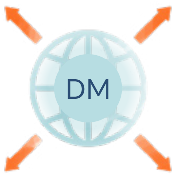
Performance Investment Management Survey

June 2021

Global Themes:



Solid month for Developed Market (DM) equities as Covid-19 restrictions ease.

US stocks shine, supported by favourable economic data.

Widening gap between vaccine roll-out in DM and Emerging Markets (EM) takes its toll on the latter's stocks.

Chinese stocks dip due to profit-taking and open market operations by People's Bank of China (PBOC).

Global market themes

Global markets appear to be on an upward trajectory, fuelled by the reopening of major economies and the roll-out of vaccines. The MSCI World closed 1.5% higher, but Emerging Markets (EM) lagged. The MSCI EM gained a lacklustre 0.1%.

US markets outshone their Developed Market (DM) peers. The S&P500 gained 2.3% for the month, moving to new highs and closing out a fifth consecutive quarterly advance. The economic recovery is boosting traditional growth stocks, such as technology-focused companies, as well as adding momentum to the healthcare and consumer discretionary sectors.

Sentiment was supported by generally favourable US economic data. Although the Institute for Supply Management's gauge of factory activity fell slightly, edging down to 60.6. Considering that the watermark between expansion and contraction is at 50 points, this is still a robust growth rate. Consumer confidence came in slightly lower than expected, but at 85.5 nonetheless represents the second-highest reading since the start of the pandemic. The labour market rebounded from the previous month's disappointment. Employers added 850 000 non-farm jobs in June, beating expectations. More importantly, employees appear to be returning to the workforce in droves.

Weekly jobless claims fell to their lowest level since the start of the pandemic. This is perhaps partly attributable to the fact that some states are likely to end unemployment benefits earlier than the anticipated September cut-off.

An increasing number of US states have seemingly resumed "business as usual". Texas was one of the first states to rescind the mask mandate, as early as March, and the Centre for Communicable Diseases (CDC) has indicated that fully vaccinated people will not be required to wear masks.

US inflation has been running hotter, with the May reading indicating a 5% year-on-year increase. The Federal Reserve Bank (the Fed) has to some extent remained sanguine, expressing the belief that the increase is transitory. The latest Federal Open Market Committee meeting, however, suggests that the hawks are rising. The median committee member now expects two rate hikes in 2023, whereas only three months ago the consensus was for no rate hikes.

European equities fared better, as more and more countries lift restrictions. The STOXX All Europe gained 1.5% for the month. Analysts are predicting that a resumption of "business as usual" will see eurozone GDP grow at an estimated 5% during 2021, with GDP trend growth reaching pre-pandemic levels as early as the first half of 2022.

Optimism was somewhat tempered by the spread of the Covid-19 delta-variant. In late June, the number of new cases rose for the first time in 10 weeks and some countries were forced to keep some restrictions in place for longer than anticipated. The Eurozone's vaccine roll-out, however, is on track and estimates from the Centre for Disease Prevention and Control suggest that 70% of the adult population would have received at least the first dose of the vaccine by July. The EU has, in addition, introduced the EU Digital Covid Certificate for vaccinated citizens. This is set to facilitate the reopening of international borders, a hope that remains far in the future for many countries, particularly in EM.

Chinese equities once again saw a divergence between the two major indices. The MSCI China A Onshore dipped by 1.8%, while the MSCI China gained a meagre 0.1%. At month-end reports of profit-taking by domestic investment funds and open market operations by the People's Bank of China (PBOC) contributed to the largest one-day percentage drop since March 2021. The PBOC, Global Themes:

Commodities post substantial losses.

however, confirmed at its latest policy meeting that it would keep the macro leverage ratio stable, signalling that tighter policy was not on the cards. June's official manufacturing PMI met expectations, and the private (and some say more reliable) Caixin PMI moved in tandem, confirming that the economy remains in a post-pandemic recovery phase.

Tensions continued to simmer on the political front. In his speech at the centennial of the Chinese Communist Party's founding, President Xi Jinping reiterated his commitment to the reunification with Taiwan. He also delivered a strong message that China would not tolerate the West's criticism of, or interference in, its position regarding Taiwan.

EM, seemingly disheartened by the slow vaccine roll-out, underperformed their DM peers. The MSCI EM closed 0.17% in the green. Asian EM were the main detractors, with their European and Latin American counterparts faring somewhat better. As the oil price continues to surge, Russian equities are performing particularly well. The IMOEX gained 3.2% in local currency terms for June, and is over 16% higher for the year-to-date. Brazilian investors were cautious due to emerging allegations regarding corruption in the government's purchase of coronavirus vaccines. The country's electricity regulator also announced a 50% increase in the tariff surcharge as of July. This is likely to impede the recovery in the local manufacturing sector. The BOVESPA managed a 0.4% gain.

Precious and industrial metals closed the month significantly lower: Gold declined by over 7%, Copper was 8.7% lower and Platinum lost 9.6%. A rising US dollar and China's efforts to slow inflation are partial reasons for the declines. China has indicated that it will release metals from state reserves in a methodical and well-timed manner, increasing supply and pushing prices back to a normal range. Backwardation in some commodities, where the forward price for the futures contract is lower than the spot price and therefore creating a sell-signal, accounts for some of the recent slump as futures contracts rollover.

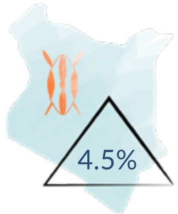
Oil, iron ore and coal, however, bucked the trend. Oil prices were 7.6% higher, while iron ore and coal gained 8.4% and 6.1% respectively. With more and more economies reopening, and industrial production getting back up to speed, demand for industrial inputs is climbing.

Sub-Saharan Africa Regional Review

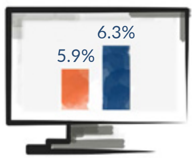
Output in Sub-Saharan Africa (SSA) is expected to expand by a modest 2.8% in 2021, and 3.3% in 2022. This upturn is underpinned by a stronger external demand from the region's trading partners—mainly China, and the United States—higher commodity prices, and better containment of COVID-19. Nonetheless, the recovery is envisioned to remain fragile, given the legacies of the pandemic and the slow pace of vaccinations in the region. In a region where more people in the tens of millions are estimated to have slipped into extreme poverty because of COVID-19, per capita income growth is set to remain feeble, averaging 0.4% a year in 2021-22, reversing only a small part of last year's loss. Risks to the outlook are tilted to the downside, and include lingering procurement and logistical impediments to vaccinations, further increases in food prices that could worsen food insecurity, rising internal tensions and conflicts, and deeper-than-expected long-term damage from the pandemic

Despite the projected rebound, SSA will have the second-slowest growth this year among emerging market and developing economy (EMDE) regions. Although some countries have secured vaccine doses through the COVAX facility, procurement and logistical challenges are envisioned to further delay the already slow pace of vaccination in the region

Kenyan Themes



Leading indicators for the Kenyan economy point to a relatively strong GDP recovery in the first half of 2021, which is projected to grow by 4.5 percent within the year.



Overall inflation stood at 6.3% in June 2021 compared to 5.9% in May 2021, marking the highest inflation rate since February 2020.

The Kenya shilling strengthened against the dollar by 1.52% on a quarter-to-quarter basis.

Kenya Review

Gross Domestic Product

Leading indicators for the Kenyan economy point to a relatively strong GDP recovery in the first half of 2021, which is projected to grow by 4.5% within the year. This is on the back of an expected strong performance of construction, information, communication, education, and real estate sectors.

This situation will herald a partial recovery from the COVID-19 (coronavirus) pandemic which caused growth to stall last year.

A stronger global demand supported by the continued reopening of the services sectors including education will see economic activity accelerate to above 5% in 2022 and 2023, according to the latest World Bank analysis.

The Kenyan economy is expected to rebound in 2021, supported by the continued reopening of the services sectors including education, recovery in manufacturing, and stronger global demand.

Performance of the Kenyan Shilling

The table on page 5 summarizes the performance of the Kenyan shilling in the East African region and beyond.

Inflation

Overall inflation stood at 6.3% in June 2021 compared to 5.9% in May 2021, marking the highest inflation rate since February 2020.

This increase was spurred by increases in food, non-alcoholic beverages, and transport. Food inflation increased to 8.5% from 7.0%, largely on account of higher prices of some food items such as cooking oil, beef with bones, white bread, and wheat flour.

This increase was in turn attributed to price increases for imported inputs and supply constraints.

Fuel inflation showed at 13.5% in June and 14.3% in May, mainly reflecting the impact of the rise in international oil prices on energy prices. Inflation pressures are expected to be elevated in the near term mainly driven by increases in food and fuel prices, and the impact of the recently implemented tax measures. However, inflation is expected to remain within the target range with muted demand pressures. The trend positions annual average inflation at 5.3% in June against the May figure of 5.2 %.

Central Bank Rate

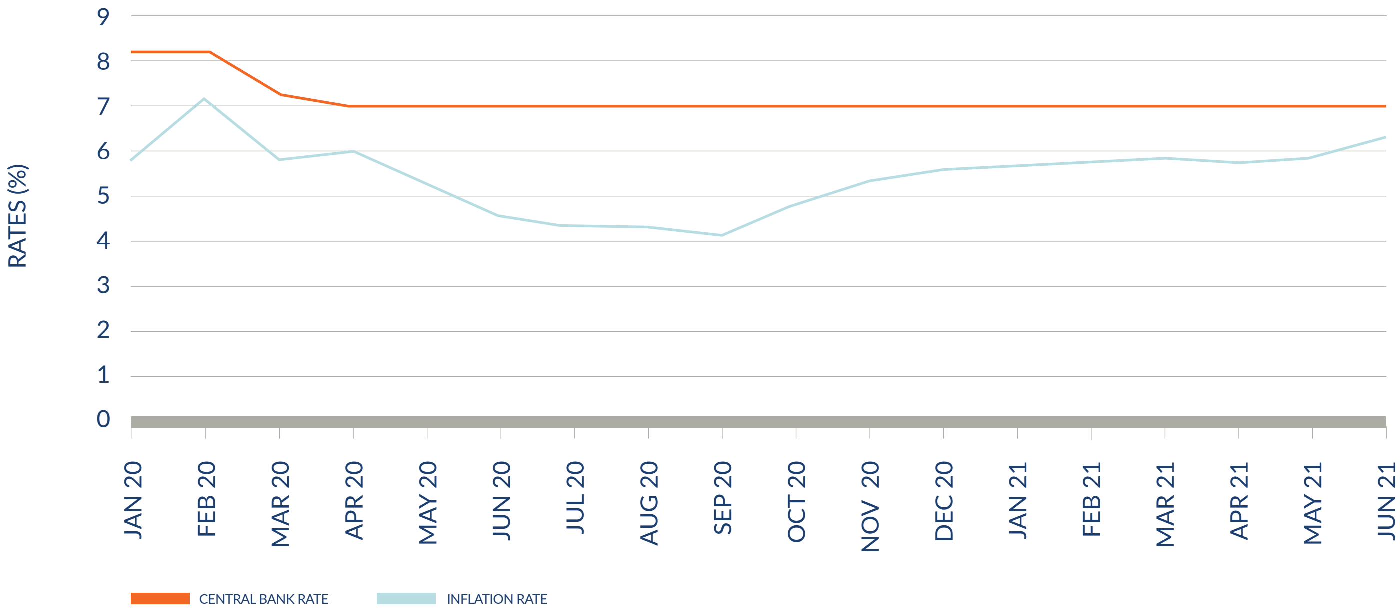
The Monetary Policy Committee (MPC), which is the function within CBK that makes monetary policy decisions, has left its key lending rate at seven per cent for the ninth straight time after its policy decision meeting on July 28, 2021. The retention was attributed to the MPC stance that the current monetary policy regime remains appropriate.

Performance of the Kenyan Shilling

Quarter	US Dollar	Sterling Pound	Euro	SA Rand	USHS	TSHS
Q2 2021	107.85	149.20	128.23	7.51	0.03	0.05
Q1 2021	109.51	150.69	128.60	7.31	0.03	0.05
Q4 2020	109.17	148.36	133.90	7.46	0.03	0.05
Q3 2020	108.50	139.51	126.89	6.39	0.03	0.05
Q2 2020	106.52	131.17	120.14	6.18	0.03	0.04
Q1 2020	104.69	129.87	115.38	5.83	0.03	0.05

Monetary Indicators and Inflation

CENTRAL BANK RATE VS INFLATION RATES



Asset Allocation Highlights:

67% — A conservative investment approach accounted for 67% of assets under management within this survey.

26% — A moderate investment approach accounted for 26% of assets under management within this survey.

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

Kenya Pension Scheme Asset allocation

The total assets of schemes surveyed in Q'2 2021 amounted to KShs 980 billion which was 0.1% increase in comparison to assets in Q'1 2021.

The Assets Under Management excluding property slightly dropped from KShs 840 billion in Q1' 2021 to KShs 839 billion in Q2' 2021. Our analysis in this section considers Assets Under Management excluding property.

During the quarter, 311 of schemes surveyed pursued a conservative investment approach.

These schemes represent 67% of AUM surveyed which accounts for KShs 566 billion of the total AUM.

In this analysis, schemes with over 65% of their assets invested in fixed income securities have been deemed to adhere to a conservative investment strategy.

65 schemes surveyed follow a moderate investment strategy.

This accounts for about 26% of the total AUM for all the schemes participating in the survey.

Portfolios classified as moderate investment strategies have invested about 45% - 65% of assets in fixed income securities. In comparison to the previous quarter, more schemes employed a moderate investment approach with the total AUM of KShs 215 billion in Q'2 2021 from KShs 205 billion in Q'1 2021.

Only 29 schemes pursued an aggressive investment strategy.

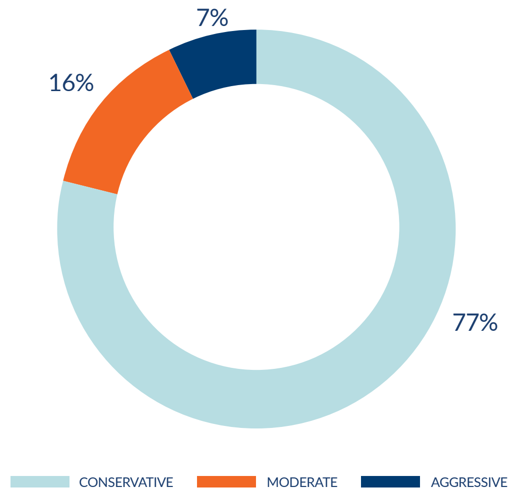
These schemes reported Assets Under Management of 7% of total AUM surveyed.

This category of investors is often considered to have a high-risk appetite with the fundamental aim to enjoy high returns.

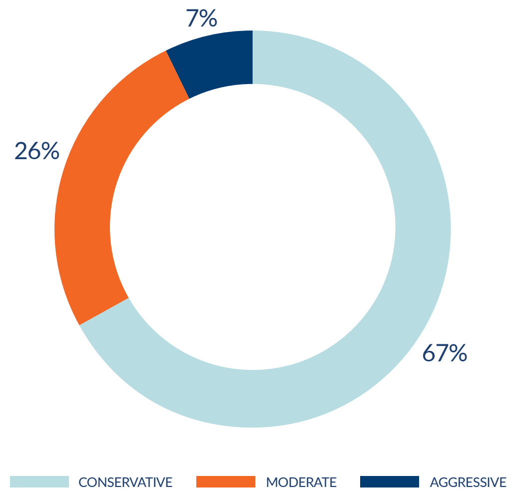
Classification of risk profile based on number of schemes surveyed and AUM

Risk Profile	Fixed Income Allocation	No of Schemes	As a % of all Schemes	Total AUM (KES Millions)	As a % of Total Assets	AUM excl Property (KES Millions)	As a % of AUM
Conservative	**Over 65%**	311	76.8%	572 297	58.4%	566 103	67%
Moderate	45% - 65%	65	16.0%	251 309	25.6%	215 684	26%
Aggressive	Less than 45%	29	7.2%	157 089	16.0%	58 179	7%
TOTAL		405	100.0%	980 696	100.0%	839 966	100%

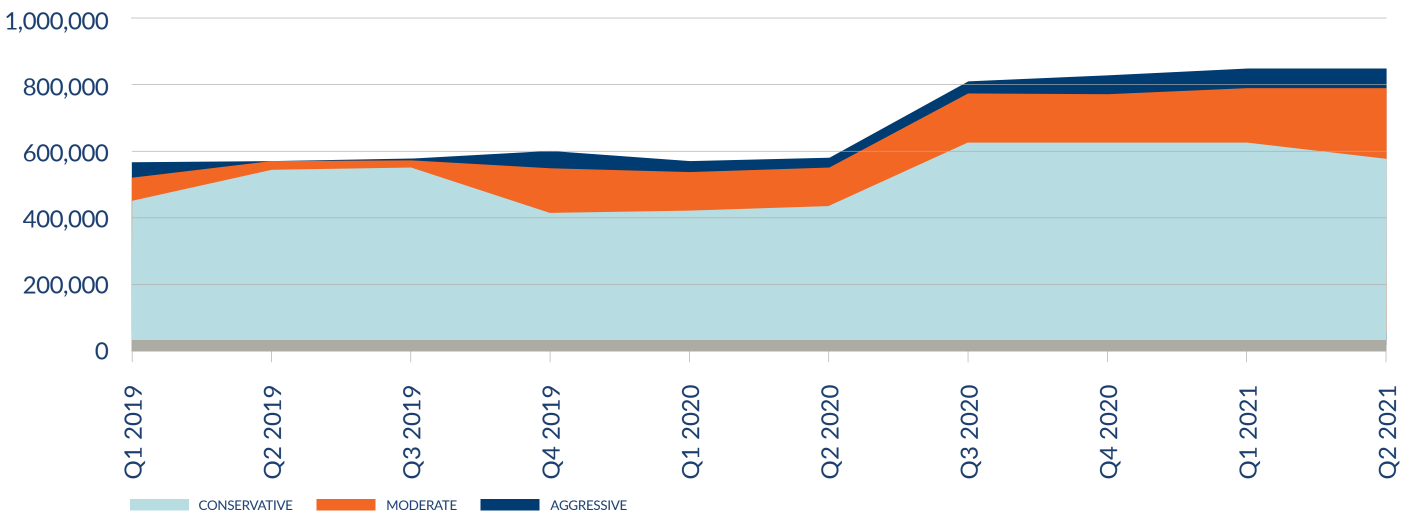
Pension Scheme
RISK PROFILE ASSET ALLOCATION



Pension Scheme
RISK PROFILE AS A PERCENTAGE OF AUM



Pension Scheme
TREND SUMMARY OF AUM ACCORDING TO RISK PROFILE



RisCura Solutions (Kenya) Limited,
Ruparelia Consultants Limited, Octagon Africa

Kenya Pension scheme performance

The performance of schemes surveyed recorded an average of 5.26% during the quarter. This indicated a significant growth in the overall performance from 2.51% in Q1' 2021. The increase in returns was observed across all asset classes i.e., fixed income securities, equities and offshore investments each recorded a growth of about 2%,6% and 10% respectively.

Performance of the schemes surveyed in Q1'2021 with Q2'2021

	Total Performance		Fixed Income		Equities		Offshore	
	Q1 2021	Q2 2021	Q1 2021	Q2 2021	Q1 2021	Q2 2021	Q1 2021	Q2 2021
Average	2.51%	5.26%	1.71%	3.33%	5.41%	11.70%	-1.23%	10.91%
Weighted Average	2.60%	5.44%	1.72%	3.30%	5.41%	11.88%	0.32%	10.10%
Median	2.51%	5.40%	1.71%	3.38%	5.74%	11.86%	-2.17%	11.26%

DID YOU KNOW?

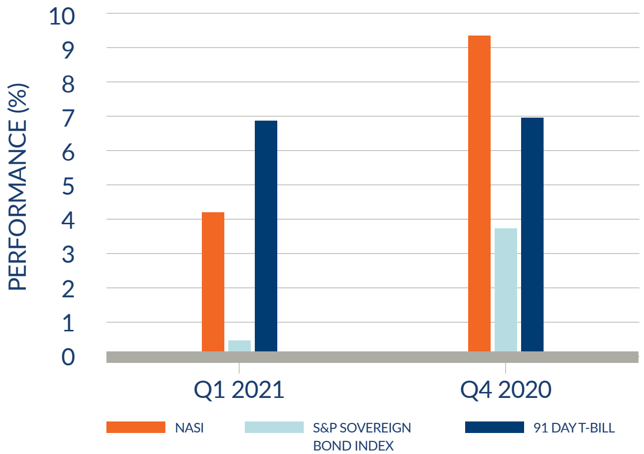
Before the onset of the COVID-19 crisis, local pension sectors had been growing rapidly across the African region for the past few years. With the appropriate legislation structures in place, local pension funds and other institutional investors – with longer-term investment horizons – could provide the much-needed localized finance for infrastructure and other longer-term socioeconomic development needs in Africa.

The COVID 19 crisis has however underscored the need for African governments to give greater priority, going forward, to policies geared towards increasing the level of long-term domestic savings in African economies. This measure would ensure more extensive participation by the populace in pension mobilization, including by those in the informal sector. The crisis has also elevated the broader policy discussion to determining the best means of tapping into pools of domestic capital, where they exist, which will be important in creating and maintaining a sustainable economic recovery.

In the short term, the COVID crisis can be expected to have a strong impact on the pension fund industry in African countries through members' reduced contributions, early withdrawals, and shifts in and likely reduced investment overall across asset classes by the funds themselves.

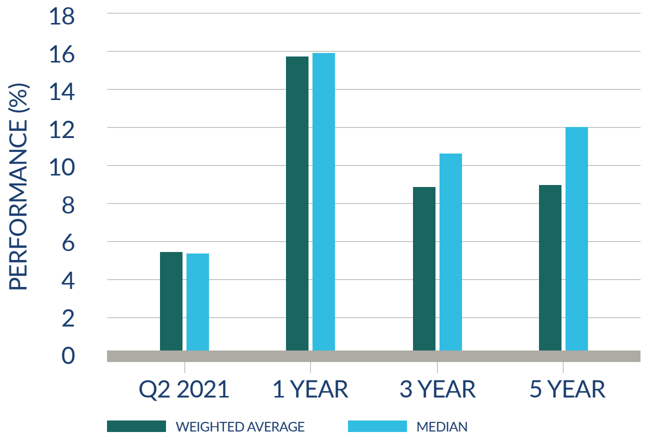
Capital Market Performance

PERFORMANCE OF SELECT BENCHMARKS & ECONOMIC INDICATORS



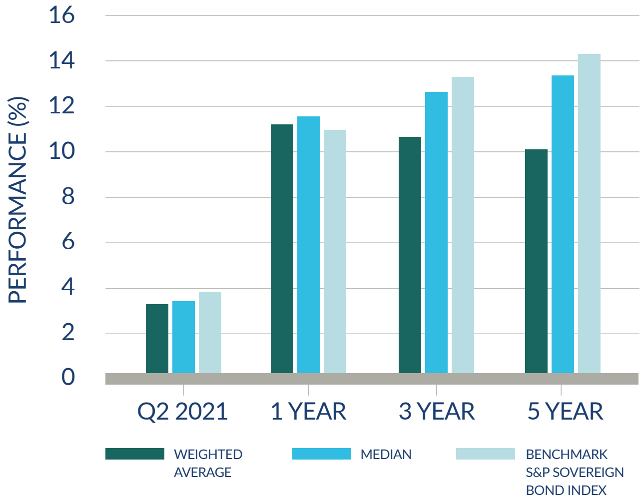
Investment Manager Performance

OVERALL PERFORMANCE ANALYSIS



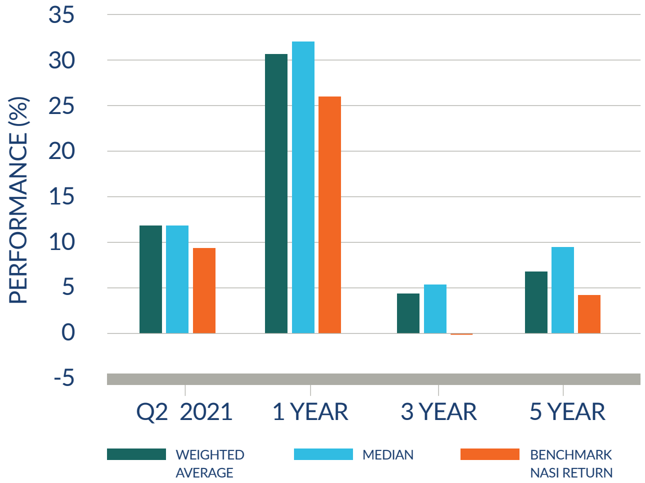
Investment Manager Performance

FIXED INCOME PERFORMANCE



Investment Manager Performance

EQUITY PERFORMANCE



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%
2021	Apr	5.76%	7.00%
2021	May	5.87%	7.00%
2021	Jun	6.32%	7.00%

Change in Assets Under Management since Q1 2019

Trend summary of Assets Under Management excluding property

		AUM 2019				AUM 2020				AUM 2021	
RISK PROFILE	FIXED INCOME ALLOCATION	Q1 2019	Q2 2019	Q3 2019	Q4 2019	Q1 2020	Q2 2020	Q3 2020	Q4 2020	Q1 2021	Q2 2021
Conservative	Over 65%	438 808	529 828	538 219	399 471	406 860	422 762	610 276	618 772	613 610	566 103
Moderative	45% - 65%	66 466	26 265	25 952	138 794	116 521	114 220	153 309	139 363	171 769	215 684
Aggressive	Less than 45%	46 994	-	602	50 416	31 199	31 382	37 857	64 457	55 526	58 179
TOTAL		552 268	556 093	564 773	588 681	554 580	568 364	801 443	822 592	840 905	839 966

Amount in millions

Trend summary of Assets under Management including Property

		AUM 2019				AUM 2020				AUM 2021	
RISK PROFILE	FIXED INCOME ALLOCATION	Q1 2019	Q2 2019	Q3 2019	Q4 2019	Q1 2020	Q2 2020	Q3 2020	Q4 2020	Q1 2021	Q2 2021
Conservative	Over 65%	489 266	403 868	412 157	612 229	415 181	432 063	621 250	627 482	620 302	572 297
Moderative	45% - 65%	91 490	141 136	149 913	54 331	155 090	151 530	199 030	171 525	205 591	251 309
Aggressive	Less than 45%	47 278	88 182	80 276	248	67 249	69 603	85 597	168 889	154 139	157 089
TOTAL		628 034	633 186	642 346	666 808	637 521	653 196	905 878	967 896	980 031	980 696

Amount in millions

Total performance analysis across

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	5.14%	15.56%	10.64%	11.98%	5.63%	16.42%	10.28%	11.56%	5.68%	16.57%	9.52%	10.84%
Weighted Average	5.31%	15.57%	9.35%	9.32%	5.76%	16.17%	7.83%	8.36%	5.58%	16.38%	8.32%	7.99%
Median	5.31%	15.76%	10.77%	12.13%	5.80%	16.69%	10.10%	11.55%	5.68%	16.61%	9.75%	10.91%
25th Percentile	4.97%	14.84%	10.06%	11.54%	5.46%	15.26%	9.76%	10.95%	5.51%	15.12%	8.78%	10.06%
75th Percentile	5.56%	16.79%	11.24%	12.49%	6.04%	17.62%	10.65%	12.21%	6.20%	18.08%	10.67%	11.58%
Range of return	5.58%	19.09%	13.62%	15.24%	4.89%	21.24%	12.33%	13.60%	9.12%	24.62%	11.28%	12.67%

	Q2 2021	1 YEAR	3 YEAR	5 YEAR
Average	5.26%	15.76%	10.51%	11.84%
Weighted Average	5.44%	15.78%	8.89%	8.98%
Median	5.40%	15.94%	10.66%	12.05%

Fixed Income performance analysis

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	3.35%	11.48%	12.57%	13.23%	3.29%	11.28%	12.67%	13.42%	3.13%	10.83%	12.19%	12.92%
Weighted Average	3.29%	11.22%	10.94%	10.26%	3.32%	11.01%	9.88%	9.88%	3.24%	11.01%	10.55%	9.43%
Median	3.40%	11.59%	12.59%	13.32%	3.30%	11.37%	12.81%	13.35%	3.21%	11.31%	12.62%	13.32%
25th Percentile	3.25%	11.21%	12.30%	12.95%	3.21%	11.06%	12.32%	13.15%	2.93%	10.70%	11.75%	12.76%
75th Percentile	3.54%	11.83%	12.92%	13.64%	3.44%	11.68%	13.02%	13.58%	3.42%	11.52%	12.86%	13.60%
Range of return	4.06%	14.50%	15.21%	16.57%	1.57%	12.20%	13.76%	14.89%	3.81%	12.21%	13.60%	14.12%

	Q2 2021	1 YEAR	3 YEAR	5 YEAR
Average	3.33%	11.40%	12.56%	13.24%
Weighted Average	3.30%	11.16%	10.66%	10.12%
Median	3.38%	11.51%	12.62%	13.34%

Equity performance analysis

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	11.68%	31.83%	5.08%	9.16%	11.67%	30.81%	4.17%	9.05%	11.92%	30.98%	4.55%	8.64%
Weighted Average	11.94%	31.01%	5.10%	7.37%	11.89%	29.96%	3.18%	6.03%	11.46%	29.70%	3.80%	6.42%
Median	11.92%	32.34%	5.53%	9.50%	11.63%	31.03%	3.98%	9.63%	11.59%	30.42%	4.43%	9.31%
25th Percentile	11.16%	30.26%	3.55%	7.45%	10.96%	28.17%	2.38%	6.98%	10.92%	28.55%	3.26%	6.88%
75th Percentile	12.44%	33.93%	6.75%	10.83%	12.21%	33.72%	5.81%	11.27%	12.28%	32.93%	5.98%	9.80%
Range of return	16.09%	60.37%	43.27%	44.61%	13.61%	36.66%	8.89%	13.70%	22.51%	49.07%	10.35%	12.79%

	Q2 2021	1 YEAR	3 YEAR	5 YEAR
Average	11.70%	31.61%	4.91%	9.10%
Weighted Average	11.88%	30.61%	4.46%	6.92%
Median	11.86%	32.11%	5.38%	9.52%

Offshore performance analysis

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	10.51%	31.74%	18.10%	17.59%	12.11%	32.30%	20.91%	14.12%	9.72%	32.46%	13.86%	16.32%
Weighted Average	10.51%	22.17%	12.40%	6.99%	10.16%	30.28%	15.87%	5.39%	8.56%	37.21%	15.79%	12.50%
Median	10.80%	34.37%	21.66%	20.38%	13.27%	35.05%	21.06%	15.97%	9.20%	37.96%	17.85%	16.63%
25th Percentile	8.34%	30.05%	15.48%	15.31%	9.74%	25.89%	14.12%	10.56%	6.91%	28.29%	6.29%	16.48%
75th Percentile	13.56%	37.39%	22.64%	21.36%	13.55%	39.90%	23.78%	19.74%	13.14%	40.11%	19.64%	19.93%
Range of return	20.76%	52.68%	28.52%	24.86%	27.52%	67.47%	48.26%	21.13%	13.56%	41.22%	24.26%	21.87%

	Q2 2021	1 YEAR	3 YEAR	5 YEAR
Average	10.91%	31.98%	18.39%	16.68%
Weighted Average	10.10%	28.15%	14.59%	6.83%
Median	11.26%	34.61%	21.12%	19.48%