



Zamara Consulting Actuaries Schemes Survey

September 2019



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Powering Prosperity

Introduction

We are pleased to present our 55th Investment Performance Survey for the period ending 30 September 2019.

This Survey covers 411 schemes with a total of K Shs 837.6 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	7	
Apollo Asset Managers	2	
British American Asset Managers	29	
CIC Insurance	7	
Co-op Trust Investments	51	
GenAfrica Asset Managers	93	
ICEA Lion Asset Management Limited	34	
Old Mutual Investment Group Limited	77	
Sanlam Investments East Africa Limited	80	
Stanlib Investments	31	
Subtotal	411	837,648

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 Q3 2019

Economic Update: The Kenyan economy expanded by 5.6% in Q2 2019, similar to growth recorded in Q1 2019; however, lower compared to growth of 6.4% in Q2 2018. Growth during the second quarter of 2019 was lower due to the slowdown in agricultural and manufacturing sectors.

Inflation: The average inflation during the third quarter of 2019 declined to 5.0% from 5.9% the second quarter of 2019. The decline was a continuation of a five months trend decline in food prices due to favorable weather conditions. Food items account for 36% of the Consumer Price Index constituents and thus have a great impact on inflation rates.

Currency Market: The Kenyan Shilling depreciated against the US Dollar during the third quarter of 2019 with the shilling closing at 103.89 at end of the quarter compared to 102.30 at end of previous quarter. The shilling was under increased 'dollar demand' pressure ahead of the deadline of demonetization of the K Shs 1,000 note.

Index	Q3	YTD	1 yr	3 yr ⁴	5yr ⁴
NASI	(2.8%)	3.6%	(2.8%)	2.1%	(2.3%)
Zamara Kenya Equity Index	1.9%	10.6%	4.2%	7.0%	0.7%
NSE 25 Share Index ³	(3.1%)	(2.2%)	(9.0%)	(1.4%)	
S&P Kenya Sovereign Bond Index	3.2%	12.8%	16.2%	15.1%	13.6%
FTSE Bond Performance Index	4.0%	12.4%	16.5%	16.4%	13.9%
91 Day Tbill	1.7%	3.5%	7.3%	7.9%	8.6%
Inflation CPI K Shs	(1.4%)	4.2%	3.8%	5.5%	5.8%
USD/K Shs ¹	(1.5%)	(2.0%)	(2.9%)	(0.8%)	(3.0%)
MSCI ACWI Index ²	(2.1%)	12.0%	(3.5%)	6.6%	1.4%
MSCI Emerging Markets ²	(6.6%)	1.6%	(7.2%)	2.6%	(3.1%)
MSCI World Index ²	(1.5%)	13.4%	(3.0%)	7.2%	2.0%

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 September 2019

Source: NSE, CBK, MSCI, KNBS

Equity Market: Over the quarter, the equities market was on a downward trend, with NASI declining by 2.8% while Zamara Kenya Equity Index (ZKEI) marginally gaining 1.9%. Year to date the market has had positive performance with gains of 3.6% and 10.6% for NASI and ZKEI respectively. ZKEI reflects the performance of 10 of the largest and most liquid companies at the bourse. The market has remained depressed with low valuations of the large cap stocks. Some listed companies have been issuing profit warnings in the last two years, with the poor performance being attributed to limited access to credit and tough operating conditions.

Interest Rates: The Monetary Policy Committee (MPC) retained the Central Bank Rate (CBR) at 9.0% for the 7th consecutive period on the back of a stable macro - economic environment. The stable interest rate environment, evidenced by the declining yields in government securities in the primary market, has enabled the Kenyan Government to continue accessing cheap domestic debt. Yields on short term treasuries declined over the quarter on account of high liquidity. The average yield on the three-month Treasury Bill fell to 6.4% at end of the quarter.

Offshore markets: The US Federal Reserve rate was lowered to a range of 1.75% to 2.0% over the quarter, the second rate drop in 2019. The rate generally reflects the health of the USA economy and has a big impact on global economies. The trade tensions between the two biggest economies - USA and China remained unresolved. Global equity indices were on a downward trend. The developed markets equity index gained 0.1%, while the all world equity index and the emerging markets index lost 0.5% and 5.1% respectively over the quarter.

Executive Summary and Key Highlights

Key Highlights

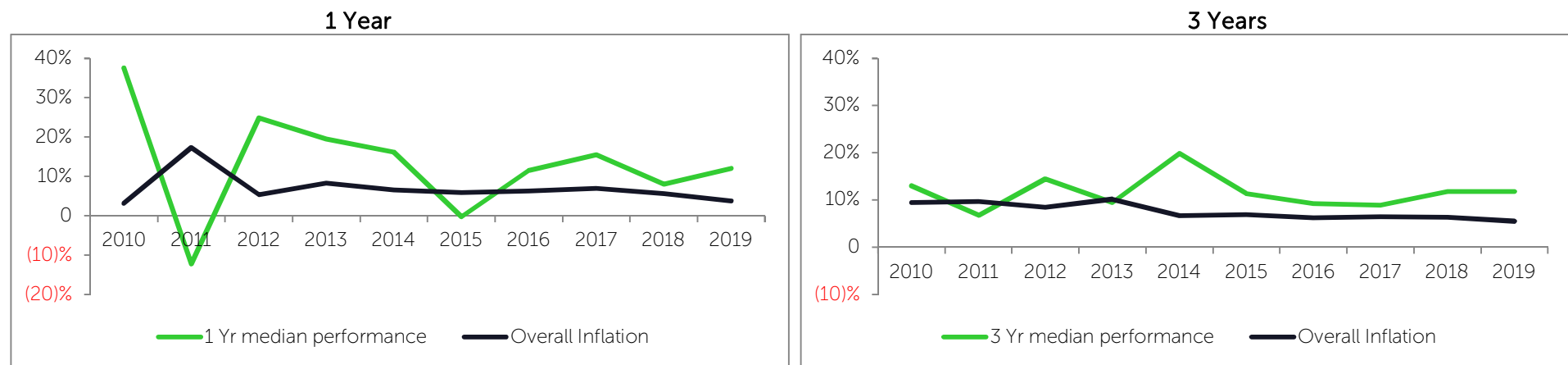
We set out in the table below, a summary of the median performance of schemes for each of the years from 30 September 2010 to 30 September 2019.

Period Ending 30 September	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Number of Schemes Participating	126	128	134	128	383	380	386	372	404	411
Total Assets K Shs Bn	139.3	128.8	175.0	197.2	524.9	510.3	596.8	633.4	727.7	837.6
1 Yr Median performance	37.6%	(12.2)%	24.9%	19.5%	16.2%	(0.2)%	11.6%	15.5%	8.0%	12.0%
3 Yr Median performance	13.0%	6.8%	14.5%	9.5%	19.9%	11.4%	9.2%	8.9%	11.8%	11.8%
Overall 1 year Inflation ¹	3.2%	17.3%	5.3%	8.3%	6.6%	6.0%	6.3%	7.1%	5.7%	3.8%
Overall 3 year Inflation ²	9.4%	9.8%	8.4%	10.2%	6.7%	6.9%	6.3%	6.5%	6.4%	5.5%

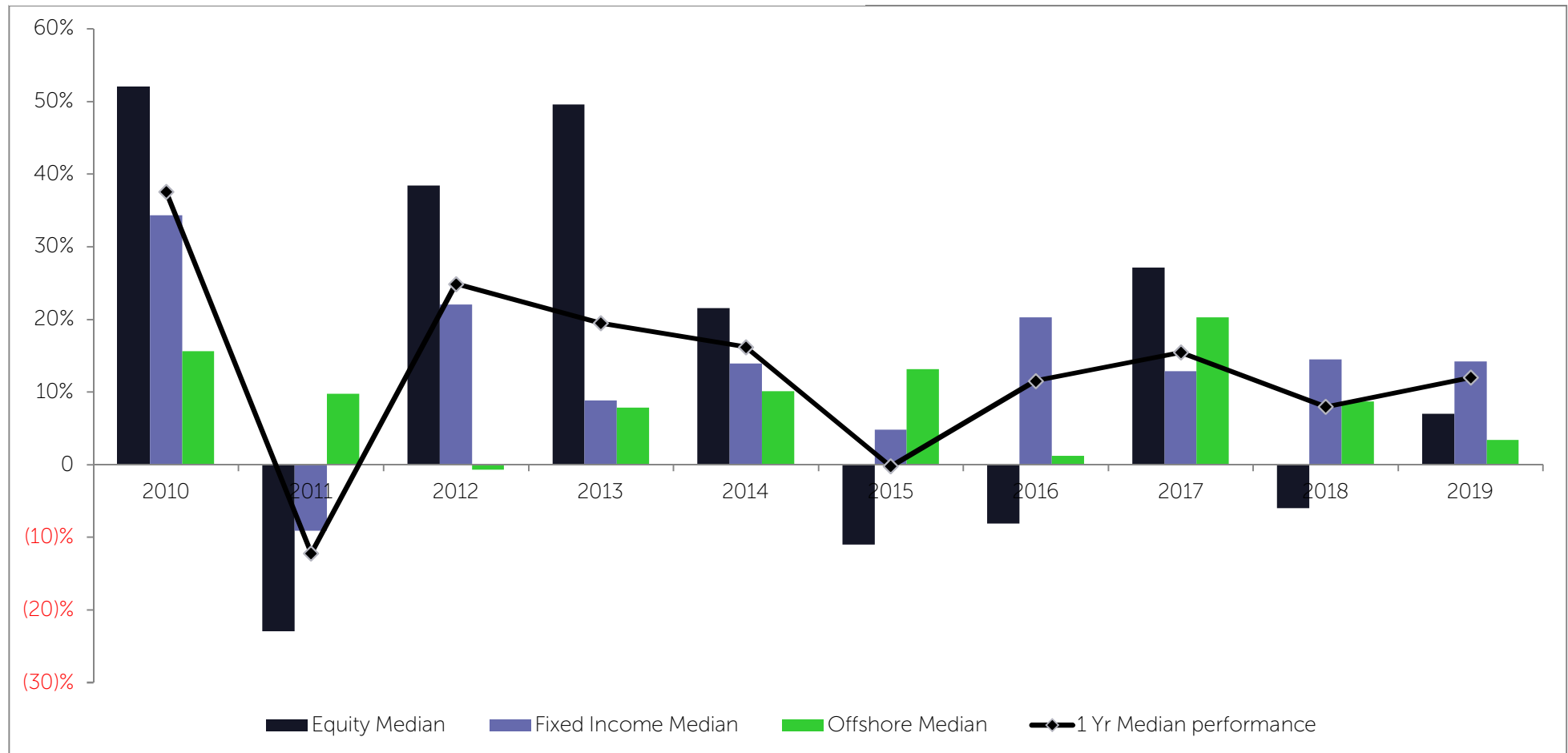
Notes:

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 and 2015 as shown in the 1 year chart below. Over 3 years, median returns underperformed inflation in 2011 and 2013 as shown in the 3 year chart below.



Executive Summary and Key Highlights



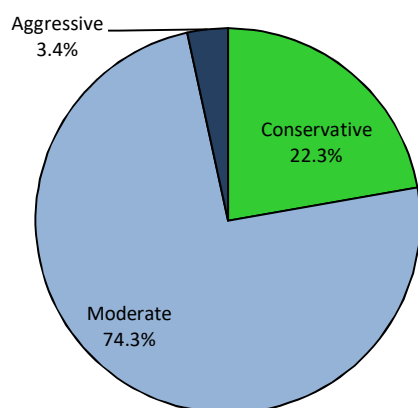
The chart above shows the median performance trend of the three asset classes (equity, fixed income and offshore) as at 30 September for each of the last 10 years.

Risk Profile of Participating Schemes

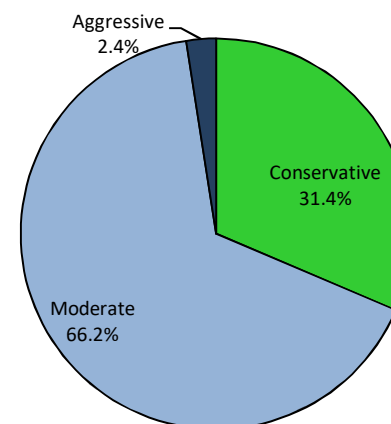
STATISTICS					
Risk Profile	Fixed Income Allocation*	Number of Schemes	Scheme Percentage %	Assets Under Management K Shs m*	Asset Percentage %
Conservative	Over 80%	129	31.4%	185,151	22.3%
Moderate	65% to 80%	272	66.2%	618,306	74.3%
Aggressive	Less than 65%	10	2.4%	28,221	3.4%
Total		411	100.0%	831,679	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



411 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 66.2% of participating schemes and manage 74.3% of assets in this survey.

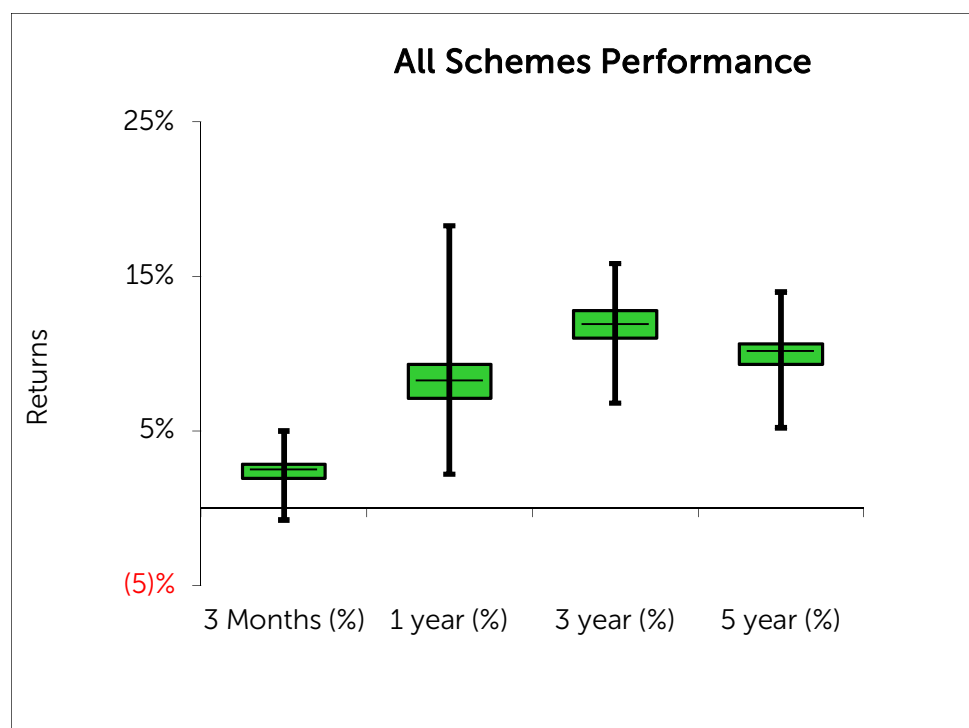
There was a reduction in the number of moderate and aggressive schemes over the quarter. The number of aggressive schemes dropped by 50% from last quarter.

There was an observable decrease in the number of schemes with an aggressive risk profile over the quarter. This was likely to be caused by an increased preference of fixed income assets that have performed well over the last five years.

Analysis and Distribution of Returns for the Period

	3 Month	1 year	3 year*	5 year*
25th Percentile	2.3%	11.2%	11.1%	8.7%
Median	2.5%	12.0%	11.8%	9.6%
75th Percentile	2.7%	12.7%	12.5%	9.9%
Range of Returns	3.0%	12.0%	7.7%	8.5%
Average	2.5%	11.9%	11.8%	9.3%
Weighted Average	2.4%	11.9%	11.7%	8.9%

*Annualised return



Over the quarter ended 30 September 2019, the median return of the participating schemes was 2.5%, similar to the quarter ended 30 June 2019.

Over 1 year, the median return of the participating schemes was 12.0% compared to 8.0% over a similar period in 2018; aided by the improved performance of the equity asset class.

Over 3 years, the median return of the participating schemes was an annualised 11.8%.

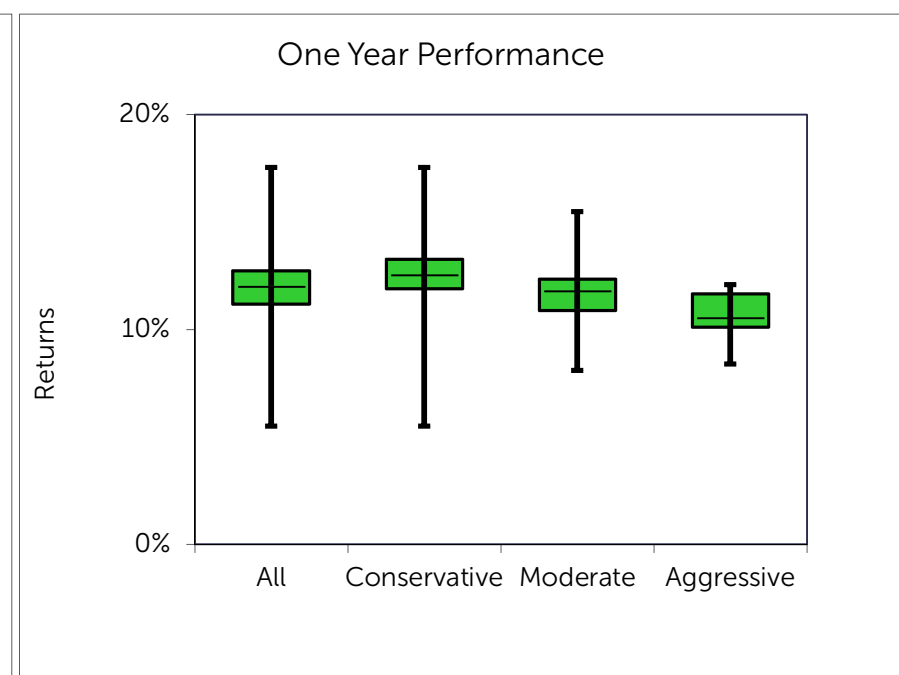
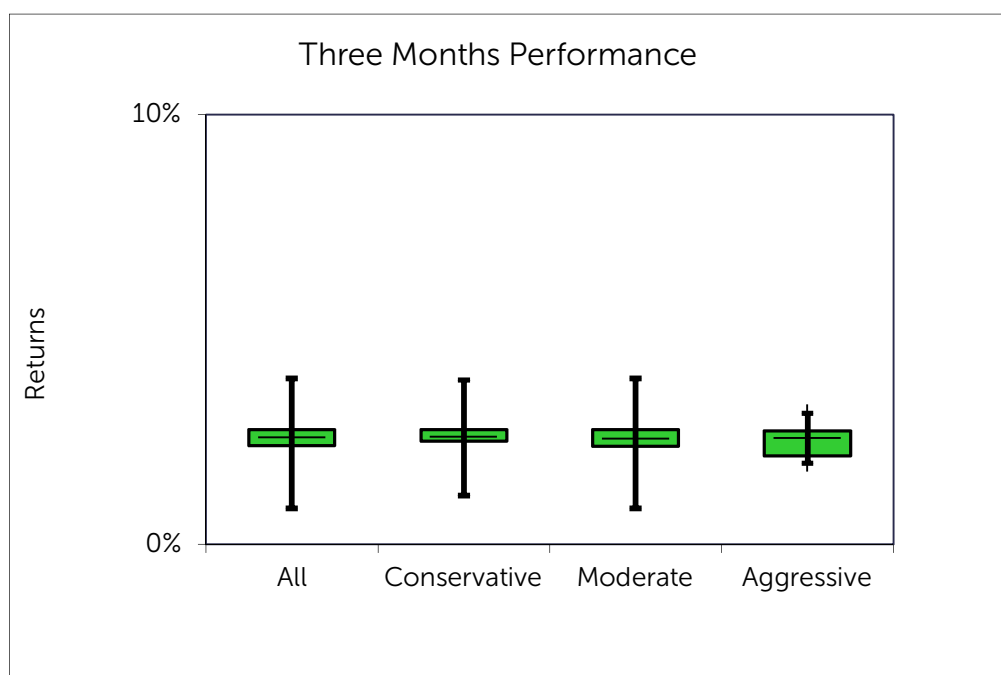
Over 5 years, the median return of the participating schemes was an annualised 9.6% with a range of returns of 8.5%. This was due to strong performance from the fixed income and offshore asset classes.

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

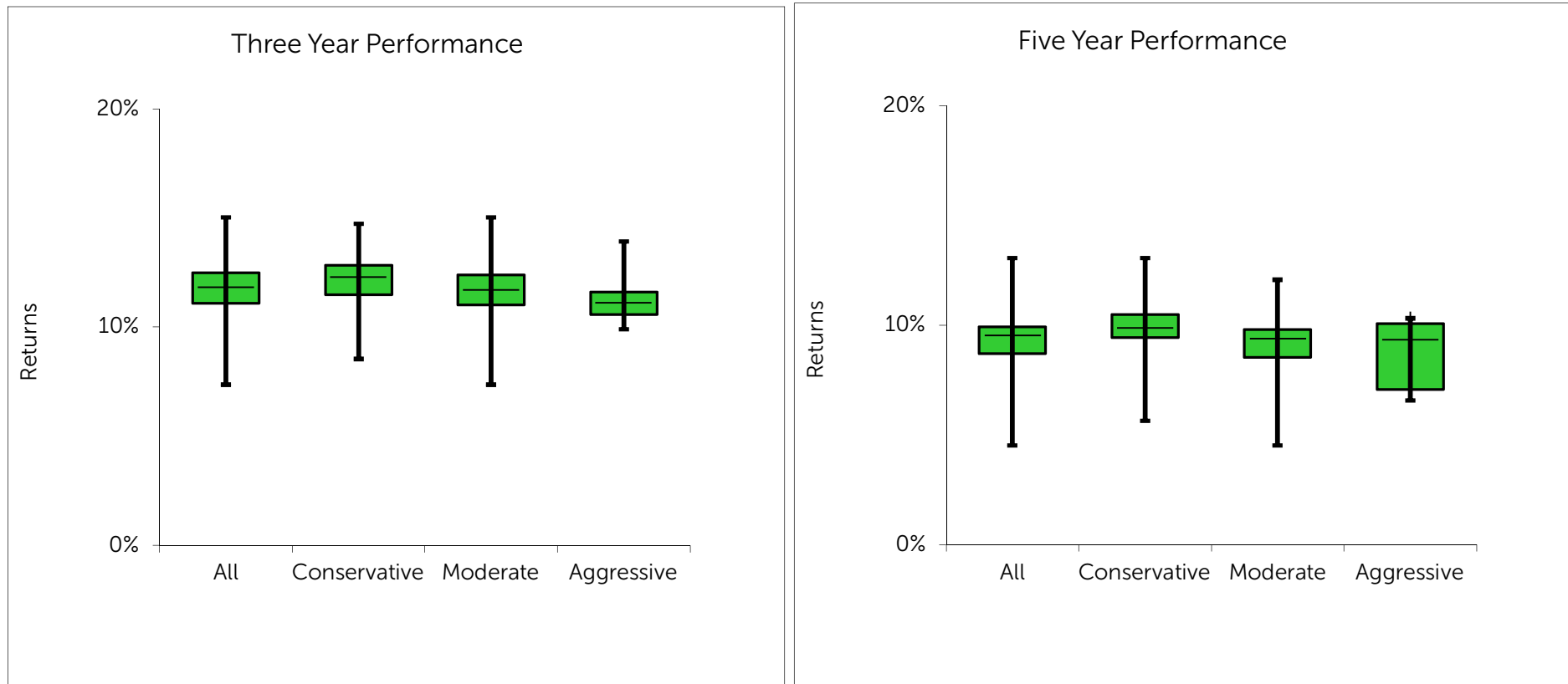
Analysis and Distribution of Returns

	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	2.4%	11.9%	11.5%	9.4%	2.3%	10.9%	11.0%	8.5%	2.1%	10.1%	10.6%	7.1%
Median	2.5%	12.5%	12.3%	9.9%	2.5%	11.8%	11.7%	9.4%	2.5%	10.5%	11.1%	9.4%
75th Percentile	2.7%	13.3%	12.8%	10.5%	2.7%	12.4%	12.4%	9.8%	2.7%	11.7%	11.6%	10.1%
Range of Returns	2.7%	12.0%	6.2%	7.4%	3.0%	7.4%	7.7%	7.6%	1.2%	3.7%	4.0%	3.8%
Average	2.5%	12.4%	12.1%	10.0%	2.5%	11.7%	11.6%	9.1%	2.4%	10.6%	11.3%	8.6%
Weighted Average	2.6%	12.9%	12.2%	9.7%	2.3%	11.7%	11.6%	8.8%	2.2%	9.7%	11.0%	8.3%

*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 riskier assets (equities and offshore) which trailed the performance of fixed income over all the four periods.

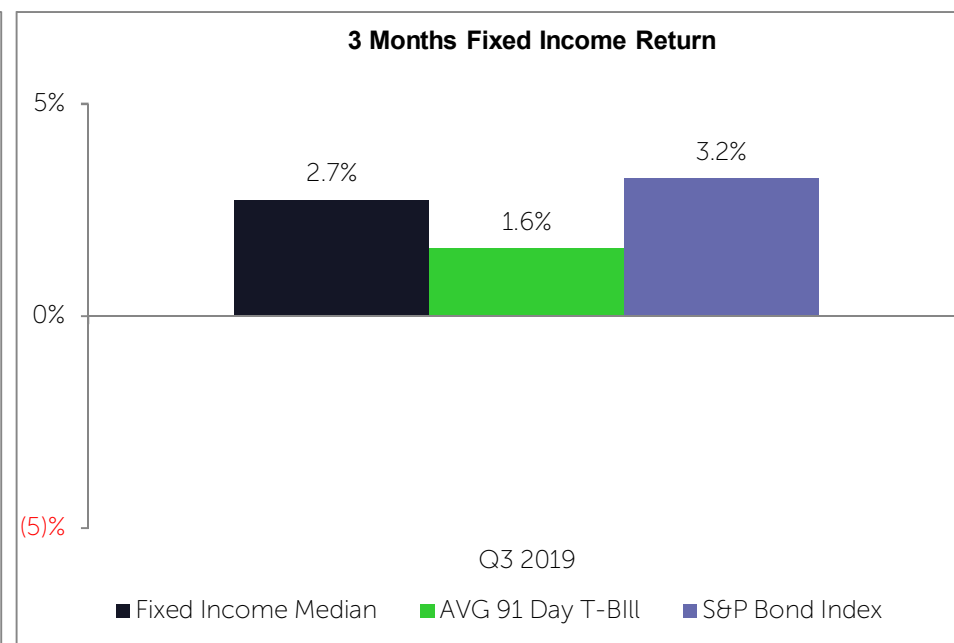
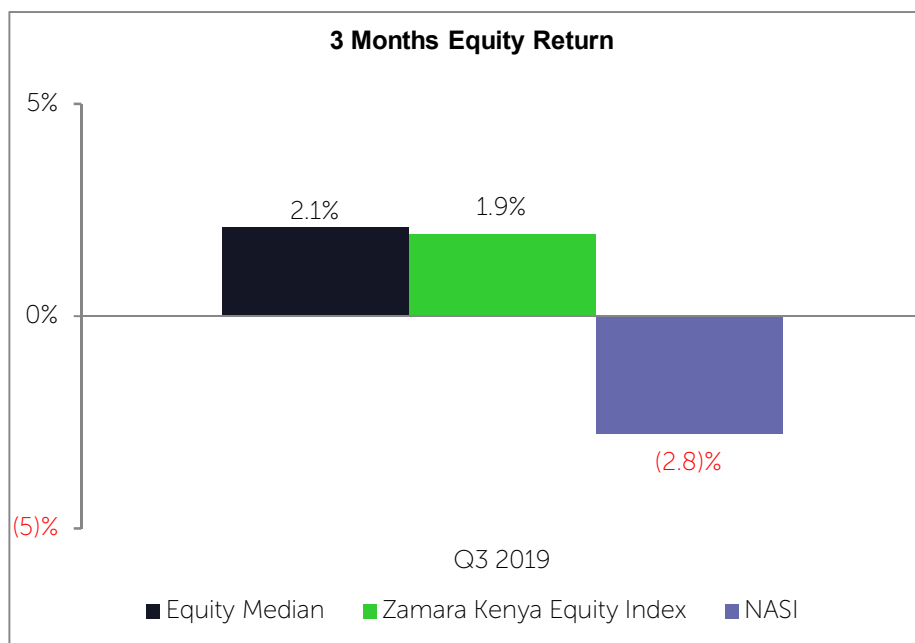
Asset Class Returns for 3 Months Ending 30 September 2019

	Equity	Fixed Income	Offshore
25th Percentile	1.3%	2.6%	(1.6)%
Median	2.1%	2.7%	(1.3)%
75th Percentile	2.6%	2.8%	0.9%
Range of Returns	7.6%	3.8%	6.6%
Average	1.9%	2.7%	(0.4)%
Weighted Average	1.9%	2.6%	0.5%

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.



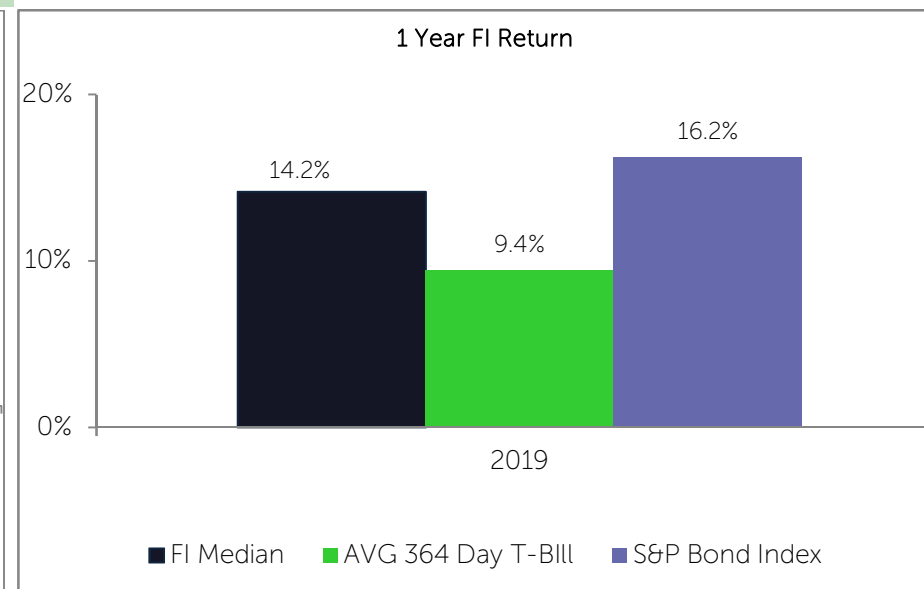
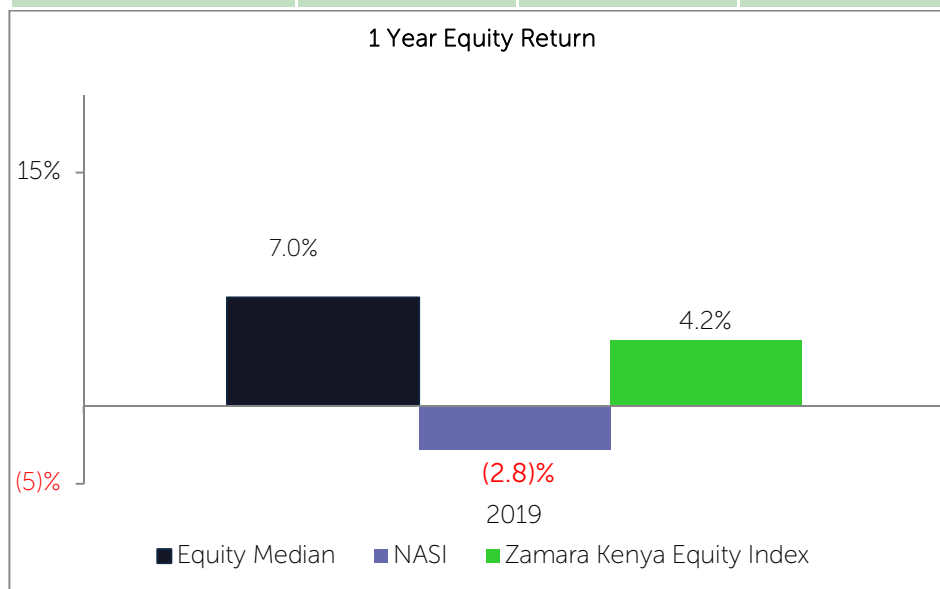
Asset Class Returns for 1 Year Ending 30 September 2019

	Equity	Fixed Income	Offshore
25th Percentile	4.6%	13.5%	0.8%
Median	7.0%	14.2%	3.4%
75th Percentile	8.8%	15.1%	3.8%
Range of Returns	28.9%	14.6%	19.7%
Average	6.3%	14.2%	2.4%
Weighted Average	6.5%	14.5%	2.7%

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.



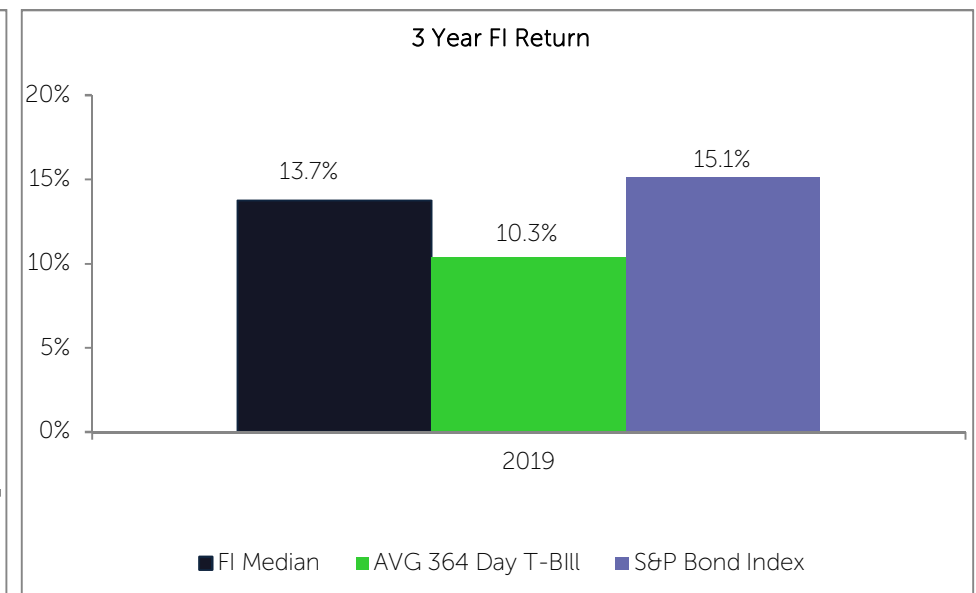
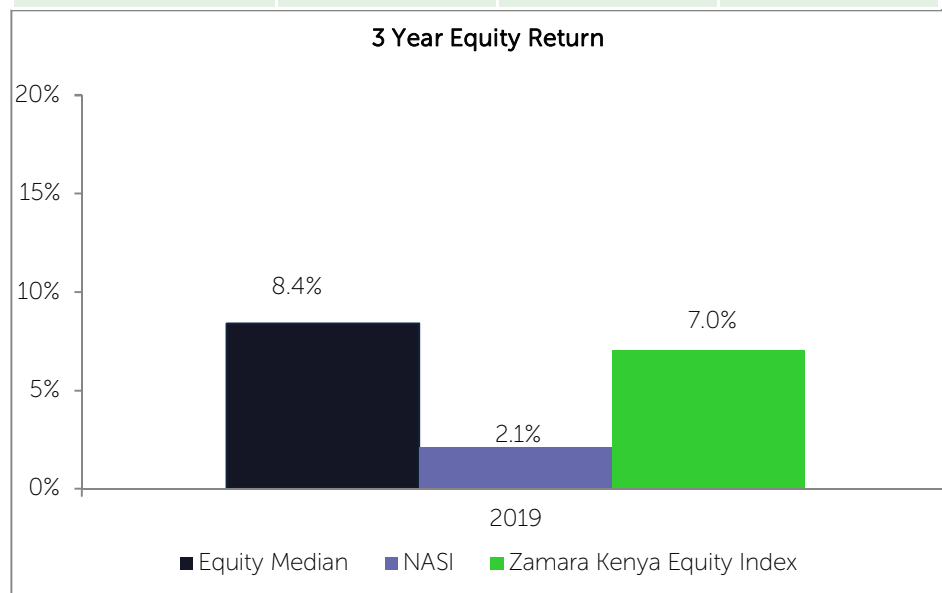
Asset Class Returns for 3 Years Ending 30 September 2019

	Equity	Fixed Income	Offshore
25th Percentile	6.0%	13.2%	8.9%
Median	8.4%	13.7%	10.7%
75th Percentile	9.8%	14.3%	11.9%
Range of Returns	19.2%	9.5%	25.8%
Average	7.8%	13.8%	9.5%
Weighted Average	8.2%	13.9%	10.5%

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.



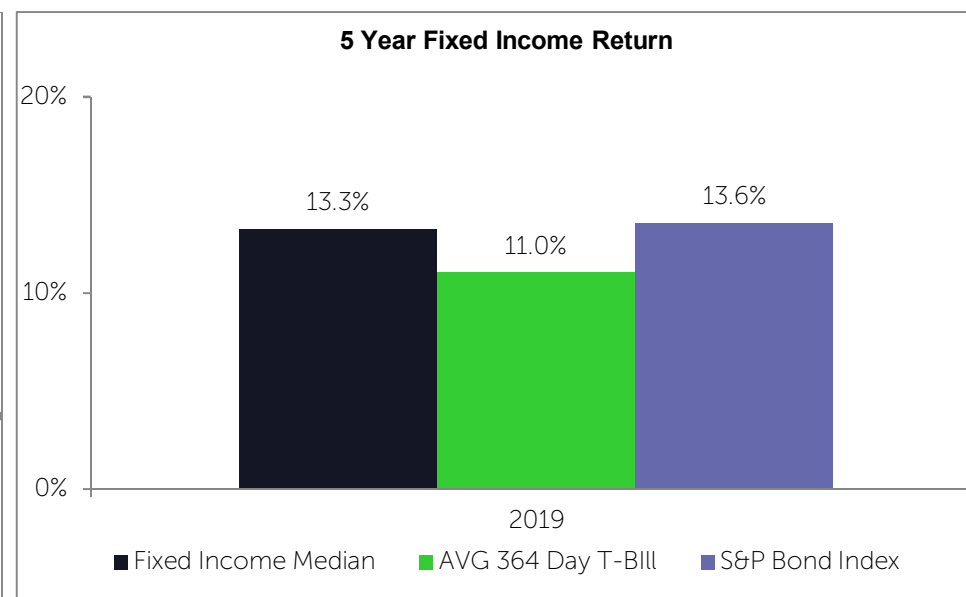
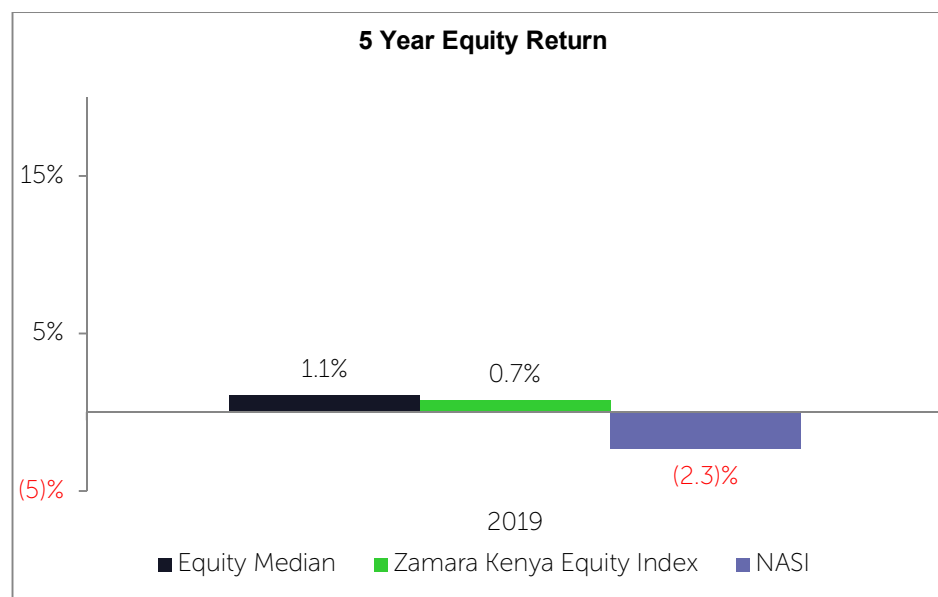
Asset Class Returns for 5 Years Ending 30 September 2019

	Equity	Fixed Income	Offshore
25th Percentile	(0.4)%	12.7%	8.8%
Median	1.1%	13.3%	9.7%
75th Percentile	2.0%	13.8%	10.5%
Range of Returns	12.4%	7.9%	17.0%
Average	0.6%	13.1%	9.0%
Weighted Average	1.1%	13.4%	9.7%

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.



Analysis of Asset Allocation for the Period Ending 30 September

Asset Class Allocation																
	All Schemes				Conservative Schemes				Moderate Schemes				Aggressive Schemes			
	Equity	Fixed Income	Property	Offshore	Equity	Fixed Income	Property	Offshore	Equity	Fixed Income	Property	Offshore	Equity	Fixed Income	Property	Offshore
Average	19.5%	74.5%	5.3%	0.7%	13.3%	84.5%	2.1%	0.1%	22.3%	70.8%	6.1%	0.8%	25.7%	46.3s%	24.5%	3.7%
Weighted Average	20.4%	67.6%	11.3%	0.7%	15.5%	80.8%	3.6%	0.1%	21.8%	65.0%	12.5%	0.7%	22.6%	40.1%	33.4%	3.9%
Range of Allocation	42.7%	86.6%	82.7%	11.3%	20.0%	79.5%	79.5%	6.6%	28.6%	66.4%	82.7%	10.4%	28.9%	37.3%	51.4%	11.3%
Median	20.8%	77.1%	-	-	16.5%	82.9%	-	-	22.2%	75.1%	-	-	22.2%	45.8%	26.1%	1.3%

For comparison, we include the asset allocation figures as shown in our June 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	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%

20.9% of the Schemes participating in the Survey had an allocation to property.

29.7% of the Schemes participating in the Survey had an allocation to offshore assets.

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