



Structured High Yielding Investments Training



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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



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**Overview
of The Firm**

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**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

3

Three offices across 2 continents

150

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



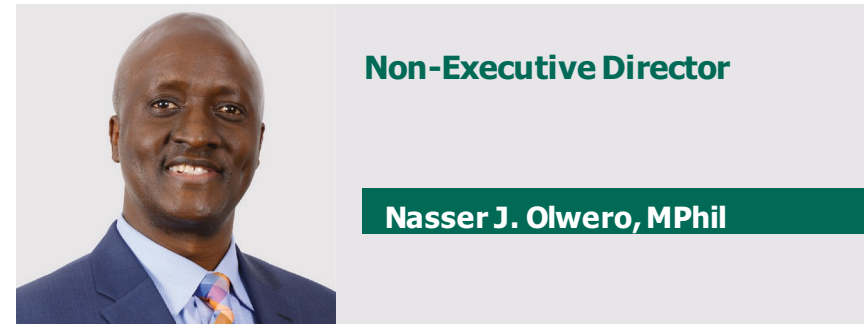
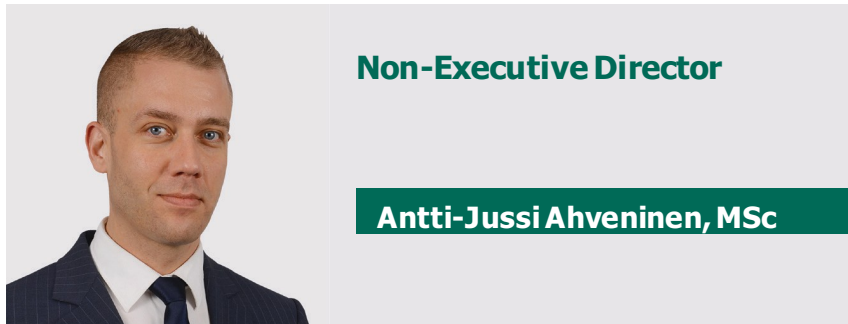
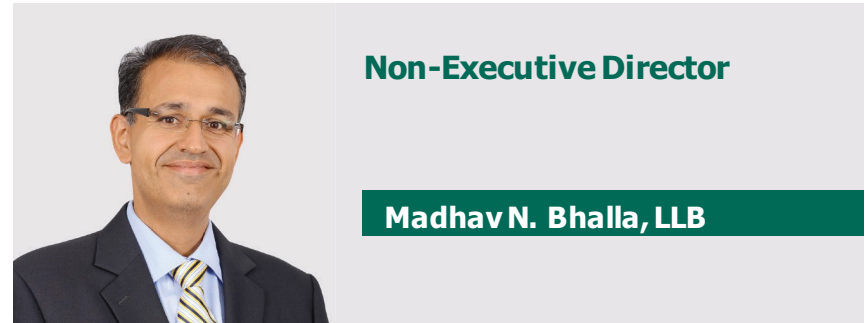
If you could get all the people in an organization rowing the same direction, you could dominate any industry, in any market, against any competition, at any time.

— 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



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. Nkukuu, CFA, MBA



Executive Director

Partner

Patricia N. Wanjama, CPS (K), MBA

For bios, visit www.cytonn.com

Governance



If you have leadership without governance you risk tyranny, fraud and personal fiefdoms. If you have governance without leadership you risk atrophy, bureaucracy and indifference.

— **Mark Goyder**

INVESTMENTS & STRATEGY COMMITTEE

The committee oversees and provides strategic investment direction, including the implementation and monitoring process.

The committee consists of five directors with three non-executive directors namely: James Maina (Chairman), Antti-Jussi Ahveninen, Madhav Bhalla, Edwin Dande and Elizabeth Nkukuu.

AUDIT RISK & COMPLIANCE COMMITTEE

The committee establishes and oversees risk and compliance, including the implementation and monitoring process.

The committee consists of four directors with two non-executive directors namely: Madhav Bhalla (Chairman), Nasser Olwero, Edwin Dande and Patricia Wanjama.

GOVERNANCE, HUMAN RESOURCES & COMPENSATION COMMITTEE

The committee establishes, oversees and implements governance structure, human resource policies and firm wide compensations.

The committee consists of four directors with three non-executive directors namely: Antti-Jussi Ahveninen (Chairman), Prof. Daniel Mugendi, Michael Bristow and Edwin Dande.

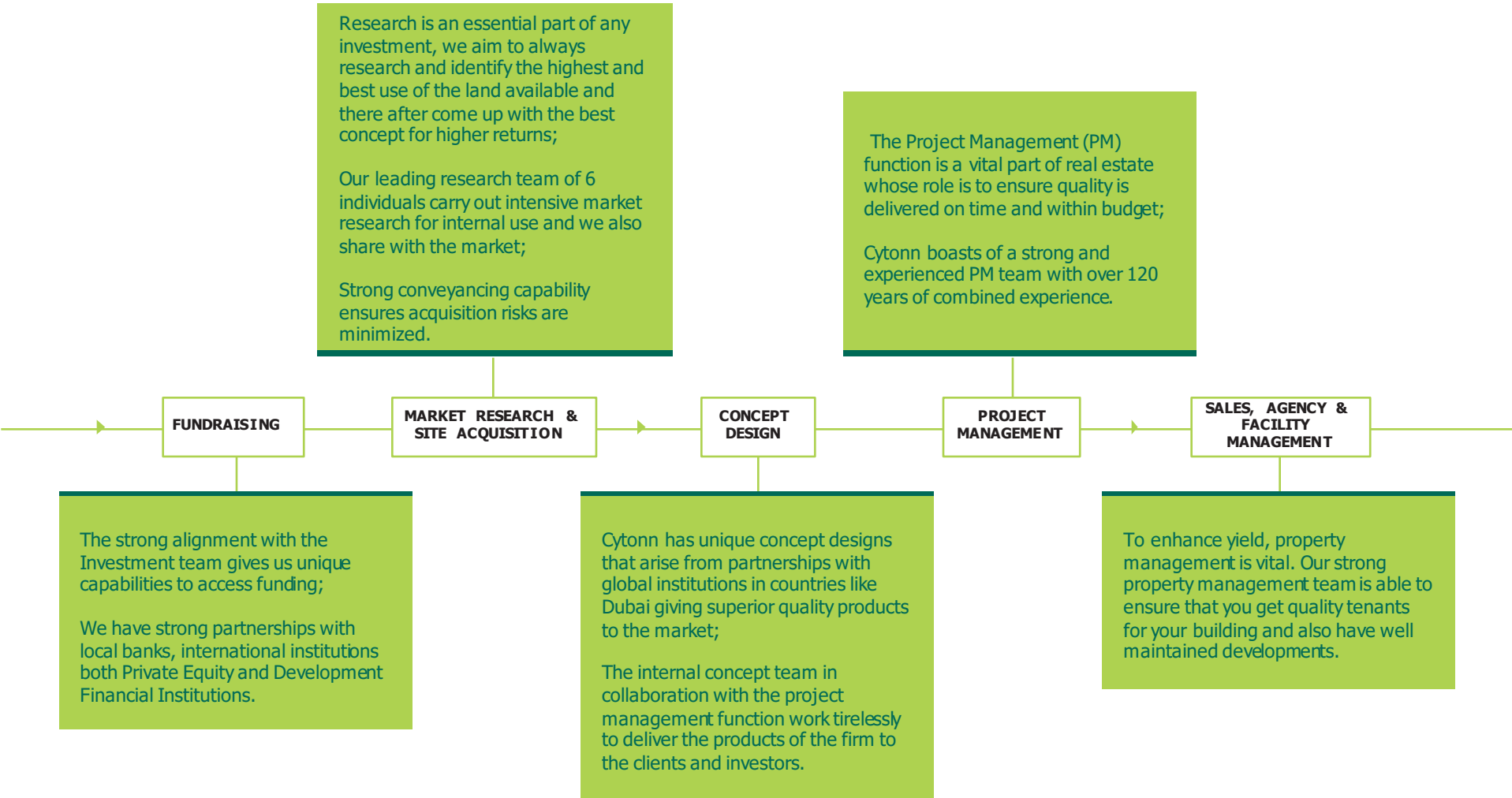
TECHNOLOGY & INNOVATION COMMITTEE

The committee establishes, oversees and implements technical expertise and innovative processes as a driver towards competitiveness.

The committee consists of three directors, with two non-executive directors namely: Nasser Olwero (Chairman), Michael Bristow and Patricia Wanjama.

Cytonn Real Estate's Unique Capabilities

Cytonn has all the necessary capabilities to deliver the very best Real Estate for investors.



AMARA RIDGE



SITU VILLAGE



THE ALMA



NEWTOWN



I. Introduction to Cytonn Wealth Management Training

Introduction to Cytonn Wealth Management Training

The aim of this program is to educate our clients on maximize returns through structured Products

- This program is intended to meet the following objectives:
 - To provide knowledge to enable investors maximize returns
 - To enable our clients and potential clients understand how structured products works
 - To enable our investors understand our CMS works
 - To enable our clients understand products that can act as substitute for deposit in the post interest rate cap

I. Introduction to Investments

Introduction to Investments

Knowing what investments will do well under each scenario is important

- **Investments:** This is the purchase of an Asset with the hope of generating some income in future or the asset appreciating hence being able to sell it at a profit
- The investment outlook of an economy is determined by :
 - Economic performance
 - Inflation trends
 - Interest rates
 - Exchange rates
 - Political stability

Investments returns is largely determined by investors' views on all the above

II. Types of Investments Asset Classes

Types of Investments Asset Classes

There are two main broad classifications of investments based on the ease of accessibility

	<u>Description</u>	<u>Characteristics</u>
Traditional Investments	i. Equities	<ul style="list-style-type: none">• Liquid• Price visible on stock exchange
	ii. Fixed Income	<ul style="list-style-type: none">• Liquid• Highly sensitive to interest rates• Returns made of both coupon and principal
Alternative Investments	i. Private Equity	<ul style="list-style-type: none">• Illiquid• Difficult to price• Lack of availability of transaction data• Relatively high returns compared to Equities
	ii. Real Estate backed investments	<ul style="list-style-type: none">• Illiquid• Provides inflation hedge (have their own value)• Low correlation with traditional investments• Lack of availability of transaction data• Relatively high returns compared to Fixed Income

Structured high yielding investments solutions sit between Traditional and Alternative Asset classes

III. What are Structured High Yielding Investments?

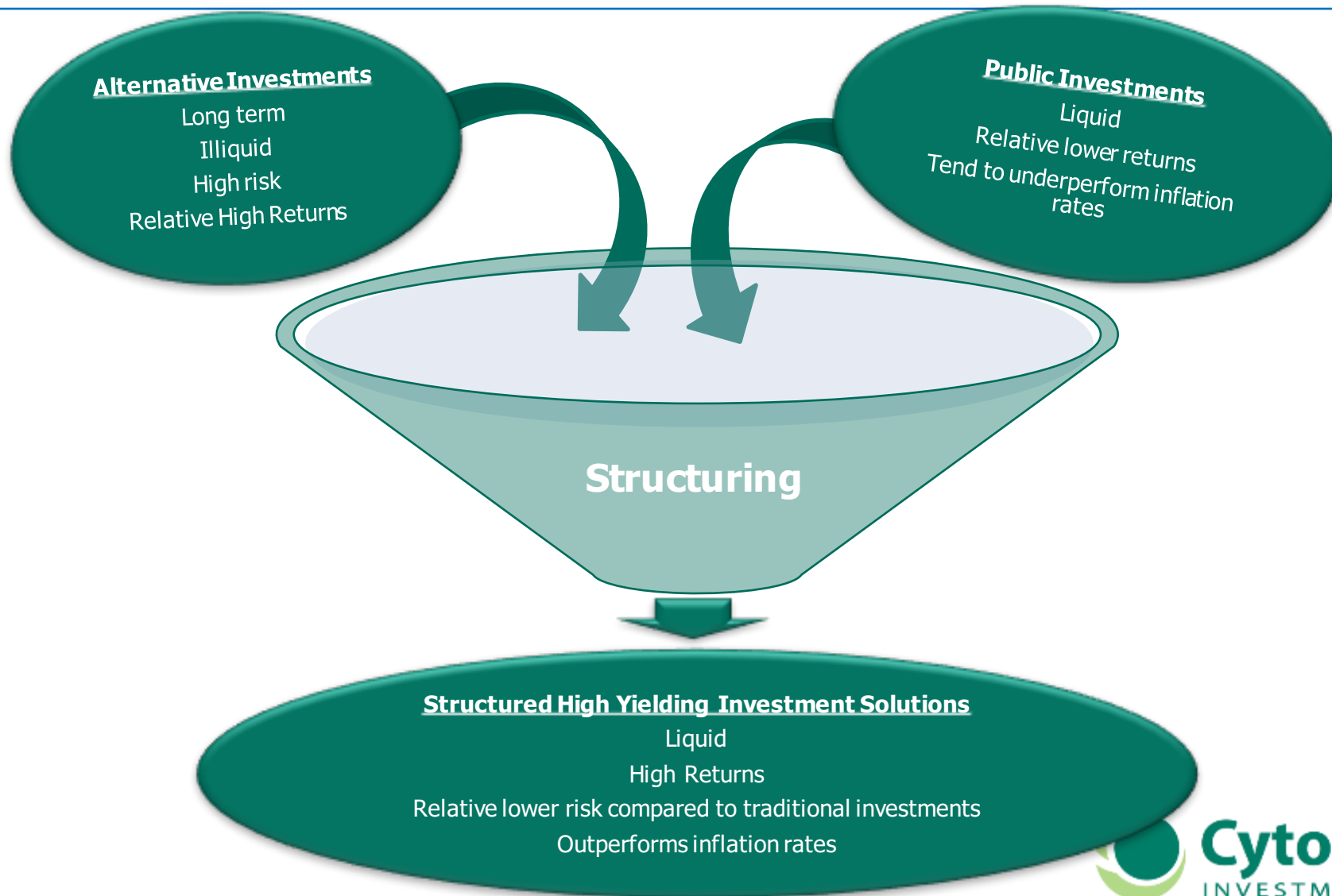
What are Structured High Yielding Investments?

Structured high yielding investments are packaged to suit the needs of an investor

- Structured high yielding investments are solutions that are packaged by investment professionals to enable an investor access a return, supported by the performance of an underlying asset, in a form that meets an investor's needs, which would not be met from the standardized financial products broadly available in the market
- Structured products tend to have the following characteristics:
 - i. They involve adding layers or features to traditional products, through a process called "structuring",
 - ii. They generally deliver higher returns than comparable traditional investments,
 - iii. They tend to provide principal protection, coupled with an above average yield return, and,
 - iv. They are generally traded in the private markets to qualified or sophisticated investors through alternative investment managers such as private equity managers.

What are Structured High Yielding Investments?...Cont'd

Structured high yielding solutions bridge the gap between alternative and public investments



IV. Types of Structured High Yielding Investment Solutions

Types of Structured High Yielding Investment Solutions

Real Estate backed MTNs are among the local structured high yielding investment solutions

- Specific local examples of successful structured funding through private markets include:

Private Commercial Paper

Private Commercial paper is an unsecured, short-term debt instrument issued by a corporation, typically for the financing of accounts receivable, inventories and meeting short-term liabilities e.g the Nakumatt's private commercial paper programme

Equity Linked Note ("ELN")

Equity-Linked Note (ELN) is a debt instrument, usually a bond, that differs from a standard fixed-income security in that the final payout is based on the return of the underlying stock e.g the Centum's Equity Linked Note ("ELN") placement to investors

Real Estate Backed MTN

A Real Estate Backed Medium-Term Note (MTN) is a debt note that usually matures in 5–10 years and is backed by cash flows from Real Estate projects

Cash Management Solutions

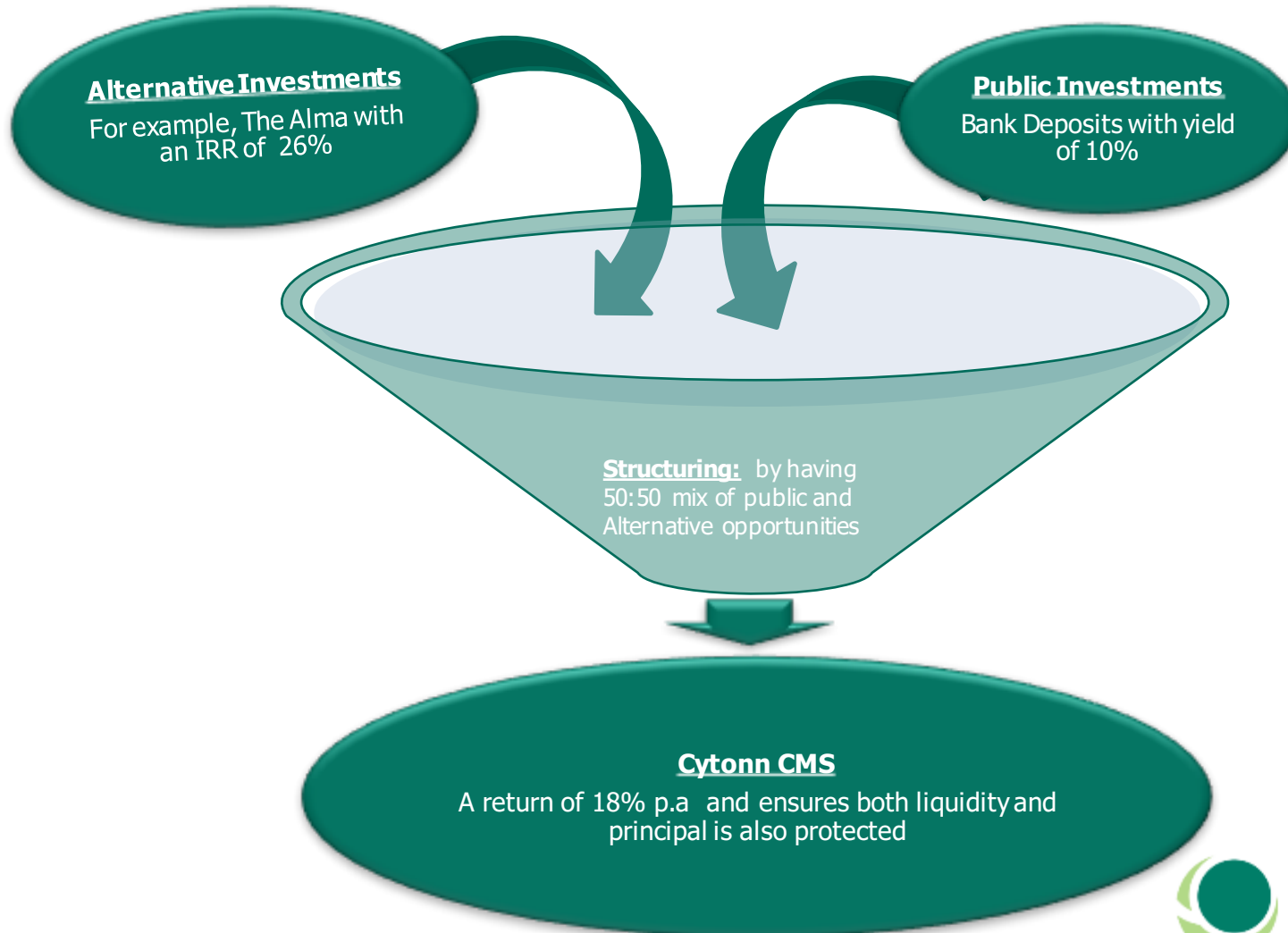
The various privately offered investment solutions that is designed to take advantage of mispricing in the deposit pricing by commercial banks and other private fixed income issues

Project Notes

A short to medium-term debt obligation issued to finance a project or multiple projects and are guaranteed by the real estate assets.

Structured High Yielding Investments – Cytonn CMS

Through structuring Cytonn CMS have managed to provide to investors investments opportunities with return of 18% P.a

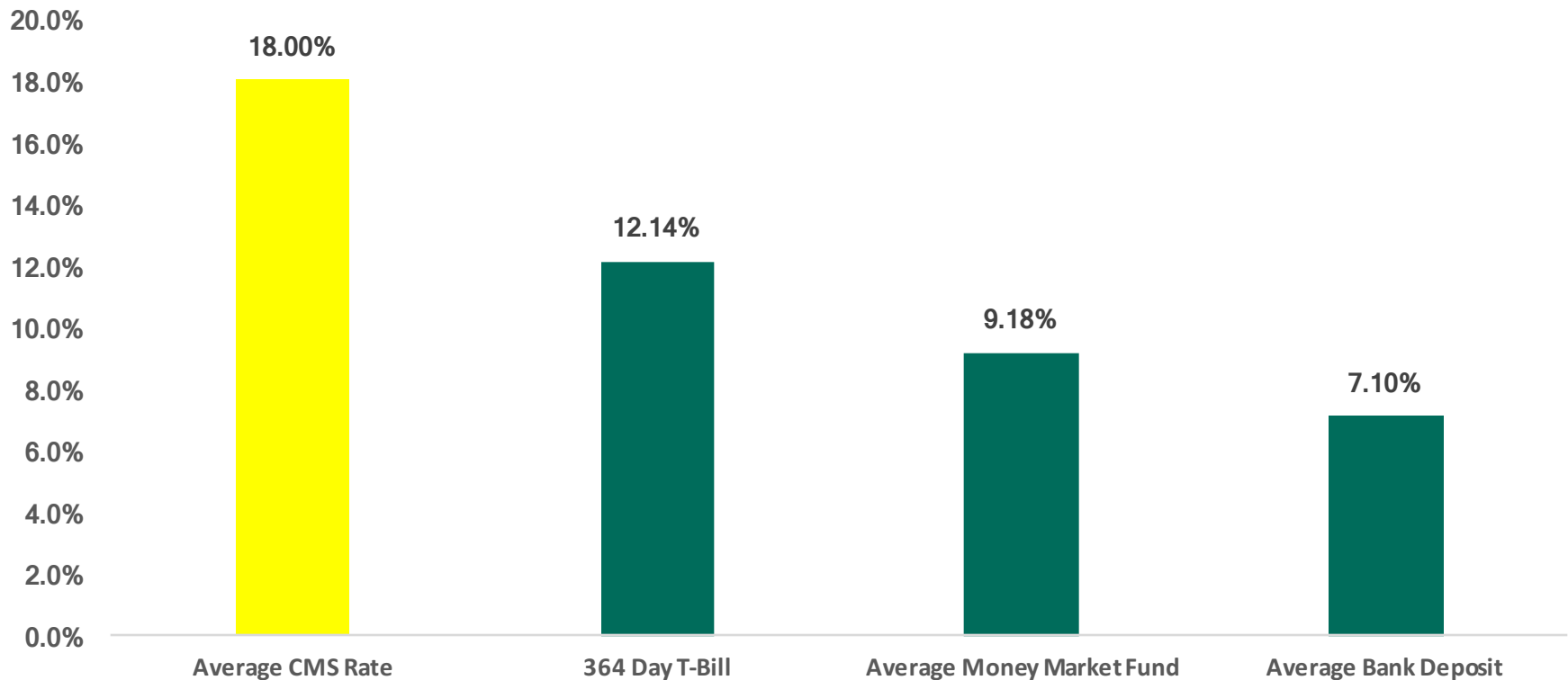


Types of Structured High Yielding Investment Solutions...cont'd

Structured high yielding investments have proved to offer superior returns over a one year period

- Structured high yielding investment solutions have outperformed other asset classes:

Average 1 Year Return on Investments



V. Value Proposition Offered by Structured High Yielding Investment Solutions

Value Proposition Offered by High Yielding Investments Solutions

The attractiveness of structured high yielding investments to investors is due to a number of reasons:

Potential for Principal Protection

Structured products are designed to secure the principal of the investor, unlike traditional investments like equities

Enhanced Returns

The alternative products manager, given their skills and experience, is able to take an underlying riskier asset, such as real estate, structure it into a yield product to offer a higher returns

Reduced Volatility

Structured products are usually backed by alternative assets, such as real estate and private equity, which are not subject to market volatility

Inflation Hedge

Structured products have consistently generated returns above inflation rate, ensuring investors are earning a “real return” and increasing the purchasing power of the investor

Diversification

They enable the investors to diversify their portfolio away from traditional assets, which reduces investment risk, and,

Rigorous Analysis

Given that the participants in private markets and structured products tend to be more sophisticated and discerning, the due diligence, evaluation and analysis of products tends to be more rigorous.

VI. Challenges

Challenges

Structured high yielding investments are distributed through private placement offerings

- However, like any other initiative, structured products face various challenges:
 - i. They tend to be complex, opaque and hard to value or even understand. This then limits their growth,
 - ii. Continuous education of potential investors to understand the products and returns prospects of the product and how they fit into their portfolios,
 - iii. The urge to bring the industry under the frameworks of public markets can be tempting, however, this would end up driving away private market capital that is not seeking to play in the widely accessible and generic returns of the public markets

VII. Impact On Development of Capital Markets

Impact On Development of Capital Markets

Structured high yielding investments are critical to capital markets development and the economy

Attracting local capital seeking high yielding investments

Since they have high risk-adjusted returns, they provide an alternative to investors who have a high-risk appetite for higher returns than they would otherwise get in public markets,

Increase Foreign investments into the country

Structured products have also opened up the Kenyan market to global institutional investors seeking above average returns,

Capital market and private markets deepening

More half of the Kenyan GDP is not in the listed markets, and accounts for only 49% of the economy therefore an active private market, fueled by structured financing, is crucial to the accessing of funding and deepening of Capital markets,

Product development and innovation

The complexity, speed and innovation that accompany structured products helps with product development, enhancement and pricing in the public markets since both markets are complementary,

Growth of the capital intensive sectors e.g. real estate

Most of the major real estate developments in the country currently are being funded, in some part, by structured products as a form of fund raising for the various projects. This has in turn has led to creation of jobs and improving the living standards of people as well as growing the economy in general.

Q&A