

Stock Recommendation

Company	*Fair Value (KES)	Closing Price (KES)	Upside/downside (%)	Current Rating
Safaricom	30.71	18.00	70.6%	BUY
Equity bank	43.67	46.85	-6.8%	HOLD
KCB bank	47.26	35.05	34.8%	BUY
Co-op bank	20.46	13.30	53.8%	BUY
ABSA bank	12.89	13.50	-4.5%	HOLD
StanChart bank	138.26	183.00	-24.4%	SELL
NCBA bank	40.68	40.00	1.7%	HOLD
I&M bank	33.32	18.10	84.1%	BUY
Stanbic bank	108.85	108.75	0.1%	HOLD
DTB bank	116.13	50.00	132.3%	BUY
EABL	151.28	158.00	-4.3%	HOLD
Bamburi Cement	44.37	48.00	-7.6%	SELL
BAT Kenya	460.00	408.75	12.5%	HOLD

Kenya Market Summary

Equity market commentary and outlook

- During the week, the NSE-20 sustained a 4-day winning streak. KCB Bank touched a 4-day high on account of local demand. Safaricom rallied to an 8-week high on increased local demand. Equity Bank touched a 6-weeks high on improved local demand.

Debt market commentary and outlook

- Overall subscription rates reduced consecutively for the second week to 100.1% from 194.8% the previous week. Investors remained skewed on the 91-Day T-Bill and activity decreased on all the three T-Bills. The yield on all three T-Bills rose, with the 91-Day T-Bill increasing consecutively for the sixth week and the 182-Day T-Bill along with the 364-Day T-Bill climbed up successively for the fourth week.

Key Market Indicators

Index Returns	Level	1w (%)	1m (%)	3m (%)	6m (%)	12m (%)	ytd (%)
Kenya NSE 20 Index Return	1,717.4	2.8%	1.7%	13.2%	20.9%	16.7%	14.4%
Kenya NASI Return	113.1	3.8%	5.1%	21.1%	27.2%	20.9%	22.8%

Source: NSE, Kestrel Research

NSE versus other markets

Index Returns (USD)	1w (%)	1m (%)	3m (%)	6m (%)	12m (%)	ytd (%)
Nairobi All Share Index	1.2%	-0.3%	33.3%	43.7%	18.7%	44.1%
Johannesburg Index	-1.7%	12.0%	10.2%	4.5%	6.8%	2.1%
Nigeria Stock Exchange	2.1%	-19.2%	-5.7%	-26.7%	-41.4%	-19.4%
Ghana Stock Exchange	-1.9%	0.1%	0.6%	0.7%	7.4%	-1.9%
Egyptian Stock Exchange	3.5%	-3.7%	-38.4%	-27.8%	6.5%	-27.7%
MSCI EFM ex SA Index	0.2%	0.4%	-13.5%	-12.2%	-4.1%	-11.2%

Other market statistics

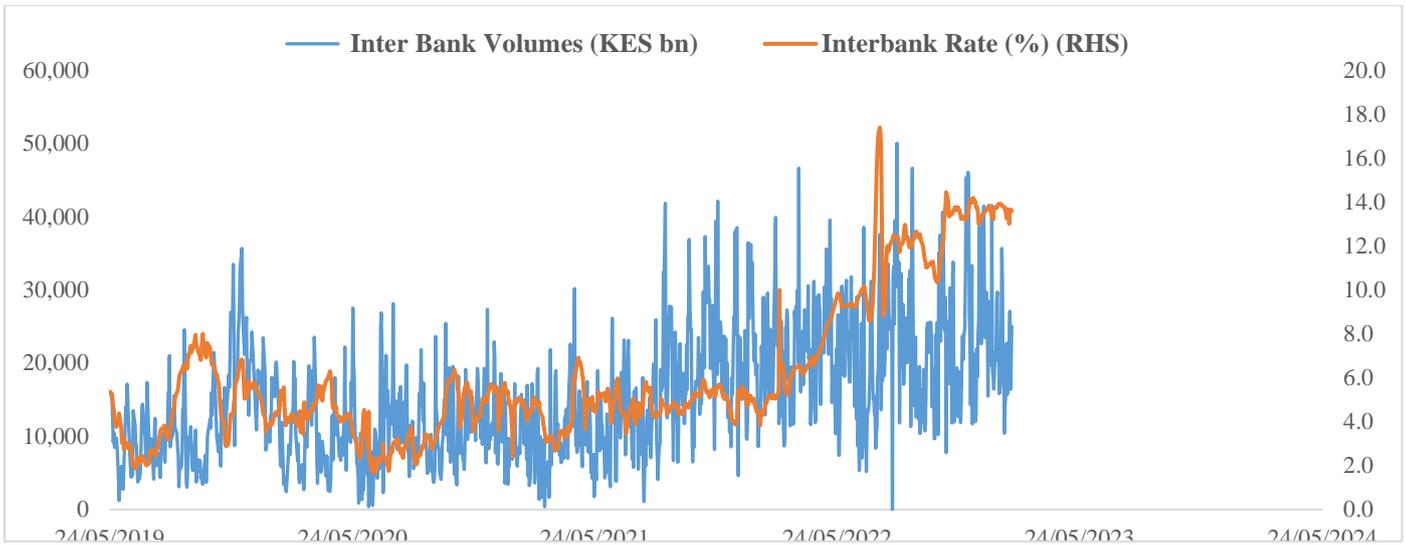
Currencies	Level	1w (%)	1m (%)	3m (%)	6m (%)	12m (%)	ytd (%)
USD/KES	132.65	-1.1%	-2.0%	9.7%	17.4%	4.1%	18.2%
USD/ZAR	18.42	-1.4%	0.6%	4.9%	0.1%	6.7%	-0.3%
USD/EGP	47.15	-0.5%	0.9%	-34.5%	-34.4%	-34.5%	-34.4%
USD/NGN	1472.68	2.9%	-15.7%	6.3%	-38.7%	-68.5%	-38.1%
USD/GHS	14.60	-2.1%	-8.3%	-14.1%	-17.7%	-23.0%	-18.2%

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	916.6	31.4	72.9%	3.4%	29.5%	-10.9%	50.6%
Equity Bank	504.2	-25.8	68.5%	4.5%	39.2%	-2.7%	42.2%
KCB Bank	471.8	47.1	47.9%	10.0%	60.0%	-14.1%	91.1%
BAT Kenya	74.6	-27.9	22.6%	0.3%	0.3%	-9.5%	3.2%
DTB Bank	52.5	0.0	0.0%	0.0%	11.0%	-3.6%	22.0%

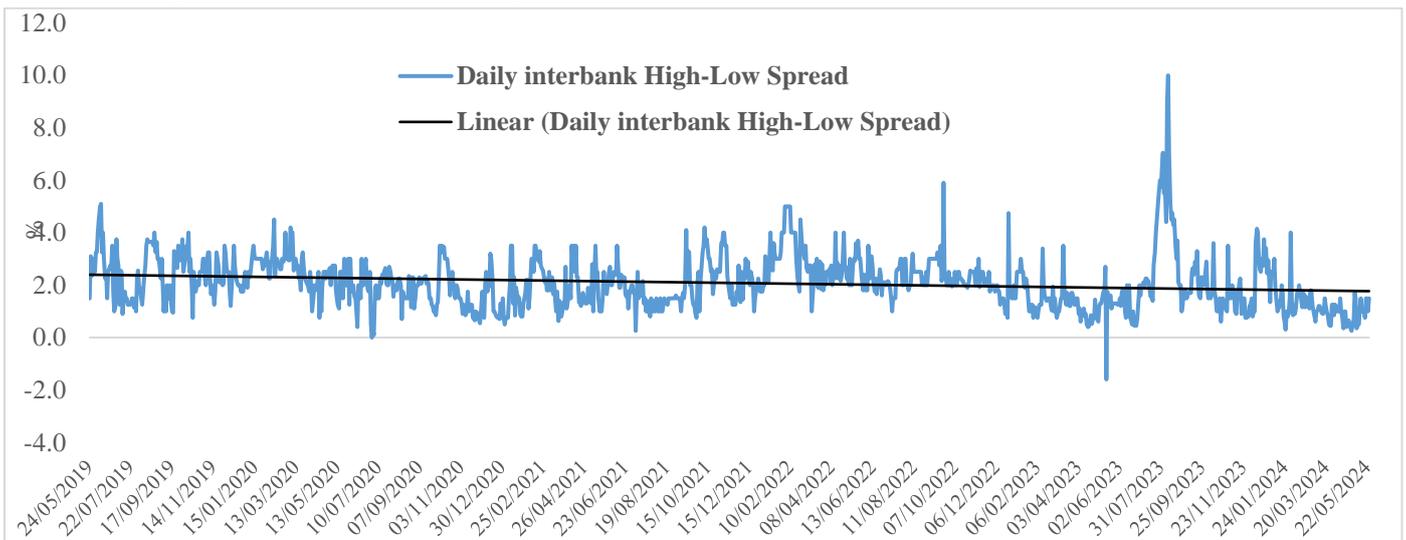
Key Rates and Spreads

Inter-bank Rates decrease for the sixth straight week



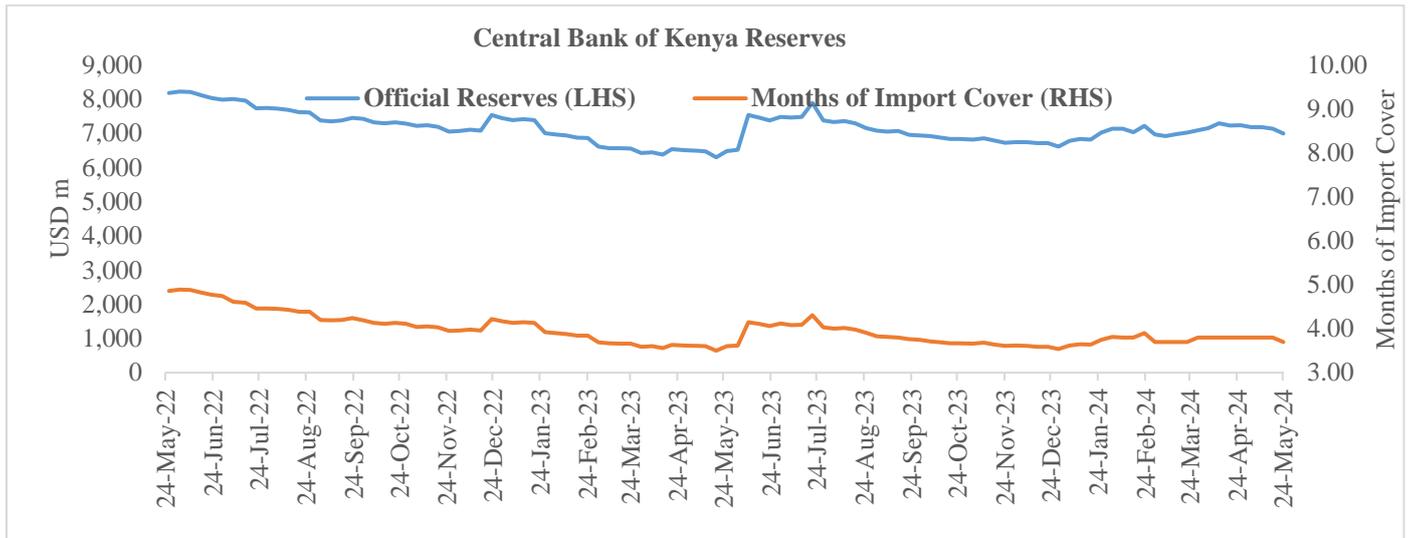
Source: CBK

Inter-bank Spreads widen successively for the second consecutive week



Source: CBK

Months of import cover and CBK FX reserves decline for the second week in a row



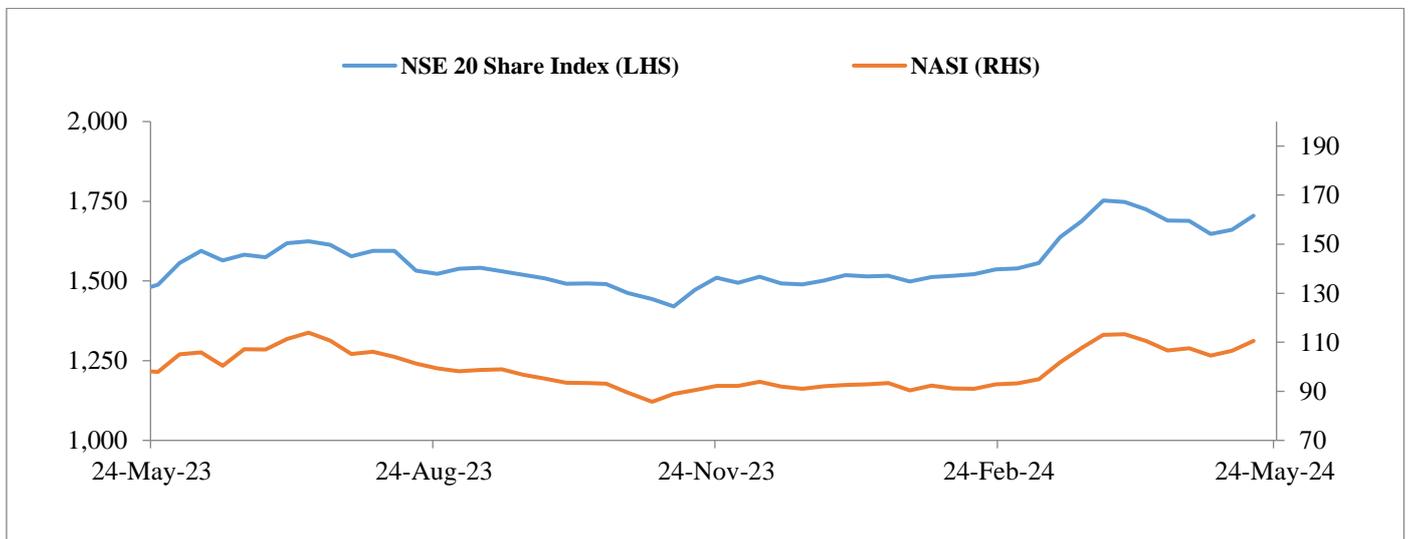
Source: CBK

Equity market trading commentary

Market turnover surged by 139.4% to stand at USD 17.2m (KES 2.3bn). The NASI improved by 3.8% to settle at 113.10 and the NSE 20 grew by 2.8% to conclude at 1,717.43, both sustaining a 3-week gaining streak. Foreign investors turned net buyers at USD 4.2m (KES 547.4m). Safaricom, Equity Bank and DTB Bank recorded the highest net foreign inflows. Conversely, KCB Bank and BAT Kenya registered the highest net foreign outflows.

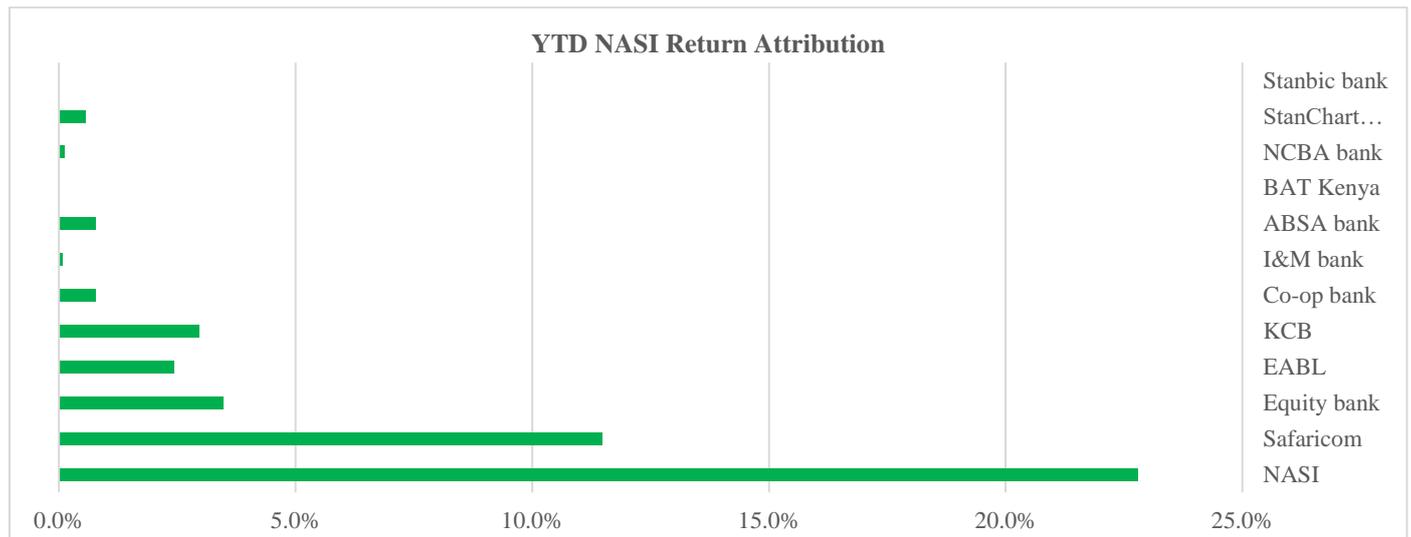
During the week, KCB Bank touched a 4-day high on account of local demand. Safaricom rallied to an 8-week high on increased local demand. Equity Bank touched a 6-weeks high on improved local demand.

Market performance over the past 12 months



Source: NSE

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



Source: Kestrel Research

Debt market trading commentary

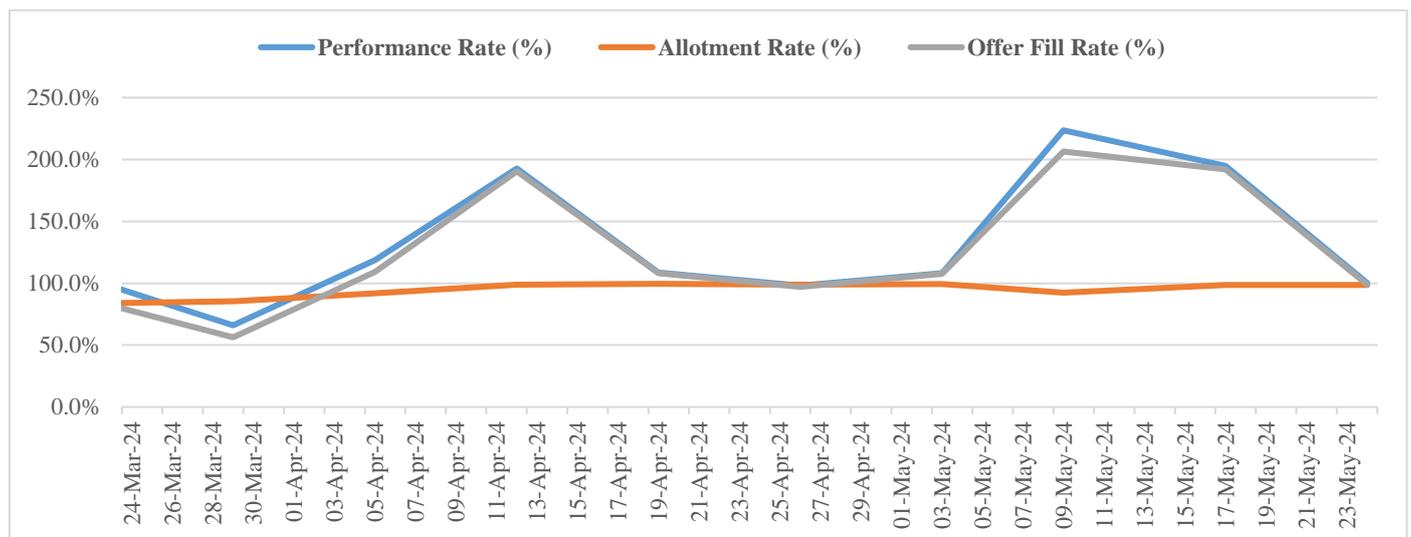
Overall subscription rates reduced consecutively for the second week to 100.1% from 194.8% the previous week. Investors remained skewed on the 91-Day T-Bill and activity decreased on all the three T-Bills. The yield on all three T-Bills rose, with the 91-Day T-Bill increasing consecutively for the sixth week and the 182-Day T-Bill along with the 364-Day T-Bill climbed up successively 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 7.1bn for the 91-Day T-Bill, implying a subscription rate of 177.61%. It accepted bids worth KES 7.0bn at an average yield of 15.945% (+0.8 bps w/w).

The 182-Day T-Bill received bids worth KES 11.6bn, implying a performance rate of 116.50%. It accepted bids worth KES 11.4bn at an average yield of 16.564% (+4.6 bps w/w).

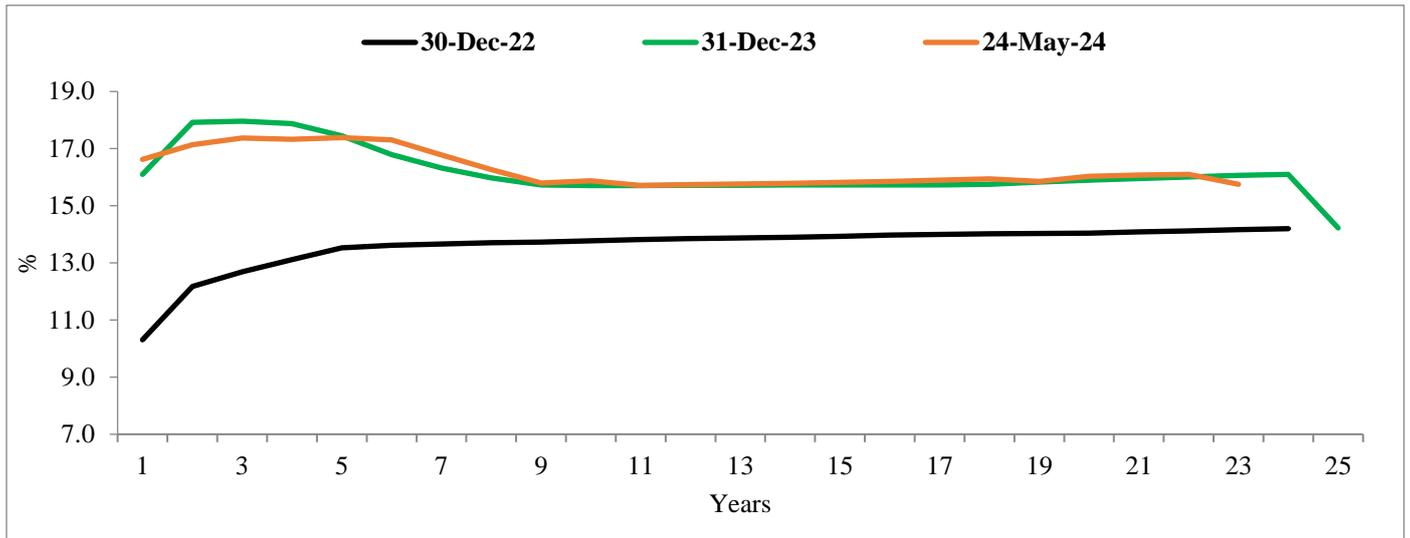
The 364-Day T-Bill received bids worth KES 5.3bn, implying a performance rate of 52.81%. It accepted bids worth KES 5.3bn at an average yield of 16.623% (+9.4 bps w/w).

T-Bills Performance rates fell for the second successive week



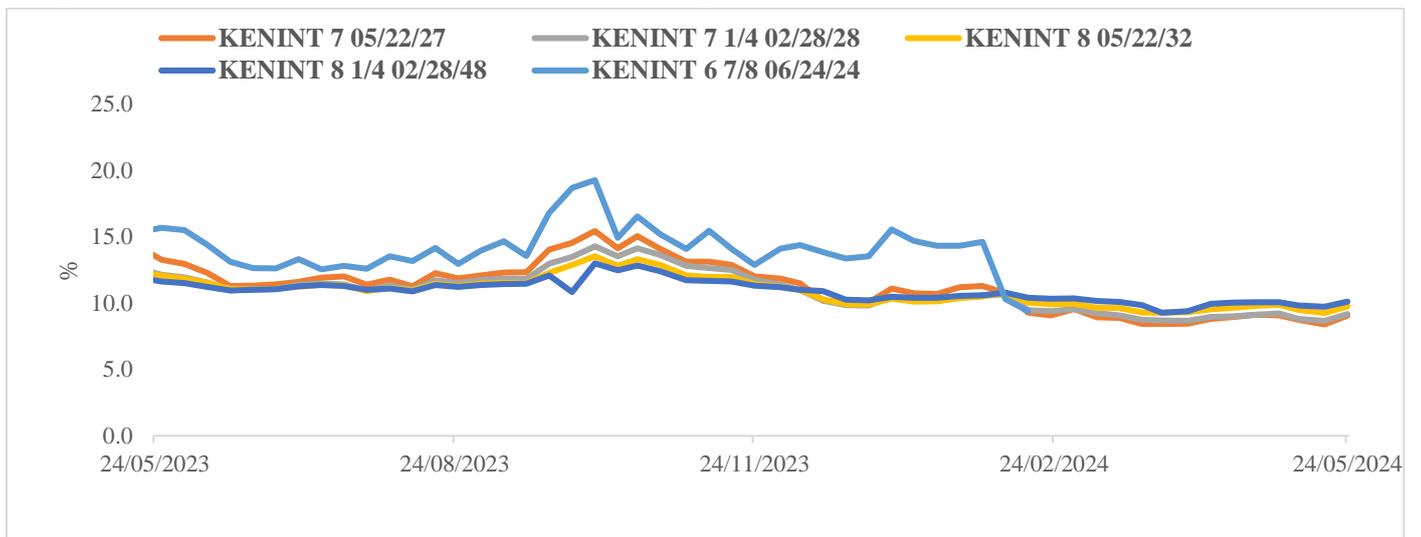
Source: CBK

Kenya Domestic Yield Curve



Source: CBK

Kenya Eurobond Yields: Yields across all tenors improve after a two-week decline



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	19.70	11.65	18.00	29.5	5,475	30.2%	1.55	1.20	4.7	11.6	6.7	3.8	33.2	1,085,410
Equity Bank	Banking	Dec	49.20	33.65	46.85	39.2	1,342	7.4%	12.22	4.00	48.7	3.8	8.5	1.0	25.1	783,793
EA Breweries	Breweries	Jun	167.00	100.00	158.00	38.6	949	5.2%	12.47	5.50	27.1	12.7	3.5	5.8	46.1	11,948
Co-op Bank	Banking	Dec	15.05	10.20	13.30	16.7	592	3.3%	3.98	1.50	18.4	3.3	11.3	0.7	21.6	84,742
NCBA Bank	Banking	Dec	45.20	33.95	40.00	2.7	500	2.8%	9.48	3.00	53.7	4.2	7.5	0.7	17.6	15,280
Absa Bank	Banking	Dec	14.20	10.45	13.50	17.9	557	3.1%	2.98	1.55	12.0	4.5	11.5	1.1	24.8	56,079
KCB Bank	Banking	Dec	35.05	15.75	35.05	60.0	855	4.7%	12.47	-	68.1	2.8	-	0.5	18.3	574,614
StanChart Bank	Banking	Dec	201.25	140.75	183.00	13.0	525	2.9%	34.62	29.00	158.0	5.3	15.8	1.2	21.9	34,467
Stanbic Bank	Banking	Dec	130.00	97.25	108.75	0.0	326	1.8%	28.71	15.35	140.8	3.8	14.1	0.8	20.4	36,186
BAT Kenya	Tobacco	Dec	457.25	401.25	408.75	0.3	310	1.7%	55.68	50.00	163.8	7.3	12.2	2.5	34.0	1,622
BK Group	Banking	Dec	37.00	29.65	34.00	-5.0	231	1.3%	7.55	3.28	46.8	4.5	9.7	0.7	16.1	25,929
I&M Holdings	Banking	Dec	22.65	15.85	18.10	3.4	227	1.3%	7.35	2.55	47.8	2.5	14.1	0.4	15.4	19,327
Umeme Ltd.	Power	Dec	17.75	9.98	15.90	-0.6	196	1.1%	3.03	2.12	20.7	5.2	13.3	0.8	14.7	33,604
Kenya Airways	Airlines	Dec	3.83	3.83	3.83	0.0	165	0.9%	(2.79)	-	(14.7)	-	-	-	-	-
Bamburi Cement	Cement	Dec	48.95	22.50	48.00	33.9	132	0.7%	2.15	5.47	82.1	22.3	11.4	0.6	2.6	-
KenGen	Power	Jun	2.52	1.96	2.33	15.9	117	0.6%	0.76	0.30	41.6	3.1	12.9	0.1	1.8	33,604
Jubilee Insurance	Insurance	Dec	200.00	170.00	180.00	-2.7	99	0.5%	68.38	14.00	613.8	2.6	7.8	0.3	11.1	837
DTB Bank	Banking	Dec	55.75	44.05	50.00	11.0	106	0.6%	22.56	6.00	256.8	2.2	12.0	0.2	8.8	25,295
Britam	Insurance	Dec	5.82	4.15	5.62	17.3	108	0.6%	0.53	-	9.2	10.6	-	0.6	5.7	837
Total Oil	Oil	Dec	21.50	15.80	20.80	15.6	99	0.5%	3.88	1.31	48.0	5.4	6.3	0.4	8.1	1,005
Kakuzi	Agric	Dec	429.75	360.00	420.00	9.1	62	0.3%	43.15	24.00	303.5	9.7	5.7	1.4	14.2	145
CIC Insurance	Insurance	Dec	2.52	1.81	2.27	1.3	45	0.2%	0.42	0.13	3.3	5.4	5.7	0.7	12.8	128,381
Centum Investment	Finance	Mar	9.50	7.88	8.64	2.9	44	0.2%	(8.95)	0.60	55.8	-	6.9	0.2	(16.1)	3,756
ARM Cement	Cement	Dec	5.55	5.55	5.55	0.0	40	0.2%	(7.77)	-	19.8	-	-	0.3	(39.2)	-
Crown Paints	Manufac.	Dec	44.80	33.30	36.00	1.0	39	0.2%	5.13	4.00	24.1	7.0	11.1	1.5	21.3	28,277
Kenya Re	Insurance	Dec	2.21	1.70	1.98	5.3	42	0.2%	1.17	0.10	13.4	1.7	5.1	0.1	8.7	18,383
Sasini Tea & Coffee	Agric	Sept	31.00	17.65	19.90	-0.5	34	0.2%	3.82	1.00	61.7	5.2	5.0	0.3	6.2	530
Carbacid	Gases	July	17.55	12.50	17.05	13.7	33	0.2%	2.98	0.70	13.6	5.7	4.1	1.3	21.9	2,288
Nation Media	Media	Dec	22.00	15.60	20.25	1.0	29	0.2%	16.74	1.49	43.1	1.2	7.3	0.5	38.9	8,550
Kenya Power	Power	Jun	1.86	1.35	1.64	15.5	24	0.1%	(1.64)	-	29.1	-	-	0.1	(5.6)	22,040
TPSEA Serena	Tourism	Dec	20.05	11.00	13.90	-15.5	19	0.1%	(3.47)	-	33.3	-	-	0.4	(10.4)	464
Liberty K. Holdings	Insurance	Dec	5.80	3.45	5.60	51.8	23	0.1%	0.15	-	15.9	36.7	-	0.4	1.0	128,381
BOC Kenya	Gases	Dec	93.00	67.00	93.00	13.4	14	0.1%	7.58	5.95	85.1	12.3	6.4	1.1	8.9	1,622
NSE	Finance	Dec	6.62	5.52	6.00	-0.3	12	0.1%	0.05	0.20	7.1	113.5	3.3	0.8	0.7	1,769
Housing Finance	Banking	Dec	5.10	3.25	4.39	26.1	13	0.1%	(1.45)	-	20.5	-	-	0.2	(7.1)	2,301
Unga Ltd	Food	Jun	20.00	13.50	14.00	-16.9	8	0.0%	2.48	-	58.3	5.7	-	0.2	4.2	-
Sanlam Kenya	Insurance	Dec	8.40	5.60	6.22	3.7	7	0.0%	(3.77)	-	3.9	-	-	1.6	(97.1)	128,381
Car & Gen	Motors	Sept	41.50	21.30	23.95	-4.2	7	0.0%	26.33	3.20	135.8	0.9	13.4	0.2	19.4	114
Limuru Tea	Agric	Dec	430.00	380.00	380.00	0.0	7	0.0%	4.73	1.00	80.9	80.4	0.3	4.7	5.8	19
WPP Scangroup	Media	Dec	3.18	1.99	2.29	5.0	8	0.0%	(0.30)	-	11.9	-	-	0.2	(2.5)	807
EA Portland	Cement	Jun	9.40	5.32	6.54	-18.3	4	0.0%	6.02	-	239.8	1.1	-	0.0	2.5	1,196
Standard Newspapers	Media	Dec	9.80	5.10	6.48	-16.3	4	0.0%	(10.05)	-	0.4	-	-	14.7	(2,284)	32
Longhorn	Publishing	Jun	2.93	2.01	2.50	3.7	5	0.0%	0.62	-	2.8	4.1	-	0.9	22.2	90
TransCentury	Finance	Dec	0.95	0.40	0.57	9.6	2	0.0%	(6.72)	-	(9.5)	-	-	-	-	3,756
Average												6.0	5.6	1.8	19.0	3,311,498

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