

Understanding Unit Trusts

Wealth Management Training

Disclaimer

Please note that the contents of this presentation are for education purposes only. It is not intended as a substitute for financial advice. Investors are advised to consult their Financial Advisor before making decisions based on the contents of this presentation

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I. Introduction to Cytonn Investments

ABOUT US

Cytonn Investments is an investment manager with presence in East Africa, Finland and the US. We provide investors with exposure to the high growth East African region. Our investors include global and local institutional investors, individual high net-worth investors and clients in the diaspora

FACT FILE

82 B

Over Kshs. 82 billion worth of under mandate projects

20+

Over 20 agents across the country and offices in 2 continents

400+

Over 400 staff members

10

10 investment ready projects

A unique franchise differentiated by:

Independence & Investor Focus

Focused on serving the interest of clients, which is best done on an independent platform to minimize conflicts of interest

Alternative Investments

Specialized focus on alternative assets - Real Estate, Private Equity, and Structured Solutions

Strong Alignment

Every staff member is an owner in the firm. When clients do well, the firm does well; and when the firm does well, staff do well

Committed Partners

Strong global and local partnerships in financing, land and development affiliate

What We Stand For



Our Purpose

We invest in innovative solutions that create wealth and transform lives

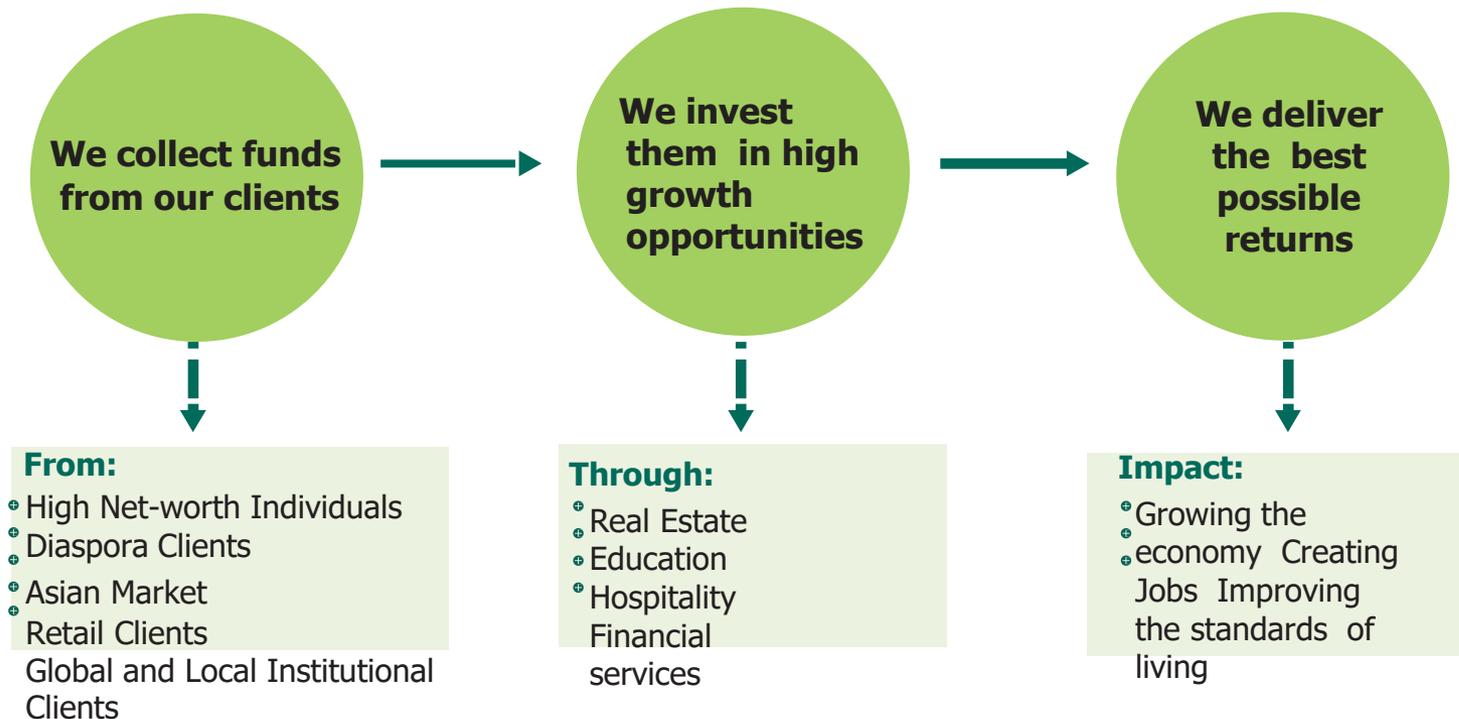


Our Values

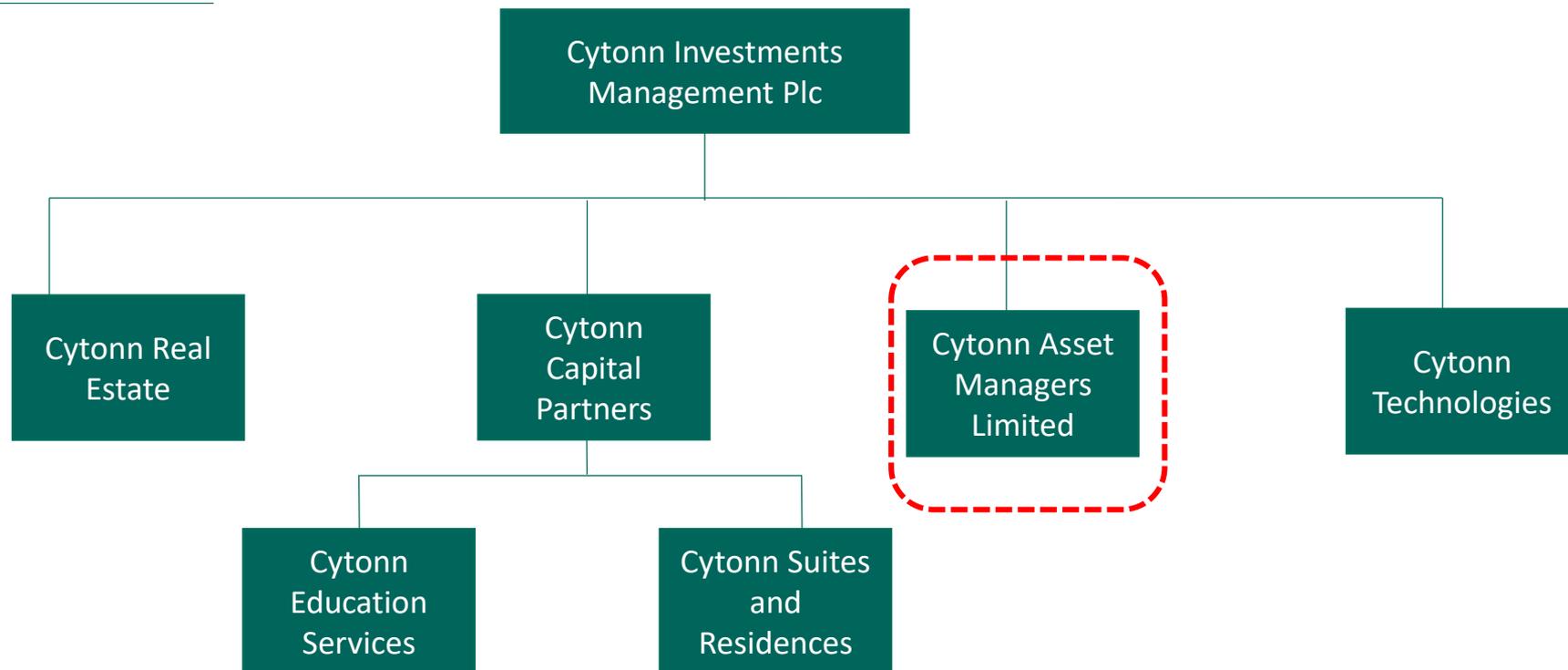
- **People**
 - Passionate and self-driven people who thrive in a team context
- **Excellence**
 - Delivering the best at all times
- **Client Focus**
 - Putting clients' interest first at all times
- **Entrepreneurship**
 - Using innovation and creativity to deliver differentiated financial solutions
- **Accountability**
 - We take both corporate and personal responsibility for our actions
- **Integrity**
 - Doing the right things

WHY WE EXIST

Africa presents an attractive investment opportunity for investors seeking attractive and long-term returns. Despite the investments markets in Africa having high and stable returns, only a few institutional players serve the market. Cytonn is focused on delivering higher returns in the investments markets, while providing the best client service and always protecting our clients' interests.



Cytonn Asset Managers Limited is the regulated affiliate of Cytonn Investments Management Plc



- Cytonn Asset Managers Limited (CAML) is the regulated affiliate of Cytonn Investments Management Plc. CAML is licensed by the Capital Markets Authority and the Retirement Benefits Authority and its key focus is on Pension Fund management and Collective Investments Schemes. Our objective is to offer superior risk adjusted investment returns to our clients that is above market average through investments in both public markets and alternative investments markets

II. Collective Investment Schemes

CIS is a pool of funds collected by a large number of investors for investing

- Collective Investment Scheme (CIS) is a pool of funds collected by a large number of investors so that they can access a range of investments
- In a bid to harmonize the laws on CIS across partners in East Africa, EAC came up with a directive which defines CIS as:
 - An Investment Company
 - A Unit Trust
 - Any scheme designated by regulatory authorities
 - Pooled resources by investors for the purposes of investing . The minimum amount of funds should be below Ksh.25 million

The two types of CIS is mutual funds and unit trust

There are two types of CIS permitted by the Capital Markets Act. These are **Mutual Funds** and **Unit Trust**

- **Unit Trust** is the main type of Collective Investment Fund in Kenya. This is whereby investors sharing the same financial objective pool funds give a group of professional managers. The managers will then invest in securities like shares, bonds, money market instruments or other authorized securities in order to achieve the objective of the fund. The investors will then be called unit holders
- A **Mutual Fund** on the other hand is similar to a unit trust but is structured as a company rather than a trust. The investors will then buy shares instead of units. If a fund group decides to become a mutual fund, then they will have to be listed on an approved securities exchange and raise a minimum of Ksh.25 million. If they fail to meet this thresh-hold then they will return the monies to the subscribers

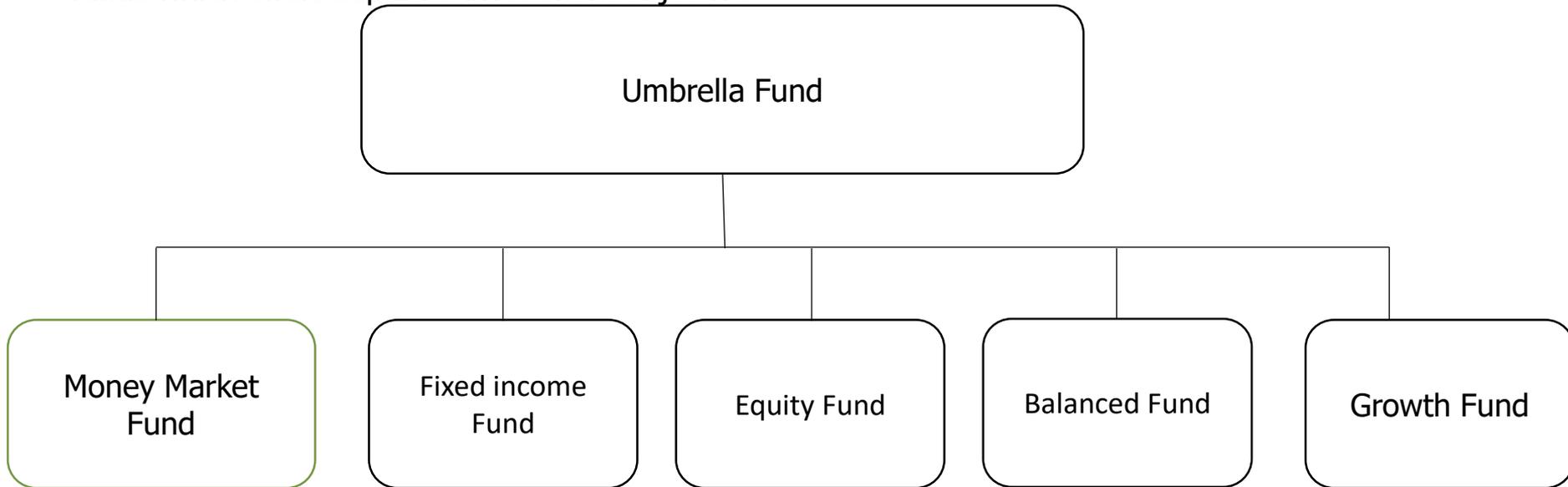
Introduction to Unit Trusts

Definition:

- A unit trust is a *separate, independent legal trust set up to meet a stated investment objective*. The trust is then broken up into equal ranking units.
- A unit trust is a unique and excellent way to accumulate wealth. It is a pool of savings by unit holders (Members). This pool is invested by professionals in carefully selected capital markets financial securities (shares, bonds, cash and other instruments).

There are five sub-funds of Collective Investment Schemes

- The collective investment scheme can be established like an umbrella and under it we can have sub-funds which offers separate investment objective



What Defines a Sub-fund

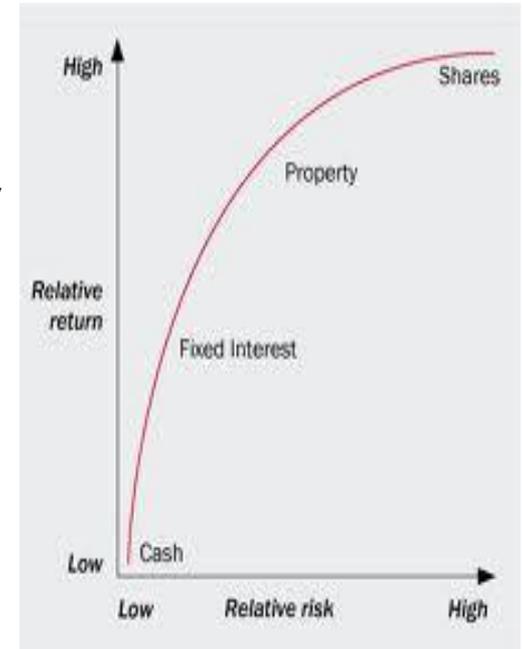
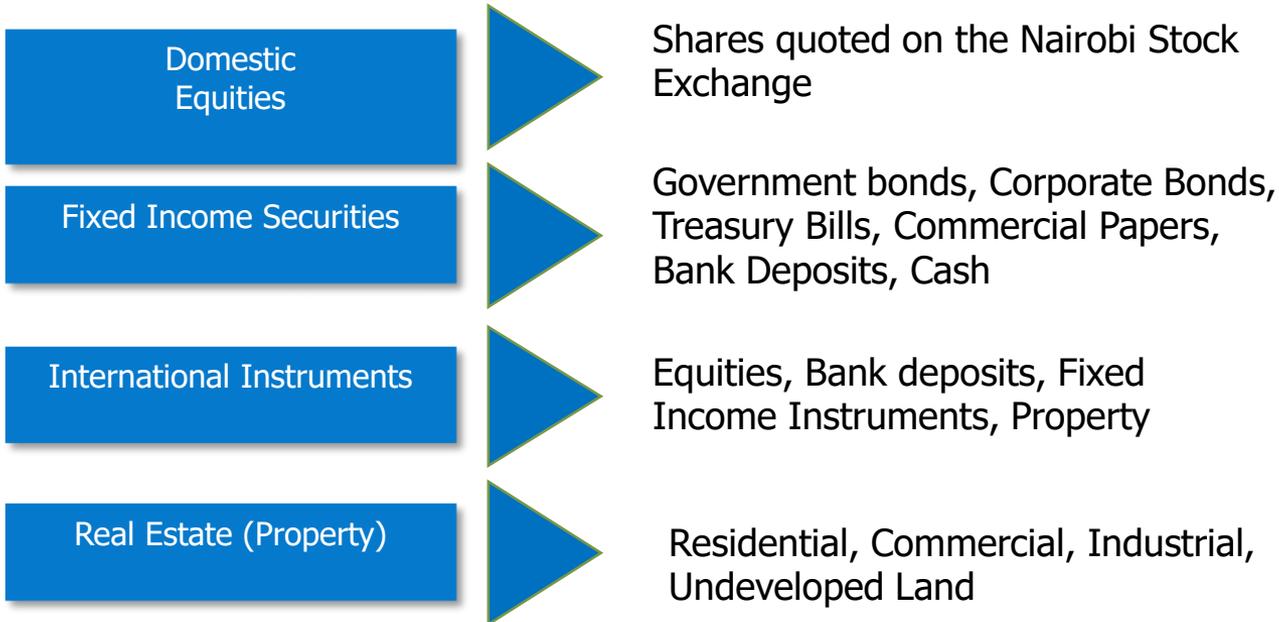
There are 4 main factors which determines a sub-fund

- There are several factors which determine a sub-fund. These are:

Factor	Money Market	Balanced Fund	Equity
Objective	Prefers liquidity & stable returns	Both liquidity and capital appreciation	Capital appreciation
Asset Allocation	The fund manager will invest in fixed income like treasury bills and bonds	The fund manager will invest in fixed income like treasury bills and bonds and equities	The fund manager will invest in equities
Risk Tolerance	Risk Averse	Moderate	Has a risk appetite
Time Horizon	Suitable for short term investors	Suitable for medium term investors	Suitable for long term investors

The unit trust will invest in Equities, Fixed Income Securities Real Estate among others

- Stock selection within various asset classes (top-down, bottom-up approach)



Investor Profile

BALANCED FUND

EQUITY FUND

MONEY MARKET FUND

WHO SHOULD INVEST?

Investors who:

- Typically ready to invest over the medium to long-term.
- Hold large cash balances but need extra returns at moderate risk.
- Seek to benefit from a well-diversified portfolio of market instruments.

Investors who:

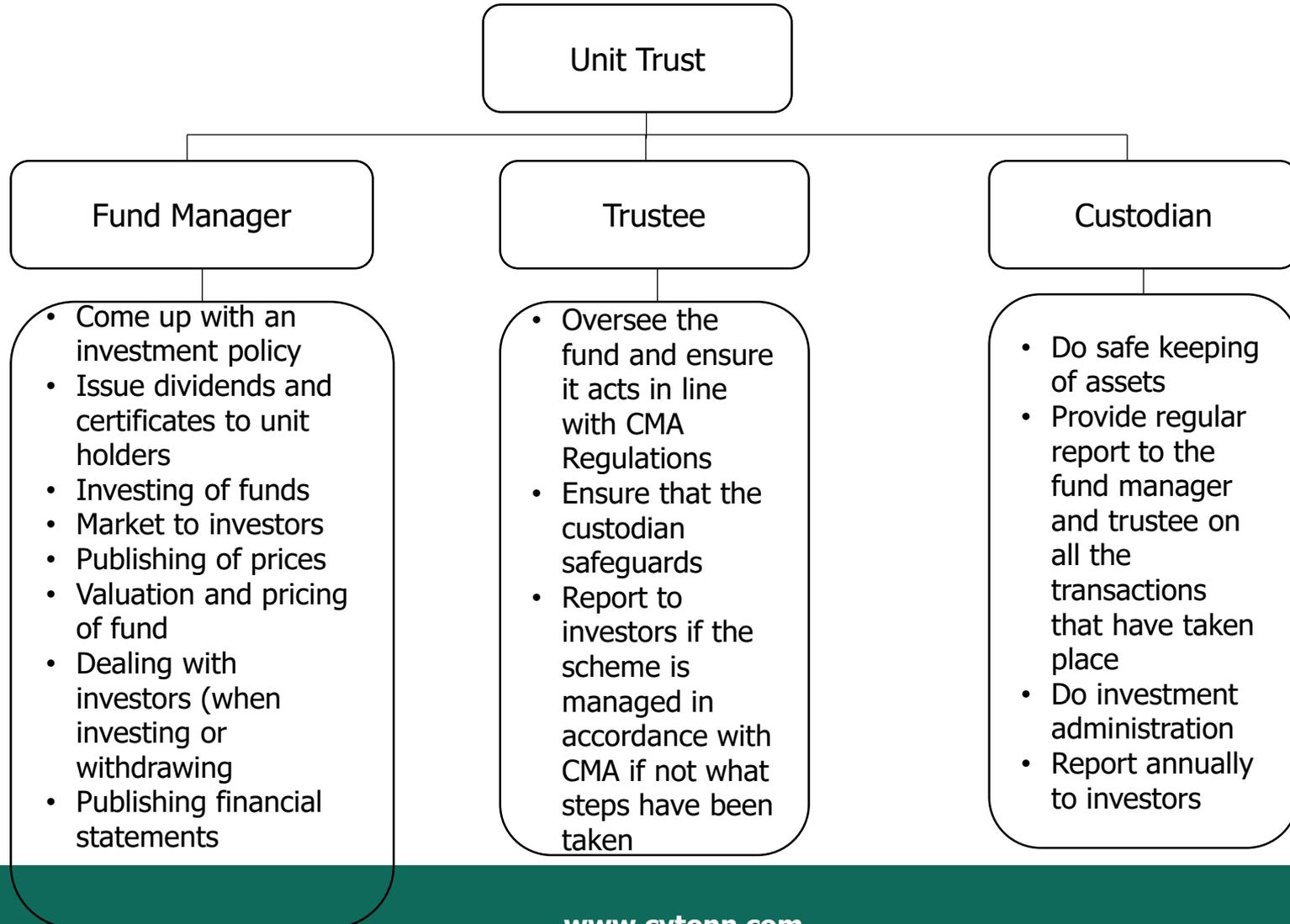
- Are seeking long-term capital growth from a well-diversified portfolio
- Typically have an investment horizon of more than four years
- Are comfortable with taking on some risk of market and potential capital loss

Investors who:

- Are seeking capital preservation whilst not seeking long-term capital growth
- A short-term parking bay for surplus funds particularly in times of market volatility
- A high degree of capital stability & are strictly risk averse

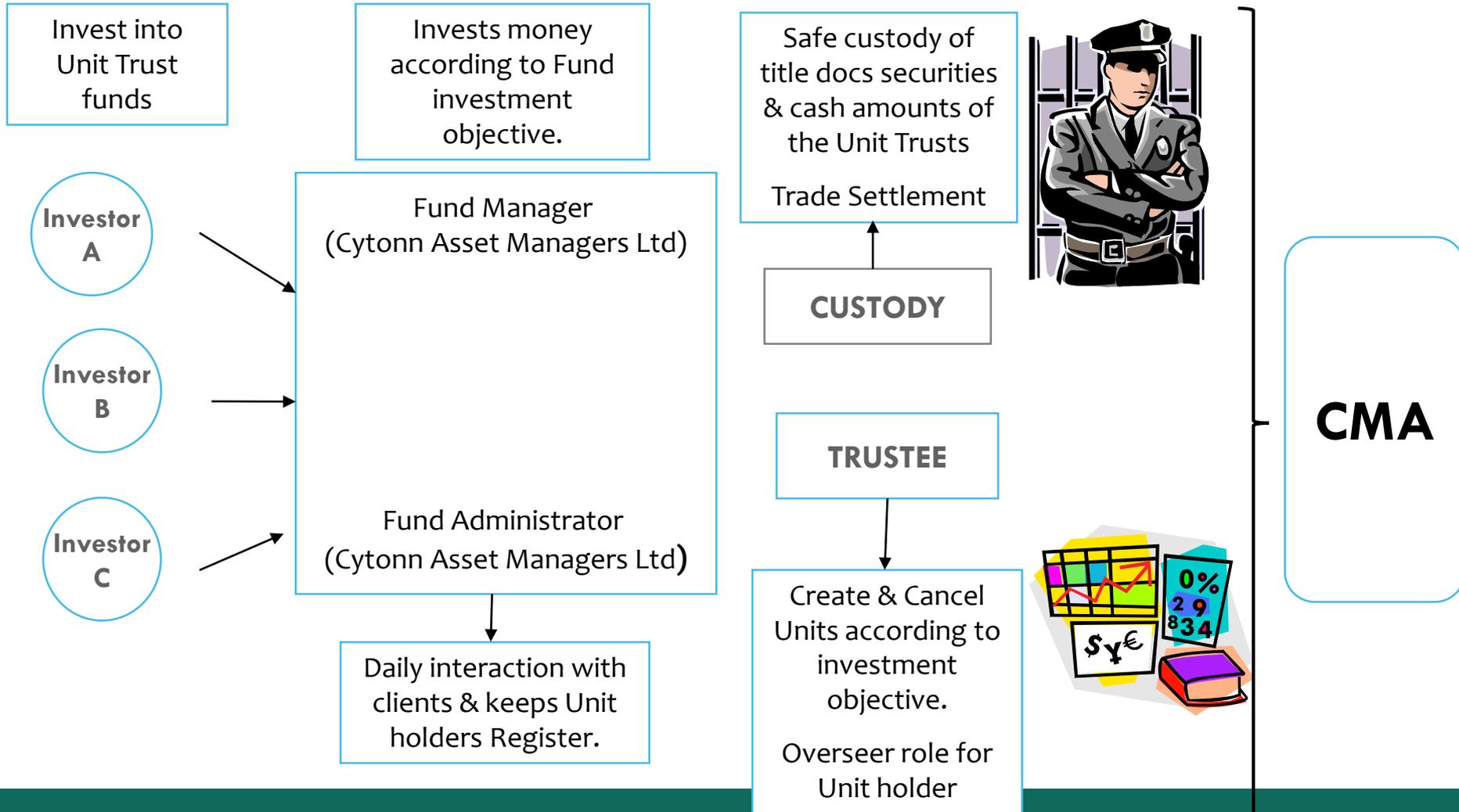
Participants in a Unit Trust

All the participants must be approved by the CMA



Participants in a Unit Trust

All participants must be approved by the CMA



Why invest in a Unit Trust

Small scale investors are able to diversify investments through unit trusts

Investors can buy stocks, shares and other securities independently. But Unit Trusts give investors the following advantages:

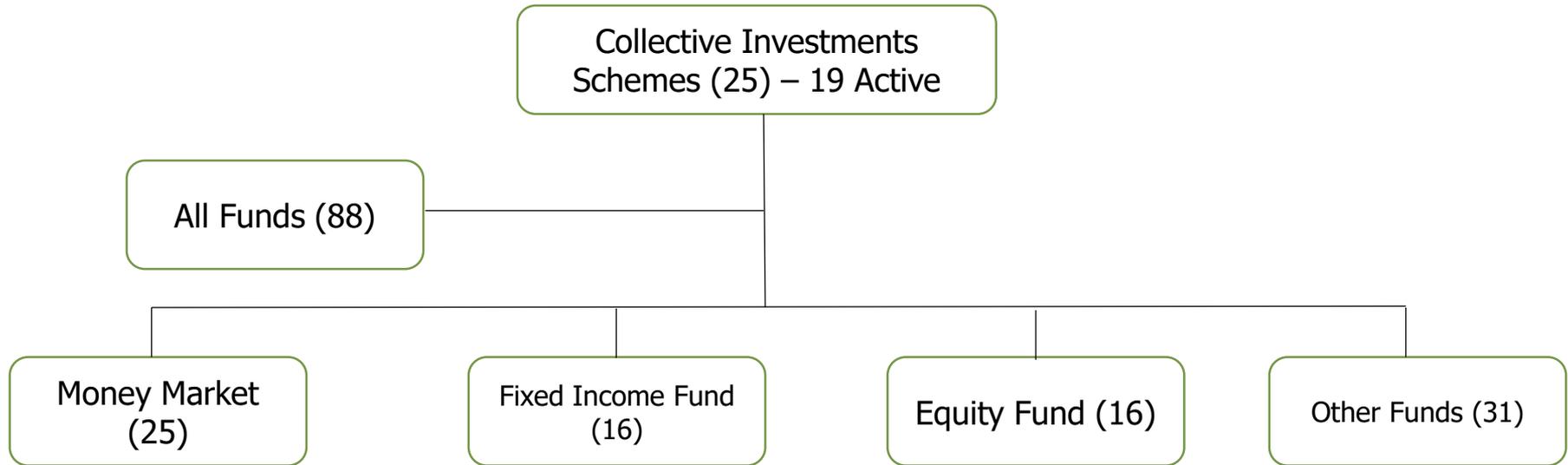
- **Professional fund management** – Fund managers have expertise because they have made investment decisions over different market conditions. This with other support functions like operations ensure the day to day transactions are efficient
- **Diversification** – Unit Trusts ensure diversification through investing in a variety of asset classes. Therefore, small scale investors are able to diversify their investments which would otherwise have not been able to because of requiring large sums of money
- **Security of Funds** – Unit trust are regulated by the CMA and Collective Investments Act which prohibits fund managers from taking certain risks. By law the fund manager must also appoint a trustee who will look after the assets which means if the fund manager collapses then the unit trust holder will not lose his investment
- **Easy Access** – A unit holder can easily convert their investment to cash
- **Higher returns** – History shows that unit trust investments perform as favorable as traditional investments and have proven to beat inflation
- **Transparency and Effective Communication:** It is mandatory for Unit Trust to publish their annual and daily rates on the newspaper therefore investors can easily monitor the performance as well as compare with other unit trusts. It is also mandatory for monthly statements to sent to investors.

III. Case Study – Kenya Collective Investment Schemes

Kenya has 25 approved Collective Investment Schemes (CIS)

OVERVIEW:

- There are 25 approved Collective Investment Schemes (CIS) made up of 88 funds. The most popular fund is the Money Market Fund; other funds include Fixed Income Funds, Equity Funds, Managed Funds, Balanced Funds, Income Funds, Growth Funds, Wealth Funds, Diversified Funds, Iman Funds and East Africa Funds



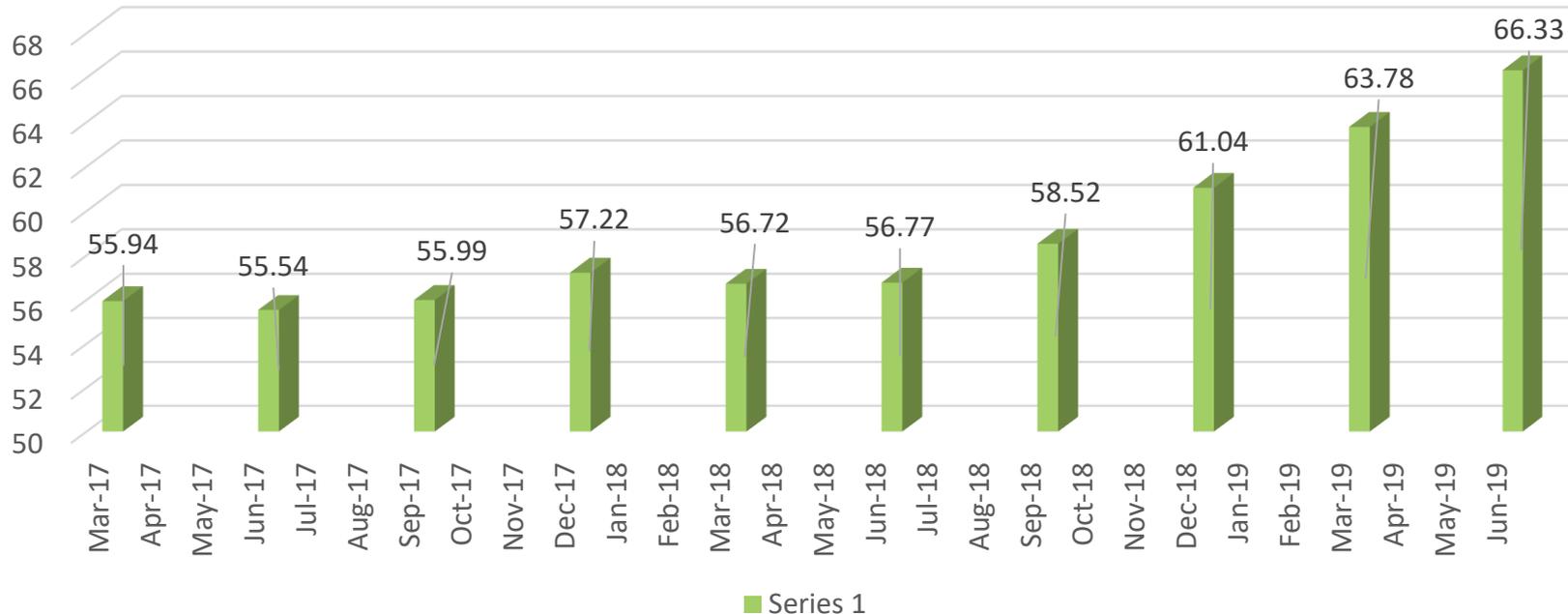
Source: Capital Markets Authority

Performance Of Funds For June 30, 2019

Kenya has 25 approved Collective Investment Schemes (CIS)

The Assets Under Management increased steadily over the past 2 years from 55 billion as at 31st March 2017 to 66 billion as at 30th June 2019

Assets Under Management in Billions



Source: Capital Markets Authority

Performance Of Funds For June 30, 2019

Money Market accounted for 85.2% of all funds

- Money Market fund accounted for 85.2% of all funds under management by Collective Investment Scheme for the quarter ended 30th June 2019

Percentage of Investment Per Category Fund



	Investment in Ksh.
Money Market Fund	56,520,581,916
Fixed Income Fund	4,523,893,045
Equity Funds	1,204,724,256
Other Funds	4,080,933,780
Total	66,330,132,997

Source: Capital Markets Authority

It is important to choose a fund manager with relevant experience

- It is important to choose a good fund manager in order to get good returns and to avoid losing your money
- Here are a few parameters you can use when selecting a fund manager
 - **Performance Ranking:** It is important to select a fund which consistently performs better than other fund managers. This will ensure you get the best returns.
 - **Relevant Experience of the fund manager:** One must ensure the fund manager has a good track in his past record including factors such as risk exposure, returns of previously managed funds, portfolio churning etc
 - **Consistency:** Try to look for consistency in the returns of general market funds and it might work as a stable source of income without much risk on the investment.
 - **Evaluate the Risk Exposure:** There might be a case where the fund manager might expose your funds at a higher risk so as to get better returns in an aggressive manner. This might not always suit your risk quotient. So, while choosing a fund manager, analyse all the aspects, mainly the risk quotient.
 - **High volatility:** It is important to ensure the fund manager that you choose does not have high volatility on returns especially by big margins.

Source: 5Paisa.com

III. Cytonn Unit Trust Schemes

Cytonn Unit Trust Scheme Offering

Cytonn Money Market Fund

The Cytonn Money Market Fund provides investors with a high level of current income while protecting their capital and offering added liquidity. The Fund has been outperforming the market and offering above average returns



Cytonn Equity Fund

The Cytonn Equity Fund is focused on investing in the best risk-adjusted returns in the equities market in Kenya and East Africa



Cytonn Balanced Fund

The Cytonn Balanced Fund focuses on offering investors current income, while also offering capital appreciation to investors in the Fund.



Cytonn High Yield Fund

CAML also offers a sector specific Fund called Cytonn High Yield Fund (CHYF). This fund invests heavily in the Real Estate sector thus giving investors access to the high returns in this sector and also offering capital appreciation to investors in the Fund.



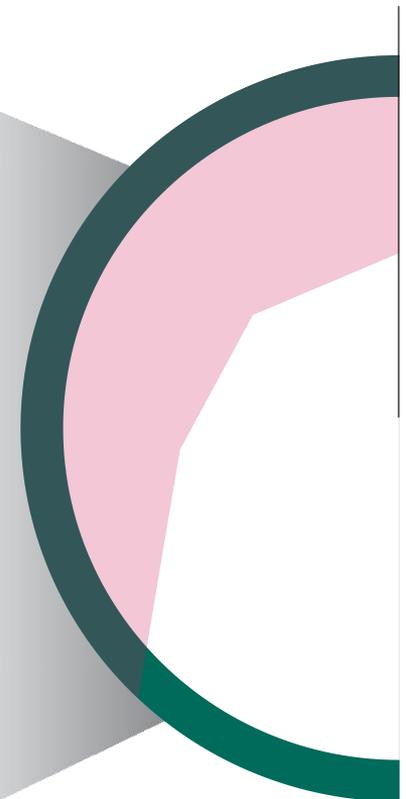
Cytonn Africa Financial Services Fund

Cytonn Africa Financial Services Fund is another sector specific Fund by CAML that seeks tap into the attractive returns in the financial services sector in the larger Sub-Saharan Africa Region.



Cytonn Fixed Income Fund *

The Fixed Income Fund seeks to maximize unit holders' returns while protecting the capital contributed by the unit holders



Cytonn Unit Trust Scheme Offering

The sponsor will be Cytonn Asset Managers Limited

Salient Details

Sponsor: Cytonn Asset Managers Limited

Fund Manager: Cytonn Asset Managers Limited

Trustee: Co-operative Bank Limited

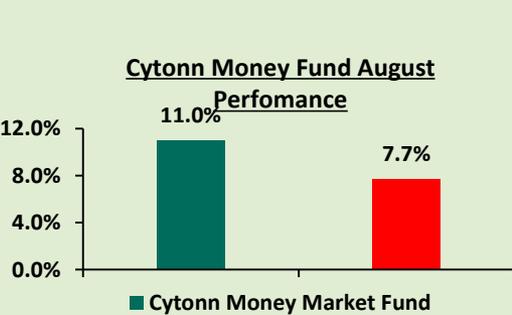
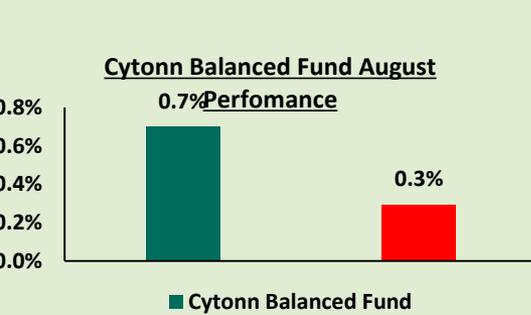
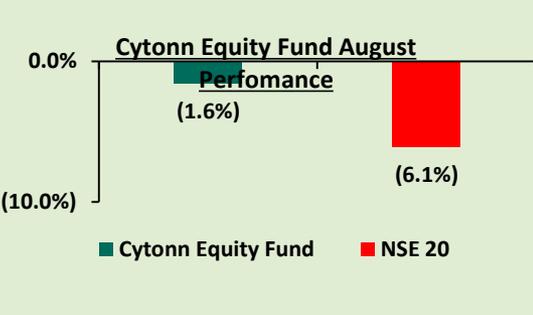
Custodian: Kenya Commercial Bank Limited

Investment Amounts:

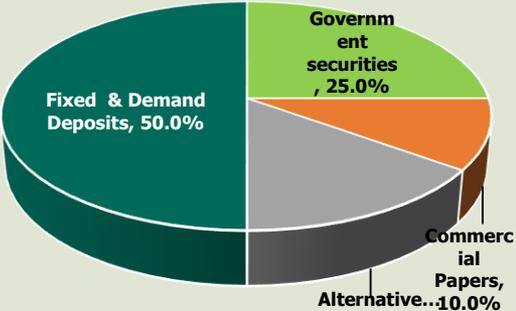
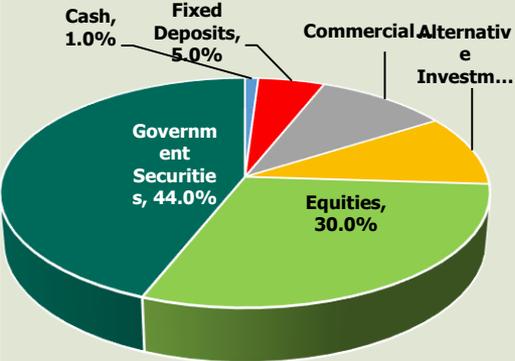
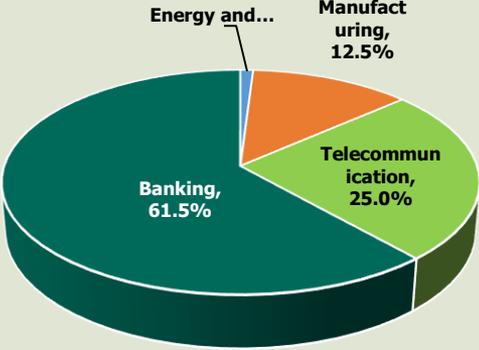
Minimum: Kshs 5,000.00 (**No Maximum**)

Minimum Additional Investment: Kshs 1,000.00 (**No Maximum**)

Cytonn Unit Trust Scheme - Fund Features

Fund Features	Cytonn Money Market Fund	Cytonn Balanced Fund	Cytonn Equity Fund																		
Fund Objective	<ul style="list-style-type: none"> The Cytonn Money Market Fund is a low-risk fund that seeks to obtain a high level of current income while protecting investor's capital and liquidity 	<ul style="list-style-type: none"> The Cytonn Balanced Fund is a medium-risk fund that seeks to achieve a reasonable level of current income and offer investors long-term capital growth 	<ul style="list-style-type: none"> The Cytonn Equity Fund is a moderate to high-risk fund that seeks to generate long-term capital growth and endeavours to maximize total return to investors over the long term by investments in both listed and unlisted equity securities 																		
Key Features	<ul style="list-style-type: none"> Fund Manager: Cytonn Asset Managers Limited Risk Profile: Low Minimum Initial Investment: Kshs. 5,000 Minimum Additional Investment: Kshs. 1,000 Annual Management Fee: 2.0% Initial Fee: Nil 	<ul style="list-style-type: none"> Fund Manager: Cytonn Asset Managers Limited Risk Profile: Medium Minimum Initial Investment: Kshs. 5,000 Minimum Additional Investment: Kshs. 1,000 Annual Management Fee: 2.5% Initial Fee: Nil 	<ul style="list-style-type: none"> Fund Manager: Cytonn Asset Managers Limited Risk Profile: Moderate to High Minimum Initial Investment: Kshs. 5,000 Minimum Additional Investment: Kshs. 1,000 Annual Management Fee: 2.5% Initial Fee: Nil 																		
Performance Vs Benchmark	<p>Cytonn Money Fund August Performance</p>  <table border="1"> <thead> <tr> <th>Entity</th> <th>Performance (%)</th> </tr> </thead> <tbody> <tr> <td>Cytonn Money Market Fund</td> <td>11.0%</td> </tr> <tr> <td>NSE 20</td> <td>7.7%</td> </tr> </tbody> </table>	Entity	Performance (%)	Cytonn Money Market Fund	11.0%	NSE 20	7.7%	<p>Cytonn Balanced Fund August Performance</p>  <table border="1"> <thead> <tr> <th>Entity</th> <th>Performance (%)</th> </tr> </thead> <tbody> <tr> <td>Cytonn Balanced Fund</td> <td>0.7%</td> </tr> <tr> <td>NSE 20</td> <td>0.3%</td> </tr> </tbody> </table>	Entity	Performance (%)	Cytonn Balanced Fund	0.7%	NSE 20	0.3%	<p>Cytonn Equity Fund August Performance</p>  <table border="1"> <thead> <tr> <th>Entity</th> <th>Performance (%)</th> </tr> </thead> <tbody> <tr> <td>Cytonn Equity Fund</td> <td>(1.6%)</td> </tr> <tr> <td>NSE 20</td> <td>(6.1%)</td> </tr> </tbody> </table>	Entity	Performance (%)	Cytonn Equity Fund	(1.6%)	NSE 20	(6.1%)
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Cytonn Unit Trust Scheme - Fund Features

Fund Features	Cytonn Money Market Fund	Cytonn Balanced Fund	Cytonn Equity Fund
Portfolio Strategy	<ul style="list-style-type: none"> The portfolio objective will be to outperform the income yield available on money market call accounts and fixed deposit accounts by investing in interest-bearing securities and other short-term money market instruments. These securities are usually available to the wholesale or institutional clients. The Fund will also be managed conservatively with active management of duration, credit and liquidity risks 	<ul style="list-style-type: none"> The fund seeks to outperform the yield on available money markets instruments like Treasury Bills and fixed deposits by maintaining a healthy diversified portfolio. To achieve this objective, the fund will be invested in a diversified spread of equities, fixed income securities and cash in order to achieve a balanced portfolio. It is ideal for investors looking for a mixture of safety, income and capital appreciation while providing investors with a fund that combines growth and income 	<ul style="list-style-type: none"> The fund will target investing in undervalued companies with growth potential, which present ample room for capital appreciation as well as dividend income growth. The fund seeks to outperform other funds, and the market benchmark NSE 20, by maintaining a carefully selected and diversified portfolio
Asset Allocation Strategy			
Target Return	<ul style="list-style-type: none"> 11.0% (*The target return is based on our model portfolio) 	<ul style="list-style-type: none"> 13.1% (*The target return is based on our model portfolio) 	<ul style="list-style-type: none"> 14.1% (*The target return is based on our model portfolio)

Why Cytonn Unit Trust Scheme

Investment in our units trust starts from as low as Kshs 5,000



- We offer a simple range of unit trust funds
- Anyone can invest in a unit trust and you will get to benefit from our investment expertise
- Unit trusts allow you the flexibility to access your money at any time
- Unit Trusts are the appropriate investment for individuals, “chamas”, investment groups, companies and other entities that seek to achieve good investment returns on their funds in a professionally managed environment.

Why Cytonn Unit Trust Scheme

Why invest with Cytonn Asset Managers

- Professional investment management coupled with adequate experience
- Flexible arrangement depending on choice of investment plan
- Safety of investments as all funds are managed via a custodian
- We seek to build and cement long term relationships
- We price our services very competitively
- We have a management team with a track record of delivering value

How to Join

Individuals and Companies can invest in the Unit Trust

Individuals:

- Dial *809# to create an account
- Alternatively you can visit the Cytonn Client Area and fill in your details

KYC documents required are:

- Identification - ID card or passport
- PIN Certificate Copy.
- Bank details – Copy of ATM Card or recent bank statement or a cancelled cheque

Companies/legal entities :

- Passport photographs of Directors/signatories
- Certificate of registration/ incorporation.
- PIN Certificate Copy.
- ID/passport copies of Directors/trustees/partners
- Memorandum and articles of association, partnership deed, trust deed and rules, constitution
- Bank details – Bank statement or copy of the ATM Card or a cancelled cheque
- Complete account opening forms

Contact Details

For any queries call us on 0709101200

Or email

bd@cytonn.com

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Q&A / AOB