

Performance Investment Management Survey

March 2021

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Global Themes:



Global equity rally continues, as vaccine rollout gathers momentum



Biden's climate policy lauded as a step in the right direction



Eurozone enters technical recession in first quarter of 2021

Global market themes

The recent global equity market rise showed no sign of slowing during April. The MSCI World gained 4.6% in USD, bringing its year-to-date gains to 9.8%. The rapid roll-out of vaccines in major developed markets, as well as continued central bank support, is a boon to equity investors.

US markets outperformed developed market peers, with the S&P500 gaining 5.3% in USD for the month. Economic data in the US is mostly positive. The third round of stimulus checks saw personal incomes in March rise by 21.1%, the largest on record. This coincided with increased consumer spending, which rose by 4.2%, the highest since June 2020.

Retail sales ticked higher, as more states start to relax or do away with coronavirus-related restrictions, and rose by 9.8% month-on-month during March. On the labour front, US data continues to be largely positive: the four-week average of US jobless claims fell to its lowest level since the week ending 14 March 2020 and ADP data (measuring private businesses' hiring activity) showed the highest increase in private payrolls in six months. This foretells gathering momentum in consumer spending.

The Federal Reserve Bank (the Fed) left its monetary policy unchanged at its latest meeting, and Fed chairman, Jerome Powell, dismissed any rumours of tapering its asset purchases. Inflation has risen in line with market expectations, but the Fed has reiterated that it sees the underlying driving forces as transitory.

President Joe Biden, who effectively turned ex-President Donald Trump's climate-skeptic policies on its head, has committed the US to cutting the country's greenhouse gas (GHG) emissions

in half by 2030. His USD 2 trillion infrastructure package specifically addresses climate change concerns and earmarks spending towards appropriate programmes. The ambitious target is to achieve net zero emissions by 2050. While 58 countries have already communicated a net zero target, further announcements are expected ahead of the COP26 summit in November.

Against a backdrop of rising Covid-19 infection rates and extended lockdown restrictions, the Eurozone entered a technical recession in the first quarter of 2021. Despite recent improvements, the 0.6% quarter-on-quarter decline in GDP follows the previous quarter's 0.7% contraction (signalling a technical recession). Major economies Germany, Spain and Italy continued to struggle under the burden of a high infection rate. Business and consumer confidence in the region, however, are improving rapidly as more economies open up. The European Central Bank (ECB) has also stood pat on its policy, signalling that it will remain unchanged. Strong company earnings also contributed to rising stock prices. The STOXX All Europe registered a solid 2.2% gain in Euro terms.

The United Kingdom's (UK) FTSE100 outperformed its continental peers, rising by 4.1% in Sterling terms. Purchasing Managers' Indices, both in manufacturing and services, beat market expectations. Hovering at the 60 point mark, they herald an economy firmly in expansionary territory.

Chinese equities closed the month in the green, with the MSCI China A Onshore outperforming the MSCI China, at 4% versus 1.3%. This is indicative of the domestically driven economic recovery. The release of stellar GDP growth numbers for the first quarter of 2021 boosted investor sentiment. The annual growth rate was recorded as 18.3%, the highest since records began in 1990.

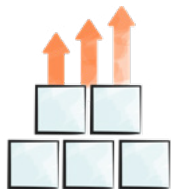
Global Themes:



India's surging coronavirus cases grab global headlines



China reports its highest GDP growth rate on record



Sharp rise in commodity prices

Elsewhere in emerging markets, the outcomes were mixed, and the MSCI EM lagged developed peers, registering a 2.49% uptick in USD. Brazilian equities moved higher, with the Bovespa gaining 1.9%, largely off the back of commodity strength.

Indian equities, however, had a lacklustre month and the SENSEX lost 1.4% in local currency terms. The rapid increase in the infection rate in India has caused alarm globally. The country has registered a daily increase of over 300 000 for 10 consecutive days. Hospitals, morgues and crematoriums are overwhelmed and oxygen is in short supply. While developed countries such as the US have extended a hand to the Indian government, Prime Minister Narendra Modi, has thus far appeared reticent to accept foreign help. The government faces widespread criticism for allowing millions of largely unmasked people to attend religious festivals and political rallies through March and April.

African economies, as measured by the MSCI EFM Africa-ex-SA posted positive returns of 4.5%. This was largely led by strong performances from commodity-linked indices.

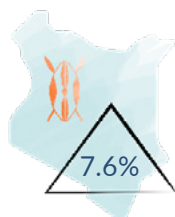
Commodities posted strong gains, fuelling talks of a commodity supercycle. The sector-wide bull market is being fanned by government spending on post-pandemic recovery initiatives, increasing appetite from China, and bets on the greening of the economy. The greening initiative has seen prices of palladium (used in catalytic converters which filter exhaust fumes), and other lesser known raw materials used in electric motors (such as lithium) increase rapidly.

Oil prices have continued their steady recovery, as OPEC nations and Russia keep a damper on supply. Oil gained 6.4% for the month. Industrial metals such as copper and iron ore posted even stronger returns, at 11.8 and 18.3% respectively.

Sub-Saharan Africa Regional Review

Amid limited purchasing power, Sub-Saharan Africa continues to shoulder a disproportionate share of COVID-19 vaccine availability and administrations worldwide. This situation has the 2021 regional economic expansion estimated at 3.4%, which is less than the global average of 6%. With the region experiencing its third wave of the pandemic, there is an increased need for policy makers to create a more conducive fiscal space for the region. This is considering the region's capital inflows from such important sources like tourism, commodity exports, and remittances are at their lowest. Some of these measures include more immediate debt service relief by the IMF for eligible low-income African countries, domestic revenue mobilization, and debt management.

Kenyan Themes



The IMF projects the Kenyan economy to grow by 7.6% in the year 2021.



The performance of the Kenyan Shilling in this quarter was fairly consistent against the US Dollar.



Marginal increase in the March 2021 Consumer Price Index (CPI) by 0.4 % to 113.81 from the February 2021 figure of 113.365.

Kenya Review

GDP

The GDP registered by the Kenya National Bureau of Statistics was (Q1'20:5.2%), (Q2'20:-5.5%) and (Q3'20: -1.1%) in the first three quarters of 2020 respectively.

The negative performance was attributed to the COVID-19 pandemic that hit the country towards the end of Q1' 2020.

The treasury, however, expects 0.6% growth for the full-year 2020 perhaps owing to increased economic activity relaxation of strict movement restrictions towards the end of the year. The IMF projects the Kenyan economy to grow by 7.6% in the year 2021 .

Performance of the Kenyan Shilling

The performance of the Kenyan Shilling in this quarter was fairly consistent against the US Dollar. It further gained against the Euro from 133.90 in Q4 2020 to 128.60 in Q1 2021. However, the Kenyan Shilling declined against the Sterling Pound from 148 in Q4'2020 to 150 in Q1'2021.

Performance of the Kenyan Shilling

Quarter	US Dollar	Sterling Pound	Euro
Q1 2021	109.51	150.69	128.60
Q4 2020	109.17	148.36	133.90
Q3 2020	108.50	139.51	126.89
Q2 2020	106.52	131.17	120.14
Q1 2020	104.69	129.87	115.38

Inflation

There was a marginal increase in the March 2021 Consumer Price Index (CPI) by 0.4% to 113.81 from the February 2021 figure of 113.365.

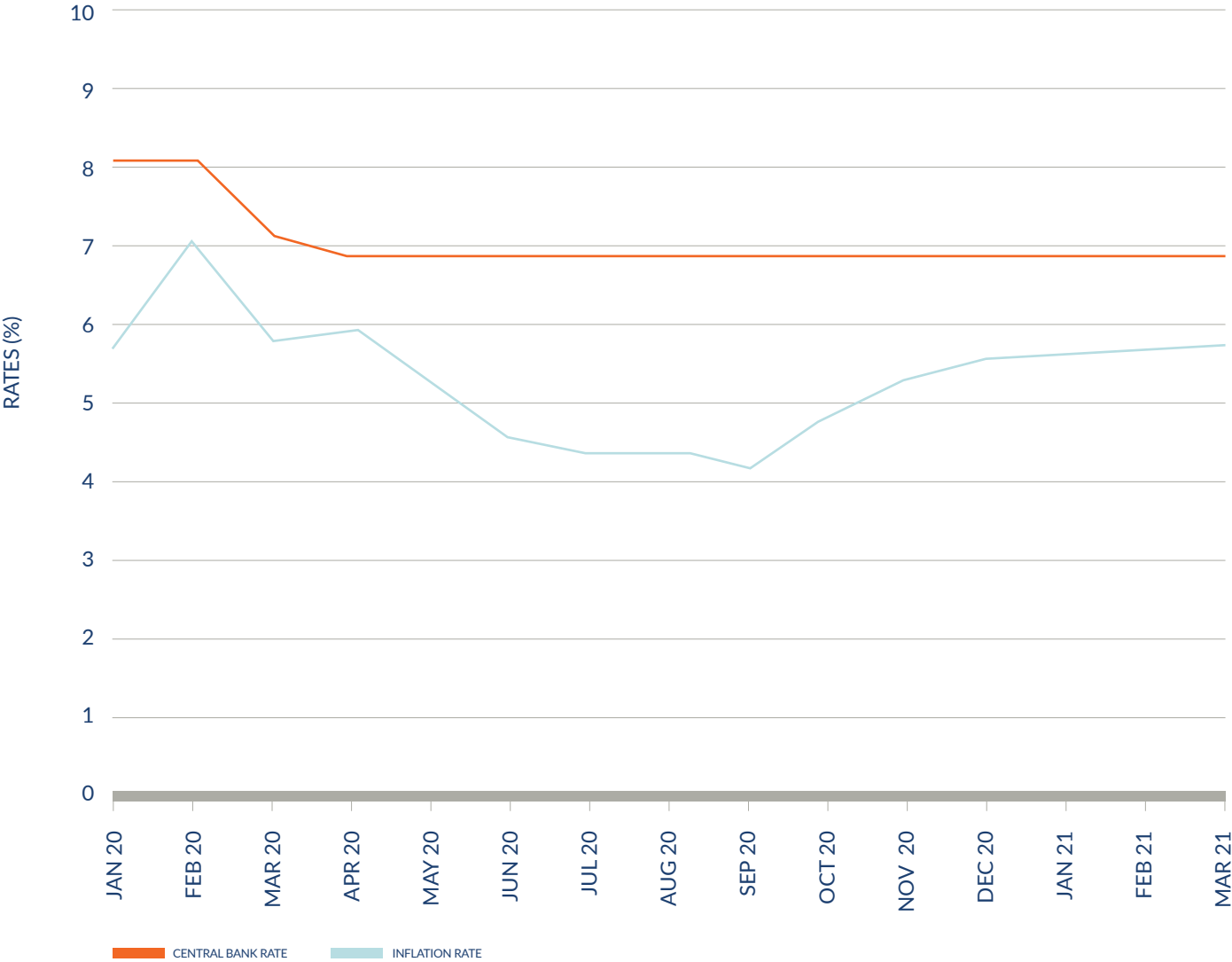
This was attributable to a hike in fuel prices (transport prices) due to the rising cost of importing oil products. The overall year on year inflation in March 2021 was 5.9 %, with annual average inflation clocking in at 5.2%.

Central Bank Rate

The Monetary Policy Committee (MPC), which is CBK's organ that makes monetary policy decisions, decided to maintain the Central Bank rate unchanged at 7.00%. This decision was made at its 29 March 2021 meeting. It is the seventh consecutive time the rate has remained constant, after having it was cut by 125 basis points during March–April last year.

Monetary Indicators and Inflation

CENTRAL BANK RATE VS INFLATION RATES



Asset Allocation Highlights:



A conservative investment approach accounted for 63% of assets under management within this survey.



A moderate investment approach accounted for 14% of assets under management within this survey.



An aggressive investment approach accounted for 7% of assets under management within this survey.

Kenya Pension Scheme Asset allocation

The Assets Under Management for the schemes surveyed increased from KShs 968 billion in Q4' 2020 to KShs 980 billion in Q1' 2021.

In this quarter, 318 of schemes surveyed pursue a conservative investment approach.

These schemes represent 63% of AUM surveyed which accounts for KShs 620 billion of the total AUM

A scheme is deemed to adhere to a conservative investment approach if over 65% of its assets are fixed income securities.

Further, a scheme is assumed to conform to a moderate investment strategy if about 45% - 65% of its portfolio represent fixed income securities.

In Q1' 2021, about 14% of the schemes surveyed follow a moderate investment strategy .

This accounts for about KShs 205 billion of the total AUM for all the schemes participating in the survey.

Only 7% of the schemes adhere to an aggressive investment strategy

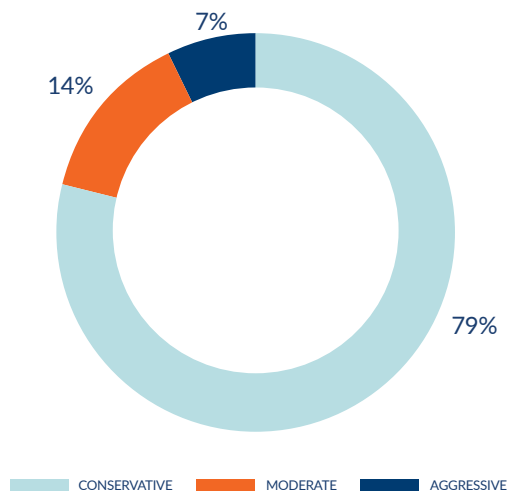
These schemes reported Assets Under Management of 16% of total AUM surveyed. This category of investors is often considered to have a high-risk appetite with the principal objective to enjoy high returns.

In comparison to the previous quarter, more schemes employed a moderate investment approach. The AUM for schemes whose portfolios represented a moderate investment approach increased by about 3% from the proportion of AUM in Q4' 2020. However, AUM for schemes following the conservative investment strategy and an aggressive investment strategy both dropped by 2% from Q4' 2020.

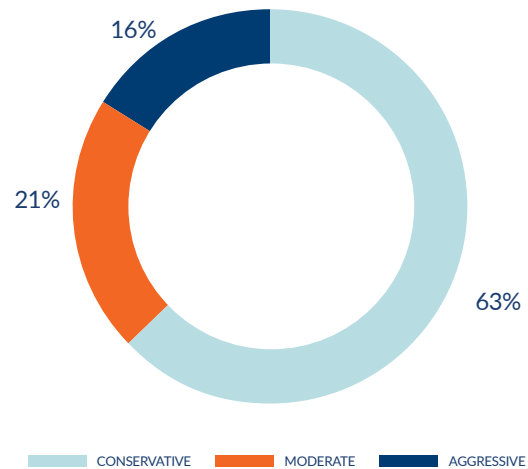
Classification of risk profile based on number of schemes surveyed and AUM

Risk Profile	Fixed Income Allocation	No of Schemes	As a % of all Schemes	AUM (KShs Million)	As a % of AUM
Conservative	Over 65%	318	79%	620,302	63%
Moderate	45% - 65%	57	14%	205,591	21%
Aggressive	Less than 45%	28	7%	154,139	16%
TOTAL		403	100%	980,031	100%

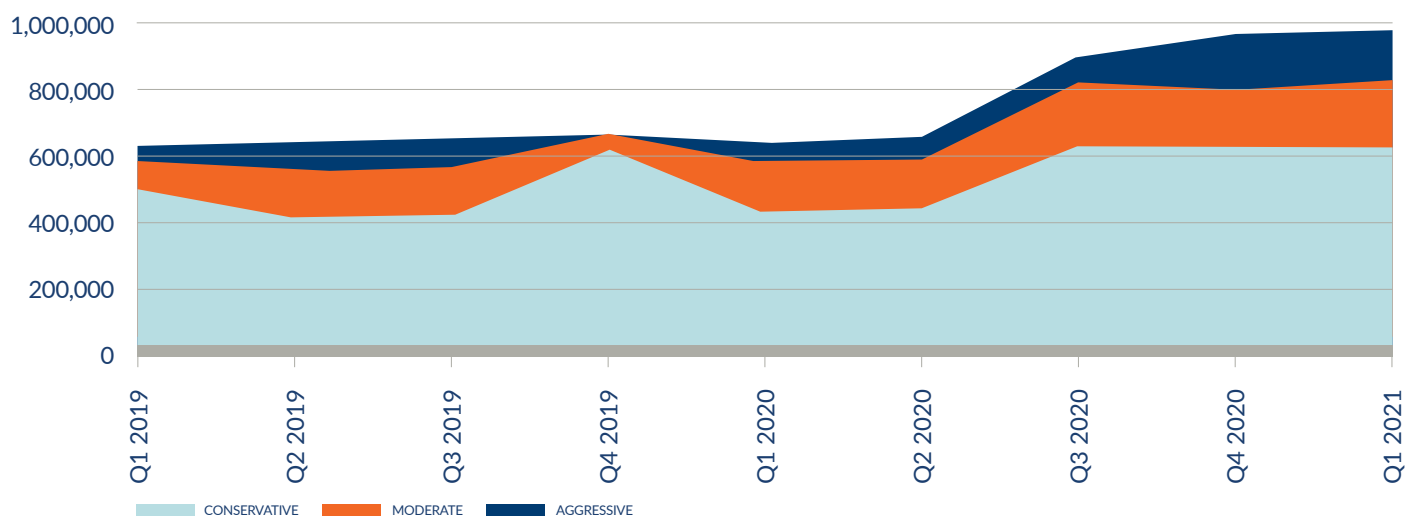
Pension Scheme
RISK PROFILE ASSET ALLOCATION



Pension Scheme
RISK PROFILE AS A PERCENTAGE OF AUM



Pension Scheme
TREND SUMMARY OF AUM ACCORDING TO RISK PROFILE



Kenya Pension scheme performance

In general, the average quarterly performance of schemes surveyed for the quarter slightly dropped from 2.9% in Q4' 2020 to 2.6% in Q1'2021. The returns of fixed Income securities and Equities also recorded minor declines from the previous quarter with a return of 1.72% in Q1'2021 compared

to 2% in Q4'2020 and 5.41% this quarter versus 5.92% in Q4'2020 respectively. The offshore assets recorded a return of 0.38% in Q1'2021. This was a significant drop from Q4'2020 whereby the offshore assets reported an average rate of return of 9%.

Performance of the schemes surveyed in Q4'2020 with Q1'2021

	Total Performance		Fixed Income		Equities		Offshore	
	Q4 2020	Q1 2021	Q4 2020	Q1 2021	Q4 2020	Q1 2021	Q4 2020	Q1 2021
Average	2.97%	2.51%	2.05%	1.71%	6.15%	5.41%	9.34%	-1.23%
Weighted Average	2.98%	2.60%	1.99%	1.72%	5.92%	5.41%	9.01%	0.32%
Median	2.98%	2.51%	2.06%	1.71%	6.23%	5.74%	11.58%	-2.17%

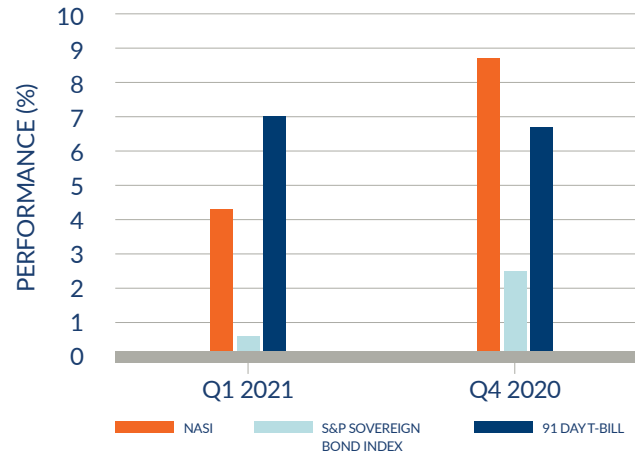
DID YOU KNOW?

Inflation is defined as an increase in the general level of prices for goods and services in a country over a specific period, usually one year. The general level of prices is measured using the Consumer Price Index (CPI), therefore the rate of change of CPI is the inflation rate.

When inflation occurs, it leads to a loss of value of the Shilling, that is, the same amount of money will no longer buy the same quantity of goods and services over time. The value of the Shilling is measured in terms of its purchasing power – the real or tangible goods that the Shilling can buy at a particular point in time. For example, if the price of 1kg of tomatoes is KShs 100 in May 2015, at the inflation rate of 5%, the same quantity of tomatoes will cost KShs 105 in May 2016. That is, if one has only KShs 100 in May 2016 he/she will only be able to buy 0.95kg's of tomatoes implying that the purchasing power/value of the Shilling has been eroded.

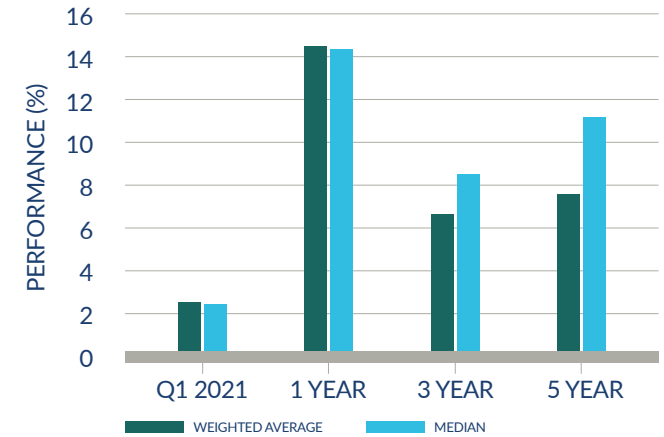
Capital Market Performance

PERFORMANCE OF SELECT BENCHMARKS & ECONOMIC INDICATORS



Investment Manager Performance

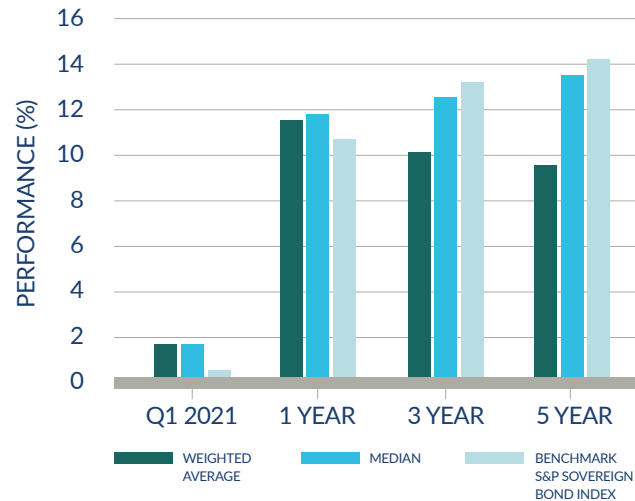
OVERALL PERFORMANCE ANALYSIS



The schemes surveyed reported an average return (weighted against AUM) of 2.6% for the period of Q1'2021.

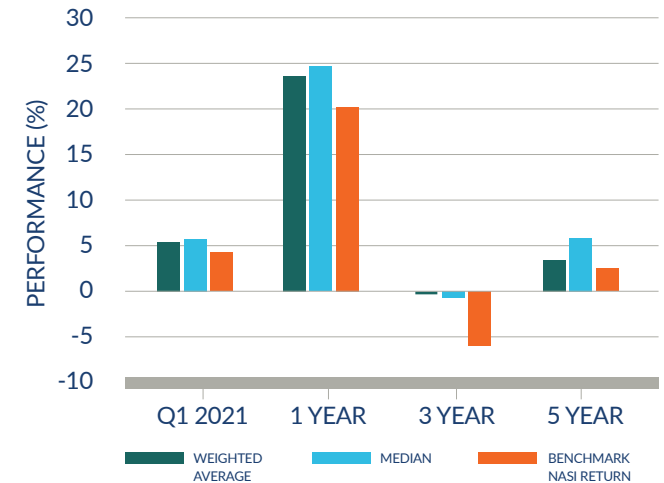
Investment Manager Performance

FIXED INCOME PERFORMANCE



Investment Manager Performance

EQUITY PERFORMANCE



In Q1'2021, the return of fixed income securities and equities was 1.7% and 5.4% respectively.

Appendix

Performance Information

INFLATION RATES AND THE CENTRAL BANK RATES FROM JANUARY 2021 TILL DATE.

Year	Month	Inflation Rate	CBR
2020	Jan	5.78%	8.25%
2020	Feb	7.17%	8.25%
2020	Mar	5.84%	7.25%
2020	Apr	6.01%	7.00%
2020	May	5.33%	7.00%
2020	Jun	4.59%	7.00%
2020	Jul	4.36%	7.00%
2020	Aug	4.36%	7.00%
2020	Sep	4.20%	7.00%
2020	Oct	4.84%	7.00%
2020	Nov	5.33%	7.00%
2020	Dec	5.62%	7.00%
2021	Jan	5.69%	7.00%
2021	Feb	5.78%	7.00%
2021	Mar	5.90%	7.00%

Assets Under Management for the Schemes surveyed from Q1 2019 to Q1 2021

Assets under management in the aggressive portfolio have increased over Q3 2020 to Q1 2021 due to the resurgence of the equities market leading to an increase in the equity asset allocation.

RISK PROFILE	FIXED INCOME ALLOCATION	AUM 2019				AUM 2020				AUM 2021
		Q1 2019	Q2 2019	Q3 2019	Q4 2019	Q1 2020	Q2 2020	Q3 2020	Q4 2020	Q1 2021
Conservative	Over 65%	489,266	403,868	412,157	612,229	415,181	432,063	621,250	627,482	620,302
Moderative	45% - 65%	91,490	141,136	149,913	54,331	155,090	151,530	199,030	171,525	205,591
Aggressive	Less than 45%	47,278	88,182	80,276	248	67,249	69,603	85,597	168,889	154,139
TOTAL		628,034	633,186	642,346	666,808	637,521	653,196	905,878	967,896	980,031

Amount in millions

Analysis of Performance (All Risk Categories)

The table below gives a comprehensive analysis of performance of Fund based on the investment strategies i.e. Conservative, Moderate and Aggressive strategies.

Total Fund Performance												
	CONSERVATIVE				MODERATE				AGGRESSIVE			
	3 MONTHS	1 YEAR	3 YEAR	5 YEAR	3 MONTHS	1 YEAR	3 YEAR	5 YEAR	3 MONTH	1 YEAR	3 YEAR	5 YEAR
Average	2.44%	14.40%	8.81%	11.22%	2.80%	15.08%	8.26%	10.76%	2.66%	14.56%	7.27%	10.12%
Weighted Average	2.61%	14.45%	6.92%	7.96%	2.58%	15.14%	6.15%	6.75%	2.56%	14.77%	6.46%	7.65%
Median	2.47%	14.40%	8.88%	11.35%	2.65%	14.96%	8.22%	10.88%	2.54%	14.15%	7.54%	9.83%
25th Percentile	2.12%	13.68%	8.07%	10.69%	2.28%	13.66%	7.70%	10.09%	2.26%	13.20%	6.24%	9.05%
75th Percentile	2.74%	15.30%	9.44%	11.85%	3.03%	16.41%	8.67%	11.35%	3.00%	15.64%	8.33%	10.97%
Range of return	4.42%	19.32%	13.57%	14.38%	7.83%	8.79%	12.75%	12.28%	4.61%	21.05%	9.41%	15.38%

Analysis of performance (per asset class)

Fixed Income Performance

	CONSERVATIVE				MODERATE				AGGRESSIVE			
	3 MONTHS	1 YEAR	3 YEAR	5 YEAR	3 MONTHS	1 YEAR	3 YEAR	5 YEAR	3 MONTH	1 YEAR	3 YEAR	5 YEAR
Average	1.70%	11.92%	12.62%	13.55%	1.73%	11.73%	12.68%	13.75%	1.74%	11.30%	12.41%	13.41%
Weighted Average	1.74%	11.65%	10.30%	9.83%	1.68%	11.71%	9.88%	8.96%	1.66%	11.44%	10.86%	9.90%
Median	1.70%	11.96%	12.67%	13.57%	1.72%	11.76%	12.78%	13.74%	1.73%	11.68%	12.80%	13.60%
25th Percentile	1.53%	11.62%	12.28%	13.23%	1.59%	11.50%	12.24%	13.44%	1.57%	11.17%	12.63%	13.20%
75th Percentile	1.86%	12.33%	13.00%	13.99%	1.85%	12.08%	13.08%	13.92%	1.88%	11.86%	12.92%	14.19%
Range of return	5.07%	15.28%	14.42%	16.78%	4.03%	2.99%	13.89%	15.58%	2.23%	13.45%	13.84%	14.96%

Equity Performance

	CONSERVATIVE				MODERATE				AGGRESSIVE			
	3 MONTHS	1 YEAR	3 YEAR	5 YEAR	3 MONTHS	1 YEAR	3 YEAR	5 YEAR	3 MONTH	1 YEAR	3 YEAR	5 YEAR
Average	5.37%	24.29%	-0.94%	5.36%	5.82%	23.88%	-0.18%	6.07%	5.02%	21.82%	-0.64%	5.53%
Weighted Average	5.53%	24.15%	-0.46%	3.55%	5.34%	23.61%	0.23%	3.32%	4.51%	21.01%	-0.28%	4.30%
Median	5.78%	24.87%	-0.60%	5.90%	5.86%	24.63%	-0.28%	6.33%	5.23%	22.16%	-0.75%	5.72%
25th Percentile	4.73%	22.51%	-2.46%	3.61%	5.04%	20.84%	-2.25%	3.67%	4.03%	19.62%	-1.64%	3.61%
75th Percentile	6.22%	26.55%	0.98%	7.15%	6.47%	26.86%	1.50%	7.51%	5.61%	24.62%	1.04%	6.41%
Range of return	13.12%	62.48%	40.33%	42.28%	18.26%	17.44%	10.69%	12.81%	7.28%	27.85%	9.81%	11.48%

Analysis of performance (per asset class)

Offshore Performance												
	CONSERVATIVE				MODERATE				AGGRESSIVE			
	3 MONTHS	1 YEAR	3 YEAR	5 YEAR	3 MONTHS	1 YEAR	3 YEAR	5 YEAR	3 MONTH	1 YEAR	3 YEAR	5 YEAR
Average	-1.63%	59.03%	17.16%	15.70%	-1.15%	53.61%	16.89%	14.82%	1.78%	50.57%	12.18%	14.10%
Weighted Average	-1.50%	43.46%	13.10%	6.05%	0.67%	51.34%	12.52%	5.96%	4.37%	59.52%	13.77%	6.34%
Median	-2.17%	64.71%	18.95%	17.95%	-2.17%	55.04%	17.02%	15.82%	-1.92%	59.14%	15.78%	16.01%
25th Percentile	-2.17%	55.34%	14.42%	16.23%	-2.17%	48.03%	12.17%	13.16%	-2.17%	43.40%	5.82%	14.70%
75th Percentile	-1.93%	67.08%	20.34%	19.15%	-1.87%	61.88%	20.14%	17.66%	6.56%	64.08%	17.46%	17.12%
Range of return	18.43%	76.92%	32.10%	38.12%	11.90%	75.19%	37.06%	20.85%	9.88%	71.28%	19.97%	21.19%