

**NABO AFRICA FUNDS (“the FUND”)**

**INFORMATION MEMORANDUM**

**JANUARY 2025**

Prospective investors should review this Information Memorandum carefully and in its entirety and consult with their legal, tax and financial advisers in relation to (i) the legal and regulatory requirements within their own countries for the subscribing, purchasing, holding, switching, redeeming or disposing of Units; (ii) any foreign exchange restrictions to which they are subject in their own countries in relation to the subscribing, purchasing, holding, switching, redeeming or disposing of Units; (iii) the legal, tax, financial or other consequences of subscribing for, purchasing, holding, switching, redeeming or disposing of Units; and (iv) any other consequences of such activities.

The distribution of this Information Memorandum and supplementary documentation and the offering of Units may be restricted in certain jurisdictions; persons into whose possession this Prospectus comes are required to inform themselves about and to observe any such restrictions. This Prospectus does not constitute an offer by anyone in any jurisdiction in which such offer is not lawful or authorized, or to any person to whom it is unlawful to make such offer.

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 Information Memorandum.

Any information or representation given or made by any person which is not contained herein or in any other document which may be available for inspection by the public should be regarded as unauthorized and should accordingly not be relied upon. Neither the delivery of this Information Memorandum nor the offer, issue or sale of Units in the Fund shall under any circumstances constitute a representation that the information given in this Information Memorandum is correct as at any time subsequent to the date hereof.

The most recent annual report and the latest semi-annual report, if published thereafter, form an integral part of this Information Memorandum.

The Information Memorandum will be valid for a period of two years from the date of approval. This will be reviewed and revised at least once in two years or earlier where the need arises, to take into account any change or new matter, other than a matter which reasonably appears to be insignificant. A revision of the Information Memorandum may take the form of a complete substitution of the previous memorandum, or a supplement to the Information Memorandum. The date of change shall be prominently displayed in the document.

Unitholders shall not be liable for the debts of the Fund.

## Principal Features and Glossary

The following summarizes the principal features of the Fund and should be read in conjunction with the full text of this Prospectus.

<b>Benchmark</b>	<p>The benchmark, as amended from time to time, where listed in section 4 of “Appendix III – Sub-Fund Details” for each Sub-Fund is a point of reference against which the performance of the Sub-Fund may be measured, unless otherwise stated. The benchmark may also be a guide to market capitalization of the targeted underlying companies, and where applicable this will be stated in the Sub-Fund’s investment policy. The degree of correlation with the benchmark may vary from Sub-Fund to Sub-Fund, depending on factors such as the risk profile, investment objective and investment restrictions of the Sub-Fund, and the concentration of constituents in the benchmark. Where a Sub-Fund’s benchmark is part of the investment policy, this is stated in the investment objective and policy of the Sub-Fund in “Appendix III – Sub-Fund Details” and the Sub-Fund will be seeking to outperform such benchmark.</p> <p>Benchmarks used in the calculation of the performance fees are stated under each Sub-Fund in “Appendix III – Sub-Fund Details” and where Sub-Funds’ currency exposure is managed with reference to a benchmark, the benchmarks are stated in Appendix III. Where “Not yet determined” appears in place of the benchmark in “Appendix III – Sub-Fund Details”, the Sub-Fund had not yet been launched.</p> <p>The description "Total Return Net" is applied to a benchmark when the return is quoted net of tax on dividends, "Total Return" is applied to a benchmark when the return quoted is gross of tax on dividends, and "Price Index" is applied when the return excludes dividend income.</p>
<b>Bid Price and Offer Price</b>	<p>Units of each Sub-Fund are issued at the Offer Price of such Units Class determined on the applicable Valuation Day in accordance with the relevant provisions under "Calculation of Prices".</p> <p>Subject to certain restrictions specified herein, Unitholders may at any time request redemptions of their Units at the Bid Price of the relevant Units Class determined on the applicable Valuation Day in accordance with the relevant provisions under "Calculation of Prices".</p>
<b>Business Day</b>	<p>Unless otherwise specified in “Appendix III - Sub-Fund Details”, a weekday other than any day declared and officially gazetted as a public holiday in the Republic of Kenya, New Year's Day, Easter Monday, Christmas Day and the day prior to and following Christmas Day.</p>
<b>CMA (K)</b>	<p>Capital Markets Authority (Kenya) – Regulating body charged with the prime responsibility of supervising, licensing and monitoring the activities of market intermediaries, including the stock exchange and the central depository and settlement system and all the other persons licensed under the Capital Markets Act. The CMA (K) is the regulatory and supervisory authority of the Unit Trust in Kenya and was established by an act of parliament, cap 485 as an independent public agency.</p>
<b>Custodian</b>	<p>The assets of the Fund are held under the custody or control of Stanbic Bank Kenya and Standard Chartered Bank Kenya.</p>
<b>Digital Channels</b>	<p>Mobile App, USSD Code or any other technology platform provided by the Fund Manager</p>

<b>Dividends</b>	Distributions attributable to all Units Classes of the Fund for the year where applicable
<b>Financial Year</b>	The financial year of the Fund ends on 31 December each year.
<b>Hurdle Rate</b>	The minimum rate of return the manager must beat before collecting performance fees.
<b>Fund Manager</b>	Nabo Capital has been designated as Fund Manager to provide investment management (acts as investment manager), administration and marketing functions to the Fund with the possibility to delegate part of such functions to third parties.
<b>Nabo Capital Limited</b>	A limited liability company regulated by the Capital Markets Authority whose principal office is located at 5 <sup>th</sup> Floor, International House, Nairobi, Kenya.
<b>Minimum Investment</b>	The minimum investment levels for initial and subsequent investments are specified in “b) Minimum Initial and Subsequent Subscription Amounts and Minimum Holding Amounts” in “Appendix III - Sub-Fund Details”.
<b>Net Asset Value per Units</b>	In relation to any Units of any Units Class, the value per Units determined in accordance with the relevant provisions described under the heading “Calculation of Prices” as set out in the section “2.5 - Calculation of Prices”.
<b>Reference Currency</b>	The reference currency of a Sub-Fund (or a Units Class thereof, if applicable) which, however, does not necessarily correspond to the currency in which the Sub-Fund’s assets are invested at any point in time. Where currency is used in the name of a Sub-Fund, this merely refers to the reference currency of the Sub-Fund and does not indicate a currency bias within the portfolio. Individual Units Class may have different currency denominations which denote the currency in which the Net Asset Value per Units is expressed.
<b>Risk Considerations</b>	As more fully described under “Appendix IV- Risk Factors”, investors should note that the value of an investment in the Units may fluctuate and the value of Units subscribed by an investor is not guaranteed.
<b>Switching of Units</b>	As more fully described under “2.1 c) Switching of Units” below, unless specifically indicated to the contrary in the relevant section of “Appendix III - Sub-Fund Details”, and subject to compliance with any conditions (including any minimum subscription amount) of the Units Class into which switching is to be effected, Unitholders may at any time request switching of their Units into Units of another existing Sub-Fund, on the basis of the Bid Price of the original Sub Fund and the net asset value of the other Sub Fund. A switch charge may be applicable, as more fully described under “Redemption and Switching of Units” below. The maximum price for switching/exchanging participatory interests between Sub-Funds cannot exceed new interests’ maximum issue price, minus the any preliminary charge, while the minimum price of the old interests in exchange cannot be below their minimum redemption price.
<b>Sub-Fund</b>	A specific portfolio of assets and liabilities within the Fund having its own net asset value and represented by a separate Class or Classes of Units, which are distinguished mainly by their specific investment policy and objective and/or by the currency in which they are denominated. The specifications of each Sub-Fund are described in the relevant section of “Appendix III – Sub-Fund Details” to this Prospectus. The Fund Manager may, at any time, decide to create additional Sub-Funds and, in such case, “Appendix III – Sub-Fund Details” to this Prospectus will be updated.

<b>Units</b>	Units of each Sub-Fund will be offered in registered form. All Units must be fully paid for, and fractions will be issued up to 3 decimal places. Registered Units will be issued and confirmed by means of a contract note dispatched to the investor, following the issue of the Units. No Units certificates will be issued.
<b>Units Class(es)</b>	Pursuant to Articles of the Fund, the Board of Directors may decide to issue, within each Sub-Fund, separate classes of Units (hereinafter referred to as a “Units Class” or “Class of Units”, as appropriate) whose assets will be commonly invested but where a specific initial or redemption charge structure, fee structure, minimum subscription amount, currency or dividend policy may be applied. If different Classes are issued within a Sub-Fund, the details of each Class are described in the relevant section of “Appendix III – Sub-Fund Details”.
<b>Units Dealing</b>	Units are available for subscription, switching and redemption on each Business Day for the relevant Sub-Fund or Sub-Funds, subject to the limitations and charges set out in the section “2 -The Units”.
<b>Unitholder</b>	A holder of Units.

**All references herein to time are to East African time unless otherwise indicated.**

**Words importing the singular shall, where the context permits, include the plural and vice versa.**

**NABO AFRICA FUNDS**

Registered Office:

5<sup>th</sup> Floor, International House, Mama Ngina Street,

P.O. Box 10518 - 00100, Nairobi.

## **Management and Administration**

### **Trustee**

KCB Bank Kenya Limited, 8<sup>th</sup> Floor, KCB Tower, Kenya Road, Upper Hill, Nairobi, Kenya (approved by the CMA(K) and regulated by the Central Bank of Kenya).

### **Investment Manager/ Fund Manager**

Nabo Capital Limited, having its principal place of business at 5th Floor, International House, Mama Ngina Street, Nairobi Kenya (approved and regulated by the Capital Markets Authority of Kenya – CMA (K));

### **Custodian**

Stanbic Bank Kenya Investor Services, Stanbic Bank Kenya, Standard @ Chiromo Road, 48 Westlands Road, Nairobi Kenya (approved by the CMA(K) and regulated by the Central Bank of Kenya)

Standard Chartered Securities Services Kenya, Standard Chartered Bank Kenya, Stanbic Bank Centre, Westlands Road, Nairobi Kenya (approved by the CMA(K) and regulated by the Central Bank of Kenya)

### **Auditors**

Grant Thornton LLP

# **1. The Nabo Africa Funds**

## **1.1 Structure**

The Nabo Africa Funds (“the Fund”) is an umbrella scheme registered as a collective investment scheme (CIS) in accordance with section 30 of the Capital Markets Act and Part III of the Capital Markets (Collective Investment Schemes) Regulations, 2023. The Fund operates separate Sub-Funds, each of which is represented by one or more Units Classes. The Sub-Funds are distinguished by their specific investment policy or any other specific features.

The Fund Manager may at any time resolve to set up new Sub-Funds and this Prospectus will be updated accordingly.

## **1.2 Investment Objectives and Policies**

The exclusive objective of the Fund is to place the funds available to it in transferable securities and other permitted assets of any kind with the purpose of spreading investment risks and affording its Unitholders the results of the management of their portfolios.

The specific investment objective and policy of each Sub-Fund is described in “Appendix III - Sub-Fund Details”.

The investments of each Sub-Fund shall at any time comply with the restrictions set out in “Appendix III – Sub-Fund Details” and investors should, prior to any investment being made, take due account of the risks of investments set out in Appendix IV.

# **2. The Units**

The fund manager may create within each Sub-Fund different classes of Units (each a “Units Class”) whose assets will be commonly invested pursuant to the specific investment policy of the relevant sub fund. A distinct fee structure, currency of denomination, dividend policy or other specific feature may apply and a separate Net Asset Value per Units will be calculated for each Units Class. The range of available Units Classes and their features are described in “Appendix III – Sub-Fund details.”

Subject to the restrictions described below, Units are freely transferable and are each entitled to participate equally in the profits and liquidation proceeds attributable to the relevant Units Class. The rules governing such allocation are set forth below. The Units, which are of no par value and which must be fully paid upon issue, carry no preferential or pre-emptive rights, and each one is entitled to one vote at all general meetings of Unitholders and at all meetings of the Sub-Fund in which Units are held. Units redeemed by the Fund become null and void.

The Trustee may give a notice to the Fund Manager to restrict or prevent the ownership of Units by any person, firm or corporation, if such ownership may be against the interests of the Fund or of the majority of Unitholders or of any Sub-Fund therein. Where it appears that a person who should be precluded from holding Units, either alone or in conjunction with any other person, is a beneficial owner of Units, the Fund Manager may compulsorily redeem all Units so owned in accordance with the provisions of the Articles.

## **2.1 Subscription, Redemption and Switching of Units**

### **General Information**

#### **Subscription, Redemption and Switch Requests**

Requests for subscription, redemption and switching of Units should be sent to one of the sales agents or distributors (hereinafter referred to as “Sales Agents” and “Distributors”) or to the Fund Manager at its registered address in Nairobi, Kenya or through its digital channels. Application forms can be obtained from the Fund Manager or from the website [www.nabocapital.com](http://www.nabocapital.com) or from other approved channels such as the self-onboarding client portal and the mobile application.

Unless otherwise specified in "Appendix III – Sub-Fund Details" for any Sub-Fund, requests for subscriptions, redemptions and switches from or to any Sub-Fund will be dealt with on the Valuation Day on which they are received, provided they are received prior to 2.30 p.m. East African time on that Valuation Day. Requests received after such time will be accepted on the next Valuation Day. As a result, requests for the subscription, redemption and switching of Units shall be dealt with on an unknown net asset value basis before the determination of the Net Asset Value for that day.

The Fund does not permit market timing or related excessive, short-term trading practices. The Fund Manager has the right to reject any request for the subscription or switching of Units from any investor engaging in such practices or suspected of engaging in such practices and to take such further action as it may deem appropriate or necessary.

Subscription, redemption and switching of Units of a given Sub-Fund shall be suspended whenever the determination of the Net Asset Value per Units of such Sub-Fund is suspended by the Fund (see "2.6 Suspension or Deferrals").

The Fund Manager may enter into agreements with certain Distributors or Sales Agents pursuant to which they agree to act as or appoint nominees for investors subscribing for Units through their facilities. In such capacity the Distributor or Sales Agent may effect subscriptions, switches and redemptions of Units in the nominee name on behalf of individual investors and request the registration of such transactions on the register of Unitholders of the Fund in the nominee name. The appointed nominee maintains its own records and provides the investor with individualized information as to its holdings of Units in the Fund. Except where local law or custom prohibits the practice, investors may invest directly in the Fund and not avail themselves of a nominee service. Unless otherwise provided by local law, any Unitholder holding units in a nominee account with a Distributor has the right to claim at, any time, direct title to such units.

### **Deferral of Redemptions and Switches**

If the total requests for redemptions and switches out of a Sub-Fund on any Valuation Day exceeds 10% of the total value of Units in issue of that Sub-Fund, the Fund Manager may decide that redemption and switching requests in excess of 10% shall be deferred until the next Valuation Day. On the next Valuation Day, or Valuation Days until completion of the original requests, deferred requests will be dealt with in priority to later requests.

### **Settlements**

Confirmation of completed subscriptions, redemptions and switches will normally be dispatched within three business days following the execution of the transaction.

No redemption payments will be made until the original application form and relevant subscription monies have been received from the unit holder and all the necessary anti money-laundering checks have been completed. Redemption proceeds will be paid on receipt of instructions where such payment is made into the account specified by the unit holder in the original application form submitted. However, any amendments to the Unitholder's registration details and payment instructions can only be effective upon receipt of original documentation.

Once the Fund Manager agrees to redeem the participatory interests of Unitholders, such redemption shall be subject to an applicable redemption charge and levy or tax as may be imposed by law.

### **Withdrawal of Requests for Subscription, Redemption and Switching of Units**

A Unitholder may withdraw a request for subscription, redemption or switching of Units in the event of a suspension of the determination of the Net Asset Value of the Units and, in such event, a withdrawal will be effective only if written notification is received by the Fund Manager before termination of the period of suspension. If the subscription, redemption or switch request is not withdrawn, the fund shall proceed to subscribe, redeem or switch on the first applicable Valuation Day following the end of the suspension of the determination of the Net Asset Value. All other requests to withdraw a subscription, redemption, switch requests are at the sole discretion of the Fund Manager, and will only be considered if received before 2:30 PM East African time on the relevant valuation day.

### **Minimum Subscription and Holding Amounts and Eligibility for Units**

The Fund Manager has set minimum initial and subsequent subscription amounts and minimum holding amounts for each Units Class, as detailed under “1. Classes of Units, b) Minimum Initial and Subsequent Subscription Amount and Minimum Holding Amount” in Appendix III – Sub-Fund details.

The Fund Manager has the discretion, from time to time, to waive or reduce any applicable minimum subscription amounts. The relevant minimum subscription amount shall not apply where the units are subscribed for by companies and entities affiliated with Nabo Capital or by third party investment managers or Distributors approved by Nabo Capital who are subscribing as a nominee.

Where a Unitholder of a given Units Class accumulates a holding of sufficient size to satisfy the minimum subscription requirements of a ‘parallel Units Class’ within that Sub-Fund with lower fees and expenses the Unitholder may request that the Fund Manager, in its absolute discretion, switch the holding into units in the ‘parallel Units Class’. A ‘parallel Units Class’ within a Sub-Fund is one that is identical except for the minimum subscription amount and expenses applicable to it.

The right to redeem or switch units is subject to compliance with any conditions (including any minimum subscription or holding amounts and eligibility requirements) applicable to the Units Class from which the redemption or switch is being made, and also the Units Class into which the switch is to be effected (the “New Units Class”). In the case of a transfer of Units, whilst there is no change in actual Units Class, the minimum subscription and holding amounts will apply to the investment of the existing and new Unitholder after the transfer.

The Fund Manager may also, at any time, decide to compulsorily redeem all Units from Unitholders whose holding is less than the minimum holding amount specified under “1. Classes of Units, b) Minimum Initial and Subsequent Subscription Amount and Minimum Holding Amount” in Appendix III – Sub-Fund Details” or who fail to satisfy any other applicable eligibility requirements set out above or stated under “1. Classes of Units, a) Eligibility Requirements” in “Appendix III – Sub-Fund Details”. In such case the Unitholder concerned will receive one month’s prior notice so as to be able to increase its holding above such amount or otherwise satisfy the eligibility requirements.

Unless waived by the Fund Manager, if a redemption or switch request would result in the amount remaining invested by Unitholder falling below the minimum holding amount of Units Class, such request will be treated as a request to redeem or switch, as appropriate, Unitholder’s total holding in that Units Class. If the request is to transfer Units, then that requests may be refused by the Fund Manager.

If, as a result of a switch or transfer request, the value of a Unitholder’s holding in the New Units Class would be less than the relevant minimum subscription amount, the Fund Manager may decide not to accept the request.

Further information in relation to the subscription redemption and switching unit is set up below.

#### **(a) Subscription for Units**

Subscriptions for Units can be made on any day that is a Valuation Day for the relevant Sub-Fund. Units will be allotted at the Offer Price of the relevant Sub-Fund (as described in “2.5 Calculation of Prices, Calculation of Bid and Offer Prices”) determined on the Valuation Day on which the request has been accepted.

The initial launch date or offering period for each newly created or activated Units Class or Sub-Fund can be found on the website [www.nabocapital.com](http://www.nabocapital.com).

Units are normally only issued on receipt of cleared funds. In the case of subscriptions from approved Distributors or Sales Agents authorised by the Fund Manager the issue of Units is conditional upon the receipt of settlement in cleared funds within a previously agreed period not normally exceeding 3 Business Days after acceptance of the request for subscription. This period may be increased up to 5 Business Days for deals placed through certain Distributors or Sales Agents approved by the Fund Manager.

If timely settlement is not made the subscription may lapse and be cancelled at the cost of the applicant or its financial intermediary. Failure to make good settlement by the settlement date may result in the Fund Manager bringing an action against the defaulting investor or its financial intermediary or deducting any costs

or losses incurred by the Fund Manager against any existing holding of the applicant in the Fund. In all cases, any money returnable to the investor will be held by the Fund Manager without payment of interest pending receipt of the remittance.

Payment for Units must be received by the Fund Manager in the reference currency of the relevant Sub-Fund. Request for subscriptions in any other major freely convertible currency will only be accepted if so determined by the Fund Manager. Payment shall be received from Unitholders through the digital channels.

The Fund reserves the right to accept or refuse any subscription in whole or in part and for any reason. The Fund may also limit the distribution of a given Sub-Fund or Sub-Funds.

#### **Contribution in kind**

The Fund Manager may from time to time accept subscriptions for Units against a contribution in kind of securities or other assets that could be acquired by the relevant Sub-Fund pursuant to its investment policy and restrictions. Any such contribution in kind will be valued in an auditor's report if required drawn up in accordance with the requirements of Kenyan law. All supplemental costs associated with contributions in kind will be borne by the Unitholder making contribution in kind for such other party as agreed by the Fund Manager.

#### **(b) Redemption of Units**

Requests for the redemption of Units can be made on any day that is a Valuation Day for the relevant Sub-Fund. Redemptions will be effected at the Bid Price of the relevant Sub-Fund determined on the Valuation Day on which the request has been accepted.

Redemption requests will, only be executed if cleared funds in respect of the subscription for those Units have been received.

The Fund Manager may carry out any authentication procedures that it considers appropriate relating to a redemption request. This aims to mitigate the risk of error and fraud for the Fund, its agents or Unitholders. Where it has not been possible to complete any authentication procedures to its satisfaction, the Fund Manager may delay the processing of payment instructions until authentication procedures have been satisfied. This will not affect the Valuation Day on which the redemption request is accepted and the Bid Price to be applied. Neither the Fund Manager nor the Fund shall be held responsible to the Unitholder or anyone if it delays execution or declines to execute redemption instructions in these circumstances.

Redemption payments may be paid in the Reference Currency of the Units Class by mobile money or bank transfer within 3 Business Days of the relevant Valuation Day (unless otherwise specified in "Appendix III – Sub-Fund Details"). A Unitholder may request at its own cost and subject to the claimant by the Fund Manager that their redemption proceeds be paid in a currency other than the reference currency of the relevant Units Class.

If, in exceptional circumstances, redemption proceeds cannot be paid within the period specified above, payment will be made as soon as reasonably practicable thereafter (not exceeding, however, 15 Business Days) at the Bid Price calculated on the relevant Valuation Day.

A redemption charge may be applied or may be waived in whole or in part at the discretion of the Fund Manager. If a redemption charge is applied in relation to any particular Sub-Fund, it will be disclosed in "Appendix III – Sub-Fund Details". The Fund Manager is entitled to receive the redemption charge (if any). The redemption charge (if any) will be the same for all redemptions effected on the same Valuation Day.

#### **(c) Switching of Units**

Subject to any suspension of the determination of the Net Asset Values per Units concerned, Unitholders have the right to switch all or part of their Units of any Sub-Fund (the "Original Sub-Fund") into Units of another Sub-Fund (the "New Sub-Fund"), or when permitted by the Fund Manager, and subject to meeting any relevant qualifications for investment, to Units of any other Fund by applying for switching in the same manner as for the subscription and redemption of Units. Switches within Funds are permitted provided that the Unitholder satisfies the eligibility requirements and minimum holding amounts set out in "Appendix III – Sub-Fund Details" and such other conditions applicable to the Original or New Units Classes as set out below.

#### **Procedure for switching within the Fund**

If the switching request is received before 2.30 p.m. East African Time on a day that is a common Valuation Day for the Original Sub-Fund and the New Sub-Fund (the “Common Valuation Day”), the number of Units issued upon switching will be based upon the Bid Price of the Original Sub-Fund and the Net Asset Value of the New Sub-Fund, plus a switching charge (as detailed below). If the switching request is received before 2.30 p.m. East African Time on a day that is not a Common Valuation Day for the relevant Sub-Funds (or if there is no Common Valuation Day), the switch will be made on the basis of the Bid Price of the Original Sub-Fund and the Net Asset Value of the New Sub-Fund calculated on the next relevant Valuation Days of each of the two Sub-Funds concerned, plus a switching charge (as detailed below). Requests received after 2.30 p.m. East African Time on any Valuation Day will be deferred to the next Valuation Day in the same manner as for the subscription and redemption of Units.

Under no circumstances will a unitholder who switches from the Original Sub-Fund to the New Sub-Fund be given a right by law to withdraw from or cancel that transaction;

The Fund Manager may apply a switching charge not exceeding 1% of the Net Asset Value of the Units in the New Sub-Fund. Where a Unitholder requests a switch into a New Sub-Fund with a higher initial charge, then the additional initial charge payable for the New Sub-Fund may be charged. The Fund Manager is entitled to any charges arising from switches and any rounding adjustment.

#### **2.2 Transfer of Units**

The transfer of Units may normally be effected by delivery to the relevant Distributor, Sales Agent or the Fund Manager of an instrument of transfer in appropriate form. On the receipt of the transfer request, and after reviewing the endorsement (s), the signature(s) may be required to be certified by a public notary or an advocate of the High Court of Kenya.

The right to transfer Units is subject to the minimum investment and holding requirements as detailed in “Minimum Subscription and Holding Amounts and Eligibility for Units” in the “General Information” section of “1. Subscription, Redemption and Switching of Units”.

Unitholders are advised to contact the relevant Distributor, Sales Agent or the Management Company prior to requesting a transfer to ensure that they have the correct documentation for the transaction.

#### **2.3 Restrictions on subscriptions and switches into certain Sub-Funds**

A Sub-Fund or Units Class may be closed to new subscriptions or switches in (but not to redemptions or switches out) if, in the opinion of the management company, closing is necessary to protect the interests of existing Unitholders. Without limiting the circumstances where closing may be appropriate, one such circumstance would be where the Sub-Fund has reached a size such that the capacity of the market and/or the capacity of the investment manager has been reached, and where to permit further inflows would be detrimental to the performance of the Sub-Fund. Any Sub-Fund or Units Class may be closed to new subscriptions or switches in without notice to Unitholders. Once closed, a Sub-Fund or Units Class, will not be re-opened until, in the opinion of the management company, the circumstances which required closure no longer prevail.

#### **2.4 Calculation of Prices**

##### **Calculation of the Net Asset Value per Units**

- A. Unless otherwise specified in “Appendix III - Sub-Fund Details”, the Net Asset Value per Units of each Units Class will be calculated on each Valuation Day in the currency of the relevant Units Class. It will be calculated by dividing the net asset value attributable to each Units Class, being the value of its assets less its liabilities, by the number of Units of such Units Class then in issue. The resulting sum shall be rounded to the nearest two decimal places.
  
- B. The Fund Manager reserves the right to allow prices to be calculated more frequently than once daily, or to otherwise alter dealing arrangements on a permanent or a temporary basis, for example, where the Fund Manager considers that a material change to the market value of the investments in one or more Sub-Funds so demands or where there is an in-specie subscription and the Fund Manager deems it is in the interest of the Unitholders to value such a subscription separately. The Prospectus will be amended, following any such permanent alteration, and Unitholders will be informed accordingly.
  
- C. In valuing total assets, the following rules will apply:
  - i. The value of securities and/or financial derivative instruments is determined on the basis of the last quoted price on the relevant stock exchange or over-the-counter market or any other Regulated Market on which these securities are traded or admitted for trading. Where such securities are quoted or dealt on more than one stock exchange or Regulated Market, the Fund Manager or any agent appointed by them for this purpose may, at its own discretion, select the stock exchanges or Regulated Markets where such securities are primarily traded to determine the applicable value. If a security is not traded or admitted on any official stock exchange or any Regulated Market or, in the case of securities so traded or admitted, if the last quoted price does not reflect their true value, the Fund Manager or any agent appointed for this purpose will proceed with a valuation on the basis of the expected sale price, which shall be valued with prudence and in good faith.
  
  - ii. Units or Units in open-ended funds shall be valued on the basis of their last net asset value, as reported by such undertakings.
  
  - iii. Cash, bills payable on demand and other receivables and prepaid expenses will be valued at their nominal amount, unless it appears unlikely that such nominal amount is obtainable.
  
  - iv. Any assets or liabilities in currencies other than the currency of the relevant Sub -Fund will be valued using the relevant spot rate quoted by a bank or other responsible financial institution as sourced from various reliable information services.
  
  - v. Any assets or liability which cannot be considered as being attributable to a particular Sub-Fund, shall be allocated pro rata to the net asset value of each Sub-Fund. All liabilities attributable to a particular Sub-Fund shall be binding solely upon that Sub-Fund. For the purpose of the relations as between Unitholders, each Sub-Fund will be deemed to be a separate entity.
  
  - vi. Liquid assets and money market instruments may be valued at nominal value plus any interest or on an amortized cost basis. All other assets, where practice allows, may be valued in the same manner.

The value of assets denominated in a currency other than the reference currency of a Sub-Fund shall be determined by taking into account the rate of exchange prevailing at the time of the determination of the net asset value.

#### **Pricing Underlying Securities at Bid or Offer**

The Fund Manager may consider it in the interests of the Unitholders (or potential Unitholders) to value securities at either their bid or offer prices, given the prevailing market conditions and/or the level of subscriptions or redemptions relative to the size of the relevant Sub-Fund. The Net Asset Value may also be adjusted for such sum as may represent the appropriate provision for dealing charges that may be incurred by

a Sub-Fund, provided always that such sum shall not exceed 1% of the Net Asset Value of the Sub-Fund at such time. Under these circumstances, swing pricing would not be applied to the Net Asset Value.

#### **Alternative Valuation Principles**

The Fund Manager, in circumstances where the interests of the Unitholders or the Fund so justify, may take appropriate measures such as applying other appropriate valuation principles to certain or all of the assets of the Sub-Funds if the aforesaid valuation methods appear impossible or inappropriate. Alternatively, the Fund Manager may, in the same circumstances, adjust the Net Asset Value per Units of a Sub-Fund prior to publication to reflect what is believed to be the fair value of the portfolio as at the point of valuation. If an adjustment is made, it will be applied consistently to all Units Classes in the same Sub-Fund.

#### **Publication of Prices**

The Net Asset Value per Units of each Units Class and Bid and Offer Prices thereof are available at the registered office of the Fund and are on the website [www.nabocapital.com](http://www.nabocapital.com).

#### **Calculation of Bid and Offer Price**

- A. The Offer Price per Units of each Sub-Fund is calculated by adding an initial charge, if any, to the Net Asset Value per Units. The initial charge will be calculated as a percentage of the Net Asset Value per Units not exceeding the levels shown in “Appendix III – Sub-Fund Details”.
  
- B. The Bid Price per Units of each Sub-Fund is calculated by deducting a redemption charge, if any, from the Net Asset Value per Units. The redemption charge will be calculated as a percentage of the Net Asset Value per Units, not exceeding the levels shown in “Appendix III – Sub-Fund Details”.

For publication purposes the Bid and Offer Prices will be rounded to the same number of decimal places as the Net Asset Value per Units of the relevant Sub Fund.

## **2.5 Suspensions or Deferrals**

- A. The Fund may suspend or defer the calculation of the Net Asset Value of any Units Class and the issue and redemption of any Units in such Sub-Fund, as well as the right to switch Units of any Units Class in any Sub-Fund into Units of another Units Class of the same Sub-Fund, or any other Sub-Fund, or any other type of switch referred to in “(c) Switching of Units” in Section “2.1 Subscription, Redemption and Switching of Units” above:
  - i. while any transfer of funds involved in the realization, acquisition or disposal of investments or payments due on sale of such investments by the Fund cannot, in the opinion of the Fund Manager, be effected at normal prices or rates of exchange or be effected without seriously prejudicing the interests of the Unitholders or the Fund; or
  
  - ii. during any breakdown in the communications normally employed in valuing any of the Fund’s assets, or when, for any reason, the price or value of any of the Fund’s assets cannot be promptly and accurately ascertained; or
  
  - iii. if the Fund, or Sub-Fund or a Units Class is being, or may be, wound-up on or following the date on which notice is given of the meeting of Unitholders at which a resolution to wind up the Fund, or a Sub-Fund is proposed; or

- iv. during the existence of any state of affairs which, in the view of the Fund Manager, constitutes an emergency as a result of which disposal or valuation of investments of the relevant Sub-Funds by the Fund Manager is impracticable; or
  - v. if the Fund Manager has determined that there has been a material change in the valuation of a substantial proportion of the investments of the Fund attributable to a particular Sub -Fund and the Fund Manager has decided, in order to safeguard the interest of the Unitholders and the Fund, to delay the preparation or use of a valuation or carry out a later or subsequent valuation; or
  - vi. while the value of any subsidiary of the Fund may not be determined accurately; or
  - vii. during any other circumstance or circumstances where a failure to do so might result in the Fund or its Unitholders incurring any liability to taxation or suffering other pecuniary disadvantages or other detriment to which the Fund or its Unitholders might not otherwise have suffered.
- B. The suspension of the calculation of the net asset value of any Sub-Fund shall not affect the valuation of other Sub-Funds, unless these Sub-Funds are also affected.
- C. During a period of suspension or deferral, a Unitholder may withdraw his request in respect of any Units not redeemed or switched, by notice in writing received by the Fund Manager before the end of such period.

Unit holders will be informed of any suspension or deferral as appropriate.

### **3. General Information**

#### **3.1 Administration Details, Charges and Expenses**

##### **Administration Details**

###### **Management Company and Domiciliary Agent**

Nabo Capital has been designated as the Fund Manager of the Fund to perform investment management, administration and marketing functions for the Fund and as domiciliary agent to the Fund. Nabo Capital is a wholly owned subsidiary of Centum Investment Company Plc, incorporated as a limited liability company in Nairobi, Kenya.

The Fund Manager was incorporated as a limited liability company in Nairobi, Kenya on 17 February 2012 under the name of Centum Asset Managers Limited and issued with a first license by the CMA (K) on 30 April 2013. The Fund Manager later amended its name to Nabo Capital Limited. The Fund Manager has an issued Share Capital of KES 18,000,000 all fully paid up.

The Fund Manager was first approved on 26th June 2014 as a fund management company managing Collective Investment Schemes in accordance with section 30 of the Capital Markets Act and Part II of the Capital Markets (Collective Investment Schemes) Regulations, 2001.

The Fund Manager will monitor on a continued basis the activities of the third parties to which it has delegated functions. The agreements entered into between the management company and the relevant third parties provide that the management company can give at any time further instructions to such third parties, and that it can withdraw their mandate with immediate effect if this is in the interest of the Unitholders. The Fund

Manager's liability towards the Fund is not affected by the fact that it has delegated certain functions to third parties.

### **Investment Manager**

The Fund Manager shall act as Investment Manager for the Fund and shall manage the investments of the Sub-Funds in accordance with stated investment objectives and restrictions and, on a discretionary basis, acquire and dispose of securities of the Sub-Funds. The Fund Manager is entitled to receive a remuneration for their services such fee payable as is set out in the relevant investment management agreement or as may otherwise be agreed upon from time to time.

### **Custodian**

Stanbic Bank Kenya and Standard Chartered Securities Services have been appointed as custodian of the Fund's assets (and the assets of any subsidiaries), comprising securities, money market instruments, cash and other assets. They may entrust the physical custody of securities and other assets, mainly securities traded abroad, listed on a foreign stock market or accepted by clearing instructions for their transactions, to such institutions or to one or more of its banking correspondents under a sub-custody agreement.

### **Distributors use of nominees**

The Fund and/or the Fund Manager may enter into agreements with certain Distributors pursuant to which such Distributors agree to act as or appoint nominees for investors subscribing for units through their facilities. In such capacity such Distributor may effect subscriptions, switches and redemption of Units in nominee name on behalf of individual investors and request the registration of such operations on the Units records of the Fund in such nominee name. Such nominee/Distributor maintains its own records provides the investor with individualised information as to its holding so units in the fund. Except where local law or custom prescribes the practice, investors may invest directly in the Fund and not avail themselves of a nominee service. Unless otherwise provided by local law, any Unitholder holding units in a nominee account with a Distributor has a direct claim to the particular units subscribed for on its behalf by its nominee.

In all cases such agreements between the Fund Manager and any nominee/Distributor will be subject to the provisions of anti-money laundering as set out under, "Anti-Money Laundering Procedures" above.

### **Conflicts of Interest**

- 1) The Fund Manager is part of Centum Investment Company Plc which is a multi-asset investment company with interests in entities that operate across various sectors of the Kenyan economy. As a result, there may be or appear to be conflicts of interest between the various activities of the Fund Manager in dealings with such related entities in due course of their business.
- 2) The Fund Manager, under the rules of conduct applicable to it, must try to avoid conflicts of interest and, when they cannot be avoided, ensure that its clients (including the Fund) are fairly treated.
- 3) The Fund Manager and Centum Investment Company Limited may effect transactions in which they have directly or indirectly an interest which may involve a potential conflict with the Fund Manager's duty to the Fund. Neither the management company nor Centum Investment Company Limited shall be liable to account to the Fund for any profit, commission or remuneration made all received from or by reason of such transactions or any connected transactions nor will the Fund Manager's fees unless otherwise provided, be abated. The Fund Manager will ensure such transactions are affected in terms that are at least as favourable to the Fund than if the potential conflict had not existed.
- 4) There is no prohibition on the Fund entering into any transactions with the Fund Manager or any Investment Manager, the Sales Agents or the custodian or with any of the affiliates provided that such transactions are carried out as if effected on normal commercial terms negotiated at arm's length. In such case, in addition to management fees, the Fund Manager or the Investment Managers earn for managing the Funds, they may also have an arrangement with the issuer, dealer and/or distributor of any products entitling them to a units in the revenue from such products that they purchase on behalf of the Fund. In addition, there is no prohibition on the Fund Manager or be Investment Managers to purchase any products on behalf of the fund where the issuer, dealer and/or

distributor of such products are their affiliates provided that such transactions as if effected on normal commercial terms negotiated at arm's length, in the best interests of the fund.

- 5) Potential conflicting interests or duties may arise because the Fund Manager or Centum Investment Company Limited may have invested directly or indirectly in the Fund. Centre Investment Company could hold a relatively large proportion of Units and voting rights in the Fund.
- 6) Employees and directors of Nabo Capital and Centum Investment Company Limited may hold Units in the Fund. Employees of Nabo Capital and Centum Investment Company Limited are bound by the terms of Centum Investment Company Limited's policy on personal account dealings and managing conflicts of interests.

## **Charges and Expenses**

### **Charges and Fees paid to the management company**

The Fund Manager is entitled to receive the initial charge, redemption charge and any charge on switching where applicable to the Units Class as detailed in Section 2.5, "Calculation of Prices" and in "Appendix III – Sub-Fund Details", together with any rounding adjustments as detailed within this Information Memorandum.

Additionally, the Fund Manager is entitled to the Annual Management and Advisory Fee as set out in "Appendix III - Sub-Fund Details". This fee is paid to the Fund Manager monthly in arrears. The Fund Manager may from time to time, and at its absolute discretion, decide to reduce such fee (which might become 0.0%). Certain Sub-Funds or Units Classes may incorporate a performance fee as further detailed below.

The Fund Manager may pay all or part of the fees and charges it receives as a commission, retrocession or discount to financial intermediaries or Distributors.

Subject to the investment restrictions described below, Sub-Funds may invest in other Sub-Funds managed by the Fund Manager in accordance with section 5 b) of Appendix II, "Investment Restrictions and Powers", no double-charging of fees will occur. The avoidance of a double-charge of the Annual Management and Advisory Fee on such assets is achieved by either: a) excluding the assets from the net assets on which the Annual Management and Advisory Fee are calculated; or b) investing in Sub-Funds via Units Classes that do not accrue an Annual Management and Advisory Fee or other equivalent fee; or c) the Annual Management and Advisory Fee being netted off by a rebate to the Fund or Sub-Fund of the annual management and advisory fee (or equivalent) charged to the underlying Sub-Fund; or d) charging only the difference between the Annual Management and Advisory Fee of the Fund or Sub-Fund as per "Appendix III – Sub-Fund Details" and the Annual Management and Advisory Fee (or equivalent) charged to the underlying Sub-Fund.

All fees, charges, expenses and costs to be borne by the Fund will be subject, where applicable, to the addition of VAT or any analogous taxation where applicable. Fees shall accrue on a daily basis and be charged from the custody account on a monthly basis.

### **Transaction Fees**

Each Sub-Fund bears all costs and expenses of buying and selling securities and financial instruments including, without limitation, any brokerage fees and commissions, interest, taxes, governmental duties, charges and levies and any other transaction related expenses excluding any costs and expenses relating to custody (collectively "Transaction Fees") which relate to the relevant Sub-Fund. Such costs and expenses are allocated across each Sub-Fund.

Subscription, redemption and switching charges of the Sub-Funds managed by the Fund Manager into which a Sub-Fund may invest will be waived.

### **Extraordinary Expenses**

Each Sub-Fund bears any extraordinary expenses including, without limitation, litigation expenses, interest and the full amount of any tax, levy, duty, or similar charge imposed on the Sub-Fund or its assets detailed in section 3.4 under the heading "Taxation" (collectively "Extraordinary Expenses").

## **Operating and Administrative Expenses**

The Fund bears all the ordinary operating expenses (the "Operating and Administrative Expenses") including but not limited to formation expenses such as organization and registration costs; the Custodian fees and ongoing custody fees covering transaction and safekeeping charges and fiduciary fees; accounting fees covering fund accounting and administrative services; transfer agency fees covering registrar and transfer agency services payable to the Fund Manager; the fees and reasonable out-of-pocket expenses of the paying agents and representatives; legal and auditing fees and expenses; ongoing registration, listing and quotation fees, including translation expenses; the cost of publication of the Units prices and postage, telephone, facsimile transmission and other electronic means of communication; and the costs and expenses of preparing, printing and distributing the Prospectus, Simplified Prospectus(es) or any offering document, financial reports and other documents made available to Unitholders. Operating and Administrative Expenses do not include Transaction Fees and Extraordinary Expenses as defined above.

Expenses related to the formation of new Sub-Funds may be amortized over a period not exceeding five years.

## **Performance Fees**

For certain Sub-Funds within the Fund, the Fund Manager is entitled to receive a Performance Fee in addition to other fees and expenses. The Fund Manager is entitled to a Performance Fee if, in any accounting year, the performance fee of the relevant Sub-Fund exceeds the Sub-Fund's Performance Fee Hurdle Rates during the same period. Performance Fee Rate and the Performance Fee Hurdle Rates are specified in "Appendix III – Sub-Fund Details" for each relevant Sub-Fund. Full details on how Performance Fee is accrued and charged, and the definitions of the terms used herein appear under "Appendix V - Calculation of Performance Fees."

Sub- Funds may invest in Sub-Funds managed by the Fund Manager. No double-charging of Performance Fee will occur. The avoidance of a double-charge of the Performance Fee is achieved by either a) where a Sub-Fund invests in such Sub-Fund that charges performance fees, the Sub-Fund will not charge a Performance Fee, or b) where a Sub-Fund charges a Performance Fee, it will not invest in such Sub-Funds that charge performance fees.

## **3.2 Fund Information**

Nabo Africa Funds ("the Fund") is an umbrella scheme registered as a collective investment scheme (CIS) in accordance with section 30 of the Capital Markets Act and Part III of the Capital Markets (Collective Investment Schemes) Regulations, 2023. The Fund operates separate Sub-Funds, each of which is represented by one or more Sub-Funds. The Sub-Funds are distinguished by their specific investment policy or any other specific features. The fund was approved on 26<sup>th</sup> June 2014.

The Fund changed its name from Centum Unit Trust Fund to Nabo Africa Funds on 16<sup>th</sup> June 2014. The Fund is registered under Number CPR/2012/66999 with the Capital Markets Authority of Kenya. The Fund exists for an indefinite period.

The Fund shall be in compliance with the guidance to Collective Investment Schemes on Valuation, Investment Performance Measurement, Reporting and other related matters issued by CMA(K) through Circular No. 8 of September 2020, which shall be effective from 1<sup>st</sup> January 2021

The following material contracts have been entered into:

- **A Custody Agreement** dated 22<sup>nd</sup> May 2014, between the Fund and CFC Stanbic (Now Stanbic Kenya Ltd) pursuant to which the latter was appointed custodian of the assets of the Fund. The Agreement is entered into for an unlimited period and may be terminated by either party upon a three months' written notice.
- **A Custody Agreement** dated 7<sup>th</sup> August 2014, between the Fund and Standard Chartered Bank pursuant to which the latter was appointed custodian of the assets of the Fund. The Agreement is entered into for an unlimited period and may be terminated by either party upon a three months' written notice.

- **A Trust Deed** dated 1<sup>st</sup> September 2014 between the Fund and KCB Bank Kenya Limited pursuant to which the latter was appointed trustee of the assets of the Fund. The Agreement is entered into for an unlimited period and may be terminated by either party upon three months' written notice.

The material contracts listed above may be amended from time to time by agreement between the parties thereto.

### **3.3 Dividends**

Unit Classes are accumulation Units Classes and will not normally pay dividends. It is intended that any distributable income, (consisting of dividend income received from companies whose shares are held within the portfolio, and interest income received from fixed income securities including cash and deposits), shall be reinvested on behalf of the Unitholders.

### **3.4 Meetings and Reports**

#### **Meetings**

The Annual General Meeting of Unitholders of the Fund shall be convened by the trustee within four (4) months of the accounting reference date, either physically or virtually. For all General Meetings of Unitholders notices are sent to registered Unitholders by e-mail at least fourteen (14) days prior to the meeting inclusive of the date on which the notice is deemed to be served and the day of the meeting. Notices will be served on Unitholders through post, left at the registered address or sent by e-mail. Such notices will specify the place, day and hour of the meeting.

The quorum of the meeting shall consist of ten percent (10%) of the Unitholders of the portfolio inclusive of proxies received. For off-shore Unitholders who may not be able to attend the meetings, the management company may host web conference meetings.

The Fund Manager may host physical or web conference meetings.

The Trustee, Fund Manager or Unitholders as the case may be, may convene an extra-ordinary meeting at any time but no later than two (2) months after receipt of the requisition. The request shall be dated and state the objects of the meeting and the resolution or resolutions proposed at such meetings and shall be signed by the Unitholders and deposited with the Fund Manager.

A meeting of the Unitholders shall be convened for the following purposes among others:

- i. To approve any change of the investment policy or objectives of the scheme proposed by the Promoter of the Fund with the consent of the Trustee.
- ii. To approve any change of the class of scheme as registered.
- iii. To authorize any modification or addition to the trust deed proposed by the Fund Manager with the consent of the Trustee.
- iv. To approve any increase in the periodic charge due to the Fund Manager.
- v. To remove the Fund Manager.
- vi. To approve a scheme of 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.

No business shall be transacted at any meeting unless a quorum of Unitholders is present at the time when the meeting proceeds to business.

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 Unitholders, 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

pursuant to the incorporation documents or otherwise by the Trustee or Management Company, as the case may be and if at such adjourned meeting a quorum is not present within fifteen (15) minutes from the time appointed for the meeting, the Unitholders present shall comprise the quorum.

The Trustee shall preside at every meeting of Unitholders. Where the trustee is not present, a person, other than the Fund Manager, who need not be a Unitholder, nominated in writing by the trustee, shall preside at every meeting of Unitholders and, if no such person is nominated or if at any meeting the person nominated is not present within fifteen (15) minutes after the time appointed for holding the meeting, the Unitholders present shall choose one of their members to be the Chairman of the meeting.

Except where an extra-ordinary resolution is specifically required or permitted by the Act, any resolution put to the vote of the meeting shall be decided by a simple majority of votes of the units present and voting at the meeting.

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, either under the common seal or under the hand of an officer or attorney duly authorized. A proxy need not be a Unitholder.

The instrument appointing a proxy and the power of attorney or other authority, if any, under which it is signed or a notarized certified copy of that power of attorney shall be deposited at such place as the trustee of the Fund Manager with the approval of the trustee may, in the notice convening the meeting, direct or if no such place is appointed then at the registered office of the Fund Manager.

The Trustee shall keep minutes of every meeting in a minute book.

Meetings of Unitholders of any given Sub-Fund shall decide upon matters relating to that Sub-Fund or Units Class only.

### **Reports**

The financial year of the Fund ends 31st December each year. Audited annual reports shall be published within 3 months following the end of the accounting year and unaudited semi-annual reports shall be published within 2 months following the period to which they refer. Such reports form an integral part of this Prospectus.

### **3.5 Details of Units**

#### **Unitholder rights**

##### **A. Transferability:**

The Units issued by the Fund are freely transferable and entitled to participate equally in the profits and dividends of the classes to which they relate and in the net assets of such Units Class upon liquidation. The Units carry no preferential and pre-emptive rights.

##### **B. Voting:**

At General Meetings, each Unitholder has the right to one vote for each whole Unit held. A Unitholder of any particular Units Class will be entitled at any separate meeting of the Unitholders of that Units Class to one vote for each whole Units of that class held. In the case of joint holding, only the first named Unitholder may vote.

##### **C. Joint Unitholders**

The Fund Manager will register registered Units jointly in the names of not more than four Unitholders should they so require. In such case the rights attached to such Units must be exercised jointly by ALL those parties in whose name it is registered except when (i) voting as described in (B) above, (ii) the Unitholders have indicated their desire to have individual signatory powers, or (iii) unless one or more persons (such an attorney or executor) is/are appointed to do so.

##### **D. Compulsory redemption:**

The Directors may impose or relax restrictions on any Units and, if necessary, require redemption of Units to ensure that Units are neither acquired nor held by or on behalf of any person in breach of the law, regulations or requirements of any country or government or regulatory authority or which might have adverse taxation or other disadvantage (whether pecuniary, administrative or operational) for the Fund including a requirement to register under the laws and regulations of any country or authority. The Directors may in this connection require a Unitholder to provide such information as they may consider necessary to establish whether the Unitholder is the beneficial owner of the Units which they hold.

#### **Rights on a winding-up**

The Fund has been established for an unlimited period. However, the Fund may be liquidated at any time by a resolution adopted by an Extraordinary Meeting of Unitholders, at which meeting one or several liquidators will be named and their powers defined. Liquidation will be carried out in accordance with the provisions of Kenyan law. The net proceeds of liquidation corresponding to each Sub-Fund shall be distributed by the liquidators to the Unitholders of the relevant Sub-Fund in proportion to the value of their holding of Units.

Under the same circumstances, the Directors may decide to merge Sub -Funds with other Sub-Funds or merge Sub-Funds into other collective investment undertakings or re-organize the Units of a Sub-Fund into two or more Sub-Funds or combine two or more Sub-Funds into a single Sub-Fund. Publication of the decision will be made as described above including details of the merger and will be made at least one calendar month prior to the merger taking effect during which time Unitholders of the Sub-Fund or Sub-Funds to be merged may request redemption of their Units free of charge, liquidate a Sub-Fund may also be made at a meeting of Unitholders of the particular Sub-Fund concerned.

Apart from exceptional circumstances, no subscriptions will be accepted after publication/notification of a merger or liquidation.

### **3.6 Additional Investment Policies for All Sub-Funds**

To the extent described in section 4 b) v) of Appendix II, “Investment Restrictions and Powers”, the investments of a Sub-Fund may be held indirectly through one or more wholly owned subsidiaries of the Fund (which are referred to hereafter as the “Subsidiaries”). Therefore, investments of a Sub-Fund may include assets held directly by the Fund and indirectly through Subsidiaries. The Units in one or more Subsidiaries are not considered to be investments of a Sub-Fund. Consequently, when preparing the Fund’s audited annual and unaudited semi-annual reports, the financial results of any Subsidiary will be consolidated with the financial results of the Sub-Fund in relation to which it has been created.

## **Appendix II - Investment Restrictions and Powers**

Pursuit to the investment objective and policy of any Sub-Fund must be in compliance with the limits and restrictions set forth in this Appendix. Such limits and restrictions are subject at all times to any regulations and guidance issued from time to time by the CMA (K) or any other appropriate regulatory body.

### **General Investment Rules**

- a. The Fund may exclusively invest in:
  - i. Transferable securities and money market instruments admitted to official listing on a Stock Exchange; and/or
  - ii. Transferable securities and money market instruments dealt in on another Regulated Market; and/or
  - iii. Non Transferable private debt and money market instruments issued by an entity whose registered office or principal place of operations is in Kenya and whose tenor does not exceed eighteen (18) months; and/or
  - iv. Deposits with credit institutions which are repayable on demand or have the right to be withdrawn and maturing in no more than 12 months.
  - v. Financial derivative instruments, including equivalent cash-settled instruments, dealt in on a Regulated Market referred to in sub-paragraphs i) and ii) above, and/or financial derivative instruments dealt in over-the-counter (“OTC derivatives”), provided that:
    - the underlying consists of instruments covered by this section 1) a), financial indices, interest rates, commodities, foreign exchange rates or currencies, in which the Sub-Funds may invest according to their investment objective;
    - the counterparties to OTC derivative transactions are institutions subject to prudential supervision, and belonging to the categories approved by a supervisory authority;
    - the OTC derivatives are subject to reliable and verifiable valuation on a daily basis and can be sold, liquidated or closed by an offsetting transaction at any time at their fair value at the Board’s initiative.
  - vi. Money market instruments other than those dealt in on a Regulated Market, if the issue or the issue of such instruments are themselves regulated for the purpose of protecting investors and savings.
- b) In addition, the Fund may invest a maximum of 10% of the assets of any Sub-Fund in transferable securities and money market instruments other than those referred to under a) above.
- c) Geographic & Allocation Limits:
  - i) The Fund may invest no more than 90% of the assets of any Sub-Fund outside of Kenya (Offshore). This limit on Offshore investment follows the approval of an exemption request, granted by CMA (K) and is peculiar to Nabo Africa Funds as characterized by the following:
    - The scheme was launched to capture the African growth story which is a uniquely distinguishing feature from the currently available schemes.
    - Scheme will target investors that are high net worth individuals with a minimum investment of USD 10,000. They are sophisticated who are able to understand the risks associated with investing in Africa and are in a position to afford independent financial advice if in doubt.
    - For its offshore investments, the Fund will only invest in publicly listed securities.

- The Fund's marketing merchandise will clearly describe the risks associated with investing across Africa. At take on, clients will be required to sign off that they understand these risks.
- The Fund may invest no more than 30% of the assets of any Sub-Fund in any one single country or exchange.
- The Fund may invest no more than 15% of the assets of any Sub-Fund in transferable securities or money market instruments issued by the same issuing body.
- The Fund may not invest more than 10% of the total assets of any Sub-Fund in other collective investment schemes.

ii) During the first nine months following its launch, a new Sub-Fund may derogate from restrictions 3) and 5) while ensuring observance of the principle of risk-spreading.

iii) Each Sub-Fund must ensure an adequate spread of investment risks by sufficient diversification.

iv) The Fund will in addition comply with such further restrictions as may be required by the regulatory authorities in which the Units are marketed.

v) The Fund need not comply with the investment limit percentages when exercising subscription rights attached to securities which form part of its assets.

The limits and restrictions set forth in the above restrictions shall be complied with at all times, in addition, a 5% allowance in excess of any limit or restriction shall be permitted where the limit or restriction is breached through the appreciation in value of the Fund or as a result of exercise of subscription rights. If the percentage limitations are exceeded for reasons beyond the control of the Fund, it must adopt as a priority objective for its sales transactions the remedying of that situation, taking due account of the interests of its Unitholders.

## **Appendix III – Sub-Fund Details**

**The information contained in this Appendix should be read in conjunction with the full text of the Prospectus of which this forms an integral part.**

### **1. Classes of Units**

The Fund Manager may decide to create within each Sub-Fund different Units Classes whose assets will be commonly invested pursuant to the specific investment policy of the relevant Sub-Fund, but which may have any combination of the following features.:

- Each Sub-Fund may contain A, B, C, D Units Classes, which may differ in the minimum subscription amount, minimum holding amount, and the fees and expenses applicable to them as listed for each Sub-Fund.
- Each Units Class, where available, may be offered in the Reference Currency of the relevant Sub-Fund, or may be denominated in any currency, and such currency denomination will be represented as a suffix to the Units Class name.

### **2. Minimum Initial and Subsequent Subscription Amount, and Minimum Holding Amounts**

Minimum initial investment amounts for the funds, minimum subsequent investment amounts and minimum holding amounts per Units Class for the USD funds are listed below. The amounts are in USD or equivalent amounts in alternative currencies.

<b>Units Class</b>	<b>Minimum Initial Subscription Amount</b>	<b>Minimum Subsequent Amount</b>	<b>Minimum Holding Amount</b>
Nabo USD Money Market Fund	USD 100	USD 100	USD 100
Nabo USD Fixed Income Fund	USD 100	USD 100	USD 100
Nabo USD Equity Fund	USD 100	USD 100	USD 100
Nabo USD Balanced Fund	USD 100	USD 100	USD 100

Minimum initial investment amounts for the funds, minimum subsequent investment amounts and minimum holding amounts per Units Class for the KES Money Market fund and the KES Fixed Income Fund are listed below. The amounts are in KES.

<b>Units Class</b>	<b>Minimum Initial Subscription Amount</b>	<b>Minimum Subsequent Subscription Amount</b>	<b>Minimum Holding Amount</b>
Nabo KES Money Market Fund	KES 10,000	10,000	10,000
Nabo KES Fixed Income Fund	10,000	10,000	10,000

The Fund Manager may, at any time, decide to compulsorily redeem all Units from any Unitholder whose holding is less than the minimum holding amount specified above or on application, or who fails to satisfy any

other applicable eligibility requirements set out in the Prospectus. In such cases, the Unitholder concerned will receive one month's prior notice to be able to increase their holding above such amount or otherwise satisfy the eligibility requirements. Under the same circumstances, the management company may switch units of one Units Class into Units of another Units Class within the same Sub-Fund with higher charges and fee load.

### **3. Investment Process**

The Fund employs an investment process which enables it to identify investment opportunities, monitor performance and contribution of single investments to the overall risk profile of each individual Sub-Fund.

**Upon request of investors, the Fund Manager will provide supplementary information relating to the Investment process.**

#### **4. Equity Sub-Funds**

##### **Nabo Africa Equity Fund**

###### **Reference Currency**

US Dollar (USD)

###### **Benchmark**

Morgan Stanley Capital International (MSCI) Emerging and Frontier Markets Africa ex ZA Index (Total Return Net) [MSCI EFM AFRICA ex ZA]

###### **Investment Objective**

To generate maximum total return and provide long-term capital growth by investing primarily in a diversified portfolio of securities issued by African companies.

###### **Investment Policy**

At least 70% of the Sub-Fund's total assets (including cash and cash equivalents) will be invested outside Kenya, in "emerging and frontier" Africa (excludes South Africa) and in equities of companies that are incorporated under the laws of, or have their registered office in an African country , or that derive the predominant part of their economic activity from Africa, even if listed elsewhere.

Equity exposure may also be achieved through investment in Units, depository receipts, warrants and other participation rights. Subject to the foregoing, equity exposure may also be achieved, to a limited extent, through investment in convertible securities, index and participation notes and equity linked notes.

Cash and cash equivalents may be held on an ancillary basis.

The Sub-Fund may invest in assets denominated in any currency and currency exposure may be hedged.

The Sub-Fund may invest in financial derivative instruments for hedging purposes and for efficient portfolio management.

All of the above investments will be made in accordance with the limits set out in "Appendix II – Investment Restrictions and Powers".

###### **Investor Profile**

This is an Equity Sub-Fund designed to give exposure to companies in "emerging and frontier" Africa. Whilst the growth potential of African market equities make this Sub-Fund very attractive for investors looking for high investment returns, investors in this Sub-Fund need to be comfortable with the additional political and economic risks associated with African market investments. This Sub-Fund may, therefore, be suitable for investors who wish to have a regionally diversified portfolio and to spread risk and potentially boost returns. Because African stock markets may be very volatile, investors should also have at least a three to five-year investment horizon.

###### **Risk Profile**

- This actively managed equity Sub-Fund invests primarily in a portfolio of African companies.
- Investors should be aware that the Sub-Fund is invested in "emerging", "frontier" African markets, which may be subject to political and economic risks, while stocks can be negatively impacted by high volatility, low liquidity, poor transparency and greater financial risks.
- As the Sub-Fund invests in equities, investors are exposed to stock market fluctuations and the financial performance of the companies held in the Sub-Fund's portfolio. Therefore, investors may see the value of their investment fall as well as rise on a daily basis, and they may get back less than they originally invested.
- As the Sub-Fund may hold significant investment in smaller companies, which can be less liquid and tend to carry greater financial risk, volatility may be higher than in a broadly based investment.

- As the portfolio consists of approximately 20 to 40 stocks the Sub-Fund may bear little resemblance to the composition of its benchmark and volatility may be very high.
- The Sub-Fund is denominated in USD but may have exposure to other currencies.
- The Sub-Fund is denominated in USD but will have significant non-USD exposure. As such, investors should be aware of the additional currency risks associated with African markets.
- The Sub-Fund will be managed with relatively low reference to its benchmark.

#### **Fees and Expenses**

<b>Units Class</b>	<b>Initial Charge</b>	<b>Annual Management and Advisory Fee</b>	<b>Redemption Charge</b>
Nabo Africa Equity Fund	2.00%	2.75%	0.25%

#### **Performance Fee**

<b>Applicable Units Classes</b>	<b>Performance Fee</b>	<b>Performance Fee Hurdle Rate</b>
All	15%	15%

#### **4. Balanced Sub-Funds**

##### **Nabo Africa Balanced Fund**

###### **Reference Currency**

US Dollars (USD)

###### **Benchmark**

50% Morgan Stanley Capital International (MSCI) EFM Africa ex South Africa (Total Return Net) 50% Bloomberg African Bond Index.

###### **Investment Objective**

To generate maximum total return and provide long-term capital growth and income by investing primarily in a diversified portfolio of securities issued by African companies and sovereign issuers.

###### **Investment Policy**

At least 70% of the Sub-Fund's total assets (including cash and cash equivalents) will be invested outside Kenya, in "emerging and frontier" Africa (excludes South Africa) and in equities and debt of companies that are incorporated under the laws of, or have their registered office in an African country, or that derive the predominant part of their economic activity from Africa, even if listed elsewhere. The Sub-Fund may as well invest in securities issued by African sovereign issuers.

The Sub-Fund will hold between 30% and 70% of its total assets (excluding cash and cash equivalents) in equity and equity linked securities. In addition, the Sub-Fund will invest between 30% and 70% of its total assets (excluding cash and cash equivalents) in fixed and floating rate debt securities.

Equity exposure may be achieved through investment in Units, depository receipts, warrants and other participation rights. Subject to the foregoing, equity exposure may also be achieved, to a limited extent, through investment in convertible securities, index and participation notes and equity linked notes.

Cash and cash equivalents may be held on an ancillary basis.

USD is the reference currency of the Sub-Fund but assets may be denominated in other currencies.

The Sub-Fund may invest in financial derivative instruments for hedging purposes and for efficient portfolio management.

All of the above investments will be made in accordance with the limits set out in "Appendix II – Investment Restrictions and Powers."

###### **Investor Profile**

This is a balanced Sub-Fund which invests in equities, money market funds and bonds. Therefore, the Sub-Fund may be suitable for investors looking for potentially high returns than a pure bond sub-fund but are prepared to take a higher level of risk in order to achieve this. Because of the additional volatility associated with equities, investors should also have at least a three-to-five-year investment horizon.

###### **Risk Profile**

- This balanced Sub-Fund invests primarily in money market funds, bonds and equities, with the asset allocation mix in the benchmark 50/50 between the two (including cash).
- The Sub-Fund's exposure to equities means that investors are exposed to stock market movements and therefore they should expect the value of the Sub-Fund to rise and fall on a daily basis.
- However, the Sub-Fund's exposure to bonds is designed to dampen volatility and lead to greater stability of returns over the long-term. Also, risk to capital is less than with pure equity sub-funds and the bond portion of the portfolio can provide protection during a stock market downturn.
- This Sub-Fund is denominated in USD but will have significant non-USD exposure. As such, investors should be aware of the additional currency risks associated with African markets.

**Fees and Expenses**

Units Class	Initial Charge	Advisory Management and Advisory Fee	Redemption Charge
Nabo Africa Balanced	2.00%	2.75%	0.25%

**Performance Fees**

Applicable Units Classes	Performance Fee	Performance Fee Hurdle Rate
All	15%	12%

## **5. Fixed Income Sub-Funds**

### **(a) Nabo Africa Fixed Income Fund**

#### **Reference Currency**

US Dollar (USD)

#### **Benchmark**

The AFMI Bloomberg African Bond Index

#### **Investment Objective**

To maximize total return and achieve a return in excess of the government bond markets of Kenya by investing primarily in a diversified portfolio of hard and local currency intermediate and long-term debt securities issued by African sovereigns and corporates.

#### **Investment Policy**

At least 70% of the Sub-Fund’s total assets (excluding cash and cash equivalents) will be invested, either directly or through the use of financial derivative instruments in fixed and floating rate debt securities issued or guaranteed by “emerging and frontier” African governments (excludes South Africa) or their agencies and by companies that are incorporated under the laws of, and have their registered office in, “emerging and frontier” Africa, or that derive a predominant part of their economic activity from Africa, even if listed elsewhere. Such debt securities may be denominated in any currency, including in the local market currency.

The Sub-Fund may invest, to an unlimited extent, in below investment grade securities, unrated securities and securities from emerging markets. There are no credit quality or maturity restrictions with respect to the securities in which the Sub-Fund may invest.

The Sub-Fund will maintain an average weighted maturity between 1 and 5 years, although may lengthen duration if deemed attractive.

The Sub-Fund may use financial derivative instruments to achieve its investment objective. These may include credit linked instruments, swap contracts and other fixed income, currency and credit derivatives. Financial derivatives may also be used for hedging purposes.

Short-term money market instruments and deposits with credit institutions may be held on an ancillary basis.

In principle, a substantial part of the assets of the Sub-Fund will be denominated in or hedged into USD

All of the above investments will be made in accordance with the limits set out in, “Appendix II – Investment Restrictions and Powers.”

#### **Investor Profile**

This bond Sub-Fund is most suited for investors willing to take the extra risks associated with African Debt Capital Markets in search of higher future returns but wishing to restrict their exposure to quality bonds. Investors in the Sub-Fund may therefore use it to complement an existing core bond portfolio in government or corporate bonds in order to gain greater diversification through exposure to higher return potential of emerging markets securities and currencies. Due to the higher volatility of African debt securities, investors should have at least a three to five-year time horizon.

## Risk Profile

- This bond Sub-Fund invests primarily in African sovereign and corporate debt securities, which carry a risk of downgrade or default.
- Investment in African sovereign and corporate bonds is accompanied by higher risks including significant price fluctuation and an increased risk of capital loss, due to the political, interest rate and credit risks associated with investing in the asset class.
- Non-investment grade bonds are accompanied by higher risks, due to the greater balance sheet and credit risks associated with investing in the asset class, but they can also potentially enhance income and return for investors.
- Corporate bond prices can fluctuate significantly depending on not only the global economic and interest rate conditions but also the general credit market environment and the credit worthiness of the issuer.
- The Sub-Fund may use financial derivative instruments to achieve its investment objective. The risks associated with the derivative instruments listed in the Investment Policy above are further detailed in “Appendix IV – Risk Factors”.

## Fees and Expenses

<b>Units Class</b>	<b>Initial Charge</b>	<b>Annual Management and Advisory Fee</b>	<b>Redemption Charge</b>
Nabo Africa Fixed Income Fund	NIL	2.00%	0.25%

**(b) Nabo KES Fixed Income Fund**

**Reference Currency**

Kenya Shilling (KES)

**Benchmark**

FTSE NSE Kenya Shilling Government Bond Price Index

**Investment Objective**

To maximize total return and in the long-term achieve a higher return than the government bond markets of Kenya.

**Investment Policy**

The Sub- Fund will invest a minimum of 60% of the market value of its assets under management in fixed income securities at all times.

Any funds not invested in fixed income instruments shall only be invested in cash and cash equivalents.

**Investor Profile**

This bond Sub-Fund is most suited for investors willing to take the extra risks associated with Kenyan Debt Capital Markets, are in search of higher future returns but wishing to restrict their exposure to bonds denominated in Kenya Shillings. Investors in the Sub-Fund may therefore also use it to complement an existing core bond portfolio invested in government bonds to gain greater diversification through exposure to higher return potential of corporate bonds. Due to the higher volatility of African debt securities, investors should have at least a three-to-five-year time horizon.

**Risk Profile**

- This bond Sub-Fund invests primarily in Kenyan sovereign and corporate debt securities, which carry a risk of downgrade or default.
- Investment in Kenyan sovereign and corporate bonds is accompanied by higher risks including significant price fluctuation and an increased risk of capital loss, due to the political, interest rate and credit risks associated with investing in the asset class.
- Non-investment grade bonds are accompanied by higher risks, due to the greater balance sheet and credit risks associated with investing in the asset class, but they can also potentially enhance income and return for investors.
- Corporate bond prices can fluctuate significantly depending on not only the global economic and interest rate conditions but also the general credit markets environment and the credit worthiness of the issuer.

**Fees and Expenses**

Units Class	Initial Charge	Annual Management and Advisory Fee	Redemption Charge
Nabo Kenya Shilling Fixed Income Fund	NIL	2.00%	0.25%

## **6. Money Market Sub-Funds**

### **Nabo KES Money Market Fund**

#### **Reference Currency**

Kenya Shilling (KES)

#### **Benchmark**

3 month KES Treasury Bill.

#### **Investment Objective**

To achieve a competitive level of return in the reference currency and a high degree of liquidity by investing in KES denominated short term fixed and floating rate debt securities issued by Sovereigns and corporates in Kenya.

#### **Investment Policy**

The Sub-Fund will invest only in interest-earning money market instruments which have a maximum weighted average tenor of eighteen months and includes credit rated or guaranteed commercial papers, government securities, call deposits, certificate of deposit including fixed deposits in commercial banks and deposit taking institutions and any other like instruments as specified by the Central Bank of Kenya from time to time..

Borrowed amounts may only be used in settlement of early redemptions and not for business operational costs. Any borrowing associated with cost of business operations will be borne by the company and not the investor.

#### **Investor Profile**

This Sub-Fund is a liquidity sub-fund that uses high quality money market instruments to enhance returns. Investors in the Sub-Fund are therefore likely to be looking for an alternative to cash deposits for their medium term or temporary cash investments, including seasonal operating cash for pension funds or the liquidity components of investment portfolios.

#### **Risk Profile**

- This money market Sub-Fund operates by pooling investor's assets across a number of high-quality money market instruments and short-term debt instruments, aiming for high levels of security and liquidity while seeking a competitive yield.
- Because the Sub-Fund's underlying investments are in short-term securities, the risk to investors' capital is generally lower than investments in longer term bonds.

<b>Units Class</b>	<b>Initial Charge</b>	<b>Annual Management and Advisory Fee</b>	<b>Redemption Charge</b>
Nabo KES Money Market Fund	Nil	2.25%	Nil

## **7. Nabo Africa Money Market Fund**

### **Reference Currency**

US Dollar (USD)

### **Benchmark**

1 Month USD LIBOR +%

### **Investment Objective**

To maximize current income and achieve a competitive level of return in the reference currency and a high degree of liquidity by investing in USD denominated short-term fixed and floating rate debt securities.

### **Investment Policy**

The Sub-Fund will only invest in interest-earning money market instruments which have a maximum average tenor of eighteen months and includes credit rated or guaranteed commercial papers, government securities, call deposits, certificate of deposit including fixed deposits in commercial banks and deposit taking institutions and any other like instruments as specified by the Central Bank of Kenya from time to time.

### **Investor Profile**

The Sub-Fund is a liquidity sub-fund that uses high quality money market instruments to enhance returns. Investors in the Sub-Fund are therefore likely to be looking for an alternative to cash deposits for their medium-term or temporary cash investments, including seasonal operating cash for pension funds or the liquidity components of investment portfolios.

### **Risk Profile**

This money market Sub-Fund operates by pooling investor's assets across a number of high-quality money market instruments, aiming for high levels of security and liquidity while seeking a competitive yield.

Because the Sub-Fund's underlying investments are in the short-term securities, the risk to investors' capital is generally lower than investments in longer term bonds.

### **Fees and Expenses**

<b>Units Class</b>	<b>Initial Charge</b>	<b>Annual Management and Advisory Fee</b>	<b>Redemption Charge</b>
Nabo US Dollar Money Market	Nil	1.00%	Nil

## **Appendix IV – Risk Factors**

**The information contained in this Appendix should be read in conjunction with the full text of the Prospectus of which forms an integral part.**

### **General**

The following statements are intended to inform investors of the uncertainties and risks associated with investments and transactions in transferable securities and other financial instruments. Investors should remember that the price of Units and any income from them may fall as well as rise and that Unitholders may not get back the full amount invested. Past performance is not necessarily a guide to future performance and Units should be regarded as a medium to long-term investment. Where the currency of the relevant Sub-Fund varies from the investor's home currency, or where the currency of the relevant Sub-Fund varies from the currencies of the markets in which the Sub-Fund invests, there is the prospect of additional loss (or the prospect of additional gain) to the investor greater than the usual risks of investment.

While the Fund has been established for an unlimited period, the Fund, a Sub-Fund or certain Units Classes may be liquidated or merged under certain circumstances which are detailed further under section "Rights on a winding-up" in section "3.6 Details of Units". The costs and expenses of any such liquidation or merger may be borne by the Fund or relevant Sub-Fund or Units Class up to the fixed or capped level of Operating and Administrative Expenses as specified in the Prospectus for the relevant Units Class or may be borne by the Fund Manager. Any unamortized costs resulting from the closure may be charged as an expense in full against the assets of the relevant Sub-Fund. Also, the amount distributed to Unitholders may be less than their original investment.

Investors should be fully aware of the investment objectives of the Fund. All investments involve risks and there can be no guarantee against loss resulting from an investment in any Units, nor can there be any assurance that the Fund's investment objectives will be attained in respect of its overall performance.

In the event of a loss, the amount distributed to Unitholders may be less than their original investment.

### **Regulatory**

The Fund is governed by Kenyan legislation, in accordance with Section 39 of the Capital Markets Act and the Capital Markets (Collective Investment Scheme) Regulations 2023 and is a Kenyan domiciled umbrella scheme. Investors should note that the regulatory protections provided by their local regulatory authorities may differ or may not apply. Investors should consult their financial or other professional adviser for further information in this area.

### **Investment Objective**

Investors should be fully aware of the investment objectives of the Sub-Funds as these may state that the Sub-Funds may invest on a limited basis in areas which are not naturally associated with the name of the Sub-Fund. These other markets and/or assets may act with more or less volatility than the core investments and performance will, in part, be dependent on these investments. All investments involve risks and there can be no guarantee against loss resulting from an investment in any Units, nor can there be any assurance that a Sub-Fund's investment objectives will be attained in respect of its overall performance. Investors should therefore ensure (prior to any investment being made) that they are satisfied with the risk profile of the overall objectives disclosed.

### **Suspension of Units dealings**

Investors are reminded that in certain circumstances their right to redeem Units may be suspended (see Section 2.5, "Suspensions or Deferrals").

### **Derivative Risks**

## **Leverage Risk**

Due to the low margin deposits normally required in trading derivative instruments, an extremely high degree of leverage is typical for trading in derivative instruments. As a result, a relatively small price movement in a derivative contract may result in substantial losses to the investor. Investment in derivative transactions may result in losses in excess of the amount invested.

## **Short-Selling Risk**

Certain Sub-Funds may take short positions on a security through the use of derivatives in the expectation that their value will fall in the open market. The possible loss from taking a short position on a security differs from the loss that could be incurred from a cash investment in the security; the former may be unlimited as there is no restriction on the price to which a security may rise, whereas the latter cannot exceed the total amount of the cash investment. The short selling of investments may also be subject to changes in regulations, which could impose restrictions that could adversely impact return to investors.

## **Risk of Trading Credit Default Swaps (“CDS”)**

The price at which a CDS trades may differ from the price of the CDS’ referenced security. In adverse market conditions, the basis (difference between the spread on bonds and the spread of CDS) can be significantly more volatile than the CDS’ referenced securities.

## **Particular Risks of Exchange Traded Derivative Transactions**

### **Suspension of Trading**

Each securities exchange or commodities contract market typically has the right to suspend or limit trading in all securities or commodities which it lists. Such a suspension would render it impossible for the Sub-Funds, to liquidate positions and, accordingly, expose the Fund to losses and delays in its ability to redeem Units.

### **Sub-Funds Investing in Smaller Companies**

Sub-Funds which invest in smaller companies may fluctuate in value more than other Sub-Funds because of the greater potential volatility of Units prices of small companies.

### **Sub-Funds Investing in Concentrated Portfolios**

Sub-Funds which invest in a concentrated portfolio may be subject to greater volatility than those Sub-Funds with a more diversified portfolio.

### **Bond Sub-Funds**

#### **Balance Sheet Risk**

Risk of accounting loss that does not directly affect income statement (profit and loss account) and cash flow statement of a firm to which the Sub-Fund has exposure to. For example, a risk of loss caused by the devaluation of a foreign currency asset (or from revaluation of foreign currency liabilities) shown on the firm’s balance sheet. There would not be any direct impact on the Sub-Fund unless such a loss occurred and impacted the valuation of the firm to which the Sub-Fund has exposure.

### **High Yield Bonds**

Investment in fixed income securities is subject to market, interest rate, sector, security and credit risks. Compared to investment grade bonds, high yield bonds are normally lower-rated securities and will usually offer higher yields to compensate for the reduced creditworthiness or increased risk of default that these securities carry.

### **Investment Grade Bonds**

Certain Sub-Funds may invest in investment grade bonds. Investment grade bonds are assigned ratings within the top rating categories by rating agencies (Fitch, Moody’s and/or Standard & Poor’s) on the basis of the creditworthiness or risk of default of a bond issue. Rating agencies review, from time to

time, such assigned ratings and bond may therefore be downgraded in rating if economic circumstances impact the relevant bond issues.

### **Emerging and Less Developed Markets**

In emerging and less developed markets, in which some of the Sub-Funds will invest, the legal, judicial and regulatory infrastructure is still developing but there is much legal uncertainty both for local market participants and their overseas counterparts. Some markets may carry higher risks for investors who should therefore ensure that, before investing, they understand the risks involved and are satisfied that an investment is suitable as part of their portfolio. Investments in emerging and less developed markets should be made only by sophisticated investors or professionals who have independent knowledge of the relevant markets, are able to consider and weigh the various risks presented by such investments, and have the financial resources necessary to bear the substantial risk of loss of investment in such investments.

Countries with emerging and less developed markets include, but are not limited to (1) countries that have an emerging stock market in a developing economy as defined by the International Finance Corporation, (2) countries that have low or middle-income economies according to the World Bank, and (3) countries listed in World Bank publication as developing. The following statements are intended to illustrate the risks which in varying degrees are present when investing in emerging and less developed markets. Investors should note that the statements do not offer advice on suitability of investments.

#### **(A) Political and Economic Risks**

- Economic and/or political instability could lead to legal, fiscal and regulatory changes or the reversal of legal/fiscal/regulatory/market reforms. Assets could be compulsorily re-acquired without adequate compensation.
- Administrative risks may result in the imposition of restrictions on the free movement of capital.
- A country's external debt position could lead to sudden imposition of taxes or exchange control.
- High interest and inflation rates can mean that businesses have difficulty in obtaining working capital.
- Local management may be inexperienced in operating companies in free market conditions.
- A country may be heavily dependent on its commodity and natural resource exports and is therefore vulnerable to weaknesses in world prices for these products.

#### **(B) Legal Environment**

- The interpretation and application of decrees and legislative acts can be often contradictory and uncertain particularly in respect of matters relating to taxation.
- Legislation could be imposed retrospectively or may be issued in the form of internal regulations not generally available to the public.
- Judicial independence and political neutrality cannot be guaranteed.
- State bodies and judges may not adhere to the requirements of the law and the relevant contract. There is no certainty that investors will be compensated in full or at all for any damage incurred.
- Recourse through the legal system may be lengthy and protracted.

#### **(C) Accounting Practices**

- The accounting, auditing and financial reporting system may not accord with international standards.
- Even when reports have been brought into line with international standards, they may not always contain correct information.
- Obligations on companies to publish financial information may also be limited.

#### **(D) Unitholder Risk**

- Existing legislation may not yet be adequately developed to protect the rights of minority Unitholders.
- There is generally no concept of any fiduciary duty to Unitholders on the part of management.
- Liability for violation of what Unitholder rights there are, may be limited.

#### **(E) Market and Settlement Risks**

- The securities markets in some countries lack the liquidity, efficiency and regulatory and supervisory controls of more developed markets.
- Lack of liquidity may adversely affect the ease of disposal of assets. The absence of reliable pricing information in a particular security held by a Sub-Fund may make it difficult to assess reliably the market value of assets.
- Registration of securities may be subject to delay and during the period of delay it may be difficult to prove beneficial ownership of the securities.
- The provision for custody of assets may be less developed than in other more mature markets and thus provides an additional level of risk for the Sub-Funds.
- Settlement procedures may be less developed and still be in physical as well as dematerialized form.

#### **(F) Price Movement and Performance**

- Factors affecting the value of securities in some markets cannot easily be determined.
- Investment in securities in some markets carries a high degree of risk and the value of such investments may decline or be reduced to zero.

#### **(G) Currency risk**

- Conversion into foreign currency or transfer from some markets of proceeds received from the sale of securities cannot be guaranteed.
- Investors might be exposed to currency risk when investing in Units Classes that are not hedged to the investor's reference currency.
- Exchange rate fluctuations may also occur between the trade date for a transaction and the date on which the currency is acquired to meet settlement obligations.

#### **(H) Taxation**

Investors should note in particular that the proceeds from the sale of securities in some markets or the receipt of any dividends and other income may be or may become subject to tax, levies, duties or other fees or charges imposed by the authorities in that market, including taxation levied by withholding at source. Tax law and practice in certain countries into which the Fund invests or may invest in the future may not be clearly established. It is therefore possible that the current interpretation of the law or understanding of practice might change, or that the law might be changed with retrospective effect. As a result, the Fund could become subject to additional taxation in such countries that is not anticipated either at the date of this Prospectus or when investments are made, valued or disposed of.

#### **(I) Execution and Counterparty Risk**

In some markets, there may be no secure method of delivery against payment which would minimize the exposure to counterparty risk. It may be necessary to make payment on a purchase or delivery on a sale before receipt of the securities or, as the case may be, sale proceeds.

#### **(J) Nomineeship**

The legislative framework in some markets is only beginning to develop the concept of legal/formal ownership and/of beneficial ownership or interest in securities. Consequently, the courts in such markets may consider that any nominee or custodian as registered holder of securities would have full ownership thereof and that a beneficial owner may have no rights whatsoever in respect thereof.

### **Depository Receipts**

Investment into a given country may be made via direct investments into that market or by depository receipts traded on other international exchanges in order to benefit from increased liquidity in a particular security and other advantages. A depository receipt admitted to the official listing on a stock exchange in an eligible state or traded on a Regulated Market may be deemed an eligible transferable security regardless of the eligibility of the market in which the security to which it relates normally trades.

**The foregoing risk factors are indicative of those risks involved in the Units. Prospective investors should read the entire Prospectus and consult with their legal, tax and financial advisors before making any decision to invest in the Fund.**

## **Appendix V – Calculation of Performance Fees**

**The information contained in this Appendix should be read in conjunction with the full text of the Prospectus of which this forms an integral part.**

In respect of certain Sub-Funds and certain Units Classes, the Fund Manager is entitled to receive from the net assets of each Sub-Fund or Units Class an annual performance-based incentive fee (the “Performance Fee”) which is applicable will be calculated and accrued each Valuation Day and payable at the end of the Financial Year. The rate at which the Performance Fee shall be applied (the “Performance Fee Rate”) for each Sub-Fund is set out in the table for that Sub-Fund in “Appendix III – Sub-Fund Details” under “Performance Fees”.

### **1.1. Units Class Return**

On each Valuation Day, the “Adjusted Net Asset Value” is calculated in respect of each Units Class of any Sub-Fund for which a Performance Fee applies. The Adjusted Net Asset Value of the relevant Units Class is the net asset value (which includes an accrual for all fees and expenses, including the Annual Management and Advisory Fee, and the Operating and Administrative Expenses to be borne by the relevant Units Class at the rate set out in “Appendix III – Sub-Fund Details” to this Prospectus, adjusted for any dividend distributions and any subscriptions and redemptions dealt with on that Valuation Day, and any Performance Fee accrued throughout that Valuation Day.

The “Units Class Return” is calculated on each Valuation Day, as the difference between the net asset value (adjusted by adding back any accrued Performance Fee) on such day and the Adjusted Net Asset Value on the previous Valuation Day, expressed as a percentage of the previous Valuation Day’s Adjusted Net Asset Value for the Units Class.

### **1.2. Hurdle Rate**

The “Performance Fee Hurdle Rate of Return” is determined on each Valuation Day by multiplying the Performance Fee Hurdle Rate, by the actual number of days elapsed since the previous Valuation Day divided by the number of days in the year according to market convention.

### **1.3. Excess Return**

On any Valuation Day, the “Excess Return” is the difference between the Units Class Return and the Hurdle Rate of Return.

Additionally, if on any Valuation Day the difference between the cumulative Units Class Return and the cumulative Hurdle Rate of Return is zero or negative then the Excess Return for that Valuation Day will be zero – i.e. Excess Return can never be negative.

### **1.4. Effect of Performance Fee Accruals**

#### **Funds for which Valuation Days are typically Daily**

The Performance Fee is calculated on each Valuation Day but is accrued within the Net Asset Value per Units one day in arrears (that is, on Valuation Day after the relevant Valuation Day). Consequently, during periods of market volatility, unusual fluctuations may occur in the Net Asset Value per Units of each Units Class for which a Performance Fee is charged. These fluctuations may happen where the impact of a Performance Fee causes the Net Asset Value per Units to be reduced whilst the returns from underlying assets have increased. Conversely, the impact of a negative Performance Fee can cause the Net Asset Value per Units to be increased whilst the underlying assets have decreased.

#### **Funds for which Valuation Days are typically less frequent than Daily**

The Performance Fee is calculated on each Valuation Day and is accrued within the Net Asset Value per Units for that Valuation Day.

##### **1.5. Computation of Performance Fees**

Performance Fees are calculated by the management company and audited annually by the independent auditors of the Fund. The Board may make such adjustments of accruals as it deems appropriate to ensure that the accrual represents fairly and accurately the Performance Fee liability that may be payable by the Sub-Fund or Units Class to the management company.

##### **1.6. Annual Payment of Performance Fees**

The annual Performance Fee payable is equal to the Performance Fee accrued through to close of business on the last Valuation Day of the Fund's accounting year. Performance Fees payable to the management company in any accounting year are not refundable in any subsequent accounting years.

In the case of liquidation or merger of a Sub-Fund to which a Performance Fee is applicable, the Performance Fee will be paid on the last Valuation Day before its liquidation or merger.

All incorporation documents will be available for inspection at the Fund Manager's office.

Signed in Nairobi on the ..... day of ..... 2025.

**SIGNED BY DIRECTORS** )

For and on behalf of: )

**NABO CAPITAL LIMITED**

In the presence of:

..... )

Pius Muchiri, CFA

Managing Director

)

)

)

..... )

Mercy Njoroge

Company Secretary