STERLING CAPITAL LIMITED

Friday, 17 January 2020

Analysts:

Renaldo D'Souza
+254 (20) 2222651
Renaldo.DSouza@sterlingib.com

Susan Makena
+254 (20) 2222651
Susan.Makena@sterlingib.com

Elizabeth Njenga
+254 (20) 2222651
Elizabeth.Njenga@sterlingib.com

Justina Vuku
+254 (20) 2222651
Justina.Vuku@sterlingib.com

Fixed Income Note

January 2020

"Filling the gap"

For queries call: +254 (20) 315414; 2244077 or
Email: research@sterlingib.com
Website www.sterlingib.com
Bloomberg Code: SCLK <GO>

Table of Contents

Executive Summary

- The Central Bank of Kenya (CBK) seeks to raise KES.50Bn in its first bond issue of the 2020 calendar year through two re-opened issues FXD1/2019/5 and FXD1/2019/10 with 4.13 and 9.13 Years to maturity respectively.
- Our report **"Filling the gap"** focuses on the two debt issues in the context of a **bigger funding gap (KES.146.3Bn)** as presented in the 1st supplementary budget in November 2019.
- Our report gives our investor bid predictions on what we expect to be a fully subscribed issue as follows:

  Weighted Average Rate (WAR) of bids 5 Year: 11.15% - 11.30% / 10 Year: 12.10% -12.25%
  Weighted average rate of accepted bids 5 Year: 11.10%-11.15% / 10 Year: 12.10%-12.15%

- Debt auction and trading activity was subdued in the month of December 2019 but we expect an increase in activity in January 2020.
- On national accounts, we continue to expect a shortfall in revenue and an increase in expenditure with the widening fiscal gap translating to increase Government borrowing.
- With regards to macro-economic analysis, we see both inflation and interest rates on short term domestic debt rising gradually but largely stable and this can be observed in our yield curve analysis.
- Commercial bank lending rates remain relatively unchanged even after the revision of the Central Bank Rate (CBR) by the Monetary Policy Committee (MPC).

CBK Re-opens 5 Year and 10 Year Treasury Bond

- Central Bank of Kenya (CBK) aiming to raise KES.50Bn has re-opened FXD1/2019/5 (5 Year) and FXD1/2019/10 (10 Year) first issued in February 2019 with coupon rates of 11.304% and 12.438% (Table.1).
- We see high possibility of oversubscription on account of the investor attractive short and medium tenors, current levels of market liquidity and limited "risk averse" alternative investment options.
- We expect investors to bid within the yield curve which should translate to a high acceptance rate.

Table.1: Primary Bond issue summary

Issue Number	FXD1/2019/5	FXD1/2019/10
Total Amount Offered	KES.50Bn	
Tenor (Years)	5 Yrs	10 Yrs
Term to Maturity	4.13Yrs	9.13Yrs
Coupon Rate (%)	11.304	12.438
Issue Price	Discounted/Premium/Par	
Period of Sale	15th Jan - 21st Jan 2020	
Auction Date	22nd Jan 2020	
Value Date	27th Jan 2020	
Yield Curve (%) (Weighted average tenor 5Yrs and 10Yrs) 10th Jan 2020)	11.3250	12.0071

Source: Central Bank of Kenya

- The initial auction received combined bids worth KES.78.3Bn, a performance rate of 156.5% with bid accepted rates of 11.304% and 12.438%.
- Since then (February 2019), yields on the 5 Year paper have risen while yields on the 10 Year have declined (refer toTable.6).

Investor bid predictions - FXD1/2019/5 & FXD1/2019/10 (11.30%-11.40%) and (12.20% -12.40%)

- We anticipate moderate investor bids on the yields following the downward revision of the Central Bank Rate (CBR) to 8.5% in November 2019 and pre-determined coupon,
- The CBK is expected to accept most bids due to revenue shortfalls and the need to fill the growing fiscal funding gap.
- Our predicted Weighted Average Rate (WAR) of market and accepted bids are shown in Table 2.

Table.2: Auction bid predictions

Rate	FXD1/2019/5	FXD1/2019/10
Market Weighted Average Rate (%)	11.15 – 11.30	12.10 – 12.25
Weighted Average Rate of Accepted Bids (%)	11.10 - 11.15	12.10 - 12.15

Source: Sterling Capital Research

- Historically, there has been heavy investor demand for 5Yr and 10Yr issues especially from banks and retail investors (Table.3).

Table.3: Historical primary market auction performance

Issue Number	Issue Date	Amount Offered (Bn) (KES.Bn)	Bids Received (KES.Bn)	Amount Accepted (KES.Bn)	Performance Rate (%)	Coupon Rate (%)	Implied Yield to Maturity
FXD1/2018/5	26th Mar, 2018	40	37.7	23.1	94.1	12.299	10.534
FXD1/2018/5 (Tap Sale)	2nd Apr, 2018	10	7.7	7.7	77.4	12.299	10.534
FXD1/2019/5	25th Feb, 2019	50	41.9	20.6	83.9	11.304	10.930
FXD2/2019/5	13th May,	50	49.3	39.2	98.6	10.872	11.000
FXD3/2019/5	16th Dec,	25	28.5	18.7	113.9	11.492	11.325

Source: Central Bank of Kenya

Issue Number	Issue Date	Amount Offered (Bn) (KES.Bn)	Bids Received (KES.Bn)	Amount Accepted (KES.Bn)	Performance Rate (%)	Coupon Rate (%)	Implied Yield to Maturity
FXD2/2018/10	17th Dec, 2018	40	28.86	26.16	72.15	12.502	11.5503
FXD1/2019/10	25th Feb, 2019	50	36.33	32.81	72.66	12.438	11.5503
FXD2/2019/10	15th April, 2019	50	70.93	51.33	141.87	12.300	11.6500
FXD3/2019/10	19th Aug, 2019	50	52.77	45.01	105.54	11.517	11.5170
FXD4/2019/10	25th Nov, 2019	50	38.4	28.4	76.75	12.28	12.0071

Source: Central Bank of Kenya

- We have also used implied yields of bonds of almost similar terms to maturity from the Nairobi Securities Exchange (NSE) as at 10th January 2020 yield curve to determine possible investor bids (Table.4).

Table.4: Benchmark issues to guide investor bids

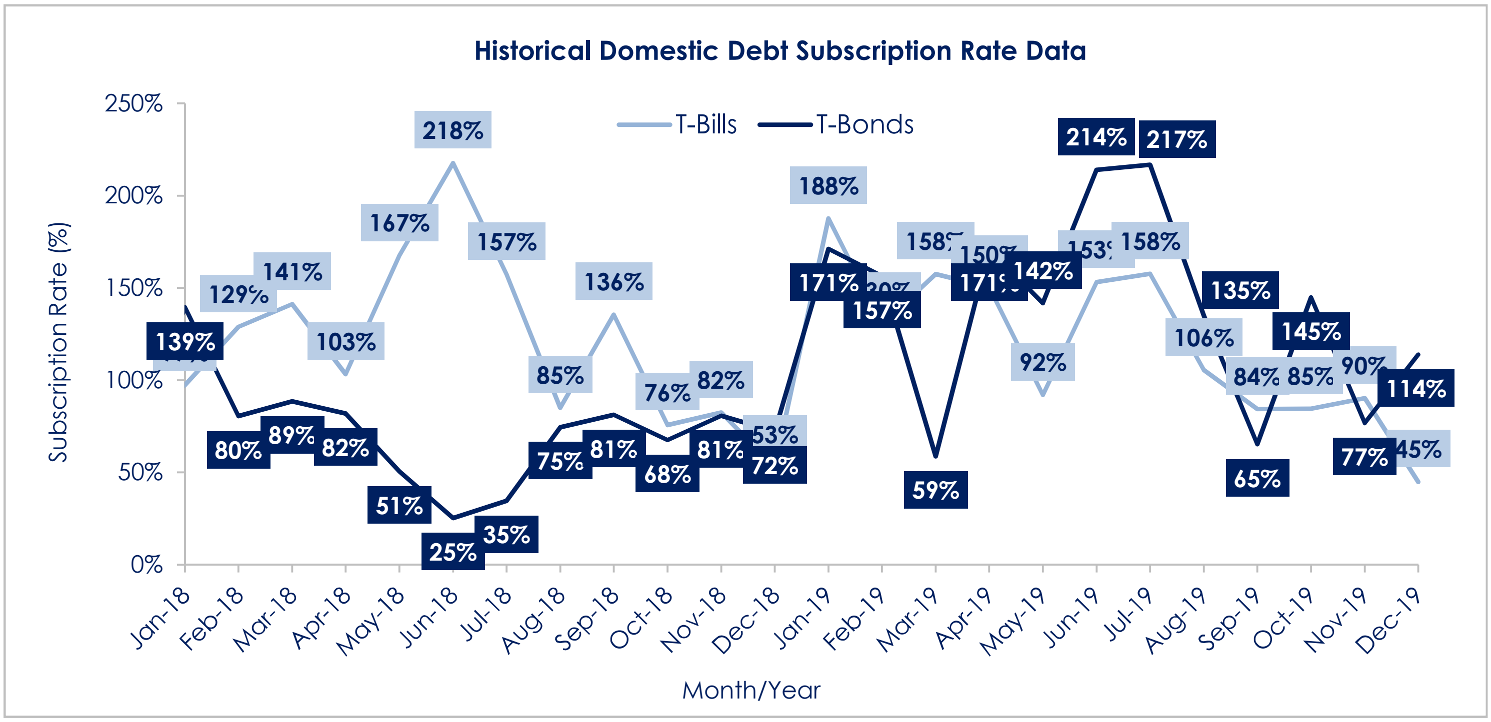
Treasury Bond	Issue Date	Coupon Rate (%)	Maturity Date	Term to Maturity Years (Days)	Last traded Yield (%)	Yield Curve at time of issue
FXD1/2019/5 (Re-opened)	25th Feb, 2019	11.30	19th Feb, 2024	4.13 (1,501)	11.22	11.31
FXD1/2014/10	27th Jan,	12.18	15th Jan,	4.03 (1466)	11.21	12.36
FXD1/2019/10	25th Feb,	12.44	12th Feb,	9.13 (3321)	11.84	12.32
FXD2/2019/10	15th Apr,	12.30	02nd Apr,	9.26 (3370)	11.86	12.15

Source: Central Bank of Kenya

Subscription for domestic debt declines in December 2019

- The CBK offered KES.154.7Bn in both T-Bonds (KES.34.Bn included KES.9.7Bn in a Tap Sale issue) and T-Bills (KES.120Bn) for the month of December 2019.
- Aggregate Bids received were KES.92.1Bn, a subscription rate of 59.6%.
- T-Bond bids amounted to KES.38.2Bn equivalent to a 110% subscription rate a scenario we attribute to the attractive tenors on offer.
- T-Bill subscription slumped from 90.2% in November to 44.9% in December, with the subscription rates for 91, 182 and 364-Day T-Bills at 65.4% (KES.13.1Bn), 24.6% (KES.12.3Bn and 57.1% (KES.28.5Bn) respectively.
- We attribute this subdued activity to the festive season, which has historically seen low investor participation.

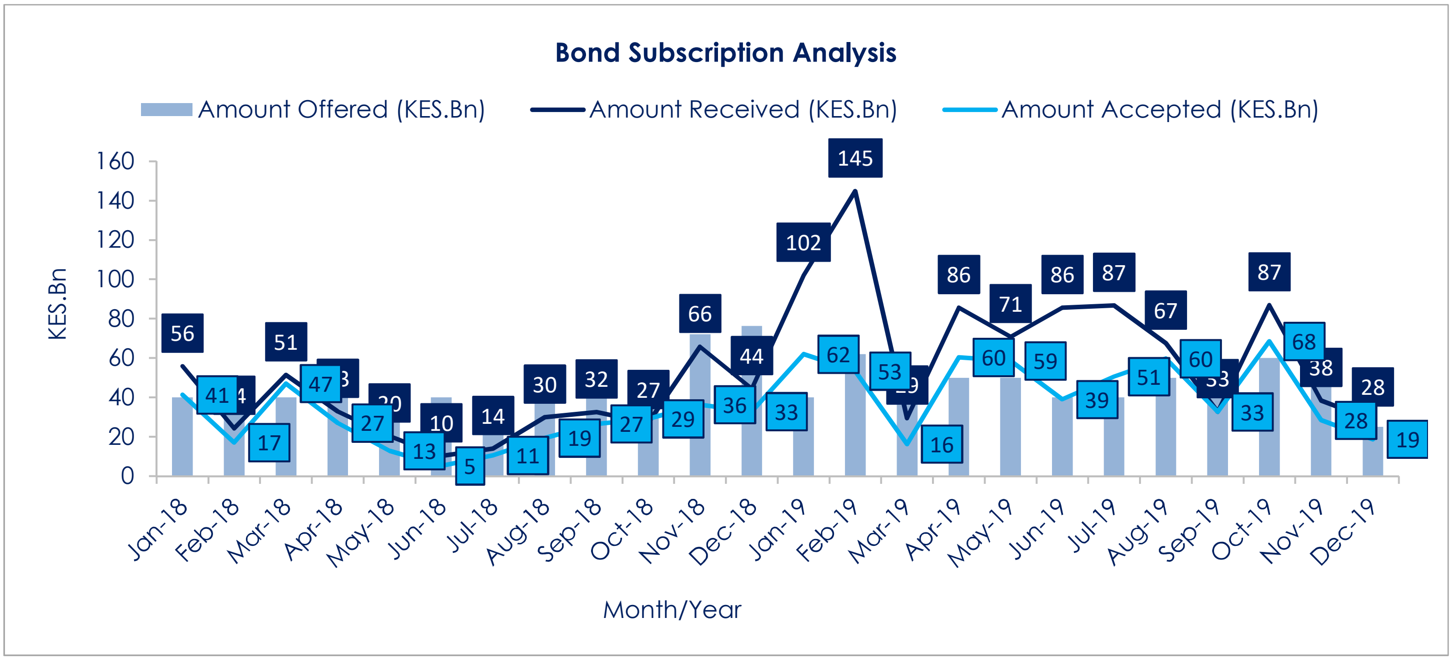
Fig.1: December 5-Year Bond oversubscribed



Source: Central Bank of Kenya

- The 5-Year bond (FXD3/2019/5) issued in December was oversubscribed at 113.9% (KES.28.5Bn). The CBK accepted KES.18.7Bn at a rate of 11.492%.
- CBK offered a tap sale for the same bond, which received a subscription rate of 100.3% (KES.9.8Bn) against the KES.9.7Bn offered.
- We attribute the oversubscription to the short tenor of the bond, as well as its relative small size (KES.25Bn) compared to what has become the norm, KES.50Bn.

Fig.2: CBK accepts KES.18.7Bn in December for the 5-Year issue

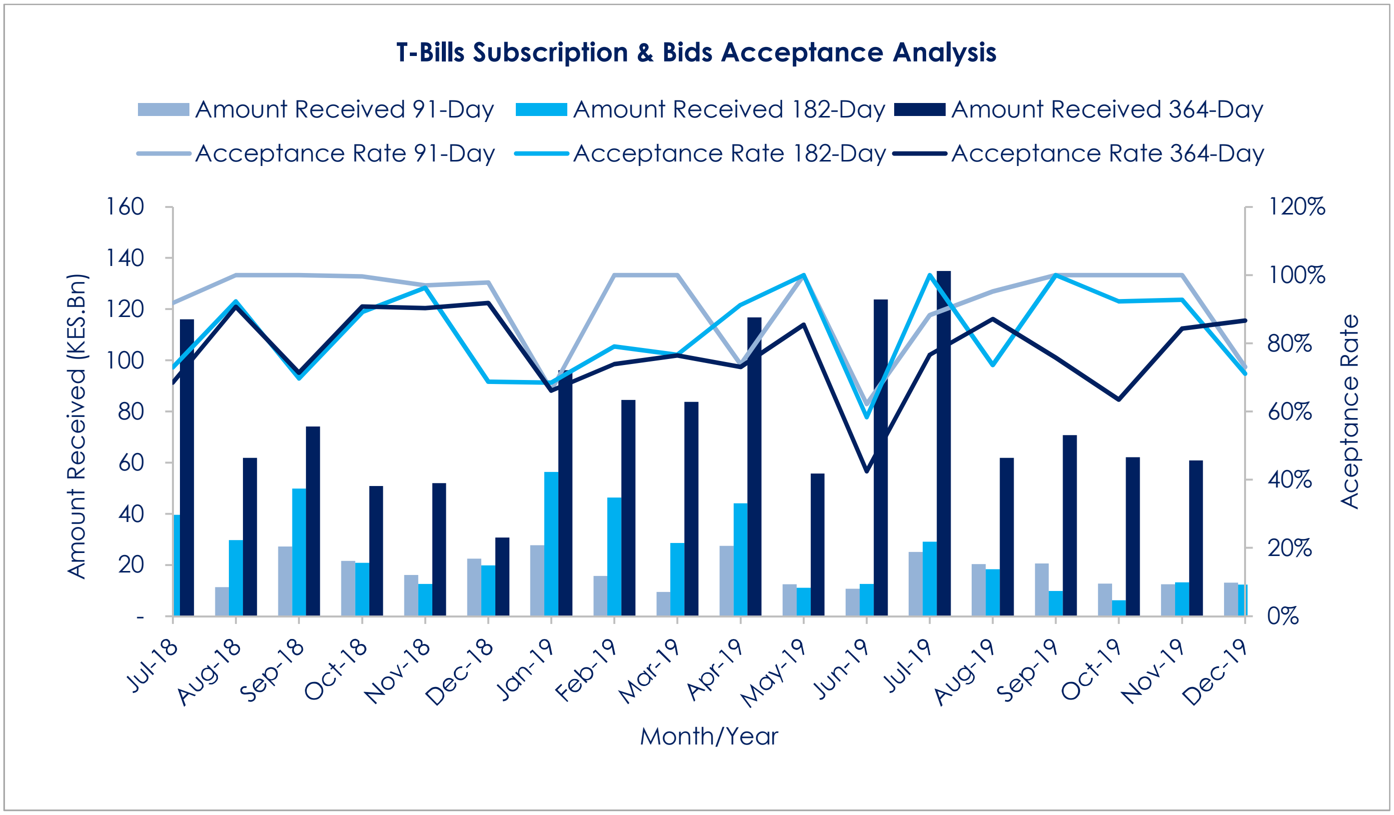


Source: Central Bank of Kenya

T-Bill demand declined in December 2019, uptick expected in January 2020

- All T-Bills were undersubscribed in the month of December with subscription rates of 65.4%, 24.6% and 57.1% for the 91,182 and 364 day T-Bills respectively.
- Acceptance rate stood at 73.0%, 71.1% and 86.1% for the 91-day, 182-day and 364 day papers respectively (Fig.3).
- Demand for all the papers was generally low in December, and we expect improved investor domestic debt auction participation in January.

Fig.3 Low investor bids for T-Bill auctions in December

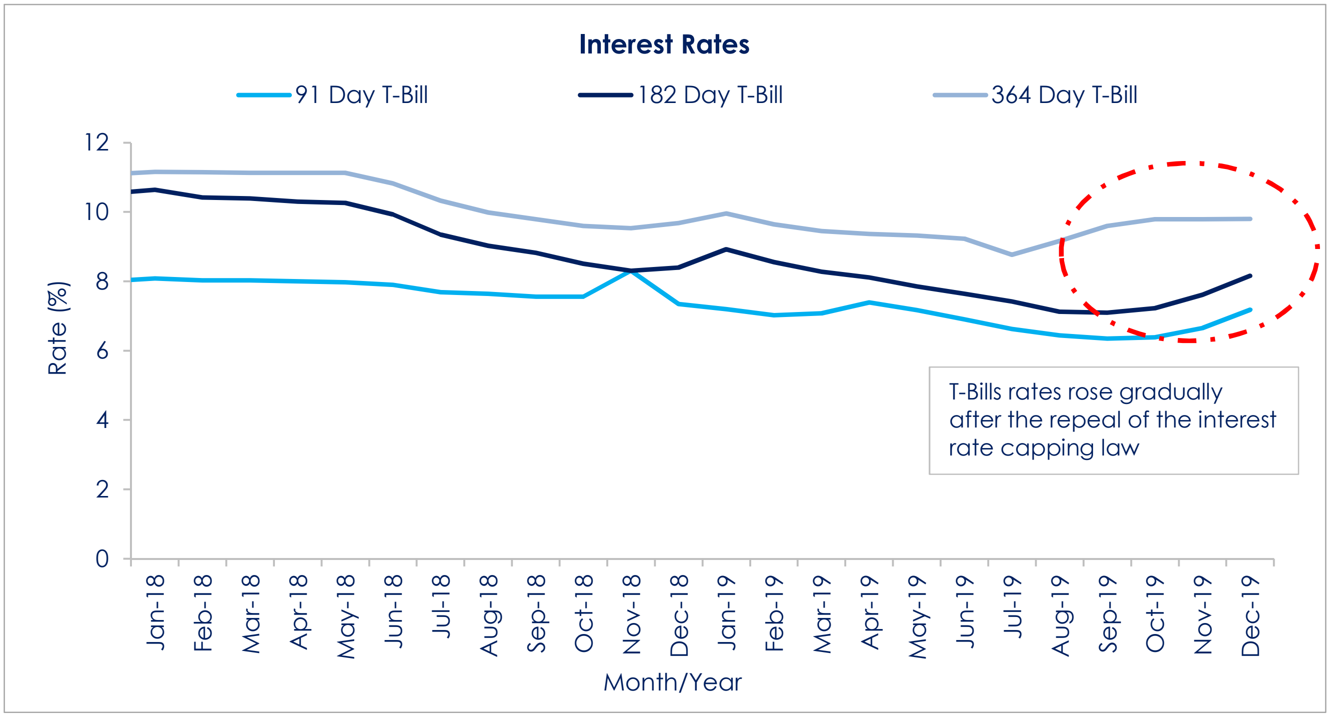


Source: Central Bank of Kenya

T-Bill yields rising gradually after the rate cap removal

- The average yields for the 91-day and 182-day papers rose by 0.5%, 0.6% and 0.01% to 7.2%, 8.2% and 9.8% respectively in the month of December over the previous month. (Fig.4)
- T-Bills acceptance rate during the month fell to 79.8% (KES.43.0Bn) compared to 87.8% (KES.76.0Bn) in November 2019.
- We expect interest rates on short term domestic debt to remain relatively stable, following the rise after the removal of interest rate caps.

Fig.4: Short-term domestic debt interest rates rose marginally but to remain stable in the short term

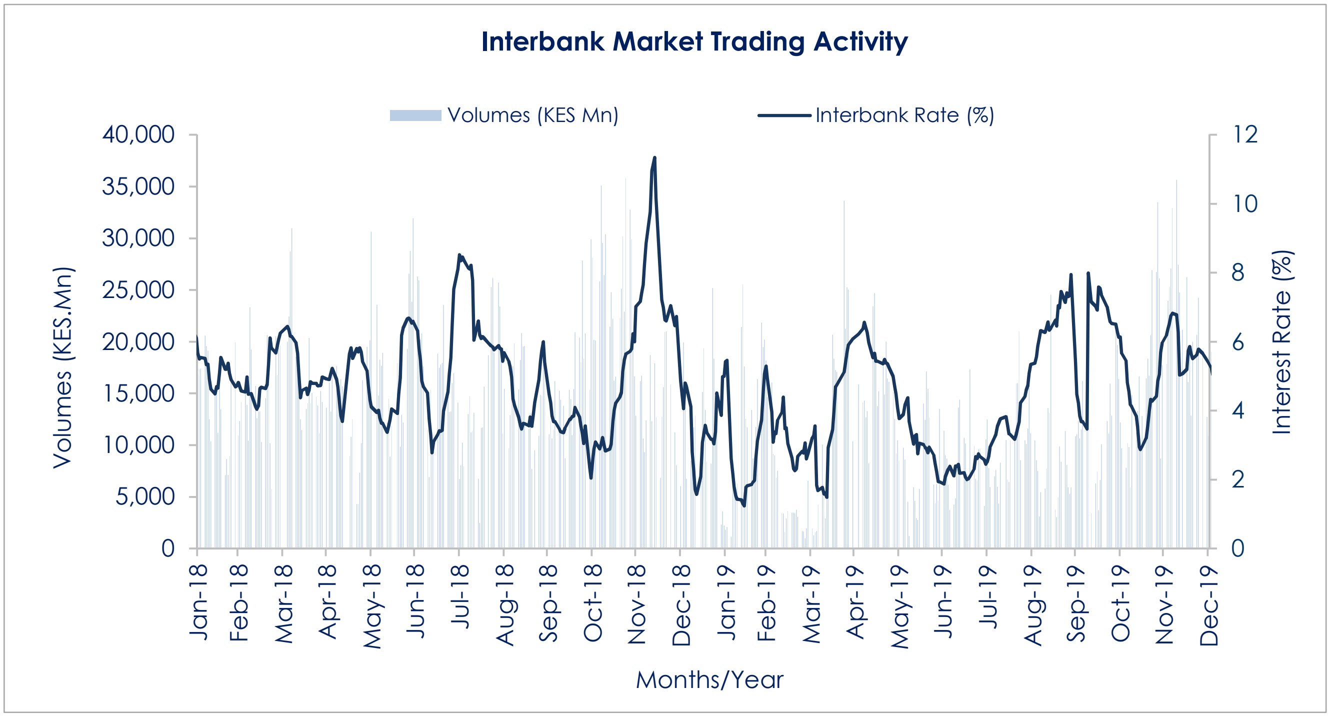


Source: Central Bank of Kenya

Inter-bank lending rates increase in December due to low market liquidity

- Average inter-bank lending rates increased to 5.9% in December from 4.3% the previous month, while total volumes exchanged increased from KES.333.6Bn in November to KES.417.69Bn (+25.2)(Fig.5).
- The increase is attributable to tight market liquidity due to annual financial reporting by financial institutions which normally leads to lower trading activity.

Fig.5: Inter-bank lending rates expected to decline in January

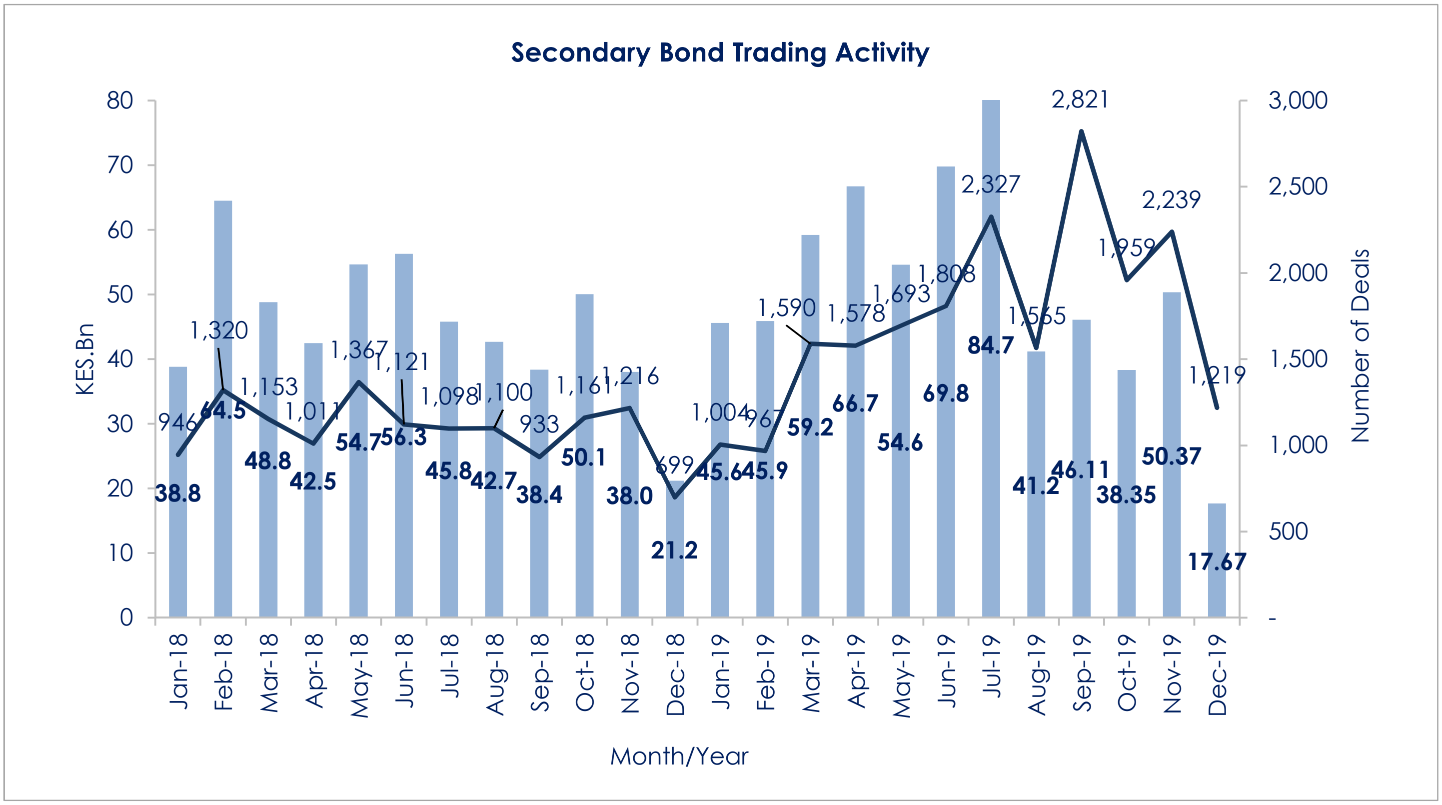


Source: Central Bank of Kenya

After the slump of December 2019, secondary market trading activity is expected to rise in January 2020

- Turnover in the secondary market dipped 64.9% in December to KES.17.7Bn while the number of deals decreased 45.6% to 1,219 (Fig.6).
- The low secondary trading activity is attributable to the festive season as well as uncertainty surrounding the interest rate movements.
- Secondary trading activity will improve in January 2020 due to a combination of high market liquidity and a resumption of normal trading activity.

Fig.6: Secondary bond trading declined in December 2019, expected to pick up in January 2020



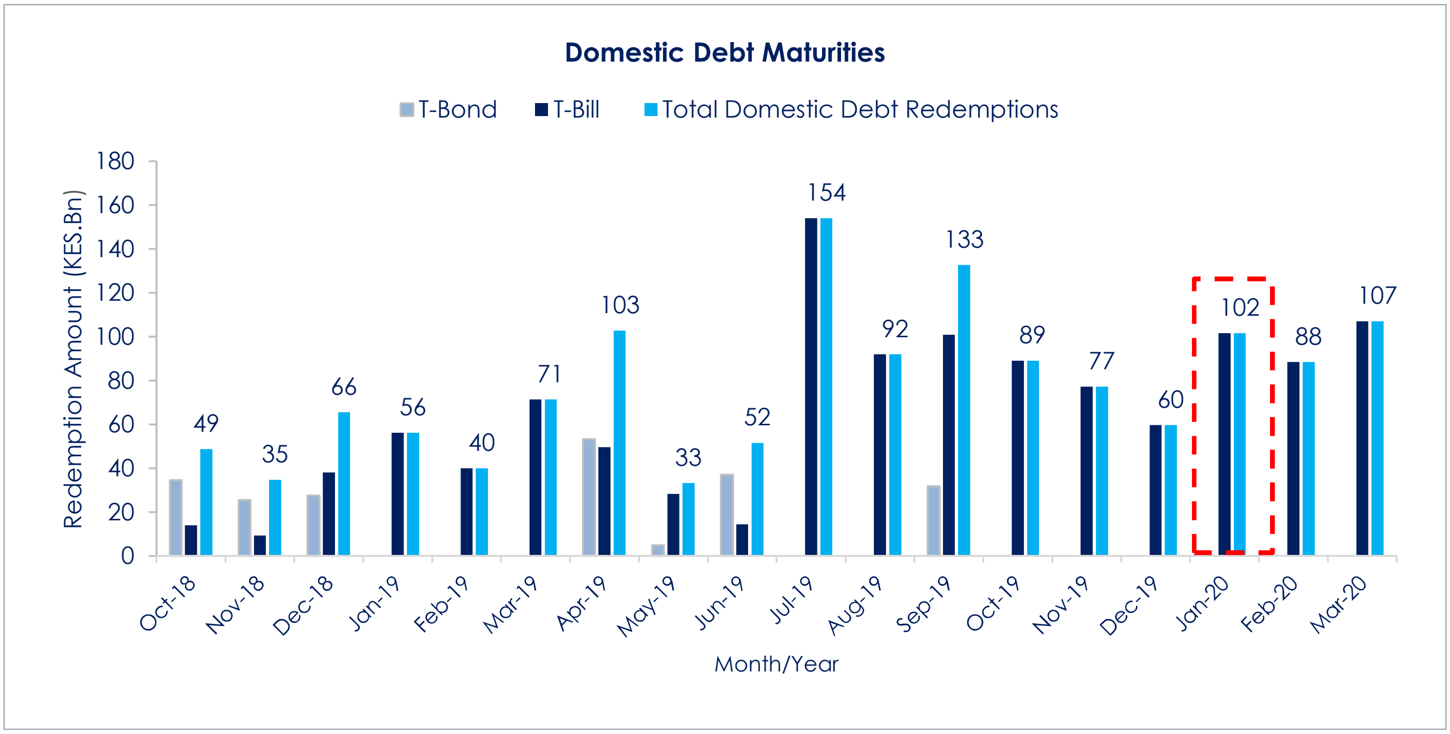
Source: Central Bank of Kenya

KES.101.8Bn in T-Bill redemptions in January 2020. No bond redemptions expected until April 2020

KES.102Bn in T-Bill redemptions for January, no bond redemptions until April 2020

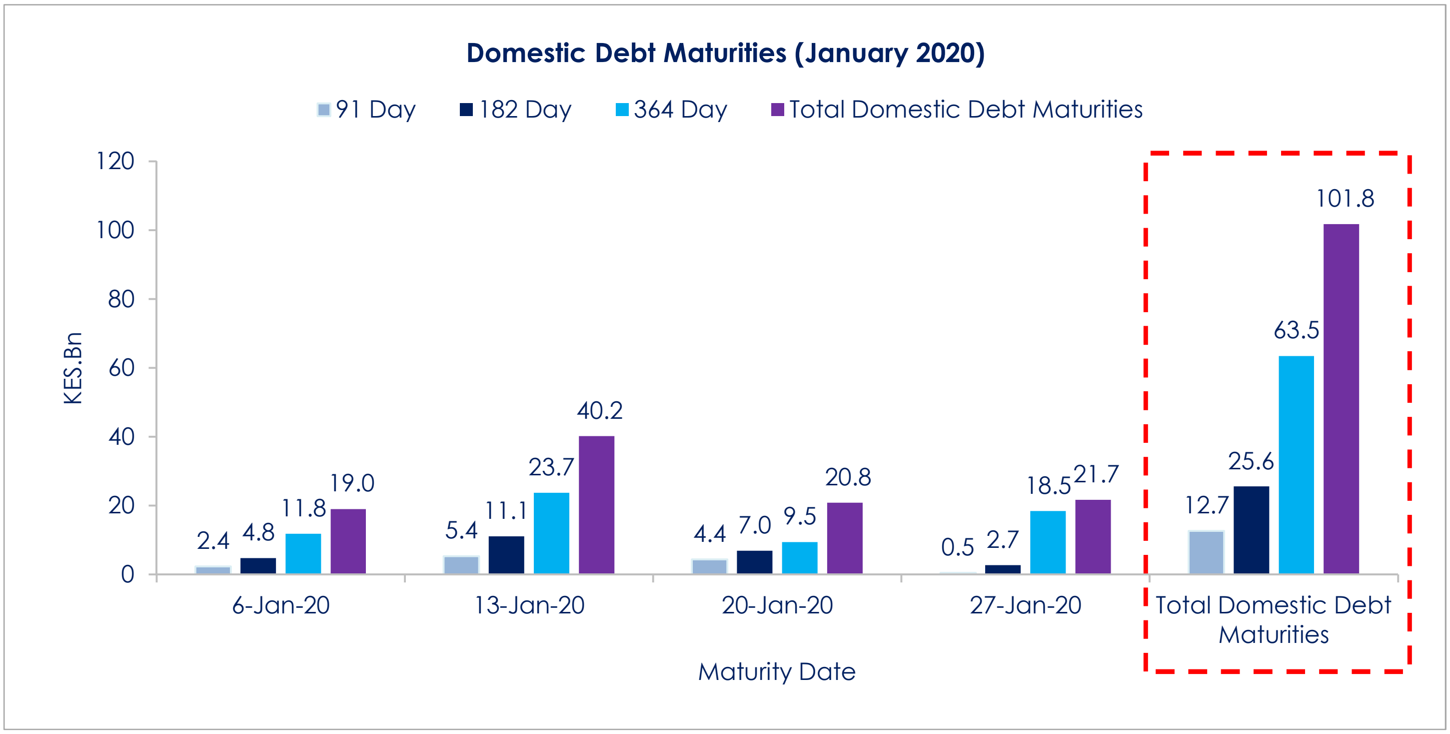
- Total domestic debt redemptions for January 2020 amounts to KES.101.8Bn (solely T-Bills) down from KES.59.7Bn in December (Fig.7) higher than this month's KES.96Bn T-Bill issuance target.
- The redemptions for the 91, 182 and 364 day T-Bills includes KES.12.7Bn, KES.25.6Bn and KES.63.5Bn respectively.
- There are no bond maturities outstanding for the month of January 2020 until April 2020.
- Most redemptions (KES.40.2Bn) will be done in the second week of January (Fig.8).
- Domestic debt maturities are expected to decline to KES.88Bn in February and then rise to KES.107Bn in March implying an increase in Government appetite for borrowing towards the end of the first quarter of 2020.

Fig.7: KES.102Bn in T-Bill debt maturities in January 2020



Source: Central Bank of Kenya

Fig.8: Weekly debt maturities in January 2020



Source: Central Bank of Kenya

1st Supplementary Estimates 2019/20 unveils KES.146 funding gap

Fiscal budget deficit of KES.146.3Bn to be financed through domestic and external debt.

"A further review of the fiscal framework indicates that the proposed supplementary estimates are likely to result to a financing gap of KES.146.3Bn. It is clear that the revenue projections are still unrealistic and that proceeds from State Owned Enterprises (SOEs) of KES.78Bn are not likely to finance the supplementary increases that are on account of the shortfall in revenue and additional expenditures….this financing gap will have to be met from additional borrowing either domestically or external borrowing meant for budgetary support (this is usually commercial debt that is not tied to any conditionality)." – The 1st Supplementary estimates FY2019/20 – November 2019.

- The first fiscal budget revision presented by the National Treasury in November 2019 showing an estimated financing deficit of KES.146.3Bn (Table.5) is a clear indication that the National Treasury will need to borrow more than it initially intended from either the domestic or external debt market.
- This is the reason that we estimate increased domestic borrowing by the CBK in the second half of the FY2019/20 fiscal year.
- Additional borrowing is likely should the revised revenue targets turn out to be higher than what is realistically achievable.

Table.5: 1st Supplementary Budget unveils KES.146.3Bn financing deficit

Fiscal Budget Item	Printed Estimates	BROP 2019	Supplementary Estimates
Total Revenue	**2,115.9**	**2,090.5**	**2.090.5**
Ordinary Revenue	1,877.2	1,851.8	1,851.8
Expenditure	**2,789.5**	**2,835.7**	**2,915.8**
Recurrent*	1,760.3	1,744.9	1,739.2
Development	652.3	707.4	793.2
Fiscal Balance	**(673.6)**	**(745.2)**	**(825.3)**
Grants	38.8	38.8	38.8
Fiscal Balance Including Grants	**(634.8)**	**(706.4)**	**(786.5)**
Net Foreign Financing	331.3	331.3	331.3
Net Domestic Financing	303.5	308.9	308.9
Financing Gap		**(66.2)**	**(146.3)**

*Includes transfers to counties
BROP – Budget Review & Outlook Paper 2019/20
*Supplementary Budget Estimates 2019/20 (November 2019)

Source: Kenya National Treasury

National Treasury domestic borrowing target at 43% of revised target

- Total Domestic borrowing as at the end of November 2019 stood at KES.221.8Bn equivalent to 43.2% of its total revised target (Table.6).
- We expect aggressive borrowing from the domestic market in respect of the remainder of the borrowing target as well as the KES.146.3Bn funding gap from the supplementary budget part of which will be financed through domestic borrowing.

Table.6: Domestic borrowing at 43% of total revised target

Receipts	2019/20 Original Estimates (KES)	2019/20 Revised Estimates (KES)	Actual Receipts (KES) 31st Oct 2019	Actual Receipts (KES) 30th Nov 2019	Proportion of Receipt Target Achieved 30th Nov 2019
Opening Balance (1st July			98.9	98.9	
Total Tax Income	1,807.6	1,705	498.3	628.5	36.9%
Total Non-Tax Income	69.5	138.9	15.6	49.7	35.8%
Domestic Borrowing*	429.4	514.0	168.6	221.8	43.2%
Loans -Foreign Gov't & International Org	65.2	66.1	6.3	7.6	11.4%
Programme Loan-Budget	2.0	2.0	4.7	4.7	233.3%
Domestic Lending & on-lending	4.3	4.3	1.5	1.5	34.1%
Grant -Foreign Gov't &	14.5	17.7	5.1	5.9	33.4%
Grants from AMISON	5.0	4.0	1.9	1.9	48.5%
Commercial Loan	200.0	200.0	0.0	0.0	0.0%
Unspent Balances (Recoveries)			2.2	2.7	-
Total Revenue	**2,598**	**2,651.9**	**803.1**	**1,023.1**	**38.6%**

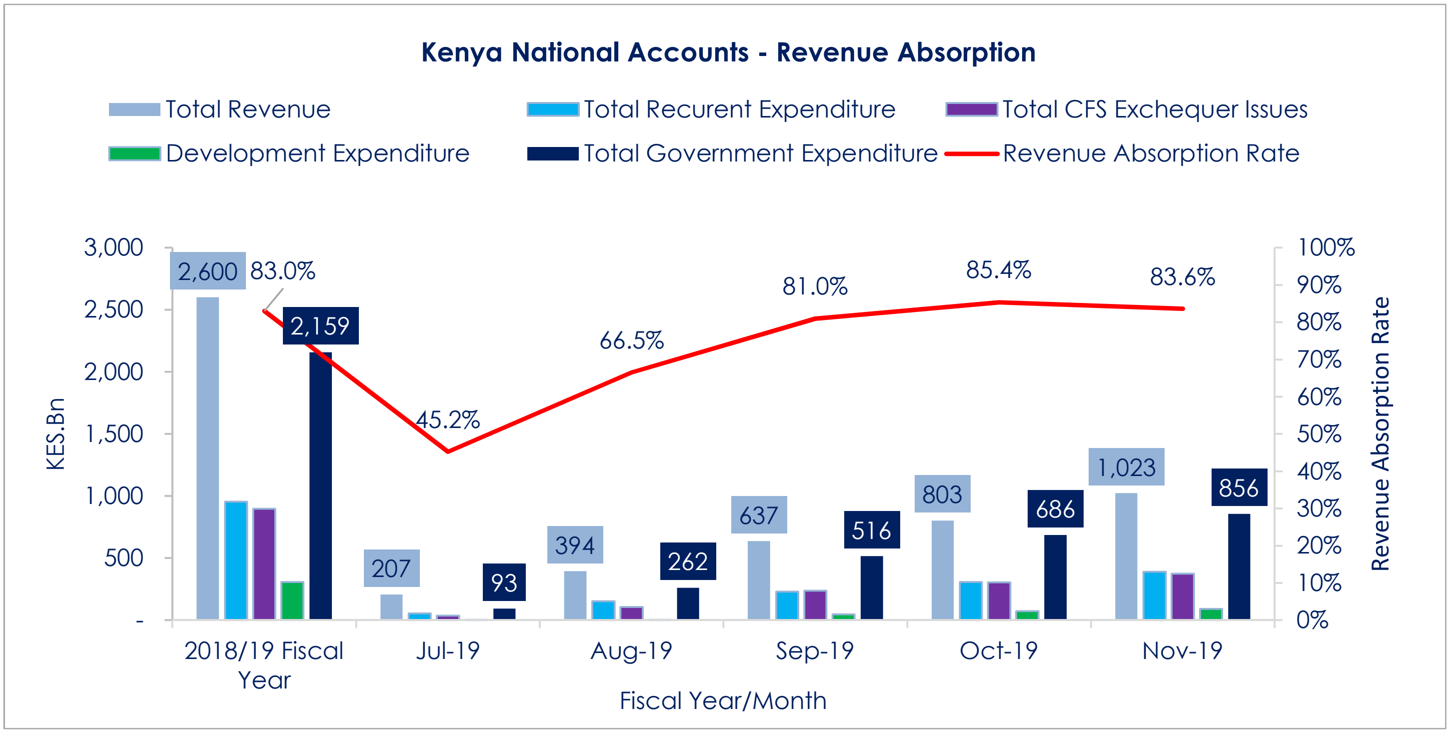
* Note 1: Domestic Borrowing of KES. 514.6 = Net Domestic borrowing KES.391.4 & Internal debt redemptions (Roll-overs) KES.122.6.

Source: Source: The Kenya Gazette Vol. CXXI - No.174 20th December 2019

National Treasury revenue absorption remains high

- National Treasury revenue absorption over the last three months has averaged 83% signaling high revenue absorption by the National Treasury (Fig.9).
- This also means that the Government has high budget financing needs and we expect both aggressive revenue collection through the tax authority and emphasis on borrowing particularly from the domestic debt market.

Fig.9: High revenue absorption rates puts pressure on deficit financing

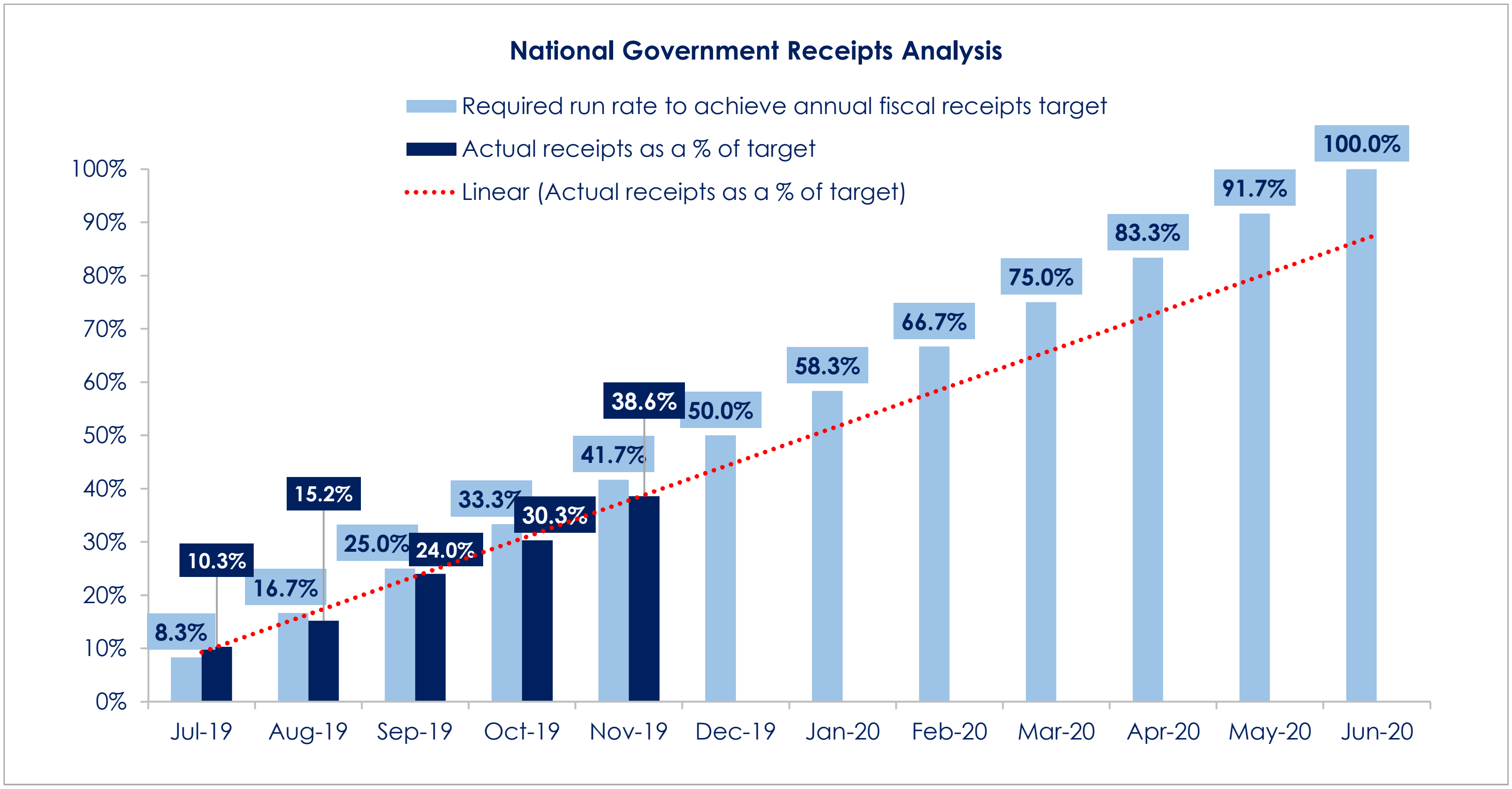


Source: The Kenya Gazette Vol. CXXI - No.174 20th December 2019

National Treasury's current budget financing is below required target run rate

- Actual aggregate National Government receipts as a proportion of total annual target receipts as at the end of November 2019 stood at 38.6% below our linear run rate target 41.7% (Fig.10).
- Domestic borrowing at 43.2% of the total target remains within our run rate although this is likely to fall due to revisions in the supplementary budget.
- This suggests that the CBK is likely to borrow aggressively in the second half of the 2019/20 fiscal year a move that is likely to involve accepting more aggressive investor bids or larger Treasury bond issues.

Fig.10: CBK is below our required linear revenue target run rate



Source: The Kenya Gazette Vol. CXXI - No.174 20th December 2019

Yields on short term issues rise while those on the long end have dipped

Short end and medium tenors shift upwards while long-end of yield curve shifts downwards

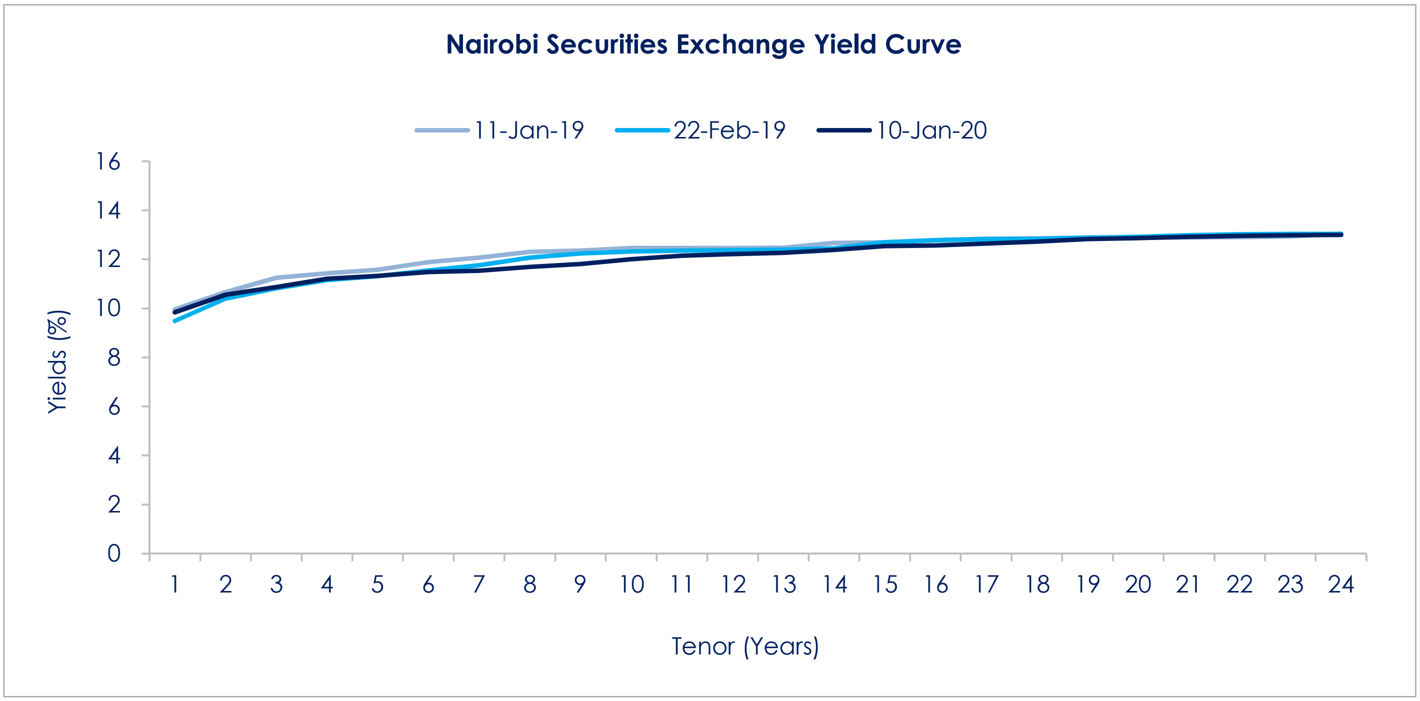
- Yields on short and medium term yields have risen between February 2019 and January 2020 while those on long-term issues have declined (Table.7).
- The latest NSE yield curve (10th January 2020) shows a marginal rise (1.3Bps) rise in yields on the 5 year issue while the yield on the 10-Yr issue has declined 31.0Bps during the period under review.
- The short end of the yield curve is expected to gradually shift upwards following the repeal of the interest rate capping law largely due to increased demand for short term issues.
- **Our recommendation still stands; BUY short and medium term bonds and HOLD long term papers.**

Table.6: Yields on the short term papers increases while for long term declines

Tenor	Yield (11th Jan 2019)	22nd Feb 2019	Yield (10th Jan 2020)	Change Feb 2019 vs Jan 2020 (Bps)	Sterling Capital yield Curve (10th Jan 2020)
1	9.9580	9.4920	9.8330	↑34.1	9.90
2	10.6575	10.4000	10.5570	↑15.7	10.50
5	11.5750	11.3125	11.3250	↑1.3	11.30
10	12.4625	12.3172	12.0071	↓31.0	12.30
15	12.6984	12.7000	12.5331	↓16.7	12.50
20	12.8913	12.9125	12.8709	↓4.2	12.90

Source: Nairobi Securities Exchange

Fig.11: Yields on the long end of the yield curve declines



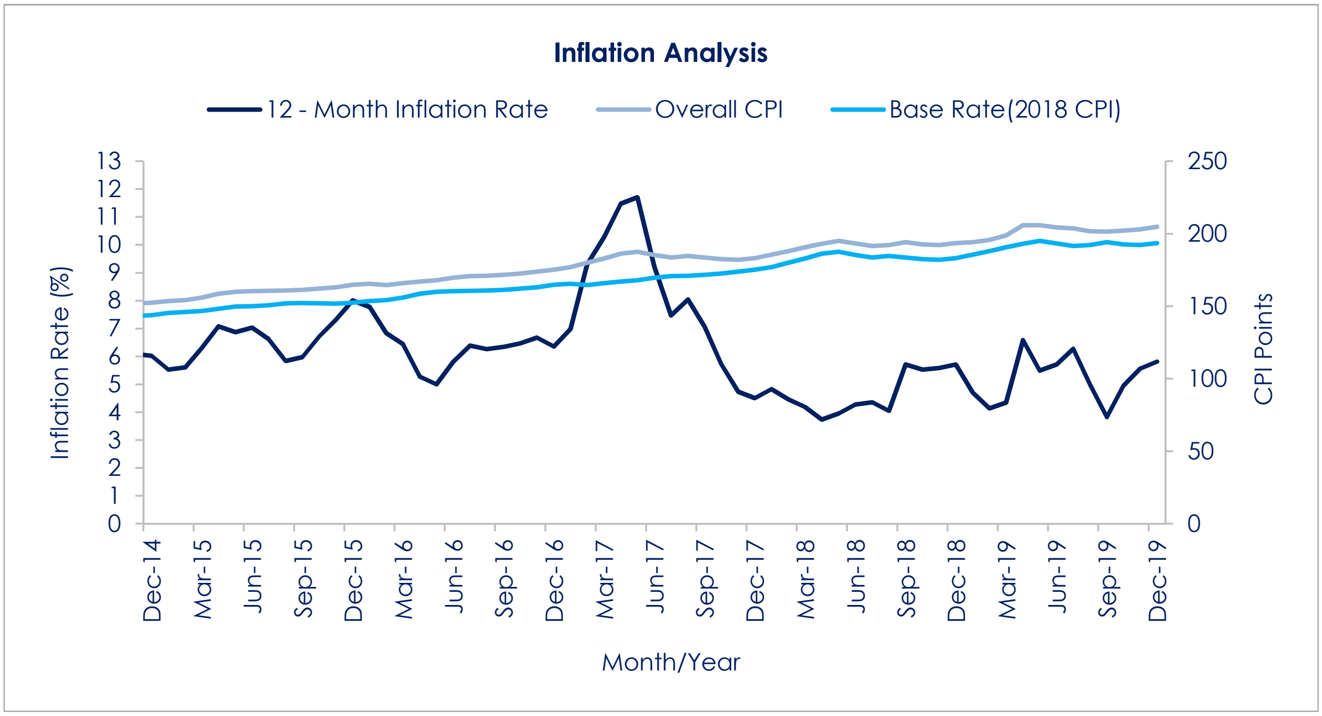
Source: Nairobi Securities Exchange

January 2020 inflation forecast - 5.7% - 6.2%

January 2020 inflation forecast 5.7-6.2%

- Inflation in December 2019 rose to 5.82% from 5.56 % in November driven by 1.5% rise in food and non-alcoholic Drinks' Index attributable to an increase in prices of vegetables (Fig.12).
- Although the pump prices of diesel and petrol declined, the transport index rose 2.1% mainly as a result of increase in public transport fares due to end year festivities.
- The Housing, Water, Electricity, Gas and Other Fuels' Index, increased marginally mainly attributed to higher prices of charcoal while the cost of electricity dropped slightly compared to the previous month.
- Annual average inflation remained flat at 5.2% in December as was the case in November.
- We expect the January inflation to range between 5.7%-6.2% due to an increase in pump prices of Kerosene, Petrol and Diesel by KES.1.6, KES.0.70 and KES 0.5 per litre respectively.
- Food prices are likely to increase due to damage caused by heavy rains and floods in December.
- If this inflationary persists in the medium term, we could see investors holding out for a higher rate of return from investing in Government securities.
- This scenario is unlikely considering that the inflation rate is expected to remain relatively low and stable in the long-run and the CBK still holds an upper hand in terms of its ability to control the cost of borrowing in the domestic debt market.

Fig.12: January 2020 inflation forecast 5.7% - 6.2%



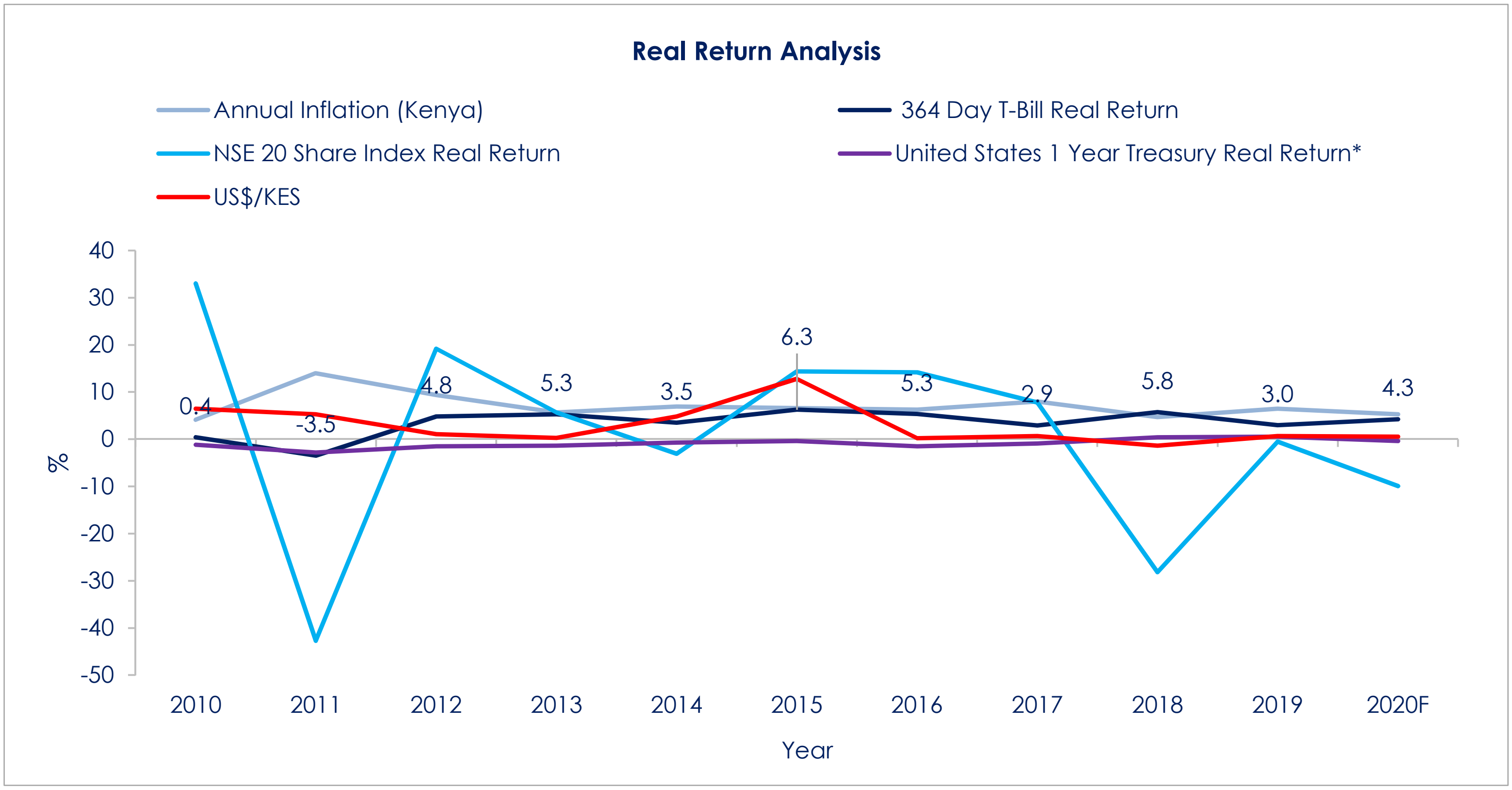
Source: Kenya National Bureau of Statistics

Kenya domestic debt yields positive real return

Kenya local currency domestic debt consistently returns positive

- We have done an analysis of the investment return on Kenya domestic debt (364 Day T-Bill), Kenya equities (Nairobi Securities Exchange 20 Share Index) and United States 1 Year Treasuries and adjusted the same for inflation (Fig.13).
- Also included in our analysis is the annual performance of the Kenya Shilling against the United States Dollar (US$) over the last 10 years.
- We effectively conclude that Kenya domestic currency debt continues to outperform local equities (10 years - 3.4% against 3.2% and 5 years 4.7% against 1.5%).
- Investing in local currency debt has also been more profitable than investing in US treasuries which have returned 0.9% and 0.4% in the last 10 and 5 years respectively (measured against US annual inflation).
- **With inflation relatively low and stable, we expect the trend of positive real return to continue in the medium term and recommend that investors with medium term investment horizons and low appetite for investment risk to invest in local currency denominated debt.**

Fig.13.Kenya Domestic Debt continues to generate positive real return



Source: Central Bank of Kenya, Kenya National Bureau of Statistics, U.S Department of the Treasury & Trading Economics

Monetary Policy Committee to hold benchmark rate in next meeting

Domestic interest rates relatively stable after interest rate cap repeal

CBR to remain unchaged in January MPC meeting

- The Monetary Policy Committee (MPC) lowered the Central Bank Rate (CBR) to 8.5% from 9.0% in their last meeting held on 25th November, 2019.
- We believe that this move was a signal by the regulator that it expects banks to maintain lending rates at near current levels or lower even if the caps were removed.
- However, the revision has had minimal impact on lending rates as most banks have maintained the lending rate at 13% (Standard Chartered lowered its lending rate to 12.5% in December 2019.
- T-Bill rates rose gradually following the repeal but have remained relatively flat in recent auctions.
- Overall, we do not expect the CBR revision to affect bank lending rates and domestic debt interest rates in the near future.
- The MPC is expected to maintain the CBR at 8.5% when they meet on 27th January against a backdrop of macro-economic stability.

Disclosures

Ownership and material conflicts of interest:
The authors or a member of their household, of this report do not hold a financial interest in the securities of this company. The authors or a member of their household, of this report do not know of the existence of any conflicts of interest that might bias the content or publication of this report.

Position as an officer or director: The authors or a member of their household, do not serve as an officer, director or advisory board member of the subject company.

Research analyst certification:
The research analyst(s) primarily responsible for the preparation and content of all or any identified portion of this research report hereby certifies that all of the views expressed herein accurately reflect their personal views. Each research analyst(s) also certify that no part of their compensation was, is, or will be, directly or indirectly, related to the view(s) expressed by that research analyst in this research report.

Additional Disclosures:
This research report is for distribution only under such circumstances as may be permitted by applicable law. This research report has no regard to the specific investment objectives, financial situation or particular needs of any specific recipient, even if sent only to a single recipient. This research report is not guaranteed to be a complete statement or summary of any securities, markets, reports or developments referred to in this research report. Neither SCL nor any of its directors, officers, employees or agents shall have any liability, however arising, for any error, inaccuracy or incompleteness of fact or opinion in this research report or lack of care in this research reports preparation or publication, or any losses or damages which may arise from the use of this research report.

Disclaimer:
This research report was prepared under the supervision of the Research Department of Sterling Capital Limited (SCL), a company authorized to engage in securities activities in Kenya, and with partnerships in Uganda, Rwanda, Zimbabwe, and Tanzania. Data used in this report was gathered from reliable sources, but the analyst(s) and the publishers of this report do not hold themselves responsible for the accuracy or completeness of data used. The report provides the opinions, analyses and conclusions of the Research division only and is provided without any warranties of any kind.

This report does not constitute an offer, or the solicitation of an offer, for the sale or purchase of any security. The reader should independently evaluate the investment risks and is solely responsible for their investment decisions. Whilst every care has been taken in preparing this report, no representation, warranty or undertaking (express or implied) is given and no responsibility or liability is accepted by SCL or any employee of SCL as to the accuracy, timeliness, completeness merchantability or fitness for any particular purpose of any such recommendation or information contained and opinions expressed herein. SCL do not accept any liability for any direct or remote loss or damage arising out of the use of all or any part of the information contained in this report.

This report is published for information purposes only and is not an offer to solicit, buy or sell any security of any kind. This report does not provide customized investment advice. It has been prepared without regard to the individual financial circumstances and risk and return objectives of individuals who receive it. The appropriateness of a particular investment will depend on an investor's individual circumstances, risk tolerance and return objectives. The investments securities referred to in this document may not be suitable for all or certain categories of investors. The Research Division and SCL have implemented Chinese walls procedures to prevent any conflict of interest. Other additional information may be available at SCL.

Further disclosure regarding SCL policy on potential conflicts of interest in the context of investment research and SCL policy on disclosure and conflicts in general are available on request. The opinions presented in this note may be changed without prior notice or cannot be depended upon if used in the place of the investor's independent judgment. The historical performance of a security is not representative of the security's future returns. Investment in securities can be highly risky as security prices may go down in value as well as up and you may not get back the full amount invested. Where an investment is denominated in a currency other than the local currency of the recipient of the research report, changes in the exchange rates may adversely affect the value, price or income of that investment. In case of illiquid investments for which there is no organized market it may be difficult for investors to exit investment positions or to obtain reliable information about its value or the extent of the risk to which it is exposed. The information contained in this report is confidential and is solely for use to those persons to whom it is addressed and may not be reproduced, further distributed to any other person or published, in whole or in part, for any purpose.