

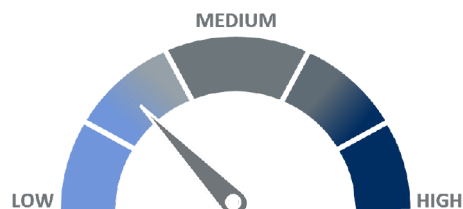
General Fund Information

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)	10.75
Assets Under Management (AUM)	425,028,658.00

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 (%)

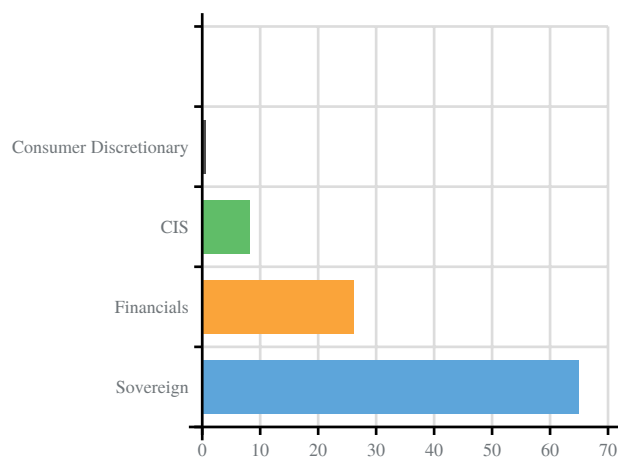
	1 Month	3 Months	6 Months	1 Year	2 Years*	3 Years*	5 Years*
Fund	-0.31	1.27	3.72	7.89	8.18	8.73	9.69
Benchmark**	0.18	0.83	3.10	8.70	9.17	9.95	10.95
Value Add	-0.49	0.44	0.62	-0.81	-0.99	-1.22	-1.26

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

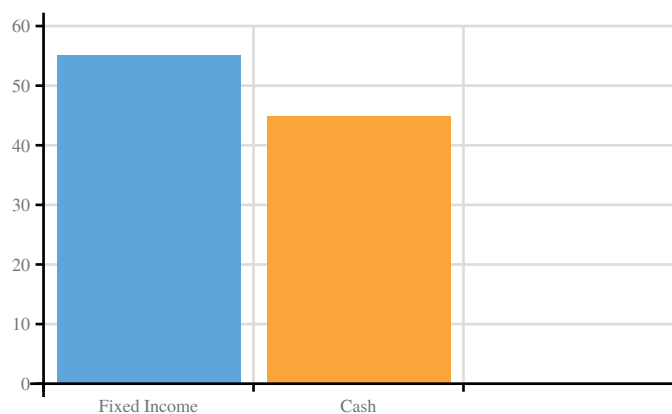
Issuer Exposure (%)

Central Bank of Kenya	65.0
Equity Bank	18.4
Select	6.5
AA Kenya Enhanced Yield Fund	4.2
CIS	4.0
East African Breweries Limited	0.6
NCB	0.5
Kenya Mortgage Refinance Company	0.5
Stanbic Bank	0.3

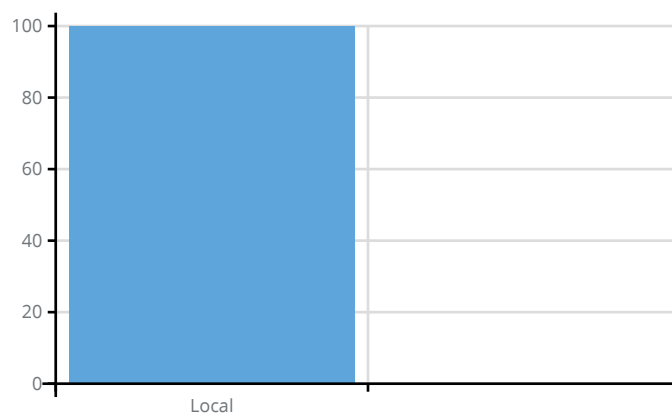
Sector Allocations (%)



Asset Class Breakdown (%)



Region Breakdown (%)



Portfolio Manager Commentary

The recently released Economic survey also showed that the Kenyan economy remained resilient in 2022, despite the subdued agriculture performance due to unfavourable weather conditions. Real GDP grew by 4.8% in 2022, reflecting a robust performance of the service sector, particularly transport and storage, financial and insurance, information and communication, and accommodation and food services. Leading indicators pointed to a strong economic performance in the first quarter of 2023 mainly driven by activity in the service sector and recovery in agriculture.

The Monetary Policy Committee (MPC) met at the end of May and retained the Central Bank Rate (CBR) at 9.50% to allow the previous policy actions to fully be transmitted into the economy. The committee cited expected acceleration in domestic inflationary pressures as a result of higher fuel prices. However, the MPC also noted that tightening at the March meeting was still transmitting through the economy, which combined with government measures to allow duty-free imports on specific food items should contribute to a decline in inflation.

The overall inflation increased to 8% during the month of May compared to 7.9% in April. This was mainly driven by an increase in the food and non-alcoholic beverages index (+1.4%) as well as the transport index (+1.2%), the latter driven by an increase in the prices of diesel (+3.8%) and petrol (1.8%) over the period. The increment in electricity prices and removal of fuel subsidies present further upside risks to the inflation outlook.

We anticipate that inflation will continue to moderate in the coming months on the back of the ongoing rains which should alleviate food pricing pressure. As such, we expect the MPC to maintain the policy rate unchanged through Q3:2023, though the risk of further tightening remains should inflationary pressures prove persistent.

Should inflation continue to ease as we anticipate, we believe that the MPC will keep the policy rate unchanged at 9.5%, allowing real rates to remain in positive territory and offer support to the currency. However, should upward surprises to the inflation outlook could see the MPC continue to hike the CBR to stem price pressures and re-anchor inflation expectations.

Dwindling forex reserves, coupled with FX weakness and further tightening of global financial conditions, could also put pressure on the MPC to hike the CBR further. During the month, the Kenya Shilling depreciated by 1.95% against the US Dollar, to close the month at KShs 138.55, partly attributable to the increased dollar demand from importers.

The expected changes in the composition of the MPC, as the current governor and deputy governor's terms come to an end in June, could also usher in a change in the monetary policy stance.

We continue to take a "Neutral position" on the equities markets in the short term as we expect the current high foreign investors sell-offs to continue weighing down the equities outlook in the short term. However, we see a silver lining in the opportunity to take advantage of the attractive valuations and expected global and local economic recovery by selectively picking value stocks with strong earning growth and with good dividend yields that are trading at discounts to their intrinsic value.

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.