



Cytonn Investments Management Limited
&
Cytonn Cash Management Solutions LLP

Annual General Meeting Presentation
March, 3rd 2017



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I. Introduction To Cytonn Investments

What We Stand For



Our Mission

We deliver innovative & differentiated financial solutions that speak to our clients' needs



Our Vision

To be Africa's leading investment manager by consistently exceeding clients' expectations



Our Values

People

Passionate and self-driven people who thrive in a team context

Excellence

Delivering the best at all times

Client Focus

Putting clients' interest first at all times

Entrepreneurship

Using innovation and creativity to deliver differentiated financial solutions

Accountability

We take both corporate and personal responsibility for our actions

Integrity

Doing the right things

**Strategy is
straightforward –
just pick a general
direction and
implement like hell**

— Jack Welch

About Us

Cytonn Investments is an alternative investment manager with presence in East Africa, Finland and the US. We provide investors with exposure to the high growth East Africa region. Our investors include global and local institutional investors, individual high net-worth investors and the diaspora. We also service retail investors through our Cytonn Co-operative

FACT FILE

74

Over Kshs. 74 billion under mandate

4

Three offices across 2 continents

200

Over 150 staff members

12

12 investment ready projects

A unique franchise differentiated by:

Independence & Investor Focus

Focused on serving the interest of clients, which is best done on an independent platform to minimize conflicts of interest

Alternative Investments

Specialized focus on alternative assets - Real Estate, Private Equity, and Structured Solutions

Strong Alignment

Every staff member is an owner in the firm. When clients do well, the firm does well; and when the firm does well, staff do well

Committed Partners

Strong global and local partnerships in financing, land and development affiliate

Why We Exist

Africa presents an attractive investment opportunity for investors seeking attractive and long-term returns. Despite the alternative markets in Africa having high and stable returns, only a few institutional players serve the market. Cytonn is focused on delivering higher returns in the alternative markets, while providing the best client service and always protecting our clients' interests.

WE SERVE FOUR MAIN CLIENTS SEGMENTS:

- Retail segment through Cytonn Co-operative membership
- High Net-worth Individuals through Cytonn Private Wealth
- East Africans in the Diaspora through Cytonn Diaspora
- Global and Local Institutional clients

WE INVEST OUR CLIENT FUNDS IN:

- Real Estate
- Private Equity
- Fixed Income Structured Solutions
- Equities Structured Solutions



Our Business

Where We Operate



Our Business Lines



Our Solutions

To unearth the attractive opportunity that exists in alternative markets in Africa, we offer differentiated investment solutions in four main areas:

HIGH YIELD SOLUTIONS

Our expertise in the alternative markets enables us to offer investors high yielding investments. Our robust credit analysis coupled with our quick dealing capabilities, our extensive research coverage and our innovative structuring helps to ensure consistent and above market returns to investors.

REAL ESTATE INVESTMENT SOLUTIONS

Our comprehensive real estate capabilities enable us to find, evaluate, structure and deliver world-class real estate investment products to our investors in the East African region. Our capabilities include fundraising, market research and acquisition, concept design, project management and agency and facility management.

PRIVATE REGULAR INVESTMENT SOLUTIONS









Attractive returns in the alternative segments have typically been accessible to institutional and high net-worth investors. Our regular investment solutions provide access to the alternative investments to members of the Cytonn Co-operative.

PRIVATE EQUITY

We seek to unearth value by identifying potential companies and growing them through capital provision, partnering with management to drive strategy and institutionalizing their processes. Our areas of focus are Financial Services, Education, Renewable Energy and Technology Sectors.

Our Products

We serve three main types of clients namely, high net-worth individuals, institutions and retail, each with diverse needs. Below are the suitability criteria for the various products.

	INSTITUTIONAL CLIENTS	HIGH NET WORTH INDIVIDUALS (HNWI)	RETAIL CLIENTS
Cash Management Solutions			
Regular Investment Plan			
<ul style="list-style-type: none"> • Education Investment Plan • Regular Investment Solution • Co-op Premier Investment Plan • Land Investment Plan 			
Real Estate Development			
<ul style="list-style-type: none"> • Real Estate Developments • Sharpland 			

Our People



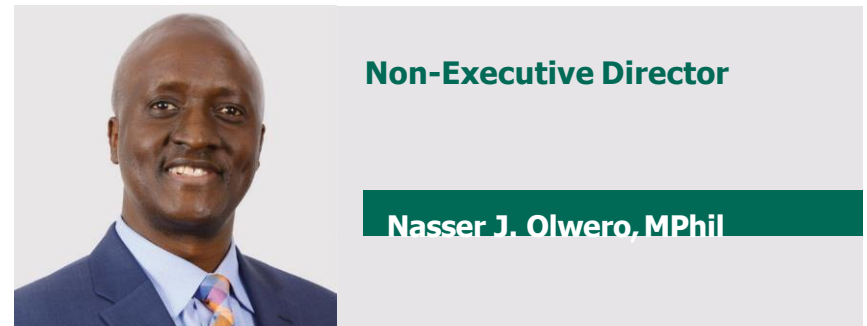
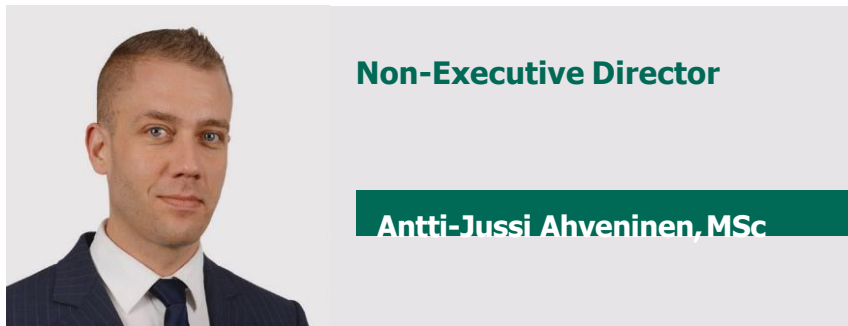
If you could get all the people in an organization rowing the same direction, you could dominate any industry, in any market, against any competition, at any time.

— Patrick Lencioni



Board of Directors

To ensure that we remain focused on the clients' interests, we have put in place proper governance structures. We have a board of directors consisting of 10 members from diverse backgrounds, each bringing in unique skill-sets to the firm.



For bios, visit www.cytonn.com

Board of Directors, continued...



Non-Executive Director

James M. Maina, MA



Non-Executive Director

Michael Bristow, MSc



Non-Executive Director

Rose Kimotho, M.B.S.



Executive Director

Managing Partner

Edwin H. Dande, CPA, MBA



Executive Director

Senior Partner

Elizabeth N. Nkuku, CFA, MBA



Executive Director

Partner

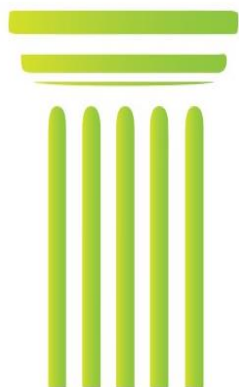
Patricia N. Waniama, CPS (K), MBA

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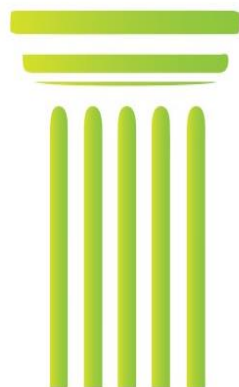
II. Cytonn Business Updates

Cytonn Investments Strategy Pillars

Our four pillars of people, process, product and distribution summarizes our strategy



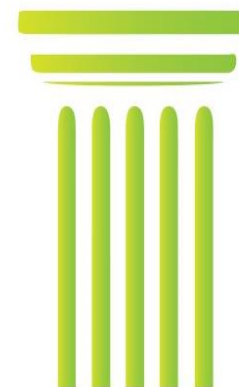
People



Product



Process



Distribution



2016 – A Year of Growth

We invested heavily for exponential growth across our four pillars of people, process, product and distribution

- Cytonn's strategy in 2016 was one of growth across all four of the key pillars of the firm, which are People, Products, Processes and Distribution
- The firm made heavy investments in growing, retaining and hiring the best talent, which resulted in staff numbers increasing over 3-times, as we look to serve our clients' best interest and provide the most attractive returns in the market to our investors
- In terms of product, we invested heavily in our real estate development pipeline to grow from Kshs 40 bn of total projects under mandate from the start of the year to Kshs 74 bn at the close
- Distribution was a key area of investment for the firm, as we look to expand across Kenya and the region

Cytonn invested heavily in a year when investment was subdued across the Kenyan economy, providing a platform for growth in the coming years

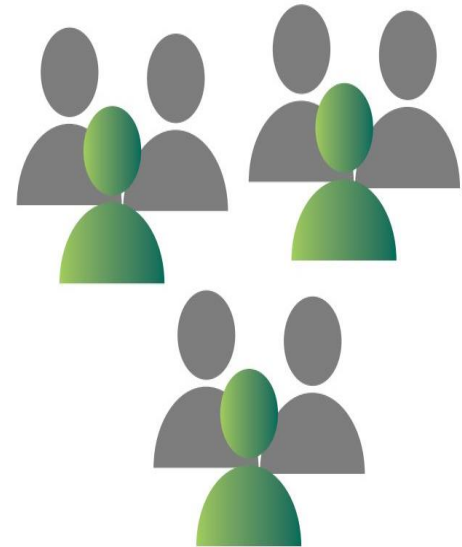
People – Growth in Cytonn

We have grown our talented team to 227 people currently from 51 in January 2016



51

January 2016



227

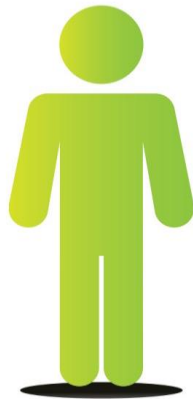
March 2017

People - Distribution

We have grown our Distribution Team from 10 in 2015 to over 100 currently



10



100



People - CYLP – Cytonn Young Leaders Program

Since CYLP was started, 379 have joined and 62 have graduated successfully

379

Joined

62

Graduated

113

At Cytonn Currently
Interns & Staff

Products – Real Estate

The real estate deal pipeline has grown to Kshs 74.0 bn from Kshs 40.0 bn

Deal Pipeline

40bn to 74bn

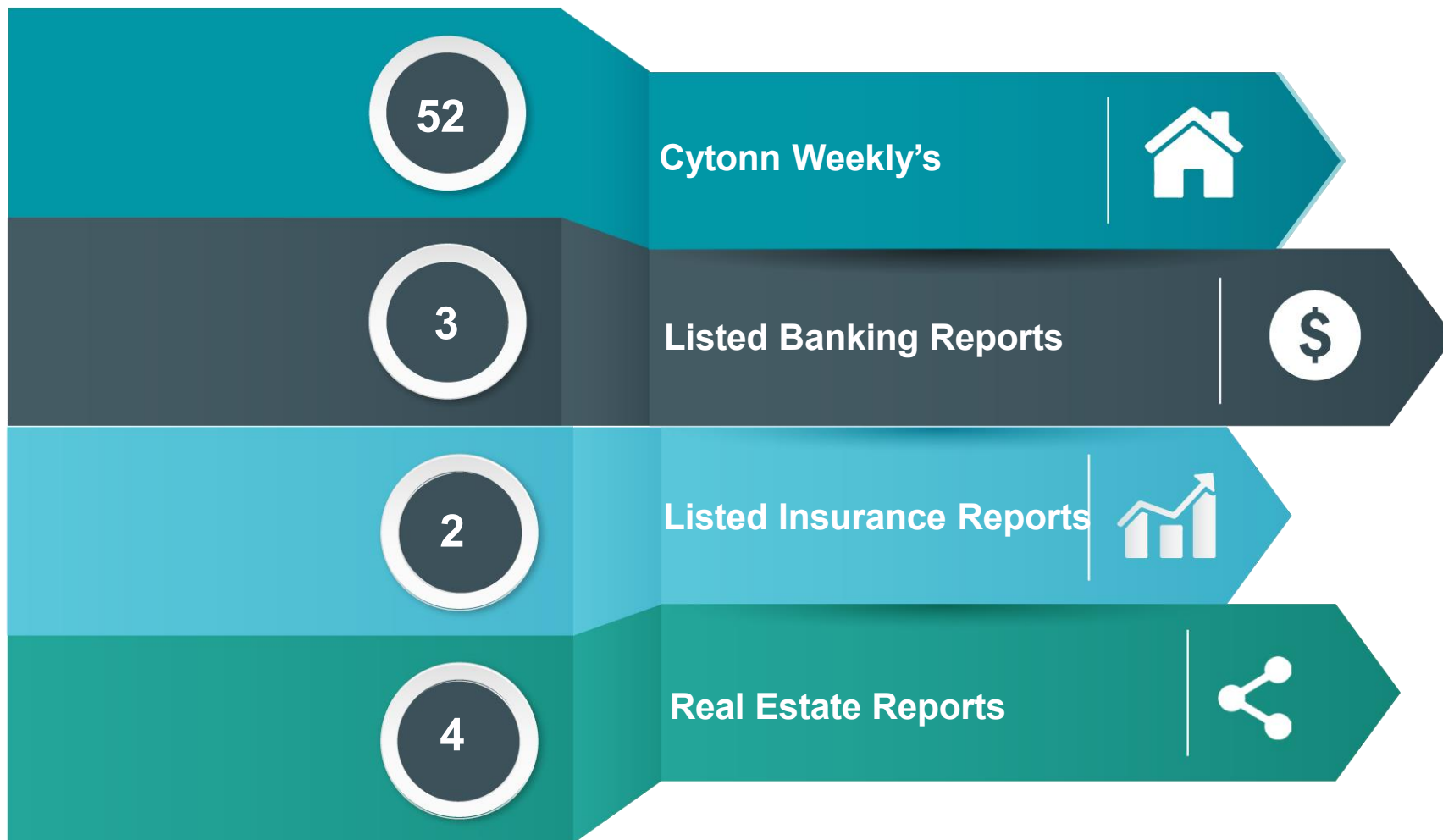
Processes

2016 was a year of establishing the best processes and governance structure across the firm

1. Rose Kimotho – Joined Cytonn as a Director
2. CMS Governance Board – Elected by the Investment Partners
3. CRIMS – Cytonn's Operations System is now Automated
4. SAP System – Implementation of an ERP System for Cytonn
5. Internal Audit – Fully Setup for Internal Controls
6. Wealth Management Training – Done bi-weekly

Research

Cytonn's Research Teams delivered a total of 61 reports during the year 2016



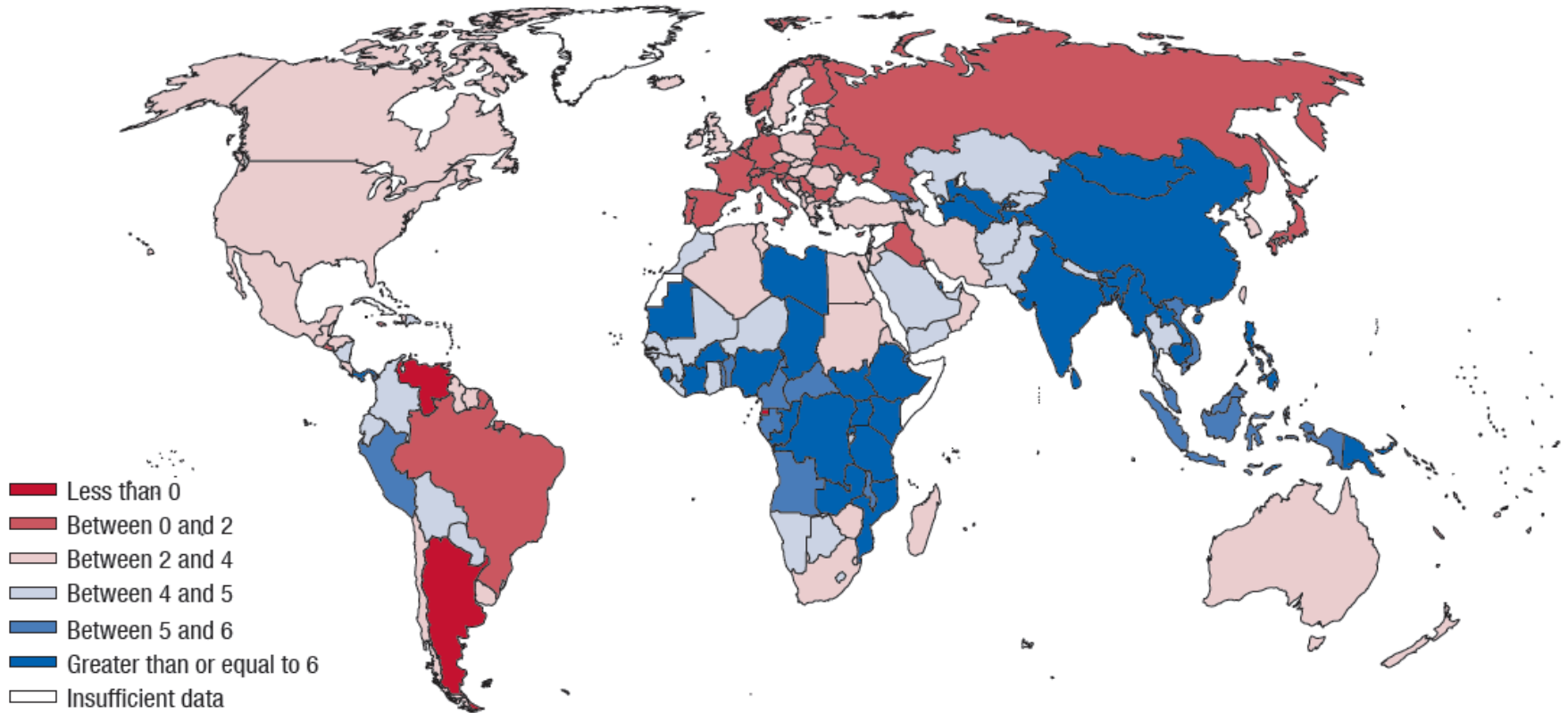
III. Strategy

Global view of economic growth determines regions of focus

There is demand from global capital (light colors) looking for attractive returns (dark colors)

Figure 2.1. 2015 GDP Growth Forecasts and the Effects of a Plausible Downside Scenario

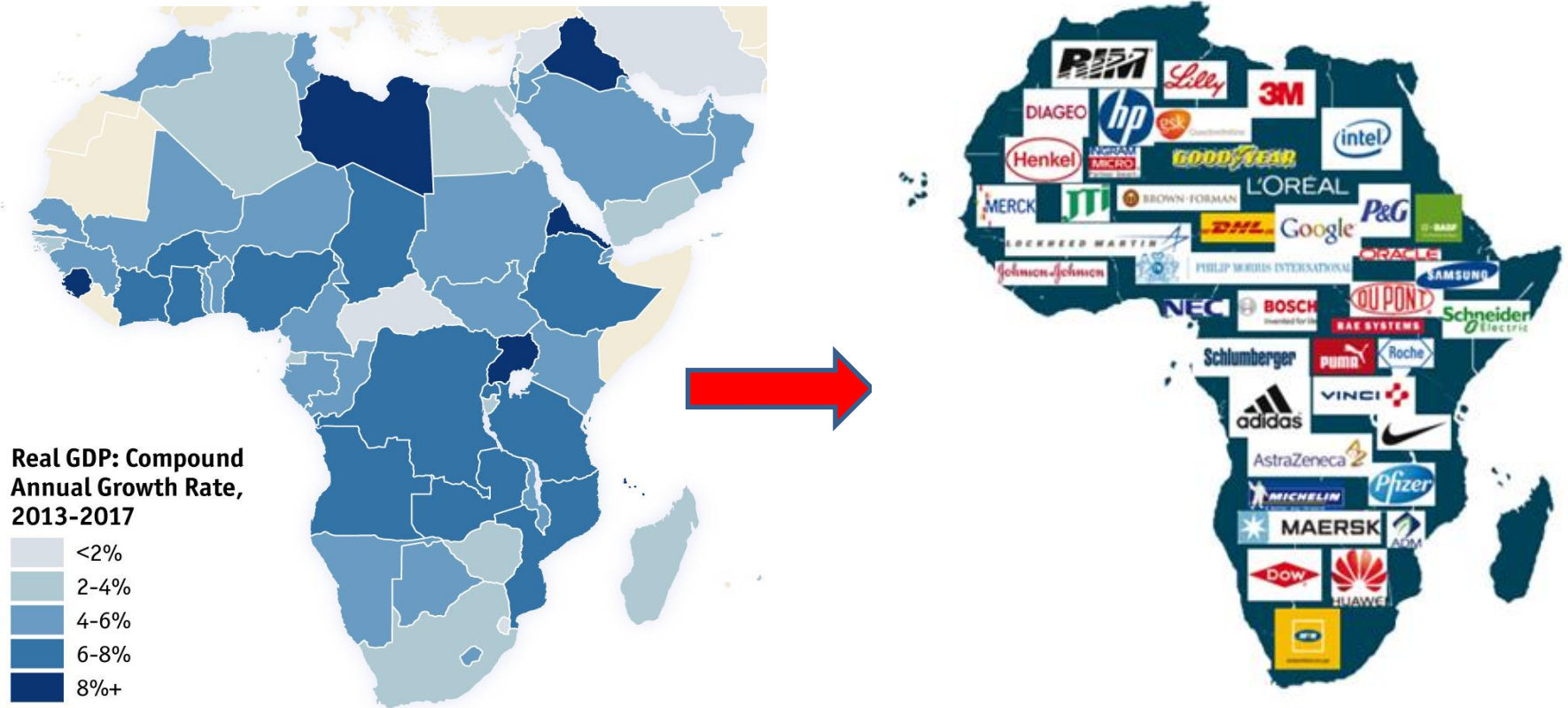
1. 2015 GDP Growth Forecasts¹ (percent)



Macro-Economic Suitability – The influx of Global Brands

Significant rates of growth have attracted large, reputable brands to the African Continent

The ever increasing presence of large brands, NGO's and regional headquarters has created a demand for quality, Grade A, office space



East Africa's Macro economic view

East Africa's investment profile has steadily risen over the last 10 years

Strong Economic Fundamentals

- **Macroeconomic Stability:** Central banks in the region are more disciplined in decisions relating to fiscal and monetary policy
- **Supportive Demographic Dividend:** a young population with increasing disposable income and growing demand for goods and services
- **Improvement in Governance:** regional governments have enacted key political reforms that are strengthening governance
- **Ease of Doing Business :** it is considerably easier and quicker to do business than it was 10 years ago, with business opening up further to regional trade, and supportive infrastructure
- **Investment in infrastructure:** There is a lot of investment in infrastructure including roads, rail, education etc

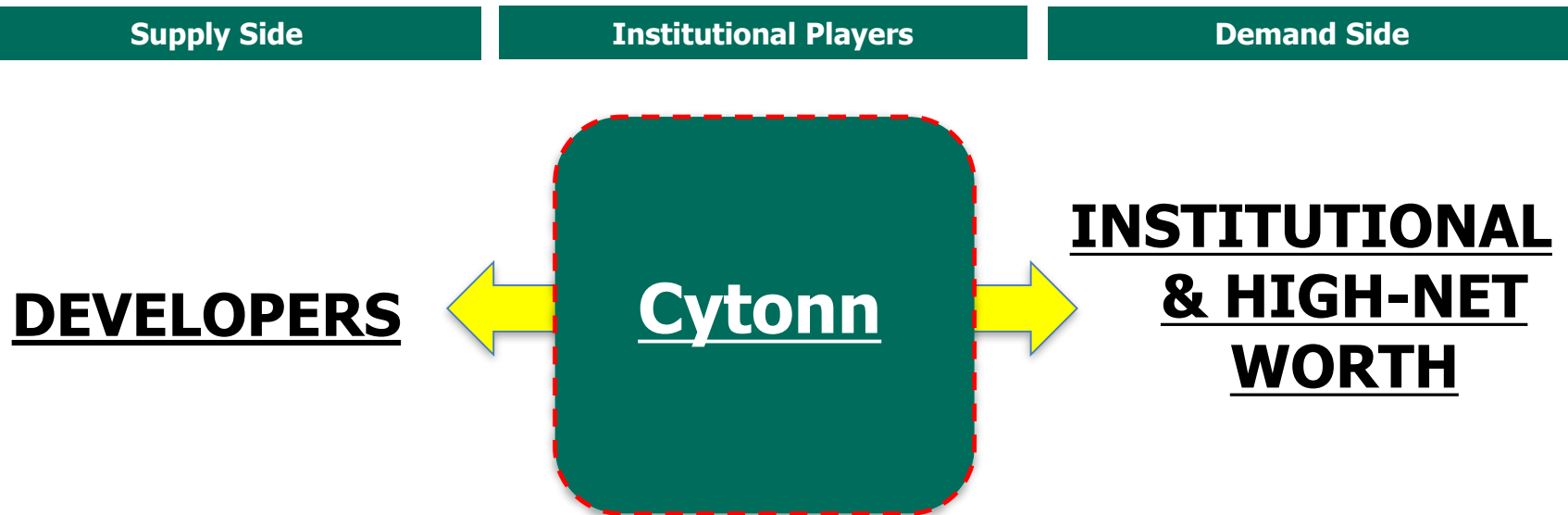
Driving Strong Economic Growth

- **High GDP growth:** over the last 5 years, EAC member states have grown at **~6.1%** and are projected to have average growth of **~6.0%**
- **Attractive Financial Markets:** profitable capital markets with attractive valuations
- **Deepening Capital Markets:** an increasing array of debt and equity investment products and a more sophisticated financial industry
- **Stability of Currency:** considerably reduced foreign exchange volatility that eases business operations and promotes greater investment

Fragmentation explains the low allocation to Real Estate

Cytonn looks to bridge the Supply and Demand gap in the Real Estate market in Kenya

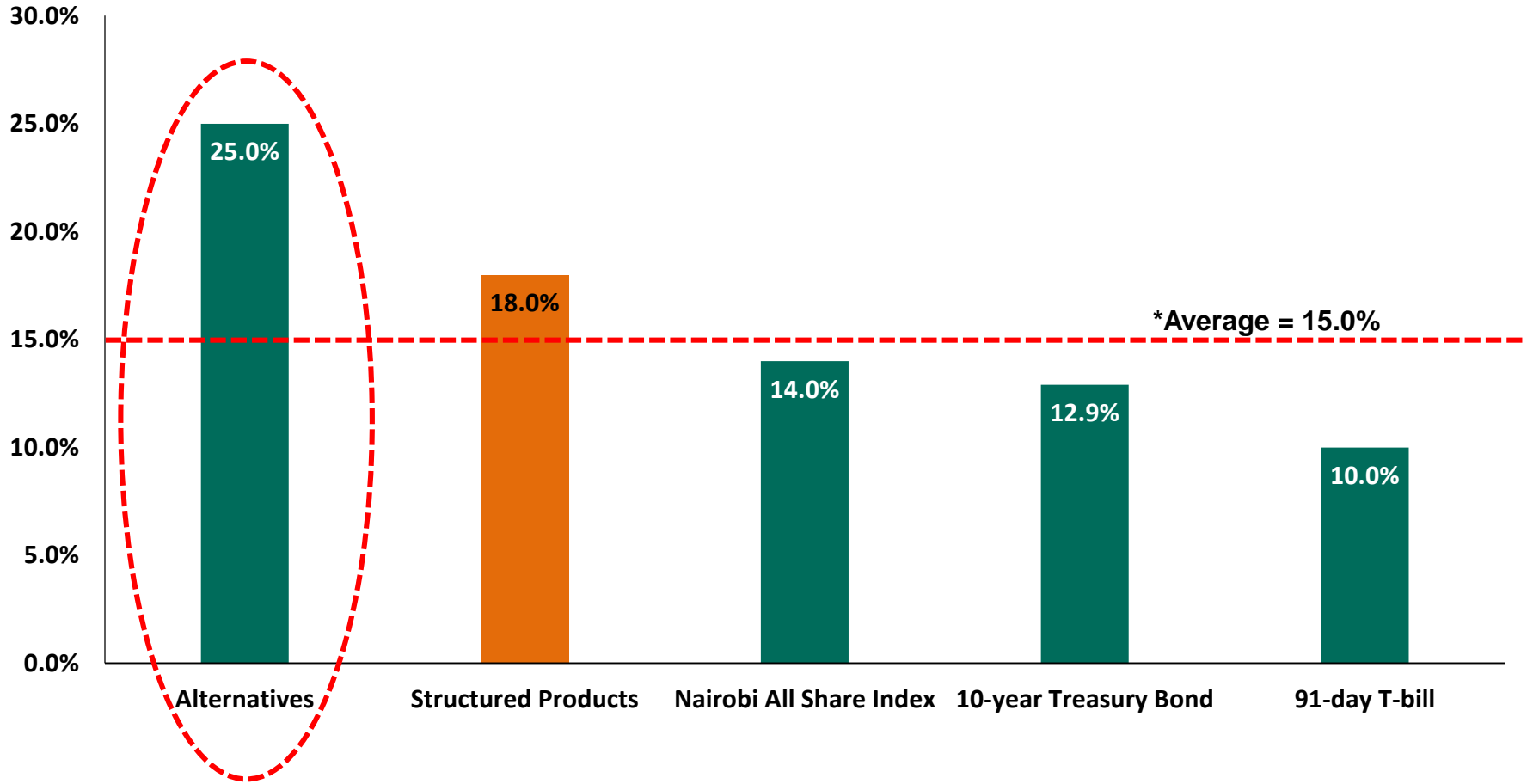
- For many years, supply and demand have been largely disconnected in the Kenyan Real Estate market, characterized by adhoc forays by players on both sides
- Cytonn seeks to provide institutional grade real estate products for investment in the Alternatives market



Cytonn Focuses on the Highest & Stable Returning Asset Class

Traditional investments returning 12.0% compared to 25.0% for alternatives & projected to persist

Asset Class Returns - 5 Year Average



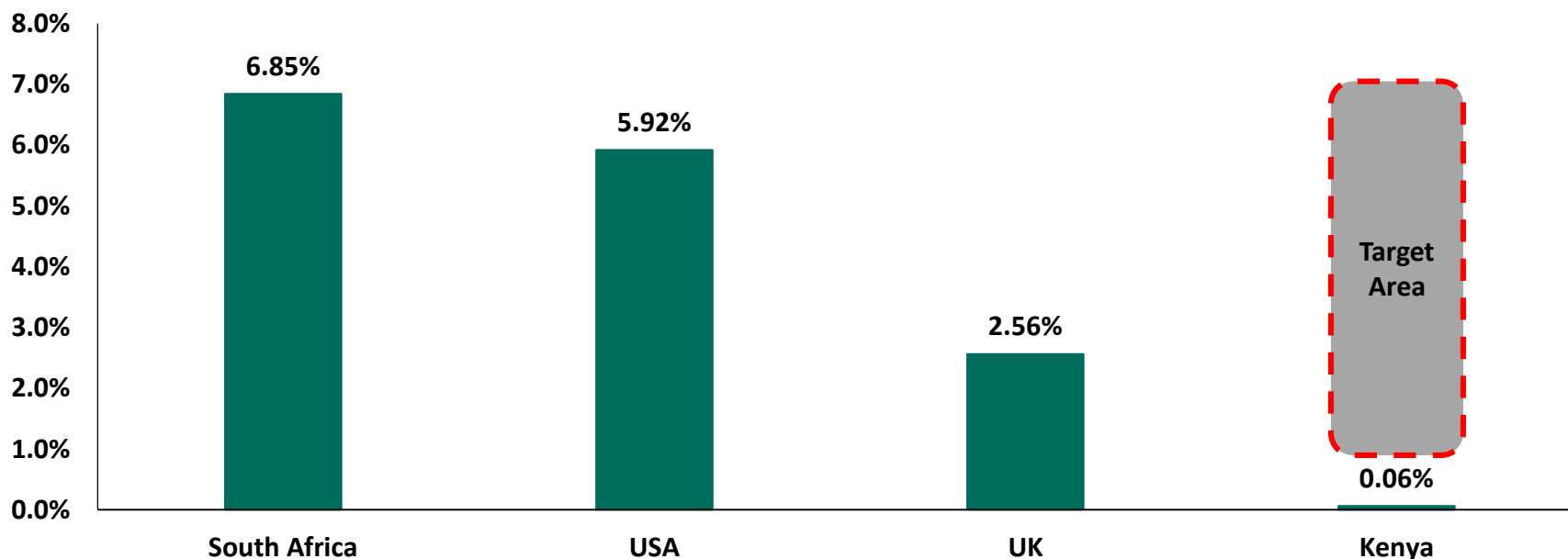
* - Average includes alternatives

And the Best Returns are Not in the Listed Markets ...Yet..

The opportunity to securitize real estate will increase deepening of the capital markets in Kenya

- The investments in alternative markets can be packaged into securities that enable the public (those who are unable to invest in such asset classes) an opportunity to own real estate, and lead to deepening of our capital markets
- Despite listed real estate performing poorly in 2016, with the Fahari I-REIT shedding 50.0% of it's value, we still believe that if measures to increase public awareness and educate the masses on REITs as an asset class are taken, this will boost returns of the underlying asset

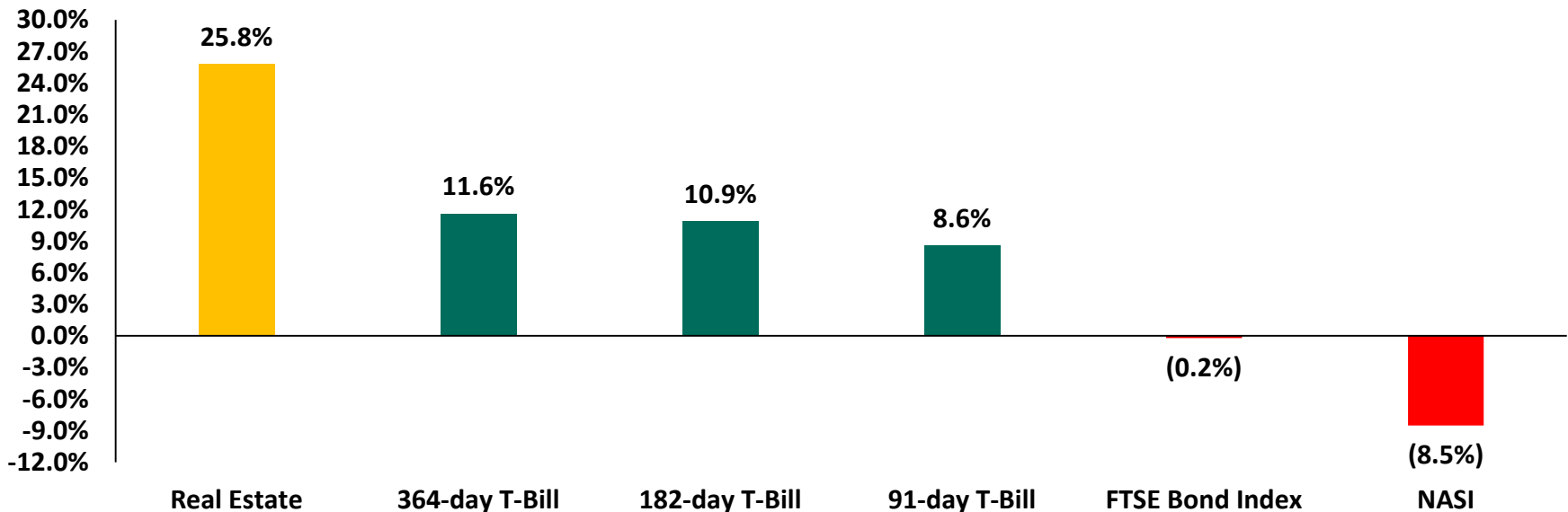
REIT Market Cap. To GDP



Kenya 2016 YTD Return by Asset Class

Real Estate was the best returning asset class in 2016, averaging 25.8% on a YTD basis

Kenya 2016 Return by Asset Class



- Last year, the stock market was down 8.5%, while T-bills only deliver 8.6% p.a.
- Some firms and investments lost money for investors
- Despite the tough year, Cytonn has delivered between 18% p.a. to 50% p.a. for our investors
- Not only were your funds secure at Cytonn, but we grew funding, created jobs & grew the economy

II. Economic Review

Kenya Macro-Economic Outlook

Most macro-economic indicators point to a Neutral outlook for 2017, with the only Negative outlook being on the Kenya Shilling

Macro-Economic Indicators	Outlook – 2017	Effect
Government borrowing	<ul style="list-style-type: none"> Government to meet its domestic borrowing target although likely to come under pressure due to KRA missing its revenue collection target 	Neutral
Exchange Rate	<ul style="list-style-type: none"> Shilling to depreciate against major currencies 	Negative
Interest Rates	<ul style="list-style-type: none"> A stable outlook on interest rates in 2017 with CBR maintained at 10.0% 	Neutral
Inflation	<ul style="list-style-type: none"> To average 7.2%, which is within the 2.5%-7.5% government target 	Neutral
GDP	<ul style="list-style-type: none"> 5.4%-5.7% growth projected in 2017, a slight decline from the expected growth rate of 6.0% in 2016 	Neutral
Investor Sentiment	<ul style="list-style-type: none"> Given (i) global uncertainties due to political/ economic risks as major economies vote and, (ii) expectations of an increased rate hike cycle by the Fed, we expect foreign investors to be wary and demand higher premiums from riskier frontier markets. However, we expect long term investors to enter the market seeking to take advantage of the current low valuations 	Neutral
Security	<ul style="list-style-type: none"> Expect the government to put initiatives in place to ensure improved security, however, the main challenge remains that 2017 is an election year 	Neutral

IV. Financial Performance

a. Cytonn Group Performance

Cytonn Group Financial Performance – Balance Sheet

Cytonn Investments Management Limited – Balance Sheet – Total Assets worth Kshs 11.8 bn

Balance Sheet – Cytonn Group (Kshs)	As at 31/12/2016	As at 31/12/2015
Non - Current Assets	10,582,264,111.0	5,835,452,130.0
Current Assets	1,252,461,665.0	833,603,719.0
Total Assets	11,834,725,776.0	6,669,055,849.0
Non-Current Liabilities	5,485,699,533.0	2,185,394,942.0
Current Liabilities	1,023,184,550.0	791,148,149.0
Total Liabilities	6,508,884,083.0	2,976,543,091.0
Total Equity	5,325,841,693.0	3,692,512,758.0
Total Equity & Liabilities	11,834,725,776.0	6,669,055,849.0

Cytonn Group Financial Performance – Income Statement

Cytonn Investments Management Limited – Income Statement – PAT of Kshs 631.0 mn

Income Statement (Kshs)	Period Ended 31/12/2016	Period Ended 31/12/2015
Revenue	531,538,920.0	185,704,917.0
Cost of Sales	(324,237,352.0)	(18,922,644.0)
Gross Profit	207,301,568.0	166,782,273.0
Other Income	46,391,656.0	59,064,923.0
Operating Expense	(527,566,248.0)	(214,645,530.0)
Impairment Losses	(95,542,426.0)	-
Operating Profit / (Loss)	(369,415,450.0)	11,201,666.0
Investment Revenue	69,346,396.0	26,337,509.0
Fair Value Gains	535,190,164.0	664,037,902.0
Finance Costs	(98,195,971.0)	(7,246,927.0)
PBT	136,925,139.0	694,330,150.0
Tax	(20,974,391.0)	(13,999,682.0)
PAT	116,050,748.0	680,330,468.0

Cytonn Group – Economic Profit

Economic profit of Kshs 379.3 mn is 226.8% higher after removing the provisions and one-off items

All Amount in Kshs	Period Ended 31/12/2016
Revenue	531,538,920
Cost of Sales	(324,237,352)
Gross Profit	207,301,568
Other Income	46,391,656
Operating Expenses	(527,566,248)
Operating Profit / (Loss)	(273,873,024)
Investment Revenue	69,346,396
Fair Value adjustments	646,087,330
Finance Costs	(41,367,500)
Profit (Loss) before taxation	400,193,202
Taxation	(20,974,391)
Profit / (Loss) for the Year	379,218,811

b. Cytonn Cash Management Solutions LLP Financial Performance

Cytonn Cash Management Solutions LLP – Balance Sheet

Cytonn Cash Management Solutions - Balance Sheet

Balance Sheet (Kshs)	As at 31/12/2016	As at 31/12/2015
	Cytonn CMS LLP	Cytonn CMS LLP
Non-current Assets	3,253,212,053.0	521,275,581.0
Cash and Cash Equivalents	12,940,120.0	7,970,882.0
Other Current Assets	1,557,648,425.0	865,054,979.0
Total Assets	4,823,800,598.0	1,394,301,442.0
Investment Partners Funds	4,717,431,730.0	1,369,353,998.0
Other Current Liabilities	106,368,868.0	24,947,444.0
Total Liabilities	4,823,800,598.0	1,394,301,442.0

Cytonn Cash Management Solutions LLP – Income Statement

Cytonn Cash Management Solutions - Income Statement

Income Statement (Kshs)	Period Ended 31/12/2016	Period Ended 31/12/2015
Revenue	474,587,551.0	93,150,889.0
Direct Costs	(465,410,754.)	(75,899,280.0)
Gross Profit	9,176,797.0	17,251,609.0
Other Income	11,322,234.0	-
Impairment Loss	(95,542,426.0)	
Recovery of Impairment Loss from Principal Partner	95,542,426.0	
Operating Expense	(19,036,790.0)	(4,477,416.0)
Profit	1,462,241.0	12,774,193.0
Total Comprehensive Income	1,462,241.0	12,774,193.0

Thank

You