

Date: September 25, 2020

To: Cytonn Clients and Stakeholders

RE: CLARIFICATION ON CMA-CHYF COURT MATTER

I trust this note finds you holding up well, even in these difficult and unprecedented times. The purpose of this note is to provide clarification on inaccurate reports making rounds on social media about our products but without the requisite context, based on a letter authored by the Capital Markets Authority, “CMA”.

- On June 3rd we received a letter from CMA asking us to limit investments by Cytonn High Yield Fund, CHYF, into real estate managed by Cytonn to no more than 10% of the fund. The directive was purportedly based on regulation 16 (2) of the Collective Investment Schemes Regulation
- Regulation 16 (2) is only applicable to a Fund where the Fund Manager, the Custodian and the Trustee are related, with the view that given the relatedness in the governance of the Fund, it’s prudent to limit investments into in-house projects to 10%
- However, in the case of CHYF, the Trustee is National Bank, the Fund Manager is Cytonn Asset Managers Limited and the Custodian, SBM Bank Kenya are not related companies, hence it was our contention that regulation 16 (2) could not apply to CHYF, not to mention that the constitutive documents are clear that the fund can only invest in real estate managed by Cytonn
- We held discussions with CMA to try and get them to retract their letter but the discussions did not yield much. Consequently, we filed a petition for judicial interpretation of the issue and both Cytonn and CMA appeared Inter Partes before the High Court on September 21, whereupon the high court issued stay orders against the CMA letter
- Subsequent to the stay order issued on September 21, CMA then authored a letter dated September 21, put it into a replying affidavit dated September 22nd, delivered it to our offices on September 23rd and shared the affidavit with the public. However, in the affidavit, they raised issues with another fund, the privately offered Cytonn High Yield Solutions, CHYS, which is a different fund, not regulated by CMA and has nothing to do with the matter in court. CHYS is a fund invested in real estate and whose board of investors approved an extension of maturities by 12 months for Pre-COVID funds. The decision is binding to all CHYS Pre-COVID investors. Out of 4,000 investors, about 13 of them were unhappy and approached CMA, and that is the letter that is making rounds in the news. Read more on the restructuring of the fund: <https://cytonn.com/media/article/background-on-restructuring>

All our funds remain operational and should you have any queries, we shall be hosting a product update session tomorrow at 9.00 AM to clarify the issues and allow clients and stakeholders to engage with management. You can dial in at <https://us02web.zoom.us/meeting/85049578367>

Yours Faithfully,

For: Cytonn Investments Management Plc



Edwin H. Dande

Chief Executive Officer