



# **Zamara Consulting Actuaries Schemes Survey**

**December 2019**



**zamara**   
Powering Prosperity

# Introduction

We are pleased to present our 56<sup>th</sup> Investment Performance Survey for the period ending 31 December 2019.

This Survey covers 419 schemes with a total of K Shs 885.0 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	3	
British American Asset Managers	30	
CIC Insurance	7	
Co-op Trust Investments	53	
GenAfrica Asset Managers	100	
ICEA Lion Asset Management Limited	37	
Old Mutual Investment Group Limited	79	
Sanlam Investments East Africa Limited	79	
Stanlib Investments	24	
<b>Subtotal</b>	<b>419</b>	<b>885,025</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.

# Market Commentary Q4 2019

**Economic Update:** The Kenyan economy expanded by 5.1% in the third quarter of 2019 compared to 6.4% growth in a similar period of 2018. The lower performance was attributed to declines in major economic sectors.

**Inflation:** Year on year inflation as at end of the quarter was 5.8% compared to 3.8% as at end of September 2019. The increase was driven by marginal increase in prices of some food items despite the heavy rains experienced towards the end of the quarter.

**Currency Market:** The Kenyan Shilling appreciated against the US Dollar during the fourth quarter of 2019 with the shilling closing at 101.34 at end of the quarter compared to 103.89 at end of previous quarter. The strengthening was attributed to good diaspora remittances and dollar inflows from foreign funds as well as forex reserves that have also remained stable.

Index	Q4	1 yr	3 yr <sup>4</sup>	5yr <sup>4</sup>
NASI	14.4%	18.5%	7.7%	0.4%
Zamara Kenya Equity Index	20.5%	33.2%	15.1%	4.5%
NSE 25 Share Index <sup>3</sup>	18.0%	15.5%	5.1%	
S&P Kenya Sovereign Bond Index	0.6%	13.5%	15.1%	13.2%
FTSE Bond Performance Index	2.2%	14.9%	15.7%	13.8%
91 Day Tbill	1.7%	6.9%	7.6%	8.4%
Inflation CPI K Shs	1.6%	5.8%	5.3%	6.1%
USD/K Shs <sup>1</sup>	2.5%	0.5%	0.4%	(2.2%)
MSCI ACWI Index <sup>2</sup>	5.9%	23.4%	9.8%	8.7%
MSCI Emerging Markets <sup>2</sup>	8.6%	14.9%	8.5%	5.4%
MSCI World Index <sup>2</sup>	5.5%	24.6%	10.0%	9.1%

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 31 December 2019

Source: NSE, CBK, MSCI, KNBS

**Equity Market:** Equities market had a strong performance over the quarter due to robust returns from banking stocks and Safaricom which account for more than 80% of the total market value. Zamara Kenya Equity Index (ZKEI) and NASI gained 20.5% and 14.4% respectively over the quarter and 33.2% and 18.5% respectively over the year. The banking stocks had a price rally that started in early November upon the repeal of the interest cap law. The robust performance set up the equity asset class as the best performing asset class over the quarter and one-year periods.

**Interest Rates:** Over the quarter, the Monetary Policy Committee adopted a monetary easing strategy by lowering of the Central Bank Rate to 8.5% from 9.0% with inflation anchored within the target range and economy operating below its potential. Yields on short term treasuries rose over the quarter on account of tight liquidity in the money markets. The low uptake of these short-term debts was on the back of banks looking to lend the private sector with higher expectations of returns after the repeal of the interest cap law. The average yield on the three-month Treasury Bill rose to 6.8% at end of the quarter from 6.5% at end of the previous.

**Offshore markets:** There was positive sentiment on global equity markets following the possibility of a phase one trade agreement between the US and China that have had an ongoing trade war. Global equity indices were on an upward trend. The Developed Markets Equity Index, the All World Equity Index and the Emerging Markets Index gained 8.2%, 8.6% and 11.4% respectively over the quarter.

# Executive Summary and Key Highlights

## Key Highlights

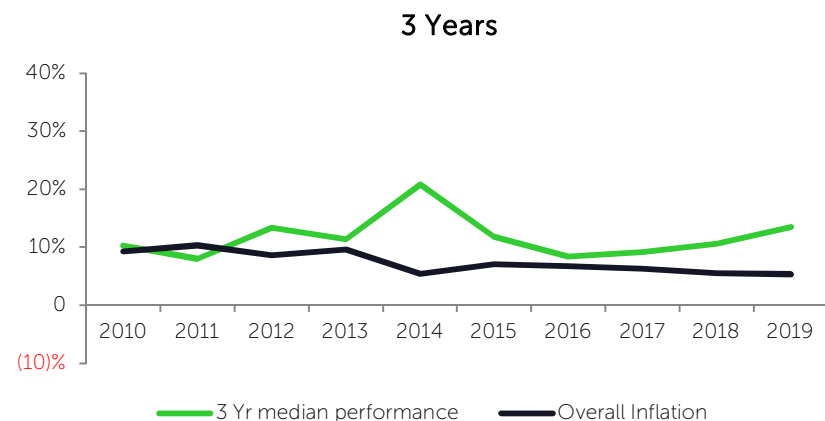
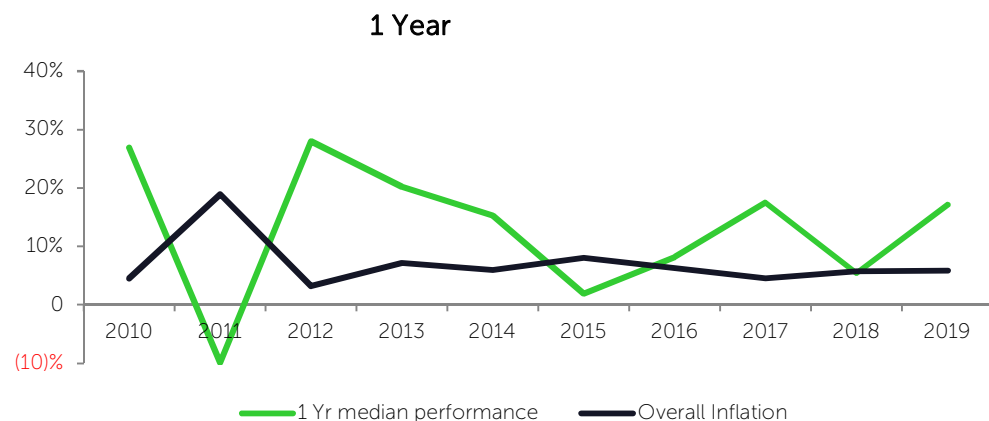
We set out in the table below, a summary of the median performance of schemes for each of the years from 31 December 2010 to 31 December 2019.

Period Ending 31 December	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Number of Schemes Participating	124	127	130	127	314	378	384	374	415	419
Total Assets K Shs Bn	137.4	130.9	171.8	217.1	479.4	535.8	596.5	677.3	756.9	885.0
1 Yr Median performance	26.9%	(9.9%)	28.0%	20.2%	15.3%	1.9%	8.2%	18.1%	5.4%	17.1%
3 Yr Median performance	10.3%	8.0%	13.4%	11.4%	20.8%	11.8%	8.4%	9.3%	10.6%	13.5%
Overall 1 year Inflation <sup>1</sup>	4.5%	18.9%	3.2%	7.1%	6.0%	8.0%	6.4%	4.5%	5.7%	5.8%
Overall 3 year Inflation <sup>2</sup>	9.2%	10.3%	8.7%	9.6%	5.4%	7.1%	6.8%	6.3%	5.5%	5.3%

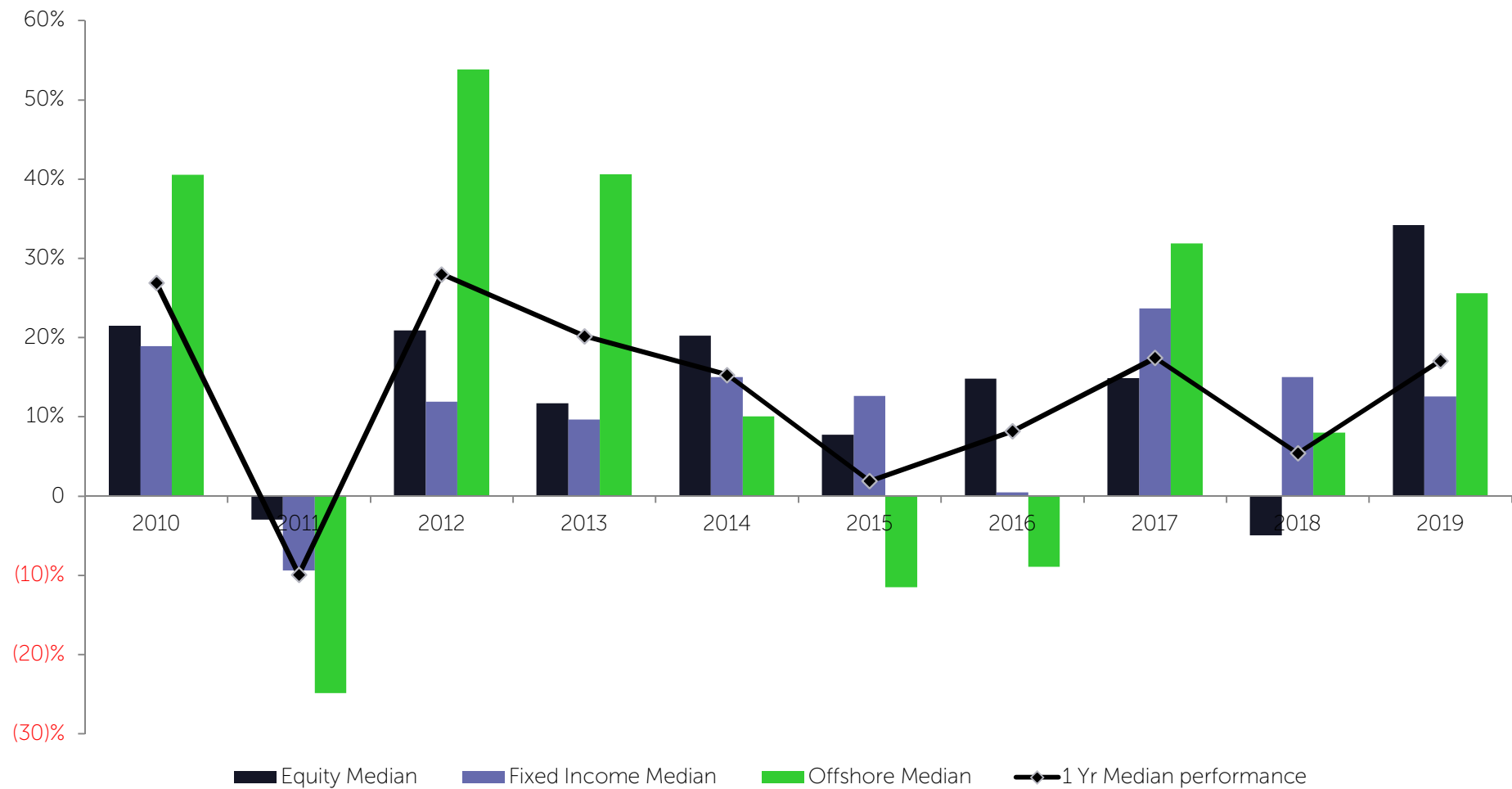
Notes:

1. Based on KNBS Statistics 2006 – 2019: [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 2011 and 2015 as shown in the 1 year chart below. Over 3 years, the median return underperformed inflation in 2011 as shown in the 3 year chart below.



## Executive Summary and Key Highlights



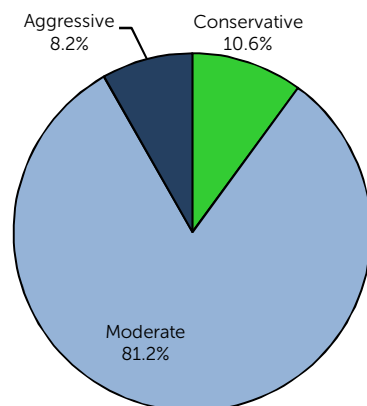
The chart above shows the median performance trend of the three asset classes (equity, fixed income and offshore) as at 31 December for each of the last 10 years.

# Risk Profile of Participating Schemes

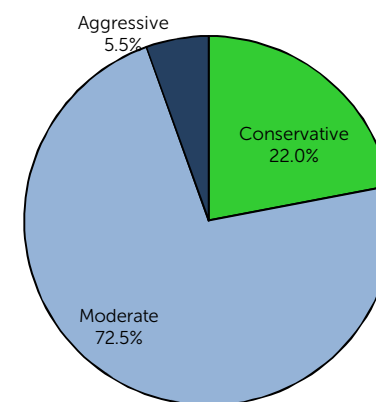
STATISTICS					
Risk Profile	Fixed Income Allocation*	Number of Schemes	Scheme Percentage %	Assets Under Management K Shs m*	Asset Percentage %
Conservative	Over 80%	92	22.0%	83,698	10.6%
Moderate	65% to 80%	304	72.5%	640,224	81.2%
Aggressive	Less than 65%	23	5.5%	64,284	8.2%
<b>Total</b>		<b>419</b>	<b>100.0%</b>	<b>788,206</b>	<b>100.0%</b>

\*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



419 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 72.5% of participating schemes and manage 81.2% of assets in this survey.

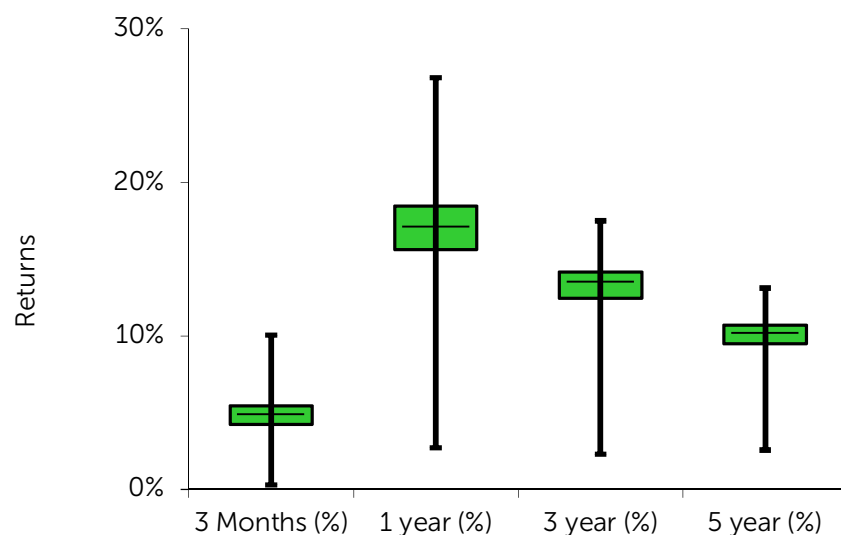
There was an increase in the number of moderate and aggressive schemes over the quarter. This was likely to be caused by the strong performance of the Quoted Equity asset class over the quarter.

# Analysis and Distribution of Returns for the Period

	3 Month	1 year	3 year*	5 year*
25th Percentile	4.2%	15.6%	12.5%	9.5%
Median	4.9%	17.1%	13.5%	10.2%
75th Percentile	5.5%	18.5%	14.2%	10.7%
Range of Returns	9.8%	24.1%	15.2%	10.6%
Average	4.7%	16.8%	13.2%	10.0%
Weighted Average	5.1%	17.7%	13.5%	9.6%

\*Annualised return

## All Schemes Performance



Over the quarter ended 31 December 2019, the median return of the participating schemes was 4.9%, compared to 2.5% in September 2019.

Over 1 year, the median return of the participating schemes was 17.1% compared to 5.4% 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 13.5%.

Over 5 years, the median return of the participating schemes was an annualized 10.2% with a range of returns of 10.6%. This was due to strong performance from the fixed income and offshore asset classes.

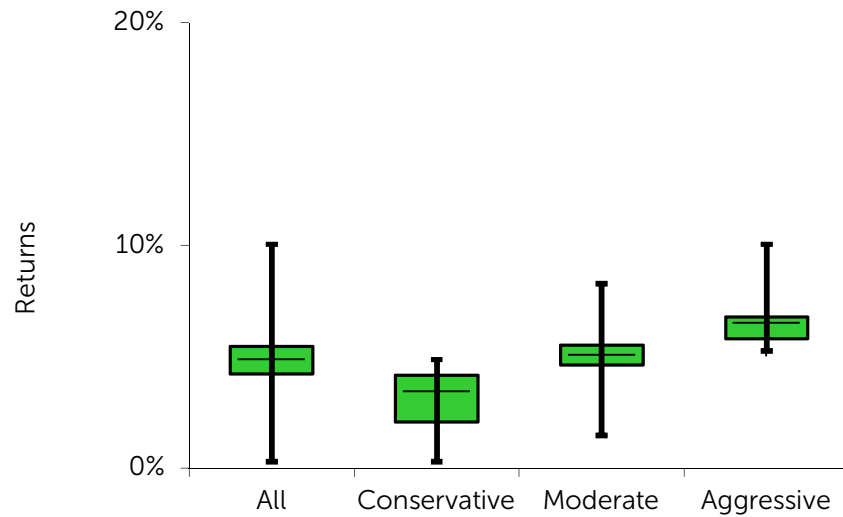
The box plots on the next page show our analysis of the median and range of returns of the participating schemes categorized by risk profile: conservative, moderate and aggressive schemes

# Analysis and Distribution of Returns

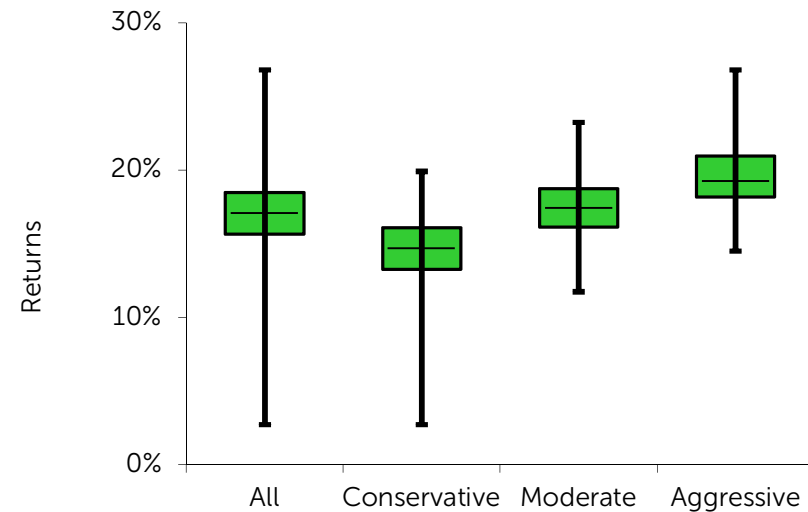
	Return Distribution											
	Conservative Schemes				Moderate Schemes				Aggressive Schemes			
	3 Month	1 year	3 year*	5 year*	3 Month	1 year	3 year*	5 year*	3 Month	1 year	3 year*	5 year*
25th Percentile	2.1%	13.3%	12.1%	10.3%	4.6%	16.1%	12.5%	9.4%	5.8%	18.2%	13.1%	8.4%
Median	3.5%	14.7%	13.5%	10.7%	5.1%	17.4%	13.5%	10.1%	6.5%	19.3%	13.8%	9.5%
75th Percentile	4.2%	16.1%	14.1%	11.3%	5.5%	18.7%	14.2%	10.6%	6.8%	21.0%	14.5%	10.1%
Range of Returns	4.6%	17.2%	13.4%	9.8%	6.8%	11.5%	8.3%	10.6%	4.8%	12.3%	8.8%	3.9%
Average	3.1%	14.2%	12.8%	10.7%	5.1%	17.5%	13.3%	9.9%	6.6%	19.5%	13.7%	9.4%
Weighted Average	3.6%	15.2%	13.4%	10.9%	5.2%	17.9%	13.5%	9.5%	6.3%	19.1%	13.3%	9.2%

\*Annualised return

Three Months Performance

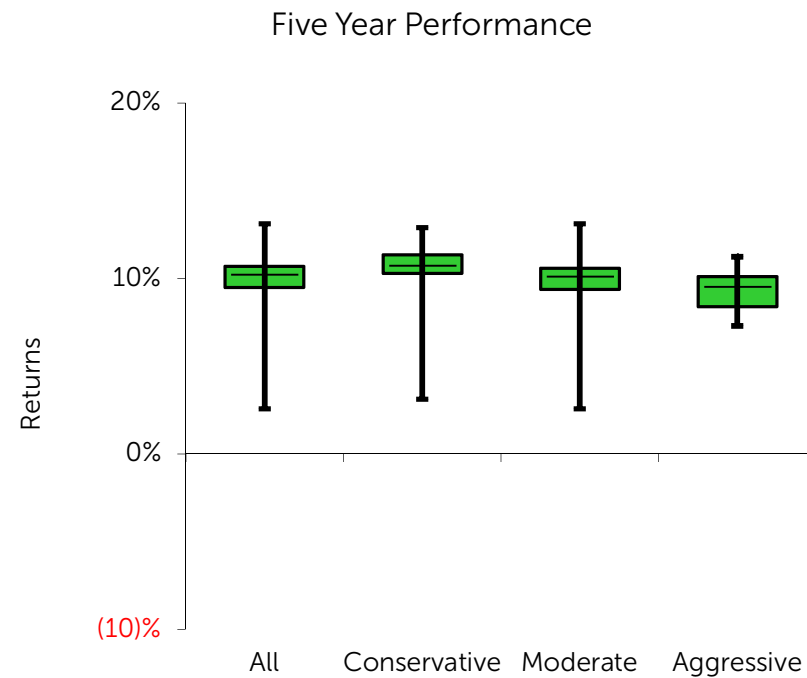
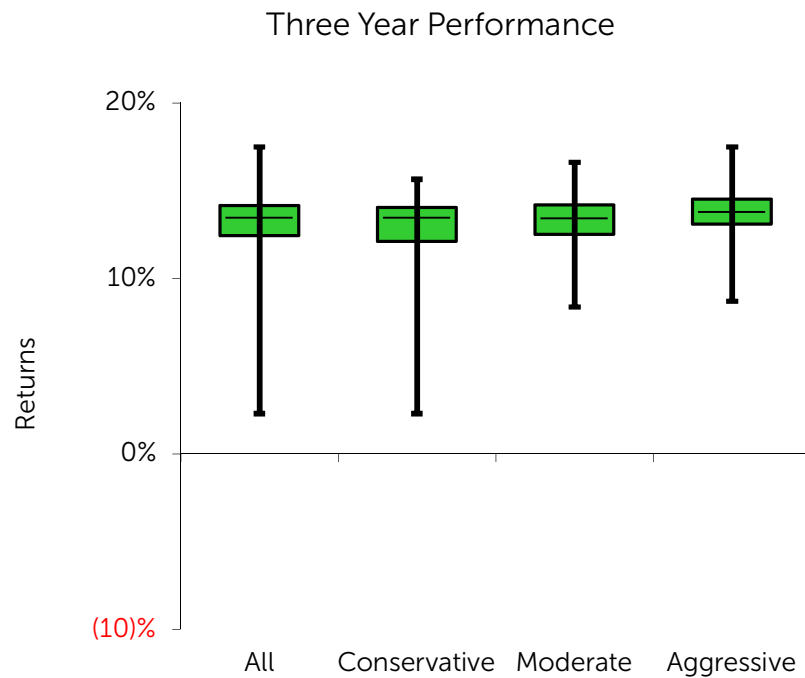


One Year Performance





# Analysis and Distribution of Returns



Aggressive schemes had the strongest performance over the 3 periods - 3 months, 1 year and 3 years.

Aggressive schemes have a higher allocation to equity assets which has had a strong performance over the three periods.

Conservative schemes however had the strongest performance over the five year period, due to the strong performance of fixed income over the long term period.

# Asset Class Returns for 3 Months Ending 31 December 2019

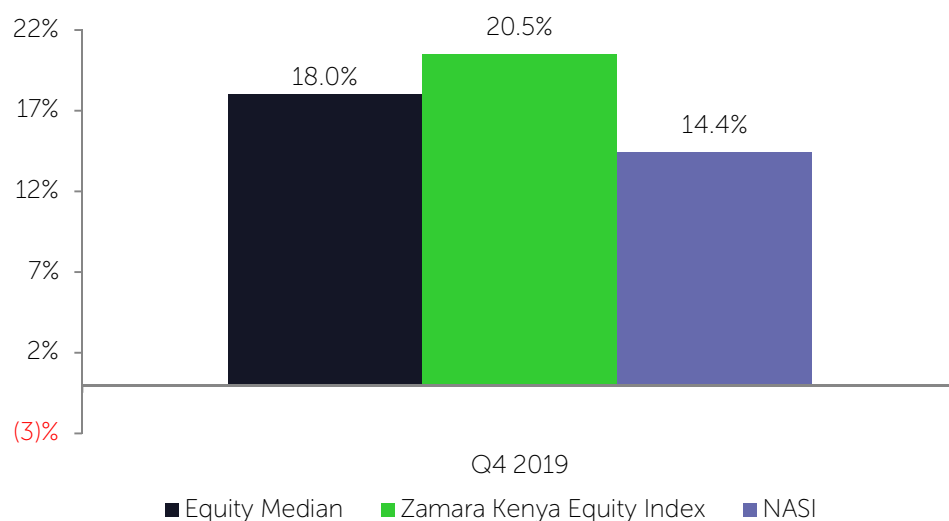
	Equity	Fixed Income	Offshore
25th Percentile	16.3%	1.2%	5.7%
Median	18.0%	1.4%	6.0%
75th Percentile	19.3%	1.6%	6.3%
Range of Returns	24.8%	7.0%	28.9%
Average	17.6%	1.3%	6.5%
Weighted Average	17.5%	1.4%	6.2%

**Equity:** The equity median return outperformed the NASI index but underperformed the Zamara Kenya Equity Index.

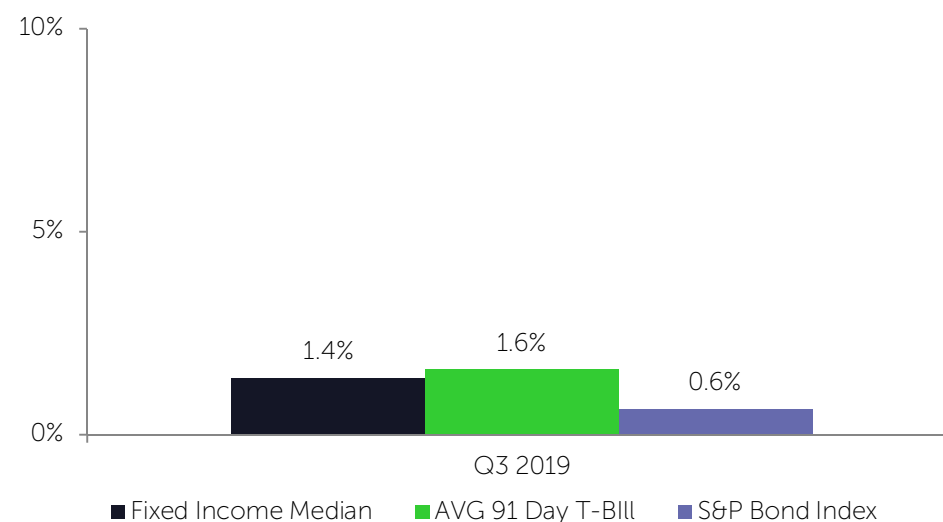
**Fixed Income:** The fixed income median return outperformed the average S&P Bond index but underperformed the average 91 day T-bill.

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

**3 Months Equity Return**



**3 Months Fixed Income**



# Asset Class Returns for 1 Year Ending 31 December 2019

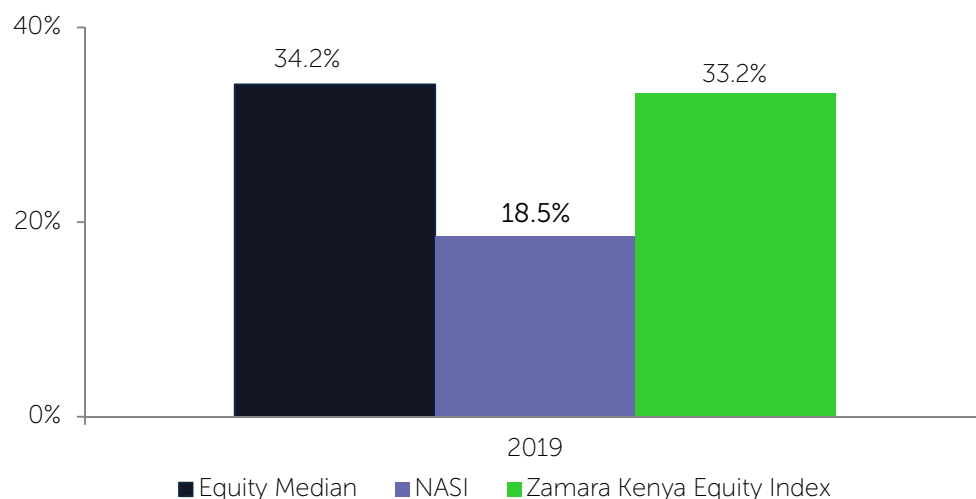
	Equity	Fixed Income	Offshore
25th Percentile	29.7%	11.8%	23.0%
Median	34.2%	12.5%	25.6%
75th Percentile	38.0%	13.2%	27.5%
Range of Returns	57.9%	9.9%	59.8%
Average	34.0%	12.3%	25.6%
Weighted Average	33.3%	12.7%	25.9%

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

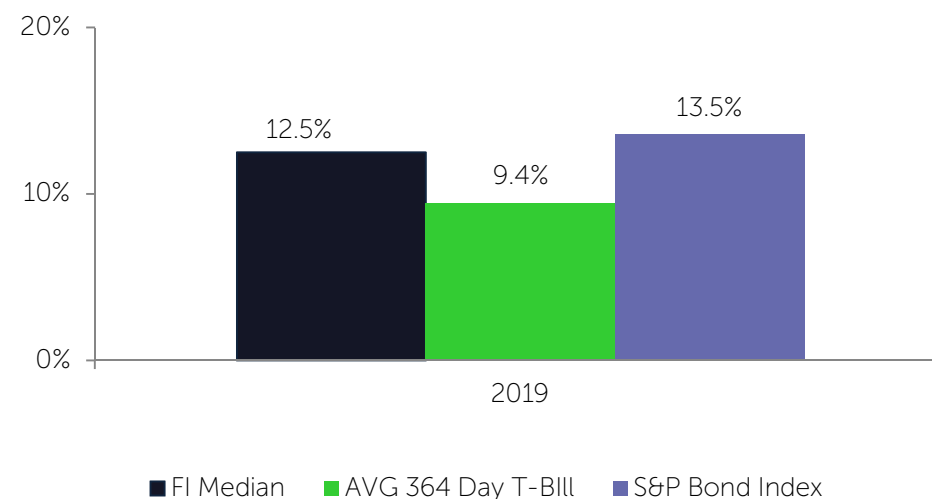
**Fixed Income:** The fixed income median return outperformed the average 364 Day Treasury Bill but underperformed the S&P Bond Index.

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

1 Year Equity Return



1 Year FI Return



# Asset Class Returns for 3 Years Ending 31 December 2019

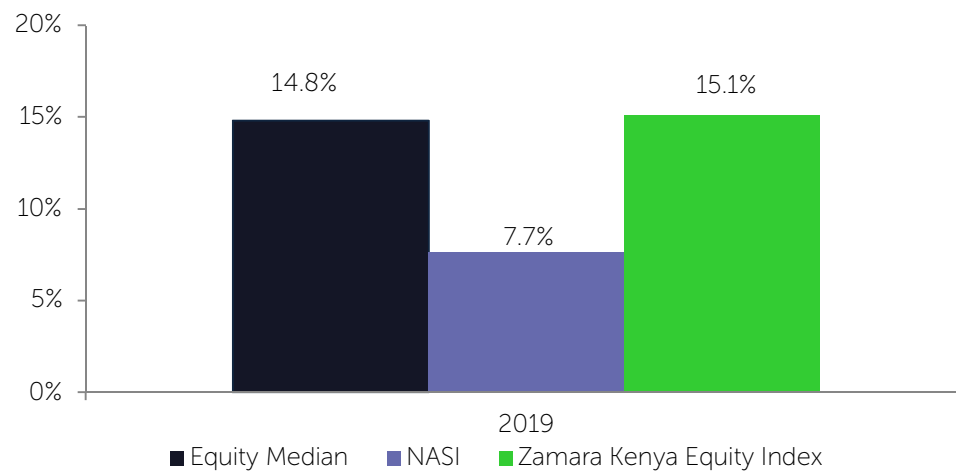
	Equity	Fixed Income	Offshore
25th Percentile	12.2%	13.0%	9.6%
Median	14.8%	13.5%	11.9%
75th Percentile	17.2%	14.1%	13.6%
Range of Returns	32.2%	11.2%	20.8%
Average	14.8%	13.5%	11.4%
Weighted Average	14.5%	13.7%	11.6%

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

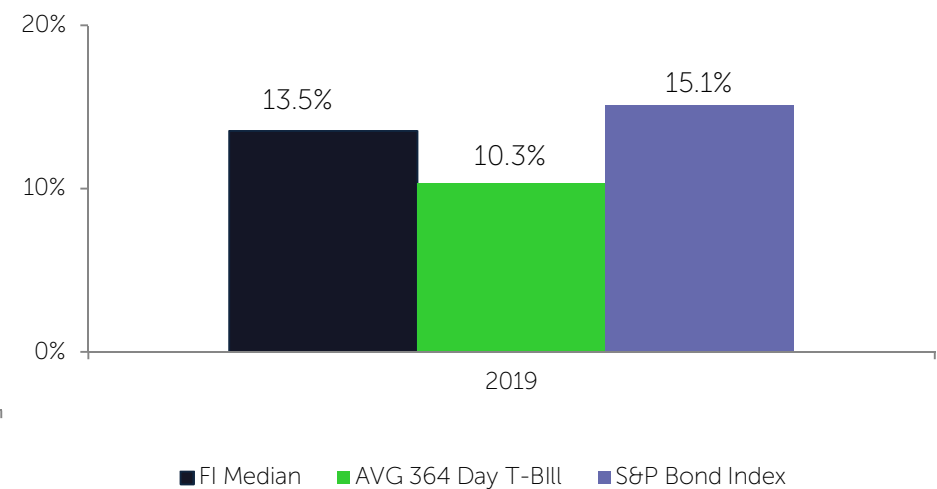
**Fixed Income:** The fixed income median return outperformed the average 364 Day Treasury Bill but underperformed the S&P Bond Index.

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

**3 Year Equity Return**



**3 Year FI Return**



# Asset Class Returns for 5 Years Ending 31 December 2019

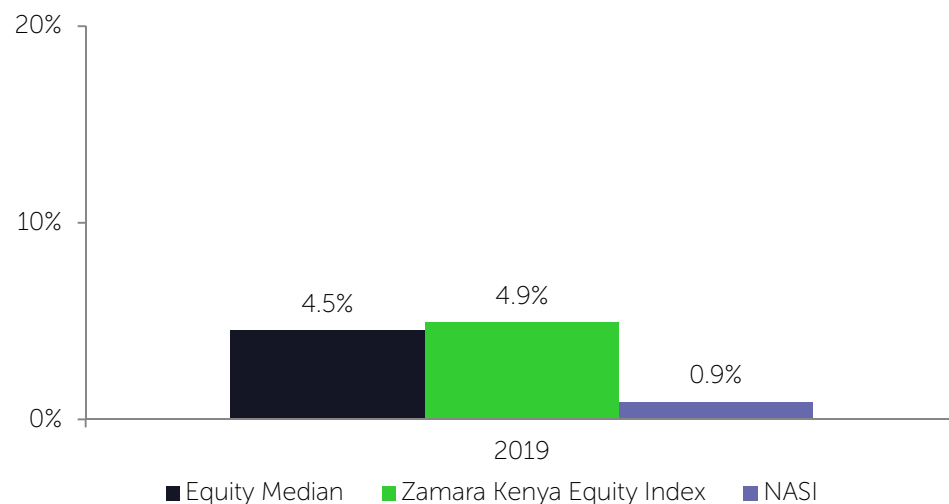
	Equity	Fixed Income	Offshore
25th Percentile	2.5%	12.3%	9.5%
Median	4.5%	12.9%	10.5%
75th Percentile	5.9%	13.4%	11.4%
Range of Returns	37.9%	12.1%	15.1%
Average	4.0%	12.7%	10.1%
Weighted Average	3.6%	13.1%	10.4%

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

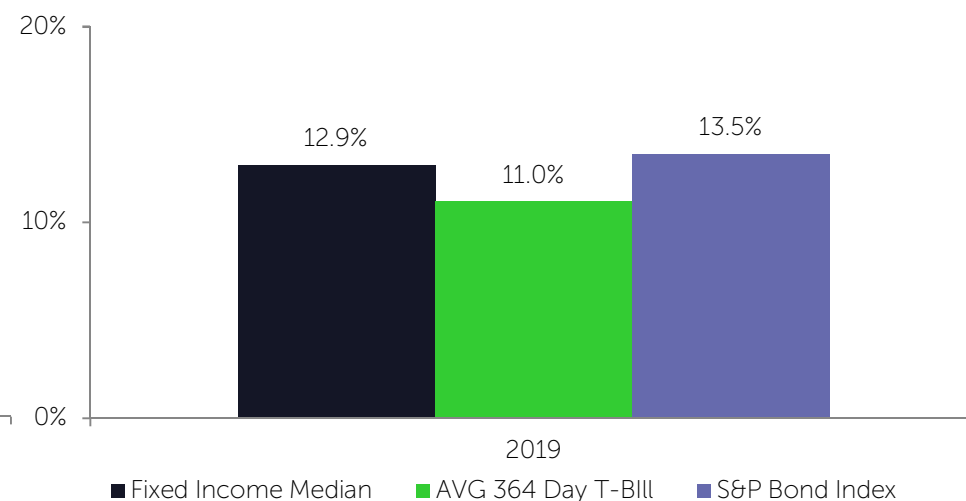
**Fixed Income:** The fixed income median return outperformed the average 364 Day Treasury Bill but underperformed the S&P Bond Index.

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

**5 Year Equity Return**



**5 Year Fixed Income Return**



## Analysis of Asset Allocation for the Period Ending 31 December 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	21.7%	72.5%	5.1%	0.7%	10.7%	87.7%	1.6%	0.1%	24.6%	69.9%	4.9%	0.7%	27.8%	48.5%	20.9%	2.7%
Weighted Average	23.5%	64.9%	10.9%	0.7%	12.9%	83.1%	3.9%	0.1%	24.7%	65.5%	9.3%	0.5%	24.9%	44.4%	27.4%	3.2%
Range of Allocation	45.7%	88.8%	83.8%	11.2%	19.9%	78.6%	78.6%	6.6%	28.4%	68.8%	83.8%	10.0%	33.5%	44.7%	60.5%	11.2%
Median	23.6%	73.9%	-	-	13.2%	85.7%	-	-	24.7%	72.6%	-	-	27.6%	48.7%	18.8%	1.8%

For comparison, we include the asset allocation figures as shown in our September 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	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%	46.3%	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%

20.5% of the Schemes participating in the Survey had an allocation to property.

30.6% 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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