



**Cytonn Investment Partners Twenty LLP (“CySuites Apartment Hotel”)
Private Placement Memorandum for CySuites Apartment Hotel Loan
Notes Issue**

Kenya Shillings Eight Hundred and Fifty Million (Kshs 850,000,000) Convertible Loan Notes



January 2020

A private placement is an offering of securities that are not traded on a securities exchange and are not freely transferable. In Kenya, such offerings are by virtue of an exemption under the Capital Markets Act (Cap 485A of the laws of Kenya) that comes with several restrictions, including a prohibition against general solicitation.

This Offer constitutes a “Private Offer” under Regulation 21 of the Capital Markets (Securities) (Public Offers, Listing and Disclosures) Regulations 2002, amended in 2012 and Section 30A of the Capital Markets Act. The Capital Markets Authority (“CMA”) has not given and is not required to give consent to the Private Offer. However, an Information Notice has been submitted to the CMA in compliance with the Private Offer Requirements. In particular, the offer will be made (a) to not more than 100 persons and (b) to a restricted circle of persons whom the Issuer believes to be sufficiently knowledgeable to understand the risks involved. Accordingly, no party receiving this Private Placement Memorandum (“PPM”) from the Offeror or any advisers may disseminate it in any form to any other party whatsoever without the express written approval of the Offeror.

This PPM is only meant for the person to whom it has been addressed and is not for the use or consideration of any other person. It is illegal to copy, reproduce or distribute this PPM to any person including media houses (who are not to publish any contents herein whatsoever).

Prospective investors should make their own investigation of the matters described herein, including the merits and risks involved and the legality and tax consequences of any subscription. Each prospective investor should make its own inquiries and consult its advisers as to The Issuer and this offering and as to legal, tax and other matters concerning an investment in The Issuer and other related risks.

The Issuer is incorporated as limited liability partnership under the laws of Kenya. The Loan Notes are subject to restrictions on transferability and resale and may not be sold, transferred, assigned or hypothecated, in whole or in part, except as provided in the Loan Note Instrument relating to the issuance. Accordingly, investors should be aware that they will be required to bear the financial risks of an investment in The Issuer for an indefinite period of time. The Loan Notes will not be negotiable on a securities exchange; there will be no public market for The Loan Notes.

This PPM does not constitute, and may not be used for the purposes of, an offer of Loan Notes or an invitation to apply to participate in The Issuer by any person in any jurisdiction in which such offer or invitation is not authorized or in which the person endeavoring to make such offer or invitation is not qualified to do so or to any person to whom it is unlawful to make such an offer or invitation. It is the responsibility of prospective investors to satisfy themselves as to full compliance with the relevant laws and regulations of any territory in connection with any application to participate in The Issuer, including obtaining any requisite governmental or other consent and adhering to any other formality prescribed in such territory.

The Loan Notes will be offered subject to the right of The Issuer to reject any subscription in whole or in part. In considering the prior performance information contained herein, prospective investors should bear in mind that past performance is not a reliable indicator of future results, and there can be no assurance that The Issuer will achieve comparable results or that any targeted results will be met. Nothing contained herein should be deemed to be a prediction or projection of future performance of The Issuer.

All statements of opinion and/or belief contained in this PPM and all views expressed and all projections, forecasts or statements relating to expectations regarding future events or the possible future performance of The Issuer represent The Issuer's own assessment and interpretation of information available to them as at the date of this PPM. No representation is made or assurance given that such statements, views, projections or forecasts are correct or that the objectives of The Issuer will be achieved. Prospective investors must determine for themselves what reliance (if any) they should place on such statements, views, projections or forecasts and no responsibility is accepted by The Issuer or any other person in respect thereof. Prospective investors are strongly advised to conduct their own due diligence including, without limitation, the legal and tax consequences to them of investing in The Issuer.

Notwithstanding anything to the contrary in the foregoing, each prospective investor (and each employee, representative, or other agent of such prospective investor) to whom this PPM has been delivered agrees to treat the information contained herein in a confidential manner. Such information may not be reproduced or used in whole or in part for any purpose other than consideration of an investment in The Issuer, nor may it be disclosed without the prior written consent of the Issuer to anyone other than representatives of such prospective investor directly concerned with the decision regarding such investment who have agreed to abide by the foregoing restrictions. Each prospective investor, by accepting this PPM, agrees to return it promptly upon request.

Certain information contained in this PPM constitutes "forward-looking statements," which can be identified by the use of forward-looking terminology such as "may," "will," "should," "expect," "anticipate," "target", "project", "estimate", "intend", "continue" or "believe" or the negatives thereof or other variations thereon. Results or the actual performance of The Issuer may differ materially from those reflected or contemplated in such forward-looking statements.

The Issuer confirms responsibility for the information contained in this PPM. The Issuer has taken reasonable steps to ensure that the information contained in this PPM is accurate and does not omit any matter which is likely to be material to the general import of such information as at the date hereof. No other person has been authorized to give any information or to make any representation concerning The Issuer or The Loan Notes being offered other than the information contained in this PPM, and if given or made, such information or representation must not be relied upon as having been authorized by The Issuer.

To the extent that statements and information are not those of the Issuer, these have been compiled as at the date of this PPM, unless otherwise stated, from sources believed to be reliable. Neither the delivery nor any offer or issue of The Loan Notes in The Issuer shall under any circumstances create any implication or constitute a representation that the information given in this PPM is correct as of any time subsequent to the date hereof.

Signed on behalf of Cytonn Investment Partners Twenty, LLP

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Authorised Representative

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Authorised Representative

Introduction to Cytonn Investments

Cytonn Investments is an alternative investment manager with a primary focus on real estate investments in the high growth East African Region. In addition to real estate, Cytonn invests in educational facilities and hospitality, which are complimentary to its real estate developments.

Market Served

Kenya presents an attractive investment opportunity for investors seeking attractive and long-term returns. Our clients include Local High-net-worth Investors, Bank Debt Partners, Global & Local Institutions, such as Taaleri of Finland, East Africans in the Diaspora, and Retail & Pension Investors via Cytonn Asset Managers.

Coupling up Two Compelling Business Opportunities

Real Estate

Inadequate urban planning, and lack of planned & comprehensive real estate development has created a huge opportunity to develop mid-income housing real estate



Investments

Kenya has one of the largest banking spreads in the region, giving little yield to investors, thus creating an opportunity for high yielding structured products supported by institutional grade real estate

Key Focus Areas

1. Real Estate Development in the Nairobi Metropolis:
 - Karen – Driven by concentration of high-end private schools, retail and improving infrastructure (High-Income Housing)
 - Ruaka – Driven by compelling demographics, with 6 out of 10 of the fastest growing mid-size towns in Kenya located in Kiambu County (Mid-Income Housing)
 - Ridgeways - High Density Mixed-Use Developments – Offering a Live-Work-Play Environment (Mid-income Housing)
2. Financial Services – Listed African Banking Counters
3. Private Equity – Real Estate Related Businesses – Superior Homes, Education & Hospitality

CySuites Apartment Hotel Loan Notes

Issuer:

Cytonn Investment Partners Twenty LLP

Type of Instrument:

Loan Note

Status:

Secured, Convertible Loan Notes

Amount Issued

Kshs 850.0 mn

Subscription Amount

Denominations of Kshs 1,000,000

Use of Proceeds:

Operating Costs for the CySuites Apartment Hotel in Westlands

Investment Tenor

3-Years

Principal & Coupon Payments

Principal payment and Coupon will be paid semi-annually, annually or at maturity, as per investor preference

Opportunity Overview

An opportunity to invest in the high-yielding Kenyan serviced apartments subsector, through a partner with a track record of delivering institutional-grade real estate and high yielding investment solutions

Introduction

- CySuites Apartment Hotel is a serviced apartment complex along Church Road, Westlands with conferencing facilities, a bar and restaurant, gym, swimming pool and furnished apartments

Opportunity

- This is an opportunity to invest in the high yielding serviced apartments subsector
- Serviced apartments as a concept has gained popularity in the recent years also outside the business travel space, as more leisure travelers are finding that serviced apartments are easily available and offer a credible and cost-effective alternative compared to other types of accommodation
- They are especially economical for longer stays and for group and family travel. The main advantages of serviced apartments include; (i) they have utilities that enable freedom and comfort thus offering a homely feel, (ii) offer more space than a traditional hotel room, (iii) substantially cheaper than a hotel room when staying for a longer period of time, (iv) offers the ease of integration as they are located within or in close proximity to other residential developments, (v) they resemble the culture of the specific area, and (vi) the easy conversion, as serviced apartments can easily be converted into furnished or normal apartments in the case where the former is not performing well
- Demand for serviced apartments continues to grow, evidenced by occupancy rates of up to 88%, according to Cytonn research
- Serviced apartments command very strong rental yields of about 12%, compared to residential yields which stand at 4.9% p.a. This is in addition to an average of 8% p.a. of capital appreciation, thus implying an estimated total return of 20% per annum
- Overall, the sector continues to record good performance supported by the stable political environment and improved security, thus making Nairobi an ideal destination for both business and holiday travellers

Westlands

- Westlands area is the best performing node on the serviced apartments front, recording average rental yields higher than the 7.6% market average
- This is attributed to its proximity to business nodes such as Kilimani and Upperhill, availability of amenities such as the Westgate Mall and Sarit Centre, ease of accessibility and proximity to the main airports that is Jomo Kenyatta International Airport (JKIA) and Wilson Airport.

Completed Projects



- 10 Villas in Karen, each sitting on half an acre
 - 5 Classic Villas
 - 5 Contemporary Villas
 - Clubhouse
- Completed in May 2018
- Fully Sold Out

Ongoing Projects

Projects	Concept	Project Size (Kshs bn)	Project Start Date	Percentage Sold to Date
SET 1 - Launched Projects				
1 The Alma	Integrated lifestyle development featuring 477 units of 1, 2 & 3-bedroom apartments, as well as a retail, commercial & lifestyle facility	4.2	May-16	Phase 1 old out, 63% of Entire Development
2 Taraji Heights	Integrated lifestyle development featuring 290 units of 2, 3 and 3-bedroom with DSQ apartments, as well as lifestyle facilities, in the heart of Ruaka	2.5	Apr-17	14% of Total
3 The Ridge	High density mixed-use development in Ridgeways in Nairobi, comprising of 798 units of residential, commercial, retail and lifestyle	12.1	Jun-18	48% of Phase 1
4 Situ Village	Masterplanned gated community, with 50 exclusive villas, each sitting on a half-acre, retail, commercial facility and a clubhouse and lifestyle facility featuring exclusive cottages	5.5	Oct-18	23% of Total
5 RiverRun Estates	High density mixed-use development in Ruiru in Kiambu, comprising of 1,200 residential units, commercial, retail and lifestyle	15.3	Sep-18	71% of Phase 1
6 Cysuites Church Road	Serviced apartment development in a prime location in Westlands in the Nairobi City	0.8	Feb-19	Rental Model
Sub - Total		40.4		
SET 2 - Projects at the Launch Stage				
7 NewTown	Masterplanned city in Athi River - encompassing housing clusters, high density residential, an office precinct, educational centre and trade centre	22.5	Feb-19	Education & Masterplanned Concept
8 Cytonn Suites Westlands Road	Serviced apartment development in a prime location in the heart of Nairobi	0.8	Jun-19	Rental Model
9 Cytonn Towers	High density mixed-use development in Kilimani, comprising of 2 and 3-bedroom apartments, office, retail, hospitality and an executive club	16.4	Jul-19	To be Launched
10 Applewood	20 exclusive villas, each sitting on a half-acre, with a lifestyle clubhouse to complement the development	2.1	Mar-19	To be Launched
Sub- Total		41.8		
GRAND TOTAL		82.2		

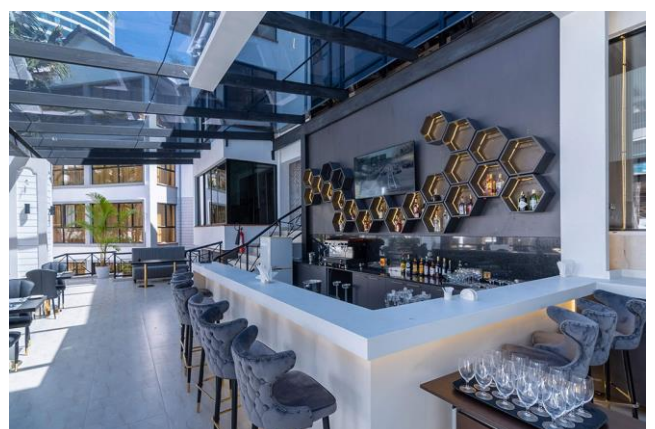
Cysuites Apartment Hotel

- Cysuites Apartment Hotel is a serviced apartment complex along Church Road, Westlands with conferencing facilities, a bar and restaurant, gym, swimming pool and furnished apartments

Project Photos



Exterior View of the Apartments and Pool



Restaurant and Bar



Interior View of the Apartments

Project Financials and Summary of the Security

Summary of Security

The investment will be backed by complete units in Cysuites, which are ready for occupation,

	No Of Units	Unit Value (Current)	Unit Value (Total)
1 Bed	6	18,525,641.03	111,153,846.15
2 Bed	32	20,705,128.21	662,564,102.56
Penthouse	2	38,141,025.64	76,282,051.28
Total	40	77,371,794.87	850,000,000.00

Project Value

(all values in Kshs unless stated)

Valuation Method	Value	Weight	Weighted Value
Discounted Cash Flow	906,958,139	25%	226,739,535
Net Operating Income @ 8% Yield	700,711,871	25%	175,177,968
Independent Valuer / Comparable	866,000,000	25%	216,500,000
Valuation Based on Apt. Sales	780,000,000	25%	195,000,000
Weighted Value			813,417,503

Property Value	813,417,503
Agreed Value	850,000,000

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Summary of Returns

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Investing in Cysuites offers an opportunity to get returns of 12.5% per apartment

Values in USD Unless Otherwise Stated

No.	Unit Number	Typology	Monthly Rate	Occupancy*	Estimated Monthly Revenue	Estimated Annual Revenue	Unit Price	Yield	Capital Appreciation	Total Return
1	E30	Executive One Bedroom	1,800.0	80%	1,440.0	17,280.0	170,000.0	10.2%	2.3%	12.5%
2	E31	Executive One Bedroom	1,800.0	80%	1,440.0	17,280.0	170,000.0	10.2%	2.3%	12.5%
3	B9	Executive One Bedroom	1,800.0	80%	1,440.0	17,280.0	170,000.0	10.2%	2.3%	12.5%
4	B10	Executive One Bedroom	1,800.0	80%	1,440.0	17,280.0	170,000.0	10.2%	2.3%	12.5%
5	B11	Executive One Bedroom	1,800.0	80%	1,440.0	17,280.0	170,000.0	10.2%	2.3%	12.5%
6	B12	Executive One Bedroom	1,800.0	80%	1,440.0	17,280.0	170,000.0	10.2%	2.3%	12.5%
7	A1	Executive Two Bedroom	2,000.0	80%	1,600.0	19,200.0	190,000.0	10.1%	2.3%	12.4%
8	A2	Executive Two Bedroom	2,000.0	80%	1,600.0	19,200.0	190,000.0	10.1%	2.3%	12.4%
9	A3	Executive Two Bedroom	2,000.0	80%	1,600.0	19,200.0	190,000.0	10.1%	2.3%	12.4%
10	A4	Executive Two Bedroom	2,000.0	80%	1,600.0	19,200.0	190,000.0	10.1%	2.3%	12.4%
11	A5	Executive Two Bedroom	2,000.0	80%	1,600.0	19,200.0	190,000.0	10.1%	2.3%	12.4%
12	A6	Executive Two Bedroom	2,000.0	80%	1,600.0	19,200.0	190,000.0	10.1%	2.3%	12.4%
13	A7	Executive Two Bedroom	2,000.0	80%	1,600.0	19,200.0	190,000.0	10.1%	2.3%	12.4%
14	A8	Executive Two Bedroom	2,000.0	80%	1,600.0	19,200.0	190,000.0	10.1%	2.3%	12.4%
15	C14	Executive Two Bedroom	2,000.0	80%	1,600.0	19,200.0	190,000.0	10.1%	2.3%	12.4%
16	C15	Executive Two Bedroom	2,000.0	80%	1,600.0	19,200.0	190,000.0	10.1%	2.3%	12.4%
17	C16	Executive Two Bedroom	2,000.0	80%	1,600.0	19,200.0	190,000.0	10.1%	2.3%	12.4%
18	C17	Executive Two Bedroom	2,000.0	80%	1,600.0	19,200.0	190,000.0	10.1%	2.3%	12.4%
19	C18	Executive Two Bedroom	2,000.0	80%	1,600.0	19,200.0	190,000.0	10.1%	2.3%	12.4%
20	C19	Executive Two Bedroom	2,000.0	80%	1,600.0	19,200.0	190,000.0	10.1%	2.3%	12.4%
21	C20	Executive Two Bedroom	2,000.0	80%	1,600.0	19,200.0	190,000.0	10.1%	2.3%	12.4%
22	C21	Executive Two Bedroom	2,000.0	80%	1,600.0	19,200.0	190,000.0	10.1%	2.3%	12.4%
23	D22	Executive Two Bedroom	2,000.0	80%	1,600.0	19,200.0	190,000.0	10.1%	2.3%	12.4%
24	D23	Executive Two Bedroom	2,000.0	80%	1,600.0	19,200.0	190,000.0	10.1%	2.3%	12.4%
25	D24	Executive Two Bedroom	2,000.0	80%	1,600.0	19,200.0	190,000.0	10.1%	2.3%	12.4%
26	D25	Executive Two Bedroom	2,000.0	80%	1,600.0	19,200.0	190,000.0	10.1%	2.3%	12.4%
27	D26	Executive Two Bedroom	2,000.0	80%	1,600.0	19,200.0	190,000.0	10.1%	2.3%	12.4%
28	D27	Executive Two Bedroom	2,000.0	80%	1,600.0	19,200.0	190,000.0	10.1%	2.3%	12.4%
29	D28	Executive Two Bedroom	2,000.0	80%	1,600.0	19,200.0	190,000.0	10.1%	2.3%	12.4%
30	D29	Executive Two Bedroom	2,000.0	80%	1,600.0	19,200.0	190,000.0	10.1%	2.3%	12.4%
31	F33	Executive Two Bedroom	2,000.0	80%	1,600.0	19,200.0	190,000.0	10.1%	2.3%	12.4%
32	F34	Executive Two Bedroom	2,000.0	80%	1,600.0	19,200.0	190,000.0	10.1%	2.3%	12.4%
33	F35	Executive Two Bedroom	2,000.0	80%	1,600.0	19,200.0	190,000.0	10.1%	2.3%	12.4%
34	F36	Executive Two Bedroom	2,000.0	80%	1,600.0	19,200.0	190,000.0	10.1%	2.3%	12.4%
35	F37	Executive Two Bedroom	2,000.0	80%	1,600.0	19,200.0	190,000.0	10.1%	2.3%	12.4%
36	F38	Executive Two Bedroom	2,000.0	80%	1,600.0	19,200.0	190,000.0	10.1%	2.3%	12.4%
37	F39	Executive Two Bedroom	2,000.0	80%	1,600.0	19,200.0	190,000.0	10.1%	2.3%	12.4%
38	F40	Executive Two Bedroom	2,000.0	80%	1,600.0	19,200.0	190,000.0	10.1%	2.3%	12.4%
39	B13	Penthouse	2,200.0	80%	1,760.0	21,120.0	350,000.0	6.0%	2.3%	8.3%
40	E32	Penthouse	2,200.0	80%	1,760.0	21,120.0	350,000.0	6.0%	2.3%	8.3%
Average								9.9%	2.3%	12.2%

Issuer:	Cytonn Investment Partners Twenty LLP (Investment Vehicle for Cysuites)
Description:	Fixed Rate Secured Loan Note
Programme Size:	Up to Kshs 850,000,000
Use of Proceeds:	Operating costs for Cysuites Apartment Hotel in Westlands
Interest Rate:	14.0% per annum simple interest
Currency:	The Notes will be denominated in Kenya Shillings (Kshs)
Minimum Investment Amount:	Kenya Shillings One (1) Million
Redemption:	Redemption will be as per the Terms of the Loan Note Instrument
Status of the Notes:	Notes will constitute secured obligations of the Issuer.
Convertibility	The Notes are convertible to units in CySuites during investment tenor, subject to a minimum investment value of value of apartments
Governing Law:	The Notes will be governed by, and construed in accordance with, Kenyan law.

Lack of Liquidity for the Loan Notes

The Loan Notes represent an illiquid investment and should only be acquired by an investor if it is able to commit its funds for the tenor of the Loan Note. The Loan Notes are subject to restrictions on transferability, and generally may not be transferred without the prior written consent of the Issuer and the satisfaction of certain other conditions. There is no public market for The Loan Notes. The Loan Notes are not redeemable at the option of the holder and Noteholders will generally not have the right to withdraw their capital.

Amendments for Regulatory Changes

The Issuer may amend the Loan Note Instrument from time to time, without consent of the Note-holders, in order to address changes in regulatory or tax legislation affecting The Issuer, including by reorganizing and/or reconstituting The Issuer if necessary. Although no such amendments will be made if, in the reasonable opinion of the Issuer, they would have a materially adverse effect on the economic returns of the Note-holders.

Indemnification Obligations

In general, The Issuer will be required to indemnify the Issuer, its nominees, their affiliates, and certain other persons for liabilities incurred in connection with the affairs of The Issuer. The Issuer's indemnification obligations may be funded by capital calls from the Partnership Unit-holders or through the return of distributions previously made to the Partnership Unit-holders (subject to the limitations on such re-contribution obligations provided in The Issuer documentation). In addition, The Issuer's assets, including any investments held by The Issuer (including cash or cash equivalents), are available to satisfy all liabilities and other obligations of The Issuer, including indemnification obligations. If The Issuer become subject to a liability, including an indemnification liability, parties seeking to have the liability satisfied may have recourse to The Issuer's assets generally and not be limited to any particular asset, such as the asset representing the investment giving rise to the liability. The obligation to fund an indemnification claim will survive the dissolution of The Issuer.

Uninsured Loss

The Issuer will attempt to maintain insurance coverage against liability to third parties and property damage as is customary for similarly situated businesses. However, there can be no assurance that insurance will be available or sufficient to cover any such risks. Insurance against certain risks, such as earthquakes, floods or terrorism, may be unavailable, available in amounts that are less than the full market value or replacement cost of underlying properties or subject to a large deductible. In addition, there can be no assurance that the particular risks that are currently insurable will continue to be insurable on an economically affordable basis.

Distributions in Kind

Although, under most circumstances, The Issuer intend to make distributions in cash, it is possible that under certain circumstances (including the liquidation of The Issuer), distributions may be made in kind and could consist of securities for which there is no readily available public market.

Lack of Management Rights

Note-holder will have no opportunity to control the day-to-day operation, including investment and disposition decisions, of The Issuer. Legal, Tax and Regulatory Risks.

Legal, tax and regulatory changes could occur during the term of The Issuer that may adversely affect The Issuer. For example, a statutory body may audit The Issuer and challenge any of the positions taken in regard to its formation, its investments or operations, and such audit may result in an audit of a Partnership Unit-holder's own tax returns and possibly adjustments to the tax liability reflected thereon.

Development Risk

Failures by the manager of a Fund owned development, or by the contractors employed to carry out a development, could lead to development cost overruns, loss of rental income if the development is not completed on time or loss of opportunities for The Issuer to realize the asset for the best possible price. The Issuer's Project Manager pro-active approach to investment management however mitigates against development risk, as problems can be identified and dealt with early.

