

AFRICAN ALLIANCE KENYA UNIT TRUST SCHEME
INFORMATION MEMORANDUM

In terms of Part IV of the Capital Markets Authority Collective Investment Schemes Regulations, 2001 "Permission has been granted by the Capital Markets Authority ("the Authority") to offer to the public the securities which are the subject of this issue. As a matter of policy, the Authority assumes no responsibility for the correctness of any statements or opinions made or reports contained in this information memorandum." This prospectus is valid as of January 2017.

The African Alliance Kenya Unit Trust Scheme was authorised as a collective investment scheme on 17 December 2002, constituted as a trust and comprising of the following unit portfolios ("the Funds"), each established by Supplemental Trust Deed to the Trust Deed,:

African Alliance Kenya Shilling Fund ("AAKSF")
African Alliance Kenya Managed Fund ("AAKMF")
African Alliance Kenya Fixed Income Fund (AAKFIF")
African Alliance Kenya Equity Fund ("AAKEF")
African Alliance Kenya Enhanced Yield Fund ("AAKEY")

The Funds are Unit Trust Funds of the African Alliance Kenya Unit Trust Scheme ("the Scheme"), registered in terms of Supplemental Deeds to the African Alliance Kenya Unit Trust Scheme Trust Deed ("the Trust Deed"), each individually, at the offices of the Fund Manager, which is the address where the Trust Deed, including Supplemental Deeds thereto, and any other periodic reports in respect of the Scheme may be obtained.

RISKS ASSOCIATED WITH INVESTMENT: It is important to note that there are risks associated with unit trust investments, and more specifically that the price of units may fall as well as rise. There may well be a difference between the sale and repurchase price of units in the Funds. It is suggested, should you have any queries with regard to this information memorandum or investing in the Funds, that you consult a financial advisor to assist you.

APPLICABLE TAX LAWS: As funds domiciled in Kenya, the Funds fall under the tax laws of Kenya. As all the income is distributed, the Funds themselves do not attract any income taxes. Unit holders are cautioned that their particular tax position will depend on a number of circumstances and that it may be desirable to consult a suitably qualified advisor.

UNIT HOLDERS' RIGHTS: All unit holders shall have a real right to their units and each unit is entitled to an undivided share of the relevant Fund and ranks equally with other units. The holders shall not be liable for the debts of the collective investment scheme. In no event shall a unit holder have or acquire any rights against the Trustee or the Fund Manager except as expressly conferred upon such unit holder in terms of the relevant Trust Deed. The Trustee shall not be bound to make any payment to unit holders except out of Funds held or controlled by it for that purpose under the relevant Trust Deed.

UNIT HOLDER VOTING RIGHTS: In terms of the relevant Trust Deed, each unit holder present shall be entitled to vote, either personally or by proxy, on a show of hands on any matter affecting his rights. The trustee shall ensure that instructions given to it by the Fund Manager, as to the exercise of voting rights attaching to the underlying securities held by the Fund on behalf of the unit holder, are carried out in a manner considered by the Fund Manager to be in the best interests of the unit holders.

DENOMINATION OF UNITS: The Funds will be denominated in Kenyan Shillings.

REQUIRED CAPITAL: Each Fund shall have at all times a minimum of KES100,000 invested capital and shall comprise Securities and/ or application monies received or deemed to be received by or to the order of the Fund Manager and cash.

WINDING UP OF THE FUNDS: The Funds shall be wound up by court order, except under the following provisions; Each Fund shall be perpetual provided, however, that if at any time after two years from the date of the registration of the relevant Trust Deed the market value of any individual Fund is less than KES 5 million, the Fund Manager may in its unrestricted discretion wind up such a portfolio. In the event of effect being in accordance with the provisions relating to winding up given in the Companies Act, to a proposal to wind up the affairs of a Company otherwise than by the court, and provided that the Authority shall have first exercised its powers to intervene in the management of any individual Fund before an application is made to court for winding up of the relevant Fund on or before notice is given to wind up the affairs of the relevant Fund otherwise by the court, the Trustee shall commence to make a full enquiry into the affairs of the relevant Fund so as to ascertain whether the relevant Fund will be able to meet all its liabilities (inclusive of contingent and prospective liabilities) and the Fund Manager shall prepare a statement confirming whether the relevant Fund will be able to meet all its liabilities within 12 months of the date of the statement, or whether such confirmation cannot be given. The Fund Manager shall as soon as practicable, publish in two daily newspapers of national circulation management's decision to wind up the relevant Fund. Once the Fund Manager has taken the decision to wind up the relevant Fund, regulations pertaining to pricing, dealing, investment and borrowing powers cease to apply to such Fund. The relevant Fund shall cease to issue, cancel, sell or redeem units. No transfer of a unit will be registered and the relevant Fund will cease to carry on its business, except so far as it may be beneficial to its winding up. On the winding up of the relevant Fund, the Fund Manager shall realise all the underlying securities comprising such Fund as expeditiously as possible having regard to the interests of the unit holders, but shall incur no liability by reason of the exercise of its discretion as to the time of realisation of any security. Upon the realisation of the entire Fund in question and once all the liabilities of such Fund have been met, the Fund Manager shall make a final distribution.

INVESTMENT OBJECTIVES AND POLICY: Investments to be included in the unit portfolio shall comprise a mix of securities and liquid assets as defined in the Capital Markets Act, acquired at fair market value with the aim of achieving the primary investment objective.

1) The African Alliance Kenya Shilling Fund's primary investment objective is to seek an attractive level of current income and the preservation of capital. The Fund shall invest in money market and short-term debt instruments providing that such instruments do not exceed 13 months to maturity and that the average period of such investments in the portfolio shall not be more than 90 days. Where Investments are held with a bank they shall

only be held with the Central Bank of Kenya or banks registered in terms of the Banking Act and which are regulated by the Central Bank of Kenya. The market value of an investment in any company or units in a unit trust or Collective Investment Schemes ("CIS") shall not exceed 20% of the net asset value of the Fund. Securities issued by any one company or units in a unit trust or CIS shall be limited to 5% of the aggregate issued number of all securities of that class in the case of a company and 25% of the aggregate issued number of all securities of that class in the case of units in a unit trust or CIS.

2) The African Alliance Kenya Managed Fund's primary investment objective is to seek long-term stability and growth of capital consistent with moderate investment risk and a reasonable level of current income. The Fund will at all times comply with the current investment guidelines laid down by the Retirement Benefits Authority in addition to the following restrictions: The market value of an investment in any one company shall not exceed 10% of the net asset value of the Fund nor shall the market value of an investment in a CIS or investment company of a similar nature exceed 20% of the net asset value of the Fund. Securities issued by any one company or units in a unit trust or CIS shall be limited to 5% of the aggregate issued number of all securities of that class in the case of a company and 25% of the aggregate issued number of all securities of that class in the case of units in a unit trust or CIS.

3) The African Alliance Kenya Fixed Income Fund's primary investment objective is to seek medium-term stability and growth of capital consistent with moderate investment risk and a reasonable level of income with the following restrictions: The market value of an investment in any one company shall not exceed 10% of the net asset value of the Fund nor shall the market value of an investment in a CIS or investment company of a similar nature exceed 20% of the net asset value of the Fund. Securities issued by any one company or units in a unit trust or CIS shall be limited to 5% of the aggregate issued number of all securities of that class in the case of a company and 25% of the aggregate issued number of all securities of that class in the case of units in a unit trust or CIS.

4) The African Alliance Kenya Equity Fund's primary investment objective is to provide unit holders with growth in both capital value and income over the medium and long terms. The Fund will invest predominantly in equities listed on the Nairobi Stock Exchange, and also other stock exchanges outside Kenya to the extent that such stock exchange is recognized 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 maximum of 80% of the equity portfolio will however, at all times, be invested in Securities listed on the Nairobi Stock Exchange, and a maximum of 20% of the equity portfolio outside the Nairobi Stock Exchange. The market value of an investment in any one company shall not exceed 10% of the net asset value of the Fund or 120% of the weight of the ordinary shares of that company or concern in the Nairobi Stock Exchange All Share Index, nor shall the market value of an investment in a CIS or investment company of a similar nature exceed 20% of the net asset value of the Fund. Securities issued by any one company or units in a unit trust or CIS shall be limited to 5% of the aggregate issued number of all securities of that class in the case of a company and 25% of the aggregate issued number of all securities of that class in the case of units in a unit trust or CIS.

A minimum of 5% will be invested in cash investments at all times. The securities included in a Unit Portfolio in the Funds shall consist of a maximum of 80% of Market Value of Listed

Securities. The Funds may not encumber or pledge any part of the Fund in a way not expressly provided for in the Act, nor may the Fund borrow on an unsecured basis.

5) The African Alliance Kenya Enhanced Yield Fund's primary objective is to preserve capital over the medium-term whilst providing consistent income generation within moderate risk parameters by investing in a diversified portfolio of domestic short and medium-term corporate and sovereign debt securities. In order to achieve this objective, the Fund Manager will construct a portfolio comprising a broad range of secured and unsecured, listed and unlisted securities, corporate and government bonds, debentures, medium term notes, promissory notes and bills of exchange that are consistent with the portfolio's investment policy. Such instruments may be held directly by the portfolio or indirectly by means of other similar investment vehicle or vehicles holding such investments.

The Fund will invest predominantly in securities listed on the Nairobi Stock Exchange, and other stock exchanges outside Kenya to the extent that such stock exchange is recognized by an equivalent body to the Authority in such jurisdictions. A maximum of 80% of the portfolio will be invested in securities listed on the Nairobi Stock Exchange or securities issued by the Government of Kenya.

Neither shall the market value of an investment in any one issuer nor the market value of the total exposure to investments in securities not listed on the Nairobi Stock Exchange exceed 25% into of the net asset value of the Fund.

The market value of an investment in a Collective Investment Scheme or investment company of a similar nature shall not exceed 25% of the net asset value of the Fund.

MINIMUM NUMBER OF UNITS THAT MAY BE PURCHASED

The minimum number of units that may be purchased in the AAKMF, AAKFIF and AAKEF by a unit holder shall be that number having a value of not less than KES100,000 (one hundred thousand Kenyan Shillings) for a lump sum investment or of KES1,000 (one thousand Kenyan Shillings) for a monthly investment.

The minimum number of units that may be purchased in the AAKSF by a unit holder shall be that number having a value of not less than KES100,000 (one hundred thousand Kenyan Shillings) for a lump sum investment.

The minimum number of units that may be purchased in the AAKEYF by a unit holder shall be that number having a value of not less than KES10 000 (ten thousand Kenyan Shillings) for a lump sum investment.

The above minimum investment amounts may be lowered at the discretion of the Fund Manager.

ACCOUNTING PERIODS AND DISTRIBUTIONS: The Funds' financial year-end is 31 December.

The AAKSF and AAKEYF accrue income daily which is then distributed to unit holders on the last day of every month.

AAKFIF, AAKEF and AAKMF distribute income to unit holders biannually.

Distributable income is determined by taking the aggregate of the accrued income of the Funds received or receivable for the account of the relevant Fund in respect of the period, including income equalisations on the creation of units, and deducting the charges and expenses of the relevant Fund paid or payable out of the income of the relevant Fund in respect of the period, and further deducting income equalisations arising on the cancellation of units in the relevant Fund, adding the Fund Manager's best estimate of any relief from tax on such charges and expenses, and any other adjustments the Fund Manager considers appropriate.

FUND MANAGER: African Alliance Kenya Investment Bank Limited is a private company with limited liability, incorporated on 22 March 2006 under registration number 123559, with issued and fully paid up share capital of KES 250 million. The registered office address of the Fund Manager is Kenya-Re Towers – Fourth Floor, Upper Hill, P O Box 27639 - 00506, Nairobi. African Alliance Kenya Investment Bank Limited is a wholly owned subsidiary of African Alliance Stockbroking Holdings Limited, incorporated and registered in the Republic of Mauritius under registration number 74457, which in turn is a wholly owned subsidiary of African Alliance Limited, incorporated in the Isle of Man.

MATERIAL PROVISIONS OF THE TRUST DEED IN RESPECT OF THE FUND MANAGER AND THE SCHEME RELATING TO HOLDERS

Publication of financial information: The Fund Manager shall publish in at least 2 (two) daily English newspapers of national circulation in Kenya, sufficient information based on the annual reports submitted to the Authority in respect of each accounting period to give Holders an understanding of the investment performance of each Unit Portfolio.

Fund Manager's periodic charge: The periodic charge applicable to a Unit Portfolio shall be calculated at a daily rate not exceeding 2% (two percent) per annum of the daily Market Value of the total assets of that Unit Portfolio including Income Accrued to such time, and shall be that rate specified in the supplemental Trust Deed of such Unit Portfolio.

Increase in periodic charge: In the event of any increase in the periodic charge specified in the supplemental Trust Deed, Holders will be advised in writing not less than 90 (ninety) days in advance of the implementation of the change. Any increase in the periodic charge shall not apply to any contracts for the sale of Units entered into at a date prior to the date on which such increase came into effect.

Payment of periodic charge: The amount accrued on account of the periodic charge shall be paid in arrears to the Fund Manager from the Income Account of the Unit Portfolio on or after the first Business Day after the end of a calendar month for the preceding period.

Exclusive of taxes: The periodic charge charged is exclusive of Value Added Tax or any other indirect taxes, which shall be for the account of the Holder.

Removal of Fund Manager by Holders: A Fund Manager shall be removed by 3 (three) months notice in writing by the Trustee to the Fund Manager if:

- 1) An extraordinary resolution is passed by the Holders removing the Fund Manager; or
- 2) The Holders of 75% (seventy five percent) majority in value of the Units in existence (excluding Units held or deemed to be held by the Fund Manager or by any associate

of the Fund Manager) request in writing to the Trustee that the Fund Manager be removed.

Fund Manager liable for fraud and negligence: In the absence of fraud or negligence by the Fund Manager, the Fund Manager shall not incur any liability by reason of any matter or thing done or suffered or omitted by it in good faith under the provisions of the Capital Markets Act Chapter 485A (“the Act”) or the Trust Deed. The Fund Manager shall not be under any liability except such liability as may be expressly assumed by the Fund Manager under the Act or this Trust Deed, nor shall the Fund Manager, save as expressly provided in the Trust Deed, be liable for any act or omission of the Trustee.

TRUSTEE & CUSTODIAN: CFC Stanbic Bank Kenya Limited, incorporated in Nairobi, Kenya on 12 November 1970. The registered office of the Custodian is 2nd Floor, Stanbic Building, Kenyatta Avenue, P O Box 30550, 00100 GPO, Nairobi. Its principal business is corporate and retail banking, taking deposits and making advances, custodial, trustee and related financial services.

MATERIAL PROVISIONS OF THE TRUST DEED IN RESPECT OF THE CUSTODIAN AND THE SCHEME RELATING TO HOLDERS

A Custodian may be removed by 3 (three) months notice in writing given by the Fund Manager to the Custodian if –

- 3) The Custodian fails or neglects after reasonable notice from the Fund Manager or Trustee to carry out or satisfy any duty imposed on the Custodian in accordance with the agreement; or
- 4) The Holders, by extraordinary resolution resolve that such notice be given, and the Fund Manager appoint as Custodian some other qualified institution with the approval of the Authority.

AUDITOR: Grant Thornton Kenya, 5th Floor, Avocado Towers, Muthithi Road, Nairobi, Kenya.

EVIDENCE OF TITLE: The Fund Manager shall issue certificates to provide evidence of title on request from a unit holder. A record of all unit holder interests will be kept in a register, and all distributions or dividends will be paid in terms of the register. The register will be kept at the offices of the Fund Manager at the Fourth Floor, Kenya Re Towers, Upper Hill, Off Ragati Road, Nairobi.

PAYMENTS TO THE FUND MANAGER: The Fund Manager shall be entitled by way of remuneration to cover expenses and fees in performing its obligations and to pay the remuneration to the Trustee and the Trustee’s disbursements and the Auditor’s fees and expenses. The Fund Manager’s remuneration shall take place in the form of an initial charge to be included in the selling price of a unit, and shall be fixed at the discretion of the Fund Manager from time to time, but shall not exceed 5% of the price of the unit. No initial charge is included in the selling price of the AAKEYF.

A monthly payment to the Fund Manager shall be made in the form of a commission charge, and shall be fixed by the Fund Manager at its discretion from time to time, and shall be calculated at a daily rate not exceeding 2% per annum for the AAKMF, AAKFIF and AAKEF; 1% per annum for the AAKSH; and 0.75% per annum for the AAKEYF, inclusive of accrued interest.

The payments made to the Fund Manager in the form of either charge, are charged exclusive of VAT or any other indirect taxes, which shall be for the account of the unit holder. The Fund Manager reserves the right to waive or rebate any, or any portion of, the payments made to the Fund Manager at its discretion. In the event of an increase in either the initial or commission charge, holders will be advised in writing not less than 90 days in advance of the implementation of the change. At the discretion of the Fund Manager, a redemption fee may be charged up to an amount of 0.50% of the value of the redemption amount.

SALE AND REDEMPTION OF UNITS: The Fund Manager will receive requests for the issue and redemption of units from 08h00 to 16h00 on all business days. The Fund Manager shall instruct the trustee to create shares in the scheme in such number at least as will enable the Fund Manager to fulfil its obligations to issue units whether from the units so created or from other shares. For that purpose, the Fund Manager has the exclusive right to accept application monies for the purpose of the Trust. The minimum number of units that may be purchased shall be determined by the Fund Manager from time to time. Any application monies paid in respect of a unit to be created shall, after deduction of the initial charge and any other compulsory charges, if any, included in the price of the unit to be sold, be paid into a trust account under the supervision and control of the Trustee. Upon such payment such unit shall be deemed to have been created and issued. Save during the 2 months immediately prior to the termination of the unit portfolio and subject to the terms of the Trust Deed, any holder desiring to sell any units shall be entitled by valid notice in writing received by the Fund Manager, to require the Fund Manager to repurchase such units. The trustee shall pay the repurchase price of the units to the holder. In the event of a holder desiring to sell at any one time more than 20,000 units, or KES250,000 worth of market value of the Fund, the Manager may at its discretion, require a period of 4 days in order to establish a price for the repurchase of the units. The repurchase of units by the Fund Manager can be suspended in the event of any recognised securities, bond or futures exchange on which the Fund is invested being closed on a business day, the disposal of the underlying securities is not reasonably practicable or is not in the interests of the holders and the Trustee is satisfied that it is not reasonably practicable. The suspension of the repurchase of units by the Fund Manager shall cease as soon as the Trustee is satisfied that the market value of the underlying securities can be practicably determined or within 28 days of the commencement of the suspension of the dealings in units. The Fund Manager shall have exclusive right and absolute discretion, by notice in writing to the Trustee to effect reductions of units. The unit prices of the Fund will be published on all business days in The Daily Nation and East African Standard. The Trustee shall pay the repurchase price of the units to the holder within 6 days from receipt of a valid written instruction by the Fund Manager.

CANCELLATION OF UNITS: The Fund Manager shall have the exclusive right and absolute discretion, by notice in writing to the Trustee to effect reductions of a Unit Portfolio by the surrender of Certificates to the Trustee for cancellation or by requiring the Trustee to cancel Units in respect of which no Certificates are outstanding. Such notice shall state the number of Units to be cancelled and the amount payable to the Fund Manager in respect thereof, which amount shall be calculated in terms of the Trust Deed. Before exercising such right, it shall be the duty of the Fund Manager to ensure that a Unit Portfolio includes (or will, upon completion of the sale of Securities which may have to be sold as a result of the cancellation

of Units, include) cash sufficient to pay the amount payable to the Fund Manager upon such reduction.

VALUATION OF THE FUND: The formula to determine the net asset value per unit is to divide the aggregate market value of the underlying assets of the Fund less its liabilities by the units in issue. The Fund is priced on a forward basis. The valuation point for determining the repurchase price quoted by the Fund Manager and the price payable by the Trustee shall be the end of the business day on which a valid written request to repurchase and redeem is received by the Fund Manager and Trustee respectively.

GENERAL INFORMATION: The Fund Manager shall provide the Trustee, the Authority and unit holders with an audited annual report not more than 3 (three) months after the end of an accounting period. The Fund Manager shall publish and submit to the Authority an unaudited interim report for the half year period ending on the last day of June in each year. A quarterly report stipulating the valuation of the fund, the costs of all investments and their estimated yields, and a review of the investment activity and performance of the Fund will be provided by the Fund Manager to the Trustee and the Authority.

The details contained in this Information Memorandum are an extract from the Trust Deed and other Fund documentation of the Fund Manager and are meant for information purposes only. The Information Memorandum will at all times be ancillary to the Trust Deed.