



Zamara Consulting Actuaries Schemes Survey

June 2019



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Powering Prosperity

Introduction

We are pleased to present our 54th Investment Performance Survey for the period ending 30 June 2019.

This Survey covers 417 schemes with a total of K Shs 822.7 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 (K Shs m)
African Alliance Kenya Investment Bank Limited	8	
Apollo Asset Managers	3	
British American Asset Managers	26	
CIC Insurance	7	
Co-op Trust Investments	49	
GenAfrica Asset Managers	95	
ICEA Lion Asset Management Limited	39	
Old Mutual Investment Group Limited	77	
Sanlam Investments East Africa Limited	81	
Stanlib Investments	32	
Subtotal	417	822,725

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 Q2 2019

Economic Update: The Kenyan economy is estimated to have expanded by 5.6% in the first quarter of 2019 relative to 6.5% in a similar period of 2017. The quarter was characterized by a slowdown in agricultural activities following delay in the onset of long rains.

Inflation: The average inflation over the period under review rose to 5.9% from 4.4% in the first quarter of 2019. This rise was mainly driven by rising food prices. Going forward, inflation may face increased pressure due to rising tensions between US and Iran in the strait of Hormuz. Approximately 20% of global oil supply is ferried through this route.

Currency Market: The Kenyan Shilling depreciated against the US dollar over the quarter with the shilling closing at 102.30 at end of the quarter compared to 100.75 at the start. The depreciation was due to high dollar demand from importers outweighing dollar supply from exporters.

Index	Q2	YTD	1 yr	3 yr ⁴	5yr ⁴
NASI	(5.1%)	6.5%	(14.2%)	2.1%	(0.1%)
Zamara Kenya Equity Index	(4.1%)	8.5%	(10.6%)	4.9%	2.2%
NSE 25 Share Index ³	(8.9%)	1.0%	(19.5%)	(3.2%)	
S&P Kenya Sovereign Bond Index	5.1%	9.3%	17.4%	16.4%	13.9%
FTSE Bond Performance Index	3.8%	8.2%	15.9%	16.3%	13.6%
91 Day Tbill	1.7%	3.5%	7.3%	7.9%	8.6%
Inflation CPI K Shs	2.7%	5.6%	5.7%	6.4%	6.4%
USD/K Shs ¹	(1.5%)	(0.4%)	(1.2%)	(0.4%)	(3.0%)
MSCI ACWI Index ²	1.4%	14.4%	2.3%	9.0%	0.9%
MSCI Emerging Markets ²	(1.8%)	8.8%	(2.6%)	7.7%	(3.0%)
MSCI World Index ²	1.8%	15.1%	3.0%	9.2%	1.4%

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 June 2019

Source: NSE, CBK, MSCI, KNBS

Equity Market: The stock market eroded gains made in the first quarter of 2019; the Zamara Kenya Equity Index and NASI lost 4.1% and 5.1% respectively over the quarter. The market registered weak performance as negative sentiments resurfaced with low valuations of the large cap stocks. The Capital Markets Authority granted the Nairobi Securities Exchange an approval to operate a futures exchange market. Initial trading will be on the NSE 25 index and single stock futures - Safaricom, KCB, Equity Bank, East African Breweries and BAT Kenya. Futures contracts enable investors to manage risk, hedge and speculate over the future value of the participating stocks and index.

Interest Rates: The Monetary Policy Committee (MPC) retained the Central Bank Rate (CBR) at 9.0%. The decision was influenced by stable currency, reasonable level of inflation, growth in the private sector credit, and strong economic growth in the first quarter of 2019. Yields on short term treasuries declined over the quarter on account of high liquidity. Average yield on the three-month Treasury Bill fell to 6.8% at end of the quarter, the lowest over the last six years.

Offshore markets: The US Federal rate remained unchanged over the quarter with indication of holding off any further interest rate hikes in 2019. The trade tensions between the two biggest economies - USA and China, remained unresolved with each side increasing tariffs. The developed markets and all world equity indices gained 3.4% and 2.9% over the quarter. The emerging markets index lost 0.3% over the same period.

Executive Summary and Key Highlights

Key Highlights

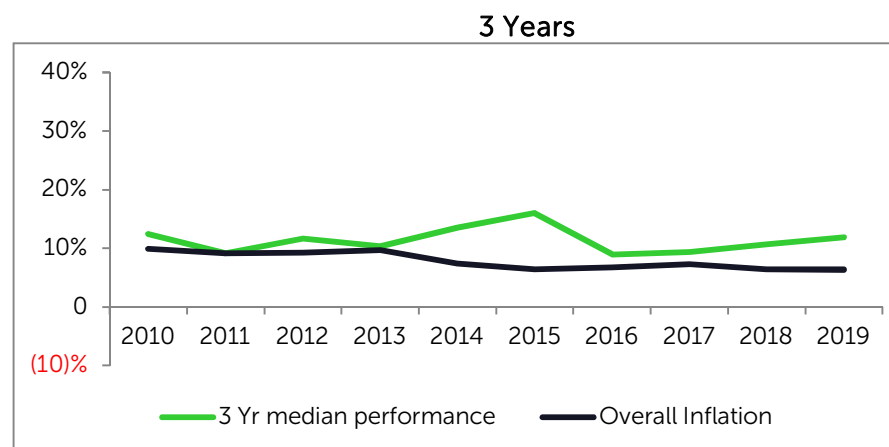
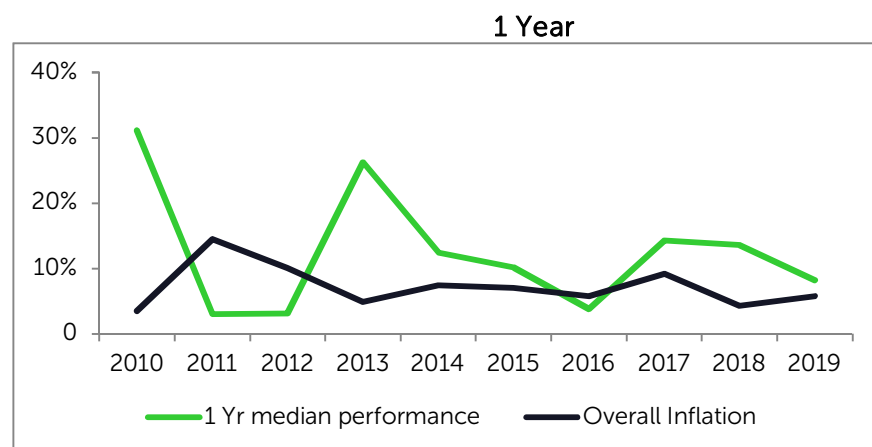
We set out in the table below, a summary of the median performance of schemes for each of the years from 30 June 2010 to 30 June 2019.

Period Ending 30 June	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Number of Schemes Participating	124	128	134	131	381	372	388	379	417	417
Total Assets K Shs Bn	131.2	141.2	162.7	201.3	500.7	548.0	581.3	654.8	732.1	822.7
1 Yr Median performance	31.1%	3.0%	3.1%	26.2%	12.4%	10.2%	3.8%	14.3%	13.6%	8.2%
3 Yr Median performance	12.4%	9.2%	11.7%	10.4%	13.5%	16.0%	9.0%	9.4%	10.7%	11.9%
Overall 1 year Inflation ¹	3.5%	14.5%	10.0%	4.9%	7.4%	7.0%	5.8%	9.2%	4.3%	5.7%
Overall 3 year Inflation ²	9.9%	9.2%	9.2%	9.7%	7.4%	6.4%	6.7%	7.3%	6.4%	6.4%

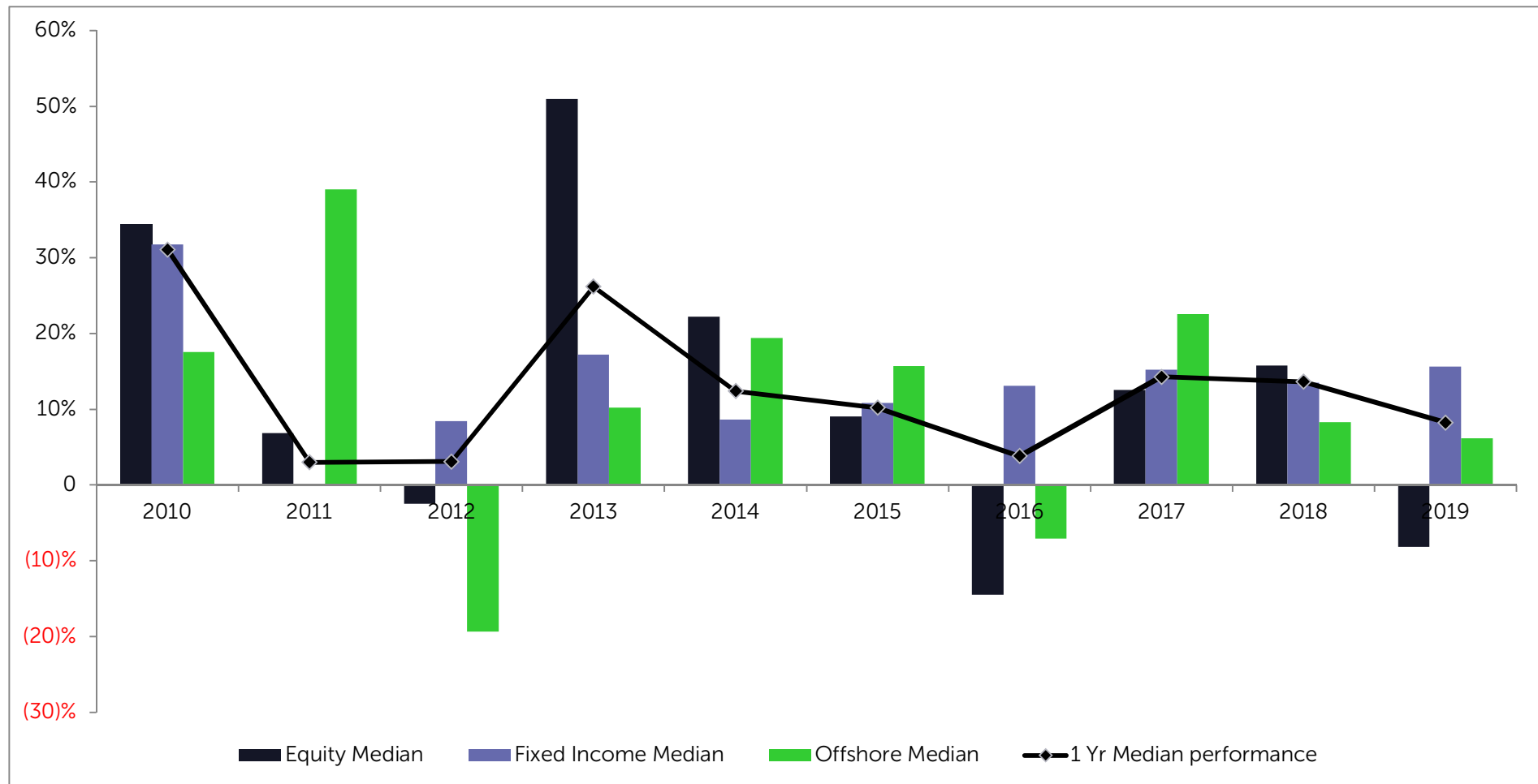
Notes:

1. Based on KNBS Statistics 2006 – 2019: 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 period. Over 1 year, median returns underperformed inflation in 2011, 2012 and 2016 as shown in the 1 year chart below. Over 3 years, median returns have outperformed inflation in all periods.



Executive Summary and Key Highlights



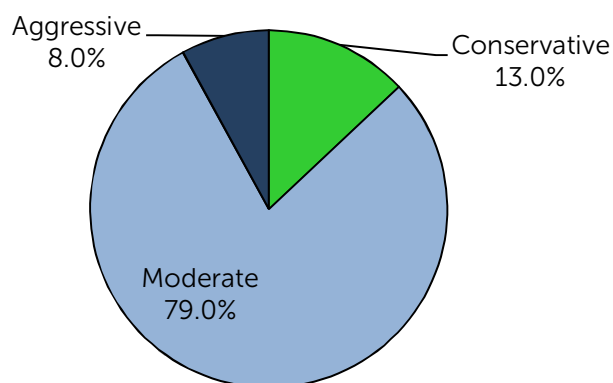
The chart above shows the median performance trend of the three asset classes (equity, fixed income and offshore) as at 30 June for each of the last 10 years.

Risk Profile of Participating Schemes

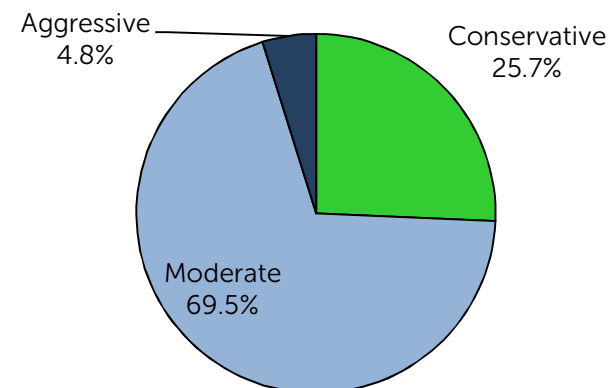
STATISTICS					
Risk Profile	Fixed Income Allocation*	Number of Schemes	Scheme Percentage %	Assets Under Management K Shs m*	Asset Percentage %
Conservative	Over 80%	107	25.7%	106,528	13.0%
Moderate	65% to 80%	290	69.5%	643,769	79.0%
Aggressive	Less than 65%	20	4.8%	64,854	8.0%
Total		417	100.0%	815,151	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



417 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 69.5% of participating schemes and manage 79.0% of assets in this survey.

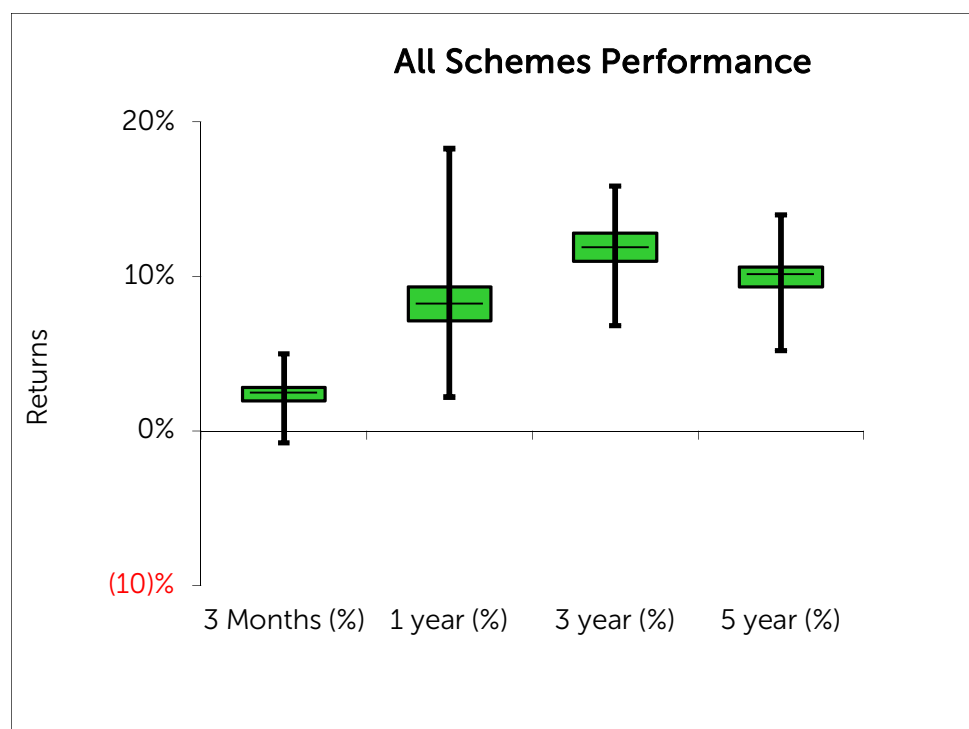
Conservative schemes make up 13.0% of number of participating schemes with 25.7% of assets under management. Aggressive schemes make up 8.0% of number of participating schemes with 4.8% of assets under management.

Low valuations of equities and high valuations of fixed income assets over the quarter resulted in a decrease in schemes with an aggressive risk profile and an increase in schemes with a moderate and risk profiles.

Analysis and Distribution of Returns for the Period

	3 Month	1 year	3 year*	5 year*
25th Percentile	1.9%	7.1%	11.0%	9.3%
Median	2.5%	8.2%	11.9%	10.1%
75th Percentile	2.8%	9.3%	12.8%	10.6%
Range of Returns	5.8%	16.1%	9.0%	8.8%
Average	2.4%	8.3%	11.8%	9.9%
Weighted Average	2.4%	7.9%	11.4%	9.4%

*Annualised return



Over the quarter ended 30 June 2019, the median of the participating schemes was 2.5% compared to 6.3% in the previous quarter. Improved performance of the fixed income assets was offset by weak performance of the equity asset class.

Over 1 year, the median return of the participating schemes was 8.2% compared to 13.6% over a similar period in 2018.

Over 3 years, the median return of the participating schemes was an annualised 11.9%; aided by strong performance from the fixed income and offshore asset classes.

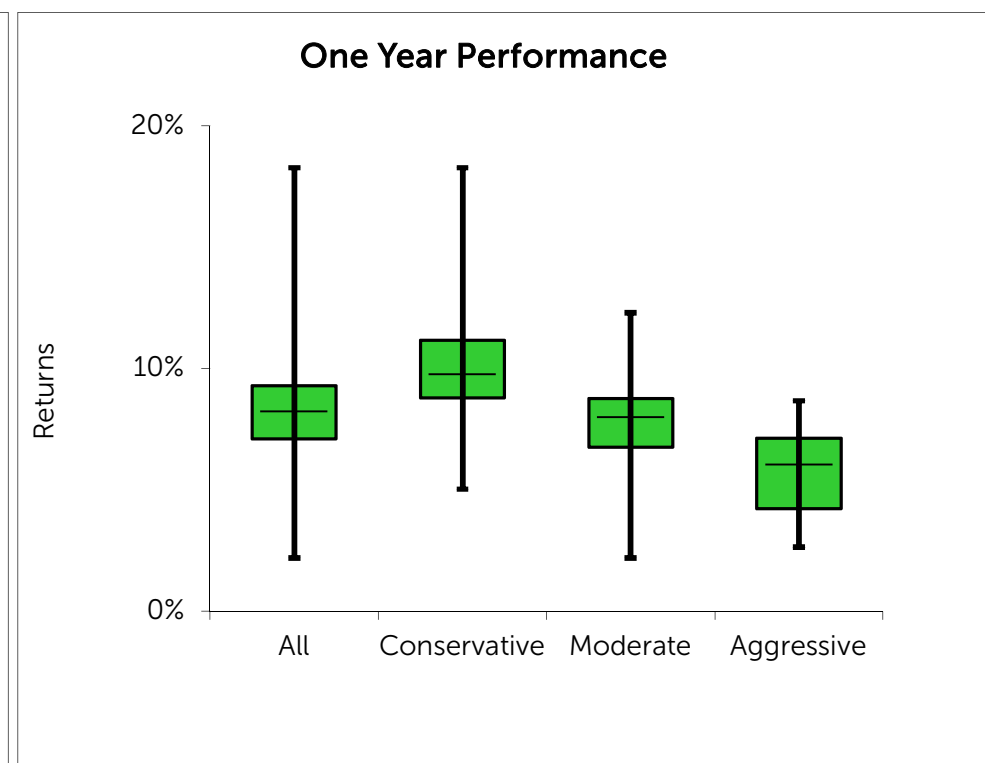
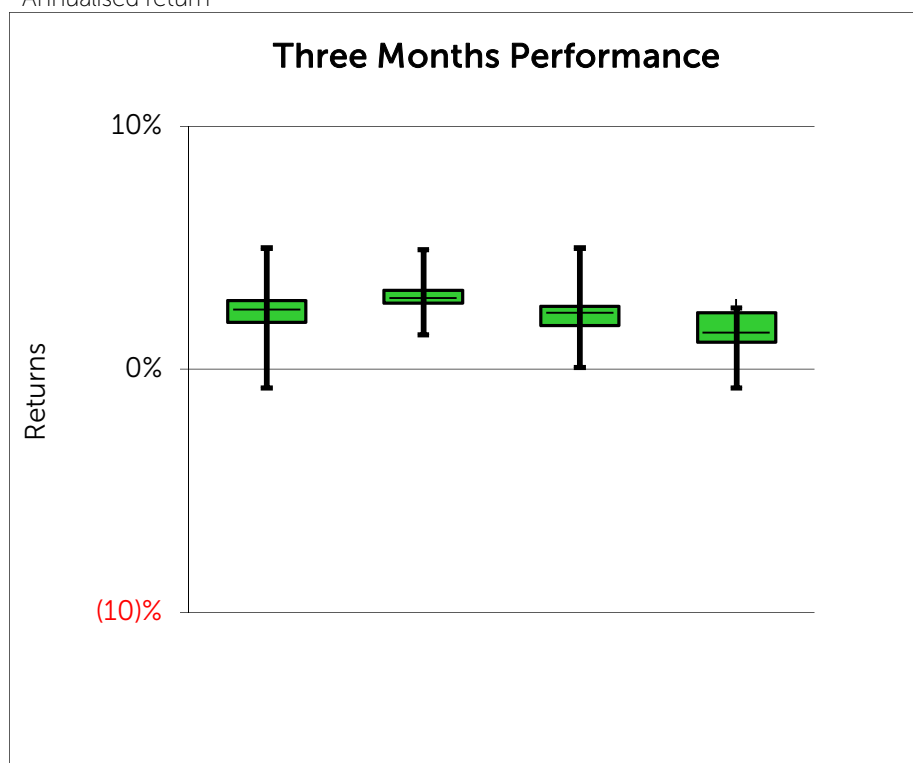
Over 5 years, the median return of the participating schemes was an annualised 10.1% with a range of returns of 8.8%; aided by strong performance from the fixed income and offshore asset classes.

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

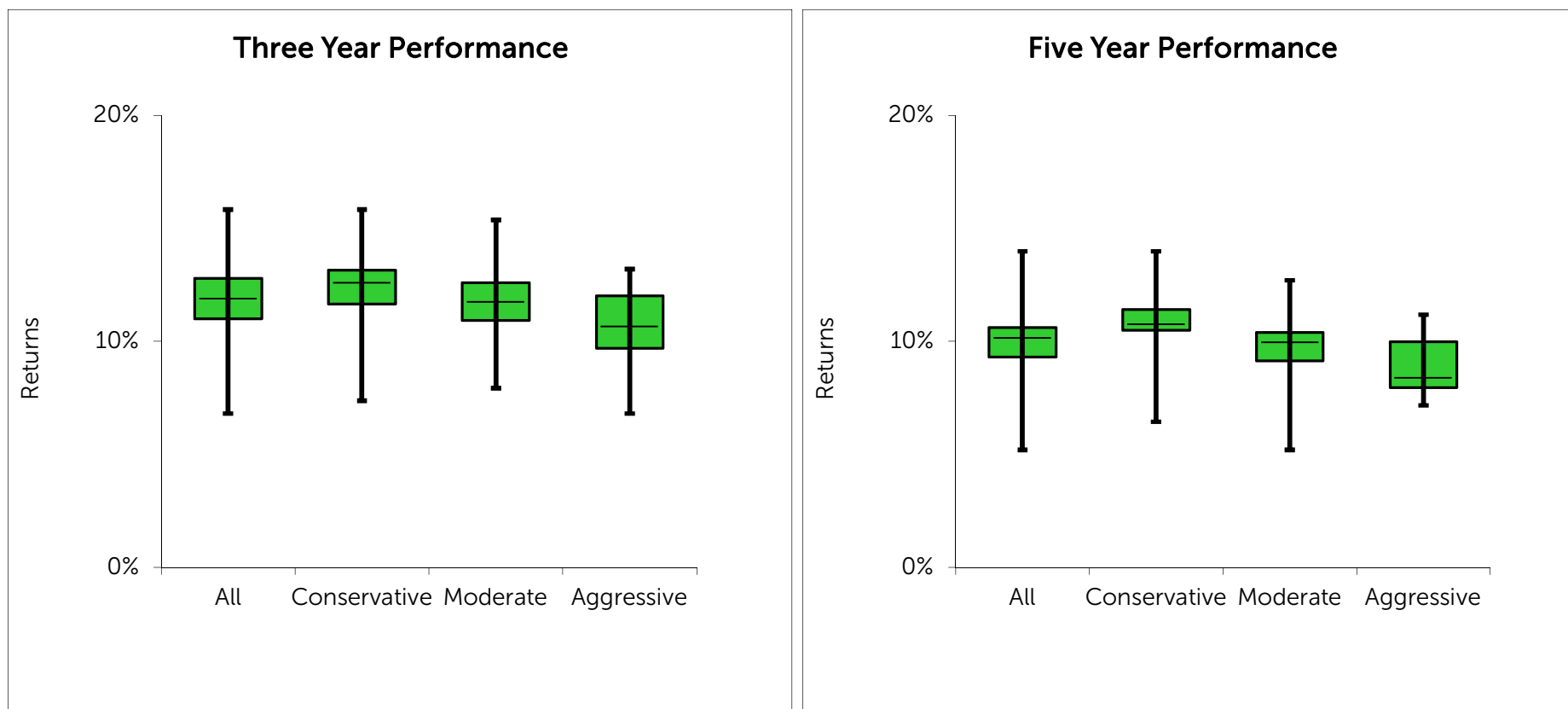
Analysis and Distribution of Returns

	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	2.7%	8.8%	11.7%	10.5%	1.8%	6.8%	10.9%	9.1%	1.1%	4.2%	9.7%	7.9%
Median	3.0%	9.8%	12.6%	10.7%	2.3%	8.0%	11.7%	9.9%	1.5%	6.1%	10.6%	8.4%
75th Percentile	3.2%	11.2%	13.2%	11.4%	2.6%	8.8%	12.6%	10.4%	2.3%	7.1%	12.0%	10.0%
Range of Returns	3.5%	13.2%	8.5%	7.5%	4.9%	10.1%	7.5%	7.5%	3.3%	6.0%	6.4%	4.0%
Average	3.0%	10.2%	12.4%	11.0%	2.2%	7.8%	11.7%	9.7%	1.5%	5.7%	10.7%	8.9%
Weighted Average	3.1%	10.3%	12.5%	11.1%	2.4%	7.8%	11.4%	9.3%	1.6%	5.5%	10.0%	8.7%

*Annualised return



Analysis and Distribution of Returns



Conservative schemes had the strongest performance over the 4 periods the - 3 months, 1 year, 3 years and 5 years; while aggressive schemes posted the lowest performance over the same periods.

Conservative schemes have a higher allocation to fixed income assets which has been the best performing asset class over all the 4 periods.

Aggressive schemes posted low returns as a result of the higher allocation to equities which had the lowest performance over these periods. Offshore returns were strong over the quarter, 3 and 5 years, however, the low allocation to this asset class resulted in a low impact on the overall performance.

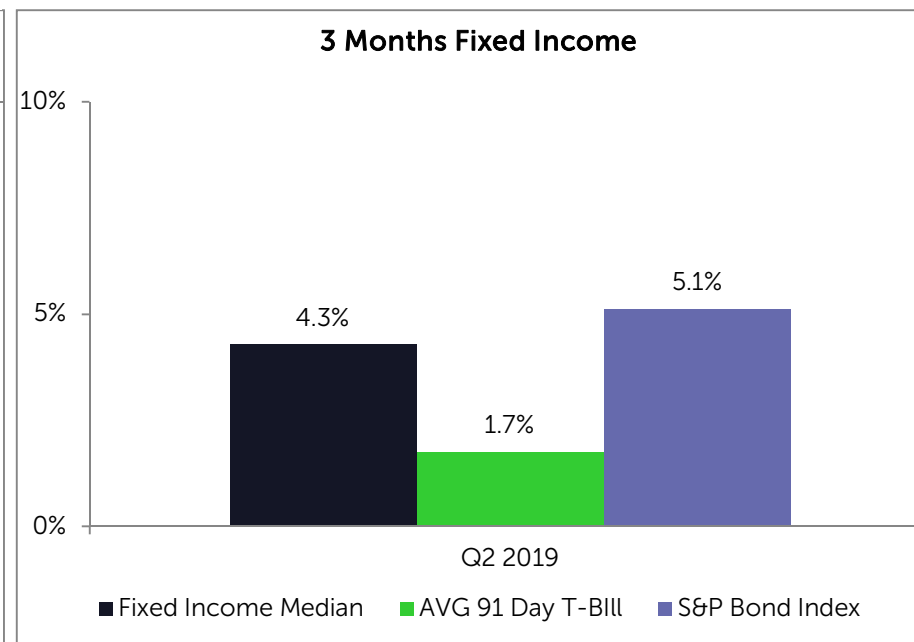
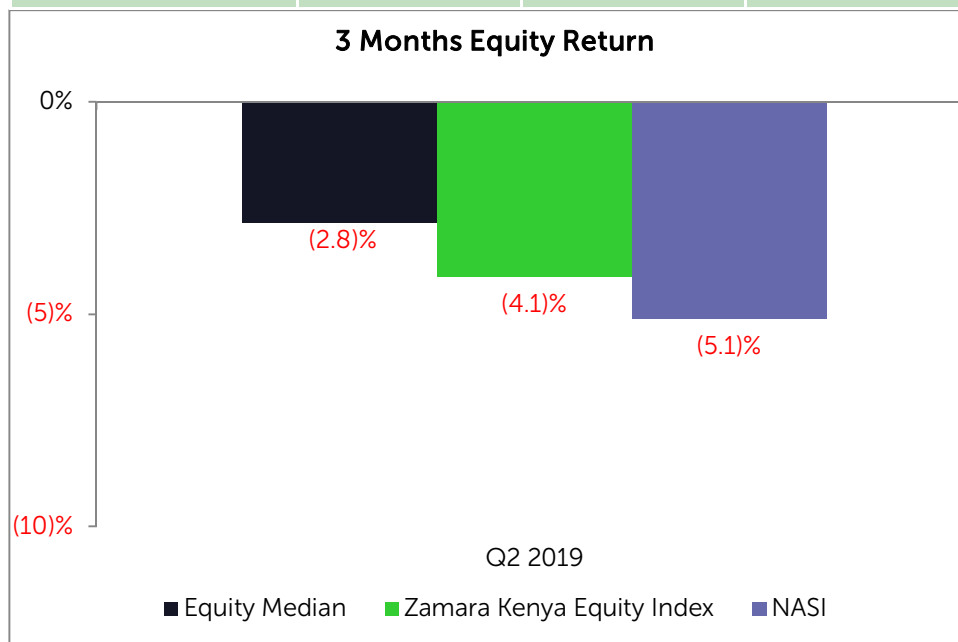
Asset Class Returns for 3 Months Ending 30 June 2019

	Equity	Fixed Income	Offshore
25th Percentile	(4.0)%	4.0%	3.4%
Median	(2.8)%	4.3%	5.5%
75th Percentile	(2.4)%	4.5%	6.4%
Range of Returns	13.6%	4.5%	10.4%
Average	(3.4)%	4.2%	5.2%
Weighted Average	(3.0)%	4.3%	6.2%

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

Fixed Income: The fixed income median return outperformed the average 91 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.



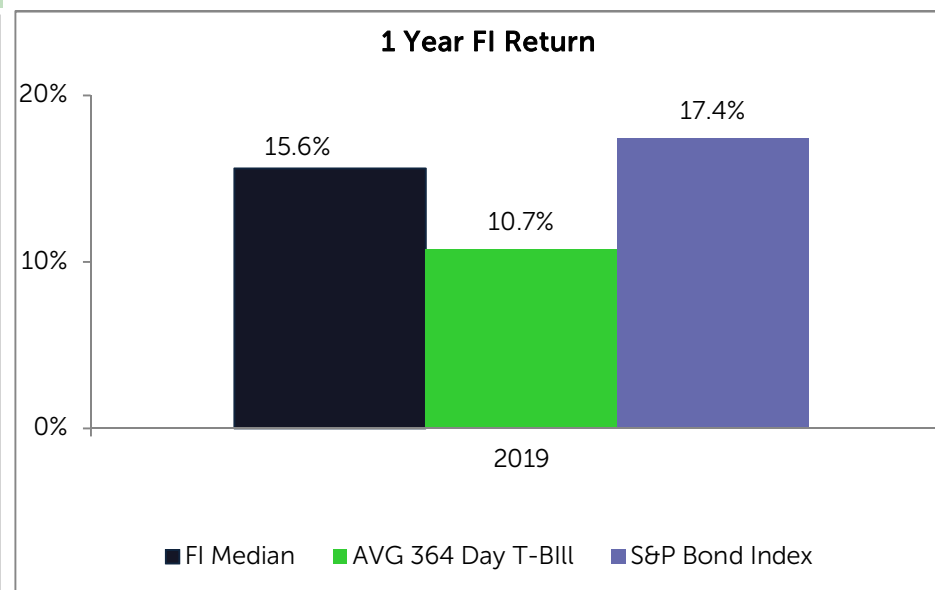
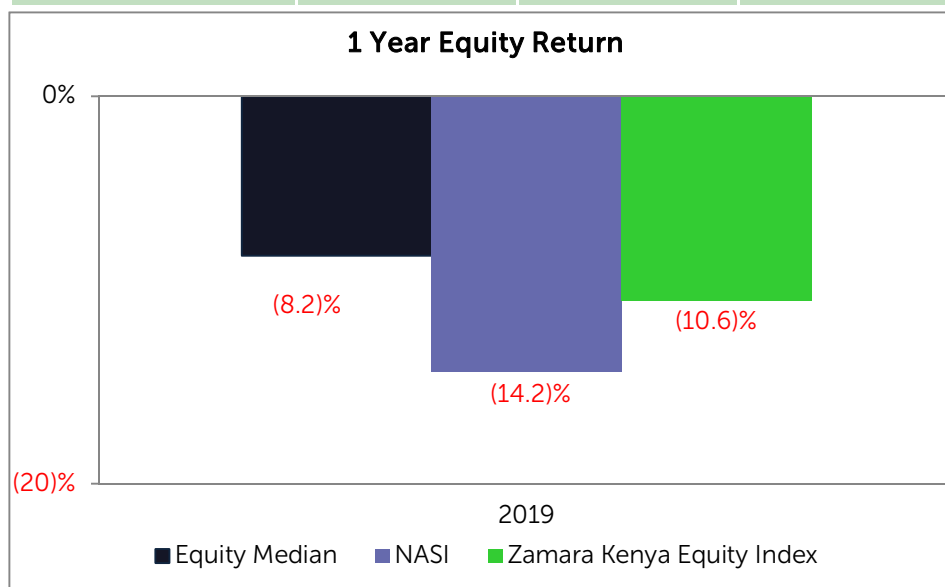
Asset Class Returns for 1 Year Ending 30 June 2019

	Equity	Fixed Income	Offshore
25th Percentile	(10.7)%	14.6%	4.7%
Median	(8.2)%	15.6%	6.1%
75th Percentile	(7.0)%	16.5%	8.0%
Range of Returns	24.3%	12.3%	18.7%
Average	(9.4)%	15.5%	5.8%
Weighted Average	(8.9)%	15.8%	7.4%

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.



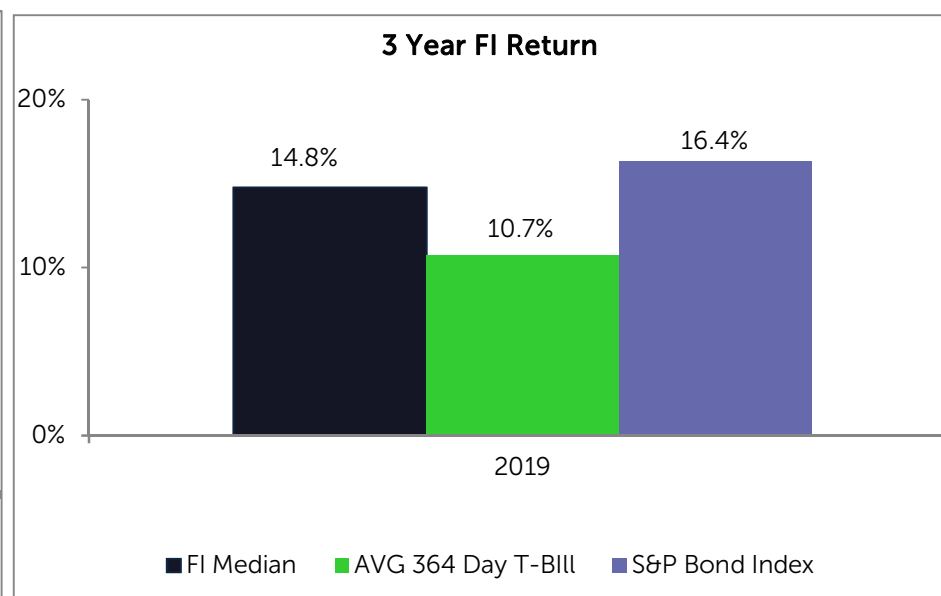
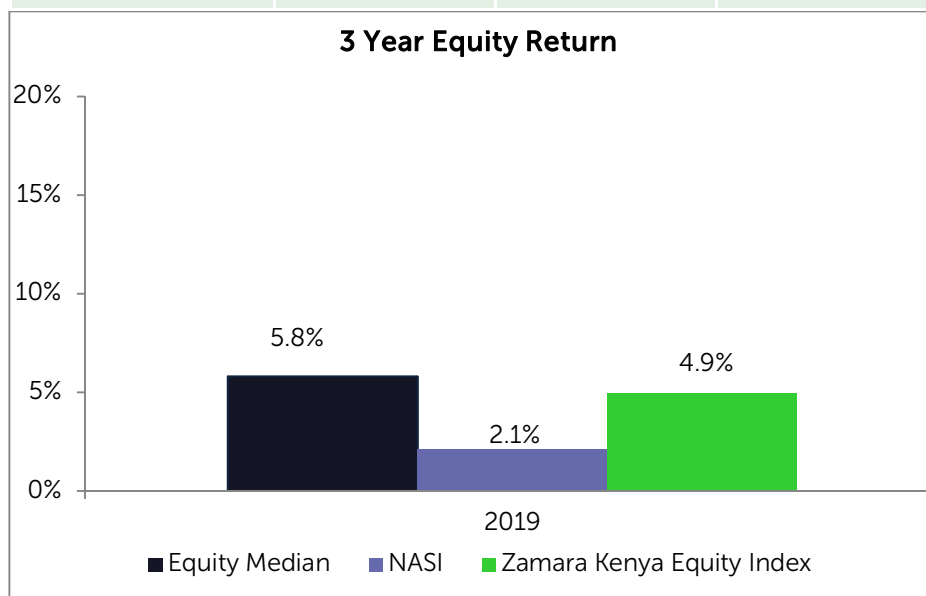
Asset Class Returns for 3 Years Ending 30 June 2019

	Equity	Fixed Income	Offshore
25th Percentile	3.8%	14.1%	9.1%
Median	5.8%	14.8%	12.5%
75th Percentile	7.6%	15.5%	14.3%
Range of Returns	28.0%	10.4%	19.4%
Average	5.4%	14.8%	11.5%
Weighted Average	4.9%	15.0%	12.7%

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.



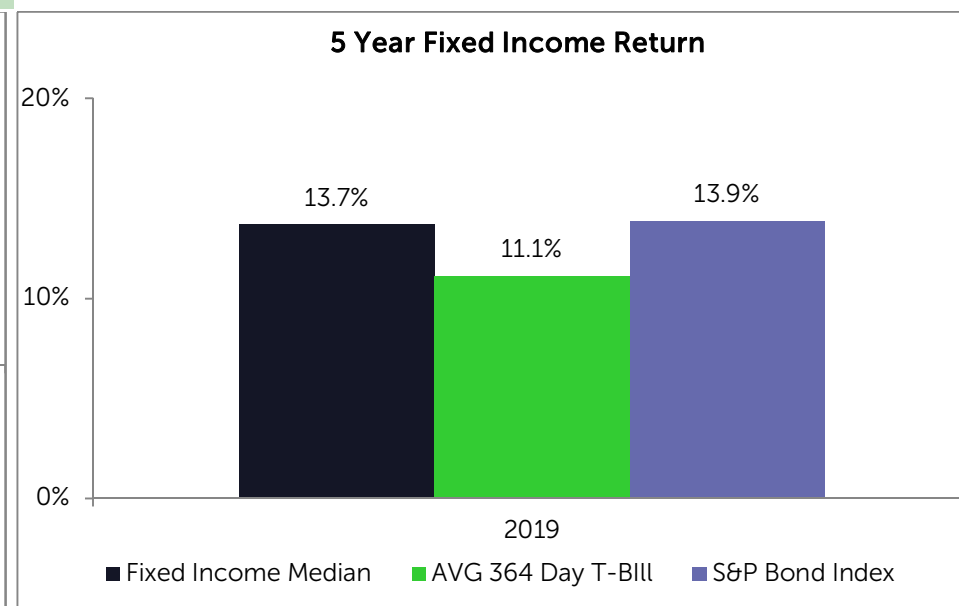
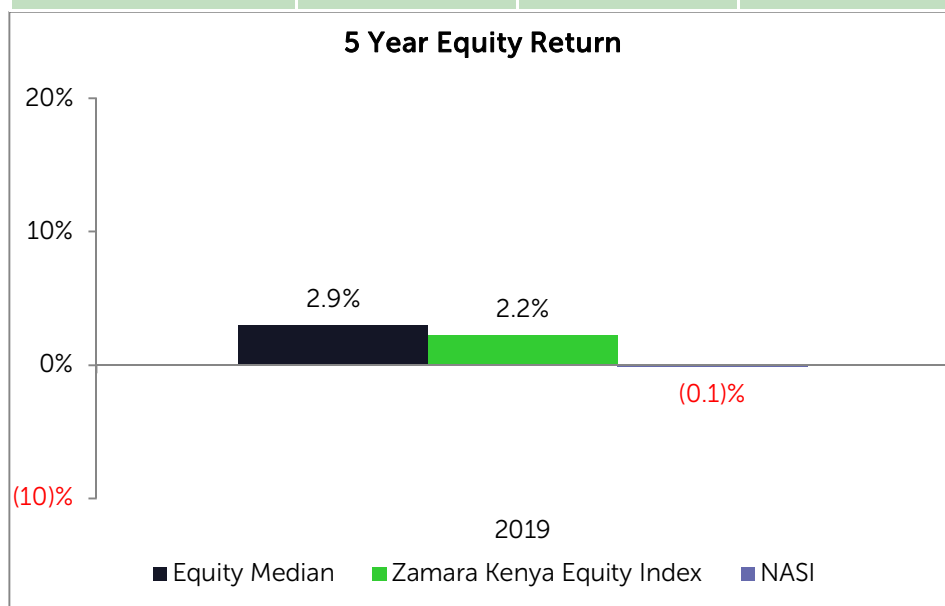
Asset Class Returns for 5 Years Ending 30 June 2019

	Equity	Fixed Income	Offshore
25th Percentile	1.1%	13.0%	9.0%
Median	2.9%	13.7%	9.9%
75th Percentile	4.6%	14.2%	10.9%
Range of Returns	25.3%	8.0%	21.7%
Average	2.6%	13.5%	9.4%
Weighted Average	2.2%	13.8%	9.9%

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.



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Analysis of Asset Allocation for the Period Ending 30 June 2019

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	20.7%	73.2%	5.1%	1.0%	12.8%	85.5%	1.6%	0.1%	23.0%	70.3%	5.7%	1.0%	28.6%	49.9%	17.0%	4.5%
Weighted Average	21.4%	66.4%	11.3%	0.9%	13.9%	83.7%	2.3%	0.1%	22.4%	65.8%	11.1%	0.7%	24.4%	43.7%	27.3%	4.6%
Range of Allocation	45.1%	85.8%	81.1%	11.3%	19.8%	77.2%	77.2%	7.0%	29.8%	65.7%	81.1%	10.9%	30.7%	38.8%	51.4%	11.3%
Median	21.7%	75.6%	-	-	16.1%	83.4%	-	-	23.3%	73.6%	-	-	27.5%	54.7%	7.5%	4.5%

For comparison, we include the asset allocation figures as shown in our March 2019 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	22.1%	71.2%	5.3%	1.4%	11.2%	87.3%	1.4%	0.1%	24.3%	69.3%	5.1%	1.3%	28.6%	51.6%	15.3%	4.5%
Weighted Average	23.5%	63.2%	11.6%	1.8%	12.7%	84.7%	2.6%	0.1%	24.1%	64.8%	9.8%	1.3%	26.0%	46.4%	23.1%	4.5%
Median	23.4%	73.1%	-	-	14.5%	84.9%	-	-	22.0%	67.7%	-	-	25.0%	43.3%	-	2.1%

20.4% of the Schemes participating in the Survey had an allocation to property.

31.9% of the Schemes participating in the Survey had an allocation to offshore assets.

The Survey indicates that the average scheme's exposure to equity, offshore and property decreased with allocations to fixed income increasing 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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