

CPF

Fulfilling Lives



CPF ASSET MANAGERS (CPFAM)

Wealth Management

Presentation to I.C.S 15/09/202



CPF
Asset Management

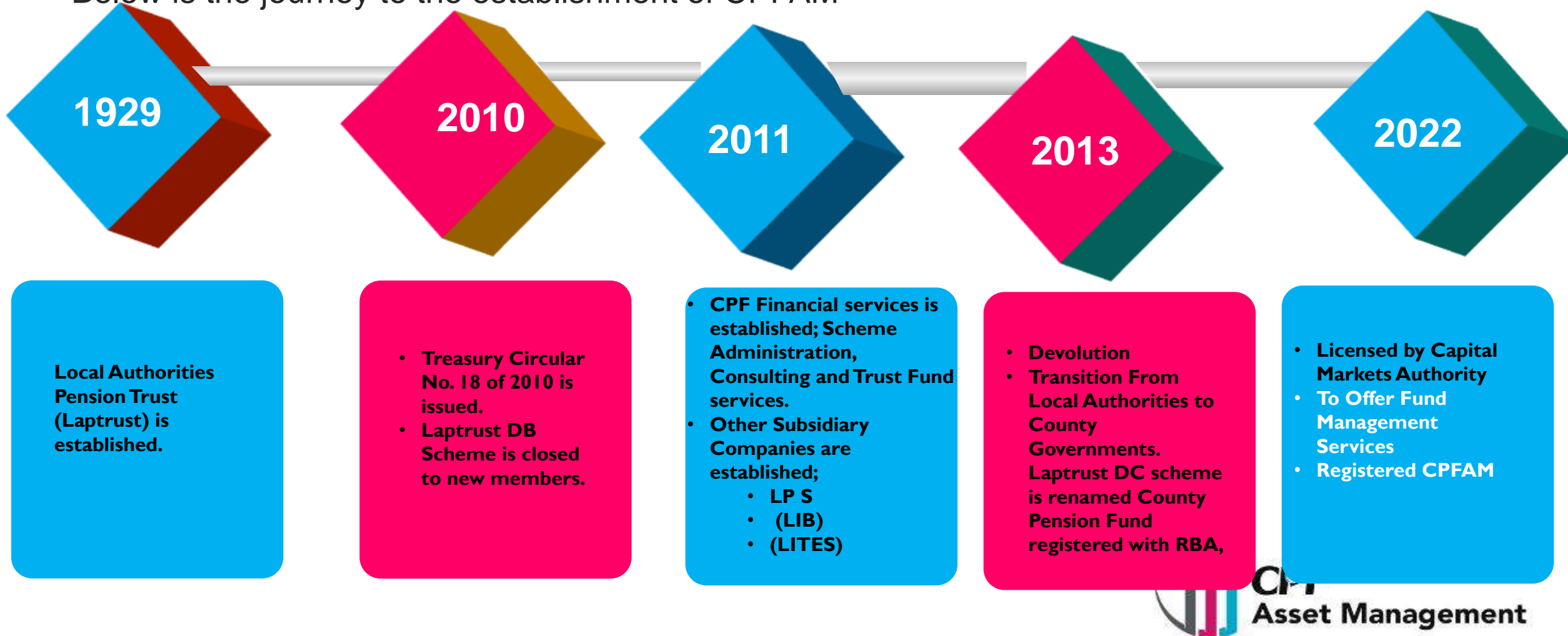
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01. About CPFAM - History

- CPFAM is a the trading name for Fund Management services offered by CPF Financial services Ltd
- Below is the journey to the establishment of CPFAM



- About CPFAM – CMA License



• 01. About CPF FS – Top Management

- Below are some of the Top Management at CPF Financial Services Ltd, which owns CPFAM



**Hosea Kili,
OGW– GMD/CEO**

- Advocate of the High Court
- MBA
- Former Director - NSE
- Fellow ICPSK
- Fellow, council member KIM
- Member LSK



**Joseph Rono -
DSFI**

- 16 years experience
- MBA
- BSc Mathematics and computers
- ICPAK Member



**George Okioma-
Director Ops &
mkting**

- 15 years experience
- Member – Inst. of Actuaries
- Msc Acturial
- Bsc Mathematics

Mr. Kili oversees CPF FS and its subsidiaries- LIB, LPS and LITES. He is a Director at CPF FS He is also a Trustee of Laptrust DB scheme

Mr. Rono is the Director Strategy, Finance and Investments. He oversees CPFAM. He is also an Executive Director at CPF FS

Mr. Okioma is in charge of marketing for CPF and CPFAM. He is also in charge of all operations at CPF Group.



• 01. About CPFAM – The Team

- CPFAM has a very highly skilled and experienced team of financial analysts
- Our staff are licensed by both CMA and ICIFA
- This gives comfort to investors



Timothy Wambui –Team Leader

- 18 years Investments experience
- Harvard trained entrepreneur
- New York Institute of Finance certified Portfolio Mgr

Timothy leads the team at CPFAM. He is in charge of all investments. He doubles up as the Group Investment Manager at CPF FS



Michael Nkuru – Research

- 9 years experience
- Member CISI
- CISI level 4 candidate
- Bcom Finance

Michael evaluates the investments universe available to us. He then advises on the most optimal asset balance and stock selection to enable the company achieve the Alpha.



Brian Kigen – Portfolio Mgt

- 3 years Experience
- Bsc- Financial Engineering
- CFA Level 1

Brian takes care of the investments docket through execution and rebalancing. He also assists the research function in the company.



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**Mercy
Chepkonga -
Operations**

- 15 years working experience
- ICIFA Member
- ICPAK Member
- Bcom- Accounts

Mercy is responsible for all operational functions of the company. She ensures that we have a robust reporting system, which is tailor made to meet ad hoc customer needs



**Julie Syonzau
– Portfolio Mgt**

- 5 years experience
- Member ICIFA
- Member CISI
- Bcom Finance

Julie is responsible for investment decisions for our clients, including portfolio rebalancing and client relationship management. She also assists in the research function



**Ian Ambetsa -
Intern**

- 2 years experience
- Bsc Economics
- Msc Economics and finance

Ian recently joined the team as an intern. He is currently working in all areas within the company to expose him to the workings of a fund management company

• 01. About CPFAM – The Team – Shared services

- CPFAM shares some statutory functions with CPF Financial services ltd
- This ensures the highest corporate governance standards are maintained
- Leaders of some of these shared services are as below



Cornelius Ndumai

- 13 years experience
- MBA Finance
- B. Arts
- Member of ICPAK,
- IIAK
- ISACA



Sospeter Thiga

- MBA Strategic management
- BA Economics and sociology
- Certified Risk Analyst
- Prosci
- CISA
- ICPAK



Lucy Jerono

- 13 years experience
- MBA- HRM
- BA Economics and sociology
- Member IHRM
- Member KIM

Cornelius ensures that internal audit is carried out at CPFAM and presents a quarterly report to the Board of Directors as per the CMA regulations

Sospeter oversees all investments, processes and procedures at CPFAM. He prepares an opinion on this and presents a quarterly report to the Board of Directors as required by CMA

Lucy is in charge of the Human Resources docket at CPF Group. She handles the all the HR needs for CPFAM too

01. About CPFAM – Core Values

CPFAM Core values are borrowed heavily from the CFA Code of ethics, which guides investment professionals worldwide

Stewardship

At CPFAM, we are cognizant of our role in the community, the social economic impact of our services and how our practices contribute to environmental sustainability. We are ethical in delivery of our services.

Collaboration

At CPFAM we endeavour to work as a team to achieve the Goals and objects we set. We are self driven, espouse a positive attitude and above all value trust and credibility to support each other in all initiatives.



Innovativeness

At CPFAM we are intentional on creating, incubating and deploying value driven solutions that meet our customer needs. We incessantly work on building our innate technical skills to the highest professional standards and value proactivity, critical thinking and continuous growth (KAIZEN)

Customer Focus

At CPFAM, the customer is the lubrication that drive the cogs of the. We continuously seek to know our customer pain points, serve them with efficiency and recognise their individual worth. Service from the cradle to a fulfilling life.



“The unexamined life is not worth living” -Socrates



02. LIFESTYLE MAPPING

- Individuals at various stages of life will more or less exhibit the same characteristics when it comes to finances.
- We attempt to map out incomes and investment characteristics
- The ultimate goal of every individual is to attain financial independence

02. Life Mapping - incomes

Age
23-33

“Brokest” years

1st Job

1st Business

Income low but growing

Age
33-45

Middle bracket

Income growing

Business expanding

Most productive

Years in life

Age
45-55

Rising to a peak

Most people

Attain their

Highest salaries

At this age

Age
55-60

Waiting to retire

Stable income

Passive income

From earlier

investments

Age
> 60

Low

Passive income

Only income

If in business,

dividends

02. Life Mapping – savings and investments

Age

23-33

Highest ability

To save- few dependants, expenses

However, low inclination, enjoying life

Low interest to invest

Can invest in high risk
Many years to recoup losses

Age

33-45

High but declining ability to save

Expenses growing

Inclination is increased

Interest to invest is growing

Can take high risk
Prone to “fashion stocks”

Age

45-55

Very high interest to save, ability declining due to increased expenses

Medium risk taker

Regret age
Diminished ability

To save

Increase passive income

Age

55-60

Low and declining ability

Final Mortgage and children education years

Anxiety sets in
Insecurity

Moderate interest to

Investments
Low risk taker

Age

> 60

Low inclination to save

Some are Vulnerable to

Make huge mistakes –
Starting new business

Very low risk taker

Can not imagine losing what they have

02. Life Mapping – Emerging challenges



As the world changes and relative economic well being edges up, most families have found themselves with a different set of challenges



Most Parents are left alone as children choose to live abroad.



Some Children might also not be interested in parents' properties.

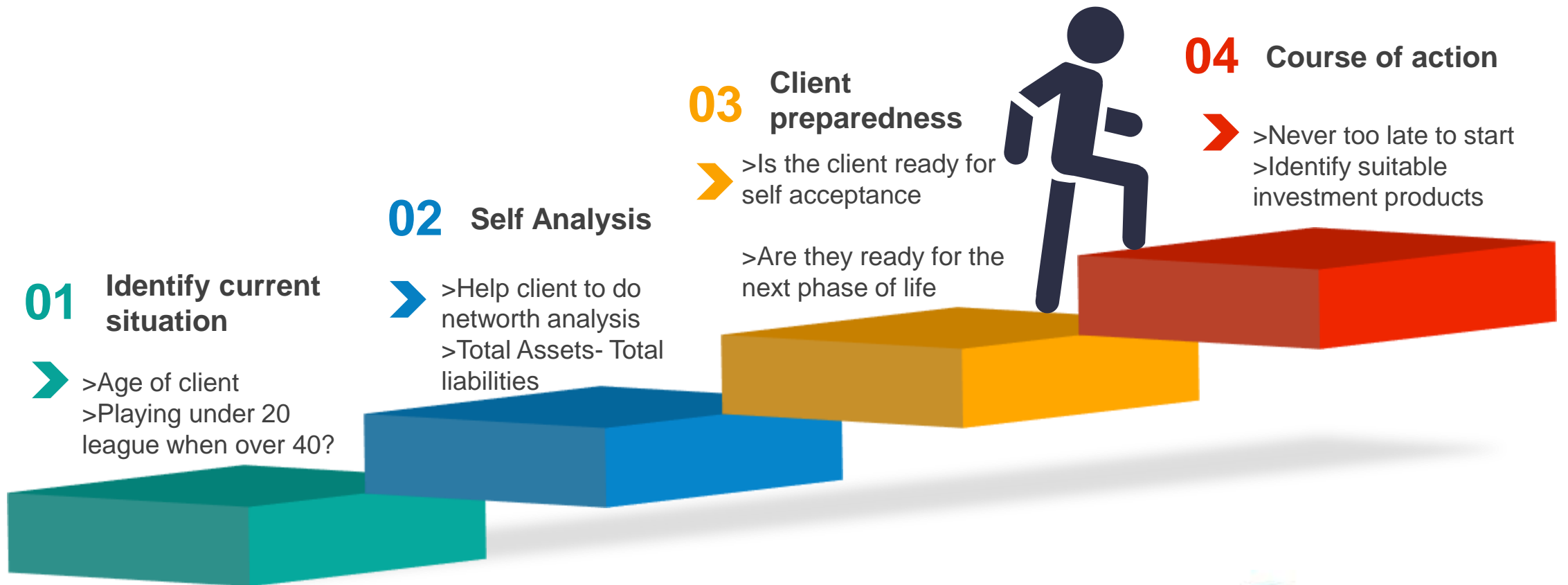


The hustles in locating and tracking parents' property may lead to disinterest. Risk of Unclaimed financial assets



Parents' are thus encouraged to invest a portion of their wealth in hassle free assets.

02. Life Mapping - Conclusion



03. Typical Asset Allocation



Most Kenyans invest in the following areas

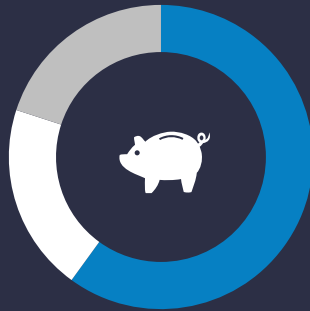
- ✓ Land
- ✓ Rentals
- ✓ Business
- ✓ Sacco/Chama
- ✓ Financial Assets

03. Typical Asset Allocation



Business

- Very High returns
- Equally high risk
- Fulltime involvement
- Re-invests everything in the biz
- Not suitable for people in employment
- Start early, not upon retirement



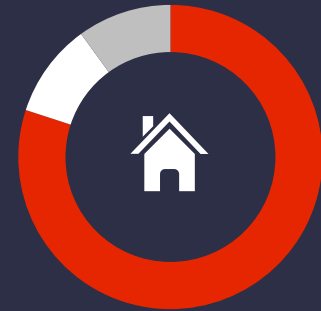
Chama/Sacco

- Moderate risk for Saccos
- Low return
- High risk for chamas
- No return for most chamas



Financial Assets

- Freedom to choose investment vehicle
- Depends on risk appetite
- Equities high Risk
- Bonds/Bills – low risk
- Highly liquid
- Can offer secure/regular income



Land/Rentals

- Most popular investment vehicle
- Low risk
- Low returns for rentals
- Illiquid
- Capital gains realized when sold

04. Wealth Management

“If you don’t find a way to make money while you sleep, you will work until the day you die” – Warren Buffet



04. Wealth Management

- It is a discipline which incorporates structuring and planning wealth
- Holistic view of the individual. Issues like diversification and liquidity
- Wealth Managers assist in growing, preserving, and protecting wealth.
- Ensure the wealth is passed onto the family in a tax-efficient manner.
- It must be in accordance with the client's wishes
- Assets held by custodian, not affected by collapse of fund manager or custodian



04. Wealth Management – Client profiling

- It is required by law to clearly understand the client before advancing investment proposals
- This is called profiling
- The following issues must come out clearly

Personal	Financial situation	Objectives	Risk tolerance	Time horizon	Liquidity
Age	Investments	Define the need	Willingness to	Closely tied to	Supplement current
Life mapping	Assets	Preservation	Incur higher risk	objectives	Income?
Investment Experience	Liabilities	Independence	For higher promised	Short term	Ease of access to funds
Financial savvy	Net worth	Home	return	Medium term	When are the funds
Dependants	Employed	Future dollar needs?	Risk averse	Long term -	Needed?
Religion	Self employed	Kids Education	Risk indifference	Retirement	
Diaspora		Extra income	Risk taker		

- **Client profiling is the most crucial aspect of wealth management.**
- **Once this is done, the next step is to identify the most suitable asset class or asset mix that will meet the needs of the client**
- **The next slides define these asset classes.**

05 ASSET CLASSES

➤ Asset allocation forms the largest component of return as opposed to security selection



• 05. Asset Classes – TREASURY BONDS



Central Bank of Kenya

A. RESULTS FOR RE-OPENED TREASURY BONDS ISSUE NOS. FXD1/2022/03, FXD2/2019/10 AND FXD1/2021/20 DATED 22/08/2022

The auction outcome is summarised in the table below.

TENOR	FXD1/2022/03	FXD2/2019/10	FXD1/2021/20	
Due Dates	07/04/2025	02/04/2029	22/07/2041	
Total Amount Offered (Kshs. M)				50,000.00
Total bids Received at cost (Kshs. M)	21,817.39	8,961.47	18,347.49	49,126.35
Performance Rate (%)	43.63	17.92	36.69	98.25
Amount Accepted (Kshs. M)	21,800.81	8,775.73	7,948.69	38,525.23
Of which : Competitive bids	13,671.96	5,721.47	3,061.52	22,454.95
: Non-competitive bids	8,128.85	3,054.26	4,887.17	16,070.28
Bid-to-Cover Ratio	1.00	1.02	2.31	1.28
Market Weighted Average Rate (%)	12.445	13.892	14.229	
Weighted Average Rate of Accepted Bids (%)	12.445	13.884	13.963	
Price per Kshs 100 at average yield	102.777	97.727	96.820	
Coupon Rate (%)	11.766	12.300	13.444	
Purpose/ Application of funds:				
Redemptions				29,599.15
New Borrowing/Net Repayment				8,926.08

B. FORTHCOMING TREASURY BOND(S) ISSUE(S) FOR THE MONTH OF SEPTEMBER 2022.

The specific features of the Bond(s), that is the Tenor, Amounts, Coupon rates and issue terms will be provided in the prospectus before the issue date.

David Luusa
 Director, Financial Markets
 17 August 2022

05. Asset Classes – TREASURY BONDS

- Loans to the government to fund budget deficit
- Issued by CBK on behalf of Kenya Govt
- The tenure of the bond is defined
- The Coupon rate is also defined
- Interest is paid twice per year

- Principal is paid back upon maturity
- Guaranteed by the Govt of Kenya
- The Govt has never defaulted
- They are traded on the stock exchange
- Final WHT @ 10-15%
- The example below is of a 10 yr bond @ 10% net

15,000,000



05. Asset Classes – TREASURY BONDS

- In the previous example:
- Total amount received as coupon = Kshs. 15,000,000
- Then the full principal is received upon maturity
- Assuming a 20 year bond, total interest received would have been Kshs. 30 million; money doubled, principal intact
- Investor would have received the interest of Kshs. 750,000 every 6 months
- At CPFAM we shall propose to client to either get their Coupon in full after 6 months or receive it monthly
- The Bond can be sold at any time at the NSE
- At CPFAM, we shall propose a one year minimum investment period
- Bonds interest rates priced to be above inflation
- No risk of default- Govt would rather print money
-

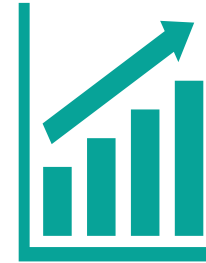
05. Asset Classes– Rentals versus bonds

- Property investments are the most popular investment vehicles in Kenya
- We compare their returns with earnings from bonds
- We assume an investor who has Kshs, 15 million and wishes to invest in either option

Property



VS



Treasury Bond

Amount Invested = Kshs. 15 million
Infrastructure Bond Coupon @ 13=
1,950,000.00

Tax= tax free bond

Mgt fees = 2.9%pa= 435,000.00

Net amount = Kshs. 1,515,000.00

Net monthly income = Kshs. 126,250.00

Net annual return = 10%

Facts

- Coupons are guaranteed
- Therefore, monthly income is guaranteed
- No agents needed
- No tenancy issues and challenges
- Once the bond matures – you get back your principal
- Can be sold at any time
- No risk for clients in Diaspora

- Amount invested = Kshs. 15 million
- Three bedroom in Kilimani
- Monthly rent – Kshs. 90,000.00
- Annual rent = Kshs. 1,080,000.00
- Rental income tax @ 10% =108,000.00
- Net annual rental income = 972,000.00
- Rental yield =6.5%

• **Assumptions**

- 100% occupancy throughout the year – (Covid)
- No agent fees, honest agent
- Clients pay on time, no follow up
- No wear and tear of the building
- No land rates and rent payment
- No service charge
- No Court cases

05. Asset Classes– Advantages of Buying Treasury bonds through CPFAM

- Hassle free
- Ease of liquidating
- Competitive Bidding
- Nominee account
- Arranged monthly payment

05 ASSET CLASSES

Equities

- part own a Company
- Average 13% over the last 10 years.
- Dividends
- Capital gains
- long term investors
- Best time to invest.
- Stop-loss measures
- Can be listed or unlisted

HIGH RISK- HIGH RETURN

Corporate Bond C.P.

- A bond is a loan to a company
- Regular interest payments
- Principal paid on maturity
- Commercial Paper is a short term loan to company
- Less than 1yr

HIGH RISK- HIGH RETURN

REITS

- The value of a property broken down into Units
- Investors buy those units
- Either I-REIT or D-REIT
- Rental yield or Capital gains

LOW RISK – LOW RETURN

Eurobonds

- It's a bond
- Issued outside the country
- Denominated in dollars
- Kenya has several
- Yielding between 12%-15%

Low Risk- Low Return

05 ASSET CLASSES

Offshore

- Investment in securities outside Kenya.
- Stand alone stocks or
- Mutual funds and ETF etc
- Bonds issued by countries or companies outside Kenya

HIGH RISK-HIGH RETURN

Treasury bills

- Issued by Govt of Kenya
- Loan to the Govt
- Short term 91-364 Days
- Issued at a discount

LOW RISK- LOW RETURN

Commodities

- Crude Oil.
- Gold
- Other Precious metals
- Grains
- Beef
- Palm oil
- Highly volatile

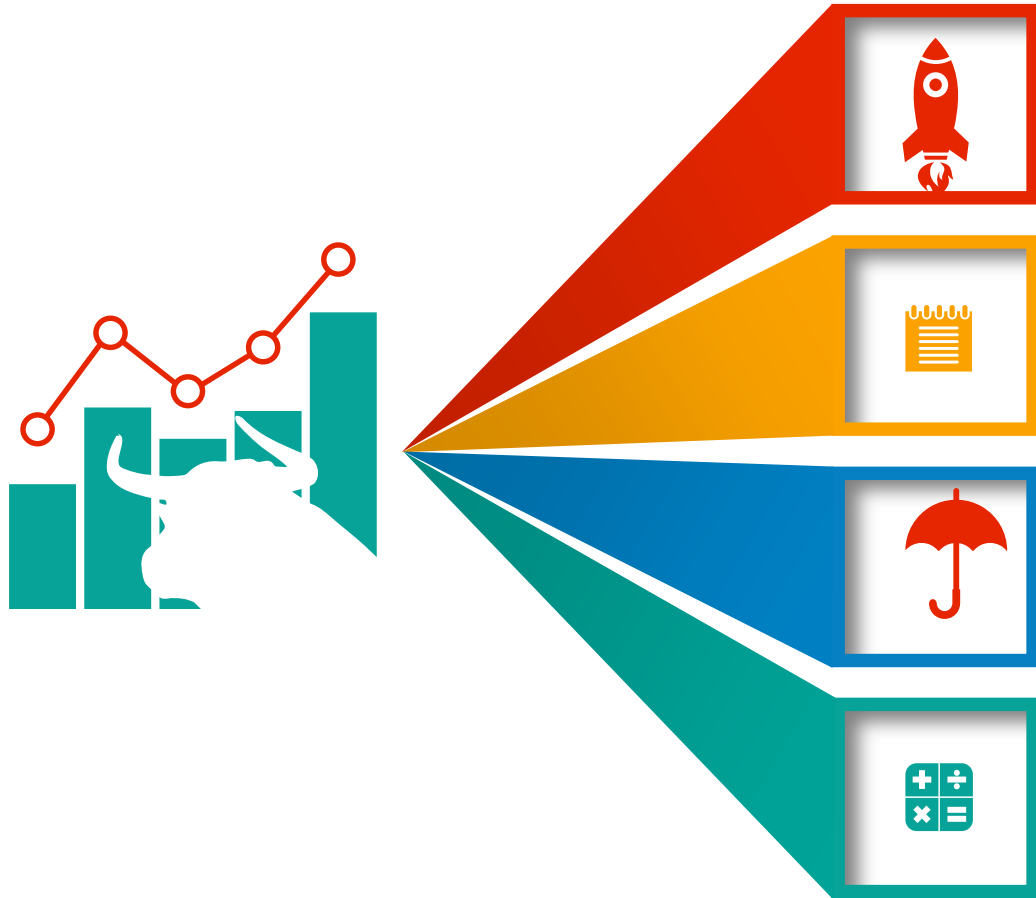
VERY HIGH RISK- HIGH RETURN

Others

- Private Equity
- Private Debt
- Derivatives
- Forex
- Requires sophisticated investors

HIGH RISK- HIGH RETURN

06. WHY CPFAM



- ❑ Proven and experienced world class research team.
- ❑ Superior returns averaging at 12%
- ❑ Highly skilled dedicated Portfolio Manager limited to managing five funds.
- ❑ No entry or exit fees. Minimum investment period discussed with client.
- ❑ Ability to top-up at any time.
- ❑ Competitive management fees a Maximum of 2.5% per annum. The fee can be negotiated on the basis of fund value and the investment duration.
- ❑ No sharing of realised capital gains and interest

Thank you

Invest

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