



# **Zamara Consulting Actuaries Schemes Survey**

**September 2018**



**zamara**   
Powering Prosperity

# Introduction

We are pleased to present our 51st Investment Performance Survey for the period ending 30 September 2018.

This Survey covers 404 schemes with a total of K Shs 727.7 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	7	
Apollo Asset Managers	4	
British American Asset Managers	23	
CIC Insurance	7	
Co-op Trust Investments	50	
GenAfrica Asset Managers	95	
ICEA Lion Asset Management Limited	35	
Old Mutual Investment Group Limited	75	
Sanlam Investments East Africa Limited (previously PineBridge Investments)	76	
Stanlib Investments	32	
<b>Subtotal</b>	<b>404</b>	<b>727,726</b>

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.

# 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 2009 to 30 September 2018.

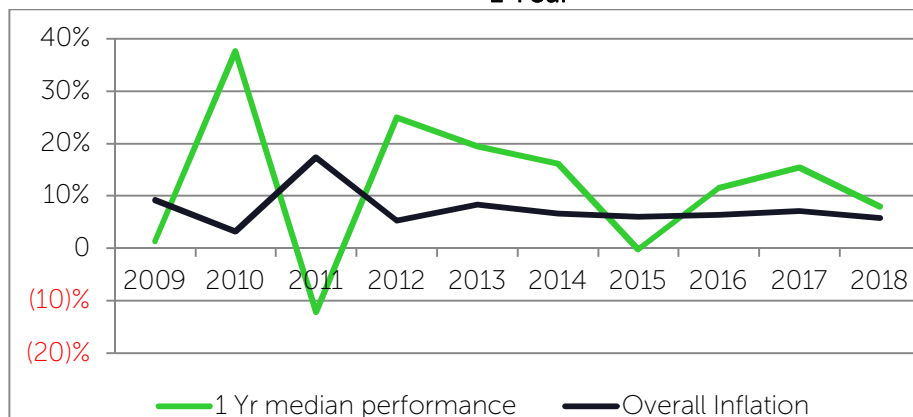
Period Ending 30 September	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Number of Schemes Participating	126	126	128	134	128	383	380	386	372	404
Total Assets K Shs Bn	99.9	139.3	128.8	175.0	197.2	524.9	510.3	596.8	633.4	727.7
1 Yr Median performance	1.4%	37.6%	(12.2)%	24.9%	19.5%	16.2%	(0.2)%	11.6%	15.5%	8.0%
3 Yr Median performance	5.0%	13.0%	6.8%	14.5%	9.5%	19.9%	11.4%	9.2%	8.9%	11.8%
Overall 1 year Inflation <sup>1</sup>	9.2%	3.2%	17.3%	5.3%	8.3%	6.6%	6.0%	6.3%	7.1%	5.7%
Overall 3 year Inflation <sup>2</sup>	10.2%	9.4%	9.8%	8.4%	10.2%	6.7%	6.9%	6.3%	6.5%	6.4%

Notes:

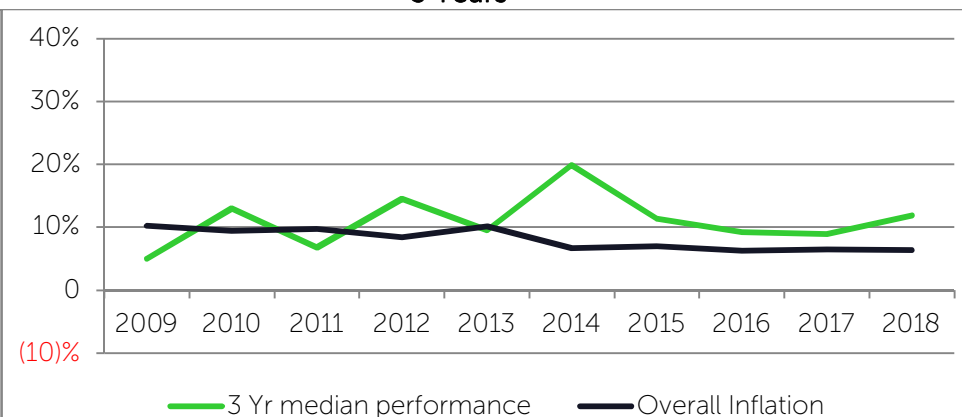
1. Based on KNBS Statistics 2006 – 2018: [www.knbs.or.ke/](http://www.knbs.or.ke/)
2. Calculated geometric average over 3 years.

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 2009, 2011, and 2015 as shown in the 1 year chart below. Over 3 years, median returns have outperformed inflation except for 2009, 2011 and 2013.

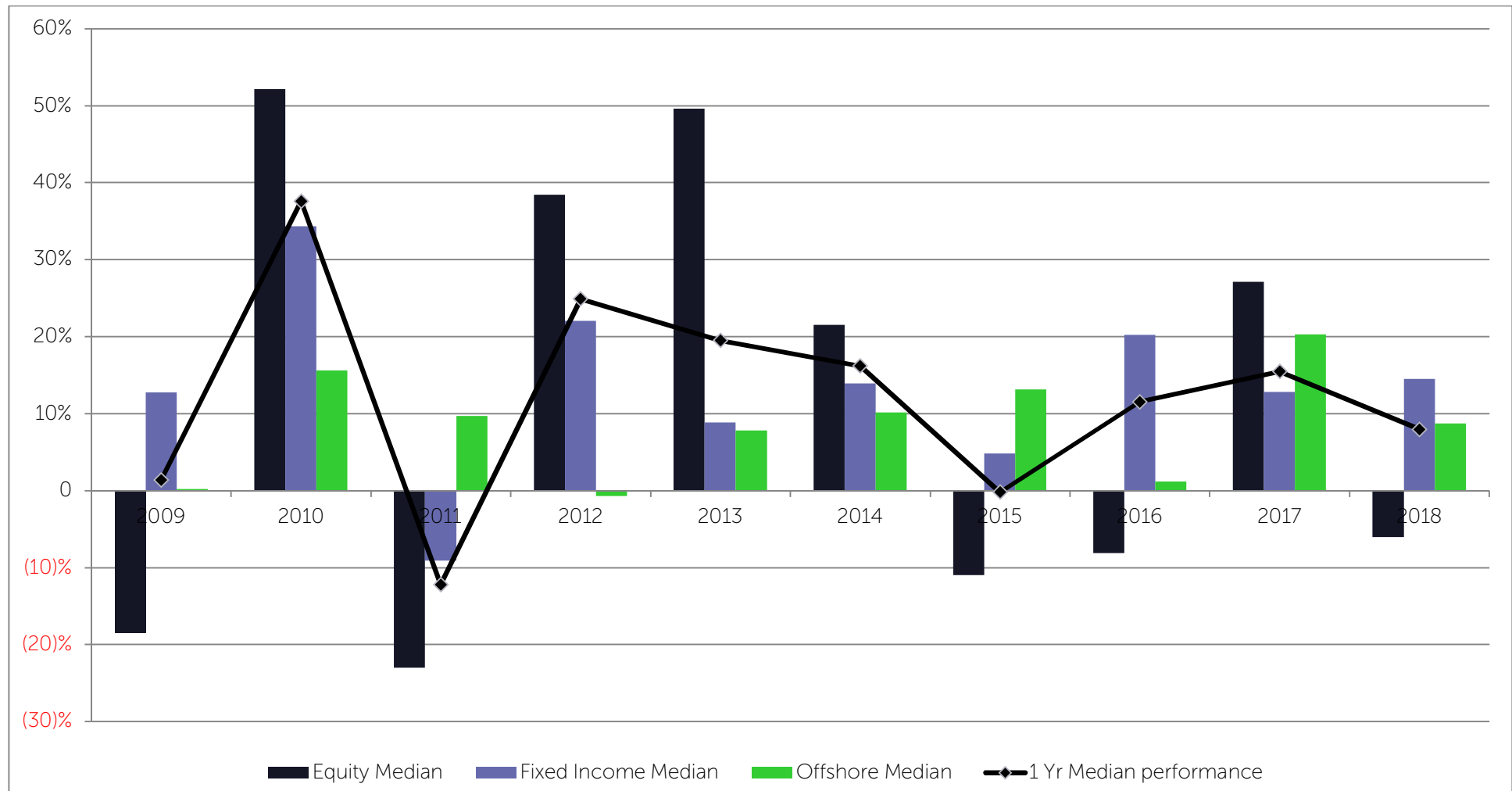
**1 Year**



**3 Years**



# Executive Summary and Key Highlights



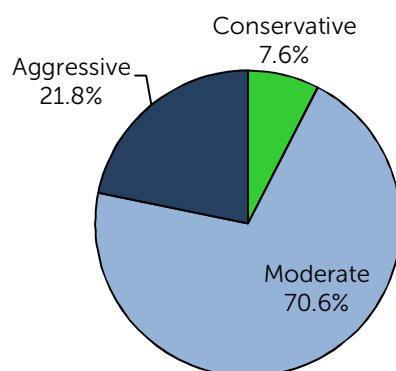
The chart above shows the median performance trend of the three asset classes (equity, fixed income and offshore) as at 30 September for each of the last 10 years.

# Risk Profile of Participating Schemes

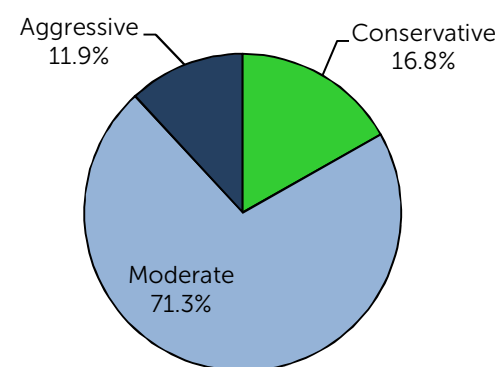
STATISTICS					
Risk Profile	Fixed Income Allocation*	Number of Schemes	Scheme Percentage %	Assets Under Management K Shs m	Asset Percentage %
Conservative	Over 80%	68	16.8%	55,027	7.6%
Moderate	65% to 80%	288	71.3%	513,922	70.6%
Aggressive	Less than 65%	48	11.9%	158,777	21.8%
<b>Total</b>		<b>404</b>	<b>100.0%</b>	<b>727,726</b>	<b>100.0%</b>

\*Asset allocation used to determine the above profiles excludes property

DISTRIBUTION OF PARTICIPATING SCHEMES BY ASSET SIZE



DISTRIBUTION OF PARTICIPATING SCHEMES BY NUMBER



404 Schemes qualified for inclusion in the Survey on the basis of being segregated arrangements with at least 1 year and 3 year consecutive return periods.

The survey is dominated by moderate schemes; they comprise 71% of participating schemes and manage 70.6% of assets in this survey.

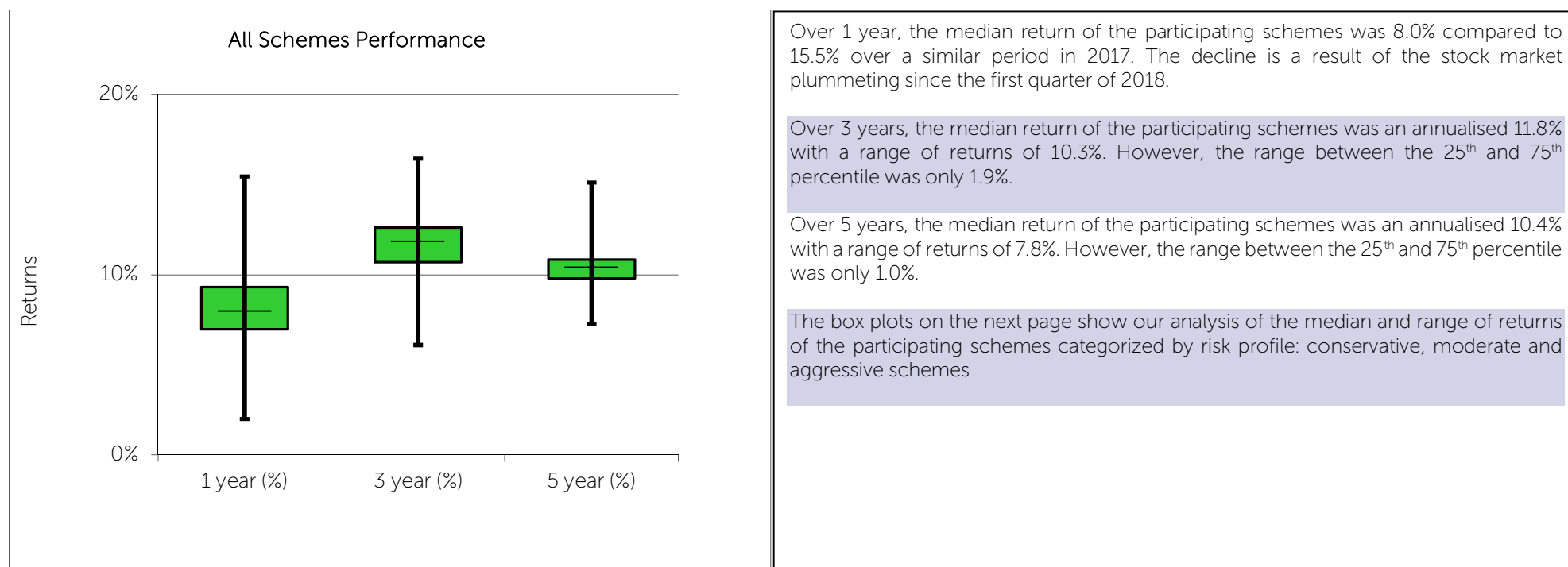
Conservative schemes make up 16.8% of number of participating schemes but only 7.6% of assets under management; with 79.4% of the conservative schemes being schemes with assets under management of less than K shs 1 billion.

Aggressive schemes make up 11.9% of number of participating schemes with 21.8% of assets under management; with 62.5% of the aggressive schemes manage assets worth more than K shs 1 billion.

# Analysis and Distribution of Returns for the Period Ending 30 September 2018

	1 year	3 year*	5 year*
25th Percentile	7.0%	10.7%	9.8%
Median	8.0%	11.8%	10.4%
75th Percentile	9.3%	12.6%	10.8%
Range of Returns	13.4%	10.3%	7.8%
Average	8.2%	11.6%	10.3%
Weighted Average	7.7%	9.7%	9.7%

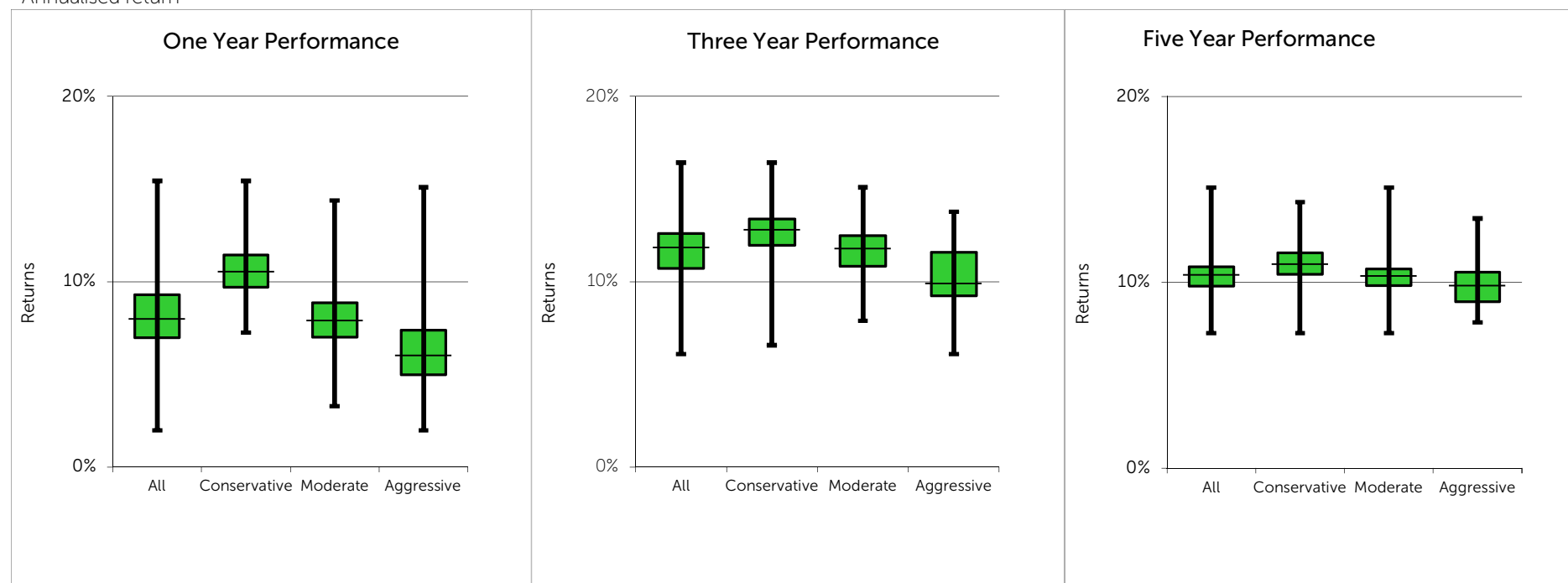
\*Annualised return



# Analysis and Distribution of Returns for the Period Ending 30 September 2018

Return Distribution												
	All Schemes			Conservative Schemes			Moderate Schemes			Aggressive Schemes		
	1 year (%)	3 year (%)*	5 year (%)*	1 year (%)	3 year (%)*	5 year (%)*	1 year (%)	3 year (%)*	5 year (%)*	1 year (%)	3 year (%)*	5 year (%)*
25th Percentile	7.0%	10.7%	9.8%	9.7%	12.0%	10.4%	7.0%	10.8%	9.8%	5.0%	9.2%	9.0%
Median	8.0%	11.8%	10.4%	10.5%	12.8%	11.0%	7.9%	11.8%	10.3%	6.0%	9.9%	9.8%
75th Percentile	9.3%	12.6%	10.8%	11.4%	13.4%	11.6%	8.8%	12.5%	10.7%	7.4%	11.6%	10.5%
Range of Returns	13.4%	10.3%	7.8%	8.2%	9.8%	7.1%	11.1%	7.2%	7.8%	13.1%	7.7%	5.6%
Average	8.2%	11.6%	10.3%	10.8%	12.7%	11.1%	7.9%	11.6%	10.2%	6.1%	10.3%	10.0%
Weighted Average	7.7%	9.7%	9.7%	10.8%	12.6%	11.4%	7.6%	9.6%	9.5%	6.4%	8.9%	9.7%

\*Annualised return



Conservative schemes had the strongest performance over one-year period. The conservative schemes median return was superior to moderate and aggressive schemes median return over the one-year period.

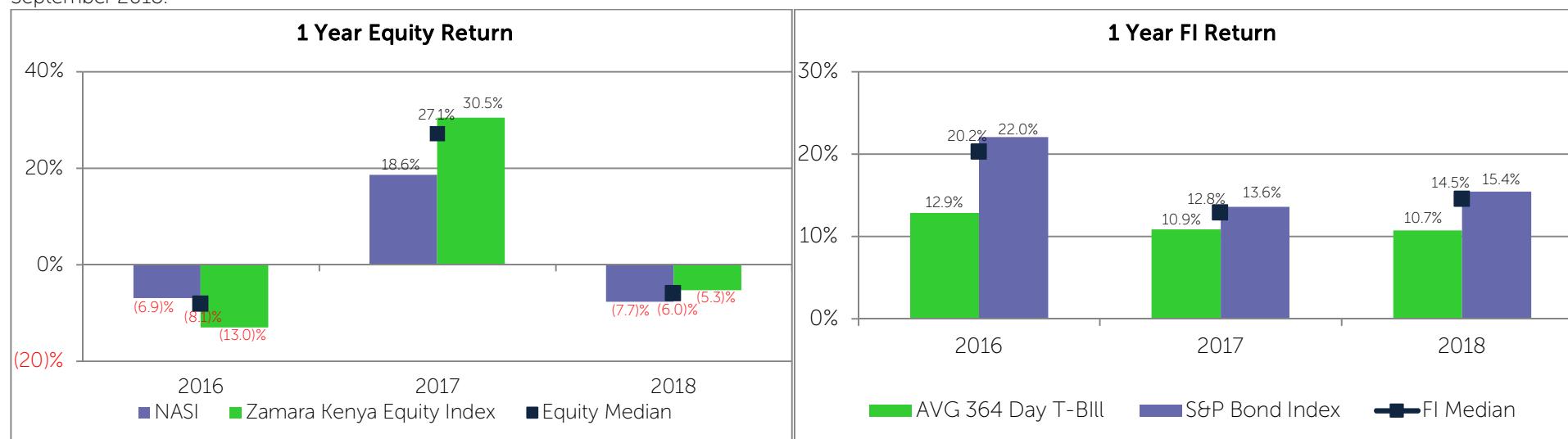
Conservative schemes have a higher allocation of Fixed income asset class which was the best performing asset class over the one-year period.

The narrative for the three-year period and five-year period is still the same, with conservative schemes generating the highest median return and aggressive schemes posting the lowest.

# Asset Class Returns for 1 Year Ending 30 September 2018

	All Schemes			Conservative Schemes			Moderate Schemes			Aggressive Schemes		
	Equity	Fixed Income	Offshore	Equity	Fixed Income	Offshore	Equity	Fixed Income	Offshore	Equity	Fixed Income	Offshore
25th Percentile	(8.5)%	13.6%	2.7%	(7.0)%	13.4%	4.4%	(9.2)%	13.6%	5.2%	(7.4)%	13.9%	0.9%
Median	(6.0)%	14.5%	8.7%	(6.1)%	14.3%	4.4%	(6.1)%	14.5%	9.3%	(5.3)%	14.6%	6.3%
75th Percentile	(4.4)%	15.0%	12.9%	(4.0)%	14.9%	4.4%	(4.4)%	15.1%	14.6%	(4.5)%	14.7%	9.3%
Range of Returns	25.0%	15.0%	36.1%	21.8%	12.0%	-	22.0%	14.9%	36.1%	22.9%	5.9%	21.2%
Average	(6.6)%	14.4%	7.7%	(5.7)%	14.1%	4.4%	(6.9)%	14.4%	9.2%	(6.0)%	14.2%	4.8%
Weighted Average	(6.6)%	14.5%	7.5%	(5.2)%	14.5%	4.4%	(6.9)%	14.6%	8.2%	(5.7)%	14.4%	7.0%

For comparison, the charts below indicate historical one year performance of select benchmarks and the Z - CASS asset class return median for the periods ending 30 September 2018.



**Equity:** All schemes equity median return outperformed the NASI but underperformed the Zamara Kenya Equity Index.

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

**Offshore:** All schemes offshore median return outperformed MSCI Emerging, MSCI world and MSCI ACWI Indices.

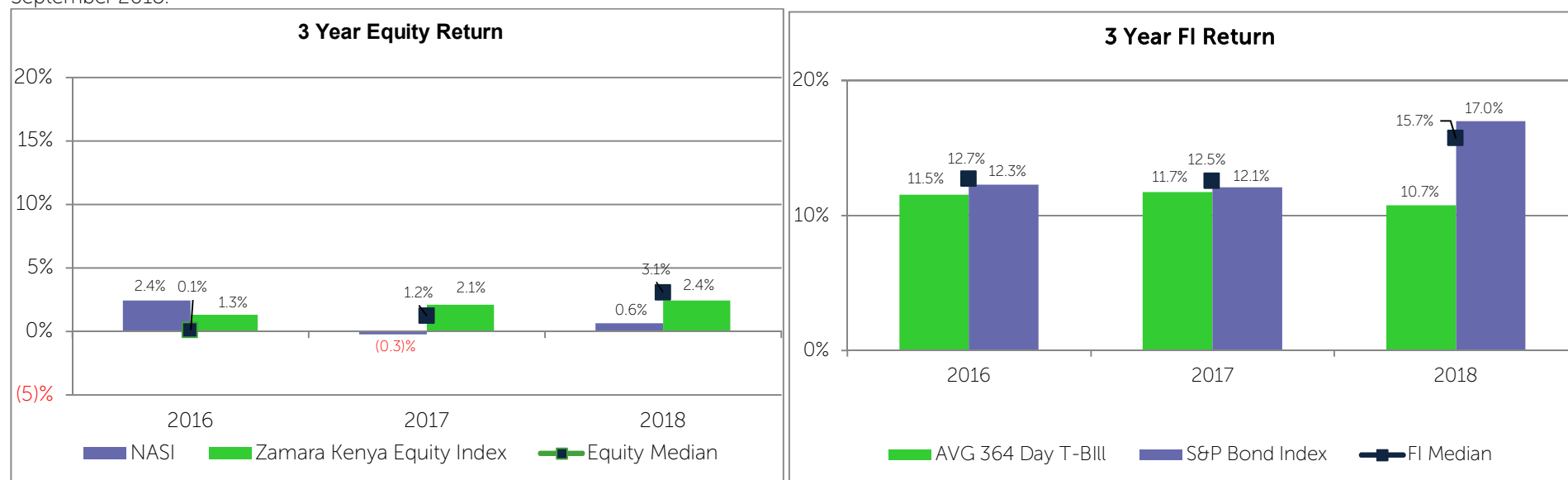


# Asset Class Returns for 3 Years Ending 30 September 2018

	All Schemes			Conservative Schemes			Moderate Schemes			Aggressive Schemes		
	Equity	Fixed Income	Offshore	Equity	Fixed Income	Offshore	Equity	Fixed Income	Offshore	Equity	Fixed Income	Offshore
25th Percentile	0.8%	14.9%	9.4%	1.3%	14.7%	9.6%	0.3%	14.9%	10.1%	1.3%	15.1%	3.8%
Median	3.1%	15.7%	11.2%	2.9%	15.9%	9.6%	3.0%	15.7%	11.3%	3.2%	15.7%	10.0%
75th Percentile	4.5%	16.4%	12.1%	3.6%	16.4%	9.6%	4.6%	16.5%	12.5%	4.4%	16.2%	11.8%
Range of Returns	31.4%	14.3%	26.6%	31.4%	8.5%	-	17.5%	14.3%	26.6%	20.2%	5.8%	11.6%
Average	2.2%	15.5%	9.9%	2.5%	15.3%	9.6%	2.1%	15.6%	10.6%	2.7%	15.6%	8.3%
Weighted Average	1.4%	15.7%	11.1%	2.7%	16.2%	9.6%	1.2%	15.6%	11.5%	1.9%	15.7%	11.0%

NB: Numbers shown above have been annualised

For comparison, the charts below indicate historical three year performance of select benchmarks and the Z - CASS asset class return median for the periods ending 30 September 2018.



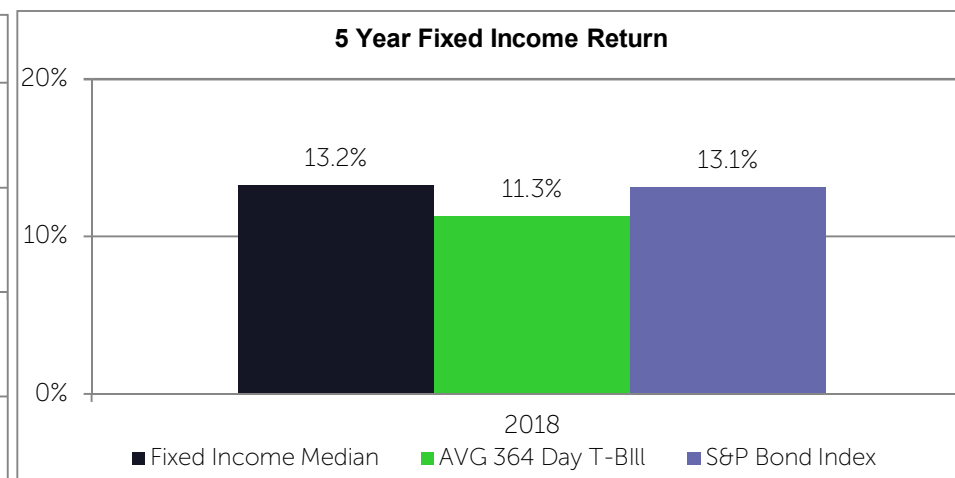
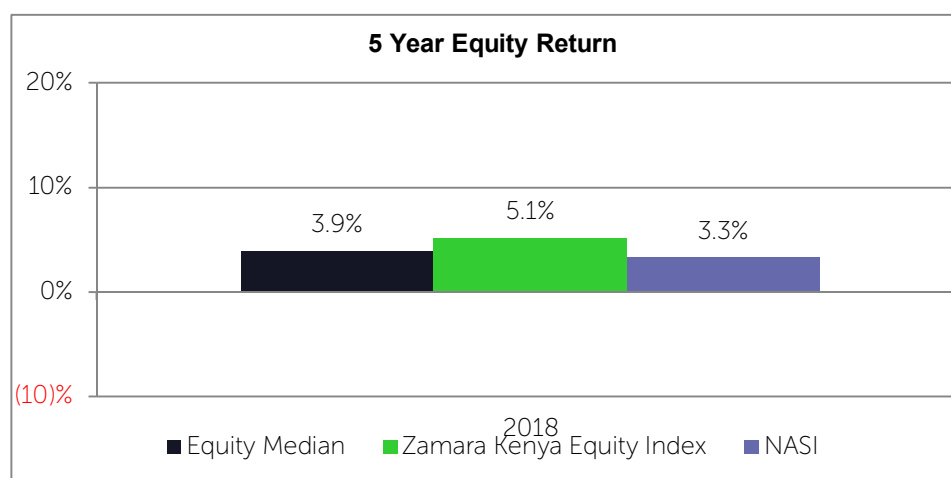
**Equity:** All schemes equity median return outperformed NASI and Zamara Kenya Equity Index.

**Fixed Income:** All schemes fixed income median return outperformed the average 364 Day Treasury Bill, however, underperformed the S&P Bond Index.

**Offshore:** All schemes offshore median return outperformed MSCI Emerging Index but underperformed MSCI World index. The return was similar to MSCI ACWI index.

# Asset Class Returns for 5 Years Ending 30 September 2018

	All Schemes			Conservative Schemes			Moderate Schemes			Aggressive Schemes		
	Equity	Fixed Income	Offshore	Equity	Fixed Income	Offshore	Equity	Fixed Income	Offshore	Equity	Fixed Income	Offshore
25th Percentile	3.0%	12.6%	11.1%	2.4%	12.9%	3.7%	3.0%	12.4%	11.3%	3.6%	13.2%	10.2%
Median	3.9%	13.2%	11.7%	3.1%	13.5%	3.7%	3.9%	13.1%	11.8%	4.3%	13.4%	11.6%
75th Percentile	4.7%	13.7%	12.8%	3.8%	13.7%	3.7%	4.9%	13.7%	13.1%	4.7%	13.9%	11.8%
Range of Returns	29.4%	6.8%	22.4%	29.4%	6.2%	-	16.9%	6.4%	22.4%	8.1%	5.1%	6.3%
Average	3.9%	13.0%	11.4%	3.3%	13.2%	3.7%	3.9%	12.9%	11.3%	4.4%	13.6%	10.7%
Weighted Average	3.2%	13.1%	11.9%	2.8%	13.8%	3.7%	2.8%	12.9%	12.3%	4.3%	13.7%	11.7%



**Equity:** All schemes equity median return outperformed the NASI indices but underperformed Zamara Kenya Equity Index.

**Fixed Income:** All schemes fixed income median return outperformed the average 364 Day Treasury and the S&P Bond Index.

**Offshore:** All schemes offshore median return outperformed MSCI World, MSCI ACWI and MSCI Emerging 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	22.7%	70.4%	5.1%	1.9%	11.2%	87.0%	1.7%	0.2%	24.6%	69.6%	4.4%	1.4%	27.4%	51.8%	13.8%	7.0%
Weighted Average	23.7%	62.0%	12.2%	2.1%	12.4%	84.1%	3.4%	0.1%	24.4%	64.2%	10.0%	1.3%	25.3%	46.9%	22.4%	5.4%
Range of Allocation	44.3%	99.2%	82.7%	69.1%	19.9%	82.7%	82.7%	8.5%	26.9%	65.2%	78.2%	8.7%	27.3%	64.1%	45.6%	69.1%
Median	24.0%	72.8%	-	-	13.0%	85.7%	-	-	24.7%	72.5%	-	-	26.9%	55.8%	-	5.7%

For comparison, we include the asset allocation figures as shown in our June 2018 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	25.0%	68.4%	4.9%	1.7%	7.5%	90.6%	1.8%	0.2%	25.8%	70.3%	2.9%	1.0%	31.8%	52.0%	11.9%	4.3%
Weighted Average	26.9%	59.6%	11.5%	2.0%	9.3%	87.6%	2.9%	0.2%	27.5%	65.9%	5.7%	0.9%	28.0%	47.2%	20.9%	3.8%
Median	25.4%	70.5%	0.0%	0.0%	5.1%	91.4%	0.0%	0.0%	25.3%	71.9%	0.0%	0.0%	31.1%	55.9%	0.0%	4.2%

We note that 20% of the Schemes participating in the Survey had allocations in property.

We also note that 36% of the Schemes participating in the Survey had allocations in offshore.

The Survey indicates that the average scheme's exposure to fixed income, offshore and property increased over the quarter; while the equity exposure decreased over the quarter. This was caused mainly by a fall in equity prices.

# 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 (previously Alexander Forbes Financial Services (East Africa) 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) and three (3) 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.

An addition to the Survey is an analysis of the performance attributed to equity, fixed income and offshore over a rolling one (1) year period. This analysis will assist the Trustees in understanding which of the asset classes contributed to the overall performance of their scheme.

### **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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