

I&M CAPITAL FUNDS

INFORMATION MEMORANDUM

[•] September 2023

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

This prospectus will be valid from the date of release. This will be reviewed and revised, to take into account any change or new matter, other than a matter which reasonably appears to the Fund Manager to be insignificant. A revision of the prospectus may take the form of a complete substitution of the previous Prospectus, or a supplement to the Prospectus. The date of the change shall be prominently displayed. This statement is valid as of 30 September 2023.

IMPORTANT INFORMATION FOR INVESTORS

Important – If you are in any doubt about the contents of this Information Memorandum, you should seek independent financial advice.

The Manager has taken all reasonable care to ensure that the facts stated herein are true and accurate in all material respects and that there are no other material facts, the omission of which would make misleading any statement herein whether of fact or opinion. Accordingly, the Manager accepts responsibility for the information contained in this Information Memorandum.

However, neither the delivery of this Information Memorandum nor the offer or issue of units in the Trust shall under any circumstances constitute a representation that the information contained in this Information Memorandum is correct as of any time subsequent to such date. This Information Memorandum may from time to time be updated.

Intending applicants for units should ask the Manager if any supplements to this Information Memorandum or any later Explanatory Memorandum have been issued.

Units are offered on the basis only of the information contained in this Information Memorandum. Any information given or representations made by any dealer, agent, broker, salesman or other person and (in either case) not contained in this Information Memorandum should be regarded as unauthorized and accordingly must not be relied upon.

This Information Memorandum has been approved by the Capital Markets Authority in Kenya (the “CMA”) but authorization does not imply official approval or recommendation by the CMA.

No action has been taken to permit or refuse an offering of units in the Trust or the distribution of this Information Memorandum in any jurisdiction, other than Kenya, where action would be required for such purposes.

Potential applicants for units in the Trust should inform themselves as to:

- a) possible tax consequences,
- (b) the legal requirements and
- (c) any foreign exchange restrictions or exchange control requirements which they might encounter under the laws of the countries of their incorporation, citizenship, residence or domicile and which might be relevant to the subscription, holding or disposal of units in the Trust.

DIRECTORY OF PARTIES

FUND MANAGER

I&M Capital Limited
1 Park Avenue,
1st Parklands Avenue
Nairobi, Kenya
P.O. Box 30238 -00100
NAIROBI, KENYA

Telephone: +254 719 088 100

Email: UnitTrust@imbank.co.ke

Website: <https://www.imbankgroup.com/ke/personal/investment/international-wealth-management/>

DEFINITIONS

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

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

"accounting period" I&M Capital Funds shall have an annual accounting period ending the last day of December in each year; but the Fund Manager, shall publish and submit to the Authority an interim report for the half-year period ending on the last day of June in each year.

"business day" Excludes Saturday, Sunday, and public holidays.

"capital gains" means and includes all securities, rights and other benefits in the nature of capital accruals received or to be received by or on behalf of the I&M Capital Funds by reason of the holding of the underlying securities on behalf of the unit holders, whether received in cash or securities or by warrant or cheque.

"certificate" or **"certificates"** of entitlement means a certificate issued pursuant to the provisions of this deed which serves as evidence of the title of the possessor thereof to the units referred to therein and properly acquired by him in the I&M Capital Funds

"custodian" means a company approved by the Authority to hold in custody funds, securities, financial instruments or documents of title to assets of the I&M Capital Funds

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

"dilution" means that I&M Capital Funds may suffer reduction in the value of its portfolio as a result of costs incurred in dealing in its underlying investments and of any spread between the buying and selling prices of such investments.

"dilution levy" means a charge incurred as a result of I&M Capital Funds suffering a reduction in the value of its portfolio as a result of costs incurred in dealing in its underlying investments and of any spread between the buying and selling prices of such investments.

"income accruals" for an accounting period means any dividend, interest, or other income for distribution received by or accrued to the I&M Capital Funds, the custodian, or the Fund Manager, on behalf of the unit holders for that accounting period together with any amounts carried forward from any previous accounting period as not having been distributed.

"made-up price" of a unit means the Net Asset Value price described in the Trust deed, plus the initial charges.

"management fee" means the periodical charge deductible from income accruals and payments in lieu of income accruals to remunerate the Fund Manager for managing the I&M Capital Funds, expressed as a percentage of the end of day market value of the total assets comprising the I&M Capital Funds during the accounting period for which the charge is levied.

"portfolio" means a group of securities in which members of the public are invited to acquire units pursuant to the collective investment scheme and includes any amount in cash forming part of the assets pertaining to

such portfolio (herein also known as the fund.)

"recognized stock exchange" means the Nairobi Securities Exchange, or a stock exchange outside Kenya approved by the Fund Manager and the Trustee and subject to the Act.

"register" means the register of unit holders.

I&M Capital Funds "Securities" means –

- (a) shares in the share capital of a company ("shares");
- (b) any instrument creating or acknowledging indebtedness which is issued or proposed to be issued ("debt securities");
- (c) loan stock, bonds and other instruments creating or acknowledging indebtedness by or on behalf of the Government, Central Bank, or public authority ("Government and public entities");
- (d) rights, options, or interests, whether described as units or otherwise, in, or in respect of such shares, debt securities and Government and public securities;
- (e) any right, whether conferred by warrant or otherwise, to subscribe for shares or debt securities ("warrants") any option to acquire or dispose of any other security;
- (g) futures in respect of securities or other assets or property;
- (h) securities and collective investment scheme products structured in conformity with Islamic principles for investments;
- (i) units in a collective investment scheme, including shares in an investment company, or other similar entities whether established in Kenya or not;
- (j) interests, rights or property, whether in the form of an instrument or otherwise, commonly known as securities;
- (k) the rights under any depositary receipt in respect of shares, debt securities and warrants ("depositary receipts");
- (l) asset backed securities; and
- (m) any other instrument prescribed by the Authority to be securities for the purposes of this Act, but does not include –
 - (i) securities of a private company, other than asset backed securities;
 - (ii) bills of exchange;
 - (iii) promissory notes, other than asset backed securities;
 - (iv) certificates of deposit issued by a bank; and
 - (v) any other instrument prescribed by the Authority not to be securities for the purposes of this Act.

"shillings" means the currency of the republic of Kenya.

"I&M Capital Wealth Fund" means all cash and other money market instruments for the time being held or

deemed to be held upon trust pursuant to a trust deed establishing the I&M Capital Funds or other incorporation or offering document of the I&M Capital Funds.

"I&M Capital USD Fixed Income Fund " means all cash and other money market instruments for the time being held or deemed to be held upon trust pursuant to a trust deed establishing the I&M Capital Dollar Fixed Income Fund or other incorporation or offering document of the I&M Capital Funds.

"The Act" refers to the Capital Markets Act and any Regulations issued there-under.

"the Auditors" means a person or firm qualified for appointment as auditor of a public Company in Kenya and appointed by the Fund Manager as its' auditor and as auditor of the Trust, subject to the provisions of the Act. A person shall not be qualified for appointment as auditor unless he is a member of and holds a valid practicing certificate issued by the Institute of Certified Public Accountants of Kenya.

"the Authority" means the Capital Markets Authority.

"Trust Deed" Or "Deed" means the trust deed and any other deeds supplemental thereto in relation to the I&M Capital Funds that sets out the trusts governing the unit trust and includes every instrument that varies those trusts or effects the powers, duties or functions of the Trustee or manager of the unit trust.

"Trustee" In relation to the Unit Trust, means a Trustee in which are invested the money, investments, or other unit trust funds portfolio that are for the time being subject to the trusts governing the Unit trust

"underlying securities", in relation to a unit portfolio, means the securities comprised in or constituting the unit portfolio concerned and includes any cash or claims derived or resulting from the conduct of the unit portfolio which are held by or due to the I&M Capital Funds, the Fund Manager or the Trustee for the benefit of the unit holders in that unit portfolio.

"unit" means one undivided unit in the unit trust portfolio of the I&M Capital Funds.

"unit portfolio" means the underlying securities in which persons are invited or permitted by the Fund Manager to acquire units pursuant to the I&M Capital Funds including any cash and/or claims forming part or deemed to form part of the assets pertaining to the I&M Capital Funds but after deduction of any liability pertaining or deemed to pertain to such unit portfolio.

"unit holder" means any person (other than the Fund Manager) who has purchased units and is a holder of units in the I&M Capital Funds and is registered in the register of unit holders evidencing that he has an interest in the fund.

"unit Trust Funds" means any scheme or arrangement in the nature of a trust in pursuance of which persons are invited or permitted, as beneficiaries under the trust, to acquire an interest or undivided unit in one or more unit portfolios and to participate proportionately in the income or profits derived therefrom herein referred to as I&M Capital Funds

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

THE UNIT TRUST SCHEME- THE UMBRELLA SCHEME

I&M Capital Funds - The name of the umbrella scheme is I&M Capital Funds.

The duration of the umbrella scheme and the sub funds there-under are unlimited subject to laws of Kenya.

The minimum size of the umbrella fund capital is Ksh.5 Million, the fund has no maximum- Its open ended. The provisions of regulation 41 of the Capital Markets (Collective Investments Schemes) Regulations, 2001 shall apply.

ELIGIBILITY

To be eligible to invest in the I&M Capital Funds:

- ◆ You must be aged over 18 years.
- ◆ For parents or legal guardians wishing to open unit trust accounts for their children and/or dependants under the age of 18, they can open the account under their name until the beneficiary attains age of 18 years.
- ◆ You must not be resident in any jurisdiction where such an investment would be unlawful.
- ◆ You should satisfy yourself that you are permitted to make this investment under any tax regulations or other legislation, which might affect you.
- ◆ You can either be a private investor or an institutional investor (i.e. companies, trusts, retirement benefits schemes etc)
- ◆ If the plan is to be held in joint names, all investors must conform to the above requirements for eligibility.

Borrowing restrictions

The I&M Capital Funds' Fund Manager shall not lend all or any part of the I&M Capital Funds umbrella scheme portfolio and shall not assume, guarantee, endorse, or otherwise become directly or contingently liable for or in connection with any obligation or indebtedness of any person in relation to I&M Capital Funds portfolio.

Change in Investments

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

General

If any of the investments and borrowing restrictions are breached, the Manager shall as a priority objective take all steps necessary within a reasonable period of time to remedy the situation, having due regard to the interest of the unit holders.

The Manager is not required to sell investments if any of the investment restrictions are exceeded as a result of changes in the value of the Fund's investments, reconstructions or amalgamations, payments out of the assets of the Fund or redemptions of units but for so long as such limits are exceeded, the Manager will not acquire any further investments subject to the relevant restriction and will take all reasonable steps to restore the position so that the limits are no longer required.

RISK FACTORS

The Fund's investments are subject to normal market fluctuations and risks inherent in all investments. The prices of securities and the income from them can, from time to time, move down or up. For this reason, the price of units of any Fund and the income from them can move down or up.

Any investor who is in any doubt about the risks of investing in the Fund should consult his or her own Financial Advisor.

MANAGEMENT AND ADMINISTRATION

Manager

I&M Capital Limited, an investments advisory and investment management company incorporated in Kenya, is the Fund Manager of the Trust. The Fund Manager is registered with the Capital Markets Authority in Kenya as a Fund Manager.

Directors and Senior Management are reputable and experienced investment professionals with in-depth knowledge of financial markets and capital markets instruments.

SUBSCRIPTION OF UNITS

Subscriptions for units will be dealt with on the relevant Dealing Day. Dealing Days are each business day (and for this purpose a "business day" is a day on which the banks in Kenya are open for normal banking business, excluding Saturdays, Sundays or public holidays).

Units in the I&M Capital Funds will be available for issue on each Dealing Day in the manner outlined below.

Subscription Procedure

Subscriptions for units should be made by completing the enclosed Application Form and sending it to the Manager, together with remittance advice evidencing payment for the units or a cheque for the subscription monies and the initial charge. All mandatory fields in the application form must be completed otherwise the form will be deemed incomplete. Investors should read and sign the declarations outlined in the application form.

Subscriptions paid by cheque will not be processed until the funds have cleared. Investors should be aware that if they pay by cheque, the investor will receive value when the funds are cleared and captured.

The original of any subscription form(s) given by fax or by scanned copy on electronic mail should be forwarded to the Manager. Subscriptions will be effected on receipt by the Manager. The Manager and the

Trustee shall not be responsible to any investors for any loss resulting from non-receipt of any subscription form (s) sent by facsimile or scanned copy on electronic mail.

Minimum Investment

The minimum initial investment for the I&M Capital Fund is Kshs ,5,000 for a lump-sum investment for Kenya Shillings denominated funds or USD 1,000 for the Dollar investment fund or as determined by the Fund Manager from time to time (inclusive of the initial charge). There is no maximum contribution. Subsequent investments may be made, and additional units will be issued for additional contributions.

Payment Procedure

Payment should be made in one of the ways set out in the application form. Payments should be made in Kenya shillings for I & M Capital wealth Fund and United States Dollar for I&M USD Fixed Income fund.

Payments in other freely convertible currencies may be accepted. Where amounts are received in a currency other than the currency in which the Fund is denominated, they will be converted into the relevant currency, using the prevailing currency exchange rates and the proceeds of conversion (after deducting the costs of such conversion) will be applied in the subscription of units in the relevant Fund. Conversion of currency may at times involve some delay.

Subscription monies paid by any person other than the applicant will not be accepted unless the Trustee and the Manager otherwise determine at their absolute discretion.

The issue price of units of a Fund on a Dealing Day will be calculated by reference to the net asset value per unit of that Fund (the "Valuation Point") on the close of business the previous Dealing Day.

General

Units issued by the Trust will be held for investors in registered form.

A confirmation will be issued upon acceptance of an investor's subscription and will be forwarded to the unit holders.

In the event a completed Application form and monies are received, investors will be allocated a member number.

Fractions of not less than one-hundredth of a unit may be issued. Subscription monies representing smaller fractions of a unit will be retained by the Fund.

The Trustee has an absolute discretion to accept or reject in whole or in part any subscription for units. In the event the subscription is rejected, the reasons for such rejection will be given to the prospective unit holder in writing and subscription monies returned without interest by cheque through the post at the risk of the person(s) entitled thereto.

No units of the Fund will be issued where the determination of the net asset value for the Fund is suspended.

TYPE OF ACCOUNTS

The following are the types of accounts which are available for unit holders.

Individual Accounts: This is an account held by an individual investor.

Joint Accounts: A joint account means that both the parties have joint ownership of the units. This should be checked off on the Application form. Specimen signatures of each joint holder should be provided in the Application Form.

Corporate Accounts: This represents investments from companies, associations, groups, cooperatives, sole proprietor etc. The choice of this account should be checked off on the Application form.

Mandate Accounts: For this type of account the Broker House/individual can transact on behalf of their client. All communication shall be sent to the mandate holder.

REDEMPTION OF UNITS

Subject to the provisions outlined below, any unit holder may redeem the unit holder's units on any Dealing Day in whole or in part provided that the Manager may refuse to accept a request for a partial redemption of units in a Fund if, as a result, the unit holder would hold units in that Fund having a value of less than Kshs1000 for Kenya Shillings denominated funds or USD 100 for the Dollar Investment Fund. The Manager may levy a redemption charge of up to one per cent of the redemption price per unit.

Redemption Procedure

Redemption of units should be made by completing the Redemption Form and sending it by post, electronic mail (email) or by fax to the Manager. The redeeming unit holder(s) must specify in the Redemption Form the name of the Fund, their member number, the number of units to be redeemed and, the name(s) of the registered holder(s). Redemption instructions must be received from the registered email provided at account opening.

Unless otherwise agreed by the Trustee and the Manager, the original of any redemption request given by fax should be forwarded to the Manager. The Trustee and the Manager shall not be responsible to a unit holder for any loss resulting from non-receipt of any redemption request sent by fax or wrong email address.

Notice for redemption should be provided before 9.00 am on a business day to be eligible for that day's value date and if received after this time will be deemed to be notice received before 9.00 am the following day. Payment will be effected within 3 working days of the notice of redemption. If at any time during the period from the time at which the redemption price is calculated and the time at which redemption monies are converted out of any other currency into the base currency of the Fund there is a devaluation or depreciation of that currency, the amount payable to any relevant redeeming unit holder may be reduced as the Manager considers appropriate to take account of the effect of that devaluation or depreciation.

Payment of Redemption Proceeds

Redemption proceeds will not be paid to any redeeming unit holder:

- (a) Unless otherwise agreed by the Manager and the Trustee, notice can provided through writing, or other electronic communication acceptable to I&M Capital; and
- (b) Where redemption proceeds are to be paid by electronic funds transfer, the signature of the unit holder (or each joint unit holder) has been verified to the satisfaction of the Manager.

Unless the Manager and the Trustee otherwise determine at their absolute discretion, redemption proceeds will be paid to the unit holder only (or to any one or more of the unit holders in the case of joint unit holders) and redemption proceeds paid by electronic funds transfer will be paid only to the account of the unit holder (or any one or more of the unit holders in the case of joint unit holders). No payment will be made to third parties.

Subject as mentioned above and as long as relevant account details have been provided, redemption proceeds will be paid in the base currency of the Fund by remittance to the unit holders registered bank account held by a bank or a mobile based transfer service but have no control over how these respective institutions process their transactions.

The unit holder confirms that funds requested have been credited to their bank account. The fund manager will

not be held responsible for any bank charges incurred by the unit holder for returned cheques, if onward payments were made assuming their bank account was credited. It is the responsibility of the current account holders to make sure that funds are available to cover cheques issued. The fund manager will not be held responsible for any charges levied by the said institutions for the transactions on the account.

Unit holders shall be granted one free withdrawal a month to the designated bank account. Any additional withdrawal within the same month, will be subject to a standard withdrawal frequency charge of Kshs 500 for Kenya shillings denominated fund and USD.5.00 for USD denominated Fund.

The minimum withdrawal is Kshs 2,000¹ for Kenya Shillings denominated funds or USD 100 for the Dollar Investment Fund.

Restrictions on Redemption

- The Manager may suspend the redemption of units or delay the payment of redemption proceeds during any periods in which the determination of the net asset value of the Fund is suspended.
- No redemptions will be carried out against un-cleared cheques.
- No withdrawals can occur for units that have been ceded.
- With a view to protecting the interests of unit holders, the Manager is entitled, with the approval of the Trustee, to limit the number of units of the Fund redeemed on any Dealing Day to 10 per cent of the total number of units of the Fund. In this event, the limitation will apply pro rata so that all unit holders wishing to redeem units of the Fund on that Dealing Day will redeem the same proportion of such units, and units not redeemed (but which would otherwise have been redeemed) will be carried forward for redemption, subject to the same limitation, on the next Dealing Day. If requests for redemption are so carried forward, the Manager and the Trustee will inform the unit holders concerned.

Cash Withdrawal Facility

Unit holders can elect to withdraw money from their unit trust accounts on a regular basis through the Cash Withdrawal Facility, by selecting this option on the Application Form.

The Cash Withdrawal Facility enables clients to specify how much they want to withdraw from their investments and how often they want to receive it.

The client selects how frequently he or she want to receive the cash from monthly, quarterly, half-yearly or yearly payment options and when the first payment should be made.

At each date the client selects, the Manager will sell the required amount of the investment to fund the unit holder's cash withdrawal payment. Payments will be directly to the unit holder's bank account by electronic funds transfer.

This facility is attractive and convenient if the client is investing for a specific event in the near future where a regular flow of cash will be required e.g. paying for school fees; fund your children's further education, or retired individuals who would like to supplement a regular income.

Unit holders should be aware that if the level of payments specified consistently exceeds the rate of investment growth achieved, capital will be eroded. To assist the unit holders to identify if this is happening, we issue monthly statements showing all the withdrawals and the current value of the unit holder funds.

SWITCHING BETWEEN FUNDS

Unit holders have the right (subject to any suspension in the determination of the net asset value of any relevant Fund) to switch part or all of their units of a Fund (the “Existing Fund”) into units of another Fund managed by I&M Capital (the “New Fund”) (including any Fund subsequently established).

To effect a switch, unit holders are required to submit a duly completed Switching Form to the Manager.

A switching request received by the Manager before the close of Business on a particular Dealing day will be dealt with on the following Dealing Day. Switching requests received after such time or on a day which is not a Dealing Day will be carried forward and dealt with on the next Dealing Day.

Where a switching request is made by fax or electronic mail, the Manager and the Trustee shall not be held responsible to any unit holder for any loss resulting from non-receipt of such switching request. Unless otherwise agreed by the Manager and the Trustee, the original of any switching request given by fax should be forwarded to the Manager.

Unit holders are allowed one free switch per month. Additional switches will be subject to a standard switching frequency fee. The Manager may levy a switching fee of 3% of the issue price per unit of the New Fund excluding switches to the I&M Capital Fund. The Manager will have discretion to waive the switching part or full.

Switching will be effected by redeeming units in the Existing Fund on the relevant Dealing Day and issuing units of the New Fund on the Dealing Day for units of the New Fund falling on or after:

- (i) The date of redemption of the units of the Existing Fund; and
- (ii) The satisfaction of any conditions attaching to the issue of units of the New Fund (for example such units may only be issued on receipt of the cleared funds for the account of the Fund).

Any fraction smaller than one-hundredth of a unit of the New Fund so arising will be ignored and monies representing any such fraction will be retained as part of the New Fund.

VALUATION OF THE FUND

Calculation of Net Asset Value

The value of the net assets of the Fund will be determined as at the Valuation Point on each Dealing Day in accordance with the Trust Deed.

The value of the Fund to be used in determining the repurchase price quoted by the Fund Manager and the price payable to the Trustee of the I&M Capital Funds on the redemption of units shall be the net asset value at the end of the Dealing Day on which the written request to repurchase and redeem is received by the Fund Manager and the trustee respectively.

The repurchase price quoted shall be the net asset value of the I&M Capital Funds however computed. The formula to be adopted to determine the value of the Fund per unit is:

Value of the assets of the Fund – Liabilities
Number of units issued and fully paid.

The Fund Manager will calculate this at the end of each Dealing day. Value of the asset of the Fund includes:

- a) Aggregate market value of the underlying securities in the unit portfolio at a valuation point.

- b) Aggregate of all income accruals and payments received in lieu of income accruals from the creation of new units.
- c) Amount of the compulsory charges payable on the acquisition of all the underlying securities comprising the unit portfolio.
- d) Preliminary charge payable in respect of all the units in issue.

Liabilities shall include:

- a) Accrued fees.
- b) Expenses.
- c) Those income accruals and payments in lieu of income accruals, set aside at the last preceding ex-dividend date for distribution, but not yet distributed, in respect of the accounting period which ended on the day prior to the last ex-dividend date;
- d) Those income accruals and payments in lieu of income accruals, as in the opinion of the Fund Manager, represents a fair proportion, at the said date, of the service charge and other amounts and charges for the relevant accounting period;

The value of any investment which is not listed or ordinarily dealt in on a market shall be the initial value thereof equal to the amount expended out of the Fund in the acquisition of such investment (including in each

case the amount of stamp duties, commissions and other acquisition expenses) provided that a Manager may with the approval of the Trustee cause a revaluation to be made by a professional person approved by the Manager and Trustee as qualified to value such investments.

The Manager may with the consent of the Trustee adjust the value of any investment or permit some other method of valuation to be used if, having regard to relevant circumstances, the Manager considers that such adjustment or use of such other method is required to reflect the fair value of the investment.

The Manager shall have authority to make additional valuations at its discretion in which case it shall give advance notice of its intention to do so to the Trustee.

Suspension of Calculation of Net Asset Value

The Manager may, after giving notice to the Trustee, declare a suspension of the determination of the net asset value of a Fund for the whole or any part of any period during which:

- (i) There is closure of or the restriction or suspension of trading on any securities market on which a substantial part of the investments of the Fund is normally traded or a breakdown in any of the means normally employed by the Manager or the Trustee (as the case may be) in ascertaining the prices of the investments or the net asset value of the Fund or the net asset value per unit in the Fund.
- (ii) For any other reason the prices of investments of the Fund cannot, in the opinion of the Manager, reasonably, promptly and fairly be ascertained; or
- (iii) Circumstances exist as a result of which, in the opinion of the Manager, it is not reasonably practicable to realize any investments of the Fund or it is not possible to do so without seriously prejudicing the interest of unit holders.

Such suspension shall take effect forthwith upon the declaration thereof and thereafter there shall be no determination of the net asset value of the Fund until the Manager shall declare the suspension at an end, except that the suspension shall terminate in any event on the day following the first business day on which:

- (i) The condition giving rise to the suspension shall have ceased to exist and;
- (ii) No other condition under which suspension is authorized shall exist.

Whenever the Manager declares such a suspension it shall, as soon as may be practicable after any such declaration and at least once a month during the period of such suspension, publish a notice in one of the English dailies and/or cause a notice to be given to unit holders and to all those (whether unit holders or not) whose application to subscribe for, redeem or switch units shall have been affected by such a suspension stating that such declaration has been made.

No units in the Fund may be issued, redeemed or switched during such a period of suspension.

PRICING

Future Pricing

The Manager will price the units of the Fund using Future Pricing.

Under this approach, the price is established each evening and applied to transactions which occurred during the same day. This means that all the buying and selling, leading to the creation and cancellation of units

respectively, which occur during the day can only be priced at the end of the day.

Therefore, investors will only know of the value of their transaction the day after it has occurred.

Calculation of Issue and Redemption Prices

The issue price of a unit in the Fund on a Dealing Day will be calculated by dividing the net asset value of the relevant Fund on that Dealing Day by the number of units in the Fund in issue on that Dealing Day, prior to any issue or redemption being effected on that Dealing Day.

An initial charge of up to 3 per cent of the issue price of the unit shall be grossed up on the issue price

The redemption price of a unit in a Fund on a Dealing Day will also be calculated by dividing the net asset value of the Fund on that Dealing Day by the number of units in the Fund in issue on that Dealing Day from which may be deducted such amount as the Manager reasonably considers to be an appropriate allowance for fiscal and sales charges which would be incurred for the account of the Fund in realizing assets to provide funds to meet any redemption request.

The issue price and the redemption price of units in a Fund on a Dealing Day may not be the same.

Publication of Prices

The issue and redemption prices per unit of the Fund will be published daily on our website.

DEALING

The Manager will act as principal in the trading of units. As a result it must act as market maker for its units inclusive of meeting demand from investors by creating units. The Manager would therefore create and cancel units within the scope of the Act (and as shall be amended from time to time) and its obligations to unit holders.

The Manager is obliged to act in the best interests of all unit holders. This would imply that, with regard to the creation and cancellation of units, it applies a consistent basis in the creation and cancellation of units, and

with the exception of the recognition that a daily pricing window is required to facilitate the creation and liquidation of units.

The Manager, with the agreement of the Trustee, may suspend issue, cancel, sell or redeem units, if they are of the opinion that due to exceptional circumstances, there are good and sufficient reasons to do so after having regard to the interest of all unit holders. At all times, the Manager shall comply with the CMA Act (and as shall be amended from time to time) and the Trust Deed on suspension and resumption of dealings.

The Manager shall immediately notify unit holders if dealing has been cancelled or suspended and the fact following such cancellation shall be published immediately following such decision on our website.

The close of time for dealing will be at close of business in any given Business Day.

Dilution Levy

The fund manager shall have the power to require either or both of:

- a. The payment of a dilution levy in respect of the issue or sale of units.
- b. The deduction of a dilution levy in respect of the redemption or the cancellation of units.
- c. Any payment or deduction provided above shall become due the same time as payment becomes due in respect of the relevant issue, sale, redemption or cancellation.

A dilution levy may be imposed only in a manner that is, so far as practicable, fair to all holders and potential holders and the maximum rate of up to 10% will be charged.

DISTRIBUTIONS

Distributions dates

Distribution date refers to the day that accrued income is credited to the Fund's unit holders.

Financial Year

The financial year ends on the 31st December of each year.

An allocation of income whether annual or interim will be made in respect of each unit issued or sold during the accounting period in respect of which that income allocation made will include a capital sum referred to as income equalization.

Income equalization- allocation of income whether annual or interim to be made in respect of each security issued or sold during the accounting period in respect of which that income allocation is made shall include a capital sum.

How Distributable Income Is Determined

The calculation of the distributable income shall:

- ◆ Take the aggregate income of the portfolio received or receivable for the account of the I&M Capital Fund in respect of the period;

- ◆ Deduct charges and expenses paid or payable out of the income of the portfolio in respect of the period.
- ◆ Add the Fund Manager's best estimate of any relief from tax on such charges and expenses;
- ◆ Make appropriate adjustments in relation to:
 - i. Taxation
 - ii. Proportion of the price received or paid for units that are related to income
 - iii. Potential income which is unlikely to be received until twelve months after the income allocation date;
 - iv. Income, which should not be accounted for on an accrual basis;
 - v. Any transfer between income and capital account;
 - vi. Any other adjustments the Fund Manager considers appropriate after consultations with the auditors.

The amount of income allocated to the accumulation units shall with effect from the end of the annual accounting period, become part of the capital of the investment scheme portfolio.

The interest of the unit holders in the amount shall be satisfied by an adjustment as at the end of the period in proportion of the value of the unit trust scheme portfolio to which the price of a unit of the relevant class is related. This adjustment will ensure that the price of an accumulation unit remains unchanged notwithstanding the transfer of income to the capital of the investment scheme portfolio.

The amount of income allocated to accumulation units shall with effect from the end of the annual accounting period, become part of the capital of the investment scheme portfolio. The interests of the unit holders in the amount shall be satisfied by an adjustment as at the end of the period in the proportion of the value of the Unit trusts scheme portfolio to which the price of a unit of the relevant class is related. This adjustment will ensure that the price of an accumulation unit remains unchanged notwithstanding the transfer of income to the capital of the investment scheme portfolio.

Distribution Policy

Details of the distribution arising from interest will be shown on monthly distribution statements to unit holders. All income arising from receipts of securities held will be distributed to unit holders after provision for expenses as detailed above net of tax. All distributions including unclaimed distributions will be reinvested in the unit holders' account.

Prior to distribution all income arising from receipts of interest will be transferred to the Distribution Account after provision of expenses and net of tax.

Financial Year

The Financial Year will end on the 31st December of each year. Distribution dates shall be no longer than one calendar month from the due date.

Income Equalization

An allocation of income whether annual or interim will be made in respect of each unit issued or sold during the accounting period in respect of which that income allocation made will include a capital sum referred to as "Income Equalization".

Allocation of Income

At the end of each business day, the Trustee or the Fund Manager, as the case may be, shall arrange for the Custodian to transfer the income of the I&M Capital Funds net of expenses of the fund to an account to be known as the "Distribution Account".

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

Payouts

A unit holder can redeem the units from the proceeds of the distribution income allocated to his designated bank account as units re-invested. This request should be made in writing.

CHARGES AND EXPENSES

The Fund Manager shall advise all prospective unit-holders of the charges, expenses and all costs that shall accrue to their investment within the I&M Capital Funds.

Preliminary Charge

The fund manager shall apply a preliminary charge in respect to the I&M Capital Funds (not exceeding a maximum of 3% of the funds under management). The preliminary charge may be used in part to remunerate introducers introducing business to the Unit Portfolio.

Periodic Charge

The periodic charge applicable to the Unit Portfolio shall be calculated daily at a rate not exceeding 3% (three percent) per annum (or such higher maximum percentage as the Authority may on the application of the Fund Manager allow) of the daily Market Value of the total assets of that Unit Portfolio including income accrued to date. The amount accrued on account of the periodic Charge shall be paid to the Fund Manager from the income account as soon as practicable after the end of each calendar month.

Nothing herein contained shall preclude the Fund Manager from reducing the preliminary charge in respect of certain investments in a Unit Portfolio, applying a scale of charges to varying sizes of investments or varying the charge for conversions of Units from one Unit Portfolio to another within the Unit Trust Scheme created by this Trust Deed. The periodic charge may be used in part to remunerate introducers introducing business to the Unit Portfolio.

Other Fees and Charges

Other fees and charges that shall be permitted as deductions from the amount available for distribution in the Unit Portfolio are listed below. The Fund Manager may at any time in its discretion pay on behalf of the Unit Portfolio any, or any portion of, such expenses.

- a) The Commission Charge calculated in terms of the periodic charge above;
- b) A sum which, in the opinion of the Fund Manager and the Auditor, is required to meet any liability for taxation and Auditor's fees in respect of the accounting period;
- c) The remuneration of the Trustee and the custodian of the assets of the Unit Portfolio;

- d) All costs incurred in respect of meetings of Unit holders and Trustees;
- e) Any legal and other professional fees in connection with the Unit Trust Scheme;
- f) All costs reasonably incurred in respect of the publication of prices of Units and in respect of the publication and distribution of the annual reports and accounts and of marketing documents relating to the Unit Portfolio; and
- g) Any insurance or other general expenses arising in the normal course of business.

Management Fees

The Manager will be entitled to receive in arrears a monthly management fee for carrying the required professional management and administration services for the I&M Capital Funds.

This is an annual charge calculated and accrued daily as the average daily market value of the total assets comprising the Fund and payable monthly in arrears.

The unit holder shall therefore be debited for this fee from the income accruals of the Fund. The fee will be deducted before the income to the Fund is distributed.

The Manager may increase the rate of management fee payable in respect of a Fund by giving not less than three months' notice of such an increase to the Trustee and the unit holders.

The Initial Charge

The Manager is also entitled to receive an initial charge on the issue of units in the Fund of up to 3% of the issue price of those units, known as an initial fee. This fee may be revised upon approval by the Board of Directors and the Trustee.

Currently there is no Initial fees levied within the I&M Capital Funds and the Unit holders shall be duly informed when the Fund Manager in consultation with the Board of Directors and Trustees elects to charge the same.

The Transaction Fees

In order to purchase the securities within the I&M Capital Funds, the Fund Manager shall Deduct those costs including but not limited to: brokerage commissions, tax and other costs that may be introduced by regulatory bodies and/or business partners towards the purchase of securities within the I&M Capital Funds.

Switching Charge

A switching charge of up to 3% of the market value of the units of the new class issued upon switching will be levied upon switching of units in the Fund. This charge will be subject to a minimum of Kshs500 for Kenya shillings denominated Fund and USD.5.00 for USD denominated fund and will only be payable on switches in excess of the one free switch per month. The Fund Manager has the discretion to waive the switching charge in part or in full.

Currently there is no Switching charges levied within the I&M Capital Fund and the Unit holders shall be duly informed when the Fund Manager in consultation with the Board of Directors and Trustees elects to charge the same.

Redemption Charge

The Manager is entitled to receive a redemption charge for redemption of units in the Fund, of up to 1% of the redemption price of such units.

The amount payable as proceeds of redemption may be arrived at after deduction of a charge (up to a maximum of 1%) for the benefit of the Fund management and the charge will be expressed as a percentage of the proceeds of redemption. The amount will be expressed as diminishing over the time during which the unit holder has held the units. This amount will not exceed the amount that would be derived by applying the rate or method prescribed in this document at the date on which the relevant units were issued.

The Manager may with the approval of the Trustee and authorities propose to holders the introduction of a redemption charge or changes to the rate or amount or method of charging. In the event the charge, rate, amount or method are adverse to holders, the manager in the notice proposing these changes having regard to relevant circumstances will;

1. Give a minimum of ninety day notice in writing after obtaining approval from the Trustee and the Authority of the Fund Manager's intention, to introduce a new charge or to propose a change in the rate, amount or method.
2. Indicate to holders the amount of the charges to be charged, changes to the charges, details of any previous amount and rate or method used to compute the charges.
3. Confirmation of when the new or modified charges shall apply and only to units issued after the date on which the modification takes place.

Trustee Fees

The Trustee is entitled to receive in arrears a monthly trustee fee in relation to the services provided to the Fund. The fee will be calculated and accrued as at each Dealing Day and will be equal to a percentage of the net asset value of the Fund as at the last Dealing Day in the immediate preceding month.

The current rate of Trustee fees in relation to the Fund is calculated on a scale of declining percentage rates per annum according to the net asset value of the Fund.

The above fees for the Trustees are subject to a minimum of Kshs 60,000 per year in relation to the Trust as a whole. The above fees for the Trustee include fees for acting as registrar of the Trust.

Transactional Based Charges

Outlined below is a summary of all the charges that are triggered by transactions.

Ledger Fee: This fee will be levied on all unit holders who maintain balances below the minimum investment amount of Kshs 5,000 and USD 1,000 for the Dollar denominated fund.

This fee will be a maximum of Kshs.500/- per month and shall be subject to revision by the Fund Manager from time to time. The fund manager has elected not to charge this fee but retains the option to charge the same in consultation with the Board of Trustees of the Scheme and upon three months prior notice to unit holders.

Withdrawal Frequency Fee: This is a standard charge of Kshs.500 applied to all clients who withdraw more than once a month from their unit trust account and USD5.00 for the Dollar Denominated fund.

All unit holders shall be allowed one free withdrawal a month before being subjected to fees.

Switching Frequency Fee: This is a standard charge of 3% of the market value of units of the new class issued upon switching, subject to a minimum fee of Kshs.500. This fee is applied to all clients who switch units from one fund into another in excess of the stipulated limits.

All unit holders shall be allowed one free switch per month before additional switches are subject to switching frequency fees.

Transfer Frequency Fee: This is a standard charge of Kshs.500 applied to all clients who transfer units within the same Fund more than once a month from their unit trust account.

All unit holders shall be allowed one free transfer a month before additional transfers are subject to transfer frequency fees.

Certificate Issue Charge: All unit holders requesting for the issue of a certificate would be subject to a fee of Kshs 200. This fee is to cover the cost of processing the Certificate.

Loss of Certificate/Defacing: Unit holders who require a replacement for a lost or defaced certificate will be charged Kshs 200. The Fund Manager will replace any certificates that have either been lost or defaced provided that a signed affidavit is produced by the unit holder. This will effectively nullify the originally issued certificate of entitlement.

General Adjustment Sale: This will be charged against the client's account if an incorrect instruction was given to the Manager and the instruction processed. If the adjustment/rectification of this mistake resulted in a loss, the client would be debited the equivalent sum of this loss.

Ad Hoc Statements: There will be no charge to clients who require a printed statement of their account balances, transaction history etc on an ad-hoc basis.

The statements will be sent free-of-charge to unit holders by email. Statements are sent out monthly to all unit holders.

All payouts made to the unit holders and agents through Electronic Funds Transfer will be free of charge for the first withdrawal in the month; save for the use of the Real Time Gross Settlement (RTGS) where the charge payable is the actual cost charged by the custodian bank for such transactions.

Charges on Moveable and Immoveable Assets: Currently the Fund Manager does not incur this type of charges and expenses. However, should the same be levied by the respective service providers the same shall be charged to the Fund and invoiced.

STATEMENTS

A statement will act as evidence of entitlement for the unit holder. The statements will be sent by email every month free-of-charge to all unit holders.

Clients may request for their statements to be sent via post at their expense. These statements will include the following information:

- ◆ Unit trust account market value as of the date of the statement;
- ◆ All details of transactions that occurred in that month;
- ◆ Description of fees that were charged against the account during the month;
- ◆ Amount of distribution the unit holder also has the option of requesting the Manager for a transaction history by specifying the period required at a cost to the unit holder.
- ◆ Bulk Clients: This applies for any company or organizations that have multiple transactions such as cooperative societies, investment clubs, stock brokers etc. These clients will receive a regular report of all transactions that took place at a cost to be determined by the Fund Manager that day. They will also receive monthly statement

ACCOUNT CLOSURE

Account closure shall be deemed to have taken place upon the unitholder issuing notice close the Account and the redemption of all units in the Account.

GENERAL INFORMATION

Accounts and Reports

The Trust's financial year end is 31st December in each year. Audited accounts will be available for electronic access at the Manager's website within three months at the end of each financial year.

Annual reports will be published and submitted to the Authority, Trustee, Unit Holder by the 31st of March each year for the Fund by the Fund Manager. The Fund Manager in addition shall publish and submit to the Authority an un-audited interim report for the half-year period ending on the last day of June in each year. (Submission to the authority of unaudited / management accounts will be submitted no later than 1 month after given cutoff date, i.e. December = January and June = July).

The fund manager shall also provide the Trustee and the Authority and unit holder's quarterly reports from the date of the fund manager's appointment with:-

- a. A valuation of the scheme fund and of all the investment representing the same, including the details of the cost of such investments and their estimated yields. A report reviewing the investment activity and performance of the investment portfolios comprising the scheme fund since the last report date and containing the fund manager's proposals for the investment of the scheme during the period; and
- b. A record of all investment transactions during the previous period. The reports can be inspected and copies obtained from:

I&M Capital Limited
1 Park Avenue,
1st Parklands Avenue
Nairobi, Kenya
P.O. Box 30238 -00100

Trust Deed

All holders of units are entitled to the benefit of, are bound by and are deemed to have notice of the provisions of the Trust Deed.

The Trust Deed contains provisions for the indemnification of the Trustee and the Manager and their relief from liability in certain circumstances. Unit holders and intending applicants are advised to consult the terms of the Trust Deed. In the event of any conflict between any of the provisions of this prospectus and the Trust Deed, the provisions of the Trust Deed will prevail.

Modification of the Trust Deed

The Trustee and the Manager may agree to modify the Trust Deed by supplementary deed provided that in the opinion of the Trustee, such modification:

- (i) is not materially prejudicial to the interests of the unit holders, does not release to any material extent the Trustee, the Manager or any other person from any responsibility to the unit holders and (with the exception of the costs of preparing and executing the relevant supplementary deed) does not increase the costs and charges payable out of the assets of the Trust; or
- (ii) is necessary in order to comply with any fiscal, statutory or official requirements including, but not limited to, the CMA Act (and as shall be amended from time to time) and/or any subsidiary legislation or official requirements relating thereto; or
- (iii) is made to correct a manifest error.

In all other cases, modifications require the sanction of an extraordinary resolution of the unit holders affected.

Any modifications to the Trust Deed, unless they are sanctioned by an extraordinary resolution of the unit holders affected or in the opinion of the Trustee are not of material significance or are made to correct a manifest error, will be notified to the unit holders as soon as practicable after they are made.

Transfer of Units

This is the transfer of ownership from one person to another within the same unit trust fund.

Subject as provided below, units may be transferred by completing a Transfer Form signed by (or, in the case of a body corporate, signed on behalf of or sealed by) the transferor and the transferee. The transferor will be deemed to remain the holder of the units transferred until the name of the transferee is entered into the Register of Unit holders in respect of such units.

Each instrument of transfer must relate to a single class of units only. No units may be transferred if, as a result, either the transferor or the transferee would hold units having a value less than the minimum holding in the relevant Fund.

Unit holders will be allowed one free transfer a month. Additional transfers will be subject to a standard transfer frequency fee.

If a transfer is requested as a result of death occurring to a unit holder, the named beneficiary (either stated on the Application form or through the courts) must attach a certified copy of the death certificate, Grant of Letters of Administration and Certificate of Confirmation of Grant of Letters of Administration.

If the beneficiary/transferee is not a client at I&M Capital Funds, a new Application form would be required along with the Transfer form.

If the transfer is requested as a result of one joint account member wishing to have their name removed from the account, both joint owners should fill out and sign the transferor section on the transfer form and the individual wishing to leave fills out the transferee section.

Adjustments

This transaction is a result of an error either made by the unit holder, your broker/agent, Custodian or the Manager. On completion of this form the Managers will rectify the error on the unit holder's account. This instruction must be submitted in writing by completing an Adjustment Form.

Although we do not envision many transactions of this type, clients are strongly encouraged to study their monthly statements carefully and report any discrepancies to our Client Services Department to ensure timely correction.

Compulsory Redemption or Transfer of Units

The Manager may require a unit holder to transfer the unit holders' units or, failing such transfer, may redeem such units in accordance with the Trust Deed if it shall come to the notice of the Manager that the unit holder holds such units:

- (a) in breach of the law or requirements of any country, any governmental authority or any stock exchange on which such units are listed; or
- (b) in circumstances (whether directly or indirectly affecting such unit holder and whether taken alone or in conjunction with any other persons, connected or not, or any other circumstances appearing to the Manager to be relevant) which, in the opinion of the Manager, might result in the Trust or any Fund incurring any liability to taxation or suffering any other pecuniary disadvantage which the Trust or any Fund might not otherwise have incurred or suffered.

Differences in information

There are differences in information provided for each of the sub fund in the I&M Capital Funds as set out below;

1. *'INVESTMENT OBJECTIVES AND POLICIES'*
The investment objectives, target investors, investment risk profile and investment policies of the three sub funds differ from one another.
2. *'RISK FACTORS'*
3. *'CHARGES AND EXPENSES'* – The four sub funds differ in management fees charged and initial charges
 - a) I&M Capital Wealth Fund – Management Fees – 1.2% per annum, NO initial charge levied currently;
 - b) I&M Capital United States (US) Dollars Fund – Management Fees – 1.5% per annum.

Termination of the Trust

The duration of the I&M Capital Funds will be unlimited. The Trust can be terminated in one of the ways set out below:

1. The Trustee may terminate the Trust if:
 - (a) The Manager goes into liquidation (except voluntary liquidation for the purpose of reconstruction or amalgamation upon terms previously approved by the Trustee); or
 - (b) In the opinion of the Trustee, the Manager is incapable of performing its duties properly; or
 - (c) If the Trust ceases to be so authorized or otherwise officially approved or if any law is passed which renders it illegal or in the opinion of the Trustee impracticable or inadvisable to continue the Trust; or
 - (d) The Manager ceases to manage the Trust and the Trustee fails to appoint a successor Manager within a period of 30 days.
2. The Manager may terminate the Trust if:
 - (a) The Trust fails to become authorized or otherwise officially approved pursuant to the CMA Act (and as shall be amended from time to time).
 - (b) Any law is passed which renders it illegal or in the opinion of the Manager impracticable or inadvisable to continue the Trust.
3. Unit holders may at any time terminate the Trust by extraordinary resolution at any time on or after the date falling 12 years after the establishment of the Trust.

Where the Trust is terminated as provided in paragraph 1 or paragraph 2 above, the party terminating the Trust must give at least three months' notice of termination to unit holders.

Liabilities of sub funds of an umbrella scheme

The sub funds of the I&M Capital Funds Scheme are not 'ring fenced' and in the event of an umbrella scheme being unable to meet liabilities attributable to any particular sub fund out of the assets attributable to such sub-fund, the excess liabilities may have to be met out of the assets attributable to other sub-funds.

Fund Manager

Material provisions of the contract between the Trustee and the Fund Manager

Fund Manager as administrator and asset manager: The Fund Manager shall be responsible for the administration of the Trust including the management of the Unit Portfolios in accordance with the direction and the authority of the Trustee, as well as the provisions of the Act and this Trust Deed.

- a. Principal Duties: The principal duties of a Fund Manager shall include but shall not be restricted to
 - i. Advising the Trustee on the asset classes which are available for investment;
 - ii. Formulating a prudent investment policy;

- iii. Investing the Unit Portfolio's assets in accordance with the Unit Portfolio's investment policy;
 - iv. Reinvesting any income of the Unit Portfolio which is not required for immediate payments;
 - v. Instructing the Custodian to transfer, exchange, deliver in the required form and manner the Unit Trust Scheme assets held by such Custodian;
 - vi. Ensuring that the Units in the Unit Portfolios are priced in accordance with the Act and this Trust Deed;
 - vii. Not selling any Units otherwise than on the terms and at a price calculated in accordance with the provisions of the Act and this Trust Deed;
 - viii. Rectifying any breach of matters arising as described in the investment agreement, provided that where the breach relates to incorrect pricing of Units or to the late payment in respect of the issue or redemption of Units, rectification shall, unless the Trustee otherwise directs, extend to the reimbursement or payment or arranging the reimbursement or payment of money by the Fund Manager to the Holders or former Holders, by the Fund Manager to the Unit Portfolio, or by the Unit Portfolio to the Fund Manager;
 - ix. Purchasing at the request of a Holder, any Units held by such Holder on the terms and at a price calculated in accordance with the provisions hereof;
 - x. Publishing on all Business Days the price of Units on our website.
 - xi. Preparing and timely dispatching all cheques, warrants, notices, accounts, summaries, declarations, offers and statements required under the provisions of the Act or this Trust Deed, to be issued, served or sent and signing and executing all Certificates and all transfers of Securities;
 - xii. Making available for inspection to the Trustee or any approved Auditor appointed by the Trustee, the records and the books of account of the Fund Manager giving to the Trustee or to any such Auditor such oral or Written information as it or he requires with respect to all matters relating to the Fund Manager, its properties and its affairs.
 - xiii. Making available or ensuring that there is made available to the Trustee such details as the Trustee may require with respect to all matters relating to the Unit Portfolio; and
 - xiv. Being fair and equitable in the event of any conflict of interest that may arise in the course of its duties.
- b. Outsourcing of asset management functions: The Fund Manager shall not engage or contract any advisory or management services on behalf of a Unit Portfolio without prior Written approval of the Trustee: Provided that –
- i. The Fund Manager shall remain liable for any act or omission of the sub-contracted

Fund Manager;

- ii. The fees and expenses of any such persons shall be payable by the Fund Manager and shall not be payable out of the Unit Portfolio;
 - iii. Any expenses incurred by any such Persons which, if incurred by the Fund Manager would have been payable out of the Unit Portfolio, may be paid out of the Unit Portfolio to the Fund Manager by way of reimbursement; and
 - iv. Any such appointment or termination of appointment shall be notified in Writing to all Holders.
 - v. This clause shall not apply to investments in a Collective Investment Scheme not managed by the Fund Manager.
- c. Commissions for Unit Portfolios: All monetary benefits or commissions arising out of managing Unit Portfolios shall be credited to the Unit Portfolios by the Fund Manager.
- d. Fund Manager to account to Trustee: The Fund Manager shall account to the Trustee within 30 (thirty) days after receipt by the Fund Manager any monies payable to the Trustee.
- e. Receipt for purchase of Units: The Fund Manager shall make available a receipt evidencing the purchase of Units of the Unit Portfolio for each purchase.
- f. Removal of Fund Manager by Holders: A Fund Manager shall be removed by 3 (three) months' notice in Writing by the Trustee to the Fund Manager
- i. If an extraordinary resolution is passed by the Holders removing the Fund Manager; or
 - ii. If the Holders of 75% (seventy five percent) majority in value of the Units in existence (excluding Units held or deemed to be held by the Fund Manager or by any associate of the Fund Manager) request in Writing to the Trustee that the Fund Manager be removed.
- g. Trustee to appoint new fund manager: In the event of the removal of the Fund Manager under this clause the Trustee shall with the Authority's approval appoint another incoming fund manager to replace the Fund Manager.
- h. Removed Fund Manager entitled to its Units: On the removal of the Fund Manager in terms of the Act or this Trust Deed, the Fund Manager so removed shall remain entitled to all Units in respect of which no Certificate or valid claim shall then be outstanding, and shall have the right to require the Trustee to issue to it a Certificate in respect of any such Units and to enter its name in respect thereof in the Register. The retiring Fund Manager shall continue to enjoy all the rights of a Holder in respect of all Units to which it is entitled
- i. Liability of the fund manager: The Fund Manager of the Fund;
- i. Shall not be liable for any loss, damage or depreciation in the value of the scheme fund or of any investment comprised therein or the income therefrom which may arise by reason of depreciation of the market value of the shares and other assets in which scheme funds are invested unless such loss, damage or depreciation in the value of the scheme fund arises from negligence whether professional or

otherwise, willful default or fraud by the fund manager or any of its agents, employees or associates.

- ii. In the absence of fraud or negligence by the fund manager, the fund manager shall not incur any liability by reason of any matter or thing done or suffered or omitted to be done by him in good faith under the provisions of the information memorandum, rules of the collective investment scheme or applicable regulations.
- iii. Shall not be under any liability except such liability as may be expressly assumed by him under the information memorandum, the rules of the collective investment scheme and the applicable regulations, nor shall the fund manager save as expressly provided herein be liable for any act or omission of the trustee.

Custodian

Material provisions of the contract between the Trustee and the Custodian

- a. Remuneration: The Custodian shall be paid by way of remuneration for its services hereunder fees at the rates specified in Schedule below or as otherwise agreed with the fund from time to time.
- b. Expenses: The Fund will reimburse the Custodian in addition to the fees referred to above for all out- of-pocket expenses properly incurred by the Custodian in carrying out its duties hereunder subject to prior approval from the Fund.
- c. Direct Debit: The Custodian shall be entitled to debit the bank account of the Fund indicated in the Agreement by all the amounts of charges payable by the Fund under the Agreement under the instruction of the Fund or without such instruction where such invoice has been outstanding for 30 days from the date the invoice is sent to the Fund.
- d. Termination: Except as otherwise provided the contract with the Custodian may be terminated;
 - i. By the Custodian or the Client on thirty (30) days' written notice to the other party sent by registered mail provided that any such notice whether given by the Custodian or the Client shall be followed within thirty (30) days by Instructions specifying the names of the persons to whom the Cash in the Accounts shall be paid and Securities in the name of the Custodian or its nominees shall be transferred. If within thirty (30) days following the giving of such notice of termination the Custodian does not receive such Instructions the Custodian shall continue to hold such Securities and Cash subject to the contract until such Instructions are given.
 - ii. If the Custodian is in breach of any of the terms of the custody contract and shall not have remedied such breach within Fourteen (14) days after service of notice requiring the same to be remedied; or
 - iii. The Custodian shall go into liquidation or if a receiver is appointed over any of its assets; or
 - iv. The registration of the Custodian under the Retirement Benefits Act (Act No. 3 of 1997) or under the Capital Markets Act (Cap 485 A) is withdrawn, cancelled or not renewed.
- e. Liability: Each party shall indemnify the other in respect of claims, demands, costs and expenses made, suffered or sustained to the extent that the claims, demands, costs and

expenses arise directly out of the gross negligence or willful default of the offending party or its employees, agents or representatives.

- f. In any event the liability of the Custodian will be limited to the market value of the Portfolio Funds at the date of discovery of the Client's loss or damage suffered by the Portfolio Funds. In cases where the Custodian is obliged to pay tax in respect of the Portfolio Funds, the liability will be limited to the market value after tax.
- g. The Custodian will not be liable to the Client for any expense loss damage or costs suffered by or occasioned to the Portfolio Funds, the Client in relation to the Portfolio Funds as a result of:
 - i. Any act or omission or insolvency of any third party who was not under the instructions of the Custodian;
 - ii. The collection or deposit or credit into the Accounts of invalid or fraudulent or forged Securities or any entries in the Accounts, which may be made in connection therewith;
 - iii. Delay while the Custodian obtains clarification of Instructions;
 - iv. The Custodian acting on what it in good faith believes to be instructions or in relation to notices requests waivers consents receipts corporation actions or other documents, which the Custodian in good faith believes to be genuine;
 - v. Any Securities found to be invalidly issued unenforceable or illegal or certificates or other documents of titles to any Securities capable of physical delivery being found to be improperly issued or delivered;
 - vi. Any diminution in the value of any Securities deposited with the Custodian hereunder where such diminution in value is the result purely of general market or circumstances affecting other Securities of the same issuer and the series generally;
 - vii. Any cause beyond the Custodian's control including without limitation any breakdown or failure of transmission communication or computer facilities not within the Custodian's control industrial action acts or regulations of any governmental bodies or the failure of any eligible Depository.

Obligations - the custodian shall:

- a. Maintain the custody of all the collective investment scheme portfolio and hold it to the order of the trustee or fund manager in accordance with the provisions of the collective investment rules and regulations, the incorporation documents, the information memorandum, the rules of the collective investment scheme and its service agreement;
- b. Receive and keep in safe custody title documents, securities and cash amounts of the collective investment scheme;
- c. Open an account in the name of the collective investment scheme for the exclusive benefit of such collective investment scheme;

- d. Transfer, exchange or deliver in the required form and manner securities held by the custodian upon receipt of proper instructions from the fund manager trustee as the case may be;
- e. Require from the fund manager, trustees such information as it deems necessary for the performance of its functions as a custodian of the collective investment scheme;
- f. Promptly deliver to the trustee or fund manager or to such other persons as the fund manager or trustee may authorize, copies of all notices, proxies, proxy soliciting materials received by the custodian in relation to the securities held by the collective investment scheme portfolio, all public information, financial reports and stockholder communications the custodian may receive from the issuers of securities and all other information the custodian may receive, as may be agreed between the custodian, trustee or fund manager as the case may be from time to time;
- g. Exercise subscription, purchase or other similar rights represented by the securities subject to receipt of proper instructions from the fund manager;
- h. Exercise the same standard of care that it exercises over its own assets in holding maintaining, servicing and disposing of the collective investment scheme portfolio and in fulfilling obligations in the agreement;
- i. Where title to investments are recorded electronically, to ensure that entitlements are separately identified from those of the fund manager or the trustee, as the case may be, of the collective investment scheme in the records of the person maintaining records of entitlement;
- j. Attend general meetings of the holders and be heard at any general meeting on matters which concern it as custodian;

Provided that the custodian shall in executing its duties exercise the degree of care expected of a prudent professional custodian for hire.

Termination of a Fund

The Manager may terminate the Fund if:-

- (a) the Fund fails to be officially approved by the CMA or, having become officially approved, ceases to be officially approved; or
- (b) any law is passed which renders it illegal or in the opinion of the Manager impracticable or inadvisable to continue the Fund.

A Fund may also be terminated by extraordinary resolution of 75% of the total number of the unit holders of the Fund

Conflicts of Interest

The Manager and the Trustee may from time to time act as trustee, administrator, registrar, manager, custodian, investment manager or investment adviser, representative or otherwise as may be required from time to time in relation to, or be otherwise involved in or with, other funds and clients which have similar investment objectives to those of the Fund. It is, therefore, possible that

any of them may, in the course of business, have potential conflicts of interest with the Trust.

Each will, at all times, have regard in such event to its obligations to the Trust and will endeavor to ensure that such conflicts are resolved fairly. In any event, the Manager shall ensure that all investment opportunities will be fairly allocated.

The Fund Manager is not related in any capacity to any other regulated collective investment schemes.

Documents Available for Inspection

The following documents are available for inspection free of charge at any time during normal business hours on any day (excluding Saturdays, Sundays and public holidays) at the offices of the Manager:

- (i) Copies of the Trust Deed;
- (ii) The register of unit holders.

Additional Information

- There are no guarantees on the client's capital as the performance of units and interest-bearing investments in the underlying unit trust determines the value of your unit trust investment.
- Price of units can go down as well as up as a result of changes in the value of the underlying investments and currency movements.
- Past performance should not be used as a guide to future investment performance.
- Units trusts should be recognized as short, medium to long term investments;
- The scheme include full details about the scheme, including the fees and charges. Commission may be paid and will be paid out of fees already charged to the fund;
- The units are priced daily and deals on a future pricing basis;
- The investment may be held in any number of funds, combinations or proportions subject to the fund minimums. These unit trusts have been selected to suit different investment needs and they can be combined to build a diversified portfolio

I&M CAPITAL WEALTH FUND SUPPLEMENTAL

INVESTMENT OBJECTIVES AND POLICIES

1. Investment Objective

The investment objective of the I&M Capital Wealth Fund is to obtain a competitive level of current income while aiming to preserve investor's capital and liquidity.

The Wealth Fund aims to deliver a higher level of income compared to average banks' fixed deposits. Capital preservation is of primary importance and the fund offers immediate liquidity.

2. Target Investors

The Fund is suitable for the following categories of investors:

- Investors who require a low risk investment offering a high-income yield, capital preservation and immediate liquidity.
- A low risk abode or safe haven for investors who wish to switch from a higher risk portfolio to a low risk, high yield portfolio, especially during times of high equity market volatility.
- Ideal for investors who wish to make a lump sum investment and wish to reduce timing risk by regularly transferring amounts to other more aggressive portfolios.

3. Investment Risk Profile

This is a low risk investment fund. The fund is managed conservatively with active management of duration, credit and liquidity risks.

4. Investment Policies

In order to achieve its investment objective, the assets of the &M Capital Wealth Fund will be invested according to the following policies:

- Invest in money market securities spread between the institutions of repute.
- To manage the portfolio according to best practice.
- To administer the portfolio according to best practice by treating the generation of income as a higher priority than capital growth or as the case may be to place equal emphasis on the generation of income and on capital growth and that (in either case) this may accordingly constrain capital growth;
- To disclose investments on a weighted average basis
- Universe of investments includes: interest-bearing securities such as bank deposits, bank

acceptances and other short-term money market instruments including short-dated treasury bills and commercial paper, whether listed or unlisted, money or cash funds, as well as other debt securities, whether listed or unlisted.

- Capital gains will be of an incidental nature and are not a primary driver of investment returns.
- The portfolio may contain low allocation of off-shore exposure as a hedge against the domestic currency occasionally.

Through such investments, the Fund will seek to benefit from the most favorable rates of interest available. The Fund Manager shall keep under review and may from time to time amend the allocation of the Fund's assets in the manner deemed appropriate for the purpose of achieving the Fund's Investment Objective.

INVESTMENT AND BORROWING RESTRICTIONS

Investment Restrictions

The following restrictions shall apply to the investments of the Fund provided that should any one or more of these restrictions be exceeded as a result of events, happening subsequent to an investment being made, that are beyond the control of the Fund or the Manager such as, for instance, fluctuations in the market value of underlying investments, the Manager shall seek to remedy the situation in the shortest time possible and shall in so doing take due account of the interest of the unit holders of the Fund.

| Asset Class | Sub-Asset Class | Fund Mandate (% of portfolio) |
|---|---|-------------------------------|
| Financial instrument issued by a bank as defined by the Banking Act | Cash & Demand Deposits | 0-100% |
| | Fixed and Time Deposits | 0-100% |
| Securities Listed in a Securities Exchange in Kenya | Commercial Paper & Corporate Bond or Debt | 0 - 80% |
| | Domestic Equities | 0% |
| Securities issued by the Government of Kenya | Treasury securities | 20 - 80% |
| Offshore Investments | | 0-10% |
| Other Investments Collective Schemes including umbrella schemes | | 0-25% |
| Immovable property | | 0% |

| | | |
|---|--|---------|
| Any other security not listed on a securities exchange in Kenya | | 0 - 20% |
|---|--|---------|

These investments shall be made provided that:

- a) No limits shall apply to investment of the I&M Capital Wealth Fund in an interest-bearing account, product or financial instrument of or issued by a bank or financial institution as defined by the Banking Act; or and insurance company as defined in the Insurance Act;
- b) The book value of the investment in an interest bearing account, financial product or instrument of or issued by any single bank or financial institution or insurance company or a combination of any such investment in a single bank, financial institution or insurance company shall not in aggregate exceed 25% of the I&M Capital Wealth Fund and net asset value;
- c) The value of the I&M Capital Wealth Fund Fund's holding of securities relating to any single issuer shall not exceed 25% of the Unit Trust scheme's properties net asset value; and
- d) Any Unit trust scheme established for the investment of retirement benefits schemes shall comply with the investment guidelines prescribed under the Retirement Benefits Act (and as shall be amended from time to time).

The Fund Manager shall not apply any part of the I&M Capital Wealth Fund in the acquisition of any investments which are for the time being, partly paid or otherwise in the opinion of the trustee likely to involve the trustee in any liability, contingent or otherwise.

The limits and restrictions in this Part shall be complied with at all times based on the most up-to-date value of the I&M Capital Wealth Fund but a ten percent 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 unit trust scheme.

Information on investment will be given in the annual reports to the fund unit holders on the investments in the portfolio undertaken by the Fund Manager. These reports will review the investment performance of the investment portfolio and any changes comprising the I&M Capital Wealth Fu

I&M CAPITAL UNITED STATES (US) DOLLAR FIXED INCOME FUND

A. INVESTMENT OBJECTIVE

The primary objective of the Unit Portfolio is to generate a competitive and consistent attractive level of regular income in United States (US) Dollars fund while ensuring underlying risk in the assets is minimized.

The key investments in the fund shall be government debt, cash, bank deposits, and good quality of corporate debt.

B. INVESTMENT PRINCIPLES

The Fund Manager will endeavour to maintain the unit price constant at USD1 (one United States Dollar) by

- 1) Accounting for all increases in Unit Holders' value by declaring a daily yield on the Unit Portfolio, which may be expressed as an annualized yield.
- 2) Accounting for interest income on an accrual basis assuming assets are held to maturity.
- 3) Not mark to market investments for unrealized capital adjustments, whether gains or losses.
- 4) Recognizing capital profits arising on not holding an investment to maturity by increasing the yield.
- 5) Recognizing capital losses arising on not holding an investment to maturity by decreasing the yield, provided that the yield can never be less than 0%.
- 6) The weightings of different asset classes and different securities will be adapted in order to create a portfolio that achieves the best risk-adjusted returns.
- 7) The currency of denomination of the Unit Portfolio is the United States Dollar,

C. INVESTMENTS POLICY

- 1) The book value of the investments of the Trust shall not exceed the following limits:

| | Asset Type | Maximum Limit |
|---|--|---------------|
| 1 | USD Denominated Fixed Income securities listed on the securities exchange in kenya | 80% |
| 2 | USD Denominated Fixed Income securities issued by the Government of Kenya | 80% |
| 3 | Other collective investment schemes including umbrella schemes denominated in USD | 25% |
| 4 | USD denominated offshore investments | 10% |

| | | |
|---|---|------|
| 5 | USD denominated Fixed deposits with banks in Kenya | 100% |
| 6 | Non Listed fixed income securities issued by companies domiciled in Kenya denominated ins USD | 25% |

Provided that underlying securities have the following characteristics:

- i) Be consistent with the objectives of the Unit Trust Scheme and applicable laws.
- ii) Be transferable.
- iii) Have a ready price or value; and
- iv) Have adequate proof of title or ownership to allow custodial arrangements to be made.
- v) The book value of the investments of the Trust shall not exceed the following limits:
 - (a) The market value of an investment in an interest-bearing account, financial product or instrument of any single bank or financial institution or insurance company or a combination of any such investment in a single bank, financial institution or insurance company shall not in aggregate exceed 25% of the Assets under Management;
 - (b) Other Collective Investment Schemes including umbrella schemes – no more than 25% (twenty five percent) or such other maximum limit permitted by the Act;
- 2) The weightings of different asset classes and different securities will be adapted in order to create a portfolio that achieves the best risk-adjusted returns
- 3) The Trustee shall ensure that the investment objective as set out in clause 3(1) above is adhered to, provided that nothing contained in this Supplemental Deed shall preclude the Fund Manager from retaining cash in the Unit Portfolio and/or placing cash on deposit in terms of the Trust Deed. The Fund Manager is not limited from varying the ratio of Securities in the portfolio

D. PRICING OF UNITS

The Fund manager shall endeavour to maintain the unit price constant at a price of USD 1 (one United States Dollar).

Units in the Unit Portfolio can be sold, issued, repurchased, or cancelled on any Business Day at the price per Unit on a forward basis, which price shall be calculated at the close of business on that day.

E. MINIMUM INVESTMENT LIMITS

- 1) The minimum number of Units that may be purchased by any Person shall be that number having a value of not less than USD 1,000 (one thousand United States Dollars) for a lump-sum investment.
- 2) The minimum additional investment (top-up) shall be no less than USD 100 (One hundred United States Dollars).

F. PURCHASE AND REDEMPTION

The Fund Manager shall treat all purchase and redemptions received before 9:00 am on a business day to be eligible for that day's value date and any received after 9:00 am will be deemed to be value dated for the next working day.

G. FREQUENCY OF DISTRIBUTION

The I&M Capital USD Fixed Income Fund will be distributing interest monthly to all unit holders invested in the fund on the last day of the month.

H. DISTRIBUTION POLICY

All unit holders will receive details of the distribution arising from the interest earned on monthly distributed statements.

All income arising from the receipts of interest will be distributed to unit holders after provision for expenses and net of tax.

I. INTEREST ON THE FUND

Since the fund has no restrictive period on investment, there is no guaranteed interest rate for any given period of investment.

Interest is accrued on a daily basis and will be credited to the unit trust account monthly.

The fund manager will share the seven-day rolling average yield on the local newspaper and the website.

J. FEES AND CHARGES

Preliminary Charge: There shall be no preliminary charge.

(1) Periodic Charge: The periodic charge applicable to the Unit Portfolio shall be calculated daily at a rate not exceeding 3% (three percent) per annum (or such higher maximum percentage as the Authority may on the application of the Fund Manager allow) of the daily Market Value of the total assets of that Unit Portfolio including income accrued to date. The amount accrued on account of the periodic Charge shall be paid to the Fund Manager from the income account as soon as practicable after the end of each calendar month

(2) Other fees and Charges: Other fees and charges that shall be permitted as deductions from the amount available for distribution in the Unit Portfolio are listed below.

The Fund Manager may at any time in its discretion pay on behalf of the Unit Portfolio any, or any portion of, such expenses.

The other fees and charges expensed to the fund are below:

- A sum which, in the opinion of the Fund Manager and the Auditor, is required to meet any liability for taxation and Auditor's fees in respect of the accounting period;
- The remuneration of the Trustee and the custodian of the assets of the Unit Portfolio;
- All costs incurred in respect of meetings of Unit holders and Trustees;
- Any legal and other professional fees in connection with the Unit Trust Scheme;
- All costs reasonably incurred in respect of the publication of prices of Units and in respect of the publication and distribution of the annual reports and accounts and of marketing documents relating to the Unit Portfolio.
- Any insurance or other general expenses arising in the normal course of business.

K. FUND REPORTS

The Fund Manager will upload a monthly fund fact sheet report for the I&M Capital USD Fixed Income Fund on its website.

The Fund Fact Sheet will review the activity and performance of the investment portfolio and a market commentary of changes comprising the fund's portfolio for the month.