

# KENYA RAILWAYS RETIREMENT BENEFITS SCHEME

AGM 2022

INVESTMENT REPORT



Presented by:



A glowing lantern on a stone wall overlooking a city at night.

# Report Overview

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Roles of the Fund Manager

02

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# Role of the Fund Manger

## Advisory

- Advise the Trustees on Investment Options
- Advise the Trustees to comply with the IPS & RBA regulations.

## Investment

- Conduct research and construct the Most Efficient Portfolio
- Constant review and rebalance the Portfolio

## Reporting

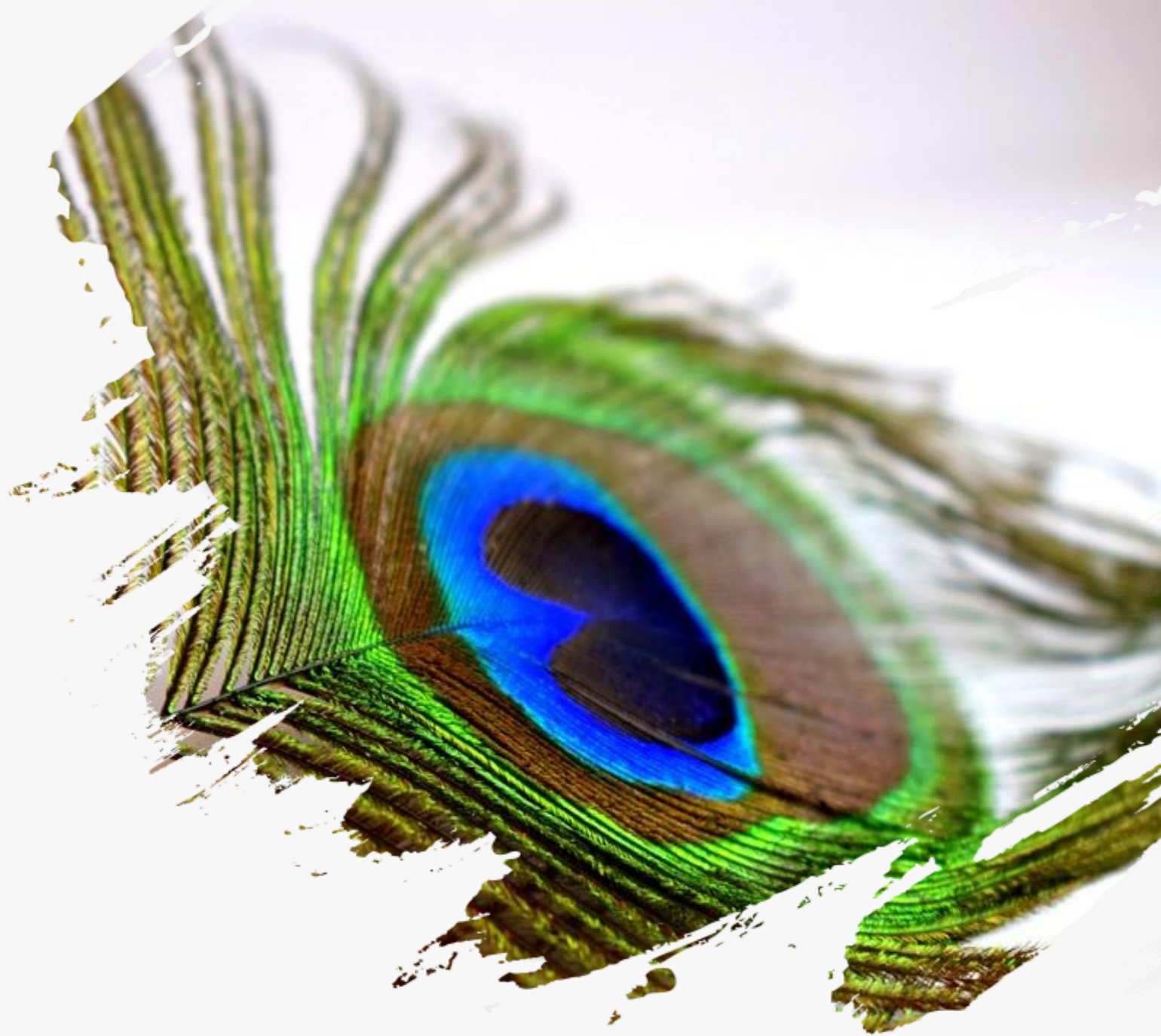
- Report the scheme performance to trustees
- Report the scheme performance to members at AGM

## Regulation & Compliance

- Submit appropriate reports and returns to the RBA.
- Submit appropriate reports to the CMA

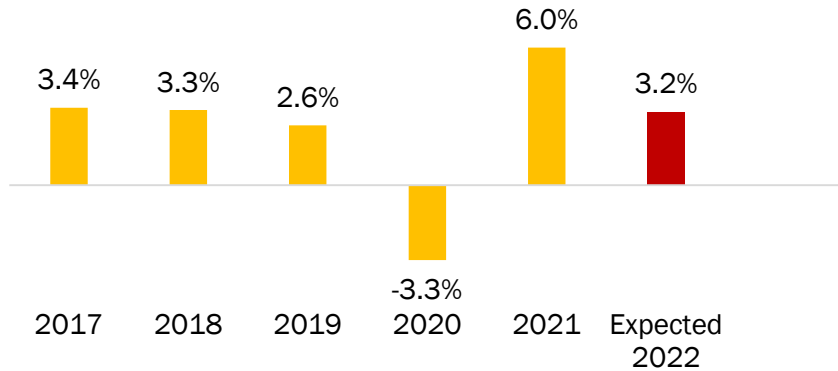


# MACRO ENVIRONMENT

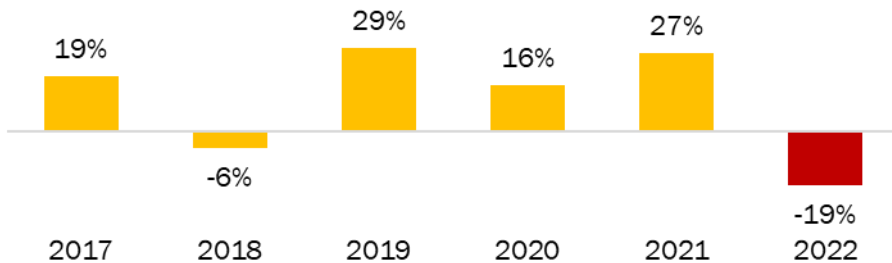


# SUMMARY OF 2022

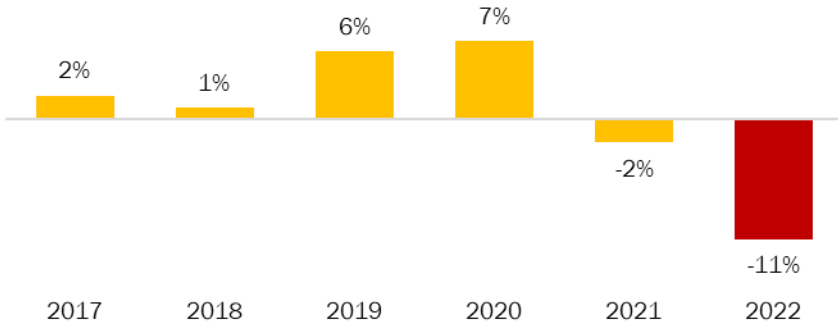
WORLD GDP (%)



S&P 500 Returns



S&P US Treasury Bond Index



## GDP

- Significant slowdown in 2022 globally with further slowdown expected in 2023
- Inflation, monetary and fiscal policies driving slower growth
- Globally stocks and bonds estimated to have lost \$ 30 trillion

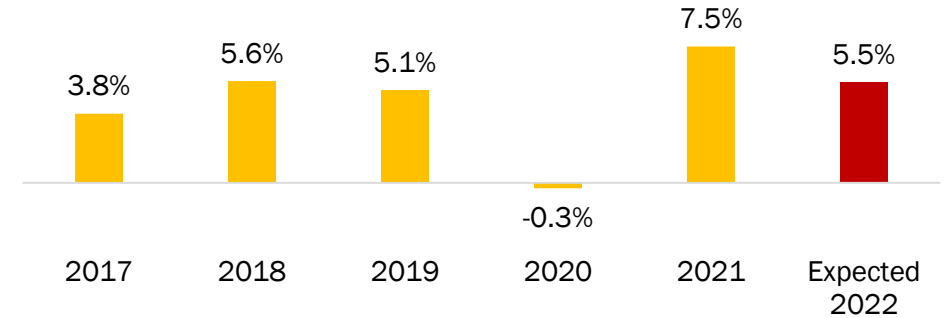
## EQUITIES

- Risk off sentiment saw US markets experience worst drawdown since 2008
- Kenya mirrored global equities sell off, to lose 23%, the worst since 2011

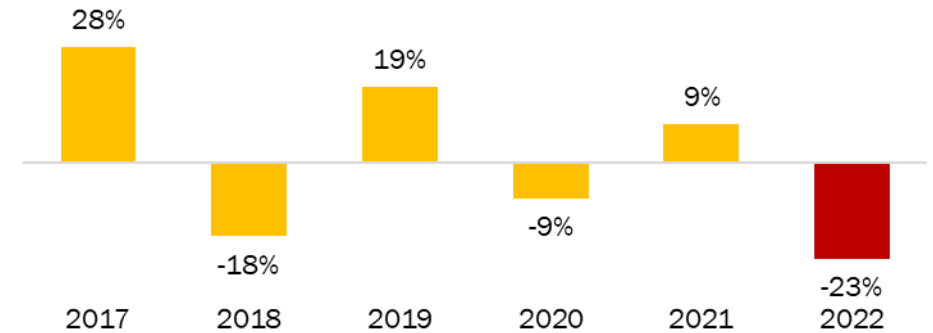
## BOND PERFORMANCE

- Synchronized tightening of monetary policy by Central Banks globally saw rates rise sharply in most countries
- US saw Treasuries lose 11% the worst on record
- Kenya bonds returned 8%, the lowest since 2015

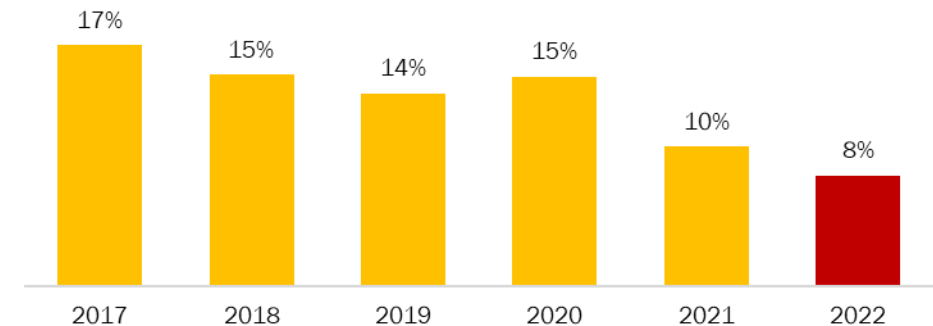
KENYA GDP (%)



Kenyan Equity Performance (NASI)

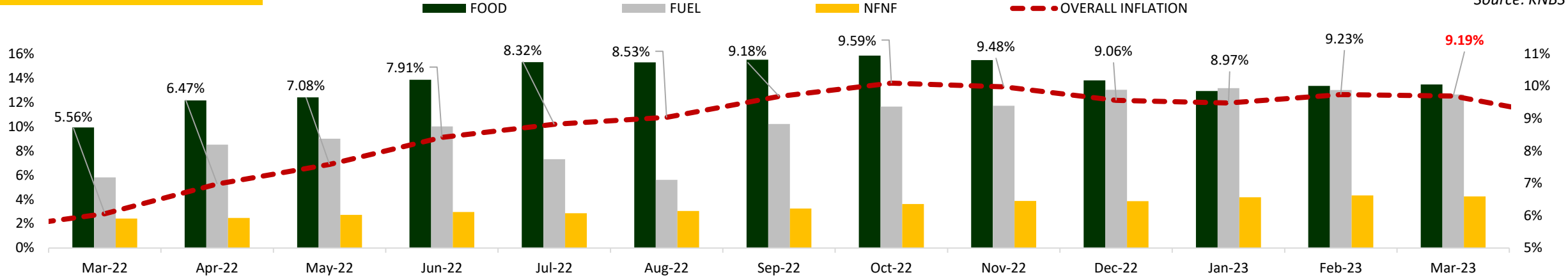


S&P Kenya Bond Index Performance



# KENYA MACROS

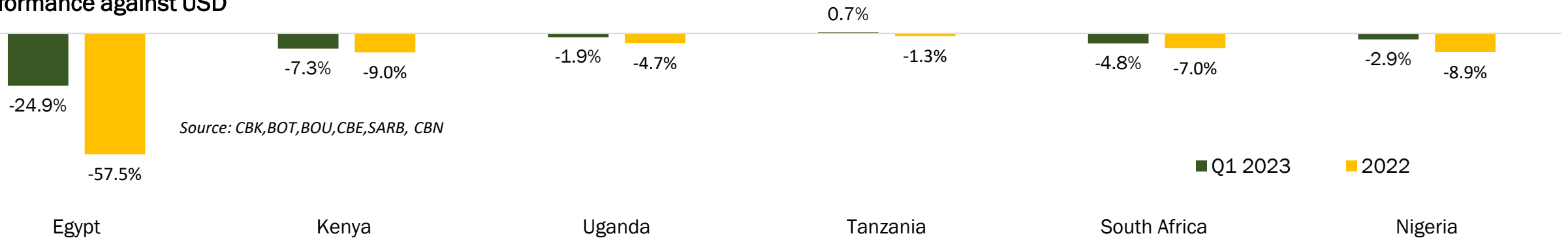
## INFLATION



- Inflation peaked in Oct 2022 with rate rising to 9.59%.
- The main drivers of inflation in 2022 were rise in fuel prices, transport costs and food costs.

## CURRENCY

### Performance against USD

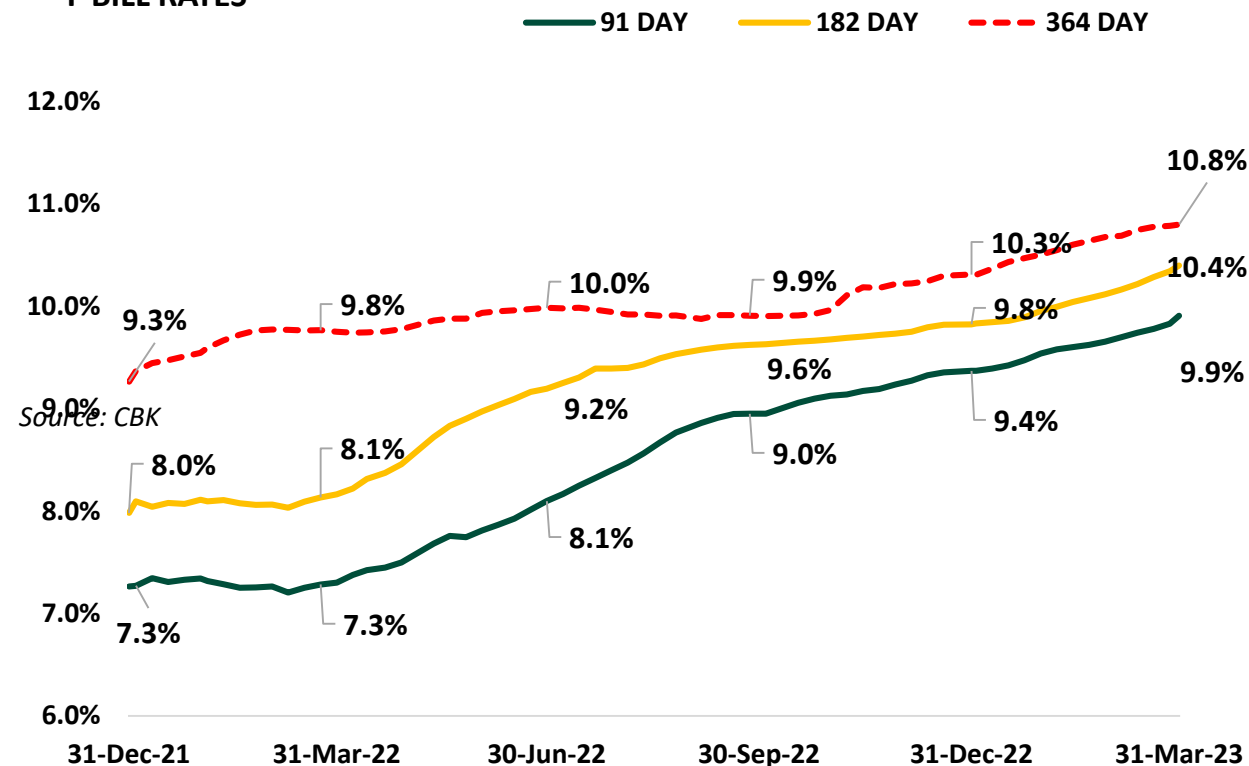


- In 2022, the Kenyan Shilling depreciated by 9% against the US dollar to close the year at KES **123.37** versus KES **113.14** in Dec 2021.
- The depreciation was attributed to the strengthening of the US dollar against major world currencies due to global headwinds as well as the increased dollar demand from oil and energy importers.

# INTEREST RATES

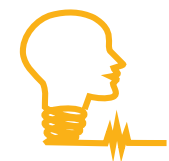
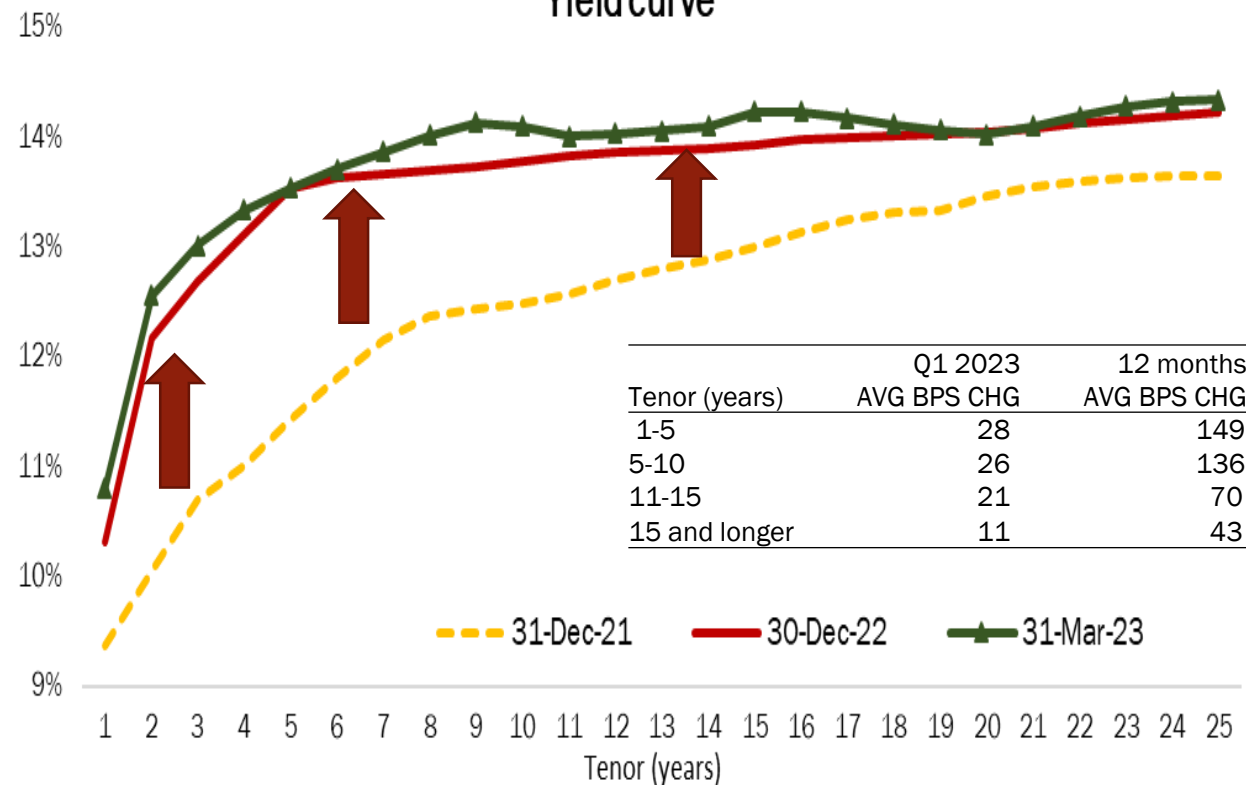
## SHORT TERM RATES

### T-BILL RATES



## LONGER TERM RATES

### Yield curve

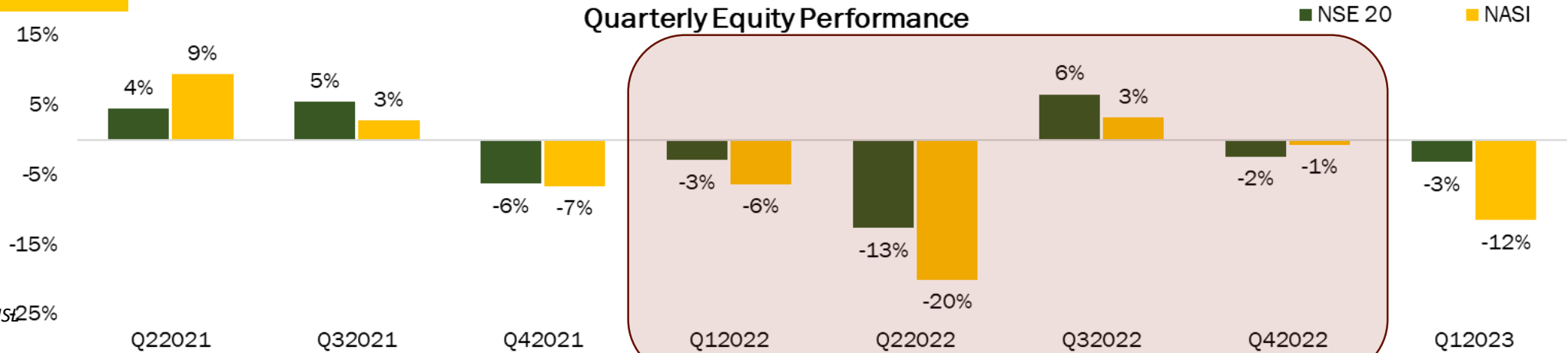


Interest rates could see further upward pressure, especially on the short end of the yield curve. This is in response to high inflation and the tight monetary policy stance adopted by the Central Bank as well as due to the fiscal deficit. We expect the longer end of the curve to remain more stable leading to further flattening of the yield curve.

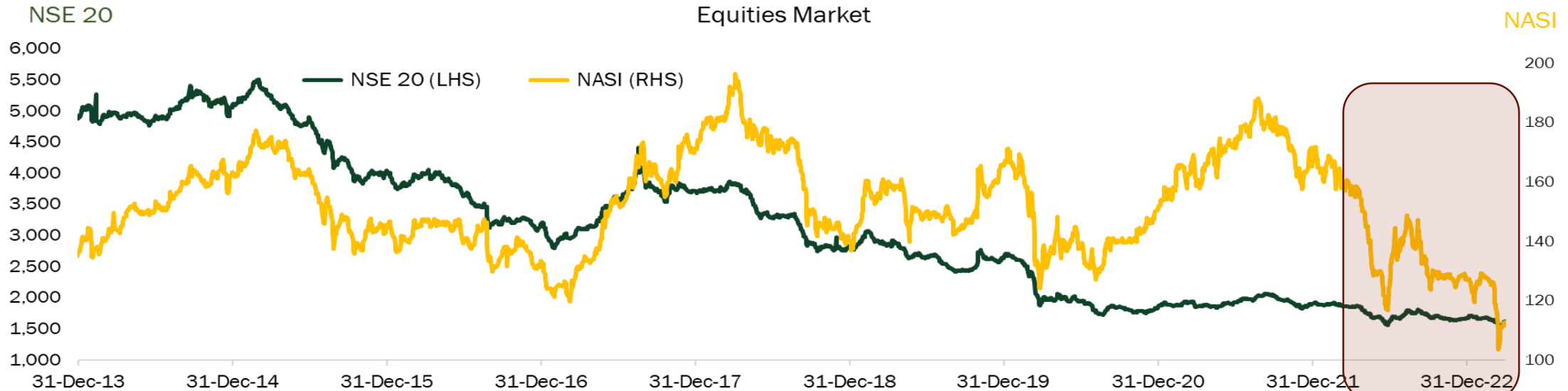
# EQUITY MARKET

## EQUITY MARKET

### Quarterly Equity Performance



Source: NSE, CIST



Source: NSE

- Despite the significant improvement in earnings and generous dividend payouts, the market slid to 10-year lows in March. In our view, the divergence between corporate earnings growth and stock prices enhance attractiveness of the asset class significantly and we expect a recovery in the short to medium term.

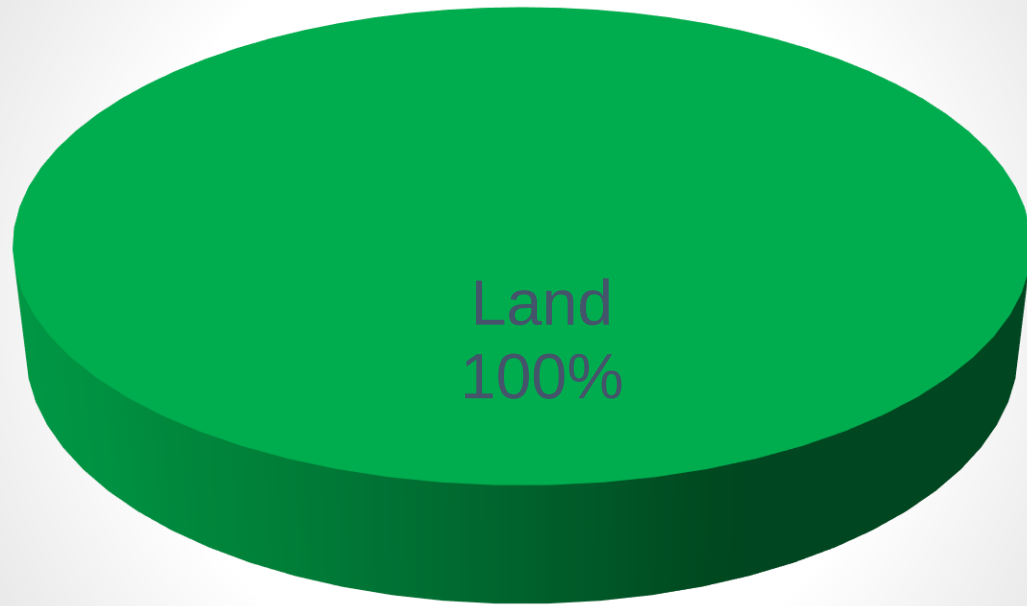


# ASSET ALLOCATION



# ASSET ALLOCATION

2022



■ Land



# MARKET OUTLOOK



# OUTLOOK

2023

## FIXED INCOME

Asset class presents an opportunity to lock in the high interest rates currently available. We prefer the short to medium term section of the curve to guard against duration risk.

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## GLOBAL MARKETS

Returns are expected to be moderate with high volatility expected in the short to medium term as tight global monetary policy takes root.

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# CO-OP TRUST INVESTMENT SERVICES LIMITED

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