



## RETIREMENT BENEFITS INDUSTRY REPORT FOR JUNE 2020

### 1.0 OVERALL ASSETS UNDER MANAGEMENT

The retirement benefits assets under management increased by 1.88 percent from Kshs. 1,298.19 billion in December 2019 to Kshs. 1,322.59 in June 2020. Compared to the same period last year (June 2019) the assets grew by 6.24 percent, up from Kshs. 1,244.92 billion in June 2019 billion. The slow growth in the assets during the period can be attributed to the adverse effects of the Covid-19 pandemic which negatively impacted the financial markets and the wider economy. The fund managers and approved issuers held majority of the assets amounting to Kshs. 1,222.74 billion. The assets under management included Kshs. 193.08 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. 46.67 billion of investments<sup>1</sup>, while the trustees of the various schemes directly managed Kshs. 53.17 billion of property investments<sup>2</sup>.

The schemes continued to invest heavily in government securities with the asset class accounting for 43.99 percent of the total assets under management. This was followed by immovable property which accounted for 18.61 percent; investments in guaranteed funds which accounted for 16.74 percent and investments in quoted equities which accounted for 14.17 percent. Investment in quoted equities dropped by 17.82 percent during the period, owing to the volatility in the stock market arising from the shocks emanating from the covid-19 pandemic. Investments in listed corporate bonds, offshore, unquoted equities and REITS also dropped during the period. Investment in alternative assets by schemes has gained traction with an inclusion of Private Equity & Venture

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<sup>1</sup> This includes property amounting to Kshs. 43.4 billion; fixed deposits, Kshs. 944.7 million; Cash and demand deposits, Kshs. 2 billion, and unlisted shares, Kshs. 332.8 million.

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

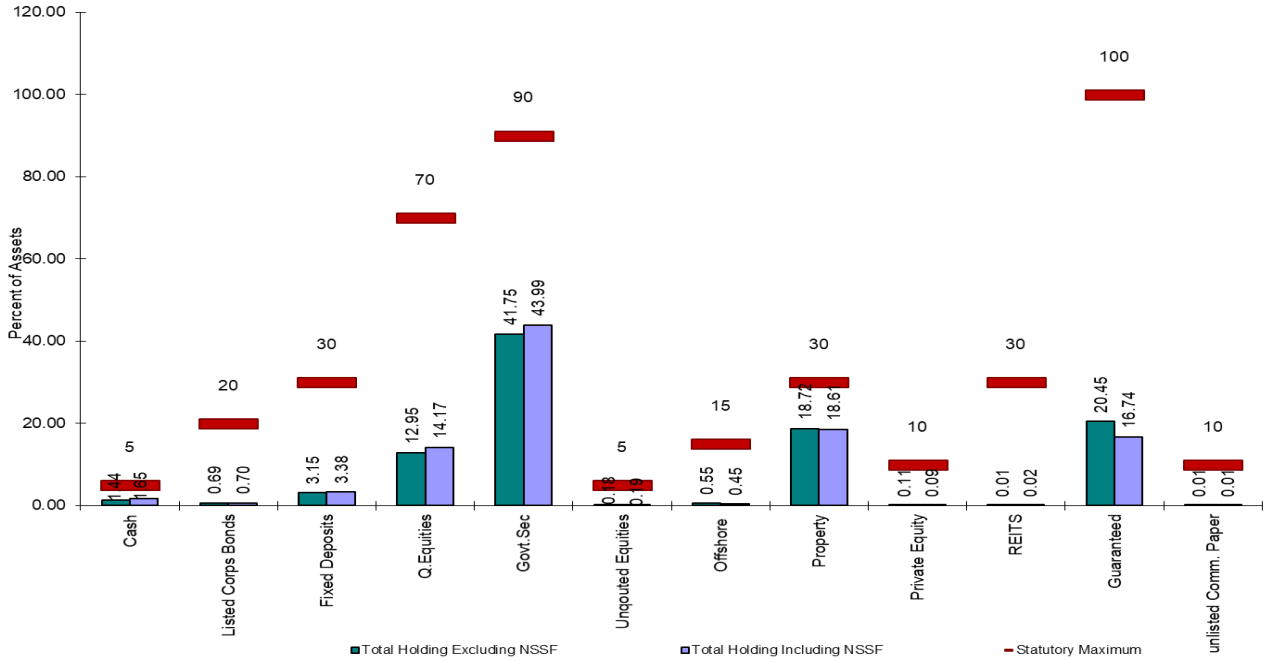
Capital as an assets class. Investment in private equity and venture capital increased by 20.74 percent from 969 million in December 2019 to Kshs. 1.17 billion in June 2020 accounting for 0.09 percent of the total assets. The table below provides detailed aggregate investments by schemes by the various asset classes.

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

Assets Category	Dec. 16		June. 17		Dec. 17		June. 18		Dec. 18		June. 19		Dec. 19		Jun-20	
	Kshs	%	Kshs	%	Kshs.	%	Kshs	%	Kshs	%	Kshs	%	Kshs	%	Kshs	%
1 Government Securities	349.15	38.26	353.47	36.7	394.19	36.49	423.7	36.32	459.68	39.41	518.4	41.64	545.27	41.88	581.82	43.99
2 Quoted Equities	159.07	17.43	180.35	18.73	210.17	19.46	241.46	20.7	201.51	17.27	203.63	16.36	228.12	17.52	187.47	14.17
3 Immovable Property	178.42	19.55	204.6	21.25	226.72	20.99	229.32	19.66	229.91	19.71	233.64	18.77	239.65	18.4	246.14	18.61
4 Guaranteed Funds	129.58	14.2	103.67	10.76	142.97	13.24	159.63	13.68	167.45	14.36	186.46	14.98	201.52	15.48	221.39	16.74
5 Listed Corporate Bonds	46.95	5.14	46.83	4.86	41.99	3.89	41.51	3.56	40.28	3.45	34.45	2.77	17.8	1.66	9.24	0.70
6 Fixed Deposits	24.57	2.69	45.49	4.72	32.88	3.04	31.62	2.71	36.39	3.12	40.04	3.21	39.41	3.03	44.75	3.38
7 Offshore	6.96	0.76	9.68	1	12.77	1.18	15.03	1.29	13.13	1.13	7.24	0.58	6.32	0.49	5.92	0.45
8 Cash	12.93	1.42	13.91	1.44	12.95	1.2	18.99	1.63	12.72	1.09	15.78	1.27	14.96	1.15	21.82	1.65
9 Unquoted Equities	3.95	0.43	3.91	0.41	4.06	0.37	3.78	0.32	3.79	0.33	3.72	0.3	3.61	0.28	2.5	0.19
10 Private Equity	0.22	0.02	0.25	0.03	0.322	0.03	0.42	0.04	0.86	0.07	0.91	0.07	0.969	0.07	1.17	0.09
11 REITS	0.84	0.09	0.888	0.09	1.03	0.1	1.01	0.09	0.71	0.06	0.59	0.05	0.503	0.04	0.29	0.02
12 Commercial Paper, Non-listed bonds by Private companies			0.002	0	0.062	0.01	0.22	0.02	0.06	0	0.06	0	0.059	0	0.078	0.01
<b>TOTAL</b>	<b>912.66</b>	<b>100.00</b>	<b>963.05</b>	<b>100.00</b>	<b>1,080.11</b>	<b>100.00</b>	<b>1,166.70</b>	<b>100.00</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>

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

## OVERALL INDUSTRY INVESTMENT VS STATUTORY MAXIMUM



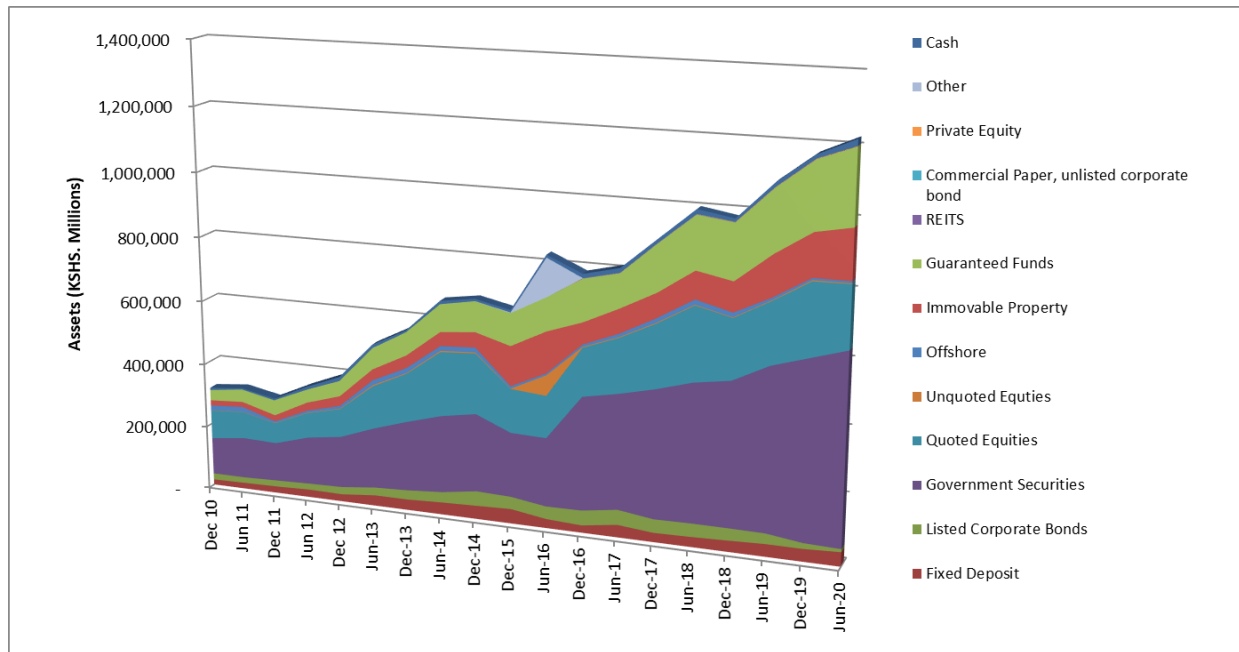
## 2.0 ASSETS HELD BY FUND MANAGERS AND APPROVED ISSUERS

For the period ending June 2020, 18 fund managers<sup>3</sup> and 17 approved issuers, submitted 1,222 scheme reports with a total fund value of Kshs. 1,222.74 billion representing 4.16 percent increase in the total assets under management up from Kshs. 1,173.85 billion in December 2019. Compared to the same period last year (June 2019), this was 12.2 percent increase of which the total assets under fund management was Kshs. 1,089.71 billion. The total assets managed by fund managers amounted to Kshs. 1,001.35 billion

<sup>3</sup> This include Stanlib Kenya Limited which has since been sold out to ICEA Lion Asset Managers Ltd.

while the approved issuers managed only Kshs. 221.39 billion<sup>4</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 investments under any other assets can be attributed to the introduction of new assets classes<sup>5</sup>.

**ASSETS UNDER FUND MANAGEMENT (DEC. 2010 - JUNE 2020)<sup>6</sup>**



In terms of investments by specific fund managers and approved issuers, Sanlam Investments East Africa Company limited still remained the fund manager with the largest assets under management with total assets amounting to at Kshs. 229.78 billion which translates to 18.79 percent of the total assets under fund management. However, this was a drop compared to the assets under it management in December 2019, which stood at Kshs. 232.7 billion. The top five fund managers during the period were (Sanlam Investments East Africa, GENAFRICA Asset Managers, 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. 877.4 billion accounting for 71.76 percent of the entire AUM. The

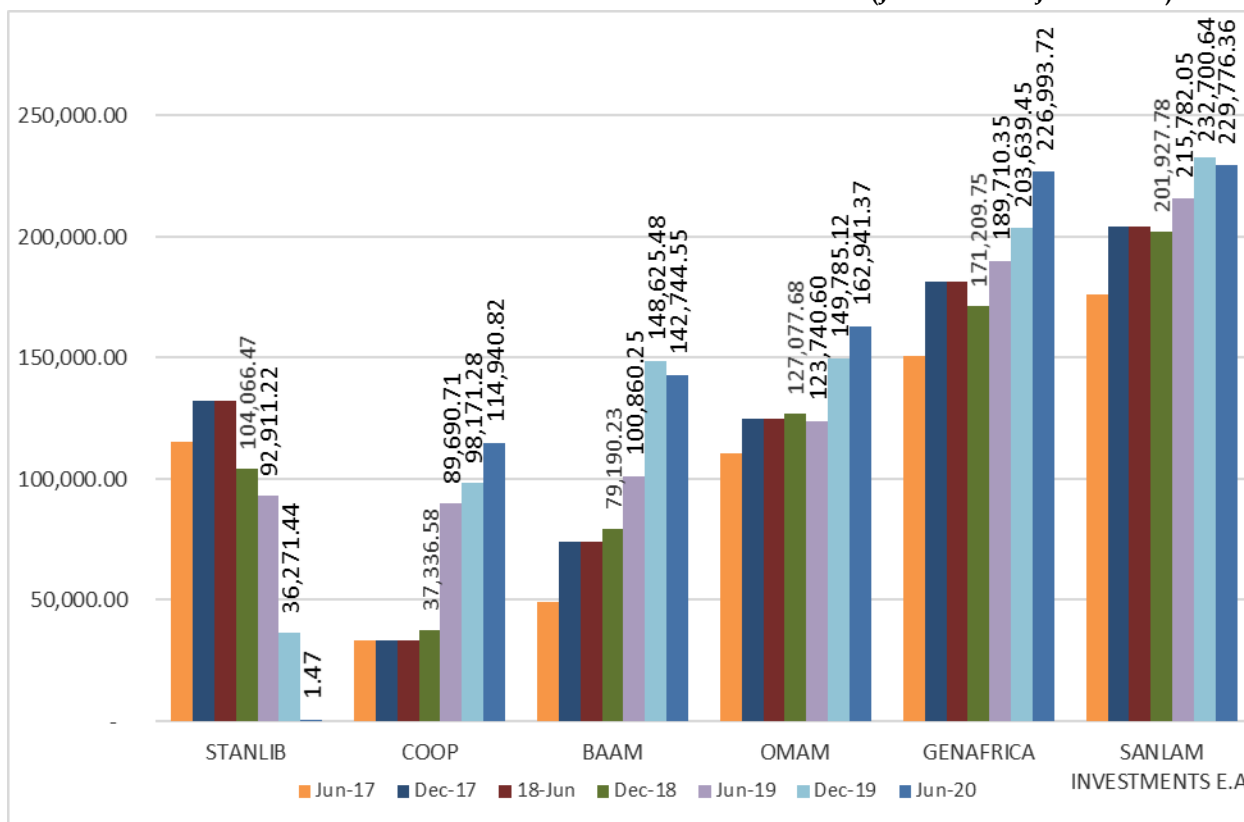
<sup>4</sup> The Fund Managers submitted 462 scheme reports while the approved issuers submitted 760 scheme reports.

<sup>5</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>6</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.

assets managed by Stanlib Kenya Ltd dropped drastically during the period from Kshs. 36.27 billion reported in December 2019 to Kshs. 1.47 million in June 2020 following its sale to ICEA Lion Assets Managers Ltd. The analysis considered 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 - JUNE 2020)**



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

The total investments held by NSSF dropped by Kshs. 9.15 billion to Kshs. 239.72 billion in June 2020 down from Kshs. Kshs. 248.87 billion in December 2019. Out of the total assets of Kshs. 239.72 billion, Kshs. 46.67 billion<sup>7</sup> was internally managed by NSSF. The

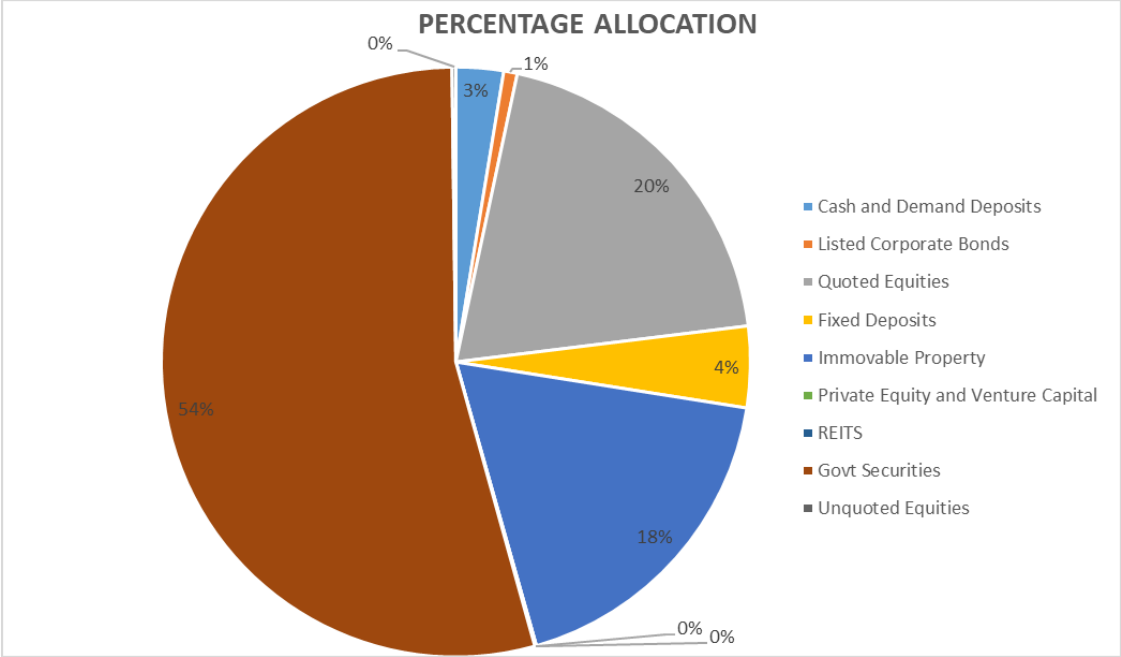
<sup>7</sup> These represent investments in immovable property (Kshs. 43.41 billion); unquoted equities (Kshs.322 million); fixed deposit (Kshs. 944.7 million); and, Kshs. 2 billion in cash.

externally managed funds increased slightly over the period by Kshs. 1.38 billion from Kshs. 191.7 billion in December 2019 to Kshs. 193.08 billion in June 2020. The British American Asset Managers Limited still held the bulk of the assets standing at Kshs. 76.29 billion representing 39.5 percent of the externally managed NSSF assets. The table below shows the distribution of the NSSF funds to the various fund managers.

#### **NSSF PORTFOLIO OF THE EXTERNAL MANAGERS (DEC.2014 –JUNE 2020)**

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
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
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
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
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
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>

The overall NSSF portfolio is heavily invested in government securities representing 54.11 percent of the total assets. This was followed by quoted securities and immovable property at 19.7 percent and 18.1 percent, respectively. The portfolio allocation complies with the investment guidelines.



**4.0 FUTURE OUTLOOK**

The growth in the retirement benefits assets is expected to slightly increase in the second half of the year 2020 owing to the slow recovery of the stock market and the wider economy following gradual easing of the Covid-19 containment measures. The schemes are also expected to continue to invest in alternative assets given the broadening of the allowable investment categories and take advantage of the public infrastructural projects and more so under the big four agenda.

**SEPTEMBER 2020  
RESEARCH & STRATEGY DEPARTMENT**