SERVICE PROVIDERS REPORTS

FOR THE YEAR ENDED 31st DECEMBER 2023

INVESTMENT MANAGERS REPORTS

The investments are managed by;

1. Old Mutual Investment Group Limited.
2. GenAfrica Asset Managers

The role of the investment manager is summarised as follows;

1) Advise the trustees on suitable investments for the scheme
2) Implementation of the Investment Policy Statement
3) Analysing and Identifying securities
4) Constructing the portfolio by issuing the buy and sell instructions
5) Constantly reviewing Portfolio
6) Evaluating and reporting performance.

1. OLD MUTUAL INVESTMENT GROUP LIMITED.

REPORT BY:

OLD MUTUAL INVESTMENT GROUP LTD

About Us

Old Mutual Investment Group (OMIG) is a subsidiary of Old Mutual Limited (OML), a premium African financial services group that offers a broad spectrum of financial solutions to retail and corporate customers across key markets in 17 countries. Our primary operations are in South Africa and the rest of Africa, and we have niche businesses in Latin America and Asia

We have 12 million customers and 31,000 employees with over 175 years of heritage across sub-Saharan Africa, we are a crucial part of the communities we serve and broader society on the continent. The business is listed on the Johannesburg, London, Zimbabwean, Malawian and Namibian stock exchanges.

Old Mutual Investment Group (OMIG) Ltd was formed In 1997, and has been a market leader ever since with over $1.6 billion in Funds under Management.

Old Mutual Ltd remains a strong brand, well capitalized with a focus on various value adds including capital and liquidity management, streamlining the portfolios of the businesses, growing the long term insurance and saving business, driving operational efficiencies and growing the African businesses.

Our Philosophy

We believe that financial markets are inefficient and generate substantial and ultimately unsustainable mis-pricings of assets, with asset prices being driven by secular long term themes. This provides us with an opportunity to add value to our client's portfolios by overweighting and underweighting certain asset classes as opportunities present themselves.

In our 179 year history, we have seen numerous economic changes and cycles, with many a markets falling and recovering. We strongly believe, based on what we have experienced, that sound investment principles are key to investment success in the long term. When markets rise in periods of prosperity we constantly caution our clients to take a more balanced approach and to tailor their portfolios to specifically match their own circumstances. We have on many occasions, advised our clients not to go by the natural instinct of blindly following a rising tide, emphasising that one must develop a portfolio that meets their own long term investment principles. As such, the short term market downfalls as was the case in year 2011 and 2015 should be looked at with optimism due to the opportunities that also came along.

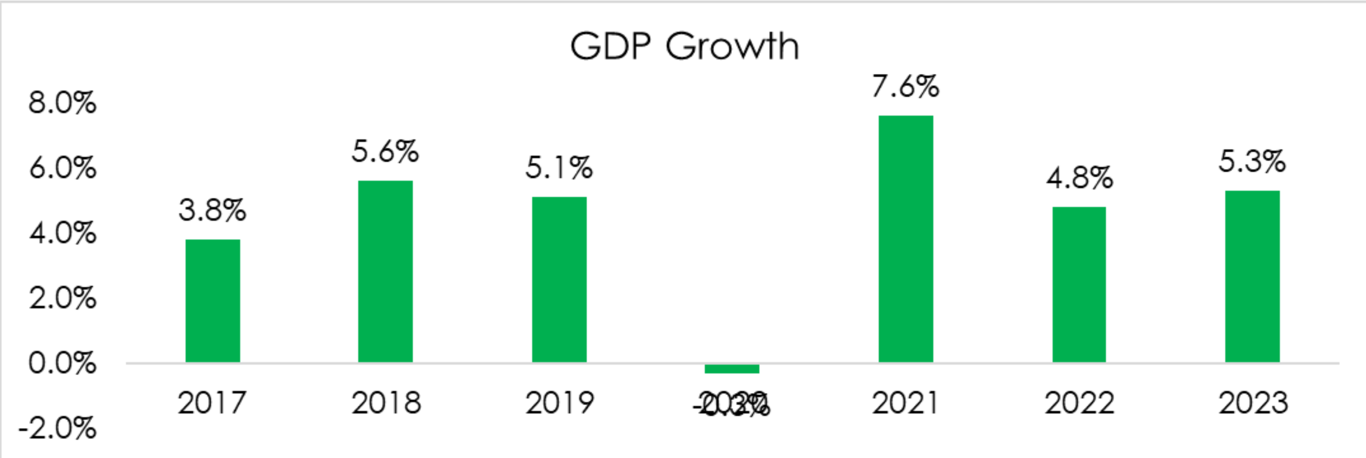
Thus, active asset allocation, not only generates excess returns (alpha), but also improves the manager's ability to match the risk appetite of investors.

Active asset allocation remains the core determinant of future superior returns.

Economic Environment in 2023

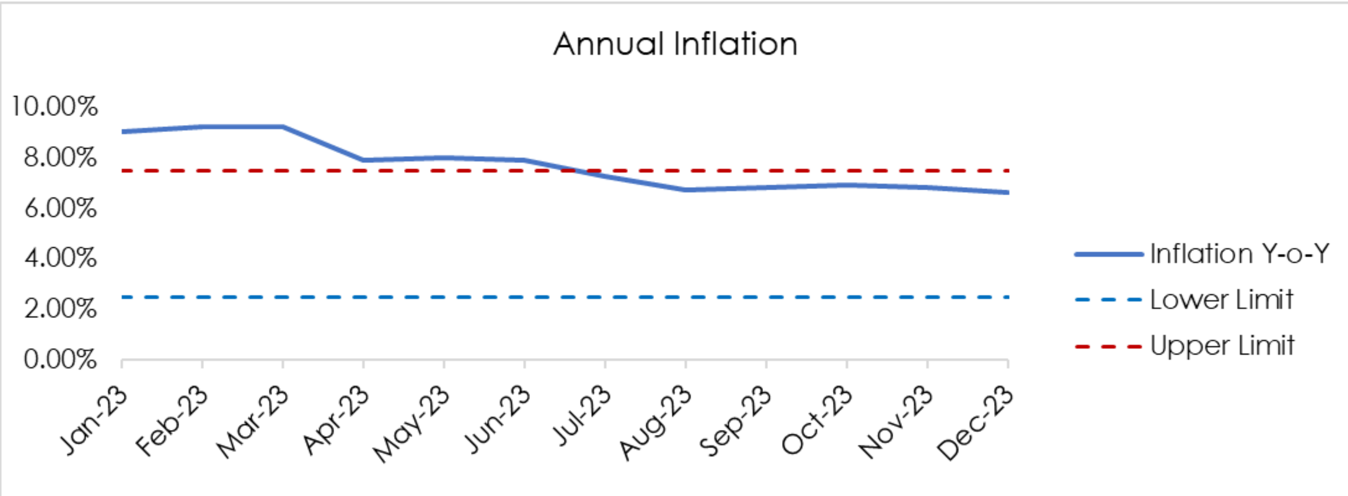
The economy is estimated to have expanded by **5.3%** in 2023, an increase from 4.8% growth in 2022.

The growth was mainly supported by: a rebound in agricultural activity and the services sector.



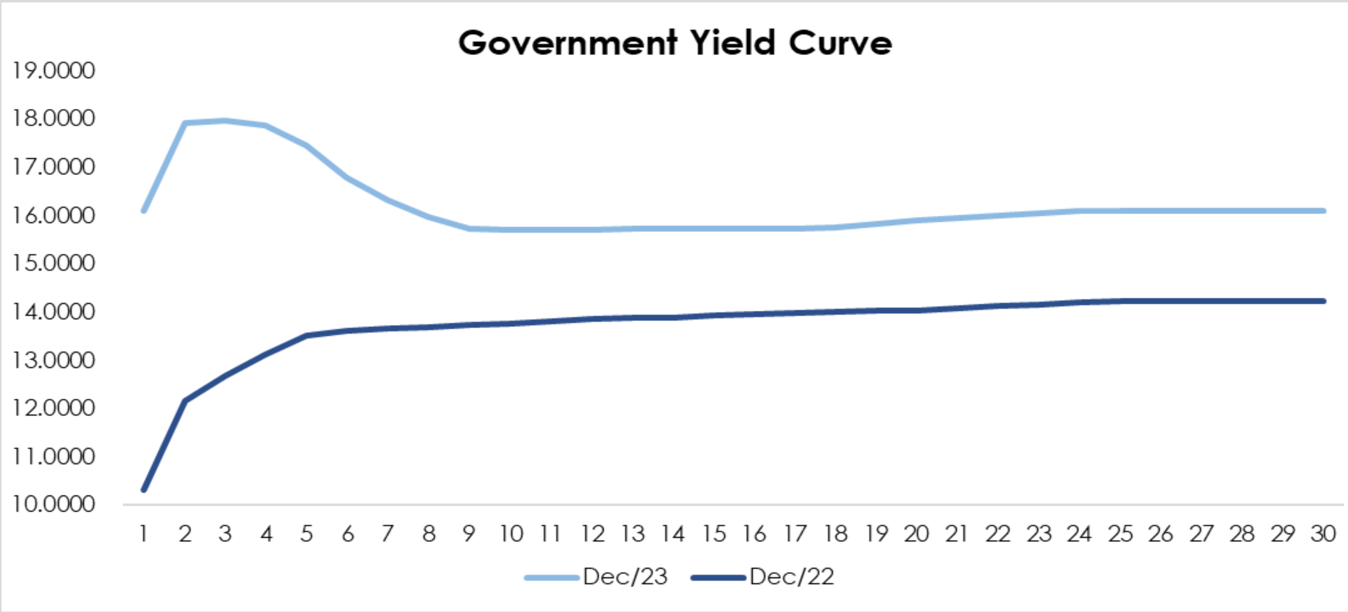
Inflation

Inflation trended downwards in 2023 largely on high base effects from the previous year. It **averaged 7.70%** for the year, above the higher CBK target level . This was largely due to rising food & fuel prices and a weakening Kenya Shilling.



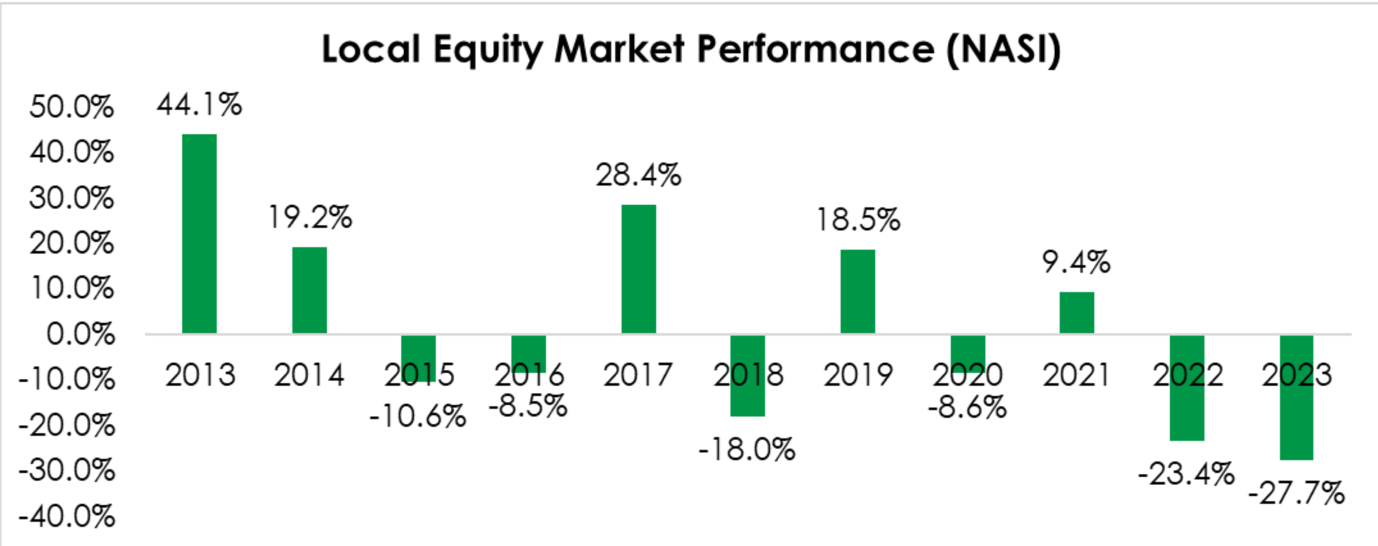
Interest rate environment

Government bond yields increased as a result of government borrowing pressure to plug the budget deficit, as well as in response to elevated inflation levels globally



Equity market performance

The equities market was on the decline, with the **NASI** returning -**27.7%** for the year. High interest rates in developed markets and concerns over the dollar availability in Kenya resulted in foreign investor sell offs in the local bourse.



Asset Allocation as at 31 December 2023

Our investment ethos is underpinned by **asset allocation** as the main driver for long term returns. Accordingly, we steadily grew the Interest Bearing Assets exposure in 2023 to defensively position the fund.

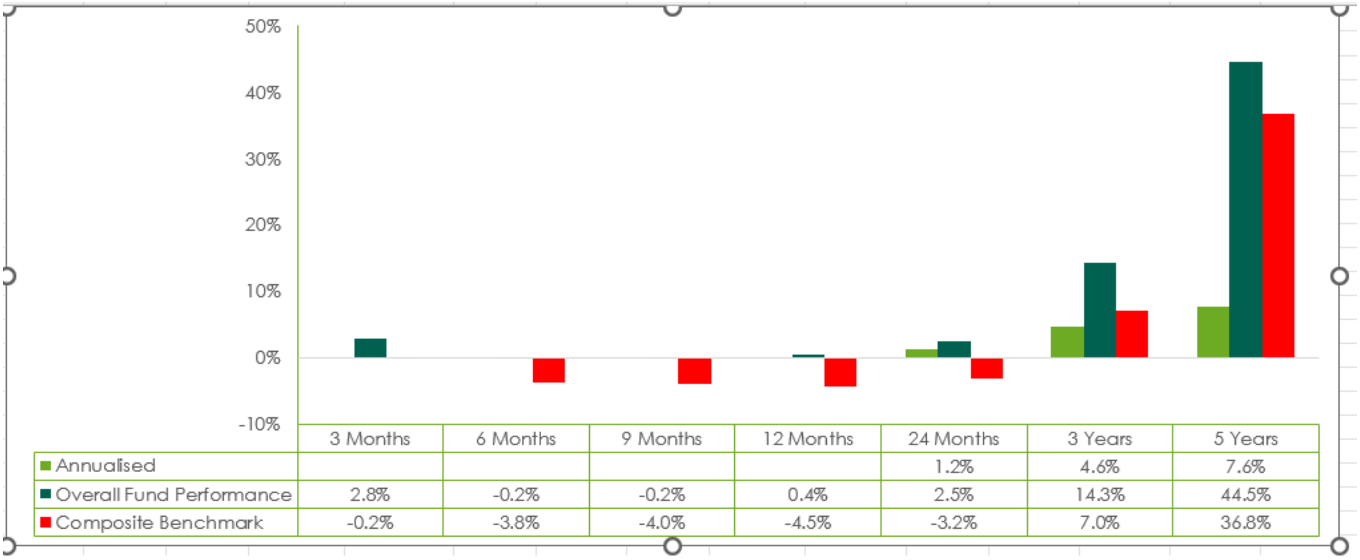
The asset allocation as at 31 December 2023, was as illustrated below:-

Asset Class	Values as at 31st December 2023	% of Total	Strategic Range (%)	RBA Max Limits %
Cash & Demand Deposits	10,935,974	0.3%	0 - 4	5%
Term Deposits	197,356,772	5.4%	0 - 20	30%
Corporate Bonds & Papers	-	0.0%	0-20	20%
Government Paper	1,838,707,436	50.3%	35-80	90%
Domestic Equities	426,132,433	11.7%	10-40	70%
Property	1,184,000,000	32.4%	0-30	30%
Total	3,657,132,615			

Performance of the Scheme

The scheme's overall performance for the year 2023 was 0.4%.

Performance for the previous years is as depicted below, with an annualised return of **7.6%** over the last 5 years.



	3 Months	6 Months	9 Months	12 Months	24 Months	3 Years	5 Years
Annualised					1.2%	4.6%	7.6%
Overall Fund Performance	2.8%	-0.2%	-0.2%	0.4%	2.5%	14.3%	44.5%
Composite Benchmark	-0.2%	-3.8%	-4.0%	-4.5%	-3.2%	7.0%	36.8%

Year 2024 Preview

Economic growth is expected to remain positive above 5% in 2024, driven by Agriculture and the services sector.

Inflation is expected to moderate close to the CBK's preferred target level of 5%-7.5%, supported by the appreciation of the Kenya Shilling and stable food and fuel prices.

The Kenya Shilling is expected to remain under pressure weighed down by increasing foreign debt repayments & a strong dollar.

Interest rates are expected to peak at current levels and start declining in the short term as the Government shifts towards external funding for the budget deficit in FY2023/24. We expect 364 day interest rates to decline to 15% levels in Q2 2024.

The equity market activity is likely to rise in 2024 supported by increased foreign investor inflows, following an improvement in dollar availability in the country. Policy rate cuts in developed markets will make the local exchange more attractive.

The KU-SRBS portfolio is robust and diversified to accommodate short term volatility in asset prices.

We wish to reiterate, in line with our investment philosophy that markets are imperfect, that we will continue to utilise our research function to actively identify and utilize all the available opportunities in the market for the ultimate benefit of the entire membership of Kenyatta University Staff Retirement Benefits Scheme.

Conclusion

We thank the Board of Trustees for support over the years and for making us your partner of choice as we strive to ensure delivery of our core objective i.e. stronger investment returns.

Your fund is well positioned to take advantage of this while sufficiently diversified to mitigate against inherent investment risks.

2. GENAFRICA ASSET MANAGERS

About GenAfrica Asset Managers

GenAfrica Asset Managers Limited is one of the Investment Managers for the Kenyatta University Pension Scheme. We have been in operation in Kenya since 1996 and manage assets in excess of Kshs.500 billion. We are registered as Fund Managers by the Capital Market Authority and the Retirement Benefits Authority. Our investment policies and actions are in full compliance with the RBA Rules and Regulations and the schemes investment policy statement.

The Market in 2023

The economy grew by 5.6% in 2023, compared to 4.9% the previous year. This growth is attributed to a strong performance in the agriculture sector, which expanded by 6.5%, rebounding from a 1.5% contraction in 2022 due to favorable weather conditions. The service sector remained resilient, maintaining the 7% growth recorded the previous year. However, the industrial sector recorded slower growth of 1.9% compared to 3.9% the previous year.

The Kenya Shilling (KES) weakened by 26.8% year-on-year, closing at KES 156.5 in December 2023. The depreciation was driven by negative net capital flows from foreign currency debt servicing, increased dollar demand from importers, oil marketers, and financial institutions, along with a widening current account deficit.

Average headline inflation rose slightly to 7.69% in 2023 from 7.64% in 2022. This was driven by an increase in the transport index, which rose from 8.04% in 2022 to 12.16% in 2023, reflecting higher fuel prices. The housing, water, electricity, gas, and other fuels index also increased from 5.92% in 2022 to 8.11% in 2023. In contrast, the food index decreased from 13.08% in 2022 to 9.77% in 2023, due to improved weather conditions.

Interest rates rose across the yield curve, with an overall increase of 2.61% due to heavy domestic borrowing by the government in 2023 coupled with aggressive bidding by investors in the primary bond auctions.

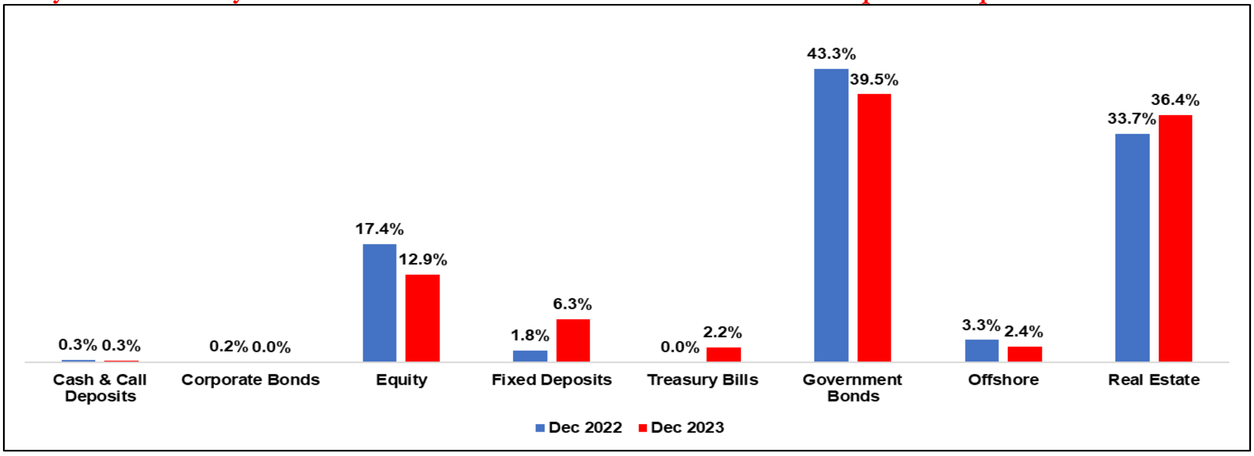
The domestic markets performed poorly, with the Nairobi All Share Index losing 27.7% y/y. This decline was primarily driven by challenging macroeconomic conditions, including the depreciating shilling, rising interest rates, and deteriorating market conditions, which led to substantial foreign portfolio outflows.

The global markets performed positively in 2023, supported by improving investor sentiment. This optimism was driven by signs of moderating inflation and expectations of possible rate cuts in 2024, as central banks signaled a potential shift in monetary policy.

Kenyatta University Staff Retirement Benefits Scheme Structure

Asset Type Group	31/12/2022	% of Portfolio	31/12/2023	% of Portfolio	RBA Limits
Cash & Call Deposits	16,300,021	0.3%	13,565,843	0.30%	**5%**
Fixed Deposits	88,050,630	1.8%	289,070,334	6.34%	**30%**
Treasury Bills	0	0.0%	98,883,502	2.17%	**90%**
Government Bonds	2,130,683,693	43.3%	1,800,272,928	39.49%	
Corporate Bonds	8,543,066	0.2%	1,543,539	0.03%	**20%**
Equity	857,564,833	17.4%	588,302,235	12.90%	**70%**
Offshore	163,215,199	3.3%	107,175,284	2.35%	**15%**
Real Estate	1,660,290,002	33.7%	1,660,290,002	36.42%	**30%**
Sum:	**4,924,647,444**	**100.0%**	**4,559,103,667**	**100.00%**	

Kenyatta University Staff Retirement Benefits Scheme Structure – Graphical Representation



The Market in 2024

The economy is expected to maintain moderate growth driven by continued recovery in Agriculture and resilience in the service sector. However, unpredictable weather and fiscal constraints are likely to affect growth. Inflation is expected to remain within the central bank's target range of 2.5%-7.5% during the year. Inflationary pressures may persist due to reduced government subsidies, rising taxes, and unpredictable weather patterns.

Lower inflation, easing in global rates and a stable KES could see a moderation and potential decline of interest rates during the year. The local equities market is expected to be positive supported by improved dollar liquidity, attractive valuations, strong fundamentals in select counters, and positive earnings growth.

Offshore equity markets are expected to remain resilient in 2024, supported by strong corporate earnings and increased real income as inflation slows. However, economic shocks could arise from further escalation of the Israel-Palestine conflict, weak Chinese economic activity, and any escalation in the Russia-Ukraine conflict.

3. CUSTODIAN'S REPORT

KENYATTA UNIVERSITY STAFF RETIREMENT BENEFITS SCHEME ANNUAL GENERAL MEETING FOR YEAR ENDED 31ST DECEMBER 2023 CUSTODIAN REPORT

About Standard Chartered

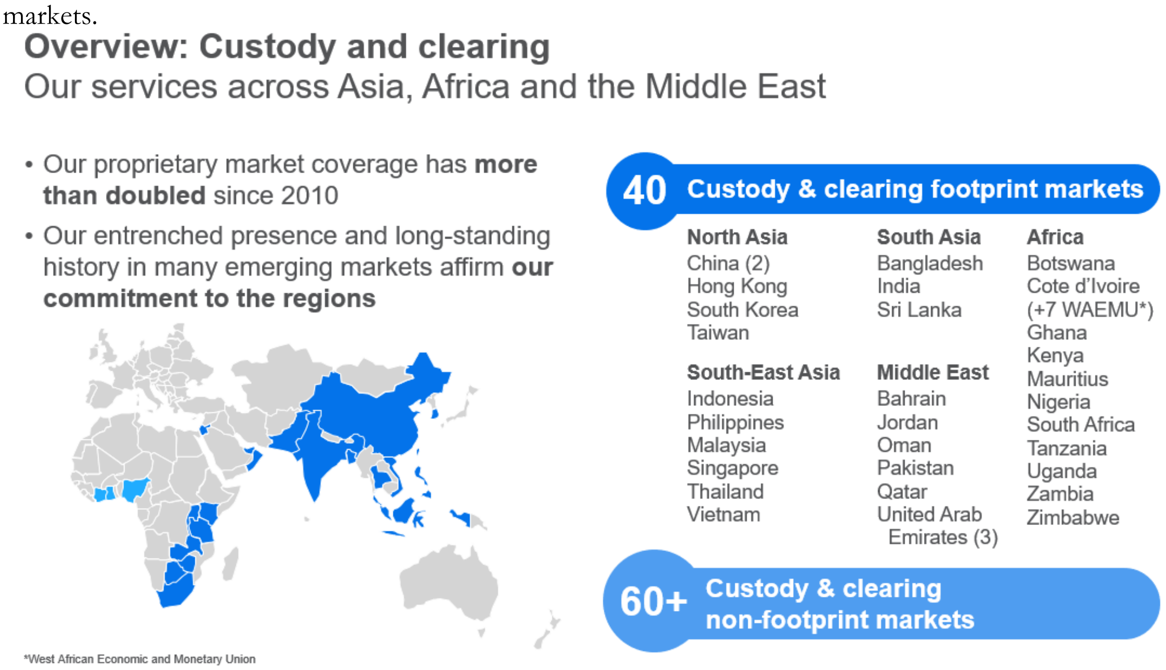
We are a leading international banking group headquartered in London (United Kingdom) and have operated for over 160 years in some of the world's most dynamic markets. Our purpose is driving commerce and prosperity through our unique diversity. The Group's roots in trade finance and commercial banking have been at the core of our success throughout our history, but we are now more broadly based across Consumer, Private and Business Banking in our footprint markets in Asia, Africa and the Middle East.

We are listed on the London and Hong Kong Stock Exchanges. The Group now employs over 83,000 people, representing 131 nationalities, located in 59 markets across the globe. We are positioned to achieve growth from opportunities in some of the world's most exciting and diverse markets.

Our brand promise, **Here for good**, is embedded in every decision we make, and is the cornerstone of our commitment to our clients, our shareholders and the countries where we operate.

Our International Coverage Overview: Our Services across Asia, Africa and the Middle East

We are present in 59 markets across the globe, making us one of the world's most international banks. We make the most of our deep roots in rapidly developing Asian, African and Middle Eastern local markets to seek out opportunities at every turn. We have been operating in these markets for more than 160 years, supporting better lives by providing banking where and when it matters most. In addition, with regards to Custody, we are in 40 Direct or Footprint markets and our clients can access another 60 non-footprint markets.



Standard Chartered Bank (Kenya) Plc

Standard Chartered Bank Kenya Limited was established in 1911 with the first branch opened in Mombasa Treasury Square.
The Bank was listed on the Nairobi Securities Exchange in 1989. The public shareholding comprises about 30,000 shareholders.
We offer a variety of local and foreign currency banking solutions to meet our clients, transactional, borrowing and investment needs. We have a diversified portfolio cutting across select sectors.
Standard Chartered Bank Kenya has achieved a number of firsts in the Market: First bank in Kenya to be awarded the ISO 9002 certification in technology systems, first ATM Automated Banking Centre in Kenya and for 24-hour convenience, first to introduce unsecured Personal Loan and first to introduce Priority Banking facilities in Kenya for more affluent customers, the first to automate investments/custody transactions, amongst others.

Starting from year 2021, our Business model is driven by a refreshed strategy, which is highly focused on key Client segments (Consumer Banking, Commercial Banking and Corporate & Institutional Banking) and supported by products groups. Standard Chartered continues to perform strongly in its chosen niches.

We offer a wide suite of products that we focus on delivering to our clients in a timely and co-ordinated manner.

Role of a Custodian:

A Custodian is a financial institution charged with the formidable responsibility of keeping the financial assets of the pension scheme fund safe and servicing the portfolios related to those assets, whether that be settling trades or collecting the income generated:

Broadly, our core responsibilities as a custodian for the scheme include:

1). Safekeeping/Custody of assets
2). Investment administration *and*
3). Asset servicing (for example: collecting dividend payments on shares and interest on bonds, advising investor clients on their corporate action entitlements, e.t.c),

The primary role of a Custodian is to ***ensure that the client's assets are fully protected at all times,*** whilst the primary goal of the Fund Manager is to ***optimize the investment returns that it makes on the invested assets*** as a Custodian does investment administration & asset servicing.

This tested model:

1. Allows transparency of operation,
2. It reduces risk *and*
3. Adds value to portfolio (helps to ensure that income due are efficiently collected and promptly credited to account for new investment opportunities)

Services to the Fund:

- To maintain a bank accounts for Kenyatta University Staff Retirement Benefits Scheme.
- To receive contributions from the sponsor and ensure the Scheme funds are credited to the schemes account within a day of receipt
- To liaise with investment managers in order to facilitate smooth processing of transactions and payments as instructed by the Fund Managers.
- To keep proper books in order to give a complete record of all investment transactions.
- To periodically report to the Trustees of Kenyatta University Staff Retirement Benefits Scheme

- To receive and keep in safe custody the title documents, securities and cash for Kenyatta University Staff Retirement Benefits scheme.
- To report to the Trustees regarding the transactions on scheme funds
- Keep proper books of record of the fund indicating the portfolio held and investment activity
- To maintain technical and adequate operational system capacity

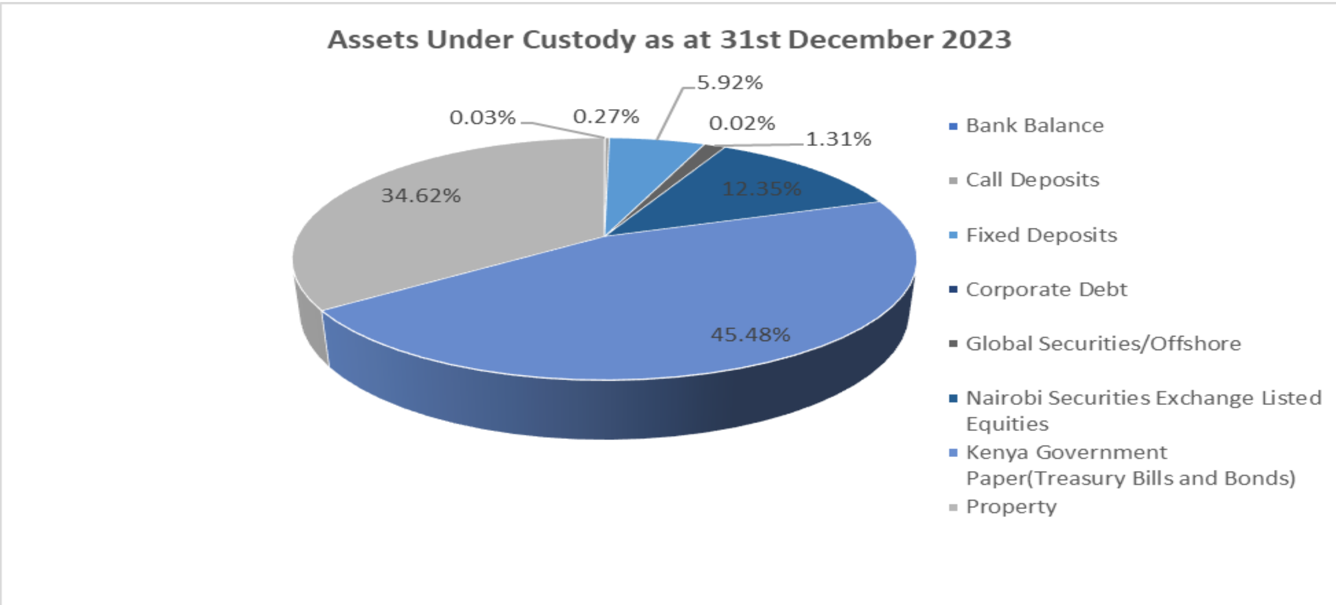
Contributions

During the period under review, we noted a delay in remitting member and sponsor contributions. Contributions that were received in the financial year and income received were invested in accordance with instructions from the Fund Managers**.**

Assets under Custody

The following assets were under custody as at 31st December 2023

Asset Class	OMIG Managed Account	GenAfrica Managed Account	VALUE AS AT 31.12.2023 (KES)	RATIO(%)	VALUE AS AT 31.12.2022 (KES)
Bank Balance	875,990.75	1,462,651.50	2,338,642.25	**0.03%**	2,631,245.65
Call Deposits	10,064,726.03	12,103,191.78	22,167,917.81	**0.27%**	158,535,342.47
Fixed Deposits	197,444,986.34	289,079,342.72	486,524,329.06	**5.92%**	312,463,226.09
Corporate Debt	0.18	1,543,447.60	1,543,447.78	**0.02%**	1,542,434.22
Global Securities/Offshore	0.00	107,891,123.70	107,891,123.70	**1.31%**	163,214,594.70
Nairobi Securities Exchange Listed Equities	426,132,431.90	588,657,675.43	1,014,790,107.33	**12.35%**	1,435,425,100.59
Kenya Government Paper(Treasury Bills and Bonds)	1,838,706,662.81	1,898,455,919.37	3,737,162,582.18	**45.48%**	3,971,970,117.88
Property	1,184,000,000.00	1,660,290,000.00	2,844,290,000.00	**34.62%**	2,844,290,000.00
GRAND TOTAL	**3,657,224,798.01**	**4,559,483,352.10**	**8,216,708,150.11**	**100.00%**	**8,890,072,061.60**



We confirm that all the assets are as safe as they can be. We would like to take this opportunity to thank the Trustees and members of Kenyatta University Staff Retirement Benefits Scheme for appointing Standard Chartered Bank Kenya Limited your scheme custodian.

4. ADMINISTRATORS REPORT

The administrator's role is performed by, Minet Kenya Financial Services Limited (formerly Aon Kenya).

The role of the administrator is summarised as follows;

a) Maintaining and updating of all records of members
b) Provision of annual benefit statements for members.
c) Calculation and processing of all members' benefits
d) Accounting services
e) Ensuring scheme Compliance

About Minet

Minet is a trusted pan-African advisor that meets the uncertainties of tomorrow by delivering risk and human capital solutions. As the largest Aon Global Network Correspondent, Minet has access to over 50,000 network colleagues in 120 countries, proprietary data, research and analytics, which enable us to manage and secure the risks of tomorrow and give our clients an unrivalled advantage.

Details of Administration of Kenyatta University Staff Retirement Benefits Scheme for year 2023

1) Membership Movement during the year

Contributing Members	In-Force as at 01/01/2023	**2,341**
	New Entrants	64
	Exits In Period	(71)
	Transfer to Deferred	**(82)**
	In-Force as at 31/12/2023	**2,252**
Deferred Members	In-Force as at 01/01/2023	553
	New Entrants	82
	Leavers	(18)
	Death	(14)
	Adjustments	(142)
	In-Force as at 31/12/2023	**461**
Total Membership		**2,713**

2) Compliance

The compliance profile of the schemes as at 31 December 2023

Item	Requirements	Status
Contributions remittance	Monthly contribution deductions to be paid to custodian by 10th of the following month.	Not compliant
Audit as at 31 December 2023	Audited accounts to be filed with RBA by 31st March, 2023	Compliant
Annual General Meeting	Schemes to hold an Annual General meeting every financial year.	Complying today
Member statements	Members annual statements Issued on 18th May ,2024	Compliant

Trust Deed & Rules	Every scheme should have a Trust Deed & Rules in place to govern the management of the scheme. The Deed should be updated when any changes are made or in case of new legislation.	Overhaul Ongoing to Incorporate recent changes in Legislation
Retirement Benefits Authority Levy	Every Scheme should pay a levy to the Retirement Benefits Authority on an annual basis and not later than 4 months after end of financial year.	Compliant Kshs.5M paid on 25/04/2024
Statement of Investment Principles	Every scheme should have a Statement of Investment Principles in place to guide the investment of the assets.	**.Renewal in Progress**
Trust Board Composition	Defined Contribution Schemes – half of trustees should be member representatives and the other half sponsor. Representatives.	Compliant 4 sponsor reps 4 member reps
Training	Required that all trustees attend Trustee Development Certification Program. New trustees to be trained within 6 months.	Only One Trustees is not Certified.

3) Benefit Structure

Benefits payable **upon withdrawal** from fund before attaining **early retirement age (50 years)**

- 50% Employee portion
- 50% Employer Portion
- Balance of 50% Employer & Employer Portion is deferred until early retirement age.

Instances where full benefit is paid before early retirement age.

Mode of Exit	Requirements
Emigration	Proof of permanent relocation with no intention of coming back to reside in Kenya to be availed to trustees
Ill Health	Medical Practitioner's certificate required by trustees
Death	Paid to nominated beneficiaries. Regular update of nomination of beneficiary form required

Benefit Access at Retirement.

- Early, Normal and Late 1/3 of the accrued benefits paid as lumpsum, and 2/3 of the balance externalized to purchase monthly Pension.
- Lumpsum for provident fund subject to the prevailing tax laws

4) Nomination of beneficiaries' form

a) Why do you need to complete this form?

- Ensures your benefits are distributed as per your wish.
- Ensures timely payment of benefits to the beneficiaries..
- Ensures there are no disputes regarding your benefits.
- Assists trustees while distributing your benefits.

b) What to consider

- Who is dependent on you?
- Who will suffer most if you are not there today?
- How should the benefits be split between the beneficiaries?
- If you have minors, who will the guardian be? Should it be a person or a trust fund?
- How much money is available for your beneficiaries?
- How often should this form be updated?

c) **Pension benefits are separate from one's legal estate hence.**

- Trustees take in to account the wishes of the member as indicated in the Nomination
- Must also consider ALL dependants, nominees and beneficiaries- does not mean that they receive a portion of the benefit. Discretion powers.

d) What happens if you die before you complete the form?

- If you die before you nominate your beneficiaries, trustees will decide the beneficiaries to be paid based on the available information which may not necessarily be according to your wishes. The Regulations provide for trustees' discretion in distributing benefits of a deceased member.
- If the trustees refuse to pay as per nomination the reasons and agreed distribution shall be recorded.

e) How would you like your benefits to be shared when you are not there?

- Please let the trustees know how you wish your benefits to be shared by completing and frequently updating the nomination of beneficiaries' form.

f) Whom can I nominate as a beneficiary?

Your dependents may include but not limited to:

- your spouse
- your children (including step, adopted, and ex-nuptial children, or a child of your spouse)
- any person who is financially dependent on you
- any person with whom you have an interdependency relationship including

5. Industry update 2023

National Social Security Fund (NSSF) Act no 45 2013.

- The Court of Appeal stayed the order of the high court that had suspended the implementation of the New NSSF Act 2013.
- Consequently, employers are advised to make arrangements to submit their contributions in accordance to the NSSF Act 2013.
- Act Stipulate Upper Earning Limit (UEL) will ksh 18,000 and the lower earnings limit (LEL) will kshs 6,000.
- The pension contributions rates will be 12% (6%EE+6%ER)
- Contributions relating to Lower earnings Limit will be kshs 720 (360 each from employee & Employer) to be known as tier I
- Tier II contributions kshs 1,440 The balance of contribution between UEL and LEL-trustees to consider opting out on Tier II

6. Retirement Option(s)

A. Annuities

In it's simplest form, an annuity is defined as a series of structured payments either for a defined period of time (annuity certain) or for life (life annuity);
The Scheme rules provides that you receive a part lump sum and apply the balance amount for the purchase of an annuity, or indeed, convert the whole of your lump sum into an annuity

The annuity instalment payable is primarily dependant on the:

- Quantumof the purchase price;
- Age of the annuitant;
- Gender of the annuitant;
- Prevailing market/ interest rates

Important Features of Annuity

1) **Guarantee Period**

This is the period within which the annuity will be payable irrespective of when the death of the annuitant occurs.
To protect against a substantial loss in the event an annuitant purchases an annuity and dies within a short period of time, he/she can attach a minimum guarantee to the payment period.
This can usually be 5 or 20 years based on current market practice

For example: If he/she attach a 10-year guarantee to a single life annuity and die in the 5 remaining 5 years of payments will be commuted to a discounted lump sum and paid to his/her nominated beneficiary

It is important to note that the longer the guarantee period the lower will be the monthly annuity payments.

2) **Escalation Index**

This is the rate at which the annuity will increase after a calendar year. These rates are expressed as a percentage of the annuity. For example, this could be 0%, 3%, 5%etc.

It is important to note that the higher the escalation rate the lower will be the monthly annuity payments

B. Income Drawdown

An arrangement whereby a retiree or a member of pension fund transfers their accumulated retirement savings to an investment fund in order to draw a regular income.
The investment fund is a registered Income Drawdown Fund (IDF).
It is the alternative to purchasing an annuity.
Ideally, the payments to the member should be guided by the performance of underlying investments and the member's lifespan
The member:

1. Bears the longevity and investment risks.
2. Decides on the frequency, timing (including deferment) and amount of withdrawals.
3. Can top-up their account at any time in the future.

a) **Income Drawdown Rules**
The minimum drawdown period is 10 years. The member's account should be credited with interest depending on the performance of the IDF.

b) **On the expiry of the 10th year:**
   1. The Income Drawdown plan can be continued.
   2. The Fund balance can be used to purchase an Annuity.
   3. The member can withdraw the fund balance in a cash lumpsum

c) **Annual payments cannot exceed 12% of the account balance at the beginning of each year.**

d) **Death during drawdown period**
The Fund should provide an income to the nominated beneficiaries by:-
   1. Purchasing an Annuity.
   2. continuation of the Income Drawdown plan.
   3. Payment of the Fund Credit in a cash lumpsum

"Retirement is not only just about saving money; but also about saving friendships and memories and leaving the legacy of a life well lived.
It is sowing seeds and allowing others to reap – but the joy of it all, its fullness you reap