



Zamara Consulting Actuaries Schemes Survey

December 2020



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Powering Prosperity

Introduction

We are pleased to present our 60th Investment Performance Survey for the period ending 31 December 2020.

This Survey covers 421 schemes with a total of K Shs 951.8 billion of assets under management.

We acknowledge and thank each of the participating Fund Managers for providing the necessary asset and performance data in a timely manner.

Fund Manager	Number of Participating Schemes	Value of Assets Under Management (KShs m)	
African Alliance Kenya Investment Bank Limited	7		
Apollo Asset Managers	3		
British American Asset Managers	30		
CIC Insurance	7		
Co-op Trust Investments	59		
GenAfrica Asset Managers	97		
ICEA Lion Asset Management Limited	56		
NCBA Investment Bank Limited	2		
Old Mutual Investment Group Limited	85		
Sanlam Investments East Africa Limited	73		
Cytonn	2		
Subtotal	421		951,830

Some schemes did not qualify to be included in the survey. This was due to one or more of the following reasons:

- Incomplete data.
- Data received did not pass sense checks.
- Responses to queries were not received as at the date of issuing this report.

Market Commentary Q4 2020

General Economic Review: 2020 was a notably unique year for the Kenyan economy that contracted by 0.4% in the first half of the year in comparison to a growth of 5.4% in 2019. The economy is however projected to rebound relatively quickly in 2021 by 6.9% according to a World Bank report released in November. This projection assumes that the major economic impacts of the pandemic fade early 2021 due to favorable weather supporting agricultural output. The Stanbic Bank Purchasing Managers Index (PMI) for Kenya declined to 51.4 at end of the quarter from 56.3 at end of the previous quarter. The decline was due to the increasing COVID-19 cases during the quarter and supply lags for businesses.

Inflation: Year on year inflation as at end of the quarter was 5.6% compared to 4.2% in the previous quarter. The increase was driven by rising fuel prices as global crude oil prices recovered.

Currency Market: The Kenya Shilling depreciated by 0.6% against the US Dollar to close at Kshs 109.2, from Kshs 101.3 at the end of December 2019. The weak performance was attributed to rising dollar demand from importers and lower inflows due to the COVID-19 pandemic.

Index	Q4	1 yr	3 yr ⁴	5yr ⁴
NASI	8.7%	(8.6%)	(3.9%)	0.9%
Zamara Kenya Equity Index	2.2%	(18.6%)	(1.4%)	2.7%
NSE 25 Share Index ³	4.8%	(16.7%)	(7.3%)	(4.0%)
S&P Kenya Sovereign Bond Index	2.5%	14.7%	14.4%	15.1%
FTSE Bond Performance Index	3.2%	13.0%	14.6%	14.7%
91 Day Tbill	1.5%	6.9%	7.3%	8.0%
Inflation CPI K Shs	3.0%	5.6%	5.1%	5.9%
USD/K Shs ¹	(0.6%)	(7.2%)	(1.8%)	(1.3%)
MSCI ACWI Index ²	13.1%	5.6%	5.8%	8.6%
MSCI Emerging Markets ²	16.4%	5.5%	1.1%	8.4%
MSCI World Index ²	12.6%	5.6%	6.4%	8.6%

1. Negative implies Shilling depreciated, positive implies Shilling appreciated.
2. Returns are Kenya Shilling adjusted
3. The index was launched in September 2015
4. For periods more than 1-year; returns are annualized
5. All values are as at 30 December 2020

Source: NSE, CBK, MSCI, KNBS

Equity Market: Equities market reported positive returns during the quarter despite the decline in the performance of some of the banking stocks performance with NASI & ZKEI gained 8.7% and 2.2% respectively. The rally was attributed to gains in large cap stocks. The equities market was however on a downward trajectory for the year ending 2020 with NASI and ZKEI declining by 8.6% and 18.6% respectively. The telecommunications sector performance remained positive over the year as they benefited from the digitization trends that were necessitated by the pandemic.

Fixed Income: The Monetary Policy Committee retained the Central Bank Rate at 7.0%, in comparison to 8.25% at the beginning of the year. The policy and other fiscal measures have been put in place to support recovery of the economy. The average yield on the 91-day T-bill declined to 6.9% in 2020 from 7.2% in December 2019. This is due to the Central Bank's efforts to reject expensive bids and increased liquidity in the markets. The S&P Kenya Sovereign Bond Index gained 2.5% over the quarter compared to 4.3% in the previous quarter.

Offshore markets: Global equity markets ended the year on a positive note as investors were optimistic due to the COVID-19 vaccine. The S&P 500 gained 16.3% over the year, a strong comeback from its historic plunge in the early weeks of the pandemic. The Developed Markets Equity Index, the All World Equity Index and the Emerging Markets Index gained 13.1%, 12.6% and 16.4% respectively over the quarter.

Executive Summary and Key Highlights

Key Highlights

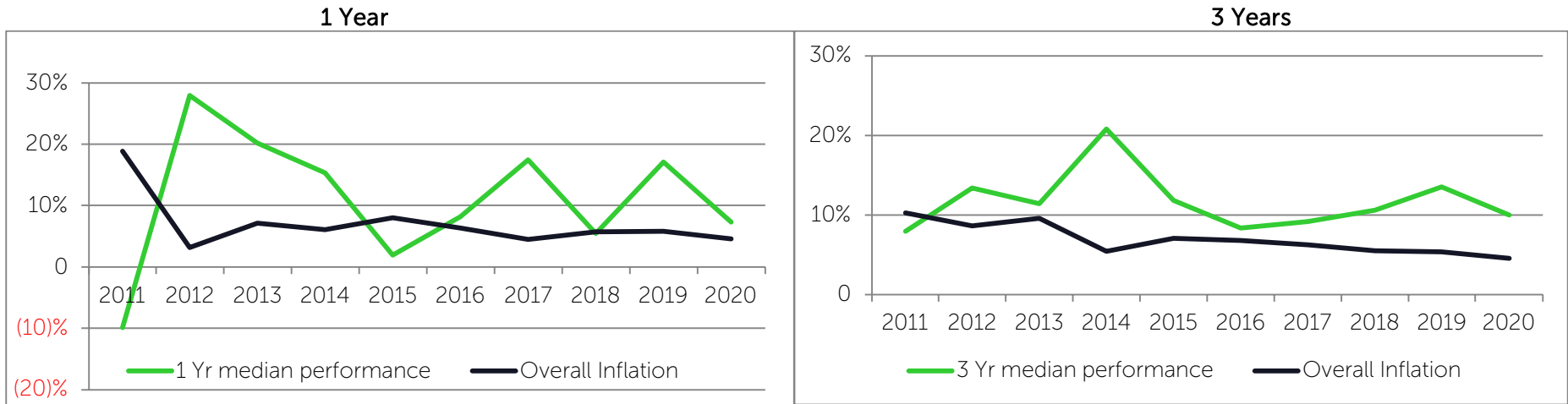
We set out in the table below, a summary of the median performance of schemes for each of the years from 31 December 2011 to 31 December 2020.

Period Ending 31 December	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Number of Schemes Participating	127	130	127	314	378	384	374	415	419	421
Total Assets K Shs Bn	130.9	171.8	217.1	479.4	535.8	596.5	677.3	756.9	885.0	951.8
1 Yr Median performance	(9.9)%	28.0%	20.2%	15.3%	1.9%	8.2%	18.1%	5.4%	17.1%	7.3%
3 Yr Median performance	8.0%	13.4%	11.4%	20.8%	11.8%	8.4%	9.3%	10.6%	13.5%	10.0%
Overall 1 year Inflation ¹	18.9%	3.2%	7.1%	6.0%	8.0%	6.4%	4.5%	5.7%	5.8%	5.6%
Overall 3 year Inflation ²	10.3%	8.7%	9.6%	5.4%	7.1%	6.8%	6.3%	5.5%	5.3%	5.0%

Notes:

1. Based on KNBS Statistics 2010 – 2020: www.knbs.or.ke/
2. Calculated geometric average over 3 years.

The Survey indicates that the median scheme did not always outperform overall inflation over the 1 year and 3 year period. Over 1 year, median returns underperformed inflation in 2011, 2015 and 2018 as shown in the 1 year chart below. Over 3 years, median returns underperformed inflation in 2011. as shown in the 3 year chart below.



Executive Summary and Key Highlights



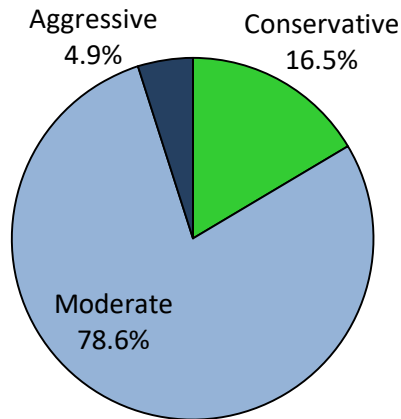
The chart above shows the median performance trend of the three asset classes (equity, fixed income and offshore) as at 31 December for each of the last 10 years.

Risk Profile of Participating Schemes

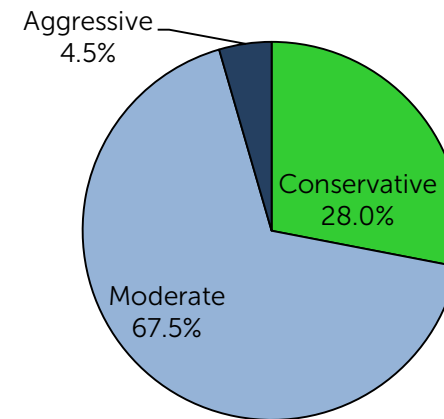
STATISTICS					
Risk Profile	Fixed Income Allocation*	Number of Schemes	Scheme Percentage %	Assets Under Management K Shs m*	Asset Percentage %
Conservative	Over 80%	118	28.0%	139,134	16.5%
Moderate	65% to 80%	284	67.5%	664,967	78.6%
Aggressive	Less than 65%	19	4.5%	41,429	4.9%
Total		421	100.0%	845,530	100.0%

*Asset allocation shown above and used to determine the above profiles excludes property

DISTRIBUTION OF PARTICIPATING SCHEMES BY ASSET SIZE



DISTRIBUTION OF PARTICIPATING SCHEMES BY NUMBER



421 Schemes qualified for inclusion in the Survey on the basis of being segregated arrangements with at least 3 months return periods.

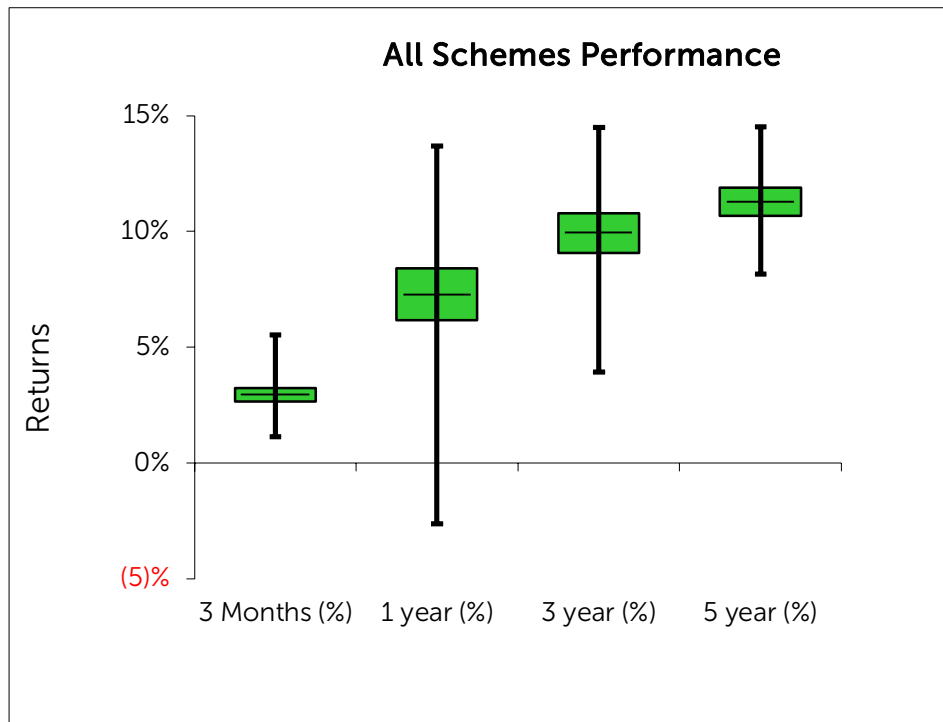
The survey is dominated by moderate schemes; they comprise 67.5% of participating schemes and manage 78.6% of assets in this survey.

Conservative schemes make up 28% of number of participating schemes with 16.5% of assets under management. Aggressive schemes make up 4.5% of number of participating schemes with 4.9% of assets under management.

Analysis and Distribution of Returns for the Period

	3 Month	1 year	3 year*	5 year*
25th Percentile	2.7%	6.2%	9.1%	10.7%
Median	3.0%	7.3%	10.0%	11.3%
75th Percentile	3.2%	8.4%	10.8%	11.9%
Range of Returns	4.4%	16.3%	10.6%	6.4%
Average	2.9%	7.3%	9.9%	11.2%
Weighted Average	3.0%	6.9%	9.8%	10.8%

*Annualised return



Over the quarter ended 31 December 2020, the median return of the participating schemes was 3.0%, compared to 4.2% in September 2020. The decline in performance has been attributed to the lower performance in fixed income reflected by the rising yield curve.

Over the 1-year period to 31 December 2020, the median return of the participating schemes was 7.3% compared to 17.1% over a similar period in 2019. Performance in 2020 was negatively impacted by reduced economic activity brought about by the COVID -19 pandemic.

Over the 3-year period to 31 December 2020, the median return of the participating schemes was an annualized 10.0%.

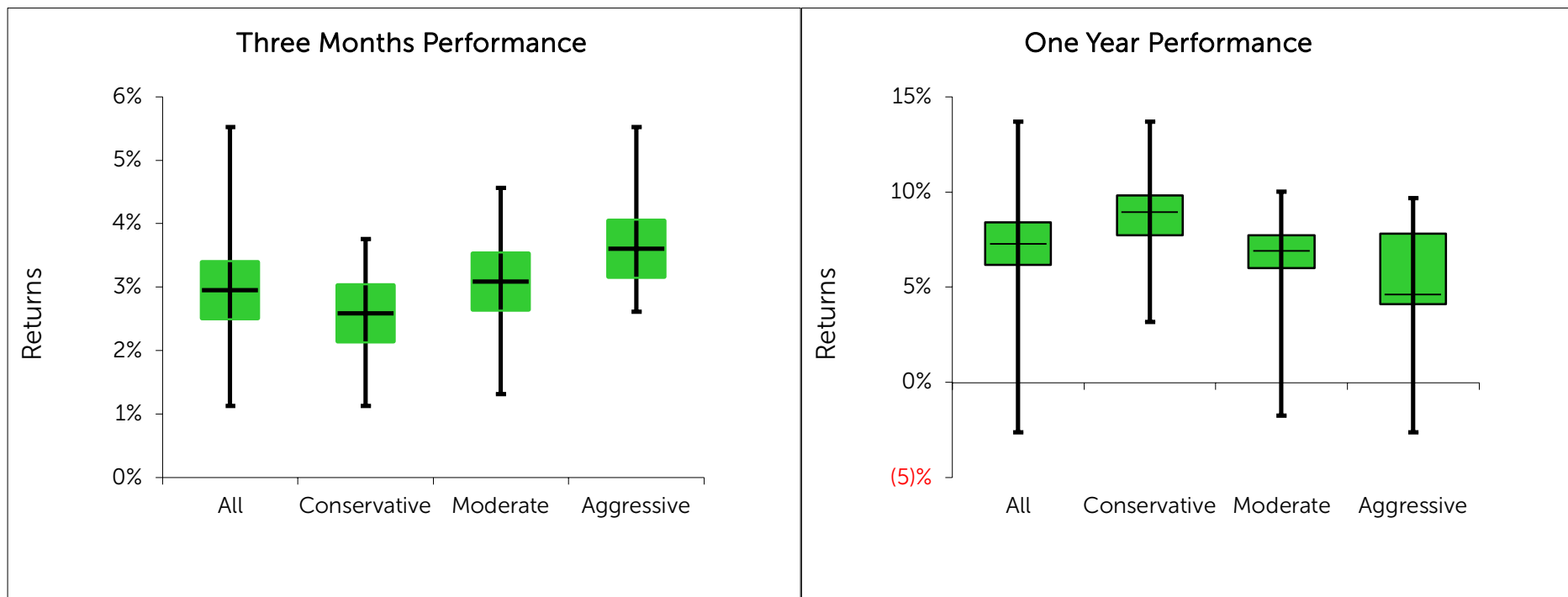
Over the 5-year period to 31 December 2020, the median return of the participating schemes was an annualized 11.3% with a range of returns of 6.4%.

The box plots on the next page show our analysis of the median and range of returns of the participating schemes categorized by risk profile: conservative, moderate and aggressive schemes

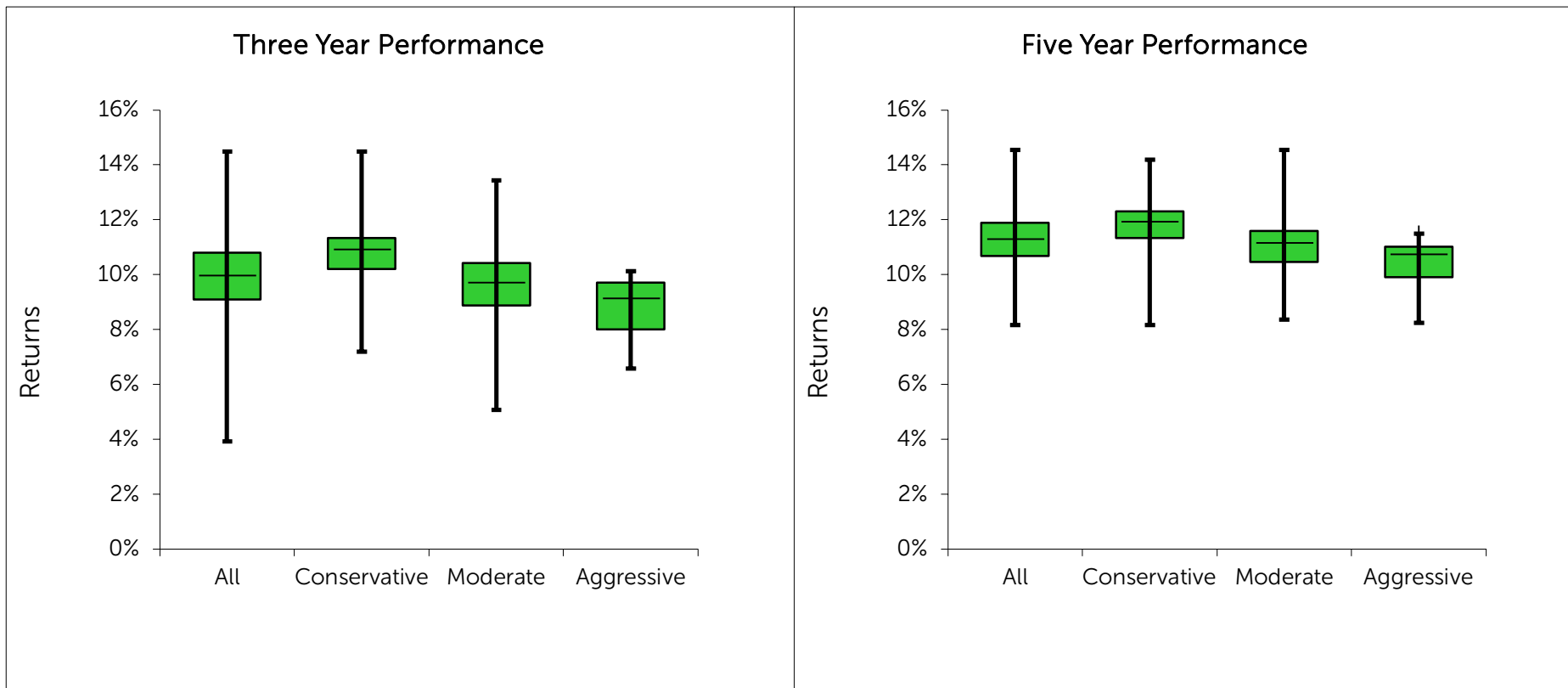
Analysis and Distribution of Returns

	Return Distribution											
	Conservative Schemes				Moderate Schemes				Aggressive Schemes			
	3 Month	1 year	3 year*	5 year*	3 Month	1 year	3 year*	5 year*	3 Month	1 year	3 year*	5 year*
25th Percentile	2.3%	7.7%	10.2%	11.3%	2.8%	6.0%	8.9%	10.5%	3.3%	4.1%	8.0%	9.9%
Median	2.6%	9.0%	10.9%	11.9%	3.1%	6.9%	9.7%	11.2%	3.6%	4.6%	9.1%	10.7%
75th Percentile	2.8%	9.8%	11.3%	12.3%	3.3%	7.7%	10.4%	11.6%	4.3%	7.8%	9.7%	11.0%
Range of Returns	2.6%	10.5%	7.3%	6.0%	3.3%	11.8%	8.4%	6.2%	2.9%	12.3%	3.5%	3.3%
Average	2.5%	9.0%	10.8%	11.7%	3.1%	6.7%	9.6%	11.0%	3.8%	5.3%	8.8%	10.4%
Weighted Average	2.6%	8.8%	10.9%	11.8%	3.0%	6.6%	9.6%	10.7%	3.8%	6.4%	9.0%	10.6%

*Annualised return



Analysis and Distribution of Returns



Conservative schemes had the strongest performance median return over the 1 year, 3 years and 5 years; on the background of better performance from the fixed income asset class over these periods. Conservative schemes have a higher allocation towards fixed income assets (Bonds, Treasury bills and Fixed deposits)

Aggressive schemes posted the highest median returns over the 3 months, aided by resilience in the stock market over the quarter. The recovery in the equity's performance will be driven by signs of increased economic activity in various sectors and easing of the COVID -19 restrictions.

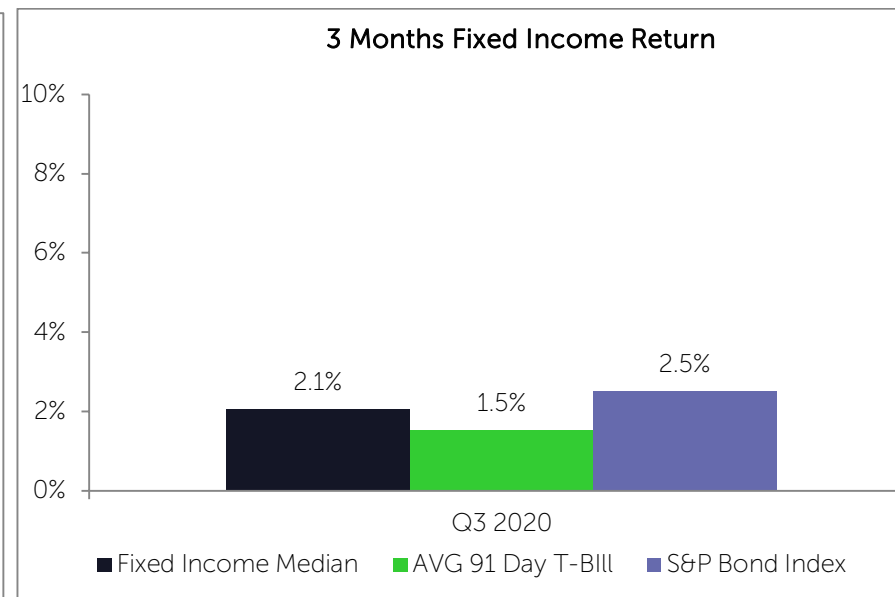
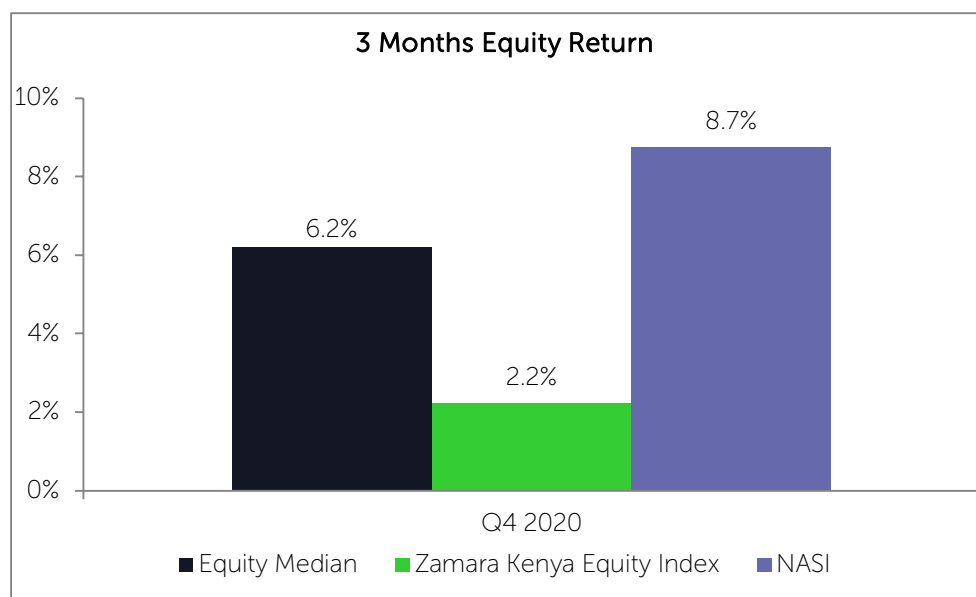
Asset Class Returns for 3 Months Ending 31 December 2020

	Equity	Fixed Income	Offshore
25th Percentile	5.5%	1.9%	7.8%
Median	6.2%	2.1%	11.6%
75th Percentile	6.8%	2.2%	11.6%
Range of Returns	15.0%	3.2%	22.4%
Average	6.0%	2.0%	9.4%
Weighted Average	5.9%	2.0%	9.1%

Equity: The equity median return outperformed Zamara Kenya Equity Index while underperforming NASI.

Fixed Income: The fixed income median return outperformed the average 91 Day Treasury Bill while underperforming the S&P Bond index.

Offshore: The offshore median return under-performed MSCI Emerging, MSCI world and MSCI ACWI Indices.



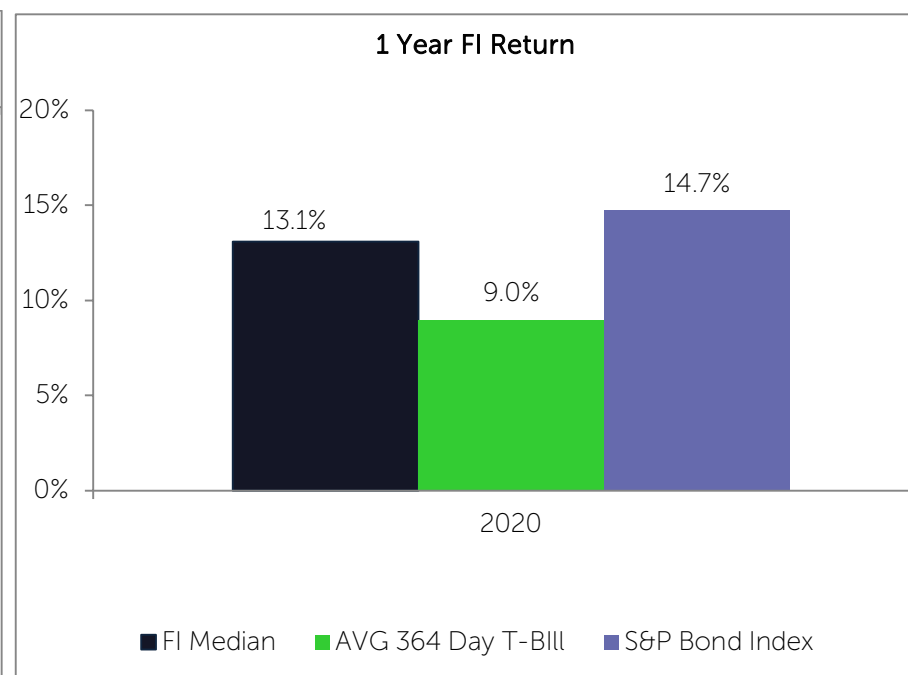
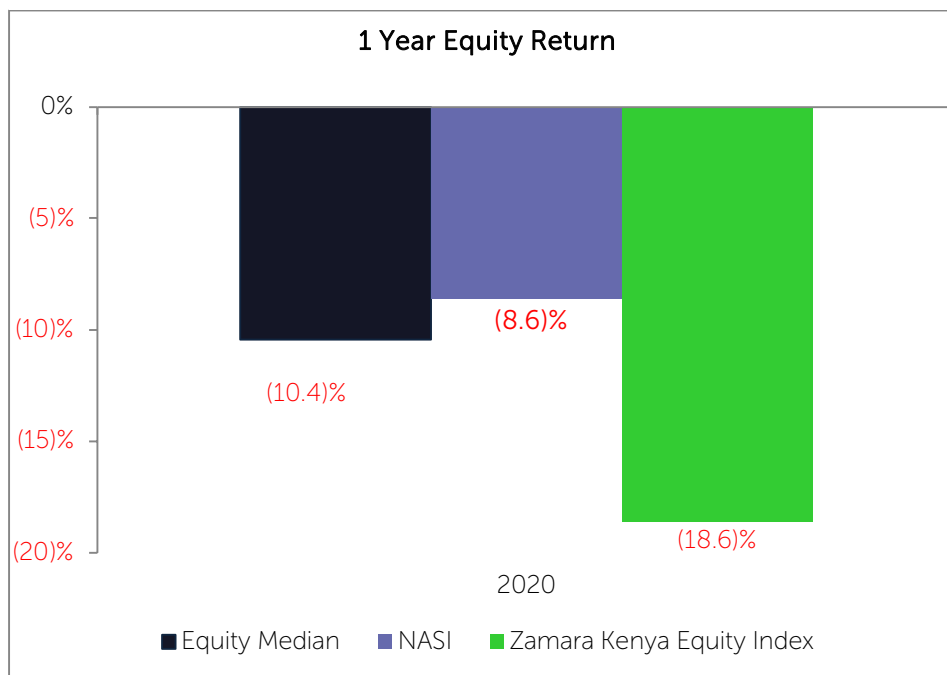
Asset Class Returns for 1 Year Ending 31 December 2020

	Equity	Fixed Income	Offshore
25th Percentile	(12.0)%	12.7%	24.9%
Median	(10.4)%	13.1%	39.7%
75th Percentile	(9.1)%	13.5%	53.2%
Range of Returns	50.4%	9.2%	56.0%
Average	(10.6)%	13.0%	37.4%
Weighted Average	(10.4)%	12.8%	33.3%

Equity: The equity median return outperformed Zamara Kenya Equity Index while underperforming NASI.

Fixed Income: The fixed income median return outperformed the average 91 Day Treasury Bill while underperforming the S&P Bond index.

Offshore: The offshore median return out-performed MSCI Emerging, MSCI world and MSCI ACWI Indices.



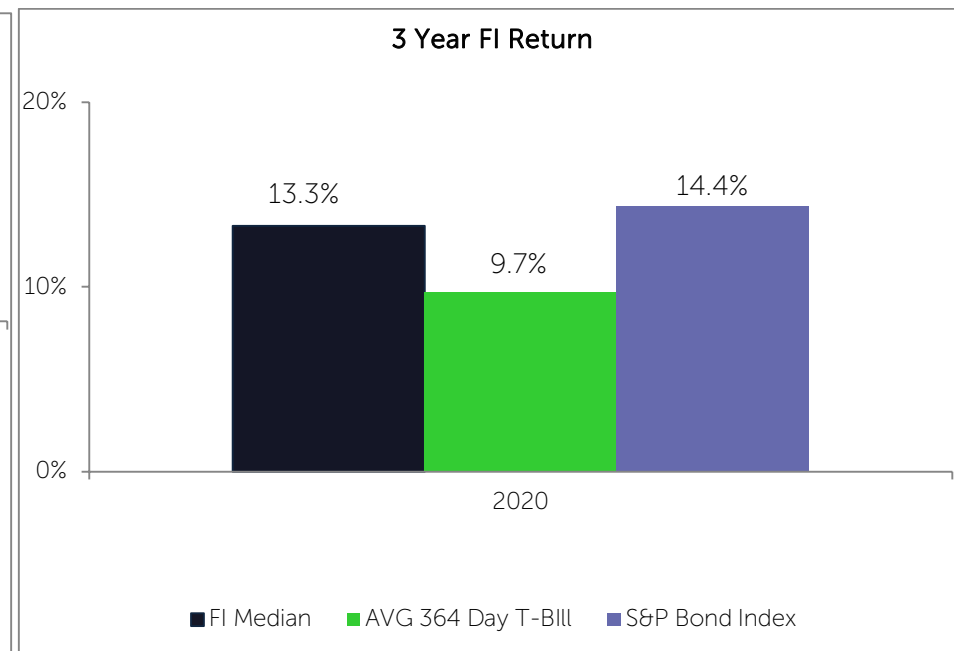
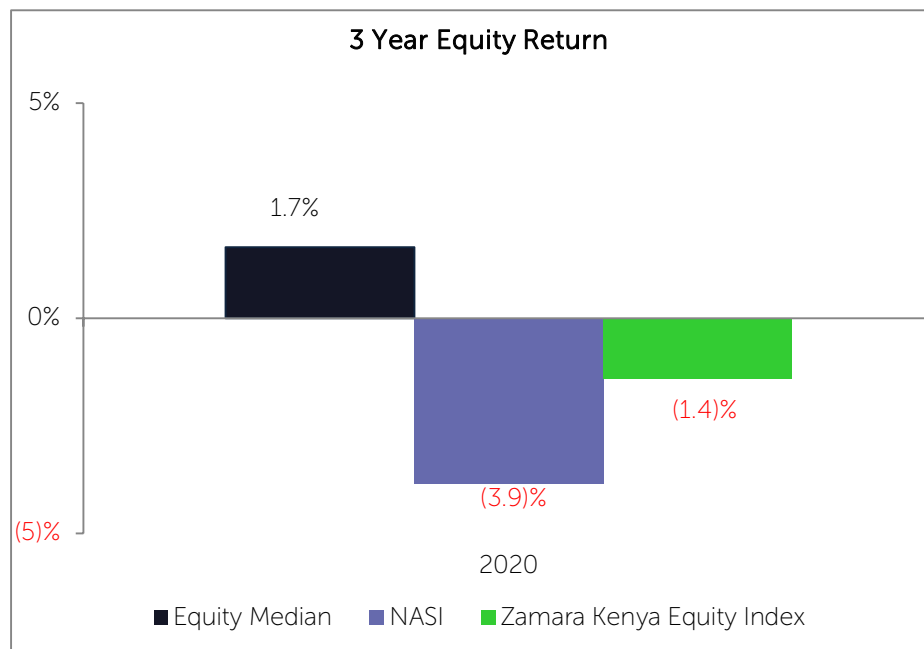
Asset Class Returns for 3 Years Ending 31 December 2020

	Equity	Fixed Income	Offshore
25th Percentile	(0.1)%	12.8%	11.7%
Median	1.7%	13.3%	17.0%
75th Percentile	3.1%	13.8%	21.2%
Range of Returns	24.8%	6.8%	33.0%
Average	1.2%	13.2%	15.8%
Weighted Average	1.4%	13.3%	15.9%

Equity: The equity median return outperformed the NASI and the Zamara Kenya Equity Index.

Fixed Income: The fixed income median return outperformed the average 364 Day Treasury Bill but underperformed the S&P Bond Index.

Offshore: The offshore median return out-performed MSCI Emerging, MSCI world and MSCI ACWI Indices.



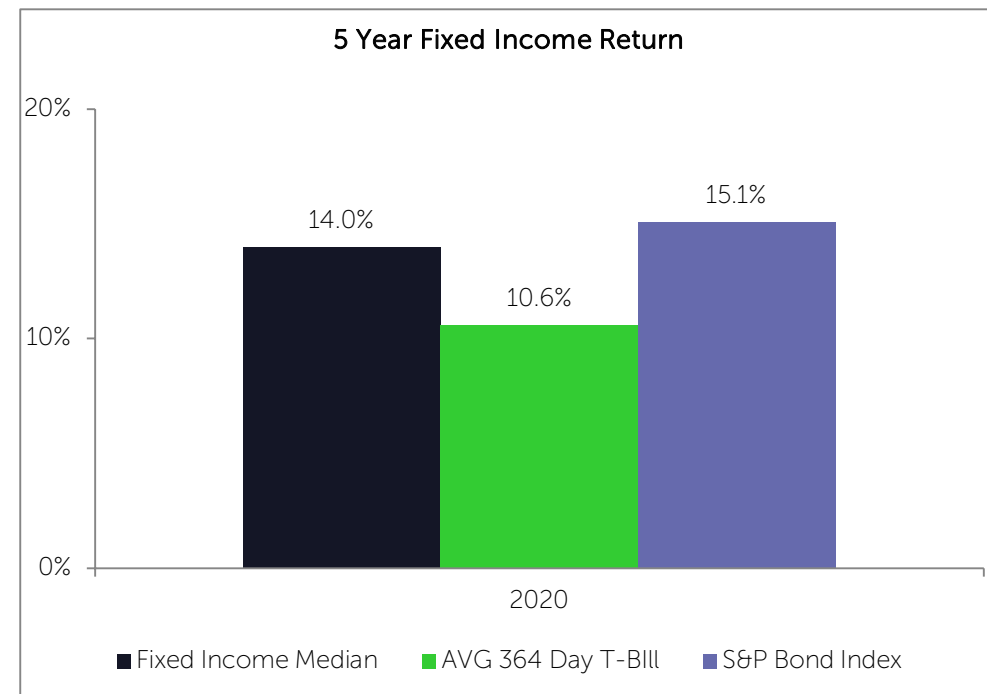
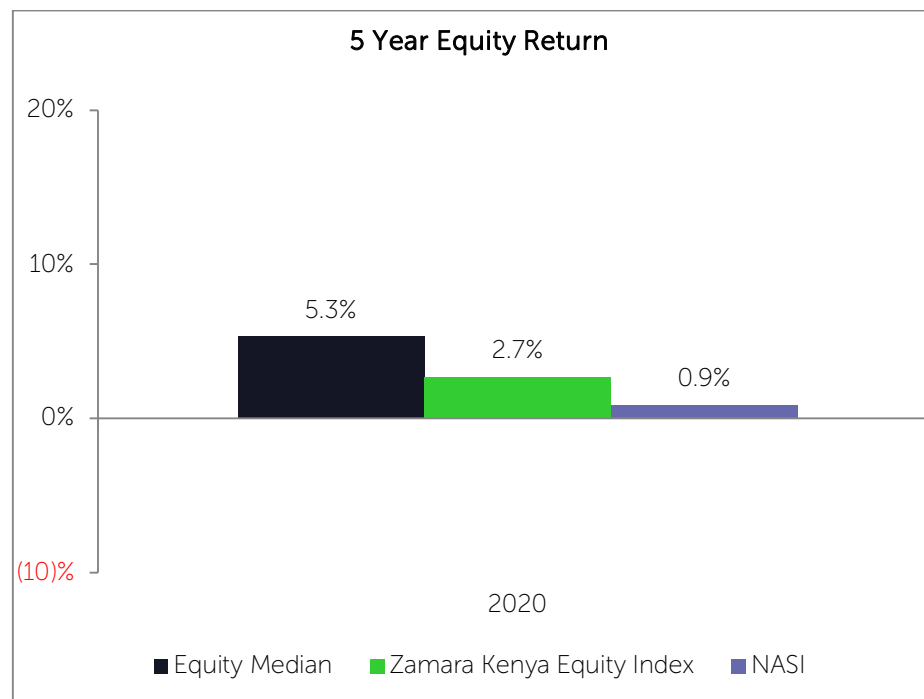
Asset Class Returns for 5 Years Ending 31 December 2020

	Equity	Fixed Income	Offshore
25th Percentile	2.9%	13.5%	14.3%
Median	5.3%	14.0%	16.7%
75th Percentile	6.6%	14.3%	17.8%
Range of Returns	14.9%	7.9%	20.5%
Average	4.9%	13.9%	15.7%
Weighted Average	4.3%	13.9%	14.8%

Equity: The equity median return outperformed the NASI and the Zamara Kenya Equity Index.

Fixed Income: The fixed income median return outperformed the average 364 Day Treasury Bill but underperformed the S&P Bond Index.

Offshore: The offshore median return out-performed MSCI Emerging, MSCI world and MSCI ACWI Indices.



Analysis of Asset Allocation for the Period Ending 31 December 2020

Asset Class Allocation																
	All Schemes				Conservative Schemes				Moderate Schemes				Aggressive Schemes			
	Equity	Fixed Income	Property	Offshore	Equity	Fixed Income	Property	Offshore	Equity	Fixed Income	Property	Offshore	Equity	Fixed Income	Property	Offshore
Average	20.8%	72.8%	5.4%	0.9%	12.7%	84.7%	2.5%	0.1%	23.6%	69.8%	5.6%	1.0%	29.8%	44.4%	21.6%	4.2%
Weighted Average	21.3%	66.5%	11.0%	1.2%	12.9%	80.7%	6.1%	0.2%	23.1%	66.2%	9.7%	1.0%	20.9%	38.8%	35.0%	5.3%
Range of Allocation	78.1%	95.0%	84.6%	14.3%	20.0%	75.6%	75.6%	6.6%	24.6%	58.4%	67.0%	8.6%	68.2%	59.4%	84.6%	14.3%
Median	21.7%	74.9%	-	-	15.1%	84.4%	-	-	23.2%	73.4%	-	-	27.0%	48.5%	-	-

For comparison, we include the asset allocation figures as shown in our September 2020 report.

Asset Class Allocation																
	All Schemes				Conservative Schemes				Moderate Schemes				Aggressive Schemes			
	Equity	Fixed Income	Property	Offshore	Equity	Fixed Income	Property	Offshore	Equity	Fixed Income	Property	Offshore	Equity	Fixed Income	Property	Offshore
Average	19.3%	74.5%	5.5%	0.7%	13.2%	83.9%	2.8%	0.1%	22.9%	70.4%	6.0%	0.7%	24.9%	44.6%	23.8%	6.8%
Weighted Average	20.0%	68.0%	11.4%	0.6%	14.1%	78.9%	6.9%	0.1%	22.1%	67.1%	10.2%	0.6%	16.9%	27.9%	52.0%	3.2%
Range of Allocation	47.8%	93.7%	84.8%	49.6%	20.0%	76.2%	76.2%	6.0%	25.2%	54.0%	65.0%	9.7%	47.8%	58.3%	84.8%	49.6%
Median	20.2%	76.7%	-	-	15.4%	83.2%	-	-	23.0%	74.1%	-	-	25.4%	50.3%	-	-

21.3% of the Schemes participating in the Survey had an allocation to property.

25.2% of the Schemes participating in the Survey had an allocation to offshore assets.

The Survey indicates that the average scheme's exposure to equity and offshore increased with allocations to fixed income decreasing over the quarter.

Zamara Consulting Actuaries Schemes Survey

FAQs

What is the Z - CASS Survey?

The Z - CASS Survey is an industry first initiative of Zamara Actuaries, Administrators and Consultants Limited and analyses the returns of retirement schemes invested in segregated vehicles with both discretionary and non-discretionary mandates. Schemes invested on an insured deposit administration basis are excluded as well as schemes having incomplete performance periods or returns.

What does the Consulting Actuaries Schemes Survey mean to a trustee?

One of the benefits of having a scheme based survey is that retirement scheme trustees are given the opportunity to compare the performance of their scheme relative to their peers within the broader retirement scheme industry. The Survey considers the returns over a rolling one (1) three (3) year and five (5) year period and trustees can gain valuable insight into how similar sized schemes performed over the same period.

The Survey further analyses the allocation across four broad asset classes: equity, fixed income, property and offshore. The asset class allocation analysis is based on a point in time, which corresponds with the Survey reporting period. The benefit of this is that trustees can gain valuable insight into how similar sized schemes are invested and how asset class allocation contributed to their specific scheme's performance. Attribution performance for property asset class was unavailable from the data provided and hence excluded from the Survey.

Important issues to be aware of

The Survey is based on individual scheme returns rather than fund manager performance. Trustees also need to be aware that the schemes in the Survey differ in terms of their risk profiles, investment mandates and fund manager reporting bases (as a consequence of the absence of a uniform reporting basis by the fund managers). These factors may have an impact on the reported performance. It should also be noted that performance should not be assessed over the short-term and past performance is not necessarily a guide to future performance.

For specific Consulting Actuaries Schemes Survey queries, contact:

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Glossary of Terms

Annualised

To convert an investment return into an equivalent one-year rate of return.

Asset Class Allocation

The allocation of a scheme's assets between different asset classes. i.e. equity, fixed income and interest, property and offshore investments.

Average

The mean or simple average of the schemes' performance and asset class allocation.

Discretionary Investment Mandate

This refers to the level of freedom (i.e. discretion) given to a fund manager by the trustees to invest the scheme's assets in accordance with the fund manager's best investment view. In many instances broad parameters are set by the trustees but the fund manager has complete autonomy in the investment decision making.

Inflation

Inflation is defined as a continued increase in the general level of prices and represents the cost of living index. Overall inflation includes in the 'basket' fuel and food stuffs, while underlying inflation excludes these from the 'basket'.

Median

The median is the return or weighting of the middle scheme (irrespective of size) when all the schemes' returns and asset allocations are ranked in order of performance or weighting. The median is not skewed by a wide range of returns or asset class weightings.

Non-Discretionary Investment Mandate

This refers to the degree of prescription to how the scheme's assets are invested and is the opposite of a fully discretionary mandate. The Trustees will be involved in the investment decision making and will instruct the fund manager how and in which assets to invest.

Percentile

Or quartile is one quarter of a sample. If returns of a scheme are ranked in a league table, then, for example, a second quartile ranking indicates that 25% of the schemes performed better and 50% achieved a lower return. i.e. the return in the second quarter or 25% of returns.

Performance Attribution

The composite performance broken down between the asset classes to determine how the respective classes contributed to the overall performance i.e. to which asset classes the performance was attributed.

Return

The increase in the value of an investment over a period of time, expressed as a percentage of the value of the investment at the start of the period.

Weighted Average

The mean or average of the schemes weighted according to the size of the assets under management.

Disclaimer

In preparing this Survey, we have used data supplied by the fund managers of the participating schemes. The data has been checked for reasonability where possible. While all possible care is taken in the compilation of the Survey to ensure that this document is accurate in all material respects, reliance is placed on information received from the fund managers.

Whereas the above constitutes the participating schemes per manager in the survey, it is not representative of the total schemes under management by the various fund managers

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