

RETIREMENT BENEFITS INDUSTRY REPORT FOR DECEMBER 2017

1.0 OVERALL ASSETS UNDER MANAGEMENT

On overall the retirement benefits assets under management grew by 12.15 percent from Kshs. 963.05 billion in June 2017 to Kshs. 1,080.1 billion in December 2017. Comparing with the same period last year (December 2016) the assets grew by 18.34 percent up from Kshs. 912.66 billion. The growth of the assets can be attributed to improved compliance, gradual recovery in the stock market after the bank crisis in 2016 and the aftermath of the prolong electioneering period in 2017.

The fund managers and approved issuers held majority of the assets amounting to Kshs. 904.91 billion. A total of Kshs. 65.96 billion of investments was internally administered by the National Social Security Fund (NSSF)¹, while Kshs. 109.3 billion of property investments was directly managed by the trustees of the various schemes². The assets under fund management include Kshs.143.3 billion of NSSF funds which are managed by 5 external managers. Assets managed internally by NSSF³ are majorly in immovable property, quoted equities, fixed deposits, as well as unquoted securities. The schemes continued to invest heavily in government securities with the asset class recording 36.49 percent of the total assets under management.

Most of the investments in the various asset categories showed some growth except the listed corporate bonds⁴, fixed deposits and cash, which slightly dropped in absolute terms. In terms of the percentage distribution per asset class category, government securities still accounted for the biggest share of the total assets at 36.49 percent, followed by property, which accounted for 20.99 percent, investments in quoted equities shares accounted for 19.46 percent, investments in guaranteed funds accounted

¹ The amount is the difference of the funds accounted for by the Fund Managers and the total assets under management reported by NSSF.

² Internally managed property is investments in Property not reported by Fund Managers but are in the Schemes Financial Accounts for 2017 or 2016.

³ This includes property amounting to Kshs. 43 billion, quoted equities Kshs. 15.7 billion; fixed deposits, Kshs. 4.3 billion, Cash and demand deposits, Kshs. 1.4 billion and unlisted shares amounting to Kshs. 1.48 billion.

⁴ The drop in listed corporate bonds can be attributed to the split between listed and unlisted corporate bonds.

for 13.24 percent. Investment in alternative assets by schemes has gained traction with an inclusion of Private Equity & Venture Capital and Real Estate Investment Trusts (REITs) as separate assets classes constituting to around 0.322 percent and 1.03 percent of the total assets under management respectively.

The table below provides detailed aggregate investments by schemes by the various asset classes.

OVERALL INDUSTRY INVESTMENT PORTFOLIO (Kshs. Billion)

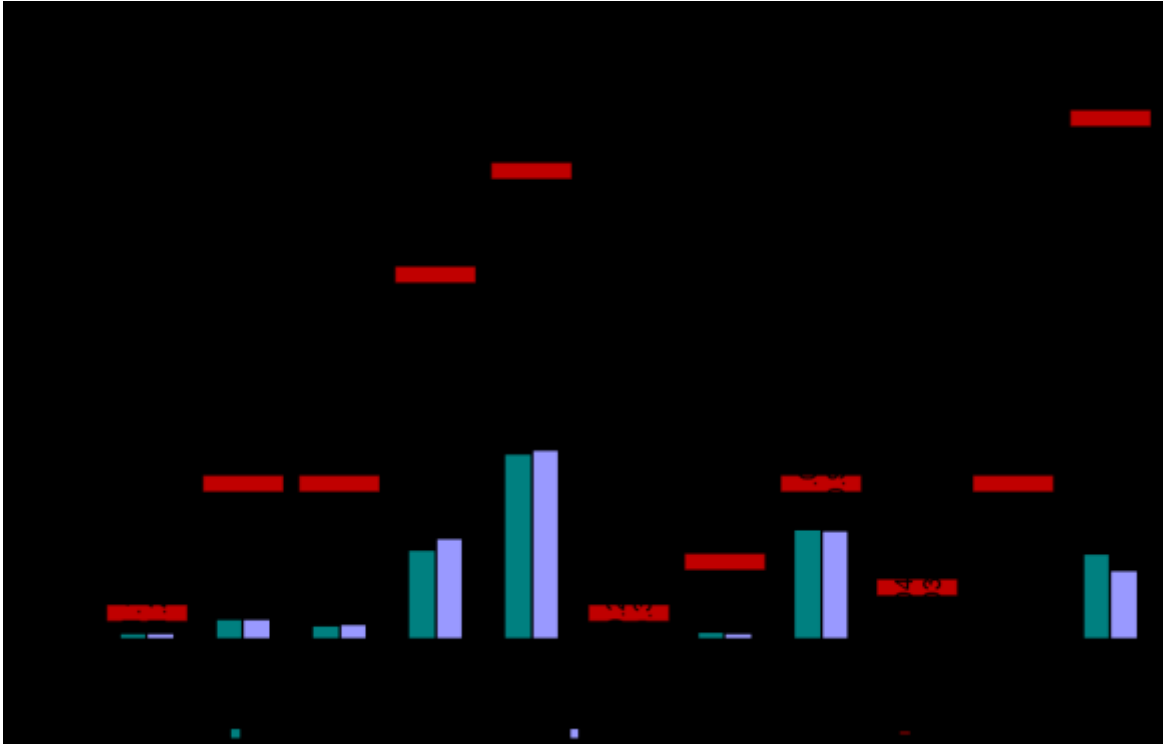
	Assets Category	Dec-15		Jun-16		Dec-16		Jun-17		Dec-17	
		Kshs	%	Kshs	%	Kshs	%	Kshs	%	Kshs.	%
1	Government Securities	242.43	29.78	211.85	25.47	349.15	38.26	353.47	36.7	394.19	36.49
2	Quoted Equities	186.81	22.95	129.68	15.59	159.07	17.43	180.35	18.73	210.17	19.46
3	Immovable Property	150.78	18.52	126.52	15.21	178.42	19.55	204.6	21.25	226.72	20.99
4	Guaranteed Funds	99.4	12.21	101.89	12.25	129.58	14.2	103.67	10.76	142.97	13.24
5	Listed Corporate Bonds	48.09	5.91	39.42	4.74	46.95	5.14	46.83	4.86	41.99	3.89
6	Fixed Deposits	55.61	6.83	28.31	3.4	24.57	2.69	45.49	4.72	32.88	3.04
7	Offshore	7.16	0.88	5.27	0.63	6.96	0.76	9.68	1	12.77	1.18
8	Cash	11.26	1.38	8.71	1.05	12.93	1.42	13.91	1.44	12.95	1.2
9	Unquoted Equities	2.77	0.38	62.57	7.52	3.95	0.43	3.91	0.41	4.06	0.37
10	Private Equity	0.17	0.02	0	0	0.22	0.02	0.25	0.03	0.322	0.03
11	REITS			0		0.84	0.09	0.888	0.09	1.03	0.1
12	Commercial paper, non-listed bonds by private companies ⁵							0.002	0	0.062	0.01

⁵ Commercial paper, non-listed bonds and other debt instruments issued by private companies was introduced as a new separate asset class category in 2016 through the legal notice No. 107.

		Dec-15		Jun-16		Dec-16		Jun-17		Dec-17	
Assets Category		Kshs	%	Kshs	%	Kshs	%	Kshs	%	Kshs.	%
12	U Classified/Others	9.62	1.18	117.56 ⁶	14.13	0		0		0	
TOTAL		814.11	100	831.78	100	912.66	100	963.05	100	1,080.11	100

On average, all categories of investment were within the statutory investment limits provided in the Retirement Benefits Regulations.

OVERALL INDUSTRY INVESTMENT VS STATUTORY MAXIMUM

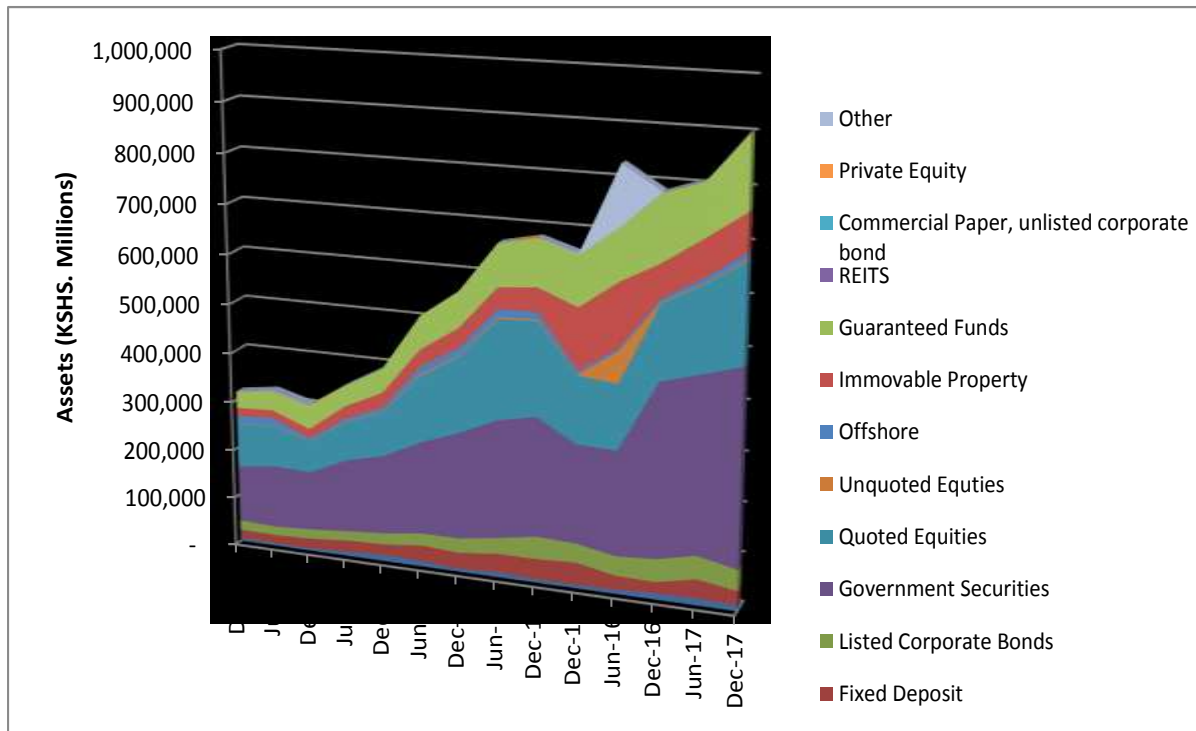


⁶ During the period June 2016, a total of Kshs. 117.55 billion of investments was reported unclassified. However, during the subsequent periods, December 2016, June 2017 and December, 2017 all the investments were classified. Similarly, new asset classes (Private Equity, REITs and Derivatives) were introduced around this period.

2.0 ASSETS HELD BY FUND MANAGERS AND APPROVED ISSUERS

For the period ending December 2017, 19 fund managers and 11 approved issuers, submitted 1,271 scheme reports with a total fund value of Kshs. 904.91 billion representing 11.48 percent increase in the total assets under fund management from the Kshs. 811.7 billion recorded in June 2017. The asset diversification remained similar to the previous periods with most of the asset classes recording minimal gains/losses. During the period, investment in listed corporate bonds, fixed deposits and cash recorded some decreased. Fund managers and approved issuers did not report any investments under the “any other asset class category” during the period. The drop in the investments under any other assets can be attributed to the introduction of new assets classes⁷.

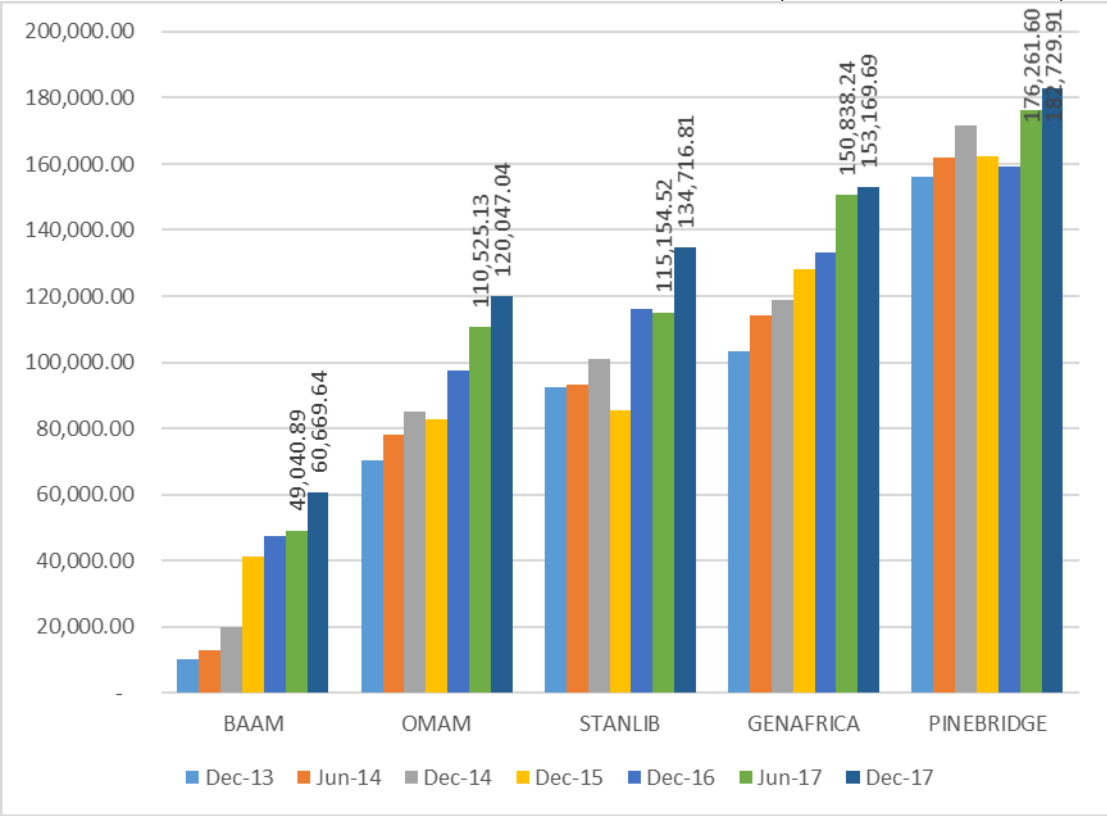
ASSETS UNDER FUND MANAGEMENT (DEC. 2010-DEC 2017)⁸



⁷ For more details see legal notice No. 107 on the Retirement Benefits (Forms and Fees) Amendment Regulations, 2016. Table G was amended to incorporate new assets classes.

In terms of investments by specific fund managers and insurance issuers, Pinebridge Investments East Africa Company limited still remained the fund managers with the largest assets under management with total assets under management at Kshs. 182.73 billion which constitute 20.19 percent of the total assets under fund management. The top five fund managers (Pinebridge, GENAfrica, Stanlib Kenya, Old Mutual Kenya and British –American Asset Managers Ltd) manages the bulk of the investments with the total assets under management amounting to Ksh. 651.33 billion constituting 71.97 percent of the entire assets under fund management. The analysis reviewed each entity according to how it is registered hence, where a parent company has both an approved issuer and fund manager the two were considered as distinct entities.

ASSETS UNDER MANAGEMENT BY TOP FIVE MANAGERS (DEC. 2013 - DEC. 2017)



3.0 ASSETS HELD BY NATIONAL SOCIAL SECURITY FUND (NSSF)

The total assets held by NSSF rose by Kshs. 12.38 billion in December 2017 from Kshs.196.88 billion in June 2017 representing a 6.29 percent growth in the total fund. Out of the total amount of Kshs.209.26 billion, Kshs.65.96 billion⁹ was internally managed by NSSF. The externally managed funds continue to increase over the period from 133.6 billion in June 2017 to Kshs.143.3 billion in December 2017. The table below shows the distribution of the funds to the various fund managers. Pinebridge Investments and Co-op trust Investments have not managed the NSSF fund for the last three years. The portfolio managed by most fund managers increased in value except GenAfrica Asset Management ltd.

NSSF PORTFOLIO OF THE EXTERNAL MANAGERS (Dec.2014 -June 2017)

Assets in Millions						
Fund Manager	Dec-14	Dec-15	Dec -16	Jun-17	Dec-17	% Change
British-American Asset Managers Limited	-	17,860	22,033	24,289	27,260	12.23
Gen Africa Asset Managers	13,125	30,096	31,667	36,009	35,635	(1.04)
ICEA Lion Asset Management Limited	13,269	18,058	20,534	23,826	25,953	8.93
Old Mutual Asset Managers (Kenya) Limited	13,352	17,945	20,620	24,190	26,718	10.45
Stanlib Investments Kenya Limited	12,246	18,494	21,639	25,316	27,738	9.57
Pinebridge Asset Managers	14,962	-	-	-	-	-
Co-op Trust	12,652	-	-	-	-	-
Total	79,606	102,453	116,493	133,630	143,303	

⁹ These represent investments in immovable property (Kshs. 43 billion), unquoted securities (1.48 billion), fixed deposit 4.3 billion), Kshs. 15.7 billion in quoted equities and 1.4 billion in cash.

The overall NSSF portfolio is heavily invested in government securities, quoted securities and immovable property at 39.76 percent, 28.58 percent and 20.57 percent respectively. The portfolio allocation complies with the investment guidelines.

4.0 FUTURE OUTLOOK

The retirement benefits sector is expected to grow in the next quarters given the current relatively stable political environment and the gradual comeback of the stock market. The schemes are also expected to venture into investing in alternative assets classes given the broadening of the allowable investment categories.

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RESEARCH & STRATEGY DEPARTMENT