

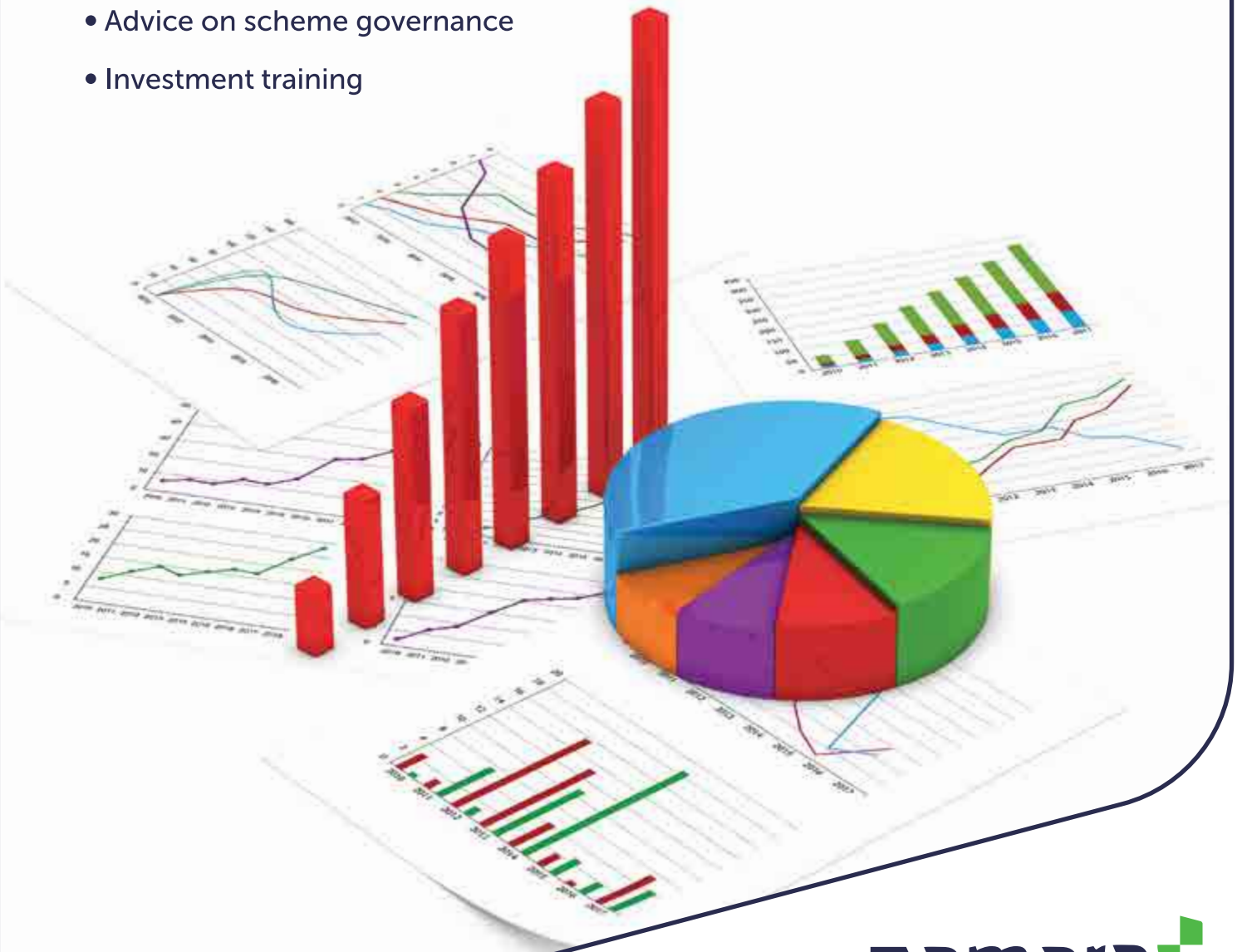


# THE ZAMARA PENSION PERFORMANCE WATCH 2017

# Helping Trustees stay on top of investments

## Zamara Asset Consulting Services:

- Formulating investment strategy
- Advice on alternative assets (property and private equity)
- Independent monitoring of investment performance
- Annual investment health check versus objectives
- Advice on scheme governance
- Investment training





## Welcome to the 1st edition of The Zamara Pension Performance Watch

**F**or the last decade and a half, the Zamara Consulting Actuaries Schemes' Survey (Z-CASS) has documented the investment performance of Kenya's pensions industry.

Published quarterly, Z-CASS has become the accepted benchmark for retirement fund investment performance in Kenya. From humble beginnings in 2006 with a coverage of 93 schemes and assets of K Shs 53bn, the Survey has grown to cover 374 retirement schemes with assets totaling K Shs 677bn, representing close to 70% of retirement assets in Kenya. Hence, the survey monitors investment performance of a significant portion of the Kenyan retirement fund industry. Investment (fund) managers often quote and compare their performance against Z-CASS and trustees plan meetings to coincide with the issuance of our Survey.

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.

The Zamara Pension Performance Watch, which we intend to release annually, 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 simple and concise to enable the reader have a 'big picture' view. The detailed analysis will continue to be included in our quarterly Z-CASS publication.

This 1st edition includes articles on topical areas of interest contributed by members of the Zamara team. 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 inaugural edition of the Zamara Pension Performance Watch useful and 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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Shera Noorbhai

# An investment worth its weight in gold



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Barclays Financial Services Limited is regulated by the Capital Markets Authority.

In March 2017, Barclays became the first financial institution to introduce Exchange Traded Funds in the Eastern African region, when the NewGold ETF was listed in the Nairobi Securities Exchange; NewGold is primarily listed in South Africa (JSE). Barclays' NewGold Exchange Traded Fund is one of the simplest and most cost-efficient methods for retail and institutional investors looking to invest directly in actual gold at competitive management fees.

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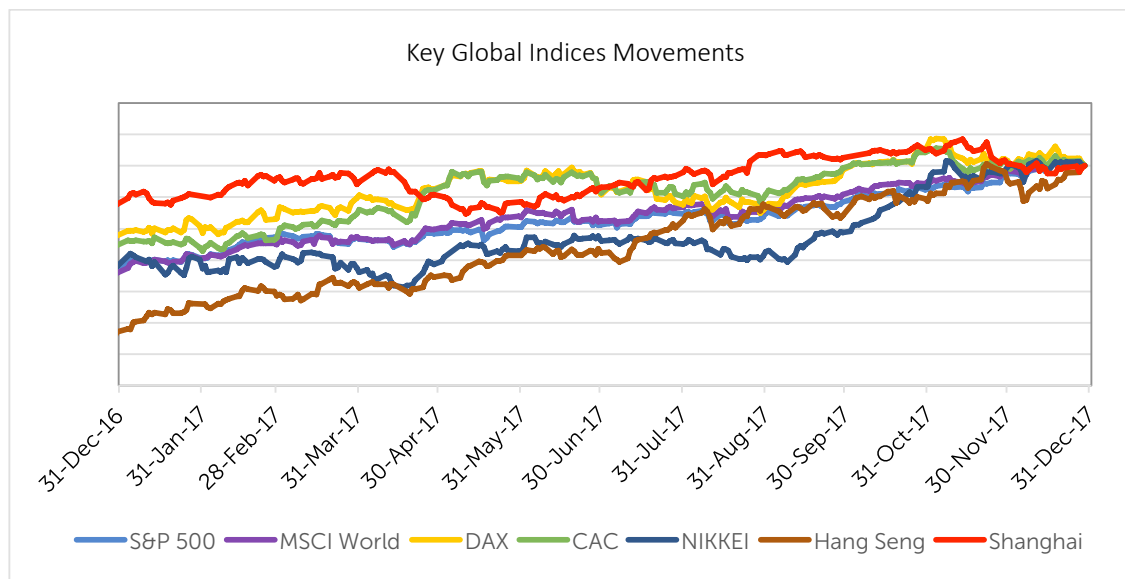
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- Lower costs: due to ETFs being passive in nature, they have a low fee structure than actively managed funds.
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For more information on NewGold ETF, you can reach us on 020 4254598.

# Economic Commentary 2017 and Outlook

## Global markets



Source: Bloomberg

Global financial markets were characterized by strong returns in 2017, with gains registered in key global indices with the US equity markets leading the way with performance bolstered by favorable economic growth forecasts, fiscal policies and improving consumer confidence. The Trump Government made the largest one-time reduction in the Corporate Tax rate in the US from 35% down to 21% which is expected to boost the stock market in to 2018.

Merkel's re-election as the German chancellor positively impacted the Eurozone economy due to her accommodative EU policies. Manufacturing activity in the EU grew at its fastest pace in over 20 years.

Tension in the Korean peninsula persisted throughout the year over the possibility of nuclear war. Despite this, markets remained resilient.

Global equity markets are anticipated to continue on an upward path due to expected positive and sustained economic growth in global markets, favourable fiscal policies and increased consumer spending.

Global markets  
characterised  
by strong  
returns in 2017

## The Kenyan Economy

### GDP Growth

The Kenyan Economy faced multiple headwinds in 2017. GDP Growth is projected to have slowed down to 4.9% compared to growth of 5.8% in 2016. The slowdown was attributed to the poor performance in the agriculture sector that was affected by long periods of drought. Other key factors that contributed negatively to the growth include the long electioneering period that brought about uncertainty in the markets, weak credit growth and a rise in oil prices.

There is an expectation of normal rainfall in 2018, which should lead to an improved performance from the agricultural sector. In addition, the tourism sector is expected to perform well due to increased political stability. Furthermore, there is the talk of increased spending by the Government which should have a positive impact on economic growth. One of the key challenges to growth has been the interest rate cap which has had a negative effect on private sector growth in the Economy. The IMF, in their World Economic Outlook of October 2017, projects a growth rate of 5.5% for Kenya, higher than the estimated 4.9% growth expected in 2017.

### Inflation

Inflation was high in the first half of 2017, peaking at 11.7% in May, 4.5% above the Central Bank's upper target of 7.5%. This was caused by the drought conditions experienced during the period that led to a surge in food prices. In the second half of the year, inflation was on a downward trend, falling from 9.2% in June to 4.5% in December. This reduction was due to improved weather conditions, the duty free imports of food items and the maize subsidy program.

The inflation rate is expected to increase gradually over 2018 with the rise in fuel prices and the end of the maize subsidy plan. Weather conditions are expected to be favorable over the year and this will moderate the increase in inflation.

### Exchange Rates

The exchange rate remained relatively stable over the year despite the political uncertainty mainly due to the Central Bank of Kenya intervention in the currency markets. The Shilling appreciated by 0.73% against the US Dollar. With improved weather conditions, we should see reduced food importation and a boost in agricultural exports during the year. However, fuel prices are expected to be higher and this is likely to put pressure on the exchange rate.

### Interest Rates

Central Bank maintained the Central Bank Rate at 10% throughout the year with the law on interest rates caps limiting the effective implementation of its monetary policy role. Interest rates are expected to remain relatively stable for most of 2018. The demand for government securities is likely to remain high due to the implementation of IFRS 9 which requires banks to make higher loan loss provisions. This will possibly result in a slowdown in lending as banks move funds to Government Bonds. The Central Bank of Kenya has said it will give banks five years in which to factor in the additional provisions of the new standard.

### Government Borrowing:

Moody's has downgraded Kenya's credit scores, citing the Country's rising debt level and the level of the Country's recurrent expenditure. The ratings agency had placed Kenya's B1 rating on review for downgrade to B2 due to persistent deficits amid high borrowing costs but has also assigned a stable outlook for the Country. This will have an impact on the cost of borrowing by the Government – both locally and internationally.

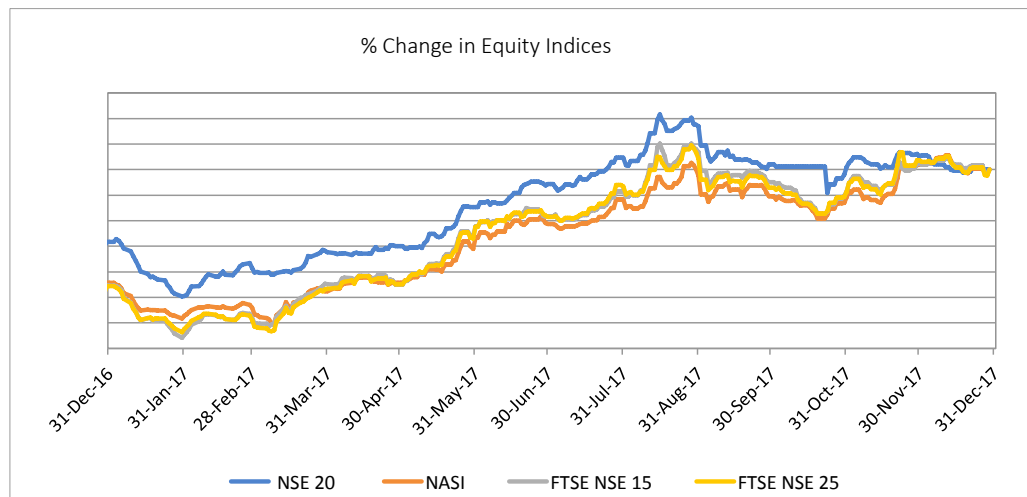
### Financial Markets – Equities

The stock market recovered over the year from the bear run witnessed over 2015 and 2016. The bullish performance in the first half of the year was due to lower government yields and attractive valuations in the banking sector with the anticipation of change of the law on capping interest rates. The market sustained the trend leading to the general elections. On the annulment of the presidential elections, NASI and NSE 20 indices fell by 4.3% and 6.4% respectively over a two-day period. Despite this dip in September, the market was generally on an upward trend over the year.

Kenya's credit score was downgraded due to rising debt levels



The NSE All Share Index was up 28.4% in 2017, and the median ZCASS performance in the Equity asset class was 31.0%.

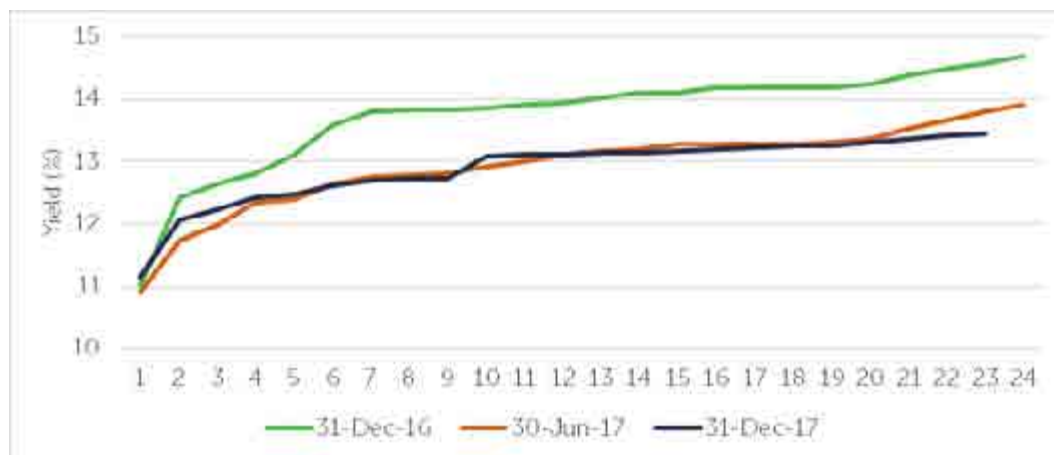


Source: NSE

In 2018, the macro-economic fundamentals are expected to improve – however returns from the equity market are not expected to be as high as those in 2017. The new IFRS 9 regulation has been in effect since the start of this year and is expected to lead to higher provisions for banks thereby affecting their profitability.

### Financial Markets – Fixed Income

Bond yields declined compared to the previous year. This resulted in capital gains for bond portfolios during the year. The graph below shows the evolution of the yield curve.



Source: NSE

The stock market recovered in 2017 following the bear run witnessed in 2015 and 2016

# Year 2017 Survey Results

The 2017  
median return  
was 18.1%  
compared to  
8.2% for 2016

The Zamara Consulting Actuaries Schemes' Survey (Z-CASS) as at 31 December 2017 covered 374 schemes with total assets of K Shs 677.3bn.

## Returns

A summary of the overall returns and returns by asset class for 2017 are summarized in the table below:

<b>Weighted average annual return</b>	<b>18.5%</b>
CPI	4.5%
<b>Median Returns</b>	
Total assets	18.1%
Equities	31.0%
Fixed Income	14.9%
Offshore	23.6%

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.

## BEETHOVEN'S FIFTH SYMPHONY

DIDN'T TAKE 32 MINUTES

IT TOOK 4 YEARS

Ludwig van Beethoven's genius wasn't effortless. His Fifth Symphony started out as rather elementary musical sketches. Honing and polishing his work, Beethoven spent countless hours developing the sketches, scratching up and altering a single page as many as twenty times. Four years later, he had produced one of the greatest symphonies ever written. At Allan Gray, we value this kind of commitment. It's the same philosophy we apply to investing and it has worked well for our clients for 43 years.

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LONG-TERM INVESTING



We also show the range of returns for the schemes participating in the Survey for 2017:

	Equities	Fixed Income	Offshore	Total assets
Weighted Average	29.3%	14.9%	21.8%	18.5%
25th percentile	26.5%	14.1%	21.8%	16.7%
Median	31.0%	14.9%	23.6%	18.1%
75th percentile	34.7%	15.5%	25.1%	19.4%
Range of Returns	74.4%	17.8%	26.9%	23.1%

#### 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	24.0%
Fixed Income	70.1%
Offshore	1.6%
Property	4.3%
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 374 schemes in the Survey, 118 had invested in offshore investments and 73 had invested in property investments.

For the schemes which had invested in offshore, the average offshore exposure was 5.3% and for the schemes which had invested in property, the average property exposure was 22.3%.

#### Limitations

Trustees need to be aware that the retirement schemes within the Survey differ in terms of their risk profiles and mandates and these in turn will have an impact on individual scheme performance. The Survey is based on returns given to us by Fund Managers.

The returns are not individually verified however we do conduct independent checks on a sampling basis. Total returns shown do not include property returns although asset allocation includes property allocation.

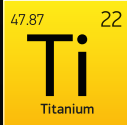
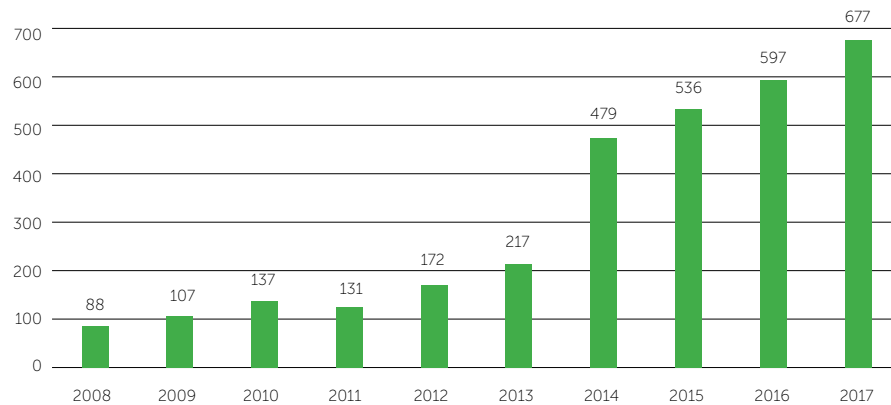
94% of total  
assets were  
invested in  
traditional  
assets

# Longer Term Perspective

The total assets covered by the Survey grew from K Shs 88bn to K Shs 677bn over the decade

## Last Decade in review

Over the last decade, the number of retirement funds participating in our Survey has increased from 130 to 374 as at the end of 2017. The total assets of the schemes covered under the Survey over the same period has increased from K Shs 88bn to K Shs 677bn. As at 31 December 2017, 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.



Our Custodial Services are  
**me tested and trusted.**  
Trust that is as tough as Titanium.

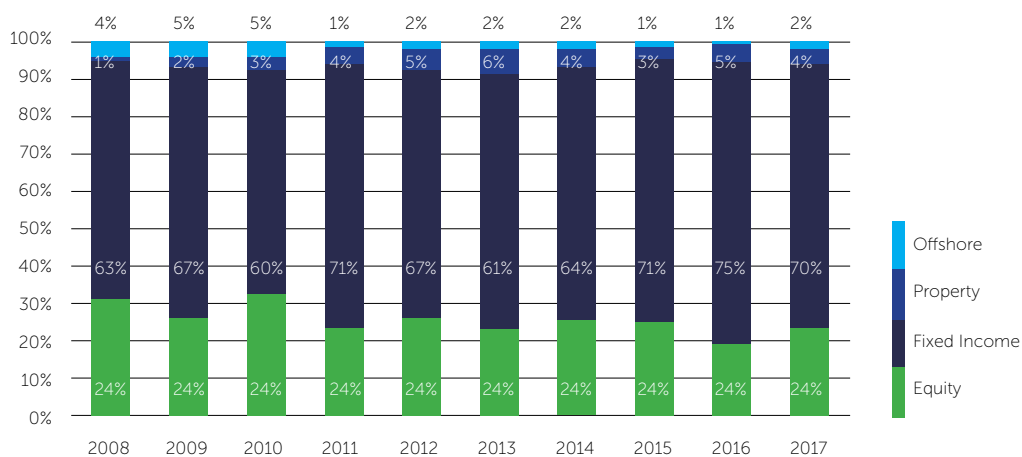
Because you entrust us with your assets for safekeeping, we ensure that you get the best care from us, so that your investments can keep growing.



### 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 bias towards fixed income assets. The chart below shows the total asset allocation of retirement schemes over the last 10 years. 32% of schemes invested in offshore assets and 20% in property assets.

For schemes which did invest offshore, the average offshore exposure was 5.3% and for schemes which did invest in property, the average property exposure was 22.3%.



32% of the schemes invested in offshore and 20% in property

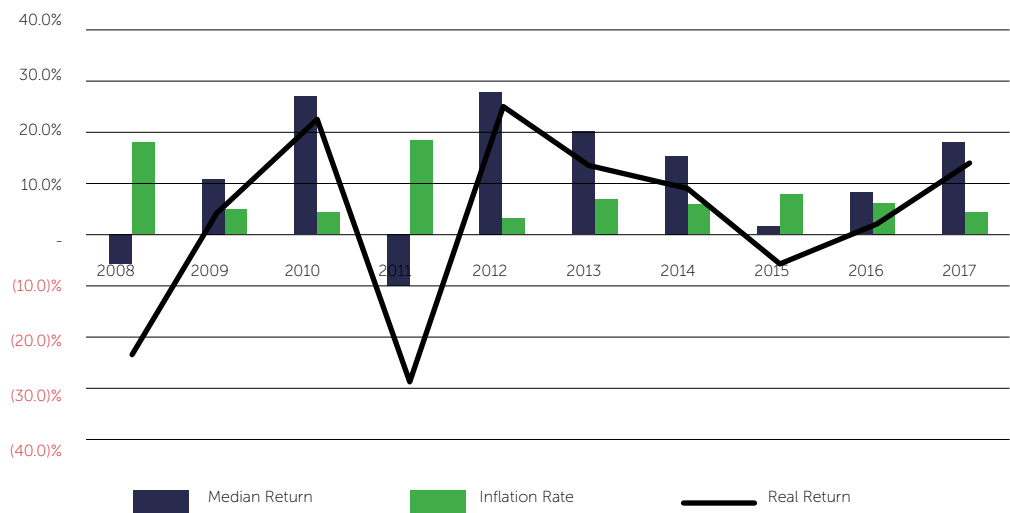
### Historical Summary of Returns against Inflation

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
2008	(5.1)%	17.8%	(22.9)%
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%

The same is portrayed graphically below.

#### Real Returns



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

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 – 2008, 2011 and 2015 as the rate of inflation was higher than the rate of returns in these years.

### The Median Real Rate of Return over a Longer Period

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 31st December 2017.

	Median Return	Real Return
1 Year	18.1%	13.6%
3 Years*	9.3%	3.0%
5 Years*	12.5%	5.7%

\*Annualized return

As the table shows, in spite of the volatility seen in returns over the last five years, in each of the one year, three year and five year periods to 31 December 2017, the scheme has outpaced inflation.

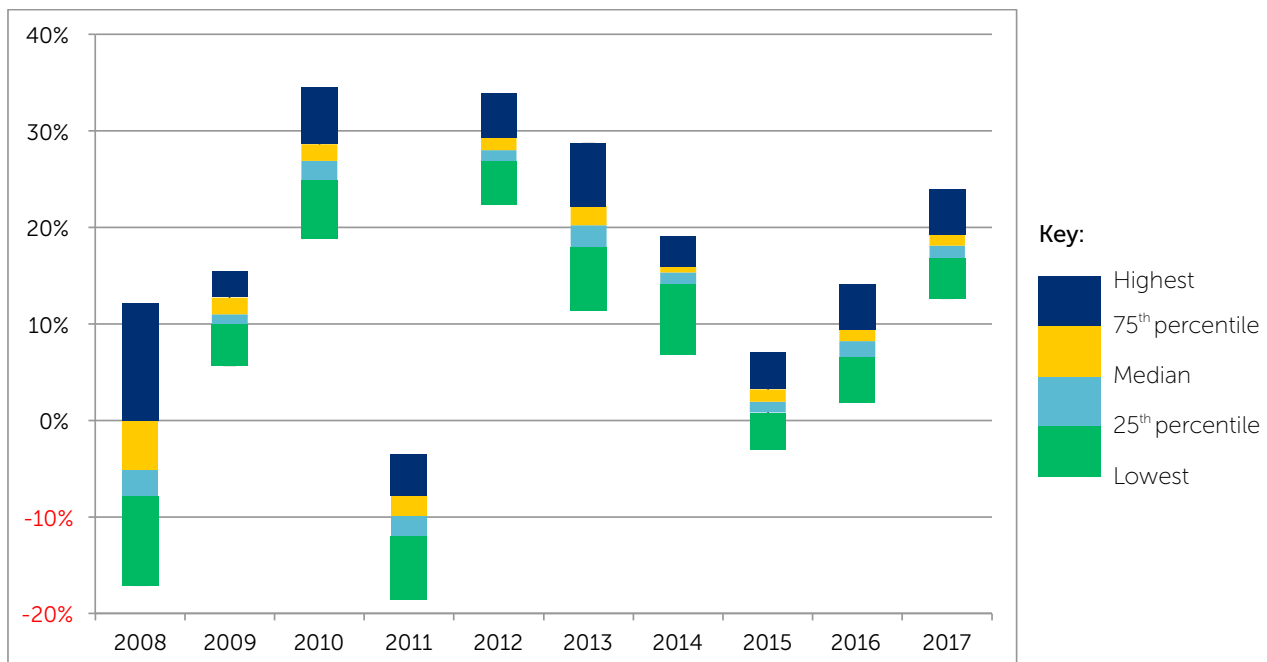
### The Historic Performance of Total Assets

The table and chart below shows a summary of total scheme returns over the last decade:

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Weighted Average	(2.8)%	10.9%	27.8%	(9.9)%	28.9%	21.4%	15.5%	0.5%	6.3%	18.5%
25th Percentile	(8.0)%	9.9%	24.7%	(12.0)%	26.7%	17.9%	14.1%	0.8%	6.5%	16.7%
Median	(5.1)%	11.0%	26.9%	(9.9)%	28.0%	20.2%	15.3%	1.9%	8.2%	18.1%
75th Percentile	0.0%	12.7%	28.6%	(7.8)%	29.5%	22.2%	16.0%	3.2%	9.4%	19.4%

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.

All Schemes 10 Year Median Returns



A key observation that can be made from the graph is that the three periods of particularly low or negative returns – 2008, 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 classes returns over the next few pages.

### Historic Performance of Domestic Equities

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

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Weighted Average	(20.3)%	1.3%	41.5%	(24.3)%	51.6%	42.6%	19.5%	(11.9)%	(10.5)%	29.3%
25th Percentile	(25.3)%	(0.2)%	37.9%	(25.8)%	47.9%	37.1%	16.4%	(12.6)%	(11.0)%	26.5%
Median	(23.5)%	1.6%	40.9%	(24.7)%	52.9%	42.1%	18.8%	(11.3)%	(9.2)%	31.0%
75th Percentile	(19.4)%	3.7%	43.8%	(23.2)%	56.3%	48.7%	20.5%	(8.9)%	(7.4)%	34.7%

As for the global equities market, the Kenyan equity market returns have also been volatile. There was strong negative performance in 2008, 2011, 2015 and 2016 – the key reasons for these were:

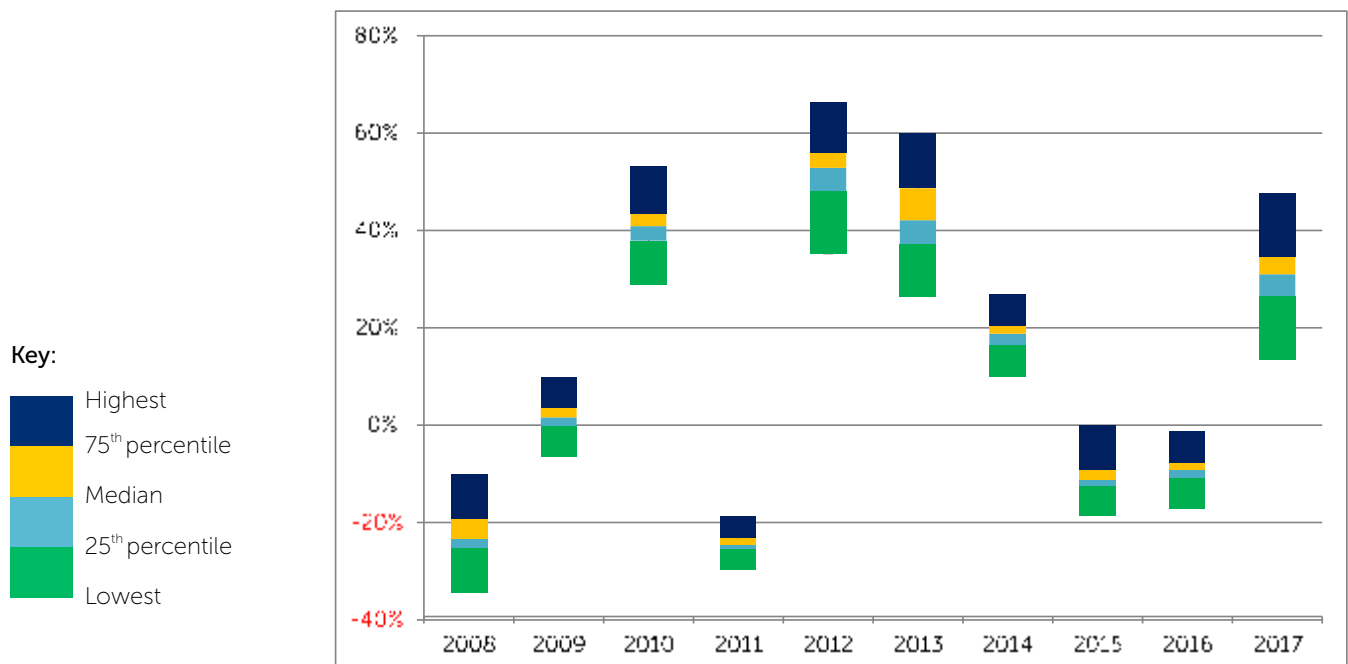
- 2008 – post-election violence and the global financial crisis
- 2011 – prevailing drought, currency volatility and effects of global sovereign crisis
- 2015 – high interest rates
- 2016 – the effects of the Banking Amendment Act 2016 legislation

The stock market performance in 2017 improved, driven by recovery in the banking sector and positive investor sentiment on Safaricom.

The volatility witnessed in the market had most pension schemes lose value in their equity holdings over 2015 and 2016. Pension schemes recouped the losses with positive performance over the 1-year period to 31 December 2017.

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

Equities 10 year returns





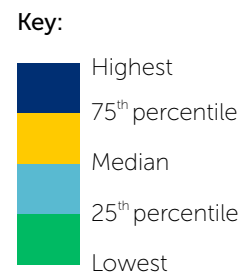
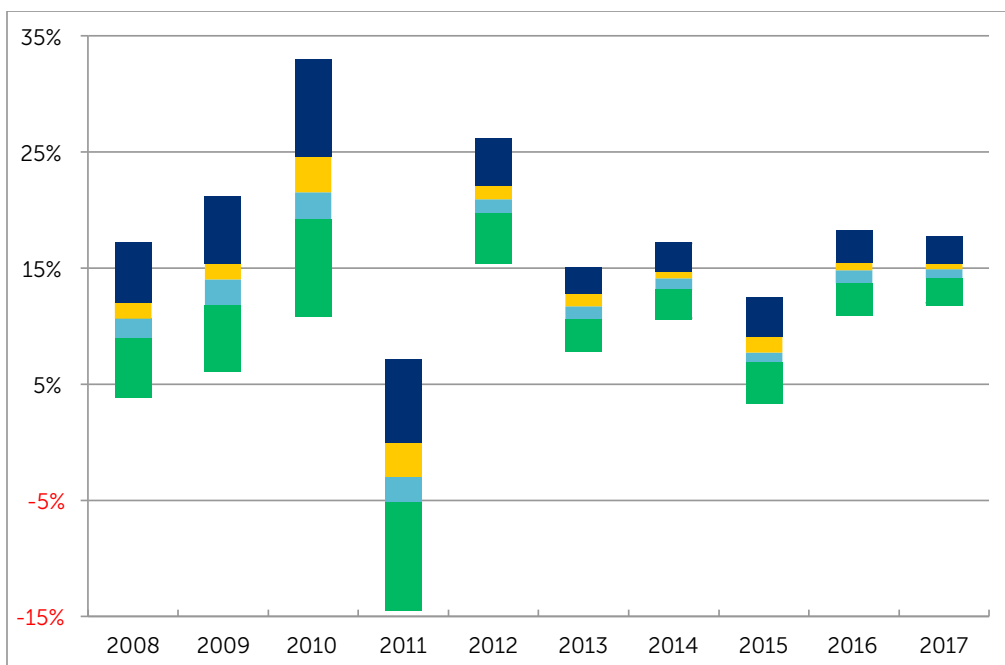


### Historical Performance of Fixed Income Assets

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

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Weighted Average	11.4%	14.1%	21.4%	(2.7)%	21.0%	11.6%	14.0%	8.4%	14.3%	14.9%
25th Percentile	8.8%	11.8%	19.2%	(5.2)%	19.6%	10.6%	13.1%	6.9%	13.7%	14.1%
Median	10.6%	14.0%	21.5%	(3.0)%	20.9%	11.7%	14.1%	7.7%	14.8%	14.9%
75th Percentile	12.1%	15.5%	24.6%	0.9%	22.2%	12.8%	14.7%	9.1%	15.5%	15.5%

Fixed Income 10 Year Returns



A comparison of the historic equity and interest sensitive (fixed income) returns showed that in the last five years, fixed income median annualised returns at 12.9% exceeded the corresponding median equity return at 12.6%.

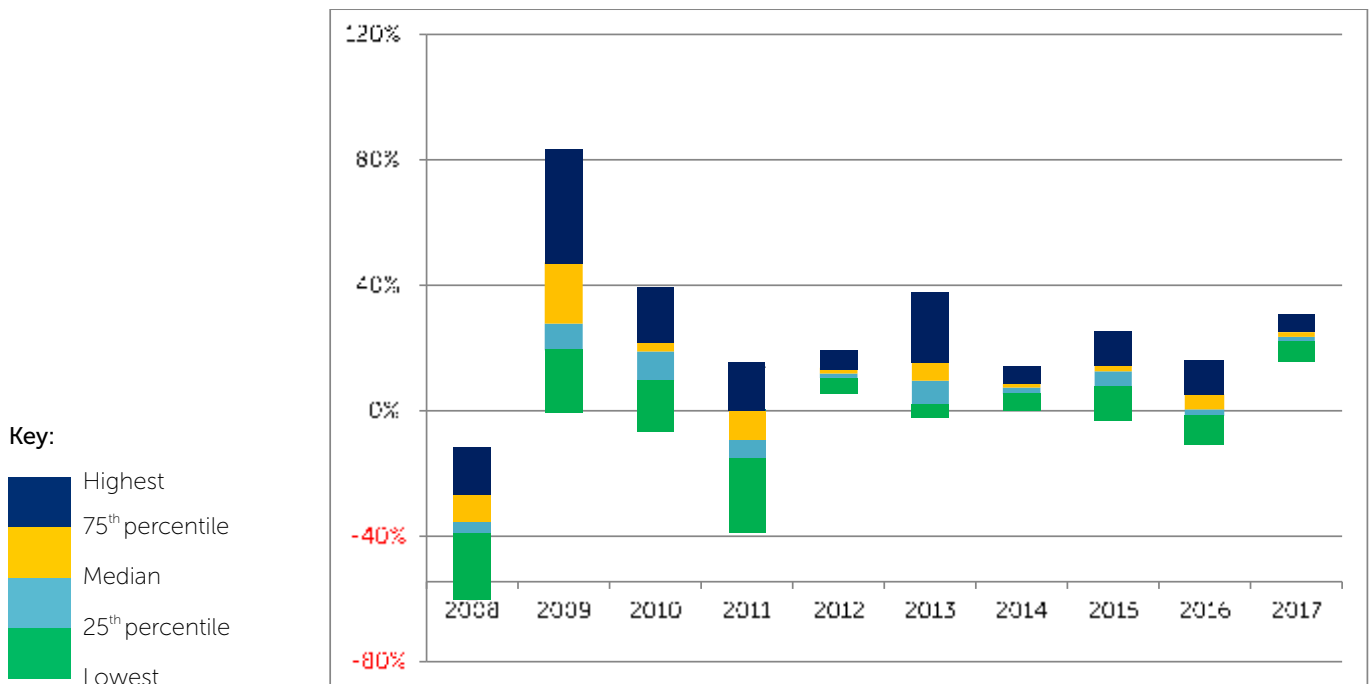


### Historical Performance of Offshore Assets

Returns from the Offshore asset class have been volatile over the last 10 years with 2 years of significant negative performance in 2008 and 2011 – each followed by years of strong recovery. The table below shows the historic performance and range of returns for offshore assets.

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Weighted Average	(33.3)%	34.0%	19.4%	(8.7)%	13.4%	10.9%	7.3%	10.2%	2.7%	21.8%
25th Percentile	(40.0)%	19.3%	9.4%	(14.9)%	10.5%	1.5%	5.3%	7.6%	(1.2)%	21.8%
Median	(35.4)%	27.7%	18.9%	(9.4)%	11.9%	9.6%	7.4%	12.6%	0.4%	23.6%
75th Percentile	(26.6)%	47.3%	22.3%	0.5%	13.7%	15.6%	8.6%	14.5%	5.1%	25.1%

Offshore 10 year returns



# The Legislative Scene Governing Retirement Fund Investments

The investments of assets of retirement benefits schemes in Kenya are governed under the Retirement Benefits Act and the Regulations made under the Act. The Retirement Benefits Act requires each scheme to have a prudent investment policy on the investment of the funds of the scheme so as to maintain the capital funds of the scheme and generally to secure market rates of return on such investments.

## Investment policy statement

The Regulations require each scheme to have a written statement of the principles governing decisions on investments for the purposes of the scheme. The Policy is meant to cover compliance with investment guidelines and the policy of the scheme with regards to:

- the categories of investments to be held
- risk
- the realisation of investments
- such other matters as may be prescribed from time to time by the Retirement Benefits Authority

The Regulations require that trustees obtain and consider the written advice from a registered Chartered Financial Analyst, actuary, investment advisor or fund manager. The Policy is renewable at least once every three years.

## Permissible asset classes

The Regulations made under the Act set out the investment guidelines. The current investment guidelines in terms of assets that schemes may invest in and the limits are set out in the table below:

Categories of Assets	Maximum
Cash and Demand Deposits	5%
Fixed Deposits, Time Deposits and Certificate of Deposits	30%
Listed Corporate Bonds, Mortgage Bonds and Fixed Income Instruments; loan stocks approved by the Capital Markets Authority (CMA)	20%
Commercial Paper, Non listed bonds and other debt instruments issued by private companies provided that the Bond or instrument has been given investment grade rating by a credit rating agency registered by the CMA	10%
EAC Government Securities and infrastructure bonds issued by public institutions and collective investment schemes incorporated in EAC and approved by an EAC Capital Markets regulator reflecting this category	90%
Preference shares and ordinary shares of companies listed in a securities exchange in the EAC; Exchange Traded Funds and global depository receipts	70%
Unlisted shares and equity instruments of companies incorporated in Kenya and approved by the CMA reflecting this category	5%
Offshore investments in bank deposits, Government Securities, listed equities and corporate bonds and offshore collective investment schemes reflecting this category	15%
Immovable property in Kenya	30%
Guaranteed Funds	100%
All exchange traded derivatives contracts approved by the CMA	5%
All listed Real Estate Investment Trusts incorporated in Kenya and approved by the CMA	30%
Private Equity & Venture Capital	10%
Any other assets.	10%



### Additions to permissible asset classes

Over the years, there have been a number of new asset classes added to the allowable investments including:

- i. Infrastructure Bonds of up to 90% of a scheme's assets;
- ii. Listed Corporate Bonds of up to 20% of a scheme's assets;
- iii. Commercial paper and non listed bonds of up to 10% of a scheme's assets;
- iv. Unlisted shares of up to 5% of a scheme's assets;
- v. Listed Real Estate Investment Trusts up to 30% of a scheme's assets;
- vi. Private equity and venture capital of up to 10% of a scheme's assets;
- vii. Exchange traded derivatives of up to 5% of a scheme's assets;



BANK

## Investor Services Safeguarding your financial assets

We offer a wide range of securities clearing and settlement services for Retirement Benefits Schemes, Collective Investment Schemes, Fund Managers and Investors trading in the local and offshore capital and money markets.

#### Our Core Services include:

- Safe Custody
- Transaction Settlement
- Capital and Income Collection
- Corporate Actions Administration
- Proxy Voting
- Activity Reporting
- Trustee Services

#### Safe Custody:

We provide safe custody services for the physical documents of title for our customers' investments in the capital and money markets in our designated safe custody area. As a Central Depository Agent (CDA), of the Central Depository and Settlement Corporation (CDSC), we provide for the administration of the electronic records of our customers' holdings in quoted securities in designated accounts at the CDSC.

#### Transaction Settlement:

We offer timely and efficient settlement of all our customers' transactions in the local and international capital and money markets.

#### Corporate Actions and Proxy Voting:

We will notify our customers of all forthcoming

corporate events and implement our customer's instructions. We offer proxy voting services.

#### Activity Reporting:

We provide comprehensive reports including Bank Statements, Activity Reports, Portfolio Valuation Reports, and Corporate Actions Reports.

#### Trustee Services:

We provide the full range of Trustee Services for Collective Investment Schemes (CIS) and Real Estate Investment Trusts (REITs) regulated by the Capital Markets Authority. We also provide Trustee Services for Individual Personal Pension Plans (IPPs) and Umbrella Pension Plan.

#### Client Services:

We aim to establish proactive business relationships to respond to our customers' requirements and we offer a single point of contact through a dedicated Relationship Manager.

#### The Team:

Our Team is comprised of experts bringing with them knowledge from the banking, investment and retirement benefits industries.



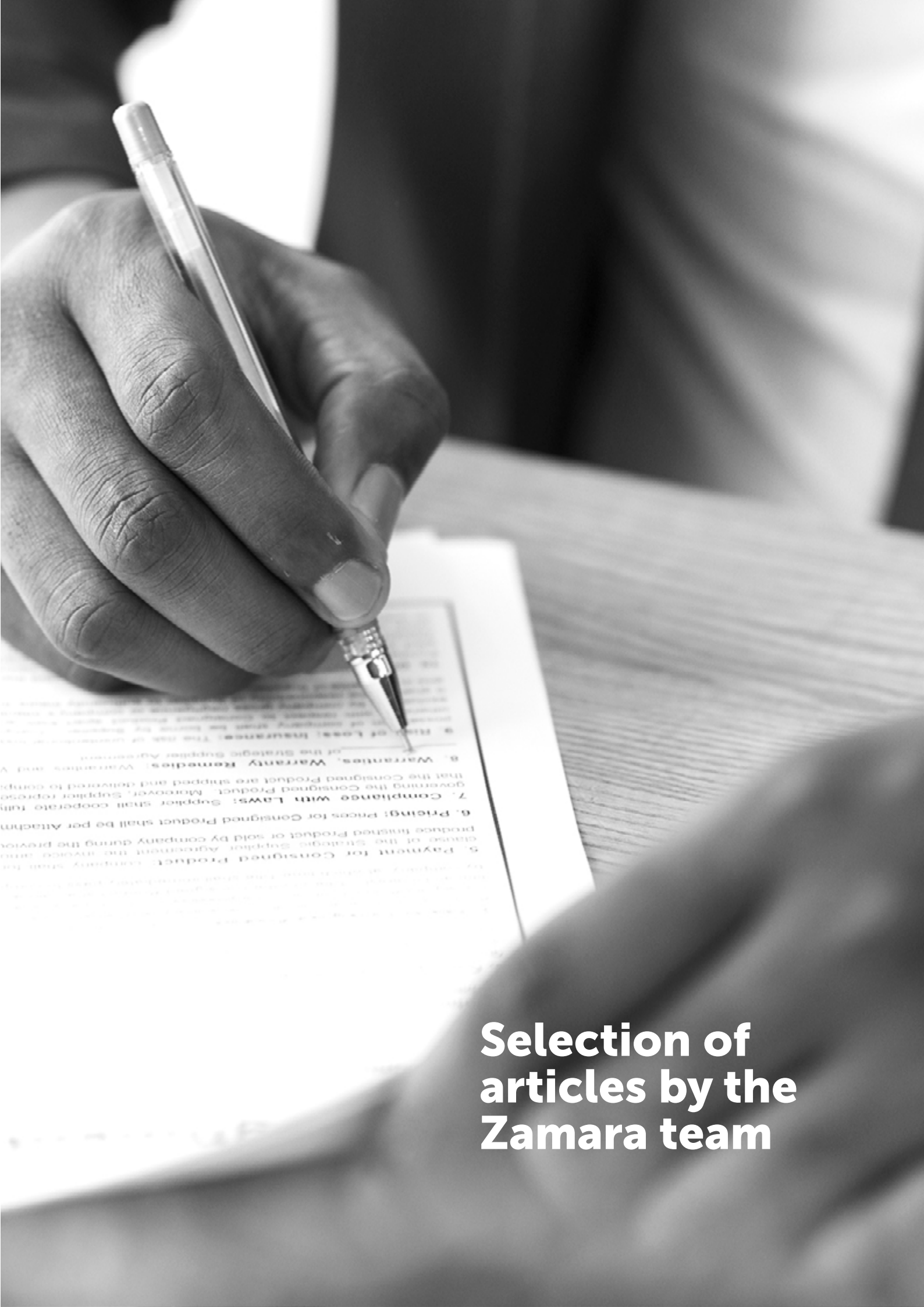
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**Selection of  
articles by the  
Zamara team**

# Benchmarks

By Neha Datta

Monitoring the performance of your investments is an integral part of financial planning. If your equity portfolio in 2016 generated a negative 2% return – is that good or bad? In absolute terms it is bad news. However, if the markets have gone down by 6% and your investment has only gone down by 2% then relatively this is good news.

To put this in to perspective, if you were invested in domestic equities in 2016, then a return of negative 2% was pretty good relative to the market; as the market indices show a much worse performance.

	Your investment	NSE All Share Index
Performance for 2011	-2.0%	-8.5%

A negative 2% return alone tells us nothing about value. It's like having a son who is seven feet tall. Is that good or bad? It's good if he wants to play professional basketball. Not so good if he wants ready-made clothes.

Only by comparing against a relevant benchmark, can you make an informed judgment about how well your investment did. As you can see from the table above, if your domestic equity portfolio gave you a negative 2% return in 2011 then you did very well indeed!

A benchmark is simply an independent standard against which performance can be evaluated. For the purpose of investments, indices are the most commonly used benchmarks.

If you look at all the equity and bond listings in the newspaper, it's easy to see that investors need some way of summarizing all this information. That's what an index does – it indicates a snapshot of what those numbers mean for the market or a section of the market. It is the most common benchmarking tool used by investors and Fund Managers.

A good investment benchmark has some essential characteristics:

Unambiguous	The identities and weights of securities that constitute the benchmark are clearly defined.
Measurable	The benchmark's return is readily calculable on a reasonably frequent basis.
Investable	It can be replicated and the components can be purchased separately.
Appropriate	The benchmark's main characteristics are consistent with those of the portfolio being measured against it.
Specified in Advance	The benchmark is specified prior to the start of an evaluation period and known to all interested parties.
Reflective of current investment opinion	The benchmark reflects the opinion of investors in the market.
Owned	The investment manager should be aware of and accept accountability for the constituents and performance of the benchmark. It is encouraged that the benchmark be embedded in and integral to the investment process and procedures of the investment manager.

## How to use a benchmark

As an investor you seek managers who are better than their peers and who can make you money. Therefore, you should look at performance both absolutely and relatively. This approach will

A benchmark is an independent standard against which performance can be evaluated

answer two very important, and complementary, questions: “Did the manager make money for me? Was he / she better than the alternative (i.e. benchmark)?” Taking this approach will help you as investors considerably more than just relying on either absolute or relative performance alone. Markets can be very volatile, particularly equity markets and there are bound to be ups and downs in the shorter term. It is important to agree an objective and a time horizon for assessing the performance of your portfolio, and therefore your manager. That is not to say you should not regularly review the performance of your portfolio, but keep in mind the longer-term objective. A manager will not be able to make you money over every period; in the institutional industry, most managers are assessed over a rolling 3-year period along with quarterly reviews.

## **EQUITY INDICES**

In Kenya, we have a number of equity indices available to investors – we discuss each of these below.

### **NSE 20 Index**

The NSE 20-Share index has been in place since 1964 and measures the performance of 20 blue-chip companies, such as Safaricom, Barclays Bank of Kenya, with strong fundamentals and which have consistently returned positive financial results. It is a price weighted index. The members are selected based on a weighted market performance for a 12 month period as follows: market capitalisation 40%, shares traded 30%, number of deals 20%, and turnover 10%.

Pros: Many investors tend to invest their money in these 20 blue chip equities. The index has been in existence for a long time.

Cons: This is a price weighted index and therefore carries a heavy bias towards higher priced equities. And also contains sector bias towards banking and manufacturing. It does not represent the whole market.

### **NSE All Share Index (NASI)**

NASI was introduced as an alternative index in 2008, with a base value of 100 as at January 2008. This is a market capitalisation weighted index and consists of all the securities on the NSE. Its measure and attention is therefore on the overall market capitalisation rather than the price movements of select counters.

Pros: Represents the whole market, easy to understand, launched in 2008 which although is much later than the NSE 20 index, there is sufficient long term data available.

Cons: Contains bias towards larger cap companies; Safaricom has the largest market value on the index and in December 2017 represented 44% of the stock market. It can be a difficult index to replicate as it contains all the shares in the market and there may be liquidity issues with some of the smaller equities.

### **FTSE NSE Kenya 15 and FTSE NSE Kenya 25 Indices**

Launched in November 2011 by FTSE Group and the Nairobi Securities Exchange (NSE), these are market capitalisation weighted indices. The FTSE NSE Kenya 15 index covers the largest 15 stocks by market capitalisation and the FTSE NSE Kenya 25 index covers the 25 most liquid, investible stocks listed on the NSE.

These indices have tracked each other very closely and their largest constituents have tended to be quite similar, as should be expected with market capitalisation weighted indices.

Pros: Represents investible stocks.

Cons: Contains bias towards larger cap companies and high annual subscription fee for commercial usage of the indices





#### **NSE 25 Index**

Launched in October 2015, this index was designed with a view to provide opportunities to develop structured products. This is a market capitalisation weighted index and consists of 25 securities with a minimum market capitalisation of K Shs 1 billion.

Pros: Represents investible stocks.

Cons: Contains bias towards larger cap companies and shorter historical data.

#### **BOND INDICES**

S&P Kenya Sovereign Bond Index and FTSE NSE Kenyan Shilling Government Bond Index  
After being starved of a Bond index for quite some time, there are now two Bond indices in the market, both calculated by international index providers. These are independently calculated benchmark indices for Kenyan government bonds.

There are some differences in the calculation of these indices for instance the FTSE Bond only uses traded bond prices whereas S&P uses the NSE Listed Bond Data Sheet; thus during periods of low trading, the yield curve can be interpolated to reflect pricing.

#### **PROPERTY INDICES**

##### **Local Property Benchmarks**

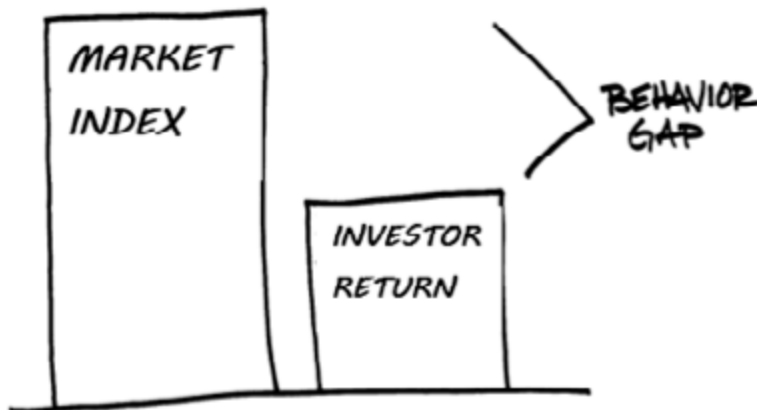
Property is a difficult asset class to benchmark. There are numerous factors affecting the price of a property including location, amenities, transport links, type and style of property amongst others. The Kenya Bankers Association Housing Price Index (KBA-HPI) released an index in 2013 shows quarterly changes in housing prices in the country. They consider a number of parameters including location, number of rooms, number of floors, age of the house among others. HassConsult, a Kenyan real estate agency prepares quarterly residential property indices for sales and rentals covering average house prices of middle and upper sections of the market covering



# The Behaviour Gap

By Berryl Buyasi

All investors face different types of influences. These affect the way they may react to changes in the market and how they behave when making investment decisions. These influences are known as behavioral biases. Due to these biases, fund managers may sometimes make investment decisions that could lead to less optimal results as compared to the market index. The gap between the market return and an investor's return that is caused by these biases is known as the behaviour gap.



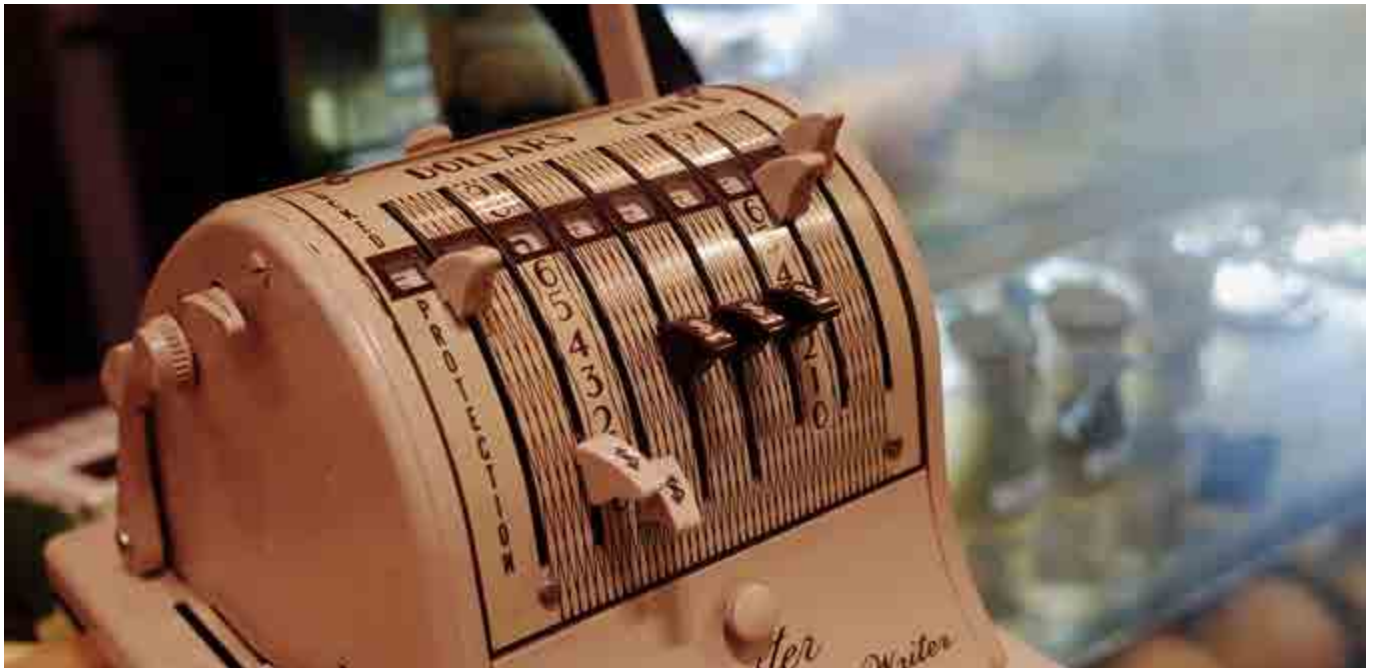
Although there are several types of behavioural biases, we will focus on two of types that are common to the pensions industry. We will look at how each of them results in a behavior gap and how the gap can be mitigated.

## SHORT-TERMISM

This is the potential tendency of Trustees to focus on shorter term performance. This may result in a fund manager making investment decisions to appease Trustees on a quarterly or annual basis at the cost of meeting long-term objectives. Short-termism is particularly contradictory to the pensions industry, which generally has a long-term profile. Trustees face the conundrum of having to explain performance on an annual basis to their members at the Annual General Meetings which could be a cause for the short-termism.

## DISPOSITION EFFECT

The disposition effect refers to the way investors treat unrealized gains and losses on investments. Research has found that investors may have the tendency to realise gains much quicker than realising losses. Therefore, they could be selling stocks with more potential upside and holding on to stocks that may no longer have any upside. From an investment perspective this doesn't make sense. A security's future performance is not related to the price at which the security was bought. By understanding these behavioural biases and how they can impact an investor's returns, fund managers may be able to strategically plan and customize their approach to their clients. Some ways to minimise these biases are discussed below.



**1. Understanding the alternative**

Trustees need to consider the alternative perspective. For example, instead of focussing how selling a losing stock will result in a temporary loss, trustees should examine how retention of the stock may cause greater losses if continued to be held. An additional perspective is to consider the potentially higher gains on an alternative investment that could be invested into instead which may easily cover up the loss experienced.

**2. Continuing education and jargon busting**

Sometimes it may be difficult for a fund manager to communicate complex information to investors. Educating the trustees on the terminologies and processes used in their analysis may help trustees to make better decisions. Trustees should ensure they ask their fund managers to explain any jargon they don't understand clearly.

**3. Discretionary Fund Management**

In a discretionary mandate, all investment decisions are made solely by the fund manager for the client account within set parameters. Trustees are usually not full-time investors as they have other career obligations. This type of management helps free them from the burden Discretionary fund management helps free the investor from the burden of making day to day investment decisions. It may also improve the Scheme's investment performance as the fund manager is more attuned to the market and is able to make better informed decisions.

**4. Pension industry objectives**

Trustees should consider that pensions investments have long term objectives. Investment decisions should therefore reflect this objective.

The performance of a pension scheme investments is one of the critical factors to the quality of life of retired members. Trustees and fund managers are obligated to make informed decisions that will be in the best interest of its members. It is therefore vital to recognize any potential biases and its implications and how the biases can be minimised.

# Performance Based Fees – Should you consider these?

By Kanza Musyoka

Most Pension Schemes pay their Fund Managers a fixed percentage fee based upon the size of the assets under management

The fixed percentage fee means that the larger the fund, the more fees the fund manager receives. There is an incentive to make the fund grow through good investment performance. In this way, the fund manager's interests are aligned with those of their client.

The fee is paid to the fund manager regardless of the fund's performance. However, it can be argued that the fund could grow simply through average investment performance; as investment markets, after all, generally go up over the years. The fund also grows due to addition of new monies such as contributions, transfer-in of benefits and additional income such as rent. In addition to earning a fixed fee, fund managers may also charge a performance-based fee. A performance fee is an additional fee above the fixed fee made to a fund manager for outperforming a predefined benchmark or an absolute return.

They are therefore designed to reward a manager for their skill in generating outperformance. The performance fee is generally calculated as a percentage of investment profits. The fees should be paid for manager skill, not luck, nor market "beta", which is what the market has performed with no manager intervention.

The basic rationale for performance fees is that they align the interests of fund managers and their investors, and are an incentive for fund managers to generate positive returns. Like fixed fees, performance fees are calculated as a percentage of the assets under management, with a percentage determined as a share of the outperformance generated.

In deciding which approach is suitable, a number of factors need to be considered. We discuss these below:-

1. **Benchmark** – This is the performance benchmark against which performance is measured to determine whether the fund manager is entitled to earn a performance fee. The objectives of the specific mandate and the performance-fee benchmark should always align of the fund manager and the investor.
2. **Hurdle** – The level of return by which a fund manager needs to beat the performance-fee benchmark before it can charge performance fees. It may be a set percentage or it may be referenced to an index. The hurdle rate would be the performance benchmark + x, where x may be 1%, 2% or 3%.
3. **Participation rate or sharing rate** – This is the percentage of the performance return above the performance-fee hurdle that the fund manager shares in. For example, a 15% participation rate implies that a manager earns 15% of all performance return above the performance-fee hurdle.
4. **Measurement Period** – This is the time period over which the fund manager's performance is measured against the hurdle to determine if a performance fee is payable. A one year period is the norm.
5. **Carry forward** – Carry forwards ensure a fund manager does not earn performance fees unless it is generating new outperformance. This means that in the event that a manager underperforms in one year, the negative performance would be carried forward and would need to be covered up before the outperformance is measured.

Performance fees align the interests of the Fund Managers to those of the investors



6. **Performance Fee Cap** – The Trustees can consider setting a cap. A cap in this regard refers to the outperformance of the hurdle after which no further performance fees are paid. Caps are instituted purely to limit fees to a level considered reasonable by both parties. Uncapped by definition can result in relatively high fees paid due to outperformance. In the prudential environment of pension-fund management where a combination of capital growth and preservation is often required, an argument can be made for capped fees to limit needless risk-taking in the pursuit of performance fees.

This type of fee structure may lead to alignment of interests assuming realistic achievable targets. However, there is need for Trustees to be aware of the following:-

1. **Excessive risk taking:** A fund manager may be tempted to take higher than acceptable levels of risk to achieve outperformance, although this can be managed through clear communication and monitoring.
2. **Misalignment:** If the hurdle rate is set unrealistically high, the fund manager may not even attempt to meet it.
3. **Expectations:** The Trustees should understand that outperformance can be obtained even in the event that the fund manager has negative returns.
4. **Communication:** The Trustees should be able to communicate the performance-based fee structure clearly when required. For example, during AGM's, members may question why the Managers' fees could have significantly increased in a particular year.

The possibility of better performance is the greatest merit of the performance based fee arrangement due to a stronger alignment of interests. Trustees may wish to consider this option as it focuses on results and even though the fees may be higher in some instances, it should mean that the Scheme has earned a higher return for its members. However, it is important to also note the potential downsides and manage these accordingly.

# Balanced and Specialist Mandates: Time to rethink?

By Shera Noorbhai

A common investment approach with pension scheme trustees is to appoint a fund manager (or managers) to manage their assets on a balanced mandate. Simply, this means, the fund manager invests in a specific mix of assets within a given strategy. For example - say 25% in equities, 70% in Government securities and 5% offshore. The 'balance' in the name refers to balancing between stable lower risk assets (such as Government bonds, treasury bills) and higher risk, growth assets (such as equities and offshore investments). This balance would reflect the strategy as set out in the Scheme's Investment Policy Statement.

Where more than one fund manager is appointed, it is known as a multi-manager approach.

One would ask whether there were any benefits in appointing more than one manager with a similar mandate? There are a few and these are:

- i) **Diversification** – we would expect each manager to have their own unique approach/ style to security selection and asset allocation and therefore varied portfolios. This is an added layer of diversification.
- ii) **Potentially higher returns** - having more than one manager might encourage managers to perform better than their peers. It is unlikely that one Fund Manager will consistently perform in the top quartile of returns; however, if a Scheme manages to select Fund Managers that can consistently perform and produce returns in the top quartile, then the Fund will receive enhanced returns.

One of the disadvantages of this approach could be frictional costs – these are costs associated with the execution of transactions such as broker fees – where one fund manager may be buying securities that the other fund manager is selling for the same retirement scheme.

An alternative approach that might add more value than a balanced mandate could be a specialised mandate. Under this approach, a manager is selected to invest in a specific asset class. For example, manager A is allocated 25% of the total scheme assets to invest solely in equities, manager B is allocated 60% of the total scheme assets to invest in fixed income, and the balance of 15% is allocated to manager C to invest offshore.

This approach is based on the premise that each manager has a core competency and is therefore able to produce overall better returns if their focus is on their core competence in one particular asset class. This approach is common practice in the more developed markets of the UK, USA and Asia.






The specialised approach therefore aims to: (i) identify the manager that is able to constantly produce the highest return in each asset class; and (ii) maximise returns by allocating assets to managers who are able to produce the best returns in a specific asset class.

Despite the advantages of specialist mandates, balanced mandates are still the norm in the Kenyan retirement industry; some of the reasons for this could be:

- i) In a balanced mandate, trustees don't need to make asset allocation decisions whereas in a specialised mandate they would need to. Asset allocation has a significant impact on investment returns, and Trustees may not have the information, expertise or the time required to make these investment decisions.
- ii) There is no track record or detailed information to show whether a fund manager excels in one specific asset class over the long term.

As retirement schemes in Kenya continue to develop, and investment markets and the fund management industry become more sophisticated, we expect to see a move towards specialist mandates.

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## 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



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## African Alliance Kenya Investment Bank

### Investment Mandates

#### Total assets under management

K Shs 75bn\* as at 31 Dec 2017

Pensions	28.5 billion
Retail	14.2 billion
Insurance	1.5 billion
Other	31.5 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: 25 years

#### Peter Jarvis, CFA®

Head of Investments

BSc, CFA

Industry Experience: 25 years

#### Jonathan Wakahe, CFA®

Senior Portfolio Manager

BSc, CFA, Industry Experience: 10 years

#### Nicholas Piquito CFA®

Group Chief Investment Officer

D.Eng, M.Eng, B.Eng, CFA & CAIA

Industry Experience: 20 years

#### Nlume Modise, CFA®

Global Portfolio Manager

MA, CFA

Industry Experience: 8 years

#### Jackline Onyango

Assistant Portfolio Manager and Equity

Analyst, MSc, BCom

Industry Experience: 9 years

#### Mercy Gakii-Muiruri

Equity & Fixed Income Analyst

MSc, Bcom

Industry Experience: 7 years

#### Moses Muraguri

Investment Dealer

Bcom

Industry Experience:

7 years

## Apollo Asset Management Company Limited

### Company Details

Apollo Centre, Ring Road Parklands,  
Westlands,  
P.O Box 30389 – 00100  
assetmanagement@apollo.co.ke  
www.apainsurance.org  
020 3641000

### Investment Philosophy

Our investment philosophy is hinged on a flexible investment strategy, seeking the most attractive return opportunities. We approach this investment strategy with three objectives:

- a) Identify Changing Market Conditions – Intelligence backed by Research
- b) Adjust asset allocations to seek maximum risk-adjusted returns

- based on changing market conditions – Proactive approach
- c) Within each asset class, select the most attractive securities based on fundamentals and valuations – Focus on returns/yield

### Ownership

**Ownership structure:**  
Apollo Asset Management is a fully owned subsidiary of Apollo Investments Limited.

### Directors of the company

- i. Richard Ashley (Chairman)
- ii. Ashok Shah
- iii. Daniel Ndonye

### Staff and management interest in ownership:

No

### International affiliations

No

### History

**Company established:**  
18th March 2004

**Mergers/ acquisitions:**  
None

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THE APOLLO GROUP



APOLLO ASSET MANAGEMENT

## Apollo Asset Management Company Limited

### Investment Mandates

**Total assets under management**  
KShs 16.22bn as at 31 Dec 2017

Pensions	3.0 billion
Retail	2.0 billion
Insurance	10.7 billion
Other	0.3 billion
Unit Trusts	0.2 billion

### Key Investment Personnel

**Size of Investment Team:**

**4**

#### **Fred Mburu**

Chief Executive Officer  
Industry Experience: +20 years

#### **Amos Kosgey**

Portfolio Manager  
BA, Msc, CFA candidate, ICIFA Member  
Industry Experience: 15 years

#### **Kevin Nyang'ate**

Investment Analyst  
Bsc. MBA, ICIFA Associate, CFA  
candidate, ACSI  
Industry Experience: 7 years

#### **Solomon Maonga**

Investment Executive  
BBS Financial Economics, ACSI, ICIFA  
student  
Industry Experience: 2 years



## Britam Asset Managers Investment Products

- Pension Fund Management
- Unit Trusts
- Wealth Management
- Property
- Private Equity

## Britam Asset Managers (Kenya) Limited

### Company Details

Britam Centre, Junction of Mara & Ragati Road,  
Upper Hill.  
P.O.Box 30375 – 00100, Nairobi  
Email: [Info@britam.com](mailto:Info@britam.com)  
[www.britam.com](http://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
- 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

## Britam Asset Managers (Kenya) Limited

### Investment Mandates

**Total assets under management**  
KShs 129.0 bn as at 31 Dec 2017

Pensions	78.1 billion
Retail	9.7 billion
Insurance	20.4 billion
Other	20.7 billion
Unit Trusts	0.2 billion

### Key Investment Personnel

**Size of Investment Team:** 20

#### **Kenneth Kaniu**

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

#### **James Mose, CFA**

Chief Investments Officer  
BCom, Finance  
Industry Experience: 10 years

#### **Jude Anyiko, CFA**

Group Chief Investments Officer  
BSC (IT)  
Industry Experience: 12 years

#### **Raphael Mwito, CFA**

Business Development Manager,  
Property Business  
Academic Bachelor of Architecture  
Industry Experience: 10 years

#### **George Njunge, CFA**

Investment Manager  
BSC, Computer Science  
Industry Experience: 8 years

#### **Emma Mugo**

Assistant Investment Manager  
BSC Mathematics, CPA (K), CFA  
Candidate  
Industry Experience: 5 years

#### **Charles Kanugi**

Assistant Investment Manager- Property  
BA Land Economics  
Industry Experience: 6 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. Henry Ireri
- vi. Susan Kasinga
- vii. Japheth Magomere
- viii. Veronicah Leseya

**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

#### Total assets under management

K Shs 32.4 bn as at 31 Dec 2017

Pensions	4.0 billion
Retail	15.4 billion
Insurance	13.0 billion

### Key Investment Personnel

**Size of Investment Team:**

5

#### Alex Muthaka

Portfolio Manager  
BSc Finance & Economics , MSc Finance, FRM  
Industry Experience: 9 years

#### David Gitau

Portfolio Manager  
CFA Charterholder  
Industry Experience: 6 years

#### Victor Okudo

Investment Dealer  
B.Com Finance  
Industry Experience: 12 years

#### Nicholas Ngumunu

Investment Analyst  
B.Com Finance, CPA(K)  
Industry Experience: 4 years

#### Teddy Yanga

Investment Analyst  
B.Com Finance, Msc Finance, CPA(K)  
Industry Experience: 4 years

## Co-op Trust Investment Services Limited

### Company Details

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

### Investment Philosophy

CISL believes in value investing which consists seeking out securities available at lower than their intrinsic value. We believe that markets are inefficient and 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 market price to identify the relative attractiveness of the securities. This is geared towards delivering long term growth while managing risk.

### 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. Patrick Githendu

- viii. Mary Njeri Mungai
- ix. David Muthigani Muriuki

**Staff and management interest in ownership:** No

**International affiliations:** No

### History

**Company established:**  
April 1998

**Mergers/ acquisitions:**  
None



## Co-op Trust Investment Services Ltd.



#### Pension scheme Management

Investment management services offered for standalone and umbrella retirement benefits schemes.



#### Private Wealth Management

Tailored Investment Solutions offered to Corporate Firms and High net worth individuals.



#### Estate & Trust Planning

Investments services offered for trust funds and estates set up by individuals/corporates for a target beneficiary.

CO-OP TRUST INVESTMENT SERVICES LIMITED  
CO-OPERATIVE BANK HOUSE,  
13<sup>th</sup> floor Hailé Sélassié Avenue,  
Tel: 020-3276416/532 Email: co-optrust@co-opbank.co.ke



## Co-op Trust Investment Services Limited

### Investment Mandates

**Total assets under management**  
K Shs 69.5 bn as at 31 Dec 2017

Pensions	63.5 billion
Retail	4.7 billion
Other	1.3 billion

### Key Investment Personnel

**Size of Investment Team:**  
12

#### Nicholas Ithondeka

Managing Director  
MBA Finance (ongoing), BSc. Actuarial  
Science, CPA (K), FA  
Industry Experience: 13 years

#### Samantha Kibuga

Head of Business Development and  
Client Service  
MBA (Ongoing), B.Com, FA  
Industry Experience: 12 years

#### Lawrence Karanja

Head of Operations  
MSc (Ongoing), B.Com, CPA, FA  
Industry Experience: 11 years

#### Mohammed Sharawe, CFA

Head of Research  
CFA, MSc Financial Econ, BSc Actuarial  
Science, FA  
Industry Experience: 7 years

#### David Oduori

Portfolio Manager  
MBA (Ongoing), LLB, BA, FA  
Industry Experience: 16 years

#### David Kirui

Portfolio Manager  
MSc (Ongoing), BSc Stats, AFA  
Industry Experience: 7 years

#### Daniel Chege

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

#### George Gikunju CFA

Portfolio Manager  
CFA, BSc Stats, FA  
Industry Experience: 7 years

#### Charles Andere

Dealer  
MBA (Ongoing), BSc (IBA)  
FA Industry Experience: 7 years

#### Cynthia Chebii

Portfolio officer  
MSc (Ongoing), BA Finance, CPA, FA  
Industry Experience: 7 years

#### Judy Wambua

Portfolio officer  
BSc Actuarial Science, CFA Level 1  
Candidate, FA  
Industry Experience: 7 years

#### Mark Ngare

Investment Analyst  
MBA, BCom, ACCA, FA  
Industry Experience: 8 years



## 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

Ownership structure:  
Centum Investment Company Limited owns 73.35 % of the company. It acquired a stake in the business in December 2013, following a decision by GenAfrica Asset Managers to divest from its subsidiaries in Africa and certain parts of Asia. The management and staff of GenAfrica own the balance.

### Directors of the company

- i. Mukite Musangi
- ii. Catherine Igate
- iii. James Mworio
- iv. Charles Orony Ogalo
- v. Patrick Kariuki Njoroge

### Staff and management interest in ownership:

Yes 26.65%

### International affiliations

No

### History

**Company established:**  
1996

### Mergers/ acquisitions:

Centum Investment Company Limited acquired 73.35 % stake in the business in December 2013, following a decision by Genesis London to divest away from its subsidiaries in Africa and certain parts of Asia.



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14 Riverside Business Park,  
Off Riverside Drive  
P.O. Box 79217-00200 Nairobi, Kenya  
T: +254 (20) 2323343  
E: info@genafrika.com

## GenAfrica Asset Managers Limited

### Investment Mandates

**Total assets under management**  
K Shs 198 bn as at 31 Dec 2017

Pensions	191.8 billion
Other (Endowment Funds)	6.2 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: 36 years

#### Patrick Kariuki

Chief Operating Officer  
MBA Finance and Administration, CPA K  
Industry Experience: 26 years

#### Fahima Zein CFA

Chief Investment Officer  
Executive MBA, BSc Computing, CFA  
Charter Holder  
Industry Experience: 24 years

#### Steve Biko

Portfolio Manager  
BSc Mathematics  
Industry Experience: 12 years

#### Bachu Mtsumi CFA

Portfolio Manager  
BSc Mathematics & Actuarial Studies,  
CFA Charter Holder  
Industry Experience: 10 years

#### Mohammed Abdi CFA

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

#### Joshua Ejakait

Portfolio Manager  
B com Finance, CFA Level 3 Candidate  
Industry Experience: 7 years

#### George Mulindwa, CFA

Portfolio Manager  
B com Finance, CFA Charter Holder  
Industry Experience: 10 years

#### David Luwigi

Property Manager  
Land economics, CAIA Level 1  
Candidate.  
Industry Experience: 9 years

#### Felix Maloba

Property Manager Land Economics, CFA  
Level 3 Candidate.  
Industry Experience: 8 years

#### Emma Mareri

Research Analyst  
Master in Public Policy, B com, CFA  
Level 2 Candidate, ACCA  
Industry Experience: 8 years

## ICEA Lion Asset Management Limited

### Company Details

ICEA Lion Centre Chiromo Road Nairobi  
P.O. Box 46143-00100  
investments@icealion.com  
www.icealion.com  
+254(20) 340365/6, 2750000

### Investment Philosophy

We believe value is created when we invest your funds with a long term perspective, taking an ownership mindset, and not worrying about short market volatility, we also believe diversifying a portfolio offers protection to your portfolio against adverse market and security specific movements. More importantly we believe that buying securities below their intrinsic value is at the heart of investment success.

### Ownership

#### Ownership structure:

ICEA Lion Asset Management is owned by ICEA Life Assurance Company, which is in turn owned by the FCS Group a company with diverse business interest in Kenya.

#### Directors of the company

- i. Mr. Andrew Ndegwa
- ii. Mr. Patrick Mugambi
- iii. Mr. Steven Mallowah
- iv. Mr. Kairo Thuo
- v. Mr. Justus Mutiga
- vi. Mr. Steven Oluoch
- vii. Mr. Einstein Kihanda

### Staff and management interest in ownership:

No

### International affiliations

No

### History

**Company established:**  
1985

**Mergers/ acquisitions:**  
None

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## ICEA Lion Asset Management Limited

### Investment Mandates

**Total assets under management**  
KShs 142.7 bn as at 31 Dec 2017

Pensions	133.8 billion
Retail	8.2 billion
Other	0.6 billion

### Key Investment Personnel

**Size of Investment Team:**  
12

#### Einstein Kihanda

Chief Executive Officer  
Bsc, Msc, MSc  
Industry Experience: 16 years

#### Barack Obatsa CFA

Chief Investment Officer  
Bsc, Msc, MSc, CFA  
Industry Experience: 13 years

#### Elizabeth Irungu CFA

IC Member  
M.A. (Economics), CFA  
Industry Experience: 11 years

#### George Kamau

Senior Portfolio Manager  
Bsc, Actuarial Science, CFA Candidate  
Industry Experience: 10 years

#### Esther Muchai

Senior Portfolio Manager  
Bsc, Mathematics, CFA Candidate  
Industry Experience: 11 years

#### Muthoni Muuo

Portfolio Manager  
B. Com., CFA Candidate  
Industry Experience: 10 years

#### Racheal Muchohi

Portfolio Manager  
Bsc, Actuarial Science, CFA Candidate  
Industry Experience: 8 years

#### Bilha Kariguh

Dealer  
Bsc, Msc, CFA Candidate  
Industry Experience: 8 years

#### Mary Maelo

Dealer  
Bsc, MBA Finance (Ongoing)  
Industry Experience: 5 years

#### Judd Murigi

Head of Research  
MBA  
Industry Experience: 10 years

#### Sarah Wang

Analyst  
Masters of Arts (Economics), CFA  
Candidate  
Industry Experience: 5 years

#### Henry Kabue

Analyst  
B.Com.  
Industry Experience: 1 year

## Old Mutual Investment Group

### Company Details

UAP Old Mutual Tower, Upperhill Road  
P.O. Box 11589 - 00400  
www.oldmutual.co.ke/corporate/asset-  
management/  
omigclientservice@oldmutualkenya.  
com  
0711 010 800

### 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 plc.

### Directors of the company

- i. Dr. Peter Muthoka
- ii. Peter Mwangi
- iii. Hywel George
- iv. Joseph Mutugu

**Staff and management interest in ownership:** No

### International affiliations

Old Mutual Plc is a well-capitalized strong brand with operations in over 33 countries and listed in the following stock exchanges: London, Johannesburg, Zimbabwe and Malawi.

### 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.

**OVER KES 160BN IN FUNDS UNDER MANAGEMENT**



### RESEARCH - BASED INVESTMENTS

Thorough and current research drives all our investment decisions.



### COMPETENT PEOPLE

We have competent people. with a wealth of experience.



### SUPERIOR RETURNS

We have consistently delivered returns unrivalled by our peers.

## Old Mutual Investment Group

### Investment Mandates

**Total assets under management**  
K Shs 161 bn as at 31 Dec 2017

Pensions	119.0 billion
Retail	7.7 billion
Insurance	22.7 billion
Other	12.4 billion

### Key Investment Personnel

**Size of Investment Team:**  
9

#### **Peter Anderson, CFA**

Ag. Group Managing Director  
BA Economics, MA Dev. Econ, CFA  
Charter holder  
Industry Experience: 18 years

#### **Alice Wambugu, CFA**

Chief Investment Officer  
B.Com (Finance), CFA Charter holder  
Industry Experience: 9 years

#### **Chris Kaaria**

Portfolio Manager  
B.Com (Finance), MBA (Finance &  
Strategy)  
Industry Experience: 11 years

#### **David Kyalo, CPAM**

Portfolio Manager  
BSc Actuarial Science, CFA Level I  
candidate  
Industry Experience: 10 years

#### **Kevin Nyaga, CFA**

Portfolio Manager  
BSc. Applied Accounting, BA Economics,  
ACCA, CFA Charter holder  
Industry Experience: 7 years

#### **Eric Karimi**

Portfolio Manager  
BSc. Actuarial Science, CFA Level II  
candidate  
Industry Experience: 6 years

#### **Dennis Maranga**

Portfolio Manager  
B.Com, ACCA finalist, CFA Level I  
candidate  
Industry Experience: 4 years

#### **Erick Mdichu**

Investment Analyst  
B.Com, CIPS, CFA Level I candidate  
Industry Experience: 3 years

#### **Aziza Mwatwano**

Performance Analyst  
B.Com, MBA (Finance)  
Industry Experience: 5 Years

## Sanlam Investments East Africa Limited

### Company Details

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

### 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 34 African countries as well as in Malaysia, UK, India, USA and Australia. In 2017, the Sanlam Group, through its wholly-owned subsidiary Sanlam Emerging Markets, become the majority shareholder in Sanlam Investments East Africa Limited.

#### Who are the directors of the company?

- i. Andre Roux (Chairman)
- ii. David Jacobus de Villiers
- iii. Marcus Butler Heilner
- 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.

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Sanlam Investments East Africa Ltd. (SIEAL) is the region's leading fund manager. SIEAL has a strong track record in performance and service delivery, with over KShs. 230 billion in assets under management.

Talk to us today about pension fund management, institutional and unit trust investments.

#### Contact Us

**Kenya**  
Sanlam Investments East Africa  
Africa Re Centre, 5th Floor, Hospital Rd,  
P. O. Box 67262-00200, Nairobi.  
Telephone: +254(0)20 496 7000 | +254 719 067000  
+254 722 207 842 | +254 733 207 842

#### Uganda

Sanlam Investments East Africa  
Workers House, 7th Floor, 1 Pilkington Road,  
P. O. Box 9831, Kampala, Uganda.  
Telephone: +256 414 340 708  
+256 312 265 618

Email: info@sanlameastafrica.com

## Sanlam Investments East Africa Limited

### Investment Mandates

**Total assets under management**  
K Shs 230 bn as at 31 Dec 2017

Pensions	202.5 billion
Other	28.5 billion

### Key Investment Personnel

#### Size of Investment Team:

15

#### Jonathan Stichbury

Managing Director & Chief Executive Officer  
ASIP, CIFA, Member CFA Institute  
Industry Experience: 27 years

#### Nicholas Malaki, CFA,

Chief Investment Officer  
CFA Charter holder, CIFA, BA (Math),  
MBA (Fin)  
Industry Experience: 17 years

#### Peter Wachira

Senior Investment Manager  
CFA Charter holder, CIFA, MSC (Financial  
Management), BSC (Quantitative  
Economics),  
Industry Experience: 23 years

#### Edward Gitahi

Senior Investment Manager  
CIFA, B.A. (Sociology & Statistics), CIFA  
Industry Experience: 22 years

#### Mugalya Mubbale

Investment Manager  
M.Sc. Financial Management, B.Sc.  
Quantitative Economics  
Industry Experience: 7 years

#### Dan Gathogo

Investment Manager  
Bachelor of Commerce, ACCA, CIFA  
Industry Experience: 7 years

#### James Akello

Assistant Investment Manager  
MSc. Finance Investment and Risk,  
Bachelor of Engineering in Aerospace  
systems Engineering, CIFA  
Industry Experience: 4 years

#### Mathew Mue

Assistant Investment Manager  
B.B.Sc. Actuarial Science, CIFA  
Industry Experience: 3 years

#### Yvonne Munyambu

Assistant Investment Manager  
B.B.Sc. Actuarial Science, CIFA  
Industry Experience: 4 years

#### Shritesh Nanji CFA

Senior Investment Analyst  
CFA Charter holder, CIFA, B.Sc. Banking  
and Finance  
Industry Experience: 18 years

#### Gloria Ahikiriza

Investment Analyst  
Bachelor of Business Science Actuarial  
Science  
Industry Experience: 8 years

#### Lilian Mwikali

Investment Analyst  
B.B. Sc. in Finance  
Industry Experience: 3 years



## STANLIB Kenya

### Company Details

Liberty House 1st floor  
P.O. Box 330550 - 00100  
www.stanlib.com/kenya  
customercare.kenya@stanlib.com  
0711076111 or 02003268508

### 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. Jeff Hubbard (Awaiting approval from CMA)
- vi. Approval from CMA

**Staff and management interest in ownership:** No  
**International affiliations**

Yes.  
STANLIB South-Africa Limited

### History

**Company established:**  
1998

**Mergers/ acquisitions:**  
None

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## STANLIB Kenya

### Investment Mandates

**Total assets under management**  
K Shs 140.2 bn as at 31 Dec 2017

Pensions	102.5 billion
Retail	2.4 billion
Insurance	27.3 billion
Other	8.0 billion

### Key Investment Personnel

**Size of Investment Team:**  
18

#### Humphrey Gathungu CFA

Regional Chief Investment Officer  
BSc. Accounting CPA (K)/ CFA / ICIFA  
Industry Experience: 16 Years

#### Simon Ikua

Investment Manager  
B.A, CPA II/ CISI/ ICIFA  
Industry Experience: 13 Years

#### John Kihara

Investment Manager  
MBA, BSC Actuarial, CPA (K) / CISI / ICIFA  
Industry Experience: 11 years

#### Richard Muriithi CFA

Investment Manager  
BSc. Actuarial Science, CFA / CISI / ICIFA  
Industry Experience: 10 years

#### Ruth Okal

Property Investment Manager  
MA (Property Management and  
Valuations), CISI  
Industry Experience: 14 years

#### Anne Karimi

Senior Analyst  
B com/ MBA , CPA (K) / CISI  
Industry Experience: 7 years

#### John Ndegwa

Investment Manager  
BCom. CPA (K), MBA / CISI / ICIFA  
Industry Experience: 8 years

#### Deborah Muriuki

Research Analyst  
BBS Economics & Management  
Science, CISI  
Industry Experience: 4 years

#### David Macharia

Investments Analyst  
BSc Financial Engineering, CISI  
Industry Experience: 3 years

#### Hilda Njoroge

Property Analyst  
Bcom. Finance & Business  
Administration, MSc. Real Estate  
Investments & Finance, CISI  
Industry Experience: 6 Years

#### Angela Hiuhu

Investments Dealer  
MSc Engineering, CPA II / CISI  
Industry Experience: 4 Years

#### Chris Mugi

Investments Dealer  
Business Management Finance &  
Banking, CPA (K) / CISI / ICIFA  
Industry Experience: 7 Years

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O +254 (20) 4969 000  
E [assetconsulting@zamara.co.ke](mailto:assetconsulting@zamara.co.ke)

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