



## RETIREMENT BENEFITS INDUSTRY REPORT FOR JUNE 2023

### 1.0 OVERALL ASSETS UNDER MANAGEMENT

The retirement benefits assets under management increased by 8.09 percent from Kshs. 1,576.22 billion in December 2022 to Kshs. 1,703.69 billion in June 2023. Compared to the same period last year, the assets grew by 12.44 percent, up from Kshs. 1,515.16 billion in June 2022. The growth of the assets during the period is partly attributed to the enhanced contributions to the mandatory scheme, NSSF, which began in earnest in February 2023 following the court of appeal ruling and the improved performance of the offshore assets arising from the exchange rate fluctuations. The fund managers and approved issuers held majority of the assets amounting to Kshs. 1,598.68 billion. The assets under management included Kshs. 261.65 billion of NSSF funds, which were managed by six (6) external fund managers. The National Social Security Fund (NSSF) internally managed a total of Kshs. 46.61 billion of investments<sup>1</sup>, while the trustees of the various schemes directly managed Kshs. 58.39 billion of property investments<sup>2</sup>.

The schemes continued to invest heavily in government securities which accounted for 47.79 percent of the total assets under management. This was followed by guaranteed funds which accounted for 19.19 percent. Investments in immovable property and quoted equities accounted for 14.46 percent and 10.22 percent of the total assets under management respectively. Most of the investments during the first half of the year recorded some growth except quoted equities, immovable property and listed corporate bonds. The quoted equities recorded a negative growth of 19.14 percent with the investments dropping from Kshs. 215.24 billion in December 2022 to Kshs. 174.05 billion in June 2023, the listed corporate bonds recorded a negative growth of 3.64 percent with assets declining from Kshs. 7.82 billion in December 2022 to Kshs. 7.54 billion in June

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<sup>1</sup> This includes property amounting to Kshs. 39.14 billion; Quoted equities, Kshs. 4.02 billion; fixed deposits, Kshs. 2.54 billion and unlisted shares, Kshs. 900 million.

<sup>2</sup> The data of the internally managed property was extracted from the Schemes Financial Accounts for the year 2021 and 2022. 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.

2023 while immovable property recorded a marginal negative growth of 0.85 percent with investments declining from Kshs. 284.42 billion in December 2022 to Kshs. 246.31 billion in June 2023. The investment trend tends to shift towards “safer” or less volatile assets such as government securities, guaranteed funds and fixed deposits. The investments in fixed deposits increased sharply by 60.25 percent from Kshs. 42.23 billion in December 2022 to Kshs. 67.68 billion in December 2023 while the offshore investments increased from Kshs. 14.13 billion to Kshs. 23.13 billion in June 2023 recording increase of 63.65 percent.

Investment in alternative assets such as private equity & venture capital continued to be attractive to schemes due their diversification effects, which increased by 50.76 percent during the period, rising from Kshs. 3.56 billion in December 2022 to Kshs. 5.37 billion in June 2023. Investment in REITS increased sharply during the period from Kshs. 283 million in December 2022 to Kshs. 10.64 billion in June 2023 due to the addition of unlisted REITs -Acorn Student Accommodation Development REIT amounting to Kshs. 3.45 billion which was previously captured under investment under the “any other assets” category and the investment in the Laptrust Imara Income Trust amounting to Kshs. 6.92 billion. The addition of unlisted REITs followed the amendment of the retirement benefits (form and fees) regulations through legal notice No. 72 of 4<sup>th</sup> April 2022 to include unlisted REITs as an asset class under the listed and unlisted REITs approved by the Capital Markets Authority. The table below provides detailed aggregate investments by schemes in the various asset class category.

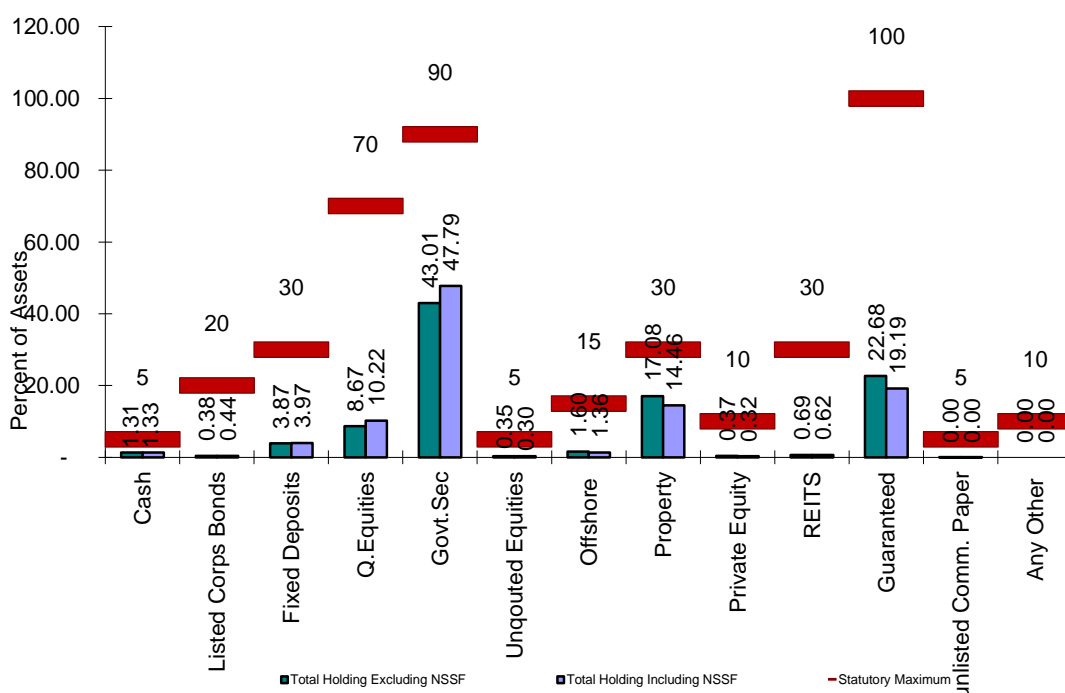
#### **OVERALL INDUSTRY INVESTMENT PORTFOLIO (KSHS. BILLION)**

	Assets Category	June 2021		December 2021		June 2022		December 2022		June 2023	
		Kshs. (Bn)	%	Kshs. (Bn)	%	Kshs. (Bn)	%	Kshs. (Bn)	%	Kshs. (Bn)	%
1	Government Securities	652.11	44.12	706.99	45.69	695.51	45.90	722.04	45.81	814.26	47.79
2	Quoted Equities	249.79	16.90	254.60	16.45	206.13	13.60	215.24	13.66	174.05	10.22
3	Immovable Property	247.35	16.73	254.51	16.45	239.22	15.79	248.42	15.76	246.31	14.46
4	Guaranteed Funds	247.52	16.74	259.79	16.79	284.51	18.78	298.01	18.91	326.99	19.19
5	Listed Corporate Bonds	2.90	0.20	6.80	0.44	7.40	0.49	7.82	0.50	7.54	0.44
6	Fixed Deposits	37.07	2.51	27.85	1.80	36.42	2.40	42.23	2.68	67.68	3.97
7	Offshore	16.73	1.13	19.41	1.25	15.24	1.01	14.13	0.90	23.13	1.36

	Assets Category	June 2021		December 2021		June 2022		December 2022		June 2023	
		Kshs. (Bn)	%	Kshs. (Bn)	%	Kshs. (Bn)	%	Kshs. (Bn)	%	Kshs. (Bn)	%
8	Cash	17.91	1.21	9.54	0.62	20.66	1.36	16.79	1.07	22.62	1.33
9	Unquoted Equities	3.40	0.23	3.48	0.23	4.38	0.29	4.99	0.32	5.08	0.30
10	Private Equity	2.50	0.17	2.96	0.19	3.40	0.22	3.56	0.23	5.37	0.32
11	REITS	0.14	0.01	0.37	0.02	0.27	0.02	0.28	0.02	10.64	0.62
12	Commercial Paper, Non-listed bonds by Private companies	0.02	0.001	0.01	0.00	0.02	0.001	0.03	0.00	0.03	0.002
13	Any Other Assets	0.73	0.05	1.12	0.07	2.00	0.13	2.67	0.17	-	-
	<b>TOTAL</b>	<b>1,478.18</b>	<b>100.00</b>	<b>1,547.43</b>	<b>100.00</b>	<b>1,515.16</b>	<b>100.00</b>	<b>1,576.22</b>	<b>100.00</b>	<b>1,703.69</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



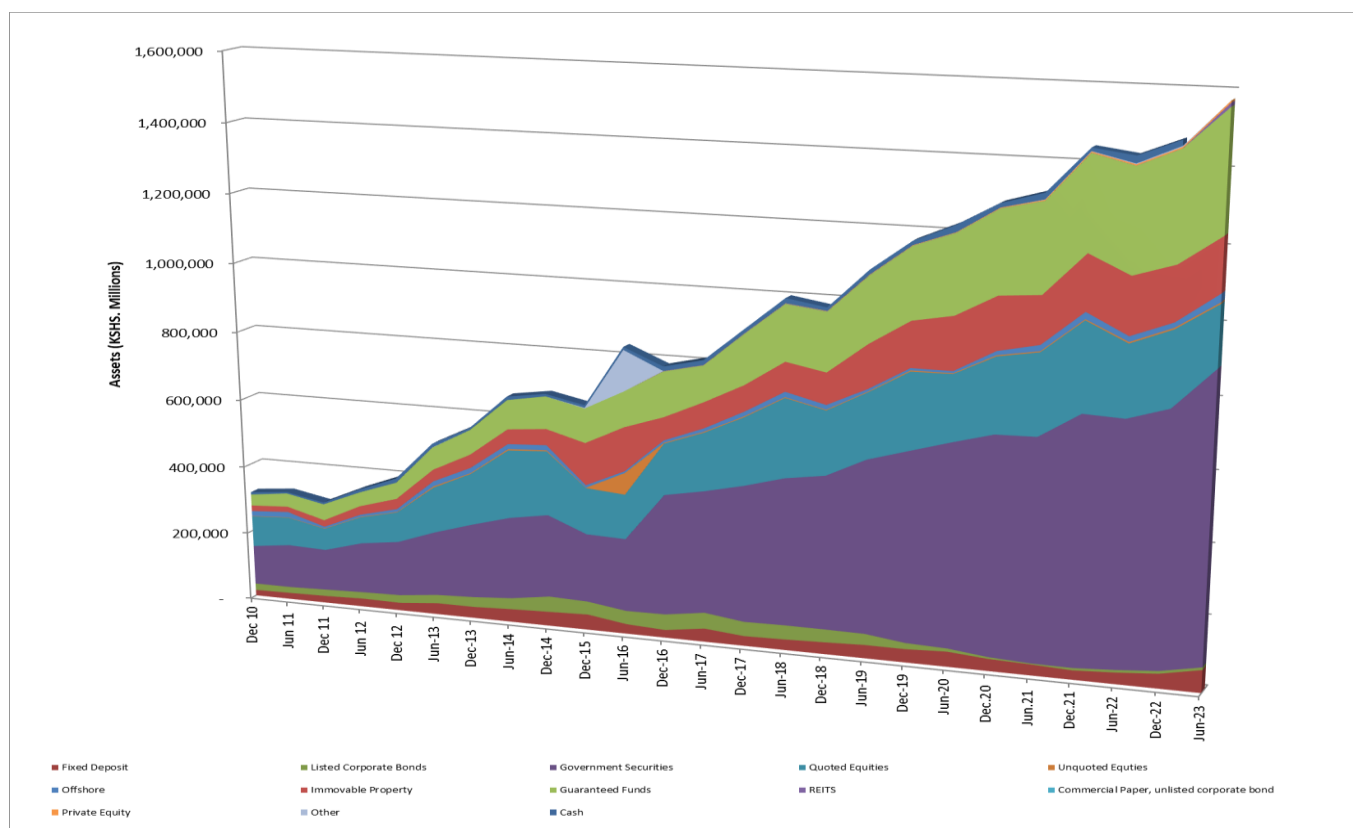
## 2.0 ASSETS HELD BY FUND MANAGERS AND APPROVED ISSUERS

For the period ending June 2023, 17 fund managers and 17 approved issuers, submitted 1,148 scheme reports with a total fund value of 1,598.68 billion representing 8.57 percent increase in the total assets under management. The assets increased from Kshs. 1,472.47 billion in December 2022. Compared to the same period last year (June 2022), this was a 15.4 percent increase in the total assets under fund management, up from Kshs. 1,385.30 billion in June 2022. The total assets managed by fund managers amounted to Kshs. 1,271.70 billion while the approved issuers managed only Kshs. 326.99 billion despite managing funds of majority of the schemes<sup>3</sup>. The investments under the guaranteed funds has been on upward trajectory following a shift to safer assets owing to volatility in the stock market and the high interest rates.

### ASSETS UNDER FUND MANAGEMENT (DEC. 2010 – JUNE. 2023)<sup>4</sup>

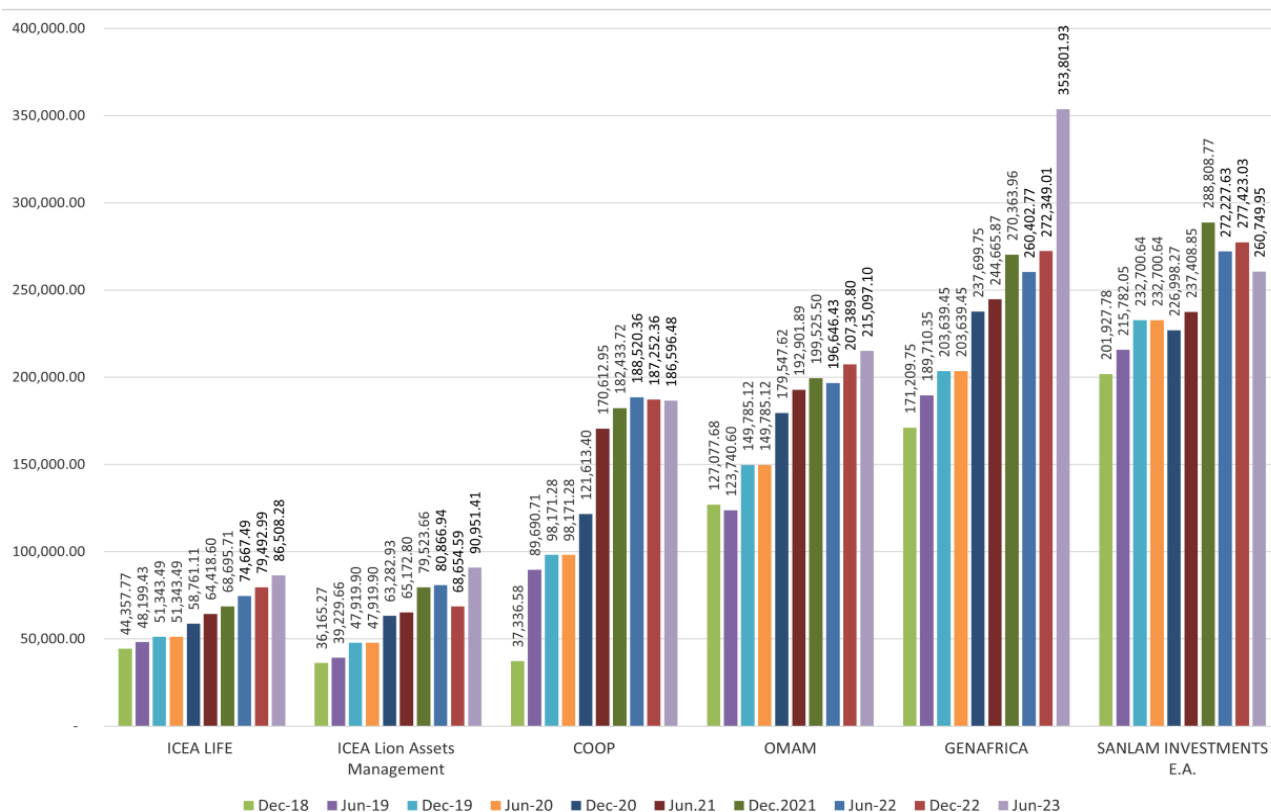
<sup>3</sup> The Fund Managers submitted 458 scheme reports while the approved issuers submitted 690 scheme reports.

<sup>4</sup> 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. The assets under any other category dropped following the amendment of the retirement benefits (form and fees) regulations through legal notice No. 72 of 4<sup>th</sup> April 2022 to include unlisted REITs as an asset class under the listed and unlisted REITs approved by the Capital Markets Authority.



In terms of investments by specific fund managers and approved issuers, Gen Africa asset managers had the largest share of assets under management amounting to Kshs. 353.80 billion which translates to 22.13 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. 260.75 billion which translates to 16.31 percent of the total assets under fund management. The top five fund managers during the period were Gen Africa Asset Managers, Sanlam Investments East Africa, Old Mutual Investment Group Limited, Coop Trust Investment Services, and ICEA Lion Asset Management, which managed the bulk of the investments with the total assets under management (AUM) amounting to Kshs. 1,107.20 billion accounting for 69.26 percent of the entire AUM. The ICEA Lion Assets Management joined the top five fund managers and approved issuers after a drop in December 2022. 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 (DEC. 2018 - JUNE 2023)



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

The total investments held by NSSF increased by Kshs. 12.61 billion to stand at Kshs. 308.26 billion in June 2023, up from Kshs. 295.65 billion in December 2022. The NSSF internally managed assets amounted to Kshs. 46.61 billion<sup>5</sup>. The externally managed funds increased over the period by Kshs. 11.66 billion, up from Kshs. 249.99 billion in December 2022 to Kshs. 261.65 billion in June 2023. The table below shows the distribution of the NSSF funds managed by various fund managers.

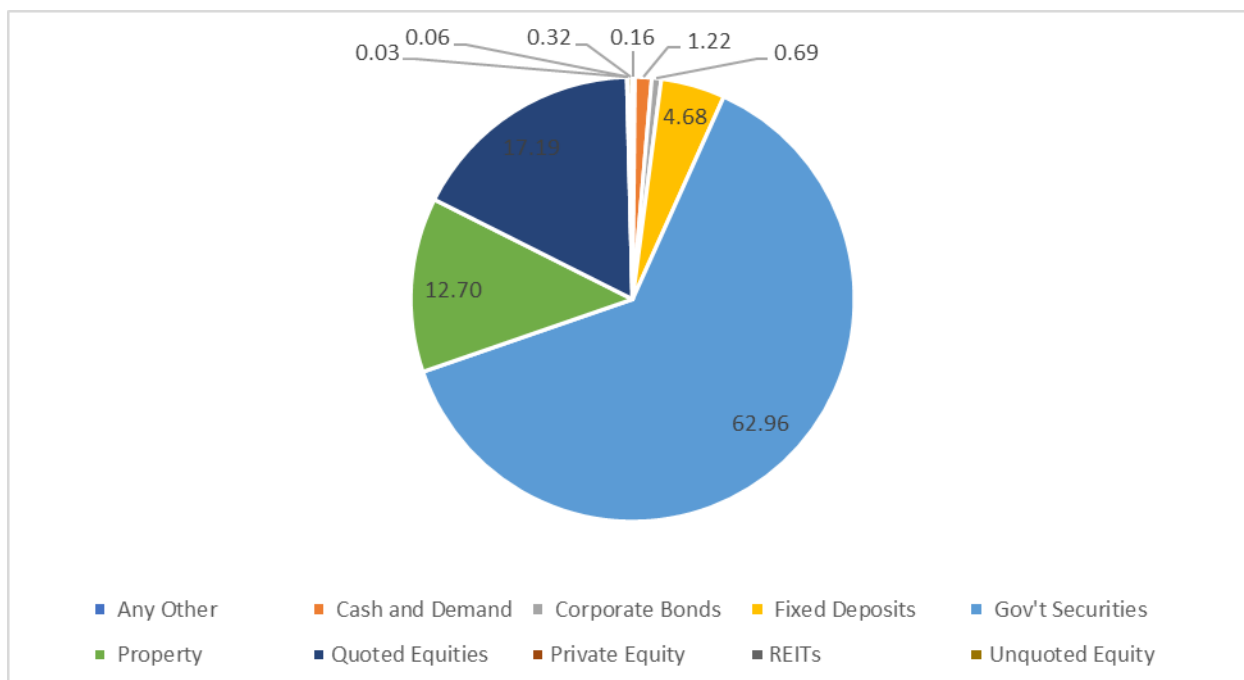
#### NSSF PORTFOLIO MANAGED BY EXTERNAL MANAGERS

Assets in Millions								
Fund Manager	Dec. 19	June-20	Dec. 2020	June-21	Dec. 21	June-22	Dec. 2022	June-23

<sup>5</sup> This includes property amounting to Kshs. 39.14 billion; Quoted equities, Kshs. 4.02 billion; fixed deposits, Kshs. 2.54 billion and unlisted shares, Kshs. 900 million.

British-American Asset Managers Limited	76,681.83	76,287.85	82,286.38	-	-	-	-	-
Gen Africa Asset Managers	44,107.34	43,437.59	47,812.12	51,643.24	56,446.47	54,457.07	57,292.06	58,979.14
Old Mutual Asset Managers (Kenya) Limited	37,822.78	38,815.51	42,197.08	46,057.90	48,288.30	46,309.44	49,192.51	51,127.17
African Alliance Kenya Investment Bank Limited	33,097.05	34,538.02	37,463.07	51,818.25	42,573.05	41,437.30	43,759.70	46,412.25
SANLAM Investment East Africa Ltd	-	-	-	-	46,041.98	43,914.04	39,484.19	26,666.47
Co-op Trust	-	-	-	40,736.52	46,878.40	44,960.95	47,755.37	50,475.28
CIC Asset Management Ltd	-	-	-	-	133.85	3,016.07	12,505.76	27,990.30
<b>Total</b>	<b>191,709.00</b>	<b>193,078.97</b>	<b>209,758.65</b>	<b>190,255.92</b>	<b>240,362.04</b>	<b>234,094.86</b>	<b>249,989.61</b>	<b>261,650.61</b>

The overall NSSF portfolio is heavily invested in government securities representing 62.96 percent of the total assets. This was followed by quoted equities and immovable property at 17.19 percent and 12.7 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 second half of 2023 owing to the rebound of the economy, which has remained resilient despite the adverse effects of domestic and external shocks. However, the growth will be slow due to the high interest rates and fluctuating exchange rate. The schemes are expected to continue to invest in alternative assets given the broadening of the allowable investment categories and also take advantage of the government infrastructural projects.

**SEPTEMBER 2023**  
**RESEARCH, STRATEGY AND PLANNING DIRECTORATE**