

**MINUTES OF THE 13th ANNUAL GENERAL MEETING OF THE NCBA UNIT TRUST
HOLDERS HELD ON FRIDAY 31st MAY, 2019 AT 10.15 A.M. AT NCBA CENTRE,
MARA/RAGATI ROADS, UPPER HILL, NAIROBI**

PRESENT:

1.	Jeremy Ngunze	Acting Chairman
2.	Kathure G. Nyamu	MD NCBA Investment Bank
3.	Victor Kithinji	Unit Holder
4.	Hawi Oguna	Unit Holder
5.	Margaret K. Gimaiyo	Unit Holder
6.	Antony Gwaro	Unit Holder
7.	Marie Nzungize	Unit Holder
8.	Patricia Koech	Unit Holder
9.	Noah Otieno	Unit Holder
10.	Lydia Bosire	Unit Holder
11.	Maina Edwin Njoroge	Unit Holder
12.	Kenneth Mugira	Unit Holder
13.	Milcah W. Gitau	Unit Holder
14.	Odoch Pido	Unit Holder
15.	Absalom K. Kosgei	Unit Holder
16.	Francois Gasengayire	Unit Holder
17.	Dr Margaret Nyambura Ndung'u	Unit Holder
18.	Hilary Kariuki	Unit Holder
19.	Emma Ng'ang'a	Unit Holder
20.	Judy Waithaka	Unit Holder
21.	Muthoni Orlale	Unit Holder
22.	Elizabeth Mwalimo	Unit Holder
23.	Anne Muhato	Unit Holder
24.	Arnold Magoto	Unit Holder
25.	Nzuki Mwania	Unit Holder
26.	Joachim M. Kyalo	Unit Holder
27.	Miriam Thuo	Unit Holder & Proxy for Mary Githui
28.	Irene Maina	Unit Holder
29.	Jimmy Karanu Waruingi	Unit Holder
30.	Mwenda Rarama	Unit Holder
31.	Kiambo Njagi	Unit Holder
32.	Dennis Kariuki	Unit Holder
33.	Florence Kinyua	Unit Holder
34.	Justus M. Oyagi	Unit Holder
35.	Benjamin Gitonga	Unit Holder
36.	Hannah Kariuki	Unit Holder
37.	Brian Onsogo	Unit Holder
38.	Sherlin Muasya	Unit Holder
39.	Patrick Mungai	Unit Holder
40.	Damaris Kinyua	Unit Holder
41.	Zena Karani	Unit Holder
42.	Festus Otiende	Unit Holder
43.	Joyce A. Litunya	Unit Holder
44.	Grace N. Kimata	Unit Holder
45.	Ruth Makokha	Unit Holder

46.	Mincelet Asiligwa	Unit Holder
47.	Nancy Inayo	Unit Holder
48.	Peniteta Ibayo Okusimba	Unit Holder
49.	Owen Rubia	Unit Holder
50.	Leo Kinyoi	Unit Holder
51.	J. W. N. Adew	Unit Holder
52.	Daniel Njuguna	Unit Holder
53.	Dennis P. Musiko	Unit Holder
54.	Iddah Omondi	Unit Holder
55.	Lorraine Osiemo	Unit Holder
56.	Peter Muema	Unit Holder
57.	Paul Gicheru	Chief Investment Officer, NCBA
58.	Steven Maleche	Senior Portfolio Manager, NCBA
59.	Sandie Moturi	NCBA Bank – The Custodian
60.	Timothy Ndemwa	Kenya Commercial Bank – The Trustee
61.	Daisy Kiprono	Capital Markets Authority – The Regulator
62.	Esther Njiru	Pricewaterhouse Coopers – The Auditors
63.	Jackson Nyaga	Representing the Trust Secretary
64.	Elizabeth Karua	Representing the Trust Secretary & Taking Minutes

APOLOGIES:

- | | | |
|----|----------------|-----------------|
| 1. | Isaac Awuondo | Chairman |
| 2. | Rosemin Bhanji | Trust Secretary |

The Acting Chairman called the meeting to order at 10.41 a.m.

MINUTE NO.	DISCUSSION															
MIN 01/2019	<p><u>CONSTITUTION OF THE MEETING</u></p> <p>The Acting Chairman welcomed the Members to the thirteenth Annual General Meeting.</p> <p>The Notice and Agenda for the meeting, having been circulated to the Members, was taken as read.</p> <p>The Acting Chairman having presented apologies from the Chairman, Mr Isaac Awuondo and the Trust Secretary, Mrs Rosemin Bhanji, confirmed that the meeting had quorum and that the meeting had been properly convened.</p>															
MIN 02/2019	<p><u>WELCOME NOTE AND INTRODUCTION OF TEAM MEMBERS</u></p> <p>The Acting Chairman acknowledged the presence of the following:</p> <table> <tr><td>1.</td><td>Daisy Kiprono</td><td>Capital Markets Authority – The Regulator</td></tr> <tr><td>2.</td><td>Sandie Moturi</td><td>NCBA Bank – The Custodian</td></tr> <tr><td>3.</td><td>Timothy Ndemwa</td><td>Kenya Commercial Bank – The Trustee</td></tr> <tr><td>4.</td><td>Esther Njiru</td><td>Pricewaterhouse Coopers – The Auditors</td></tr> <tr><td>5.</td><td>Kathure G. Nyamu</td><td>MD, NCBA Investment Bank</td></tr> </table>	1.	Daisy Kiprono	Capital Markets Authority – The Regulator	2.	Sandie Moturi	NCBA Bank – The Custodian	3.	Timothy Ndemwa	Kenya Commercial Bank – The Trustee	4.	Esther Njiru	Pricewaterhouse Coopers – The Auditors	5.	Kathure G. Nyamu	MD, NCBA Investment Bank
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	<p>6. Paul Gicheru Chief Investment Officer, NCBA Investment Bank</p> <p>7. Steven Maleche Senior Portfolio Manager, NCBA Investment Bank</p> <p>8. Jackson Nyaga Representing the Trust Secretary</p> <p>9. Elizabeth Karua Representing the Trust Secretary</p>
<p>MIN 03/2019</p>	<p><u>APPROVAL OF THE MINUTES OF THE 12TH ANNUAL GENERAL MEETING HELD ON 15TH JUNE, 2018</u></p> <p>The minutes of the previous AGM held on 15th June 2018, having been circulated to members, were taken as read.</p> <p>The approval of the minutes was proposed by Emma Ng'ang'aand seconded by Francois Gasengayire and the same were <u>unanimously adopted</u> by the Unit Holders.</p>
<p>MIN 04/2019</p>	<p><u>FUND MANAGER REPORT PRESENTATION – NCBA INVESTMENT BANK</u></p> <p>The report was presented by Steven Maleche who highlighted the following:</p> <p>1. <u>Summary of the Fund Manager's Role</u></p> <ul style="list-style-type: none"> ➤ Advising the Trustees on the available investment options; ➤ Investing scheme assets according to the approved investment policy; ➤ Reporting to the Trustees on the performance of the scheme funds – 4 quarterly meetings; ➤ Submitting appropriate quarterly returns to CMA. <p>2. <u>2018 Economic and Market Review</u></p> <ul style="list-style-type: none"> ➤ World Bank economic update pointed out to a stronger economy in 2018. Gross Domestic Product (GDP) grew by 6.3% in the year 2018 compared to 4.9% in 2017 (KNBS). Growth was driven by improved agriculture and remittance inflows. ➤ Growth in 2019 was expected to come in at 5.7% (World Bank), slightly lower than 2018. Risks such as delayed rains affected the growth rate. ➤ Gross Domestic Product (GDP) Sectoral Contribution – Agriculture grew by 6.4% in Financial Year 2018 compared to 1.9% in Financial Year 2017 while manufacturing expanded by 4.2% compared to 0.5% the previous year. Agriculture sector was buttressed by favorable weather conditions while manufacturing was supported by increased agro-processing. ➤ Inflation trends for 2018 – Inflation in the Financial Year 2018 averaged at 4.7% compared to 8.0% the previous year. This was largely supported by good weather that supported lower food prices. Inflation for the current year 2019 was expected to hold within the Central Bank's inflation target of 5% +/- 2.50%. However, risks to this outlook were likely to stem from an increase in food and energy prices in the coming months. ➤ T-bill yields have remained low. The 91-day, 182-day rates were stuck with the 364-day significantly dropping. The Bills averaged 7.758%, 9.523% and 10.449% respectively. Excessive market liquidity, in light of interest rate

	<p>capping, helped in achieving a general decline in interest rates during the year.</p> <ul style="list-style-type: none"> ➤ Long-term Interest Rates – Yields had been going down across the yield curve giving investors potential gains of Government Bond papers. ➤ Shilling vs major currencies – In 2018, the US Dollar, Great Britain Pound and Euro depreciated by -1.36%, -6.77% and -5.68% respectively to close the year at Kes 101.78/USD, Kes 116.84/Euro and Kes 130.03/GBP. ➤ Equity Markets Performance - The stock market recorded negative returns in 2016 and 2018 with a slight recovery in 2017. In 2018, the market was depressed with foreign investors being net sellers. The poor performance was also attributable to poor performance by listed companies especially the banking sector. The market recovered in 2019, with better performance from the banking sector and telecommunication sector. <p>3. <u>2018 Milestone</u></p> <ul style="list-style-type: none"> ➤ In October 2018, NCBA Dollar Investment Fund was registered. The new fund aims at providing investment opportunities for clients with US Dollar cash flows. It offers same day liquidity like the money market fund subject to redemption request being within the required time and on a working day. ➤ The Fund attained tax exemption status. Taxes were now levied on the basis of the each unit holder’s unique tax status; <ul style="list-style-type: none"> • 15% withholding tax of interest income from Money Market Fund and Dollar Investment Fund; • Tax exemption on exempt investments e.g. Infrastructure & Euro Bonds are passed on to investors; • 5% tax on dividend distribution on the Equity Fund; • Fund can now provide withholding tax certificates to investors. • Withholding tax is final for individual investors. <p>4. <u>2018 Fund Performance</u></p> <ul style="list-style-type: none"> ➤ NCBA Money Market Fund performance averaged at 8.1%, (compared to 8.0% in 2017) with a 91-Day T-Bill rate of 7.8% and average bank deposit rate of 7.8%. Steven further informed the Members that most of the fund’s investments were in government securities. ➤ NCBA Dollar Investment performance was at 0.62% since launch in October 2018. ➤ NCBA Equity Fund recorded a decline of 11.83% for the year 2018. The Nairobi Stock Exchange (NSE 20 Index) and the Nairobi All Share Index (NASI) declined by much higher proportions of -23.66% and -17.97%. <p>5. <u>2018 Outlook</u></p> <ul style="list-style-type: none"> ➤ Kenya’s Economic growth was expected to be lower than 2018 at 5.7%. ➤ Interest rate capping regime was expected to continue during the year. ➤ Inflation might experience an upward trend on food and energy price rises. ➤ Consumer spending was likely to come under strain on lower disposable income.
<p>MIN 05/2019</p>	<p><u>ANNUAL FINANCIAL REPORT, REPORT OF THE TRUSTEES AND THE REPORT OF THE AUDITORS FOR THE YEAR ENDED 31ST DECEMBER 2018</u></p>

The Annual Financial Report, Report of The Trustees and the Auditors Report for the Year Ended 31st December 2018, having been circulated, were taken as read.

The Acting Chairman invited the Members to ask questions, regarding the Financial Statements, if any.

Query

Nzuki Mwanja sought to establish why there were negative earnings for the year 2018 as compared to 2017 represented on the Statement of Comprehensive Income of the Equity Fund

Response

The Fund Manager representative, Steven Maleche, responded by highlighting that the Equity Fund primarily invested more than 60% of its assets in the Equity Market. He further highlighted that the Equity Market value decreased in value during the year hence the negative result. The Fund Manager however noted that aim of the Fund in the long run was to have a positive return by selecting the right stocks and changing the allocation of how much was held in equities.

Query

Ann Muhato sought to establish why Unit Holders were no longer receiving the return on investment reports, as it was required by law.

Response

Paul Gicheru responded by highlighting that the fund managers were required to show investors the returns they earned on their funds. The fund fact sheet was distributed together with the monthly statements. It showed the return on a unitholder's investment in that particular month. He further noted that there was a system challenge in putting the return on investment report on the face of the statement hence the reason why the monthly statement was supplemented with the fact sheet. The Members were informed that the Fund was working on a solution to be able to put the return on investment report on the face of the statement.

Query

Emma Ng'ang'a sought to establish how the Fund Manager was communicating to the Unit Holders as this was the first time she had heard about the Dollar Investment Fund. She further sought to establish if the Dollar Investment Fund was operational and how the Unit Holders were supposed to learn about any new product.

Response

Steven Maleche responded by confirming that the Dollar Investment Fund was operational since October 2018. He further highlighted the Trust Fund Manager needed to put more effort in terms of spreading information to its

Members. Kathure Nyamu apologized on behalf of the Trust Fund for that failure and assured the Members that an email would be sent immediately informing the Members of the Unit Trust Fund about the new product.

Query

Ann Muhato sought to establish when the tax-exempt status was attained and if the tax exemption was applicable to all the funds.

Response

In response, Paul Gicheru informed the Members that the tax exempt status was attained in October 2018. He further clarified that the tax exemption meant that going forward the Trust Fund was able to pass on tax advantages coming from the underlying investments, which were tax exempt to the investor. In addition, Paul clarified that with tax exemption, investors were able to reinvest without paying tax on the reinvestment and that the Trust Fund was able to attract investors with tax-exempt status. The Members were informed that the monthly Statement contained tax obligations that were paid on behalf of the investor.

Paul Further highlighted that:

- Any income interest earned on a fixed deposit is taxed at 15%
- Any interest earned on a Government Security that was less than 10 years is taxed at 15%
- Any interest earned on a Government Security that was above 10 years at the point of issue is taxed at 10%
- There is a category of Government Securities that are not taxed. These include the Infrastructure Bond and the Euro Bonds.

These were the tax advantages passed on to the investors depending on the mix of assets that were selected by the fund.

Query

Antony Gwaro sought to establish the reason for the dipping of the price of the Stanlib Fahari IREIT shares and how far along were the projects that were invested in from the revenue that was generated from the IPO since 2016. He highlighted that the basis of his question was the fact that he had bought the Stanlib Fahari IREIT shares through CBA Capital as the stock broker.

Response

Paul Gicheru responded by confirming that the Trust Fund did not have the Stanlib Fahari IREIT shares as part of its Investments. He however requested Steven Maleche to respond to the queries from the Unit Holder for information purposes.

Steven Maleche informed the Members that he was only able to respond based on the available public information, which was that at the time of listing, the value of the Stanlib Fahari IREIT properties were Kes 19/20. The shares were issued at the value of the property. Post listing, the Company had not attained the minimum 75%

investment in properties, which was the regulation that they were supposed to abide with from the CMA. They later on managed to achieve this requirement. According to the Financials that were recently released, the value of the property was above Kes 19 but the share price was around Kes 8/9. This was because markets value a company above or below the value of its assets depending on what the investor's sentiment.

Steven went ahead to clarify that CBA Capital acted as one of the stockbrokers in the IPO for Stanlib Fahari IREIT shares and that these shares did not form part of any of the CBA the Trust Funds.

Query

Ann Muhato sought to establish what mitigating actions that the fund manager was pursuing for the CBA Equity Fund in order to reduce their investment risk as there was no foreseen improvement in the listed shares in the near future.

Response

Steven Maleche responded by highlighting that the fund manager managed the risk that the equity market could slide in price and also weighed against the opportunity of it increasing in value by managing the allocation as the first level of risk mitigation. At the second level, the fund manager had a variety of counters for investment purposes and to manage the risk.

In addition, Paul informed the Members that the fund manager took a view on stocks whereby a long-term approach was used when investing in the equities as the equity market was known to be volatile on a continuous basis.

The Chairman further assured the Members that the Fund Manager had invested in research and therefore a lot research was done before investing in any of the equities.

Query

As a follow question, Arnold Magoto sought to establish if the Trust Fund had taken a hit by over-investing in the banking sector, which was affected by the interest capping hence the negative results, and if that was the case, what the fund manager was planning to do to mitigate this risk.

Response

Paul Gicheru responded by informing the Members that considering the structure of the Nairobi Stock Exchange (NSE) whereby Safaricom was 45% of the Market, Banking sector was at around 40% while the other sectors were at 15%, the Fund Manager had decided to be biased towards the financial services sector. This was because most of the other counters had taken a hit during the year 2018. The fund manager did not want to have a one-entity risk by investing in one counter (Safaricom).

Query

Nzuki Mwanja sought to establish what the Fund Manager was doing to broaden their market or investment portfolio in order to bail out the unit holders from any anticipated losses. He also sought to establish if the Fund Manager had considered investing in the International Market.

Response

Steven Maleche informed the Members that he had considered new products and listings.

In response to the second part of the question, Steven informed the Members that the Trust Fund was legally allowed to invest on the East African Exchanges. However, it was likely that if the Fund Manager had invested in the two major East African Exchanges, that is, the Dar es Salaam Stock Exchange and the Uganda Securities Exchange, they would have made a loss as their currencies had weakened against the dollar and the Kenyan Shilling.

Steven further added that legally, the Trust Fund was allowed to invest 10% outside East Africa (off shore). By investing outside East Africa, the fund would be taking on the currency risk, which could have ultimately resulted in a loss.

Query

Emma Ng'ang'a sought to establish why the Fund Manager had not considered having a Hedge Fund.

Response

Paul responded by informing the Members that the Hedge Fund came at a cost and additional risks with an outlook that the Hedge Fund cost would diminish any gains achieved from the offshore investment.

Query

Nzuki Mwanja sought to establish if there was quorum at the time when the meeting started and whether the officials formed part of the quorum.

Response

The Acting Chairman confirmed that there was quorum at the time when the meeting started. He further confirmed that only 4 of the officials that were introduced at the beginning of the meeting were not Unit Holders.

The Question and Answer session was concluded.

The adoption of the Financial statements for the Year Ended 31st December 2018 together with the Report of The Trustees and the Report of the Auditors was

	proposed for adoption by Nzuki Mwanja and seconded by Emma Ng'ang'a and the same were <u>unanimously adopted</u> by the Unit Holders.
MIN 06/2019	<p><u>APPOINTMENT OF EXTERNAL AUDITORS</u></p> <p>The auditors Messrs. PricewaterhouseCoopers who had been the external auditors for the past year expressed willingness to continue in office.</p> <p>The Unit Holders were of the view that they should be involved in the process of selecting the external auditors.</p> <p>The Chairman dispelled the Unit Holders' concerns by assuring them that the Fund Manager had followed the laid due process of selection of the external auditors before tabling the same for approval by the Unit Holders.</p> <p>Following the above deliberations, the re-appointment of PricewaterhouseCoopers as the external auditors of the Unit Trust Fund for the year 2019 was proposed for approval by Francois Gasengayire and seconded by Odoch Pido and the Unit Holders unanimously approved the same. The directors were authorized to fix the auditors remuneration.</p>
MIN 07/2019	<p><u>ANY OTHER BUSINESS</u></p> <p>There being no other business for which formal notice had been received, the Chairman declared the meeting closed at 11.53 a.m.</p> <p>The Acting Chairman thanked all the Members for attending the meeting and for their participation. He then invited the Members for refreshments.</p>

Minutes Confirmed this _____ day of _____ 2020

By:

CHAIRMAN

FUND TRUSTEES - KCB BANK LIMITED