



## **NCBA UNIT TRUST SCHEME**

### **INFORMATION MEMORANDUM**

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**THIS INFORMATION MEMORANDUM IS VALID UNTIL  
27 FEBRUARY 2027**

**PERMISSION HAS BEEN GRANTED BY THE CAPITAL MARKETS 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 PROSPECTUS.**

**THE NCBA UNIT TRUST SCHEME AND THE CONSTITUENT FUNDS ARE REGISTERED BY THE CAPITAL MARKETS AUTHORITY VIDE CERTIFICATE NO 9/24 DATED 03 MAY 2024**



## UNIT TRUST SCHEME INFORMATION MEMORANDUM

### KEY INFORMATION

#### THE PROMOTER

NCBA Investment Bank Limited  
NCBA Centre Annex, Hospital Road, Upper Hill, Nairobi  
P.O. Box 30437, 00100 Nairobi Kenya

Date of Approval: **September 2022**

#### FUND MANAGER

NCBA Investment Bank Limited  
NCBA Centre Annex, Hospital Road  
Upper Hill, Nairobi  
P.O. Box 30437-00100, Nairobi, Kenya  
Tel: 020-2884000  
Registration Number: C.115878  
Date of Registration: 11<sup>th</sup> April, 2005  
Number & Type of Shares (Value of Shares): Ordinary 300,000 (KES 1,000.00 Each)  
Preference 200,000 (KES 1,000.00 Each)

**NCBA Investment Bank Limited is a wholly owned subsidiary of NCBA Group PLC.**

**NCBA Group PLC is regulated by the Central Bank of Kenya.**

**NCBA Investment Bank is regulated by the Capital Markets Authority.**

#### THE TRUSTEE

KCB Bank (Kenya) Limited,  
KCB Tower, 7th Floor, Kenya Road, Upper Hill,  
P.O. Box 30664-00100, Nairobi, Kenya  
Tel: 3270-000 / 0711-012-000  
Registration Number: CPR/2015/185698  
Date of Registration: 20<sup>th</sup> April, 2015  
Capital Markets Authority License No:070

**KCB Bank Kenya Limited is wholly owned by KCB Group PLC.**

**KCB Group PLC is regulated by the Central Bank of Kenya and approved as a Trustee by the Capital Markets Authority.**

#### THE CUSTODIAN

ABSA Bank Kenya PLC, Custodial Services  
Absa Headquarters, Waiyaki Way,  
4th Floor, P.O. Box 30120, 00100 GPO, Nairobi, Kenya.  
Incorporation date and number: C18208

**ABSA Bank is regulated by the Central Bank of Kenya and approved as a Custodian by the Capital Markets Authority.**

#### THE AUDITOR

Deloitte & Touche LLP  
Deloitte Place,  
Waiyaki Way/Muthangari, Westlands  
PO Box 40092-00100, Nairobi



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## **UNIT TRUST SCHEME INFORMATION MEMORANDUM**

### **PART I - THE TRUST**

#### **1.1 PREAMBLE**

- a) NCBA Investment Bank Limited promulgated a Trust Deed establishing an Umbrella Fund ("the Unit trust Scheme").
- b) Name: NCBA Unit Trust Scheme  
  
Address of Head Office: NCBA Centre Annex, Hospital Hill Road, Upper Hill  
P.O Box 44599, 00100  
Nairobi, Kenya.
- c) Duration of the NCBA Unit Trust Scheme is unlimited subject to the Perpetuities and Accumulations Act (Chapter 161).
- d) The Fund Manager is not related in any capacity to any other regulated Collective Investment Schemes.
- e) NCBA Investment Bank Limited ("NCBA IB"), being the Promoter of the NCBA Unit Trust Scheme and the Trustee, KCB Bank (Kenya) Limited, have the following funds governed under this Trust Deed;
  - 1. NCBA Fixed Income Fund
  - 2. NCBA Equity Fund
  - 3. NCBA Dollar Fixed Income Fund
  - 4. NCBA Fixed Income Basket Note (KES) Special Fund, and
  - 5. NCBA Fixed Income Basket Note (USD) Special Fund
  - 6. NCBA Global Fixed Income Special Fund
  - 7. NCBA Global Equity Special Fund

The Scheme and constituent Funds shall be subject to all the relevant provisions of this Trust Deed and the relevant Supplemental Trust Deeds, the Capital Markets (Collective Investment Schemes) Regulations, 2023 and the Capital Markets Act (Cap. 485a) and such other regulations and legislation as may be published from time to time.

In this Information Memorandum, unless otherwise specifically stated, words defined in the Act bear the meanings therein assigned to them, and unless inconsistent with the context, all words and expressions importing the masculine gender shall include the feminine, and words signifying the singular number shall include the plural and vice versa.

In this Information Memorandum, unless inconsistent with the context, the following expressions shall have the following meaning:

**"accounting period"** in relation to the annual accounting period ending on the last day of December each year, adopted by The NCBA Unit Trust Scheme. The Fund Manager shall publish and submit to the Authority an interim report for the half-year period ending on the last day of June each year;

**"business day"** means any day that is not a Saturday, Sunday or other day which banks are required or authorized by Law to be closed in Nairobi, Kenya;

**"capital gains or losses"** means and includes increases or decreases in value of assets or securities relative to the price that was originally paid for it, received or to be



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received by or on behalf of the NCBA Unit Trust Scheme by reason of holding of underlying securities;

**"Investment certificate"** means a physical or digital certificate or statement issued pursuant to the provisions of this Trust Deed, which serves as evidence of the title of the possessor thereof to the participatory interest referred to therein and properly acquired by him in the NCBA Unit Trust Scheme or delivery of which is otherwise sufficient to transfer title to the participatory interests concerned;

**"class"** in relation to participatory interests, means, according to the context, all of the participatory interests related to a single fund or a particular class of participatory interests in a single sub-fund;

**"Custodian"** means an entity licensed by the Authority to hold in custody, funds, securities, financial instruments, or documents of title to assets registered in the name of the NCBA Unit Trust Scheme;

**"dealing"** means an act of buying, selling or agreeing to buy or sell or trade units by the Fund Manager;

**"early redemption penalty"** means part of accrued interest income forfeited by an investor in the NCBA Fixed Income Basket Notes Special Funds following a request to redeem any investment prior to the maturity date. The applicable penalty will be forfeiture of 3% from the hurdle rate of return. The penalty is calculated such that the effective return at early liquidation date is the initial rate of return at initial investment (x%) less 3% penalty for early liquidation (x% minus 3%). The investors will be required to give a termination notice of 5 working days prior to the date they expect to receive the funds;

**"fund"** means a group of securities in which members of the public are invited to acquire units and includes any amount in cash forming part of the assets pertaining to such portfolio;

**"Fund Manager"** means NCBA Investment Bank Limited, incorporated in the Republic of Kenya under the Companies Act, incorporation number C115878, its successors or assignees;

**"global unit portfolio"** means a unit portfolio which shall be structured as either global or international unit portfolio, and shall have geographic investment focus outside of the Republic of Kenya or in currencies other than the Shilling;

**"hurdle rate", or "interest rate", or "yield"** in the context of the NCBA Fixed Income Basket Notes Special Funds means the applicable interest rate for respective investment tenures determined through the process specified in the Supplemental Trust Deed;

**"information memorandum"** means the document prepared by the Trustee, detailing comprehensive and pertinent information regarding the Trust's objectives, the management and administration of the Trust assets, the duties and powers of the Trustee, rights and entitlements of the beneficiaries, and other essential operational guidelines and procedures of the Trust, as may be amended from time to time,



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intended to provide clear and accurate information to the beneficiaries and relevant parties involved in the Trust;

**"income accruals"** for an accounting period means any dividend, interest, or other income available for distribution, received by or accrued to the NCBA Unit Trust Scheme for that accounting period together with any amounts carried forward from any previous accounting period as not having been distributed;

**"investment contract"** in the context of the NCBA Fixed Income Basket Notes Special Funds, means a contract for investing a nominal value of investments in a fixed tenure investment at a predetermined interest rate or hurdle rate, investment value date and maturity date;

**"investor"** means a holder of participatory interests in the NCBA Unit Trust Scheme and is registered in the register of unit holders evidencing that he has an interest in the Fund;

**"management fee"** means the periodical charge deductible from income accruals and payments in lieu of income accruals to remunerate the Fund Manager for managing the NCBA Unit Trust Scheme, expressed as a percentage of the end of day market value of the total assets of any of the Funds under the NCBA Unit Trust Scheme during the accounting period for which the charge is levied;

**"money market securities"** means cash, cash equivalents and short-term instruments of debt;

**"participatory interest"** means an undivided unit in any of the Unit Trust Funds under the NCBA Unit Trust Scheme which may be acquired by an investor, whether the value of such units remains constant or varies from time to time;

**"recognised securities exchange"** means the Nairobi Securities Exchange, or a stock exchange outside Kenya approved by the Fund Manager and the Trustee as defined by the Act;

**"register"** means the register of investors;

**"regulations"** means the Capital Markets Collective Investment Schemes Regulations, 2023;

**"securities"** means: –

- a) debentures or bonds issued or proposed to be issued by a government;
- b) debentures, shares, bonds, commercial paper, or notes issued or proposed to be issued by a body corporate;
- c) any right, warrant, option or future in respect of any debenture, bonds, notes or in respect of commodities;
- d) any unit, interest or share offered under a Collective Investment Scheme including Property Unit Portfolios, Global Unit Portfolios and Money Market Unit Portfolios; and
- e) any Money Market Security;
- f) any unit, interest or share in an immovable property; or
- g) any securities defined as such in terms of the Act from time to time.

**"shillings"** means the currency of the Republic of Kenya;



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**"dollar"** means the currency of the United States of America;

**"the Act"** refers to the Capital Markets Act, Cap 485A and the relevant Regulations issued therefrom;

**"the Auditors"** means a person or firm qualified for appointment as auditor of a public company in Kenya and appointed by NCBA Investment Bank as its auditor and as auditor of the Unit Trust Scheme, subject to the provisions of the Act. A person shall not be qualified for appointment as auditor unless he is a member of and holds a valid practicing certificate issued by the Institute of Certified Public Accountants of Kenya;

**"the Authority"** Refers to the Capital Markets Authority;

**"trust deed" or "deed"** means this Trust Deed that sets out the deeds governing the unit trust scheme and includes every instrument that varies those trusts, or effects the powers, duties, or functions of the Trustee or manager of the unit trust;

**"trustee"** in relation to the Unit Trust, means a party, approved by the Authority, in which are vested the money, investments, or other Unit Trust Fund's securities that are for the time being subject to the trusts governing the Unit Trust;

**"umbrella fund"** is a scheme that has two or more funds under the management of one Fund Manager;

**"underlying securities"** in relation to a unit portfolio, means the securities comprising or constituting the Unit Trust Fund concerned and includes any cash or claims derived or resulting from the conduct of the unit portfolio which are held by or due to the NCBA Unit Trust Scheme for the benefit of the unit holders in that unit portfolio;

**"unit"** means a participatory interest or undivided share in a unit portfolio;

**"unit portfolio"** means the underlying securities in which persons are invited or permitted by the Fund Manager to acquire units in the NCBA Unit Trust Scheme including any cash and/or claims forming part or deemed to form part of the assets pertaining to the NCBA Unit Trust Scheme but after deduction of any liability pertaining or deemed to pertain to such unit portfolio;

**"unit trust funds"** means any scheme or arrangement in the nature of a trust in pursuance of which persons are invited or permitted, as beneficiaries under the trust, to acquire an interest or unit in one or more-unit portfolios and to participate proportionately in the income or profits derived therefrom, herein referred to as the 'NCBA Unit Trust Scheme';

**"units in issue"** means all units which have been created and which have been entered in the registers including those held or deemed to be held by the Fund Manager, and which have not been cancelled;





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### 1.2 VALIDITY

The Information Memorandum ("IM") will be valid for a period of two years from the date of release. This IM will be reviewed and revised at least once every two years or earlier where the need arises, to update any material changes or new material information that should be included in the IM regardless of the two-year review cycle. A revision of the IM may take the form of a complete substitution of the previous memorandum, or a supplement to the Information Memorandum. The date of the change shall be prominently displayed.

### 1.3 ELIGIBLE INVESTORS

To be eligible to invest in the NCBA Unit Trust Scheme, the unit holder:

- must be aged above 18 years. However, parents who wish to open unit trust accounts for minors can do so under their name, until the beneficiary comes of age;
- must not be a resident in any jurisdiction where such an investment would unlawful;
- shall satisfy any tax regulations or other relevant legislation where applicable;
- need not be a natural person; and
- if the investment is to be held in joint name, all investors must conform to the above requirements for eligibility.

### 1.4 FUNDS DEFINITIONS AND OBJECTIVES

The objectives, eligible assets/securities, investment limits of each Fund are provided in the respective Supplemental Information Memorandum. A summary of the Funds' objectives is provided below for ease of reference.

NCBA Unit Trust Scheme		Umbrella Fund comprising seven sub funds, namely; the NCBA Fixed Income Fund, NCBA Equity Fund, the NCBA Dollar Fixed Income Fund, NCBA Fixed Income Basket Notes (KES) Special Fund, NCBA Fixed Income Basket Note (USD) Special Fund, NCBA Global Fixed Income Special Fund and NCBA Global Equity Special Fund.
Fund Name	Currency	Objective
NCBA Dollar Fixed Income Fund	USD	The objective of the Fund is to provide a short-term investment opportunity and generate interest income in United States Dollars through investing in a range of USD denominated interest earning instruments and/or near cash & cash holdings in the Kenyan market and offshore, while ensuring safety of the invested funds.
NCBA Fixed Income Fund	KES	The objective of the NCBA Fixed Income Fund is to provide a medium whereby investors can participate in a diversified portfolio of interest earning assets and money market securities in the Kenyan market, while offering low risk exposure to the investor.
NCBA Equity Fund	KES	The objective of the NCBA Equity Fund is to provide an efficient investment medium whereby investors can participate in a portfolio that will seek to provide total return, in the form of both dividend income and capital growth, by investing predominantly in listed and unlisted shares and mutual funds.
NCBA Fixed Income Basket Note Special Fund	KES	The objective of the Special Fund is to offer investors an opportunity to earn Kenya shillings denominated competitive fixed return over pre-determined investment tenors, backed by low risk fixed income instruments.



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Fund Name	Currency	Objective
NCBA Fixed Income Basket Note Special Fund	USD	The objective of the Special Fund is to offer investors an opportunity to earn US Dollars denominated competitive fixed return over pre-determined investment tenors backed by low risk fixed income instruments.
NCBA Global Fixed Income Special Fund	USD	The objective of the Special Fund is to provide a medium whereby investors have the opportunity to invest in a diversified portfolio of USD denominated global fixed income securities and mutual funds sourced from the global financial markets.
NCBA Global Equity Special Fund	USD	<p>The objective of the Special Fund is to provide a medium whereby investors can participate in a diversified portfolio of USD denominated global equity securities.</p> <p>The Fund provides an efficient investment medium whereby investors can participate in investment portfolio(s) that will seek to maximise overall return in the form of medium to long-term capital growth and income distribution.</p> <p>The fund offers investors an opportunity to diversify away from Kenya centric investment risk to achieve medium-term sustainable returns from a portfolio of fixed income securities.</p>

### 1.5 THE INVESTMENT POLICY AND AUTHORISED INVESTMENTS

The guiding principles for the respective Funds are described in the individual Fund Supplemental Trust Deeds and Investment Policies.

The Trustee shall ensure that the investment policy set out in the respective Fund Supplemental Trust Deed is implemented.

#### 1.5.1 Investment Restrictions

The Funds may invest in various investment securities and asset classes as outlined in the respective Fund's Investment Policy Statement provided that:

- the market value of the investment in an interest-bearing account, financial product or instrument of or issued by any single bank or financial institution or insurance company or a combination of any such investment in a single bank, financial institution or insurance company shall not in aggregate exceed twenty-five per cent (25%) of the respective fund's Assets Under Management;
- market value of the holdings of securities relating to any single issuer shall not exceed twenty-five per cent (25%) of the respective Fund's Assets Under Management;
- investment in a related company shall be limited to ten percent (10%) of the Assets under Management; and
- the Fund Manager shall not apply any part of the NCBA Unit Trust Scheme in the acquisition of any investments which are for the time being, partly paid or otherwise in the opinion of the Trustee likely to involve the Trustee in any liability contingent or otherwise.



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### **1.5.2 Discretionary Powers**

The Fund Manager may, if it considers it in the best interest of the investors, sell, exchange, alter, or otherwise dispose of any of the underlying securities and in such event shall substitute for other such underlying securities or cash equal in value to the net amount realized for the underlying securities disposed, less the compulsory charges in respect of the securities substituted.

### **1.5.3 Borrowing Restrictions**

The NCBA Unit Trust Scheme shall not lend all or part of the unit trust scheme portfolio and shall not assume, guarantee, endorse, or otherwise become directly or contingently liable for or in connection with any obligation or indebtedness of any person.

### **1.5.4 Securities Lending**

The Fund Manager may engage in a securities lending transaction as a lender on behalf of the Collective Investment Scheme, if the securities lending transaction complies with the Act, Regulations, Incorporation Documents, the Investment Policy and the liquidity requirements of the NCBA Unit Trust Scheme.

## **1.6 VALUATION OF FUND AND PRICING OF UNITS**

The Scheme's assets and liabilities shall be valued (the "valuation point") at the end of each business day or week as per pricing formula set out on respective Fund Supplemental Trust Deed guided by below overarching principles;

1. The valuation shall be reflective of the realisable value of the securities;
2. The valuation shall be done in good faith and in a true and fair manner through appropriate valuation policies and procedures that seek to address conflicts of interest;
3. The valuation policies, methodologies and procedures, including the nature and frequency of valuation points shall be made available to the investors;
4. The policies and procedures shall make provision for the detection, prevention and correction of pricing and valuation errors;
5. A Fund Manager must ensure that the price of a unit is calculated by reference to the net value of the assets under management and in accordance with the provisions of the Trust Deed and Supplemental Trust Deeds;
6. The formulas to be adopted to determine the pricing of units of each Fund are outlined in the respective Fund's Supplemental Trust Deed;
7. The frequency of pricing of the NCBA Unit Trust Scheme may vary on a daily or weekly basis as per the respective Fund Supplemental Trust Deeds;
8. The Fund Manager will use the previous day pricing method, which will be established each evening and then applied to transactions, which occurred on the following day. All sales, repurchases, liquidations and creation of units which happen during the day will be processed and priced at the previous day prices;
9. In the case of the NCBA Fixed Income Basket Note Special Funds, the Fund Manager will use the previous week pricing method, which will be established each Friday and then applied to transactions, which occurred on the following week. All sales, repurchases, liquidations and creation of units which happen during the week will be processed and priced at the previous week prices as detailed in the Fund specific Supplementary Deed; and
10. In the case of the NCBA Global Diversified Fixed Income and Equities, the Fund Manager shall use NAV for each unit of the respective Funds for daily reporting and determining the selling/repurchase.



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### 1.7 DISTRIBUTION OF INCOME

1. The NCBA Fixed Income Fund and NCBA Dollar Fixed Income Fund, shall distribute monthly income on each distribution date which shall be the last day of each calendar month.
2. The NCBA Fixed Income Basket Note Special Funds shall distribute income at the maturity of the investment contract based on respective investment tenures.
3. The NCBA Equity Fund, NCBA Global Offshore Equities Fund and NCBA Global Fixed Income Special Funds shall not distribute income and the returns will be based on capital gains on the issued units.
4. The distributable income shall be calculated in accordance with the respective Fund Supplemental Trust Deed.
5. On the distribution date, the Fund Manager shall arrange for the Custodian to transfer the distributable income of the Fund to an account to be known as "the distribution account".
6. Tax on distributions will be calculated in accordance with tax regulations, withheld by the Fund Manager and remitted to the tax authorities.
7. Details of the distribution arising from interest will be shown on monthly statements sent to unit holders.

#### 1.7.1 Pay-Out of Income Distributions

##### 1.7.1.1 The NCBA Fixed Income Fund and NCBA Dollar Fixed Income Fund

Where the distributable income shall have accrued to more than Kes.1,000 for the NCBA Fixed Income Fund and USD 100 for the NCBA Dollar Fixed Income Fund, a unit holder may in writing, instruct the Fund Manager to have distributions paid out to a designated bank account or automatically reinvested. Distribution amounts below the above threshold will be automatically re-invested.

Any income that is not transferred to the distribution account must be carried forward to the next accounting period and will be regarded as received at the start of the next period.

##### 1.7.1.2 The NCBA Fixed Income Basket Note Special Funds

All the distributable income (together with principal investment) shall be paid out to a designated bank account or reinvested where a customer issues instructions to roll over the principal and/or distributable income.

### 1.8 SUBSCRIPTIONS, FUND SWITCHING AND REDEMPTIONS

The subscription and redemption rules for each Fund will be set out on the respective Fund Supplemental Trust Deeds and Information Memorandum.

#### 1.8.1 Creation of Units

1. The Fund Manager, with the approval of the Trustee, shall have the right to secure the creation and issue of units on new subscriptions or re-investment of distributable



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income; and for that purpose, to accept application monies for the purpose of the NCBA Unit Trust Scheme provided that the price at which the units are acquired shall be the calculated price at the time of the transaction.

2. Where a Fund Manager is required to issue new units, the Fund Manager shall create the units in accordance with the Trust Deed within **24 Hours** from the time the obligation arose except for weekends and bank/public holidays where the units will be created on the next business day.
3. The instructions in writing or email or via digital platform in relation to creation of units will specify the type of unit to be created, the number to be created, price of the units to be created.
4. **The close off time for same day subscription will be will be 11.00 am** provided that the respective Fund bank collection account is credited by 11:00am. All else the investor will receive value during the next business day when the funds are cleared through the bank.
5. The conversion of units from one Fund type to another will be regarded as a switch and is subject to prevailing prices of the Fund the investor is switching out of and the Fund the client is switching into.
6. A client may be liable to a switching fee.
7. A switch will be effected based on investor's written instructions clearly stating the Fund they intend to be switching from/into.
8. **The close off time for same day switching will be 11.00 am and subject to each respective fund subscription and redemption rules.**

### 1.8.2 Redemption / Repurchase of Units

1. Any Investor desiring to sell units shall be entitled at any time, by valid notice in writing or email or via digital platform received by the Fund Manager, to require the Fund Manager to repurchase all or any of such units, and the Fund Manager shall repurchase such units subject to the provisions of this Deed and respective Fund Trust Deed.
2. On agreeing to redeem units, the Fund Manager shall pay the appropriate proceeds of redemption in line with the redemption policy of each Fund under the NCBA Unit Trust Scheme.
3. The formulas to be adopted to determine the redemption amount of each Fund per unit are outlined in the respective Fund's Supplemental Trust Deed.
4. The Fund Manager may deduct from the price so payable for each such unit an amount not exceeding the equivalent of any necessary charges which would be payable in connection with the sale of that part of the underlying securities to fund the redemption.
5. Upon full redemption being made by the Fund Manager the unit holder shall cease to be the unit holder of the units purchased by the Fund Manager and an entry to this effect shall be made in the register.
6. Redemption days shall be on each business day during normal working hours up to 3.00 pm.
7. **Subject to each Fund redemption rules, the close off time for same day redemption will be will be 11.00 am** to be eligible for that day's value date and if received after this time will be deemed to notice received on the following business day.



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8. The minimum value of units that may be redeemed at any one time shall be Kshs 5,000 for Kenya Shillings denominated funds or USD 100 for the Dollar Fixed Income Fund, unless the investor wishes to close the investment account.
9. The Fund Manager will transfer the monies requested to the investor's bank account, on record, but have no control over how these respective banks process their transactions.
10. The Fund Manager will not be held responsible for any bank charges incurred by the unit holder for crediting of /receiving funds in the bank account, if onward payments issued to the investors bank account assuming their bank account was credited.

### 1.8.3 Suspension and Resumption of Dealings in Units

The Fund Manager may, in exceptional circumstances, with the prior agreement of the Trustee, or shall, if the Trustee so requires, at any time for a period not exceeding twenty-eight days, suspend the issue, cancellation, sale and redemption of units in the Fund if the Fund Manager or the Trustee is of the opinion that there is good and sufficient reason to do so, having regard to the interests of current or potential investors.

Such circumstances leading to a suspension of dealing may include;

- a) Events of a "run on the fund", leading to a significant drain the respective Fund liquidity that may lead to a forced sale of securities and crystallization of market losses and restating of net asset values;
- b) Significant adverse changes in legal, economic, political, capital market circumstances and credit events circumstances that lead to a devaluation of underlying securities of the respective Fund;
- c) Force Majeure.

The Fund Manager in consultation with the Trustee may as an alternative to suspension of dealings in participatory interests implement other methods for dealing with exceptional circumstances including;

- a) gating where Fund Manager may impose the partial restriction to an investor's ability to redeem his or her participatory interests;
- b) side pocketing where the Fund Manager may segregate an illiquid portion of a Fund's portfolio and their transfer into a separate, illiquid investment vehicle;
- c) discounting where the percentage or amount by which the redemption price of a units, calculated on the basis of net asset value, is reduced.

The Fund Manager shall immediately notify and obtain approval from the Authority if dealing has been suspended or alternative measures taken and the same shall be notified to the investor and shall be published immediately following such decision and at least once every week during the period of suspension, in the newspaper and Scheme's official website in which the Fund's prices are normally published.



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## **UNIT TRUST SCHEME INFORMATION MEMORANDUM**

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During the suspension period, any creation or cancellation of participatory interests by the Trustee and the Fund Manager, are to be immediately suspended.

The suspension of dealings in units shall cease as soon as practicable after the Trustee are no longer of the opinion referred to above, and in any event within twenty-eight days of the commencement of the suspension of dealings in shares.

This rule may be applied to units of one or more Funds under the NCBA Unit Trust Scheme of units without being applied to other Funds and shall apply to a Fund as if applies to the Scheme, but by reference to the respective Fund. However, the Fund Manager shall have regard to the interest of all the holders in the Scheme.

The Authority is also vested with the power to initiate a suspension of the Fund Manager or the Trustee if it concludes that such action would protect the interests of the participants. This provision ensures participant protection is prioritized and that regulatory oversight is maintained.

### **1.9 PUBLICATION OF PRICES**

The daily and weekly prices of each Fund shall be published on the NCBA Group website and digital channels or as the Authority may guide, where necessary at the end of each business day.



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### **PART II - THE FUND MANAGER**

#### **2.1 DUTIES AND OBLIGATIONS**

##### **2.1.1 Material Provisions of the Fund Manager's Duties and Obligations**

The Fund Manager shall;

1. Carry out the management and administration of the Scheme in accordance with the direction and authority of the Trustee; as well as the provision of the Incorporation Documents of the Unit Trust Scheme and the Act.
2. Be responsible for investing and re-investing the assets of the Fund and carrying out prudent investment policies consistent with the Fund's investment objective.
3. Ensure that the units in the NCBA Unit Trust Scheme are priced in accordance to the provisions of this Trust Deed and the Act.
4. Purchase at the request of an investor, any units held by such an investor on the terms and at a price calculated in accordance to the provisions of this Trust Deed and the Act.
5. Provide the Trustee, and the Capital Markets Authority, quarterly, from the date of its appointment a report of the performance of the portfolio including a summary valuation, market commentary and general outlook.
6. Rectify any breach of matters arising from incorrect pricing of units, or to the late payment in respect of the issue or redemption of units. Rectification shall extend to the reimbursement or payment or arranging the reimbursement or payment of money to the unit holders or former unit holders by the Fund Manager to the Fund, or by the Fund to the Fund Manager; unless directed otherwise by the Trustee.
7. Issue an account statement on a monthly basis specifying any units held by the unit holder and showing the transactions in the unit holder's account during the preceding month and which shall be prima facie evidence of the title of the unit holder of the units.
8. Once every year, provide the unit holders and the Authority with audited accounts and such other statements as may be necessary in relation to the operations of the Fund during the period which ended not more than three months before the date on which such accounts or statements are submitted.
9. Carry out its duties as provided for in the Act and Regulations in liaison with the Custodian and the Trustee or the Fund in accordance with the Act.
10. Be entitled by way of remuneration for its services and to cover expenses and fees in performing its obligations for the purpose of enabling the Fund to conform to the Act its Regulations and any respective legislation.

#### **2.2 THE FUND MANAGER'S REMUNERATION**

The Fund Manager shall be entitled to remuneration for its services and to cover expenses and fees in performing its obligations. The Fund Manager will receive:

1. Management fees
2. Up-front and back-end charges disclosed in the Information Memorandum





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### **2.2.1 The Fund Manager's Management Fees**

The Fund Manager shall make a periodic charge, herein known as the management fee (but not exceeding a maximum of up to 10% of funds under management), payable out of the income of the NCBA Unit Trust Scheme and this shall be expressed as an annual percentage of the value of the assets under management.

The management fee applied in respect of the NCBA Unit Trust Scheme shall be proportionate to the length of the relevant accounting period and shall be calculated at such percentage by the Fund Manager on the end of day market value of the assets under management of the fund.

The management fee rate applicable at any time shall be specified in the Information Memorandum of each respective Fund.

### **2.2.2 The Fund Manager's Up-Front and Back-End Charge**

The Fund Manager may apply an up-front (pre-investment) charge and back-end (redemption) charges in respect to the NCBA Unit Trust Scheme (not exceeding a maximum of 10% of amount invested).

The up-front and back-end charges applicable at any time shall be specified in the Information Memorandum of each respective Fund.

### **2.2.3 Other Payments out of the Scheme**

The Trustee is authorized to charge a fee for issuing any document, recording, or for amending an entry on the register, otherwise than on the issue or sale of units.

The service providers shall be entitled by way of remuneration for their services and to cover expenses and fees in performing its obligations including obligations to pay as listed below:

- Trustee Fees
- Custodian Fees
- Auditors fees
- Agent/Broker Commissions
- Regulatory fees as applicable
- Investment Advisory Fees
- Transaction charges on banking and investment transactions.
- Charges on Moveable and Immoveable Assets - Currently the Fund Manager does not incur this type of charges and expenses. However, should the same be levied by the respective service providers, the same shall be charged to the Fund and invoiced.



## **UNIT TRUST SCHEME INFORMATION MEMORANDUM**

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### **PART III – THE CUSTODIAN**

#### **3.1 MATERIAL PROVISIONS OF THE CONTRACT BETWEEN THE FUND AND THE CUSTODIAN**

The Custodian shall:

1. Render and maintain custody of the Fund and hold it to the order of the Trustee or Fund Manager in accordance to the Act, incorporation documents and the rules of the Unit Trust Scheme.
2. Receive and keep in safe custody title documents, securities, and cash amounts of the Fund.
3. Open an account in the name of the Fund for the exclusive benefit of unit holders of the Fund. The portfolio held by the Custodian shall be subject only to instructions of the Fund Manager and or the Trustee as the case may be, and any securities entrusted by the Custodian to any securities depository shall be subject only to instructions of the Custodian.
4. Transfer, exchange or deliver in the required form and manner securities held by the Custodian upon receipt of instructions from the Fund Manager or the Trustee as the case may be.
5. Promptly deliver to the Fund Manager or Trustee as the case may be or any persons authorized by the Trustee or the Fund Manager, copies of all notices, proxies, proxy soliciting materials, all public information, financial reports and stockbroker communications the Custodian may receive from the issuers of securities or in relation to the securities held in the fund's portfolio.
6. Exercise the same standard of care that it exercises over its own assets in holding, maintaining, servicing and disposing of securities in the Fund portfolio and in fulfilling obligations in the service level agreement between the Fund Manager and the Trustee as the case may be and the Custodian.
7. Attend general meetings of the investors and be heard at any general meeting on matters, which concern it as Custodian.
8. Not contract its duties to an agent except where a portion of the Fund portfolio is invested in offshore investment.
9. Be entitled to a fee in respect of custodial services, which shall be disclosed to the unit holders in the annual report each year.
10. Maintain records of all transactions in the Fund and shall include every transaction carried out by the Custodian on behalf of the Fund.



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**UNIT TRUST SCHEME INFORMATION MEMORANDUM**

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**PART IV – THE TRUSTEE**

**4.1 MATERIAL PROVISIONS OF THE CONTRACT BETWEEN THE FUND AND THE TRUSTEE**

The Trustee shall:

1. Cause proper books of accounts to be kept by the Fund Manager in respect to the NCBA Unit Trust Scheme and shall make available annually in such manner as may be prescribed by the Authority, audited statement of accounts in respect of the NCBA Unit Trust Scheme, together with a summary of any amendments of the Trust Deed that have been made since the date of the last statement.
2. Ensure that the Custodian takes into custody the assets of the NCBA Unit Trust Scheme, holds them in trust for the unitholders in accordance to the Act;
3. Take all steps and execute all documents which are necessary to secure acquisitions or disposals properly made by The Fund Manager in accordance with this Trust Deed, incorporation documents, and the Act;
4. Ensure collection of any income due to be paid to the Scheme and hold any income received in trust for the participants in accordance with these Regulations and the Trust Deed;
5. Keep records to enable it comply with the Act and demonstrate that such compliance has been achieved;
6. Exercise any voting rights conferred by any of the respective Funds of the NCBA Unit Trust Scheme, which is in units in other Unit Trust Funds managed or otherwise operated by the Fund Manager or other Fund Managers;
7. Execute and deliver to the Fund Manager or its nominee upon the written request of the Fund Manager, such powers of attorney or proxies as the Fund Manager may reasonably require, in such name or names as the Fund Manager may request, authorising such attorneys and proxies to vote, consent or otherwise act in respect of all or any part of the NCBA Unit Trust Scheme;
8. Forward to the Fund Manager and the Custodian without delay, all notices of meetings, reports, circulars, proxy solicitations, and other documents of a like nature received by it, as a registered unitholder of any investment;
9. Issue a report to be included in the annual report of the NCBA Unit Trust Scheme and whether in the opinion of the Trustee, the Fund Manager has in all material respects managed the Scheme in accordance with the provisions of the Act, incorporation documents, the Information Memorandum, and the rules of the Unit Trust Funds and if the Fund Manager has not done so, the respect in which it has not done so and the steps which the Trustee has taken in respect thereof;
10. Ensure that the Fund Manager maintains sufficient records and adopt such procedures in methods for calculation of prices at which units are issued and redeemed to ensure that those prices are within the limits prescribed by the Act, the incorporation documents, the Information Memorandum, and the rules of the Unit Trust Funds.



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### **PART V - INVESTOR MANAGEMENT**

#### **5.1 REGISTER OF INVESTORS**

The register of investors shall be kept at the Fund Manager's head office and can be inspected by investors at any times during business hours (excluding Saturdays, Sundays and public holidays).

#### **5.2 MONTHLY STATEMENTS**

1. The Fund Manager shall issue a monthly statement to investors, which shall act as evidence that the title to units held are indeed held by the investor.
2. The Fund Manager shall issue statements to investors on or before the 10<sup>th</sup> working day following the end of the month for which statements are due.
3. The monthly statements shall be distributed via email addresses provided by the investors and updated regularly and formally advised by the investors whenever there is a change in address. Where the investor does not provide an email address, the monthly statements shall be available for collection in hard copies at any branch of the NCBA Bank.

#### **5.3 MEETINGS OF UNIT HOLDERS**

##### **5.3.1 Annual General Meeting**

The Trustee shall convene an Annual General Meeting within four months after the relevant accounting reference date. The Trustee may seek approval from the Authority in circumstances where it expects difficulties in complying with the timelines to convene the Annual General Meeting.

##### **5.3.2 Notice**

Investors will receive written notice to attend the meetings no less than 14 days, inclusive of the date on which the notice is deemed to be served and the day of the meeting.

##### **5.3.3 Quorum**

The quorum at a meeting of investors shall be the investors present in person or by proxy of one-tenth of the participatory interest value **and** one-tenth of the total number of participants, excluding any interests known to be redeemed prior to the meeting.

The Trustee may apply to the Authority for approval of modification of the quorum requirements in where the requirements may be prejudicial to participants due to the size of a fund, number of investors, diversity and concentration of investors or fund value.

##### **5.3.4 Extra-ordinary Meetings**

Investor meetings may be convened by the Trustee or the Fund Manager at any time. The request shall state the objectives of the meeting and the resolution or resolutions to be proposed at such meeting and shall be signed by the unit holders and deposited with the Trustee.



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An Extra-ordinary meeting of the Investors shall be convened for the following purposes among others:

- a) To approve any change in the investment policy or objectives of the Scheme proposed by the Fund Manager with the consent of the Trustee;
- b) To approve any change of the class of Scheme as registered;
- c) To authorize any modification or addition to the Trust Deed proposed by the Fund Manager with the consent of the Trustee;
- d) To approve any increase in the periodic charge due to the Fund Manager;
- e) To remove the Fund Manager;
- f) To approve a Scheme amalgamation of Funds proposed by the Fund Manager with the consent of the Trustee;

The accidental omission to give notice of a meeting or the non-receipt of notice of a meeting by any unit holder entitled to receive notice shall not invalidate the proceedings at that meeting.

- 1. No business shall be transacted at any meeting unless a quorum of unit holders is present at the time when the meeting proceeds to business.
- 2. If within half an hour from the time appointed for the meeting a quorum is not present, the meeting if convened on the requisition of unit holders, shall be dissolved and in any other case it shall stand adjourned to such day and time not being less than fourteen days thereafter and to such place as may be appointed by the Chairman if any has been appointed pursuant to the incorporation documents or otherwise by the Trustee or Fund Manager, as the case may, be and if at such adjourned meeting a quorum is not present within fifteen minutes from the time appointed for the meeting, the unit holders present shall comprise the quorum.
- 3. The Chairman presiding at the meeting shall be appointed by the Trustee but if at any meeting the Chairman is not appointed or is unwilling to act, the unit holders present shall choose one of their number to be Chairman of the meeting.
- 4. At any meeting, any resolution put to the vote of the meeting shall be an extraordinary resolution requiring a majority of votes representing sixty percent of the units held by those present and voting at the meeting.
- 5. The instrument appointing a proxy shall be in writing under the hand of the appointer or his Attorney duly authorized in writing, or, if the appointer is a corporation, under the hand of an officer or attorney duly authorized. A proxy need not be a unit holder.
- 6. The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed or a notary certified copy of that power or authority shall be deposited at the office of the Trustee or Fund Manager or at such other places within Kenya as is specified for that purpose in the notice convening the meeting, not less than forty eight hours before the time for holding the meeting or adjourned meeting at which the person named in the instrument proposes to vote, and in default the instrument of proxy shall not be treated as valid.



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7. An instrument appointing a proxy shall be in the usual common form or such form as may be submitted with the notice convening the meeting.
8. The Trustee shall keep minutes of every meeting in a minute book.

### **5.3.5 Voting**

1. At any meeting a resolution put to the vote shall be decided on a show of hands unless a secret ballot is, before or on the declaration of the result of the show of hands, demanded by the Trustee or by unit holders not less than one tenth of the units in issue present in person or by proxy.
2. Votes may be given either personally or by proxy or in any other manner permitted by the incorporation document and the voting rights attached to each shall be such proportion of the voting rights attached to all of the units in issue as the price of the unit bears to the aggregate price or prices of all the units in issue as of that date. A unit holder entitled to more than one vote need not vote, if he votes, use all his votes or cast all his votes in the same way.
3. Every notice calling a meeting of the unit holders in the Fund shall contain a reasonably prominent statement that a unit holder entitled to attend and vote is entitled to appoint a proxy to attend and vote on his behalf.
4. A document necessary to show the validity and appointment of a proxy shall be required to be received by the Fund or any other person more than 48 hours before the meeting or adjourned meeting in order that the appointment be effective.



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### **PART VI - WINDING UP**

#### **6.1 CIRCUMSTANCES**

The circumstances in which the Fund may be wound up are:

- a) where the Authority revokes the approval of the Collective Investment Scheme;
- b) where the Fund Manager or the Trustee or Custodian requests for the revocation of the Authority's approval of the scheme;
- c) Upon the expiration of any period specified in the Trust Deed as the period at the end of which the scheme is to terminate;
- d) on the effective date of a duly approved Scheme of amalgamation; or
- e) on the effective date of a duly approved Collective Investment Scheme reconstruction which results in all the property of the reconstructed scheme becoming the property of two or more schemes.

#### **6.2 SUMMARY OF UNIT HOLDERS' RIGHTS AND WINDING UP PROCEDURE**

- 1. The Trustee will ascertain whether the scheme will be able to meet all its liabilities, by carrying out a full enquiry into the Fund's affairs.
- 2. The Fund Manager shall prepare a statement that shall relate to the Fund's affairs at the date which must not be more than 21 days prior to the date on which notice is given to the Trustee and unit holders. This statement must be approved by the Trustee and must contain a statement signed by the Auditor to the effect that it has been properly made, and is fairly reflected by the confirmation.
- 3. In the statement the Fund Manager will confirm whether the Fund will be able to meet all its liabilities within 12 months of the date of the statement or state that such confirmation cannot be given.
- 4. The Fund Manager will give written notice of the commencement of the winding up to the investors.
- 5. The Fund Manager shall give instructions to the Custodian as to how Fund's assets (until utilized to meet liabilities or make distributions to unit holders) shall be held and such instructions shall be with a view of the prudent protection of the creditors and unit holders against loss.
- 6. After making the adequate provision for the expenses of the winding up, and discharge of the liabilities of the Fund, the Fund Manager may arrange to make one or more interim distributions out of such funds to the unit holders proportionately. A final distribution shall be made on or prior to the date on which the final document is sent to the unit holders.
- 7. Within three months of the end of the final accounting period, the Fund Manager shall send a copy of the final account and the Auditor's report on it to the Trustee, Custodian and to each person who was a unit holder (or the first named joint unit holders) immediately before the final accounting period.



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8. While the Fund is being wound up, the annual half-yearly accounting period shall continue to run but the Fund Manager need not send to each unit holder a copy of any of this report, if the Trustee, after consulting the Authority, is satisfied that the interests of the unit holders are not compromised. However, a copy of the report shall be dispatched free of charge on request by the unit holder.
9. Any dispute or difference which may arise between the unit holders, the Fund Manager, Trustee and Custodians as the case may be, others shall be referred to the Capital Markets Tribunal established under section 35A of the Act.

### 6.3 CONSEQUENCES OF COMMENCEMENT OF WINDING UP

The effective time of winding up means the time at which the both conditions referred to in sub-regulation (1) of regulation 100 of the Collective Investment Schemes Regulations, 2001 are satisfied, and the time at which the Unit Trust Scheme shall be wound up.

Immediately following the effective time: -

1. Regulations pertaining to pricing, dealing, investment and borrowing powers shall cease to apply to the Unit Trust Scheme;
2. The Unit Trust Scheme shall cease to issue and cancel units;
3. The Fund Manager shall cease to sell or redeem units or to arrange for the Unit Trust Scheme to issue or cancel them;
4. No transfer of a unit shall be registered and no other change to register of unit holders shall be made without the sanction of the Trustee, as the case may be; and,
5. The Unit Trust Scheme shall cease to carry on its business, except so far as may be required for its beneficial winding up; however, the corporate state and the corporate powers of the Scheme and (subject to the preceding provisions of the Act) the powers of the Trustee shall continue until the Unit Trust Scheme is dissolved.

The Fund Manager shall as soon as practicable after the effective time:

1. Publish in not less than two daily newspapers of national circulation published in English language management's decision to wind up the Unit Trust Scheme and the date of commencement of the winding up; and
2. If the Fund Manager has not previously notified the unit holders of the proposal to wind up, give written notice of the commencement of the winding up to the unit holders.





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### **PART VII - GENERAL INFORMATION**

#### **7.1 REPORTS**

Annual reports will be published and submitted by the 31<sup>st</sup> of March each year for the Fund by the Fund Manager.

The Unit Trust Scheme shall have an annual accounting period ending on the last day of December in each year; but the Fund Manager shall publish and submit to the Authority an un-audited interim report for the half-year period ending on the last day of June in each year.

#### **7.2 TIME LIMITS FOR THE REPORTS**

The Unit Trust Scheme shall have an annual accounting period ending on the last day of December in each year; with reports to be submitted to the Authority not more than three months after the respective end of accounting period. The Fund Manager shall within thirty days submit to the Authority an un-audited interim report for the half-year period ending on the last day of June in each year.

### **PART VIII – RISK FACTORS**

#### **8.1 GENERAL**

An investment in the Scheme involves various risk factors, including the possibility of partial or total loss of the money invested. Current and prospective unitholders should not subscribe unless they can bear the consequences of such potential loss. Current and prospective unitholders are encouraged to discuss their individual circumstances with their legal counsel, and financial, accounting, regulatory and tax advisers, before investing in the Scheme. Current and prospective unitholders must conduct their own due diligence assessment of an investment in the Scheme, independently and without reliance on the Fund Manager, the Trustee or their affiliates and advisers.

Current and prospective should be appreciate that there is no guarantee that the investment approach of each Fund will be successful or that a Fund will achieve its investment objective. It should be appreciated that the value of the funds can fluctuate, that unitholders may not realize the amount initially invested, and that past performance is not a reliable indicator of future results.

#### **8.2 INVESTMENT OBJECTIVE, INVESTMENT STRATEGY**

The investment objectives and strategies for each fund in the Scheme have been established as of the date of this Information Memorandum based on existing market conditions and available investment opportunities. Market conditions and available investment opportunities may change significantly during the period in which the unitholders funds are invested.

Success of the investment strategies employed by the Investment Managers of the underlying securities selected depends in part on their abilities to correctly interpret market data and/ or anticipate market developments. Any factor which makes it more difficult for an Investment Manager to execute timely purchases and sales might also have a negative impact on the



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return profile of the Fund. No assurance can be given that the strategies used or to be used will be successful under all or any market conditions.

### **8.3 GENERAL ECONOMIC CONDITIONS**

General economic conditions may affect the respective Fund's activities. Interest rates, the price of securities and participation by other investors may adversely affect the value and number of investments made by the Fund.

#### **8.3.1 Currency risk and hedging**

The base currencies of the respective funds in the NCBA Unit Trust Scheme will be KES & USD. Although it is intended that most (if not all) of the Scheme's investments will be denominated in the same currency, some of them may be denominated in other currencies. Investors may therefore be exposed to exchange rate fluctuations. In addition, the Scheme may (but shall not be obliged to) enter into transactions to hedge currency and interest rate risk. However, there can be no assurance that such hedging techniques will be successful. Such transactions have special risks associated with them, including the possible default by the counterparty to the transaction and the illiquidity of the instrument acquired by the Scheme relating thereto. Although the transactions may reduce the Scheme's exposure to currency and interest rate fluctuations, the costs associated with these arrangements may reduce the returns that the Scheme would have otherwise achieved if these transactions were not entered into.

#### **8.3.2 Liquidity Risk**

A Fund may from time to time hold investments that are difficult to purchase or sell at the desired time or price, adversely impacting that Fund's value. It may also be difficult to determine the value of such investments. These issues may arise from unusual or extraordinary economic events, market events or investment-specific events, among others. In such circumstances, or in the event of an unusually large volume of redemption requests, or where investments cannot be readily sold to generate sufficient cash, the Fund Manager and Fund Trustee may, in accordance with the terms set out under the Information memorandum and the Trust Deeds and Rules, elect or be required to act in order to protect the interests of a Fund's unitholders.

The NCBA Unit Trust Scheme's market liquidity risk tolerance is low and the risk is mitigated by maintaining a high quality and sufficiently short-term liquidity buffer.

#### **8.3.3 Illiquid Securities**

Securities purchased by the Funds may lack a liquid and available trading market, which may result in the inability of the Funds to sell any such security or other investment or to close out a transaction involving a domestic or foreign currency.

#### **8.3.4 Valuation of Underlying Funds**

Uncertainties or delays surrounding the valuation of investments of any underlying fund could have a material adverse effect of the unitholders of the Funds. Valuation of the investments, which will affect the management fee paid, may involve estimates, uncertainties and judgements. Similarly, redemptions may be based upon such overstated or understated net



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asset value, which may adversely affect incoming or redeeming unit holders or remaining unit holders.

### **8.3.5 Fixed Interest Securities**

Fixed interest securities are particularly affected by trends in interest rates and inflation. If interest rates increase, fund values may fall and vice versa. Inflation will erode the real value of capital. In addition, companies may not be able to honor payments for bonds they issue. Issuers of high yield (non-investment grade) bonds are considered to be at greater risk of not paying interest and/or returning principal at maturity.

The NCBA Unit Trust Scheme's fixed interest securities' risk is mitigated by spreading investments across various issuers, aligning the interest rate sensitivity of securities with the respective Fund's horizon to minimize the impact of interest rate fluctuations and evaluating the creditworthiness of issuers, to avoid defaults and downgrades. The integration of these strategies facilitates a balanced approach to managing interest rate risk, credit risk, and market volatility, thereby enhancing portfolio stability and performance.

### **8.3.6 Operational Risk**

Operational risk refers to the risk of direct or indirect losses or damaged reputation due to risk events attributable to technology, people, processes, procedures or physical arrangements and or external events.

The Scheme is exposed to operational risk in all its activities. This includes day-to-day activities of the Investment management function as well as activities of the supporting functions (e.g. IT, HR and other support functions). Operational risk is also inherently attached to the products, services and systems. As such, the Scheme has no appetite for operational risk but recognizes that all activities of the Fund Manager exposes it to prospective operational risk events. The Fund Manager manages operational risk by promoting a culture of integrity and high ethical standards and maintaining strong risk awareness. Operational risk is further mitigated by implementing a proper risk identification process and set of internal control activities.

### **8.3.7 Contractual Risk**

Contractual risk includes the risk that a counterparty will not settle a transaction in accordance with its terms and conditions because of a dispute over the terms of the contract (whether or not bona fide) or because of a credit or liquidity problem, thus causing the Scheme to suffer a loss. NCBA Unit Trust Scheme seeks to reduce a Fund's contractual risk to the highest extent practicable, for example, by: all reasonable steps to ensure that any cash belonging to the Scheme is deployed in secure financial institutions that meet our due diligence criteria. The residual risk is that one or more financial institutions could fail and as a result, the Scheme might lose part or all of the cash lodged with the relevant financial institution(s).

### **8.3.8 Compliance Risk**

Compliance risk entails integrity and operational compliance risk. These are defined as:



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- i. **Integrity risk** - the risk of legal or regulatory sanctions, material financial loss, or loss to reputation that the Scheme may suffer as a result of its failure to comply with integrity related laws, rules and standards;
- ii. **Operational compliance risk** - the risk of legal or regulatory sanctions, material financial loss, or loss to reputation that an entity may suffer as a result of a failure to comply with its internal policies and controls.

The Scheme faces compliance risk in all its activities and as such the Fund Manager is obligated to follow best practices and market standards in the areas of accountability, transparency and business ethics. The Fund Manager has zero tolerance for misconduct and corruption. This principle is also reflected in the Investment Bank's Staff code of Conduct, which promotes a culture of integrity and high ethical standards and requires all individuals to comply with internal policies, regulations and procedures, and respect their spirit.

### 8.3.9 Exercise of Rights.

Unitholders will only be able to fully exercise their rights directly against the Scheme, notably the right to participate in general unitholders' meetings, if they are registered in their own name as per the unitholders' register

### 8.3.10 Tax Risks

The structure of the Scheme's investments is in such a manner that achieves each fund's investment objectives. There can be no guarantee that the structure of any investment will be tax efficient for a particular unit holder or that any particular tax result will be achieved.

Changes in tax legislation, administrative practices or understandings in any of the countries in which the Scheme invests could adversely affect the returns from the Funds. The regulatory considerations affecting the ability of the Funds to achieve their investment objective are subject to change.

### 8.3.11 Sustainability Risk

Sustainability risks refer to environmental, social or governance events or conditions that, upon occurrence, could cause an actual or a prospective material negative impact on the intrinsic value of an investment. A Fund may from time to time hold investments that are exposed to sustainability risks, which could adversely impact a Fund's net asset value. Some investments will have greater exposure to sustainability risks than others. A Fund's exposure to sustainability risks therefore may fluctuate as its exposure to different investments varies

## PART IX - ADDITIONAL INFORMATION

**1. No Guarantee of Capital invested:** There are no guarantees on the client's capital as the performance of underlying investments for the respective funds may fluctuate from time to time or be subjected to adverse market and credit events impacting the valuation of the Fund.



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**2. Returns may vary:** The returns on units can fluctuate as a result of changes in the value of the underlying investments.

**3. Past Performance:** Past performance should not be used as a guide to future investment performance.



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**UNIT TRUST SCHEME INFORMATION MEMORANDUM**

**SEALED** with the common seal of )

**THE PROMOTER/FUND MANAGER** )

**NCBA INVESTMENT BANK LIMITED** )

in the presence of: )

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\_\_\_\_\_ )  
\_\_\_\_\_ )

**Kathryne Maundu**  
Group Director, Corporate Governance  
Legal and Company Secretary  
NCBA Investment Bank Limited

Signature: *[Signature]*

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\_\_\_\_\_ )

**SIGNED BY: TRUSTEE** *Florence Nduba* )

(Authorised Signatory of )

**KCB BANK (KENYA) LIMITED** )

In the presence of: )

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**PATRICIA A. ODONGI**  
ADVOCATE  
P. O. Box 58025 - 00200  
NAIROBI *[Signature]*

*[Signature]*  
**FLORENCE NDUBA**  
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