

MSCI Indices Tracker – YTD all Indices approaching respective multi-year lows – are investors using elevated discount rates or pricing in earnings declines, or both?

- Reversing a stellar 7% m/m gain in July, the **MSCI ACWI** (weighted in favor of developed markets) shed 3.6% m/m in August. SSA and FM stocks were fairly flat amidst continued weak foreign investor demand and currency woes.
- **MSCI EFM Africa ex ZA** declined -0.5% m/m, the fifth m/m decline in a row; having declined 20.2 % YTD, the index remains the laggard.

Constituent country weightings were little change, reflecting balanced price changes across markets. Kenya’s weighting slipped 90bps m/m, reversing its July increase that pushed the weighting to the highest level in 2022. Mauritius’ weighting increased the most (+70bps m/m) supported by MCB Group’s 12.7% m/m share price gain. YTD Nigeria has outperformed (weighting up 350bps), while Egypt has underperformed, weighting down 390bps.

Across the sector weights, the Financials sector registered a 120bps m/m increase, to the highest level in 2022, mostly on account of a 90bps m/m drop in weighting for the Communications sector which had closed July at its 2022 high. All three large-cap telecoms declined m/m - Safaricom 7.9%, Maroc Telecom 0.5% and MTN Nigeria 1.3%. YTD Energy sector’s weighting has increased the most (+130bps), while Information Technology sector’s weighting has declined the most (-50bps).

With only 2 of the index’s top 10 constituent companies gaining m/m (MCB Group & Lafarge Holcim Maroc), their combined weighting dipped to 67.1% from 67.3% in July.

- **Safaricom’s** weighting, retreated m/m in both the **MSCI EFM Africa ex ZA** & **MSCI FM** to 11.7% and 3.2%, respectively. Safaricom’s ranking in the MSCI EFM Africa ex ZA remained steady at 2nd, but on the MSCI FM, Safaricom’s ranking dropped from July’s 2nd place (the highest ranking in 2022) to 5th.
- **Equity Group’s** weighting in the **MSCI EFM Africa ex ZA**, remained steady at 4.7% (the highest level since Dec 2021), following a modest 0.9% m/m decline in its share price. Its ranking in the Index remained unchanged at 7th.
- **MSCI FM** led by share price gains in its large-cap real estate, materials and consumer staples stocks. Vietnam’s country weighting was up 100bps m/m to 31.7% the highest level in 2022. Romania and Iceland registered the only notable declines in weighting, while Kazakhstan bounced back onto the top countries list. Investor interest in smaller constituent countries slipped further – the combined weighting for countries classified under the Others category dropped 20bps m/m, remaining below 2022’s average. The Financial sector’s weighting increased the most by 90bps m/m while the Industrial sector’s weighting dropped the most by 60bps m/m.

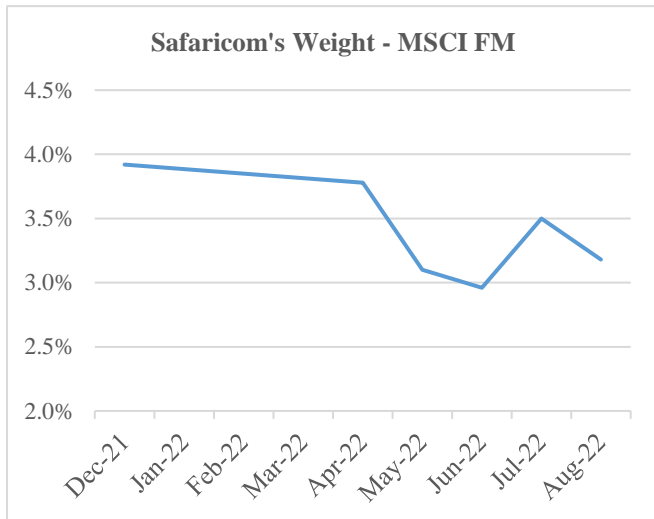
YTD, Baharain’s weighting has gained the most by 240bps while Kazakhstan has declined the most by 160bps. On sectors, YTD, Financials’ weighting has increased the most (+240bps), while Industrial’s weighting has dropped the most (-330bps).

Performance

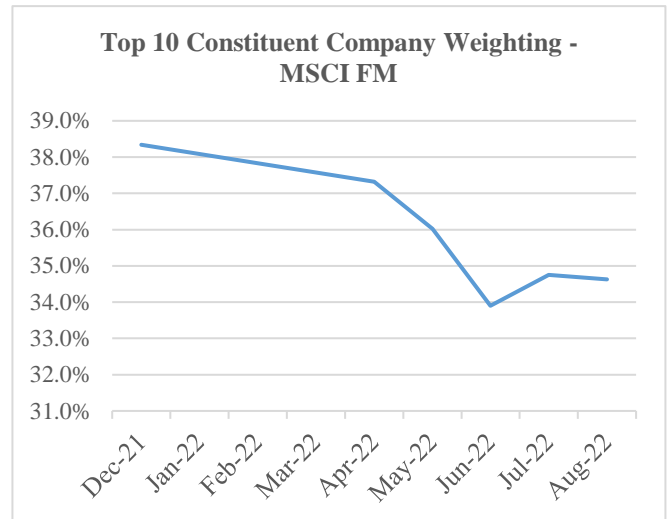
	Dec-21	Apr-22	May-22	Jun-22	Jul-22	Aug-22	YTD
MSCI EFM Africa ex ZA	2.2%	0.0%	-6.5%	-5.2%	-0.1%	-0.5%	-20.2%
MSCI EFM	1.9%	-5.5%	0.4%	-6.6%	-0.1%	0.5%	-17.2%
MSCI Frontier Markets	1.5%	-2.7%	-6.3%	-5.3%	1.3%	1.9%	-17.9%
MSCI ACWI	4.0%	-8.0%	0.2%	-8.4%	7.0%	-3.6%	-17.4%

Source: MSCI

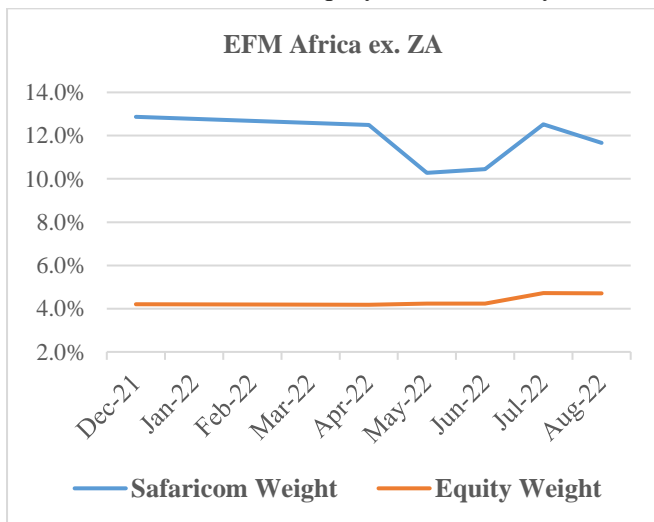
Safaricom top large-cap loser in August



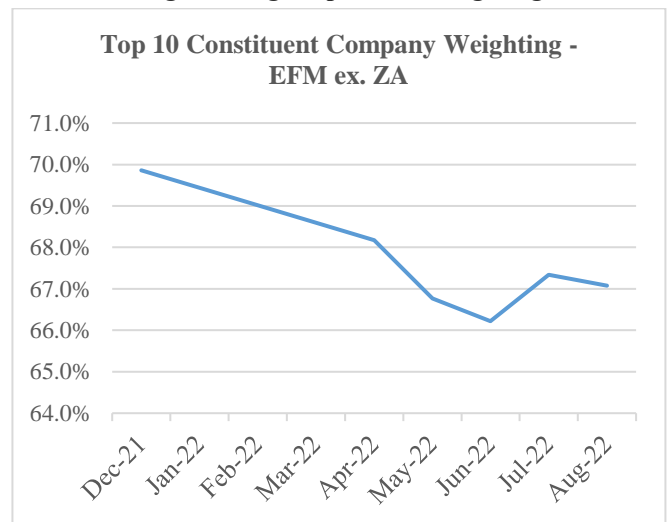
Financials sector drives large-caps weighting



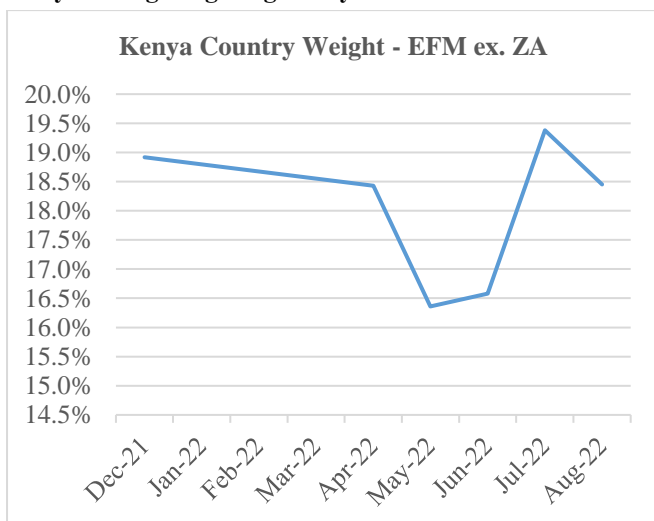
Safaricom retreats, while Equity remains steady



Telecoms weigh on large-cap stocks' weighting



Kenya's weighting weighed by Safaricom



Indices details

Index	Constituent Countries
MSCI Emerging Frontier Markets Africa ex South Africa	Egypt, Burkina Faso, Benin, Guinea-Bissau, Ivory Coast, Kenya, Mauritius, Mali, Morocco, Niger, Nigeria, Senegal, Togo and Tunisia.
MSCI Frontier Markets	Bahrain, Bangladesh, Burkina Faso, Benin, Croatia, Estonia, Guinea-Bissau, Iceland, Ivory Coast, Jordan, Kenya, Lithuania, Kazakhstan, Mauritius, Mali, Morocco, Niger, Nigeria, Oman, Pakistan, Romania, Serbia, Senegal, Slovenia, Sri Lanka, Togo, Tunisia and Vietnam.
MSCI Emerging + Frontier Markets (EFM)	<p>EM countries include: Brazil, Chile, China, Colombia, Czech Republic, Egypt, Greece, Hungary, India, Indonesia, Korea, Kuwait, Malaysia, Mexico, Peru, Philippines, Poland, Qatar, Saudi Arabia, Russia, South Africa, Taiwan, Thailand, Turkey and United Arab Emirates.</p> <p>FM countries include: Bahrain, Bangladesh, Burkina Faso, Benin, Croatia, Estonia, Guinea-Bissau, Iceland, Ivory Coast, Jordan, Kenya, Lithuania, Kazakhstan, Mauritius, Mali, Morocco, Niger, Nigeria, Oman, Pakistan, Romania, Serbia, Senegal, Slovenia, Sri Lanka, Togo, Tunisia and Vietnam.</p>
MSCI All Country World Index (ACWI)	<p>DM countries include: Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Hong Kong, Ireland, Israel, Italy, Japan, Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland, the UK and the US.</p> <p>EM countries include: Brazil, Chile, China, Colombia, Czech Republic, Egypt, Greece, Hungary, India, Indonesia, Korea, Kuwait, Malaysia, Mexico, Peru, Philippines, Poland, Qatar, Saudi Arabia, South Africa, Taiwan, Thailand, Turkey and United Arab Emirates.</p>

Indices rebalancing

The indices are reviewed quarterly—in **February, May, August** and **November**. During the **May** and **November** semi-annual index reviews, the index is rebalanced and the large and mid capitalization cut-off points are recalculated.

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
ephantusm@kestrelcapital.com

Fixed Income Sales & Trading

Alexander Muiruri
alexanderm@kestrelcapital.com

Edwin Muthaura
edwinm@kestrelcapital.com

Executive Director

Francis Mwangi, CFA
francism@kestrelcapital.com