



# **Zamara Consulting Actuaries Schemes Survey**

**June 2020**



**zamara**   
Powering Prosperity

## Introduction

We are pleased to present our 58<sup>th</sup> Investment Performance Survey for the period ending 30 June 2020.

This Survey covers 421 schemes with a total of K Shs 902.0 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	8	
Co-op Trust Investments	58	
GenAfrica Asset Managers	97	
ICEA Lion Asset Management Limited	58	
NCBA Investment Bank Limited	3	
Old Mutual Investment Group Limited	80	
Sanlam Investments East Africa Limited	77	
<b>Subtotal</b>	<b>421</b>	<b>901,967</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 Q2 2020

**National Budget Highlights:** Covid-19 continued to further affect the Kenyan economy as the number of infections exceeded the 5,000 mark by the end of June 2020. This was the backdrop of the national budget reading for the FY 2020/21. Some of the highlights that affect the pension industry were:

- Development of a National Retirement Benefits Policy to harmonise all existing pension laws.
- Amendment of the Retirement Benefits Act to impose a penalty on pension schemes that fail to submit actuarial valuation reports on time.
- Proposed amendments to the Capital Markets Act to provide regulation of venture capital and private equity funds.

**Inflation:** Year on year inflation as at end of the quarter was 4.6% compared to 6.1% in the previous quarter. The decrease was due to lower demand as purchasing power weakened following increased unemployment rates and a decrease on the price of kerosene.

**Currency Market:** The Kenya Shilling depreciated against the US Dollar over the quarter, to close at 106.7 shillings from 104.7 shillings at the end of the previous quarter. The depreciation has been attributed to weak inflows and high dollar demand as foreigners continued to exit the market and invest in their home markets.

Index	Q2	1 yr	3 yr <sup>4</sup>	5yr <sup>4</sup>
NASI	4.4%	(8.0%)	(3.4%)	(3.5%)
Zamara Kenya Equity Index	5.6%	(6.1%)	(1.0%)	(1.3%)
NSE 25 Share Index <sup>3</sup>	8.6%	(5.9%)	(6.1%)	
S&P Kenya Sovereign Bond Index	3.1%	11.5%	14.6%	13.9%
FTSE Bond Performance Index	3.2%	11.6%	14.6%	13.9%
91 Day Tbill	1.8%	6.9%	7.4%	8.3%
Inflation CPI K Shs	1.6%	4.6%	4.6%	5.7%
USD/K Shs <sup>1</sup>	(1.7%)	(4.0%)	(0.9%)	(1.5%)
MSCI ACWI Index <sup>2</sup>	20.8%	4.4%	5.1%	6.0%
MSCI Emerging Markets <sup>2</sup>	19.3%	(1.8%)	0.4%	2.0%
MSCI World Index <sup>2</sup>	20.9%	5.3%	5.7%	6.5%

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 2020

Source: NSE, CBK, MSCI, KNBS

**Economic Update:** The Kenya GDP growth slowed to 4.9% in Q1 2020 compared to 5.5% in 2019.

**Equity Market:** Equities market experienced slight recovery over the quarter as NASI & ZKEI gained 4.4% & 5.6% respectively. The recovery was attributed to gains from counters such as Safaricom and EABL. This was however dampened by losses in the Banking & Manufacturing sector. Banking stocks asset quality weakened over the quarter as global rating agency Moody's lowered KCB, Equity and Cooperative Banks' ratings from stable to negative citing large exposure to government securities.

**Fixed Income:** Over the quarter, the Monetary Policy Committee lowered the Central Bank Rate from 7.25% to 7.00%. This measure aimed to cushion the economy from the effects of the pandemic.

The average yield on the three-month Treasury Bill declined to 6.7% at end of the quarter from 7.2% at end of the previous quarter.

The S&P Kenya Sovereign Bond Index gained 3.1% over the quarter compared to 4.1% in the previous quarter.

**Offshore markets:** Global equity indices were on an upward trend as governments around the world began easing lockdown measures. Governments and central banks also availed large amounts of stimulus in a bid to restart the economy. The Developed Markets Equity Index, the All World Equity Index and the Emerging Markets Index gained 20.8%, 19.3% and 20.9% 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 June 2011 to 30 June 2020.

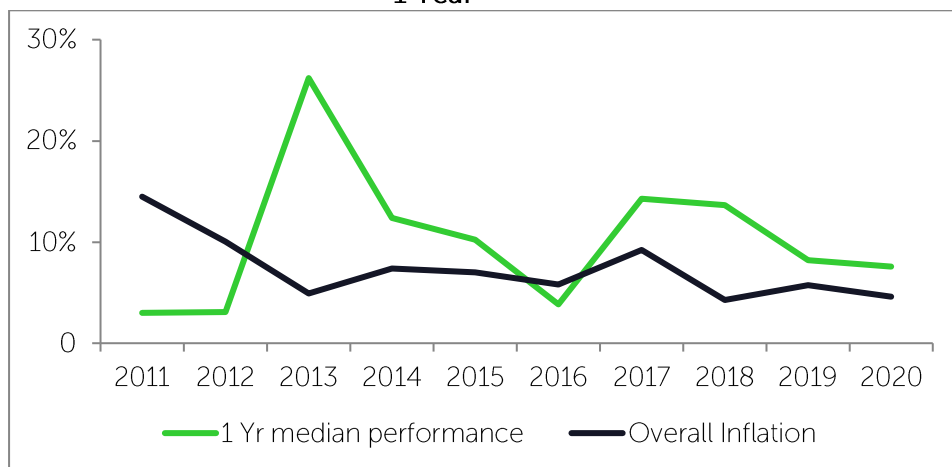
Period Ending 31 March	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Number of Schemes Participating	128	134	131	381	372	388	379	417	417	421
Total Assets K Shs Bn	141.2	162.7	201.3	500.7	548.0	581.3	654.8	732.1	822.7	902.0
1 Yr Median performance	3.0%	3.1%	26.2%	12.4%	10.2%	3.8%	14.3%	13.6%	8.2%	7.6%
3 Yr Median performance	9.2%	11.7%	10.4%	13.5%	16.0%	9.0%	9.4%	10.7%	11.9%	9.8%
Overall 1 year Inflation <sup>1</sup>	14.5%	10.0%	4.9%	7.4%	7.0%	5.8%	9.2%	4.3%	5.7%	4.6%
Overall 3 year Inflation <sup>2</sup>	9.2%	9.2%	9.7%	7.4%	6.4%	6.7%	7.3%	6.4%	6.4%	4.6%

Notes:

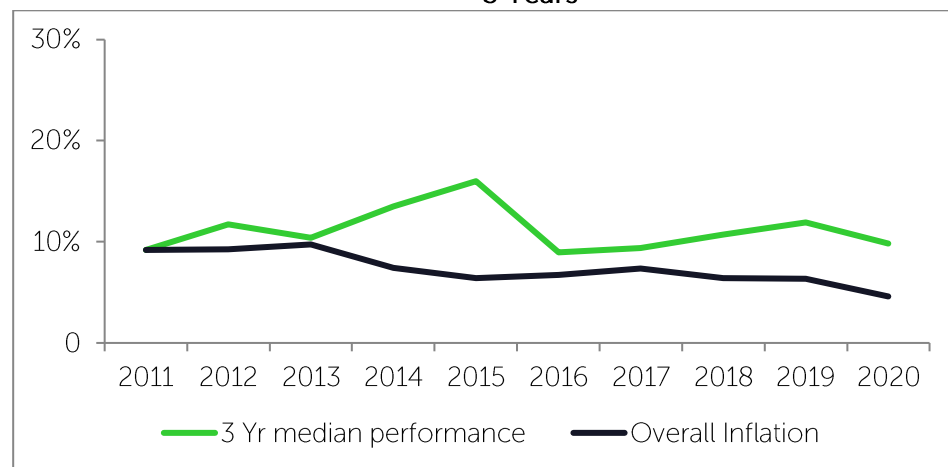
1. Based on KNBS Statistics 2010 – 2020: [www.knbs.or.ke/](http://www.knbs.or.ke/)
2. Calculated geometric average over 3 years.

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, 2012 and 2016 as shown in the 1 year chart below. Over 3 years, median returns have outperformed inflation in all periods. as shown in the 3 year chart below.

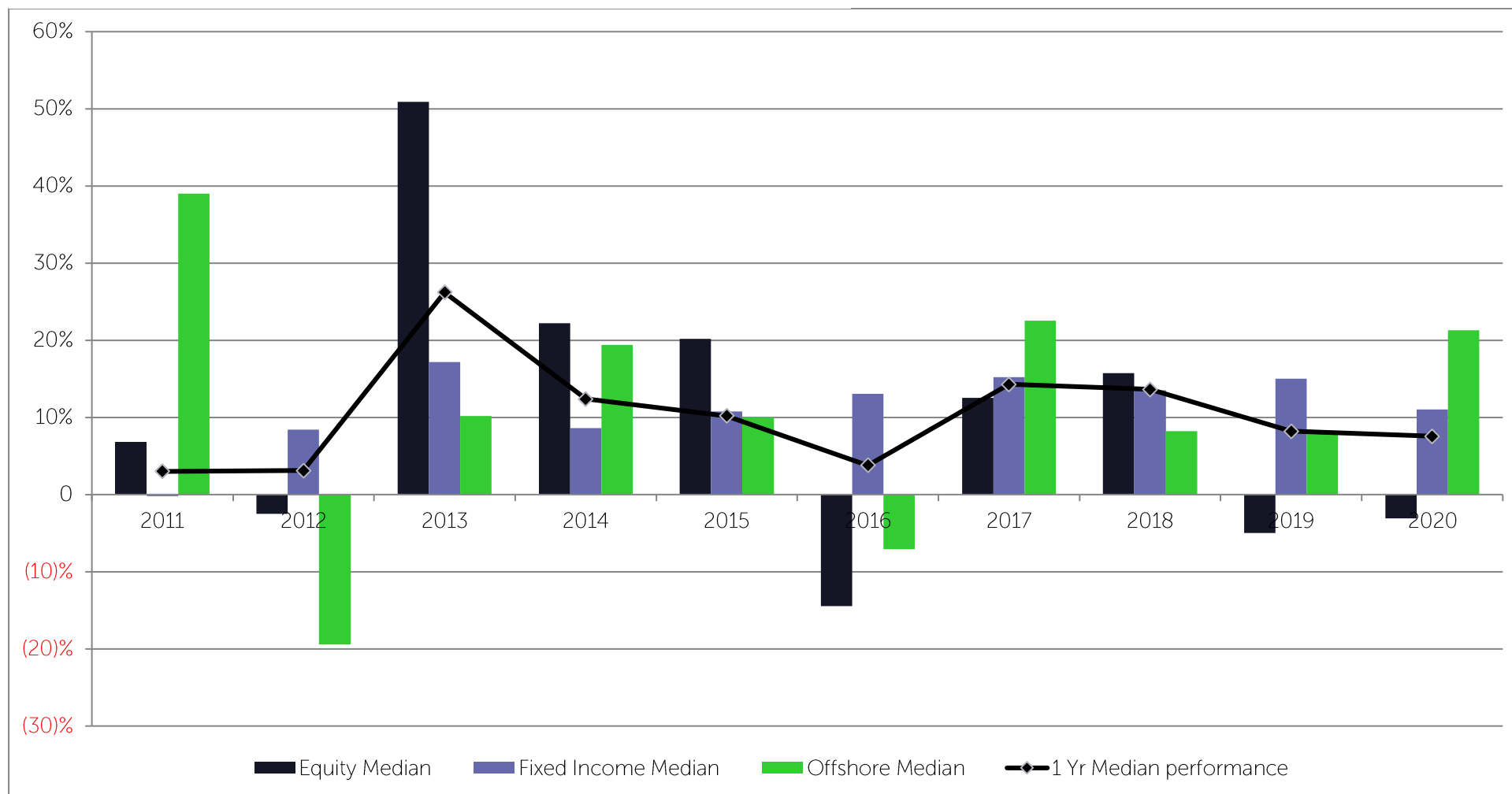
1 Year



3 Years



## Executive Summary and Key Highlights



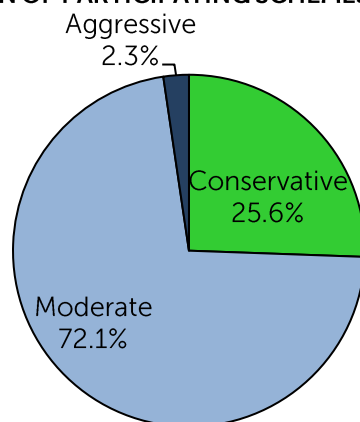
The chart above shows the median performance trend of the three asset classes (equity, fixed income and offshore) as at 30 June for each of the last 10 years.

# Risk Profile of Participating Schemes

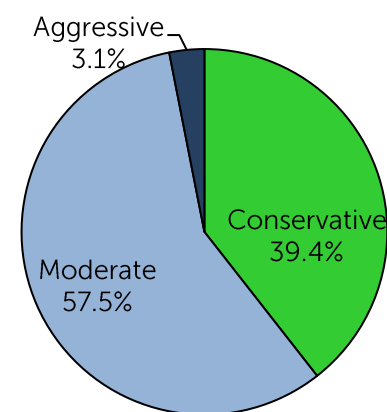
STATISTICS					
Risk Profile	Fixed Income Allocation*	Number of Schemes	Scheme Percentage %	Assets Under Management K Shs m*	Asset Percentage %
Conservative	Over 80%	166	39.4%	203,459	25.6%
Moderate	65% to 80%	242	57.5%	573,894	72.1%
Aggressive	Less than 65%	13	3.1%	18,553	2.3%
<b>Total</b>		<b>421</b>	<b>100.0%</b>	<b>795,906</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**



421 Schemes qualified for inclusion in the Survey on the basis of being segregated arrangements with at least 3 months return periods.

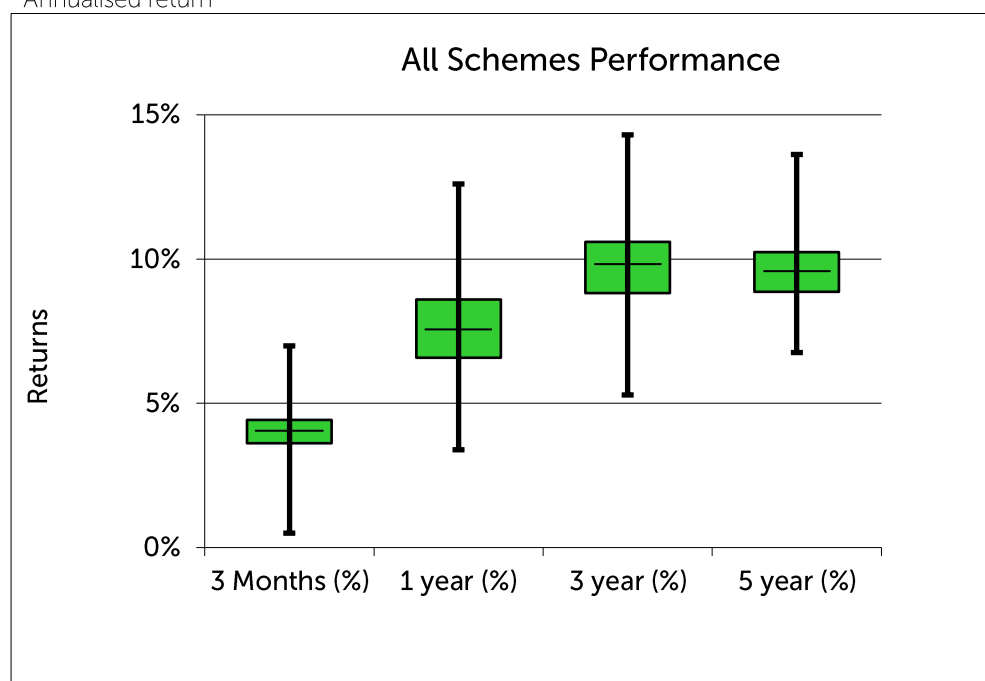
The survey is dominated by moderate schemes; they comprise 57.5% of participating schemes and manage 72.1% of assets in this survey.

Conservative schemes make up 39.4% of number of participating schemes with 25.6% of assets under management. Aggressive schemes make up 3.1% of number of participating schemes with 2.3% of assets under management.

# Analysis and Distribution of Returns for the Period

	3 Month	1 year	3 year*	5 year*
25th Percentile	3.6%	6.6%	8.8%	8.9%
Median	4.1%	7.6%	9.8%	9.6%
75th Percentile	4.4%	8.6%	10.6%	10.2%
Range of Returns	6.5%	9.2%	9.0%	6.9%
Average	4.0%	7.5%	9.7%	9.5%
Weighted Average	4.1%	7.4%	9.5%	9.1%

\*Annualised return



Over the quarter ended 30 June 2020, the median return of the participating schemes was 4.1%, compared to (4.2)% in March 2020. The improved performance has been attributed to the recovery of the equities market.

Over the 1-year period to 30 June 2020, the median return of the participating schemes was 7.6% compared to 8.2% over a similar period in 2019

Over the 3-year period to 30 June 2020, the median return of the participating schemes was an annualised 9.8%.

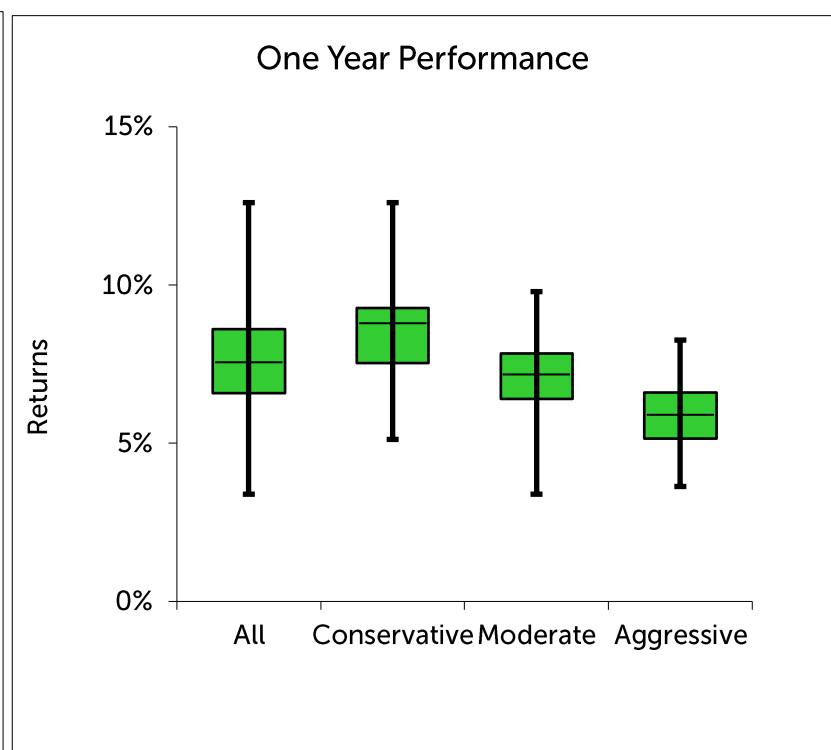
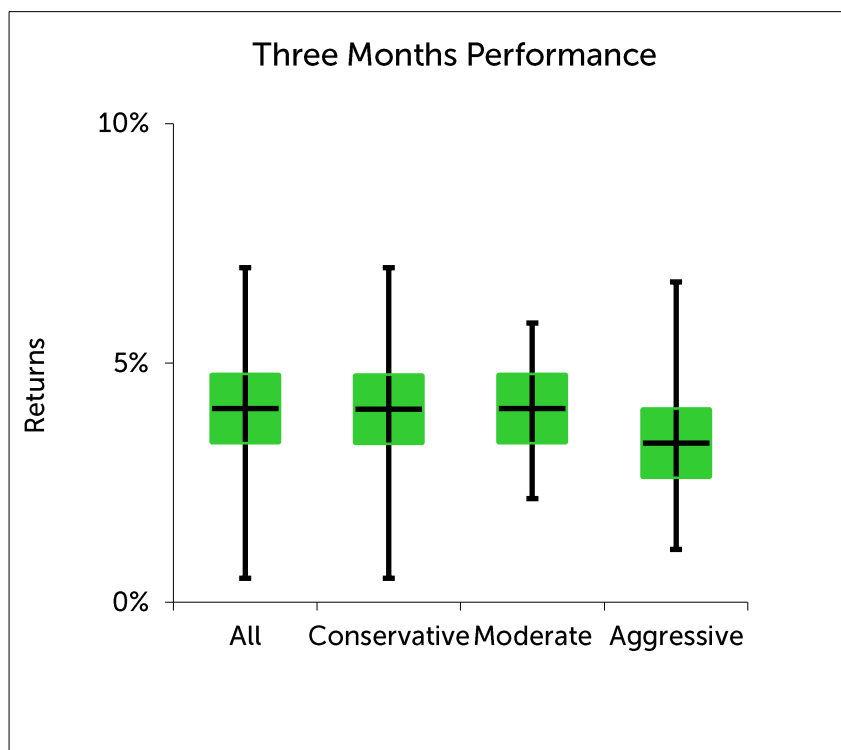
Over the 5-year period to 30 June 2020, the median return of the participating schemes was an annualised 9.6% with a range of returns of 6.9%.

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

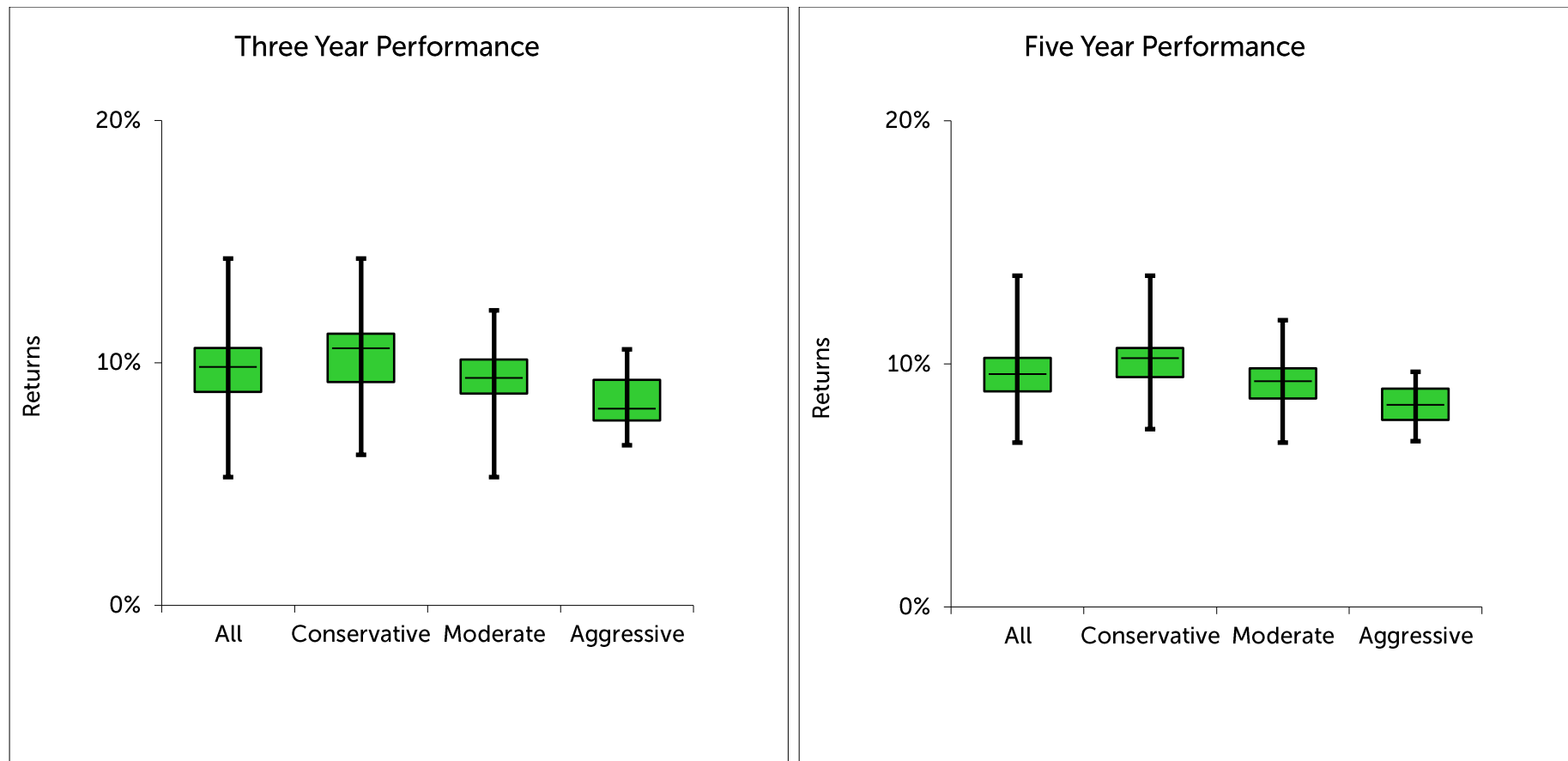
	Return Distribution											
	Conservative Schemes				Moderate Schemes				Aggressive Schemes			
	3 Month	1 year	3 year*	5 year*	3 Month	1 year	3 year*	5 year*	3 Month	1 year	3 year*	5 year*
25th Percentile	3.5%	7.5%	9.2%	9.4%	3.7%	6.4%	8.8%	8.6%	3.3%	4.3%	7.8%	7.8%
Median	4.0%	8.8%	10.6%	10.2%	4.1%	7.2%	9.6%	9.3%	3.6%	5.4%	8.9%	8.3%
75th Percentile	4.3%	9.3%	11.2%	10.6%	4.5%	7.9%	10.2%	9.8%	5.6%	6.4%	9.6%	9.2%
Range of Returns	6.5%	7.5%	8.1%	6.3%	3.7%	7.5%	6.9%	5.0%	4.2%	4.0%	4.0%	2.9%
Average	3.8%	8.4%	10.3%	10.2%	4.1%	7.1%	9.4%	9.2%	4.3%	5.4%	8.7%	8.5%
Weighted Average	3.9%	8.3%	10.1%	9.9%	4.2%	7.1%	9.4%	8.8%	4.8%	5.8%	8.7%	8.4%

\*Annualised return





# Analysis and Distribution of Returns



Conservative schemes had the strongest performance median return over the 1 year, 3 years and 5 years; while moderate schemes posted the highest performance median return over the 3 months period.

Aggressive schemes posted the lowest median returns over all the 4 periods.

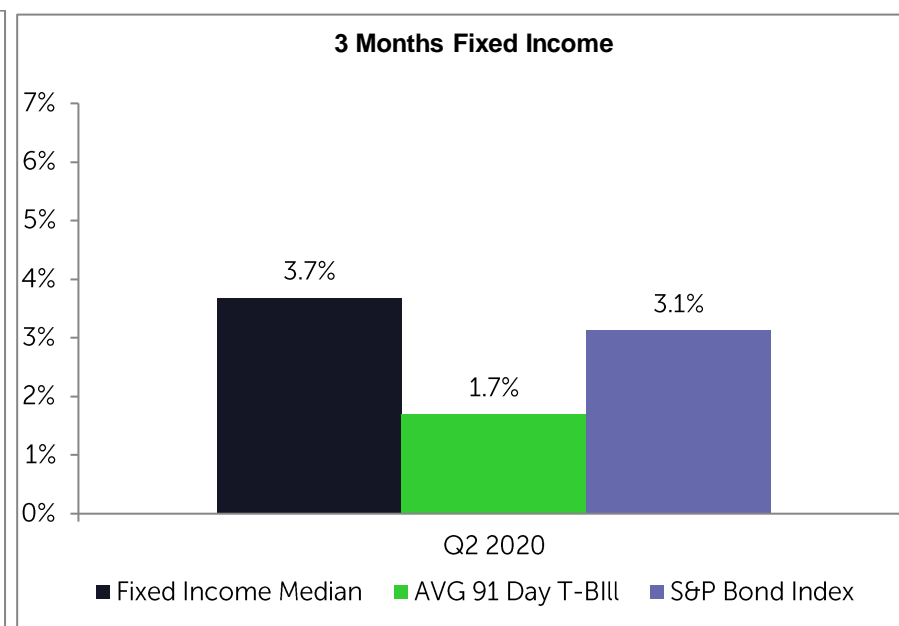
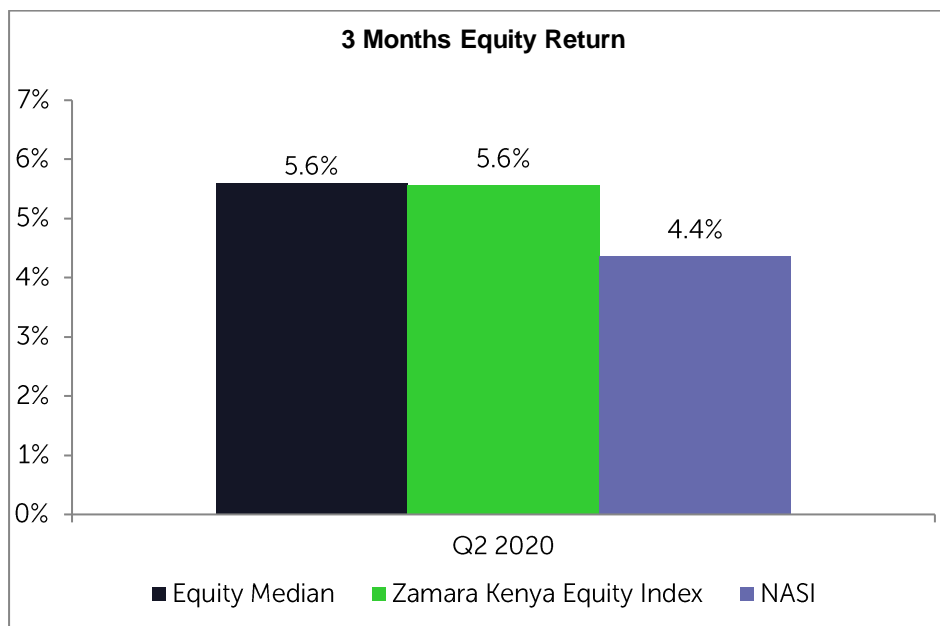
# Asset Class Returns for 3 Months Ending 30 June 2020

	Equity	Fixed Income	Offshore
25th Percentile	4.9%	3.3%	23.0%
Median	5.6%	3.7%	30.0%
75th Percentile	6.2%	3.9%	34.7%
Range of Returns	8.9%	6.7%	20.9%
Average	5.5%	3.6%	28.8%
Weighted Average	5.5%	3.7%	26.8%

**Equity:** The equity median return outperformed NASI while posting similar return to that of the Zamara Kenya Equity Index.

**Fixed Income:** The fixed income median return outperformed the average 91 Day Treasury Bill and the S&P Bond index.

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



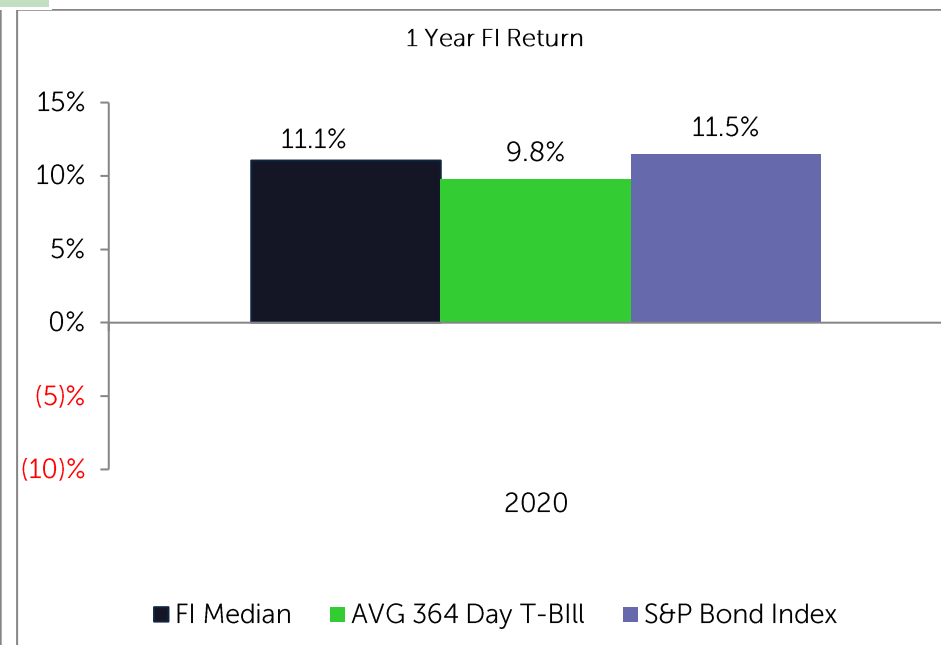
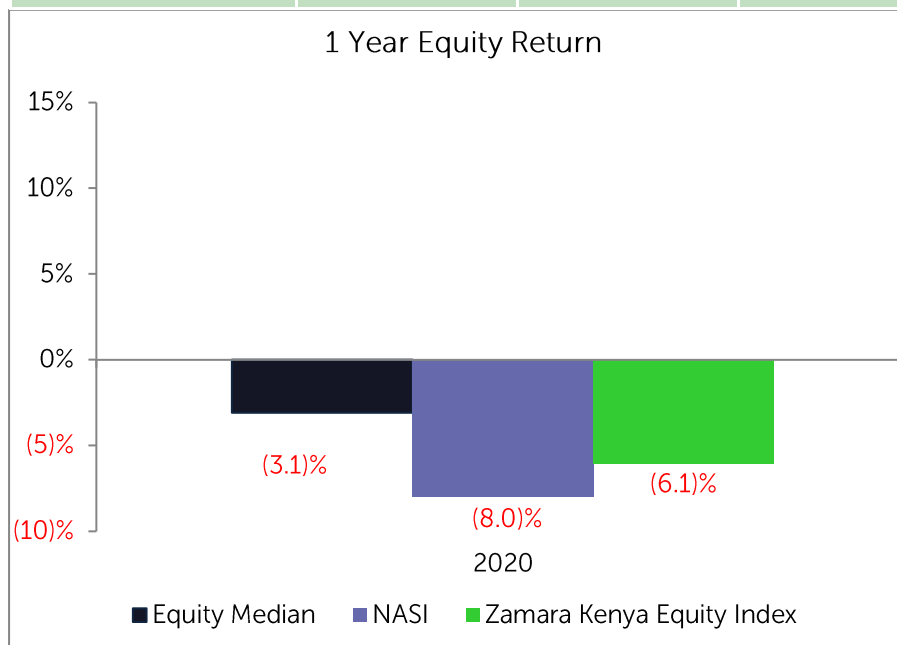
# Asset Class Returns for 1 Year Ending 30 June 2020

	Equity	Fixed Income	Offshore
25th Percentile	(5.5)%	10.4%	7.0%
Median	(3.1)%	11.1%	21.3%
75th Percentile	(1.5)%	11.4%	26.4%
Range of Returns	28.9%	8.2%	39.9%
Average	(3.4)%	10.8%	17.0%
Weighted Average	(3.4)%	10.7%	14.4%

**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.



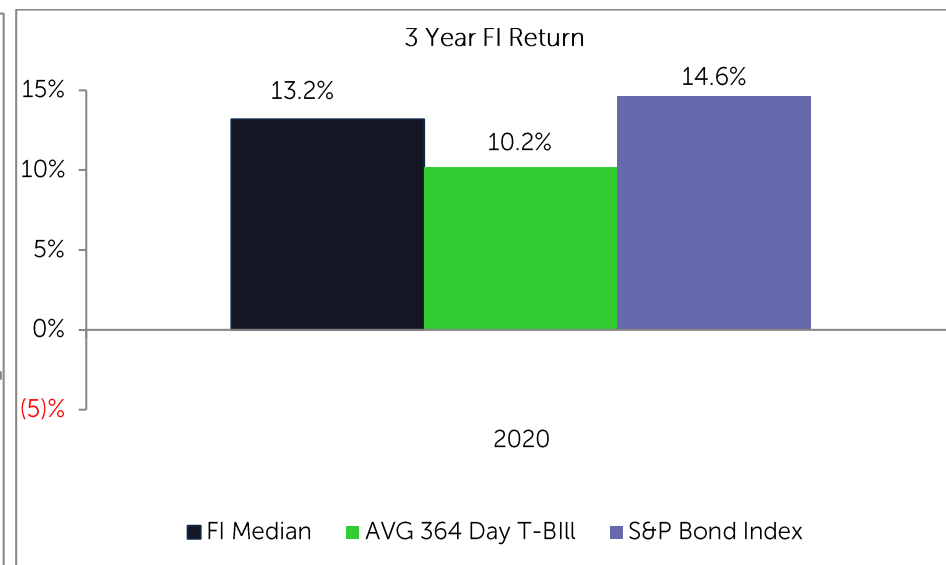
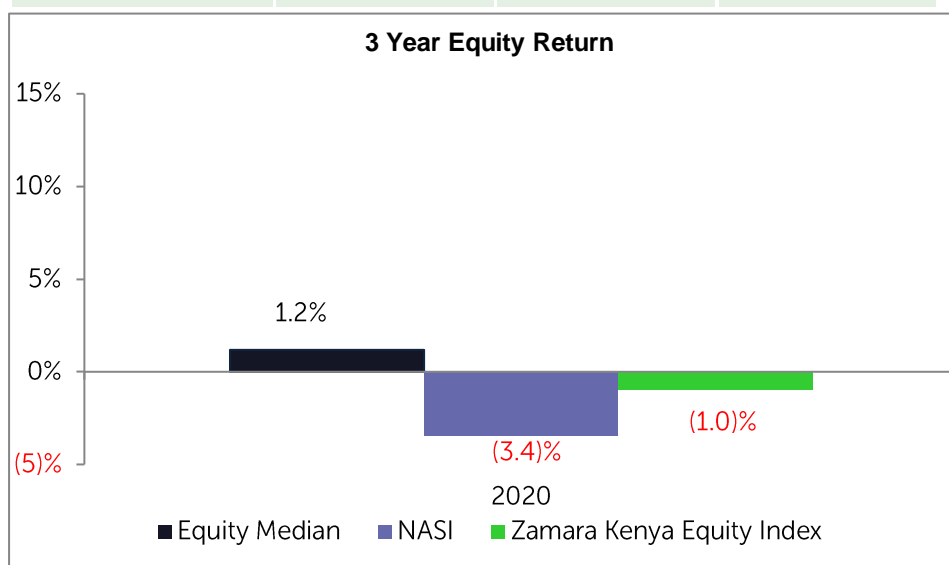
# Asset Class Returns for 3 Years Ending 30 June 2020

	Equity	Fixed Income	Offshore
25th Percentile	(1.1)%	12.7%	7.7%
Median	1.2%	13.2%	13.4%
75th Percentile	2.5%	13.7%	15.7%
Range of Returns	21.4%	9.0%	23.9%
Average	0.5%	13.1%	11.4%
Weighted Average	1.0%	13.2%	10.2%

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

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



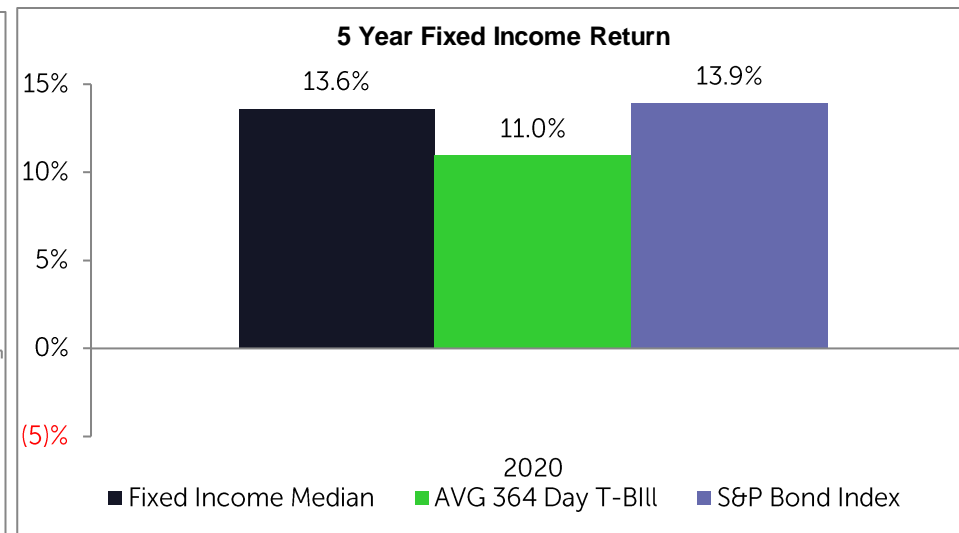
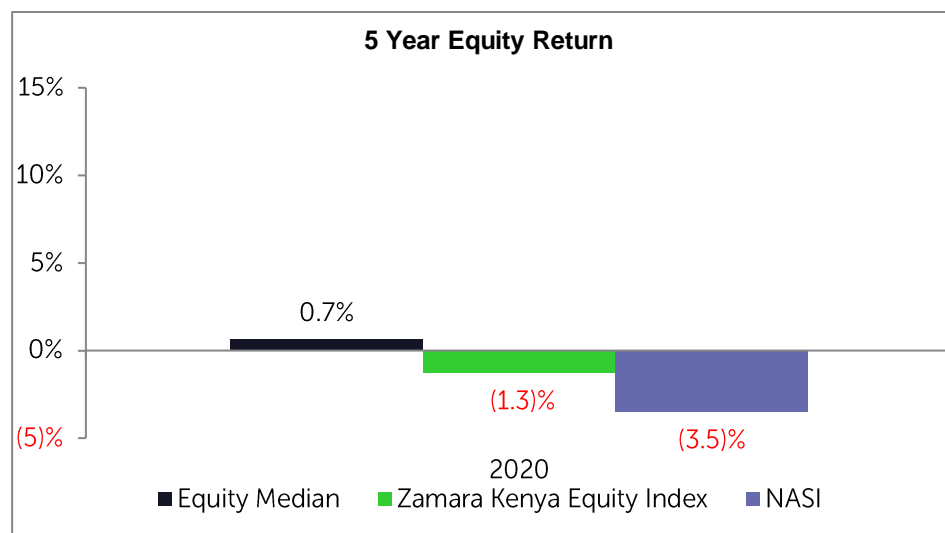
# Asset Class Returns for 5 Years Ending 30 June 2020

	Equity	Fixed Income	Offshore
25th Percentile	(1.1)%	13.1%	8.9%
Median	0.7%	13.6%	11.4%
75th Percentile	1.5%	14.0%	12.9%
Range of Returns	16.0%	6.9%	15.6%
Average	(0.0)%	13.5%	11.0%
Weighted Average	0.3%	13.6%	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.



## Analysis of Asset Allocation for the Period Ending 30 June 2020

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	18.9%	74.7%	5.7%	0.7%	13.2%	83.8%	2.9%	0.1%	22.4%	70.2%	6.6%	0.8%	26.2%	43.9%	26.6%	3.3%
Weighted Average	19.9%	67.6%	11.8%	0.7%	13.6%	78.4%	7.9%	0.1%	22.1%	66.5%	10.7%	0.7%	17.3%	30.1%	49.1%	3.5%
Range of Allocation	38.7%	92.3%	83.6%	11.8%	20.0%	78.6%	78.6%	5.9%	24.9%	56.7%	67.7%	9.2%	30.0%	56.8%	83.6%	11.8%
Median	15.8%	70.4%	-	-	15.2%	83.6%	-	-	20.4%	68.7%	-	-	21.5%	34.8%	-	-

For comparison, we include the asset allocation figures as shown in our March 2020 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	18.8%	75.0%	5.7%	0.5%	13.6%	83.4%	2.9%	0.1%	21.8%	70.3%	7.1%	0.8%	29.0%	48.1%	20.3%	2.6%
Weighted Average	19.1%	68.4%	11.9%	0.6%	14.4%	78.8%	6.7%	0.1%	20.8%	65.6%	12.9%	0.7%	17.9%	36.2%	42.4%	3.5%
Range of Allocation	43.9%	90.5%	86.8%	10.0%	19.9%	77.1%	77.1%	5.4%	30.9%	70.4%	86.8%	9.0%	33.3%	42.6%	67.9%	10.0%
Median	15.9%	71.7%	-	-	15.7%	83.2%	-	-	20.3%	68.8%	-	-	20.7%	41.7%	-	-

21.8% of the Schemes participating in the Survey had an allocation to property.

24.6% 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 increased with allocations to fixed income decreasing 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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Cliff Mayaka at [cmayaka@zamara.co.ke](mailto:cmayaka@zamara.co.ke)

# 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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