



## RETIREMENT BENEFITS INDUSTRY REPORT FOR DECEMBER 2020

### 1.0 OVERALL ASSETS UNDER MANAGEMENT

The retirement benefits assets under management increased by 5.77 percent from Kshs. 1,322.59 billion in June 2020 to Kshs. 1,398.95 billion in December 2020. Compared to the same period last year (December 2019) the assets grew by 7.76 percent, up from Kshs. 1,298.19 billion in December 2019. The slow growth in the assets during the period can be attributed to the adverse effects of the Covid-19 pandemic which adversely affected the financial markets and the wider economy in the first half of 2020. The fund managers and approved issuers held majority of the assets amounting to Kshs. 1,286.41 billion. The assets under management included Kshs. 209.76 billion of NSSF funds, which were managed by four (4) external fund managers. The National Social Security Fund (NSSF) internally managed a total of Kshs. 54.06 billion of investments<sup>1</sup>, while the trustees of the various schemes directly managed Kshs. 58.49 billion of property investments<sup>2</sup>.

The schemes continued to invest heavily in government securities with the asset class accounting for 44.72 percent of the total assets under management. This was followed by immovable property which accounted for 17.96 percent; investments in guaranteed funds which accounted for 16.48 percent and investments in quoted equities which accounted for 15.59 percent. Investment in quoted equities increased by 16.35 percent compared to June 2020 owing to the rebound of the stock market after the effects of the covid-19 pandemic. The offshore investments also recorded a jump from Kshs. 5.92

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<sup>1</sup> This includes property amounting to Kshs. 44.26 billion; fixed deposits, Kshs. 4.14 billion; Quoted equities, Kshs. 5.3 billion, and unlisted shares, Kshs. 353 million.

<sup>2</sup> The data of the internally managed property was extracted from the Schemes Financial Accounts for the year 2019 and 2020. The decrease in the internally managed property over the periods can be attributed to the directive issued by the Authority requiring schemes to relinquish the investment of scheme funds to fund managers.

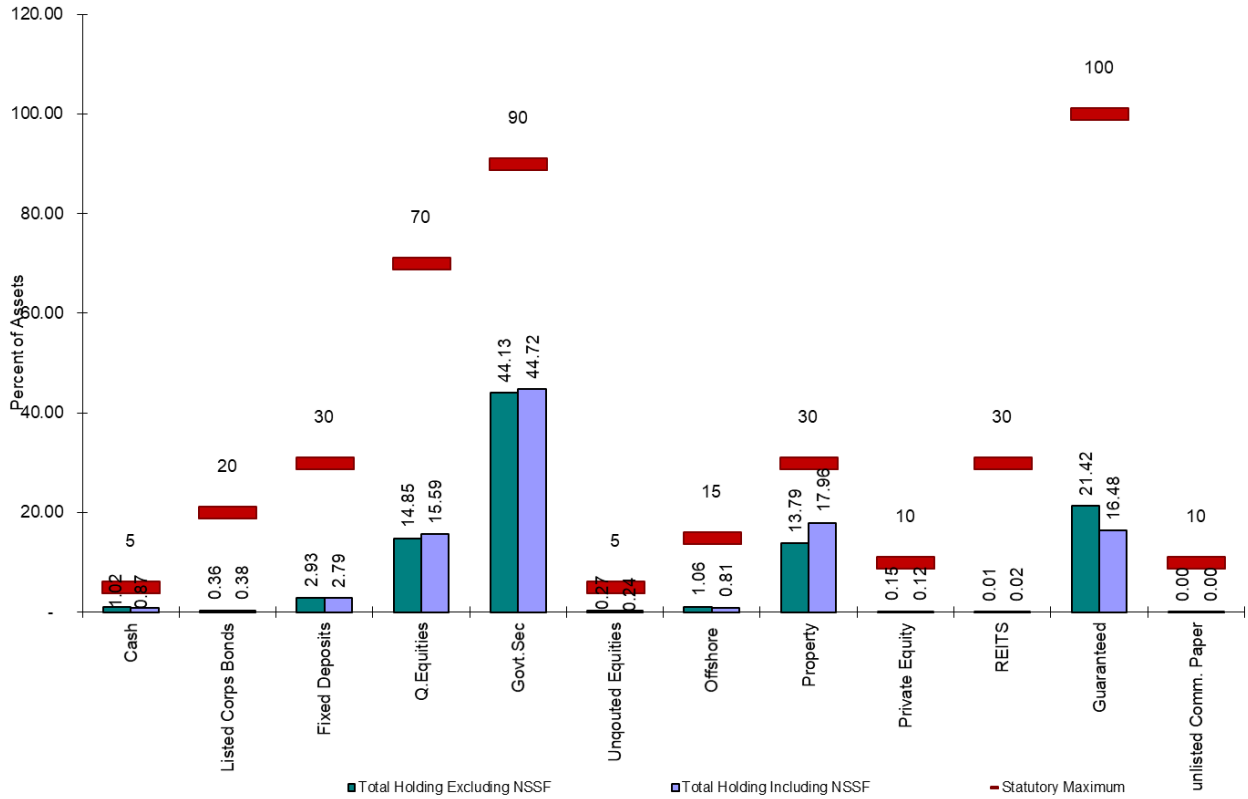
billion to Kshs. 11.38 billion representing an increase of 92 percent compared to June 2020. This can be partly attributed to the depreciation of the Kenya shilling against the dollar and the fact that schemes are pursuing diversification due to the stock market volatility. However, investments in listed corporate bonds, unlisted bonds, cash, fixed deposits, and REITS dropped during the period. Investment in alternative assets showed mixed results. Investment in private equity and venture capital continued to be attractive to schemes due its diversification effects, which increased by 42.86 percent from Kshs. 1.17 billion in June 2020 to Kshs. 1.67 billion in December 2020 accounting for 0.12 percent of the total assets up from 0.09 percent in June 2020. Investment in REITS, however, marginally declined from Kshs. 290 million to Kshs.280 million between June,2020 and December,2020. The table below provides detailed aggregate investments by schemes by the various asset classes.

### OVERALL INDUSTRY INVESTMENT PORTFOLIO (KSHS. BILLION)

|    | Assets Category   | Dec. 2018       |               | June 2019       |               | Dec. 2019       |               | June 2020       |               | Dec. 2020       |               |
|----|---|-----------------|---------------|-----------------|---------------|-----------------|---------------|-----------------|---------------|-----------------|---------------|
|    |   | Kshs            | %             | Kshs            | %             | Kshs            | %             | Kshs            | %             | Kshs.           | %             |
| 1  | Government Securities                                   | 459.68          | 39.41         | 518.4           | 41.64         | 545.27          | 41.88         | 581.82          | 43.99         | 625.65          | 44.72         |
| 2  | Quoted Equities   | 201.51          | 17.27         | 203.63          | 16.36         | 228.12          | 17.52         | 187.47          | 14.17         | 218.12          | 15.59         |
| 3  | Immovable Property                                      | 229.91          | 19.71         | 233.64          | 18.77         | 239.65          | 18.4          | 246.14          | 18.61         | 251.27          | 17.96         |
| 4  | Guaranteed Funds  | 167.45          | 14.36         | 186.46          | 14.98         | 201.52          | 15.48         | 221.39          | 16.74         | 230.60          | 16.48         |
| 5  | Listed Corporate Bonds                                  | 40.28           | 3.45          | 34.45           | 2.77          | 17.8            | 1.66          | 9.24            | 0.70          | 5.25            | 0.38          |
| 6  | Fixed Deposits  | 36.39           | 3.12          | 40.04           | 3.21          | 39.41           | 3.03          | 44.75           | 3.38          | 39.04           | 2.79          |
| 7  | Offshore  | 13.13           | 1.13          | 7.24            | 0.58          | 6.32            | 0.49          | 5.92            | 0.45          | 11.38           | 0.81          |
| 8  | Cash  | 12.72           | 1.09          | 15.78           | 1.27          | 14.96           | 1.15          | 21.82           | 1.65          | 12.24           | 0.87          |
| 9  | Unquoted Equities                                       | 3.79            | 0.33          | 3.72            | 0.3           | 3.61            | 0.28          | 2.5             | 0.19          | 3.42            | 0.24          |
| 10 | Private Equity  | 0.86            | 0.07          | 0.91            | 0.07          | 0.969           | 0.07          | 1.17            | 0.09          | 1.67            | 0.12          |
| 11 | REITS   | 0.71            | 0.06          | 0.59            | 0.05          | 0.503           | 0.04          | 0.29            | 0.02          | 0.28            | 0.02          |
| 12 | Commercial Paper, Non-listed bonds by Private companies | 0.06            | 0.00          | 0.06            | 0.00          | 0.059           | 0.00          | 0.078           | 0.01          | 0.04            | 0.00          |
|    | <b>TOTAL</b>  | <b>1,166.49</b> | <b>100.00</b> | <b>1,244.92</b> | <b>100.00</b> | <b>1,298.19</b> | <b>100.00</b> | <b>1,322.59</b> | <b>100.00</b> | <b>1,398.95</b> | <b>100.00</b> |

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

### OVERALL INDUSTRY INVESTMENT VS STATUTORY MAXIMUM



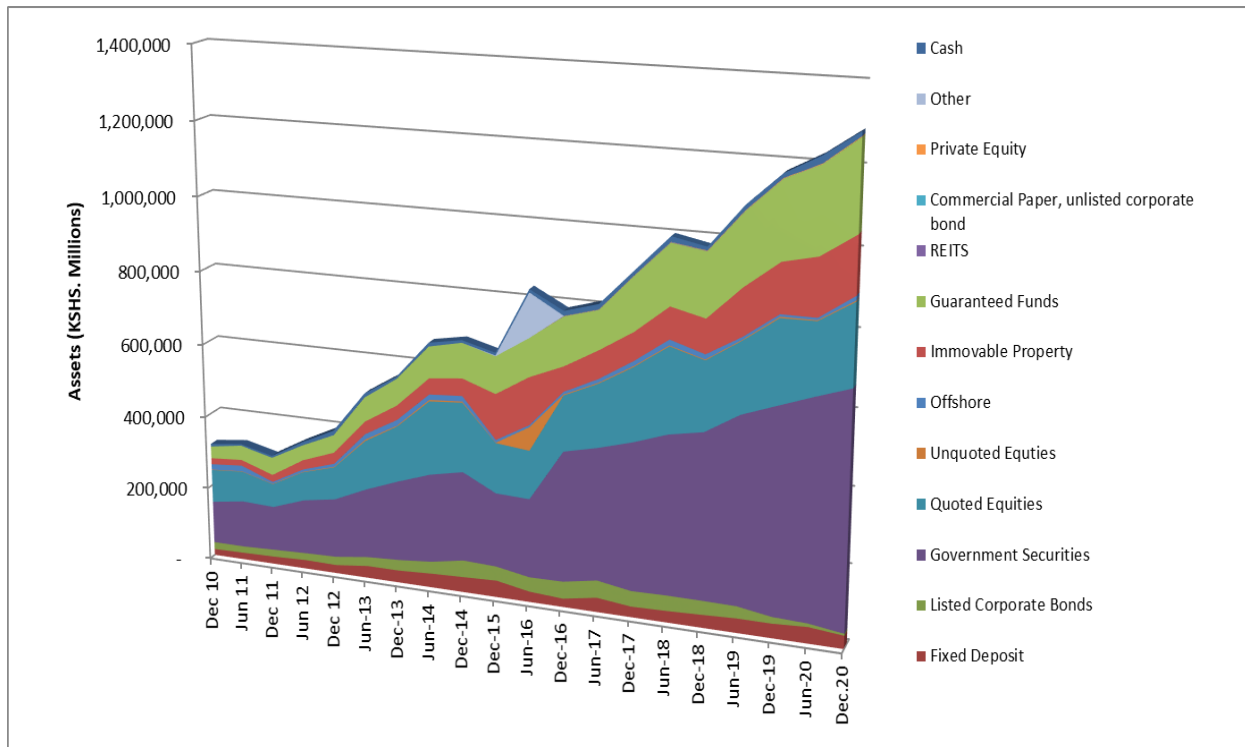
### 2.0 ASSETS HELD BY FUND MANAGERS AND APPROVED ISSUERS

For the period ending December 2020, 17 fund managers and 17 approved issuers, submitted 1,215 scheme reports with a total fund value of Kshs. 1,286.41 billion representing 5.2 percent increase in the total assets under management up from Kshs. Kshs. 1,222.74 billion in June 2020. Compared to the same period last year (December 2019), this was 9.6 percent increase of total assets under fund management from Kshs. 1,173.85 billion in December 2019. The total assets managed by fund managers amounted to Kshs. 1,055.81 billion while the approved issuers managed only Kshs. 230.60 billion<sup>3</sup>. Fund managers and approved issuers did not report any investments under the “any other asset class category” during the period. The drop in the

<sup>3</sup> The Fund Managers submitted 456 scheme reports while the approved issuers submitted 759 scheme reports.

investments under any other assets can be attributed to the introduction of new assets classes<sup>4</sup>.

### ASSETS UNDER FUND MANAGEMENT (DEC. 2010 – DEC. 2020)<sup>5</sup>



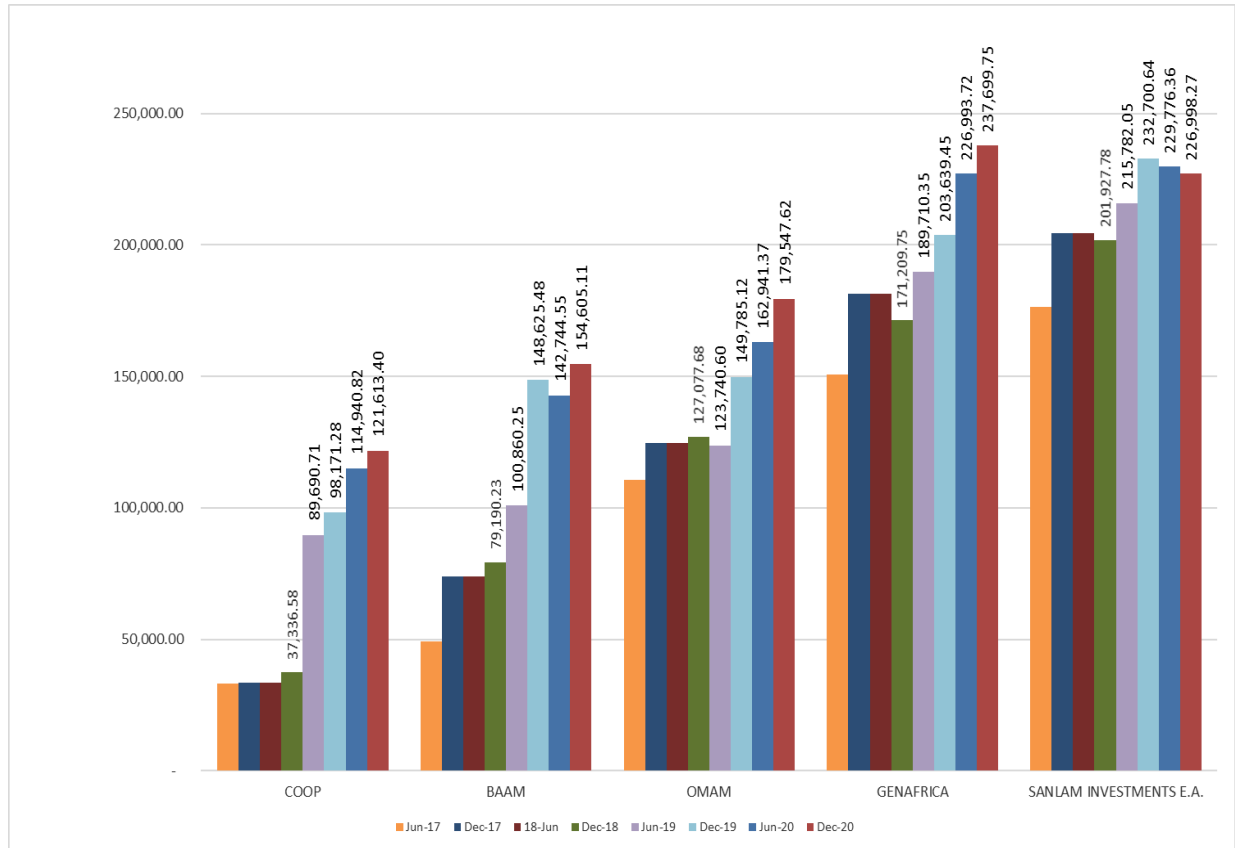
In terms of investments by specific fund managers and approved issuers, GenAfrica asset managers had the largest share of assets under management amounting to Kshs. 237 billion which translates to 18.48 percent of the total assets under fund management, dislodging Sanlam Investments East Africa Company to position two with assets amounting to Kshs. 227 billion which translates to 17.65 percent of the total assets under fund management. The top five fund managers during the period were (GENAFRICA Asset Managers, Sanlam Investments East Africa, Old Mutual Investment Group Limited, British –American Asset Managers Ltd and Coop Trust) managed the bulk of the investments with the total assets under management (AUM) amounting to Ksh. 920.46 billion accounting for 71.55 percent of the entire AUM. The analysis considered

<sup>4</sup> 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.

<sup>5</sup> During the period June 2016, a total of Kshs. 117.55 billion of investments was reported unclassified. However, during the subsequent periods, all the investments were classified. Similarly, new asset classes (Private Equity, REITs and Derivatives) were introduced around this period.

each entity according to its registration 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 (JUNE 2017 - DEC. 2020)



### 3.0 ASSETS HELD BY NATIONAL SOCIAL SECURITY FUND (NSSF)

The total investments held by NSSF increased by Kshs. 24.09 billion to Kshs. 263.81 billion in December 2020 up from Kshs. 239.72 billion in June 2020. NSSF managed internally assets amounting to Kshs. 54.05 billion<sup>6</sup>. The externally managed funds increased over the period by Kshs. 16.68 billion from Kshs. Kshs. 193.08 billion in June 2020 to Kshs. 209.76 in December 2020. The British American Asset Managers Limited still held the bulk of the assets standing at Kshs. 82.3 billion representing 39.23 percent of the externally managed NSSF assets. The rest of the investments are managed by Gen

<sup>6</sup> These represent investments in immovable property (Kshs. 44.26 billion); quoted equities 5.3 billion; unquoted equities (Kshs.355 million); and fixed deposit (Kshs. 4.14 billion).

Africa Asset Managers (Kshs. 47.8 billion), Old Mutual Asset Managers (Kenya) Ltd, (Kshs. 42.2 billion) and African Alliance Kenya Investment Bank Ltd. (Kshs. 37.5 billion). The table below shows the distribution of the NSSF funds to the various fund managers.

#### NSSF PORTFOLIO MANAGED BY EXTERNAL MANAGERS

| Assets in Millions                             |               |                |                |                |                |                   |                   |                   |                   |                   |                   |
|--|---------------|----------------|----------------|----------------|----------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Fund Manager                                   | Dec. 14       | Dec. 15        | Dec. 16        | June. 17       | Dec. 17        | June. 18          | Dec.18            | June. 19          | Dec. 19           | Jun-20            | Dec. 2020         |
| British-American Asset Managers Limited        | -             | 17,860         | 22,033         | 24,289         | 27,260         | 30,402.30         | 31,099.44         | 34,835.17         | 76,681.83         | 76,287.85         | 82,286.38         |
| Gen Africa Asset Managers                      | 13,125        | 30,096         | 31,667         | 36,009         | 35,635         | 38,038.24         | 37,413.03         | 40,557.00         | 44,107.34         | 43,437.59         | 47,812.12         |
| ICEA Lion Asset Management Limited             | 13,269        | 18,058         | 20,534         | 23,826         | 25,953         | -                 | -                 | -                 | -                 | -                 | -                 |
| Old Mutual Asset Managers (Kenya) Limited      | 13,352        | 17,945         | 20,620         | 24,190         | 26,718         | 29,636.23         | 30,395.65         | 33,568.29         | 37,822.78         | 38,815.51         | 42,197.08         |
| Stanlib Investments Kenya Limited              | 12,246        | 18,494         | 21,639         | 25,316         | 27,738         | 30,462.79         | -                 | -                 | -                 | -                 | -                 |
| African Alliance Kenya Investment Bank Limited | -             | -              | -              | -              | -              | 26,735.70         | 27,005.72         | 29,696.78         | 33,097.05         | 34,538.02         | 37,463.07         |
| Pinebridge Asset Managers                      | 14,962        | -              | -              | -              | -              | -                 | -                 | -                 | -                 | -                 | -                 |
| Co-op Trust                                    | 12,652        | -              | -              | -              | -              | -                 | -                 | -                 | -                 | -                 | -                 |
| <b>Total</b>                                   | <b>79,606</b> | <b>102,453</b> | <b>116,493</b> | <b>133,630</b> | <b>143,303</b> | <b>155,275.26</b> | <b>125,913.84</b> | <b>138,657.24</b> | <b>191,709.00</b> | <b>193,078.97</b> | <b>209,758.65</b> |

The overall NSSF portfolio is heavily invested in government securities representing 57.04 percent of the total assets. This was followed by quoted securities and immovable property at 22.06 percent and 16.78 percent respectively. The NSSF portfolio allocation complied with the investment guidelines.

#### 4.0 FUTURE OUTLOOK

The retirement benefits assets are expected to grow in the first half of 2021 albeit at a slow pace due to the sluggish rebound of the stock market and the unpredictable effects of the third wave of coronavirus (Covid-19) disease. The schemes are also expected to continue to invest in alternative assets given the broadening of the allowable investment categories and to take advantage of the public infrastructural projects under the big four agenda.