

Stock Recommendation

Company	*Fair Value (KES)	Closing Price (KES)	Upside/downside (%)	Current Rating
Safaricom	31.11	14.10	120.6%	BUY
Equity bank	43.67	35.70	22.3%	BUY
KCB bank	47.26	19.10	147.4%	BUY
Co-op bank	20.46	11.15	83.5%	BUY
ABSA bank	12.89	11.30	14.1%	HOLD
StanChart bank	138.26	155.50	-11.1%	HOLD
NCBA bank	40.68	39.70	2.5%	HOLD
I&M bank	33.32	17.50	90.4%	BUY
Stanbic bank	108.85	105.00	3.7%	HOLD
DTB bank	116.13	47.00	147.1%	BUY
EABL	164.58	111.00	48.3%	BUY
Bamburi Cement	51.96	38.05	36.6%	BUY
BAT Kenya	544.27	410.00	12.2%	HOLD

*banks' fair values have been updated

Kenya Weekly Commentary

Kenya Market Summary

Equity market commentary and outlook

- During the week, Safaricom retreated to a 10-day low on account of foreign investors' sell-off. Similarly, StanChart bank touched a 19-day low on the back of foreign sell-off. After holding a pre-closed period investor call in the prior week, EABL traded down to a 12-month low driven by foreign selling.

Debt market commentary and outlook

- Overall subscription rates decreased to 72.3%, down from 156.9% the prior week, hitting a 12-weeks low. Investors remained skewed on the 91-Day T-Bill but activity was subdued on the 182-Day T-Bill and 364-Day T-Bill for the twenty-first successive week. The yield on the 91-Day T-Bill edged up for the sixteenth straight week and the yield on the 182-Day T-Bill trended up for the seventieth straight week and the yield on the 364-Day T-Bill notched up for the eleventh consecutive week.

Key Market Indicators

Index Returns	Level	1w (%)	1m (%)	3m (%)	6m (%)	12m (%)	ytd (%)
Kenya NSE 20 Index Return	1,491.9	-1.4%	1.3%	-3.2%	-4.7%	-9.7%	-11.0%
Kenya NASI Return	92.0	-2.1%	1.7%	-6.8%	-8.3%	-28.4%	-27.8%

Source: NSE, Kestrel Research

NSE versus other markets

Index Returns (USD)	1w (%)	1m (%)	3m (%)	6m (%)	12m (%)	ytd (%)
Nairobi All Share Index	-3.4%	-0.4%	-12.5%	-17.5%	-43.3%	-42.7%
Johannesburg Index	5.8%	2.2%	4.9%	-4.5%	-1.0%	-4.0%
Nigeria Stock Exchange	1.1%	6.6%	2.8%	0.5%	-17.7%	-18.9%
Ghana Stock Exchange	-2.1%	-4.6%	-8.7%	9.4%	-6.3%	5.6%
Egyptian Stock Exchange	0.1%	1.4%	26.6%	38.1%	30.3%	35.6%
MSCI EFM ex SA Index	0.4%	2.5%	6.4%	8.1%	-1.2%	3.3%

Other market statistics

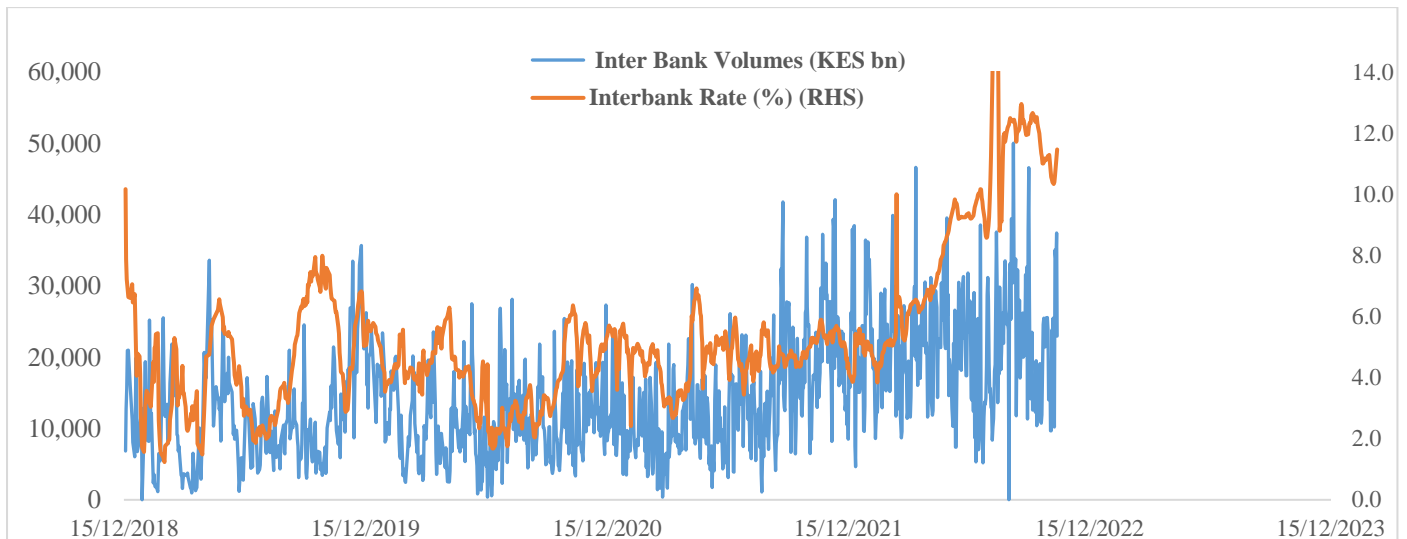
Currencies	Level	1w (%)	1m (%)	3m (%)	6m (%)	12m (%)	ytd (%)
USD/KES	154.0	-0.4%	-1.1%	-4.6%	-9.1%	-20.1%	-19.9%
USD/ZAR	18.3	3.5%	0.3%	3.8%	-0.7%	-3.5%	-7.0%
USD/EGP	30.9	-0.1%	0.0%	0.0%	-0.1%	-20.2%	-19.9%
USD/NGN	799.6	0.3%	5.1%	-3.9%	-17.8%	-43.7%	-42.4%
USD/GHS	12.0	-0.1%	-0.7%	-4.6%	-5.7%	-25.2%	-15.6%

NSE most active counters

Counter	Value Traded (KES m)	Foreign Investor Net Buying/(Selling) (KES m)	Foreign Investor Activity as % of total	Weekly Price Change (%)	YTD (%)	% Below 12-month high	% Above 12-month low
Safaricom	349.8	-190.2	42.1%	3.6%	-39.8%	-43.5%	21.0%
Equity bank	44.1	-27.1	34.1%	-5.8%	-19.8%	-23.9%	0.4%
KCB bank	20.9	-6.6	48.0%	-1.0%	-49.9%	-51.3%	21.3%
StanChart bank	10.9	-1.5	8.3%	-3.4%	8.9%	-9.1%	15.0%
NCBA bank	7.5	0.0	0.3%	0.5%	0.9%	-4.8%	29.3%

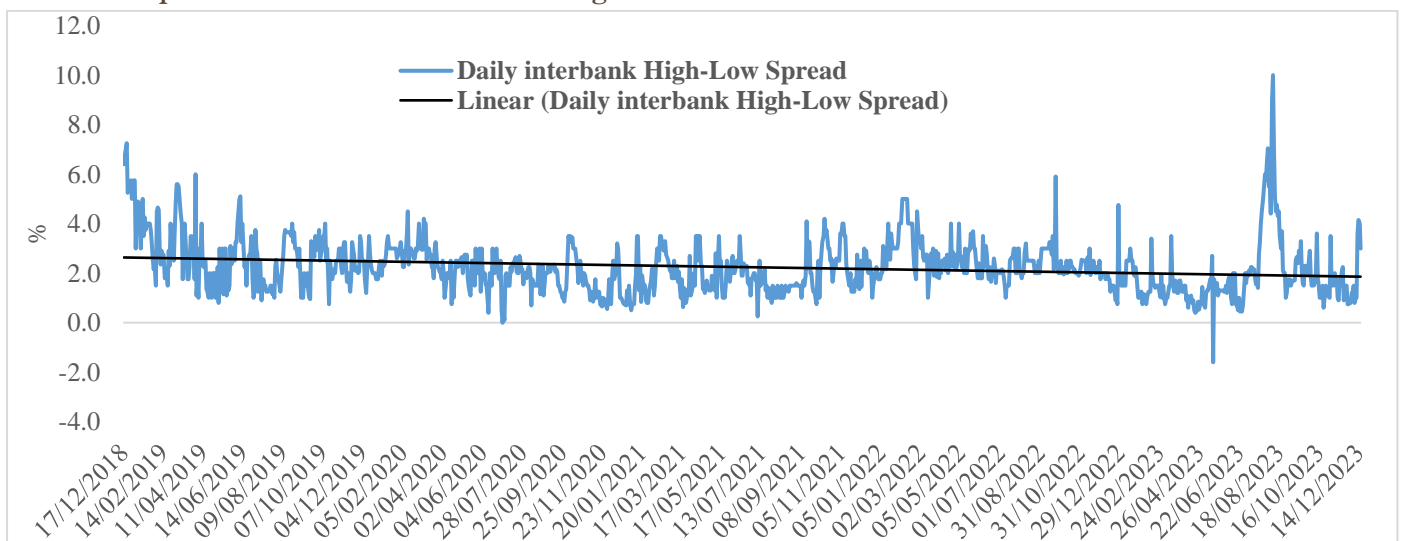
Key Rates and Spreads

Inter-bank rates rise week-on-week after two consecutive falls



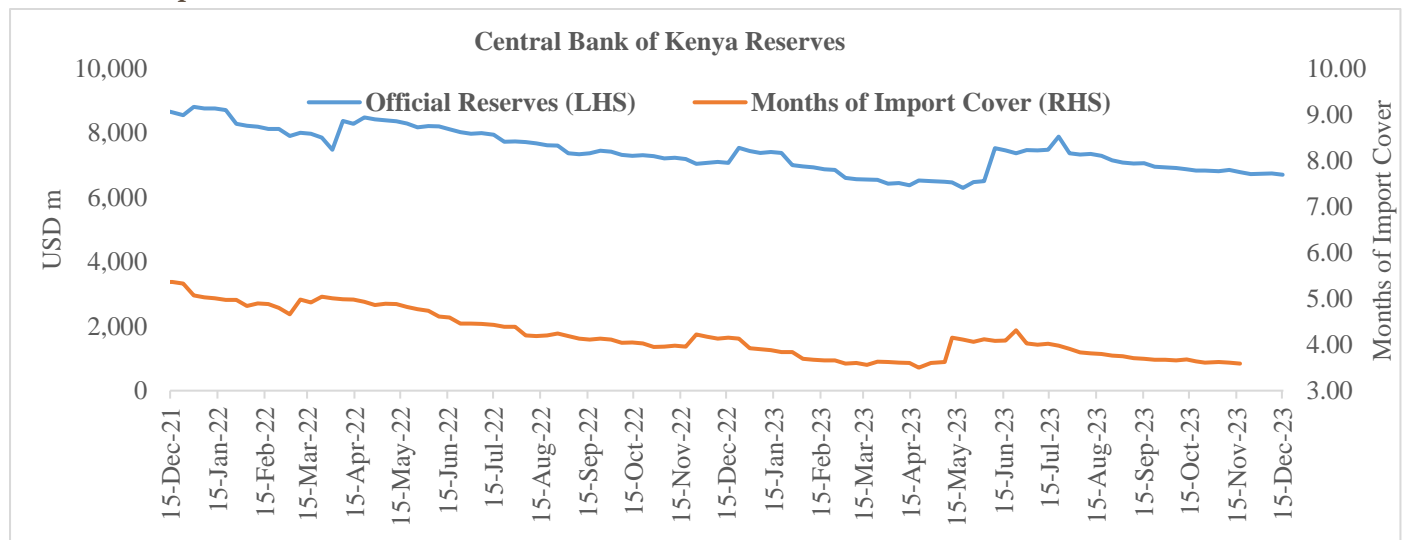
Source: CBK

Inter-bank spreads widen close to a 2-month high



Source: CBK

Months of import cover & CBK FX reserves decline week-on-week



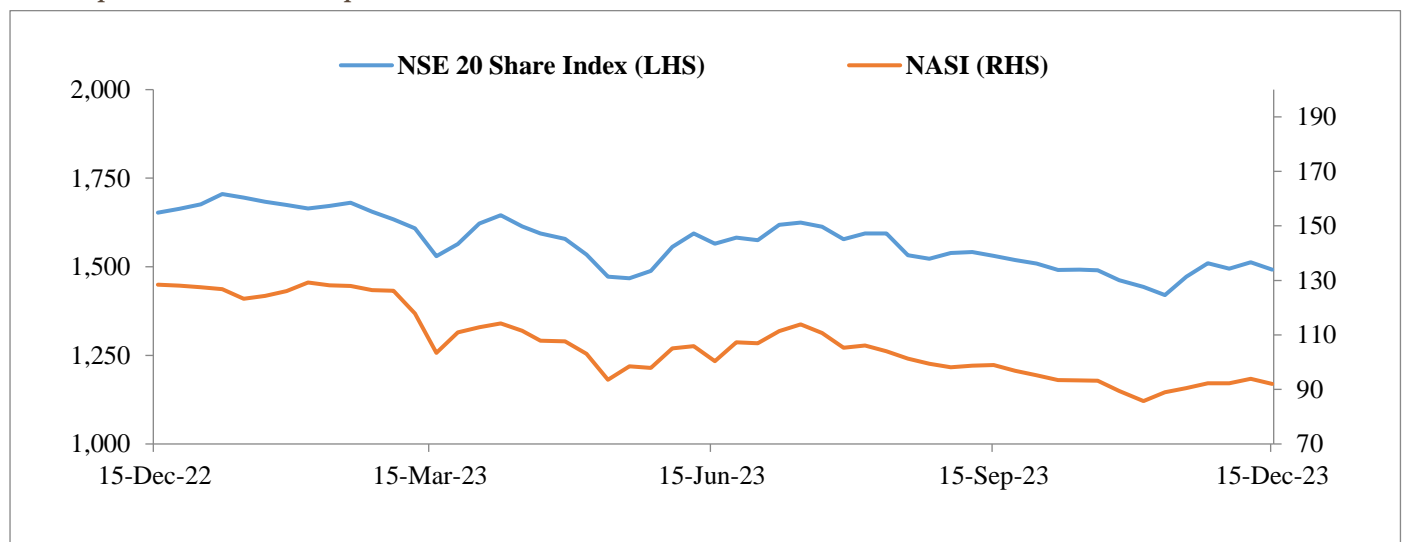
Source: CBK

Equity market trading commentary

After rising in the last three weeks, market turnover fell by 57.6% w/w to stand at USD 3.7m (KES 0.5bn) – the days of trading were shorter at 4 on account of a Public Holiday. Breaking a 4-weeks winning streak, the NASI gave back 2.1% w/w to close at 92.00 and the NSE 20 erased 1.4% w/w to settle at 1,491.92. Foreign investors emerged as net seller at USD 1.5m (KES 230.8m). Local investors dominated trading at 68.9% of total turnover, up from 46.8% marked last week – the highest levels in the last twelve weeks. Safaricom (USD 1.2m, KES 190.2m) and Equity bank (USD 0.2m, KES 27.1m) saw the highest net foreign outflows at USD 1.2m (KES 190.2m). On the other hand, Umeme Ltd recorded the highest net foreign inflows.

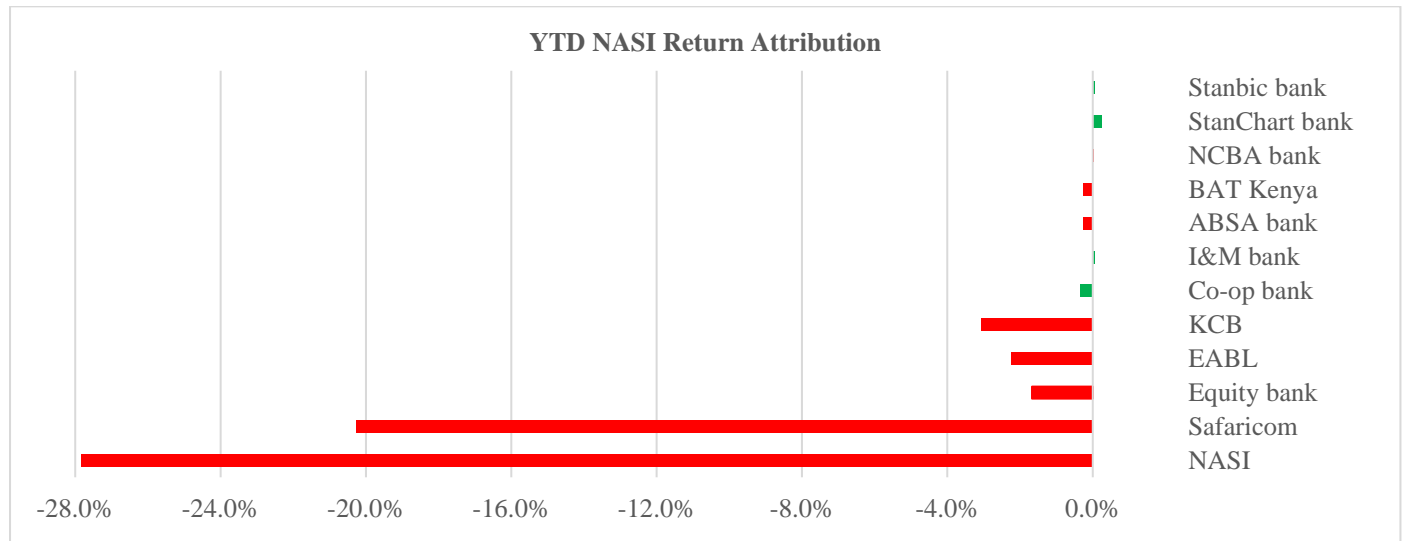
During the week, Safaricom retreated to a 10-day low on account of foreign investors’ sell-off. Similarly, StanChart bank touched a 19-day low on the back of foreign sell-off. After holding a pre-closed period investor call in the prior week, EABL traded down to a 12-month low driven by foreign selling.

Market performance over the past 12 months



Source: NSE

NASI performance: Year-to-date (YTD) Return Attribution



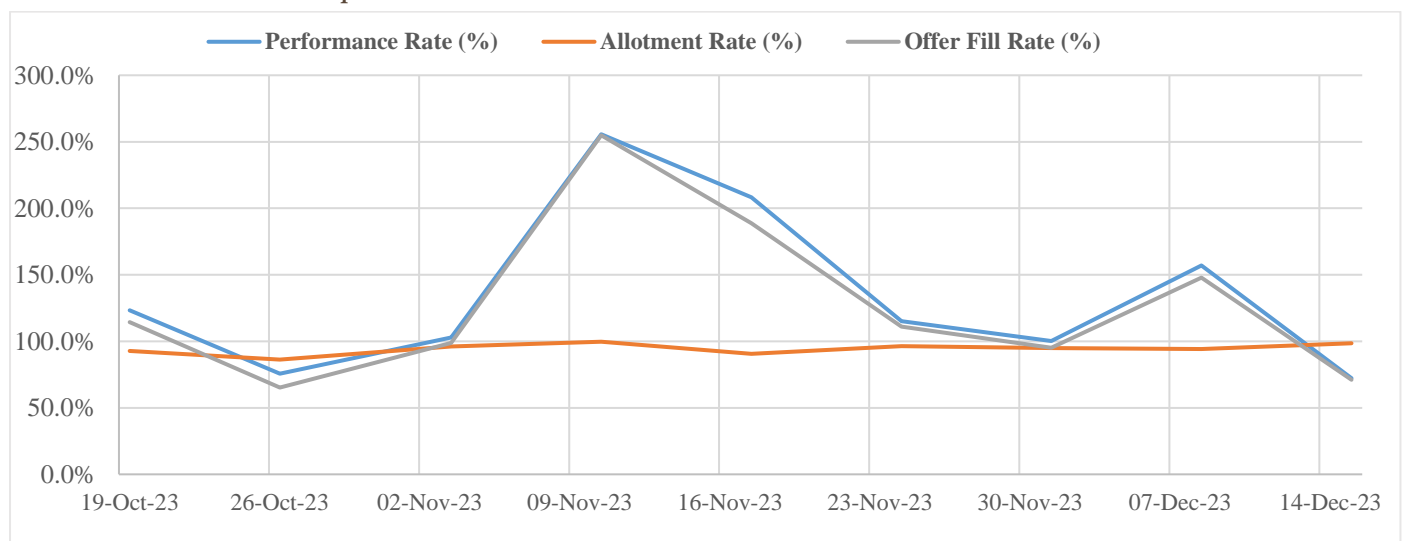
Source: Kestrel Research

Debt market trading commentary

Overall subscription rates decreased to 72.3%, down from 156.9% the prior week, hitting a 12-weeks low. Investors remained skewed on the 91-Day T-Bill but activity was subdued on the 182-Day T-Bill and 364-Day T-Bill for the twenty-first successive week. The yield on the 91-Day T-Bill edged up for the sixteenth straight week and the yield on the 182-Day T-Bill trended up for the seventieth straight week and the yield on the 364-Day T-Bill notched up for the eleventh consecutive week.

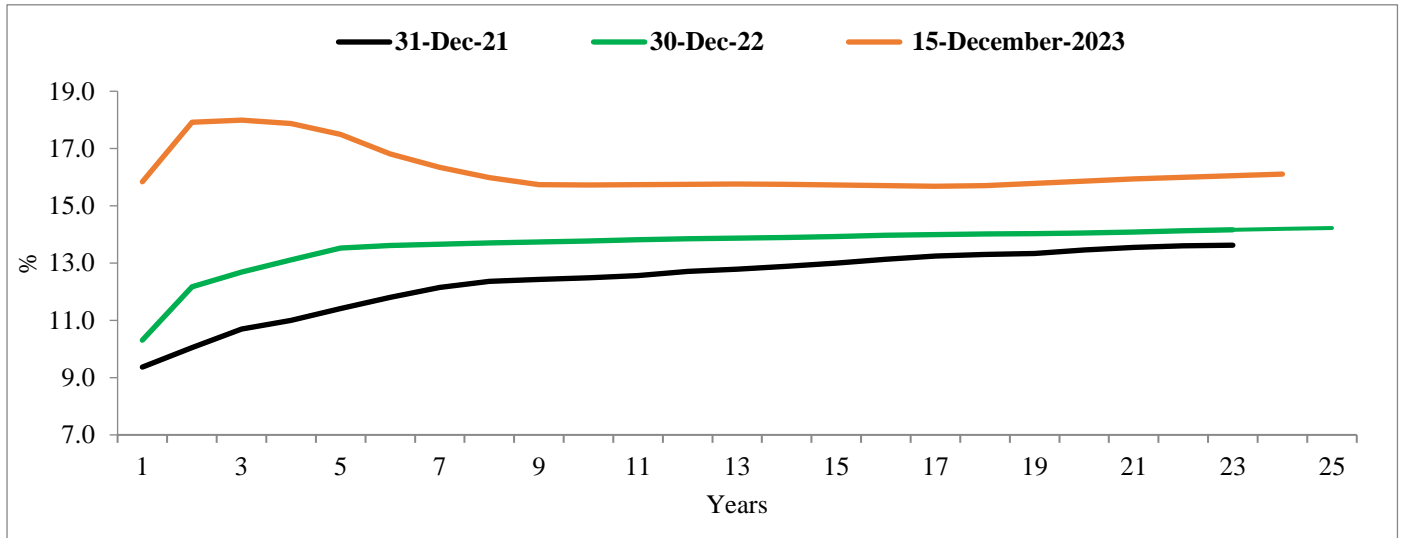
The Central Bank of Kenya offered KES 4.0bn for the 91-Day T-Bill and KES 10.0bn each for the 182-Day T-Bill and the 364-Day T-Bill. It received bids worth KES 13.8bn for the 91-Day T-Bill, implying a subscription rate of 344.79%. It accepted bids worth KES 13.5bn at an average yield of 15.711% (+13.6bps w/w). The 182-Day T-Bill received bids worth KES 2.9bn, implying a performance rate of 29.22%. It accepted bids worth KES 2.9bn at an average yield of 15.922% (+17.3bps w/w). The 364-Day T-Bill received bids worth KES 0.6bn, implying a performance rate of 6.29%. It accepted bids worth KES 0.6bn at an average yield of 15.834% (+3.9bps w/w).

T-Bills Performance: Overall performance rates declines to a 12-weeks low



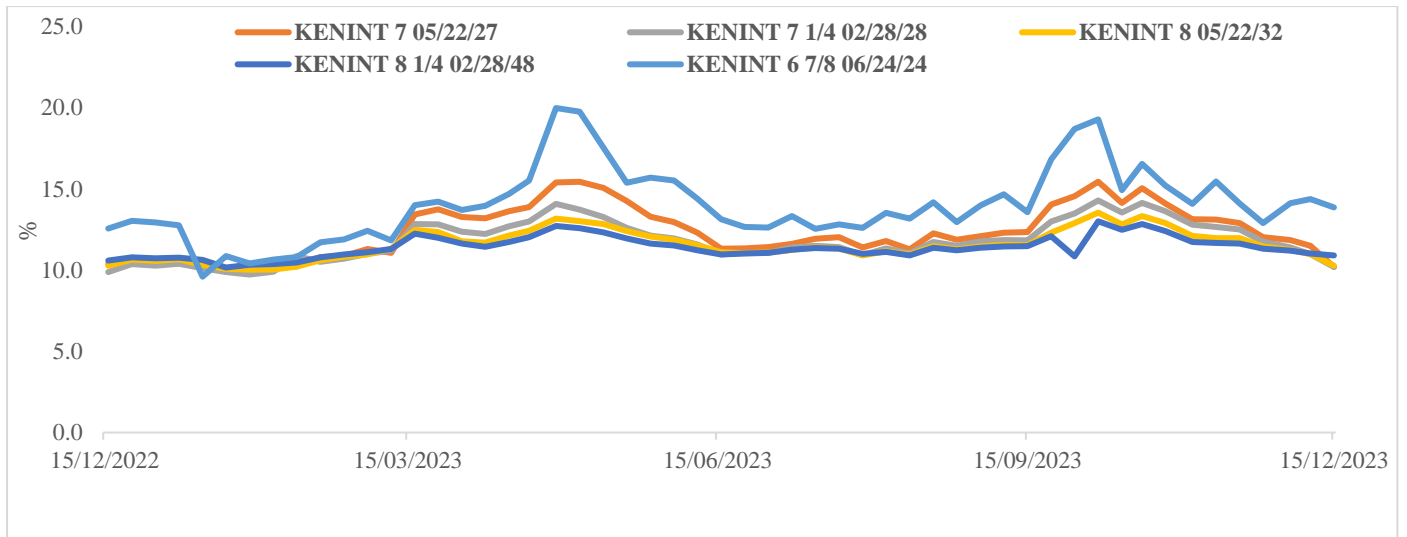
Source: CBK

Kenya Domestic Yield Curve



Source: CBK

Kenya Eurobond Yields: Yields across tenors decline for the eighth week in a row



Source: Bloomberg

Top counters by market capitalization

Company	Sector	Year	12-M High	12-M Low	Price	YTD	Market Cap	Weighting	EPS	DPS	NAV	P/E	Div	P/B	ROE %	Daily Trading ¹
Safaricom	Telecom	Mar	24.95	11.65	14.10	-41.6	3,675	39.1%	1.55	1.20	4.7	9.1	8.5	3.0	33.2	781,468
Equity Bank	Banking	Dec	46.90	35.55	35.70	-19.8	876	9.3%	12.22	3.00	48.7	2.9	8.4	0.7	25.1	161,266
EA Breweries	Breweries	Jun	187.00	111.00	111.00	-33.7	571	6.1%	12.47	5.50	27.1	8.9	5.0	4.1	46.1	22,903
Co-op Bank	Banking	Dec	13.35	10.20	11.15	-9.3	426	4.5%	3.98	1.50	18.4	2.8	13.5	0.6	21.6	41,684
NCBA Bank	Banking	Dec	41.70	30.70	39.70	0.9	425	4.5%	9.48	4.00	53.7	4.2	10.1	0.7	17.6	13,518
Absa Bank	Banking	Dec	12.95	10.10	11.30	-8.1	399	4.2%	2.98	1.35	12.0	3.8	11.9	0.9	24.8	26,320
KCB Bank	Banking	Dec	39.20	15.75	19.10	-49.9	399	4.2%	12.47	2.00	68.1	1.5	10.5	0.3	18.3	80,331
StanChart Bank	Banking	Dec	171.00	135.25	155.50	8.9	382	4.1%	34.62	22.00	158.0	4.5	14.1	1.0	21.9	19,984
Stanbic Bank	Banking	Dec	129.75	92.75	105.00	2.9	270	2.9%	28.71	13.75	140.8	3.7	13.1	0.7	20.4	18,592
BAT Kenya	Tobacco	Dec	479.75	401.25	410.00	-10.9	267	2.8%	68.92	57.00	163.8	5.9	13.9	2.5	42.1	22,512
Bank of Kigali	Banking	Dec	37.00	28.45	35.75	13.5	209	2.2%	7.55	3.28	46.8	4.7	9.2	0.8	16.1	153
I&M Holdings	Banking	Dec	21.00	15.85	17.50	2.9	188	2.0%	7.35	2.25	47.8	2.4	12.9	0.4	15.4	7,004
Umeme Ltd.	Power	Dec	17.75	7.04	14.80	99.5	156	1.7%	3.03	2.12	20.7	4.9	14.3	0.7	14.7	4,450
Bamburi Cement	Cement	Dec	42.00	22.50	38.05	20.8	90	1.0%	2.15	3.58	82.1	17.7	9.4	0.5	2.6	15,100
KenGen	Power	Jun	3.29	2.02	2.07	-35.7	89	0.9%	0.76	0.30	41.6	2.7	14.5	0.0	1.8	9,937
Jubilee Insurance	Insurance	Dec	200.00	148.25	184.00	-7.4	87	0.9%	68.38	14.00	613.8	2.7	7.6	0.3	11.1	7,472
DTB Bank	Banking	Dec	55.25	44.00	47.00	-6.0	85	0.9%	22.56	5.00	256.8	2.1	10.6	0.2	8.8	5,844
Britam	Insurance	Dec	5.68	4.05	4.93	-5.2	81	0.9%	0.53	-	9.2	9.3	-	0.5	5.7	2,886
Kakuzi	Agric	Dec	430.00	240.00	385.00	0.0	49	0.5%	43.15	24.00	303.5	8.9	6.2	1.3	14.2	506
CIC Insurance	Insurance	Dec	2.52	1.68	2.30	17.9	39	0.4%	0.42	0.13	3.3	5.5	5.7	0.7	12.8	1,354
Centum Investment	Finance	Mar	9.50	8.00	8.50	1.7	37	0.4%	(8.95)	0.60	55.8	-	7.1	0.2	(16.1)	7,467
Crown Paints	Manufac.	Dec	44.80	32.30	35.00	-16.4	32	0.3%	5.13	4.00	24.1	6.8	11.4	1.5	21.3	138
Kenya Re	Insurance	Dec	2.02	1.54	1.76	-3.8	32	0.3%	1.17	0.10	13.4	1.5	5.7	0.1	8.7	1,972
Sasini Tea & Coffee	Agric	Sept	31.40	18.20	20.00	-10.9	30	0.3%	3.82	1.00	61.7	5.2	5.0	0.3	6.2	542
Carbacid	Gases	July	17.55	11.95	14.95	24.6	25	0.3%	2.98	0.70	13.6	5.0	4.7	1.1	21.9	2,296
Nation Media	Media	Dec	21.00	14.15	20.05	25.7	25	0.3%	16.74	1.49	43.1	1.2	7.4	0.5	38.9	12,755
Kenya Power	Power	Jun	1.70	1.37	1.37	-12.2	17	0.2%	(1.64)	-	29.1	-	-	0.0	(5.6)	3,987
TPSEA Serena	Tourism	Dec	15.45	10.85	13.80	3.4	16	0.2%	(3.47)	-	33.3	-	-	0.4	(10.4)	177
Liberty K. Holdings	Insurance	Dec	5.68	3.45	3.65	-34.8	13	0.1%	0.15	-	15.9	23.9	-	0.2	1.0	65
BOC Kenya	Gases	Dec	90.25	65.00	84.50	19.4	11	0.1%	7.58	5.95	85.1	11.1	7.0	1.0	8.9	385
NSE	Finance	Dec	7.00	5.52	5.94	-12.4	10	0.1%	0.05	0.20	7.1	112.3	3.4	0.8	0.7	559
Housing Finance	Banking	Dec	5.10	3.01	3.52	10.3	9	0.1%	(1.45)	-	20.5	-	-	0.2	(7.1)	6,391
Unga Ltd	Food	Jun	32.00	14.00	16.75	-47.7	8	0.1%	2.48	-	58.3	6.8	-	0.3	4.2	28
Sanlam Kenya	Insurance	Dec	9.68	6.14	6.14	-35.9	6	0.1%	(3.77)	-	3.9	-	-	1.6	(97.1)	65
Car & Gen	Motors	Sept	49.00	21.30	25.00	-47.3	7	0.1%	26.33	3.20	135.8	0.9	12.8	0.2	19.4	69
											Average	10.0	9.2	1.8	24.8	1,286,865

Disclaimer

Note: Readers should be aware that Kestrel Capital (EA) Ltd does and seeks to do business with companies covered in its research reports. Consequently, a conflict of interest may arise that could affect the objectivity of this report. This document should only be considered a single factor used by investors in making their investment decisions. The reader should independently evaluate the investment risks and is solely responsible for their investment decisions.

The opinions and information portrayed in this report may change without prior notice to investors. This publication may not be distributed to the public media or quoted or used by the public media without prior and express written consent of Kestrel Capital (EA) Ltd.

Directors, staff of Kestrel Capital (EA) Ltd and their family members, may from time to time hold shares in the company it recommends to either buy or sell and as such the investor should determine for themselves the applicability of this recommendation.

This document does not constitute an offer, or the solicitation of an offer, for the sale or purchase of any security. Whilst every care has been taken in preparing this document, no representation, warranty or undertaking (express or implied) is given and no responsibility or liability is accepted by Kestrel Capital or any employee of Kestrel Capital as to the accuracy of the information contained and opinions expressed herein.

Kestrel Capital E.A. Ltd.

Orbit Place, 1st Floor
Westlands Road

Tel: +254 20 2251758

research@kestrelcapital.com
www.kestrelcapital.com

Bloomberg: KEST <GO>

Equity Sales & Trading

Sally Kotut
sallyk@kestrelcapital.com

Chris Miriti
chrism@kestrelcapital.com

Amanda Onyango
amandao@kestrelcapital.com

Research

Ephantus Maina
ephanusm@kestrelcapital.com

Fixed Income Sales & Trading

Alexander Muiruri
alexanderm@kestrelcapital.com

Edwin Muthaura
edwinm@kestrelcapital.com

CEO & Executive Director

Francis Mwangi, CFA
francism@kestrelcapital.com