Retirement Benefits Schemes 2024 Performance Note

Following the release of the Retirement Benefits Authority (RBA) Industry Report for December 2024, we examine the performance of the pension funds for the period ended 31st December,2024.

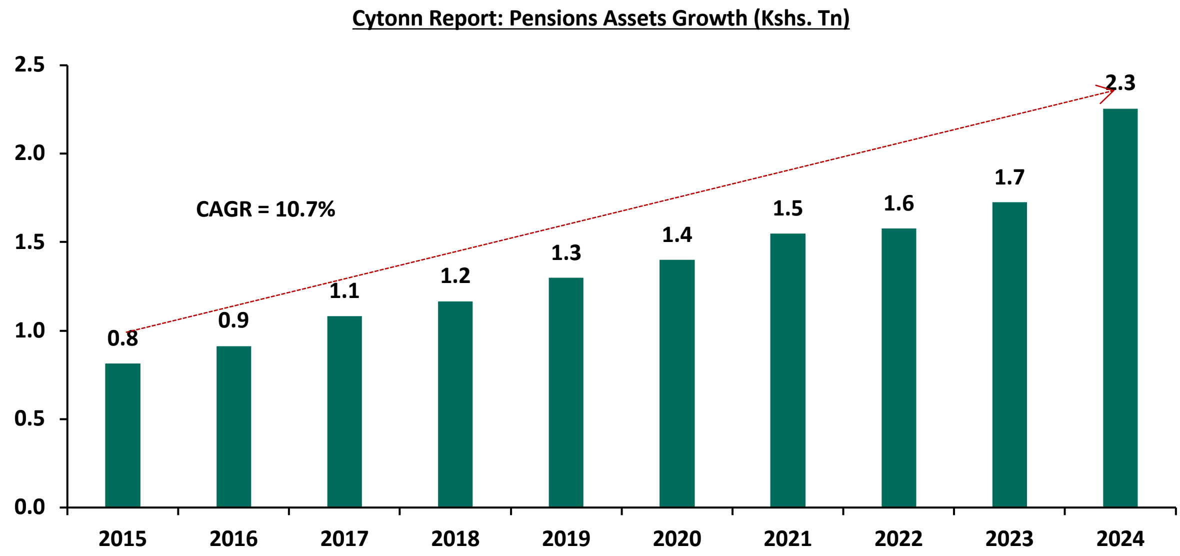
We have been tracking the performance of Kenya's Pension schemes with the most recent topical being, Retirement Benefits Schemes Q4'2024 Performance Report, done in March 2025. In this note, we focus on the 2024 performance of pension funds where we shall analyse the following:

i. Growth of Retirement Benefits Schemes, and,
ii. Retirement Benefits Schemes Allocations and Various Investment Opportunities

i. Growth of Retirement Benefits Schemes

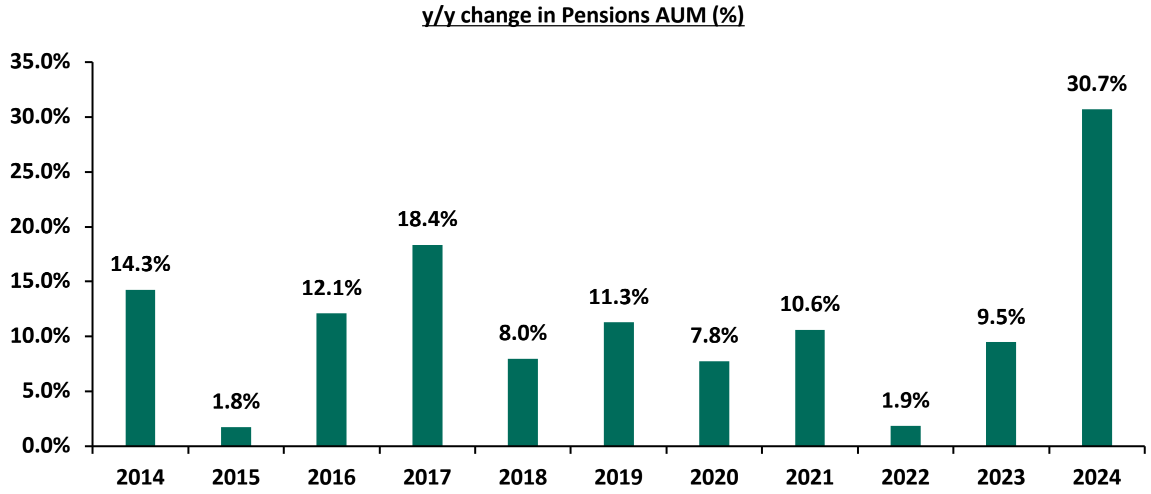
According to the latest Retirement Benefits Authority (RBA) Industry Report for December 2024, , assets under management increased by 30.7% to Kshs 2.3 tn from the Kshs 1.7 tn recorded in December 2023, partly attributable to the enhanced contributions to the mandatory scheme, NSSF, which began in earnest in February 2024 following the implementation of the second phase of the implementation of the NSSF Act of 2013 and improved market conditions. Further, the increase in NSSF contribution limits from February 2025, marking the third phase of implementation under the NSSF Act of 2013, is expected to boost the overall pension sector's assets under management (AUM) by increasing retirement savings. Notably, the AUM increased by 14.0% to Kshs 2.3 tn in December 2024 from the Kshs 2.0 tn recorded in June 2024.

The graph below shows the growth of Assets under Management of the retirement benefits schemes over the last 10 years:



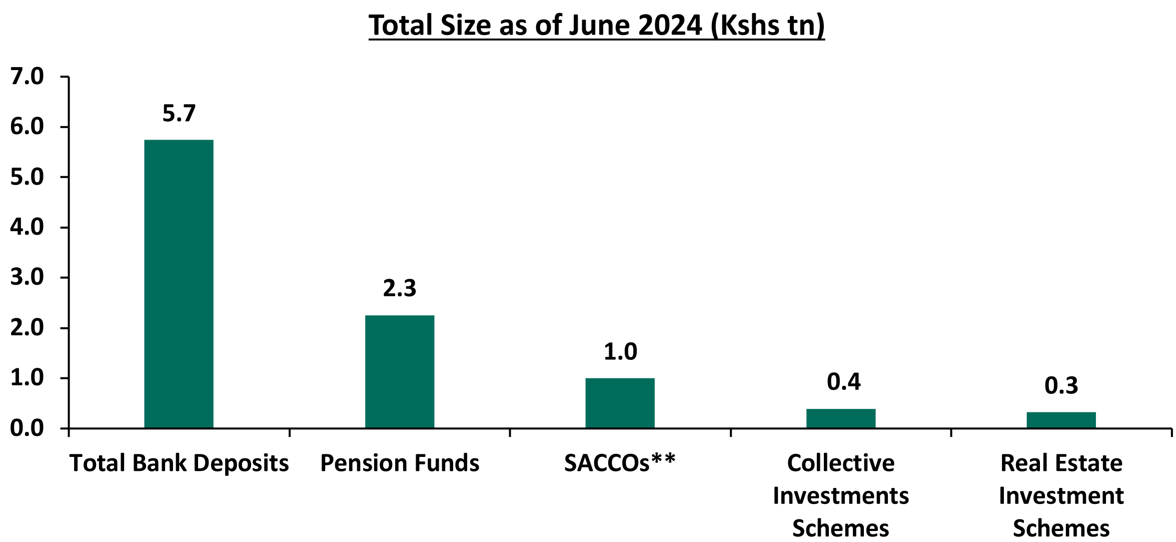
Pensions AUM increased by 37.0% to Kshs 2.3 tn in December 2024 from the Kshs 1.7 tn recorded in December 2023. Additionally, the AUM has grown at a CAGR of 10.7% to Kshs 2.3 tn in 2024 from Kshs 0.8 tn in 2015, and the 37.0% increase in Assets Under Management is 21.2% points increase in growth from the 9.5% growth that was recorded in 2023, mainly due to the improved market conditions with NASI gaining by 34.3% coupled with the enhanced NSSF contributions that led to the recovery of the industry's performance following a difficult period in 2022 due to the court ruling that declared revival of NSSF Act No.45 of 2013 unconstitutional. The primary goal of the act was to broaden the NSSF's benefit coverage, range, and scope as well as improve the adequacy of benefits paid out of the scheme by the Fund amongst others.

The chart below shows the y/y changes in the assets under management for the schemes over the years.



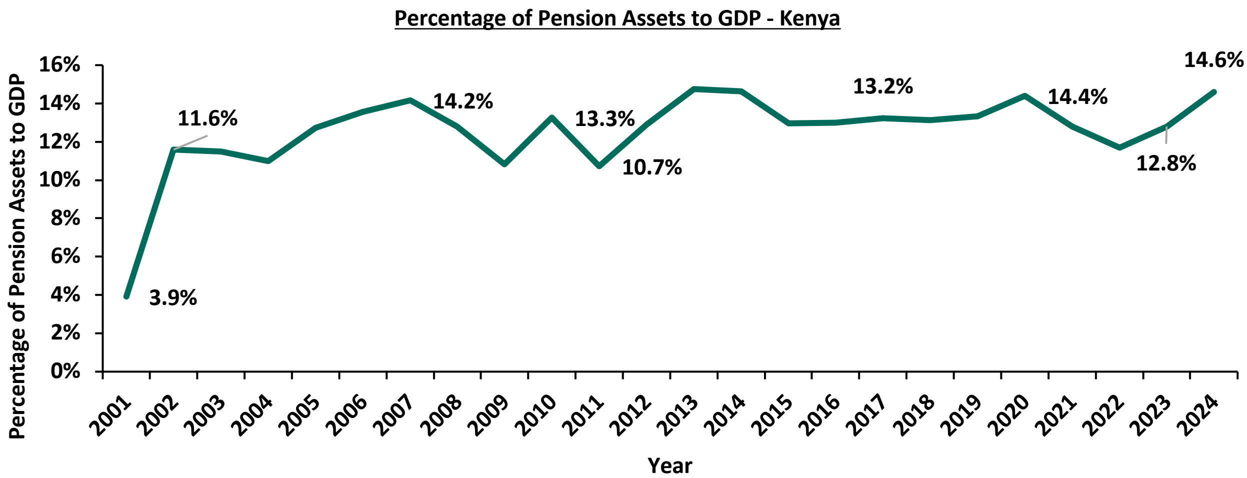
In Kenya, pension funds hold a substantial share of financial assets, consistently growing due to mandatory and voluntary contributions under the National Social Security Fund (NSSF) Act of 2013 regulations. In comparison, bank deposits remain the largest financial pool, reflecting their role as the primary savings vehicle driven by their liquidity, security, and accessibility, though they offer lower returns. Capital markets products, including unit trusts, REITs, are relatively smaller highlighting the nascent stage of capital markets in Kenya, but expanding as investors seek diversification and higher yields. SACCOs play a crucial role in cooperative-based savings and credit access, especially for middle-income earners.

The graph below shows the Assets under Management of Pensions against other Capital Markets products and bank deposits:



*Sources: CMA, RBA, SASRA and REIT Financial Statements, **as of June 2024*

Notably, as of December 2024, the liquidity ratio for pension funds was 89.2% implying that the pension funds are highly liquid. The pension to GDP ratio increased by 1.8% points to 14.6% in 2024 from 12.8% in 2023, attributable to the 30.7% increase in the pensions AUM to Kshs 2.3 bn in 2024. However, the 14.6% was low compared to most developing countries emphasizing the importance of policy reforms to broaden access to pensions and encourage greater savings. The graph below shows Kenya's pension to GDP ratio over the years:



a) Assets Held by Fund Managers

According to the Retirement Benefits Authority, as of the end of December 2024, 21 fund managers submitted their returns to RBA. The AUM for the fund managers increased by 15.6% to Kshs 1,714.8 bn in December 2024 from Kshs 1,483.4 bn recorded in June 2024. The table below outlines the performance of the Fund Managers comparing June 2024 and December 2024;

Cytonn Report: Assets Under Management for the Fund Managers						
No.	Fund Manager	June 2024 AUM (Kshs bn)	Market Share	December 2024 AUM (Kshs bn)	Market Share	AUM Growth (June 2024 to December 2024)
1	Genafrica Asset Managers Limited	465.7	31.4%	651.4	38.0%	39.9%
2	Co-optrust Investment Services Limited	231.1	15.6%	303.4	17.7%	31.3%
3	Sanlam Investments East Africa Limited	254.0	17.1%	228.9	13.3%	(9.9%)
4	African Alliance Kenya Asset Management Limited	99.7	6.7%	201.0	11.7%	101.7%
5	Old Mutual Investment Group Limited	243.1	16.4%	191.3	11.2%	(21.3%)
6	ICEA Lion Asset Management Limited	81.4	5.5%	78.5	4.6%	(3.5%)
7	CIC Asset Management Limited	70.5	4.8%	35.8	2.1%	(49.2%)
8	Britam Asset Managers Kenya Limited	26.3	1.8%	9.5	0.6%	(63.8%)
9	NCBA Investment Bank Ltd	6.3	0.4%	7.2	0.4%	13.9%
10	ABSA Asset Management LTD	3.4	0.2%	4.0	0.2%	16.1%
11	Globetec Asset Management Limited	1.5	0.1%	2.1	0.1%	40.1%
12	Zimele Asset Management Company Limited	0.0	0.0%	0.7	0.0%	-
13	Mayfair Asset Managers Limited	0.0	0.0%	0.3	0.0%	2800.0%
14	Dry Associates Limited	0.3	0.0%	0.3	0.0%	0.0%
15	Kuza Asset Management Limited	0.0	0.0%	0.2	0.0%	275.0%
16	Cytonn Asset Managers Limited	0.1	0.0%	0.1	0.0%	14.3%
17	KCB Asset Management Limited	0.1	0.0%	0.1	0.0%	20.0%
18	Amana Capital Limited	0.0	0.0%	0.1	0.0%	25.0%
19	Fusion Investment Management Limited	0.0	0.0%	0.0	0.0%	0.0%
20	Genghis Capital Ltd	0.0	0.0%	0.0	0.0%	0.0%

21	Lofty- Corban Investments Limited	0.0	0.0%	0.0	0.0%	-
	Total	**1483.4**		**1714.8**		

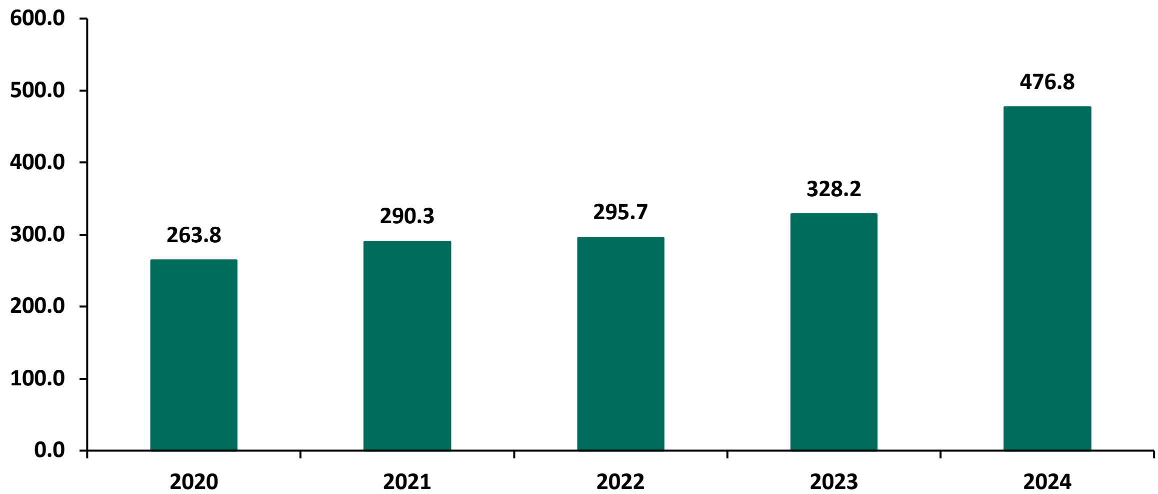
Key take-outs from the above table include:

- **Assets Under Management**: The AUM recorded a 15.6% growth to Kshs 1,714.8 bn in December 2024, higher than the AUM of Kshs 1,483.4 bn in June 2024,
- **Growth:** In terms of AUM growth, Mayfair Asset Managers recorded the highest growth of 2800.0% with its AUM increasing to Kshs 0.3 bn, from Kshs 0.02 bn in June 2024, attributable to the base effect. On the other hand, Britam Asset Managers recorded the largest decline with its AUM declining by 63.8% to Kshs 9.5 bn in December 2024, from Kshs 26.3 mn in June 2024,
- **Market Share:** Genafrica Asset Managers remained the largest overall Unit Trust with a market share of 38.0%, 6.6% points increase from 31.4% recorded in June 2024.

b) **Assets Held by NSSF**

The total assets held by NSSF increased by 45.3% on a year on year basis to Kshs 476.8 bn in December 2024 from Kshs 328.2 bn in December 2023, and by 18.6% from Kshs 402.0 in June 2024. This is attributable to increased contributions due to the implementation of the NSSF Act of 2013, with the total contributions increasing significantly by 133.4% to Kshs 59.3 bn in 2024 from Kshs 25.4 bn in 2023. Additionally, internally managed funds amounted to Kshs 52.2 bn while externally managed funds were Kshs 424.6 bn. The graph below shows the total Assets under Management of NSSF over the last 5 years:

Cytonn Report: Total Net Assets Held by NSSF (Kshs bn)



ii. Retirement Benefits Schemes Allocations and Various Investment Opportunities

Retirement Benefits Schemes strategically allocate funds across various asset classes available in the market to safeguard members' contributions while striving to generate attractive returns. These schemes have access to a diverse range of investment opportunities, including traditional asset classes such as equities and fixed income securities. Additionally, they can explore alternative investments such as real estate, private equity, infrastructure, and other non-traditional assets, which may offer higher returns and diversification benefits. The choice of investments is guided by the scheme's Investment Policy Statement (IPS), regulatory guidelines, and the need to align with the risk tolerance and long-term goals of the members. As such, the performance of Retirement Benefits Schemes in Kenya depends on a number of factors such as; asset allocation, selection of the best-performing security within a particular asset class, size of the scheme, risk appetite of members and investors, and investment horizon. The table below represents how the retirement benefits schemes have invested their funds in the past:

Cytonn Report: Kenyan Pension Funds' Assets Allocation													
Asset Class	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**Average**	**Limit**
Government Securities	31.0%	29.8%	38.3%	36.5%	39.4%	42.0%	44.7%	45.7%	45.8%	47.5%	52.5%	41.2%	90.0%
Immovable Property	17.0%	18.5%	19.5%	21.0%	19.7%	18.5%	18.0%	16.4%	15.8%	14.0%	11.1%	17.2%	30.0%
Quoted Equities	26.0%	23.0%	17.4%	19.5%	17.3%	17.6%	15.6%	16.5%	13.7%	8.4%	9.0%	16.7%	70.0%
Guaranteed Funds	11.0%	12.2%	14.2%	13.2%	14.4%	15.5%	16.5%	16.8%	18.9%	20.8%	19.4%	15.7%	100.0%
Fixed Deposits	5.0%	6.8%	2.7%	3.0%	3.1%	3.0%	2.8%	1.8%	2.7%	4.8%	2.4%	3.5%	30.0%
Listed Corporate Bonds	6.0%	5.9%	5.1%	3.9%	3.5%	1.4%	0.4%	0.4%	0.5%	0.4%	0.3%	2.5%	20.0%
Offshore	2.0%	0.9%	0.8%	1.2%	1.1%	0.5%	0.8%	1.3%	0.9%	1.6%	2.9%	1.3%	15.0%
Cash	1.0%	1.4%	1.4%	1.2%	1.1%	1.2%	0.9%	0.6%	1.1%	1.5%	1.0%	1.1%	5.0%
Unquoted Equities	1.0%	0.4%	0.4%	0.4%	0.3%	0.3%	0.2%	0.2%	0.3%	0.2%	0.2%	0.4%	5.0%
REITs	0.0%	0.0%	0.1%	0.1%	0.1%	0.0%	0.0%	0.0%	0.0%	0.6%	0.5%	0.1%	30.0%
Private Equity	0.0%	0.0%	0.0%	0.0%	0.1%	0.1%	0.1%	0.2%	0.2%	0.3%	0.7%	0.2%	10.0%
Others e.g. unlisted commercial papers	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.2%	-	0.0%	0.0%	10.0%
Commercial Paper, non-listed bonds by private companies	-	-	-	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.0%	10.0%
Total	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**

Source: Retirement Benefits Authority

Retirement benefits schemes have for a long time skewed their investments towards traditional assets, mostly, government securities and the equities market, averaging 57.9% as of 31st December 2024 for the two asset classes, leaving only 42.1% for the other asset classes. However, as pension schemes seek higher returns, diversification, and inflation hedging, there has been a growing shift towards alternative investments that include immovable property, private equity as well as Real Estate Investments Trusts (REITs). It is vital to note, that in 2024 the second largest increase in allocation was recorded in investments in private equity by 182.2% to Kshs 16.2 bn from Kshs 5.7 bn recorded in 2023 and investments in Real Estate Investments Trusts increased by 5.2% to Kshs 11.7 bn in 2024 from Kshs 11.1 bn in 2023. However, allocation to immovable property increased by 2.9% to Kshs 249.2bn in 2024 from Kshs 242.1 bn in 2023.

Key Take-outs from the table above are;

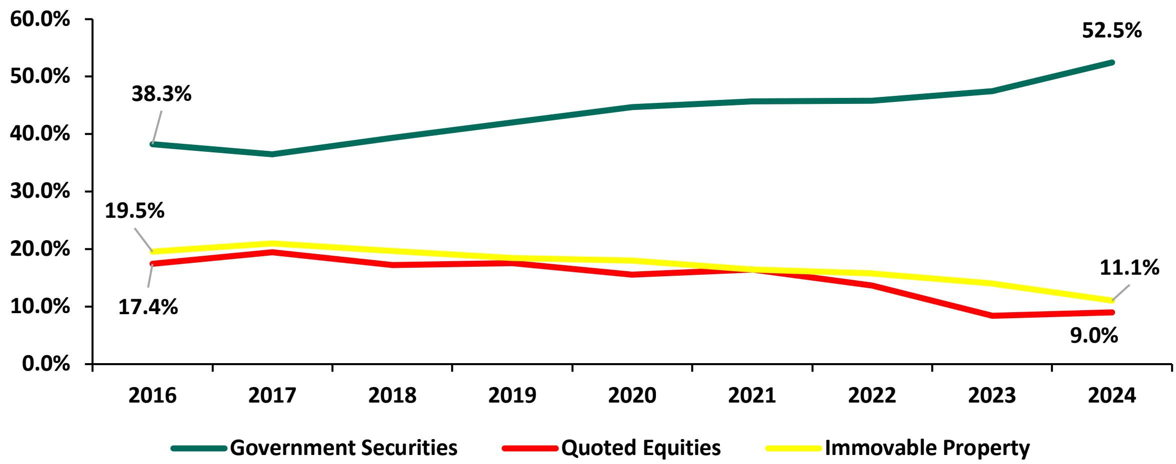
a. Schemes in Kenya allocated an average of 57.9% of their members' funds towards government securities and Quoted Equities between the period of 2014 and end of 2024. The 41.2% average allocation to government securities is the highest among the asset classes attributable to safety assurances of members' funds because of low-risk associated with government securities. Notably, allocation towards government securities increased by 5.0% points to 52.5% in 2024 from 47.5% in 2023 attributable to high yields by the government papers and increased issuance of treasury bonds to finance fiscal deficits as well as increase domestic borrowing during the period,

b. The allocation towards quoted equities increased by 0.6% points to 9.0% in 2024, from 8.4% in 2023 on the back of improved performance in the Kenyan equities market as evidenced by 34.3% gain by the NASI index in 2024, driven by a recovery in corporate earnings and increased investor confidence. Favourable macroeconomic conditions, such as easing inflation and a strengthened shilling, boosted market sentiment, have encouraged trustees to allocate more funds to equities during the period,

c. Retirement Benefits Schemes investments in offshore markets increased by 1.3% points to 2.9% in 2024, from 1.6% in 2023 as a result of the opportunities in developed and emerging markets, and currency hedging strategies that allowed schemes to benefit from foreign exchange gains, and,

The chart below shows the allocation by pension schemes on the three major asset classes over the years:

Cytonn Report: Pension Fund Allocation to Government Securities, Quoted Equities and Property



Source: RBA Industry report

The table below shows the AUM of different asset classes in 2023 and 2024 and the percentage difference:

Cytonn Report: Kenyan Pension Funds' Assets AUM (Kshs bn)			
Asset Category	**FY'2023**	**FY'2024**	**YoY Change (%)**
Government Securities	818.9	1183.3	44.5%
Guaranteed Funds	358.1	437.5	22.2%
Immovable Property	242.1	249.2	2.9%
Quoted Equities	145.2	202.3	39.4%
Offshore	27.2	64.5	137.2%
Fixed Deposits	81.9	53.7	(34.5%)
Cash	25.0	23.1	(7.4%)
Private Equity	5.7	16.2	182.2%
REITs*	11.1	11.7	5.2%
Listed Corporate Bonds	6.7	6.3	(5.3%)
Unquoted Equities	3.6	4.0	10.2%
Commercial Paper, non-listed bonds by private companies*	0.0	3.2	15900.0%
Others e.g. Unlisted Commercial Papers	0.0	0.2	-
Total Assets	**1725.4**	**2255.2**	**30.7%**

Source: RBA Industry report

Key Take-outs from the table above are;

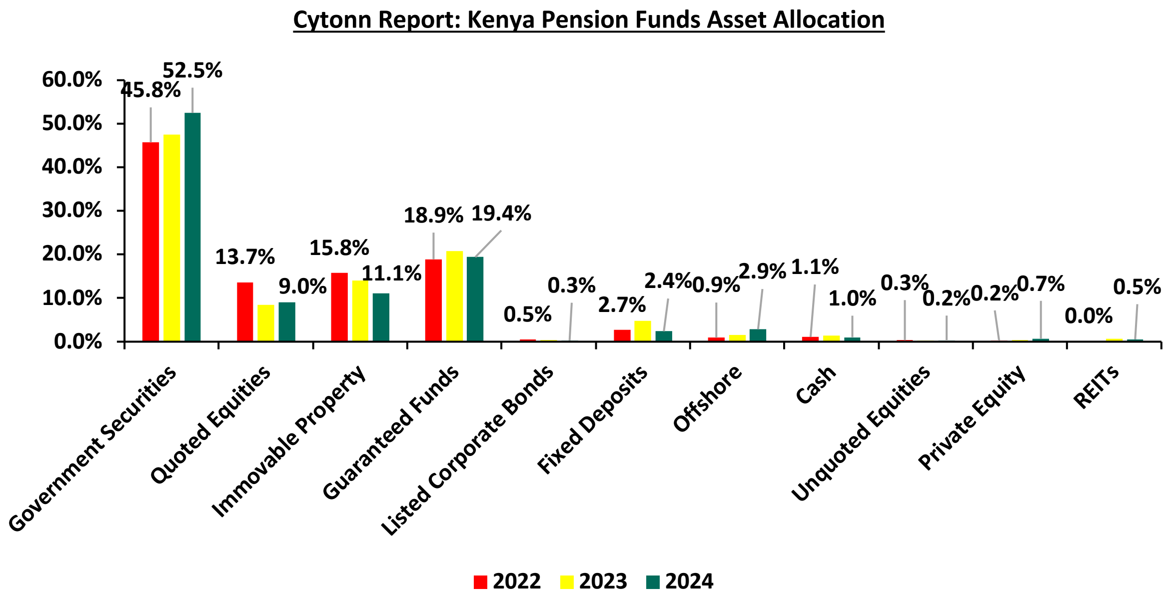
a. Government securities remained the highest allocated asset class, recording a 44.5% increase in AUM to Kshs 1,183.3 bn in 2024 from Kshs 818.9 bn in 2023. Additionally, quoted equities grew by 39.4% to Kshs 202.3 bn in 2024 from Kshs 145.2 bn in 2023, attributable to the 34.3% gain by NASI in 2024 and the 17.4% appreciation of the Kenya Shilling which remained stable attracting more foreign direct investors,

b. Commercial paper and non-listed bonds by private companies grew significantly by 15900.0% to Kshs 3.2 bn in 2024 from Kshs 0.0 bn in 2023 due to an investment of Kshs 3.0 bn in Linzi sukuk bond by one of the schemes during the period. Notably, investment in other assets increased to Kshs 0.2 bn, attributable to investment in the Mansa X shariah compliant fund in 2024

c. Fixed deposits declined by 34.5% to Kshs 53.7 bn in 2024 from Kshs 81.9 bn in 2023. Additionally, cash declined by 7.4% to Kshs 23.1 bn in 2024 from Kshs 25.0 bn in 2024.

Alternative Investments (Immovable Property, Private Equity and REITs)

Retirement benefits schemes have for a long time skewed their investments towards traditional assets, mostly, government securities and the equities market, averaging at 57.9% in 10 years, in 2024, leaving only 42.1% for all the other asset classes. In the asset allocation, alternative investments that include immovable property, private equity as well as Real Estate Investments Trusts (REITs) account for an average of only 17.5% against the total allowable limit of 70.0%. In terms of overall asset allocation, alternative investments still lagged way behind the other asset classes, as demonstrated in the graph below;



Source: RBA Industry Report

Alternative Investments refers to investments that are supplemental strategies to traditional long-only positions in equities, bonds, and cash. Alternative Investments, such as immovable property, private equity, and REITs, offer not only diversification and competitive long-term returns but also the potential to hedge against inflation. Investments in real assets like immovable property and REITs often benefit from inflationary environments, as property values and rental incomes tend to rise with inflation. Additionally, private equity provides access to high-growth sectors, such as technology and renewable energy, which are less correlated to traditional market movements, offering an attractive risk-adjusted return profile.

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