



RETIREMENT BENEFITS INDUSTRY REPORT FOR JUNE 2021

1.0 OVERALL ASSETS UNDER MANAGEMENT

The retirement benefits assets under management increased by 5.66 percent from Kshs. 1,398.95 billion in December 2020 to Kshs. 1,478.18 billion in June 2021. Compared to the same period last year (June 2020) the assets grew by 11.76 percent, up from Kshs. 1,322.59 billion in June 2020. The slow growth in the assets during the period can be attributed to the adverse effects of the Covid-19 pandemic which has impacted the financial markets and the wider economy negatively since 2020 following the restrictive measures imposed as part of the effort to contain the spread of the coronavirus disease. The fund managers and approved issuers held majority of the assets amounting to Kshs. 1,319.31 billion. The assets under management included Kshs. 190.26 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. 89.41 billion of investments¹, while the trustees of the various schemes directly managed Kshs. 69.45 billion of property investments².

The schemes continued to invest heavily in government securities with the asset class accounting for 44.12 percent of the total assets under management. This was followed by quoted equities which accounted for 16.90 percent; investments in guaranteed funds accounted for 16.74 percent and immovable property accounted for 16.73 percent. Investment in quoted equities increased by 14.52 percent compared to December 2020 owing to the slow rebound of the stock market after the effects of the covid-19 pandemic. The offshore investments continued to record an upward trend increasing

¹ This includes property amounting to Kshs. 44.83 billion; government securities, Kshs. 18.03 billion; fixed deposits, Kshs. 5.46 billion; Quoted equities, Kshs. 20.56 billion, and unlisted shares, Kshs. 534 million.

² 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.

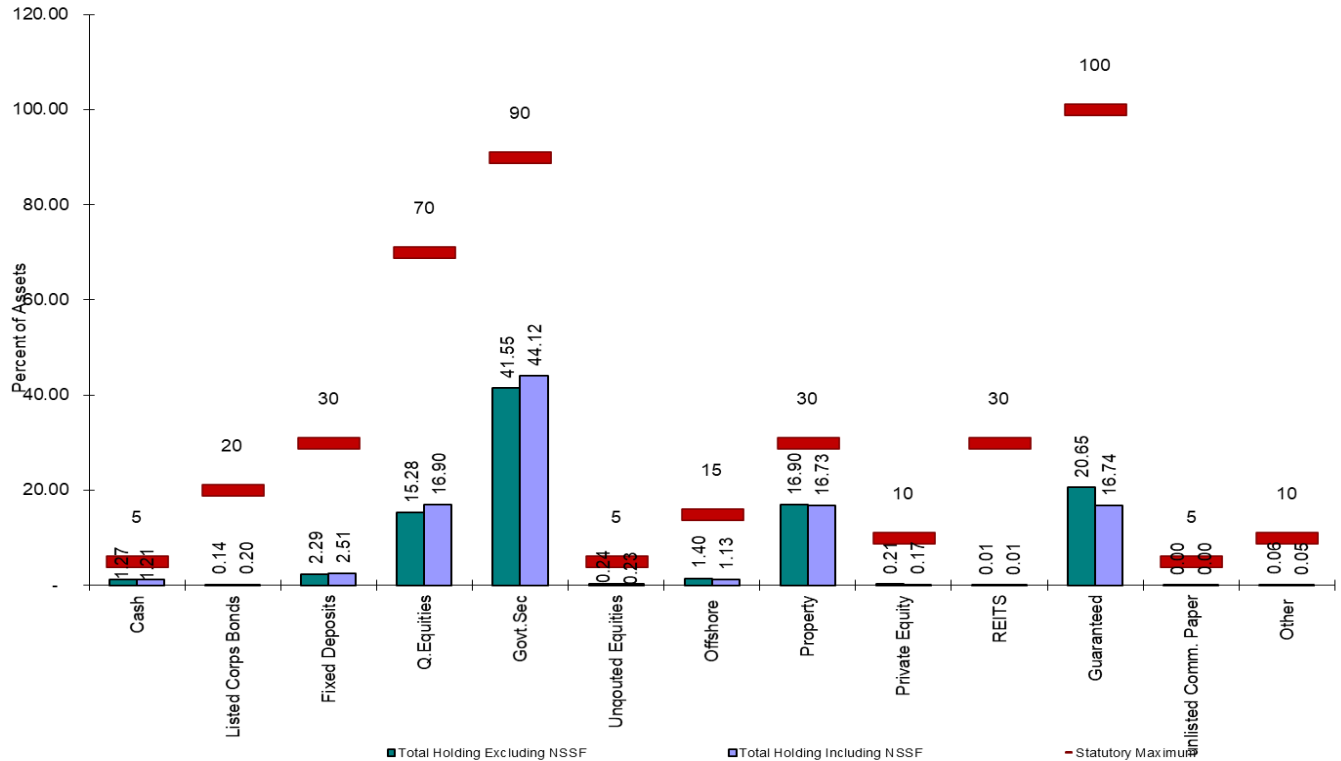
from Kshs. 11.38 billion in December 2020 to Kshs. 16.73 billion in June 2021 representing an increase of 47.7 percent. This can be partly attributed to the depreciation of the Kenya shilling against the dollar and the fact that schemes are pursuing diversification due to the stock market volatility. Cash and Demand deposits also recorded a jump from Kshs. 12.24 billion in December 2020 to Kshs. 17.91 billion in June 2021 representing a 46.32 percent increase. However, investments in listed corporate bonds, unlisted bonds, unquoted equities, 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 49.78 percent from Kshs. 1.67 billion in December 2020 to Kshs. 2.50 billion in June 2021 accounting for 0.17 percent of the total assets up from 0.12 percent in December 2020. Investment in REITS, however, continued to decline from Kshs. 280 million in December,2020 to Kshs. 142 million in June 2021. The period under review saw the emergence of investment under the “any other assets” category following the approval for some schemes to investment in the unlisted Income and Development REIT by Acorn Holdings Limited and offered under the Nairobi Securities Exchange under the Unquoted Securities Platform (USP). The investment under any other assets amounted to Kshs. 730 million accounting for 0.05 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. 18		June. 19		Dec. 19		Jun-20		Dec.2020		Jun-21	
	Kshs	%	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	652.11	44.12
2 Quoted Equities	201.51	17.27	203.63	16.36	228.12	17.52	187.47	14.17	218.12	15.59	249.79	16.90
3 Immovable Property	229.91	19.71	233.64	18.77	239.65	18.4	246.14	18.61	251.27	17.96	247.35	16.73
4 Guaranteed Funds	167.45	14.36	186.46	14.98	201.52	15.48	221.39	16.74	230.60	16.48	247.52	16.74
5 Listed Corporate Bonds	40.28	3.45	34.45	2.77	17.8	1.66	9.24	0.70	5.25	0.38	2.90	0.20
6 Fixed Deposits	36.39	3.12	40.04	3.21	39.41	3.03	44.75	3.38	39.04	2.79	37.07	2.51
7 Offshore	13.13	1.13	7.24	0.58	6.32	0.49	5.92	0.45	11.38	0.81	16.73	1.13
8 Cash	12.72	1.09	15.78	1.27	14.96	1.15	21.82	1.65	12.24	0.87	17.91	1.21
9 Unquoted Equities	3.79	0.33	3.72	0.3	3.61	0.28	2.5	0.19	3.42	0.24	3.40	0.23
10 Private Equity	0.86	0.07	0.91	0.07	0.969	0.07	1.17	0.09	1.67	0.12	2.50	0.17
11 REITS	0.71	0.06	0.59	0.05	0.503	0.04	0.29	0.02	0.28	0.02	0.14	0.01
12 Commercial Paper, Non-listed bonds by Private companies	0.06	0	0.06	0	0.059	0	0.078	0.01	0.04	0.00	0.02	0.001
13 Any Other Assets											0.73	0.05
TOTAL	1,166.49	100.00	1,244.92	100.00	1,298.19	100.00	1,322.59	100.00	1,398.95	100.00	1,478.18	100.00

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

OVERALL INDUSTRY INVESTMENT VS STATUTORY MAXIMUM



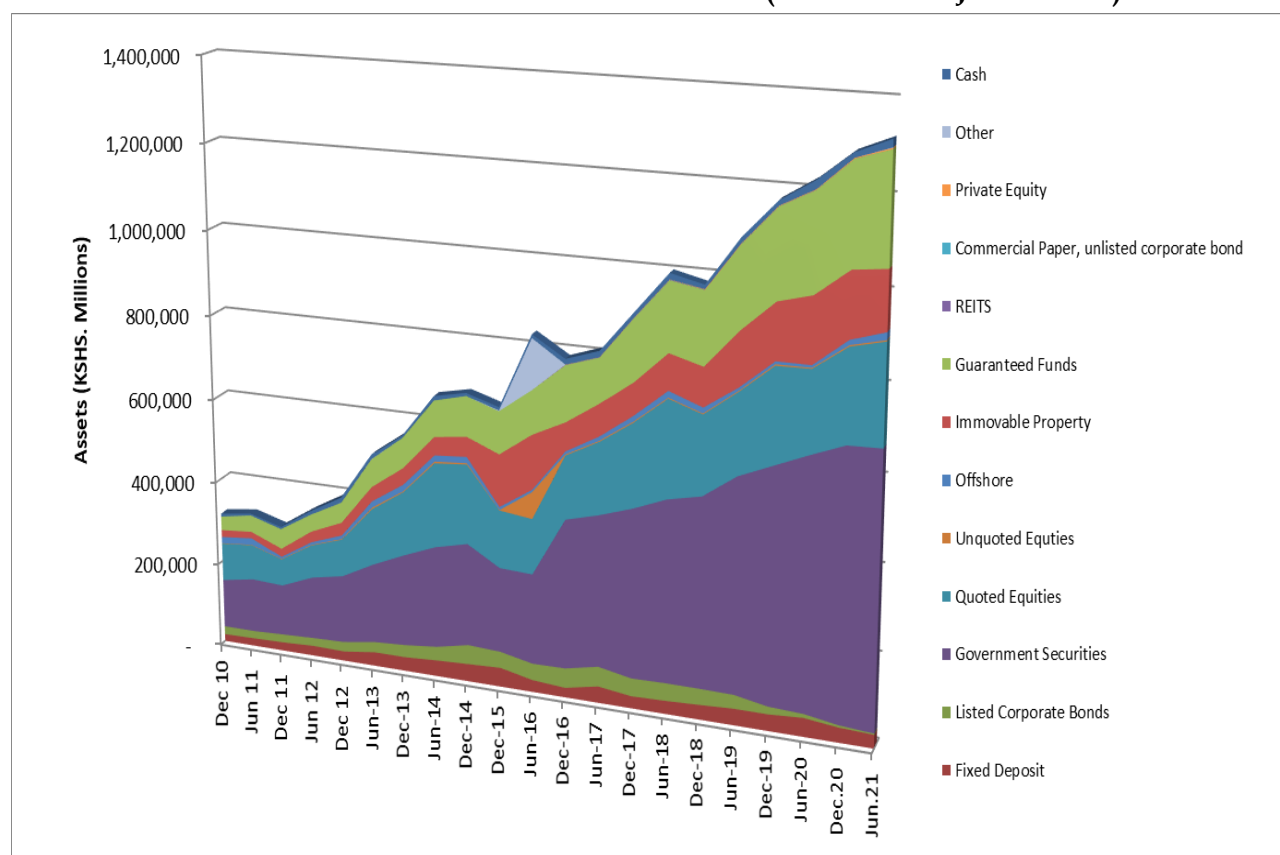
2.0 ASSETS HELD BY FUND MANAGERS AND APPROVED ISSUERS

For the period ending June 2021, 17 fund managers and 18 approved issuers, submitted 1,184 scheme reports with a total fund value of Kshs. 1,319.31 billion representing 2.6 percent increase in the total assets under management up from Kshs. Kshs. 1,286.41 billion in December 2020. Compared to the same period last year (June 2020), this was 7.9 percent increase of total assets under fund management from Kshs. 1,222.74 billion in June 2020. The total assets managed by fund managers amounted to Kshs. 1,071.80 billion while the approved issuers managed only Kshs. 247.52 billion despite managing funds of majority of the schemes³. During the period, fund managers reported investments under “any other asset class” following approval of some of the schemes to

³ The Fund Managers submitted 449 scheme reports while the approved issuers submitted 735 scheme reports.

invest under this category. The schemes invested in the unlisted Income and Development REIT by Acorn Holdings Limited which was offered through the Nairobi Securities Exchange under the Unquoted Securities Platform (USP). The drop in the investments under any other assets over the periods is attributed to the introduction of new assets classes⁴.

ASSETS UNDER FUND MANAGEMENT (DEC. 2010 - JUNE 2021)⁵



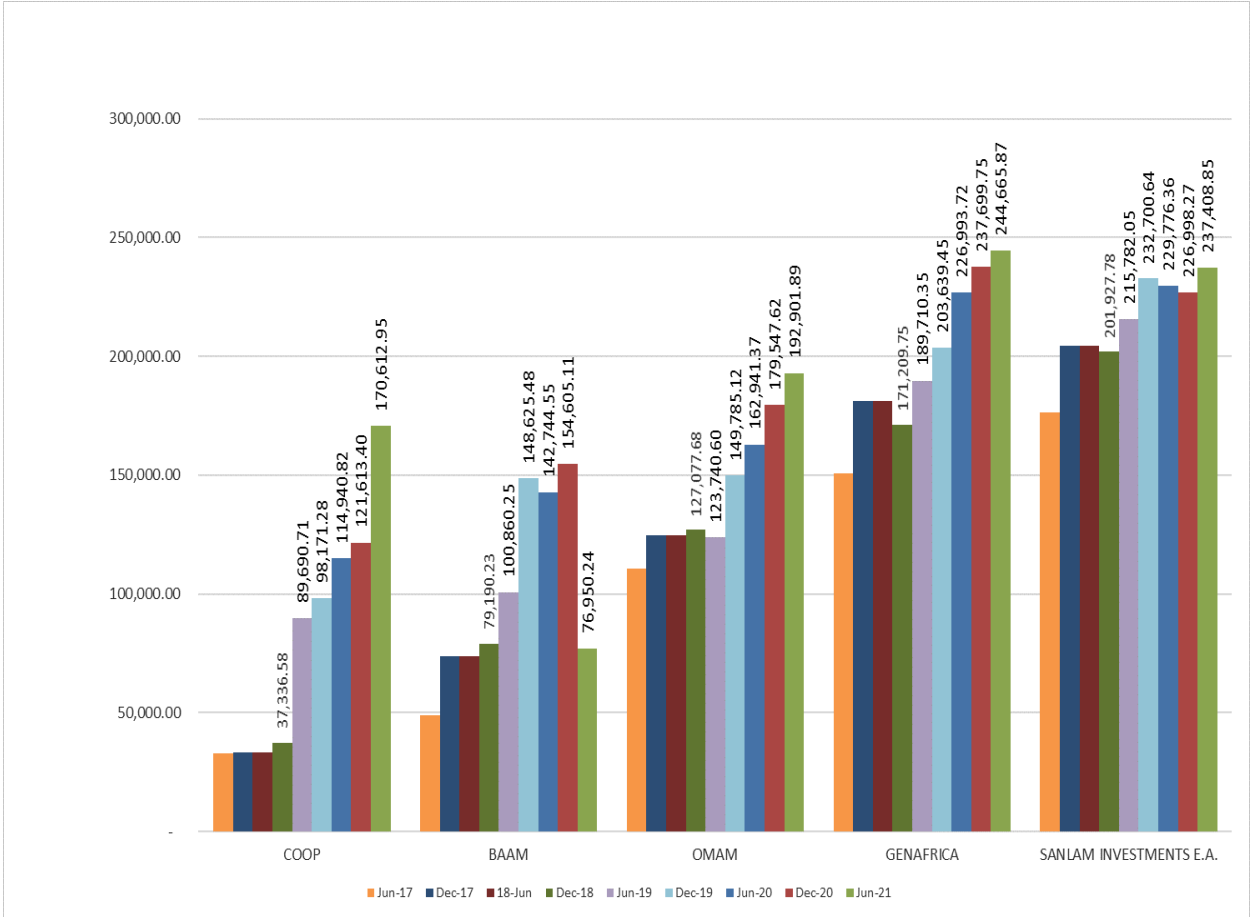
In terms of investments by specific fund managers and approved issuers, GenAfrica asset managers had the largest share of assets under management amounting to Kshs. 244.67 billion which translates to 18.54 percent of the total assets under fund management, this was followed by Sanlam Investments East Africa Company in position two with assets amounting to Kshs. 237.41 billion which translates to 17.99 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

⁴ 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.

⁵ During the period June 2016, a total of Kshs. 117.55 billion of investments was reported unclassified. Over the subsequent periods, all the investments were classified.

Mutual Investment Group Limited, Coop Trust Investment Services, and British American Asset Managers Ltd) managed the bulk of the investments with the total assets under management (AUM) amounting to Ksh. 922.54 billion accounting for 69.93 percent of the entire AUM. The assets managed by British American Assets Managers dropped drastically during the period from Kshs. 154.6 billion in December 2020 to Kshs. 76.95 billion in June 2021 representing 50.2 percent decline. This can be attributed to loss of business by NSSF where it was managing over Kshs. 82.28 billion in December 2020. 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 2021)



3.0 ASSETS HELD BY NATIONAL SOCIAL SECURITY FUND (NSSF)

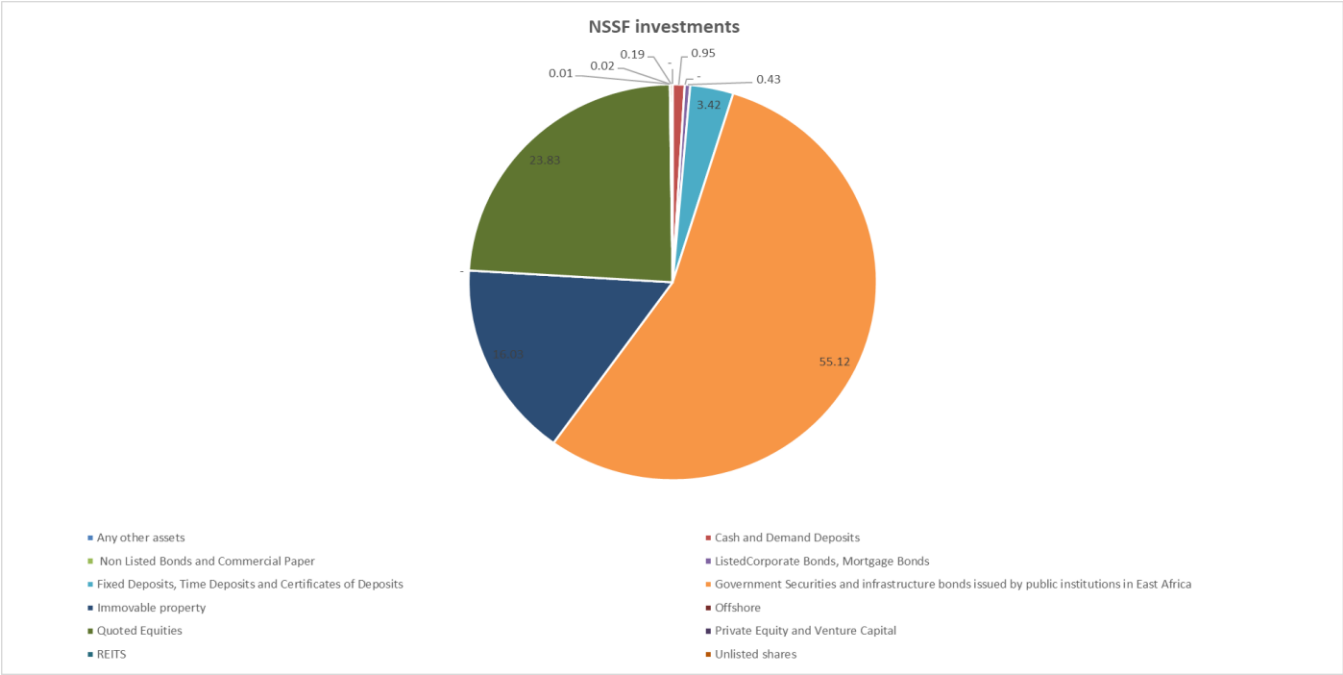
The total investments held by NSSF increased by Kshs. 15.86 billion to Kshs. 279.67 billion in June 2021 up from Kshs. 263.81 billion in December 2020. NSSF managed internally assets amounting to Kshs. 89.41 billion⁶. The externally managed funds decreased over the period by Kshs. 19.5 billion, down from Kshs. 209.76 in December 2020 to Kshs. 190.26 billion in June 2021. The Coop Trust Investments Services came back after the British American Asset Managers Limited was dropped as part external manager for NSSF assets. 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	Jun-21
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	51,643.24
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	46,057.90
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	51,818.25
Pinebridge Asset Managers	14,962	-	-	-	-	-	-	-	-	-	-	-
Co-op Trust	12,652	-	-	-	-	-	-	-	-	-	-	40,736.52
Total	79,606	102,453	116,493	133,630	143,303	155,275.26	125,913.84	138,657.24	191,709.00	193,078.97	209,758.65	190,255.92

The overall NSSF portfolio is heavily invested in government securities representing 55.12 percent of the total assets. This was followed by quoted equities and immovable property at 23.83 percent and 16.03 percent, respectively. The NSSF portfolio allocation complied with the investment guidelines.

⁶ These represent investments in immovable property (Kshs. 44.83 billion); quoted equities (Kshs. 20.58 billion); government securities (Kshs. 18.02); unquoted equities (Kshs.534.3 million); and fixed deposit (Kshs. 5.46 billion).



4.0 FUTURE OUTLOOK

The retirement benefits assets are expected to grow at a slow rate in the second half of 2021 owing to the effects and uncertainties arising from the coronavirus (Covid-19) pandemic and the political environment. The schemes are 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.

**SEPTEMBER 2021
RESEARCH & STRATEGY DEPARTMENT**