

UNIVERSITY OF NAIROBI PENSION SCHEME 2007

Annual General Meeting – Financial Year 2021/2022
ending 30th June 2022



DO GREAT



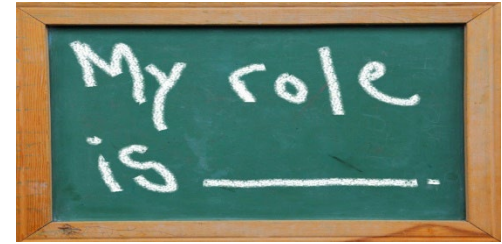


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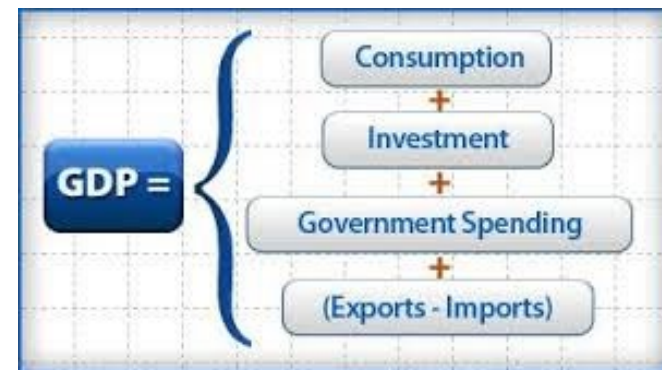


ROLE OF THE FUND MANAGER

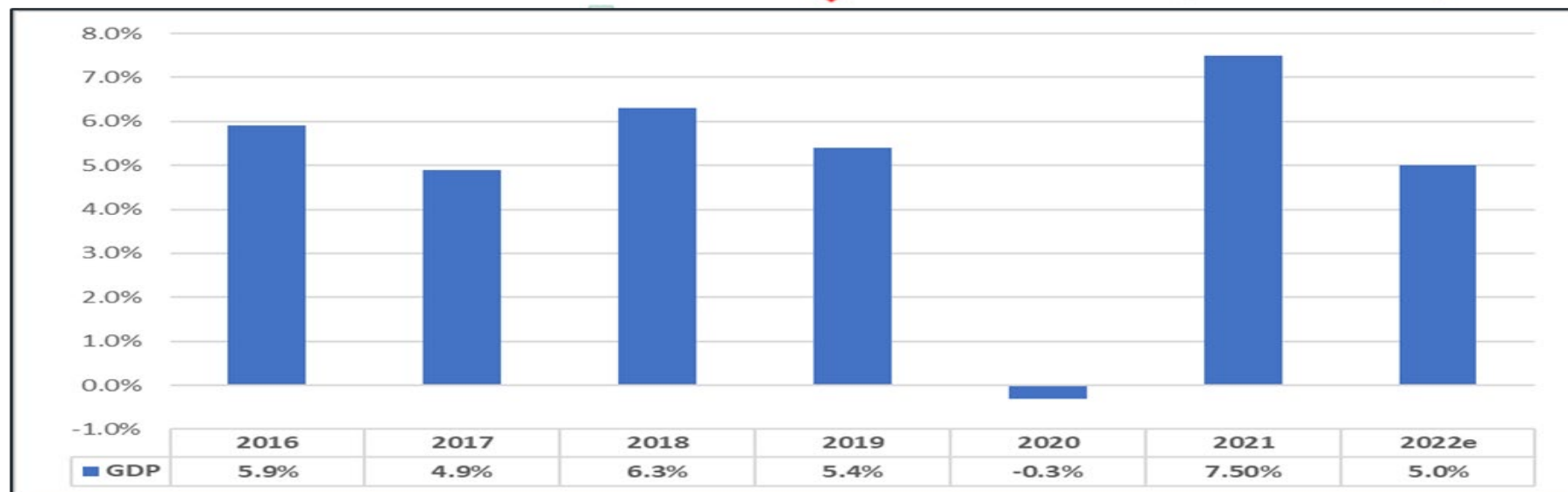
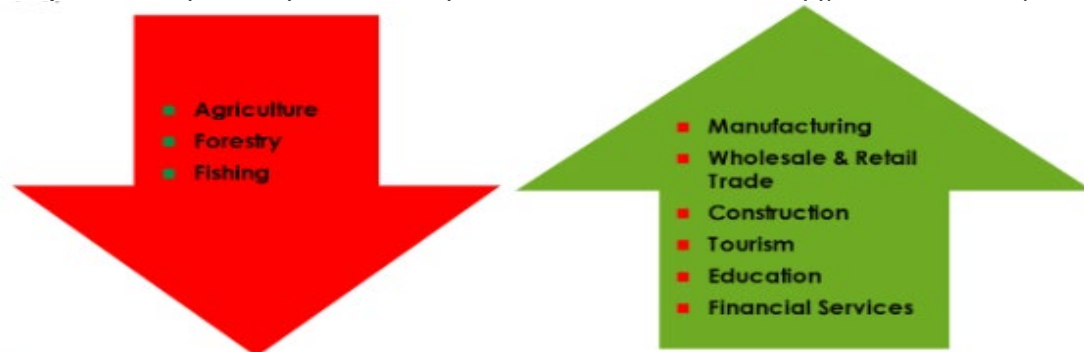


- Every Scheme is required under the RBA Act to appoint a Fund Manager.
- The role of the Fund Manager is:
 - To advise the Trustees on the available investment options
 - Fixed Income – Treasury bills & bonds, Commercial paper & Corporate bonds and fixed deposits.
 - Equities i.e. shares
 - Offshore investments
 - Alternative Investments e.g. unlisted equities, private equity
 - Invest scheme assets according to the approved investment policy.
 - Constructing the Best Portfolio suitable for the market environment
 - Report to the Trustees on the performance of the scheme funds.
 - Submit appropriate quarterly returns to RBA
 - Report to Scheme Members at AGM

ECONOMIC ENVIRONMENT: GDP



- The economy grew by **7.2% in FY 2021/22** buoyed by recovery in the manufacturing, education, transport and services sectors.



Currency performance

- The Kenyan Shilling has continued to weaken due to increased capital outflows and increased imports to meet domestic demand. The FX shortage continues to subdue equity market returns/prices (**note 11**) despite company profit/dividend growth (**note 9b**).



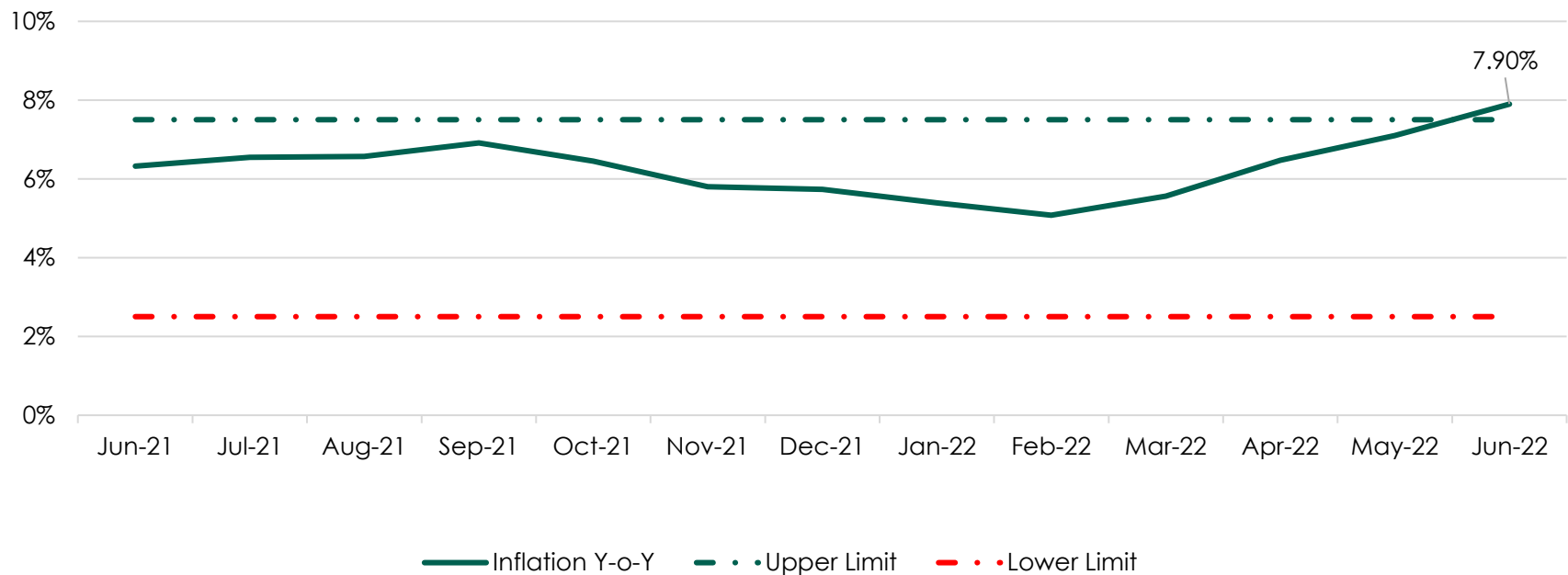


ECONOMIC ENVIRONMENT: INFLATION



- Annual inflation on **average** was at **6.3%** for the year, peaking at **7.9%** in June 2022. This was mainly driven by rising food and fuel prices emanating from supply chain disruptions caused by Russia's invasion of Ukraine.

Annual Inflation

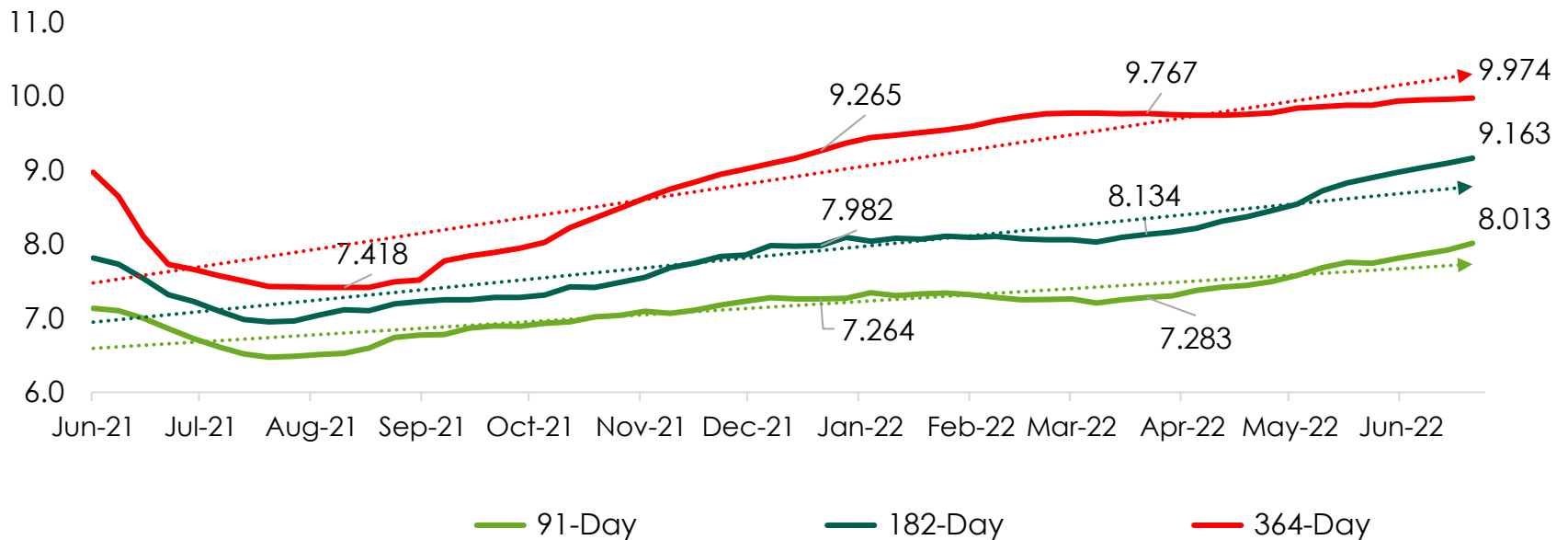




ECONOMIC ENVIRONMENT: YIELDS

- A rise in G.O.K. borrowing rates in the short-term Government instruments in response to high inflation.

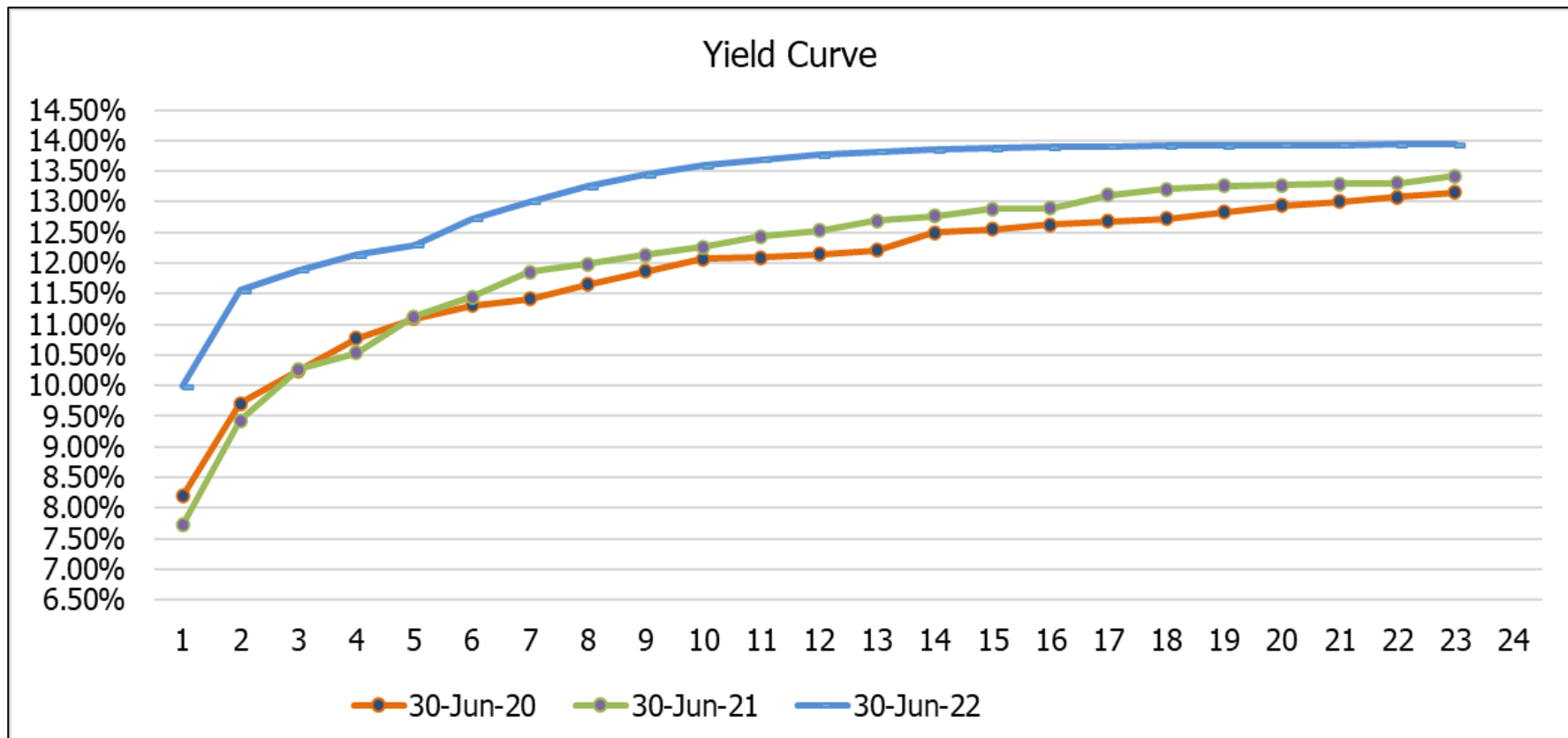
Treasury Bills Yields Movement (%)





ECONOMIC ENVIRONMENT: YIELDS

- An increase in G.O.K. borrowing rates across the yield curve meant that Government bonds (long-term interest-bearing instruments) valuations **dropped** in the year (note 11).

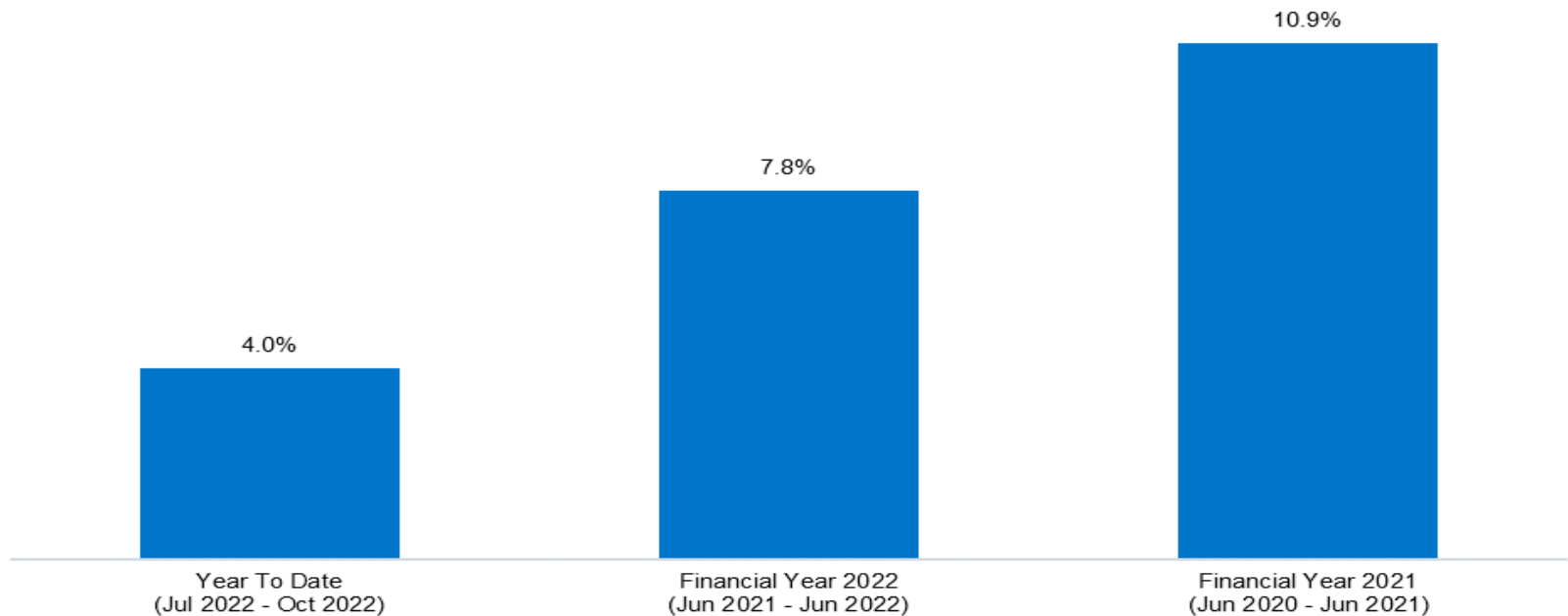




ECONOMIC ENVIRONMENT: Treasury Bond performance

- An increase in G.O.K. borrowing rates across the yield curve meant that Government bonds (long-term interest-bearing instruments) valuations **dropped** in the year (**note 11**).

S&P Sovereign Bond Index

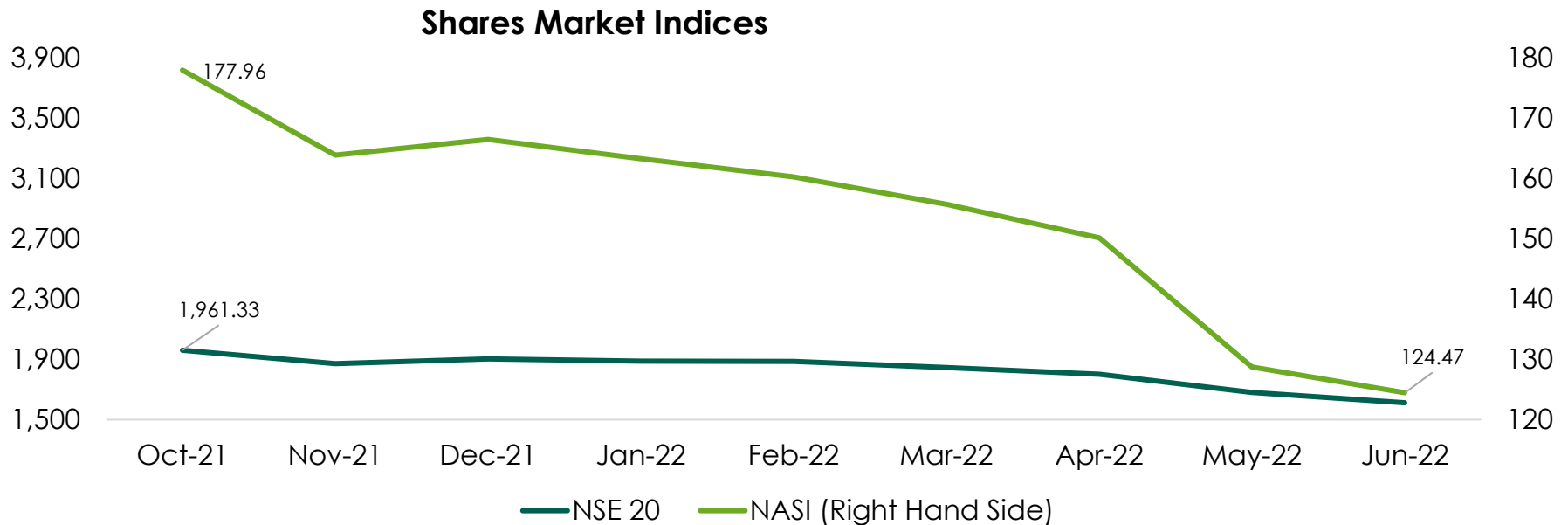




DOMESTIC EQUITY MARKET

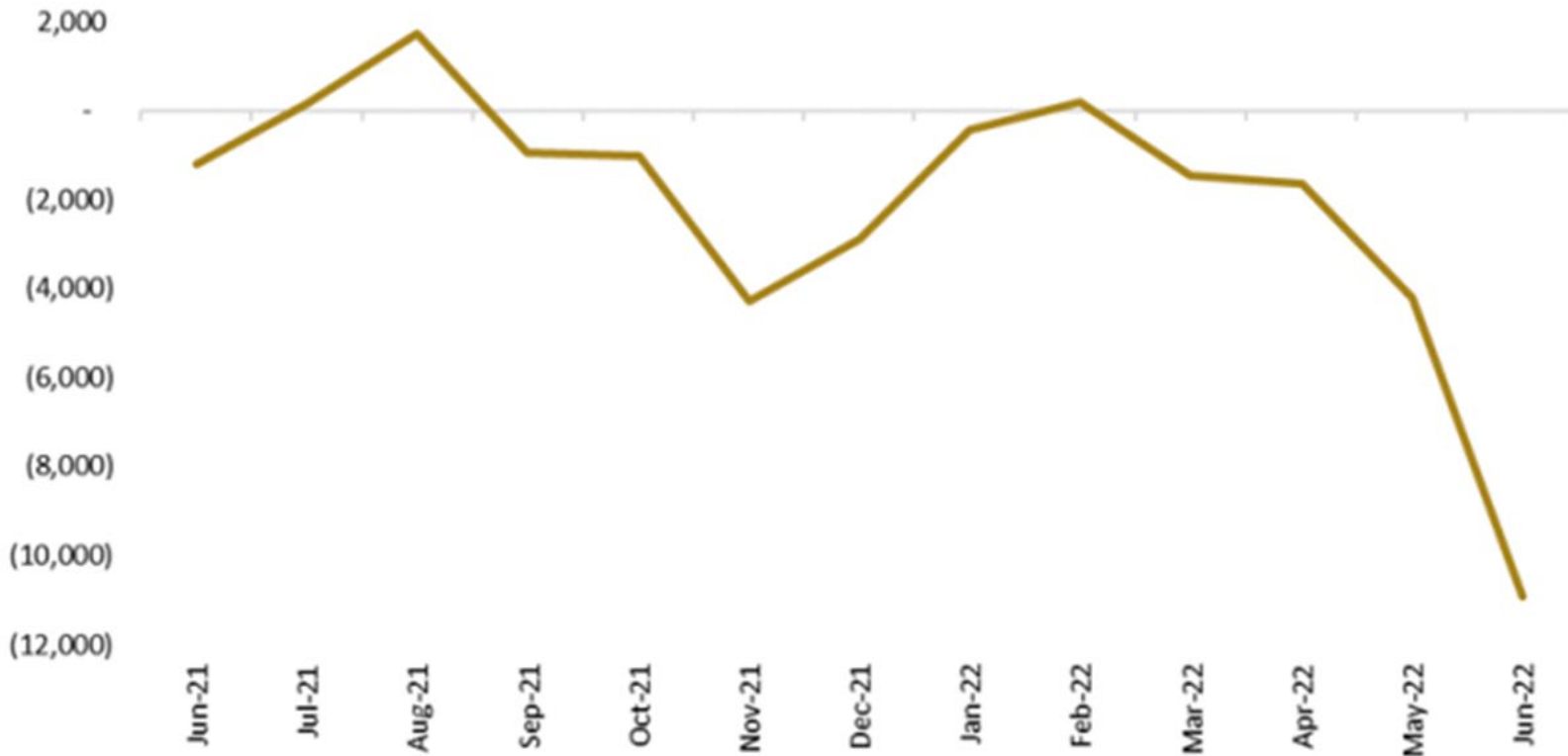


- The Equities/Shares market **was weak** in FY2021/22, with the **Nairobi All Share Index** losing **30%** in the year attributable to heavy foreign investor sell-off in response to increased global interest rates, local exchange rate concerns and geopolitical tension.





DOMESTIC EQUITY MARKET – FOREIGN FLOWS USD





DOMESTIC EQUITY MARKET



Safaricom	1Q FY21/22	2Q FY21/22	3Q FY21/22	4Q FY21/22	Total in/(out)flow
Foreign Buys	11,182,065,325	10,429,824,655	8,322,876,070	5,436,039,250	
Foreign Sells	8,820,602,450	16,547,650,485	11,275,328,465	13,579,774,830	
Net Foreign Flow	2,361,462,875	(6,117,825,830)	(2,952,452,395)	(8,143,735,580)	(14,852,550,930)
Equity Bank	1Q FY21/22	2Q FY21/22	3Q FY21/22	4Q FY21/22	
Foreign Buys	2,212,805,745	2,934,829,010	2,216,792,525	1,747,463,750	
Foreign Sells	1,692,022,745	2,709,096,405	1,318,635,400	3,166,663,010	
	520,783,000	225,732,605	898,157,125	(1,419,199,260)	225,473,470
KCB	1Q FY21/22	2Q FY21/22	3Q FY21/22	4Q FY21/22	
Foreign Buys	1,192,543,190	730,860,230	1,447,301,815	257,117,515	
Foreign Sells	926,413,730	2,123,248,705	890,177,840	730,575,990	
	266,129,460	(1,392,388,475)	557,123,975	(473,458,475)	(1,042,593,515)
EABL	1Q FY21/22	2Q FY21/22	3Q FY21/22	4Q FY21/22	
Foreign Buys	1,372,882,125	1,477,895,775	1,138,190,725	1,321,134,550	
Foreign Sells	3,314,535,775	2,254,103,550	1,501,148,600	2,154,157,800	
	(1,941,653,650)	(776,207,775)	(362,957,875)	(833,023,250)	(3,913,842,550)

	30 Jun 2021	30 Jun 2022	Performance
SAFARICOM	41.45	24.95	-39.81%
KCB	42.65	38.65	-9.38%
EQUITY	44.75	43.00	-3.91%
EABL	180.75	137.25	-24.07%

Net outflows by foreign investors led to downward pressure on prices (**note 11**). However, company fundamentals remain solid as evidenced by robust profit/dividend growth (**note 9b**).



University of Nairobi Pension Scheme



ASSET ALLOCATION AS AT 30th JUNE 2022

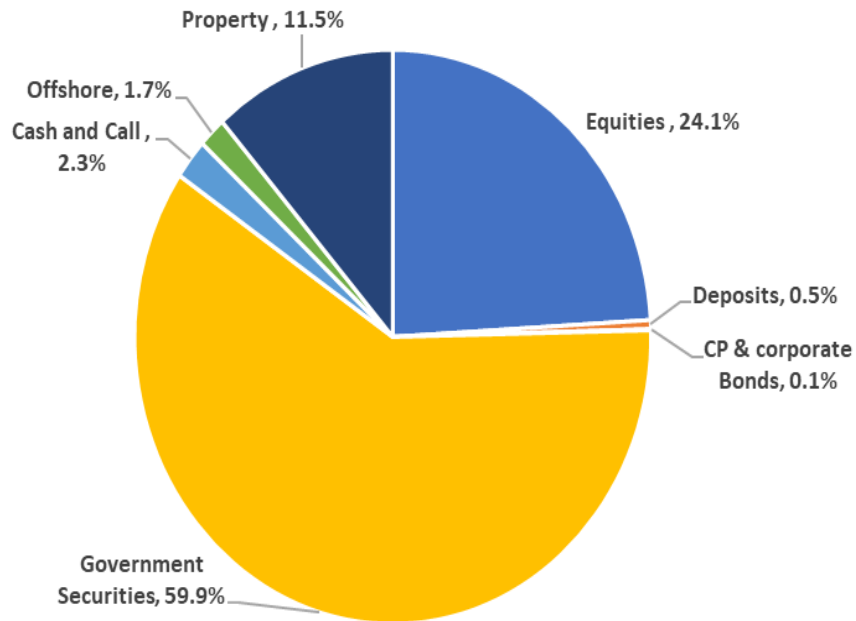
RBA & IPS Compliance

<i>Asset Class</i>	<i>Market Value as at 30/06/2021</i>	<i>% of portfolio</i>	<i>Market Value as at 30/06/2022</i>	<i>% of portfolio</i>	<i>IPS Range</i>	<i>RBA Limits</i>
Equities	4,939,829,071	28.4%	3,887,871,072	24.3%	5-30%	70%
<i>Interest Bearing Assets (FI)</i>						
Deposits	443,122,832	2.5%	82,791,292	0.5%	55-75%	30%
CP & corporate Bonds	15,000,000	0.1%	8,915,127.79	0.1%		20%
Government Securities	9,807,740,405	56.4%	9,676,454,527	60.4%		90%
Totals	10,265,863,238	59.0%	9,768,160,947	61.0%		
Cash and Call deposits	172,249,710	1.0%	366,778,043	2.3%	0-5%	5%
Offshore	310,805,449	1.8%	277,472,092	1.7%	0-5%	15%
Property	1,710,000,000	9.8%	1,710,000,000	10.7%	10-20%	30.00%
Totals	17,398,747,468	100.0%	16,010,282,154	100.0%		

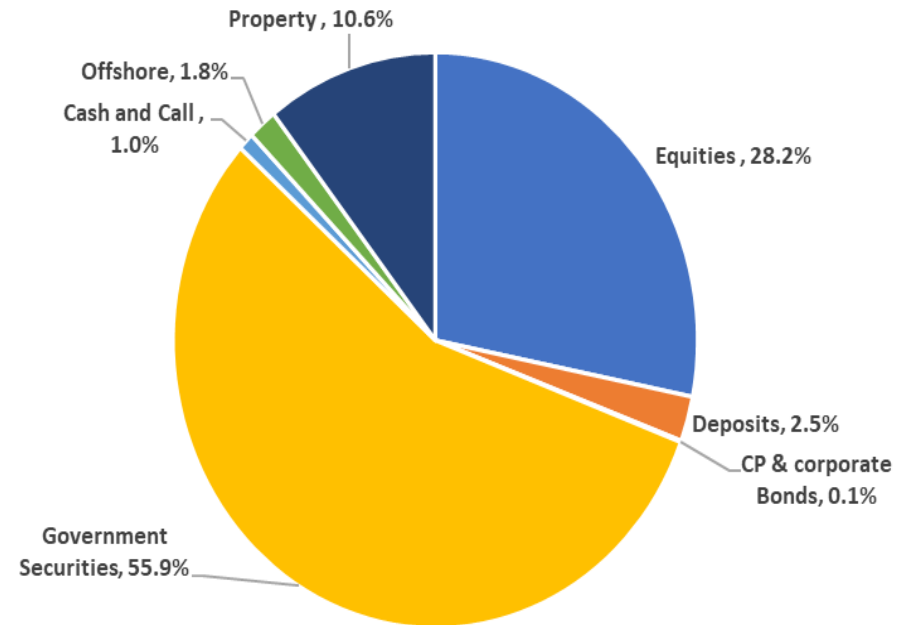


ASSET ALLOCATION AS AT 30th JUNE 2022

Asset Allocation as of 30th June 2022



Asset Allocation as of 30th June 2021





Fund Movement

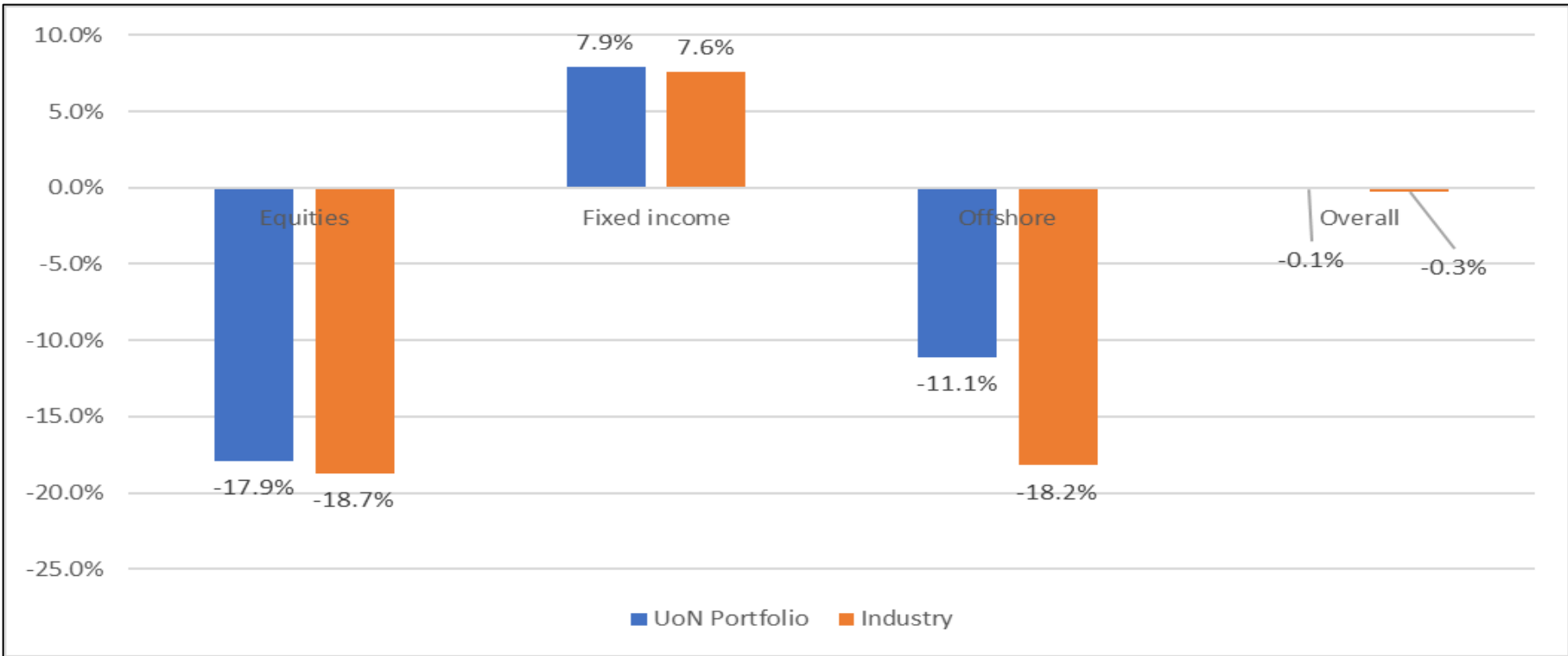
	FY17/18	FY18/19	FY19/20	FY20/21	FY21/22
Opening Fund Value (Ex Property)	13,251,230,849	14,048,043,409	13,885,443,584	14,227,845,872	15,688,747,468
Contributions	168,471,637	242,048,895	665,778,607	632,896,631	503,494,437
Withdrawal/Expenses	-1,222,503,632	-1,477,488,801	-1,313,077,161	-1,647,891,502	-1,801,105,540
Investment growth	1,850,844,555	1,072,840,081	989,700,841	2,475,896,467	-90,854,212
Closing Fund Value (Ex Property)	14,048,043,409	13,885,443,584	14,227,845,872	15,688,747,468	14,300,282,154

	1year	3 Year	5 Year
Portfolio return	-0.1%	8.3%	9.3%
Inflation	7.9%	5.7%	5.8%

- Net negative cash flows (higher withdrawals compared to contributions) continues to have a negative impact on strategy implementation and overall portfolio returns.
- The scheme continues to make real returns over longer comparison periods.



Portfolio Investment Performance – 12 Months to June 2022



- The 1-year to June 2022 gross median performance for all schemes within the industry was **-0.3%**.
- Your Scheme registered a gross return of **-0.1%**.
- **FYTD 2022/23 return (1st July 2022 – 31st Oct 2022) has improved to 3.5%**



OUTLOOK

GDP:

We anticipate growth to be driven by resumption of economic activity, especially education, manufacturing and construction, services sectors and recovery of the agricultural sector aided by onset of the rains.

Inflation:

Inflation is expected to remain elevated in the short term due to continued pressure from food and global oil prices. However, over the next 3-6 months it should revert to the Central Bank policy range of 5% +/- 2.5% .

Yields:

With an increase in government borrowing appetite and the government's need to lengthen maturity profile, we anticipate an upward pressure on yields in the near term.

Currency outlook

The shilling is expected to remain under pressure depending on the level of foreign investor flows and corporate dollar demand. However, support is expected from stable forex reserves and increased diaspora remittances.

Equities Outlook

- Equity prices have declined in 2022 due to global events: the Russia/Ukraine war and the rise in inflation. International investors have been net sellers.
- We however expect positive corporate earnings and dividend payments.
- Valuations are attractive and provide opportunities to increase positions in select quality names within the portfolio that have remained resilient.

OLDMUTUAL

Q&A



DO GREAT THINGS EVERY DAY