



THE ZAMARA PENSION

PERFORMANCE WATCH
2019 EDITION

SPECIAL FEATURES IN THIS EDITION:

AN ANALYSIS OF KENYAN
PENSION SCHEME EXPENSES







VOLATILITY ANALYSIS:

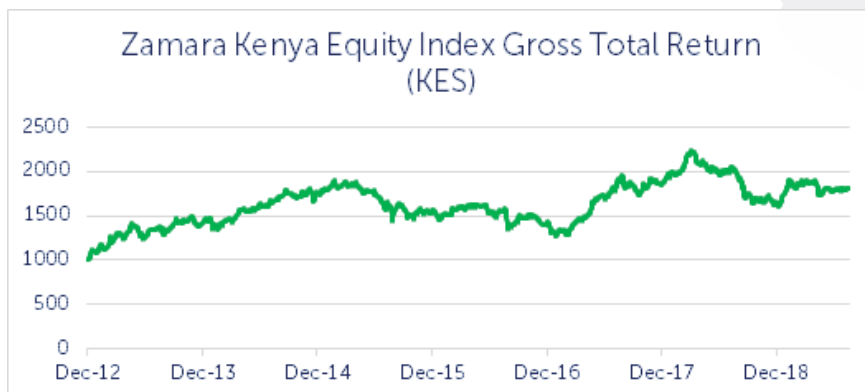
ARE WE BEING REWARDED
FOR TAKING RISK?

THE ZAMARA KENYA EQUITY INDEX

We were motivated to create a new equity index for the pensions industry in Kenya so that we can have a fully investible and fair benchmark. Our industry has needed a fair way to monitor the performance of pension funds as there have been a number of challenges with the existing available indices. The Zamara Kenya Equity Index data is provided by the Nairobi Securities Exchange and is calculated by S&P Dow Jones.

The Zamara Kenya Equity Index aims to resolve some of the key challenges encountered by the pensions industry:

KEY CHALLENGE	HOW THE INDEX RESOLVES IT
 <p>A large number of stocks in our stock market are too small to invest in by institutional investors.</p>	 <p>Only stocks with a minimum free float value of KShs 5 billion will be included in the index.</p>
 <p>Some stocks in our market are illiquid – investors can't easily buy/sell these when they want to.</p>	 <p>Only stocks with a minimum amount of liquidity are considered. The Average Daily Value Traded over the last 6 months must be at least K Shs 5 million.</p>
 <p>Certain stocks have a high concentration in the stock market.</p>	 <p>There is a single stock cap of 20% within the index. This adds a level of risk mitigation.</p>



Available: in both Kenya Shillings and US Dollars

Access the index at no cost

A dedicated website to access the index from 2013 to date, this is updated daily. <https://customindices.spindices.com/indices/custom-indices/zamara-kenya-equity-index-gross-total-return-kes>

History: The index start date is 1 January 2013 – thus there is history for 6 and half years so far



Welcome to the 2nd Edition of The Zamara Pension Performance Watch

The Zamara Pension Performance Watch is a unique publication that provides a long-term view of Kenya's pensions industry and discusses relevant topics that affects the Kenya's Pensions industry as we continue to evolve.

We have seen a welcome shift over the years, with trustees focusing on longer term performance and appreciating the impact of asset allocation and the economy on their scheme's performance.

This publication provides analysis on long term returns and gives a full year investment performance summary as well as historical returns over the last decade. We have provided tables of statistics and charts for asset allocations, overall returns as well as returns by asset classes. We have tried to keep the information concise to enable the reader to have a 'big picture' view. The detailed analysis will continue to be included in our quarterly Z-CASS publication.

In this second edition we have tweaked the lens a bit to include additional important elements that our industry needs to consider – risk and expenses. In addition to the above analysis on returns, we also look at a variety of risk metrics and discuss pertinent questions

such as; what is the level of risk in our Kenyan pension scheme portfolios? Are we being rewarded for the risk we take? What investments have given us the best risk-adjusted returns?

There is an increased focus on expenses. Our industry has seen the introduction of market conduct regulations; and we are expecting additional legislation on trustee remuneration and others. Changes in regulation tend to increase the expenses of a scheme. Zamara has conducted a study of expenses borne by Kenyan pension schemes. Where are we spending members' monies and are our expenses reasonable? What are our biggest costs? We share these results in this publication.

This edition includes articles on topical areas of interest contributed by members of the Zamara team and the Kenyan pension industry. We have also included a profile of fund managers who participate in Z-CASS, with summary information on each participating manager's history, investment philosophy, assets under management and key investment personnel.

We hope you will find this second edition of the Zamara Pension Performance Watch useful and we look forward to receiving your feedback and suggestions on improving its content and relevance to you.

Sundeep Raichura
Group CEO – Zamara

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IT DIDN'T TAKE A FEW SECONDS
FOR THE FIRST PLANE TO TAKE OFF
IT TOOK 6 YEARS



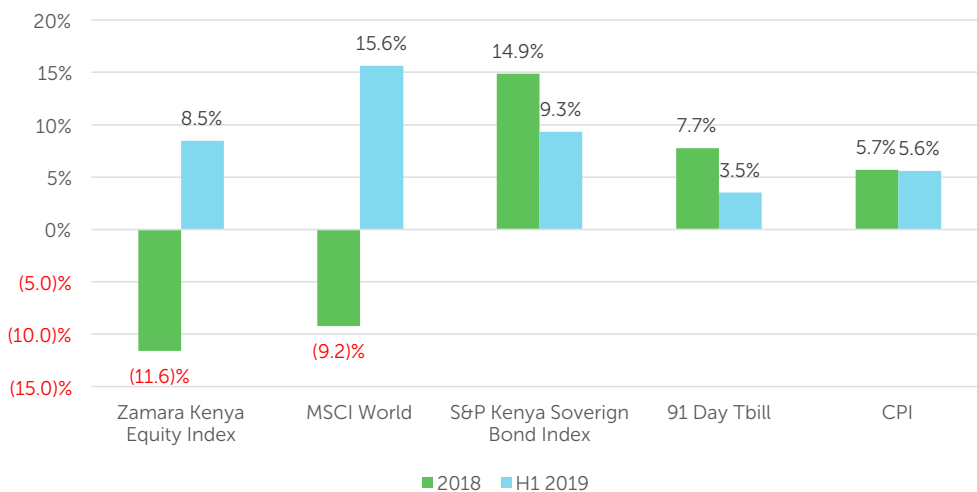
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Economic Commentary 2018 & First Half of 2019 Review

The chart below shows the performance of key indices in 2018 and first half of 2019.



Economic growth in 2018 was 6.3% compared to 4.9% in 2017 and above the historical average of 5.9%.

Source: NSE, S&P, KNBS, Bloomberg, CBK

Global markets

Global financial markets exhibited volatility over the year with US-China trade tensions remaining unresolved. The situation was exacerbated with Federal Reserve increasing the Fed rate four times in the year at the end of each quarter. A US Federal rate hike makes US local fixed income investments more attractive therefore causing investors to move monies away from riskier equity investments to a safer haven. The MSCI World Index, MSCI All Country World Index, and MSCI Emerging Markets Index lost 9.2%, 10.0% and 15.5% respectively. This decline followed a year of positive returns of 19.3% for MSCI World Index, 20.7% for MSCI All Country World Index, and 33.4% for MSCI Emerging Markets Index posted in 2017. The macro-economic events that influenced global markets in 2018 are expected to be at play in 2019. In the first six months of 2019, the US Federal rate remained unchanged. US-China trade talks have stagnated with each side increasing tariffs. Uncertainty may persist if an agreement is not reached between the two economies.

Kenyan Economy

GDP Growth

Economic growth in 2018 was 6.3% compared to 4.9% in 2017 and above the historical average of 5.9%. The growth was attributed to favourable weather conditions, stable political and macroeconomic environment during the period under review. Agriculture which accounts for a third of the country's economy, benefited from sufficient rainfall; with the precipitation also boosting hydro power generation. In 2019 agriculture may lag, with precipitation levels during the rainy seasons (April to June) being lower than levels in 2018. GDP may benefit if the interest capping law is repealed as provided for in the finance bill 2019. The law has suppressed private sector credit allocation. The outlook for political stability in 2019 is positive.

Inflation

Average annual Inflation in 2018 declined to 4.7% from 8.0% in 2017 because of low food prices caused by improved weather conditions. In the last half of the 2018 there was an upward pressure on inflation driven by the introduction of 8.0% VAT on fuel products. In the first half of 2019, high food prices exerted upward pressure on inflation caused by less rainfall. Oil prices were generally low in the first half of 2019. However, the rising tensions between US and Iran in the Strait of Hormuz could cause major risks to global oil supply, thus placing upward pressure on oil prices going forward.

2018 was a tough year for investors at the Nairobi Securities Exchange (NSE)

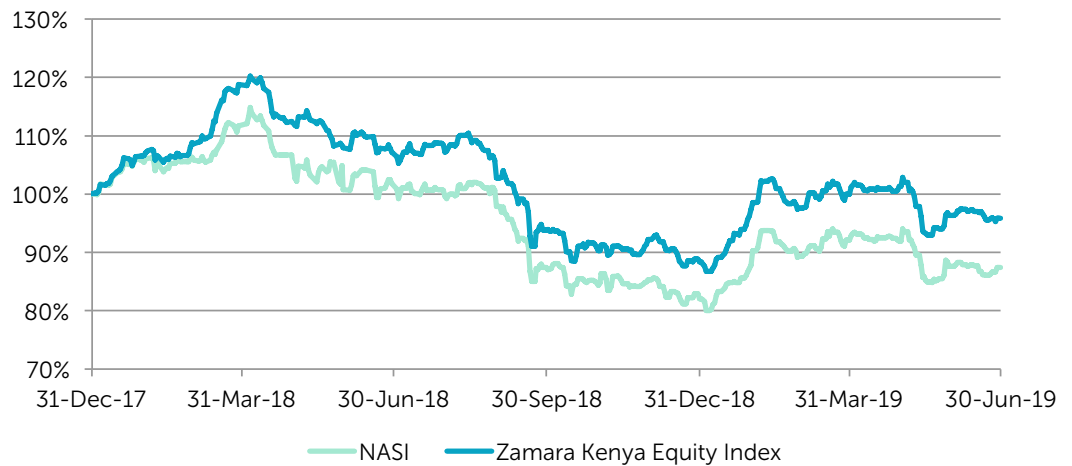
Exchange Rates

The exchange rate remained relatively stable over the year despite rising US Federal rates that led to a strong US Dollar. The Shilling appreciated by 0.73% against the US Dollar as at end of 2018. Kenyan foreign exchange reserves were shored up in the first half of 2019 with the issuance of a Eurobond. The Shilling is expected to remain strong in 2019.

Interest Rates

The Central Bank Rate declined by 100 basis points in first half of 2018 to 9%; and there was no change thereafter to mid-2019. This was because inflation was within the Central Bank target range of 2.5% – 7.5%.

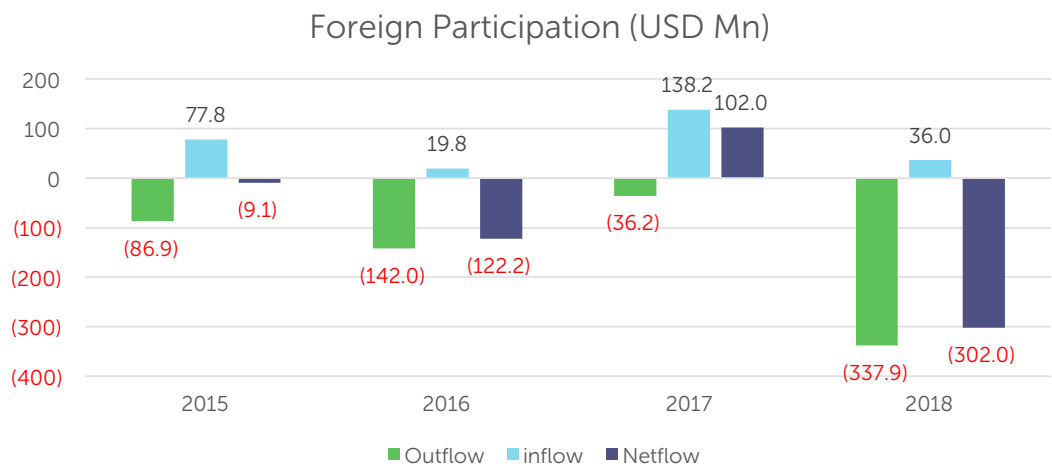
Financial Markets – Equities



Source: NSE, S&P

2018 was a tough year for investors at the Nairobi Securities Exchange (NSE) with stocks offering capital gains proving hard to come by. The performance on equities slumped in 2018 by 11.6% (Zamara Kenya Equity Index) following a positive performance of 29.4% in 2017. The decline was caused by accelerated exit by foreign investors. Schemes that maintained a high allocation of their portfolio to equities experienced low returns. The stock market rallied upwards in the first quarter of 2019, with local investors chasing dividend paying stocks. The market registered weak performance in the second quarter of 2019 as negative sentiments resurfaced with low valuations of the large cap stocks.

The chart below shows foreign participation at the exchange over the last three years to 2018.



Source: NSE



Financial Markets – Fixed Income

There was a decline in interest rates on account of high demand for short term Government securities in 2018 which resulted in downward pressure on the yield curve. Government Bonds gained on average of 14.9% as recorded by the S&P Kenya Sovereign Bond Index. In the first half of 2019, the situation remained the same with excess liquidity exerting downward pressure on interest rates. Bond prices and interest rates have an inverse relationship; therefore, a fall in interest rates has a positive impact on a bond portfolio.



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Year 2018 Survey Results

Summary of 2018 Survey Results

The Zamara Consulting Actuaries Schemes' Survey (Z-CASS) as at 31 December 2018 covered 415 schemes with total assets of K Shs 756.9 billion.

Returns

Weighted average annual return	5.2%
CPI	5.7%
Median Returns	
Total assets	5.4%
Equities	(13.1) %
Fixed Income	14.4%
Offshore	(10.7) %

Note: Returns on property assets are not currently included as part of the survey. The total and median returns shown in the table exclude returns on property.

We also show the range of returns for the schemes participating in the Survey for 2018:

	Equities	Fixed Income	Offshore	Total Assets
Weighted Average	(13.4)%	14.6%	(13.2)%	5.2%
25th percentile	(14.9)%	13.5%	(16.1)%	4.2%
Median	(13.1)%	14.4%	(10.7)%	5.4%
75th Percentile	(12.0)%	15.0%	(8.0)%	7.1%
Range of returns	29.6%	11.9%	27.4%	17.5%

Asset Allocation

Taken in aggregate, the overall total assets of the schemes participating in the Survey are distributed as follows:

Asset Class	Average Asset Allocation
Equity	21.9%
Fixed Income	71.3%
Offshore	1.4%
Property	5.4%
Total	100.0%

As the table shows, a significant portion of the assets of Kenyan schemes currently comprise fixed income securities and equities. The investments in fixed income securities largely comprise investments in Government Securities. Of the 415 schemes in the Survey, 141 had invested in offshore investments and 86 had invested in property investments.

For the schemes which had invested offshore, the average offshore exposure was 4.2% and for the schemes which had invested in property, the average property exposure was 26.4%.

The 2018
median return
was 5.4%
compared to
18.1% for 2017

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Who We Are

In 1998 a group of interested parties in the retirement benefits sector identified the need for an industry association to bring together the various stakeholders and provide a forum where the issues important to the industry could be addressed as well as to lobby the regulators on behalf of the industry.







The Association of Retirement Benefits Schemes "ARBS" was formed in 1999. Its mandate under its Constitution includes:

- "To encourage and contribute to closer links between trustees and sponsors of retirement benefits schemes and the various service providers and advisers"
- "To promote knowledge of and research into the retirement benefits sector", and
- "To make representations to regulators and provide support and advice to Association members".

Services to Members

Membership of any society is only as valuable as the benefits and services provided by the society. The focus of ARBS is the delivery of the benefits and services envisaged in the Vision Statement and Strategic Goals.

The deliverables from these for members are:

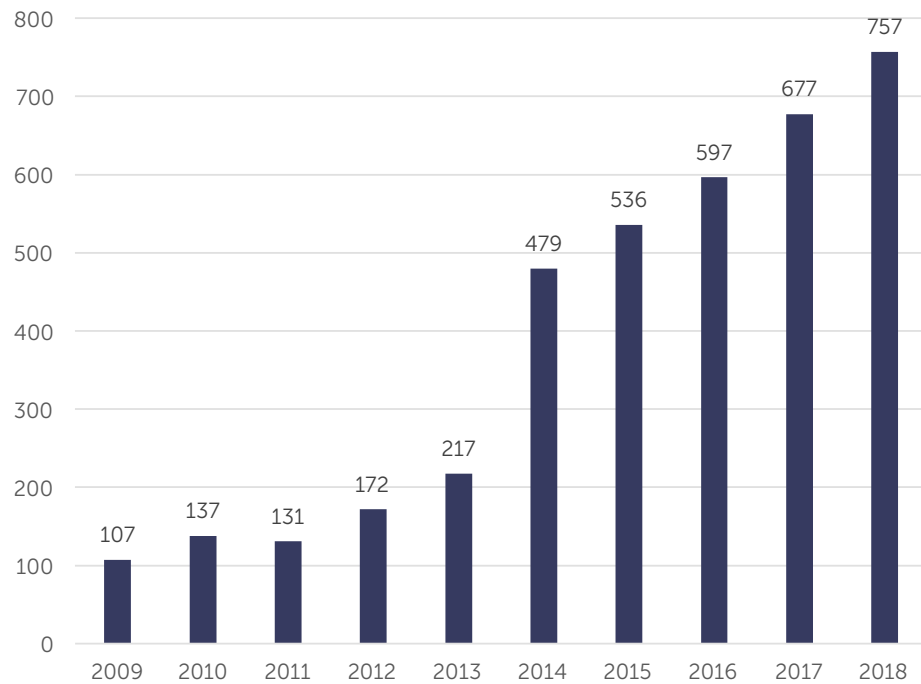
-  - Industry Governance
-  - Member Representation
-  - Cohesion with the Regulator
-  - Knowledge Resource
-  - Fair Play
-  - Understanding Members' Needs

Longer Term Perspective

Last Decade in review

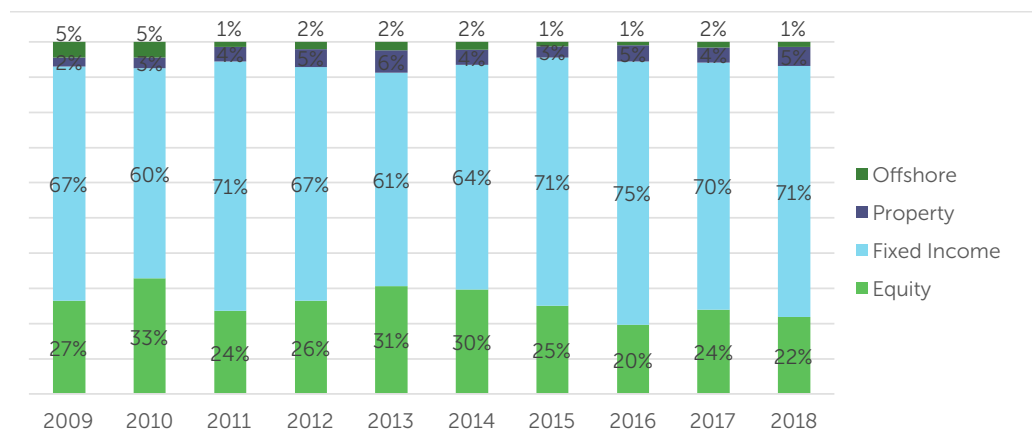
Over the last decade, the number of retirement funds participating in our Survey has increased from 125 to 415 as at the end of 2018. The total assets of the schemes covered under the Survey over the same period has increased from K Shs 107bn to K Shs 757bn. As at 31 December 2018, this represented approximately 70% of the assets of Kenyan retirement schemes. The below chart shows the increase in the overall assets covered under the Survey over the last decade both from an increase in the number of schemes covered as well as organic growth in assets.

The total assets covered by the Survey grew from K Shs 107 bn to K Shs 757 bn over the decade



Asset Allocation

Retirement scheme asset class preferences and asset allocation did not change significantly over the last 10 years. Schemes invested in the four traditional asset classes; with a heavy continuous bias towards fixed income assets. The chart below shows the total asset allocation of the retirement schemes over the last 10 years. 34% of schemes invested in offshore assets and 20% in property assets. For schemes which did invest offshore, the average offshore exposure was 4.2% and for schemes which did invest in property, the average property exposure was 26.4%.



Historical Summary of Returns against Inflation

Headline inflation is a measure of the broader inflation occurring in the economy. Inflation refers to the increase in the prices of goods and services and therefore erodes the value of money over time. Thus, it is important for Trustees to consider the effects of inflation on member's pensions and also consider the real rates of return (return less inflation) earned by their schemes.

Year	Median Return	Inflation Rate	Real Return
2009	11.0%	5.3%	5.7%
2010	26.9%	4.5%	22.4%
2011	(9.9)%	18.9%	(28.8)%
2012	28.0%	3.2%	24.8%
2013	20.2%	7.1%	13.1%
2014	15.3%	6.0%	9.3%
2015	1.9%	8.0%	(6.1)%
2016	8.2%	6.4%	1.8%
2017	18.1%	4.5%	13.6%
2018	5.4%	5.7%	(0.3)%

The median returns outperformed inflation in 7 out of the last 10 years



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- Review of Custody, Fund Management and Administration Agreements.
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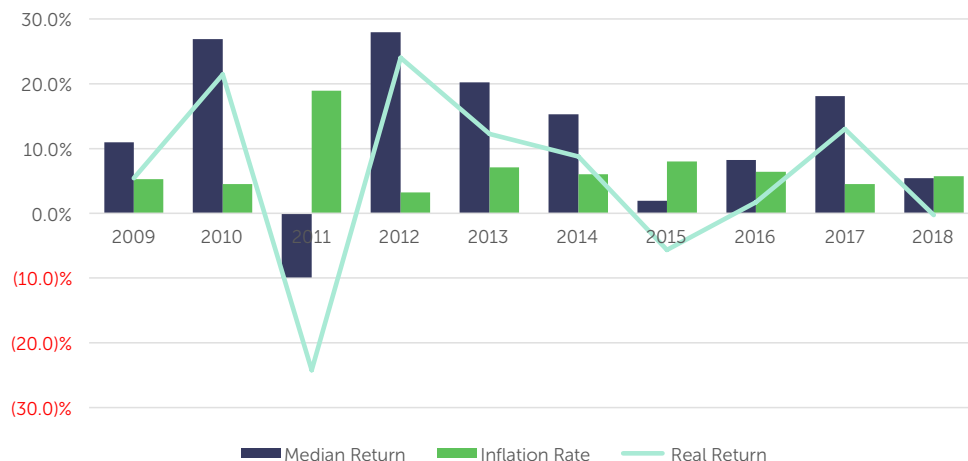
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Real Returns



Source: Inflation KNBS

The graph above shows that over the last 10 years, the median performing scheme outperformed inflation in seven of the ten years and did not attain real returns in three periods – 2011, 2015 and 2018 as the rate of inflation was higher than the rate of returns in these years.

It is important Trustees focus on longer term returns. The table below shows the median returns and real returns for the one year, three year and five year periods ending 31 December 2018.

	Median Return	Real Return
1 Year	5.4%	(0.3)%
3 Year*	10.6%	5.1%
5 Year*	9.8%	3.7%

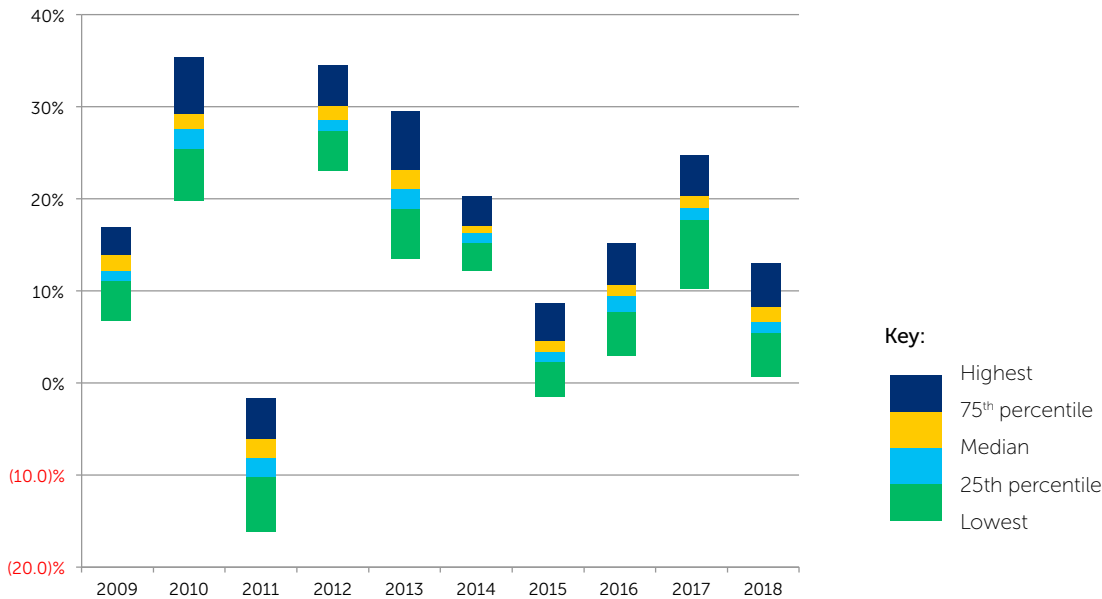
*Annualized return

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Weighted Average	10.9%	27.8%	(9.9)%	28.9%	21.4%	15.5%	0.5%	6.3%	18.5%	5.2%
25th Percentile	9.9%	24.7%	(12.0)%	26.7%	17.9%	14.1%	0.8%	6.5%	16.7%	4.2%
Median	11.0%	26.9%	(9.9)%	28.0%	20.2%	15.3%	1.9%	8.2%	18.1%	5.4%
75th Percentile	12.7%	28.6%	(7.8)%	29.5%	22.2%	16.0%	3.2%	9.4%	19.4%	7.1%

The significant range in returns over the ten years between the best and worst performing participating schemes as well as the interquartile range show the important of setting appropriate benchmarks to assess performance.

It is important for Trustees to consider the effects of inflation on members' pensions

All Schemes 10 Year Median Returns



A key observation that can be made from the graph is that the two periods of particularly low or negative returns –2011 and 2015 were followed by recovery and good performance. This again shows the importance of trustees taking a long-term perspective to investment strategy and holding their nerve during times of market turbulence.

We review each of the asset class returns below which will help explain the cyclical performance demonstrated above.

Historic Performance of Domestic Equities

The table below shows the historic performance and interquartile returns for domestic equities over the last ten years.

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Weighted Average	1.3%	41.5%	(24.3)%	51.6%	42.6%	19.5%	(11.9)%	(10.5)%	29.3%	(13.4)%
25th Percentile	(0.2)%	37.9%	(25.8)%	47.9%	37.9%	16.4%	(12.6)%	(11.0)%	26.5%	(14.9)%
Median	1.6%	40.9%	(24.7)%	52.9%	42.1%	18.8%	(11.3)%	(9.2)%	31.0%	(13.1)%
75th Percentile	3.7%	43.8%	(23.2)%	56.9%	48.7%	20.5%	(8.9)%	(7.4)%	34.7%	(12.0)%

The Kenyan equity market returns have been volatile. There was strong negative performance in 2011, 2015 2016 and 2018 – the key reasons for these were:

2011 – prevailing drought, currency volatility and effects of global sovereign crisis

2015 – high interest rates

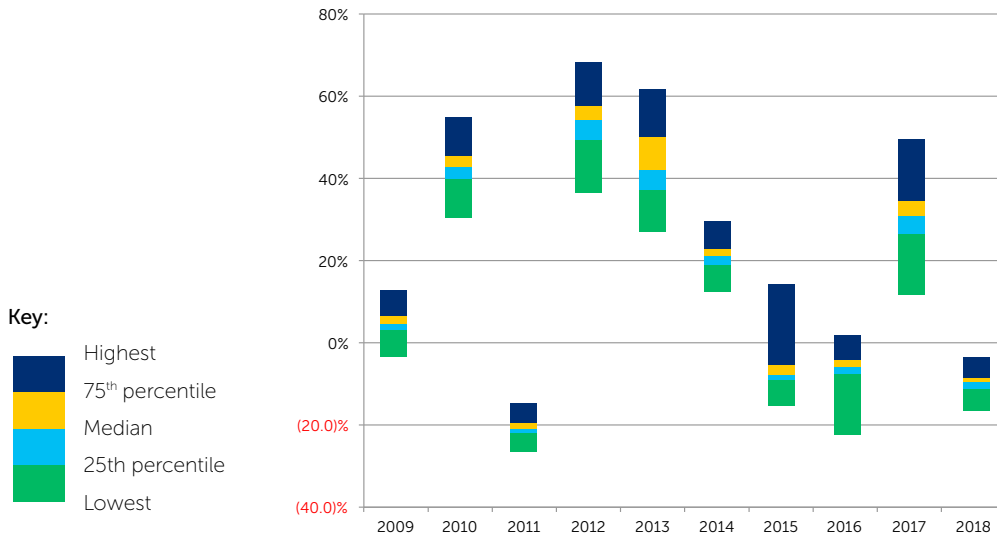
2016 – the effects of the Banking Amendment Act 2016 legislation The stock market performance in 2017 improved significantly due to a recovery in the banking sector and positive investor sentiment on Safaricom

2018 – Large exit by foreign investors

The volatility witnessed in the market had most pension schemes lose value in their equity holdings over these periods.

The graph below shows the median returns and ranges of returns over the last 10 years

Equities 10 year Returns



Historical Performance of Fixed Income Assets

Bond valuations have an inverse relationship to movements in interest rates. The table below shows the historic performance and ranges for fixed income assets.

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Weighted Average	14.1%	21.4%	(2.7)%	21.0%	11.6%	14.0%	8.4%	14.3%	14.9%	14.6%
25th Percentile	11.8%	19.2%	(5.2)%	19.6%	10.6%	13.1%	6.9%	13.7%	14.1%	13.5%
Median	14.0%	21.5%	(3.0)%	20.9%	11.7%	14.1%	7.7%	14.8%	14.9%	14.4%
75th Percentile	15.5%	24.6%	0.9%	22.2%	12.8%	14.7%	9.1%	15.5%	15.5%	15.0%



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Asset Valuation

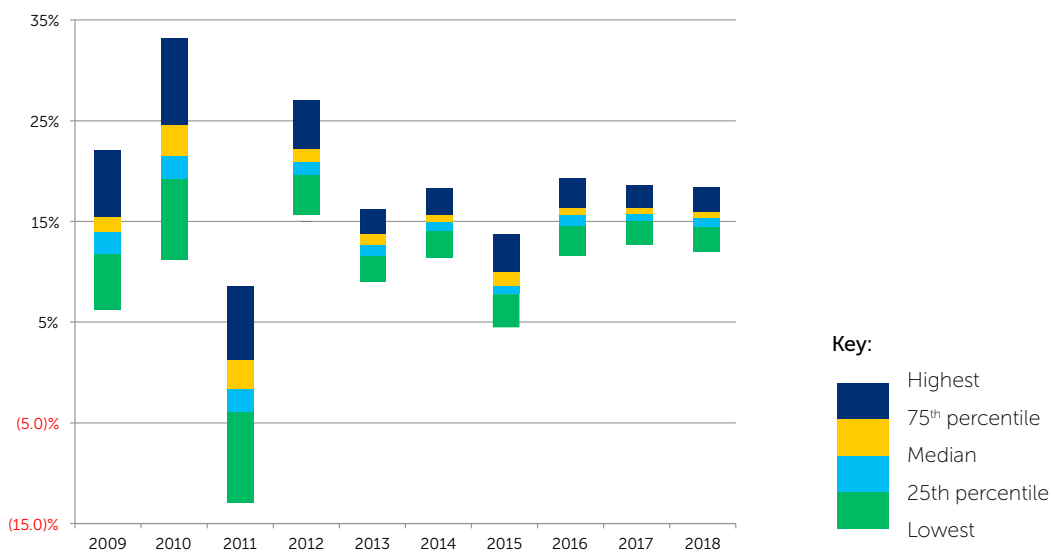
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Fixed Income 10 Year Returns



The fixed income asset class gave very strong returns over the last 10 years. The fixed income median returns outperformed equity over the 5 year period by more than 10% per annum.

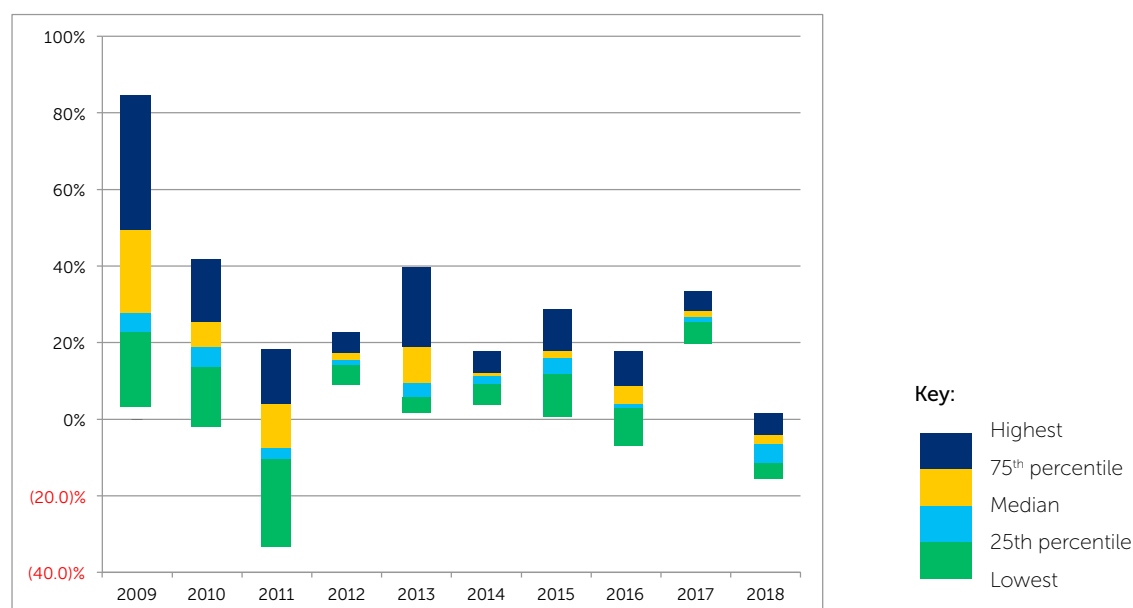
Historical Performance of Offshore Assets

Returns from the Offshore asset class have been volatile over the last 10 years with 2 years of significant negative performance in 2011 and 2018. Offshore had strong performance in 2009 and 2017.

The table below shows the historic performance and range of returns for offshore assets.

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Weighted Average	34.0%	19.4%	(8.7)%	13.4%	10.9%	7.3%	10.2%	2.7%	21.8%	(13.2)%
25th Percentile	19.3%	9.4%	(14.9)%	10.5%	1.5%	5.3%	7.6%	(1.2)%	21.8%	(16.1)%
Median	27.8%	18.9%	(9.4)%	11.9%	9.6%	7.4%	12.6%	0.4%	23.6%	(10.7)%
75th Percentile	47.3%	22.3%	0.5%	13.7%	15.6%	8.6%	14.5%	5.1%	25.1%	(8.0)%

Offshore 10 year Returns



Volatility Analysis: Are we being rewarded for risk?

Most investors think of investments in terms of return, but in fact there are two important elements to consider - risk and return. That is, the amount of money we make and the risk we undertook to make it. Smart investors must consider both. A better investment is one that can give a decent return with less risk. Return is easy to quantify but risk is not. We can try and quantify risk; however, it is important to note that most risk measures consider risk to be volatility, because it is quantifiable easily. Volatility is one measure of risk, which tells us the degree by which returns fluctuate.

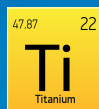
Risk measures are based on historical performance. Although historical performance is the foundation for our best estimates of future risk, the past might never repeat itself. There are various measures used to quantify investment risks. Some of these are discussed below using Kenyan pension industry performance data.

A better investment is one that can give a decent return with less risk

Standard Deviation

Standard deviation is a measure by how much an investment's returns differ from its average return. A low standard deviation indicates the returns were close to the average return, while a high standard deviation indicates returns were spread over a wide range from the average. Consider an investment mandate A with an average return of 5% and a standard deviation of 2% over a 5 year period. Its returns would have fallen between 3% and 7% in most cases over the 5 years. Now consider an investment mandate B which has an average return of 5% but a standard deviation of 10%. Its returns would have fallen between -5% and 15% in most cases. Therefore, mandate A would have made a better investment as it rewards the investor the same average return with lower volatility.

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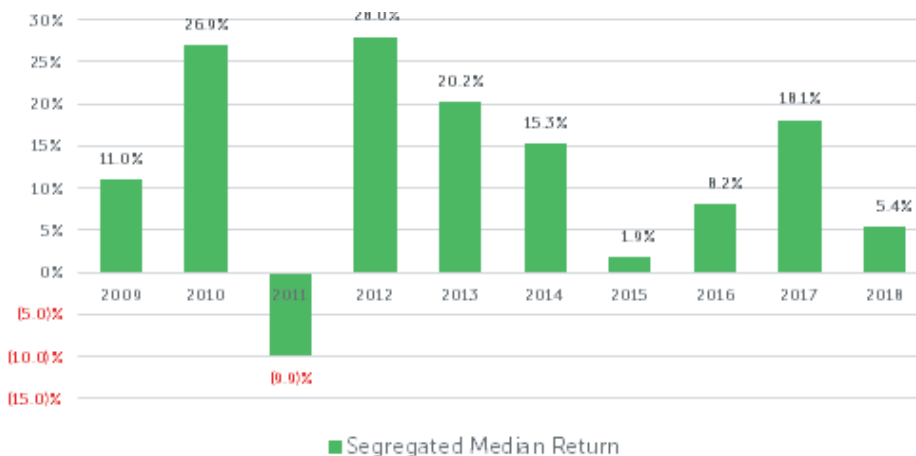
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Sharpe Ratio

Sharpe ratio shows us how much additional return we earn by taking additional risk. If for no risk an investor can earn a return of 5%, by taking some risk, there should be an extra reward. This can be measured by the sharpe ratio. The higher the sharpe ratio is, the more return the investor is getting per unit of risk. The sharpe ratio tells us whether we are getting compensated for risk. This is particularly crucial for Kenyan investors because what we consider to be our risk-free rate is quite high.

Volatility in Kenyan pension schemes total returns

Let's take a look at a practical example. The chart below shows the annual returns over 10 years of Kenyan pension schemes that invest in a segregated mandate. We have used the ZCASS median data to represent the performance of Kenyan pension schemes.



*Z-CASS Median return is used to illustrate segregated schemes performance

We note from the chart above that Kenyan pension schemes returns have been quite varied over this period, with returns as high as 28% and as lower as -9.9%.

The table below shows us the risk measures of standard deviation and sharpe ratio applied to the data above:

Investment Mandate	Average Median Return	Standard Deviation	Sharpe Ratio
Kenyan Pension Scheme Performance	12.5%	11.1%	0.2

*The risk-free rate used is the 364 Day T-Bill at 10.4%

The standard deviation at 11.1% demonstrates that pension scheme returns varied significantly over this period.

The sharpe ratio is a small positive 0.2 over this 10-year period. This means that Kenyan pension schemes were rewarded to a small extent for the additional risk taken. Had the pension schemes only invested in the risk-free asset (the 364 day T-bill rate), they would have earned a lower return.

Volatility in Kenyan pension schemes asset classes returns

We now explore some risk measures for the three major asset classes that the pensions industry has invested in over the last 10 years to 31 December 2018.

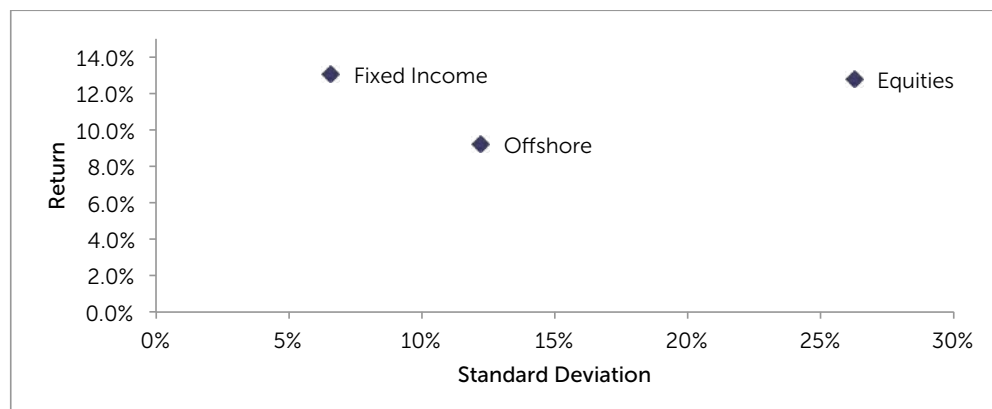
The table below shows the average returns, the standard deviation and sharpe ratios over 10 years for each of the three major asset classes:

	Fixed Income	Equity	Offshore
Average Median Return	13.1%	12.9%	9.2%
Standard Deviation	6.6%	26.2%	12.2%
Sharpe Ratio	0.4	0.1	0.1

* The risk free rate used is the 364 Day T Bill at 10.4%
* Numbers have been annualised



The chart below plots the returns of the three asset classes against the standard deviations of their returns:



Fixed Income

The fixed income asset class has provided the highest average return over the 10-year period at 13.1%, with the lowest standard deviation of returns and the highest sharpe ratio. From these three asset classes, fixed income has given the highest return with the least volatility. The sharpe ratio at 0.4% tells us that investors have been rewarded for the risk they have taken, albeit the risk is low for this asset class.

Equities

The equity asset class has given returns at an average of 12.9% over 10 years, slightly lower than returns from fixed income. This has come with the highest standard deviation at 26.2% and a very small positive sharpe ratio of 0.1. Thus, equities have had the highest level of volatility over the 10 years, which is expected, however we would generally expect investors to be compensated for this risk. This has not happened over the last 10 years.

This does not necessarily mean equities are not a good investment, however a buy and hold equity strategy has not given optimal returns. Instead it may be better to have a more active strategy.

Offshore

The offshore asset class gave average returns of 9.2% which was lower than that of the risk-free rate. This is reflected in the negative sharpe ratio; implying that, investors could have earned a higher return by taking less risk. Majority of the offshore investments tend to be in equities not fixed income. Over the last 10 years, in both the UK and the US markets, equities underperformed fixed income. This was caused by a difficult period for the equities market globally; but also, Government bond yields in these markets shifting downwards. Over longer periods though, the trend 'normalises'.

Better diversification

This analysis has highlighted the need for Kenyan pension schemes to consider better diversification. Non-traditional asset classes like private equity and property may provide a better return and risk profile for pension schemes. Diversification can be optimised when assets classes that have low correlation are placed in a portfolio.

Volatility is one of the risks that should be considered by an investor. The measures discussed in the article don't account for all the risks. Credit risk includes things like risk of default by the issuer, like in the case of Imperial Bank; operational risk includes risks of failure of people, systems or processes – these risks are very difficult to calculate using formulas alone.

This analysis has highlighted the need for Kenyan pension schemes to consider better diversification.

Expenses Analysis of Kenyan Pension Schemes

Zamara conducted research into the expenses incurred by Kenyan pension schemes using data over five years to 31 December 2018. We present the summary findings of our research in this article. The purpose of this study was to:

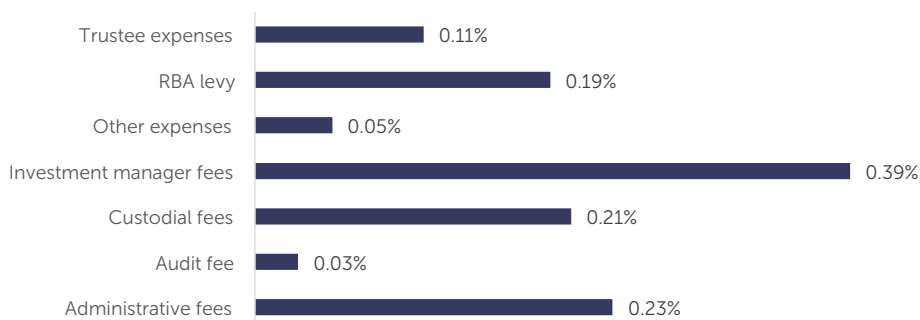
- Better understand the range and scale of costs incurred;
- To understand the impact the size of a scheme has on costs;
- To understand the impact scheme expenses have on a member's retirement savings.

We analysed an average of 100 pension schemes over 5 years, with assets worth approximately K Shs 241 billion as at 31 December 2018 covering over 146,000 members. The median value of expenses for all schemes was 1.21% of their assets.

We considered a range of key costs incurred by schemes, including investment related expenses, administrative expenses and trustee training expenses. The table below shows the median expenses as a percentage of assets for all the schemes.

The median
value of
expenses for all
schemes was
1.21% of their
assets.

5 year Median - All Schemes
Expenses as a % of assets



Note: Excludes property related fees

Other expenses include all expenses other than those categorized above; some of these include AGM fees, actuarial fees, member training expenses, legal expenses etc. In addition to analysing the total population, we also considered expenses by size of scheme. The schemes were grouped in to 3 sizes based on assets as follows:

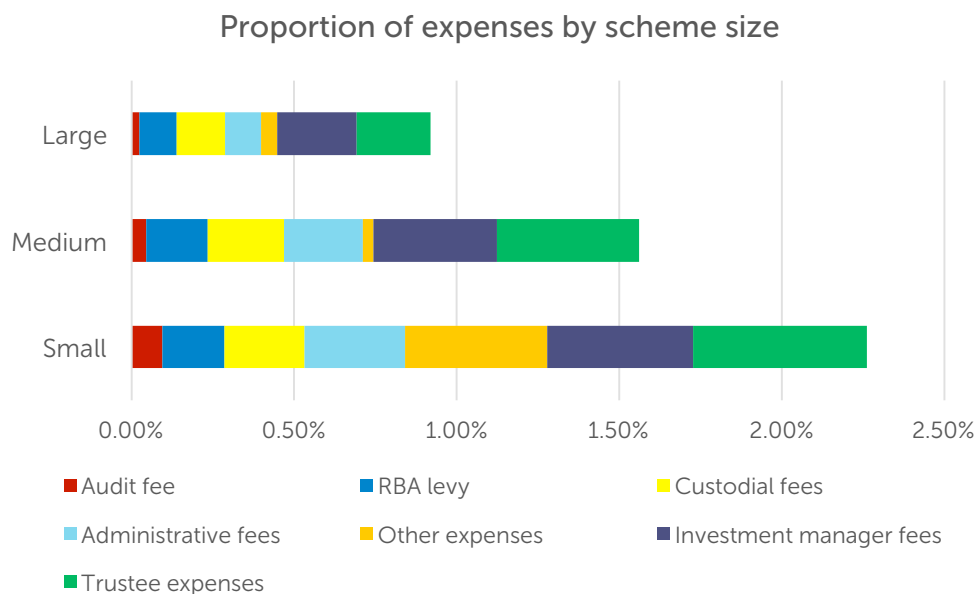
- Small – Less than K Shs 250 Million
- Medium – Between K Shs 250 Million and K Shs 1 billion
- Large – Greater than K Shs 1 billion

As expected, the expenses as a percentage of assets were highest for small schemes and lowest for large schemes. The table below shows the total median expenses as a percentage of assets that schemes spent per annum over the last 5 years:

Schemes	5 Year Median
All	1.21%
Large	0.92%
Medium	1.56%
Small	2.26%

Note: Excludes property related fees

The chart below shows the proportion of each of the expenses by scheme size:



Note: Excludes property related fees

From the chart above we can see that the median small scheme spends 2.26% of its assets on expenses and the median large scheme spends less than half of that at only 0.92% of its assets. The largest expense for small and medium sized schemes are Trustee expenses – these include costs associated with training, trustee allowances, meeting costs (transport, meals, venue costs etc.). Trustee expenses form 0.54% and 0.44% of small and medium schemes assets respectively. Large schemes paid lower fees as a percentage of assets for each of the expenses categorized above.

Property related fees

The above expenses analysis excludes property related fees; as majority of the schemes did not invest in property.

29% of the schemes analysed invested in property – of these 22% were large schemes and the remaining were medium sized. The table below shows the median property expenses for the schemes that invested in property.

Schemes	5 Year Median Property Fees
All	0.09%
Large	0.08%
Medium	0.12%
Small	NA

Note: Excludes property related fees

The median fees that all schemes spent on property was 0.09% of assets. The large schemes spent slightly less at 0.08% and medium schemes spend a higher amount at 0.12%.

Conclusion and impact on members

These expenses can have a significant impact for members over longer periods in the way of reducing returns. Large schemes are the most cost efficient and members of these schemes bear the least burden of expenses. If we consider all expenses including property – a median large scheme would spend around 1% of its assets on expenses. A small scheme in comparison spends 2.26% - which is significantly higher. There may be other benefits for a member of being in a large fund such as investment in assets like property and private equity that may provide better risk adjusted returns.

Let's take the example of two members, one in a large scheme with a median expense of 1% (including property) and the other in a small scheme with a median expense of 2.26%. We make assumptions that they join these schemes at the age of 25 years and stay up to retirement at 60 years and both schemes have the same contribution rates and investment returns. The member in the large scheme would accumulate a balance at retirement which is 26% higher than the member in the small scheme.

Considering these numbers, one could conclude that small schemes are inefficient to run as segregated schemes and should instead consider alternative structures such as joining an Umbrella Scheme. The benefits of participating in an Umbrella Scheme include:

- Lower expenses through economies of scale
- Access to asset classes such as property, private equity
- Professional trustees
- Less legislative headaches
- The employer still has autonomy on some decisions

Limitations and caveats of the analysis

The data used is from annual financial statements of pension schemes, the expenses figures are gross of fees and include VAT and disbursements.

Some scheme expenses may be paid by sponsors

The research covered only segregated, Kenyan pension schemes



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**Selection of
articles**

Optimal Diversification

By Cliff Mayaka – Investment Analyst, Zamara

“Don’t put all your eggs in one basket!” - a phrase commonly associated with diversification. Consider basket A with six loose eggs, three large bunches of Sukuma wiki and some lettuce; and consider basket B with six eggs, a 2 kilo packet of unga and a packet of milk. Both baskets are diversified however basket A is more optimally diversified as the chances of the eggs breaking are lower.

Diversification is a basic principle of investing, with the goal being to reduce risk in the portfolio by investing in asset classes with varying characteristics. To have an optimally diversified portfolio, you would ideally have investments that don’t behave similarly to one another.

A key indicator of diversification benefit is the correlation statistic. Correlation in investing refers to the relation between the return movement of two assets over a period. When investment returns move in the same direction at the same time, they are considered to be highly correlated. When one investment moves up when the another goes down, the two investments are considered to be negatively correlated. If the movements of the two investments show no relationship at all, they have zero correlation.

Asset classes with low or negative correlations are the building blocks of a diversified portfolio. Portfolio volatility is lowered when assets with low correlations are combined. Adding an asset class with low correlation to your portfolio increases the diversification benefit. Knowing the correlation of your investments can help you optimize diversification benefits to your portfolio.

The chart below shows correlations for key asset classes that form a typical pension scheme’s portfolio in Kenya. The returns analysed are over a five-year period to 31st December 2018.

Asset classes with low or negative correlations are the building blocks of a diversified portfolio.

Correlation Matrix

	Short-term Fixed Income	Long-term Fixed Income	Local Equities	Global Equities	Property	Inflation
Short-term Fixed Income	1					
Long-term Fixed Income	-0.9	1				
Local Equities	-0.1	0.5	1			
Global Equities	0.3	0.1	0.8	1		
Property	0.1	-0.2	-0.1	-0.4	1	
Inflation	0.8	-0.7	-0.3	0.1	0.5	1

*Inflation is not an investable asset class, we have included it to show its movement relative to other asset classes performance.



From the correlation matrix above we make the following observations:

- Long-term fixed investments, which are made up mainly of bonds, and local equities have had a moderately positive correlation of 0.5. Over this period, the correlation has been counter-intuitive to theoretical studies and other markets which suggest a negative or low equity and bond correlation.
- Local equities and international equities have a high positive correlation of 0.8. Over this period they have tended to move together.
- Short-term fixed income and long-term fixed income investments have a high negative correlation of -0.9. This indicated the inverse relationship between interest rates and bond prices; when interest rates rise, bond prices fall.

- Property generally has a low correlation to the other asset classes. This is a characteristic inherent in alternative investments such as property and private equity. What is important about these alternatives is that they can provide investors with exposure to different return patterns, different return expectations, different risk levels, and different correlations with other asset classes.

Property generally has a low correlation to the other asset classes.

Formulating a strategic asset allocation plan that is cognisant of the correlation of the asset classes in a portfolio can be a valuable tool for an investor. Exposure to different asset classes can reduce risk because each asset class reacts differently to market conditions. However, diversification alone is not enough. What you are using to diversify is important too. Just like eggs in the basket – it is optimal to place them with sukuma wiki and not a packet of unga, similarly it is optimal to place your assets in a basket with other assets with low correlation.

Limitations

- Past performance may not be indicative of future performance.
- We have used annual returns; shorter period returns movements captures the correlation effectively.
- Hass property index used as a proxy for property performance. The index is a rental index and only cover residential middle to high end properties.
- We have used the best available index to represent each asset class.
- We have used five-year period data over the period ending 31st December 2018. Different time periods might give varied conclusions.
- The table below shows the indices used and the asset classes they represent.

Asset Class	Index Proxy
Short-term Fixed Income	91 Day Treasury Bill
Long-term Fixed Income	S&P Kenya Government Bond Index
Local Equities	Zamara Kenya Equity Index
Global Equities	MSCI World
Property	Hass Rental Property Index
Inflation	Consumer Price Index



How Pensioners Can Manage Post Retirement Risk

By Robert Njoroge – Finance Manager, Zamara



It takes many years and a lot of effort to save for retirement. Retirees take decades of financial sacrifice and deferred gratification in a bid to secure a better life after retirement. Professionals such as fund managers and actuaries also take their fair share of resources to ensure that retirement savings are not only safe, but also yield high returns throughout the years. So, what happens when a retiree finally gets the benefit?

Retirement saving is meant for securing your future after retirement. It is assumed that once you attain the retirement age, you will be able to continue with the current lifestyle when the salary is no longer there. With a good pension plan, you can live comfortably in a foreseeable future after retirement.

It is not a secret that most pensioners don't know how to deal with the large amounts of payouts after many years of saving. What takes so many years to build often does not last long enough, and neither does it serve the intended purpose which is to provide financial security in the sunset days.

What happens when we finally get the cheque and what can we do to mitigate the risks involved in handling the retirement benefit?

Investment Risks

Most retirees tend to venture into business with their retirement benefit. While it doesn't sound like a bad idea, research shows that most retirees end up losing their savings within a short time. If you have never started a business in your working life, then when you retire is not the right time to do so. If you have never bought shares in the last 20 years, it is certainly not a good idea to do so when you retire. Investment is a very risky affair and you can easily lose your saving.

Your retirement benefit is not meant for investment capital. It is meant for securing you financially when you stop working, and all you need is a sustainable income.

Consumption Risk

Access to lumpsum amounts of money comes with the inherent risk of unwise spending. More

often than not, there is a tendency to adjust lifestyle by spending more than what we can actually afford in the long run. This eventually leads to wastage of hard earned cash on things that might be unnecessary.

It is not different when it comes to retirement savings. If unchecked, heavy spending especially in the early stage of retirement can ruin the entire retirement benefit. Many retirees have fallen to this trap and ended with big cars and other extravagant things, at the expense of a sustainable regular income.

Inflation Risk

Inflation is a sustained increase in the general price level of essential goods and services over a period. It appears to slightly increase the costs in the short term, but in the long term the impact is relatively high.

Inflation in Kenya is currently at an average rate of 4.5%. An average annual inflation rate of 4.5% reduces your purchasing power almost by half in 10 years, and by more than 20% in only 5 years. Even a modest inflation rate of below 4% would have a serious ramification on your savings over a long period.

Inflation poses a serious risk to retirement benefits and should be an ongoing concern for retirees. The cost of living will rise significantly in a slow but painful process over time and will reduce the purchasing power of your savings.

Longevity Risk

We all want to live a long and healthy life, but what happens if we run out of funds long after retirement? Since 1900 the global life expectancy has doubled and is now approaching 70 years. Kenya average life expectancy is now at 66.7 years and getting better.

Various factors have increased life spans and now you can live 20 to 30 years in retirement. In fact, in some cases you might live longer in retirement than your working years. This means that there a very good chance of living longer than your retirement savings. A good retirement plan should last for several decades after retirement.

How you manage these risks will determine how long you can sustain your pension income. There are many strategic plans that you can adopt based on your risk profile, the amount of benefit you have amongst many other factors. Let us now look at how we can mitigate some of these risks.

Purchase of on Annuity

An annuity is a long-term investment plan offered by an insurance company and it is designed to protect you from the risk of outliving your retirement savings. In purchasing an annuity, you convert your lumpsum pension payment into a stream of income during the entire sunset days. Annuity guarantees you income for as long as you live and in case of death, the balance of the guaranteed instalments is payable to spouse or next of kin.

Inability to access your savings in lumpsum is a good thing as it instils discipline in savings. It protects you from spending the money you set aside specifically for retirement on things that may not be necessary.

To buy an annuity, you pay a lumpsum premium to an insurance company before you retire. There are two main types of annuities in the market. You can go for immediate annuity or deferred annuity. Immediate annuity begins soon after payment of the first premium, whereas in deferred annuity, the income stream begins at a later date and as agreed with the insurer.

The amounts you will receive will depend on the amounts you pay to purchase the annuity, your age when you purchase the annuity and the benefit option you choose. Annuity not only provides assurance against possible longevity risk, but it also eliminates the risks of wrong investments and unnecessary spending.



Income Drawdown Plan

Income drawdown plan gives you an opportunity to access your retirement benefit as a regular income through an investment fund from which the regular payments are drawn. It is an alternative to buying an annuity and can be offered by the existing retirement scheme or individual pension plan.

The minimum drawdown period is 10 years and the maximum drawdown is 15% of the outstanding balance. It provides flexibility in frequency, timing and the amount of income withdrawals. The amounts withdrawn depends on the lumpsum amounts invested and the period of the investment.

After 10 years you can review the plan and decide to continue with the plan, take the remaining balance as lumpsum or purchase an annuity. In case of unfortunate demise, the beneficiaries can inherit the remaining fund.

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Why Pension Schemes Should Consider Investing in Infrastructure

By Ken Kaniu – CEO, Britam Asset Managers

Amid increasingly difficult economic conditions and volatile markets, pension funds both globally and locally are grappling with diminishing and volatile returns from traditional asset classes. These traditional assets classes include treasury bonds and bills, equities, corporate bonds and bank deposits. While these asset classes have previously proved sufficient from both return and risk management perspective, the recent years have proven that their returns have become less attractive and more positively correlated, thus resulting in both lower returns for pension schemes while losing their diversification elements.

To enhance and protect portfolio returns from such volatility, it is imperative that pension funds begin to look towards alternative investments such as private equity, property and infrastructure. While most local pension schemes are quite familiar with private equity and property investments, infrastructure too is an emerging asset class which portends huge potential benefits for pension funds with regards to return enhancement and portfolio risk mitigation. It also enables pension funds to participate in the country's infrastructure development agenda. In recognition of this the Government has come out strongly to advocate for pension fund participation in public private partnerships (PPPs). Already the Government has designated a number of key projects including the Nairobi- Nakuru- Mau Summit road expansion project as a potential PPP project. Investing in infrastructure also has the advantage of providing an alternative source of funding and thus reducing Government's dependence on debt to finance infrastructure developments.

Infrastructure can be classified into two broad categories; economic infrastructure (transport, renewable energy and telecommunications) and social infrastructure (schools, prisons and hospitals). Economic infrastructure is more likely to generate commercial returns on investment and attract private funds. Social infrastructure, on the other hand, is required to meet social needs, which means that returns often do not cover costs. As a result, such investments are typically financed by the public sector.

Investors would generally assess investments in infrastructure like they would any other investment. For any project to attract funding, it must be bankable, that is, the returns must be both competitive and sustainable.

Infrastructure projects can also be classified according to their stages of development, each with varying levels of risk and return. At the highest level of risk and potential return are greenfield projects. These are completely new projects, without constraints of previous developments. Investors bear all the development and execution risk and typically demand higher returns for assuming the risk. Next is brownfield projects which usually involve modification and/or enhancement of existing infrastructure. The risk is lower than that of greenfield projects and therefore returns also tend to be lower. On the lower end of the risk and return spectrum are mature projects. These are projects that have been completed and commissioned and are cash generative. Since they have been significantly de-risked, the returns are generally lower than the other two.

Infrastructure can be classified into two broad categories; economic infrastructure and social infrastructure



Investors should keenly evaluate their liquidity needs before committing their investments.

Investors can get exposure to infrastructure through a number of ways, each has its own advantages and disadvantages. Indirect exposure involves investing in equities or bonds issued by infrastructure companies. A local example is the Kengen infrastructure bond, issued by Kengen to finance geothermal power exploration and development. This route however exposes investors to risks unrelated to the project, including management and operations of the company. Direct exposure on the other hand involves investing in a project via a vehicle solely created to develop and or manage the particular project in question. This has the advantage of ring fencing the performance of the investment to the project(s) in question and is typically a preferred route by investors. This was the route taken by Britam Asset Managers when it invested in the Athi River Power Plant, which is operated by Gulf Energy Limited, through a vehicle or fund called Everstrong Capital. This investment will give direct access to the return and stability profile of the energy infrastructure sector.

Infrastructure as an asset class possesses a number of characteristics that make it a suitable investment for pension funds. First infrastructure assets are long term in nature, often held for between 10 to 30 years, and so are pension schemes, making the asset class a perfect liability match for pension funds. Infrastructure also has a low correlation with the traditional asset classes, thus providing diversification. Moreover, these projects usually operate as monopolies or oligopolies, providing basic utilities that make them immune to economic cycles. This stability in cash flows and asset value make them an important component of a portfolio, especially in times of heightened volatility. Additionally, cash flows are typically indexed to inflation, thus providing a natural hedge that lacks in other investments like bonds and bank deposits.

While investment in infrastructure has attractive portfolio enhancing characteristics, it is important for pension funds to understand the commensurate risks and take measures to mitigate them. This asset class is typically illiquid with limited exit opportunities. As such, investors should keenly evaluate their liquidity needs before committing their investments. This asset class also exposes investors to political risk. A big number of projects are subject to government regulations and changes in regime could result in changes in policy to the detriment of investors.

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Investment Beyond Retirement

A challenge of pension adequacy

By Arth Shah, Actuarial Analyst at Zamara.

Hi there, this is a 25-year-old millennial writing to you about pensions and retirement.

The current situation of the retirement benefits industry in Kenya is a puzzle.

And like every puzzle, the pieces are supposed to be laid out in a logical manner to successfully complete the challenge. In the case of the pension puzzle, we have identified pieces of the puzzle that are already fitting well, pieces of the puzzle that need re-ordering or re-fitting, pieces of the puzzle that are missing and pieces of the puzzle that need to be hit (by a hammer) on to the puzzle

This piece of the puzzle focuses on the challenges of pension adequacy. A Pension is a monthly income that the retiree would receive from their retirement savings.

Adequacy in simple terms is the state of sufficiency.

Therefore, pension adequacy is when a retiree has sufficient monthly income to live a good retired life.

Experts of the retirement benefits industry around the world say that a sufficient pension is between 60-80% of the retirees last salary i.e. if the retiree last earned Ksh 100k per month then a monthly pension of between Ksh 60-80k is sufficient to live a good retired life.

From a survey done by Zamara that comprised of over 60,000 members of retirement benefits schemes, it was found that only 7% will have adequate pensions when they retire. (Dramatic Pause to allow that stat to soak in) The other 93% will be struggling to make ends meet during their retired life if they don't have other retirement savings. You could be among the 93%. Below I outline a simple thing you need to do now to change the situation or bridge the pension adequacy gap.

Set a retirement goal

At the beginning of every year, we set ourselves a few goals for the year and these may range from something that gets your adrenaline rushing like bungee-jumping off a cliff to something that is relaxing to the mind, body and soul like sitting at a beach and reading 3 books.

There is a rule of thumb that says if you want to succeed, you need to set goals. Setting goals gives you the focus and direction to succeed. This rule of thumb is applicable to everyone and for any purpose. Imagine trying to open-up a business and you have no goal set. You will not be sure on whether having profits of a few thousands or a few millions is successful.

From a survey done by Zamara that comprised of over 60,000 members of retirement benefits schemes, it was found that only 7% will have adequate pensions when they retire.



There is merit in setting a goal. The goal should be designed to be SMART i.e. Specific, Measurable, Attainable, Relevant and Time bound.

For a recently graduated 25-year-old like me, who also started working, thinking about retirement is nowhere near my list of accomplishments. But subconsciously I have already set a retirement goal. This is to lie down on a beach bed in my beach house sipping a martini with my wife next to me as we listen to the tides hit the shore.

To ensure that I meet this goal, I need to save for my retirement so that I can afford to buy that martini and the beach house.

As you think of your retirement goal, think of how you are going to achieve it and the answer will be start saving or investing. Here's a simple tip on saving for retirement if you are in your mid-20s, save between 11% and 15% of the salary you earn. The magic number on how much to save for a mid-20 year old lies anywhere between 11% and 15% of your salary to get you to your sufficient pension at retirement.

It's always better to consult a financial adviser/pension expert to get more personalized recommendations, but if you are not able to or don't want to then ensure you are setting aside at least 10%.



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- Project advisory to energy and infrastructure firms in the region
- Carrying out compliance and assurance audits for multinationals
- Corporate advisory in restructuring & recapitalization to local banks
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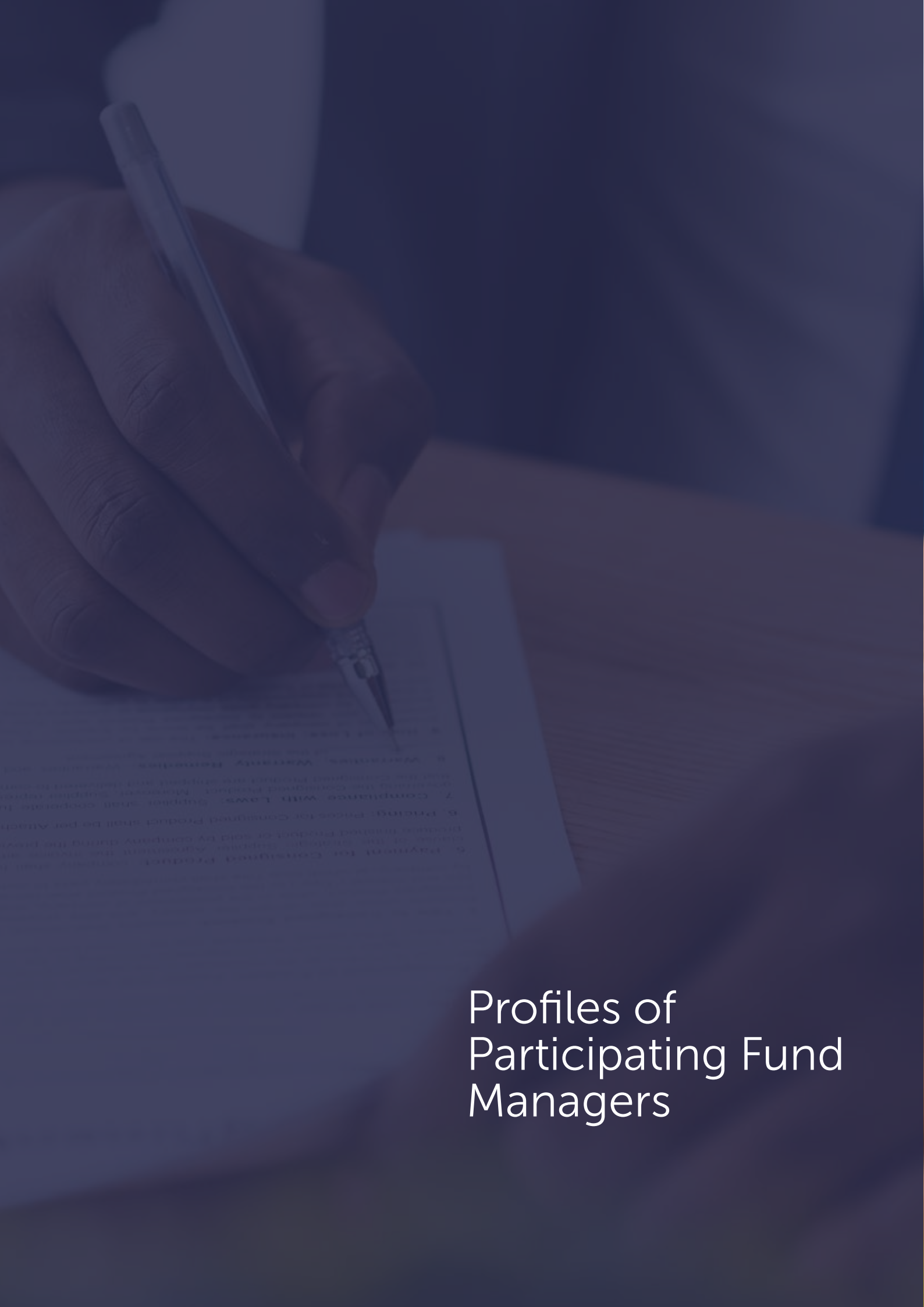
Corporate and Finance

Technology and IP

Projects

Energy and Infrastructure

Dispute Resolution



Profiles of Participating Fund Managers

African Alliance Kenya Investment Bank

Company Details

Kenya Re Towers, Fourth Floor, Upper Hill, Nairobi
P.O Box 27639 – 00506
www.africanalliance.com
info@africanalliance.co.ke
(020) 2777000

Investment Philosophy

African Alliance Kenya has always been a fundamentals-driven investment house with a bias towards Value. The market in Kenya is under-researched, presenting opportunities for stock-picking profits to those who fully understand the companies in which they invest. Holding periods tend to be lengthy because positions are evaluated with an "ownership" mind set rather than a trading orientation – important in markets such as the NSE where transaction costs are high.

Ownership

Ownership structure:

African Alliance Kenya Investment Bank is a wholly owned subsidiary of African Alliance Stockbroking Holdings Limited, with a head office in Johannesburg, South Africa.

Directors of the company

- i. Mr. Patrick Obath
- ii. Dr. Dan Kagagi
- iii. Mr. Patrick O'Flaherty

Staff and management interest in ownership: None

International affiliations

Yes. African Alliance Kenya Investment Bank is a wholly owned subsidiary of African Alliance Stockbroking Holdings Limited, with a head office in Johannesburg, South Africa.

History

Company established:
2001

Mergers/ acquisitions:
None

Investment Mandates

Total assets under management

K Shs 75bn* as at 31 Dec 2017

Pensions	28.5 billion
Retail	14.5 billion
Insurance	1.5 billion
Other	32.1 billion

* we have estimated these values based on data provided by African Alliance

Key Investment Personnel

Size of Investment Team:
8

Steve Muriu

Chief Executive Officer
MBA, BSC & ACCA
Industry Experience: Over 26 years

Peter Jarvis, CFA®

Group Chief Investment Officer
BSC & CFA
Industry Experience: Over 26 years

Maina Wacieni, CFA

Senior Portfolio Manager
BSC & CFA
Industry Experience: Over 13 years

Jackline Onyango

Senior Portfolio Manager
MSC & BCom
Industry Experience: Over 10 years

Nicholas Piquito, CFA

CEO, Alternative Solutions
D.Eng, M.Eng, CFA & CAIA
Industry Experience: Over 21 years

Nlume Modise, CFA

Global Portfolio Manager
MA and CFA
Industry Experience: Over 9 years

Kenneth Nyamai

Equity & Fixed Income Analyst
BSC
Industry Experience: Over 2 years

Moses Muraguri

Investment Dealer
Bcom
Industry Experience: Over 8 years

Britam Asset Managers (Kenya) Limited

Company Details

Britam Centre, Junction of Mara & Ragati Road, Upper Hill.
P.O. Box 30375 – 00100
Nairobi
Info@britam.com
www.britam.com
020 2833000, 0703 094000

Investment Philosophy

- We combine Top-Down and Bottom-up investment philosophies to achieve the best risk-adjusted returns among our peers.
- Top-Down Macroeconomic calls – We keenly monitor leading and lagging indicators to guide our house views such as GDP, Interest rates, Inflation, Central Bank's monetary policy and Treasury's fiscal policy among others.
- Bottom up research – We evaluate company/asset specific investment opportunities including expected

return, risk appetite, length of investment horizon.

Ownership

Ownership structure:
Subsidiary of Britam Holdings PLC

Who are the directors of the company?

Mr. Andrew Hollas – Chairman
Mr. Andrew Hollas – Chairman
Dr. Benson I. Wairegi
Dr. Peter Munga
Mr. Kenneth Kaniu
Ms. Robi Manga
Dr. Joe Muchekehu
Mrs. Nancy K. Kiruki
Mrs. Gladys Muthoni Karuri

Directors of the company

No

International affiliations:

No

History

Company established:
2004

Staff and management interest in ownership:
None

Investment Mandates

Total assets under management
KShs. 143.6 Bn as at 31 December 2018

Pensions	KShs. 80.0 billion
Retail	KShs. 8.9 billion
Insurance	KShs. 23.0 billion
Other	KShs. 31.7 billion
Unit Trusts	0.2 billion

Britam
With you every step of the way



Diversify your pension investment portfolio with Britam Asset Managers

With over 15 years' experience in the investment space, and backed by a highly professional and qualified fund management team, you can trust that your pension scheme investments is in safe hands with Britam Asset Managers. We offer diversified and tailor-made investment solutions and advisory services ensuring you receive competitive returns on your member investments.

For more information about our pension fund management solutions, email us on amcpensiondepartment@britam.com

The scheme is registered under RBA and invests under the Britam managed Retirement Fund. Britam Asset Managers (K) Ltd and its products are regulated by the Retirements Benefits Authority (RBA) and the Capital Markets Authority (CMA). However, CMA does not take responsibility for the financial soundness of schemes or the correctness of statements made or opinions expressed in this regard. Kindly note past performance is not a guide to future performance. Value from investments and income therefrom may go up as well as down and in some circumstances the right to redeem may be suspended.

Britam Asset Managers (Kenya) Limited

Key Investment Personnel

Size of Investment Team: 20

Kenneth Kaniu

Lead Advisor
Bsc (Fin), MBA (Fin)
Industry Experience: Over 15 years

James Mose, CFA

Chief Investments Officer
BCom, Finance
Industry Experience: Over 12 years

Jude Anyiko, CFA

Group Chief Investments Officer
BSC (IT)
Industry Experience: Over 14 years

Raphael Mwito, CFA

Business Development Manager,
Property Business
Academic Bachelor of Architecture
Industry Experience: Over 14 years

George Njunge, CFA

Investment Manager
BSC, Computer Science
Industry Experience: Over 10 years

Emma Mugo

Investment Manager
BSC Mathematics, CPA (K), CFA
Candidate (Level III)
Industry Experience: Over 7 years

Charles Kanugi

Head of Property
BA Land Economics
Industry Experience: Over 7 years

Nicholas Sang, CFA

Portfolio Manager
BA Economics
Industry Experience: Over 6 years

Brian Chege, CFA

Research Analyst
BSC Actuarial Science
Industry Experience: Over 5 years

Mercy Gatukui

Research Analyst
BCom, Finance, ACCA, CFA Candidate
(Level II)
Industry Experience: Over 5 years

Timothy Mulondo

Portfolio Manager – Property
BA Land Economics
Over 6 years

Eric Kakumu

Investment Dealer
BSC Accounting, MBA Finance, CFA
Candidate (Level I)
Over 7 years

Eric Karanja

Investment Dealer
BA Economics, CPA (K), CFA Candidate
(Level II)
Over 7 years

CIC Asset Management Company Limited

Company Details

CIC Plaza 2, 8th Floor, Mara Rd, Upper Hill Nairobi
P.O Box 59485 – 00200
<https://cic.co.ke/>
cic.asset@cic.co.ke
+ 254 020 2823000

Investment Philosophy

Our investment philosophy is guided by value based fundamental investment approach. As such, we place emphasis on active management, application of prudent risk control and consistency of returns. We strive to ensure that all assets are prudently and professionally managed to realize optimal returns to the investor without compromising compliance to the provisions of the Capital Markets Authority Act and Retirement Benefits Act and Regulations.

Ownership

Ownership structure:

CIC Insurance Group Ltd, a company listed at the Nairobi Securities Exchange, is one of the leading insurance groups in the East African Region. The Group has three subsidiaries. CIC Asset Management Limited (CICAM) is a subsidiary of CIC Insurance Group

Directors of the company

- I. John Mbitu (Chairperson)
- II. Cornelius Ashira
- III. Tom Gitogo
- IV. Stanley Mutuku
- V. Philip Lopokoiyit
- VI. Rosemary Sakaja
- VII. Japheth Magomere
- VIII. James Njue

Staff and management interest in ownership: No

International affiliations No

History Company established:

Issued Fund Management License in 2007 but began operations in 2011.

Mergers/ acquisitions: None

Investment Mandates

Asset Class	Assets Amount (KShs)
Pensions	5.8 billion
Retail	20.4 billion
Insurance	13.7 billion

Key Investment Personnel

Size of Investment Team: 5

Stanley Mutuku

Managing Director
MBA (Finance & Strategic Management), CPA(K), CIM
Industry Experience: 26 years
Years with the firm: 9 years

Alex Muthaka

Portfolio Manager
BSc Finance & Economics, MSc Finance, FRM
Industry Experience: 9.5 years
Years with the firm: 6 years

David Gitau

Portfolio Manager
CFA Charter holder
Industry Experience: 7 years
Years with the firm: 3 years

Nicholas Ngumunu

Investment Analyst
B. Com Finance, CPA(K)
Industry Experience: 5 years
Years with the firm: 3 years

Teddy Yanga

Investment Analyst
B. Com Finance, MSc Finance, CPA(K)
Industry Experience: 5 years
Years with the firm: 2 years

Co-op Trust Investment Services Limited

Company Details

Co-operative Bank House, 13th Floor
Haile Selassie Avenue
P.O. Box 48231 – 00100
co-optrust@co-opbank.co.ke
(+254) 20 3276000, 3276416, 3276532
Cell no: 0711 049416, 0721 495816
co-optrust@co-opbank.co.ke

Investment Philosophy

CISL believes in value investing which consists in seeking out securities available at lower than their intrinsic value. At its core, this approach believes that markets are inefficient and hence there exist opportunities to generate strong returns from undertaking fundamental analysis then benefitting from any market mispricing. We compare the evaluated intrinsic values with the prevailing market price to identify the relative attractiveness of the securities. This is geared towards delivering consistent, superior and long-term growth while managing risk, achieved through active management of portfolios.

Ownership

Ownership structure:

Co-optrust Investment Services Limited is a wholly owned subsidiary of The Co-operative Bank of Kenya Limited and has no foreign shareholding.

Directors of the company

- I. Macloud Malonza - Chairman
- II. Dr. Gideon Muriuki, CBS, MBS
- III. Dr. James M. Kahunyo
- IV. James Njue Njiru
- V. Godfrey Mburia
- VI. Scholastica A Odhiambo
- VII. Mary Njeri Mungai
- VIII. David Muthigani Muriuki

Staff and management interest in ownership: No

International affiliations: No

History

Company established:
April 1998

Mergers/ acquisitions:

None

Investment Mandates

Total assets under management

Kshs. 81.90 billion as at 31 December 2018

Pensions	78.7 billion
Retail	3.2 billion

Key Investment Personnel

Size of Investment Team:

14

Nicholas Ithondeka

Managing Director
MBA Finance (ongoing), Bsc Actuarial Science, CPA (K), FA
Industry experience: 13years

Samantha Kibuga

Head of Business Development and client Services
MBA (ongoing), BCom, FA
Industry experience: 12years

Olivia Mwangi

Head of Operations
MBA (ongoing), BCom
Industry experience: 13years

Mohamed Sharawe, CFA

Head of Research
CFA, MSc, Financial Econ, BSc Actuarial Science, FA
Industry experience: 5years

George Gikunju, CFA

Senior Portfolio Manager
CFA, BSc Statistics, FA
Industry experience: 7years

David Oduori

Portfolio Manager
MBA (ongoing), LLB, BA, FA
Industry experience: 16years

David Kiruri

Portfolio Manager
Msc (ongoing), Bsc Statistics, AFA
Industry experience: 7years

Daniel Chege

Portfolio Manager
MBA, IBA Finance, FA
Industry experience: 12years

Charles Andere

Dealer
MBA (Ongoing), Bsc (IBA), FA
Industry experience: 7years

Mark Ngare

Senior Investment Analyst
MBA, Bcom, ACCA, FA
Industry experience: 8years

Samuel Ngigi

Business Development Manager
LLM (Ongoing), Bsc Actuarial Science, CPA III
Industry experience: 7years

Cynthia Chebii

Head of Operations
Msc (ongoing), BA Finance, CPA, FA
Industry experience: 10years

Judy Wambua

Portfolio Officer
Bsc Actuarial Science, CFA Level 1, FA
Industry experience: 7years

Cynta Nyaga

Research Analyst
Bsc Economics and Finance
Industry experience: 1years

GenAfrica Asset Managers Limited

Company Details

1st Floor Arlington Block, 14 Riverside
Business park, Off 14 Riverside
P.O. Box 79217-00200
info@genafrika.com
www.genafrika.com
+254 20 2323343
Cell no: 0737 350771

Investment Philosophy

We are style agnostic long-term investors focused on capital preservation whilst aiming to achieve consistent and superior investment returns without exposing clients' assets to unnecessary risk. Our investment style is based on disciplined, in-depth, analytical research, taking a long-term horizon of up to 5 years. The aim is the construction of client portfolios, which consistently outperform their benchmark. The analysis is grounded on both qualitative and quantitative fundamental analysis.

Ownership

Kuramo Capital Limited owns 90.84 % of the company. It acquired a stake in the business in March 2018, after a conditional agreement with Centum Investment Company Limited for the sale of her shareholding in GenAfrica. The management and staff of GenAfrica own the balance.

Directors of the company

- I. Mukite Musangi
- II. Shaka Mwangi Kariuki
- III. Catherine Igathe
- IV. Adewale Francis Adeosun
- V. Jonathan Mumo Muthengi
- VI. Charles Orony Ogalo
- VII. Patrick Kariuki Njoroge

Staff and management interest in ownership:

Yes 9.16%

International affiliations

Yes

History

Company established:
1996

Mergers/ acquisitions:

Kuramo Capital Limited acquired 90.84% stake in the business in March 2018, after a conditional agreement with Centum Investment Company Limited for the sale of her shareholding in GenAfrica. In December 2013, Centum Investment Company Limited acquired 73.35 % following a decision by Genesis London to divest away from its subsidiaries in Africa and certain parts of Asia.

Investment Mandates

Total assets under management

K Shs 201bn as at 31 Dec 2018

Pensions	191 billion
Other (Endowment Funds)	10 billion

Key Investment Personnel

Size of Investment Team:

7 Portfolio Managers, 2 Property Managers, 3 Analysts, 4 Client Service, 14 back office

Charles Ogalo

Managing Director
MSc Economics
Industry Experience: 37 years

Patrick Kariuki

Chief Operating Officer
MBA Finance and Administration, CPA K
Industry Experience: 27 years

Fahima Zein CFA

Chief Investment Officer
Executive MBA, BSc Computing, CFA
Charter Holder
Industry Experience: 25 years

Steve Biko

Senior Investment Manager
Mathematics & Chemistry, CIFA
Industry Experience: 13 years

Bachu Mtsumi CFA

Investment Manager
BSc Mathematics & Actuarial Studies,
CFA Charter Holder
Industry Experience: 11 years

Mohammed Abdi CFA

Investment Manager
BCom Accounting, CFA Charter holder,
CPA Part 1
Industry Experience: 10 years

Joshua Ejakait

Investment Manager
BCom Finance, CFA Level 3 Candidate
Industry Experience: 10 years

George Mulindwa, CFA

Investment Manager
BCom Finance, CFA Charter Holder
Industry Experience: 10 years

David Luwigi

Property Manager
Land economics, CAIA Level 1
Candidate.
Industry Experience: 10 years

Felix Maloba

Property Manager Land Economics, CFA
Level 3 Candidate.
Industry Experience: 9 years

Emma Mareri

Head of Research & Strategy
Master's in public policy, B com, CFA
Level 3 Candidate, ACCA
Industry Experience: 8 years

Old Mutual Investment Group

Company Details

Old Mutual Investment Group
UAP Old Mutual Tower, Upper Hill Road,
Nairobi
P.O Box 11589 – 00400
omigclientservice@oldmutualkenya.com
Website: <http://www.uapoldmutual.com>
+254 711 010 000/+254 711 010 108

Investment Philosophy

In order to achieve consistent, superior risk-adjusted returns, we follow an active, disciplined research process using a combination of top down and bottom up investment analysis approach. We believe that our investment decision-making processes ensure superior investment performance with an acceptable level of risk for each of our clients, based on a pragmatic investment philosophy and a thorough understanding of the client's objectives.

Ownership

Ownership structure:

Old Mutual Investment Group (OMIG) Ltd is owned 100% by Old Mutual Holdings Ltd which is in turn owned 100% by Old Mutual Ltd.

Directors of the company

- I. Dr. Peter Muthoka; Chairman
- II. Peter Mwangi, CFA
- III. Waceke Nduati
- IV. Peter Anderson,

Staff and management interest in ownership: No

International affiliations

Old Mutual Investment Group (OMIG) Ltd is owned 100% by Old Mutual Holdings Ltd which is ultimately owned 100% by Old Mutual Ltd. Old Mutual Limited (OML) is a premium African financial services group that offers a broad spectrum of financial solutions to retail and corporate customers across key markets in 13 countries in Africa. This affiliation gives us deep access to other investment professionals across the continent for collaborations and driving innovation in our respective markets such as the launch of the Old Mutual East African Agri Fund which is similar to other Agri funds offered in the south and west of the African continent.

History

Company established:
2002

Mergers/ acquisitions:

Old Mutual acquired Barclay-Trust Investment Services Limited in 2002 and changed its name to Old Mutual Asset Managers (Kenya) Limited.

In December 2013 there was another name to Old Mutual Investment Group (OMIG) Limited. This initiative was driven by the Old Mutual Group to align the names of all the Asset Management businesses across Africa.

Investment Mandates

Total assets under management

31st Dec 2018 – KES180.1bn

Pensions	127bn
Retail	8bn
Insurance	34.bn
Other	11.1bn

Key Investment Personnel

Size of Investment Team:

8

FA Peter Anderson, CFA

Group Managing Director
BA Economics, MA Dev. Econ
CFA Charter holder
Industry experience: 19 years

FA Christian Kaaria

Portfolio Manager
B. Com (Finance), MBA (Finance & Strategy)
Industry experience: 15 years

FA Kevin Nyaga, CFA

Portfolio Manager
BSc. Applied Accounting, BA Economics,
ACCA, CFA Charter holder
Industry experience: 8 years

Eric Karimi

Portfolio Manager
BSc. Actuarial Science
Industry experience: 8 years

Dennis Maranga

Portfolio Manager
B. Com, ACCA finalist
Industry experience: 5 years

Erick Ndichu

Investment Analyst
B. Com, CIPS, CFA Level 1 candidate
Industry experience: 4 years

Kasee Mbao

Investment Analyst
BSc Financial Engineering
ACCA, Awaiting CFA Charter
Industry experience: 4 years

Aziza Mwatuwano

Performance Analyst
B. Com, MBA, ACCA Affiliate
Industry experience: 4 years

Sanlam Investments East Africa Limited

Company Details

Africa Re Centre, 5th floor, Hospital Road, Upper Hill
P.O. Box 67262 00200 Nairobi
+254 20 496 7000/ 0719 067 000
info@sanlameastafrica.com
www.sanlameastafrica.com

Investment Philosophy

We believe markets are not always efficient and mis-pricing anomalies of assets regularly occur. Our experience and understanding of markets, helps us make investment decisions that create superior portfolio returns for our clients. Our philosophy relies heavily on portfolio managers and research analysts gaining full understanding of the characteristics, prospects and valuations of the assets we invest in and an appreciation of clients' investment objectives and risk tolerance.

Ownership

Ownership structure:

The firm is part of the Sanlam Group, a leading non-bank financial services group with operations in 33 African countries as well as in Malaysia, UK, India, USA and Australia.

The Sanlam Group, through its wholly-owned subsidiary Sanlam Emerging Markets, is the majority shareholder in Sanlam Investments East Africa Limited as shown below.

Who are the directors of the company?

- I. Gerrit Van Heerde (Chairman)
- II. Rohan Baloobhai Patel
- III. Marcus Butler Heilner (Independent Director)
- IV. Jonathan Stichbury,
- V. Andrew Mugambi
- VI. Cynthia Mbaru

Staff and management interest in ownership: No

International affiliations

The firm is affiliated with the Sanlam Group. Sanlam Group is listed on the Johannesburg and Namibia Stock Exchange.

History

Company established: 1998

Mergers/ acquisitions:

The firm was established in 1998 as AIG Global Investment Company (East Africa) Ltd, a subsidiary of the American International Group, Inc ("AIG").

In 2010, AIG's majority shareholding was transferred to PineBridge LLC and the company changed its name to PineBridge Investments East Africa Ltd.

In 2017, the Sanlam Group bought PineBridge LLC's majority stake and the company changed its name to Sanlam Investments East Africa Ltd.

Don't just invest, make the most of your investment.

Whatever level of investment you are at, you can count on **Sanlam Investments East Africa** to give your money the growth you are looking for. With a solid track record of over 20 years in the East African Region, an asset portfolio of over **KShs. 277 Billion** as of **31st December 2018** and a team fully invested in your success – you have the right partner.

- Money Market Fund (Unit Trusts)
- Corporate Cash Investment Management
- Pension Fund Management

Contact your Sanlam Investment representative now.

Contact Us

Kenya
Sanlam Investments East Africa
Africa Re Centre, 5th Floor, Upper Hill
Telephone: +254 (0)20 496 7000

Uganda
Sanlam Investments East Africa
Workers House, 7th Floor, 1 Pilkington Road
Telephone: +256 414 340 708

Website: www.sanlameastafrica.com • Email: info@sanlameastafrica.com

Sanlam Investments East Africa Limited

Investment Mandates

Total assets under management

31 December 2018, KES 277 billion

Pensions	234.9 billion
Other	42.1 billion

Key Investment Personnel

Size of Investment Team:

15

Jonathan Stichbury

Managing Director & Chief Executive Officer
ASIP, CIFA (holds practising certificate), Member CFA Institute, and CFA Society East Africa
Industry experience: 28 years

Nicholas Malaki

Senior Vice President, Chief Investment Officer
CFA Charter holder, CIFA (holds practising certificate), BA (Math), MBA (Fin), Member CFA Institute, and CFA Society East Africa
Industry experience: 18 year

Peter Wachira

Senior Vice President, Senior Investment Manager
CFA Charter holder, CIFA, MA Economics, B (Phil) Economics, BSC (Mathematics, Member CFA Institute and CFA Society East Africa
Industry experience: 24year

Edward Gitahi

Vice President, Senior Investment Manager
B.A. (Sociology & Statistics), CIFA
Industry experience: 24year

Mugalya Mubbale

Country Representative & Investment Manager
CFA Charter holder, M.Sc. Financial Management, B.Sc. Quantitative Economics
Industry experience: 8year

Dan Gathogo

Investment Manager
Bachelor of Commerce, ACCA, CIFA
Industry experience: 8year

James Akello

Assistant Investment Manager
MSc. Finance Investment and Risk, Bachelor of Engineering in Aerospace systems Engineering, ACIFA
Industry experience: 5year

Mathew Mue

Assistant Investment Manager
B.Sc. Actuarial Science, CIFA
Industry experience: 5year

Yvonne Munyambu

Assistant Investment Manager
B.Sc. Actuarial Science, CIFA
Industry experience: 5year

Shritesh Nanji

Vice President, Senior Investment Analyst
CFA Charter holder, CIFA, B.Sc. Banking and Finance
Industry experience: 19year

Gloria Ahikiriza

Investment Analyst
Bachelor of Business Science Actuarial Science
Industry experience: 4year

Lilian Mwikali

Investment Analyst
B. Sc. in Finance, ACIFA
Industry experience: 3year

Grace Annette Mumbi

Investment Analyst
B.Sc. Financial Engineering, CIFA
Industry experience: 3year

Eileen Ninsiima

Investment Assistant/Analyst
Bachelor of Business Statistics
Industry experience: 1year

Faith Omoongeh

Investment Assistant/dealer
BSc. Actuarial Science
Industry experience: 1year

STANLIB Kenya

Company Details

Liberty House 1st floor
P. O Box 30550, Nairobi - 00100
0711076111 or 020 3268508
Customercare.kenya@stanlib.com
www.stanlib.com/kenya

Investment Philosophy

We are both a value and growth-oriented Fund Manager whose contrarian and long-term approach seeks to take advantage of changes within the macro-economic space in order to deliver value to our client at all times.

The foundation of STANLIB'S investment philosophy is based on the understanding of key macro-economic parameters and translating this to asset allocation decisions aimed at deriving the highest return for our clients at acceptable risk levels.

Ownership

Ownership structure:

STANLIB is fully owned by Liberty Holdings Limited South Africa.

Directors of the company

- I. Nkoregamba Mwebesa
- II. Mike Du Toit
- III. Patrick Mamathuba
- IV. Peter Waiyaki
- V. John Sturgeon
- VI. Surinder Kapila

Staff and management interest in ownership:

No

International affiliations

Yes.

STANLIB South-Africa Limited

History

Liberty Holdings Limited South Africa was founded in 1958. STANLIB is fully owned by Liberty Holdings Limited South Africa.

STANLIB Kenya Limited has been fully operational since 1998 (as Stanbic Investment Management Services (EA) Limited). We are licensed by Capital Markets Authority (CMA) and registered with the Retirement Benefits Authority (RBA) to provide Fund Management Services and Investment Advisory.

List of mergers/ acquisitions that have taken place since being established:
None

Mergers/ acquisitions:

None

The world's African investments specialists.

Only a specialist can make complex investing that much simpler.

Product Offering:

1. Segregated investment mandate
2. Pension fund management
3. Insurance fund management
4. Property investment management
5. Collective Investment Schemes ("CIS")

STANLIB Kenya**Investment Mandates**

Total assets under management
KES. 135 Billion as at 31st December
2018

Pensions	99.5 billion
Retail	2.2 billion
Insurance	25.6 billion
Other	7.9 billion

Key Investment Personnel

Size of Investment Team:
17

Humphrey Gathungu

Regional Chief Investment Officer
BSc. Accounting CPA (K)/ CFA / ICIFA
Industry Experience: 17 Years

Simon Ikuu

Investment Manager
B.A. (Math and Economics) CPA II/MBA
/ ICIFA
Industry Experience: 14 Years

John Kihara

Senior Investment Manager
BSc. (Hons) Degree in Actuarial Science,
/MBA/ CAIA / ICIFA
Industry Experience: 12 years

Richard Muriithi

Senior Investment Manager
BSc. (Hons) Degree in Actuarial Science.
CFA / ICIFA
Industry Experience: 11 years

Ruth Okal

Property Investment Manager
MA (Property Management and
Valuations) /RV /REA
Industry Experience: 15 years

John Ndegwa

Investment
Manager
Bcom / MBA / CPA (K) / ICIFA
Industry Experience: 9 years

Deborah Muriuki

Research Analyst
BBS Economics & Management Science
/CFA Level 1
Industry Experience: 5 years

David Macharia

Investments Analyst
BSc Financial Engineering
Industry Experience: 4 years

Sheena Nguli

Investments Analyst
BSc. International Business
Administration(Finance), CFA Level 1
Candidate
Industry Experience: 1 year

Angela Hiuhu

Investments Dealer
MSc Engineering, CPA II / ICIFA
Industry Experience: 5 Years

Chris Mugi

Investments Dealer
Business Management Finance &
Banking CPA (K) / ICIFA
Industry Experience: 8 Years

Salima Asha Nakiboneka

Investments Dealer
Bachelor of Economics and Statistics /
CFA LEVEL 2
Industry Experience: 7 Years

Vivian Kirabo Wandera
Investment Support Officer
Bachelor of Science in Actuarial Science,
Master of Arts in Financial Services
Industry Experience: 1.5 Years

Muhwa Chakaya
Property Analyst
Bachelor of Commerce(Finance), CFA
Industry Experience: 2 Years

Welcome to Our World



10th Floor, Landmark Plaza, Argwings Kodhek Road
P.O Box 52439 - 00200 Nairobi, Kenya
t +254 20 496 9000 e info@zamara.co.ke
www.zamara.co.ke

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Powering Prosperity