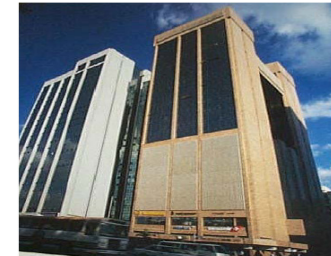


# CO-OPTRUST INVESTMENT SERVICES LIMITED



## Trustees Training

15 May 2009



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# CISL Trustee Meeting

## Welcome Note - Chief Manager, CISL

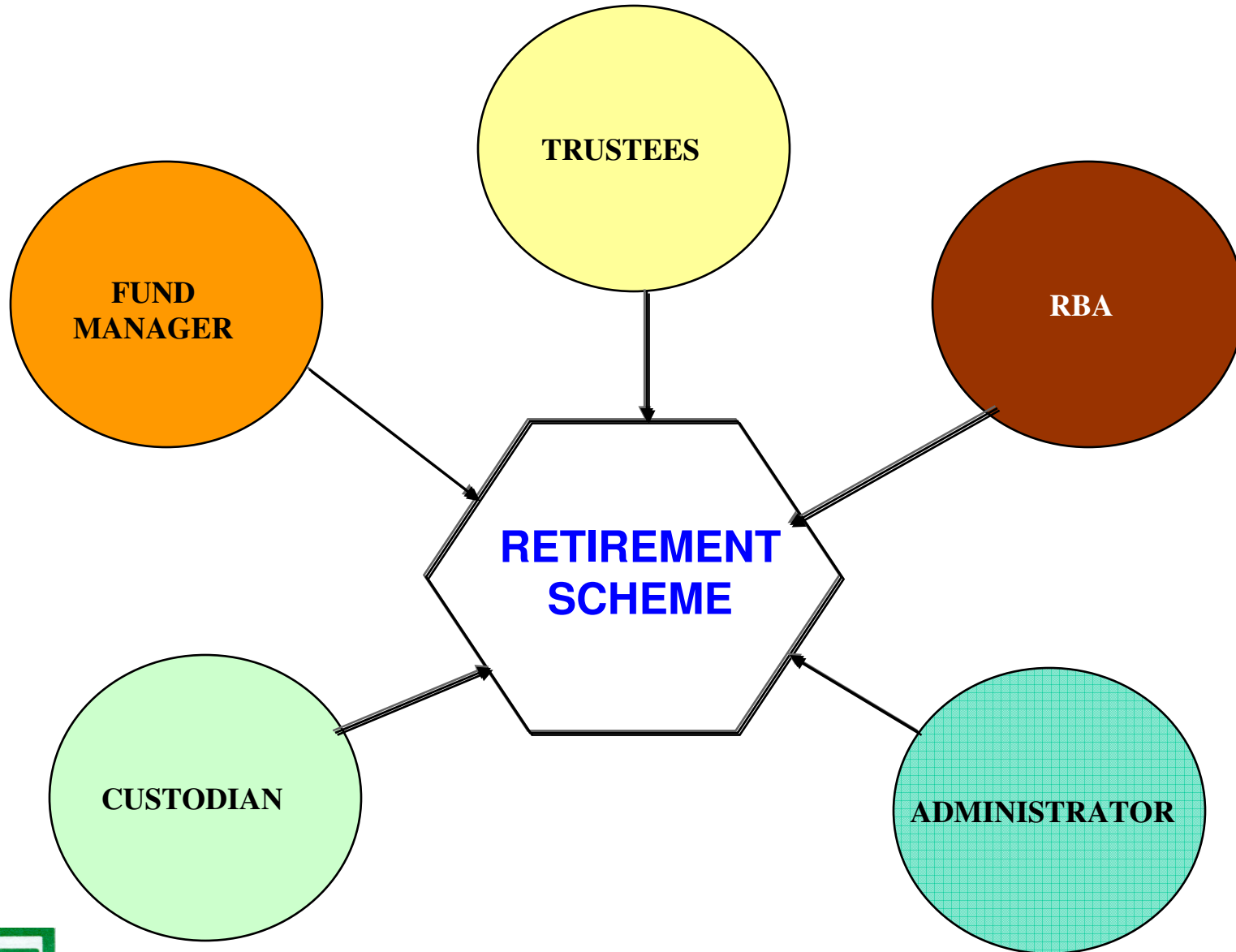
### Introduction



# Trustees' Experiences

- *How long have you been in the Board*
- *What suitable is the criteria for appointment*
- *What are the main incentives*
- *What are the main challenges*
- *What are the main gaps.....missing links: I wish*  
.....

# Key Stakeholders



# The Investment Objective

- *Optimal long term returns, acceptable risk*
- *Growing or at least preserving the purchasing power of savings*
- *Investment Policy Statement.....main guide*

# Role of the Fund Manager

*Advise the Trustees on investments...*

- *Set investment policy in liaison with Trustees & Actuary*
- *Identify & Analyse securities*
- *Construct portfolio*
- *Constantly review portfolio*
- *Evaluate & Report Performance*

# Role of the Trustees

## *Representatives of the Scheme members*

*-Determine the nature of the Investment Policy Statement*

- Risk tolerance*
- Permissible assets*
- Investment strategy*
- Asset allocation*

*- Ensure compliance with all legislation....  
abiding by the Trust Deed*



# Role of the Trustees

*-Appoint, appraise service providers...Fund Manager, Administrator, Custodian, Actuary*

*-Monitor and review investment arrangements*

*-Ensure that the Annual General Meeting (AGM) is duly held*



*-Ensure accurate disbursements to pensioners*

# Types of Retirement Schemes

1. *Pension Fund.....regular payments after retirement*

- *Defined Benefits (DB)*

- *Defined Contribution (DC)*

2. *Provident Fund.....lump-sum payment on retirement*



# Types of Fund Managers

## *1. Passive*

- *buy & hold*
- *indexing*

## *2. Active*

- *Top Down or Bottom Up*
- *Value or growth Investing*
- *Fundamental or Technical*

# CISL Investment Philosophy

## *Active fund management*

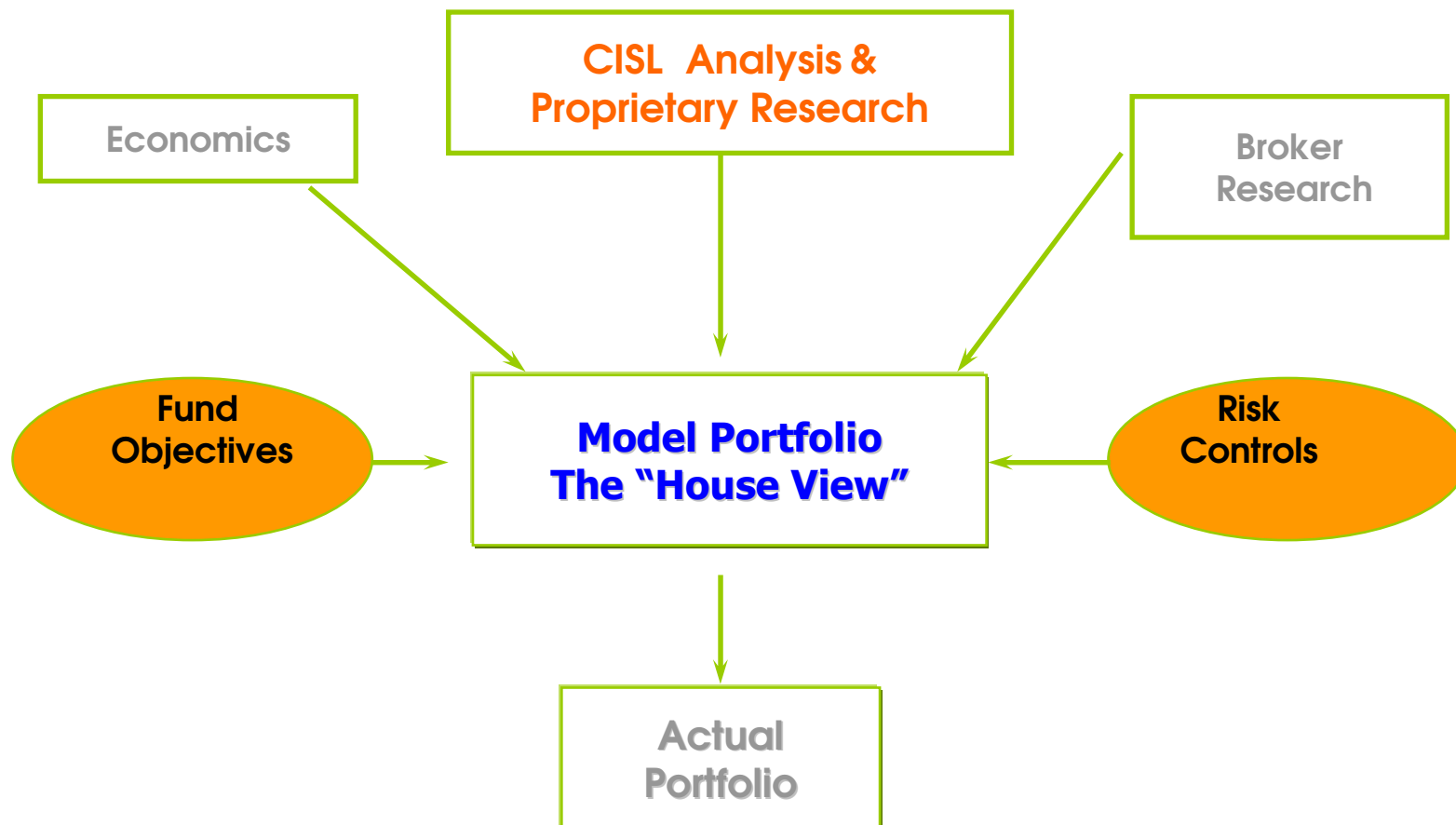
- *some financial market inefficiency exists*
- *mis-pricing occurs*

*Mis-pricing eventually clears... profit taking,  
bargain hunting*

## *Extensive research*



# Investment Process



# Research

❖ *Economics*

❖ *Asset Allocation*

❖ *Equities*

❖ *Interest Bearing Assets*

❖ *Offshore*



# Economics

## *Interest rates*

- *Treasury bills*
- *Treasury bonds*
- *Inflation*

## *Government budget*

- *revenues, expenditure, borrowing*

## *Balance of payments*

- *current account...trade*
- *capital account*
- *reserves*

# Asset Allocation...85%

## *Economic outlook*

- *interest rates*
- *sectoral performances*
- *stock market outlook*

## *Client mandate*

- *SIP: ranges, exclusions, risks, returns, outflows*

## *Portfolio construction*

- *Fixed Income, Unquoted equities, Quoted equities, Offshore, Property, Other.....*



# Sample Asset Allocation

ASSET CLASS	STRATEGIC RANGE	BENCHMARK NEUTRAL	TACTICAL RANGE	RBA LIMIT
Cash & Call	2 - 4%	3%	2%	5%
Term Deposits	5 - 10%	8%	10%	30%
Commercial Papers & Corporate Bonds	5 - 10%	8%	6%	30%
Kenya Government Paper	30 - 50%	37%	45%	70%
Quoted Equities	20 - 35%	25%	30%	70%
Unquoted Equities	0 - 5%	3%	0%	5%
Property Investments	0 - 15%	8%	0%	30%
<b>Total</b>		<b>100%</b>	<b>100%</b>	



# Research - Equities

## *Industry Analysis*

- *Services*
- *Financial*
- *Industrial*

## *Company Analysis*

- *corporate governance, competitive position*

## *Stock Analysis*

- *P/E ratios*
- *Dividend yields*
- *Sustainability in earnings.....*

# Research – Fixed Income

## *Interest rate forecast*

- *Banking sector liquidity*
- *Monetary & fiscal policy*
- *and Inflation*

## *Credit Risk Analysis*

## *Yield Curve Analysis*

## *Bond Portfolio Duration*



# Offshore??

## *Global economics*

- *currencies, politics*
- *regional growth policies*
- *sectoral outlook*

## *Index Funds*

## *Unit Trusts*



# Inflation in perspective

<b>Real Returns on Kshs 200,000</b>		
<b>Nominal Return of 16%</b>		
<b>Inflation Rate</b>	<b>12%</b>	<b>18%</b>
<b>Years</b>	<b>Value</b>	<b>Value</b>
<b>0</b>	<b>200,000</b>	<b>200,000</b>
4	233,972	184,474
<b>8</b>	<b>273,714</b>	<b>170,153</b>
12	320,206	156,943
<b>16</b>	<b>374,596</b>	<b>144,760</b>
20	438,225	133,522
<b>24</b>	<b>512,661</b>	<b>123,156</b>
28	599,741	113,595
<b>32</b>	<b>701,612</b>	<b>104,777</b>
36	820,787	96,643
<b>40</b>	<b>960,204</b>	<b>89,140</b>
44	1,123,303	82,220

??????

Thank You

Your support ....highly  
appreciated

