



RETIREMENT BENEFITS INDUSTRY REPORT FOR DECEMBER 2021

1.0 OVERALL ASSETS UNDER MANAGEMENT

The retirement benefits assets under management increased by 4.68 percent from Kshs. 1,478.18 billion in June 2021 to Kshs. 1,547.43 billion in December 2021. Compared to the same period last year (December 2020) the assets grew by 10.61 percent, up from Kshs. 1,398.95 billion in December 2020. The slow growth in the assets during the period can partly be attributed to the adverse effects of the Covid-19 pandemic which has negatively impacted the financial markets and the wider economy 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. 1,441.64 billion. The assets under management included Kshs. 240.36 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. 49.94 billion of investments¹, while the trustees of the various schemes directly managed Kshs. 55.85 billion of property investments².

The schemes continued to invest heavily in government securities with the asset class accounting for 45.69 percent of the total assets under management. This was followed by guaranteed funds which accounted for 16.79 percent; investments in quoted equities and immovable property each accounted for 16.45 percent of the total assets under management. Investment in government securities and guaranteed funds increased by 8.42 percent and 4.96 percent respectively compared to June 2021 partly due to the shift to safer assets due to the political climate and the volatility in the stock market. The

¹ This includes property amounting to Kshs. 44.21 billion; fixed deposits, Kshs. 1.05 billion; Quoted equities, Kshs. 4.17 billion, and unlisted shares, Kshs. 497.6 million.

² The data of the internally managed property was extracted from the Schemes Financial Accounts for the year 2020 and 2021. 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.

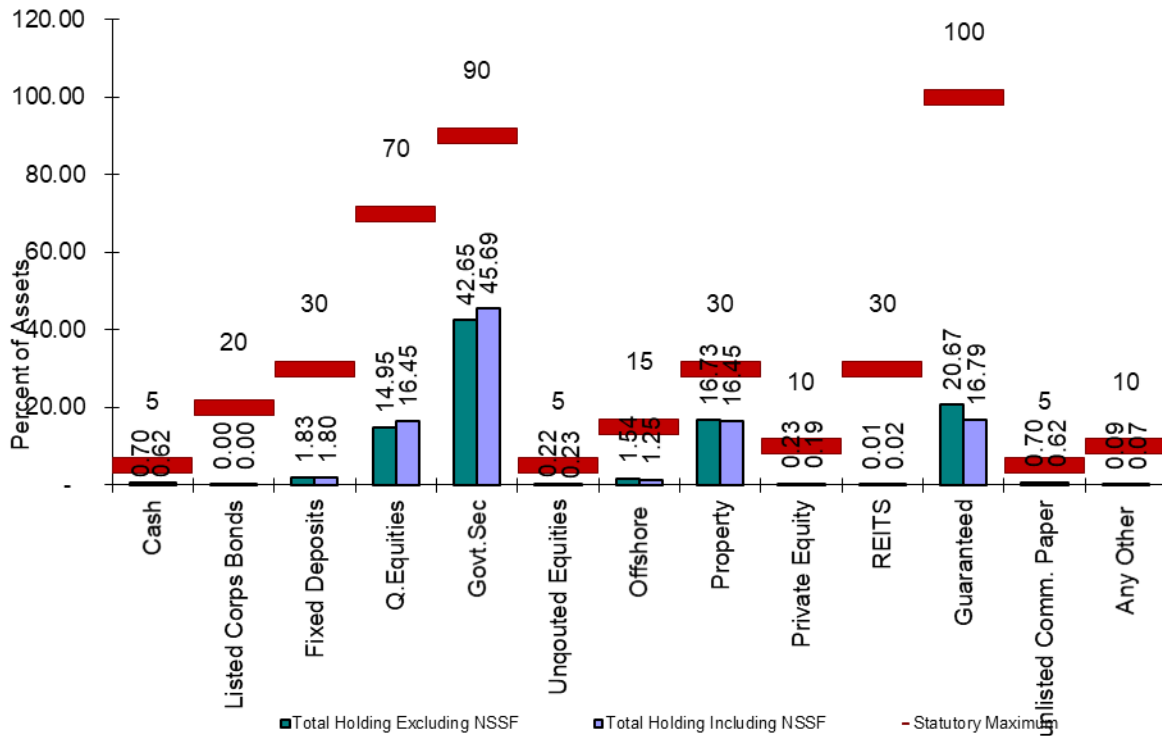
offshore investments also continued to record an upward trend increasing from Kshs. 11.38 billion in December 2020 to Kshs. 19.41 billion in December 2021 representing an increase by 70.59 percent. This can be partly attributed to the depreciation of the Kenya shilling against the dollar and the fact that schemes are pursuing diversification due to the stock market volatility. Investments in listed corporate bond also shot up by 134.59 percent up from Kshs. 2.9 billion in June 2021 to Kshs. 6.8 billion in December 2021. This is partly attributed to the investment in the EABL Domestic Medium Note which attracted an oversubscription. However, investments in unlisted bonds, unquoted equities, fixed deposits, and cash dropped during the period. Investment in alternative assets i.e., private equity & venture capital, and REITs continued to be attractive to schemes due their diversification effects, which increased by 18.38 percent and 161.53 percent respectively. Investment under the “any other assets” category also increased from Kshs. 730 million to Kshs. 1.12 billion 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) accounting for 0.07 percent of the total assets under management. The table below provides detailed aggregate investments by schemes by the various asset classes.

OVERALL INDUSTRY INVESTMENT PORTFOLIO (KSHS. BILLION)

	Assets Category	Dec. 19		Jun-20		Dec.2020		Jun-21		Dec.2021	
		Kshs	%	Kshs	%	Kshs.	%	Kshs.	%	Kshs.	%
1	Government Securities	545.27	41.88	581.82	43.99	625.65	44.72	652.11	44.12	706.99	45.69
2	Quoted Equities	228.12	17.52	187.47	14.17	218.12	15.59	249.79	16.90	254.60	16.45
3	Immovable Property	239.65	18.4	246.14	18.61	251.27	17.96	247.35	16.73	254.51	16.45
4	Guaranteed Funds	201.52	15.48	221.39	16.74	230.60	16.48	247.52	16.74	259.79	16.79
5	Listed Corporate Bonds	17.8	1.66	9.24	0.70	5.25	0.38	2.90	0.20	6.80	0.44
6	Fixed Deposits	39.41	3.03	44.75	3.38	39.04	2.79	37.07	2.51	27.85	1.80
7	Offshore	6.32	0.49	5.92	0.45	11.38	0.81	16.73	1.13	19.41	1.25
8	Cash	14.96	1.15	21.82	1.65	12.24	0.87	17.91	1.21	9.54	0.62
9	Unquoted Equities	3.61	0.28	2.5	0.19	3.42	0.24	3.40	0.23	3.48	0.23
10	Private Equity	0.969	0.07	1.17	0.09	1.67	0.12	2.50	0.17	2.96	0.19
11	REITS	0.503	0.04	0.29	0.02	0.28	0.02	0.14	0.01	0.37	0.02
12	Commercial Paper, Non-listed bonds by Private companies	0.059	0.00	0.078	0.01	0.04	0.00	0.02	0.001	0.01	0.00
13	Any Other Assets							0.73	0.05	1.12	0.07
	TOTAL	1,298.19	100.00	1,322.59	100.00	1,398.95	100.00	1,478.18	100.00	1,547.43	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



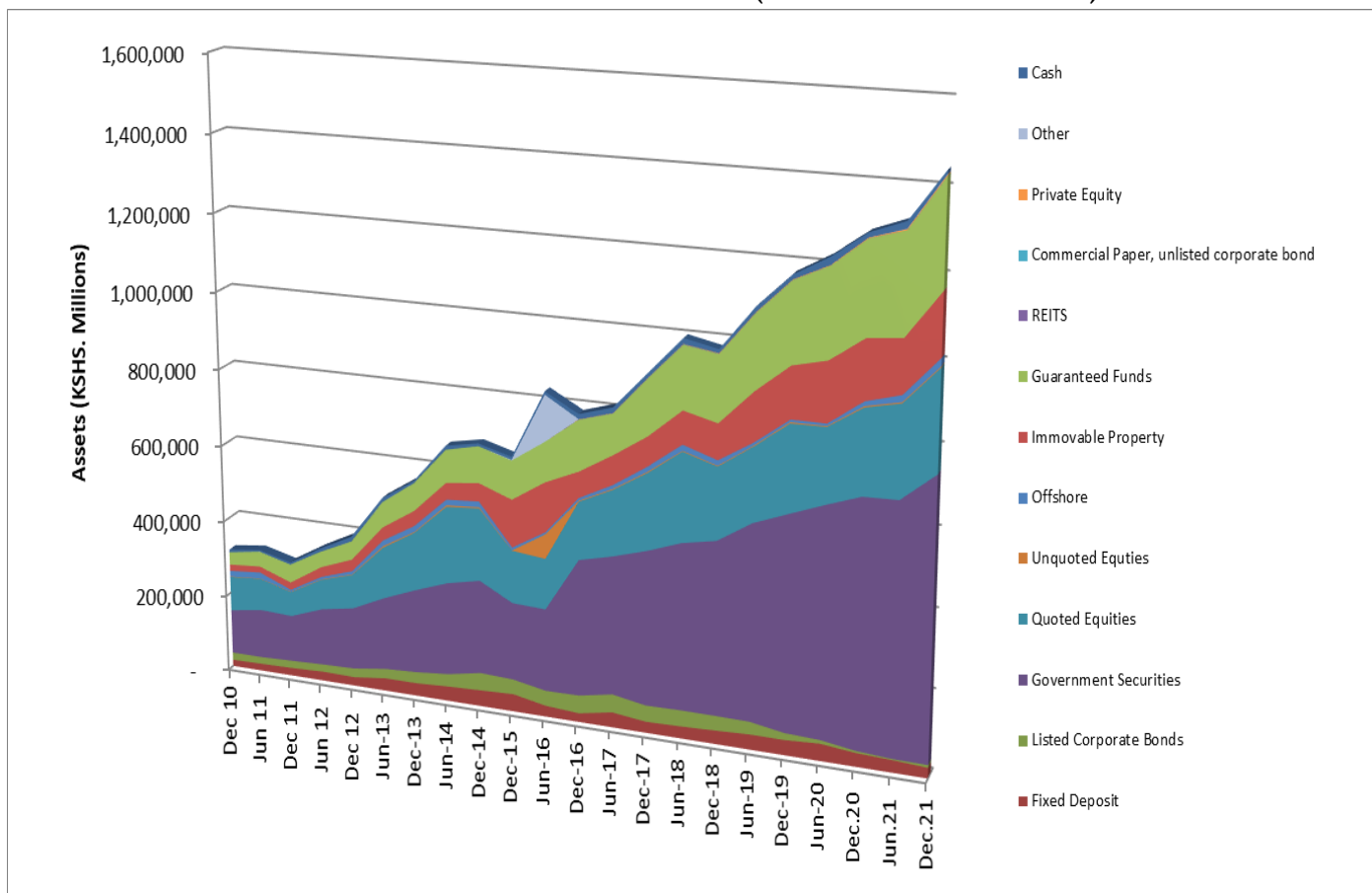
2.0 ASSETS HELD BY FUND MANAGERS AND APPROVED ISSUERS

For the period ending December 2021, 17 fund managers and 17 approved issuers, submitted 1,172 scheme reports with a total fund value of Kshs. 1,441.64 billion representing 9.27 percent increase in the total assets under management, up from Kshs. 1,319.31 billion in June 2021. Compared to the same period last year (December 2020), this was 12.07 percent increase of total assets under fund management from Kshs. Kshs. 1,286.41 billion in December 2020. The total assets managed by fund managers amounted to Kshs. 1,181.85 billion while the approved issuers managed only Kshs. 259.79 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 invest under this category. The schemes invested in the

³ The Fund Managers submitted 456 scheme reports while the approved issuers submitted 716 scheme reports.

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 – DEC. 2021)⁵



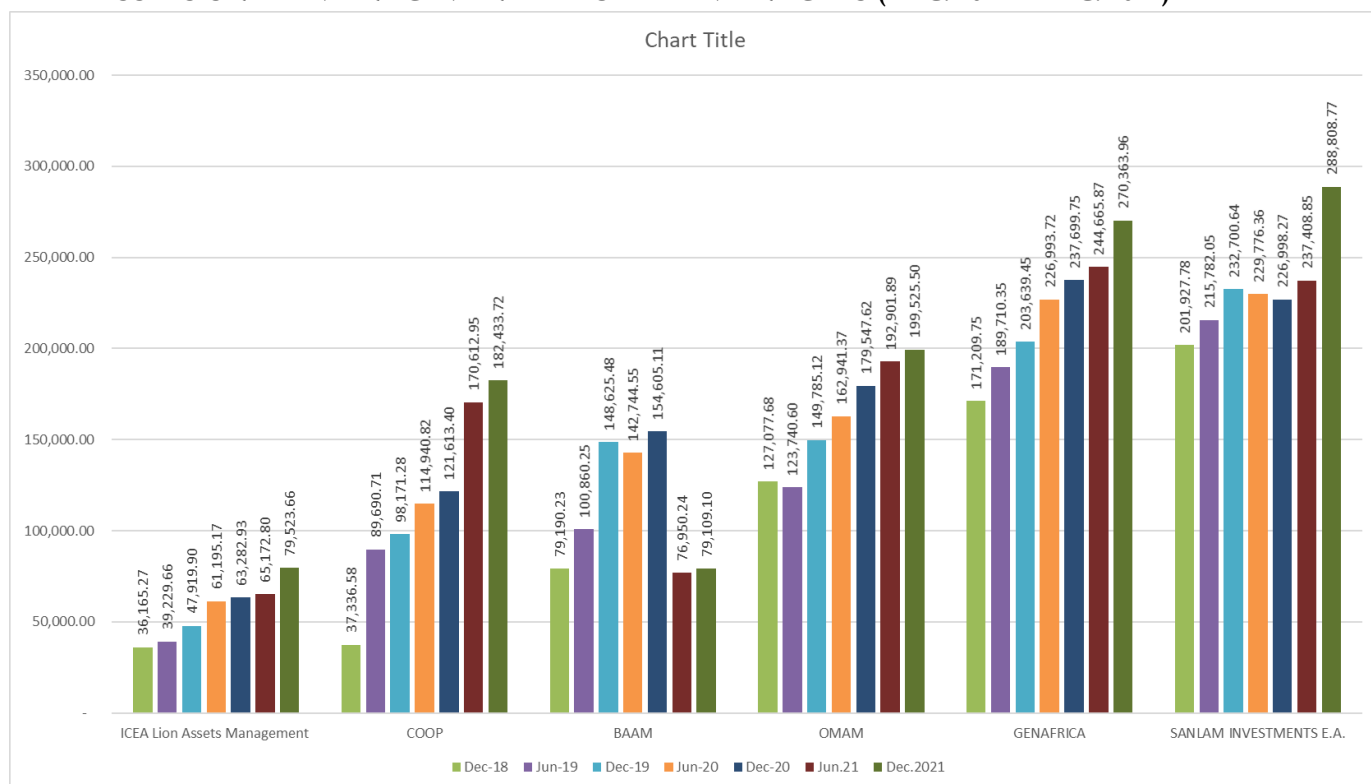
In terms of investments by specific fund managers and approved issuers, Sanlam Investments East Africa Company had the largest share of assets under management amounting to Kshs. 288.81 billion which translates to 20 percent of the total assets under fund management, this was followed by GenAfrica asset managers in position two with assets amounting to Kshs. 270.36 billion which translates to 18.75 percent of the total assets under fund management. The top five fund managers during the period were (Sanlam Investments East Africa, GENAfrica Asset Managers, Old Mutual Investment

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.

Group Limited, Coop Trust Investment Services, and ICEA Lion Assets Management Ltd) managed the bulk of the investments with the total assets under management (AUM) amounting to Ksh. 1,020.66 billion accounting for 70.80 percent of the entire AUM. The assets managed by British American Assets Managers dropped drastically from June 2021 due 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 (DEC. 2017 - DEC. 2021)



3.0 ASSETS HELD BY NATIONAL SOCIAL SECURITY FUND (NSSF)

The total investments held by NSSF increased by Kshs. 10.63 billion to Kshs. 290.30 billion in December 2021 up from Kshs. 279.67 billion in June 2021. NSSF internally managed assets amounting to Kshs. 49.94 billion⁶. The externally managed funds increased over the period by Kshs. 50.1 billion, up from Kshs.190.26 billion in June 2021 to Kshs. 240.36 billion in December 2021. SANLAM Investment East Africa Ltd and

⁶ These represent investments in immovable property (Kshs. 44.21 billion); quoted equities (Kshs. 4.17 billion); fixed deposit (Kshs. 1.05 billion) and unquoted equities (Kshs.497.68 million).

CIC Assets Management Ltd join the list of fund managers managing NSSF funds after the exit of the British American Asset Managers Ltd. The table below shows the distribution of the NSSF funds to the various fund managers.

NSSF PORTFOLIO MANAGED BY EXTERNAL MANAGERS

Assets in Kshs. (Millions)							
Fund Manager	Dec.18	June. 19	Dec. 19	Jun-20	Dec. 2020	Jun-21	Dec. 21
British-American Asset Managers Limited	31,099.44	34,835.17	76,681.83	76,287.85	82,286.38	-	-
Gen Africa Asset Managers	37,413.03	40,557.00	44,107.34	43,437.59	47,812.12	51,643.24	56,446.47
ICEA Lion Asset Management Limited	-	-	-	-	-	-	-
Old Mutual Asset Managers (Kenya) Limited	30,395.65	33,568.29	37,822.78	38,815.51	42,197.08	46,057.90	48,288.30
African Alliance Kenya Investment Bank Limited	27,005.72	29,696.78	33,097.05	34,538.02	37,463.07	51,818.25	42,573.05
SANLAM Investment East Africa Ltd	-	-	-	-	-	-	46,041.98
Co-op Trust Investment Services Ltd	-	-	-	-	-	40,736.52	46,878.40
CIC Asset Management Ltd							133.85
Total	125,913.84	138,657.24	191,709.00	193,078.97	209,758.65	190,255.92	240,362.04

The overall NSSF portfolio is heavily invested in government securities representing 58.86 percent of the total assets. This was followed by quoted equities and immovable property at 22.98 percent and 15.23 percent, respectively. The NSSF portfolio allocation complied with the investment guidelines.

4.0 FUTURE OUTLOOK

The retirement benefits assets are expected to grow at a slow rate in the first half of 2022 owing to the effects and uncertainties arising from the coronavirus (Covid-19) pandemic, the Russia-Ukraine conflict and the political environment in Kenya. 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.