



Wealth Creation through Group Investments

June 25, 2011

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1. Background

- Value of wealth held by investment groups in Kenya (savings & investments) is currently approx. KShs80 billion (USD888 million) according to Kenya Association of Investment Groups..... and growing.
- One in every three adults in Kenya is a member of an investment group according to KAIG.

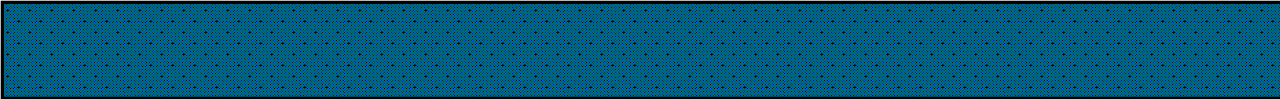
1. Background

- Strong cultural impetus behind pooling funds as groups to invest...strong fundamental affinity to ***save and invest***. Very successful SACCO movement has been ***saving to borrow...***
- Investment groups play a major role in wealth creation but the efforts are by and large very fragmented and very disorganised...creating wealth significantly below potential.
- To achieve the potential of becoming significantly greater wealth creators, investment groups must take a step back and address a number of fundamental issues and challenges.

How have successful investment groups done it?

- Hard work - genuine commitment
- Dedicated management teams
- Strong governance structures
- Clear strategic plan
- Efficient decision making through delegation to an IC that works closely with management for execution.
- Commitment to raising capital for investing
- Strong deal pipeline- Best deals brought to the group

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2. Why invest as a group?

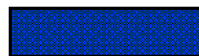


- ***Peer pressure works***
- ***Committed contributions - difficult to withdraw***
- ***Signed an agreement***
- ***Capacity to raise more money & invest in bigger projects***
- ***Combining several valuable skills***

2. Why invest as a Group? (What's in it for Me?)

Average Gross Investment Values for Holding Periods of 1 to 15 years (contributions stop after year 5)

monthly contribution		15,000					<i>(all figures in KShs)</i>				
annualized return*		Year									
		1	3	5	10	15					
0.0%	current account	180,000	540,000	900,000	900,000	900,000					
1.6%	savings account	181,607	553,873	938,544	1,018,691	1,105,682					
4.6%	fixed deposit account	184,549	580,065	1,013,619	1,275,180	1,604,236					
7.5%	91 day T-Bill	187,532	607,705	1,096,116	1,596,782	2,326,136					
9.8%	Stockmarket (NSE)	197,640	652,924	1,201,817	2,018,158	3,320,974					
40.0%	Investment Holdco	252,000	1,098,720	2,758,291	15,064,610	81,250,944					



Individual-type returns

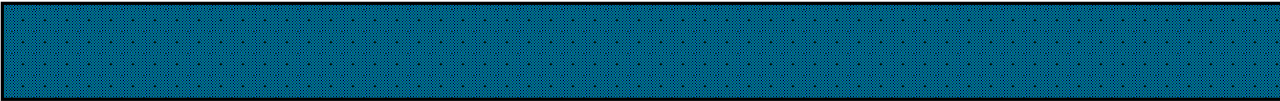


group-type returns

* Average annualised returns over the past 5 years(10 years for the NSE)

These figures are not adjusted for inflation

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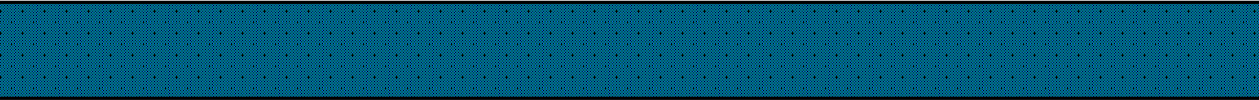
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3. Investment Group Principles



- ***Commitment (financial & non-financial)***
- ***Vision***
- ***Governance***
- ***Trust***

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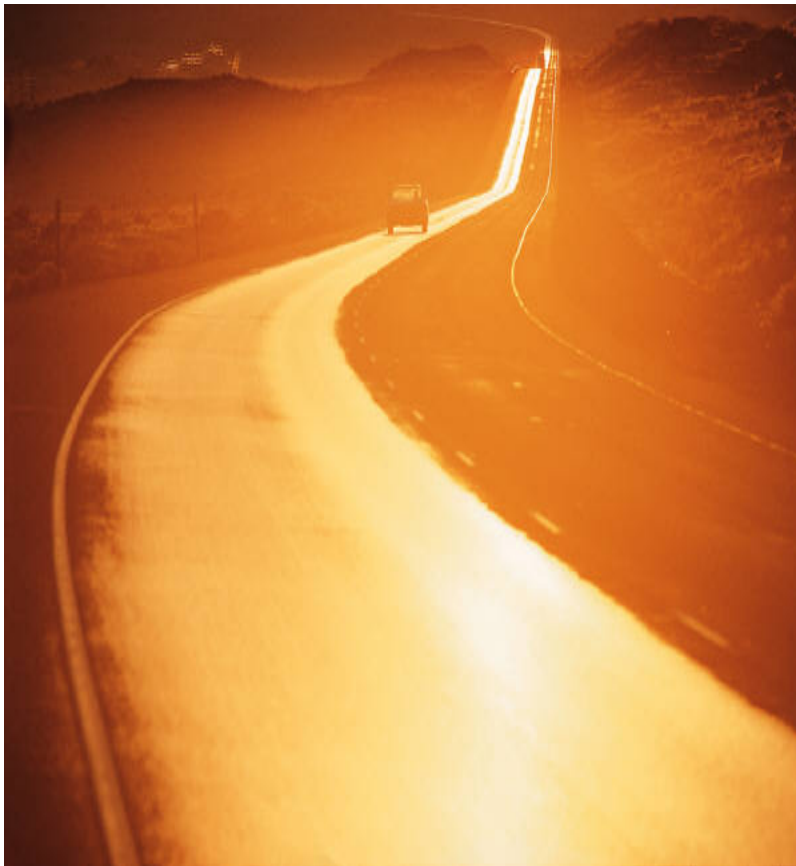
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4. Critical Failure Factors



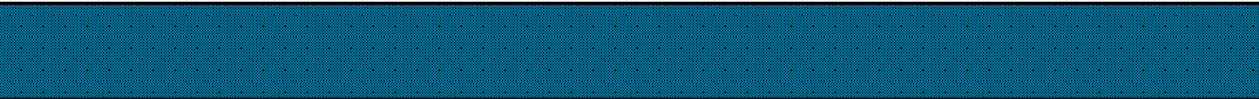
1. Not shifting your mindset: short-term not long-term; small not big
2. Not having a documented purpose and vision (strategic plan)
3. Letting all the members, not a smaller board drive the group: Not separating ownership from management
4. Not professionalizing - management & execution of investments. Relying on office-bearers to do everything

4. Critical Failure Factors



5. Only save/contribute what you can afford to lose
6. Not respecting the distinction between business and friendship
7. Not formalizing / legalizing the relationship
 - *Shareholders agreement*
 - *Auditor, company secretary (submit annual returns)*
 - *Issue share certificates*
8. Weak leadership

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5. Shifting Mind-Sets

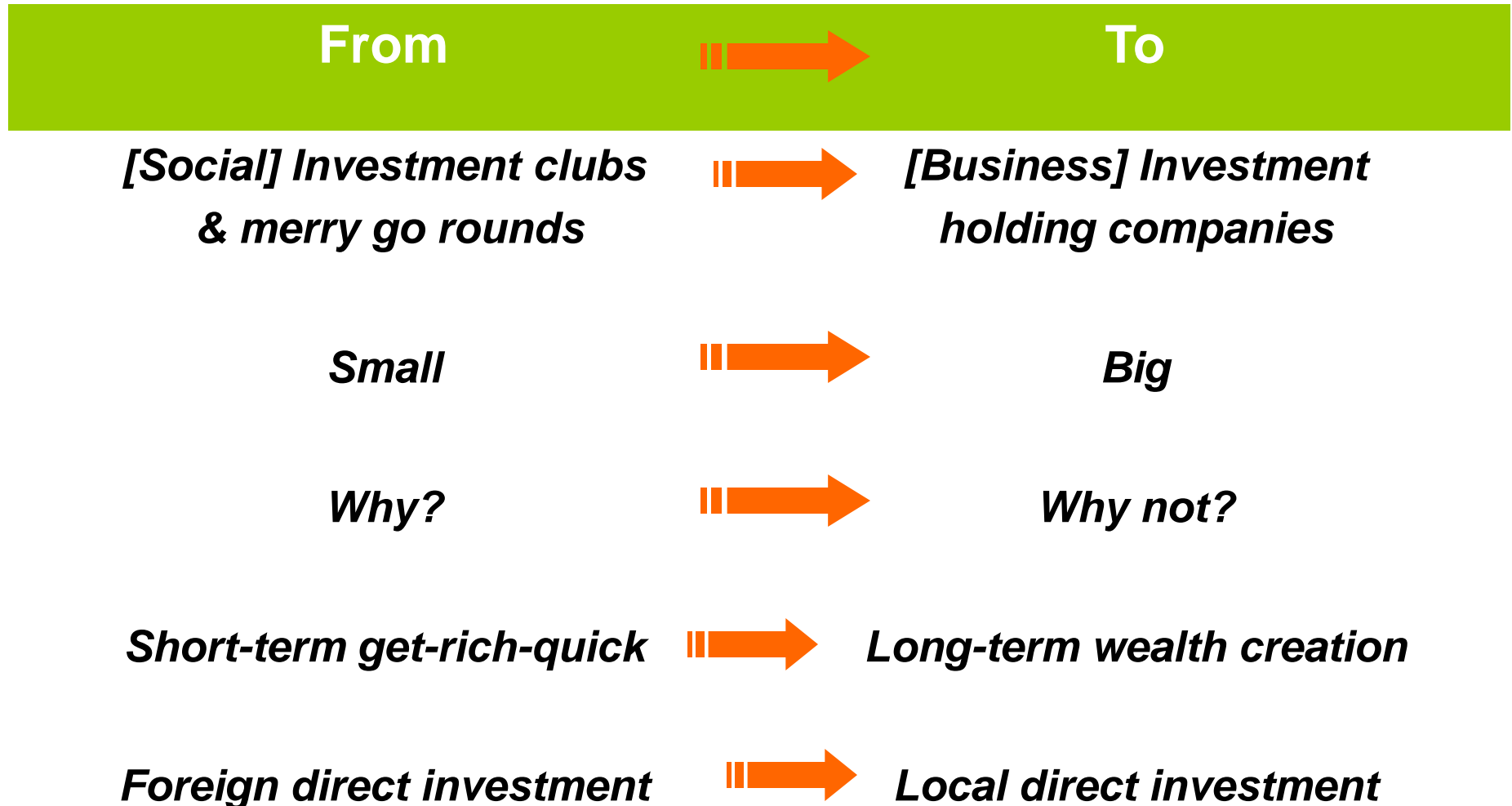
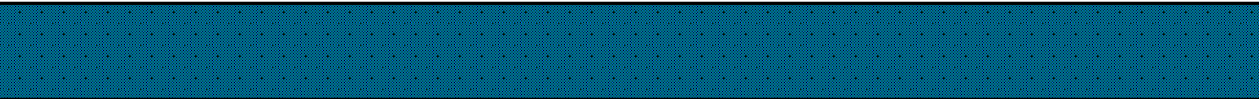


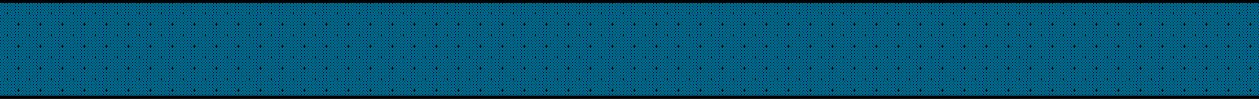
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6. Creating Savings

- Saving to borrow (for short-term) exists - SACCOs.
- Must develop a culture of saving to invest (for long-term)
- Change mind-set from of savings as “spare cash” to “paying a bill, school fees”
- Your family and you & are the most important person to you - so pay yourself first
- Develop the habit of saving - repetition and sacrifice
- But results must be seen along the way (performing investments) to encourage continued saving

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8. Administration & Management of the Investment Group

Before engaging or outsourcing full time management and administration, the investment group.....



**MUST DEVELOP
A STRATEGIC /
INVESTMENT
PLAN FIRST!!!!**

8. Administration & Management of the Investment Group

Why do we need Full Time Administration & Management?

- Not-For-Profit social venture or a For-Profit business venture - DECIDE!!
- Every member has a full-time paying job
- Spare Time Commitment = Spare Change Returns
- No company has every succeeded with part-time management

8. Administration & Management of the Investment Group

A. Administrationof Investment Groups

- i. Convening and recording meetings
- ii. Record keeping
- iii. Accounting, banking, filing returns
- iv. Transacting with professional service providers
- v. Communication

8. Administration & Management of the Investment Group

B. Managementof Investment Groups

- i. Investment portfolio management
- ii. Sourcing good quality investments
- iii. Performing high level due diligence
- iv. Professional service providers
- v. Preparation for board/committee meetings
- vi. Positioning the Group as a preferred investment partner
- vii. Implementing your strategic plan
- viii. Communication

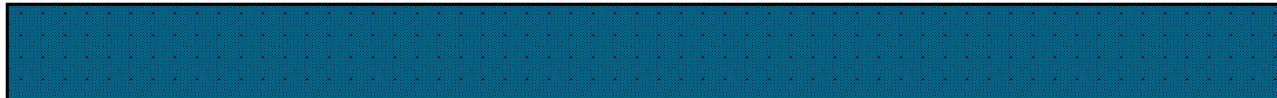
8. Administration & Management of the Investment Group

C. Executionof Investment Transactions

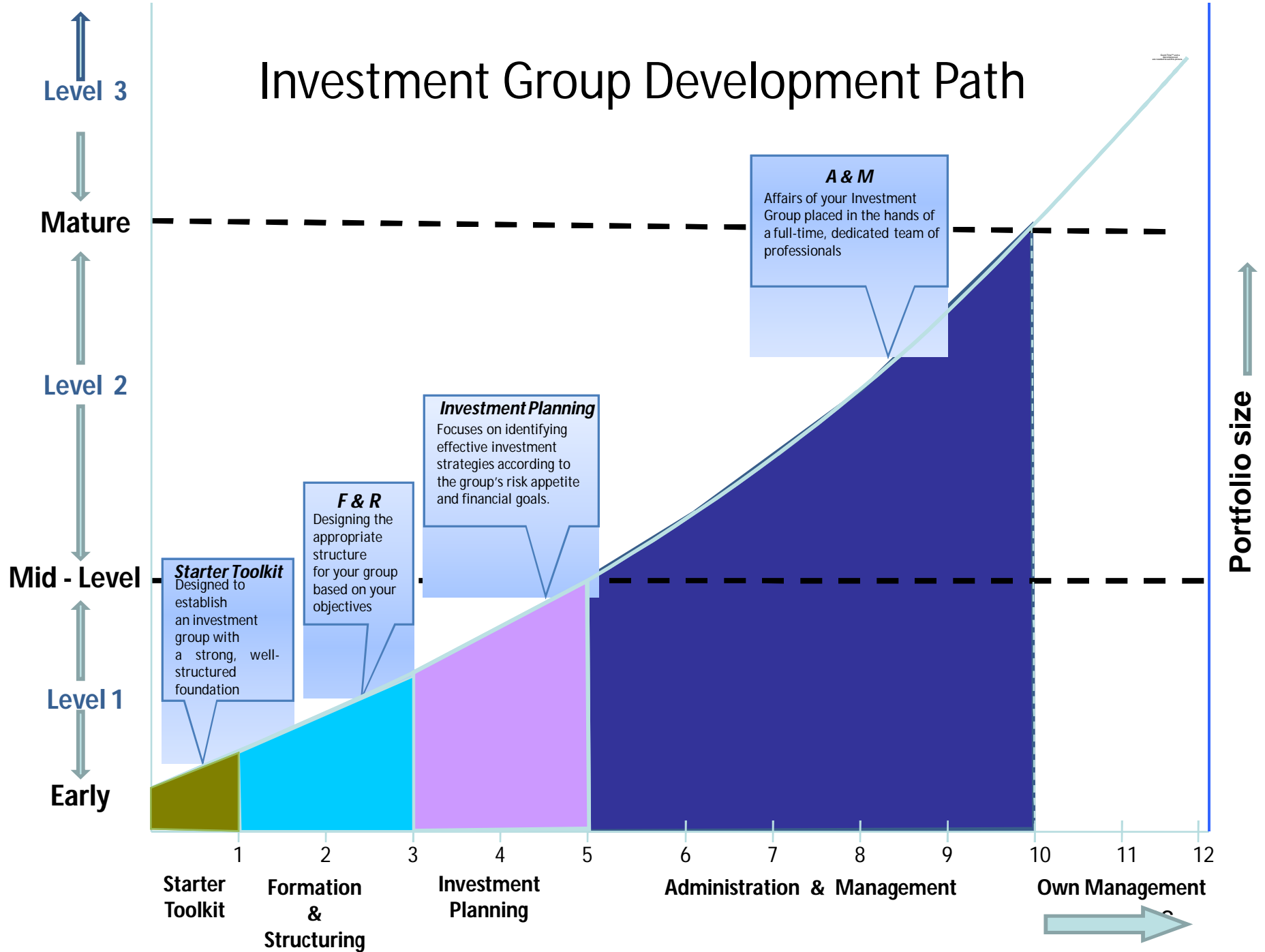
- i. Formalizing your decision to invest
- ii. Funding the investment: equity & debt
- iii. Documentation confirming final investment
- iv. Professional service providers
- v. Investment closure checklist
- vi. Legal considerations & risks
- vii. The property investment execution process

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Investment Group Development Path



What can Origins IGA do for you?

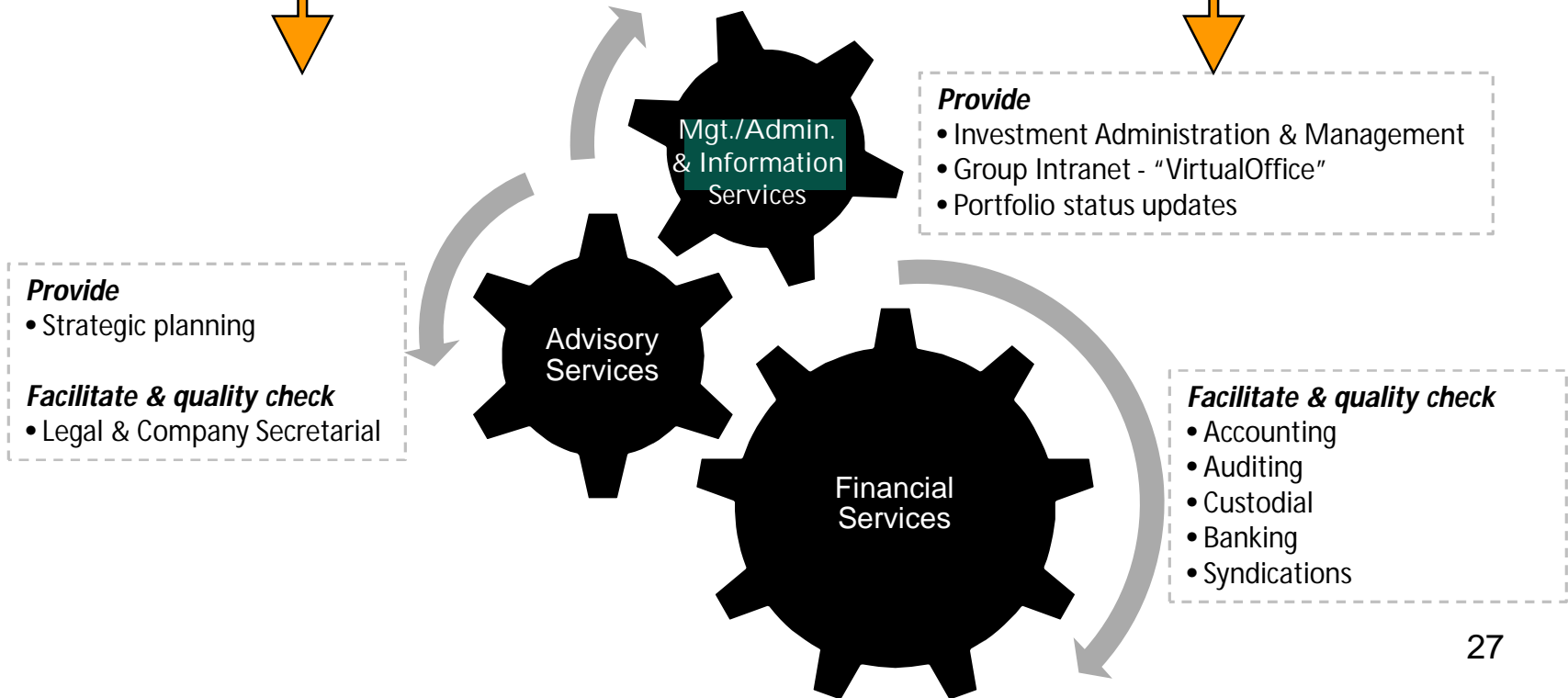
1. Formation & Structuring →

- Formalising the relationship
- Embracing corporate governance
- Monitoring systems & controls

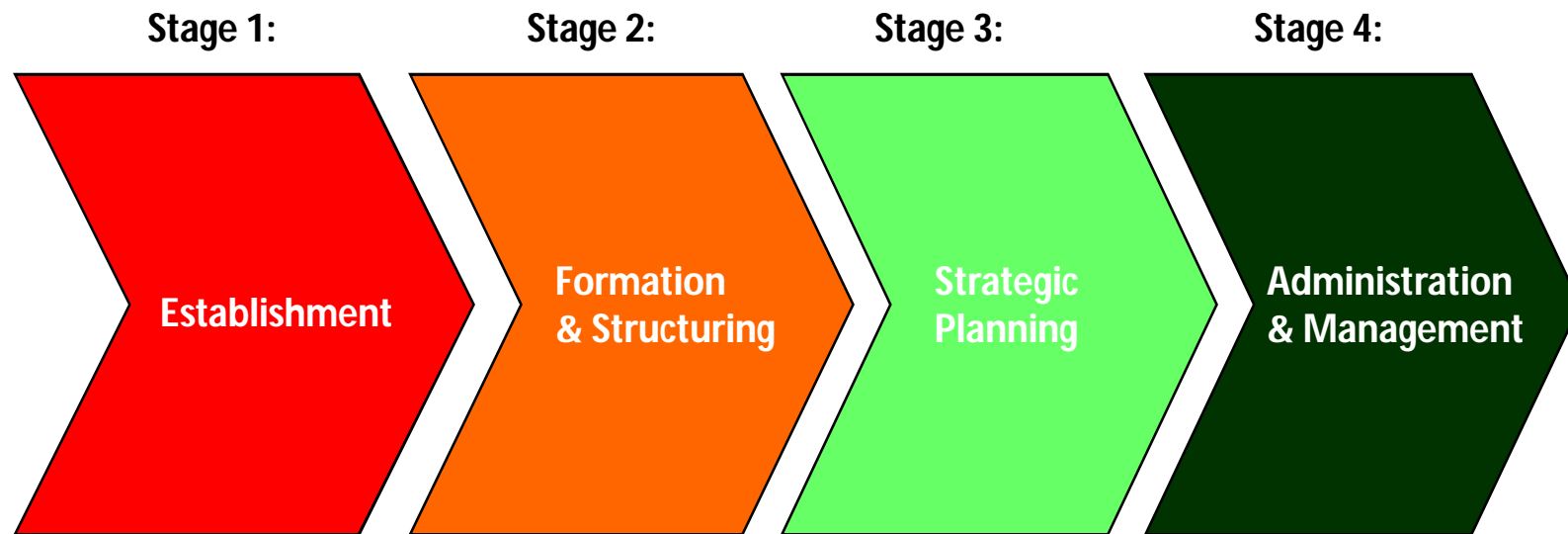
2. The Knowledge Series →

- i. Start-up & Establishment
- ii. Formation & Structuring
- iii. Investment Planning
- iv. Management & Execution

3. Management and Advisory



9. Transformation: Beginning the Journey



- There are no shortcuts - follow the process
- Invest heavily in the process - the outcome will take care of itself



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