



Zamara Consulting Actuaries Schemes Survey

March 2020



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Powering Prosperity

Introduction

We are pleased to present our 57th Investment Performance Survey for the period ending 31 March 2020.

This Survey covers 415 schemes with a total of K Shs 852.4 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	29	
CIC Insurance	8	
Co-op Trust Investments	53	
GenAfrica Asset Managers	97	
ICEA Lion Asset Management Limited	59	
Old Mutual Investment Group Limited	79	
Sanlam Investments East Africa Limited	80	
Subtotal	415	852,402

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 Q1 2020

Markets Turbulence: The decade began with a nose dive; global performance in economic markets were defined by 3 key events:

- The COVID-19 global pandemic that saw some countries initiate lockdowns. This development saw investors reduce exposure to risky assets (equities, especially foreign equities) and flock to safer havens such as local Government bonds.
- Intensified military tensions between Iran and USA in the Persian Gulf region. This led to an upward price rally of crude oil.
- The price war between Russia and Saudi Arabia triggered a decline in the prices of oil in early March.

Inflation: Year on year inflation as at end of the quarter was 6.1% compared to 4.3% in a similar period in 2019. In March, the Kenya National Bureau of Statistics, revised the commodity basket that the Consumer Price Index is based on. This resulted in the introduction of new items, a change in weights of items in the basket and a rebasing of the index in February 2019. The review of the CPI was to reflect changed consumption patterns and cost of living

Currency Market: The Kenya Shilling depreciated against the US Dollar by 3.2% over the quarter, closing at K Shs 104.7 from K Shs 101.3 at the end of the previous quarter. The depreciation has been attributed to the uncertainties in the global market due to the Coronavirus outbreak on export earnings. The pandemic has seen the disruption of global supply chains, leading to a high demand for the dollar.

Index	Q1	1 yr	3 yr ⁴	5yr ⁴
NASI	(20.7%)	(16.3%)	0.4%	(5.5%)
Zamara Kenya Equity Index	(27.5%)	(14.7%)	3.5%	(3.3%)
NSE 25 Share Index ³	(24.2%)	(21.0%)	(3.6%)	
S&P Kenya Sovereign Bond Index	4.1%	13.7%	15.6%	13.6%
FTSE Bond Performance Index	1.9%	12.3%	15.4%	13.8%
91 Day Tbill	1.8%	6.9%	7.6%	8.3%
Inflation CPI K Shs	1.9%	6.1%	4.9%	6.2%
USD/K Shs ¹	(3.2%)	(3.8%)	(0.5%)	(2.5%)
MSCI ACWI Index ²	(19.1%)	(9.6%)	0.1%	3.4%
MSCI Emerging Markets ²	(21.3%)	(16.7%)	(3.5%)	(0.3%)
MSCI World Index ²	(18.8%)	(8.7%)	0.5%	3.8%

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 March 2020

Source: NSE, CBK, MSCI, KNBS

Economic Update: The Kenyan economy expanded by 5.4% in 2019 compared to 6.3% growth in 2018. The lower performance was attributed to declines in major economic sectors.

Equity Market: Equities market performance was back to the negative territory. The bourse witnessed a sharp decline in prices of most stocks. NASI lost more than 5% of its value a few hours into the confirmation of the first case in the country; triggering the suspension of trading activities at the bourse. Over the quarter, Zamara Kenya Equity Index (ZKEI) and NASI lost 27.5% and 20.7% of their values respectively and 14.7% and 16.3% respectively over the year. The decline has been attributed to foreigners exiting the market amidst the pandemic.

Interest Rates: Over the quarter, the Monetary Policy Committee lowered the Central Bank Rate to 7.25% from 8.25%. A measure aimed to help mitigate the economic and financial impact of the COVID-19 by lowering borrowing costs and enhancing liquidity in the economy. The average yield on the three-month Treasury Bill rose to 7.2% at end of the quarter from 6.8% at end of the previous quarter. The S&P Kenya Sovereign Bond Index gained 4.1% over the quarter compared to 0.6% in the previous quarter.

Offshore markets: The COVID-19 pandemic has had an enormous impact on global economies. All global equity indices were on a downward trend. The Developed Markets Equity Index, the All World Equity Index and the Emerging Markets Index lost 21.4%, 21.7% and 23.9% of their values respectively over the quarter.

Executive Summary and Key Highlights

Key Highlights

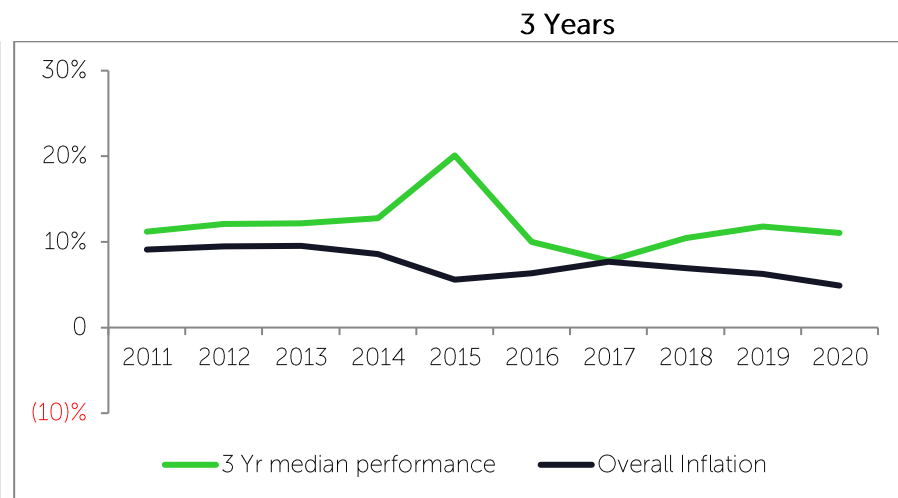
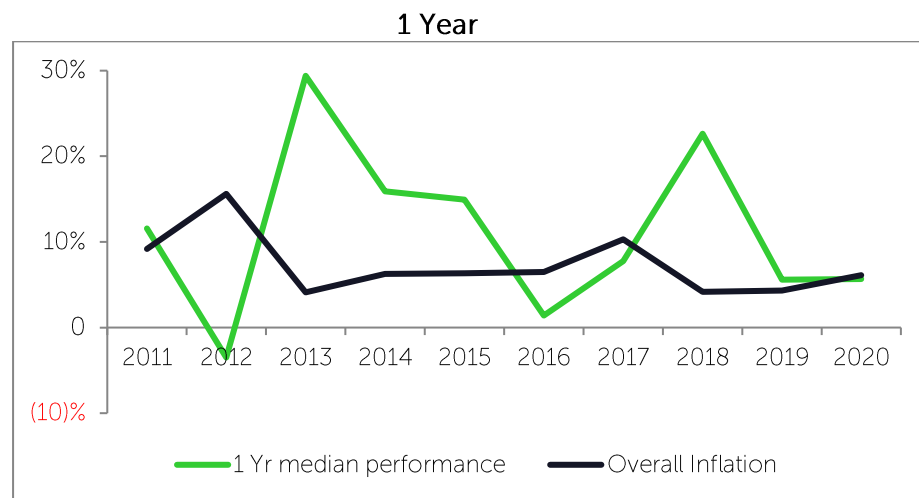
We set out in the table below, a summary of the median performance of schemes for each of the years from 31 March 2011 to 31 March 2020.

Period Ending 31 March	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Number of Schemes Participating	125	131	132	126	317	373	379	389	417	415
Total Assets K Shs Bn	138.0	146.5	195.2	224.6	490.4	535.3	582.5	717.9	808.3	852.4
1 Yr Median performance	11.6%	(3.5)%	29.4%	15.9%	14.9%	1.4%	7.8%	22.6%	5.6%	5.7%
3 Yr Median performance	11.2%	12.1%	12.2%	12.8%	20.1%	10.0%	7.8%	10.4%	11.8%	11.0%
Overall 1 year Inflation ¹	9.2%	15.6%	4.1%	6.3%	6.3%	6.5%	10.3%	4.2%	4.3%	6.1%
Overall 3 year Inflation ²	9.1%	9.5%	9.5%	8.6%	5.6%	6.3%	7.7%	6.9%	6.2%	4.9%

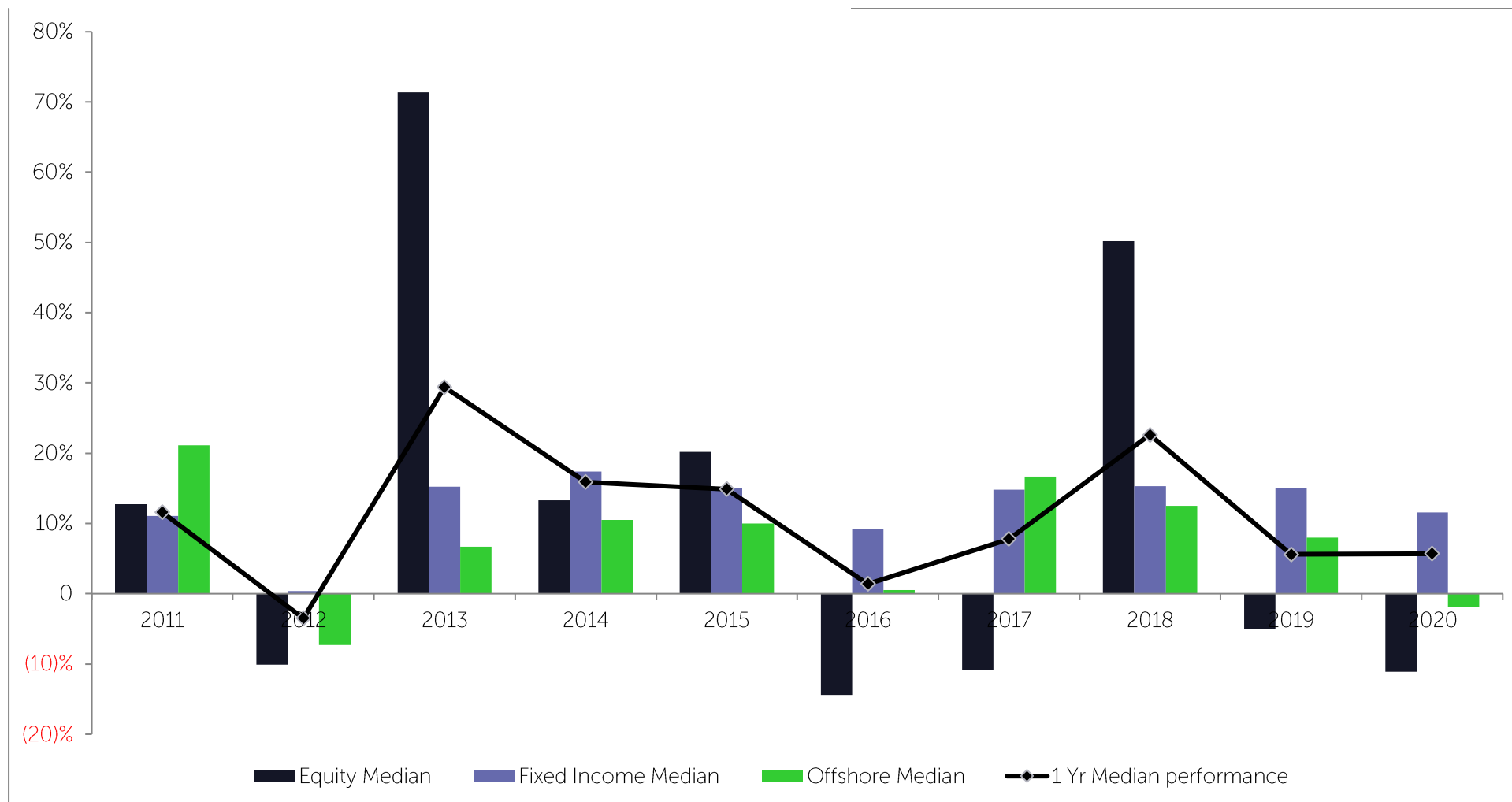
Notes:

1. Based on KNBS Statistics 2010 – 2020: 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 2012, 2016, 2017 and 2020 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.



Executive Summary and Key Highlights



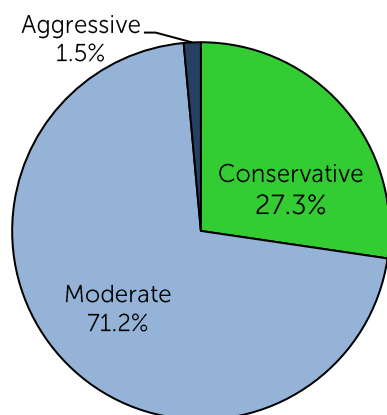
The chart above shows the median performance trend of the three asset classes (equity, fixed income and offshore) as at 31 March for each of the last 10 years.

Risk Profile of Participating Schemes

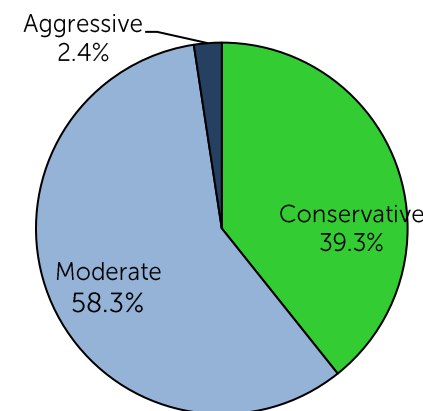
STATISTICS					
Risk Profile	Fixed Income Allocation*	Number of Schemes	Scheme Percentage %	Assets Under Management K Shs m*	Asset Percentage %
Conservative	Over 80%	163	39.3%	205,094	27.3%
Moderate	65% to 80%	242	58.3%	534,407	71.2%
Aggressive	Less than 65%	10	2.4%	10,931	1.5%
Total		415	100.0%	750,432	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



415 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 58.3% of participating schemes and manage 71.2% of assets in this survey.

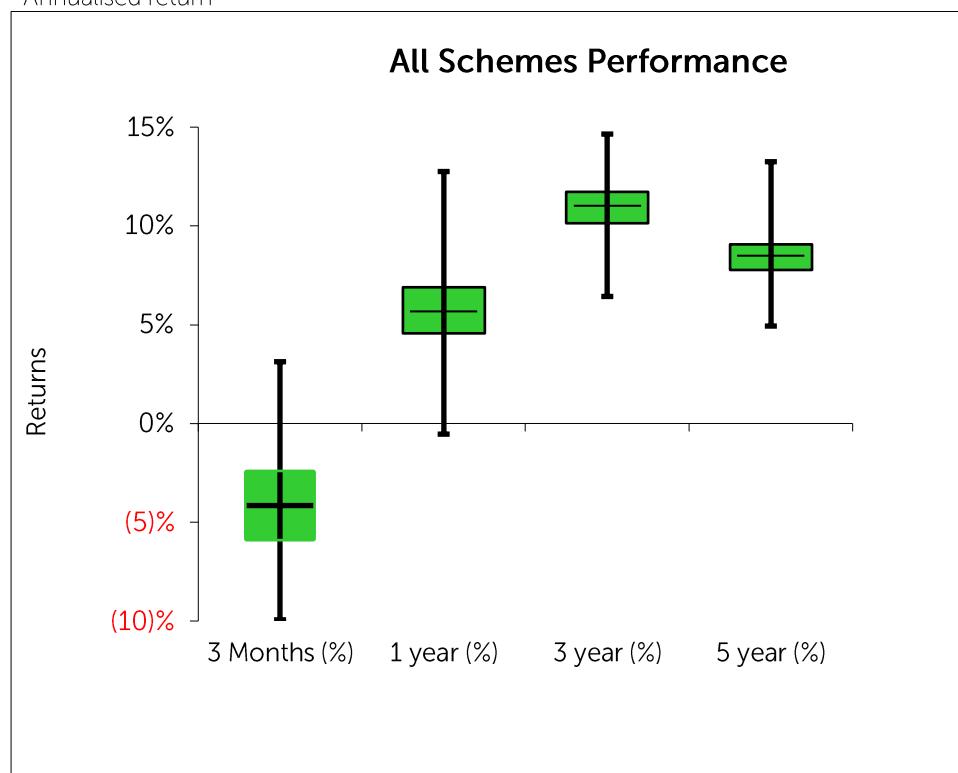
Conservative schemes make up 39.3% of number of participating schemes with 27.3% of assets under management. Aggressive schemes make up 2.4% of number of participating schemes with 1.5% of assets under management.

There has been a significant shift over the quarter from moderate schemes to conservative. The percentage of conservative schemes increased from 22% last quarter to 39% this quarter. This was caused by the fall in the valuation of equities.

Analysis and Distribution of Returns for the Period

	3 Month	1 year	3 year*	5 year*
25th Percentile	(5.1)%	4.6%	10.1%	7.8%
Median	(4.2)%	5.7%	11.0%	8.5%
75th Percentile	(3.0)%	6.9%	11.7%	9.1%
Range of Returns	13.1%	13.3%	8.2%	8.3%
Average	(3.8)%	5.8%	10.9%	8.4%
Weighted Average	(4.4)%	5.6%	10.9%	7.7%

*Annualised return



Over the quarter ended 31 March 2020, the median of the participating schemes was (4.2)%, compared to 4.9% in December 2019. The decline in performance has been attributed to the uncertainty brought about by the covid-19 pandemic

Over 1 year, the median return of the participating schemes was 5.7% compared to 5.6% over a similar period in 2019

Over 3 years, the median return of the participating schemes was an annualised 11.0%.

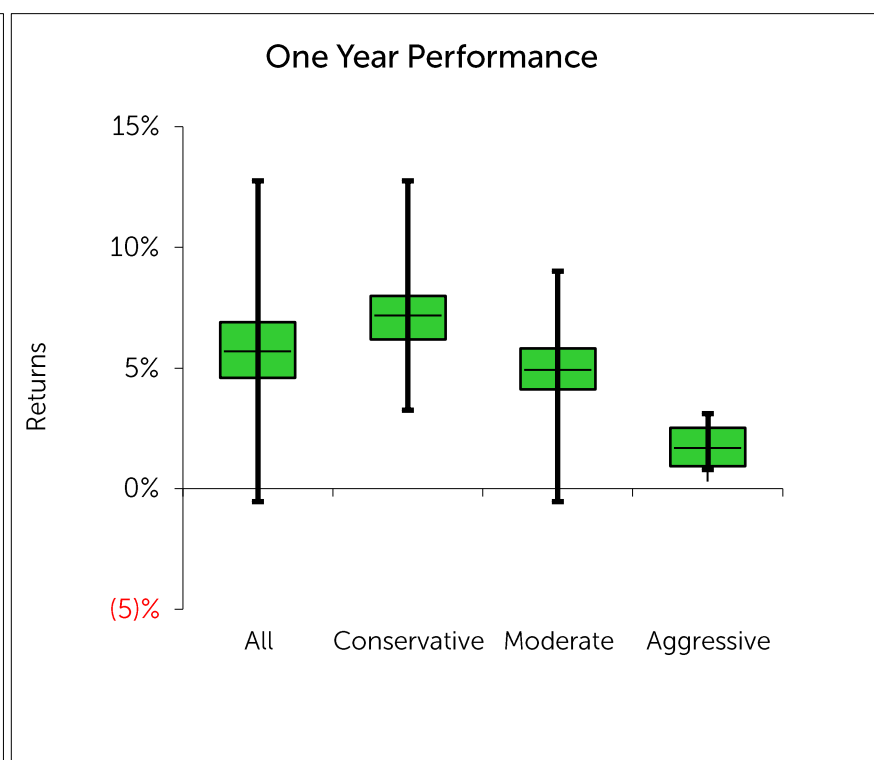
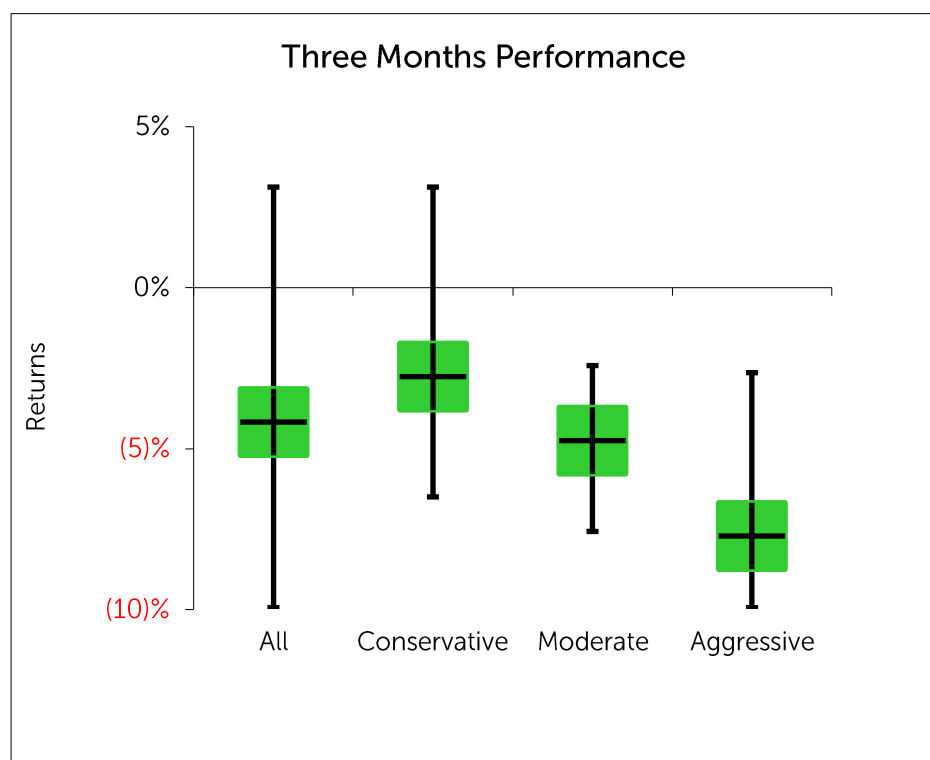
Over 5 years, the median return of the participating schemes was an annualised 8.5% with a range of returns of 8.3%; aided by strong performance from the fixed income asset class.

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

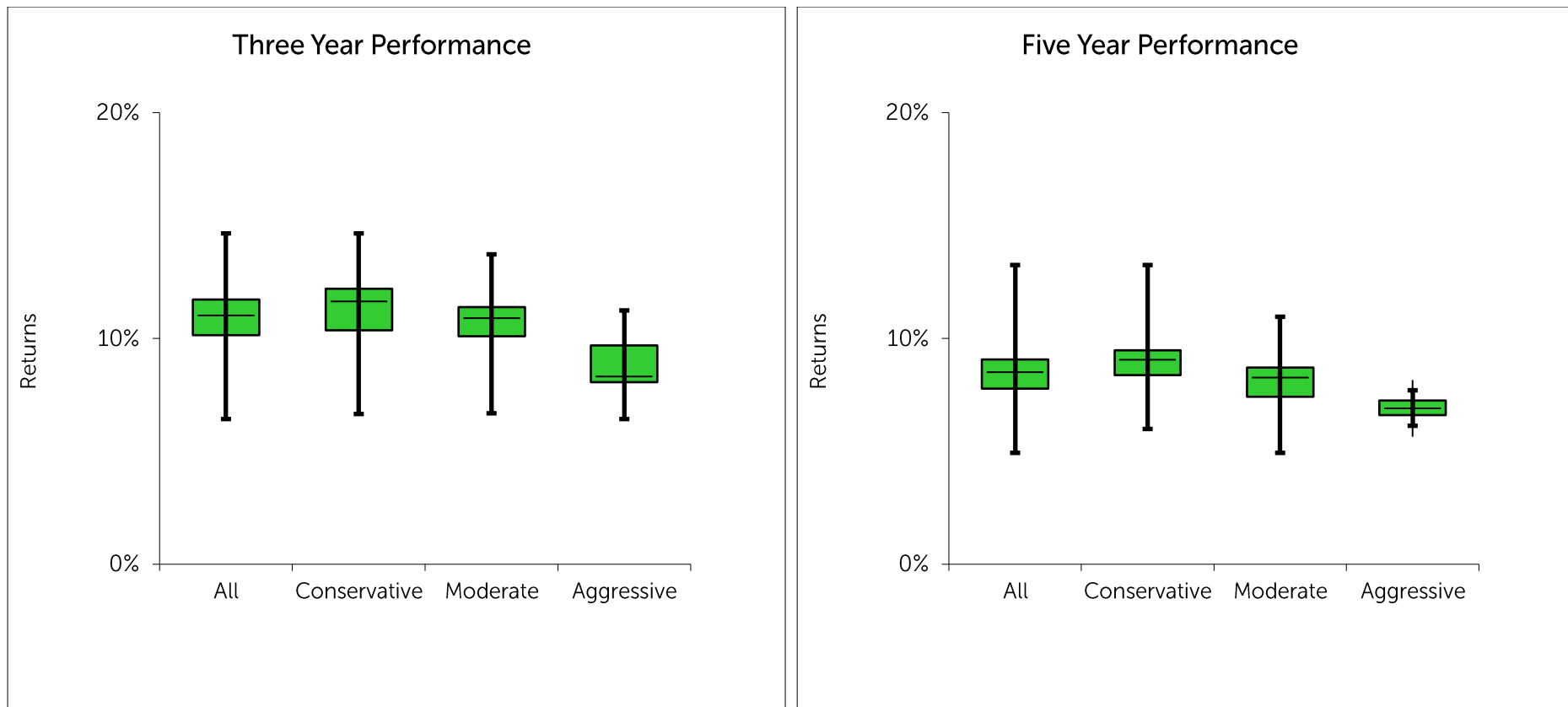
Analysis and Distribution of Returns

	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	(3.6)%	6.2%	10.4%	8.4%	(5.4)%	4.1%	10.1%	7.4%	(9.0)%	0.9%	8.1%	6.6%
Median	(2.8)%	7.2%	11.6%	9.1%	(4.8)%	4.9%	10.9%	8.3%	(7.7)%	1.7%	8.3%	6.9%
75th Percentile	(1.4)%	8.0%	12.2%	9.5%	(4.3)%	5.8%	11.4%	8.7%	(6.6)%	2.5%	9.7%	7.2%
Range of Returns	9.6%	9.5%	8.0%	7.3%	5.2%	9.6%	7.0%	6.0%	7.3%	2.3%	4.8%	1.6%
Average	(2.1)%	7.3%	11.3%	9.1%	(4.9)%	4.9%	10.7%	8.1%	(7.5)%	1.8%	8.7%	6.9%
Weighted Average	(2.6)%	7.2%	11.4%	8.7%	(5.0)%	5.1%	10.8%	7.5%	(7.7)%	1.7%	8.0%	6.8%

*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 the lowest returns as a result of the higher allocation to riskier assets (equities and offshore) which trailed the performance of fixed income over the quarter, one, three and five year periods.

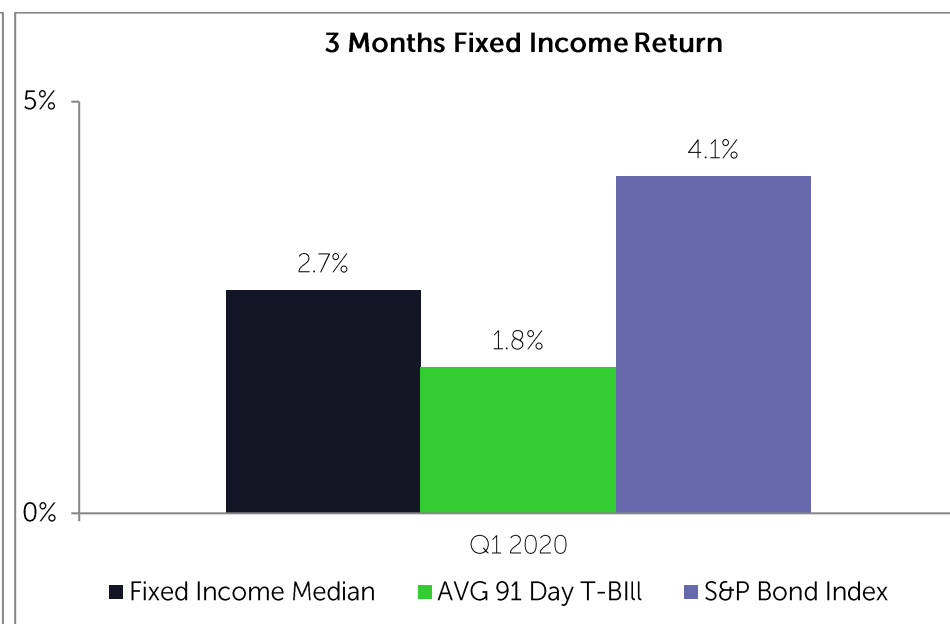
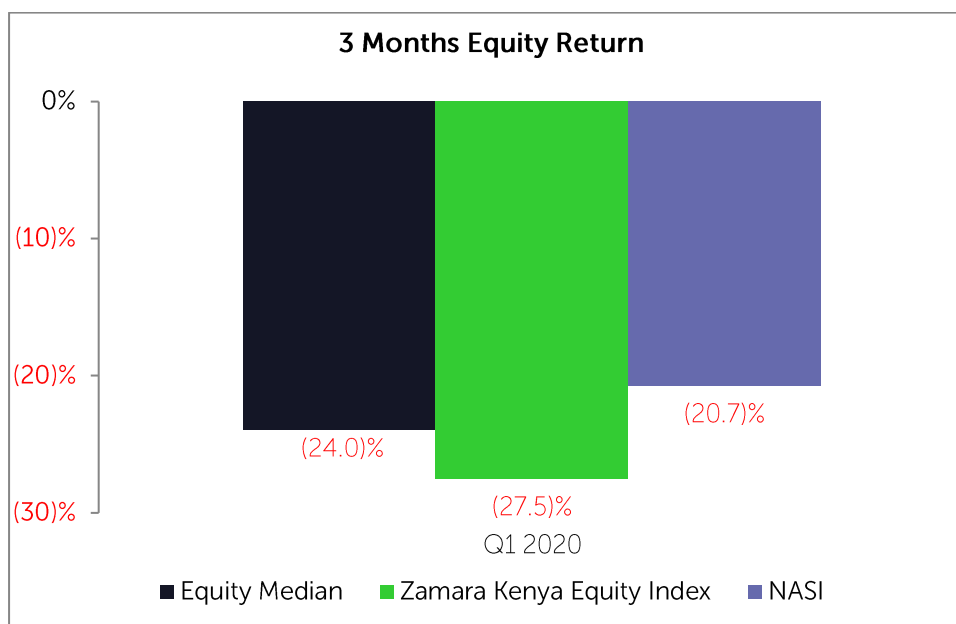
Asset Class Returns for 3 Months Ending 31 March 2020

	Equity	Fixed Income	Offshore
25th Percentile	(24.8)%	2.6%	(17.7)%
Median	(24.0)%	2.7%	(12.1)%
75th Percentile	(23.2)%	2.8%	(10.0)%
Range of Returns	24.3%	3.5%	21.2%
Average	(24.0)%	2.7%	(13.4)%
Weighted Average	(23.9)%	2.6%	(15.6)%

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

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.



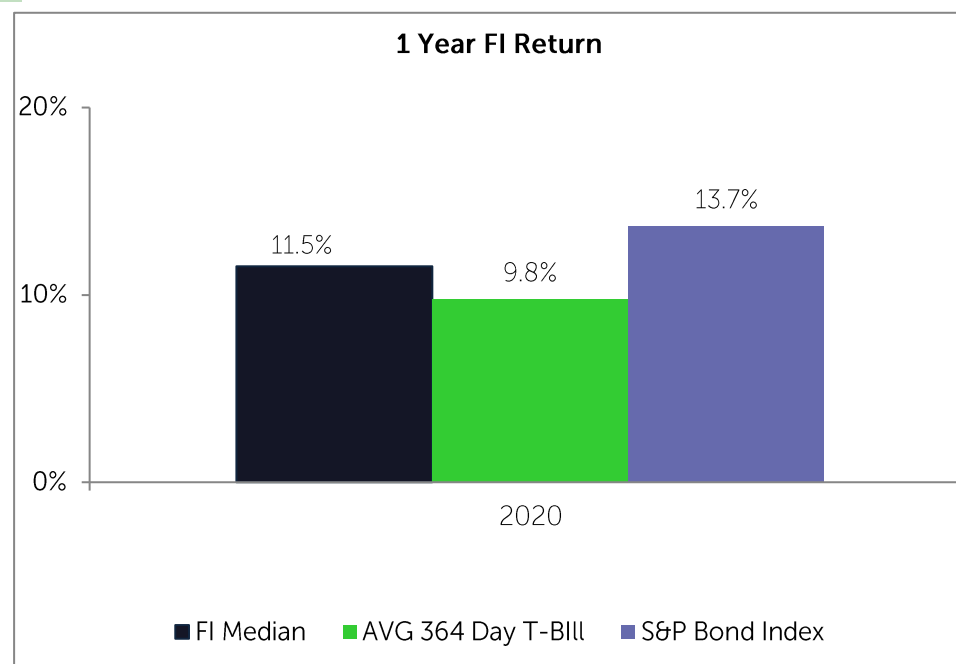
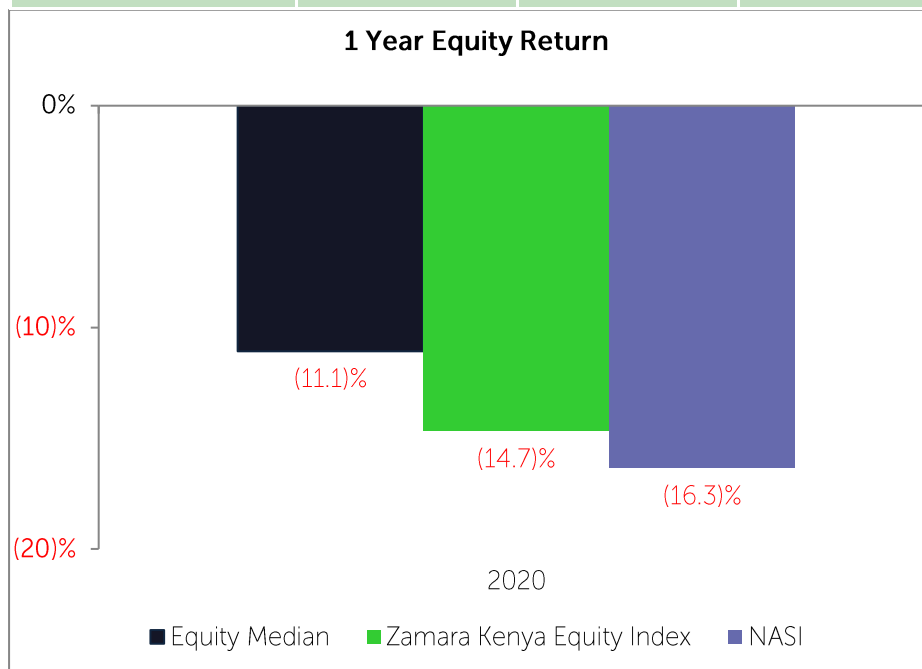
Asset Class Returns for 1 Year Ending 31 March 2020

	Equity	Fixed Income	Offshore
25th Percentile	(13.1)%	11.1%	(6.7)%
Median	(11.1)%	11.5%	(1.8)%
75th Percentile	(9.7)%	11.8%	(0.2)%
Range of Returns	21.6%	7.1%	28.4%
Average	(11.4)%	11.4%	(3.0)%
Weighted Average	(11.4)%	11.5%	(5.2)%

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.



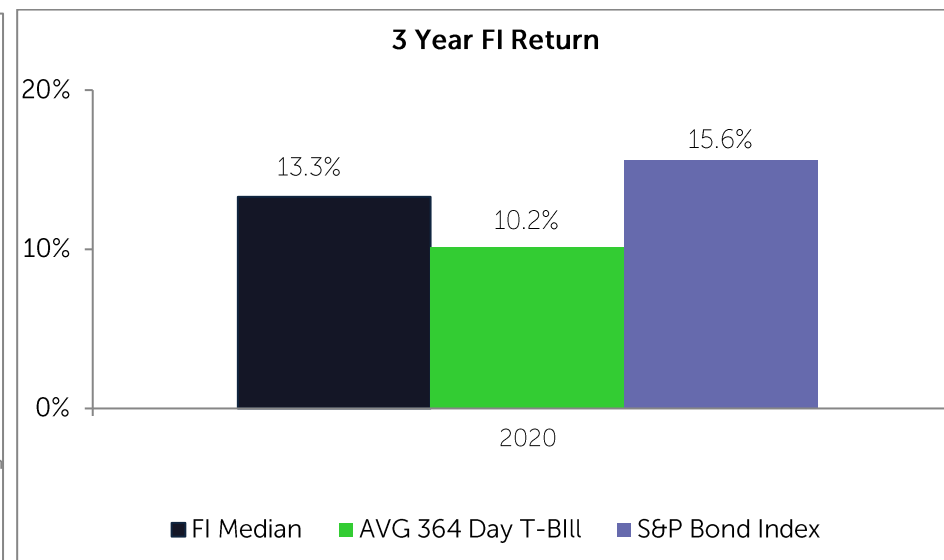
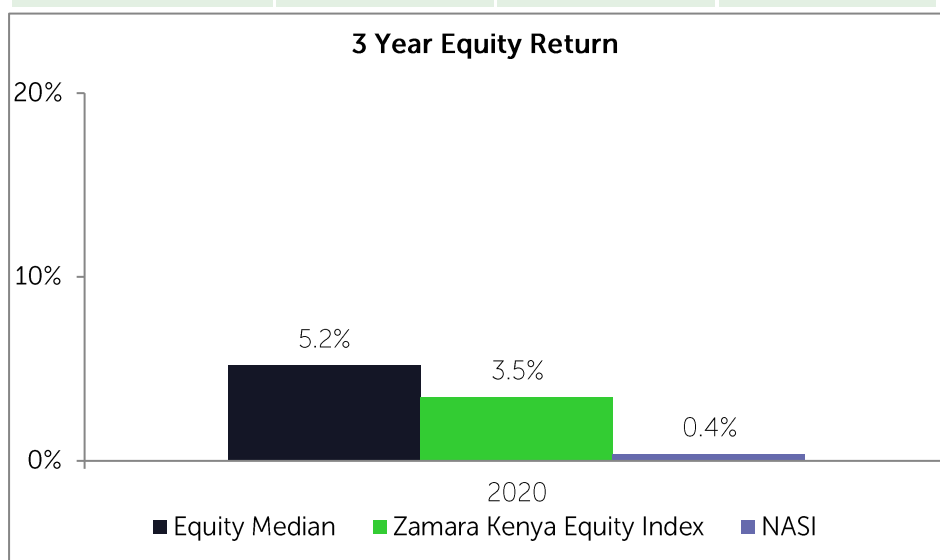
Asset Class Returns for 3 Years Ending 31 March 2020

	Equity	Fixed Income	Offshore
25th Percentile	2.3%	12.7%	2.0%
Median	5.2%	13.3%	4.4%
75th Percentile	6.7%	13.9%	6.4%
Range of Returns	17.8%	6.5%	15.8%
Average	4.6%	13.3%	3.8%
Weighted Average	4.6%	13.5%	3.1%

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.



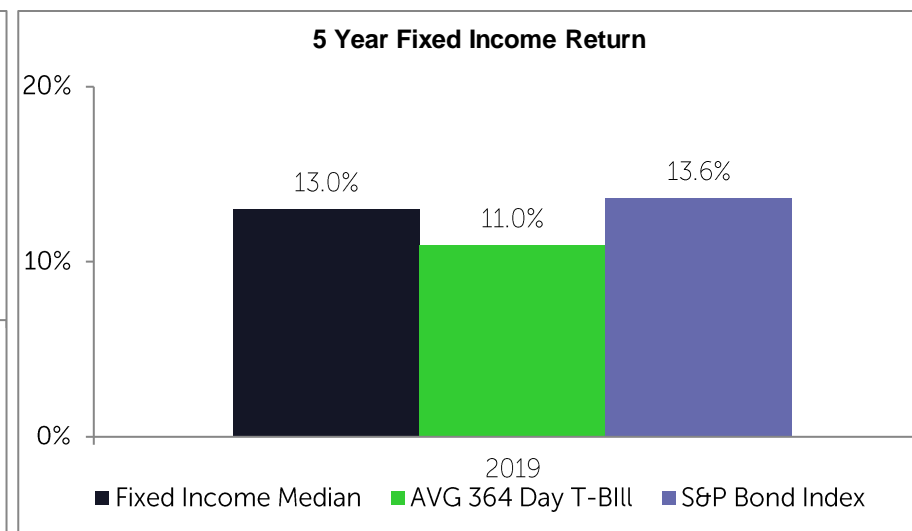
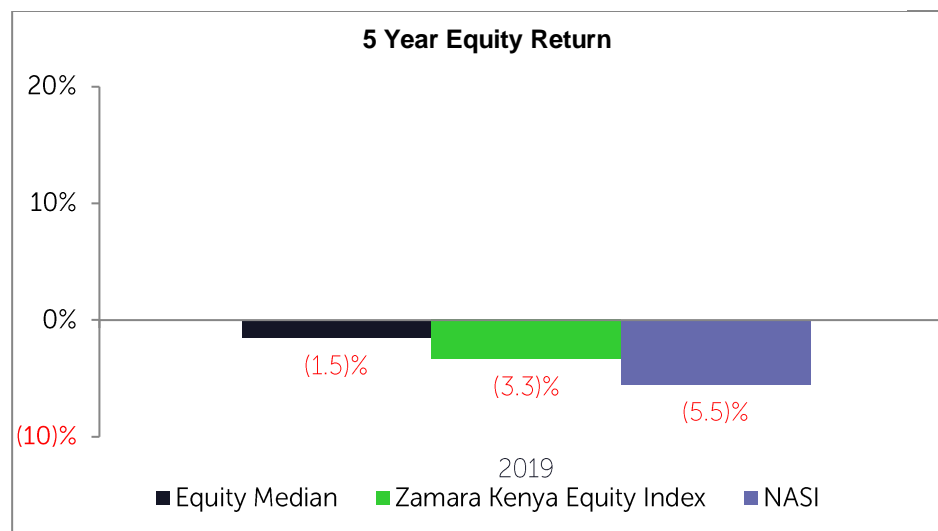
Asset Class Returns for 5 Years Ending 31 March 2020

	Equity	Fixed Income	Offshore
25th Percentile	(3.6)%	12.6%	5.5%
Median	(1.5)%	13.0%	6.5%
75th Percentile	(0.5)%	13.4%	7.3%
Range of Returns	14.6%	7.8%	11.6%
Average	(1.8)%	12.9%	6.0%
Weighted Average	(0.9)%	12.8%	5.8%

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 31 March 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	18.8%	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%	-	-

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

21.7% of the Schemes participating in the Survey had an allocation to property.

24.1% 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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