

Stock Recommendation

| Company | *Fair Value (KES) | Closing Price (KES) | Upside/downside (%) | Current Rating |
|----------------|-------------------|---------------------|---------------------|----------------|
| Safaricom | 33.27 | 23.95 | 38.9% | BUY |
| Equity Bank | 54.37 | 46.15 | 17.8% | BUY |
| KCB Bank | 74.22 | 43.60 | 70.2% | BUY |
| Co-Op Bank | 18.33 | 16.65 | 10.1% | HOLD |
| ABSA Bank | 11.52 | 18.65 | -38.2% | SELL |
| Stanchart Bank | 245.66 | 283.00 | -13.2% | HOLD |
| NCBA Bank | 40.63 | 56.00 | -27.4% | SELL |
| I&M Bank | 38.37 | 34.30 | 11.9% | HOLD |
| Stanbic Bank | 118.55 | 160.25 | -26.0% | SELL |
| DTB Bank | 109.36 | 74.00 | 47.8% | BUY |
| EABL | 341.24 | 185.00 | 84.5% | BUY |
| BAT Kenya | 411.34 | 350.00 | 17.5% | BUY |

Kenya Market Summary

Equity market commentary and outlook

- In the past week, BK Group reached a 27-month low on increased foreign sales, as Centum Investments reached a nine-day low on increased foreign sales. Kenya-Re reached a 12-week high on increased local participation. The NSE-20 broke a four-day winning streak. Local investors led trading at 63.9% of total trading activity. Foreign investors remained net buyers for the week at USD 3.1m (KES 402.8m). Safaricom registered the highest net foreign inflows at USD 2.7m (KES 353.5m) while Centum Investments marked the highest net foreign outflows at USD 0.5m (KES 58.4m).

Debt market commentary and outlook

- Overall subscription rates in the debt market reduced to 114.1% from 237.4% the previous week. Investors were skewed towards the 364-day T-Bill, and activity improved for only the 182-day T-Bill. Yields decreased for all three T-bills. The yield on the 91-day T-Bill fell for the forty-eighth consecutive week, the 182-day T-Bill continuing its twenty-two-week decline, and the 364-day T-Bill falling repeatedly for the fourth week.

Key Market Indicators

| Index | Level | 1w | 1m | 3m | 6m | 12m | ytd (%) |
|--------------------|---------|-------|-------|-------|-------|-------|---------|
| Kenya NSE 20 Index | 2,277.0 | 37.2% | 34.8% | 50.4% | 57.8% | 48.4% | 13.2% |
| Kenya NASI | 145.7 | 39.2% | 36.7% | 57.0% | 69.9% | 41.4% | 18.0% |

Source: NSE, Kestrel Research

NSE versus other markets

| Index Returns (USD) | 1w (%) | 1m (%) | 3m (%) | 6m (%) | 12m (%) | ytd (%) |
|-------------------------|--------|--------|--------|--------|---------|---------|
| Nairobi All Share Index | -1.3% | 10.1% | 3.1% | 6.9% | 7.3% | -10.2% |
| Johannesburg Index | -1.0% | 1.5% | 6.5% | 6.7% | 4.1% | -1.6% |
| Nigeria Stock Exchange | 2.5% | 8.0% | 0.8% | 4.5% | -1.7% | -0.8% |
| Ghana Stock Exchange | 0.1% | -0.5% | 51.9% | 20.5% | 32.2% | -24.8% |
| Egyptian Stock Exchange | -8.5% | 1.9% | 2.3% | 4.5% | 0.6% | 0.6% |
| MSCI EFM ex SA Index | 0.1% | 2.8% | 3.3% | 7.4% | 0.8% | -2.4% |

Other market statistics

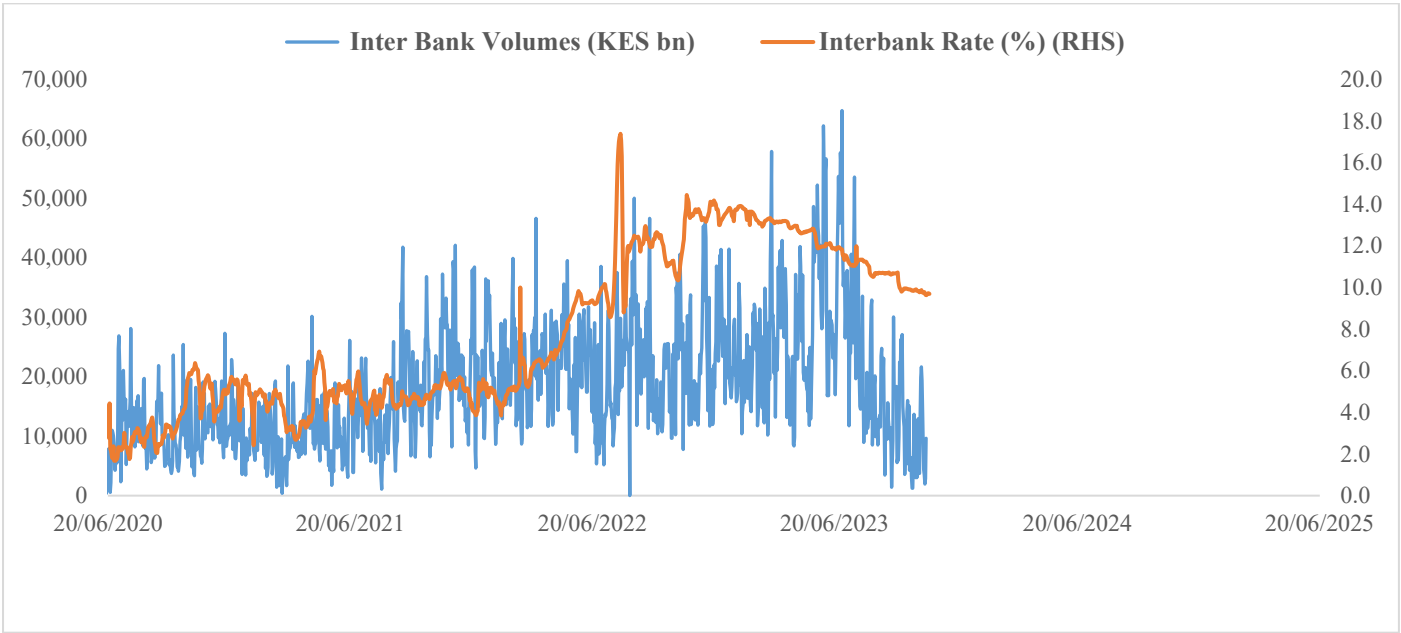
| Currencies | Level | 1w (%) | 1m (%) | 3m (%) | 6m (%) | 12m (%) | ytd (%) |
|------------|---------|--------|--------|--------|--------|---------|---------|
| USD/KES | 129.17 | 0.1% | 0.1% | 0.1% | 0.0% | -0.5% | 0.1% |
| USD/ZAR | 17.99 | -0.3% | -0.9% | 1.3% | 1.7% | -0.1% | 3.9% |
| USD/EGP | 50.66 | -1.9% | -1.5% | -0.2% | 0.5% | -6.2% | 0.2% |
| USD/NGN | 1548.96 | 0.0% | 2.4% | -0.2% | 0.0% | -3.6% | -0.3% |
| USD/GHS | 10.30 | -0.4% | 1.9% | 33.5% | 29.9% | 32.0% | 29.9% |

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 | 951.5 | 353.5 | 53.8% | -2.8% | 40.5% | -3.8% | 66.3% |
| Stanbic Bank | 327.9 | 89.2 | 62.4% | -0.9% | 16.8% | -10.7% | 42.8% |
| KCB Bank | 234.5 | -3.6 | 0.8% | -2.1% | 4.8% | -4.8% | 48.6% |
| Equity Bank | 161.7 | 69.1 | 23.8% | 1.8% | -4.5% | -7.7% | 19.9% |
| Liberty Insurance | 105.0 | 0.0 | 0.0% | -2.8% | 53.4% | -14.6% | 113.1% |

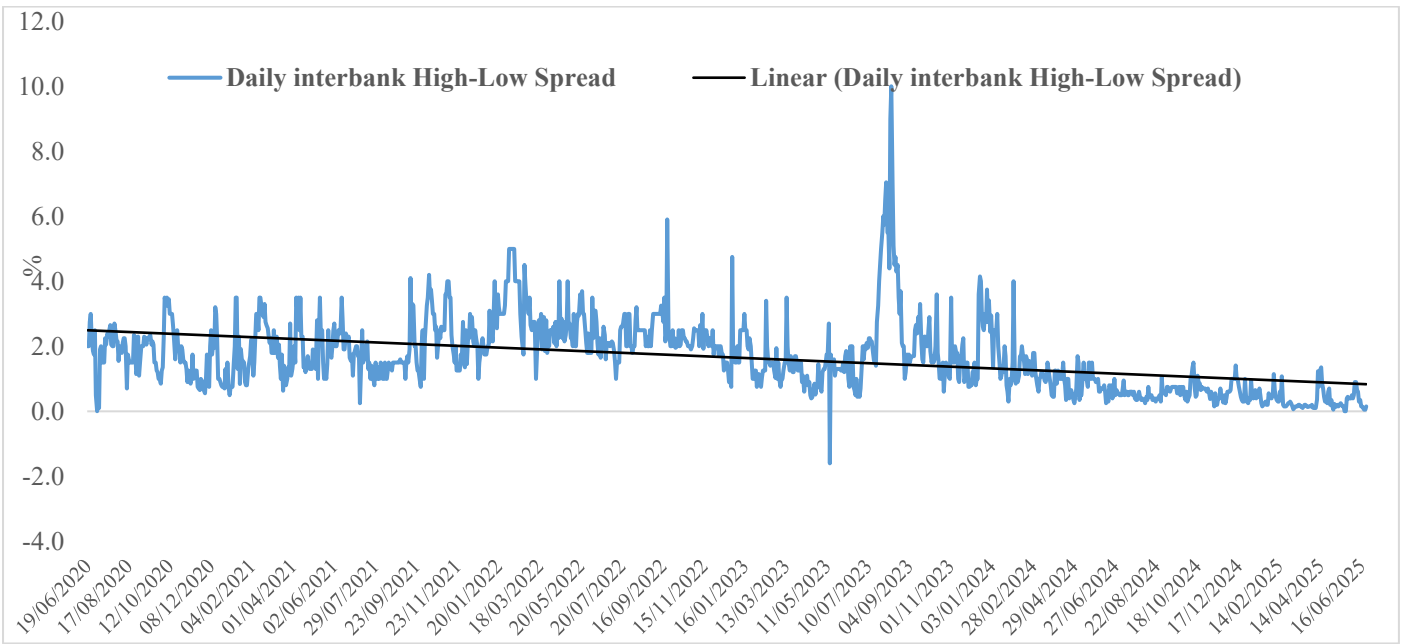
Key Rates and Spreads

Interbank rates improve week-on-week.



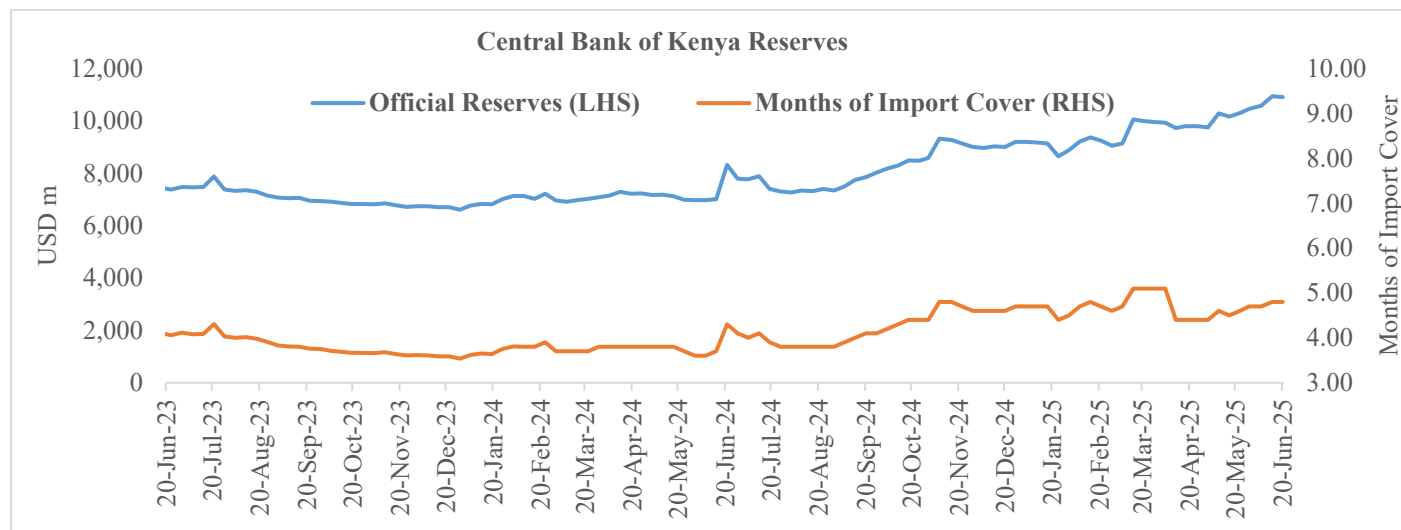
Source: CBK

Interbank spreads remain neutral.



Source: CBK

CBK Reserves hold steady at 4.8 months of import cover.

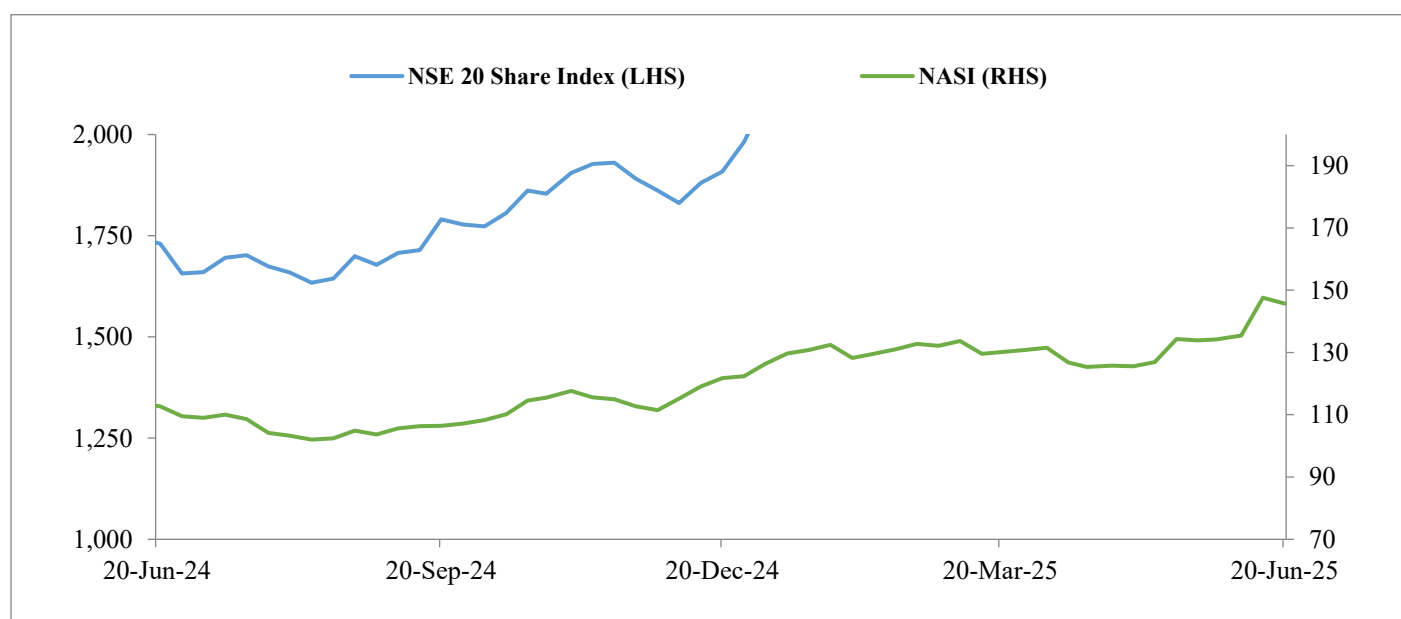


Source: CBK

Equity market trading commentary

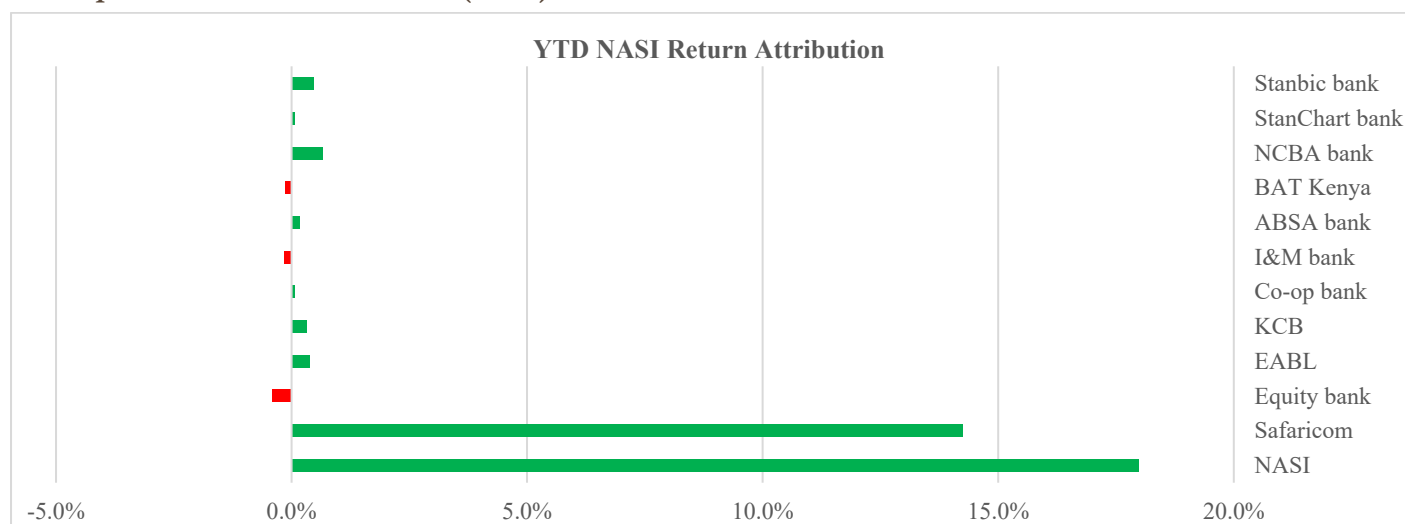
Total market turnover declined by 57.3%, settling at USD 17.2m(KES 2.5bn). The NASI declined by 1.3% to end at 145.68, breaking a three-week gaining streak, as the NSE-20 retreated by 0.2% to conclude at 2,277.04. Local investors led trading at 63.9% of total trading activity. Foreign investors remained net buyers for the week at USD 3.1m (KES 402.8m). Safaricom registered the highest net foreign inflows at USD 2.7m (KES 353.5m) while Centum Investments marked the highest net foreign outflows at USD 0.5m (KES 58.4m).

Market performance over the past 12 months



Source: NSE

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



Source: Kestrel Research

Debt market trading commentary

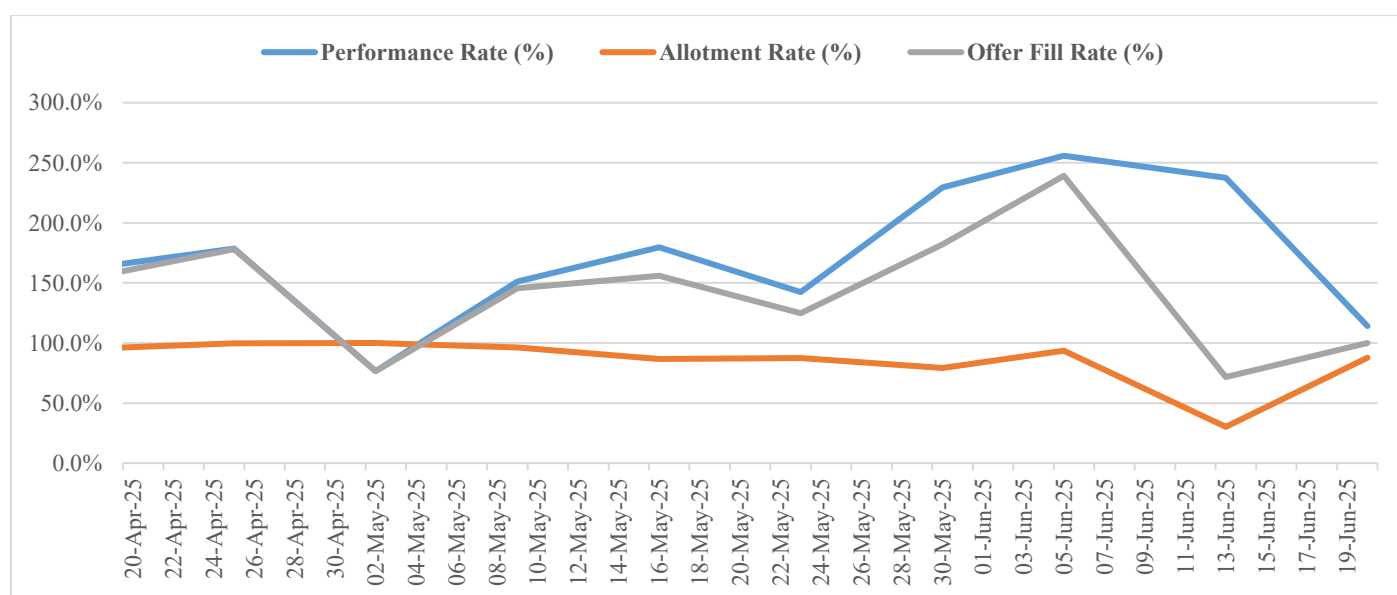
Total subscription rates in the debt market reduced to 114.1% from 237.4% the previous week. Investors were skewed towards the 364-day T-Bill, and activity improved for only the 182-day T-Bill. Yields decreased for all three T-bills. The yield on the 91-day T-Bill fell for the forty-eighth consecutive week, the 182-day T-Bill continuing its twenty-two-week decline and the 364-day T-Bill falling repeatedly for the fourth week.

The CBK also 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 3.7bn for the 91-day T-bill, implying a subscription rate of 93.65%. It accepted bids worth KES 3.7bn at an average yield of 8.169% (-1.02 bps w/w).

The 182-Day T-Bill received bids worth KES 2.6bn, implying a performance rate of 26.11%. It accepted bids worth KES 2.6bn at an average yield of 8.476% (-1.87 bps w/w).

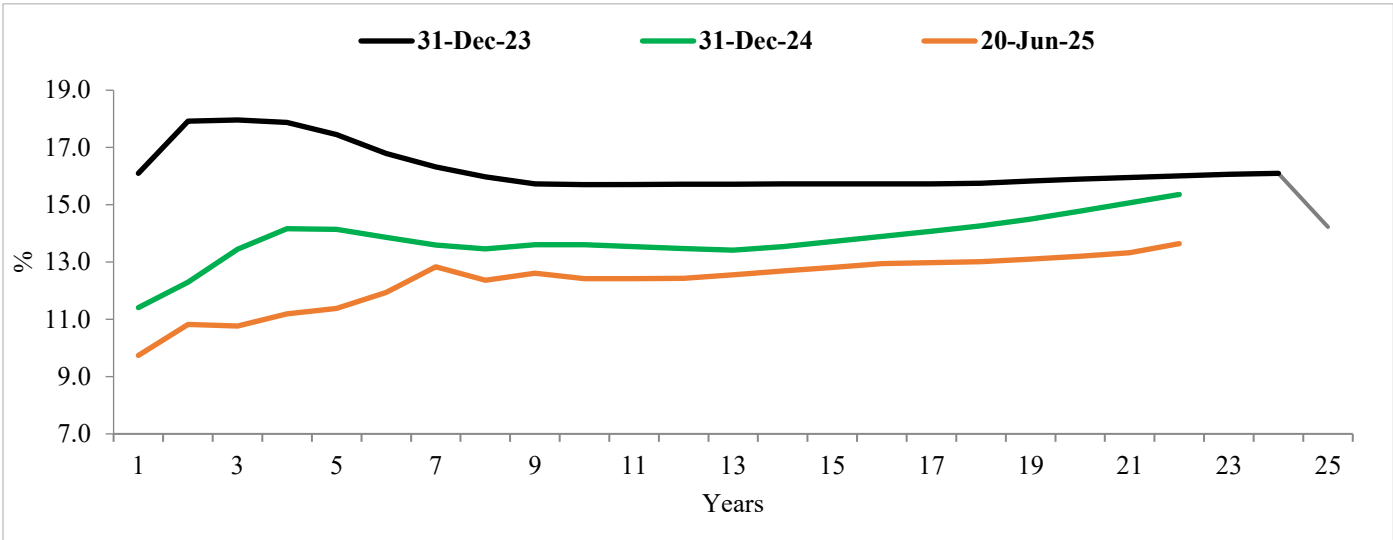
The 364-day T-Bill received bids worth KES 21.0bn, implying a performance rate of 210.38%. It accepted bids worth KES 17.8bn at an average yield of 9.739% (-1.12 bps w/w).

T-Bills Performance rates



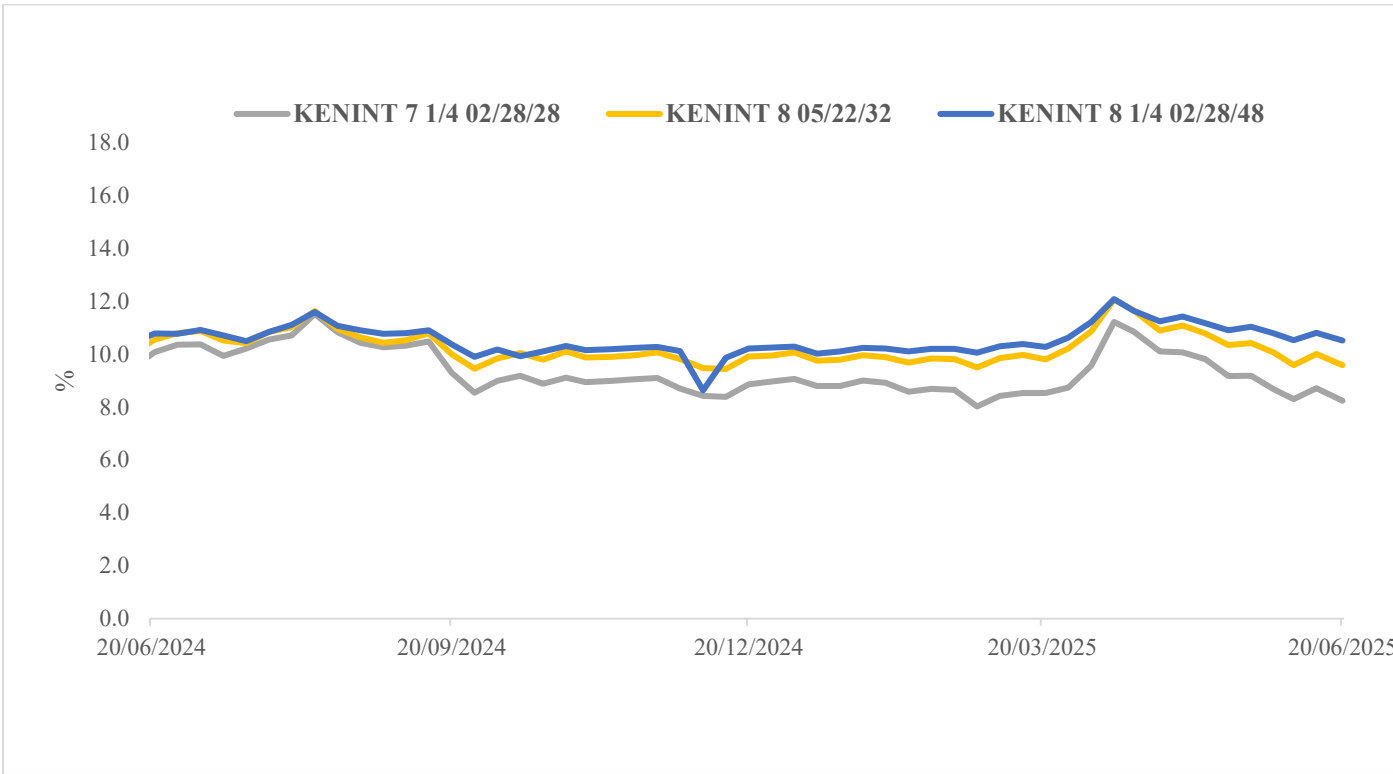
Source: CBK

Kenya Domestic Yield Curve



Source: CBK

Kenya Eurobond Yields



Source: Bloomberg

Top counters by market capitalization

| Company | Sector | Year end | 12 M High | 12 M Low | Price | YTD % | Market ¹ cap (USD m) | Weighting | EPS | DPS | NAV | P/E ratio x | Div yld % | P/B ratio x | ROE % | Daily Trading ¹ vol (USD) |
|---------------------|------------|----------|-----------|----------|--------|-------|---------------------------------|-----------|---------|-------|--------|-------------|-----------|-------------|---------|--------------------------------------|
| Safaricom | Telecom | Mar | 24.90 | 14.40 | 23.95 | 40.5 | 7,423 | 41.7% | 1.14 | 1.20 | 4.7 | 21.0 | 5.0 | 5.1 | 24.4 | 1,211,504 |
| Equity Bank | Banking | Dec | 50.00 | 38.50 | 46.15 | -4.5 | 1,347 | 7.6% | 15.64 | 4.25 | 48.7 | 3.0 | 9.2 | 0.9 | 32.1 | 495,033 |
| EA Breweries | Breweries | Jun | 199.75 | 140.25 | 185.00 | 5.4 | 1,132 | 6.4% | 15.46 | 7.50 | 27.1 | 12.0 | 4.1 | 6.8 | 57.1 | 267,361 |
| KCB Bank | Banking | Dec | 45.80 | 29.35 | 43.60 | 4.8 | 1,084 | 6.1% | 19.24 | 3.00 | 68.1 | 2.3 | 6.9 | 0.6 | 28.3 | 478,468 |
| StanChart Bank | Banking | Dec | 309.50 | 187.50 | 283.00 | 1.2 | 827 | 4.7% | 51.08 | 45.00 | 158.0 | 5.5 | 15.9 | 1.8 | 32.3 | 125,776 |
| Absa Bank | Banking | Dec | 19.30 | 13.80 | 18.65 | 3.3 | 784 | 4.4% | 3.88 | 1.75 | 12.0 | 4.8 | 9.4 | 1.6 | 32.3 | 68,364 |
| Co-op Bank | Banking | Dec | 17.80 | 12.50 | 16.65 | 1.2 | 756 | 4.2% | 4.40 | 1.50 | 18.4 | 3.8 | 9.0 | 0.9 | 23.9 | 115,917 |
| NCBA Bank | Banking | Dec | 56.00 | 38.55 | 56.00 | 16.2 | 714 | 4.0% | 13.38 | 5.50 | 53.7 | 4.2 | 9.8 | 1.0 | 24.9 | 38,847 |
| Stanbic Bank | Banking | Dec | 179.50 | 112.25 | 160.25 | 16.8 | 490 | 2.8% | 33.01 | 20.74 | 140.8 | 4.9 | 12.9 | 1.1 | 23.5 | 158,979 |
| I&M Holdings | Banking | Dec | 36.55 | 19.70 | 34.30 | -5.4 | 462 | 2.6% | 9.93 | 3.00 | 45.5 | 3.5 | 8.7 | 0.8 | 21.8 | 48,815 |
| BAT Kenya | Tobacco | Dec | 399.25 | 331.75 | 350.00 | -6.9 | 271 | 1.5% | 44.83 | 50.00 | 163.8 | 7.8 | 14.3 | 2.1 | 27.4 | 67,144 |
| KenGen | Power | Jun | 5.58 | 2.26 | 5.54 | 52.2 | 283 | 1.6% | 1.03 | 0.65 | 41.6 | 5.4 | 11.7 | 0.1 | 2.5 | 67,598 |
| BK Group | Banking | Dec | 37.15 | 28.75 | 34.30 | 5.4 | 238 | 1.3% | 9.59 | - | 46.8 | 3.6 | - | 0.7 | 20.5 | 45,650 |
| Kenya Airways | Airlines | Dec | 8.50 | 3.83 | 4.55 | 18.8 | 200 | 1.1% | 2.63 | - | (14.7) | 1.7 | - | - | - | 7,385 |
| Umeme Ltd. | Power | Dec | 17.45 | 11.90 | 12.40 | -26.0 | 156 | 0.9% | 0.26 | 0.92 | 22.0 | 47.4 | 7.4 | 0.6 | 1.2 | 860 |
| DTB Bank | Banking | Dec | 82.75 | 43.25 | 74.00 | 7.2 | 160 | 0.9% | 32.59 | 7.00 | 256.8 | 2.3 | 9.5 | 0.3 | 12.7 | 36,316 |
| Bamburi Cement | Cement | Dec | 82.00 | 41.65 | 54.00 | -1.8 | 152 | 0.9% | (2.49) | 5.47 | 82.1 | - | 98.6 | 0.1 | (3.0) | 10 |
| Britam | Insurance | Dec | 8.54 | 5.40 | 7.46 | 28.6 | 146 | 0.8% | 1.99 | - | 9.2 | 3.7 | - | 0.8 | 21.6 | 28,070 |
| Jubilee Insurance | Insurance | Dec | 233.25 | 150.00 | 225.00 | 29.7 | 126 | 0.7% | 65.15 | 13.50 | 613.8 | 3.5 | 6.0 | 0.4 | 10.6 | 15,776 |
| Total Oil | Oil | Dec | 25.05 | 17.30 | 24.90 | 24.5 | 121 | 0.7% | 2.36 | 1.92 | 48.0 | 10.5 | 7.7 | 0.5 | 4.9 | 1,785 |
| Housing Finance | Banking | Dec | 9.42 | 3.67 | 6.98 | 54.8 | 102 | 0.6% | 0.37 | - | 4.2 | 18.7 | - | 1.7 | 8.9 | 6,518 |
| Kenya Power | Power | Jun | 8.94 | 1.62 | 8.66 | 80.0 | 131 | 0.7% | 20.36 | 0.90 | 29.1 | 0.4 | 10.4 | 0.3 | 69.9 | 66,716 |
| Centum Investment | Finance | Mar | 15.65 | 8.00 | 11.50 | 16.4 | 59 | 0.3% | (8.95) | 0.32 | 55.8 | - | 2.8 | 0.2 | (16.1) | 11,915 |
| Kakuzi | Agric | Dec | 440.00 | 353.50 | 400.00 | 3.9 | 61 | 0.3% | 34.98 | 24.00 | 303.5 | 11.4 | 6.0 | 1.3 | 11.5 | 994 |
| CIC Insurance | Insurance | Dec | 3.12 | 1.98 | 2.82 | 31.2 | 57 | 0.3% | 1.09 | 0.13 | 3.3 | 2.6 | 4.6 | 0.9 | 33.4 | 2,994 |
| Liberty K. Holdings | Insurance | Dec | 12.00 | 4.81 | 10.25 | 53.4 | 42 | 0.2% | 2.56 | 0.37 | 15.9 | 4.0 | 3.6 | 0.6 | 16.1 | 112,472 |
| ARM Cement | Cement | Dec | 5.55 | 5.55 | 5.55 | 0.0 | 41 | 0.2% | (7.77) | - | 19.8 | - | - | 0.3 | (39.2) | - |
| Carbacid | Gases | July | 24.10 | 16.75 | 20.40 | -2.6 | 40 | 0.2% | 4.01 | 1.70 | 13.6 | 5.1 | 8.3 | 1.5 | 29.4 | 10,078 |
| Kenya Re | Insurance | Dec | 2.87 | 1.04 | 1.83 | 43.0 | 40 | 0.2% | 1.58 | - | 13.4 | 1.2 | - | 0.1 | 11.8 | 38,585 |
| Crown Paints | Manufac. | Dec | 46.55 | 29.50 | 46.40 | 41.0 | 51 | 0.3% | 3.82 | 4.00 | 24.1 | 12.1 | 7.4 | 2.2 | 15.9 | 883 |
| EA Portland | Cement | Jun | 50.75 | 4.46 | 38.30 | 25.2 | 27 | 0.1% | (14.13) | - | 239.8 | - | - | 0.0 | (5.9) | 581 |
| Sasini Tea & Coffee | Agric | Sept | 19.00 | 13.65 | 14.90 | -0.7 | 26 | 0.1% | 3.11 | 0.50 | 61.7 | 4.8 | 3.4 | 0.2 | 5.0 | 1,697 |
| TPSEA Serena | Tourism | Dec | 17.75 | 11.75 | 15.15 | 1.7 | 21 | 0.1% | 7.23 | - | 33.3 | 2.1 | - | 0.5 | 21.7 | 389 |
| Nation Media | Media | Dec | 20.10 | 10.25 | 11.95 | -17.0 | 18 | 0.1% | (2.45) | - | 43.1 | - | - | 0.3 | (5.7) | 1,497 |
| Unga Ltd | Food | Jun | 27.35 | 11.45 | 20.05 | 33.7 | 12 | 0.1% | (18.92) | - | 58.3 | - | - | 0.3 | (32.4) | 327 |
| NSE | Finance | Dec | 8.18 | 5.44 | 8.12 | 35.3 | 16 | 0.1% | 0.45 | 0.32 | 7.1 | 18.1 | 3.9 | 1.1 | 6.3 | 13,270 |
| BOC Kenya | Gases | Dec | 95.00 | 76.00 | 90.00 | 1.4 | 14 | 0.1% | 10.84 | 8.65 | 85.1 | 8.3 | 9.6 | 1.1 | 12.7 | 298 |
| WPP Scangroup | Media | Dec | 3.87 | 1.90 | 2.47 | -0.4 | 8 | 0.0% | 0.06 | - | 11.9 | 38.9 | - | 0.2 | 0.5 | 365 |
| Sanlam Kenya | Insurance | Dec | 10.35 | 3.90 | 6.54 | 32.1 | 7 | 0.0% | 2.27 | - | 3.9 | 2.9 | - | 1.7 | 58.6 | 636 |
| Longhorn | Publishing | Jun | 3.46 | 2.02 | 2.65 | 15.2 | 6 | 0.0% | (2.45) | - | 2.8 | - | - | 1.0 | (88.1) | 543 |
| Car & Gen | Motors | Sept | 26.00 | 18.85 | 20.70 | -9.0 | 6 | 0.0% | 13.12 | - | 135.8 | 1.6 | - | 0.2 | 9.7 | 210 |
| Limuru Tea | Agric | Dec | 380.00 | 295.00 | 295.00 | -15.7 | 5 | 0.0% | (6.34) | - | 80.9 | - | - | 3.6 | (7.8) | 67 |
| TransCentury | Finance | Dec | 1.62 | 0.32 | 1.12 | 187.2 | 3 | 0.0% | (6.72) | - | (9.5) | - | - | - | - | 1,133 |
| Standard Newspapers | Media | Dec | 6.90 | 4.51 | 5.52 | 10.0 | 3 | 0.0% | (10.05) | - | 0.4 | - | - | 12.6 | (2,284) | 84 |
| Average | | | | | | | | | | | | 13.2 | 7.7 | 3.1 | 25.5 | 3,560,278 |

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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

Millicent Nyuguto
millicentn@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