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Highlights

Demistifying Cost Effectiveness

Your Guide to Proper Social Media Branding

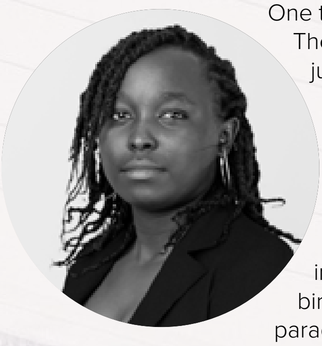
Value of Internal Audit

The Cost of Employee Turnover

Contents

Editor's Note

You have probably heard that the more things change, the more they remain the same. Nowhere is this truer than in investments, where, even after centuries of this practice, the fundamentals are the same: you give someone your money, it is used to do something, and for your trouble, your money is returned with a little extra on top. Of course, Billy Graham frames it more elegantly in his 1946 book, ***The Intelligent Investor***, which I would recommend to any serious would-be investor, despite its age.



One thing that has changed since the 1940s is the variety of investments that can be made. These days, there are so many options to choose from, it can be overwhelming if you are just starting out. Not to worry though, a guide to the most common alternative investments has been included in this issue. Diversifying your portfolio has never been easier. Not all alternative investments are new though; some are older than Graham himself.

While the "how" and "what" remains the same over time, the "why" has changed drastically. It's no longer enough for investors to get a return. Now, we care about investments that are socially responsible and sustainable – the epitome of killing two birds with one stone. It is encouraging to see more organizations embracing this new paradigm in financing and investing because as they create wealth for their clients, they are also making the world a better place.

In addition to all this, we shall also delve into the fascinating worlds of tech, internet regulation, social media branding, and a host of other interesting topics.

Enjoy!

From the editors' desk.

Egla Kerubo

Sustainable and Impactful Investments

Ian Kagiri
Investments Analyst

What are Sustainable/Impactful Investments?

Impactful investments are those that are tailor-made to create social and environmental benefits, while concurrently generating financial value. This new convention of investment is increasingly becoming popular among leading fund managers of private equity funds, development finance institutions and foundations. The investment activities are normally directed towards development projects and those that improve the social welfare of the community.

i. They try to kill two birds with one stone by achieving social and environmental benefits through the investment, which will also earn the investor financial gain,

ii. They are more concerned with the stability of return and capital reimbursement over the long term, and

iii. They accept returns over a diverse range, across numerous sectors, across a range of returns, from below market returns to risk-adjusted market-level returns.

History and Origin of Sustainable and Impact Investment

Sustainable investing can be traced back to the U.S. in the 1700's, where any investments in slavery, war, companies manufacturing liquor or tobacco products, and companies engaged in gambling activities were frowned upon by society. Throughout the rest of the 20th century, a lot of activist and social groups campaigned against such investments, which were essentially considered "sin contracts". Impact investments then begun to mushroom after the occurrence of the Chernobyl nuclear disaster in 1986 that mainly affected Ukraine, Belarus and remote parts of Russia, and raised concerns of environmental degradation and climate change. As a consequence, the U.S. Sustainable Investment Forum was held in 1984. In 2006, even more gravitas was added to the practice of sustainable and impact investing when the United Nations Principles for Responsible Investment (UN PRI) were released. This saw top global fund and asset managers with a combined USD 45.0 trillion in assets under management pledge to adhere to the principles of responsible and impact investing.

Impact Investment in Africa

As the continent joins the movement towards achieving the SDGs and the African Union (AU) Agenda 2063, Africa requires significant investments annually. Data from UNCTAD shows that the bulk of social impact and sustainable investments is found in Sub-Saharan Africa, Latin regions and Asia. These investments tend to have the explicit intent to address existent social problems. According to a research paper by the Stanford Social Innovation Review, Africa has been at the focal point globally in terms of sustainable and impactful investments. The report further states that the supply of investment grade opportunities is outweighed by the demand for investment. The whole concept is still in its nascent stage in Africa but has the potential to grow and aid the continent's economic growth and development agenda. Below are examples of sustainable investments in Africa, breaking them down by sector:

1. Education

The education sector in Africa continues to experience a host of problems. The quality of education is relatively low compared to other global regions. This is because of the overall insufficient investment in the sector. Therefore, the common occurrence is to find a large number of students with few instructors and limited resources in terms of books. The consequences of low quality of education encompass a wide range of sectors since education, by extension, affects the quality of the labor force, the unemployment levels, poverty levels and more broadly, economic growth and stability.

One enterprise that seeks to bridge the gap in the quality of education is the Bridge International Academies (BIA), East Africa. This organization's unique business model focuses on the operation of private schools at extremely low costs, whilst providing high quality education. These schools cost USD 6.5 a month in fees, an extremely low rate compared to the costs of education in the region. The school has the largest number of students at over 100,000. The academy started in Kenya and has now expanded coverage to four countries in East Africa. The school chain leverages on technology

*Continue to **pg6** »»*

and data, thereby optimizing on efficiency. This allows it to keep costs low and achieve high quality education. BIA was able to rope in funding from the United Kingdom Department for International Development and the Bill & Melinda Gates foundation. More capital was also secured from the International Finance Corporation (IFC). The region is gradually reaping the benefits of impact investments in education. As the literacy levels are improving, the young population is increasingly becoming equipped with practical skills and quality education, thus improving their employability status to bridge the demand for skilled labor in the labor market.

2. Water, Health and Sanitation

Another focus of impact investing is in the provision of water, health and sanitation services at subsidized costs. One such organization is Water Health International (WHI). The organization focuses on the provision of purified water to marginalized communities. The firm achieves its mandate by utilization of off-grid purification plants that adopt the use of top-of-the-range industrial processes. The firm uses the build-operate-transfer model, whereby it constructs and manages the facilities, and eventually transfers the facilities to the communities under contractual agreements. The firm thus delivers 20-litre containers of purified water to its customers, who are typically located within a 5.0 km radius. They only charge USD 0.1 per 20 litres, a cost that is extremely low compared to what other providers of water charge.

The firm also engages in public sensitization activities to equip locals with knowledge on hygiene and health maintenance by using clean water. WHI was able to secure a USD 10.0 million funding from Vital Capital. The investment has seen more than 5 million people from marginalized communities in developing economies gain access to clean and affordable water. Living Goods, East Africa is another organization that essentially provides health care products by using a door-to-door approach. The promoters of the products move door-to-door selling cereals, soap, vitamins and other medication at subsidized prices. The community health practitioners contracted by the organization are trained to identify sick, malnourished children and pregnant women. The company initially received capital grants from foundations, and later on received capital investments from organizations such as Omidyar Capital Network. After being established in 2007, Living Goods eventually turned a profit for the first time in 2011.

3. Renewable Energy

Another area receiving increased attention is the energy sector. Two thirds of the population in the continent is estimated to be living without access to electricity. The low and intermittent electricity production inhibits both living conditions and economic growth in the region. Over the years, Africa has witnessed an influx of investment into the energy sector from various international global investors. For instance, Norwegian development fund, Norfund, approved investments to the tune of USD 20.0 million for energy investment, with a focus on Sub-Saharan Africa. The fund was able to rope in German Development Bank-Kreditanstalt für Wiederaufbau (KfW) and Switzerland-based ResponsAbility Investment AG. The target is to develop renewable energy across Sub-Saharan Africa. The fund is currently focusing on the development stage, so as to cultivate bankable projects and enter into agreements with utility companies to supply the power under the feed-in tariff program. The hope is that these energy projects will provide some much needed clean power that would catalyze the establishment of various industries across sub-Saharan Africa, thereby eliminating one of the biggest bottlenecks hampering industrialization in the region. Moreover, this benefits the impact investors, as these projects generate relatively stable and long-term returns in foreign currency. The projects' security are the letters of guarantee issued by resident governments. The lack of stable power supply has been the major impediment to creating industrial-based economies in the greater African region.

Berkeley Energy is another company that has invested in energy. In the process, it is set to provides access to clean energy in remote areas that were initially off the grid. The firm recently secured funding to the tune of USD 200.0 million from the IFC, for continued investment into renewable energy. The Corbetti Geothermal project in southern Ethiopia produces 1,000 megawatts that is sold to the state and injected into the national grid. The firm, through its Africa Renewable Energy Fund, invests in "green" energy sources such as solar energy, wind power, hydro-electric power, geothermal energy and biomass energy.

4. Agriculture

Agriculture in Africa employs close to 60.0% of the entire employed population. The continent has 600.0 million hectares of uncultivated arable land, which is roughly 60.0% of the global total of uncultivated arable land. However, in stark contrast, the region has been plagued with incidences of hunger as a result of famine, with most countries relying on food aid. A major contributor to this are the current erratic and unpredictable weather conditions. This epidemic is further compounded by the fact that the greater percentage of agriculture in the region is done by small holder farmers, who mainly practice rain-fed farming.

However, significant investment has been done by foreign investors, with the focus mainly being on mechanization, value addition, and innovation of high-yielding hybrid varieties that suite the region. One example is the establishment of an investment fund by Bamboo Finance and Louis Dreyfus Commodities, headquartered in Luxembourg and Rotterdam, respectively. The fund is focused on helping Micro, Small and Medium Enterprises (MSMEs) by the provision of both funding and expertise in agriculture. The two companies partnered to build an impact investment focused on agriculture mainly because it is one of the largest contributors to the economies of African countries, and since a great proportion of the population are employed by these MSMEs. The focus is across the agricultural value chain in segments such as livestock and crop-based agribusiness, and they have currently invested USD 50 million so far via a fund dubbed NISABA.

5. Infrastructure

According to the World Bank, Sub Saharan Africa's annual required investment in infrastructure is around USD 95.0 billion. The major challenges touted as impediments to infrastructure development in Sub Saharan Africa include, shortage of skilled labor, political and policy uncertainties, weak regulatory regimes and impaired government ability to forge strategic foresight and planning. However, the narrative for Africa is slowly changing from that of international aid to that of development, innovation and entrepreneurship. The continent has witnessed increasing investment in basic infrastructure such as rail, roads and ports in the recent past. The general trend has been increased involvement of the private sector via the Public Private Partnerships (PPPs), where players in the private sector develop

*Continue to **p7** »»*

public infrastructure such as roads, manage the project and receive income in the form of tariffs such as Toll charges. The project is then transferred to the government after the investor has realized their target return, usually over a long investment horizon. One example of this is the Lekki-Epe Expressway that was built in Lagos, Nigeria. The expressway was the country's first ever public private partnership project. The project mainly involved the rehabilitation of the existing two-lane dual carriageway into a three-lane highway. It was conceived based on a Build-Operate-Transfer (BOT) model, under a 30-year concession agreement with the Lekki-Eppe concession company. The concession company installed three toll collection points along the expressway. The main aim of the project was to reduce the travel time for the 49.4 km stretch, from the 4-5 hours spent in traffic, due to the rapidly growing Lagos population, to 30 minutes. The project received funding of USD 52.7 million from the Africa Development Bank (AFDB) and USD 220 million from Delta, bringing total project cost to USD 272.7 million.

As much as Africa is well poised to reap from the benefits of impact investing, there are some challenges that hinder the continent from reaping the benefits of socially responsible investments. One reason touted as a major hindrance has been the difficulty in sourcing investments that have a proven track record in generating financial returns and at the same time demonstrate a social and environmental impact. This makes impact investors to be more skeptical about engaging in any impact investment opportunities. Moreover, the current fund structures as well as deal structures are considered as archaic by investors as they do not meet the respective fund managers' risk-return demands. Improved and more innovative deal structures would attract some much needed funds from hedge fund managers, that would be deployed towards impact and socially responsible investing.

On a positive note, the benefits of impact investing are being felt, as the social and living conditions in Africa have been gradually improving. There has been improved access to social amenities and quality education in some previously marginalized areas. Investments in core infrastructure such as roads has enabled access to remote areas, thereby directing development and by extension an improvement in the social conditions of the native communities. Increased investment in the energy sector is slowly transforming the continent to a more industrial based region. This, in the process, aids in the gradual resolution of the unemployment problem, which is prevalent in the region. Food security is also an important area of focus, as investments on this front are geared towards the incorporation of innovative and modern practices into agriculture. This has helped in reducing the number of people relying on food aid, and in the process, provide a source of livelihood.

Going forward, the evolving regulatory changes made by various African nations in policy making and regulatory regime coupled with increased foreign interest in the continent's vast resources and the paradigm shift in investment strategy from the traditional way of investing to impact investing, will only serve to improve the continent's prospects of achieving improved social conditions, in line with the SDGs and the AU Agenda 2063.

Data Mining: What are your Rights?

Natasha Gichuki
Legal Assistant

Cambridge Analytica, a UK-based data analysis firm, was involved in a scandal that came to light in March this year, which exposed the manner in which our personal data could be used to sway our behaviour. The Managing Director of the firm, Mark Turnbull, was videotaped allegedly admitting that the company used unethical data mining techniques to influence presidential elections in Kenya in 2013 and 2017. The firm is also purported to have interfered with presidential polls in Nigeria and the United States, and the Brexit vote in the UK.

Cambridge Analytica, using data mined from users' social media profiles, was able to target specific groups of people with "fake news" and use scare mongering tactics in order to influence their decisions. It is difficult to measure the extent to which the strategy used by the firm actually swayed the choice for voters, particularly in Kenya, where voting has primarily been tribal based. Nonetheless, pundits agree that the group's activities must have had an impact.

The actions of Cambridge Analytica have raised questions of how often our data is sold to third parties without our knowledge and the legality of the same. Facebook, in particular, came under fire when CEO Mark Zuckerberg was subjected to intense questioning before the American Congress on the role the social media giant played in the sale of what should have been protected data. Facebook acknowledged that it had failed to do enough to protect the data of its clients, as Cambridge Analytica was able to buy its data from a software developer and use it for nefarious purposes.

Previously, there has been little restriction to the kind and amount of data that companies can sell. Social media accounts and online data websites where you had to part with sensitive information had a user agreement where you were required to consent to the use and sale of your personal data in order to access the site. All your actions on the internet could be tracked and the information sold with minimal – if any – legal repercussions. This is changing as more countries work to strengthen their data protection laws.

The right to privacy is enshrined in Article 31 of the Kenyan Constitution. This Article protects your right not to have information relating to your family or private affairs unnecessarily required or revealed, or the privacy of your communications infringed. This right, with regard to data protection, is yet to be properly applied as Kenya does not have any comprehensive laws that govern the particulars of data protection.

Even the Kenya Information and Communications Act (KICA), 2009, is inadequate because it only criminalizes the interception of data that is done knowingly and unlawfully. This means that in order for you to be convicted of an offence under the Act, the prosecution would have to prove that the unlawful interception of data was done knowingly. The 2010 regulations expanded the scope of the Act by also criminalizing the unlawful monitoring, interception and disclosure of data transmitted through licensed systems.

The Computer Misuse and Cyber Crimes Act, 2018, has only recently been signed into law, and it remains to be seen whether it will be sufficient in protecting citizens' online data. Interestingly, it only provides for unlawful interception of data. Cambridge Analytica was able to gain access to users' information that users themselves unknowingly authorized, meaning that the firm was not in contravention of this law. The Act enhances the provisions of KICA by providing serious fines and potential imprisonment for the unlawful interception of data, particularly that which is sensitive in nature or was unlawfully procured from a secure system.

On the whole, data protection does not seem to be a priority for the government as we still have the Data Protection Bill of 2012 and the Cyber Security and Protection Bill of 2016, none of which have as yet been passed into law. It is also worth noting that the majority of large scale abusers of personal data are foreign social media companies and search engines. Any legislation enacted would, therefore, be difficult and expensive to enforce. Moreover, due to financial disparities, any fine imposed by Kenyan Courts is unlikely to have a material effect on such companies. Therefore, any protection the above bills would afford the public would be minimal at best.

Fortuitously, there has been a global move towards the protection of data including a massive effort by the European Union, which enacted the Global Data Protection Rules (GDPR) that came into effect on May 25th 2018. The GDPR applies to all persons or organizations that handle the personal data of residents of the European Union. It gives these residents

Continue to ***pg9*** »»

numerous rights, key among them being:

• the right to give explicit consent (that is not contingent upon provision of services) for the use of their data, and the right to retract consent once given,

• the right to be notified of any breach that will affect any of their sensitive data within 72 hours of the breach occurring,

• the right to have all systems used to be designed with a view to protecting privacy,

• the right to access their personal data that had been submitted, and

• the right to be forgotten by requiring that a data controller delete their personal data.

The GDPR also imposes corresponding responsibilities on all persons in control of the personal data of the residents, effectively requiring them to ensure that they keep records of all the data and data breaches and revamp their digital security. It also requires that a person that carries out business in sensitive data have a representative in the European Union.

The GDPR carries a significant enforcement mechanism. The authority that shall be responsible for implementation of the GDPR shall have the power to issue stop orders that will prohibit infringing companies from carrying out business in the European Union. It will also be able to impose massive fines: the greater of 20 million euros or 4% of the company's global turnover for non-compliance with the GDPR, and 10 million euros or 2% of the company's global turnover for partial compliance.

Remarkably, even though GDPR regulations may be impossible to implement in many jurisdictions due to cost and unfavorable laws, the free market economy may leave organizations no choice but to comply. European companies or those with a large database of European clients are more likely to do business with compliant companies thus forcing firms with a global reach to comply or face extinction. Popular sites such as Uber, Facebook, Twitter and Pinterest have all altered their privacy policies in order to conform to GDPR requirements, and have issued notices informing the public of upcoming changes to their data policies.

Ultimately, a move targeted toward the protection of data of EU residents shall also lead to increased global data protection. In light of the GDPR and the data sharing scandals, most countries are already revamping their data protection laws. The congress summoning of the Facebook CEO shows that governments are no longer willing to ignore the unrestricted sale of our data. Kenya, as a leading player in the African market, should not be left behind.

As we await government intervention, we should use social media carefully in order to protect our data. We should take care to read user agreements to determine what we have signed up for, hold off on giving consent for service providers to use personal data as they see fit, use strong passwords, and avoid sharing sensitive information online.

Demistifying Cost Effectiveness

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Project Procurement Assistant

A cheap item is one which is relatively low in price, especially compared to others like it. Cutting costs is usually one of the most important concerns for an organization, and when doing so, the temptation is always go with the cheapest option. This is often done under the guise of cost effectiveness. However, by its very definition, cost effectiveness does not necessarily mean choosing an item which costs the least. Rather, it is choosing that which generates value for the amount spent. In other words, if you use a large amount of money for something but you are still able to say it was worth it, then it is cost effective. However, another common pitfall is assuming that just because something has a large price tag attached to it, the most cost conscious decision is to get it. This is wrong. You need to be able to compare price and quality and find the balance that works for you; this is the essence of cost effectiveness. So, how do you ensure that a buy is cost effective? There are a few elements you should consider when doing your evaluation:

1. Functionality

Any product you buy must work. You should be able to rely on it to do what it is meant to do within the time it is expected to do it. Cheap items may fail to function due to missing specifications and faulty characteristics. For instance, a laptop with a faulty keyboard does not meet the functionality threshold, and buying it would not be advisable. On the other hand, expensive items likely exceed the specifications needed to complete the job. You should not get the very latest MacBook Pro if you only need a machine to type up word documents and reply to e-mails.

2. Durability

This is the ability of a product to maintain performance of the functions for which it was engineered over its lifetime. Cheap items are not durable in that they have a short lifespan. Every product has an allowable range of performance but cheap ones tend to wear and tear faster than the allowable range of actual performance. Inversely, outrageous spends in the name of durability are not wise.

3. Quality

This is the ability of a product to conform to stated or implied consumer needs. Whereas a quality product will always meet or exceed your expectations as the user, you cannot rely on cheap ones to do the same. The most probable reason is that they are not subjected to the same rigorous processes that guarantee quality. Nonetheless, it is important to avoid making assumptions of quality based on brand names. Some brands are able to leverage on their reputations to charge outrageous prices for their products, but there are always pocket-friendly, good caliber alternatives produced by smaller brands. Research and vigilance are necessary to avoid being overcharged.

4. Affordability

This is the ability of a good or service to meet budgetary requirements. Items that cost a lot, desirable though they may be, are simply too expensive and acquiring them may lead you to use money that you do not have. Contrarily, cheap products appeal to that part of your mind that is worried about overspending. However, going with a product simply because it represents the lowest spend could be a very costly decision, forcing you to spend more in the future to correct its shortcomings.

5. Maintainability

All products require a certain level of repair or servicing in order to retain optimal performance. However, if you buy an item on the cheap, you may end up having to do more than your fair share of maintenance, which will drain you of your money, time and productivity. Consider also that taking home the costliest item may prove problematic as well since it may require specialized attention: think how you cannot just take a Ferrari to just any mechanic because he or she may not have the expertise to service it.

Clearly, cost effectiveness is a balancing act that requires a lot of forethought and trade off. However, understanding the different variables as they relate to you or your company's needs will make the difference between intelligent purchases and misusing resources. Aside from saving you money, making cost effective buys will also increase your efficiency, save you time and decrease your stress levels because you are safe in the knowledge that you have used your resources wisely and all your product needs are met.

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Alternative Investments

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Alternative investments are those that fall outside the conventional investments types such as publicly traded stocks, bonds and cash. The terms “traditional” and “alternative” should not be taken to imply that alternative investments are necessarily uncommon or are relatively recent additions to the investments universe. Some alternative investments actually date back further than other kinds. For example, assets such as real estate and commodities, which are arguably two of the oldest investment classes fall under the umbrella of alternative investments.

They also include non-traditional approaches to investing using special investment vehicles (SIVs) such as private equity funds, hedge funds and exchange traded funds (ETFs). SIVs enable investors to invest indirectly in assets. These vehicles collect money from many investors and pool it into a fund, which is then used to make investments and is overseen by an investment manager who makes decisions on behalf of the fund.

Compared to traditional investments, alternative ones are illiquid. This means that they cannot be converted to cash easily. They also have a low correlation of returns compared to those of traditional investments. This means that the market performance of traditional investments and alternative investments are independent of each other. Therefore, inclusion of alternative investments in a portfolio can reduce its risk. Alternative investments face fewer regulations and have less transparency than traditional ones. They have limited data, which is not publicly available and also have unique legal and tax considerations.

The most pervasive alternative investments today are private equity and real estate. However, there are other, more specialized types, which also offer considerable returns. They include hedge funds, commodities and infrastructure.

1. Private Equity

Private equity generally involves buying shares in companies that are not listed on a public exchange, or buying shares of public companies with the intent to make them private. Private equity can involve many strategies that may help provide money to companies at different stages of their development. The most widely used strategies are venture capital, buyouts and distressed investing.

Venture capital is putting money into a small business or start up, which is felt to have great potential for growth in the long run. This investment strategy can occur at different stages of a business cycle. The first is investing in the early stages of companies that have an innovative business idea with high potential for growth, commonly referred to as **angel investment**. The second is financing or investing in companies with proven business models which have good customer bases and positive cash flows or profits, commonly referred to as **growth equity.** These companies have the opportunity to grow by adding new production facilities or through expansion, but they don’t generate sufficient cash flows from their operations to support their growth plans. The other strategy is **buyouts,** a method that consists of financing established companies that require money to restructure and facilitate a change of ownership. Buyouts include making a public company private. The last strategy is **distressed investing** which involves investing in companies that are in financial distress. The capital is usually used to pay debt and restructure the company.

The private equity market in Africa remained steady in 2017 according to the Africa Venture Capital Association as evidenced by an all-round performance in terms of funds raised, successful exits completed, and the number and variety of projects that were set in motion. **Consumer discretionary** and **Information Technology** were the most active sectors for private equity deals in Africa last year. There has also been a recent trend of rising private equity investments in Africa’s education sector.

One advantage of private equity is that it has a great potential upside especially from venture capital investments. The universe of potential company investments for private equity is huge. Private equity is a vast and unchartered land of opportunity. One of its disadvantages includes illiquidity because the funds are tied up in the company for a lock-out period. Another demerit is that the management of the company can choose to hide information about it, and making informed decisions can prove to be challenging or sometimes even impossible.

*Continue to **pg13** »»*

2. Real Estate

Real estate investments take different forms. For many people, it is the purchase of their home, apartment or other residential properties that the owner occupies. This is the foundation of many individuals' financial plans. Real estate is property comprised of land and the buildings on it, as well as the natural resources of the land, including forests and wildlife, farmed crops and livestock, water and mineral deposits. Real estate investments can be made either directly or indirectly. The growing popularity of securitizations broaden the definition of real estate investing. They now include public real estate equity for example REITs and public real estate debt for example, mortgage backed securities. Real estate can be grouped into three broad categories based on its use: residential, commercial and industrial. Residential real estate includes houses, apartments and town houses. Commercial real estate are office buildings, warehouses and retail store buildings while industrial real estate includes factories, mines and farms.

The current market for real estate in Africa is being driven by rapid population growth and urbanization. The population in Africa is growing at a faster rate than that of any other continent in the world. Its demographic profile is both young and increasingly urbanized. A growing volume of capital is targeted at Sub-Saharan Africa real estate investment and development, with a series of new investment targeted at the region. The retail property sector continues to be a major focus for development activity, causing the shopping mall concept and mixed development concept to take root in an increasingly wide range of Sub-Saharan cities. Nairobi has been a retail development hotspot over the last two years, highlighted by the opening of the Two Rivers Mall, Garden City Mall and The Hub, Karen. The logistics property sector has also emerged as a focus for new development in Sub-Saharan Africa in recent years, and there is a growing recognition that the region's key cities are undersupplied with modern warehousing space.

Some advantages of real estate investments include its ability to act as an inflation hedge as home values and rent increase in value overtime; its virtue of being visible and tangible, unlike other investments, which are virtual; and the high returns it offers. One disadvantage is its costliness in buying, selling and operating. Some real estate investments also need management, which increases costs.

Other Alternative Investments

Commodities investments may be in physical commodity products such as grains, metals and crude oil, either through owning cash instruments, using derivative products, or investing in businesses engaged in the production of physical commodities. The main vehicles investors use to gain exposure to the commodities are commodity futures contracts and funds which are benchmarked to commodity indexes. Commodity indexes are typically based on various underlying commodities.

Hedge funds are private investment vehicles that manage portfolios of securities and derivative positions using a variety of strategies. They may use long or short positions, may be highly leveraged and aim to deliver investment performance that is independent of broad market performance.

Infrastructure assets are capital intensive, long-lived, real assets, such as roads, dams and schools, which are intended for public use and provide essential services. Infrastructure assets may be financed, owned, and operated by governments, but increasingly the private sector is investing in infrastructure assets. Investors may gain access to these assets directly or indirectly. Indirect investments vehicles include shares of companies, ETFs, private equity funds, listed funds and unlisted funds that invest in infrastructure.
Other alternative investments may include tangible real assets such as fine wine, art, antique furniture and automobiles, stamps, coins and other collectables. There also some intangible assets that individuals can invest in, such as patents.

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Why invest in alternative investments?

So in conclusion why invest in alternative investments? For one, they can help to diversify an investor's portfolio, and since they have a low correlation with traditional investments, they help an investor to reduce risk. Alternative investments have also historically outperformed traditional investments, so, they can offer superior returns compared to traditional options. Alternative investments also have the advantage of providing social development to an economy. In real estate, they help provide development in infrastructure and uplift the image of the community in which they are developed. In private equity, they help create jobs and improve people's standards of living.

Blockchain's Promise

Kelvin Mihingo
Innovation Assistant

Blockchain is a hot topic that remains an elusive concept to many. When you hear blockchain, bitcoin is probably the first thing that comes to mind. However, bitcoin and other cryptocurrencies are only one application of blockchain technology. In fact, as Sheri Kaiserman puts it, blockchain is to bitcoin what the Internet is to email: a technology on which other applications can be built.

Simply put, blockchain is a type of distributed ledger or decentralized digital public record of transactions that is secure, anonymous, tamper-proof. It keeps updated digital records of who owns what. Currently, banks and governments facilitate transactions by acting as intermediaries to create some trust and certainty. In contrast, blockchain creates this trust without the need for an intermediary. It acts as a shared single version of the truth for any digital transaction.

Digital assets such as money, stocks and intellectual property are files that are very easy to reproduce creating the double spending problem. In real estate, for example, records of property rights and land ownership are stored by government agencies, which record full property information such as ownership details, land size and next of kin. If the government agents who are responsible for collecting such data are corrupt, more than one individual could claim ownership of a single property. Blockchain eliminates this problem of intermediaries by making all records public and tamper-proof. It is an innovation that will disrupt any industry that relies on intermediaries for any transaction.

Having understood what blockchain is, it becomes clear the potential of this revolutionary technology. Here are some key areas of application for blockchain technology:

1. Digital Rights

The protection of digital rights has become an issue. Content creators need a way to fight online piracy of commercially marketed work product. Blockchain can be used by content creators to protect their work. Blockphase, for instance, monitors and protects digital rights for virtual reality (VR) and 360˚ video creators using blockchain technology.

2. Distributed Cloud Storage

Current cloud storage services are centralized and if hacked, all your online assets would be compromised. With blockchain, cloud storage can become decentralized and thus more protected. For instance, Storj is beta-testing cloud storage using a blockchain-powered network to improve security and decrease dependency. Additionally, considering the world spends excess of $22 billion on cloud storage, users can rent out their excess storage capacity, hence creating new marketplaces.

3. Digital Identification and Authentication

Blockchain technology can be used for digital identity as it would make it efficient and secure. Its application spans from healthcare, banking, national security, identity card registration and many others. Any activity that requires identification, authentication and authorization would benefit from blockchain technology as cases of identity fraud would be reduced drastically.

4. Decentralized Notary

One important characteristic of blockchain is its timestamp feature. Notaries are given authority to certify documents and transactions and store these certifications for future authentication. However, because notaries are human, they are corruptible and prone to error, unlike blockchain, which can act as a trustworthy decentralized network. It could be used to certify the existence of something by timestamping it and this can be attested or referenced anytime in a court of law.

5. Digital Voting

Security is among the barriers to getting electoral processes online. Using blockchain, we can ensure only citizens who are legally allowed to vote can do so only once per election and their choices cannot be altered by anyone. When votes are cast as blockchain transactions, they get recorded in an immutable ledger where anyone can see the vote without telling who cast it, and thus results are broadcasted without any interference. This will solve the problem of election fraud.

Continue to ***pg15*** »»

6. Healthcare

Data protection, storage and exchange in healthcare plays an important role in ensuring efficient and effective service delivery. Blockchain can be used for secure and transparent recording of patient information, and secure communication of the same data – sharing information between hospitals, medical centres, clinics, pharmacies and insurance companies.

7. Internet of Things (IoT)

The number of IoT devices is quickly growing, raising data security issues as the world moves to open-data initiatives. Connected devices are always under potential attack and blockchain can mitigate these risks. Blockchain achieves this by providing an automated ledger to record activities of multiple IoT devices, thus making their recorded information immune to alteration.

8. The Banking and Finance Industry

Blockchain technology can be used to create secure and convenient alternatives to the current expensive and time-consuming banking processes. The free flow of business is impeded by the time taken to process transactions and regulatory requirements. Blockchain can improve business efficiency thus significantly boosting local and international trade.

Banks are exploring this technology due to its potential to save costs and improve efficiency as well as to maintain a competitive edge against start-ups that are already using blockchain tech to offer remittances and international payments services at reduced costs and higher speeds.

> "Digital assets such as money, stocks and intellectual property are files that are very easy to reproduce creating the double spending problem."

9. Media and Content Distribution

This industry has a host of problems such as ownership rights, royalty distribution and transparency. Blockchain can be used to deliver royalties transparently in real-time and this would reduce legal battles over royalties such as the $1.6 billion lawsuit against Spotify.

Blockchain technology is thrilling and it can actually enhance many domains. Much is still unknown, but we believe it can change our world for the better. Nevertheless, many industries will be disrupted if blockchain becomes the primary technology upon which applications and operations are based. It is therefore up to these businesses to find a way to adopt it or risk being rendered archaic like companies who were unable to adopt Internet technology in the 2000s.

Your Guide To Proper Social Media Branding

Jepkoech Kendagor
Digital Marketing Assistant

In today's social media world, the word "branding" has become household vocabulary and almost everyone is on the run to establish themselves as a "brand". Ideally, everybody should be their own brand but it takes much more than sharing content on social media to be a brand. Building a brand depends on having a defined strategy that ensures that you are well established in your industry. The strategies below will help you kickstart your brand building.

Firstly, let employees be part of your social media brand. Brand advocacy does not happen just because you have people working for you. You need to involve them in your brand story to convince them to be your ambassadors. You have to invest in them and make them feel that they are part of your company. Having a shared vision with your employees and ensuring that your company culture is celebrated is part of turning your workforce into brand advocates. Companies could have hundreds of employees, none of whom are happy to talk about their workplace because they do not feel like they are part of that company's story. Your staff has networks, which can be converted into loyal customers for your brand only if you put in the work to ensure that your employees feel that they are part of the brand.

> Brand advocacy does not happen just because you have people working for you. You need to involve them in your brand story to convince them to be your ambassadors. You have to invest in them and make them feel that they are part of your company.

Secondly, you need a loyal audience. For most businesses, the main reason for having an online presence is to turn a profit. However, you should not always shove your moneymaking agenda onto your clients' faces, especially on social media, or users will learn to dismiss your messages. They need to feel that you are thinking of them and have their best interests at heart. You need to connect with them, making them trust you and what you have to offer. This means that you have to identify yourself as an opinion leader in your industry. Apart from building an audience for your brand, you also create a flock of loyal birds who will not fly from your nest.

Thirdly, be consistent with your communication and content publishing. Draw up an optimized schedule of what you'll be putting up on social media and stick to it. You also need to have content that is cohesive; content that tells your story as a brand. For example, if you are into selfcare and want to be identified as an expert in the field, what you put out should mirror this. You cannot be talking about selfcare today and then tomorrow you are all about bitcoin and the day after it's philosophy – unless of course you can find a way to connect all these to selfcare. Are you out to confuse your audience? If your audience does not think of you whenever your area of specialization is mentioned, then you are doing something wrong. You have to stick in people's minds if you are to remain relevant brand on social media.

In conclusion, building a strong social media presence relies heavily on your commitment level. How many resources you are willing to dedicate to the growth of your brand online? You cannot do it alone. As such, you need to leverage the resources you have, your employees for example, to help you build that which is dear to you. Investing in people is the best way to grow in this competitive space. Always have in mind that consistency and flexibility also contribute heavily to building what you are. Have patience as you build your nest and in the long run, you will not have to worry about your flock anymore, because they will be home.

Leadership Profiles

Edwin Dande
Chief Executive Officer,
Cytonn Investments

Please describe a typical day in your life

I know it sounds cliché but there is no typical day. Generally, I'm not an early morning person, but I'll take meetings as early as they come. So if I have early morning meetings I'll wake up early and tend to them as they come. After that I'll go to the office and deal with the pressing matters of the day. When I don't have an early morning meeting I'll probably get to the office at around 8.30 or 9 o'clock, resolve any pressing issues, after which I communicate with my key contacts in different departments just to get to know what's going on. I'll usually have a lunch meeting. Afternoons tend to be calmer. That's when I take a step back to think through and prioritize. I think about strategy, talent and staffing, and challenges that we are facing. In between all this, there are meetings. I always try to end my day by going to the gym after which I'll have dinner with a client or with my family.

The story of the origin of Cytonn is pretty well known. What gap did you and your partners notice that led you to start the company?

The biggest gap that we saw was the lack of high yielding investment products for savers and investors. Today, if you have a million shillings and you put it in the bank, you will earn interest of anywhere between 0 and 7% but if you want to borrow money, the bank will charge you an all in cost of about 18%. So if you take a step back and see what is happening, you give the bank your money and get back 0-7% but they lend it out and get 18%. So we asked ourselves if we could innovate a product where if we came directly to you and offered you that 18%, would you want it? It turned out that people did want the 18%. So we took the money, paid them 18%
and developed real estate products where

*Continue to **pg19** »»*

we earned anywhere between 22 – 25%. To sum it up, we did innovative structuring on how to fund real estate by borrowing directly from people with money to save, that is, going directly to the consumer.

Speaking of innovation, how do you ensure it's not just a buzzword you use to endear yourself to stakeholders? How do you actually create a culture of innovation in your company?

We take innovation seriously. Here, we describe it as trying to do things differently. It is embedded in our culture, where we say a Cytonnaire is about ordinary people thinking and acting differently to achieve extraordinary results. So we always have to take a step back and ask ourselves what the conventional way of doing things is, and what we could tweak – this could be a structure, a process, a thought – in order to do it faster and achieve better results because at Cytonn we have no option but to innovate. We do not have a big balance sheet. We do not have networks, heritage, connections – it is just sheer sweat blood and tears; ideas and execution. That's how we compete in the market. Innovation has to be part of your DNA because you have to put out a better product faster than the competition, which has heritage, connections and huge balance sheets.

It is all well and good to do things differently, but when you are new in the game and you come in with all these unusual ideas, offering better returns, people tend not to trust you. How do you deal with that?

I disagree with that. It is not that people don't trust us. I would say that it can be threatening to the establishment and this may appear to some as lack of trust. We started with zero clients in 2014, today we have over 3,000 clients. We started with a balance sheet of zero, now it is at almost Kshs. 20 billion. So I'm not sure we can say that people don't trust us, because if that was the case, we would not be in the market; we would not be the biggest real estate developer. People trust us, but our distractors are just a lot louder than the people who trust us. What appears as distrust is simply a threatened conventional estab-lished way of doing things fighting back.

Though Cytonn is fairly young, it has managed to achieve a brand visibility and strength that others have to cultivate for years. What would you attribute this to?

Given that we didn't have a lot of money, we started things like Cytonn Weekly, where we used our knowledge of the market to write a weekly newsletter and circulate it. That's how we grew the brand. We focused primarily on thought leadership, and this goes back to how we compete: ideas and execution. We wanted to make sure that we were putting out the best type of ideas out there in the market, so that people then ask who is this brand, who are the people behind these ideas and are they able to execute these ideas? We decided very early on to build our brand through thought leadership.

What is one goal — either personal or professional — that you would like to accomplish during your lifetime?

That is an interesting question, because I do not work with specific goals. I am pragmatic. On any particular day, month or year, I look at what the opportunities are and how I can capitalise on them. For me, a goal is how the various experiences, tests, failures or successes will be integrated over time. It's more of a journey than a destination and so I do not have a very specific goal. In the context of Cytonn, it is to wake up every day and compete as hard and as fast as I can. The end result will take care of itself.

What legacy do you want to leave? What would you want to be remembered for?

I want to be remembered for having been part of a team that built a stable, trusted and number one brand in the industries in which we compete. Currently these are investments, real estate, education and hospitality.

Sustainable and impact investing was identified as one of the top considerations of potential investors, especially millennials. What are your thoughts on making money vs social responsibility?

They are not mutually exclusive. You can do both. They say, "You can well and also do good, but to do good of course you must also be doing well because otherwise you will quickly run out of money." There is no question about it, we have to be profitable, but we can do so ethically, in a manner that is environmentally friendly and socially responsible. This is why we have chosen to have our CSR activities around talent improvement, financial literacy, training young people out of college through Cytonn Young Leaders Programme (CYLP), and training entrepreneurs. We spend a lot of time and money on talent development in those areas.

The investing age is getting younger and has the unique characteristic of having grown up with technology. This means societal ideals and goals are changing and that people's motivations for doing things are evolving as well. How do you prepare for this?

For one, you have to make sure that your company is technologically friendly. To this end, we are trying to move a lot of our products online. Secondly, you have to be research-driven to get a sense of what emerging demographics care about.

At the end of the day, the fundamentals of investment will never change. Regardless of the generation, everyone wants to give you a shilling and make a return from it. The question is; how do they give it to you? Is it through cheques, m-pesa or some digital currency? You also need to understand what they care about. What you do must have some impact on society, not just be driven by profit. So you need to undertake CSR that resonates with your target demographic. Ultimately, it is about doing research and innovating products that would appeal to these demographics.

Yours is a demanding job that involves dealing with opposition, making hard decisions, and having to meet everyone's expectations. This must be very stressful. How do you cope?

It is just a job like any other, so you do not allow it to get to you. You also need a thick skin as well as non-work related activities. I like to go to the gym, jog, dine out, spend time with my family – there is more than enough that is non-Cytonn that keeps me balanced.

Are you able to maintain a healthy work-life balance?

I like to think so.

What are the most enjoyable and least enjoyable parts of your job?

The most enjoyable part is seeing ideas come to life. For example, you see a piece of land and say: "We could build villas here," and actually building them and handing them over to the clients as we have done in Amara. That is fulfilling. Looking at a share price and saying: "This thing is undervalued. If we buy it, it will make money." Meeting young people and saying: "This person is talented. If we rally around him or her, we can create a powerful team member," and actually seeing it happen. A lot that is being done at Cytonn is being done by young people – people under the age of 30. Whether it is people, products or talent, seeing It come to life is the best part of my job. Every organisation has politics. Dealing with egos, blame games, mind games and these politics is the least enjoyable part of this job. However, where there are people, these things will always be there.

Continue to ***pg20*** »»

With regard to your public profile, is there a difference between Edwin Dande the man and the CEO of Cytonn?

I come here and do my job, then I go home and live my life, so I'm never thinking about being myself or the CEO. But I don't think the public is able to differentiate between these two people. In fact, they think that Cytonn is Edwin, which I find puzzling because while I understand the company and its strategy very well, I do not run everything. I'm sure there are those who work harder than me in Cytonn.

Are there times when your title hinders you from being you especially on social media?

Sometimes it does, but not very much. I'm not your regular CEO. I respond to things on social media, I talk to people, I walk the streets. I don't like formality. I like to be part of the team; just another Cytonn employee. So the title doesn't censor me very much. However, I cannot always speak my mind. If I say something harsh, the person I tell will say the CEO of Cytonn was harsh. So I have to be a bit careful with my words, but maybe not as much as I should.

Has this ever gotten you in trouble?

Yes, because I often get misjudged. But I'm not too concerned about making mistakes as long as they are candid mistakes. I try to be thoughtful about what I say because of the way people perceive them, but I also try to be any other Cytonn employee.

What is people's biggest misconception about you?

I think I am sometimes seen as harsh and unkind, yet I am just direct in what I am thinking and communicating.

Is there anything you have done to try and change or soften this misconception?

Those who get to know me realise that this perception is false. I haven't done much to change it because relationships, both personal and professional, develop over time and as they do, people begin to understand each other better. It is not just about me; this applies to everyone. Of course you will never know someone else 100%, but as people interact and spend time together, they understand each other more.

What's the best advice you have ever been given?

Put your head down and work your tail off. Working hard, not trying to take shortcuts and producing good quality work goes a long way. We are a country that takes a lot of shortcuts. If we were able to avoid tribalism and corruption, we would find that there is a great cross-section of Kenyans and people from outside who want to associate and work with honest enterprises and businesses.

"I want to be remembered for having been part of a team that built a stable, trusted and number one brand in the industries in which we compete. Currently these are investments, real estate, education and hospitality."

4 RANDOM FACTS ABOUT EDWIN DANDE

One tech device you cannot live without – my iPhone

A good day is when … we have significant inflows of investment and real estate sales. Personally, a good day is when nothing stresses me

Do you have many good days? Yes. I have days when everything is running smoothly, the staff is happy, my daughter is doing well. No one is complaining. But sometimes good days are a sign that I'm about to have a stressful day.

Which person, dead or alive would you like to meet, and why? No one really, because everyone I admire I can access through books and their works. I'm usually more enthused by peoples work, ideas and writings than the people they are. That said, one of the people I admire the most is Barrack Obama because of how he became president even when all the odds were stacked against him.

Value of Internal Audit in an Organisation

Grace Njagi
Internal Audit Assistant

Honestly speaking, we tend to hold very negative perceptions about the internal audit arm of any organization. In fact, it just might be the most unpopular department. Some say audit wastes the management's time with incessant nagging in the name of compliance checks. Others fear that digging into their closets will uncover skeletons they would rather stay hidden. To sum it up, people's attitude towards audit is captured in the following anecdote:

There is a pint glass; it contains half a pint of milk.
The optimistic manager says that the glass is half full.
The pessimistic manager says that the glass is half empty.
The internal auditor says that the milk is sour.

Most people believe that auditors will always see the bad no matter how positive a situation may be. They are basically seen as "witch hunters" so to speak. Yet, with the rapid-fire changes going on today in the business arena, every firm that wants to remain sustainable and achieve greatness has to invest in a well-run, proactive and independent internal audit department.

In any organization, each department has to be able to demonstrate its value in meeting the organization's mission. However, with regard to internal audit, value can be difficult to define since it is a support and control function that is not directly linked to a firm's goal. For this reason, there is more pressure on this arm to demonstrate its value more than any other activity.

While an operational or commercial activity is visible and can be more easily identified as delivering more value by price, quality or service, the value of internal audit is reflected by the improvement in internal control as well as reduction of risks to acceptable levels. You cannot measure the value of internal audit exclusively on direct results, but also on the indirect effects it has on the directors and management of a company. Internal audit has a relevant role in building and maintaining confidence in the organisation between the directors and management.

For an internal audit department to add value to an organisation, the department has to find ways to remain relevant and credible. It cannot perform the same old audits that have been done without expanding resources, time and effort in areas that are strategically important to the company's overall success.

Technical skills are central to what auditors do and cannot be neglected. It is all well and good to have auditors in your team with certificates and degrees, but, if they do not have the people skills and emotional intelligence to perform well under pressure and diffuse difficult situations, then they are of little use.

With regular reports featuring corporate scandals and fraud, governance lapses, compromised ethics, and privacy invasion, most internal audit departments have embraced use of data analytics to help increase value in an organisation. This helps them look for anomalies, red flags, outliers and indicators of fraud. Incorporation of this kind of technology into audit processes ensures that there is continuous monitoring and there are few slips.

Internal auditors are positioned to protect organizations against both traditional and emerging risks. They provide consultancy about how opportunities and vulnerabilities can be balanced and help in strengthening the corporate governance.

People often question whether an audit creates or solves problems. My answer is, maybe; it depends on the hat he or she is wearing. An auditor, being an independent party, has many roles. He or she can be an investigator looking for problems, an accuser if he or she finds a problem, a defender trying to find solutions, a juror deciding if an issue is problematic or not, and finally a judge when deciding how to report a matter.

Above all, within all these different roles, every auditor wants to help solve your problems, and he or she cannot do this if you view them as the enemy. This is why it is always in the best interest of your organisation to change your perception of the internal audit department from witch hunters to watchdogs. Internal auditors will fulfil their most fundamental role – supporting management and directors in achieving an organizational goal once they are accepted and acknowledged as a necessity for the wellbeing of the company.

Is your Education Preparing you for the World?

Michael Mwendwa
Education Investment Analyst Assistant

The World Bank in 2014 painted an encouraging picture of education internationally, particularly in developing countries. It was estimated that since the turn of the millennium, 50 million children had gained access to basic education. These efforts were spurred by countries implementing policies to facilitate universal access to basic education. However, it emerged that the growth was mainly quantitative rather than qualitative. The report noted that 250 million children at the time were not able to read or do basic maths, even after spending more than 3 years in school. Delivery of quality education in schools has lagged behind even as enrolment numbers rise. This disparity shows that most students are not receiving an education that adequately prepares them to tackle professional and social issues, either locally or internationally, as schools focus more on growing their numbers rather than producing better students.

In 2016, Payscale conducted a survey in the United States, sampling 76,000 participants, to find out how prepared recent university graduates were for the job market. The results revealed that there was a dissonance between graduates' perceptions of their own readiness and employers' feelings towards the same. 90% of the surveyed graduates were of the opinion that they were well prepared for their future jobs. As for the employers, 56% of those sampled said that three fifths of new graduates lacked critical thinking skills and attention to detail, 44% found fault with the graduates' writing proficiency, and 39% thought that job seekers had poor public speaking skills. Closer home, a study by The East African showed that in Kenya, 51% of graduates lacked employability skills and technical mastery of whatever field in which they had studied. It further said that these students were not ready for the job market. The most disturbing finding of this study isn't that students lacked the actual skills required in the market but that a **majority of them didn't even know it.**

This then raises the question; what qualities must graduates possess to thrive in today's society?
To begin with, all graduates need to have the technical skills required in their area of specialization. These should be up to date and focused not only on the current industry trends but also on any anticipated future innovations. This is particularly important, considering the dynamic and fast paced nature of the present world. This emphasis on industry trends means students' skills must be relevant by the time they graduate and can easily adapt to any future industry shifts. In addition to technical skills, technological and innovation knowhow is key. With an ever changing tech space that is being integrated into every industry, students must have an adequate grasp of what is required of them technologically and understand any major innovations in their fields of operation.

Unfortunately, technical and technological skills can only take you so far. As the Payscale survey showed, most employers' qualms concerned not just technical but the soft skills that students were felt to be lacking. The ones most mentioned included attention to detail, critical thinking, writing proficiency and public speaking ability. Speaking during the launch of Kenyatta University "School-Work Induction Program," in 2014, Prof. Olive Mugenda told participants that employers required more from potential employees than just the ability to do one's job; they also considered communication ability, commitment, presentation skills and flexibility.

Understanding what employers want is only the first step. The trick now is how to identify whether your education is preparing you adequately to meet these expectations. Two things are key when it comes to identifying the quality of education: the curriculum and the teachers. Initially, in Kenya, the quality of a course was measured by its content, training and learners' outcomes. Training here refers to the art or science of teaching, focusing on teaching methods and performance outcomes of these methods. By this definition, a good curriculum was one which had relevant in-depth content and applied appropriate teaching methods to produce the best

performance from students. However, this has changed to a more procedural approach. The course is examined based on all the facets that make the learning experience worthwhile. This approach considers not just the quality of information but also whether it meets students' current needs, both professionally and socially. This involves integrating into the curriculum additional content meant to produce holistic individuals. What all this means is that soft skills such as people skills, ethics, and ways of developing students' emotional intelligence are now mandated parts of learning. Also new to the system is the inclusion of activities to provide practical work experience to students. Among them are work induction programs, internships and apprenticeships. Other additions include increased interaction between the learner and the teacher and use of data collected over time to improve the course and the subsequent learning outcome.

Ultimately, education remains a basic need and everyone has the right to receiving it. However, it's about time we embraced a system that produces ideal candidates, who are ready for the world by the time they leave university or college. We owe it to our country to strive for the best quality possible now. As UNICEF describes it, education is the most powerful investment in our future.

The Cost of Employee Turnover

Ann W. Muthoni
Business Development and Administration Assistant

Employee turnover is defined as the percentage of workers who leave an organization and are replaced by new ones. Employee turnover cost is the amount incurred by a company to replace and train new staff. Some of the major costs related to employee turnover include:

1. Hiring costs

When an employee leaves an organization, it will be forced to hire a replacement, and this can be costly. The company will have to advertise for the position, pay external recruiters where applicable, shortlist, and interview.

2. Training costs

When a replacement is found, the HR department will have to train him or her to fit the company's culture. During the training, the company will incur costs such as provision of training materials, payment to the supervisor, salary/remuneration paid to the trainee, and administrative costs incurred by the employer.

3. Non-financial costs

Aside from the financial implications, the firm will also incur costs related to lost productivity and disruption, which, arguably are the most damaging. Moreover, when staff leave, they go with valued information about the company, ongoing projects, and strategies. To add to this, the organization could end up losing clients, because clients may feel a greater sense of loyalty to the individuals who brought them in. Finally, company reputation suffers and the fact that workers are always leaving could cause even more people to leave.

Josh Bersin, a global research analyst in matters relating to Human Resources and also the founder and principal of Bersin by Deloitte, came up with a graph that clearly explains the high costs incurred by employ-

When the employee turnover is high in a given company, its management will have to take a step back and determine what the root cause is. Furthermore, retention strategies need to be considered. Some of these include:

• Hiring the right people – most employees who quit are those who do not fit with the company's culture. While this purges the company of an ill fitted workforce, it is less damaging to identify and refuse to hire such individuals than to onboard them only to have them leave after a few months.

• Knowledge management – oftentimes, companies are not aware of the skillsets of its employees that are unrelated to their duties. This is a costly mistake. When abilities are known and documented, shortfalls can be covered very easily if a worker leaves abruptly. It can also reduce the cost of training.

• Good pay – in some cases, employees will leave for a company that has a better pay package for the same job description. For this reason, it is necessary for an organization to ensure that its wages are competitive. Bonuses and regular salary reviews should also be considered.

• Providing an opportunity for growth – employees need to feel that the company cares for them and their careers. To achieve this, a firm should provide opportunities for growth. This includes promotions, giving chances for education and training, and having mentoring and leadership programmes.

To conclude, it is important for companies to identify retention strategies that will work towards keeping their present workforces since the costs of retaining an employee are actually lower than costs incurred trying to find new staff.

The Internet of Things

Jacqueline Kiplagat
IT support engineer

The Internet of Things or IoT is defined as the physical devices connected to the Internet, whose sole purpose is to collect and share data. The data collected from such devices can be used for analytics and therefore useful for research purposes. Almost everything can now be connected to the Internet, from animals in the park with Radio Frequency Identification (RFID) tags that monitor their activities to light bulbs that can be switched on or off by simply tapping an app on your smartphone.

IoT was officially named and described in 1999 by Kevin Ashton, a British tech pioneer. The instance of IoT was in Carnegie Melon University, where programmers connected a Coca Cola vending machine to the Internet, and users could use the system to check the availability of a drink before going to the appliance. Since then, the scope of devices that apply IOT technology has expanded widely, to include smart appliances, smart furniture, smart homes, and even smart offices.

Kevin Ashton correctly observed that the Internet almost entirely depends on humans to feed data or information. Take Facebook, for example. Users upload their photos, update their status and react to other people's statuses. All this information is stored on the Internet. Unfortunately, there is one problem: humans have limited time and accuracy. This means that we cannot fully capture every moment or sift through and process all the information we need to have in the real world. For this reason, physical devices are now being connected to the Internet to gather data that we humans cannot. These devices will then be able to track, count and explore everything much more efficiently and keep for our use only that which is relevant.

Have you ever thought that maybe in the near future we will not have to drive? Well, this is becoming a reality after Huawei showcased a demo in which the Huawei Mate 10 Pro smartphone was used as a light and independent car brain, for a Porsche Panamera. The demo involved a short straight track with several hazard props, which the phone picked up on its sensors, logged, and was able to avoid. This example just goes to show that anything and everything can be connected to the Internet and still function as required, maybe even better.

Since physical devices can now be connected to the Internet and data collected and shared, the importance of data security cannot be underscored. This is because the possibility of hacking could undermine the safety and efficiency of IoT devices. Imagine the havoc that would result from cyber-criminals' infiltration of our devices! For us to rely on them, they must be impregnable. Designers and developers are building systems, which are tamper-proof with unbelievable security features and privacy measures right from the initial stages of development.

The world of technology is very exciting and dynamic. Practically everything will be connected to the Internet sooner than we think. This means that we will see a lot more devices in our space doing what we do more efficiently than we ever could. IoT will revolutionize the way we live, work and interact. It is not a passing fad. Thus, we need to ensure we build intelligence on them so that they become sharp and exceed expectations.

> Individual commitment to a group effort - that is what makes a team work, a company work, a society work, civilization work.
>
> -- Vince Lombardi

CYLP

About Cytonn Young Leaders Programme

Cytonn Young Leaders Programme (CYLP) is an intensive, competitive 12-week training programme that exposes fresh university graduates to the office environment and culture. It exposes participants to challenging and fulfilling career options, with an emphasis on leadership and problem solving. The programme commenced in January 2015, with an inaugural class of 6 investment interns. So far, CYLP has trained over 485 fresh graduates, with Cytonn absorbing 31% of the said graduates, while others have joined reputable organizations. We have collaborated with various universities and we always take the opportunity to mentor university students on career growth and leadership.

Evans Karanja
Internal Audit Assistant

Please describe your typical work day.

On a normal day, my tasks include identifying gaps in policy and procedures, checking whether people/departments are following their annual work plan as it is laid out, and assisting in preparing audit reports. I also execute audits and conduct follow ups on recommendations audit has given.

Give a summary of your CYLP experience.

I wish to thank Cytonn for crafting the programme because interns here engage in real tasks and learn things outside the job description. We learn by doing. I acquired analytical skills, modelling, presentation skills, and so much more. The programme helped me to you career-wise and socially. It is the only internship I've come across in which I was not given menial jobs like getting tea for the manager. I was actually expected to deliver quality work. CYLP was competitive and it forced me to work harder and smarter.

What was the highlight of CYLP for you?

I did a lot in the 12 weeks. I was exposed to issues I never thought had to do with audit, like research, financial modelling and company analyses; things that were not necessarily part of my core duties, but have made me a well-rounded individual. I have also benefitted from the social aspects such as book reading, cake cutting and getting vouchers as rewards for doing well. Furthermore, the culture made it a nice place to learn, interact with senior management and be productive.

Continue to ***pg27*** »»

What was the biggest challenge you faced during the programme and how did you deal with it?

When I joined the programme, I reacted badly to what I perceived as rudeness or silliness. Nevertheless, I was forced to develop emotional intelligence. Currently, I am able to deal with people in a manner that is professional. Another challenge I have had is working hard on something and having it dismissed by harsh supervisors, but this forced me to do better, work harder and step up more often.

Parting shot?

CYLP is a great platform for you if you are just starting your career. You gain months of experience in three weeks. Even if you end up leaving the company, you take what you have learnt with you and you will achieve greatness wherever you end up.

Victoria M. Otipa
Facilities and Property Management Assistant

Please describe your typical work day.

This varies, but on a typical day, I check the statuses of the sites that we have. Then I handle any emergencies or arising matters, beginning with what is most critical. I also make reports on the properties. Additionally, I update various budgets and conduct financial modelling. Site visits are also a major part of my job.

Do you handle all of Cytonn's sites or are you assigned to specific ones?

It depends on what the sites require during different stages of development. We handle all the sites that have not yet been developed, that is, the ones where construction is still pending. For the others, we provide facilities' advisory depending on what the property facility's team will require. We have to stay on top of that, ensure that these facilities are provided.

Give a summary of your CYLP experience.

CYLP opened up my mind to the various opportunities out there. When I was in campus, I had a very rigid idea of what jobs I would do once I graduated. But when I applied for CYLP I found myself in a totally different field; one that I would never have considered if it was not for the programme. The training is also very intensive, so it also shows you your calibre, you learn what you can handle.

What was the highlight of CYLP for you?

Finishing the programme was the highlight. The programme was very intense. We stayed very late some nights, and had to be back in very early. Some people dropped out along the way. Finishing the programme was a big accomplishment for me.

What was the biggest challenge you faced during the programme and how did you deal with it?

Losing teammates along the way was my biggest challenge. I came in not knowing what to expect, then got to know these people. We struggled together, helped each other and became each other's support systems. Seeing them drop out was hard for me. However, I understood that things work out in the end for everyone, and continued to give it my best, and here I am.

Parting shot?

I'm grateful to Cytonn for opening my mind to all that there is out here; the different opportunities and learning experiences. I feel that I am a better person for having gone through CYLP.

If you look at any successful professional - a salesperson, a marketer, a real estate agent, a trader - they all have the same qualities as the con man. The only difference is that one side uses their talents in the right direction and the con man is taking the easy way out.

-- Frank Abagnale


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Benjamin Graham

THE INTELLIGENT INVESTOR

BOOK REVIEW

Not many nonfiction books written in 1946 can still claim to be relevant in the 21st Century, much less those giving advice on how to do something as unpredictable as investing. Obviously, many ideas that were held in the 1950s have been disproved or become outdated in today's dynamic and fast paced world. However, The Intelligent Investor by Benjamin Graham stubbornly refuses to fade into obscurity. The principles outlined in the book remain as true today as they were when the book was written, although its language and writing style are a bit archaic.

Perhaps the secret to this book's longevity is the inclusion of a commentary by Jason Zweig after each chapter. An introduction by Warren Buffet is also included in the latest edition of The Intelligent Investor. These additions help to cloak this classic instructional in more modern contexts, making it easier for the average reader to connect with and learn from it.

From the very beginning, the author establishes that his work is meant for any individual who wants to grow his or her wealth steadily through a sound approach. He emphasizes the need to differentiate between speculation and investment, asserting that "an investment operation is one which, upon thorough analysis, promises safety of principal and an adequate return. Operations not meeting these requirements are speculative."

Graham also warns against trying to beat the market. He further urges the reader to be wary of financial advisors who promise that they can bring you returns that are much better than market averages. In the same vein, he berates the average investor for ignorance and laziness as far as investing goes.

Aside from that, Graham separates investors into two distinct groups: the defensive and the enterprising. The former is averse to risk and is content with reasonable returns. On the other hand, the latter can handle more risk and has the ability to analyse the market to achieve higher returns. Ultimately, he establishes that the margin of safety – the difference between price and value of a potential investment – is the secret to sound investing. This should be based on statistical data, not speculation. A wide margin of safety guarantees a better chance of profit than loss.

As a guide to investing, the book falls short because it only covers stocks and bonds, which are only part of the vast universe that is investment. Additionally, having been written so long ago, it is unable to resonate with some of the more modern ways of accessing stocks, such as day trading. However, it still holds the distinct moniker "the investor's bible". Perhaps even more impressively, it is the book which piqued Warren Buffet's interest in investing when he was 19, and around which his wildly successful investing philosophy is based. Whether you are just beginning your investment journey or have been at it for several years, this book is definitely worth a read.

Pictorials 2018 Q2


01

02


03

08


04


05

06


07

1. Shiv Arora, Head of Private Equity at Cytonn Investments speaks to a client during the Cash Management Solutions' Annual General Meeting.

2. Nasser Olwero, Director of Cytonn Technologies during the Cytonn Technologies strategy offsite at Sarova Panafric.

3. (L-R) Bonney Tunya (moderator), Suzie Wokabi of SuzieBeauty Cosmetics, Irene Wanjiku of REXE Roofing, Simon Kabu of Bonfire Adventures & Ben Kiruthi, a destination wedding photographer, speaking at the 2018 Cytonn eHub Discussion Forum.

4. Maurice Oduor, Senior Investments Manager at Cytonn Investments shares a light moment with clients during the Q1'2018 Market Outlook Report Release.

5. Residents of Kilimani present during the Cytonn Towers Stakeholders' engagement forum in Kilimani.

6. Cytonn Technologies team members engrossed in discussions during the Cytonn Technologies strategy offsite.

7. Patricia Wanjama, Head of Legal & Company Secretary addresses participants at the first East African Forum for Structured Products (EAFSP) Conference.

8. A group photo by Cytonn Team behind the organization of the first EAFSP Conference.

9. George Airi, Office Assistant at Cytonn Investments shares his view during the employees Q1'2018 Open to Talk session.

10. Edwin Dande, CEO of Cytonn Investments facilitates the Q1’2018 Open to Talk session.

11. (L-R) Professor Violet Mugalavai, Director of Industrial Linkages, Partnerships & Collaborations, University of Eldoret exchanging MoUs with Anne Joseph, Human Resources Assistant Manager, Cytonn Investments.

12. Daniel Mainye and Faith Maina answer questions from the media during the launch of Cytonn College of Innovation and Entrepreneurship.

13. Cytonn Investments Unit Managers Nyawira Waithaka & Alex Muchoki pose for a photo during the IFA & FA awards.

14. Mex Osoro, Senior Distribution Manager at Cytonn Investments awards Meshack Kiprono, the top producing Financial Advisor for Q1’2018.

15. Part of our brilliant team of financial advisors pose for a photo on the sidelines of the Q1’2018 Clients’ Update and Market Outlook Report Release.

16. Mt. Kenya University students are taken around The Alma in Ruaka by Raphael Mwaniki, the Clerk of Works.

17. Madhav Bhalla, Cytonn Investments' SPV Board Chair gives brief remarks ahead of the award of the tender for the construction of The Ridge to CRJE.

18. (L-R) Xie Zhixiang, MD of China Railway Jianchang Engineering Company (CRJE) & Madhav Bhalla, Cytonn Investments SPV Board Chair pose for a photo after the tender signing to award The Ridge construction to CRJE.

19. (L-R) Joyce Mwai, Project Management Analyst at CRE, Cheng Chong of China Jiangsu, William Kinyanjui, Chair of RiverRun Estates board and Elizabeth Nkukuu, Head of CRE.

20. (L-R) Senior Project Manager at Cytonn Investments, Madhav Bhalla - SPV Board Chair, Elizabeth Nkukuu, Head of Cytonn Real Estate, James Maina - Cytonn Board Member & Xie Zhixiang, MD of CRJE.

The Arcane World of SEO

Thomas Wahome
Digital Marketing Assistant

Virtually every business, industry, person and system relies on the internet for something. This is the age of information. Everything we want to know is out there, we just have to find it. To this end, search has become a gateway to everything we do online. Hungry? Search for restaurants close to you and order some food. Want the new Coldplay album? Search for it. Not sure what Coldplay is? Look them up. Googling has become the default go to action online, so much so, that the word Googling has actually been added to numerous dictionaries as an official English word.

This increased online activity has resulted in a significant paradigm shift in information access. Traditional forms such as print media, while still relevant, couldn't possibly hold a candle to web search. This shift places websites favourably as an optimum marketing channel. Nevertheless, the success of marketing yourself through websites however, squarely rests on your clients being able to find you when they search for a service you offer.

Today, Google is the most successful search engine. In fact, the word google has become the generic trademark for search engines. A simple Google search typically involves you keying in words describing what you want to find on the internet. 0.2 seconds later – depending on your internet speed – over 1000 search results will pop up, divided into pages. At this point, you probably scroll through the first page and click on the result you feel best suits your search parameters. More often than not, you will not need to go to the next page. This is a search tendency so common, it has completely revolutionized Google Search. With over 90% of Google users choosing results in the first page, positioning websites to be shown on the first page has become priority for all web developers and marketers.

With this in mind, search engine ranking becomes a term you need to know. Google has a whole set of complicated variables used to determine the rank a website will get, which all boil down to the following 3 aspects:

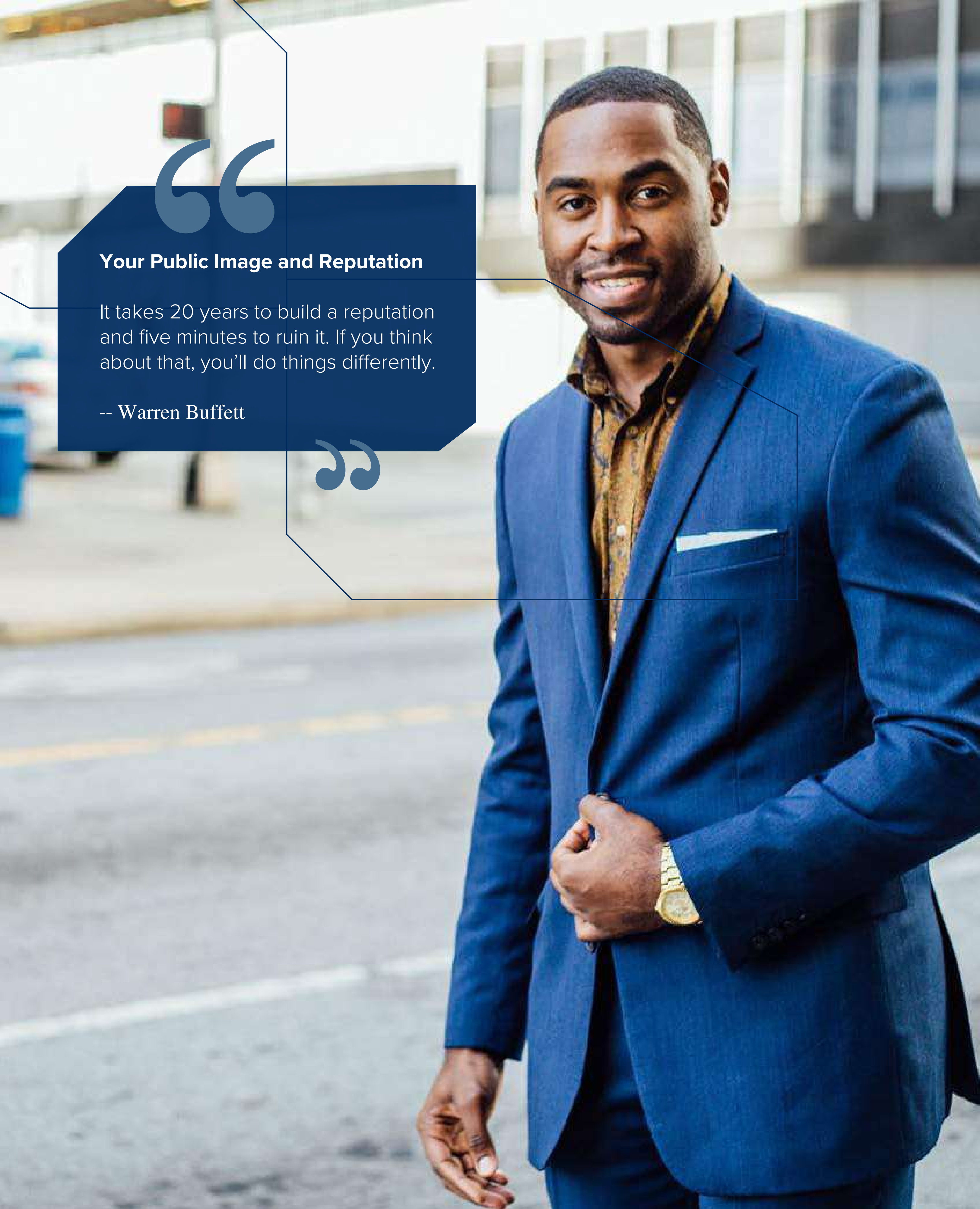
i) Relevance
ii) Credibility
iii) User experience.

The reason you and over 90% of Google users do not bother to click on the second page is that you trust you are seeing the results most relevant to your search query. Google, therefore, ensures that it ranks sites based on their relevance to the searches. This is why optimization of a site is necessary. Optimization will essentially allow Google to determine what your site content is about, enabling it to 'trust' that your site is relevant for any searches that align to your content.

It is important to note that ranking higher is not an instantaneous action. Instead, it is a perpetual activity predicated on continuous SEO efforts. Patience and consistency is key as this results in the second key aspect considered by Google to determine rank; credibility.

Google's understanding of a site is a key element in how it will 'trust' it. Google gives a significant advantage to brands it has understood correctly. By virtue of your site being online, Google already understands a few basic things about your brand. What it lacks is confidence in its interpretation of your site. You establish this confidence by making sure that when users click on your site, they find what they were looking for. Optimizing your website's content to convey information such as citations or references, dates, background information, location, contact details, opening and closing hours and other such details is the best way of upping its credibility. This can easily be done through the Google My Business utility interface, launched in 2014. This tool allows you to add your business information to Google Search, allowing Google to better understand your business.

The final aspect to SEO, is user experience. What is the main purpose of having a website? For most businesses, the answer is to attract visitors and convert them into clients. To do so, you need more than just a well-coded website. You must create a great experience that will determine how a visitor perceives your website. This is the only way to ensure that visitors spend time on your website, re-visit constantly and give it good reviews. Google picks up on this and uses it to rank web pages. Websites with high bounce rates and low average-time-on-site will rank lower because that indicates poor user experience.



Your Public Image and Reputation

It takes 20 years to build a reputation and five minutes to ruin it. If you think about that, you'll do things differently.

-- Warren Buffett

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