

# ANNUAL REPORT

& FINANCIAL STATEMENTS

2022



Investments

# SANLAM

## MONEY MARKET FUND

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ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022





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## Corporate Trustee

Stanbic Bank Kenya Limited  
Stanbic Centre  
Chiromo Road, Westlands  
P O Box 72833-00200  
Nairobi, Kenya

## Registered Office

Sanlam Investments East Africa Limited  
5th Floor, Africa Re Centre, Hospital Road, Upper Hill  
P O Box 67262-00200  
Nairobi, Kenya

## Fund Manager

Sanlam Investments East Africa Limited  
5th Floor, Africa Re Centre, Hospital Road, Upper Hill  
P O Box 67262-00200  
Nairobi, Kenya

## Custodian

Stanbic Bank Kenya Limited  
Stanbic Centre  
Chiromo Road, Westlands  
P O Box 72833-00200  
Nairobi, Kenya

## Independent Auditor

PricewaterhouseCoopers LLP  
PwC Tower, Waiyaki Way/Chiromo Road  
Westlands  
P O Box 43963 - 00100  
Nairobi, Kenya



The Trustee has the pleasure in submitting the Sanlam Money Market Fund (the "Fund") report together with the audited financial statements for the year ended 31 December 2022.

## ESTABLISHMENT, NATURE AND STATUS OF THE FUND

The Fund was established by a Trust Deed dated 11 September 2014 and is governed by a revised Trust Deed dated 10 December 2020 as a Money Market Fund. The Fund is registered with the Capital Markets Authority and approved under the Income Tax Act. The Fund is tax exempt and only withholds and pays to Kenya Revenue Authority applicable tax on interest distributed to the unit holders.

The primary objective of the Fund is to provide a superior return while maintaining capital preservation.

The Fund is a unit trust and the interest of the individual members is determined by the value of their units. It is administered by the Trustee who is responsible for its affairs. It is an approved collective investment scheme within the meaning of the Capital Markets Act; and the holders are not liable for the debts of the Fund.

## CHANGES TO INCORPORATION DOCUMENTS

There were no changes made to the incorporation documents (Prospectus, Trust deed and Rules of the Fund) during the year.

## INVESTMENT

Under the terms of their appointment Sanlam Investments East Africa Limited is the Fund Manager and supports the Trustee in the investment decisions. The overall responsibility for investment and performance lies with the Trustee.

## FUND PERFORMANCE

The performance record of the Fund is as shown below:

### a) Maximum and minimum yield

The highest and lowest absolute yields for the last 5 years were as per the table below:

Year	2022	2021	2020	2019	2018
Highest yield (%)	9.92	9.62	9.56	9.82	8.62
Lowest yield (%)	9.16	9.08	8.23	6.97	5.32

### b) Income distribution

The profit realised by the Fund for the last 5 years has been distributed to unit holders as per the table below:

Year	2022	2021	2020	2019	2018
Amount (Shs)	114,058,000	646,364,000	383,842,000	154,133,000	132,007,000



## FUND PERFORMANCE (CONTINUED)

### c) Fund Value

The total value of the Fund, number of units and unit price at the end of the year for the last 3 years is as shown below:

Year	2022	2021	2020
Total Fund value (Shs)	15,706,872,000	8,435,249,000	6,155,680,000
Number of units in issue	15,706,872,000	8,435,249,000	6,155,680,000
Closing unit price (Shs)	1.00	1.00	1.00

There has not been any amalgamation or reconstruction of the current units in the Fund that have had a material effect on the size of the Fund.

### TERMS OF APPOINTMENT OF THE AUDITOR

PricewaterhouseCoopers LLP continues in office in accordance with the Fund's Trust Deed and Section 55(A) of the Capital Markets (Licensing Requirements) (General) Regulations, 2002.

The trustee monitors the effectiveness, objectivity and independence of the auditor. This responsibility includes the approval of the audit engagement contract and the associated fees on behalf of the unit holders.

Signed on behalf of the Trustee

21 March 2023



The Capital Markets Act requires the Trustee to prepare financial statements for each financial year which give a true and fair view of the financial position of the Fund at the end of the financial year and its financial performance for the year then ended. The Trustee is responsible for ensuring that the Fund keeps proper accounting records that are sufficient to show and explain the transactions of the Fund; disclose with reasonable accuracy at any time the financial position of the Fund; and that enables them to prepare financial statements of the Fund that comply with prescribed financial reporting standards and the requirements of the Capital Markets Act. They are also responsible for safeguarding the assets of the Fund and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Trustee accepts responsibility for the preparation and presentation of these financial statements in accordance with International Financial Reporting Standards and in the manner required by the Capital Markets Act. They also accept responsibility for:

- i. Designing, implementing and maintaining internal control as they determine necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error;
- ii. Selecting suitable accounting policies and then apply them consistently; and
- iii. Making judgements and accounting estimates that are reasonable in the circumstances.

Having made an assessment of the Fund's ability to continue as a going concern, the Trustee is not aware of any material uncertainties related to events or conditions that may cast doubt upon the Fund's ability to continue as a going concern.

The Trustee acknowledges that the independent audit of the financial statements does not relieve them of their responsibility.

Approved by the Trustee on 21 March 2023 and signed on its behalf by:

Representing Trustee





Dear Unit Holder,

The Sanlam Money Market Fund aims to deliver a competitive rate of return relative to average banks' fixed deposits. The Fund is conservative in nature and seeks capital preservation while offering ease of access to liquidity.

In 2022, the Fund recorded a return of 11.3% over 12 months. This was supported by an increase in allocation to fixed deposits, which offer a competitive return relative to treasury securities. This return was competitive despite the upward trend on interest rates for most of the year.

### Review of Operating Environment and Outlook

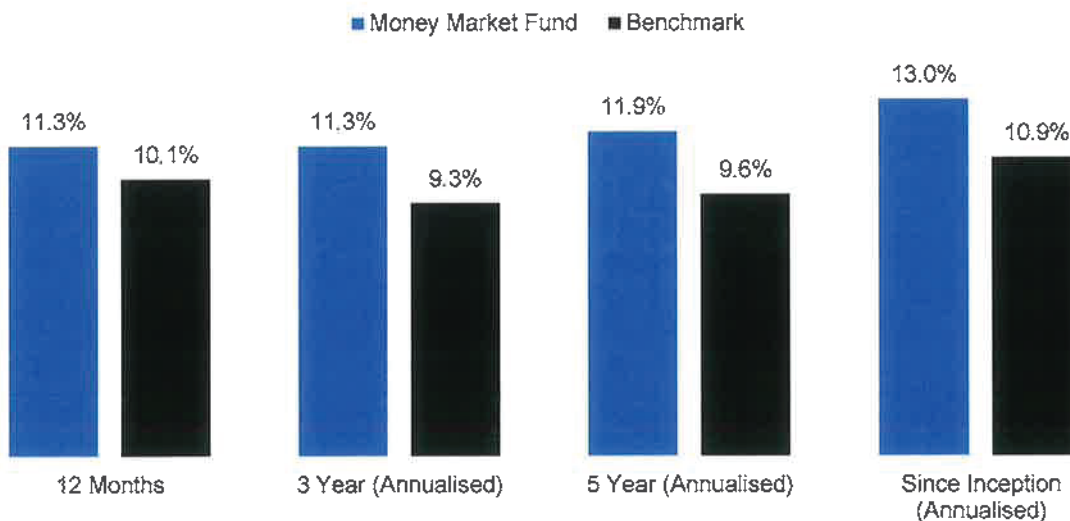
The Kenyan economy grew by 5.6% in the 9 months to the end of September 2022 compared to 7.7% in a similar period in 2021. The higher growth in 2021 was due to the re-opening of the economy after the Covid-19 Pandemic restrictions. The International Monetary Fund (IMF) projects the economic growth to slow down to 5.1% in 2023 from 5.3% in 2022. This is within the backdrop of higher country and global inflation, adverse weather conditions and the ongoing Russia-Ukraine war that could further strain the pre-existing supply chain constraints.

Headline inflation increased to 7.6% from 6.1% in 2021 having peaked at 9.6% in October 2022. Inflation rose above the Central Bank's upper target of 7.5% in June 2022 to the end of the year on account of higher fuel and food prices. Higher inflation pressures are expected in 2023 with key risks arising from higher energy prices due to the protracted Russia-Ukraine war and unpredictable weather conditions in the country.

Yields on government securities were on an upward trajectory in 2022. This was mainly driven by the increased borrowing appetite by the government coupled with investors' demand for higher yield to cushion themselves against higher inflation. Interest rates are expected to remain elevated given the funding requirements by the government. Investors could remain cautious and prefer short-term fixed income securities to hedge against rising interest rates. The 364-day Treasury Bills as at December 2022 was 10.3% relative to 9.4% in December 2021.

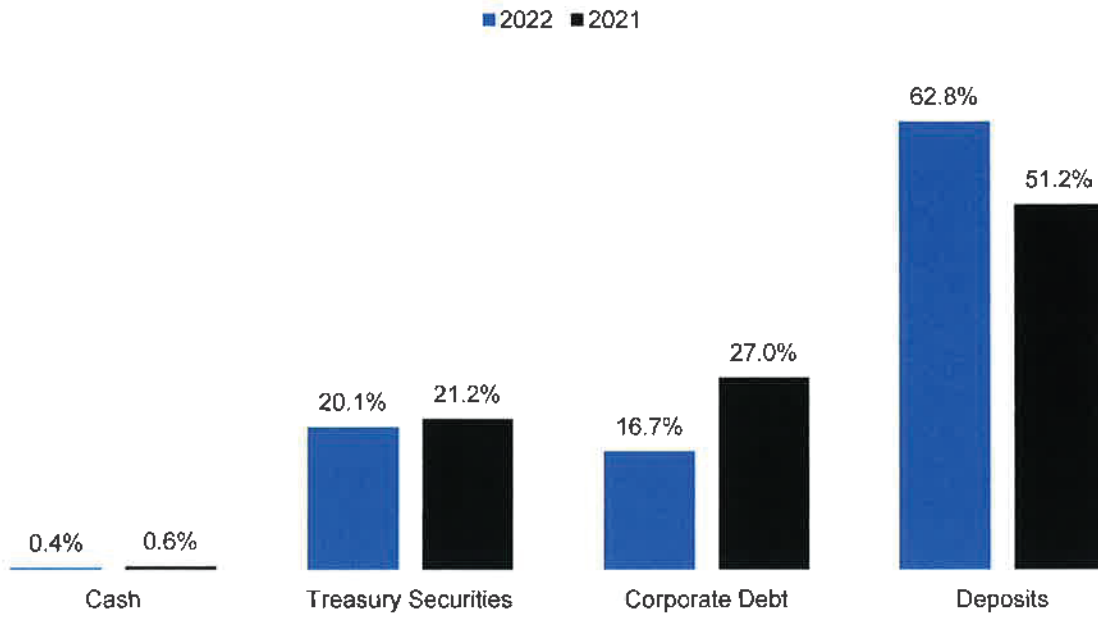
### Fund Performance & Asset Allocation as at 31 December 2022

#### Fund Performance





## Asset Allocation



Signed on behalf of the Fund Manager

21 March 2023



In accordance with the Capital Markets (Collective Investment Schemes) Regulations, 2001 (the Regulations) and the Custody Agreement between Stanbic Bank Kenya Limited as the Custodian and Sanlam Investments East Africa Limited as the Fund Manager, we confirm:

- a) we have discharged the duties prescribed for a Custodian under Regulation 35 of the Regulations, to the Sanlam Money Market Fund; and
- b) for the period 1 January 2022 to 31 December 2022, we have held the assets for the Sanlam Money Market Fund; including securities and income that accrue thereof, to the order of the Trustee and facilitated the transfer, exchange or delivery in accordance with the instructions received from the Fund Manager.

Signed on behalf of the Custodian

21 March 2023



## INDEPENDENT AUDITOR'S REPORT TO THE UNIT HOLDERS OF SANLAM MONEY MARKET FUND

### Report on the financial statements

#### *Opinion*

We have audited the accompanying financial statements of Sanlam Money Market Fund (the "Fund") set out on pages 11 to 27 which comprise the statement of financial position at 31 December 2022 and the statements of profit or loss and other comprehensive income, changes in unit holders' balances and cash flows for the year then ended and the notes to the financial statements, which include significant accounting policies and other explanatory information.

In our opinion, the financial statements give a true and fair view of the financial position of the Sanlam Money Market Fund at 31 December 2022 and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Capital Markets (Collective Investments Schemes) Regulations, 2001.

#### *Basis for opinion*

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

We are independent of the Fund in accordance with the International Ethics Standards Board for Accountants (IESBA) International Code of Ethics for Professional Accountants (including International Independence Standards) (the IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Kenya. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### *Key audit matters*

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period.

We have determined that there are no key audit matters to communicate in our report.

#### *Other information*

The other information comprises Trustee and professional advisors, Report of the Trustee, Statement of Trustee's Responsibilities, Fund manager's report and the Report of the Custodian which we obtained prior to the date of this auditor's report, and the rest of the other information in the Annual Report which are expected to be made available to us after that date, but does not include the financial statements and our auditor's report thereon. The Trustee is responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

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Partners: E Kerich B Kimacia M Mugasa A Murage F Muriu P Ngahu B Ngunjiri R Njoroge S O Norbert's B Okundi K Saiti

## INDEPENDENT AUDITOR'S REPORT TO THE UNIT HOLDERS OF SANLAM MONEY MARKET FUND (CONTINUED)

### *Other information (continued)*

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information we have received prior to the date of this auditor's report we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the rest of the other information in the Annual Report and we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

### *Responsibilities of the Trustee for the financial statements*

The Trustee is responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the requirements of Capital Markets Authority (Collective Investments Schemes) Regulations 2001, and for such internal control as the Trustee determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Trustee is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Trustee either intends to liquidate the Fund or to cease operations, or have no realistic alternative but to do so.

### *Auditor's responsibilities for the audit of the financial statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Trustee.



## INDEPENDENT AUDITOR'S REPORT TO THE UNIT HOLDERS OF SANLAM MONEY MARKET FUND (CONTINUED)

### *Auditor's responsibilities for the audit of the financial statements (continued)*

- Conclude on the appropriateness of the Trustee's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Trustee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

From the matters communicated with the trustees, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.


### **Report on other legal requirements**

We confirm that the financial statements have been properly prepared in accordance with the Capital Markets Authority (Collective Investment Schemes) Regulations, 2001.

The Capital Markets Authority (Collective Investment Schemes) Regulations, 2001 also requires that in carrying out our audit we consider and report to you on the following matters:

- If the auditor is of the opinion that proper accounting records for the collective investment scheme have not been kept or that the accounts are not in agreement with those records,
- If the auditor has not been given all the information and explanations which, to the best of his knowledge and belief, are necessary for the purpose of his audit, or
- If the auditor is of the opinion that the information given in the report of the Fund Manager for that period is inconsistent with the accounts.

We confirm that there are no matters to report in respect of the foregoing requirements.

  
**CPA Kang'e Saiti, Practising Certificate No.1652**  
**Engagement partner responsible for the audit**

**For and on behalf of PricewaterhouseCoopers LLP**  
**Certified Public Accountants**  
**Nairobi**

22 March 2023



## STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	2022 Shs'000	2021 Shs'000
Investment income	5	1,229,845	685,647
Amortised discount on bonds	8 (ii)	93,004	99,532
<b>Total income</b>		<b>1,322,849</b>	<b>785,179</b>
Operating expenses	6	(210,742)	(128,670)
Decrease / (increase) in allowance for expected credit losses	8 (ii)	1,951	(10,145)
<b>Profit before income tax</b>		<b>1,114,058</b>	<b>646,364</b>
Income tax expense		-	-
<b>Profit for the year</b>		<b>1,114,058</b>	<b>646,364</b>
Other comprehensive income		-	-
<b>Total comprehensive income for the year</b>		<b>1,114,058</b>	<b>646,364</b>



## STATEMENT OF FINANCIAL POSITION

	Notes	2022 Shs'000	2021 Shs'000
<b>ASSETS</b>			
Deposits with financial institutions	8(ii)	9,896,653	4,361,994
Government securities	8(ii)	3,161,140	1,807,575
Commercial paper	8(ii)	133,209	116,354
Corporate bonds	8(ii)	2,494,175	2,176,694
Bank balances	9	62,573	52,222
		<hr/>	<hr/>
<b>Total assets</b>		<b>15,747,750</b>	<b>8,514,839</b>
		<hr/>	<hr/>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Accrued expenses	11	5,967	5,136
Distribution payable		16,490	64,551
Due to related parties	12(c)	18,421	9,903
		<hr/>	<hr/>
<b>Liabilities (excluding unit holders' balances)</b>		<b>40,878</b>	<b>79,590</b>
		<hr/>	<hr/>
Unit holders' balances	10	15,706,872	8,435,249
		<hr/>	<hr/>
<b>Total liabilities</b>		<b>15,747,750</b>	<b>8,514,839</b>
		<hr/>	<hr/>

The financial statements on pages 11 to 27 were approved for issue by the Trustee on  
21 March 2023 and signed on its behalf by:

Representing Trustee

JOE ALARO

Name



## STATEMENT OF CHANGES IN UNIT HOLDERS' BALANCES

	Notes	2022 Shs'000	2021 Shs'000
At start of year		8,435,249	6,155,680
Gross interest distributed to unitholders		1,114,058	646,364
Withholding tax on distributed interest		(151,000)	(87,645)
<i><u>Transactions with unit holders:</u></i>			
Additional units purchased	10	16,113,324	7,593,589
Units liquidated	10	(9,804,759)	(5,872,739)
		<hr/>	<hr/>
Net balances of transactions with unit holders		6,308,565	1,720,850
		<hr/>	<hr/>
At end of year		<b>15,706,872</b>	<b>8,435,249</b>



## STATEMENT OF CASH FLOWS

	Notes	2022 Shs'000	2021 Shs'000
<b>Cash flows from operating activities</b>			
Profit before income tax		1,114,058	646,364
<i>Changes in working capital:</i>			
- Accrued expenses		9,349	4,040
- Distribution payable		(48,061)	19,718
- Deposits with financial institutions		(5,019,357)	40,627
- Commercial paper		(16,856)	136,830
- Government securities		(1,353,566)	(536,035)
- Corporate bonds		(317,482)	(941,283)
Cash used in operations		(5,631,915)	(629,739)
Income tax paid		-	-
<b>Net cash used in operating activities</b>		(5,631,915)	(629,739)
<b>Cash flows from financing activities</b>			
Net contribution from unit holders	10	16,113,324	7,593,589
Liquidations by unit holders	10	(9,804,759)	(5,872,739)
Withholding tax on distributed interest for the year		(151,000)	(87,645)
<b>Net cash generated from financing activities</b>		6,157,565	1,633,205
<b>Net increase in cash and cash equivalents</b>		525,650	1,003,466
<b>Cash and cash equivalents at start of year</b>		2,926,418	1,922,952
<b>Cash and cash equivalents at end of year</b>	9	<b>3,452,068</b>	<b>2,926,418</b>



# SANLAM

## FIXED INCOME FUND

ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022



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## Custodian

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Nairobi, Kenya

## Independent Auditor

PricewaterhouseCoopers LLP  
PwC Tower, Waiyaki Way/Chiromo Road  
Westlands  
P O Box 43963 - 00100  
Nairobi, Kenya



The Trustee has the pleasure in submitting the Sanlam Fixed Income Fund (the "Fund") report together with the audited financial statements for the year ended 31 December 2022.

## **ESTABLISHMENT, NATURE AND STATUS OF THE FUND**

The Fund was established by a Trust Deed dated 11 September 2014 and is governed by a revised Trust Deed dated 10 December 2020 as a Fixed Income Fund. The Fund is registered with the Capital Markets Authority and approved under the Income Tax Act. The Fund is exempt from tax and only withholds tax on interest and dividend income distributed to the unit holders.

The primary objective of the Fund is to create long term wealth for investors with reinvestment of income cash flows.

The Fund is a unit trust and the interest of the individual members is determined by the value of their units. It is administered by the Trustee who is responsible for its affairs. It is an approved collective investment scheme within the meaning of the Capital Markets Act; and the holders are not liable for the debts of the Fund.

## **CHANGES TO INCORPORATION DOCUMENTS**

There were no changes made to the incorporation documents (Prospectus, Trust deed and Rules of the Fund) during the year.

## **INVESTMENT**

Under the terms of their appointment Sanlam Investments East Africa Limited is the Fund Manager and support the Trustee in the investment decisions. The overall responsibility for investment and performance lies with the Trustee.

## **FUND PERFORMANCE**

The performance record of the Fund is as shown below:

### **a) Maximum and minimum prices**

The highest and lowest absolute yields were as per the table below:

<b>Year</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
	<b>Shs</b>	<b>Shs</b>	<b>Shs</b>	<b>Shs</b>	<b>Shs</b>
Highest bid price	8.16	8.58	8.74	8.93	0.55
Lowest bid price	7.73	8.16	8.44	8.59	8.76

### **b) Income distribution**

The income generated by the Fund for the last 5 years has been distributed to unit holders as per the table below:

<b>Year</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
Amount (Shs)	5,964,000	4,895,000	1,966,000	1,862,000	1,025,000



## FUND PERFORMANCE (CONTINUED)

### c) Fund value

The total value of the Fund, number of units and unit price at the end of the year for the last 3 years is as shown below:

Year	2022	2021	2020
Total Fund value (Shs)	44,685,000	47,533,000	35,443,000
Number of units in issue	5,734,000	6,100,229	4,265,981
Closing unit price (Shs)	7.74	8.16	8.49

There has not been any amalgamation or reconstruction of the current units in the Fund that have had a material effect on the size of the Fund.

## TERMS OF APPOINTMENT OF THE AUDITOR

PricewaterhouseCoopers LLP continues in office in accordance with the Fund's Trust Deed and Section 55(A) of the Capital Markets (Licensing Requirements) (General) Regulations, 2002.

The trustee monitors the effectiveness, objectivity and independence of the auditor. This responsibility includes the approval of the audit engagement contract and the associated fees on behalf of the unit holders.

Signed on behalf of the Trustee

21 March 2023





The Capital Markets Act requires the Trustee to prepare financial statements for each financial year which give a true and fair view of the financial position of the Fund at the end of the financial year and its financial performance for the year then ended. The Trustee is responsible for ensuring that the Fund keeps proper accounting records that are sufficient to show and explain the transactions of the Fund; disclose with reasonable accuracy at any time the financial position of the Fund; and that enables them to prepare financial statements of the Fund that comply with prescribed financial reporting standards and the requirements of the Capital Markets Act. They are also responsible for safeguarding the assets of the Fund and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Trustee accepts responsibility for the preparation and presentation of these financial statements in accordance with International Financial Reporting Standards and in the manner required by the Capital Markets Act. They also accept responsibility for:

- i. Designing, implementing and maintaining internal control as they determine necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error;
- ii. Selecting suitable accounting policies and then apply them consistently; and
- iii. Making judgements and accounting estimates that are reasonable in the circumstances.

Having made an assessment of the Fund's ability to continue as a going concern, the Trustee is not aware of any material uncertainties related to events or conditions that may cast doubt upon the Fund's ability to continue as a going concern.

The Trustee acknowledges that the independent audit of the financial statements does not relieve them of their responsibility.

Approved by the Trustee on 21 March 2023 and signed on its behalf by:

Signed on behalf of the Trustee



Dear Unit Holder,

The Sanlam Fixed Income Fund's objective is to provide periodic cash flow income while ensuring moderate capital growth. Its risk profile is higher than the Money Market Fund.

The Fund generated a return of 11.0% during the year supported by bond market performance and a higher allocation to fixed deposits.

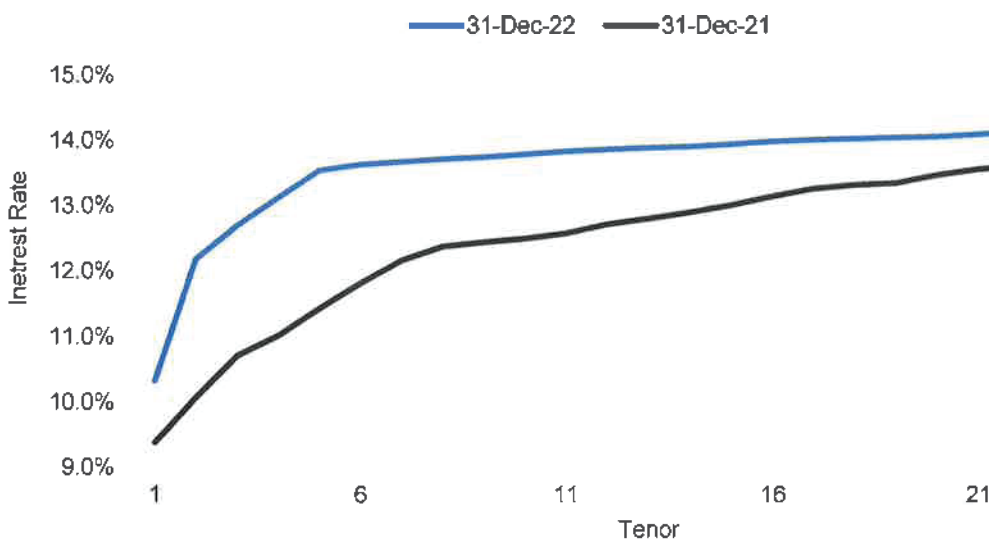
### Review of Operating Environment and Outlook

The Kenyan economy grew by 5.6% in the 9 months to the end of September 2022 compared to 7.7% in a similar period in 2021. The higher growth in 2021 was due to the re-opening of the economy after the Covid-19 Pandemic restrictions. The International Monetary Fund (IMF) projects the economic growth to slow down to 5.1% in 2023 from 5.3% in 2022. This is within the backdrop of higher country and global inflation, adverse weather conditions and the ongoing Russia-Ukraine war that could further strain the pre-existing supply chain constraints.

Headline inflation increased to 7.6% from 6.1% in 2021 having peaked at 9.6% in October 2022. Inflation rose above the Central Bank's upper target of 7.5% in June 2022 to the end of the year on account of higher fuel and food prices. Higher inflation pressures are expected in 2023 with key risks arising from higher energy prices due to the protracted Russia-Ukraine war and unpredictable weather conditions in the country.

Yields on government securities were on an upward trajectory in 2022. This was mainly driven by the increased borrowing appetite by the government coupled with investors' demand for higher yield to cushion themselves against higher inflation. Interest rates are expected to remain elevated given the funding requirements by the government. Investors could remain cautious and prefer short-term fixed income securities to hedge against rising interest rates. However, long term bonds remain attractive to investors due to the possibility of locking in high returns.

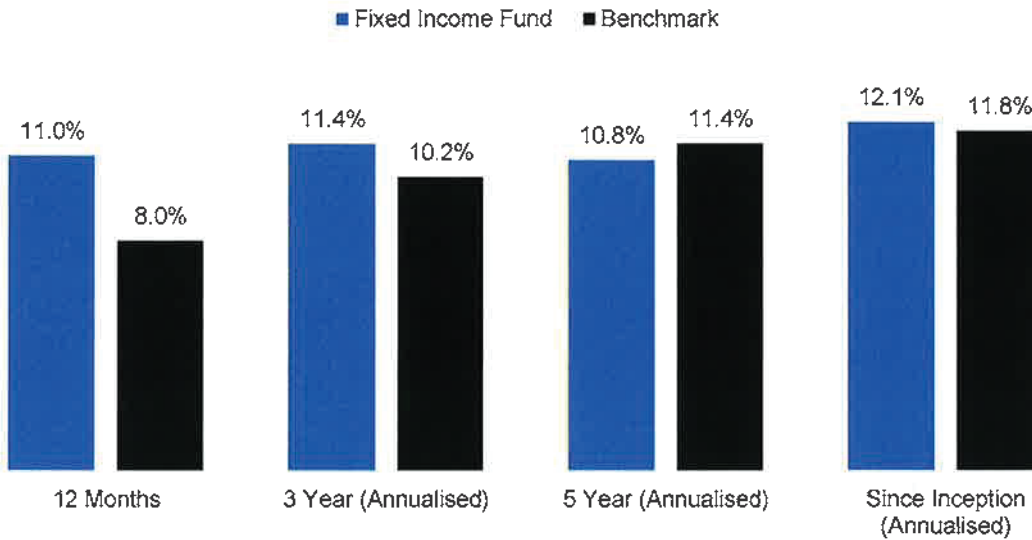
### Nairobi Stock Exchange Yield Curve



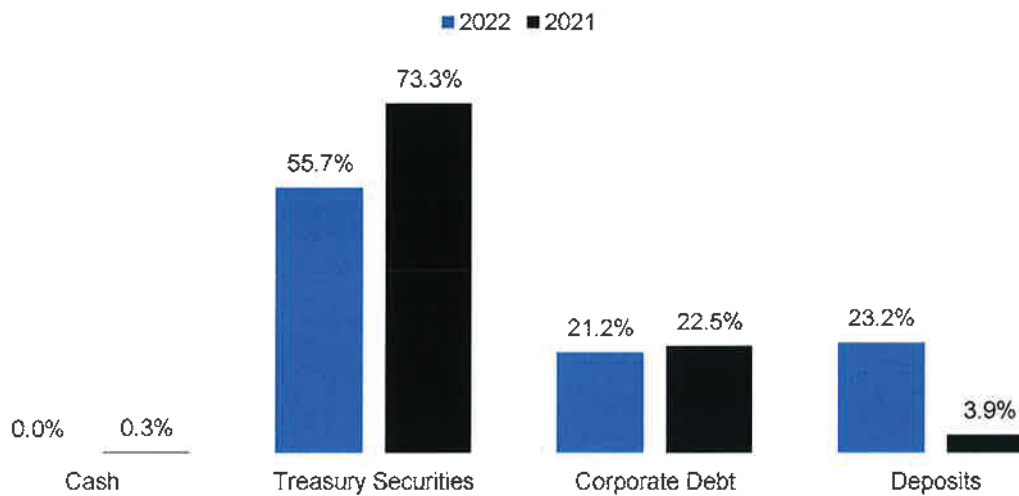


## Fund Performance and Asset Allocation as at 31 December 2022

### Fund Performance



### Asset Allocation



Signed on behalf of the Fund Manager

21 March 2023



In accordance with the Capital Markets (Collective Investment Schemes) Regulations, 2001 (the Regulations) and the Custody Agreement between Stanbic Bank Kenya Limited as the Custodian and Sanlam Investments East Africa Limited as the Fund Manager, we confirm:

- a) we have discharged the duties prescribed for a Custodian under Regulation 35 of the Regulations, to the Sanlam Fixed Income Fund; and
- b) for the period 1 January 2022 to 31 December 2022, we have held the assets for the Sanlam Fixed Income Fund; including securities and income that accrue thereof, to the order of the Trustee and facilitated the transfer, exchange or delivery in accordance with the instructions received from the Fund Manager.

Signed on behalf of the Custodian

21 March 2023



## INDEPENDENT AUDITOR'S REPORT TO THE UNIT HOLDERS OF SANLAM FIXED INCOME FUND

### Report on the financial statements

#### *Opinion*

We have audited the accompanying financial statements of Sanlam Fixed Income Fund (the "Fund") set out on pages 11 to 30 which comprise the statement of financial position at 31 December 2022 and the statements of profit or loss and other comprehensive income, changes in unit holders' balances and cash flows for the year then ended and the notes to the financial statements, which include significant accounting policies and other explanatory information.

In our opinion, the financial statements give a true and fair view of the financial position of the Sanlam Fixed Income Fund at 31 December 2022 and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Capital Markets (Collective Investments Schemes) Regulations, 2001.

#### *Basis for opinion*

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

We are independent of the Fund in accordance with the International Ethics Standards Board for Accountants (IESBA) International Code of Ethics for Professional Accountants (including International Independence Standards) (the IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Kenya. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### *Key audit matters*

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period.

We have determined that there are no key audit matters to communicate in our report.

#### *Other information*

The other information comprises Trustee and professional advisors, Report of the Trustee, Statement of Trustee's Responsibilities, Fund manager's report and the Report of the Custodian which we obtained prior to the date of this auditor's report, and the rest of the other information in the Annual Report which are expected to be made available to us after that date, but does not include the financial statements and our auditor's report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

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Partners: E Kerich B Kimacia M Mugasa A Murage F Muriu P Ngahu B Ngunjiri R Njoroge S O Norbert's B Okundi K Saiti

## INDEPENDENT AUDITOR'S REPORT TO THE UNIT HOLDERS OF SANLAM FIXED INCOME FUND (CONTINUED)

### *Other information (continued)*

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information we have received prior to the date of this auditor's report we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the rest of the other information in the Annual Report and we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

### *Responsibilities of the Trustee for the financial statements*

The Trustee is responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the requirements of Capital Markets Authority (Collective Investments Schemes) Regulations 2001, and for such internal control as the Trustee determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Trustee is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Trustee either intends to liquidate the Fund or to cease operations, or have no realistic alternative but to do so.

### *Auditor's responsibilities for the audit of the financial statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Trustee.
-



## INDEPENDENT AUDITOR'S REPORT TO THE UNIT HOLDERS OF SANLAM FIXED INCOME FUND (CONTINUED)

### *Auditor's responsibilities for the audit of the financial statements (continued)*

- Conclude on the appropriateness of the Trustee's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Trustee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

From the matters communicated with the trustees, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.


### **Report on other legal requirements**

We confirm that the financial statements have been properly prepared in accordance with the Capital Markets Authority (Collective Investment Schemes) Regulations, 2001.

The Capital Markets Authority (Collective Investment Schemes) Regulations, 2001 also requires that in carrying out our audit we consider and report to you on the following matters:

- If the auditor is of the opinion that proper accounting records for the collective investment scheme have not been kept or that the accounts are not in agreement with those records,
- If the auditor has not been given all the information and explanations which, to the best of his knowledge and belief, are necessary for the purpose of his audit, or
- If the auditor is of the opinion that the information given in the report of the Fund Manager for that period is inconsistent with the accounts.

We confirm that there are no matters to report in respect of the foregoing requirements.



CPA Kang'e Saiti, Practising Certificate No.1652  
Engagement partner responsible for the audit

For and on behalf of PricewaterhouseCoopers LLP  
Certified Public Accountants  
Nairobi

 22 March 2023



## STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	2022 Shs'000	2021 Shs'000
Investment income	5	5,212	5,367
Fair value loss on financial assets at fair value through profit or loss	8(ii)	(555)	(749)
<b>Total income</b>		<b>4,657</b>	<b>4,618</b>
Operating expenses	6	(1,405)	(1,331)
Decrease / (increase) in allowance for expected credit losses	8(ii)	1,131	(626)
<b>Profit before taxation</b>		<b>4,383</b>	<b>2,661</b>
Income tax expense		-	-
<b>Profit for the year</b>		<b>4,383</b>	<b>2,661</b>
Other comprehensive income		-	-
<b>Total comprehensive Income for the year</b>		<b>4,383</b>	<b>2,661</b>



## STATEMENT OF FINANCIAL POSITION

	Notes	2022 Shs'000	2021 Shs'000
<b>ASSETS</b>			
Government securities	8(ii)	25,178	36,973
Deposits with financial institutions	8(ii)	10,471	1,986
Corporate bonds	8(ii)	9,562	10,199
Bank balances	9	6	151
		<hr/>	<hr/>
<b>Total assets</b>		<b>45,217</b>	<b>49,309</b>
		<hr/>	<hr/>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Accrued expenses	11	335	325
Distribution payable		197	1,451
		<hr/>	<hr/>
<b>Current liabilities (excluding unit holder balances)</b>		<b>532</b>	<b>1,776</b>
		<hr/>	<hr/>
Unit holder balances	10	44,685	47,533
		<hr/>	<hr/>
<b>Total liabilities</b>		<b>45,217</b>	<b>49,309</b>
		<hr/>	<hr/>

The financial statements on pages 11 to 30 were approved for issue by the Trustee on 21 March 2023 and signed on its behalf by:

  
\_\_\_\_\_  
Representing Trustee

JOE ALARO  
\_\_\_\_\_  
Name



## STATEMENT OF CHANGES IN UNIT HOLDERS' BALANCES

	<b>2022</b>	<b>2021</b>
	<b>Shs'000</b>	<b>Shs'000</b>
<b>Balance at 1 January</b>	47,533	35,443
Gross interest distributed to unitholders	4,383	2,661
Withholding tax on distributed interest	(808)	(726)
<hr/>		
<i>Transactions with unit holders:</i>		
Additional units purchased	10 13,747	15,398
Units liquidated	10 (20,170)	(5,243)
<hr/>		
Net balances of transactions with unit holders	(6,423)	10,155
<hr/>		
<b>Balance at 31 December</b>	<b>44,685</b>	<b>47,533</b>
<hr/>		



## STATEMENT OF CASH FLOWS

	Notes	2022 Shs'000	2021 Shs'000
Profit before income tax		4,383	2,661
<i>Changes in working capital</i>			
– Accrued expenses		10	239
– Distribution payable		(1,253)	816
– Government securities		11,795	(8,776)
– Corporate bonds		637	(7,407)
– Deposits with financial institutions		(119)	1,278
– Due from related party		-	8
		<hr/>	<hr/>
Cash generated / (used in) operations		15,453	(11,181)
Income tax paid		-	-
		<hr/>	<hr/>
<b>Net cash generated / (used in) operating activities</b>		<b>15,453</b>	<b>(11,181)</b>
		<hr/>	<hr/>
<b>Cash flows from financing activities</b>			
Net contribution from unit holders	10	13,747	15,398
Liquidations by unit holders	10	(20,170)	(5,243)
Withholding tax on distributed interest		(808)	(726)
		<hr/>	<hr/>
<b>Net cash (used in) / generated from financing activities</b>		<b>(7,231)</b>	<b>9,429</b>
		<hr/>	<hr/>
<b>Net increase / (decrease) in cash and cash equivalents</b>		<b>8,222</b>	<b>(1,752)</b>
<b>Cash and cash equivalents at start of year</b>		<b>1,354</b>	<b>3,106</b>
		<hr/>	<hr/>
<b>Cash and cash equivalents at end of year</b>	9	<b>9,576</b>	<b>1,354</b>
		<hr/> <hr/>	<hr/> <hr/>

# SANLAM

## BALANCED FUND

ANNUAL REPORT AND FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022





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## Corporate Trustee

Stanbic Bank Kenya Limited  
Stanbic Centre  
Chiromo Road, Westlands  
P O Box 72833-00200  
Nairobi, Kenya

## Registered Office

Sanlam Investments East Africa Limited  
5th Floor, Africa Re Centre, Hospital Road, Upper Hill  
P O Box 67262-00200  
Nairobi, Kenya

## Fund Manager

Sanlam Investments East Africa Limited  
5th Floor, Africa Re Centre, Hospital Road, Upper Hill  
P O Box 67262-00200  
Nairobi, Kenya

## Custodian

Stanbic Bank Kenya Limited  
Stanbic Centre  
Chiromo Road, Westlands  
P O Box 72833-00200  
Nairobi, Kenya

## Independent Auditor

PricewaterhouseCoopers LLP  
PwC Tower, Waiyaki Way/Chiromo Road  
Westlands  
P O Box 43963 - 00100  
Nairobi, Kenya



The Trustee has the pleasure of submitting the Sanlam Balanced Fund (the "Fund") report together with the audited financial statements for the year ended 31 December 2022.

## **ESTABLISHMENT, NATURE AND STATUS OF THE FUND**

The Fund was established by a Trust Deed dated 11 September 2014 and is governed by a revised Trust Deed dated 10 December 2020 as a Balanced Fund. The Fund is registered with the Capital Markets Authority and approved under the Income Tax Act. The Fund is exempt from tax.

The primary objective of the Fund is to create long term wealth for investors with reinvestment of income cash flows.

The Fund is a unit trust and the interest of the individual members is determined by the value of their units. It is administered by the Trustee who is responsible for its affairs. It is an approved collective investment scheme within the meaning of the Capital Markets Act; and the holders are not liable for the debts of the Fund.

## **CHANGES TO INCORPORATION DOCUMENTS**

There were no changes made to the incorporation documents (Prospectus, Trust deed and Rules of the Fund) during the year.

## **INVESTMENT**

Under the terms of their appointment Sanlam Investments East Africa Limited is the Fund Manager and support the Trustee in the investment decisions. The overall responsibility for investment and performance lies with the Trustee.

## **FUND PERFORMANCE**

The performance record of the Fund is as shown below:

### **a) Maximum and minimum unit prices**

The highest and lowest unit prices of the units of the Fund for the last 5 years were as per the table below:

<b>Year</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>
	<b>Shs</b>	<b>Shs</b>	<b>Shs</b>	<b>Shs</b>	<b>Shs</b>
Highest bid price	17.38	17.08	15.37	15.08	15.03
Lowest bid price	16.67	15.34	14.18	13.40	13.30

### **b) Fund Value**

The total value of the Fund, number of units and unit price at the end of the year for the last 3 years is as shown below:

<b>Year</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>
Total Fund Value (Shs)	29,546,000	24,449,000	21,160,000
Number of units in issue	1,691,000	1,430,000	1,365,000
Closing unit price (Shs)	17.36	16.96	15.37

There has not been any amalgamation or reconstruction of the current units in the Fund that have had a material effect on the size of the Fund.



## INCOME DISTRIBUTION

The profit for the year of Shs 742,000 (2021: Shs 2,414,000) has been credited to the unitholders' accounts.

## TERMS OF APPOINTMENT OF THE AUDITOR

PricewaterhouseCoopers LLP continues in office in accordance with the Fund's Trust Deed and Section 55(A) of the Capital Markets (Licensing Requirements) (General) Regulations, 2002.

The Trustee monitors the effectiveness, objectivity and independence of the auditor. This responsibility includes the approval of the audit engagement contract and the associated fees on behalf of the unit holders.

Signed on behalf of the Trustee

21 March 2023



The Capital Markets Act requires the Trustee to prepare financial statements for each financial year which give a true and fair view of the financial position of the Fund at the end of the financial year and its financial performance for the year then ended. The Trustee is responsible for ensuring that the Fund keeps proper accounting records that are sufficient to show and explain the transactions of the Fund; disclose with reasonable accuracy at any time the financial position of the Fund; and that enables them to prepare financial statements of the Fund that comply with prescribed financial reporting standards and the requirements of the Capital Markets Act. They are also responsible for safeguarding the assets of the Fund and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Trustee accepts responsibility for the preparation and presentation of these financial statements in accordance with International Financial Reporting Standards and in the manner required by the Capital Markets Act. They also accept responsibility for:

- i. Designing, implementing and maintaining internal control as they determine necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error;
- ii. Selecting suitable accounting policies and then apply them consistently; and
- iii. Making judgements and accounting estimates that are reasonable in the circumstances.

Having made an assessment of the Fund's ability to continue as a going concern, the Trustee is not aware of any material uncertainties related to events or conditions that may cast doubt upon the Fund's ability to continue as a going concern.

The Trustee acknowledges that the independent audit of the financial statements does not relieve them of their responsibility.

Approved by the Trustee on 21 March 2023 and signed on its behalf by:

Signed on behalf of the Trustee



Dear Unit Holder,

The Sanlam Balanced Fund aims to deliver medium to long term capital growth with lower volatility relative to an equity Fund.

The Balanced Fund return was up 5.9% supported by an increased allocation in fixed deposits and treasury securities. The Fund reduced its exposure to domestic equities to preserve the Fund's return.

### Review of Operating Environment and Outlook

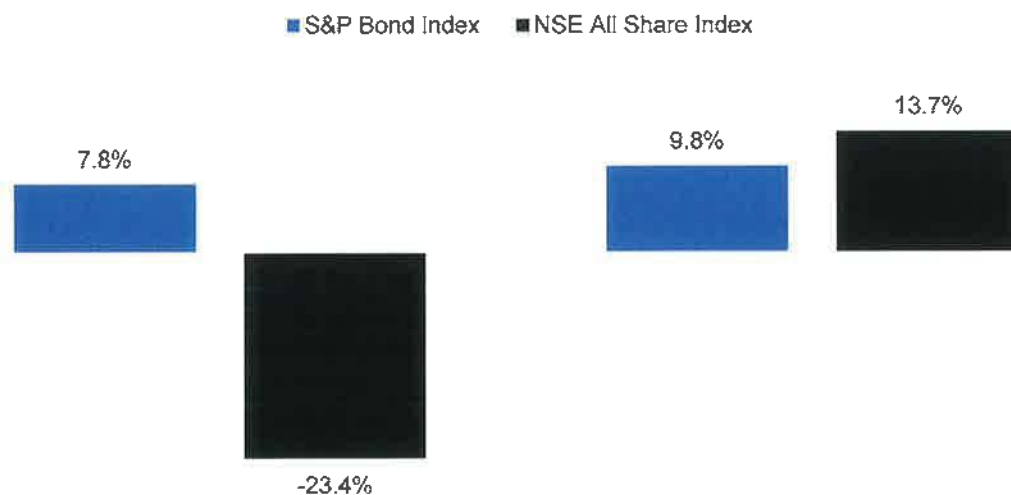
The Kenyan economy grew by 5.6% in the 9 months to the end of September 2022 compared to 7.7% in a similar period in 2021. The higher growth in 2021 was due to the re-opening of the economy after the Covid-19 Pandemic restrictions. The International Monetary Fund (IMF) projects the economic growth to slow down to 5.1% in 2023 from 5.3% in 2022. This is within the backdrop of higher country and global inflation, adverse weather conditions and the ongoing Russia-Ukraine war that could further strain the pre-existing supply chain constraints.

Headline inflation increased to 7.6% from 6.1% in 2021 having peaked at 9.6% in October 2022. Inflation rose above the Central Bank's upper target of 7.5% in June 2022 to the end of the year on account of higher fuel and food prices. Higher inflation pressures are expected in 2023 with key risks arising from higher energy prices due to the protracted Russia-Ukraine war and unpredictable weather conditions in the country.

Yields on government securities were on an upward trajectory in 2022. This was mainly driven by the increased borrowing appetite by the government coupled with investors' demand for higher yield to cushion themselves against higher inflation. Interest rates are expected to remain elevated given the funding requirements by the government. Investors could remain cautious and prefer short-term fixed income securities to hedge against rising interest rates. However, long term bonds remain attractive to investors due to the possibility of locking in high returns.

The Kenyan equities market declined in 2022, in line with the trend in global equities. Macroeconomic risks led to global risk aversion. A higher inflationary environment and the stronger US Dollar has led to reduced investor flows to higher risk assets leading to a decline in equities prices. The NSE All Share Index was down by 23.4% in FY 2022. Kenyan Banks continued to register strong growth in profits in Q3 2022. Banks in the portfolio an average profit growth of 31.1% year-on-year; primarily supported by increased lending, reductions in loan loss provisions and better operational efficiencies.

### Market Performance

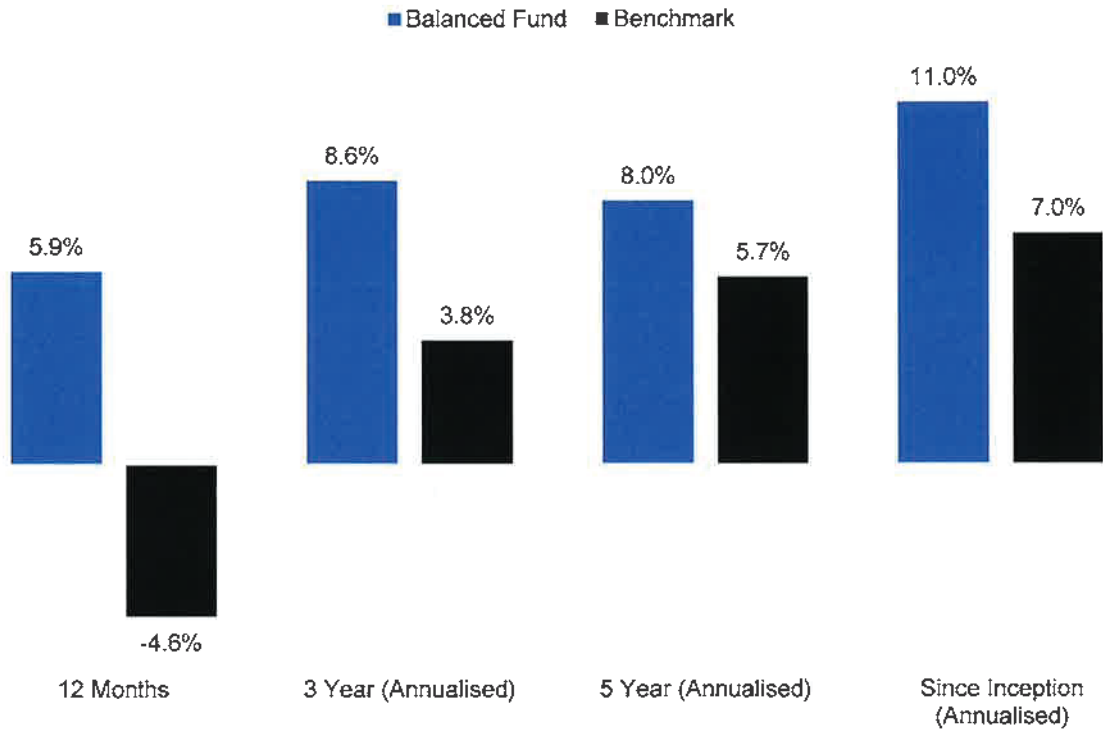




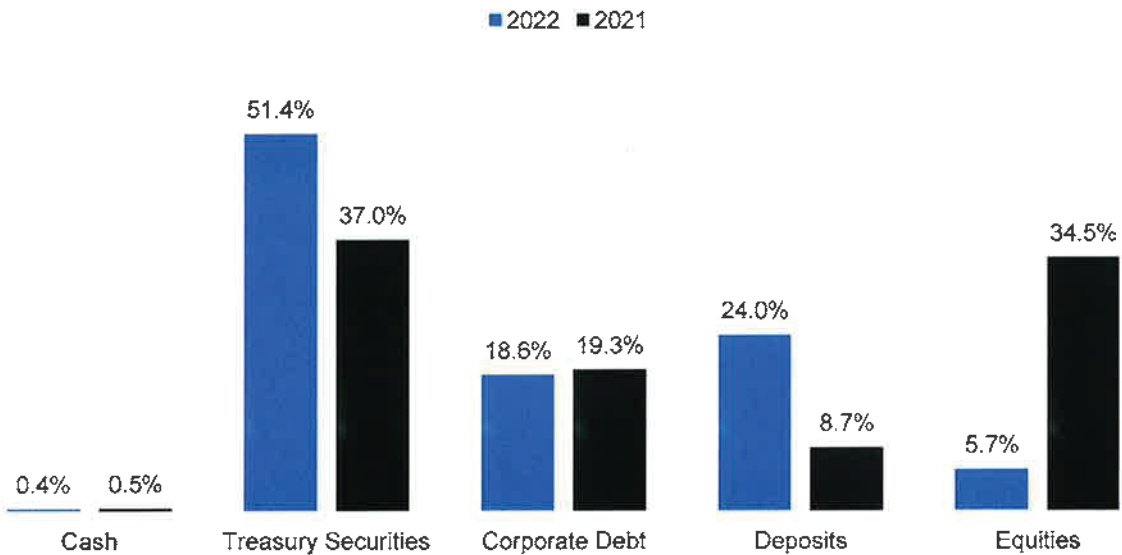


## Fund Performance and Asset Allocation as at 31 December 2022

### Fund Performance



### Asset Allocation



Signed on behalf of the Fund Manager

21 March 2023



In accordance with the Capital Markets (Collective Investment Schemes) Regulations, 2001 (the Regulations) and the Custody Agreement between Stanbic Bank Kenya Limited as the Custodian and Sanlam Investments East Africa Limited as the Fund Manager, we confirm:

- a) we have discharged the duties prescribed for a Custodian under Regulation 35 of the Regulations, to the Sanlam Balanced Fund; and
- b) for the period 1 January 2022 to 31 December 2022, we have held the assets for the Sanlam Balanced Fund; including securities and income that accrue thereof, to the order of the Trustee and facilitated the transfer, exchange or delivery in accordance with the instructions received from the Fund Manager.

Signed on behalf of the Custodian

21 March 2023



## INDEPENDENT AUDITOR'S REPORT TO THE UNIT HOLDERS OF SANLAM BALANCED FUND

### Report on the financial statements

#### *Opinion*

We have audited the accompanying financial statements of Sanlam Balanced Fund (the "Fund") set out on pages 11 to 29 which comprise the statement of financial position at 31 December 2022 and the statements of profit or loss and other comprehensive income, changes in unit holders' balances and cash flows for the year then ended and the notes to the financial statements, which include significant accounting policies and other explanatory information.

In our opinion, the financial statements give a true and fair view of the financial position of the Sanlam Balanced Fund at 31 December 2022 and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Capital Markets (Collective Investments Schemes) Regulations, 2001.

#### *Basis for opinion*

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

We are independent of the Fund in accordance with the International Ethics Standards Board for Accountants (IESBA) International Code of Ethics for Professional Accountants (including International Independence Standards) (the IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Kenya. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### *Key audit matters*

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period.

We have determined that there are no key audit matters to communicate in our report.

#### *Other information*

The other information comprises Trustee and professional advisors, Report of the Trustee, Statement of Trustee's Responsibilities, Fund manager's report and the Report of the Custodian which we obtained prior to the date of this auditor's report, and the rest of the other information in the Annual Report which are expected to be made available to us after that date, but does not include the financial statements and our auditor's report thereon. The Trustee is responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

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Partners: E Kerich B Kimacia M Mugasa A Murage F Muriu P Ngahu B Ngunjiri R Njoroge S O Norbert's B Okundi K Saiti

## INDEPENDENT AUDITOR'S REPORT TO THE UNIT HOLDERS OF SANLAM BALANCED FUND (CONTINUED)

### *Other information (continued)*

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information we have received prior to the date of this auditor's report we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the rest of the other information in the Annual Report and we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

### *Responsibilities of the Trustee for the financial statements*

The Trustee is responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the requirements of Capital Markets Authority (Collective Investments Schemes) Regulations 2001, and for such internal control as the Trustee determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Trustee is responsible for assessing the Fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Trustee either intends to liquidate the Fund or to cease operations, or have no realistic alternative but to do so.

### *Auditor's responsibilities for the audit of the financial statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Trustee.

## INDEPENDENT AUDITOR'S REPORT TO THE UNIT HOLDERS OF SANLAM BALANCED FUND (CONTINUED)

### *Auditor's responsibilities for the audit of the financial statements (continued)*

- Conclude on the appropriateness of the Trustee's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Fund to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Trustee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

From the matters communicated with the trustees, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

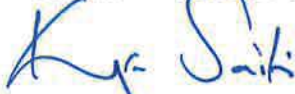
### **Report on other legal requirements**

We confirm that the financial statements have been properly prepared in accordance with the Capital Markets Authority (Collective Investment Schemes) Regulations, 2001.

The Capital Markets Authority (Collective Investment Schemes) Regulations, 2001 also requires that in carrying out our audit we consider and report to you on the following matters:

- If the auditor is of the opinion that proper accounting records for the collective investment scheme have not been kept or that the accounts are not in agreement with those records,
- If the auditor has not been given all the information and explanations which, to the best of his knowledge and belief, are necessary for the purpose of his audit, or
- If the auditor is of the opinion that the information given in the report of the Fund Manager for that period is inconsistent with the accounts.

We confirm that there are no matters to report in respect of the foregoing requirements.



**CPA Kang'e Saiti, Practising Certificate No.1652**  
**Engagement partner responsible for the audit**

**For and on behalf of PricewaterhouseCoopers LLP**  
**Certified Public Accountants**  
**Nairobi**

 22 March 2023



## STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	2022 Shs'000	2021 Shs'000
Investment income	5	2,503	3,548
Fair value loss on financial assets at fair value through profit or loss		(796)	(276)
<b>Total income</b>		<b>1,707</b>	<b>3,272</b>
Operating expenses	6	(996)	(781)
Decrease / (increase) in allowance for expected credit losses		31	(77)
<b>Profit before income tax</b>		<b>742</b>	<b>2,414</b>
Income tax expense		-	-
<b>Profit for the year</b>		<b>742</b>	<b>2,414</b>
Other comprehensive income		-	-
<b>Total comprehensive income for the year</b>		<b>742</b>	<b>2,414</b>





## STATEMENT OF FINANCIAL POSITION

	Notes	2022 Shs'000	2021 Shs'000
<b>ASSETS</b>			
Government securities	8(ii)	15,344	9,152
Quoted ordinary shares	8(ii)	1,691	8,558
Deposits with financial institutions	8(ii)	7,164	2,160
Corporate bonds	8(ii)	5,518	4,700
Bank balances	9	111	129
		<hr/>	<hr/>
<b>Total assets</b>		<b>29,828</b>	<b>24,699</b>
		<hr/>	<hr/>
<b>Liabilities</b>			
<b>Current liabilities</b>			
Accrued expenses	11	282	250
		<hr/>	<hr/>
<b>Liabilities (excluding unit holder balances)</b>		<b>282</b>	<b>250</b>
		<hr/>	<hr/>
Unit Holder Balances	10	29,546	24,449
		<hr/>	<hr/>
<b>Total liabilities</b>		<b>29,828</b>	<b>24,699</b>
		<hr/>	<hr/>

The financial statements on pages 11 to 29 were approved for issue by the Trustee on 21 March 2023 and signed on its behalf by:

Representing Trustee

JOE ALARO

Name



## STATEMENT OF CHANGES IN UNIT HOLDERS' BALANCES

	Notes	2022 Shs'000	2021 Shs'000
At start of year		24,449	21,160
Total comprehensive income for the year		742	2,414
<u>Transactions with unit holders:</u>			
Additional units purchased	10	8,929	5,482
Units liquidated	10	(4,574)	(4,607)
Net balances of transactions with unit holders		4,355	875
At end of year		<b>29,546</b>	<b>24,449</b>



## STATEMENT OF CASH FLOWS





	Notes	2022 Shs'000	2021 Shs'000
<b>Profit before income tax</b>		742	2,414
<i>Changes in working capital</i>			
- Accrued expenses		32	182
- Quoted ordinary shares		6,867	(4,878)
- Government securities		(6,192)	4,342
- Deposits with financial institutions		(2,028)	1,046
- Due from related party		-	9
- Corporate bonds		(818)	(4,700)
<b>Cash used in operations</b>		(1,397)	(1,585)
Income tax paid		-	-
<b>Net cash used in operating activities</b>		(1,397)	(1,585)
<b>Cash flows from financing activities</b>			
Net contribution from unit holders	10	8,929	5,482
Liquidations by unit holders	10	(4,574)	(4,607)
<b>Net cash generated from financing activities</b>		4,355	875
<b>Net increase / (decrease) in cash and cash equivalents</b>		2,958	(710)
Cash and cash equivalents at start of year		2,293	3,003
<b>Cash and cash equivalents at end of year</b>	9	5,251	2,293



### Sanlam Unit Trust Contact Information:

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Investments

Past performance is not an indicator of future performance as price of units may rise or fall. The Capital Markets Authority does not take responsibility for the financial soundness of the scheme or for the correctness of any statements made or opinions expressed in this regard.