Tuesday, 14 July 2020

STERLING CAPITAL LIMITED

Fixed Income Note
July 2020

“Kick off 2020/21”

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

Email: research@sterlingib.com

Bond Dealing: +254 (20) 2213914, 3315414; 2244077
+254 723153219, +254 734219146
Email: invest@sterlingib.com

Website www.sterlingib.com
Bloomberg Code: SCLK <GO>

Table of Contents

Executive Summary

- Our first fixed income report in the 2020/21 fiscal year titled **"Kick off 2020-21"** provides an analysis of three re-opened bond issues **FXD1/2020/5, FXD2/2018/10 and FXD1/2019/15**.
- The central Bank of Kenya (CBK) is seeking to raise KES.60Bn through the three issues during a period of high market liquidity that has resulted in a sharp fall in short-term interest rates.
- Our investor bid predictions are as follows:

Weighted Average Rate (WAR) of investor bids

- **5 Year: 10.80% -11.00%**
- **10 Year: 11.70% - 11.90%**
- **15 Year: 12.40% - 12.60%**

WAR of accepted bids

- **5 Year: 10.70% - 10.80%**
- **10 Year: 11.60% - 11.70%**
- **15 Year: 12.30% - 12.40%**

- The report highlights investor activity in both the primary and secondary bond markets.
- An analysis of market liquidity conditions and our expectations for short- and long-term interest rates is included in the report.
- The 'trading ideas' section of the report provides trading recommendations for investors with both income and trading portfolios.
- The report also gives highlights of the 2020/21 fiscal budget including Government revenue and borrowing targets.
- We also give an analysis of the yield curve and our expectations of its movements in the short term.
- Our short-term inflation expectations are covered towards the end of the report which concludes with our Monetary Policy Committee (MPC) policy rate predictions in the next meeting later this month.

CBK kicks off 2020/21 with three re-opened bonds

- Central Bank of Kenya (CBK) is inviting investor bids for three re-opened bond issues FXD1/2020/5(4.90 years), FXD2/2018/10 (8.49 years) and FXD1/2019/15 (13.61 years) in a bid to raise KES. 60Bn (Table.1).
- We believe that this is part of the CBK's strategy to push the yield curve lower, taking advantage of current high market liquidity levels and limited yielding alternative investment options.
- Issuance of three different tenors is intended to cater for investors with different investment horizons.

Table.1: Primary Bond issue summary

Issue Number	FXD1/2020/5 (re-opened)	FXD2/2018/10 (re-opened)	FXD1/2019/15 (re-opened)
Total Amount Offered	KES.60Bn		
Tenor (Years)	5 Years (4.90Years)	10 Years (8.49 Years)	15 Years (13.61 Years)
Coupon Rate (%)	11.667	12.502	12.857
Issue Price	Discounted/Premium/Par		
Period of Sale	06th July – 21st July 2020		
Auction Date	22nd July 2020		
Value Date	27th July 2020		
Yield Curve (%) (Weighted Average tenor - 4.90Years, 8.49 Years and 13.61Yrs) 3rd July, 2020	**10.87**	**11.80**	**12.40**

Source: Central Bank of Kenya

Our weighted average and accepted bids averages

- We used implied yields provided by the NSE as at 3rd July 2020, discussions with our fixed income traders and other market players as a guide for our investor and CBK accepted bid predictions (Table.2).

Table.2: Auction bid predictions

Rate	FXD1/2020/5	FXD2/2018/10	FXD1/2019/15
Market Weighted Average Rate	10.80 -11.00	11.70 - 11.90	12.40 -12.60
Weighted Average Rate of	10.70 -10.80	11.60 -11.70	12.30 -12.40

Source: Sterling Capital Research

Listed bond issues provided guidance to our predicted rates

- NSE implied yields as at 3rd July 2020 of bonds of similar tenors were used to determine investor bids (Table.3).

Table.3: Benchmark issues to guide investor bids

Treasury Bond	Issue Date	Coupon Rate (%)	Maturity Date	Term to Maturity Years (Days)	Implied Yield to maturity (%)	Yield Curve at time of issue
5-Year						
FXD3/2019/05	16th Dec 2019	11.49	9th Dec 2024	4.45 (1620)	10.7269	11.4920
10-Year						
FXD1/2018/10	27th Aug 2018	12.69	14th Aug 2028	8.14 (2964)	11.6750	12.5692
15-Year						
FXD2/2019/15	13th May 2019	12.34	24th Apr 2034	13.85(5043)	12.5150	12.7633

Source: Sterling Capital Research

Investors continue to favour short and medium tenor issues

- In our determination of possible investor's bids, we also used implied yields of bonds of similar tenors to maturities on the Nairobi Securities Exchange (NSE) as at 05th June, 2020 (Table.4).

Table.4: Historical primary market auction performance

Issue	Offered (KES.Bn)	Bids Received (KES.Bn)	Amount Accepted (KES.Bn)	Performance Rate (%)	Coupon Rate (%)	Implied Yield
5-Year						
FXD1/2018/5	40	37.6	23.1	94.1	12.30	10.5271
FXD1/2018/5 (Tap)	10	7.7	7.7	-	12.30	10.5271
FXD1/2019/5	50	41.9	20.6	83.9	11.30	11.1417
FXD2/2019/5	50	49.3	39.2	98.6	10.87	11.1847
FXD3/2019/5	25	28.5	18.7	113.9	11.49	11.3100
FXD3/2019/5 (Tap)	9.7	9.8	9.8	-	11.49	11.3100
FXD1/2019/5 (Re-opened)	50	44.5	44.5	89.0	11.304	11.3100
FXD1/2020/5	50	34.5	20.8	69.1	11.667	11.4167
FXD1/2020/5 (Re-opened)	30	20.6	8.9	68.6	11.667	11.4167
10-Year						
FXD2/2018/10	40	28.86	26.16	72.15	12.502	12.0645
FXD1/2019/10	50	36.33	32.81	72.66	12.438	12.1320
FXD2/2019/10	50	70.93	51.33	141.87	12.300	12.1775
FXD3/2019/10	50	52.77	45.01	105.54	11.517	12.1857
FXD4/2019/10	50	38.4	28.4	76.75	12.28	12.1917
FXD1/2019/10 (Re-opened)	50	25.43	19.26	50.85	12.438	12.1320
15-Year						
FXD1/2019/15	40	25.07	14.72	62.67	12.857	12.3149
FXD2/2019/15	50	17.37	17.37	34.74	12.734	12.5150
FXD3/2019/15	40	86.67	50.58	216.69	12.340	12.5205
FXD1/2020/15	50	18.44	5.19	36.87	12.756	12.5346

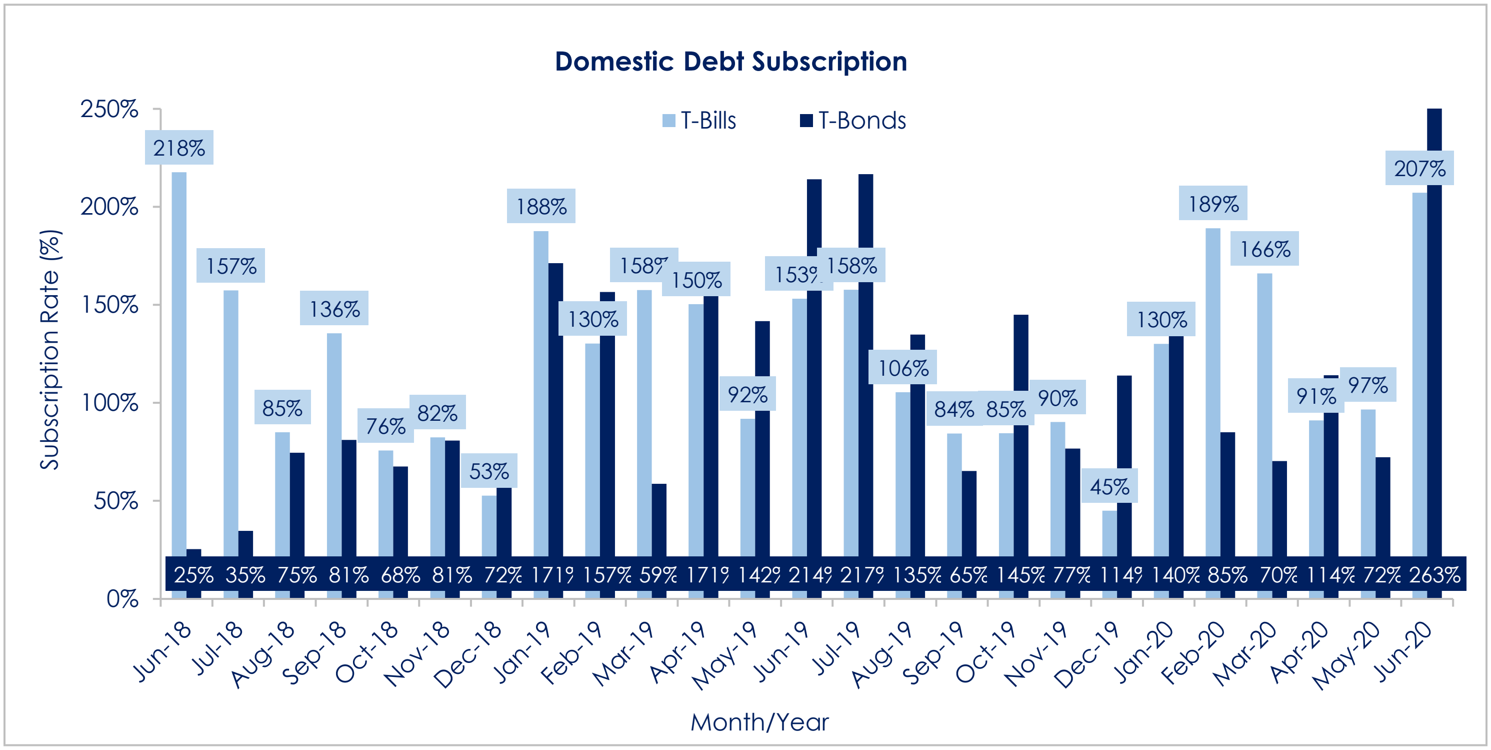
Source: Central Bank of Kenya

Domestic debt demand high on account of high market liquidity

- CBK offered KES.40Bn and KES.120Bn in last month's T-Bond and T-Bill issues respectively (Figure.1 and Figure.2).
- KES.105.1Bn (262.8%) received for the T-Bonds and KES.248.6n (207.2%) received in subscriptions for the T-Bills (Figure.1).
- Bids accepted however amounted to KES.49.3Bn and KES.84.2Bn for the T-Bonds and T-Bill issues respectively almost similar to the previous month's acceptance of KES.49Bn and KES.81Bn.
- We see this as a strategy to suppress interest rates and therefore the overall cost of debt.
- The 91-day,182-day and 364-day papers were oversubscribed at 275%,161% and 226% (Figure.3). Acceptance rate for the papers stood at 31.6%, 28.2% and 39.1% respectively.

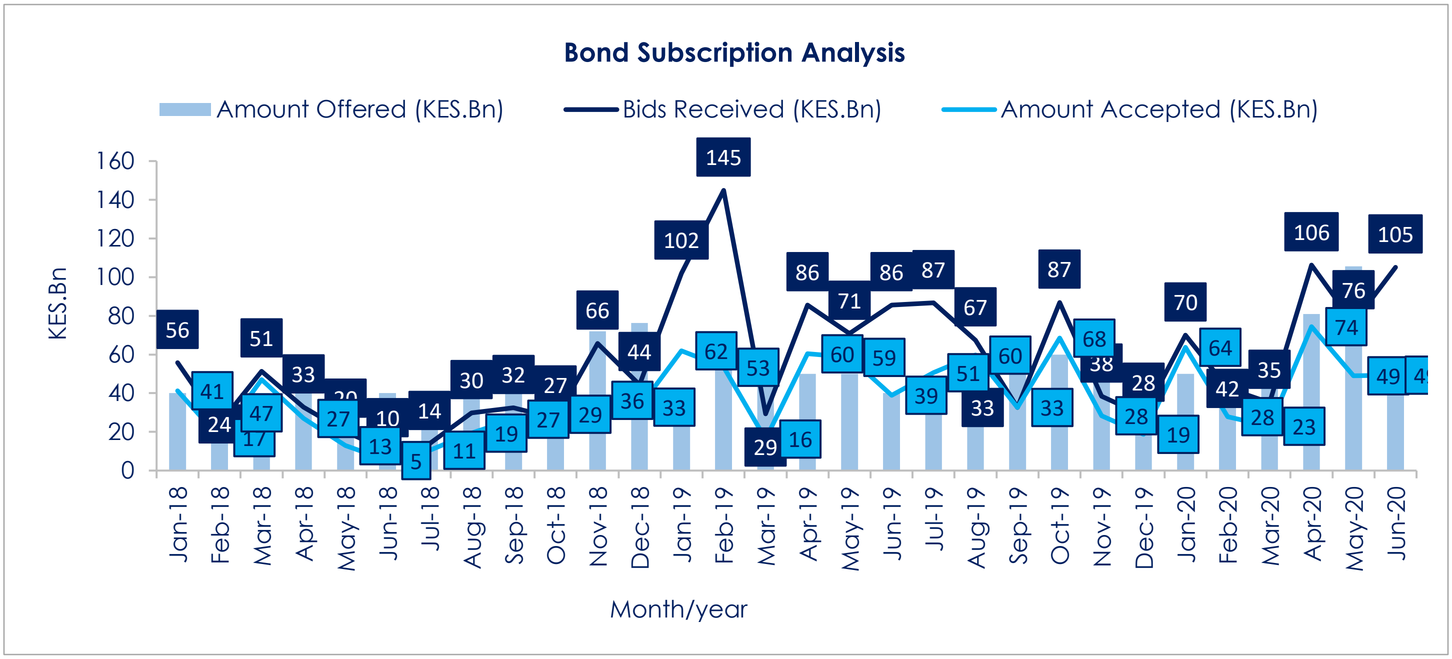
- Demand for the T-Bills remain high as investors are unwilling to tie their capital for a longer period due to uncertainty over the performance of the economy and direction of interest rates.
- T-Bill demand is likely to remain high in July due to high market liquidity, flight of capital from equities and other riskier assets to short-term Government debt securities.

Figure.1: T-Bill subscriptions soars due to high short-term debt demand



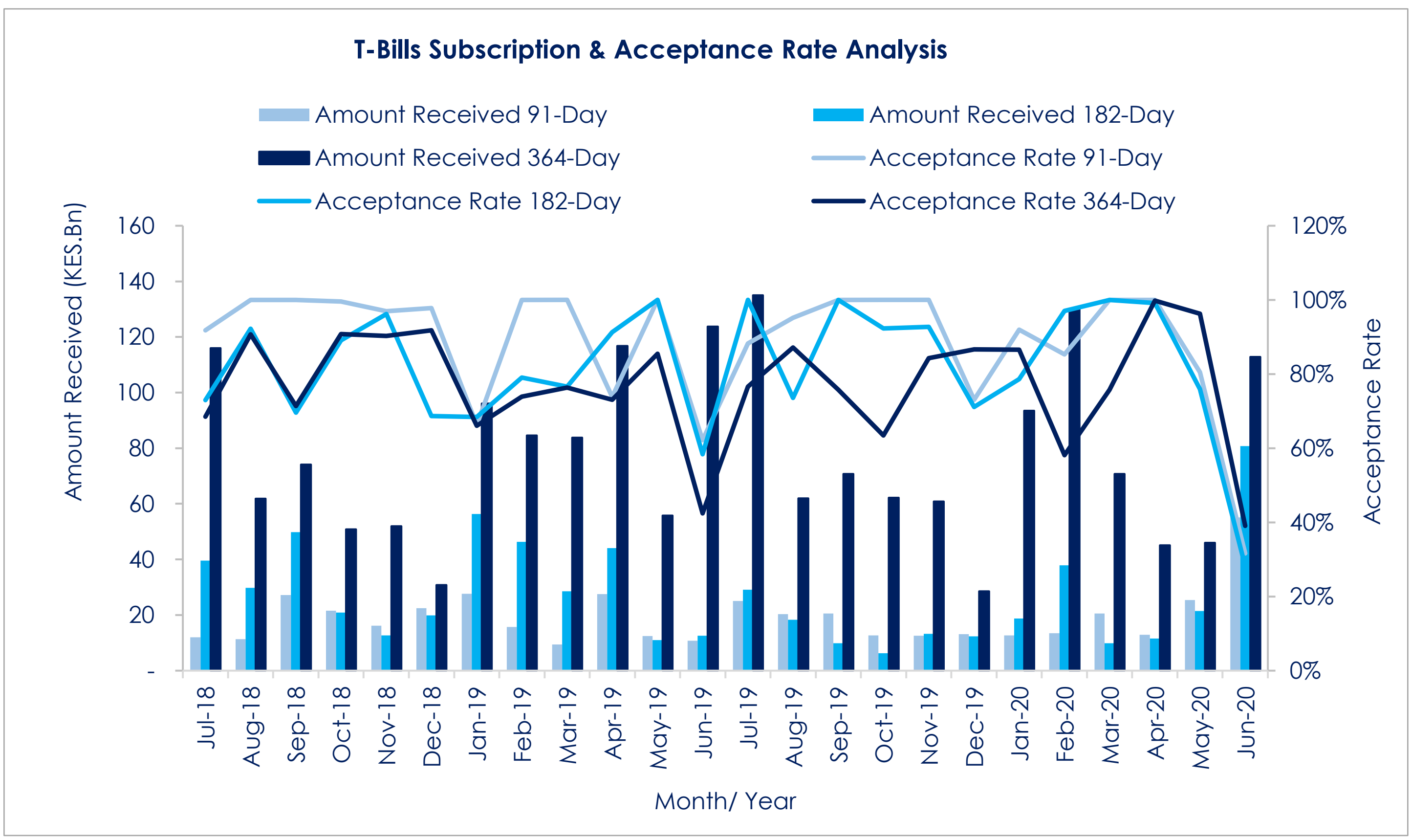
Source: Central Bank of Kenya

Figure.2: CBK continues to reject majority of the investor bids to suppress interest rates



Source: Central Bank of Kenya

Figure.3: CBK Acceptance rates across all tenors plunge

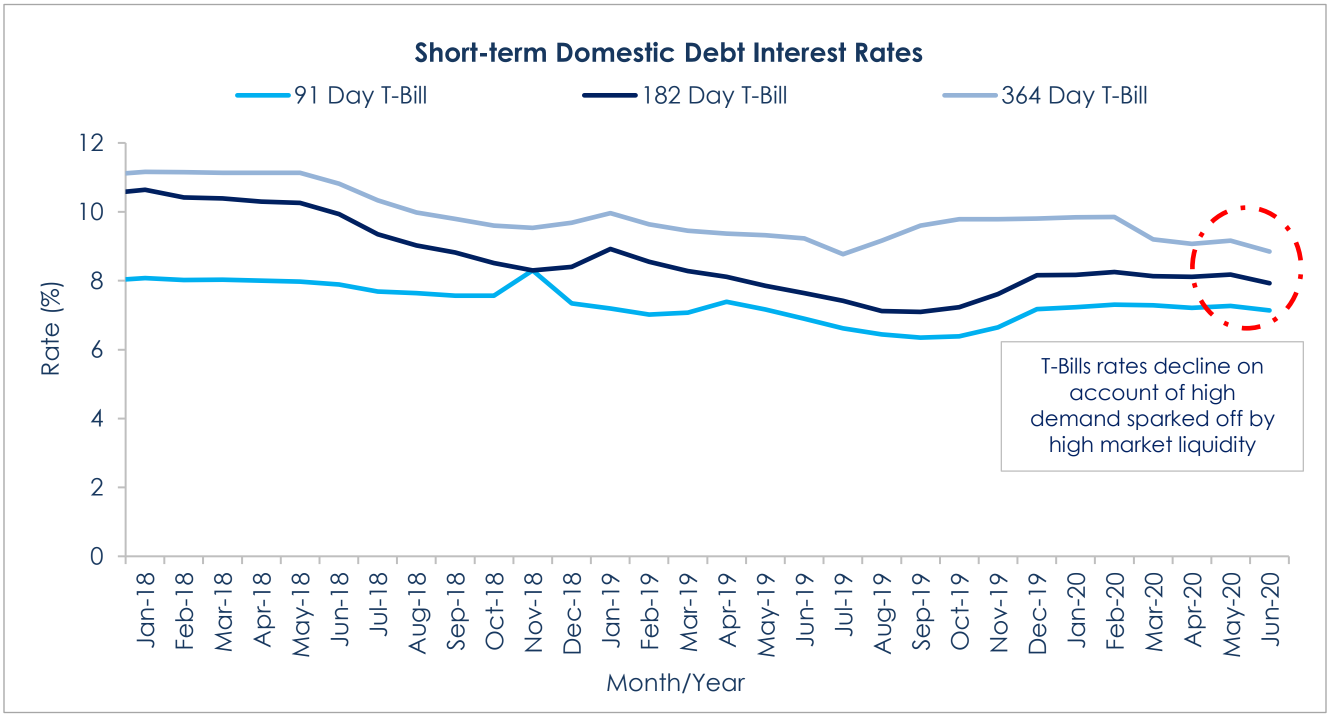


Source: Central Bank of Kenya

T-Bill rates to continue declining on high demand and market liquidity

- Average T-Bill yields for the 91, 182 and 364-day papers decreased marginally by 13bps, 25bps and 31bps to 7.14%, 7.93% and 8.85% respectively in June 2020 (Figure.4).
- We attribute the decline to investors' high liquidity which resulted in extremely high subscription rates and consequently gave way to the CBK rejecting aggressive bids.
- We expect interest rates on short term debt securities to remain at current low levels owing to high market demand and liquidity.
- The high demand is supported by commercial banks risk aversion strategy as they slow down on lending to prevent further asset deterioration in the current economic environment.

Figure.4: Interest rates on short-term debt securities on a sharp decline

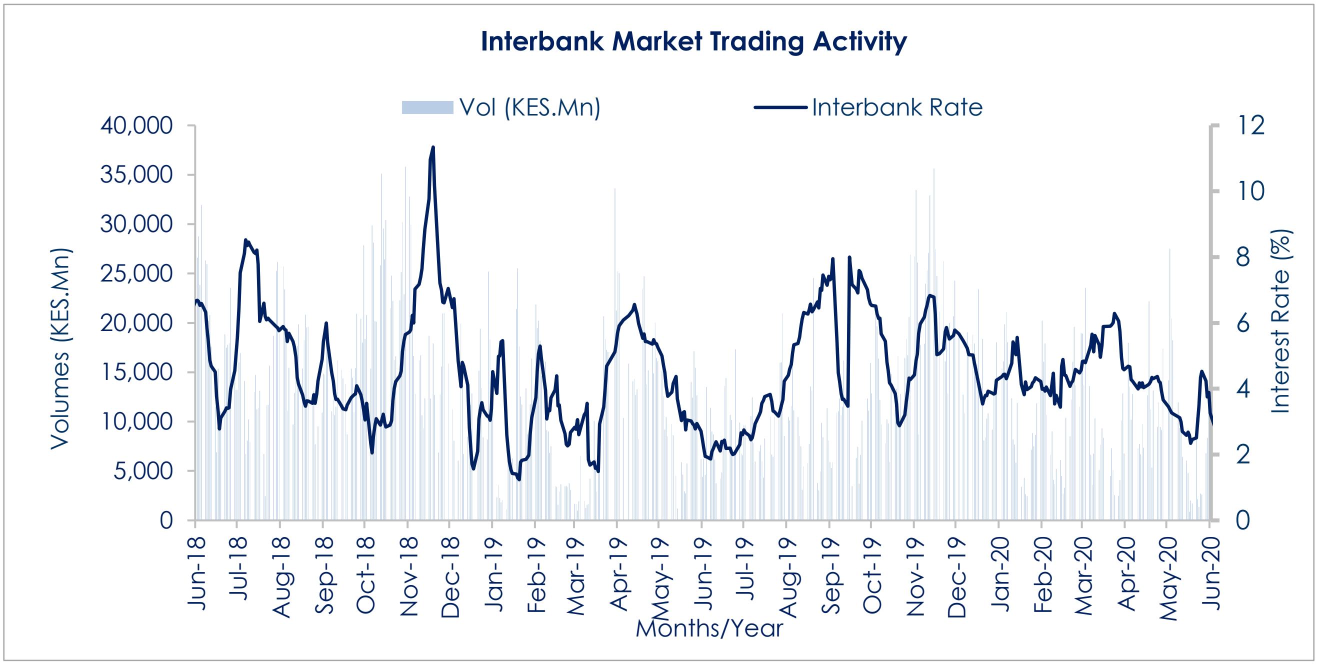


Source: Central Bank of Kenya

Inter-bank lending rates remain subdued

- Average weighted inter-bank lending rate declined to 3.2% in June 2020 from 4% in May due to high market liquidity (Figure.5).
- During the period, total volumes traded declined 46.8% to KES.128.2Bn.
- Daily inter-bank rates have remained low with the rate recorded on 7th July at 1.8%.
- We expect inter-bank rates to remain low in July owing to high market liquidity largely brought about by Government payments at the beginning of the 2020/21 fiscal year and Value Added Tax (VAT) refunds.

Figure.5: Inter-bank rates continue to go down on high market liquidity

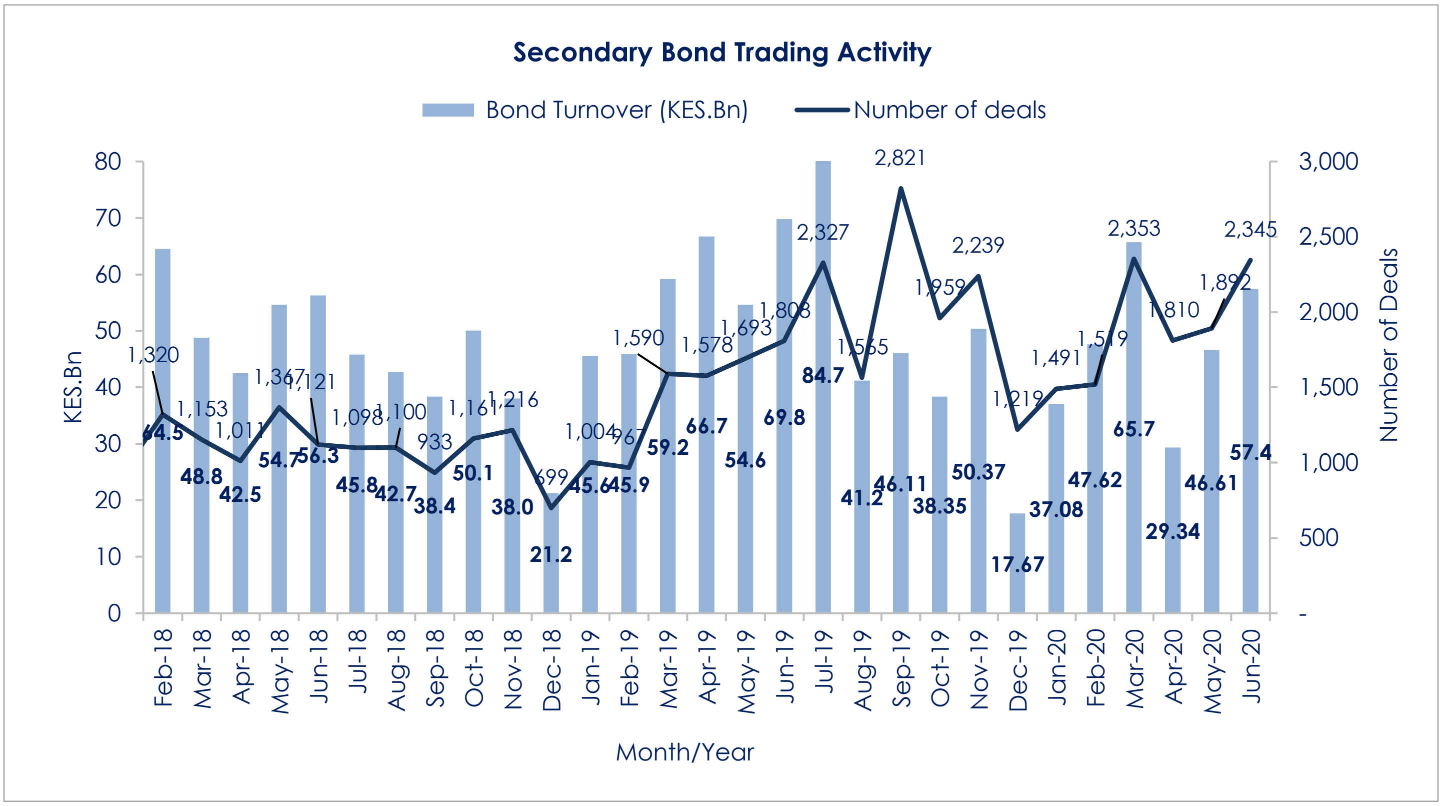


Source: Central Bank of Kenya

High market liquidity to drive secondary market demand

- Secondary bond trading turnover increased 23.2% in June 2020 to KES.57.4n with the number of deals rising 23.9% to 2,345 (Figure.6).
- This activity can be attributed to continuous high market demand for bonds due to significantly high market liquidity.
- Flight to safety from the equities market also continues to support secondary bond trading activity.
- Trading activity in July is expected to increase on account of high liquidity with those investors who miss out in the primary auction tapping into it.

Figure.6: Secondary trading activity rises, demand to continue in July



Source: Central Bank of Kenya

Trading ideas - Trading portfolio buy short, income portfolio go long

- Government securities remain a favourable investment option during the ongoing global COVID-19 pandemic (Table 5).
- **Our recommendations remain unchanged:**
- Investors with a trading portfolio to focus on the short end of the yield curve where most investor interest and trading activity is concentrated.
- Market liquidity remains high but most investor interest in primary auctions and secondary trading activity is on the short and medium-term papers.
- Investors with income portfolio should consider investing in long term papers to take advantage of high coupon rates.

Table.5 - Trading ideas

Bond	Tenor (Years)	Coupon (%)	Modified Duration* (%)	Sterling Capital Yield to Maturity (%)	Current Yield** (%)
FXD1/2019/5	3.6	11.30	2.73	10.600	11.47
IFB1/2020/9	8.8	10.85	5.12	10.600	12.05
IFB1/2019/16	15.30	11.75	6.40	11.200	12.74
FXD1/2018/20	17.7	13.20	6.45	12.800	12.80
FXD1/2018/25	23.0	13.40	7.01	13.000	13.24

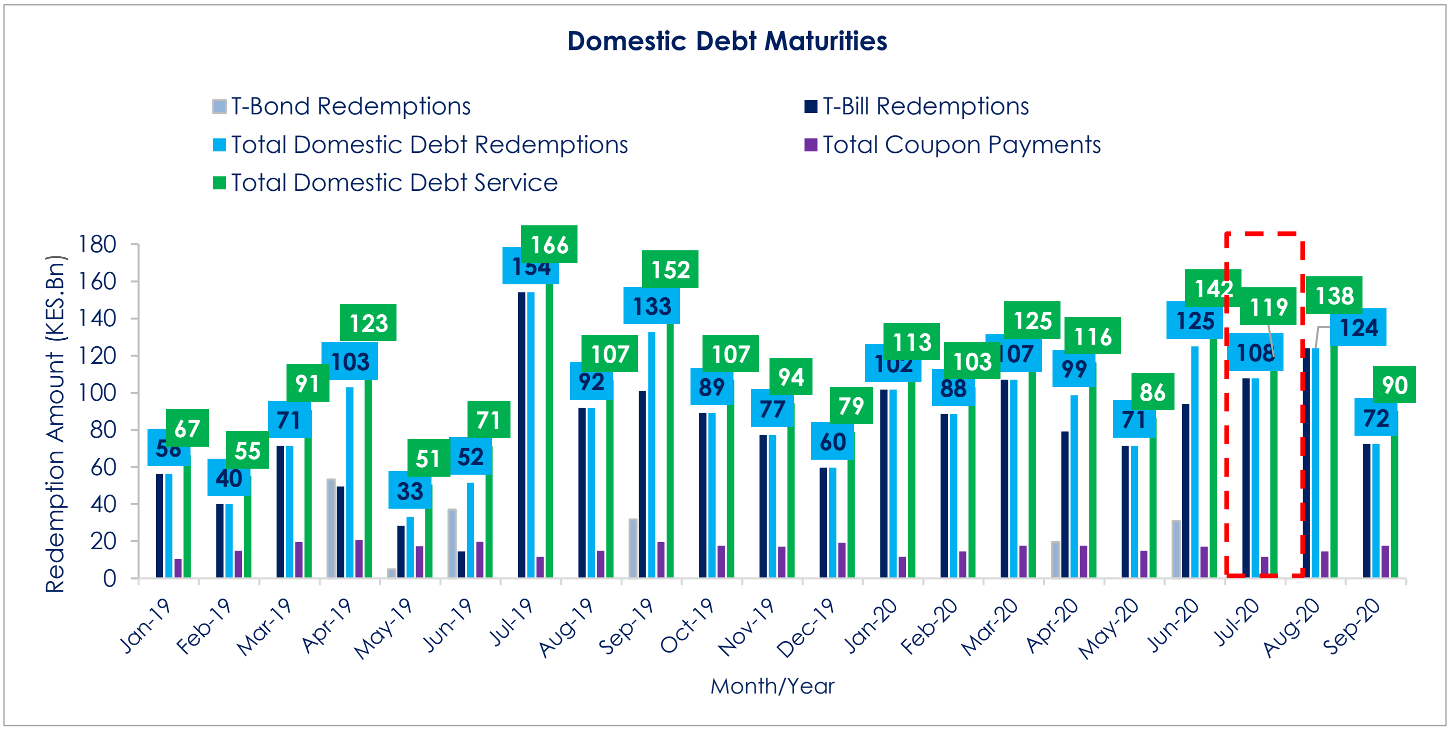
Source: Nairobi Securities Exchange & Sterling Research

*Modified duration - Expresses the measurable change in the value of a security in response to a change in interest rates (for every 1% movement in interest rates, the bond would inversely move in price by the modified duration)
** Current Yield - Return on investment, for an investor holding a specific bond for 1 year

Significant portion of capital raised from debt issues to be directed to debt service

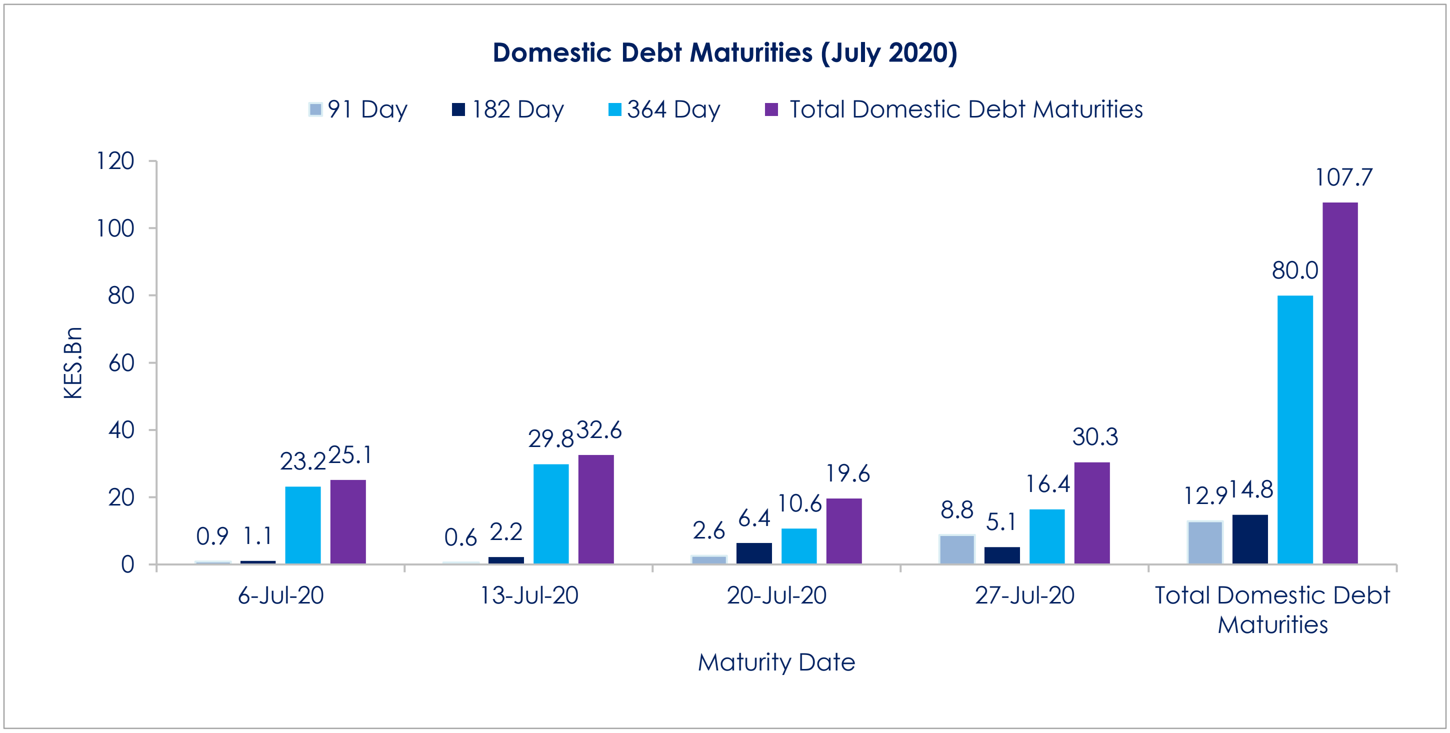
- Total domestic debt service amounts to KES.119.3Bn in July 2020, a 16% decline from KES.142Bn in June 2020 (Figure.7).
- There are no bond redemptions with the KES.107.7Bn and KES.11.7Bn in T-Bills and coupon payments respectively.
- Redemptions for the 91, 182- and 364-day T-Bills includes KES.12.9Bn, KES.14.8Bn and KES.80Bn respectively (Figure.8).
- The second (KES.32.6Bn) and fourth weeks (KES.30.3Bn) of July show the highest redemptions.
- Domestic debt maturities will increase in August to KES.138.3Bn (T-Bills only) implying that a significant portion of funds raised in both these months will be directed towards redemptions rather than new borrowing.

Figure.7: July 2020 debt service KES.119Bn



Source: Central Bank of Kenya

Figure.8: July 2020 Weekly debt maturities



Source: Central Bank of Kenya

2020/21 fiscal budget revenue and tax income estimates overly optimistic

KES.1.9Tn Government revenue estimate FY2020/21

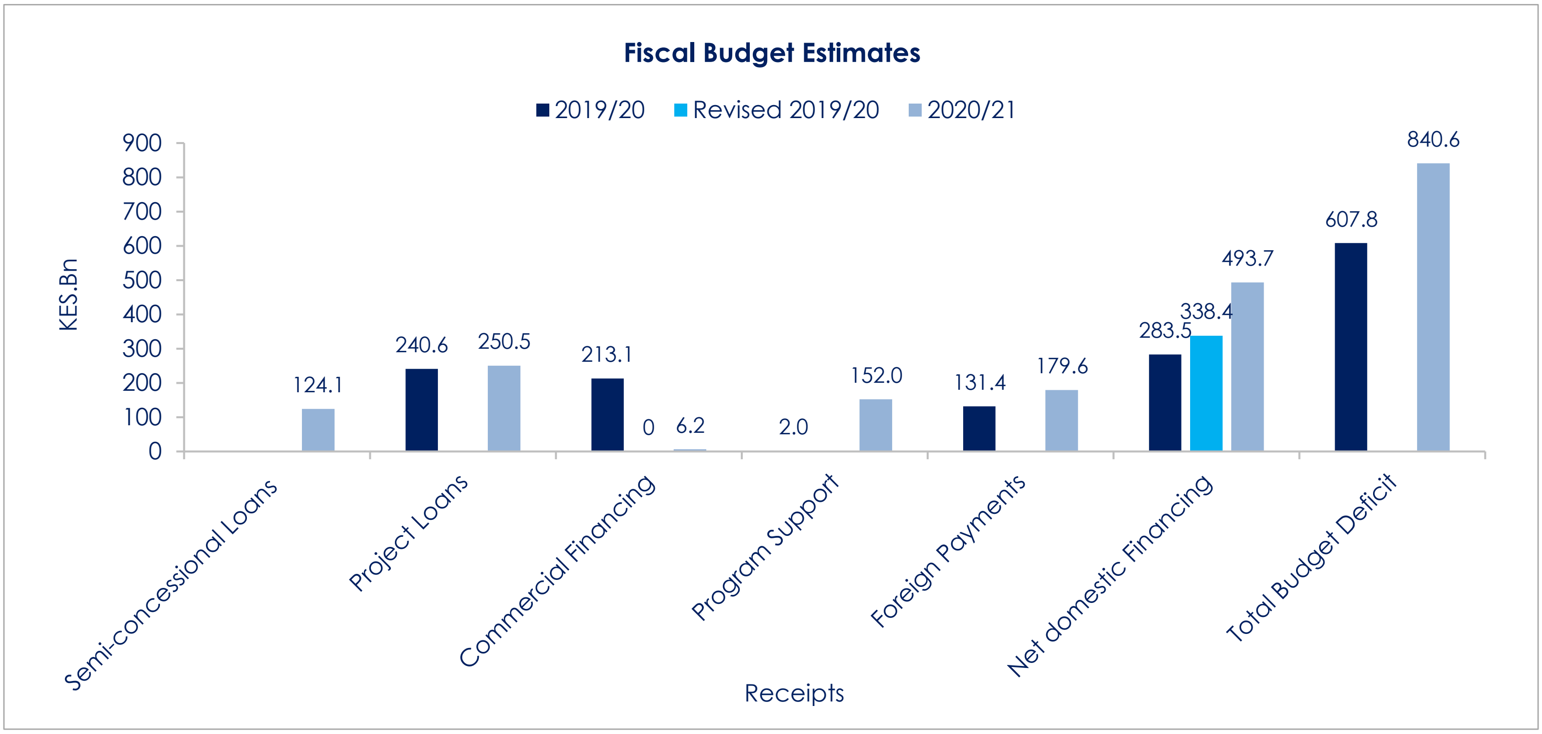
- The 2020/21 fiscal budget can be best described as overly optimistic particularly in terms of the revenue estimates taking into consideration the current economic environment.
- Total revenue exclusive of grants (KES.57.2Bn) is estimated at KES.1.9Tn and although lower than the 2019/20 budget estimate target (KES.2.1Tn), appears to have ignored a frail economy battling with an ongoing pandemic (Table.6 and Figure.9).
- We estimate actual 2019/20 tax income at between KES.1.4 and KES.1.5Tn following three supplementary budgets that scaled down the target from an initial KES.1.8Tn.
- With the economy operating at just above half its capacity by our own estimation, we believe that both total revenue and particularly tax income estimates should have been scaled down.
- Considering that the impact of the Covid-19 pandemic began being felt in the last quarter of the 2019/20 fiscal year, we feel that Government tax income will come under pressure and it is likely to fall way short of the KES.1.6Tn estimate (Figure.10).
- The easing of conditional travel restrictions on 6th July 2020 by the Government is positive for economic activity and therefore tax income generation but it is too soon to see this as having a significant impact.
- In addition, the worsening of reported new Covid-19 infections may result in a reinstatement of the restrictions.
- With these in mind we would estimate total revenue for the 2020/21 fiscal year at around the same levels as the previous fiscal year.

Table.6: National Treasury fiscal budget estimates are optimistic

Fiscal Year	**2019/20**	**2020/21**
Total Expenditure	**2,763**	**2,790.4**
Recurrent Expenditure	1,208.6	1,254.4
Development Expenditure	686.1	633.1
Shareable Transfer to Counties	310	316.5
Interest Payments and Pensions	551.6	586.5
Contingency fund	5	-
Net Lending	1.7	2.3
Receipts		
Total Revenue	**2,115.9**	**1,892.6**
Grants	38.8	57.2
Budget Deficit	**607.8**	**840.6**

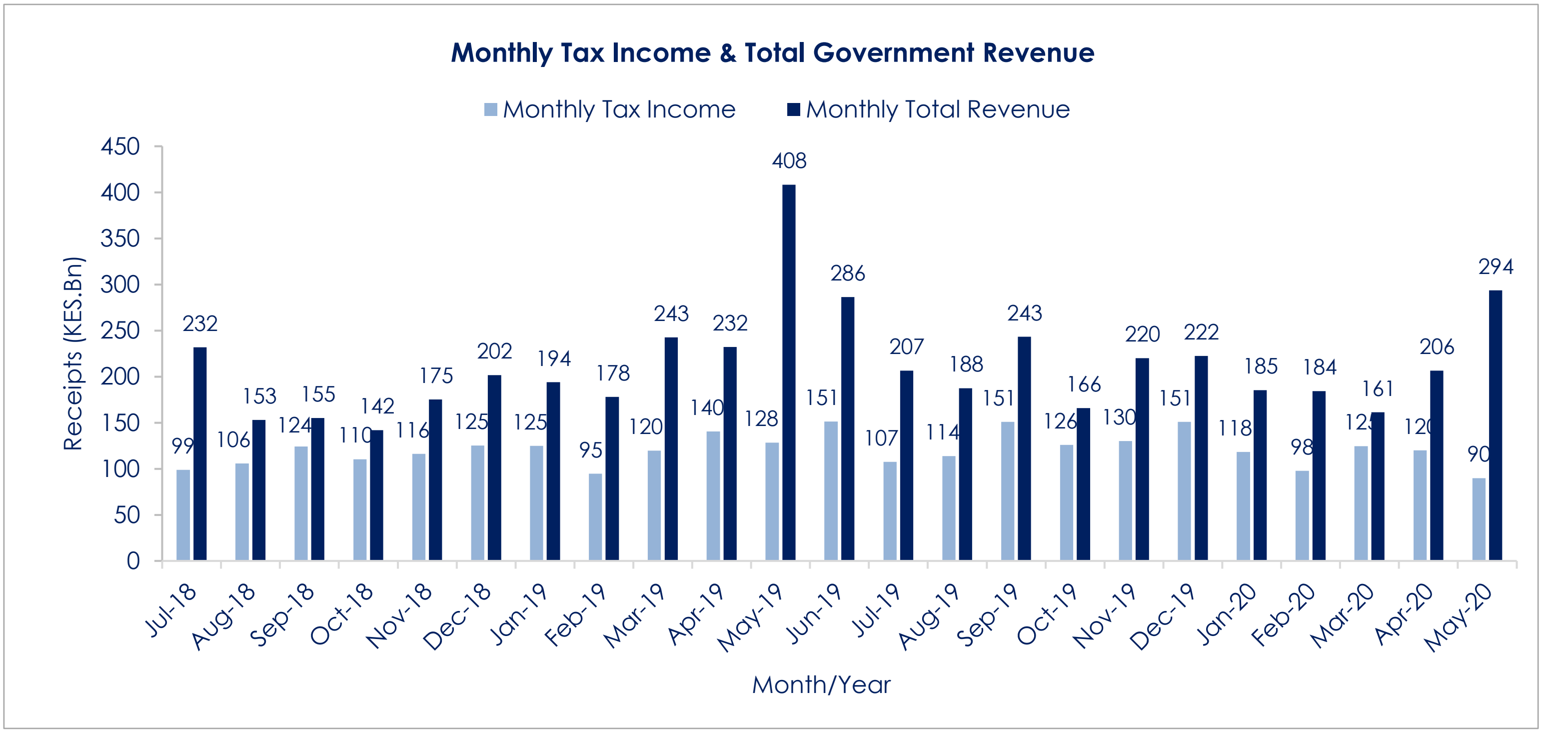
Source: National Treasury

Figure.9: Significant adjustment expected to 2020/21 fiscal budget estimates



Source: National Treasury

Figure.10: National Government Revenue and tax income come under pressure in 2020



Source: National Treasury

- Having considered both tax income and total revenue estimates, we feel that the KES.840.6Bn is an under estimation and the actual deficit could rise to KES.1Tn.
- An analysis of the 2019/20 fiscal year that had three supplementary budgets shows the likelihood of this occurrence again in the 2020/21 fiscal year (Figure.11).
- This view is however subject to the following factors:

Underestimated - 2019/20 fiscal deficit estimated at KES.840.6Bn

1) Further cuts in both recurrent and external expenditure estimated at KES.1.3Tn and KES.633Bn.
2) Restructuring of public debt particularly external debt owed to development partners to reduce interest payments estimated at KES.586.5Bn.
3) Normalization of economic conditions resulting in an increase in tax and revenue.
4) The reversal of tax measures to cushion Kenyans from the impact of the pandemic.
   Treasury estimates the tax cuts to cost the exchequer KES.172Bn in lost revenue while tax incentives and exemptions are estimated to cost KES.535Bn.

- The National Treasury has also shown its intention to target KES,124.1Bn in semi concessional loans as an alternative to the comparatively costly commercial loans (which they did not access in the 2019/20 fiscal year in spite of setting a KES.200Bn target).
- In respect to the domestic debt market, an increase in the funding gap is likely to result in the following:

1) Adjustments to be made to the financing targets and in particular the net domestic financing target (KES.493.7Bn) as well as program support (KES.152Bn) and foreign payments (KES.179.6Bn).

   This will result in the number and size of debt issues. It could also result in a change of borrowing strategy with the CBK forced to accept more investor bids depending on the funding needs at the time.

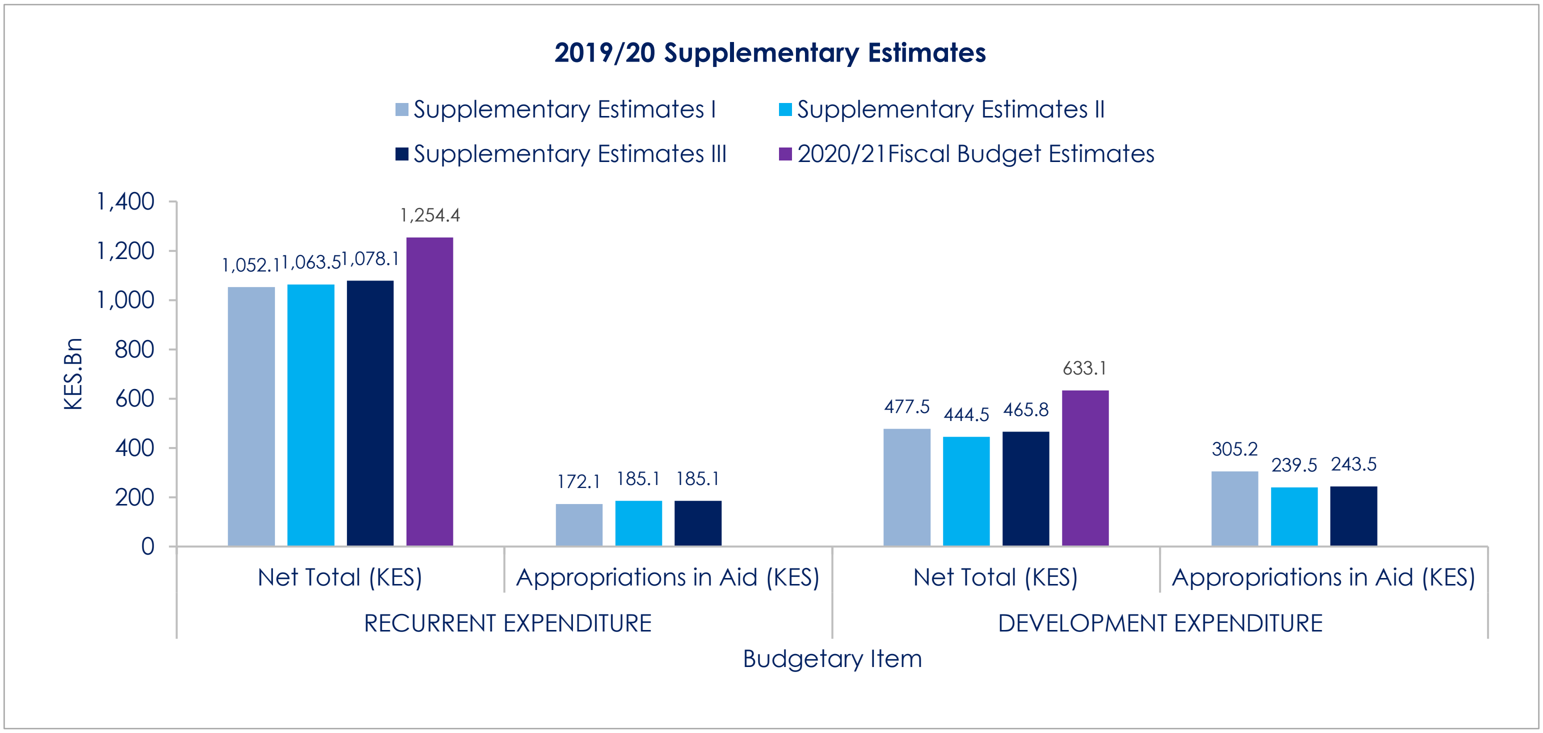
Fiscal budget deficit could increase to KES.1Tn

2) Decline in domestic debt interest rates - This largely as a result of limited investible options and increased liquidity amongst commercial banks.

   Banks are expected to increase their holdings of Government securities as a result of deteriorating private sector asset quality giving the CBK an upper hand with regards to managing the cost of domestic financing.

3) Increased pressure from the private sector to look for alternative funding sources to reduce the "crowding out" impact on the domestic credit market.
This could potentially come from concessional loans and other forms of external financing.

Figure.11: 2019/20 supplementary budgets expose mismatch between actual and estimates revenues and expenditures



Source: National Treasury

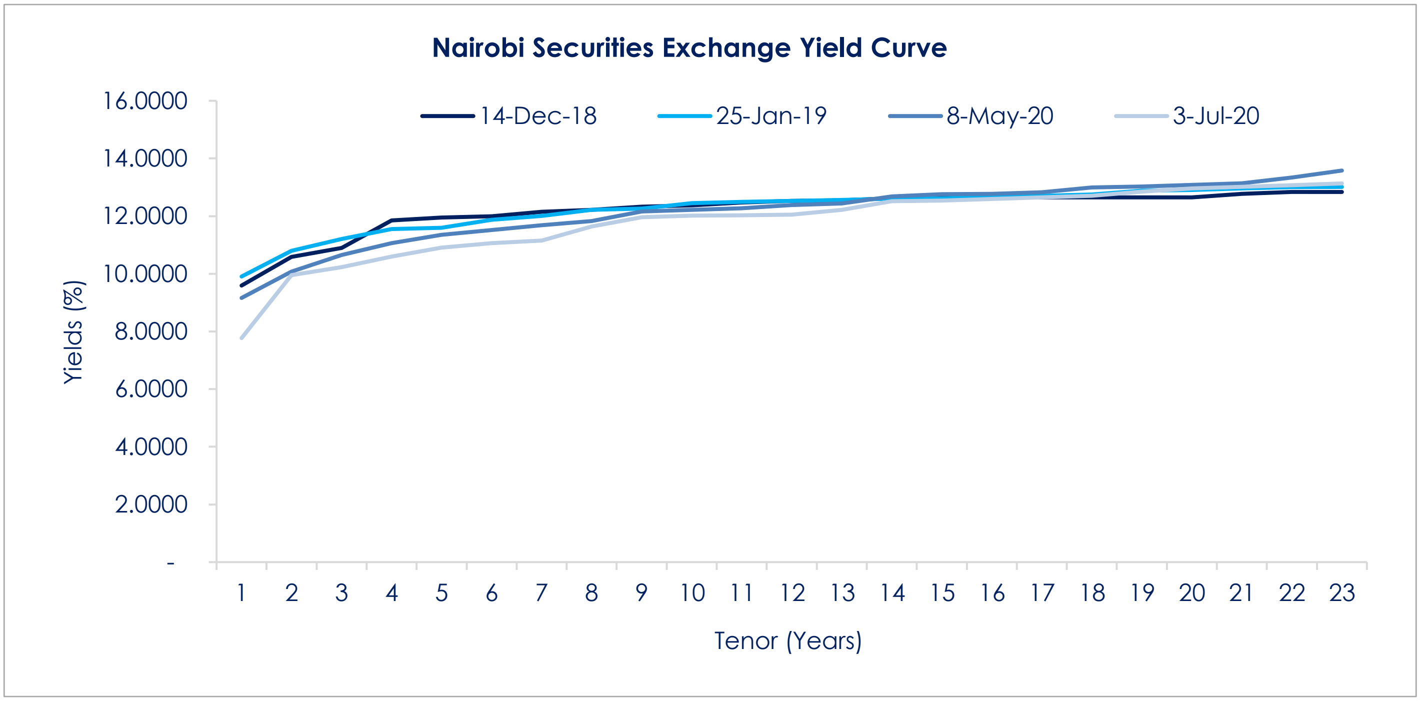
- Comparison of yields as at 3rd July 2020 and 14th December 2018 (time of issue of FXD2/2018/10) and 25th January 2019 (time of issue of FXD1/2019/15) shows a significant decline in short and medium-term yields while yields on longer dated 20Yr paper have risen. (Table.8 and Figure.12).
- However, a comparison of yields as at 3rd July 2020 and 8th May 2020 (time of issue of FXD1/2020/5) shows a downward shift of the entire yield curve.
- We expect the yield curve to shift downwards over the next month as a result with the steepest decline being on the short-end due to high market liquidity.
- With investors unwilling to tie their capital for long period during the COVID-19 pandemic, we expect the Government to focus on issuance of short- and medium-term debt issues.
- **Our recommendation still stands; BUY short and medium-term bonds and HOLD long term papers.**

Table.7: Sharp fall in the short-end of the yield curve as market liquidity spikes

Tenor	Yield (14th Dec 2018)	Yield (25th Jan 2019)	Yield (8th May 2020)	Yield (3rd July 2020)	Change 3rd July 2020 vs 14th Dec 2018 (Bps)	Change 3rd July 2020 vs 25th Jan 2019 (Bps)	Change 3rd July 2020 vs 8th May 2020 (Bps)	Sterling Capital yield Curve (9th July 2020)
1	9.5910	9.9050	9.1610	7.7690	↓182.5	↓213.6	↓139.2	7.80
2	10.5881	10.8000	10.0703	9.9500	↓63.8	↓85.0	↓12.0	9.40
5	11.9474	11.6000	11.3528	10.9058	↓104.2	↓69.4	↓44.7	10.80
10	12.3733	12.4500	12.2224	12.0166	↓35.7	↓43.3	↓20.6	11.90
15	12.6508	12.6145	12.7633	12.5417	↓10.9	↓7.3	↓22.2	12.40
20	12.6532	12.9027	13.0821	12.9574	↑30.4	↑5.5	↓12.5	12.85

Source: Nairobi Securities Exchange

Figure.12: Yields on the short-end dip with higher margins

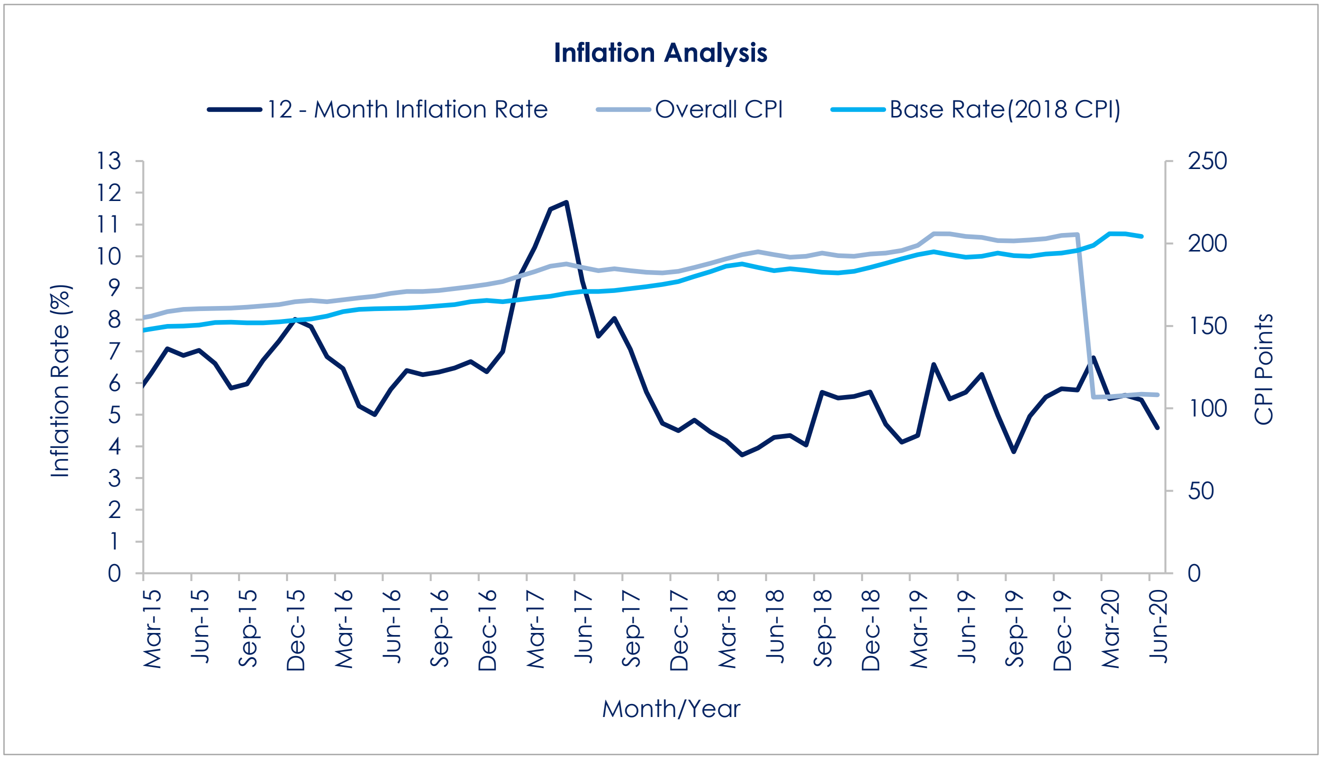


Source: Nairobi Securities Exchange

July 2020 inflation forecast 4.5-5.0%

- June inflation dropped to 4.59% from 5.33% in May driven by a decline in prices of several food items and non-alcoholic beverages (Figure.13).
- This is the lowest figure since September last year when inflation was 3.83%.
- Food and non-alcoholic beverages index declined by 1.3% over the month while alcoholic beverages, tobacco and narcotics index dipped by 0.2%.
- Housing, water, electricity, gas and other fuels' index declined by 0.8% during the period, attributed to a 21.3% decrease in the cost of kerosene.
- The transport index rose 2.1% on account of 6.8% increase in prices of petrol, which outweighed the 4.8% decrease in the cost of diesel, recorded over the same period.
- The decline in inflation is favourable for investors if it is sustained as it will boost the real return from their investments.
- We expect continued rainfall across the food growing regions to have a favorable impact on food prices which will ease the pressure on inflation.
- However, crude oil prices are expected to increase in the coming months as economies re-open and demand rises.
- Brent oil prices rose from an average of US$.32.41 a barrel in May to US$.40.77 in June. Thus, the price of petrol and diesel is likely to increase in the coming months.
- Our July 2020 inflation forecast is 4.5%-5.0% based on the reasons mentioned above.

Figure.13: July 2020 inflation forecast 4.5% - 5.0%



Source: Kenya National Bureau of Statistics

MPC to retain CBR at 7% in July meeting

MPC expected to retain CBR at 7% in July meeting

- In line with our expectations as stated in our June 2020 fixed income report titled "Focus shifts to 2020-21", the Monetary Policy Committee (MPC) retained the Central Bank Rate (CBR) at 7%.
- The MPC has been content that previous monetary measures have been effective in managing their main macro-economic variables of inflation and foreign exchange as well as private sector credit growth.
- According to the MPC, the downward revision of the Cash Reserve Ratio (CRR) in March from 5.25% to 4.25% has so far released KES.35.2Bn to the banking sector with KES.30.8Bn of the funds (87.6%) lent out.
- Private sector credit grew by 8.1% in the 12 months to May 2020 with credit uptake by MSMEs expected to be on the rise with the prospective Credit Guarantee Schemes expected to reduce credit risk.
- It is expected that fiscal measures announced by the Government in the 2020/21 fiscal budget will have a positive impact on the economy and cushion households and businesses the negative impact of the pandemic.
- We see the recent lifting of the inter-county travel ban and the resumption of local and international flights as positive for the economic activity.
- On the basis of the above-mentioned variables, we expect a retention of the CBR at 7% in the meeting scheduled for 29th July 2020.

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.