



# ZICA PROPERTY FUND COLLECTIVE INVESTMENT SCHEME PROSPECTUS



Equity Capital Resources  
Unit Trust



*Innovative Investments*

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## Responsibility Statement

This Prospectus has been reviewed and approved by the Directors of Equity Capital Resources PLC and they collectively and individually accept full responsibility for the accuracy of the information. They, having made all reasonable inquiries, confirm to the best of their knowledge and belief, there are no dishonest or misleading statements, or exclusion of other facts that would make any statement in the prospectus dishonest or misleading.

## Statements of Disclaimer

The Securities & Exchange Commission has approved the issue of, offer for subscription or purchase, or issue an invitation to subscribe for or purchase units of the unit trust funds in this prospectus and a copy of this Prospectus has been registered with the Securities & Exchange Commission.

The approval and registration of this prospectus should not be taken to indicate that the Securities & Exchange Commission recommends the funds or assumes responsibility for the correctness of any statement made or opinion or report expressed in this Prospectus.

The Securities & Exchange Commission is not liable for any non-disclosure on the part of the management company responsible for the funds and takes no responsibility for the contents in this Prospectus. The Securities & Exchange Change Commission makes no representation on the accuracy or completeness of this Prospectus and expressly disclaims any liability whatsoever arising from, or in reliance upon, the whole or any part of its contents.

**Important – if you are in any doubt about the contents of this offering document, you should consult your Stockbroker, Bank Manager, Lawyer, Accountant or any other Financial Advisor.**

## Risk Caution

**Investors are always reminded that the unit price may rise or fall depending on prevailing market conditions.**

## SUMMARY OF THE ZICA PROPERTY FUND

The following information provides a summary of the Zambia Institute of Chartered Accountants Property Fund (ZICA Property Fund), herein called the FUND. This FUND provides a return based on a minimum holding period of seven (7) years. The rationale is that the FUND is being used for development and construction of Real Estates Properties.

Investors are advised to seek information on the fees and charges before investing in the FUND:

1. Sponsor: Zambia Institute of Chartered Accountants (ZICA)
2. Fund Manager: Equity Capital Resources PLC (ECR PLC)
3. Trustees to the FUND: AMG Global Trust Limited
4. Custodian: Standard Chartered Bank Nominees
5. Accountants: HLB Chartered Accountants
6. The Offer: \$10.00 each at par in the FUND.
7. Umbrella Fund: Equity Capital Resources Unit Trust – (ECRUT)
8. Nature of the Fund

The FUND aims to achieve long-term capital growth of its assets by investing not more than 80% of its resources directly in quality real estate (land and/or properties) in strategic locations across Zambia.

A maximum of 20% of the FUND's assets may be invested in real estate related assets with no less than 20% in liquid assets including investments in fixed income securities.

The FUND is close-ended.

The Units of the FUND can only be traded through a Fund Manager, ECR PLC after the minimum holding period of 7 years. The price will be based on the Net Asset Value of the Fund divided by the outstanding number of units. During the minimum holding period should the investors opt to redeem they would be required to find a buyer for the units they hold.

9. Minimum Investment Lump Sum: US \$1,000.00<sup>1</sup>  
US \$ 50.00 <sup>2</sup>
10. Offer Price: \$10.00 per Unit.
11. Payment Terms: In full on application
12. Opening Date: 1<sup>st</sup> November 2017
13. Investment objectives: The primary objective of the FUND is to provide unit holders with stable cash distributions in property investment and to improve and maximize unit value through the ongoing management of the FUND's assets, future acquisitions and the development of additional income-producing real estate properties.
14. Status: The Units qualify as securities in which Pension Fund Assets can be invested under the Pension Scheme Regulation Act 28 of 1996 and The Pension Scheme – Investment Guidelines Statutory Instrument No. 141 of 2011.
15. Mandatory Subscription: The ZICA intends to hold up to 51% of the FUND, while it's Member's and other investors will hold 49%. The cash being raised from this Offer will be applied towards the construction of ZICA Office Park on Plot 2374/A Thabo Mbeki Road and other ZICA Projects.
16. Investor Classification: The Fund will have two classes of Investors with pari passu ranking with respect to dissolution of the FUND, the first class of

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<sup>1</sup>Minimum investment for institutions

<sup>2</sup>Minimum investment for individuals

Investors will relate to ZICA who will hold up to 51% of the FUND, while the Members and other investors primarily from the public and institutional will hold 49%.

#### 17. Distribution

A minimum of 60 % of the income earned will be distributed to Unit Holders at the end of every financial year post the minimum holding period of Seven years. No distributions shall be made during the holding period.

#### 18. Minimum Holding Period.

The Fund should have a minimum investment Holding period of 7 (Seven) years. During this period, an investor shall not be allowed to redeem their units. However, exception shall apply where the investor identifies a buyer for the amount of units they hold in the fund.

#### 18. Financial Year end

31<sup>st</sup> December



## **CORPORATE DIRECTORY**

Equity Capital Resources PLC  
4<sup>th</sup> Floor Godfrey House  
Kabelenga Road  
Lusaka, Zambia

### **Directors**

- A J Shonga S.C.
- Nathan De Assis
- Mutale M Kangombe
- Conwell Fungai Musana (CEO/Fund Manager)

### **Investment Committee**

- Two (2) Equity Capital Resources Plc. Representatives
- ZICA representative- Chair Finance Committee
- ZICA Council Member
- ZICA Properties Managing Director
- Investors Representative
- Independent Member

### **PROPERTY MANAGER:**

Homenet Zambia, Cresta Golf View, Villa No. 3, Great East Road, Lusaka

### **TRUSTEES:**

AMG Global Trustee Limited, No.6, Lagos Road, Rhodes Park, Lusaka

### **CUSTODIANS:**

Standchart Securities Services C/O Standard Chartered Bank Plc, Standard House, Cairo Road, Lusaka.

## PARTICULARS OF THE FUND

The Zambia Institute of Chartered Accountants Property Fund is a sub-fund under the umbrella of Equity Capital Resources Unit Trust (ECRUT), which is authorised in Zambia as a Collective Investment Scheme under Section 121 of the Securities and Exchange Commission ACT No. 41 of 2016.

The FUND is established with the principal investment objective of owning and investing in a diversified portfolio of income-producing real estate in Zambia with high growth potential. The Fund Manager seeks to grow rental yields, produce regular and stable distributions to Unit holders and achieve long-term growth in the Net Asset Value per Unit of the FUND through the following:

- Acquiring properties that meet the Fund Investment Policy and Objectives;
- Actively managing the FUND's property portfolio; and
- Developing excellent tenant relationships through the provision of proactive property-related services.

The initial portfolio of property to be acquired/constructed by the ZICA Property Fund following the conclusion of the Offer has already been identified being an Office Block with Auditorium facilities and a Parkade on the site of the Accountants Park on stand no. 2374 Thabo Mbeki Road, Show grounds in the Mass Media area of Lusaka.

### 1. INVESTMENT OBJECTIVE

The primary objective of the FUND is to provide Unit holders with stable cash distributions from investments in a diversified portfolio of income-producing real estate properties and to improve and maximize unit value through the ongoing management of the FUND's assets, acquisitions and the development of additional income-producing real properties.

The FUND will invest primarily in a diversified portfolio of quality commercial real estate properties in Zambia. Its principal targeted assets are investments in properties in prime locations within Lusaka, Ndola, and other major cities in Zambia. There is no specific asset allocation weight with regards to the type of property, maximum cost per property or location of property. The FUND will aim to ensure a spread in property held in terms of location and property type in order to reduce the risk of reliance on a particular niche while creating



attractive returns. The FUND will also invest in properties under development up to the maximum regulatory allowable limit of 50% of its gross asset value.

The FUND's investment objective will be achieved through a combination of direct and indirect investments in real estate and possibly real estate related assets and fixed income securities.

The FUND will aim to fully own real estate properties that have been identified as potentially offering attractive returns by either investing directly in such properties or indirectly through joint-venture arrangements with third parties. The FUND may engage in purchase, sale or lease transactions with third parties, the Sponsor or its affiliates, provided that prior approval is received from the Trustees before consummation.

The Fund Manager with the consent of the Trustees shall make the FUND's investments, in any or all of the following asset classes and in accordance with the maximum proportions specified below:

## 2. INVESTMENT HIGHLIGHTS

Investors in the FUND are expected to enjoy certain benefits including:

- Stable and regular distributions;
- Exposure to a diversified property portfolio of income generating assets;
- Opportunities for future capital growth through the acquisition of additional properties that fit the investment criteria and active portfolio management;
- Substantial alignment of Sponsor's interests with those of Unit holders as evidenced by intention to own up to 51% of the FUND;



### 3. INVESTMENT STRATEGY

The Fund Manager's strategy in achieving the fund's objectives is described below:

#### Acquisition Strategy

In acquiring property, a comprehensive selection process will be undertaken to ensure that it meets the FUND's investment criteria. This would involve:

- Identification of the immediate investment needs of the FUND;
- Type of property (occupancy and tenant characteristics);
- Property location; (easy access, availability of proximity to basic infrastructure);  
Valuation of the properties (by an independent firm of valuers registered with the Surveyor's Institute of Zambia-Valuation Surveyors Chapter and the Registration Board of Valuation Surveyors);
- Comprehensive due diligence to de-risk the uncertainty of title;
- Trustees consent to purchase directly or via approved transfer mechanisms.

### 4. INVESTMENT POLICY

#### Acquisition and Investment Policies

The FUND will focus on investing in residential, commercial properties or Greenfield sites. However, the Fund Manager will continue to ensure adequate diversity in the FUND's portfolio. The number, size and mix of investments made will depend on market conditions and other circumstances existing at the time of investment. Potential investments should have some or all of the following attributes:

- i. *Prime Location*: Location often has the single greatest impact on an asset's long-term income-producing potential and value. Assets located in metropolitan areas have the potential to achieve higher returns;
- ii. *Premium Buildings*: The FUND will seek to acquire assets of superior construction, quality finishing and design. Such assets generally attract and retain a greater number of desirable tenants;
- iii. *Quality Tenancy*: The FUND will seek to acquire assets that typically attract corporate tenants and High Net Worth Individuals who may require larger blocks of space and longer leases. Such tenants may make significant improvements to the property, and thus may be more likely to renew their leases prior to expiration.

Following an acquisition, professional management of the property is critical to achieving attractive investment returns for investors. The experience of Homenet Zambia will be brought to bear in ensuring that the property is properly managed. Each individual real estate property acquired will generally have an optimal holding period which may be tied to the current and projected conditions of the overall real estate market, the geographic area, the property's physical attributes or the leasing or tenancy of the property.

In seeking investment opportunities, the Fund Manager will consider the location of the property, the leases and other agreements affecting the property, the reputation of major tenants, income- producing capacity, prospects for appreciation and other asset transfer considerations. Selection of investments will be subject to the Investment Committee's approval. The FUND's obligation to complete any investment will generally be conditioned upon the delivery and verification of certain documents from the seller or developer, including, where applicable:

- Plans, specifications, building approvals and surveyor reports;
- Evidence of marketable title, and
- Financial information relating to the property, including the recent operating histories of properties and lease agreements.

## **Development and Construction of Properties**

The FUND may invest in land and/or properties under development. A typical development takes several years with the expectation of creating significant value (i.e. projected profit margin on cost) at the project level.

## **Joint Venture Investments**

The FUND may enter into joint ventures with third parties including the Sponsor or its affiliates, co- ownership arrangements or participation with real estate developers, and parties for the purpose of owning and/or operating real estate investments. In determining whether to invest in a particular joint venture, the Fund Manager will evaluate the real estate investments that such joint venture will own under the same criteria for the selection of direct real estate investments.

## Disposal Policies

The FUND will hold properties for as long as such assets meet its investment criteria and have the potential for increased cash flow and capital appreciation. The decision to dispose properties in the FUND will depend on the investment type, economic and market conditions. The Fund Manager will develop a well-defined exit strategy for each investment it makes and generally assign an optimal hold period for such investments.

The Fund Manager will regularly perform a hold-sell analysis on each investment in order to determine the optimal time to sell and generate maximum total returns. Periodic reviews of each investment will focus on the remaining available value enhancement opportunities and the demand for the investment in the market place. However, the Fund Manager may sell an asset before the end of the expected hold period if market conditions and asset positioning have maximized its value or the sale of the asset would otherwise be in the best interests of Unit Holders.

## Investment Limitations

The following investment limitations shall apply to the FUND and the Fund Manager shall not:

- restrict its investment into properties only and as approved by the Trustees
- enter into real estate contracts of sale or land acquisition contract, unless the contract is in recordable form and the proprietary history and title of the vendor have been duly verified;
- Acquire real estate or real estate related assets outside Zambia.

## Change in Investment Objectives, Policies and Limitations

The Fund's investment objective, policies and limitations will be reviewed at least annually to ensure that they are in the best interests of Unit Holders. Each determination and basis is required to be set forth in the applicable meeting minutes and Unit Holders' approval will need to be obtained prior to implementation. The methods of the FUND's investment policies also may vary as new investment techniques are developed.

## 5. ROLE OF PROPERTY MANAGER

The Property Manager will be responsible for implementing pro-active measures to enhance the returns from the existing and future properties in the FUND's portfolio. Such measures include:

- Negotiating with prospective tenants to lease or let out available Units within the properties in such a manner as to ensure maximum yield to Unit Holders;
- Ensuring full compliance with the Trustee's obligation under any leases, tenancies and other agreements relating to the properties and to notify relevant parties of any obligations which they are required to fulfill;
- Advise on the quantum of service charges and insurance premium contributions from tenants and other occupiers of the properties;
- Provision of services as may be incidental to its duties as a Manager to tenants and occupiers of the properties provided that the Property Manager hereby indemnifies the Trustees from any losses, costs or expenses occasioned by its failure to meet any of its obligations to third parties in relation to the properties, including tenants, occupiers and contractors;
- To keep the structure and exterior of the Properties (including but not limited to all plumbing and electrical installations) in good state of repairs at all times;
- To keep and repair the interior of the Properties including the floors, windows, fixtures and fittings therein including the electrical wiring installation and the sanitary and water apparatus serving the Properties or any part thereof in good and substantial repair and condition;
- To ensure the safety and security of the properties and take all steps deemed necessary;
- To notify the Fund Manager of its obligation to keep the properties insured at all times with a reputable insurance company approved by the Trustees (to their full reinstatement value);
- To maintain up-to-date records and accounts and books of account relating to the properties as well as monies made available to it with respect to the properties and to render full account of all income and expenditure on a quarterly basis;
- To maintain up-to-date schedules of tenancies, licenses and arrangements for occupation, use and enjoyment of properties, details of rent review dates, periods and

dates of notices required to be given, termination dates of tenancies and licenses, other dates material to each tenancy requiring notices to be given by the Trustees;

- To maintain proper file records and correspondences in relation to the properties;
- To maintain accurate records of and avail the Trustees with copies of all agreements, deeds, invoices, payment vouchers, demand notices and such documents relating to the properties;
- To produce for inspection and audit all such records and accounts kept with respect to each individual property.

## 6. INVESTMENT COMMITTEE

An Investment Committee made up of a team of portfolio managers and financial consultants with broad experience in real estate investments and finance in Zambia will oversee the investment process. The Investment Committee members are listed as follows:

- Two (2) Equity Capital Resources Plc. Representatives
- ZICA representative- Chair Finance Committee
- ZICA Council Member
- ZICA Properties Managing Director
- Investors Representative
- Independent Member

## 7. TARGET INVESTORS

The FUND has a target of investors who are ZICA and its members on one hand and the general public on the other. The Investors will be structured in two classes of units; Unit A Investors will comprise of ZICA with a right to subscribing for up to 51% of the Fund size and Unit B will comprise of ZICA members, general public and other Institutional Investors who will rank pari-passu on dissolution of the FUND and shall be entitled to a 49% holding into the FUND.

## 8. INCOME AND DISTRIBUTIONS

A maximum of 60 % of the net income earned will be distributed to Unit Holders at the end of every financial year preceding the maximum holding period.

## 9. UNITHOLDERS' MEETINGS AND VOTING RIGHTS

The Fund Manager shall with the consent of the Trustees or at the request of the Trustees in each year after the year of the FUND's inception, not later than 4 months after the end of each financial year call a general meeting as the FUND's Annual General Meeting to consider the ordinary business of the meeting including the FUND's audited accounts, the reports of the Fund Manager and the appointment and fixing of the remuneration of the auditors. The Trustees or the Fund Manager shall, at the request in writing of the Unit Holders holding not less than 25% in value of the Units outstanding at that time, convene a meeting of Unit Holders. Any resolution put to vote shall be decided on a show of hands, each Unit Holder shall have one vote. Where a poll is demanded each Unit Holder shall have one vote for every Unit held by him.

## 10. TAX CONSIDERATIONS

Though it is expected that the FUND will be deemed a pass through vehicle, and its income only taxable in the hands of the investors, the income may still be subject to tax at the FUND level. However, this income, when in the hands of the investors, become franked investments that would not be subject to further tax.

## 11. FEES AND OTHER EXPENSES

The fees and Offer expenses payable in respect of the FUND are detailed below:

Fund Manager	An annual management fee of 0.75% of the Net Asset Value of the FUND, payable quarterly in arrears.
Trustees	An annual fee of ZMK 25,000.00 payable annually in arrears. *
CIS Levy	An annual fee of 0.075% of the Net Asset Value, payable quarterly in arrears.
Custodian	An annual fee of 0.02% of the Net Asset Value, payable quarterly in arrears.
SEC Fees	Issuers fees annually of ZMK 20,000.00*
Property Manager	An annual fee of 1.5% of the Gross Rental Income, payable quarterly in arrears.
Letting Agents	One Month gross rent for all leases competed VAT inclusive
Audit Fees	The audits fees shall be determined on an annual basis
Offer expenses	All other costs incidental to the operations of the FUND shall be deducted from the FUND.

\*These fees apply to the ECRUT as an Umbrella Fun

## 12. VALUATION OF THE FUND

The valuation of the FUND shall be done daily or such other period that the Fund Manager may advise from time to time, based on a formula approved by SEC from time to time. The Fund Manager will advise The Exchange and investors of the Net Asset Value of the FUND after the valuation.

The current formula approved by SEC is provided below: ADD

1. Total market value of Real Estate Assets in the FUND based on a professional valuation of the Properties. The professional valuation of the properties shall be done quarterly by an independent valuation surveyor approved by the trustee.
2. Total market value of investments in Real Estate Related Listed Companies based on The Exchange's daily official list as at the date of valuation (highest market bid price)
3. Total value of Liquid Assets.
4. Un-invested cash.
5. Undistributed income to date, less expenses.

LESS

6. Management and other fees

Value per unit =

(Sum of 1 to 5) - (Sum of 6) Total Number of units

## 13. CALCULATION OF NAV PER UNIT

At the end of each Business Day, the Manager will revalue the Funds' investments to reflect their current market price. Regular revaluation of the funds preserves the equity between unit holders. This is particularly important when you redeem your units or when you purchase units in the funds. Following an application to buy or redeem units, the applicable NAV per unit of the funds will be calculated at the end of the previous day valuation point. The NAV per unit of a fund is calculated by dividing the total NAV of that Fund by the total number of units of the same fund in circulation at the end of the preceding Business day. Below is the illustration on how NAV per unit is calculated:



### Illustration on how NAV per unit is calculated

(On a particular day) - example Funds NAV = US \$10, 000,000.

Units in circulation = 2, 000,000. NAV per unit=US \$5.00

Unit prices of a particular business Day will be published on the ZICA and ECR website.

### 14. CHARACTERISTICS OF THE UNITS OR SHARES

1. Minimum Investment - The amount will be determined on an on-going basis by the management company as they see fit
2. All units rank parri passu with regard to the ownership of fund assets. All units will be denominated in US Dollars.
3. The units will be valued daily and dealing will be on each business day.

### 15. MANDATORY SUBSCRIPTION BY ZICA

ZICA intends to hold up to 51% of the FUND, while the ZICA members and other investors will hold the remainder. ZICA intends to participate in the FUND by contributing a portion of its existing real estate portfolio i.e. part leased land on plot No 2374/A Thabo Mbeki Road Lusaka with a 56 Year residue Period of the 70 year lease valued at \$260,000.00. In exchange for its real estate portfolio, ZICA will be issued with a total of 26,000.00 units. Consequently, ZICA will make cash subscription for additional units within the terms of this offer.

### 16. THE FUND'S RELATIONSHIP WITH ZICA

The land to be invested in the FUND is currently being leased from the Agricultural and Commercial Show Society (ACSZ) under a 70-year lease to ZICA effective since 10<sup>th</sup> October 2003. ZICA will have representation on the Investment Committee of the FUND.

### 17. INSURANCE

The property to be acquired is currently insured by Professional Insurance Zambia Limited. The Fund Manager will ensure that all properties held by the FUND are adequately insured in accordance with industry practice in Zambia. This includes property damage and public liability insurance policies. There are no significant or unusual excess or deductible amounts required under such policies. There are, however, certain types of risks that are not covered by such insurance policies, including acts of war.

## 18. RISK FACTORS

Investments in the FUND are susceptible to a number of risks associated with the investment. Accordingly, prospective investors should carefully consider, amongst other things, the risk factors described below, together with all of the other information included in this Prospectus, and reach their own views or obtain such professional advice as they deem appropriate before investing in the FUND.

The risks described below are not the only risks and uncertainties applicable to the FUND. Additional risks and uncertainties not presently known to the Fund Manager, or that it currently believes are immaterial, can have substantial impact on the FUND's overall performance and viability.

In carrying out its duties, the Fund Manager will exercise the necessary degree of care and diligence to identify, assess, mitigate, control and monitor risks in relation to the FUND, acting in the best interest of Unit Holders.

### I. Risks Associated with Investing in Real Estate

#### **Market Risk**

This is the risk that prevailing market forces of demand and supply may negatively impact the FUND's underlying asset values and its ability to attain projected performance based on declining rental income and therefore result in reduced distributions to investors.

Over-supply and/or softening demand for real estate as a function of general economic conditions, will impact property values and rental income, as demand and supply imbalance will have a negative impact on real estate prices. Consequently, reduced occupancy levels and declining rental values will affect the FUND's operating performance, portfolio valuation and ultimately its capacity to distribute returns to investors.

With the expertise and track record of the Fund Manager, Property Manager and members of the Investment Committee, we expect that adverse changes in market conditions will be effectively managed to ensure minimal impact on the operations and value of the FUND.

#### **Political Risk**

This is the risk that political events and occurrences may negatively impact real estate values, operational activities, financial performance and ultimately the FUND's income earning ability. Socio-political challenges can potentially undermine the general economic environment and in turn the development, valuation and operations of real estate assets.

## Real Estate Industry Risk

These are the risks the real estate sector is generally facing.

The FUND is dependent on the certainty of the title to the properties i.e. potential for disputes over the properties purchased from previous landowners.

The Fund Manager will utilize the experience; expertise and acquisition capabilities of the Sponsor and its advisors and members of the Investment Committee as well as reputable and experienced legal advisers to better manage the risks associated with the acquisition of additional properties.

Higher vacancy rates will amount to less revenue, which in turn can result in smaller distributions to investors:

Proper management of real estate properties including value added services contributes to an improved customer experience, which results in longer and stable property leases and rents. The properties to be purchased by the FUND at inception currently have a 99% occupancy rate.

The real estate industry may be affected by a number of factors, some of which include macro- economic indices, including but not limited to inflation, unemployment, tight fiscal regime, declining economic environment, poor state of the financial markets, political and social occurrences. Also, related trends in ancillary industries such as building materials will have an impact on the real estate industry. Specifically, these factors may affect the underlying value of real estate assets, the ability to attract sustainable demand at optimal rental bands, the capacity to finance new developments etc. Collectively, these factors may have an adverse effect on the performance of any investment in real estate assets.

## II. Real Estate Property Type Risk

Different property types present investors with different risks considerations as enumerated below:

**Apartments:** There is the possibility of not securing long terms leases during the start-up period of new properties and obtaining good property management services on a long-term basis. The apartments considered for investment will be located in prime locations across the country, which typically attract long term leases. Also, the FUND has appointed Homenet Zambia, a renowned property manager in the Zambian real estate industry as property manager.

**Office Buildings:** The major risks associated with investing in an office property occur during start-up, maintaining quality management and obsolescence.

The management of the properties lies in the Property Manager. Homenet Zambia has the requisite industry experience and capabilities to adequately carry out this role.

### III. Risks Associated with Investing in the FUND

#### **Business Risk**

These are the risks that the FUND faces in its operations, which include the following:

The FUND may, directly or indirectly, acquire real estate or other assets from the Sponsor or parties related to the Sponsor. All related party transactions will be approved by the Trustee.

The Fund Manager will ensure that transactions with the Sponsor are undertaken at an arm's length basis with prior approval from the Investment Committee and where applicable from SEC, hence the terms of every acquisition and/or future acquisition of real estate assets from the Sponsor, will not be adverse to the FUND. In addition, the Sponsor intends to maintain a 51% holding in the FUND, which will ensure that the interests of the Sponsor are aligned with that of the FUND. The representatives of the Sponsor on the investment committee shall not be involved in any decision making regarding the acquisition of properties from it or any of its affiliates.

The FUND has no established operating history and the Fund Manager may not be able to implement its investment strategy and earn the desired returns as envisaged:

The Fund Manager, the Sponsor and other members of the Investment Committee collectively have extensive experience and a strong track record in fund and asset management, as well as in sourcing, acquiring and financing real estate assets necessary to implement the planned strategies. The Fund Manager will leverage on this experience and that of independent real estate advisers to ensure the successful operation of the FUND.

#### **Liquidity Risk**

Currently, there is no active secondary market for a FUND in Zambia; therefore, Investors may not be able to trade their units easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market:

The Fund Manager will ensure it abides by the listing requirements of The LUSE including maintaining a continuous flow of timely information to the investing public about the operation and performance of the FUND, in order to ensure an increase in the demand for the investment and boost liquidity.

Unit prices will be dependent on market forces i.e. demand and supply. Increased disclosure of the FUNDS performance should spur trading activity and influence the unit price positively.

### **Legal and Regulatory Risk**

Investors in the FUND face the risk that changes in government regulation and prevailing legal framework for the real estate industry may negatively impact the operation of the FUND.

The Fund Manager will actively participate in lobby groups that will engage pro-actively with both the executive and the legislative arms of government to ensure the regulation evolves in a business friendly direction that will ultimately benefit the country as a whole.

### **Concentration Risk**

This is the risk that investments in the FUND will be adversely affected in the event that the Zambian real estate industry experiences a downward trend on property prices in a particular location.

The FUND portfolio provides for a diversified allocation across multiple segments of the real estate industry and also provides for an appreciable level of geographic dispersion of the assets across major locations in Zambia

### **Perception Risk**

Real Estate investment instruments, as an alternative asset class in Zambia is yet to gain substantial market acceptance. Currently, there is only one Property Company listed on The LUSE. Consequently there is likelihood that investor perception of FUND as a viable/sustainable asset class may not attain appreciable levels and as such the FUND may not benefit from substantial levels of investor participation thereby limiting the liquidity of the instrument. Information in respect of the FUND, thereby giving prospective investors additional comfort.

## 19. OVERVIEW OF FUND PROPERTIES

### Location and Description

The FUND will initially invest in the development of the vacant land on Plot 2374/A Thabo Mbeki. The development is an 8-storey Office development and Auditorium. It is meant to increase the investment portfolio of ZICA and present an extra income stream for ZICA. The proposed development consists of an office tower and a parkade. The office tower has 25,684 square meters of floor space while the parkade has 22,200 square meters making it a total of 47,884 square meters of development. The main building has the following facilities – offices, conference halls, meeting rooms, conference rooms, kitchens, cocktail lounge and restaurant. The details of the project as designed by the Architects are as follows:

- ✓ Total Office Space (Second to Seventh Floor): 18,188 Square Meters
- ✓ Meeting Rooms: 1,853 Square Meters
- ✓ Conference Facilities: 2,486 Square Meters
- ✓ Ground, First and Mezzanine: 3,157 Square Meters
- ✓ Parkades (1032 bays): 22,200 Square Meters

### Construction Process

The construction is expected to start on the 1<sup>st</sup> November 2017 for a two-year period. The estimated cost of construction is United States Dollars Fifty Million (USD \$ 50,000,000.00)

### Valuation of the Existing Property

The value of the existing property is USD \$ 260,000.00 based on the valuation report dated 10<sup>th</sup> August 2017 by Homenet. Homenet have been retained as valuation surveyors as well as letting agents. This valuation is on the basis of the current market value and having inspected the subject property and all relevant factors have been taken into consideration.

### Development Potential

The land located is in a prime area that's zoned to be for commercial use and property in this area is very scarce. It has the highest rental rates for office space in the city as it is surrounded by the central amenities of East park Shopping Mall, Protea Hotels, Arcades Shopping Centre, Radisson blue hotel etc. This offers great accessibility and has pushed land in this

location to the top of the market value and automatically property is very prime to which demand is very high among commercial property investors.

#### Material Conditions

There are no material conditions known that would negatively impact on the development of the 8-storey building in the said location.

## 20. SALIENT TERMS OF THE DEED

### Recognition of a unit holder

You shall be recognized as a unit holder when you are registered as the holder of units of the fund.

### Rights of a Unit Holder

Each unit held in the fund entitles the unit holder to an equal and proportionate beneficial interest in the fund. However, the unit holder does not own or have a right to any particular asset held by the fund and cannot participate in management decisions except in very limited circumstances as set out in the deed.

A unit holder has the right, among others, to the following:

- To receive distribution payments (if any), participate in any increase in the capital of the units and to other rights and privileges as set out in the funds' Deeds;
- To call for unit holders meetings, and to vote for the removal of the trustee or the management company through extraordinary resolution.
- To receive annual and interim reports of the funds;
- To have units repurchased;
- To transfer units;
- To receive a statement of investment or units;
- To inspect a copy of the Prospectus deed and certain other documents at the head office of the Trustee and the Manager, during normal business hours; Some of these rights may only be exercised in certain circumstances, which are set out in the deed.

### Liabilities of a Unit holder

A unit holder shall not be liable for nor shall be required to pay any amount in excess of the selling price paid for the units as set out in this Prospectus and the deed. A unit holder shall not be under any obligation to indemnify the Trustee and /or the Manager in the event that the liabilities incurred by the Trustee and/or the manager in the name of or on behalf of the funds

pursuant to and/or in the performance of the provisions of the Deeds exceed the net asset value of the funds. Any right of indemnity of the Trustee and /or the manager shall be limited to the recourse from the funds.

### **Increase in fees and charges from the level disclosed in the prospectus**

The manager may not levy charges at rates higher than that disclosed in a Prospectus unless:

- I. The manager has come to agreement with the Trustee on the high rates;
- II. The Manager has notified the unit holders of the higher rates and the date on which such higher rates are to become effective;
- III. A new or supplemental Prospectus stating the higher rates is issued thereafter

### **Permitted Expenses Payable By the fund**

Only the expenses that are directly related and necessary to the business of the funds may be charged to the funds. These would include (but are not limited) to the following:

1. Commission/ fee paid to brokers in effecting dealings in investments;
2. Taxes and other duties charged on the funds by the Government and other authorities;
3. Fees and other expenses properly incurred by the Auditor appointed for the funds;
4. Fees for valuation of any investment of the funds by independent valuers for the benefit of the funds;
5. Cost incurred for any modification of the Deed save where such modification is for the benefit of the Manager and/or Trustee; and
6. Cost incurred for any meeting of the unit holders save where such meeting is convened for the benefit of the Manger and/or Trustee.

### **Removal, Replacement and Retirement of the Manager**

Subject to the approval of the SEC, the Manager shall have the power to retire in favour of some other corporation and as necessary under any written law upon giving the Trustee twelve (12) months' notice in writing of his desire to do so, or such lesser time as the Manager and the Trustee may agree subject to fulfillment of the conditions as stated in the Deeds.



The manager shall be removed and replaced, if so required by the Trustees on the following grounds:

1. The unit holders at a meeting called for that purpose to that effect have passed a special Resolution.
2. The manager failed or neglected to carry out its duties to the satisfaction of the Trustee and the trustee considers that it would be in the interest of unit holders for it to do so after the trustee has given notice to it of that opinion and the reasons for that opinion, and has considered any representatives made by the Manager in respect of that opinion, and after the SEC and with the approval of the unit holders:
3. The Manager has gone into liquidation, except for the purpose of amalgamation or reconstruction or some similar purpose, or has had a receiver appointed or has ceased to carry on business; and the Manager shall not accept any extra payment of benefit in relation to such retirement.

### **Removal, Replacement and Retirement of the Trustee**

The trustee may retire upon giving twelve (12) months' notice to the Manger of its desire to do so, or such shorter period as the manager and the Trustee may agree, and may by deeds appoint in its stead or as an additional trustee a new trustee approved by the SEC and under any relevant law. The trustee may be removed and another Trustee may be appointed by special resolution of the unit holders at a unit holders' meeting convened in accordance with the deed. The management company shall take all reasonable steps to replace a Trustee as soon as practicable after becoming aware.

### **Termination of the Fund**

The funds may be terminated under the following circumstances:

- (a) The manager has gone into liquidation
- (b) The Manager has ceased to carry on business
- (c) The manager has failed to comply with the Deed or contravened the provision of relevant Act; or
- (d) A special resolution to wind up the funds has been passed by the unit holders and confirmed by the court.

### **Unit Holders Meeting**

Unit Holders of the Fund may apply to the manager to have a meeting for any purpose including but not limited to (a) requiring the retirement or removal of the Manager and (b) requiring the retirement or removal of the Trustee; provided always that the Manager receive an application from not less than 50 or one-tenth of the unit holders of the fund, whichever is lesser. Unit holders meeting can also take place at the request by the Trustee and/or the Manager by giving the required notice to unit holders.

For every unit holder meeting, there must be a chairman and quorum required for a meeting shall be 5 unit holders. For the purpose of removing the manager and /or the trustee, quorum required shall be 10 unit holders of the fund, present in person, who must hold in aggregate at least 50% of the units of that fund in circulation at the time of the meeting.

### **The trustee ceases to exist if**

- The trustee has not been validly appointed.
- The trustee is not eligible to be appointed or to act As Trustee under the securities Act.
- The trustee has failed or refused to act as trustee to act as trustee in accordance with the provisions or covenants of the deed or the provisions of the securities Act
- A receiver is appointed over the whole or a substantial part of the assets or undertaking of the existing trustee and has not ceased to act under the appointment, or a petition is presented for the winding up of the existing Trustee (other than for the purpose of and followed by a reconstruction the existing Trustee becomes or is declared to be insolvent) or the trustee is under investigation for conduct that contravenes the law.

## **21. PROCEEDURE FOR APPLICATION, PURCHASE AND REDEMPTION OF UNITS**

In order for one to be part of the Fund, they have to make an investment that involves the purchase of units; an applicant must register with the fund managers who are responsible for the day to day running of the Unit Trust. The Fund a closed-ended fund in which both

individuals and institutions can hold units. During registration the applicant is to provide the following:

For Individuals:

- a copy of any form of ID (NRC, Passport, Driver's License)
- 2 passport size photos
- Proof of residence- utility bill/A letter from employer confirming residential address
- Declaration of Source of Income

**For Institutions:**

- a copy of certificate of Incorporation or Business Registration
- Copy of any form of ID (NRC, passport, Driver's License) for all members of the board and top management.
- Passport size photos of all members of the board and top management
- Certified Copy of Board Resolution to invest into the FUND

These documents are then filed with a transaction form (ECRUT Unit Trust Application form- See Appendix 1) which is filled in by the client upon request of opening an account to purchase units. Once this is done the applicant who is now a client is free to purchase or redeem units in the fund notwithstanding the applicable terms for redemption as stipulated in this prospectus. The client is then issued with a unique client ID that comprises of their Identity card number and the year in which they opened the unit trust account for example EUT15- 792847111.

### **How to make a payment**

There are several ways the client can make a payment to our account. They can be made via a cash deposit into our account, via cheque or money order. For the money order, the client is to issue an instruction to their bank to transfer funds into our account upon request or via a signed agreement with their bank or they can bring the payment directly to our offices. It is although, advisable for clients to make direct deposits to our account as opposed to bringing cash to our offices. We accept cash when the client is faced with unforeseen circumstances and even so, direct deposits to our office should not be more than USD \$ 50.00. This serves as an internal control measure.

Bank Account details to be provided to the investor upon returning a completed application form.

Upon making this payment/deposit, the client is to advise us of their deposit and provide us with proof of the said deposit.

### **Accounting for Client Deposits**

After a client has made a payment it is accounted for in what is known as a client statement/client account which includes the transaction price, number of units, units price and gross investment amount (See Appendix 2). A record of the client's transactions is also recorded in a client register that is used by the fund manager for reference sake.

Every month end the client receives their client statement via email, showing their investment and its performance via the change in the price of the units. The client may also request for a statement on any given day within working hours.

### **Purchases**

When a client makes an investment in the fund it is known as the purchase of units. After a client makes a deposit and provides proof of payment, their purchase of units is processed and their client statement updated accordingly. The unit price used for purchasing units is the previous day's closing price.

### **Redemptions**

The Fund should have a minimum investment Holding period of 7 (Seven) years. During this period, an investor shall not be allowed to redeem their units. However, exception shall apply where the investor identifies a buyer for the amount of units they hold in the fund.

Upon request of redemption a client is given what is known as a redemption form to fill in and sign. This form consists of the client's bank details, number of units redeemed and amount of money equivalent to the number of units redeemed (See Appendix 3). In completion of this form rightfully signed by the client, the payment is then processed and the client should expect to receive this payment within 14 working days.

In the event that a client requests for a redemption or submits proof of payment after business hours. The process of this payment or purchase will only take place on the next working day.

### **Transfer of units**

A unit holder can decide to transfer his/her units to another unit holder within the same fund. This should be a written agreement between both parties (transferee and transferor). ECR UT reserves the right to reject or accept to effect any transfers. There are no transfer costs.

### **Minimum Holding**

You are advised to always maintain an account balance of USD \$50.00 Units for individual unit holders and USD \$1,000.00 units for non-individual unit holders.

## **22. SUMMARY OF CIRCUMSTANCES IN WHICH DEALING IN UNITS MAY BE DEFERRED OR SUSPENDED**

### **Exceptional Circumstances**

The Investment Trustee reserves the right in circumstances that it considers exceptional and respect of requested enactments of units allocated to a fund to defer any redemption or switch units for a period of up to twelve months. In the event of a deterrent the unit price applicable to the transaction will be determined at the valuation of the appropriate fund immediately following the period of deferment.

In the event that any legislation or any alteration in the current taxation provisions affecting the circumstances which in the opinion of the investment trustee materially affect the implementation of any these provisions to such extent as it considers appropriate in the circumstances.

## **23. STATEMENT OF INVESTMENT**

A statement of investment will be sent every month. It shows the balance of units together with all transactions made since the last statement.

## **24. ANNUAL AND INTERIM REPORT**

The report will be sent to you within 2 months of a Funds financial year-end or mid financial year.

## **25. REGISTER**

The register of Unit Holders' will be kept at the registered office of the Manager at 4thFloor, Godfrey House, West Wing, Corner Kabelenga Road/Longo Longo Road, Lusaka.

## **26. INFORMATION INCORPORATED BY REFERENCE**

The following documents are hereby incorporated by reference in this prospectus:

- Report and Valuation stand No. 2374 Show Grounds Area, Thabo Mbeki Road, Mass Media, Lusaka.

- Construction Contract between China Civil Construction and Zambia Institute of Chartered Accountants
- The Land lease Agreement Between Agriculture Show Society and Zambia Institute of Chartered Accountants
- The Trust Deed between AMG Global Trust Limited and Equity Capital Resources Plc.

## 27. DOCUMENTS AVAILABLE FOR INSPECTION

The following documents or there copies will be available for inspection from 9:00 Hours to 16 Hours every business day at the Managers and the Trustee office:

- The Trust Deed between AMG Global Trust Limited and Equity Capital Resources Plc.
- Current prospectus and the supplementary prospectus of the funds (if any)
- Report and Valuation stand No. 2374 Show Grounds Area, Thabo Mbeki Road, Mass Media, Lusaka.
- Each contract disclosed in the prospectus and in the case of contracts not reduced into writing, a memorandum that gives full particulars of the contracts:
- Any consent given by experts or persons named in the prospectus as having made a statement that is included in the prospectus or on which a statement made is the prospectus based.









**Equity Capital Resources**  
**Unit Trust**



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