain environment.

In response, the Central Bank of Kenya altered its strategy of barbell issues – long-duration coupled with short-duration bonds – in the first half of 2023, to primarily issuing short-duration securities in the second half of the year. The turning point came around April 2023 when the Central Bank of Kenya withdrew the re-open of the FXD1/2019/015 paper, presumably on account of prohibitively high yields. This set off notable yield curve disturbance, alongside other chain of events, which led to an inversion in the second half of 2023.

Trading volumes across the secondary market declined markedly by 11.4% to KES 651.1Bn worth of bonds. We maintain the view that fast-rising yields dissuaded investors from selling-off bond holdings to avoid crystallizing mark-to-market losses. As such, the bond market presently remains a buyer's market. We however anticipate a rebound in trading activity in 2024, arising partly from rising liquidity needs on account of a long-running quantitative tightening by the Central Bank of Kenya.

Chart 14: NSE Secondary Bond Market Turnover in Billions of KES (2020-2023)



Source: Nairobi Securities Exchange, AIB-AXYS Africa

Our examination of recent Treasury Bond and Treasury Bill auctions highlights an increasing preference for higher risk-adjusted returns among investors. Considering the heightened uncertainty prevailing at both domestic and global level in 2023, we think investors will continue raising term premiums to compensate for the elevated risk landscape. This is set to support a further uplift in yields on government securities.

Across the corporate bond space, trading activity was largely suppressed as the rising yield environment, especially on Treasuries, pummeled corporate bond valuations. Corporates shied away from issuing new fixed rate bonds due to the rising yield landscape. However, from our point of view, we spot pockets of opportunities for corporates to issue floating rate bonds, anchored to global benchmark rates.

Portfolio Management

Due to the cyclical nature of the markets and the business cycle overall, we think this new regime of higher volatility holds several implications for investors. Firstly, we think this new regime will call for more dynamism in the allocation and selection of securities. We think that security selection will be more impactful going forward in the quest by investors and portfolio managers to seek alpha returns. We further maintain the view that a constant-proportion portfolio insurance (CPPI) strategy will outperform a buy-and-hold (BH) strategy at this point of the economic cycle. Even more, we estimate that portfolio rebalancing costs will only be a fraction of the costs of downside volatility materialization.

Secondly, we think that investors should be prepared to embrace volatility rather than avoid it. This implies a willingness to execute alternative strategies to either hedge away risk or lower their volatility exposure. This includes a willingness to implement derivative futures overlays for flexibility in controlling risk exposure at different phases of the economic cycle. The new regime will call for more vigilance and a willingness to let go of underperformers and periodically tilt portfolios towards breakaway growth sectors.

AIB-AXYS Africa Equities Portfolio Recommendation 2024

Signs of reversal in equity market sentiment are currently held in check by tight financial markets. Yet, we see several bright spots at this point of the economic cycle. We are bullish on some select stocks in the agriculture, financial services, energy, and construction sectors. We anticipate net outperformance in these sectors over the coming quarters. Below is a list of our constituent Equities Portfolio in 2024.

Table 9(a): 2024 AIB-AXYS Equities Portfolio

Counter	Sector	Opening Price	Target Price	Expected Return	Weight	Standard Deviation
Kapchorua Tea	Agriculture	234.00	269.50	15.2%	10.0%	4.0%
Williamson Tea	Agriculture	240.00	277.00	15.4%	10.0%	3.2%
Equity Group	Banking	35.90	45.25	26.0%	10.0%	1.5%
I&M Group	Banking	17.50	20.85	19.1%	10.0%	1.7%
NCBA Group	Banking	37.75	46.75	23.8%	10.0%	2.2%
CIC Group	Insurance	2.22	2.75	23.9%	10.0%	2.9%
Jubilee Holdings	Insurance	183.00	215.00	17.5%	10.0%	2.4%
Umeme Ltd.	Energy & Petroleum	16.00	19.85	24.1%	10.0%	3.1%
KenGen Plc.	Energy & Petroleum	1.99	2.45	23.1%	10.0%	1.6%
Bamburi Plc.	Construction & Allied	34.80	43.50	25.0%	10.0%	2.5%

Source: NSE, AIB-AXYS Africa Research

Table 9(b): 2024 AIB-AXYS Equities Portfolio Characteristics

Feature	Statistic
Expected Return	21.3%
Average Portfolio Risk	2.5%
Sharpe Ratio	2.1
Time Horizon	6 months to 1 year
Periodic Rebalancing	Yes

Source: NSE, AIB-AXYS Africa Research

AIB-AXYS Africa Fixed Income Portfolio Recommendation 2024

For fixed income, we recommend conservative investors extend duration by building up barbell bond portfolios, defined by attractive spot Treasury Bills, coupled with by medium-to-long duration bonds to lock in attractive yields, at low-rate sensitivity.

For income-oriented investors we recommend this list of top coupon-paying bonds below.

Table 10: Top Ten bonds by Coupon Rate

Issue No.	Next Coupon Payment Date	Maturity Date	Tenor to Maturity (Years)	Fixed Coupon Rate*	Modified Duration (%)
FXD1/2024/003	Jul-2024	Jan-2027	3.0	18.385%	2.2
IFB1/2023/6.5	May-2024	May-2030	6.3	17.933%	3.6
FXD1/2023/002	Feb-2024	Aug-2025	1.6	16.972%	1.3
FXD1/2023/005	Jul-2024	Jul-2028	4.5	16.844%	3.0
IFB1/2023/007	Jun-2024	Jun-2030	6.4	15.837%	3.9
FXD1/2016/010	Feb-2024	Aug-2026	2.6	15.039%	1.9
IFB1/2023/017	Mar-2024	Feb-2040	16.1	14.399%	5.7
FXD1/2023/003	May-2024	May-2026	2.3	14.228%	1.8
FXD1/2022/025	Apr-2024	Sep-2047	23.7	14.188%	5.8
FXD1/2023/010	Feb-2024	Jan-2033	9.1	14.151%	4.5

Source: NSE, AIB-AXYS Research
**Fixed Coupon Rates are Gross of Withholding Tax where applicable.*

Annex 1: List of Primary Bond Auctions 2023

	Offered Amount (KES, Mn)	Paper(s)	Duration at Issuance (yrs)	Performance Rate	Coupon Rate (%)	Market Average Yield (%)	Accepted Average Yield (%)	Premium above Yield Curve
Jan-23	50,000	FXD1/2020/005 - Re-open	2.4		11.667%	12.917%	12.879%	▲ 16 bps
		FXD1/2022/015 - Re-open	14.3		13.942%	14.337%	14.186%	▲ 29 bps
				83.3%				
	10,000	FXD1/2020/005 - Tapsale	2.4		11.667%		12.879%	
		FXD1/2022/015 - Tapsale	14.3		13.942%		14.186%	
				180.2%				
Feb-23	50,000	FXD1/2017/010 - Re-open	4.5		12.966%	13.897%	13.875%	▲ 34 bps
		FXD1/2023/010 - New Issue	10.0		14.151%	14.217%	14.151%	▲ 36 bps
				39.1%				
	10,000	FXD1/2017/010 - Tapsale	4.5		12.966%			
		FXD1/2023/010 - Tapsale	10.0		14.151%			
				124.6%				
Mar-23	50,000	IFB1/2023/017 - New Issue	17.0	**119.5%**	14.399%	14.469%	14.399%	▲ 21 bps
	20,000	IFB1/2023/017 - Tapsale	17.0	**63.6%**	14.399%			
Apr-23	20,000	FXD2/2018/010 - Re-open	5.8	**17.9%**	12.502%	14.393%	14.366%	▲ 64 bps
	10,000	IFB1/2023/017 - Tapsale	17.0	**51.2%**	14.399%			
	30,000	FXD1/2022/003 - Re-open	2.1		11.766%	13.839%	13.471%	▲ 66 bps
		FXD1/2019/015 - **Canceled**	10.9		12.857%	-	-	-
				24.4%				
May-23	20,000	FXD1/2023/003 - New Issue	3.0	**103.7%**	14.228%	14.259%	14.228%	▲ 89 bps
	10,000	FXD1/2023/003 - Tapsale	3.0	**106.0%**	14.228%			
	20,000	FXD1/2023/003 - Tapsale	3.0	**136.0%**	14.228%			
Jun-23	60,000	IFB1/2023/007 - New Issue	7.0	**367.5%**	15.857%	15.857%	15.837%	▲ 148 bps
	15,000	FXD1/2023/003 - Tapsale	3.0	**123.7%**	14.228%			
Jul-23	40,000	FXD1/2016/010 - Re-open	3.2		16.328%	16.582%	16.328%	▲ 208 bps
		FXD1/2023/005 - New Issue	5.0		16.844%	17.026%	16.844%	▲ 248 bps
				129.4%				
	20,000	FXD1/2016/010 - Tapsale	3.2		16.328%			
		FXD1/2023/005 - Tapsale	5.0		16.844%			
				222.1%				
Aug-23	40,000	FXD1/2023/002 - New Issue	2.0		16.972%	17.555%	16.972%	▲ 64 bps
		FXD1/2023/005 - Re-open	4.9		16.844%	18.165%	17.954%	▲ 173 bps
				132.5%				
	20,000	FXD1/2023/002 - Tapsale	1.9		16.972%			
		FXD1/2023/005 - Tapsale	4.9		16.844%			
				118.0%				
Sep-23	35,000	FXD1/2023/002 - New Issue	1.9		16.972%	17.583%	17.454%	▲ 45 bps
		FXD1/2016/010 - Re-open	2.9		15.039%	18.487%	17.927%	▲ 55 bps
				97.2%				
	15,000	FXD1/2023/002 - Tapsale	1.9		16.972%			
		FXD1/2016/010 - Tapsale	2.9		15.039%			
				23.0%				
Oct-23	35,000	FXD1/2023/002 - Re-open	1.9		16.972%	17.964%	17.736%	▼ (4 bps)
		FXD1/2023/005 - Re-open	4.8		16.844%	18.465%	17.992%	▲ 34 bps
				35.1%				
Nov-23	50,000	IFB1/2023/6.5 - New Issue	6.5	**177.8%**	17.933%	18.104%	17.933%	▲ 40 bps
Dec-23	25,000	IFB1/2023/6.5 - Tapsale	6.5	**191.5%**	17.933%			
Average*	**40,000**		**5.5**	**110.6%**	**15.124%**	**16.006%**	**15.807%**	**▲ 76 bps**

*Source: CBK, AIB-AXYS Research, * - Yearly average results excludes tap sales*

Annex II: AIB-AXYS Equities Market Scorecard as of 31st December 2023

MARKET SCORECARD				*As of:*	*31-Dec-23*									
AGRICULTURAL	**52-Week High**	**52-Week Low**	**Current Price**	**Daily Change (%)**	**2023 change (%)**	**Book Value per Share**	**Market Cap (KES, Mn)**	**Trailing EPS**	**Dividend Per Share**	**P/E Ratio**	**P/B Ratio**	**Dividend yield (%)**	**ROE (%)**	**ROA (%)**
Eaagads Ltd	14.50	10.00	**13.95**	-	▲ 32.9%	35.67	448.6	(0.49)	-	(28.4x)	0.4x	0.0%	0.0%	0.0%
Kakuzi Plc	430.00	240.00	**385.00**	-	-	285.51	7,546.0	31.73	24.00	12.1x	1.3x	6.2%	11.1%	14.3%
Kapchorua Tea Kenya Plc	249.00	81.00	**215.00**	-	▲ 89.8%	242.08	1,682.2	53.23	25.00	4.0x	0.9x	11.6%	22.0%	15.8%
The Limuru Tea Co. Plc	490.00	320.00	**380.00**	-	▼ (9.5%)	78.87	912.0	2.72	2.50	139.7x	4.8x	0.7%	3.4%	2.8%
Sasini Plc	32.60	18.00	**20.00**	-	▼ (10.9%)	62.45	4,561.1	5.12	1.00	3.9x	0.3x	5.0%	8.2%	7.1%
Williamson Tea Kenya Plc	275.00	120.00	**208.00**	-	▲ 30.0%	368.88	3,642.6	41.45	30.00	5.0x	0.6x	14.4%	11.2%	8.4%
Industry Median				-	**▲ 15.0%**		**18,792.5**			**4.5x**	**0.7x**	**5.6%**	**9.7%**	**7.8%**
AUTOMOBILES & ACCESSORIES	**52-Week High**	**52-Week Low**	**Current Price**	**Daily Change (%)**	**2023 change (%)**	**Book Value per Share**	**Market Cap (KES, Mn)**	**Trailing EPS**	**Dividend Per Share**	**P/E Ratio**	**P/B Ratio**	**Dividend yield (%)**	**ROE (%)**	**ROA (%)**
Car & General (K) Ltd	49.00	21.30	**25.00**	-	▼ (47.3%)	216.04	1,002.6	1.80	0.80	13.9x	0.1x	3.2%	0.8%	0.4%
BANKING	**52-Week High**	**52-Week Low**	**Current Price**	**Daily Change (%)**	**2023 change (%)**	**Book Value per Share**	**Market Cap (KES, Mn)**	**Trailing EPS**	**Dividend Per Share**	**P/E Ratio**	**P/B Ratio**	**Dividend yield (%)**	**ROE (%)**	**ROA (%)**
ABSA Bank Kenya Plc	13.00	10.00	**11.45**	▲ 0.4%	▼ (6.9%)	12.02	62,191.1	2.99	1.35	3.8x	1.0x	11.8%	24.9%	3.2%
BK Group Plc	37.00	26.50	**35.80**	-	▲ 13.7%	46.84	32,104.0	9.70	3.90	3.7x	0.8x	10.9%	20.7%	3.6%
Diamond Trust Bank Kenya Ltd	55.50	43.05	**45.05**	▼ (2.2%)	▼ (9.9%)	295.53	12,596.1	22.57	5.00	2.0x	0.2x	11.1%	7.6%	1.1%
Equity Group Holdings Plc	50.00	35.00	**33.65**	▼ (0.6%)	▼ (24.4%)	51.20	126,984.2	12.23	4.00	2.8x	0.7x	11.9%	23.9%	2.7%
HF Group Plc	5.20	2.80	**3.48**	▲ 1.8%	▲ 9.1%	22.64	1,338.5	1.53	-	2.3x	0.2x	0.0%	6.8%	1.0%
I&M Group Plc	21.50	15.80	**17.50**	-	▲ 2.9%	47.83	28,938.4	7.35	2.25	2.4x	0.4x	12.9%	15.4%	2.2%
KCB Group Plc	43.00	15.00	**21.90**	▼ (0.5%)	▼ (42.5%)	68.09	70,374.8	12.82	2.00	1.7x	0.3x	9.1%	18.8%	2.0%
NCBA Group Plc	42.00	28.50	**38.95**	▼ (1.3%)	▼ (1.0%)	53.73	64,170.9	9.48	4.25	4.1x	0.7x	10.9%	17.6%	2.3%
Stanbic Holdings Plc	132.00	90.00	**108.75**	▲ 0.5%	▲ 6.6%	161.77	42,991.2	28.63	12.60	3.8x	0.7x	11.6%	17.7%	2.9%
Standard Chartered Bank Kenya Ltd	172.50	134.00	**162.00**	▲ 0.8%	▲ 13.5%	158.04	61,211.8	34.30	22.00	4.7x	1.0x	13.6%	21.7%	3.5%
The Co-operative Bank of Kenya Ltd	14.00	10.10	**11.40**	▲ 0.9%	▼ (7.3%)	18.42	66,885.9	3.96	1.50	2.9x	0.6x	13.2%	21.5%	3.5%
Industry Median				-	**▼ (1.0%)**		**569,786.7**			**2.9x**	**0.7x**	**11.6%**	**18.8%**	**2.7%**
COMMERCIAL AND SERVICES	**52-Week High**	**52-Week Low**	**Current Price**	**Daily Change (%)**	**2023 change (%)**	**Book Value per Share**	**Market Cap (KES, Mn)**	**Trailing EPS**	**Dividend Per Share**	**P/E Ratio**	**P/B Ratio**	**Dividend yield (%)**	**ROE (%)**	**ROA (%)**
Eveready East Africa Ltd	1.88	0.59	**1.08**	▼ (6.9%)	▲ 56.5%	0.30	226.8	(0.28)	-	(3.9x)	3.6x	0.0%	0.0%	0.0%
Express Kenya Plc	5.40	2.70	**3.70**	-	▼ (21.4%)	12.33	176.5	(0.73)	-	(5.1x)	0.3x	0.0%	0.0%	0.0%
Homeboyz Entertainment Plc	4.66	4.66	**4.66**	-	-	0.27	294.5	(0.97)	-	(4.8x)	17.4x	0.0%	0.0%	0.0%
Longhorn Publishers Plc	4.10	2.00	**2.41**	-	▼ (19.7%)	1.06	656.6	(2.51)	-	(1.0x)	2.3x	0.0%	0.0%	0.0%
Nairobi Business Ventures Ltd	5.00	2.22	**2.70**	-	▼ (28.4%)	0.48	3,655.0	0.01	-	292.4x	5.6x	0.0%	1.9%	1.6%
Nation Media Group Plc	21.75	14.00	**20.05**	▼ (5.0%)	▲ 25.7%	40.82	4,158.3	0.40	1.50	50.1x	0.5x	7.5%	1.0%	0.5%
Sameer Africa Plc	3.51	1.80	**2.27**	-	▲ 8.1%	1.55	631.8	0.36	-	6.3x	1.5x	0.0%	23.3%	8.3%
Standard Group Plc	14.30	5.96	**7.74**	-	▼ (25.9%)	0.96	632.6	(7.93)	-	(1.0x)	8.1x	0.0%	0.0%	0.0%
TPS Eastern Africa (Serena) Ltd	16.40	10.85	**16.45**	-	▲ 23.2%	55.35	2,996.8	1.46	-	11.3x	0.3x	0.0%	2.6%	1.4%
Uchumi Supermarket Plc	0.29	0.16	**0.17**	▼ (5.6%)	▼ (26.1%)	(11.73)	62.0	(5.56)	-	(0.0x)	(0.0x)	0.0%	0.0%	0.0%
WPP Scangroup Plc	3.70	1.86	**2.18**	▲ 9.0%	▼ (27.6%)	11.58	942.1	(0.05)	-	(43.6x)	0.2x	0.0%	0.0%	0.0%
Industry Median				-	**▼ (19.7%)**		**14,433.1**			**(0.7x)**	**1.0x**	**0.0%**	**0.0%**	**0.0%**
CONSTRUCTION & ALLIED	**52-Week High**	**52-Week Low**	**Current Price**	**Daily Change (%)**	**2023 change (%)**	**Book Value per Share**	**Market Cap (KES, Mn)**	**Trailing EPS**	**Dividend Per Share**	**P/E Ratio**	**P/B Ratio**	**Dividend yield (%)**	**ROE (%)**	**ROA (%)**
Bamburi Cement Ltd	43.00	21.30	**35.85**	▲ 1.8%	▲ 13.8%	110.10	13,012.1	0.49	0.75	73.2x	0.3x	2.1%	0.4%	0.4%
Crown Paints Kenya Plc	46.00	31.75	**35.65**	▲ 1.9%	▼ (14.8%)	26.45	5,075.2	4.03	4.00	8.8x	1.3x	11.2%	15.2%	7.1%
E.A Cables Ltd	1.26	0.72	**0.97**	▲ 1.0%	▲ 15.5%	2.03	245.5	(1.01)	-	(1.0x)	0.5x	0.0%	0.0%	0.0%
E.A Portland Cement Co. Ltd	9.50	5.38	**8.00**	-	▲ 17.6%	213.49	720.0	(15.07)	-	(0.5x)	0.0x	0.0%	0.0%	0.0%
Industry Median				**▲ 1.4%**	**▲ 14.6%**		**19,052.8**			**4.2x**	**0.4x**	**1.0%**	**0.2%**	**0.2%**
ENERGY & PETROLEUM	**52-Week High**	**52-Week Low**	**Current Price**	**Daily Change (%)**	**2023 change (%)**	**Book Value per Share**	**Market Cap (KES, Mn)**	**Trailing EPS**	**Dividend Per Share**	**P/E Ratio**	**P/B Ratio**	**Dividend yield (%)**	**ROE (%)**	**ROA (%)**
KenGen Co. Plc	3.88	1.95	**2.01**	▲ 0.5%	▼ (37.6%)	41.58	13,255.0	0.76	0.30	2.6x	0.0x	14.9%	1.8%	1.0%
Kenya Power & Lighting Co Plc	2.11	1.30	**1.42**	▼ (3.4%)	▼ (9.0%)	29.13	2,771.1	(1.64)	-	(0.9x)	0.0x	0.0%	0.0%	0.0%
TotalEnergies Marketing Kenya Plc	26.40	16.05	**18.00**	▼ (0.3%)	▼ (24.5%)	48.02	11,331.8	3.93	1.31	4.6x	0.4x	7.3%	8.2%	4.1%
Umeme Ltd	18.00	6.30	**16.00**	▼ (1.5%)	▲ 115.6%	46.52	25,982.0	2.34	2.49	6.8x	0.3x	15.6%	5.0%	4.0%
Industry Median				**▼ (0.9%)**	**▼ (16.8%)**		**53,339.9**			**3.6x**	**0.2x**	**11.1%**	**3.4%**	**2.5%**
INSURANCE	**52-Week High**	**52-Week Low**	**Current Price**	**Daily Change (%)**	**2023 change (%)**	**Book Value per Share**	**Market Cap (KES, Mn)**	**Trailing EPS**	**Dividend Per Share**	**P/E Ratio**	**P/B Ratio**	**Dividend yield (%)**	**ROE (%)**	**ROA (%)**
Britam Holdings Plc	6.70	4.01	**4.79**	▼ (3.0%)	▼ (7.9%)	9.33	12,087.5	1.13	-	4.2x	0.5x	0.0%	12.1%	1.7%
CIC Insurance Group Ltd	2.53	1.60	**2.24**	▼ (2.2%)	▲ 14.9%	3.35	5,858.8	0.58	0.13	3.9x	0.7x	5.8%	17.3%	3.0%
Jubilee Holdings Ltd	255.00	142.00	**185.00**	▲ 1.6%	▼ (6.9%)	648.33	13,407.5	62.29	11.00	3.0x	0.3x	5.9%	9.6%	2.5%
Kenya Re- Insurance Corporation Ltd	2.18	1.50	**1.88**	-	▲ 2.7%	14.73	5,263.6	1.31	0.20	1.4x	0.1x	10.6%	8.9%	5.0%
Liberty Kenya Holdings Ltd	7.48	3.30	**3.69**	-	▼ (34.1%)	16.93	1,976.8	0.91	-	4.1x	0.2x	0.0%	5.4%	1.1%
Sanlam Kenya Plc	11.70	6.70	**6.00**	▼ (1.3%)	▼ (37.4%)	5.70	864.0	(1.32)	-	(4.5x)	1.1x	0.0%	0.0%	0.0%
Industry Median				**▼ (0.7%)**	**▼ (7.4%)**		**39,458.2**			**3.4x**	**0.4x**	**2.9%**	**9.3%**	**2.1%**
INVESTMENT	**52-Week High**	**52-Week Low**	**Current Price**	**Daily Change (%)**	**2023 change (%)**	**Book Value per Share**	**Market Cap (KES, Mn)**	**Trailing EPS**	**Dividend Per Share**	**P/E Ratio**	**P/B Ratio**	**Dividend yield (%)**	**ROE (%)**	**ROA (%)**
Centum Investment Co Plc	10.00	7.60	**8.40**	▼ (0.2%)	▲ 0.5%	57.62	5,590.6	(5.01)	0.60	(1.7x)	0.1x	7.1%	0.0%	0.0%
Home Afrika Ltd	0.41	0.27	**0.37**	▲ 5.7%	▲ 15.6%	(6.61)	149.9	(0.11)	-	(3.4x)	(0.1x)	0.0%	0.0%	0.0%
Kurwitu Ventures Ltd	1500.00	1500.00	**1500.00**	-	-	502.63	153.4	(19.22)	-	(78.1x)	3.0x	0.0%	0.0%	0.0%
Olympia Capital Holdings Ltd	5.60	1.91	**3.27**	-	▲ 10.5%	25.44	130.8	0.61	-	5.4x	0.1x	0.0%	2.4%	1.7%
Trans-Century Plc	1.35	0.43	**0.52**	▲ 8.3%	▼ (44.1%)	(24.20)	195.1	(9.11)	-	(0.1x)	(0.0x)	0.0%	0.0%	0.0%
Industry Median				-	**▲ 0.5%**		**6,219.9**			**(1.7x)**	**0.1x**	**0.0%**	**0.0%**	**0.0%**
INVESTMENT SERVICES	**52-Week High**	**52-Week Low**	**Current Price**	**Daily Change (%)**	**2023 change (%)**	**Book Value per Share**	**Market Cap (KES, Mn)**	**Trailing EPS**	**Dividend Per Share**	**P/E Ratio**	**P/B Ratio**	**Dividend yield (%)**	**ROE (%)**	**ROA (%)**
Nairobi Securities Exchange Plc	8.00	5.50	**6.02**	▼ (1.3%)	▼ (11.2%)	7.43	1,567.6	0.17	0.20	35.4x	0.8x	3.3%	2.3%	2.1%
MANUFACTURING & ALLIED	**52-Week High**	**52-Week Low**	**Current Price**	**Daily Change (%)**	**2023 change (%)**	**Book Value per Share**	**Market Cap (KES, Mn)**	**Trailing EPS**	**Dividend Per Share**	**P/E Ratio**	**P/B Ratio**	**Dividend yield (%)**	**ROE (%)**	**ROA (%)**
B.O.C Kenya Plc	92.25	65.00	**82.00**	-	▲ 15.9%	83.26	1,601.1	6.13	4.40	13.4x	1.0x	5.4%	7.4%	5.7%
British American Tobacco Kenya Plc	495.00	400.00	**407.50**	-	▼ (11.4%)	140.04	40,750.0	67.89	57.00	6.0x	2.9x	14.0%	48.5%	25.6%
Carbacid Investments Plc	17.95	11.00	**15.00**	-	▲ 25.0%	16.33	3,822.8	3.20	1.70	4.7x	0.9x	11.3%	19.6%	19.9%
East African Breweries Plc	190.00	111.00	**114.00**	▼ (0.2%)	▼ (31.9%)	30.57	118,362.3	12.47	5.50	9.1x	3.7x	4.8%	40.8%	9.8%
Flame Tree Group Holdings Ltd	1.54	0.90	**1.04**	-	▼ (3.7%)	7.67	185.2	(0.92)	-	(1.1x)	0.1x	0.0%	0.0%	0.0%
Kenya Orchards Ltd	19.50	10.40	**19.50**	-	▲ 87.5%	2.08	250.9	0.23	-	85.0x	9.4x	0.0%	11.0%	2.0%
Unga Group Ltd	32.00	14.00	**16.85**	▲ 0.6%	▼ (47.3%)	76.28	1,275.7	(8.41)	-	(2.0x)	0.2x	0.0%	0.0%	0.0%
Industry Median					**▼ (3.7%)**		**166,247.9**			**6.0x**	**1.0x**	**4.8%**	**11.0%**	**5.7%**
TELECOMMUNICATION	**52-Week High**	**52-Week Low**	**Current Price**	**Daily Change (%)**	**2023 change (%)**	**Book Value per Share**	**Market Cap (KES, Mn)**	**Trailing EPS**	**Dividend Per Share**	**P/E Ratio**	**P/B Ratio**	**Dividend yield (%)**	**ROE (%)**	**ROA (%)**
Safaricom Plc	29.00	11.50	**13.90**	▲ 1.5%	▼ (42.4%)	8.62	556,909.4	1.65	1.20	8.4x	1.6x	8.6%	19.1%	10.6%
Market Average				**▲ 0.5%**	**▼ (27.7%)**					**7.3x**	**0.6x**	**4.7%**	**6.8%**	**3.1%**

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Research Desk

- Ronny Chokaa
- Stacy Makau
- Zainabu Monyani
- Alex Sanja

Email: research@aib-axysafrica.com

Bond Dealing

- Crispus Otieno
- Titus Marenye
- Aundrina Musyoka
- Kenneth Minjire

Email: trading@aib-axysafrica.com

Equities Dealing

- Nina Goswami
- Bernard Kung'u
- Benard Gichuru
- Anthony Muringi
- Samuel Githinji
- Sheema Shah
- Samuel Wachira
- Benson Ngugi

Email: trading@aib-axysafrica.com