

# Celestine Capital Management

## Summary

This document has been prepared and issued to provide qualifying investors with information relating to an offer to subscribe for 5,000 Celestine Fund Ordinary shares at an issue price of \$50,000 per Celestine Fund Ordinary share in terms of a Private Placement.

Opening date of the Private Placement at 08h00 on	31 January 2022
Final closing date of the Private Placement at close of business on	31 January 2023
Applicants to be notified of success/failure of application	7 days from closing date
Posting of share certificates and refund of surplus	4 weeks from closing date

The basis of allotment will remain within the discretion of the directors of the Celestine Fund.

Subscriptions can only be made at an acquisition cost, for a single addressee acting as applicant, of no less than \$50,000 to a maximum of \$50,000,000, assuming the Private Placement is fully subscribed.

This Private Placement Memorandum is an invitation to subscribe for shares in Celestine Fund and is issued for the purpose of providing information to investors about the Celestine Fund. Share pricing will adjust according to the subscription price adjustment formula if necessary.

The directors of Celestine Fund, whose names are given in this Private Placement Memorandum, collectively and individually, accept full responsibility for the accuracy of the information given in this Private Placement Memorandum and certify that to the best of their knowledge and belief that no facts have been omitted which would render any statement in this Private Placement Memorandum false or misleading, and that all reasonable enquiries to ascertain such facts have been made.

On the opening date of the Private Placement, the authorized share capital of Celestine Fund will comprise 10 Ordinary shares of no par value and 500 'Z' shares of no par value. After the Private Placement, the issued share capital of Celestine Fund will comprise 5,000 Ordinary shares of no par value totaling \$250,000,000 and 500 'Z' shares of no par value totaling \$20,000 (assuming fully subscribed).

The minimum amount, which in the opinion of the directors, must be raised by Celestine Fund through the Private Placement is \$55,000,000. The directors reserve the right to waive the minimum amount.

All monies raised in terms of the Private Placement will be retained by the Promoter until such time as the minimum amount has been raised, or waived.

The Ordinary shares issued in terms of the Private Placement will rank pari passu with all other Ordinary shares. The Ordinary shares and 'Z' shares issued will be issued in certificated form.

This Private Placement Memorandum has not been registered with the Securities and Exchange Commission (SEC), nor is there a requirement to do so. However, a filing has been made to notify the SEC of our intent to raise capital and Celestine Fund's SEC Form D will be submitted in accordance with Regulation D within 15 days of the fund closing date.

Persons with questions relating to this Private Placement Memorandum are invited to contact Ian Mubiru at +1 (202) 656-0879 or [ian@devquestgroup.com](mailto:ian@devquestgroup.com).

<p>Capital Management</p>  <p><b>DevQuest</b> [Celestine Capital, a DevQuest company]</p>	<p>Legal Adviser</p>  <p><b>COVINGTON</b> COVINGTON &amp; BURLING LLP</p>	<p>Transaction Adviser</p> 
<p>Tax Adviser</p> 	<p>Auditors</p>  <p><b>aronson</b>.LLC ASSURANCE   TAX   CONSULTING</p>	<p>Project &amp; Construction Management Adviser</p> 

**Date of issue:** 31 January 2022

Copies of this Private Placement Memorandum are available in English only and may be downloaded from the company's website at <http://www.celestine.fund>

**Disclaimer**

The contents of this Private Placement Memorandum do not constitute and should not be construed as investment, tax, legal, accounting or other advice. For advice on these matters you should consult your own investment, tax, legal, accounting or other advisers about any material or information discussed in this Private Placement Memorandum.

**Warning**

Investment funds are speculative by their very nature and prospective subscribers should refer to pages 8 and 9 of this Private Placement Memorandum concerning the potential risks.

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Dear Prospective Investor,

**Celestine I Fund, LLC (“Celestine Fund”)**

We write in our capacity as the duly appointed fund Manager of Celestine Fund and thank you for considering Celestine Fund as an investment.

We believe that an East-Africa-focused Real Estate fund presents a unique opportunity for investors to gain direct exposure to the high-growth Real Estate markets of East Africa, especially Nairobi and Kampala.

Celestine Fund is seeking to raise \$250,000,000 (before issue expenses) through an issue of new Ordinary shares in Celestine Fund. The Offer may be increased to a maximum of \$365,000,000 (7,300 Ordinary shares) if considered appropriate by the Board of Directors of Celestine Fund.

We believe that an investment in Real Estate Trust shares in Celestine Fund is worthy of your careful consideration for the following reasons:

**Growth and Development of the Real Estate Sector in East Africa**

The Real Estate Sector in East Africa (Kenya and Uganda) is experiencing tremendous growth and development with regional hubs developing particularly in Nairobi and Kampala. Exciting new developments are being constructed which offer the potential for significant investment returns due to the tremendous demand for middle-class housing in the metropolitan areas of the two capitals.

**Celestine Fund Deal Flow**

Celestine Fund is experiencing a significant deal flow with exciting investment opportunities being presented on an ongoing basis. Celestine Fund has a strategic alliance with global engineering giant AECOM which allows it to add significant value to the delivery of large-scale real estate developments and to ensure the highest level of project management efficiency.

**The Celestine Fund Management**

The Celestine Fund’s management team has over 50 years of combined experience in investing and real estate investment analysis.

**Investment Strategy**

Celestine Fund will make equity investments in a portfolio of environmentally-sustainable real estate developments (based on ESG benchmarks) aimed at the low- and middle-class segment of the market.

It is anticipated that the \$250,000,000 to be raised as a result of this PPM, will be invested in approximately 25 to 30 property developments.

### **Risk Mitigation**

The Celestine Fund model incorporates a number of features which will mitigate the risks associated with emerging-market real estate investments.

These primarily include:

- The experience of the Manager in selecting, structuring and managing investments;
- The investment criteria which have been put in place.

### **How to Invest**

Please complete the online form at [www.Celestine.Fund](http://www.Celestine.Fund) to receive share purchase instructions. If you have any questions regarding your application, please contact Celestine Capital, c/o Ian Mubiru at [info@devquestgroup.com](mailto:info@devquestgroup.com).

Yours sincerely,

Celestine Capital

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### **Purpose of the Private Placement**

The purpose of the Private Placement is:

- To increase the capital of Celestine Fund and thus enable it to invest in Qualifying Real Estate developments;
- To enhance investor and general public awareness of Celestine Fund;
- To invite members of the public, financial institutions, pension funds, business associates and employees of Celestine Capital to invest directly in Celestine Fund;
- To establish a broad shareholder base for Celestine Fund.

The proceeds of the offer will be utilized primarily to acquire investments in Qualifying Real Estate developments meeting the criteria more fully described herein.

### **Investment Opportunity**

This Private Placement offers investors the opportunity to subscribe for Ordinary shares in Celestine Fund. The funds raised by the issue of Ordinary shares will be invested in a portfolio of real estate investments carefully selected by the Manager as having solid potential for highly attractive returns. Qualifying Companies will benefit not only from the capital invested by Celestine Fund, but also from the experience and active involvement of the investment team.

## **Investment return**

Celestine Fund aims to achieve an investment return of no less than 1.6 times the Risk Capital invested which equates to a targeted Internal Rate of Return of 10% per annum.

Any investment in Celestine Fund should be seen as a long-term investment.

## **Investment strategy**

Celestine Fund will invest in environmentally-sustainable real estate developments aimed at the low- and middle-class segment of the market which have the potential to deliver robust returns and will provide them with the capital and project management support needed to ensure they achieve their full potential.

The \$250,000,000 to be raised in terms of this PPM will be invested in approximately 25 to 30 investments.

The portfolio of investments to be acquired will comprise a mixture of land and real estate developments including: middle class, middle income and affordable housing developments requiring growth capital. The portfolio will also include investments in companies whose mission is to provide financial and technical solutions to enable middle class individuals and families in the region to realize the goal of purchasing real estate and owning a home.

Celestine Fund will invest in real estate developments with the following features:

- Attractive, accessible locations with proximity to shopping, schools, and community centers;
- Developers with a strong track record of successful project developments and profitability
- Developers that include offtake agreements, contractually obligating the developer to guarantee the sale of a % of units;
- Strong, balanced and well-motivated management teams who hold meaningful shareholdings in their companies;
- Attractive entry prices;
- Opportunities for Celestine Capital to add value;
- The prospect of exiting with a meaningful investment surplus within a period of three to seven years.

The management team is currently experiencing a strong flow of investment opportunities. The scarcity of reliable long-term investment financing for real estate projects in East Africa is contributing to this strong deal flow.

## **Investment criteria**

Celestine Fund will invest in Qualifying Real Estate Developments subject to a strict set of investment covenants so as to develop a diversified portfolio. Investment covenants include: no single investment to exceed 20% of Celestine Fund's capital.

## **Deal flow and investment process**

The team is excited by the deal flow currently being presented to them and is optimistic that this deal flow will add value to the Celestine Fund investment portfolio.

Investments will be made according to strict criteria and will be assessed by the Investment Committee.

### Celestine Capital Management Team

The Celestine Fund team has over 50 years of combined experience in investing and real estate investment analysis.

<p><b>Daniel Kuyoh, CFA</b> General Partner</p>	<ul style="list-style-type: none"> <li>• Twelve years of successful multi-sector fund management experience</li> <li>• Served five years as the Investment Portfolio Manager at Alpha Africa Asset Managers, building new real estate funds and achieving remarkable returns with the Kasha &amp; Hifadhi funds</li> <li>• Bachelor of Science in International Business Administration</li> <li>• Chartered Financial Analyst II since 2015; based in Nairobi, Kenya</li> </ul>
<p><b>Omari Williams</b> General Partner</p>	<ul style="list-style-type: none"> <li>• Over twelve years’ experience in risk management and financial portfolio analysis</li> <li>• Has managed an SBA portfolio of over \$5 billion, part of program that joined public and private U.S. small business investment funds</li> <li>• Highly effective at performing investment, portfolio and risk analyses</li> <li>• Highly skilled Portfolio Risk Manager with experience in East Africa</li> <li>• M.P.P from George Washington University in International Economic Policy and B.A. in Economics from the University of Michigan</li> </ul>
<p><b>Ian Mubiru</b></p>	<ul style="list-style-type: none"> <li>• Over 12 years’ experience in ICT4D, Mobile 4 Development, Commercialization of Digital Payment Platforms, Development of field-based tracking tools, Recruitment, and management of field-based teams,</li> <li>• Growth and Management of fintech start-ups across East Africa</li> <li>• Former director at Beyonic Inc. Oversaw all the operations of the company from startup until it got acquired.</li> <li>• Highly skilled operations, sales and partnership building expert across East Africa</li> <li>• Managed recruitment and management of field-based officers in Uganda and Kenya for Grameen Foundation under the BMG funded projects</li> <li>• BA in Development Studies from Uganda Christian University</li> </ul>

<b>Annah Kinyua</b>	[Bio]
<b>Luke Kyohere</b> Advisor	<ul style="list-style-type: none"> <li>• Extremely successful entrepreneur &amp; CEO of a venture-back fintech firm, Beyonic</li> <li>• Founded Beyonic in 2000 in Kampala and has grown it to an enormously successful venture spanning five countries (including Kenya, Tanzania and Uganda), whose goal is to help companies embrace mobile money, smoothly efficiently and at scale</li> <li>• Extensive knowledge of business and finance as well as currency and capital flows in the East Africa region</li> <li>• M.S. from University of Texas’ Redcombs School of Business in Technology Commercialization and B.S. in Electrical Engineering from Makere University in Kampala</li> </ul>
<b>James Reed</b> Advisor	<ul style="list-style-type: none"> <li>• Over 20 years’ experience in Real Estate Portfolio Lending Advisory services</li> <li>• Extensive, multi-faceted background in real estate lending, loan portfolio management and credit risk management</li> <li>• Extremely effective at performing real estate portfolio analyses, especially commercial</li> <li>• Highly skilled Real Estate Investment Adviser with a successful track record in a large regional bank environment as well as a small start-up community bank.</li> <li>• B.A. in Economics from the University of Virginia</li> </ul>

\*GP’s track record of previous real estate funds is included in Appendix A

### **Investment process**

Celestine Capital has used the experience gained by its team to develop a rigorous investment process to ensure the highest standard of investment decision making. A small proportion of the large number of investment opportunities presented to Celestine Capital management will be selected for further investigation.

A thorough due diligence investigation will be conducted, comprising a review of the location, the project plan, the market segment the real estate is meant to attract, the current level of competition in that location and within that market segment as well as the opportunities and risks facing the project.

The due diligence process usually involves detailed market research, including interviews with previous buyers, prospective buyers and contractors, as well as reviewing and analyzing financial models. Celestine Capital may also employ AECOM engineering specialists, as advisers who assist with research into design and construction planning and potential risks where required.

If there is a satisfactory outcome to the due diligence process, a formal proposal will be submitted to the Celestine Fund investment committee for consideration. The investment committee has full discretion to make investment decisions on behalf of the Celestine Fund.

### **Post investment management**

Once an investment has been made, Celestine Capital will apply the expertise and experience of its investment management team to add value to the Qualifying Project or Company.

Celestine Capital will seek to appoint a member of its investment team to the Boards of Qualifying Companies thereby ensuring:

- Good corporate governance;
- The review of monthly management accounts and related information to identify potential issues and opportunities;
- The approval of strategic decisions, including the approval of budgets, significant investments and acquisition of real property;
- The right, should circumstances require, to replace under-performing management.

### **Management and investment team**

Celestine Fund is managed by Celestine Capital

Celestine Capital is directed and managed by professionals with a successful track record of real estate investment in East Africa and extensive experience in real estate finance and risk management. The Celestine Capital management team has over 50 years of combined experience in managing real estate and associated investments, having successfully acquired and managed several portfolios of real estate assets and having worked with the full range of financing solutions from mortgages, REITs to mezzanine debt and various other forms of private investment.

Celestine Fund was incorporated in the state of Delaware on 20 September 2019 under the name Celestine I Fund, LLC.

### **Remuneration of Celestine Capital Management**

#### **Annual Management Fee**

Celestine Capital management will charge an annual management fee equal to 1.5% of the capital of Celestine Fund, deducted quarterly.

Celestine Capital will be responsible for costs incurred in pursuing opportunities not implemented.

Celestine Capital management will be entitled to charge directors' and/or management fees to Qualifying Developers.

### **Celestine Capital Management Participation in Realized Investment Surpluses**

Realized surpluses arising on the disposal of investments in Qualifying Properties will be distributed to shareholders by way of dividends.

One 'Z' share will be issued to Celestine Capital management at \$1 per share for every ten Ordinary shares issued in terms of the PPM in order for it to participate in its 20% share of realized investment surpluses.

### **Description of the Private Placement**

The Private Placement is as follows:

- 5,000 Ordinary shares at an issue price of \$50,000 per share are being offered for subscription in terms of this Private Placement Memorandum to invited investors, financial institutions, pension funds, and business associates of Celestine Capital;
- The minimum subscription is 1,500 Ordinary shares;
- The maximum subscription is 7,300 Ordinary shares;
- The Board of Directors of Celestine Fund reserves the right to waive the minimum subscription or to increase the maximum subscription to 10,000 shares.

### **Details of the offer**

Amount to be raised	\$250,000,000
Minimum Investment per Investor	\$50,000
Maximum Investment per Investor	\$50,000,000
Offer price per Ordinary share (subject to the subscription price adjustment formula)	\$50,000
Number of Ordinary shares to be issued	5,000
Establishment costs	EC
Net proceeds for the Company	\$250,000,000 - EC

Investors who have been invited to apply should do so by completing the attached Private Placement Mandate and Application form in full in accordance with the provisions of this PPM.

Certain investors may be introduced to Celestine Fund by authorized intermediaries. Celestine Fund will pay these intermediaries an introductory commission in accordance with industry norms of 2.5% of the capital introduced and a trail commission of 0.25% per annum for four years. No commission will be payable in respect of investors introduced by Celestine Capital Management.

## **Risk factors**

All the information in this Private Placement Memorandum should be considered by potential investors before making a decision to invest.

Emerging market real estate fund investments are considered to be higher risk and generally more suitable for high net worth investors who are prepared to accept the risks inherent in investments of this nature.

Prospective investors are encouraged to seek independent financial, legal, tax and other relevant advice.

The Private Placement Memorandum can be accessed and downloaded on the Celestine Fund website <http://www.celestine.fund>

## **Risk mitigation and risk management**

The Celestine Fund model incorporates a number of features which will mitigate the risks associated with emerging market investments.

Key risk mitigation features include:

- The experience of the Manager in selecting, structuring and managing real estate investments;
- The investment criteria, which have been put in place.
- Proven track record - Celestine Fund will invest in real estate projects initiated by experienced developers with a proven track record of success, delivering high-quality, high-demand developments within their chosen segment of market;
- Diversified portfolio of properties - Celestine Fund will invest in a diversified portfolio of properties, thereby reducing the potential impact of under-performance by any individual investment;
- Rigorous investment process - Celestine Capital management has established rigorous processes for evaluating and approving prospective investments;
- Project insurance – the Celestine Fund will obtain insurance on each development project from the World Bank’s Multilateral Investment Guarantee Agency (MIGA); covering regional and political risks such as: transfer restriction, expropriation, war and civil disobedience and arbitral award default or the failure of the counterparty to honor his/her portion of the contract
- Project monitoring - Celestine Capital has a strategic partnership with the global engineering giant AECOM. A team of AECOM consultants specializing in construction management will monitor the progress of construction on Celestine Fund investment projects and closely monitor their performance to identify problems at an early stage such that swift corrective action can be taken when necessary;
- Co-investment - Celestine Fund will invest capital not actively being used for real estate purchases or project development expenditures with Mark Spitznagel's Black Swan fund -Universa Investments, L.P. which will enable Celestine Fund to benefit from the paradox of higher returns with lower risk provided uniquely by Spitznagel’s Universa Investments, L.P.

**Share buy backs**


A purchase of ordinary shares in Celestine Fund should be considered as a long-term investment. In the event of a shareholder needing to cash out their investment prematurely, the Board of Celestine Fund will endeavor to place the shares on his/her behalf or in exceptional circumstances and at the discretion of the Board, Celestine Fund may repurchase the shares at an appropriate price.

**Rights of ordinary shareholders and 'Z' shareholders**

Ordinary shares and 'Z' shares will rank pari passu in all respects except that the Ordinary shareholders will be entitled to the return of their share capital prior to any return of share capital to the 'Z' shareholders.

Appendix A:

**GP Track Record** – Daniel Kuyoh

<b>Fund Name</b>	<b>Start Date</b>	<b>Invested Capital</b>	<b>Realized Value</b>	<b>Unrealized Value</b>	<b>Total Value</b>	<b>Multiple</b>	<b>Gross IRR</b>
<b>Kasha Fund</b> 	09/2013	\$6.6 M	\$25.9 M	\$2.5 M	\$28.4 M	4.3x	23.8%
<b>Hifadhi Fund</b> 	01/2016	\$15.6 M	\$64.3 M	\$46.8 M	\$111.1 M	7.1x	38.5%