



Wealth Management Training #1
Personal Financial Planning
January 14, 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



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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



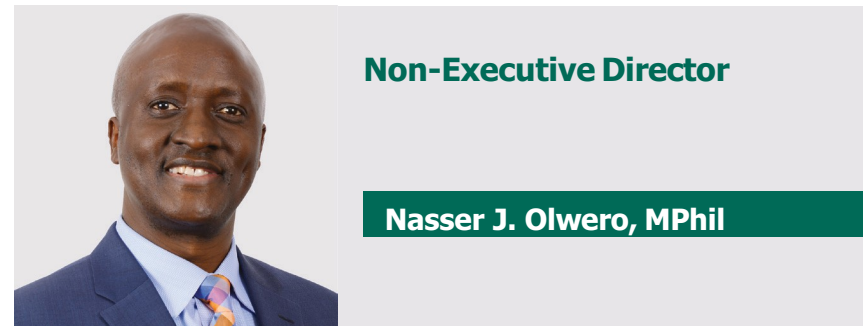
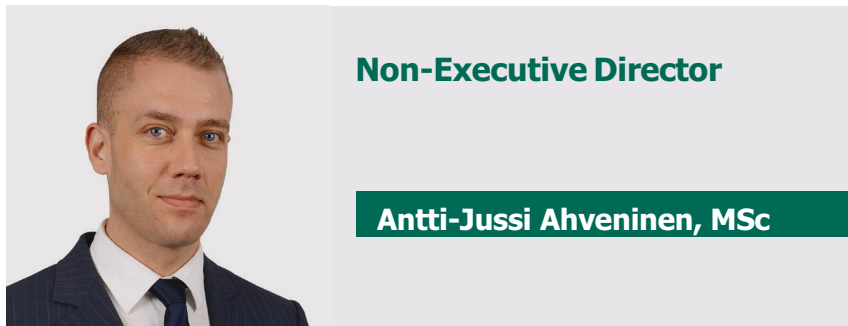
If you could get all the people in an organization rowing the same direction, you could dominate any industry, in any market, against any competition, at any time.

— 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.

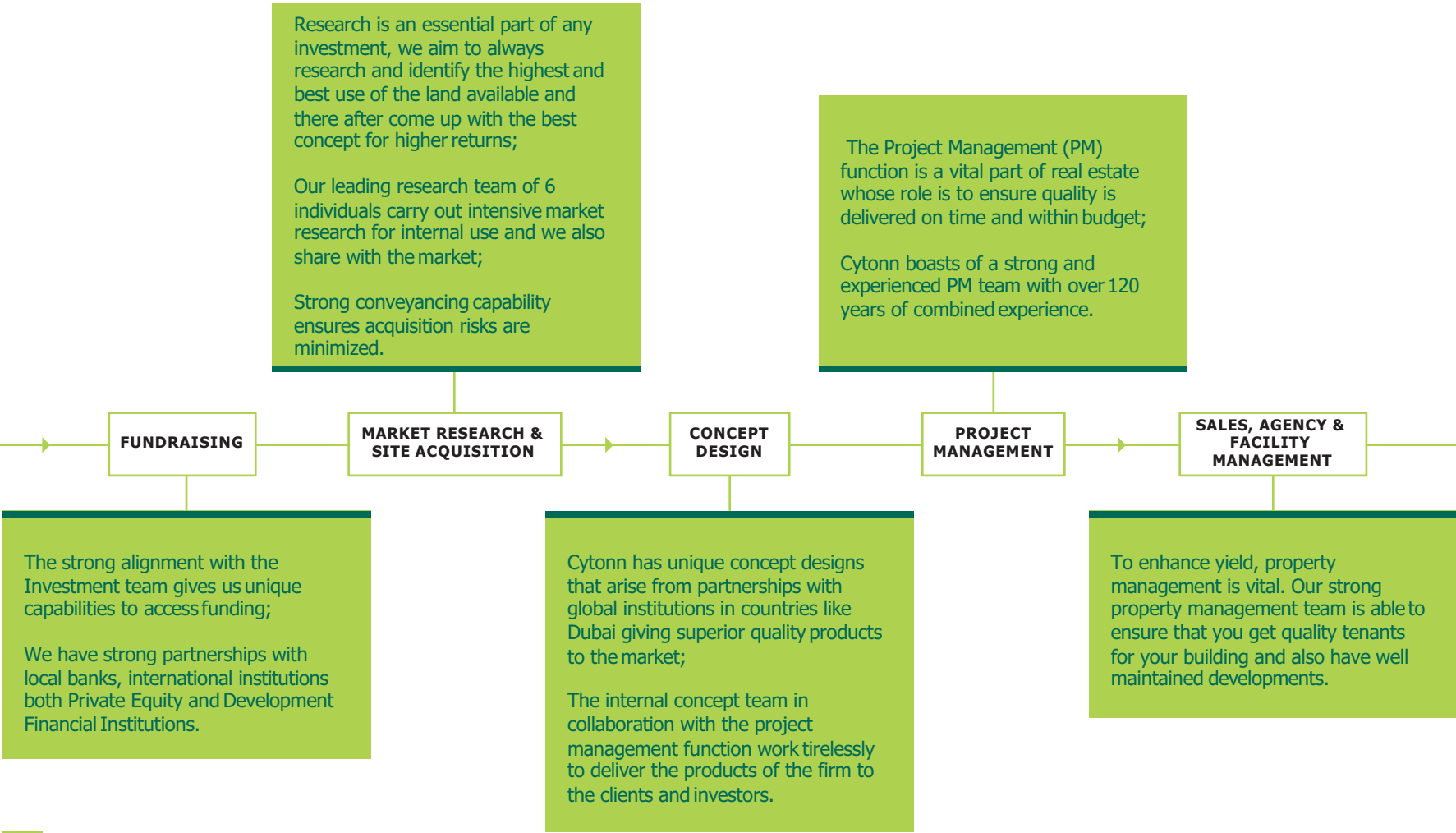
TECHNOLOGY & INNOVATION COMMITTEE

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



Financial Planning

Why plan your finances?

- To ensure you have a nest egg when out of a job/emergency.
- To continue with the same standard of living before and during retirement.
- Peace of mind.
- Financial freedom - get out of the rat race.

What is your net worth?

ASSETS	Kshs
Cash	
Current/Savings account	
Life Insurance	
Employment pension plan	
Investment portfolio (shares, bonds, property, etc)	
Personal property (car, house, shamba, etc)	
Business	
Total Household assets	
LIABILITIES	
Credit card balance	
Bank loan	
Sacco loan	
Mortgage balance	
Other debts	
Total Household liabilities	
NET WORTH (Total assets - Total liabilities)	

Exercise

Are your finances in order?

- Take your age 40
- Divide it by 10 4
- Multiply by your annual gross salary 1m
- The result should equal your net worth 4m

Net worth: Assets - Liabilities

- The aim is to have a positive net worth, and keep it growing.
- Your net worth is part of what you will draw on to fulfill your financial objectives and help you through a financial crisis.
- Review your net worth annually to monitor your financial health.

Wealth

“The more one earns the wealthier one is ” ..

True or false??

FALSE

Wealth is a function of *SAVINGS* not *EARNINGS*

Financial Planning

START EARLY

Pillars Of Financial Planning

1. Saving
2. Investing
3. Debt Management
4. Budgeting

1. Saving

- Start saving as soon as you can.
- Treat your savings as a necessary expense e.g. rent
- Have a savings plan: 10-15% of salary
- Save as much as you can in your pension scheme - you save on taxes and can't access your benefits easily.
- Build an emergency fund from your savings in a separate bank account worth 3-6 months worth of living expenses to cater for an emergency/out of job situation.
- Pay your major periodic expenses on a monthly basis e.g. school fees.
- Have a good medical cover in case of large, unforeseen medical expenses.

Start early - Saving Kshs 1,000 per month

	Number of years					
Rate of return	5	10	15	20	25	30
5%	68,010.00	155,280.00	267,290.00	411,030.00	595,510.00	832,260.00
6%	69,770.00	163,880.00	290,820.00	462,040.00	692,990.00	1,004,520.00
7%	71,590.00	173,080.00	316,960.00	520,930.00	810,070.00	1,219,970.00
8%	73,480.00	182,950.00	346,040.00	589,020.00	951,030.00	1,490,360.00
9%	75,420.00	193,510.00	378,410.00	667,890.00	1,121,120.00	1,830,740.00
10%	77,440.00	204,840.00	414,470.00	759,370.00	1,326,830.00	2,260,490.00
Principal	60,000.00	120,000.00	180,000.00	240,000.00	300,000.00	360,000.00

Start early - require Kshs 5,000,000

Years to Retirement	Savings Required Monthly	Savings Required Annually
50	286.20	3,434.04
40	794.10	9,529.20
30	2,193.60	26,323.20
20	6,530.00	78,360.00
10	24,207.00	290,484.00

Assumes return of 10% p.a.

2. Investing

- What can you invest in?
 - Shares
 - Interest bearing assets e.g. bank deposits, treasury bonds
 - Structured Products and High Yield Solutions
 - International investments
 - Real Estate
- Consider your **risk** profile, **return** expectations, and **liquidity** requirements

How do I invest?

- **Formal Plans**

- Staff retirement benefits scheme
- Personal pension plans
- Collective Investments Schemes
- Real Estate Investments
- Investment Co operatives

- **Informal Savings Plans**

- Investment Clubs
- Social networks (merry go rounds, chama)
- Personal savings
- Personal investments
- Business

When investing in the stock market

- Arm yourself with knowledge of the company (past performance, future strategies, dividend policy, etc).
- Expect short-term fluctuations and learn to ride the wave.
- Resist the lure penny stocks - Cheap is expensive!
- Adopt a long-term perspective. Be greedy when others are fearful and fearful when others are greedy.

When investing in money (fixed income) market

- Return of the investment - savings a/c (lower return), treasury bond (higher return)
- Minimum amount of investment - savings a/c (as little as Kshs 1,000), treasury bond (min. Kshs 50,000), treasury bill (min Kshs 100,000)
- Maturity of the investment - savings a/c (short term), treasury bonds (long term: 1-10 years)
- Financial strength of the institution - t/bills and t/bonds virtually risk free from default

When investing in land/property, things to consider

- Location
- Infrastructure in the area - availability of water, electricity, etc
- Security in the area
- Proximity to shopping centre, road, social amenities, etc
- Legal status of the property

Effects of inflation

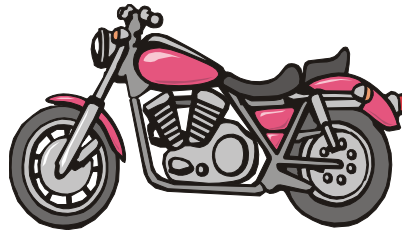
What could you do with Kshs 5,000.00.....?

1970



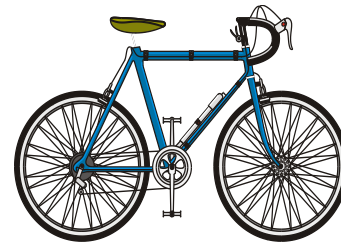
Car

1980



Motorbike

1990



Bicycle

2000



Shoe

And in 2017?



A pair of socks!

3. Debt Management

Why Do We Go Into Debt?

- We spend more than we earn
- We want to have what the neighbour /colleague/friend has
- The lure of easily attainable loans
- We borrow to pay back other loans

Good Debt

- Debt for investment, future financial gain e.g. business, education, property, etc

Bad Debt

- Debt for consumables/expenses

GET OUT OF BAD DEBT!!!!



Managing Debt

- Plan before you borrow.
- Maximum 1/3 of net pay in loan repayments
- Thou shalt not covet - don't borrow for things you desire but don't need.
- Avoid borrowing on consumption items
- Live within your means.
- Avoid a 'saviour' mentality - Save yourself and your family first!!!

4. Budgeting

- Live within your means - don't spend more than you earn.
- Make a list of all your income streams and daily expenses.
- Expenses - group as necessary and discretionary.
- Find ways to cut down your discretionary expenses.
- Consider your spouse when preparing a budget (2 incomes, common expenses).
- Stay out of credit card debt - pay as much as you can or don't have one at all.
- Invest: put some money into other investments apart from savings and pension plan.
- Arm yourself with financial knowledge - seminars, books, media, experienced financial planner.

Also

- Do you have dependents? - Get life insurance.
- Write a will.
- Reality check - review the above periodically and resolve to act on all of them.

Ten Rules Of Poverty

- Never wake up early
- Never plan how to spend your money
- Don't think of saving until you have real big money
- Don't engage in activities usually reserved for the “uneducated”
- Don't think of starting a business until an angel comes from heaven and gives you capital.

Ten Rules of Poverty cont..

- Complain about everything except your own attitude
- Spend more than you earn
- Compete in Dressing
- Buy a second hand car that costs more than three times your gross monthly pay
- Give your children everything they ask for since you are a loving parent

Thank

You