



AFRICAN ALLIANCE
ASSET MANAGEMENT

KENYA UNIT TRUSTS

EQUITY FUND

MANAGED FUND

SHILLING FUND

FIXED INCOME FUND

African Alliance is an investment banking group operating in Africa. We provide local and on-the-ground investment banking services across the African continent.

Since 1992, African Alliance has built a substantial infrastructure in terms of offices and professional teams throughout the continent to meet the investment banking needs of our clients. These include national governments, municipalities, parastatals, pension funds and large to medium-sized public and private companies.

The African Alliance group has a unique pioneering philosophy aimed at building markets while developing solutions for our clients in a local context using our on-the-ground professionals. We are driven by outcomes and add real value by drawing on our collective skills and experience in:

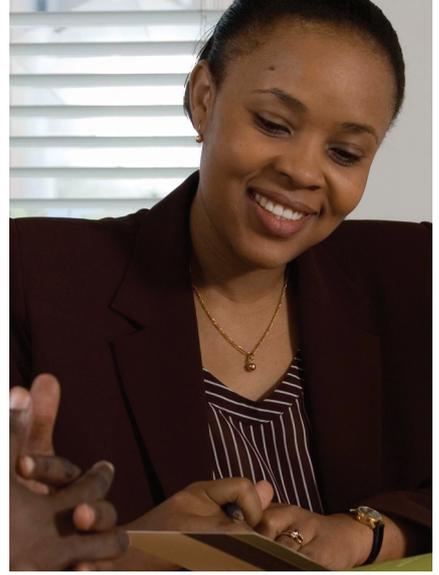
- Asset management
- Corporate finance
- Stockbroking
- Research
- Private equity
- Third-party administration
- Energy
- Minerals

African Alliance's businesses are licensed, where applicable, by domestic regulators. Our operating activities are conducted with transparency and integrity using various official codes of conduct.

Contents

What are Unit Trusts?	5
Why Invest in Unit Trusts?	7
Who should Invest in Unit Trusts?	9
African Alliance Kenya	
Equity Fund	12
Managed Fund	13
Shilling Fund	14
Fixed Income Fund	15

A unit trust is an investment that enables you to pool your money along with other investors who have similar investment objectives.



What are Unit Trusts?

A unit trust is an investment that enables you to pool your money along with other investors who have similar investment objectives.

Experienced investment managers, such as African Alliance, then invest this pool of money in a wide range of financial assets. These assets include equities, bonds and cash, issued in both local and international markets.

The total value of the pool of invested money is split into equal portions called units. When you invest in unit trusts, you are buying a portion of units of the total fund and you are referred to as a unit holder.

The unit price is dependent on the market value of the assets in which the pool of money is invested and is calculated daily. The value of the unit trust will rise and fall because it is linked to the value of shares and other assets in which the unit trust is invested.

**Unit trusts are
a very convenient
and low-cost way
of investing in
financial markets
otherwise difficult
to access.**



Why Invest in Unit Trusts?

Unit trusts are a very convenient and low cost way of investing in financial markets otherwise difficult to access. They also allow you to participate in the rewards of a diversified range of assets without the risks of a direct investment in one particular asset. Because your investment is spread over many assets, the overall risks are reduced.

Excellent Returns

History has shown that average returns from unit trust companies compare very favourably with returns from more traditional investment products. Unit trusts have also proved themselves as an excellent way of beating inflation. The longer you leave your money invested, the greater the opportunity for growth.

Expert Decision Making

African Alliance Kenya Unit Trusts are managed by highly qualified financial specialists - portfolio managers whose full-time job it is to make investment decisions. Few people have the necessary time, skills or experience to actively manage their investment and to research the best ways to make the most of their money on a day-to-day basis. With unit trusts, you gain access to expert management by trained professionals with historical track records of consistent returns.

Excellent Value

Unit trusts are specifically designed to give you excellent value for your investment. The pooling of investors' money increases the buying power of the fund and it enables fund managers to buy shares, bonds, money market and other assets that the small investor ordinarily would not be able to afford.

**African Alliance
Kenya Unit Trust
Funds are suitable
for all investors,
large and small.**



Who should Invest in Unit Trusts?

African Alliance Kenya Unit Trust Funds are suitable for all investors, large and small. Unit Trusts are the ideal investment vehicle for investors seeking exposure to the financial markets across the spectrum, from the individual to pension funds, companies and government institutions.

When deciding on your choice of unit trust, you should identify your needs and select a fund that best suits your investment or risk profile.

It is important to ask yourself the following questions:

What is your time-scale?

Are you a short or long-term investor? With unit trusts, you need to give your money time to grow. Unit trusts are a medium to long term investment (ideally a minimum of three to five years) allowing market fluctuations time to smooth out.

What is your appetite for risk?

The type of fund you choose will depend on the amount of risk you are prepared to take. Factors that determine the investor's risk level are age, health, income, financial/unit trust knowledge, and whether or not you have dependants. An investor seeking security and income would select either a money market fund or a fixed income fund. A more aggressive investor would prefer an equity fund and an investor seeking a mix of both current income and capital growth would opt for a balanced fund. Pension funds would look at the demographics of their participants as a whole when deciding on a suitable fund in which to invest. In a fund where most participants are nearing retirement age a fixed income fund would be most appropriate, whereas an equity or balanced fund would be more suitable in organisations or pension funds where most of the participants are of a younger age. The very structure of unit trusts enables pension funds to choose one or more funds to suit a broader range of participants, across all age and risk profiles.

Is the objective of the fund in line with your investment aims?

Do you want income or capital growth? Either option requires a match with the risk profile of the investor. If you require a regular income, you would choose an income fund or money market fund. If you require capital growth, you would choose an equity fund or a balanced fund, which is considered a medium risk fund with a broad spread of investments.

You always know how much you own

The buying price (price at which the fund will buy back your units) and selling price (price at which the fund sells units to the investor) of units are quoted daily in the national press, and can also be obtained directly from African Alliance Kenya Investment Bank. You can calculate the value of your investment at any time by simply multiplying the number of units you own by the buying price of the fund you are invested in.

Flexible Investment Options

You can either invest a lump sum amount, which means that your entire investment immediately benefits from the growth and income potential of the chosen unit trust, or you can make a regular investment each month, which is an easier way of building up capital and meeting your cashflow needs.



There is the advantage of liquidity and accessibility, because you can cash in all or part of your investment if necessary, at any time. Unit trusts are also transferable and you may invest in somebody else's name.

Unit trusts are typically medium to long term investments, i.e. three to five years and longer. It is recommended that you hold your units for a minimum 3-5 year term to reap the full benefit of the investment. It is important to note that unit prices can go down in value as well as up. However, historically the value of units have risen over the long term. By adopting a long term approach, you can potentially absorb any market declines and give your investment time to appreciate in value.

Administration and Security

African Alliance Kenya Investment Bank acts as the manager of the unit trust scheme and is responsible for the administration of the fund. African Alliance has extensive experience in the establishment and management of unitised investment funds throughout the continent. The fund has appointed an independent third party, Stanbic Bank Kenya Limited, to act as custodians and trustees of the fund.

How to Invest

Fund investors should complete an investor application form, available on request, and forward the completed copy to African Alliance Kenya Management Company Limited. A confirmation will be issued in respect of all initial transactions. The manager retains all investor details on the share register for each unit trust.

Dealing and Pricing

The currency of denomination for the fund is the Kenya Shilling. Issue and redemption prices for units reflect the net asset value of the fund each business day and are published daily in the local press. Prices quoted are net of any fees or charges levied - there are no hidden costs. Units may be bought or sold on any business day at the price per unit calculated at the close of business on that day. Units will be issued on the dealing day on which the application money has been cleared by the manager's

bankers. Investors may redeem all, or any part of their units, on any business day. Redemption proceeds will, in the ordinary course of business, be paid in Kenyan Shillings within 3 business days of receipt of the signed written instruction.

Reports and Accounts

A statement providing details of an investor's holdings will be sent out monthly. Audited annual reports and accounts will be prepared as at 31 December each year and a fund report will be sent to investors. Copies of the Trust Deed are obtainable from the offices of the manager or the trustee.

African Alliance Kenya Unit Trusts

African Alliance Kenya Unit Trusts are issued in compliance with Part IV of The Capital Markets Authority Collective Investment Schemes Regulations, 2001. As part of its initial launch of a comprehensive unit trusts suite, African Alliance Kenya has established four individual unit trusts, all of which are regulated by the Act. Each fund has a different investment objective and is managed by a dedicated portfolio manager where investment decisions are made only after a due process, involving in-depth research, has been undertaken.

Risk Warning and Important Information

The information contained within this document is important and should be read with due care. Any doubts about the contents of this document should be raised with your financial advisor. Under no circumstances whatsoever should any money, in respect of African Alliance Kenya unit trusts, be paid to any intermediary or third party unless explicitly advised by African Alliance Kenya. It should be emphasised that the value of investments can fall as well as rise and, accordingly, no guarantee of initial capital can be made. Past performance is no indication of future performance. An investment in unit trusts should be considered a medium to long term investment.

The directors of African Alliance Kenya Management Company Limited, accept responsibility for the accuracy of the information contained in this booklet.

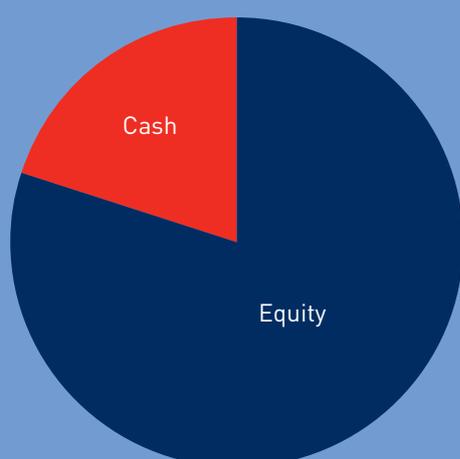
African Alliance Kenya Equity Fund

Investment objective policy

The primary investment objective of this unit portfolio is to seek growth in both capital value and income over the medium and long terms. The fund will invest predominantly in equities listed in the Nairobi Stock Exchange, and also other stock exchanges outside Kenya to the extent that such stock exchange is recognised by an equivalent body to the authority in such jurisdictions.

The fund will invest a minimum of 75% of the market value of the unit portfolio in equities at all times and generally seek maximum capital appreciation as their primary goal. A minimum of 80% of the equity portfolio will however, at all times, be invested in securities listed on the Nairobi stock exchange, and maximum of 20% of the equity portfolio outside The Nairobi Stock Exchange.

Typical Asset Allocation *



* These are representative only and will vary over time

Daily Pricing

This fund is priced daily on a net asset value basis. The daily price of the units is published in two national dailies and is also available via email. To calculate the value of your investment simply multiply the number of units you hold by the price of the unit.

Minimum investment

The minimum investment by any person is a lump sum of Ksh 100,000. There is no limit to the amount that can be invested. Investors are encouraged to arrange monthly investments.

Fees and Charges

A fund service fee of a maximum 2% per annum may be levied on the daily market value of the fund. The fund management service fee includes fund management trustee and custodial fees. The fund management fee is levied at the discretion of the management company and is subject to daily fluctuation but may not exceed the 2% maximum. A non-recurring initial charge of a maximum 5% may be levied. This charge is represented by the difference between the buying and selling price of the units, in order to encourage medium and long term investing.

All unit trust returns are after cost returns. No additional fees are charged to investors, and comparable returns should be considered on an after-cost basis.

Income Distribution

The entire net income attributable to the fund is distributed to investors registered such as the last day of June and December each year.

Taxation

At the present time the Fund will not incur any tax liabilities in Kenya. All income earned by the Fund is distributed to unit holders and taxable in their hands in accordance with their individual tax status.

African Alliance Kenya Managed Fund

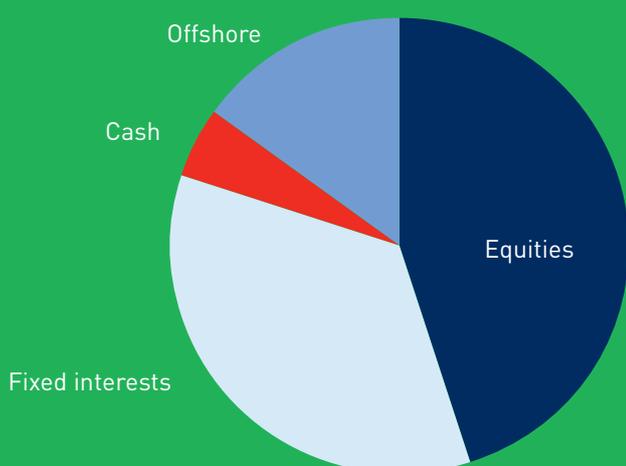
Investment objective policy

The African Alliance Kenya Managed Fund is a balanced fund, the primary objective of which is to seek long-term stability and capital growth, consistent with moderate investment risk and a reasonable level of current income.

The Fund will invest in securities listed on the Nairobi Stock Exchange as well as Kenya Government Treasury Bonds and local corporate bonds. A cash holding will be held at all times in order to facilitate ease of exit.

Property may be added to the portfolio over time and the fund has the ability to access global markets. These funds are ideally suited and tailored for the Kenyan pension and provident fund investor and the Fund is in full compliance with Retirement Benefits Authority investment guidelines. Investors in this fund should have a medium to long-term investment horizon.

Typical Asset Allocation *



* These are representative only and will vary over time

Daily Pricing

This fund is priced daily on a net asset value basis. The daily price of units is published in two national dailies and is also available via email. To calculate the value of your investment simply multiply the number of units you hold by the price per unit.

Minimum Investment

The minimum investment by any person is a lump sum of Ksh 100 000. There is no limit to the amount that can be invested. Investors are encouraged to arrange monthly investments.

Fees and Charges

A fund service fee of a maximum of 2% per annum may be levied on the daily market value of the fund. The fund management service fee includes fund management, trustee and custodial fees. The fund management fee is levied at the discretion of the management company and is subject to daily fluctuation but may not exceed the 2% maximum. A non-recurring initial charge of a maximum of 5% may be levied. This charge is represented by the difference between the buying and selling price of the units, in order to encourage medium to longterm investing.

All unit trust returns are after cost returns. No additional fees are charged to investors, and comparable returns should be considered on an after-cost basis.

Income Distribution

The entire net income attributable to the Fund is distributed to investors registered as such on the last day of June and the last day of December each year.

Taxation

At the present time the Fund will not incur any tax liabilities in Kenya. All income earned by the Fund is distributed to unit holders and taxable in their hands in accordance with their individual tax status.

African Alliance Kenya Shilling Fund

Investment objective policy

The primary objective of this unit portfolio is to seek an attractive level of current income and the preservation of capital. The Fund will invest in money market and short-term debt instruments. This fund is a superb and less risky alternative to bank deposits due to its maximum exposure of 10% to any one bank.

Daily Pricing

This fund is priced daily and quoted on a yield basis based on the underlying instruments held. The daily price of units is published in two national dailies and is also available via email. As the African Alliance Kenya Shilling Fund is a Money Fund, one Kenya Shilling invested equals one unit held.

Minimum Investment

The minimum investment by any person is a lump sum of Ksh 100 000. There is no limit to the amount that can be invested. Investors are encouraged to arrange monthly investments.

Fees and Charges

No initial charges are applicable on entry into the Shilling Fund. A maximum of 1% per annum may be levied on the daily market value of the fund portfolio. This maximum amount includes the trustee, custodian and fund management fees.

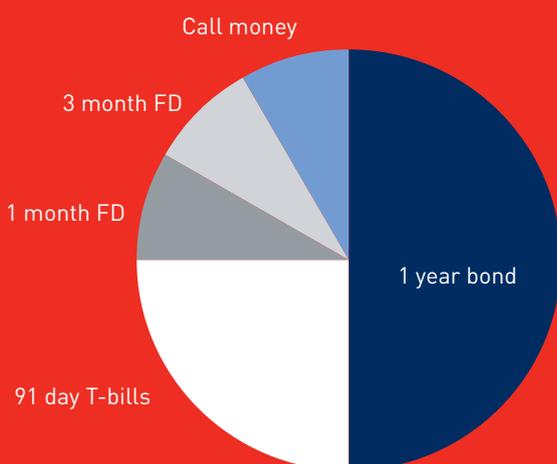
Income Distribution

The entire net income attributable to the Fund is distributed to investors registered as such at the end of each month.

Taxation

At the present time the Fund will not incur any tax liabilities in Kenya. All income earned by the Fund is distributed to unit holders and taxable in their hands in accordance with their individual tax status.

Typical Asset Allocation *



* These are representative only and will vary over time

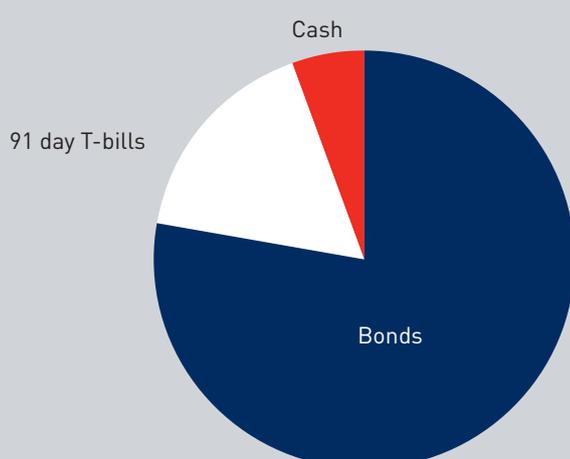
Fixed Income Fund

Investment objective policy

Investment Objective and Policy The primary objective of this unit portfolio is to seek medium-term stability and growth of capital consistent with moderate investment risk and a reasonable level of income. The Fund will invest in Kenya Government Treasury Bonds and local corporate bonds.

A cash holding will be held at all times in order to facilitate ease of exit. The unit price of this fund is less volatile than the Managed Fund due to the absence of any holdings of shares and is more appropriate for the conservative investor or those in, or approaching, retirement.

Typical Asset Allocation *



* These are representative only and will vary over time

Daily Pricing

This fund is priced daily on a net asset value basis. The daily price of units is published in two national dailies and is also available via email. To calculate the value of your investment simply multiply the number of units you hold by the price per unit.

Minimum Investment

The minimum investment by any person is a lump sum of Ksh 100 000. There is no limit to the amount that can be invested. Investors are encouraged to arrange monthly investments.

Minimum Investment

A fund service fee of a maximum of 2% per annum may be levied on the daily market value of the fund. The fund management service fee includes fund management, trustee and custodial fees. The fund management fee is levied at the discretion of the management company and is subject to daily fluctuation but may not exceed the 2% maximum.

A non-recurring initial charge of a maximum of 2.5% may be levied. This charge is represented by the difference between the buying and selling price of the units, in order to encourage medium to long-term investing. All unit trust returns are after cost returns. No additional fees are charged to investors, and comparable returns should be considered on an after-cost basis.

Income Distribution

The entire net income attributable to the Fund is distributed to investors registered as such on the last day of June and the last day of December each year.

Taxation

At the present time the Fund will not incur any tax liabilities in Kenya. All income earned by the Fund is distributed to unit holders and taxable in their hands in accordance with their individual tax status.



Contact Details

African Alliance Kenya Investment Bank
4th Floor, Kenya Re Towers, Upper Hill,
off Ragati Rd, Nairobi
P. O. Box 27639, Nairobi, 00506
Telephone: 020 2777 000
Facsimile: 020 2710 247
info@africanalliance.co.ke

Fund Administrator

African Alliance Kenya Investment Bank
Company Limited
(Incorporated in Kenya – Reg No. 123559)
Directors: D Kagagi, DT Mahony, P Obath

Trustee and Custodians

CFC Stanbic Bank Kenya Limited
Stanbic Bank Building, Kenyatta Avenue

Auditors

KPMG Kenya
Lonrho House, Standard Street

www.africanalliance.com