

Quarter 1, 2017 Issue

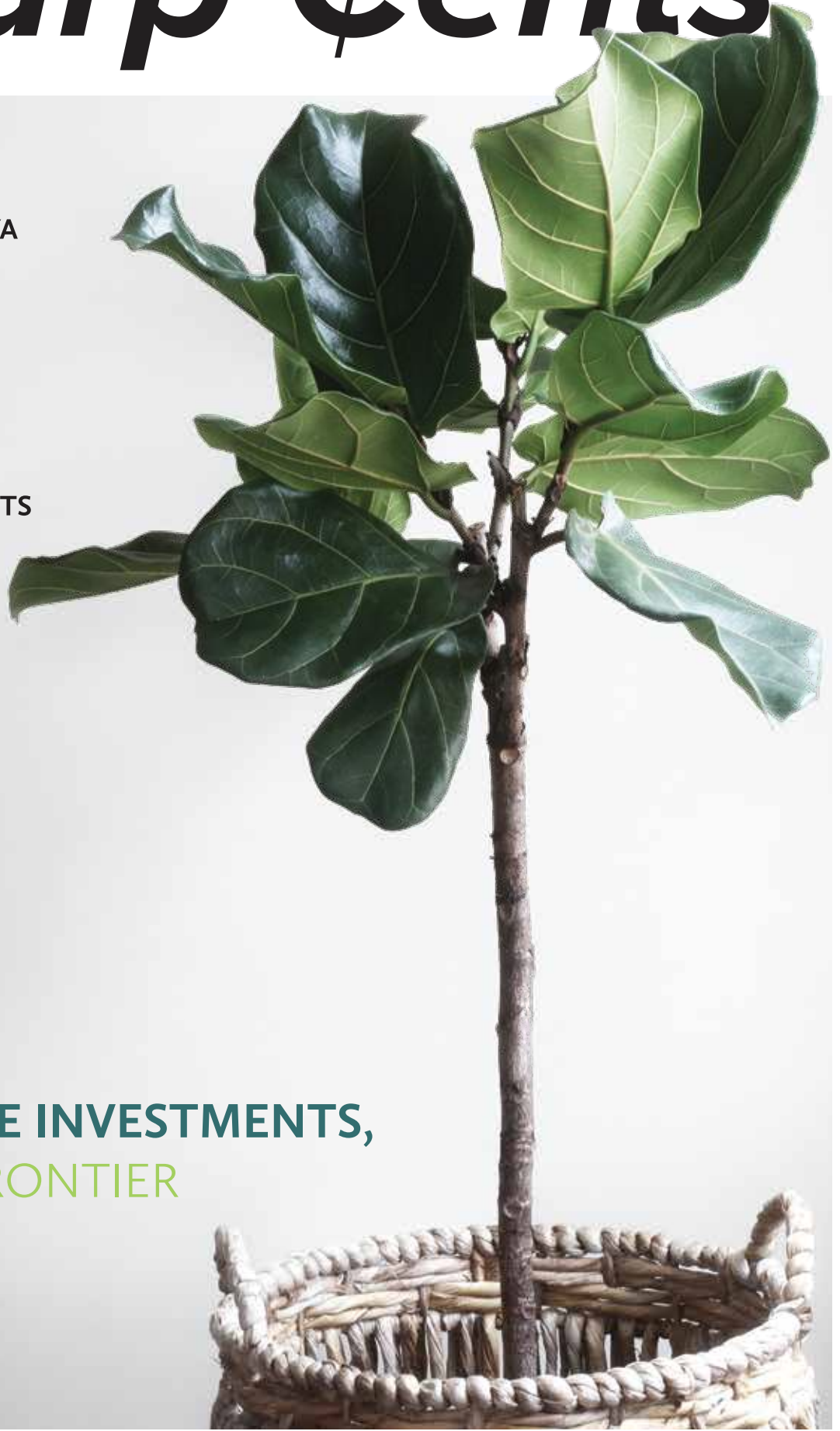
# Sharp Cents

FUN FACTS ABOUT  
REAL ESTATE IN KENYA

REAL ESTATE TRENDS  
IN KENYA

COMPANY HIGHLIGHTS

ALTERNATIVE INVESTMENTS,  
THE NEXT FRONTIER







## Cytonn Investments Managing Partner & CEO

Happy New Year from Cytonn Investments!

We are glad to introduce to you the Sharp Cents newsletter, which is aimed at sharing different ideas that can shape your journey on the path to financial freedom.

Cytonn Investments is an independent investment manager, with presence in East Africa, Finland and the US, primarily focused on offering alternative investment solutions to global institutional investors, individual high net-worth investors, local institutional investors and diaspora investors interested in the East-African region.

Cytonn's primary focus is in alternative investments, which are investments not positioned as the conventional types, such as equities and fixed income. Our alternative investment solutions are based on three main products: real estate, private equity and structured solutions. In our real estate solutions offering, we currently have 12 investment-ready real estate projects and others in the pipeline, with projects under mandate of Kshs 77 billion, offering attractive development returns of 25.0% p.a. on average, way above the 10 to 12. % p.a. accessible in the public market. In our structured solutions offering, we are able to offer investors attractive returns by investing in high yielding opportunities, such as Cytonn Cash Management Solutions - CMS, which has consistently delivered to our investors a high yield of about 18% p.a.

Our strategy is to ***couple demand and supply in the alternative investments space*** by pooling funds from investors looking for / demanding attractive returns in the market in real estate and private equity, but have no development and investment management capability. We then deploy the funds into high yielding institutional grade investments and development opportunities, which supply the returns that investors are demanding.

Kenya is one of the best economies to invest in for alternative investments; the economy continues to be one of the strongest and most diverse in the region, averaging GDP growth rates of 5.0% p.a., while Sub Saharan Africa manages to deliver an average GDP growth of 3.0% p.a. With a stable macroeconomic environment and a diversified economy, Kenya is resilient to external shocks such as commodity prices, thus offering a stable destination for investments, which is further supported by positive demographics including a growing middle-class.

2016 was characterized by a stable macroeconomic environment, which saw GDP growth for the first three quarters average 5.9% from 5.4% over the same period in 2015. The improved macroeconomic environment led to a number of positive pointers into the economy, among them being an improved outlook from rating agencies such as Moody's rating agency, which upgraded Kenya's credit rating outlook from stable to positive, and the country improved its ranking on ease of doing business by rising 21 places to position 92 from position 113 in 2016.

Going into 2017, which is an election year, politics is bound to take centre stage and be among the key determinants of spending and government policy. We expect an increase in government spending on infrastructure as the current administration aims to complete development plans put in place at the start of their term in office, as well as further spending on infrastructure to recover from the low absorption rates of development expenditure, which stood at 69.2% as at June 2016. Furthermore, security is expected to be firm as a result of government initiatives towards improving internal security.

Despite the uncertainties associated with the upcoming elections, the medium to long-term prospects of the country remain compelling to investors, especially in alternative investments. This supports our unique positioning in the market as a champion of the critical role of alternative investments as a core part of what investors should hold in their diversified investment portfolio. We hope that this newsletter will be a platform to exchange ideas and engage with all key stakeholders and ultimately improve the investments industry for the benefit of all stakeholders.

Wishing you a very happy and prosperous 2017; Invest Sharp!

Sincerely,

**Edwin H. Dande,**  
(Managing Partner, & Chief Executive Officer)

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# DEMYSTIFYING ALTERNATIVE INVESTMENTS

## Contributors

Patrick Mumu | Shiv Arora

## What are alternatives investments?

An alternative investment is an asset that is not one of the conventional investment types such as stocks, bonds and cash (also known as traditional investments). Alternative investments include private equity, real estate, and structured products, which are structured around equities, fixed income and commodities. Others include; real estate property investments, precious metals, rare coins, wine, and art. Most alternative investment assets are held by institutional investors or high-net-worth individuals (because of the complex nature of these investments, which require hands-on management expertise). The restriction exists because players who distribute or offer alternative investments rely on funding from sophisticated investors, largely through private placements. Additionally, many alternative investments require large initial outlays of capital, therefore limiting investor base of the investment system.

Some of the available alternative investments are as explained below:

### 1. Real Estate

Real estate is an attractive alternative investment, offering investors the chance to get long-term, stable and attractive returns, which also provide a hedge for inflation. Investment in real estate refers to investment in property for returns, which could either be residential, commercial, retail, hospitality, medical properties, among others. Investment in real estate is in the form of (i) development of real estate to get returns and profits from the development, (ii) investment in completed developments for yield and capital appreciation, and (iii) investment in listed real estate through a Real Estate Investment Trust (REIT) or listed real estate company. Real estate is suitable for long term investors, with the returns being more attractive, as compared to other asset classes.



Some of the key real estate developers in the region include Cytonn Real Estate, Superior Homes Kenya and Suraya Developers.

### 2. Private Equity

Private equity by definition, is the investment of capital and management expertise into private companies. There are more private than public companies, and many of them take on investors' capital. Private equity is a broad term encompassing the entire investment spectrum of the private capital markets and different private equity firms specialize in multiple investment strategies. Private equity firms typically raise funds by taking up capital from sophisticated and institutional investors. The funds are then used to invest in promising private companies and in some cases, take stakes in public companies looking for additional private capital.

The investment gets returned to investors upon the occurrence of an exit event such as a secondary sale, listing of the private company on an exchange (Initial Public Offering, IPO) or acquisition, after the firm factors in its management and performance fee. As mentioned, private equity is a general classification that includes the investment in start-ups, venture capital and financing throughout phases of a company's growth. Some of the key PE firms in the region are Abraaj, Helios, Fusion Capital, Catalyst, Fanisi Capital, Centum and Cytonn Investments, whereas some companies that have benefitted from the PE capital are Equity Bank, Vivo Africa, Jamii Bora, Mimosa Pharmacy (now Goodlife Pharmacy), and Superior Homes Kenya.

### 3. Venture Capital

This is a subset of private equity specializing in investment during early to growth-stage phases of private companies. Firms specialize in early stage investing, raising funds from high net-worth individuals as well as institutional investors and investing them in other companies ranging in industry, geography and funding stages. This source of capital is vital for start-ups and companies in their early growth stages, since they have no access to public financing as most of them lack extensive operational or revenue history.

### 4. Private Placement Debt

Investment in debt is also a large market in the alternatives space. The debt can be either long term (bond) or short term (commercial papers). They are largely accessible to sophisticated investors and most of them are not transferable or tradeable. Similar to equities, private placement bonds are not issued or traded publicly. Some of the companies that have played in this space include Nakumatt, Multiple Hauliers and RMA Motors.

# Why then Invest in alternative investments?

## 1. Diversification

The inclusion of alternative investments in an investment portfolio tends to result in lower overall volatility of the portfolio, as the portfolio benefits from a greater selection of investment options.

## 2. Superior Returns

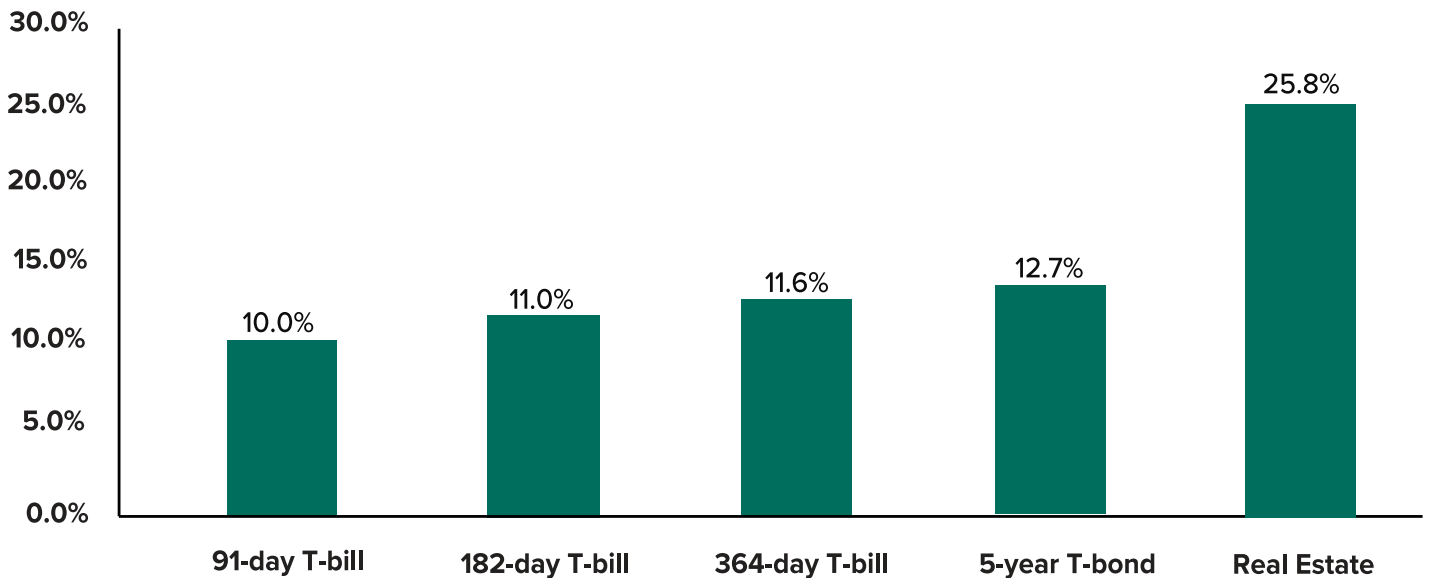
Alternative investments have historically outperformed traditional investments. For example, real estate which is an alternative investment asset class, has consistently proven to outperform other asset classes in the last five years, generating returns of 25% p.a., compared to an average of 10% p.a. in the traditional asset classes.

## 3. Positive Social Footprint

Alternative investments, such as in the case of private equity, are directly involved in the development of the economy, job creation and enhancing innovation, while improving the standards of living.

## Kenya 5-year Average Returns by Asset Class

*As at December 2016*



# FUN FACTS ABOUT REAL ESTATE IN KENYA

## Contributor

Betty Kiptum | Maurice Oduor

### 1. The first luxury hotel in Kenya was Sarova Stanley Nairobi established in 1902.

At that time, Nairobi was a swampy area with just a remote railway depot. In 1905, Sarova Stanley Hotel was reconstructed after it burnt down in what was referred to as 'The Great Fire'. The hotel then grew its clientele base tenfold in a very short period of time as a result of its rendezvous popularity with colonialists. The hotel has hosted classic Hollywood stars such as; Clark Gable, Ava Gardner, Grace Kelly, and Gregory Peck. Closer home, prominent guests of the hotel include the Former President Mwai Kibaki and Kenyan Nobel Peace Prize Laureate, the late Professor Wangari Maathai.

### 2. Stanbic House was the first building in Nairobi's CBD to have an elevator installed.

Formerly Torr's Hotel, the building was erected by Colonel Ewart Grogan after walking from Cape to Cairo to impress his wife, Getrude. Stanbic House is located at the junction of Kenyatta Avenue and Kimathi Street, and housed CFC Stanbic Bank head office before the bank moved to CFC Stanbic Center along Chiromo road.

### 3. Kenya's most expensive house sold at Kshs 765.0 million shillings to be brought down.

An old colonial house on a nine acre piece of land in Lower Kabete, Nairobi, which was sold by Knight Frank in 2013 at a record price of Kshs 765.0 million is to be brought down to create space for the development of high rise buildings.

### 4. English Point Marina is East and Central Africa's first floating marina.

The Kshs 4.8 billion shilling project in Mombasa became East and Central Africa's first floating marina upon completion and official opening in January 2016. English Point Marina offers residents the experience of having both residential apartments and hotel setting in the same development.



### 5. UAP Old Mutual Tower is the tallest building in Kenya towering 163 metres (535 ft) above Nairobi.

UAP Old Mutual Tower, a 33-storey office complex in Upper Hill, Nairobi, became the tallest development in Kenya upon completion in 2015, surpassing Times Tower, which has been the tallest building in Kenya over the last 15 years.

UAP Old Mutual Tower has a rentable space of 29,000 square metres (312,153.4sq ft.), and houses UAP Old Mutual headquarters. The construction of the tower was financed through private equity investment of Kshs 4.0 billion and upon opening for business on 5th July 2016, the building already had a 50.0% occupancy.

# REAL ESTATE TRENDS IN KENYA

## Contributors

Nancy Murule | Johnson Denge

The business environment in Kenya has significantly changed over the last couple of years. The population's disposable income has grown at a five-year CAGR from Kshs 2.5 trillion in 2009 to Kshs 5.7 trillion in 2014. The change has resulted in deepening of the country's financial markets, growth in the Small and Medium Enterprises (SME) industry, technological innovation, and invention; all boosted by infrastructural development among others factors.

Real estate is one of the fastest growing economic sectors, with its contribution to GDP increasing from 4.9% in 2011 to 8.2% Q1 in 2016. This growth was boosted by among other things, the sector's high investment performance with five-year average returns of 25% p.a., greater than the traditional investments five-year average returns of 10% p.a.

Additionally, the country's business environment has shown tremendous growth with office space in Nairobi increasing by a 27.5% CAGR from 1.6 million sq. ft. in 2011 to 5.4 million sq. ft. in 2015. Moreover, retail space in Nairobi has grown at a 16.9% CAGR from 1.9 million sq. ft. in 2011 to approximately 4.0 million sq. ft. in 2015. With this growth, the market has witnessed various trends as buyers seek better quality, unique and differentiated real estate products, while developers work to satisfy these needs.

Common trends that have characterized and continue to define the Kenyan real estate market in Kenya in recent times include:

### 1. Increased Institutional Developers

Real estate, previously characterized by owner-occupied residential and commercial units, has witnessed the entrance of more institutional developers. The key drivers for the institutionalization are; the desire for quality real estate developments and the high returns currently earned in this sector, leading to its commercialization.

### 2. Development of REITs

Real Estate Investment Trusts (REITs) were first incorporated into the Kenyan law in 2013. Following this legislation, several developers have raised or tried to raise money using this instrument. REITs offer attractive investment instruments due to the fact that they do not attract tax at a corporate level. Besides, they provide the much-needed financing required for real estate development.

However, the investment instrument has not picked up well as had earlier been anticipated- the only two REITs introduced in the market were undersubscribed despite receiving institutional support. Despite the challenge mentioned above, this is a sector that is likely to grow and boost investments in real estate into the future.

### 3. Use of Alternative Building Technology

The high cost of construction and long construction durations has made developers seek alternative construction material. In Kenya, the uptake of Expanded Polystyrene (EPS) in construction is slowly picking- especially in Nairobi's satellite towns. Recently a Kshs 10 billion factory for producing the construction material was launched in Athi River along Mombasa Road. This is in addition to the already increasing number of local factories producing the EPS material. We expect that the changes will lead to a further upsurge in the use of the EPS in real estate. It is important to note that Alternative Building Technology (ABT) reduces construction time by up to 50%. Thus saving on time and financing costs.

### 4. Creative Payment Plans for End Users

Real estate is a capital-intensive investment. Moreover, to make greater margins, developers tend to pass these increased costs to the end users. This has led to low real estate uptake, especially for mortgaged developments. Nevertheless, in a bid to boost sales for faster project exit, developers have come up with creative payment plans for their developments. These include; use of installment purchases, group purchases and tenant purchase schemes. The use of creative payment plans is a trend that is likely to continue in the long run. However, despite the capping of interest rates and tax incentives for developers, construction costs remain high due to high costs of land and construction inputs. This status necessitates the need for developers to continuously discover ways of creatively packaging their products to increase uptake.

### 5. Rise of Comprehensive Mixed Use Developments

Consumer tastes and preferences while seeking convenience and comfort, gravitate them towards liking a particular real estate theme.



In the last couple of years, we have witnessed several real estate themes changing from the apartments craze to gated communities and then to malls. However, the new kid on the block is Mixed Use Developments (MUDs).

With a unique combination of retail, residential, commercial and lately hospitality functions, these developments provide a live, work and play environment that is attractive to the modern person seeking quality and convenience. Currently, the uptake of MUDs stands at an average of 85% in Nairobi. The status arises from the fact that developers find MUDs to be attractive as they lead to savings on land costs where a single parcel of land is used for various purposes. Such developments usually have high uptake levels since the various uses complement each other. Thus, MUDs attract sales and tenancy with lower risk because if units under a particular use have low uptake or occupancy, the developer can still benefit from the sale of units in the other use. Notable openings in recent times include the Garden City mall which offers retail, office and residential uses in over 110,000 square meters of space and The Two Rivers Mall along Kiambu Road. Others in the pipeline include; Hass Towers and the Montave Buildings in Upper Hill.

## 6. Growth of Alternative Business Districts

Businesses continue to expand away from the CBD while seeking ease of access, convenience and space. The change has led to the development of other regions such as Upper Hill and Westlands areas which are now recognized as business districts. Similarly, Karen is also experiencing an increase in commercialization.

## 7. Master Planned Communities

In a bid to deliver the much sought after live, work and play environments, developers continue to establish master planned communities.

In addition to the increased appetite for these developments, the cities are getting boosted through support by various government levels which are also eager to enhance housing supply in the country, decongest the cities and build new neighborhoods. Some of the key master planned communities are Konza City and the upcoming Newtown master planned development by Cytonn Real Estate.

## 8. Serviced Apartments

This is a new trend in the hospitality sector characterized by visible growth driven by the desire to have a home away from home experience while one is traveling. Additionally, the sector is also boosted by lower costs as well as better security compared to hotels. Serviced apartments are growing in demand and supply especially in Nairobi and Mombasa cities with Nairobi's supply growing by a 23.6% CAGR over the last five years.

## 9. Online Advertising

With increased supply comes increased competition and this has been true in real estate developments as well. To get maximum sales, developers have had to aggressively market their products which have led to the discovery of various alternative marketing channels. In recent years online property websites such as; Property 24 and Lamudi (now Jumia House) among others, have become increasingly popular in real estate marketing.

The trends span across all real estate development themes and while they seem exhaustive, something new is always in the offing. Thus, we expect to see more innovative trends in real estate development that meet the diversified consumer tastes, preferences and financing options.





# MISS THING

## The Modern Day Career Woman

### Contributor

Teresiah Kingara | Faith Murigi

Women have come a long way, especially when it comes to working in the corporate world. They are running boardrooms, eyes unabated.

The modern woman is not your typical Margaret Thatcher; no thank you sir. She is no longer shy of her femininity and has no reason to try and tone down to fit in with market standards. On the contrary, she is setting the market standards.

She has refused to bow under the weight of baseless stereotypes of the working woman. If anything, qualms seem to fuel her persistence in the corporate world. She could easily be called woman 2.0 because she has totally upgraded from her predecessors or maybe they made her walk easier...subject for discussion.

There was a time she hung her head in submission when called 'Miss thing' because she understood the implied jive. Not anymore. Just like any project she undertakes, she has learned to turn everything she touches into gold, so to speak.

Her presence in the office is felt with awe. She keeps her heels high and her standards higher. Her decisions are communicated with a tone of finality because she is confident of her capabilities and unchallenged on her successes. Her talk always matches her actions.

Miss thing has come to terms with her limitations as a working mother. She openly acknowledges the need to have someone help her run her home without any feelings of inferiority brought about by a world that tries to make her feel less of a woman for it. She is no longer searching for the elusive perfect mother title because she has realized that perfectionism, just like unicorns, doesn't exist.

Miss thing hasn't always been like this. There was a time she always felt the need to bend over backward to be a little "accommodating." For the longest time, Miss thing has been torn between what she always wanted and what was expected of her because she is "a woman." Years of frustration piled up by the incessant societal pressure to fit in saw her break, but like the phoenix, she rose from those ashes.

This is not to mean that she no longer tries, no ma'am! It just means that she is no longer intimidated of rising to the occasion when demanded. It means she has earned equal bragging rights of her successes and just like everyone else; she acknowledges that failure is not a death sentence but a learning opportunity. While she is in no way sloppy in her work, she is not ashamed to ask for help when need be. Miss thing is truly a phenomenon. She has truly earned her place at the table and she finally wears that with pride.

This article is a dedication to all women working toward achieving their version of success. You are truly woman 2.0.

# THE RISE OF HIGH-END DEVELOPMENTS IN REAL ESTATE

## Contributors

Joyce Mwai | Martin Gitonga

Housing trends have changed over the past years with home seekers now looking for exceptional designs of houses with high quality and unique finishes. Home owners have developed high preference for houses that come with added amenities that create value for money while at the same time, are differentiated from other residencies. Gated communities with amenities such as swimming pools, gyms, clubhouses, spas and well manicured gardens appeal to this kind of target market.

Kenya has seen a rise in high-end developments at key nodes of the country such as Karen, Muthaiga, Kitusuru and Spring Valley over the past few years. Prices of prime residential properties in Kenya rose by 2.9 % in 2015 from the marginal 1.4 % performance recorded in 2014, consequently recording the second fastest growth in Africa according to a report by Knight Frank.

## The rise in demand for the high-end houses has been facilitated by:

### 1. A Growing Middle Class

Kenya's growing middle class is willing to pay a premium for unique designs, high-quality finishes and extra amenities in high-end developments. Shoppers of these houses are looking to buy into lifestyles as opposed to just houses. They are looking for areas with access to key shopping nodes such as lifestyle malls and proximity to international grade schools where their children can study.

In addition, the segment is seeking for places where they can have the security of a gated community while at the same time enjoy privacy and serenity.

They also seek for places where they can manage to access their work locations without the inconvenience of heavy traffic jams during rush hours. Moreover, home buyers seek places with exclusivity, with minimal possibility of high-rise apartments and high-density developments. However, not many areas in the country fit this profile.

### 2. Increased Per Capita Growth

Per capita income growth in the country has risen giving people more purchasing power. Therefore, many people can now afford to pay for housing either via cash or mortgages plans. The price appreciation, though less than other markets, also implies that once the buyer wishes to resell their property, he or she will get a good deal in the market.

### 3. Demand Exceeding Supply

Demand still slightly exceeds supply for the very top-quality residential property. The status is based on the fact that luxurious properties that target high-net-worth individuals are located within few affluent areas. Kenya is an investment hub with many foreign investors coming into the market. This group of people require high-end living spaces. Therefore, the residential sector has not been left out as more of the high-end homes are being built to meet the growing demand for the same.

In summary, the above factors have presented an opportunity in this market segment that developers are clearly tapping into. This is evidenced by multiple developments coming up for the high-end market in the country. Land prices in these areas, however, remain moderate even as land in Nairobi becomes scarce as the zoning regulations of these areas do not allow for user-maximization of land to achieve economies of scale (with at most allowable plot ratio of 0.25). However, a few areas such as Karen, have recorded good land appreciation which is among the best in the country over the past year.

Using Karen as a case study, the area embodies all the elements that buyers of prime residential property would be keen on as it enjoys unique facilities that appeal to the high-end market which include:

- **A Good Transport Network:** Karen sits between Ngong Road and Lang'ata Road hence residents can use either road to access the location from the city. With the development of the Southern Bypass and the upgrade of Lang'ata Road, accessibility to the area has been significantly eased.
- **Recreational Facilities:** The Jockey Club, on the edge of Ngong Forest, houses the seasonal horse racing events. The Karen Country Club offers a world class 18-hole golf course on exquisite grounds. Karen is also home to the Karen Blixen Museum and the Bomas of Kenya – a Cultural Centre displaying Kenya's diversity. Children can also visit The Giraffe Centre and interact with the wildlife.



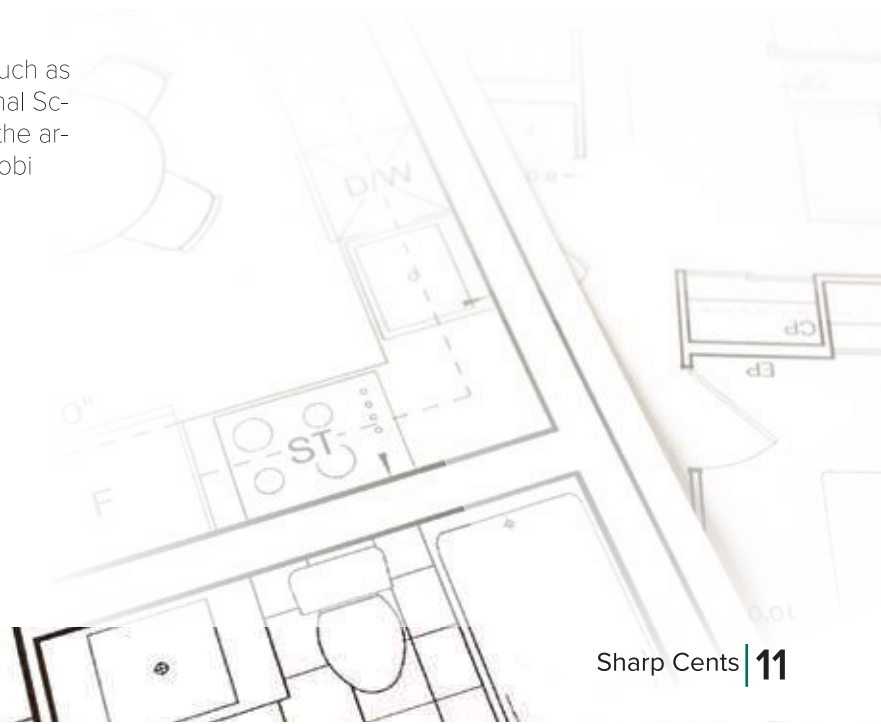
- **Close Proximity to Malls:** Karen shopping center and the Karen Crossroads Shopping Mall offer a full shopping experience. Galleria Shopping Mall, near the Bomas of Kenya and The Hub, Karen Mall - a Kshs 4.0 billion development, are other malls positioned to offer sophisticated retail experiences in the area.

- **Eateries:** Karen is the home of a myriad of both local and international hotels, including; Hemingways Nairobi, Tamambo Karen Blixen, Dari Restaurant, Que Pasa, and Talisman Restaurant, to mention but a few.

- **Schools:** Karen is home to international schools such as ; Hillcrest International School, Brookhouse International School and Banda School. Other high-end schools in the area include; Light Academy, St. Christophers and Nairobi Academy.

- **Hospitals:** Situated along Lang'ata Road, are the modern and well equipped Karen Hospital and Nairobi Hospital which offer both in-patient and out-patient facilities.

- **Places of Worship:** Citam-Karen, Karen Vineyard Church, and Karen Community Church are some of the churches within the vicinity.



# SITU VILLAGE

Situ Village, a development in Karen by Cytonn Real Estate, is an exclusive, world-class gated community offering a live, work and play environment and a great investment. The community enjoys the ease of access, proximity to key shopping nodes in Karen, schools, hospitals and renowned fine dining establishments; great scenery and a fully equipped clubhouse, all on 29 acres of beautiful land. The village has all the advantages of gated community exclusivity while providing home owners with individual privacy, a distinct lifestyle and tranquility.

The development comprises of 50 villas set on ½ acre plots each. The villas have two distinctive lifestyle products: Mediterranean and Andalusian, with the difference being captured on their distinct interior and exterior finishes. Each Villa stands on its own, with a secondary gate, an expansive garden and an infinity edge pool. The villas are 4-bedroom all en-suite with a living room, dining room, kitchen, 2 DSQ and ample parking for up to five cars

The development also boasts of a cluster of 10 three-bedroom all en-suite cottages complete with a living-cum-dining room and a kitchenette.

## Why Situ Village?

Situ Village is only 20km from the CBD; roughly a 30-minute drive. You will need only 45 minutes to drive to the airport from Situ on a light-traffic day.

Karen is an affluent, secure and attractive suburb in Nairobi, Kenya, situated southwest of the City Centre. In comparison to other high-end residential areas in Nairobi, Karen has seen the greatest increase in land prices, five-fold, over the last seven years. The neighborhood offers a blend of colonial bungalows and villas on stunning, expansive grounds, and has ensured its continuing sense of country life around modern, urban centers and facilities. It hosts a diverse population, both local and global individuals, with a large number of expatriate residents.





Early Investors Achieved Returns of up to 55%\* p.a

**A COMPREHENSIVE LIFESTYLE DEVELOPMENT**



**THE RIDGE**  
LUXURIOUS LIFESTYLE



## Apartments & Penthouses in Ridgeways

### Amenities include:

- Health Club
- Rooftop Restaurant
- Infinity Pools
- Landscaped Courtyards
- Gazebos
- Children's Play Areas
- Convenience Stores
- Power Backup
- CCTV Surveillance & Security Checks
- Two Accesses from the Northern Bypass
- Serviced Apartments



"An investment in  
knowledge pays  
the best interest."

- Benjamin Franklin





# BRIDGING THE GAP BETWEEN TECHNOLOGY TRAINING AND INDUSTRY

## Contributor

Nasser Olwero, MPhil

In a world experiencing exponential technological growth and where technology affects almost every aspect of life, it is more important than ever to bridge the gap between training in technology and industrial needs. Technology impacts business in many ways as evidenced in the past decade such as; the ubiquity of cell phones, the rapidly increasing access to the internet in Sub-Saharan Africa, mobile money transfer, rapid acceptance of new tech-driven ways of life such as Uber and digital signing of documents to name a few.

Technology continues to enhance the ease of both personal and business transactions. However, with the continued sophistication and heavy industrial demand for technology, walking into a workplace with a technology degree does not guarantee one a rousing welcome. On the contrary tech savvy, non-technology graduates stand a better chance of an applause as they are seen as having 'done their homework.'

While theoretical basics of computer science and other aspects of technology training including data structures, algorithms, artificial intelligence and compilers are critical for a solid technology career, for business, it is the practical applications of this knowledge that gets the business executives excited. From an industrial perspective, challenges exist too. Just like it is hard to clap with one hand, without a reliable pipeline of employment ready technology graduates, the industry faces a similarly hard time filling technology positions and to cash in on the many promises that technology presents.

Consequently, technology institutions, industry and technology graduates must play together to realize the promise. The absence of or malfunction of any one of these makes it challenging to attain the goal. Having walked this road at Cytonn, we have learned some lessons on how the players should position themselves.

## 1. Technology Institutions

In a bid to offer the best chance to its graduates, institutions should continually review and revise their curriculum to stay in tune with fast developing technology and industry demands/requirements. This is best done by forging partnerships with the various industries to develop relevant training and expose students to the ever-changing world of business. The educational institutions should develop projects that help students learn practical aspects of technology that are directly applicable to industry. Moreover, industrial case studies should be pertinent to the training and student projects should be practically applicable and sourced from industry.

## 2. Business and Industry

Investment in research and development is not only forward looking but also pays off. Tech giants like Intel, Google, Facebook, Apple, Amazon, and Microsoft spend a fortune on research and development. All companies eyeing growth should similarly do so and extend this to support upcoming technologists. While technology graduates always reach out to businesses seeking opportunities, businesses too should reach out to the institutions in advance and support the development of technology skills and swing open their production environments for training; expose the industry problems to young minds and be open to technological innovation and disruption of status quo. It is the duty of the industry to demand high standards and make their missions clear as a guide for the institutions and trainees.

## 3. Technology Students

Students who develop the culture of hard work and excellence earlier on do not struggle to fit in the industry. While some schools provide an environment that develops this culture, students need not allow themselves to be defined by inadequate learning environment but rather be inquisitive and seek new knowledge and trends by all means. They should spend time understanding the industry and without downplaying technology theory, open up to practical applications in industry.

Students should keep themselves updated on the global trends in technology by following technology news, blogs and keeping abreast with local developments. While technology skills are broadly applicable, the earlier students identify and begin following an industry of interest, the easier it gets to prepare for a career in that industry. It is usual for 'techy' students to focus on technology circles but it may be dangerous to get cocooned in technology because technology is a tool that touches multiple industries.

One commonly applied skill across the board is problem-solving, and the earlier a student learns this art, the better off they get. With new technologies like big data analytics and artificial intelligence catching on, it is the student that ventures into such new technologies and links them to business problem solving that will be successful. With everyone playing their part in promoting learning and professional development, all parties are poised to reap the benefits of technology to support rapidly growing economies & advancing solutions to fill the gaps in industry needs. This is most important in a frontier economy like Kenya.

# COMPANY HIGHLIGHTS

## CYTONN CYLP AND eHub

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### Cytonn Young Leaders Programme (CYLP)

Cytonn Young Leaders Programme (CYLP) is an intensive and competitive 12-week training programme that exposes fresh university talent to the office environment and culture. To date we have run over 50 internship programs that had over 270 young leaders participating. We have offered employment to over 100 CYLP graduates.



Hardwork and no play made Jack and Jill dull people.



Cytonn Young Leaders Programme (CYLP) graduates from various departments



Ashley, a CYLP graduate receiving her certificate from Patricia Wanjama (Cytonn Investments' Head of Legal & Company Secretary) during the CYLP graduation ceremony

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### Cytonn Entrepreneurship Hub (Cytonn eHub)

Cytonn Entrepreneurship Hub (Cytonn eHub) is a 12-week training and mentorship programme for young and upcoming entrepreneurs that seeks to enhance knowledge and capabilities on how to start, develop and run successful enterprises.



Cytonn eHub Season One participants with Edwin Dande (CEO Cytonn Investments) and their trainers during eHub launch



Cytonn eHub participants during the programme's launch.



Triumphant smiles! Bryan Lukhano of Biogen Kenya gets awarded a Kshs. 100,000 cheque after delivering the best business pitch during the Cytonn eHub Investors Forum.

# INTERVIEW SECTION

## FEATURE



### Johnson Denge

Market Research & Site Acquisition Manager of Cytonn Real Estate

#### **What is your role at Cytonn Real Estate (CRE)?**

My role is three fold; real estate research, deal origination and acquisition. This is what I wake up to always. In addition, I am part of the team that drives CRE forward.

#### **What is the importance of research in real estate and how much research goes into selecting real estate projects to undertake?**

Research is key in identifying the best and highest use. Real estate investment is capital intensive and you have to get it right. It helps us develop a product that is tailored to our client needs, either as an investment or as a home. It is the journey to exceeding their expectations.

#### **What does it take to be a site and acquisition manager?**

I would say the commitment and integrity as you transact quite an amount and the zeal to always get the best for the client

#### **Where do you see CRE in the next 5 years?**

A one stop investments and real estate shop in the region

#### **Who inspires you in the real estate industry?**

The Trump organization - they are always bullish in their developments and it pays back.

#### **Tell us a bit about yourself, your background etc.**

I am an alumni of Kapsabet Boys High school where the path for what I want in life was laid and a graduate of University of Nairobi. I enjoy entrepreneurial activities.

## How is the going so far at Cytonn?

The journey has been fine and I would say a learning experience. The dynamism of the team enables one to get better every day. Notably is that I was able to appoint two mentors from the Cytonn team and I am grateful they all accepted to mentor! My objective remains how to make the client better.

## Where did you first hear about Cytonn?

I am privileged to have worked with the founding team in a different platform where they were our key financial partners in real estate projects. So I had felt their work penchants, diligence and the desire to grow. Their approach to business was clear in my mind.

## How were your first days at Cytonn being the only Real Estate employee at the time?

Anything worth the course is always challenging. However, for me I had started with the team as a consultant and it was easy to hit the road running. It reminded me of always being diligent as most of the work I had done as a consultant, it was now time to implement. The initial personal challenge I remember was to wear a tie something that was not a norm to me.

## What is your favorite pastime activity?

I am a flexible person although I find myself more in parkour and urban explorations.

## Many people refer to you as Chairman. Where did the name 'Chairman' come from?

The name came before I was a chairman of anything but I was recently elected chair of the Cytonn Co-operative. A man has three lives, what you think you are, what other people think you are and what you really are. I embraced the name then because it fell in one of the three categories above.

## Who inspires you?

My late mother, she was such an all rounded and intelligent lady

## Any favorite joke?

The Zen 14 computer error messages - I am sure you can get them and laugh with me

## Final words?

When you focus on the client by best client service, best returns and always act in the interest of the client, you will do well - our client centric approach at Cytonn has pushed us to where we are and we are going far.



# THE ART OF BRAND BUILDING :

## THE OLD SCIENCE OF SURVIVAL

### Contributors

Beverlyn Naliaka | Duncan Lumwamu

If you think that the idea of branding is modern, then you are mistaken. Since the time people created goods to trade or sell, or as far back in time as when people owned cattle, there have been trademarks, symbols, signs or posters, pictorials, and hawkers. In order to distinguish their goods, craftsmen imprinted trademarks on their goods and creations to signify the maker and origin. Ultimately, trademarks assured the buyer or trader of the quality of the merchandise. To denote ownership of property, at first cattle were branded with paint or pine tar; later, unfortunately, as seen in the history of our forefathers, cattle and sheep were branded with hot irons. Sadly, humans were also branded for various reasons. Slaves were branded to mark ownership; criminals were branded with disgrace.

Times have changed. In the 1800s, people bought goods out of need through barter trade. As the years passed, towards the end of the 19th Century, we saw a massive shift in attitudes to products and purchasing of things. This push was led by a collection of new technology and methods of communication such as the invention of mail order catalogues, the advancement of railways and the expansion of the postal service. The age of communication was born, giving people the ability to shape their worlds. The population was empowered to buy status. By the 1920's, especially in the West, society evolved from a culture of need to a culture of desire.

The end of the Second World War saw a manufacturing boom as many factories, which were set up in order to produce military equipment, could now be used to manufacture products. With the mass production capability, brands could now reach most of the population. By 1960s, stiff competition had begun and companies had to distinguish themselves from competition through unique key selling points. Companies had to differentiate their services and their identities in terms of logos and slogans. During the 1980s era, brands began to personify themselves to the consumers as offering more than just a product. Brands began communicating aspiration and identity.

Today, brands have built emotional connections by meeting human needs. We have thousands of companies, with thousands of taglines and logos, each calling out for the attention of the consumer. Our attention spans are incredibly short and brands are dying to capture us with their adverts, billboards and communications. In the age of technology, unfortunately, brands live and die by the will of the consumer in an instant.

The rise of mass media in industrialized countries contributed greatly to the rise of a "brand world" and a desire for brands. The psychology of brand communication has influenced the growth of brand name. We believe that brand name X cleans your clothes better than the others...the power of branding. We spend millions of shillings on commercial spots, exhibitions, marketing collateral so that we can resonate with a consumer-top of mind awareness through a consistent look, style, image and personality of the brand.

But what is in a name you may ask? Everything! A great name identifies you. A great name speaks for you. It offers the unusual. Building a name, a brand... takes time and effort. It is not a quick fix; brands have been built before. It requires dedication, money and love. You cannot build what you do not believe in.

Take a look at the Java House Brand that has consistently grown to be a homegrown brand. Every corner of Nairobi, now has a Java House, making it one of the favourite coffee spots for business meetings, lovers or people just looking to find a chill spot.



Everyone has sampled the ‘coke side of life’. The Coca-Cola brand is present in every country and arguably it’s the world’s first true global brand having started from humble beginnings through a Pharmacist, John Pemberton. Coca-Cola began its marketing through a newspaper advert that invited people to try the new and popular soda fountain drink. The brand began with a great vision and soon communicated this through a marketing campaign. Look at the brand now, it keeps reinventing itself, currently focusing on promoting global happiness, communication that is focused on tying its brand association to happy feelings.

Another global giant is Google. Google began its mission of organizing the world’s information and making it accessible and useful. Google has redefined the world of the internet space. The key to the growth of this brand has been tapping into the consumers’ needs. How can we make the users’ experience smoother and enjoyable? The consistency of the brand through Google Images, Google Stories, Google News, Gmail and integrating these services has grown the brand to great levels globally.

Other great brands such as Virgin, Apple, Cytonn, P&G, among others, have one thing in common - blending analytics, strategy and creativity.



**There is no single success recipe for building a great brand; it lies in innovating yourself for the future. The challenge for today’s brands is designing brand experiences that are strategic and relevant to the consumer—and that is simply smart business of creating clients, actually partners for life.**



# 2016

# PICTORIALS - CYTONN IN PICTURES



The Alma- a comprehensive residential development ground breaking in Ruaka



Situ Village – an exclusive world class gated community ground breaking in Karen



Chairman of the Board, Prof Daniel Mugendi addressing the guests at the Cytonn Investments Management & Cash Management Solutions AGM



L-R: Edwin Dande, Managing Partner, Michael Bristow MSc, board member during the Cytonn Investments Management & Cash Management Solutions AGM



Guests pay attention at the 2016 Cytonn Investments Management & Cash Management Solutions AGM



A group photo of the participants at the launch of Season One of Cytonn eHub



Happy faces during the launch of The Ridge – a comprehensive luxurious lifestyle development in Ridgeways



Brenda Mokaya, Project Management Analyst addresses guests during The Ridge launch



(Centre) Lucia Muhandick – Unit Manager takes the guests through The Ridge during its' launch



Elizabeth Nkukuu CFA, Chief Investments Officer, Cytonn Investments (left) as a key panellist at African Summit on Entrepreneurship & Innovation (ASENTI) at the United States International University (USIU)



Cytonn Technologies team during their inaugural Tech Fair event at our Chancery Office



Team Cytonn celebrates our win for "Fund manager of the year: Alternative Investments and Private Equity" at the Think Business 2016 Awards



Mr. Kai Mykkänen, Finnish Minister of Foreign Trade & Development with Cytonn staff during a visit by the Finnish Foreign Trade & Development delegation at Chancery Offices



Advisory board Cash Management Solutions (CMS) : Seated L-R: (Naomi Kinyanjui and Shaka Kwach ) Standing from L -R: Mitesh Chavda, Dhuru Shah, Doreen Onwong'a and Maurice Oduor



Cytonn team dancing during the Cytonn strategy retreat at Sweet Lake resort in Naivasha



Clients enjoy themselves at the client end year party held at Villa Rosa Kempinski Nairobi



From L-R , Juhani Elomaa, C.E.O-Taaleri, Edwin H. Dande, Managing Partner and C.E.O-Cytonn Investments during Taaleri's visit to Cytonn offices at Chancery



Juhani Elomaa, C.E.O-Taaleri making a presentation to the team at Cytonn during his visit



L-R: Edwin Dande, Rose Kimotho, M.B.S Prof Daniel Mugendi ( BoardChairman ) posing for a photo after a board meeting



From L-R, Caleb Mugendi - Investments Analyst, Maurice Oduor - Investments Manager, John Ndua - Investments Analyst releasing the Q3'2016 Banking Sector Report



Bryan Lukhano, founder of Biogen Kenya gets awarded a Kshs. 100,000 cheque for being overall winner at the Inaugural Cytonn eHub Investors Forum



L-R: James Maina, Elizabeth N. Nkukuu and a guest during the CPN Launch for High-Networth-Investors



Shiv Arora, our Financial Controller addressing the guests during the Cytonn Project Notes launch for High-Networth-Investors



L-R: A guest, Dhuru Shah (CMS Advisory board member) during the Cytonn Project Notes (CPN) launch for High-net-worth Investors



# DIASPORA ROADSHOW



Paul Muchiri of Cytonn Diaspora with guests at the Safari Golf Club in Washington DC



Guests engage in a spirited discussion in Newark, DC during the roadshow



Shiv Arora addressing guests at the Houston Investors forum



Christabel Njeru - sharp and ready for guests in Washington DC



Shiv Arora engaging attendees in a conversation at the Dallas clients' dinner



Cytonn Diaspora clients talk after a hearty meal at the Akbar Restaurant New Jersey



A delighted guest signs in at the Atlanta Investors forum



Cytonn Diaspora clients share a light hearted moment at the Seattle clients' dinner



Guests catching up over a snack at Houston, TX Investors forum



Happy clients pose for a photo with the team during the Atlanta clients' dinner



Patricia Wanjama with Mary Munda and Tim Ochando at a professional dinner in New York



Shiv Arora taking questions from guests at an investor forum in Los Angeles, CA

# *Hongera Cytonn*

Ya mgambo ishalia, Lipo la mno tegea,  
Nijongee karibia, Uhondo nakumwagia,  
Wekezaji pulikia, Sije kalipuuzia,  
Hongera kwenyu Cytonn, Ahadi mwatimizia,


Amara Mulizindua, Kareni ikaduwaa,  
Asilimia kwa mia, Yote kesha wauzia  
Wekezaji wavunia, na kivulini hulua,  
Hongera kwenyu Cytonn, Ahadi mwatimizia,

Situ nayo 'tajengea, Kwa kina ufasaha pia,  
Vijumba vilo ng'aria, vya dhamani dhamania,  
Kwa ubali vya vutia, Sote twaikaribia,  
Hongera kwenyu Cytonn, Ahadi mwatimizia,

Aluma nawelezea, kitazama waduwaa,  
Kinywa chako wapanua, Neno sijekatokea,  
Enyi mloijengea, Kiti twamuondokea,  
Hongera kwenyu Cytonn, Ahadi mwatimizia,

Ewe Dande Lizi pia, Sifa nawamiminia,  
Huko juu mwapepea, Taji ninawavishia,  
Uwekezaji bandia, Kisogo ninaupea,  
Hongera kwenyu Cytonn, Ahadi mwatimizia.

**Catherine Njeri**  
**Sauti Ya Murang'a**  
**Mwanabiashara chipukizi**



Quality is never an accident; it is always the result of high intention, sincere effort, intelligent direction and skillful execution; it represents the wise choice of many alternatives. ”

*William A. Foster*



**KENYA OFFICES:**

3rd Floor, Liaison House, State House Avenue, Nairobi, Kenya  
6th Floor, The Chancery, Valley Road, Nairobi, Kenya  
6th Floor, Fedha Plaza, Westlands, Nairobi, Kenya  
P.O. BOX 20695 - 00200, Nairobi, Kenya  
☎ +254 709 101 000



**ONLINE HELP:**

[info@cytonn.com](mailto:info@cytonn.com)  
[www.cytonn.com](http://www.cytonn.com)



**US OFFICES:**

6411 Ivy Lane, Suite 112 Greenbelt,  
MD 20770  
☎ +1 (301) 982 - 2560  
☎ +1 (301) 825 - 9948

