

A Presentation to: **Members – Makerere University RBS**

April 2016

Investments Training

Presented By:

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This material must be read in conjunction with the Disclosure Statement.

I. Firm Overview

15 Years Of Serving Clients Globally

Over time, we have built an extensive platform of listed equity, fixed income and alternative investment capabilities to meet client needs.

1960s – 1980s

Our Foundation

- 1960s - Provided private equity capital and investment advice to family-owned businesses in Asia

1990s – 2000s

Expanding the Global Platform

- 1996 – Consolidated AIG’s institutional asset management activities into AIG Investments to manage assets for external clients
- 1998 – Set up the Nairobi office licensed by CMA & RBA
- 2004 – Commenced operations in Uganda licensed by CMA(U)

2012



PineBridge Today

- An independent, multi-strategy asset manager owned by Pacific Century Group and PineBridge employees
- Group advised by an independent Board of Directors
- Market leader in East Africa

II. Role of Fund Manager

Duties and Roles of the Fund Manager

- Advise the client on the available investment options;
 - ✓ Fixed Income - Treasury bills & bonds, Commercial paper & Corporate bonds and fixed deposits, Domestic Equities and Offshore Investments
- Invest in accordance with terms set in the investment policy
 - ✓ Lays out the objectives of the scheme, how it is governed , how the scheme's funds will or will not be invested etc.
- Report on a regular basis on the performance of the scheme funds and compliance
- Training, attend AGM and Member education, periodic review of the IPS

III. The Investment Policy

Prudent Investment Policy

- This is the “strategic business plan” for the retirement fund
- Contains among other things
 - Rate of Return Expectations
 - Risk Tolerance
 - Asset Mix Policy (Internally and externally consistent)
- Prudence requires
 - Avoid undue risks of loss or impairment
 - Provide a reasonable/fair return expectation
 - Ensure a minimum level of diversification

Extract from IPS - Fund Investment Objectives

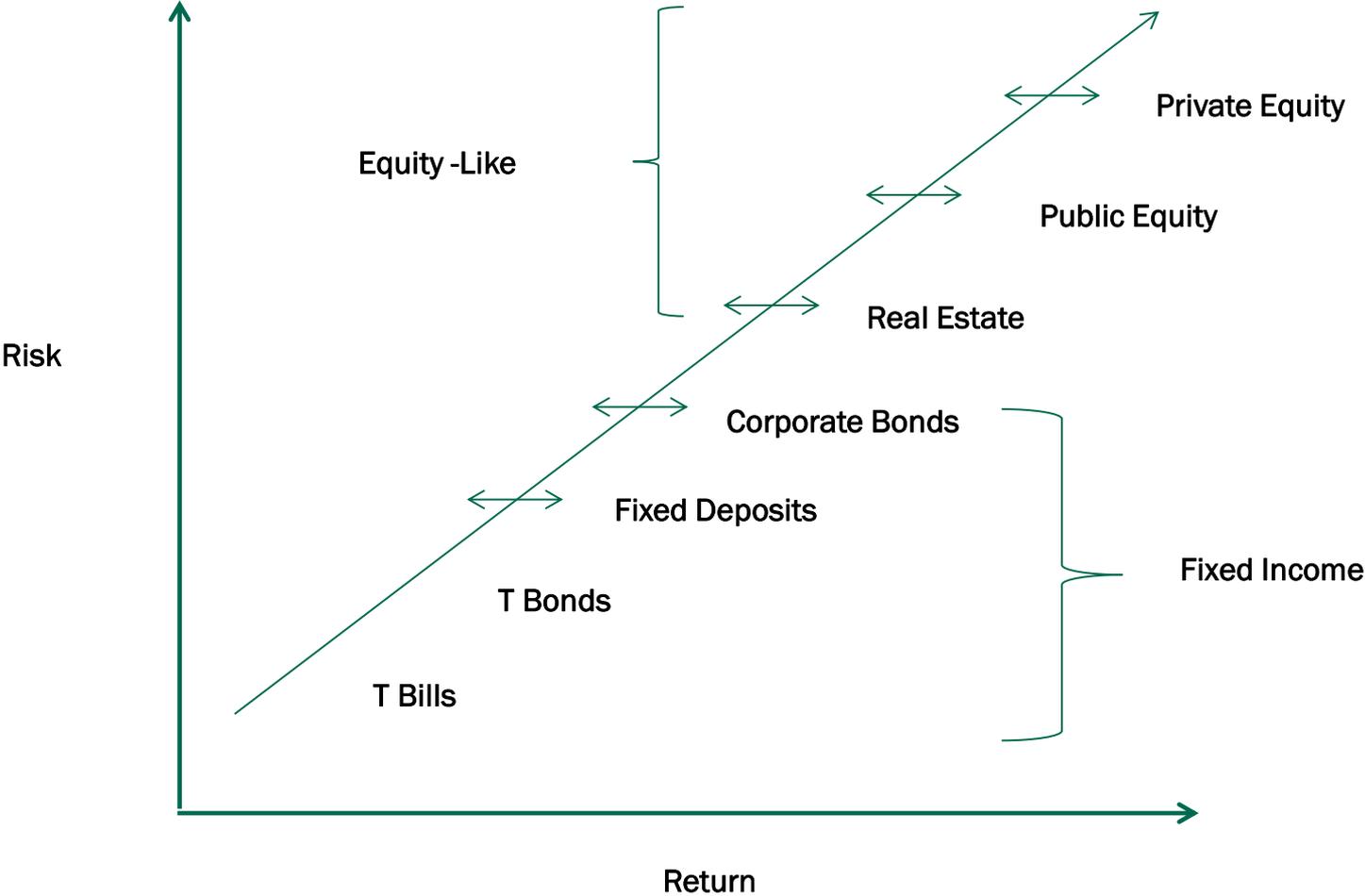
- **Preservation of Capital** – ensure preservation of capital in the portfolio. It is understood that losses may occur on individual class of securities.
- **Return on Investment** - Fund should attain market rate of return consistent with safety objective and cash flow considerations.
- **Long-Term Growth of Capital** – Emphasis on long-term growth of principal while avoiding excessive risk.
- **Liquidity** – Portfolio should remain sufficiently liquid to enable the fund meet its cash flow requirements.
- **Risk Aversion** – Trustees are willing to accept volatile short-term investment returns with the expectation that volatility will be more than compensated by superior long-term performance.
 - Difference between Ability to take risk and Willingness to take risk
- **Diversification of Assets** – Portfolio shall be diversified so as to minimize the risk of large losses in one class of assets.

IPS – Tactical limits

		Actual Allocation		Actual Allocation	
Asset Class	Investment	31st December 2015		31st March 2016	
	Agreement Limit	%	UGX	%	UGX
Cash	0-5%	0%	80,756,718	1%	334,944,846
Fixed Deposits	0-10%	0%	110,000,000	0%	179,094,904
Corporate Bonds	0-30%	5%	2,152,480,255	4%	2,020,801,894
Government T Bills	10-20%	15%	6,583,302,117	15%	6,732,058,568
Government T Bonds	25-50%	50%	22,022,926,907	51%	23,427,425,912
Equities	25-40%	30%	13,010,780,110	29%	13,579,061,374
Property	0-20%	0%		0%	
Private Equity	0-10%	0%		0%	
Total	100%	100%	43,960,246,107	100%	46,273,387,499

IV. Assets & Their Role in Portfolio

Risk Vs Return



Cash & Cash Equivalents

Cash in Hand

- Includes current account
- Uses: Liquidity to settle payments
- Return: Low/none
- Risk: Low



Cash in Bank

- Includes term/fixed deposits
- Uses: investment and also parking spot as you look for investment opportunities

Risks:

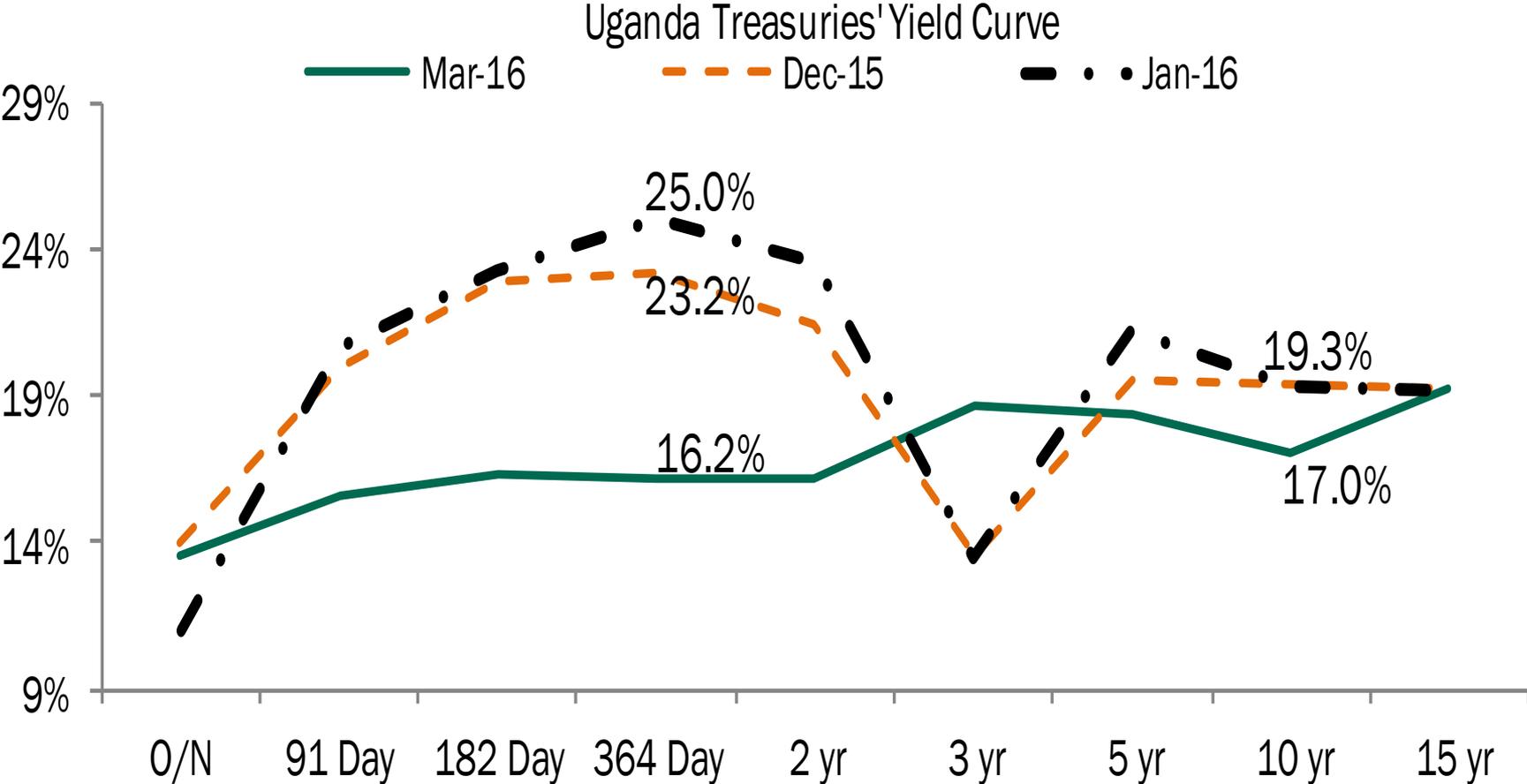
- Credit/default if bank collapses
- Inflation risks
- Reinvestment risks (for short term placements)

Fixed Income Securities

- Refers to instruments for borrowing money by an institution (Government or Corporate)
- Returns: Interest/coupon accrued, profit/loss on sale
- Risks :
 - Credit default risk (depends on issuer)
 - Time horizon (longer dated securities have higher returns/risks)
 - Reinvestment risk (if traded)
- Strategy – Yield curve play & Duration



Fixed Income Securities - Performance



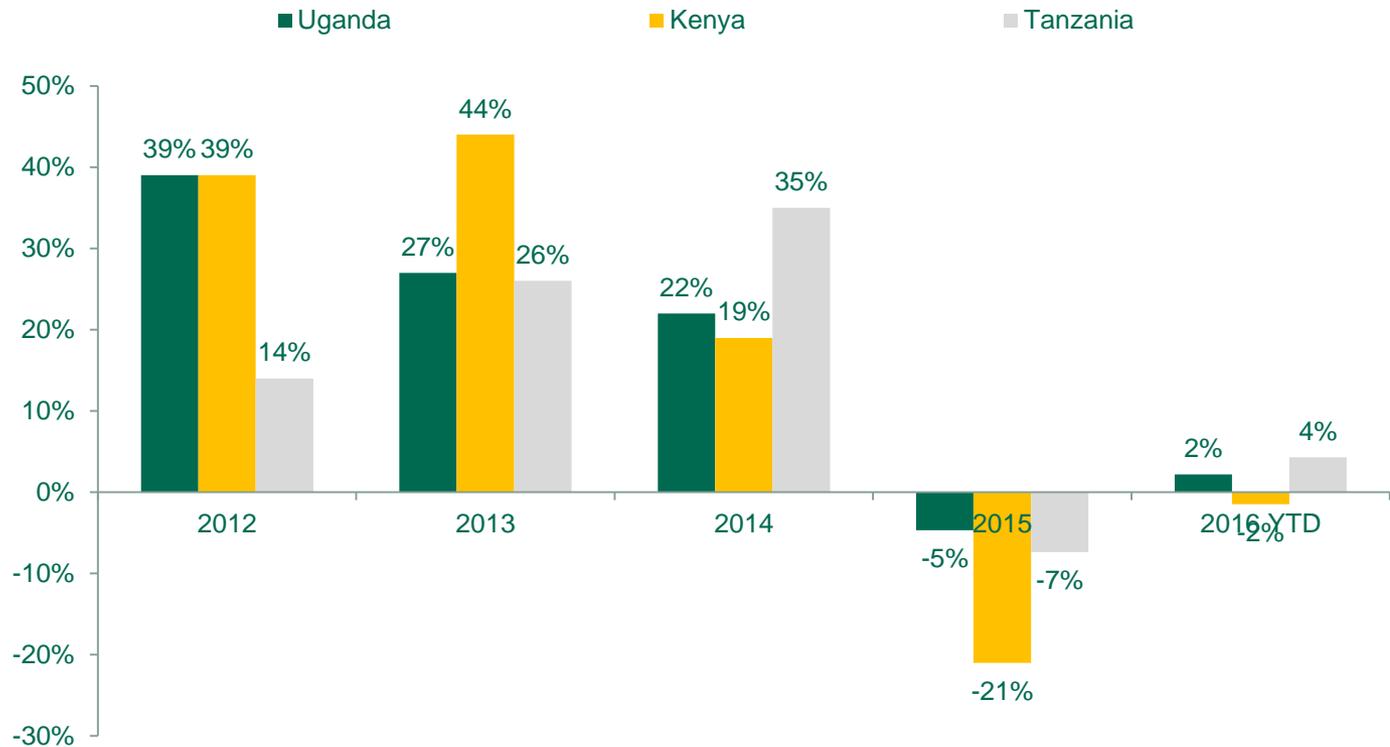
Equity/Stock Securities

- This refers to ownership of shares in a firm (quoted or unquoted)
- Return: Dividend income & capital gains/loss on sale
- Risks:
 - Share in profits/loss of firm
 - Liquidity (traded on exchange or not)
 - Inflation – provides some protection against inflation risk
- Strategy:- growth & diversification
- Uganda - Fairly valued
- Kenya – Under valued
- Tanzania – Under valued



Equity/Stock Securities - Performance

Equity Returns	2012	2013	2014	2015	2016 YTD
Uganda	39%	27%	22%	-5%	2%
Kenya	39%	44%	19%	-21%	-2%
Tanzania	14%	26%	35%	-7%	4%



Property

- Refers to investments in residential or commercial buildings
- Returns: rental income & profit/loss on sale
- Risks include:
 - » Pricing challenge, as subject to market valuation
 - » Liquidity
 - » Legal considerations (ownership?)
 - » Default by tenant
 - » Time frame as this is a long term investment
 - » Affordability concerns (how much in property is adequate?)
- Independent valuation required at minimum after three years
- Stand-alone ownership vs. Pooled Funds (REITS & ABS) – how much property is enough



Asset Classes

	Expected Return	Risks	Purpose in the Portfolio
• Cash	• 0%	• Credit Risk • Inflation	• Meet disbursements • Reserve for emergencies
• Fixed Deposits	• Low	• Credit Risk • Inflation	• Liquidity • Income
• Treasury Bills	• Low	• Inflation • Interest rate	• Liquidity • Income
• Treasury Bonds	• Medium	• Inflation • Interest rate	• Liquidity • Income
• Corporate Bonds	• Medium	• Inflation • Interest rate • Credit risk	• Liquidity • Income
• Public Equity	• High	• Market Risk	• Growth • Income (Dividends)
• Private Equity	• High	• Market Risk • Unique circumstances	• Growth • Income (Dividends) • Aspiration needs
• Property	• Mixed	• Market Risk • Unique circumstances	• Growth • Income (Rental Yield) • Aspiration needs
• Off Shore	• High	• Market Risk • Currency risk • Unique circumstances	• Growth • Income • Diversification
• Other Assets*	• Mixed	• Mixed	• Mixed
• Residential Home**	• N/A	• N/A	• N/A

Return Expectations – 2015/16

- Best performing asset - Fixed income 17% - 19%
- Equities – declined (seen some rebounds during the previous quarter)
- Comparison with NSSF
 - Property Allocation – 6%
 - Fixed Income allocation – 80%
 - Equities allocation – 14%

Thank You!
