

**SPEECH BY KENNETH MASIKA, CEO, THE STANLIB FAHARI I – REIT KENYA,  
FOR THE 1<sup>ST</sup> ANNUAL GENERAL MEETING (AGM) ON 13<sup>TH</sup> APRIL, 2017**

**Salutations.....**

The Unit Holders

The STANLIB Fahari I - REIT, Trustee

STANLIB Chair and Board members present

STANLIB Fahari I-REIT Auditors, KPMG

Fahari I - REIT staff

Good Morning!

I am delighted that you could join us today for the 1<sup>st</sup> Annual General Meeting of the STANLIB Fahari I – REIT.

As you are aware, the STANLIB Fahari I-REIT was successfully listed in November 2015, on the Nairobi Securities Exchange (NSE) under the REITs market segment after a successful IPO that raised Kshs 3.6 billion.

During its first year the REIT was able to acquire 3 seed properties namely **Greenspan Mall, Bay Holdings and Signature International** at a total consolidated cost of Kshs 2.4 billion. The balance of the funds, amounting to approximately KSh1 billion, was then invested in near cash instruments.

Financial performance highlights for the year are as follows;

- Total rental income stood at Ksh 248.5 million
- Total property expenses stood at Ksh 84.6 million which translates to about 34% of total rental income
- Interest income stood at Kshs 111.2 million

In view of the above it gives me great pleasure to announce that in its inaugural 13 months of operation, the STANLIB Fahari I-REIT delivered a net profit of Ksh 106 million and maintained a Net Asset Value of Ksh 19.81 per unit.

Despite;

1. Challenging economic conditions that prevailed in the year as can be evidenced by the current bear run on the NSE.
2. Significant set up costs incurred

Distributable earnings stand at Kshs 98 million. The REIT manager has recommended and the REIT trustee has approved a total distribution of Ksh 90.5 million which translates to approximately 92% of the distributable earnings. This compares favourably to a statutory minimum distribution threshold of 80% as per the REITs regulations.

**The proposed distribution translates to approximately 50 cents per unit.**

While we have made significant strides, and have managed to maintain the NAV, we are painfully aware that the REIT units continue to trade at a significant discount to net asset value.

Going forward my team and I intend to focus on the following 3 key areas;

Firstly, to have greater engagement with stakeholders, investors and the general public to increase education and awareness on the benefits & advantages of investing in this innovative investment product. We intend to undertake this predominantly through roadshows and various media activities. We shall also be engaging with the regulator and industry stakeholders especially the CMA and NSE to roll out a major awareness campaign.

We believe this will enlighten particularly the retail investor and the general public in making more informed investment decisions.

This has already commenced with media interview and engagements with business publications, see website; [www.stanlibfahariireit.com](http://www.stanlibfahariireit.com)

Secondly, to continue actively seeking out quality property assets that will not only be income accretive, but will also introduce diversification into the existing portfolio, both in terms of sector and location. We intend to acquire additional property in the next couple of months and have the property fully vested into the REIT portfolio by no later than September 2017.

Thirdly, at its current size the REIT remains relatively small in scale and limited in terms of the maximum returns it can give investors. There is therefore a need to scale up the REIT.

In order to grow the fund we will be coming back into the market at an appropriate time in the near future with a view to raising additional capital for this purpose. This will enable us to crystalize the above pipeline.

As I conclude, I would like to give the unit holders an assurance that my team and I will endeavor to continue to deliver sustainable, predictable, stable and growing returns. This will be achieved, while at the same time offering a relatively liquid and easily accessible investment into property.

Finally, I would like to assure you that we shall always act in the best interest of you our unit holders.

Thank you very much!