



**SUPPLEMENTAL INFORMATION MEMORANDUM**

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**ARVOCAP THAMANI EQUITY FUND**

DATED \_\_\_\_\_

**“PERMISSION HAS BEEN GRANTED BY THE CAPITAL MARKETS AUTHORITY (CMA) TO OFFER TO THE PUBLIC THE SECURITIES WHICH ARE THE SUBJECT OF THIS ISSUE. AS A MATTER OF POLICY, CMA ASSUMES NO RESPONSIBILITY FOR THE CORRECTNESS OF ANY STATEMENTS OR OPINIONS MADE OR REPORTS CONTAINED IN THIS INFORMATION MEMORANDUM**

## Supplemental Information Memorandum – Arvocat Thamani Equity Fund

### 1. GENERAL

- 1.1. This First Supplemental Information Memorandum “IM” is issued to provide additional information in relation to the Arvocat Equity Thamani Fund “The Fund” as per schedule 1 of the Information Memorandum for Arvocat Asset Managers Fund Umbrella Scheme.
- 1.2. Arvocat Equity Thamani Fund “Fund” is a CIS product established under the Capital Markets regulations as a unit trust under the provisions of the Capital Markets (Collective Investment Schemes) Regulations 2023 (“the CIS Regulations”).
- 1.3. The Fund shall operate as an open-ended fund and its units shall therefore be continuously offered through its authorised agents.
- 1.4. The unit holders’ interest in the Fund will be represented by the units held in the Fund determined by the Net Asset Value of the Fund.
- 1.5. All terms used in this main Information Memorandum shall have the same meanings assigned to them in the Information Memorandum unless where the context otherwise requires.
- 1.6. All information provided herein is practicable as at 1<sup>st</sup> February 2024 and shall remain current and relevant as at such date.

### FUND INFORMATION

### 2. FUND MANAGER

- 2.1. The Fund Manager is Arvocat Asset Managers Limited “Arvocat”. Arvocat is regulated by the Capital Markets Authority (Kenya) under license number 190 issued on 30<sup>th</sup> October 2023.
- 2.2. The registered office for Arvocat is  
Reliable Towers, 8<sup>th</sup> Floor – Wing B,  
Mogotio Road, Westlands, Nairobi, Kenya.
- 2.3. Further information on the umbrella fund is found on the Information Memorandum clause 2 on Unit Trust Scheme and clause 8.1 on Fund Manager.

### 3. TRUSTEE

- 3.1. The Trustee for the Fund is NCBA BANK KENYA PLC
- 3.2. The registered office for NCBA BANK is

NCBA House, Mara & Ragati Road,  
Upperhill, Nairobi, Kenya

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3.3. Further information on the trustee and their obligations is set out on the main IM clause 8.2

### 4. CUSTODIAN

4.1. The custodian for the fund is NCBA BANK KENYA PLC

4.2. The registered office for NCBA BANK is

NCBA House, Mara & Ragati Road,  
Upperhill, Nairobi, Kenya

4.3. Further information on the custodian and their obligations is set out on the main IM clause 8.3.

### 5. AUDITOR

5.1. The auditor for the Fund is KING'ORI KAMAU & COMPANY (CPAK)

5.2. The registered office for KK & CO is

Worldwide Printing Centre, 4<sup>th</sup> Floor  
Next to Stima Sacco, Parklands, Nairobi, Kenya.

5.3. Further information on the auditor and their obligations is set out on the main IM clause 8.4.

### 6. ASSET CLASS

6.1. As guided on the main IM clause 4.4.2 on asset classes where the fund will have exposure in;

6.2. The fund will invest primarily in Equities listed on the Nairobi Securities Exchange (NSE).

6.3. The fund will use stock derivatives i.e., single stock futures and equity indices futures listed on the for hedging purposes.

6.4. The fund will use cash as a control tool in between trades.

### 7. FUND COMPOSITION AND ASSET ALLOCATION

7.1. As guided on the main IM clause 6 on asset allocation the funds Asset allocation will be as per the limits below: -

| Asset Class                             | Target Allocation | Asset Allocation Range | CIS Upper Limits | Fund Benchmark |
|---|-------------------|------------------------|------------------|----------------|
| Listed Equities                         | 80%               | 60% - 100%             | 100%             | NSE 25 Index   |
| Cash and Cash equivalents               | 10%               | 0% - 100%              | 100%             |                |
| Single Stock futures and Equity Indices | 10%               | 0% - 20%               | 20%              |                |

7.2. The above investments can be made provided that: -

7.2.1. No limits shall apply to investments of the Arvocat Equity Funds in stocks listed on the Exchanges that are members of the World Federation of Exchanges, which the Kenya premier exchange Nairobi Securities Exchange is a member of, as long as it is classified as they meet the minimum investment thesis protocols as defined in the respective fund's investment thesis.

7.2.1.1. The fund won't invest in any unlisted equities, unless in the case of a divestiture/split of a business unit of an already listed stock that the fund had invested, but which has not been listed after the divestiture or split

7.2.1.2. The fund won't invest in any offshore equities, unless a counter that was listed in Kenya and the fund is invested in divests one of its units and subsequently lists it in an offshore exchange.

7.2.1.3. Stocks cross-listed in Kenyan exchanges or listed in Kenyan exchanges through depository receipts are not considered offshore, and the fund can invest in them without any restrictions as long as they meet the minimum requirements outlined by the fund's investment thesis.

7.2.2. The book value of an investment in a company shall not in aggregate exceed twenty-five per cent (25%) of the Arvocat Thamani Equity Fund net asset value; and

7.2.3. The limits and restrictions, in this part shall be complied with at all times based on the most up-to-date value of any of the Arvocat Thamani Fund, but a five percent (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 portfolio.

7.2.4. Information on the investments will be given in monthly reports in form of a fact sheet to the Unit Holders on the investments in the Portfolio undertaken by the Fund Manager. These reports will review the investment activity and performance of the Portfolio and any changes comprising the Arvocat Equity Funds.

## **8. INCOME DISTRIBUTION**

8.1. As guided on the Information Memorandum, under clause 15, all units in the fund will have income accumulation option i.e., any income generated from underlying invested products will be accruing to the unit holder in form on new units.

## **9. RISK PROFILE**

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- 9.1. As guided on the Information Memorandum, under clause 4.3, on various risk profiles of an investor, Arvocat Thamani Equity Fund will have an aggressive risk profile.

### **10. INVESTMENT OBJECTIVE AND INVESTMENT STRATEGY**

- 10.1. As per the Information Memorandum under clause 4.1 on investment objectives, the fund aims to achieve above market risk-adjusted returns through investing in high value, high liquidity stocks tracked by the NSE 25 index.
- 10.2. Achieve capital accumulation by having mid-to-long term view of equities delivering high returns and appropriately positioning itself
- 10.3. The fund's investment strategy will be an active asset allocation in an equity's portfolio utilizing single stock and equity indices futures listed on the NSE.

### **11. LOCK-IN PERIOD**

- 11.1. As per the Information Memorandum under clause 2.8, the fund will have a lock-in period of 6 months of all new funds invested.

### **12. BENCHMARK**

- 12.1. As per the Information Memorandum under clause 2.9, the fund will use the NSE 25 Index as the benchmark.

### **13. FUND CURRENCY**

- 13.1. As per the Information Memorandum under clause 2.5, Arvocat Thamani Equity Fund base currency will Kenya Shillings (KES)

### **14. INVESTMENT AMOUNTS**

- 14.1. As per the Information Memorandum under clause 9.4, the minimum investment amount in the fund is KES 100,000.00
- 14.2. The minimum top-up is KES 100,000.00

### **15. FUND MANAGEMENT FEES**

As per the Information Memorandum under clause 16 on charges and expenses, the below fees will be charged by the fund;

- 15.1. **Initial fee:** An initial fee calculated at 0.5% of all new invested amounts will be charged.
- 15.1.1. The initial fee is charged in advance and is included in the calculation of the NAV price used to make purchases when an investor is subscribing to new units

- 15.2. **Annual Management fees:** A management fee calculated at 2.0% of the average Asset Under Management is chargeable annually.

15.2.1. The annual management fee is prorated daily but payable quarterly in arrears for average assets under management held on the charge date.

15.2.2. Investors leaving before the next charge date will be charged the accrued fee as per the day of their exit in the fund.

- 15.3. **Performance fees:** A performance fee calculated at 20% of the total annual net return after subtracting all expense ratios of the average assets under management.

15.3.1. Where the funds aggregate performance for the period is negative, no performance fee is chargeable.

15.3.2. The fees are charged at the end of the fund calendar year, after determination of the period's performance return.

15.3.3. Investors leaving before the calendar year ends and before calculation of the total funds net return will have their accrued return since 1<sup>st</sup> of January or since they made their investment whichever is later calculated and performance fee, if applicable i.e., if return is positive for the period, charged.

## 16. RISK INFORMATION

In addition to the risks highlighted on the Information Memorandum Clause 7, below risks are inherent to this fund:

- 16.1. **Hedging risk:** the inherent risk of attempting to offset other risks through hedging strategies can lead to potential losses. Careful selection of hedging instruments, regular evaluation of hedge effectiveness, and employing a combination of hedging approaches can help to mitigate this risk
- 16.2. **Liquidity Risk:** Relates to the Fund's inability to meet its short-term financial obligations. It stems from investments in valuable assets that cannot easily be traded at market value. The Fund Manager shall periodically undertake liquidity gap analysis and other liquidity stress tests to ensure availability of sufficient liquidity as anticipated.
- 16.3. **Market Risk:** Pertains to the possibility of facing financial losses due to fluctuations in financial markets. To address this risk, the fund can minimize exposure by spreading its investments across different types of assets, utilizing hedging techniques, and performing comprehensive market analysis to predict and respond to evolving market dynamics.
- 16.4. **Financial Risk:** Financial risk encompasses a broad range of risks related to financial

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instruments, market conditions, or operational factors that may affect the fund's financial stability. Mitigation strategies include robust risk management practices, stress testing, and maintaining adequate capital buffers to withstand adverse financial event.