

# THE FMA REPORT

A PUBLICATION OF



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## FMA SUPPORTS

FMA members climbed the 7 Ngong Hills

The FMA CSR event for 2019 was to create Child Enabling Environments in select Nairobi Primary schools where FMA partnered with Aga Khan University, East Africa Institute (EAI). EAI had taken on research around the area of Child Enabling Environments and found it to be lacking. Educational spaces that are not child friendly, leave children exposed to physiological, physical, and social harm such as assault and gender based bullying.

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## The Chairman's Report



It is my pleasure, on behalf of the Fund Managers Association (FMA), to present

the second edition of our newsletter. This newsletter targets our members, clients, regulators and other stakeholders in our industry. It provides a comprehensive overview of the activities of the FMA in 2019 and outlines our plans for the future. Our annual events being: the annual retreat/off-site strategy session in January, the Paul Sigsworth Award Gala in April, the CSR event in September and The Quiz Night in November.

The broad objectives of the FMA are:

- To make representations to Government on various matters including legislation, regulation, policy and taxation which affect the business and professional interest of our members. To facilitate the achievement of that objective, the

association may make representation to Government ministries, statutory bodies such as the Retirement Benefits Authority and the Capital Markets Authority, Stock Exchanges and international institutions on matters affecting the business or professional interests of the members of the Association;

- Facilitate a forum through which members can consult and advance all such matters of mutual concern and of common interests;
- Promotion and support of the development of the fund management industry and member education.

In 2019, FMA actively participated and had representation in various sector forums, including:

1. FMA obtained five seats on the Institute of Certified Investment and Financial Analysts (ICIFA) committees and on of Vice Chairman

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## The Chairman's Report (contd)

2. Partnered with the East Africa Institute of the Aga Khan University to raise funds to support child safety in select Nairobi primary schools
3. Participated alongside CMA and the Institute of Certified Secretaries to create the Stewardship award for institutional investors
4. Participated in several workshops for adoption of global best standards in investment performance and measurement (Specifically the GIPS Framework) in our Market.
5. Participated in the National Risk Assessment task force to create guidelines on Money Laundering and Terrorist Financing.
6. Participated an industry engagement following elimination of pre-validation in the best interest of the market hosted by the NSE
7. Collaborated with FSD Africa and FMDQ OTC Exchange in Nigeria
8. Submission of Policy Proposals 2020 – 2021 for CMA and RBA to the National Treasury in September and October
9. Capital Market Soundness Report discussions throughout the year
10. RBA Stakeholders Forums throughout the year.

Our participation in these events confirms our intent to be at the forefront in deepening and developing the capital markets as well as broadening the array of investment opportunities for our growing client base.

The FMA will remain a potent force in the development of the fund management industry. With our steadfast commitment, we remain confident that we will succeed in playing our rightful role as a key player in the financial services sector.



## Chairman's Brief on the Highlights of the Offsite Session

Key action areas from the offsite session being;

- To engage a lawyer determine the viability of having an FMA Act.
- Build capacity with our members in improving the legal knowledge of the environment they work in.
- Increase visibility of the association, the members agreed to hold an FMA conference to improve visibility and clients/public engagements.
- Continuously seek new ways to actively engage our members' participation in CSR events by making them more engaging and exciting in ways that will stir more interest and involve more staff members.
- We shall also increase our efforts in actively engaging with the regulators.







This year's Paul Sigsworth Award goes to Jonathan Stichbury, CEO, Sanlam Investments East Africa Ltd.

Jonathan Stichbury was brought up and educated in Edinburgh, Scotland. Whilst in South Africa in 1995, he met the head of Old Mutual Asset Managers and in 1996 joined Old Mutual in Cape Town and was subsequently given responsibility for helping build Old Mutual's new business in Botswana.

In May 1998, Jonathan moved to Kenya and became the first CEO of Old Mutual Asset Managers (Kenya) where he stayed for over 2 years. Thereafter, the rest is history ... Jonathan has run the same business for over 18 years now, albeit with two shareholder and name changes along the way. Firstly in 2010 to "PineBridge Investments East Africa Ltd" and then to "Sanlam Investments East Africa Ltd" in 2017.

But that doesn't tell the whole story: Jonathan was a founding council member and Vice Chairman of the FMA for 5 years and remains a director and a committed promoter of the

investment profession and trust in the industry. He was also a council member of the Association of Retirement Benefits Schemes and sat on NSE committees and innumerable regulatory groupings to help try to ensure that regulations were fit for purpose. More recently, he has received the ICIFA 'Financial Analyst' designation.

Since his earliest days in Kenya, Jonathan has advocated high ethical standards and when the FMA was formed he advocated that all members must agree to adopt CFA standards and indeed this was written into the FMA's constitutional documents.

He has also been at the forefront of promoting research and over the years he has helped develop many young investment analysts and professionals, many of whom are now leading industry figures (including 2 current CEO's of FMA firms!)

Away from work, Jonathan is married to Rowena and they have 5 children – all who were born in Kenya. Jonathan regards Kenya as his home and is proud to have become a Kenyan citizen in 2015.



# Hiking up the Ngong Hills

to support child enabling school environments



This gap in infrastructure and social space is classified as a child rights issue that required social action and policy development.

EAI worked with the students of Milimani and Highridge Primary School to identify spatial changes in the schools that would significantly contribute to their well-being. Therefore, to support this project FMA member firms had to fundraise through hiking on Saturday, 14<sup>th</sup> September targeting a minimum of Kshs 2M through this event.

*It was a chilly Saturday morning when we departed for Ngong hills at around 7.30am from Nairobi. Ngong hills is one of best hiking places near Nairobi. Everyone wore comfortable trainers or sport shoes and loose-fitting clothing recommended for hiking and mountain climbing. Ngong Hills has 7 hills.*

*With my one bottle of water, Felix and other friends, we started the journey of 7 hills. Walking and hiking at the first two hills was almost too easy, but as you keep hiking up to the fourth and fifth hill the difficulty shifts from moderate to very difficult. These two hills were very challenging for me. They are extremely steep and even if you are a seasoned hiker you will definitely break a sweat.*

*The sixth hill welcomed me into a forested area where plants constantly brush you as if to say hello. I was determined to reach the 7th Hill, the heat, tired legs and maybe danger was not going to stop me. The sight of the 7th Hill almost, nearly stopped me. I was this close to asking Felix to carry me but I made it. I pushed myself and went all the way to the peak to a wonderful view. Oh! I*

*almost forgot to say this, seventh hill difficulty (extremely hard).*

*Finally, we rested and made stretches as we cooled off. We also had a bite of delicious food as we hydrated with drinking water after that grueling hike. Guys had fun through hiking and we are glad the funds would make a difference in the school.*

**by Martin Odhiambo, GenAfrica**

*A sunny but windy morning provided the perfect weather for the hike to Ngong hills. Several groups formed of the over 150 participants as we went up and down.*

*As we took shots of the beautiful sceneries, it was clear that we are gifted differently. Some walk uphill faster than downhill, some feel safer running downhill, others love to make stops after every hill stretch while others went all the way - a clear reflection of various capabilities within us.*

*Eventually, in a couple of hours, all groups had reached the destination safely without having made use of the ambulances provided. Our ultimate goal was to go past the famous "corner baridi" to the other side of the hills, which we did. Nobody remembered how tired we were as we relaxed, the breeze was overly relaxing.*

*We believe the objective of the activity was realised by the Association, in partnership. We trust that the next CSR event by FMA will be even bigger and better.*

**by Evelyne Ngari - Fusion Capital**





## Quiz Night 2019 - Genghis Capital, how far we've come!

It was the best Quiz night yet with good food, great music, fierce and fun competition. It was not a night for anyone with on blood pressure meds. This year's winner was Genghis Capital. 1st runners up was Old Mutual and 2nd Runners up was Fusion Capital respectively. Previous winners were African Alliance & Old Mutual (2014), Britam Asset Managers (2015), Sanlam EA (2016), GenAfrica (2017 & 2018).

*Failure is not final. Those four words are responsible for Genghis Capital's innovation and our team members' continued tenacity despite turbulent times and less than stellar market performance. It is also this mythos that is responsible for our herculean performance at the 6th Annual FMA Quiz Night held on November 28, 2019. Emerging as this year's winners served as inspiration that status quo can always be overturned, and that being perceived as an underdog should never be reason to not show up and give your best!*

*The FMA CSR Hike of Ngong Hills on September 14, 2019 was not only an opportunity for comradely for Genghis, but also a way to give back. The FMA partnered with the East Africa Institute of the Aga Khan University to create child enabling environments in select Nairobi primary schools. The first beneficiary was Milimani Primary School; transforming the entryway and shed for the children. We are excited to continue our support of the CSR fundraising activities and hope to see marked improvements in our area of patronage.*

*Perhaps the most exciting challenge that we carry as a firm into 2020 is the nurturing and identification of potential recipients of the Paul Sigsworth Award. We congratulate the winner of the 2019 award and look forward to the 2020 nominations.*

**By Damaris Mukulu - Genghis Capital**

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**2nd runners up - Fusion Capital**



**1st runners up -Old Mutual**



**WINNER - Genghis Capital**



## Farewell to CMA's outgoing CEO

Members appreciated CMA's action on insider trading offenses and unscrupulous traders. FMA showed their support for the actions taken at a farewell breakfast with the outgoing CMA CEO, Paul Muthaura.



## 2020/21 Policy Submissions to CMA

There is a need of rating all debt instruments and not only asset backed securities as per section 13 of the Policy Guidance Note on ABS 2017.

1. Non-bank corporate instruments being subjected to an addition 15% income tax (at the point of filing tax returns for an individual) over and above the already withheld tax of 15%. This issue of treating bank interest and corporate bond interest differently is preventing the developing of long term source of capital to Kenyan companies. This bias against individual investors needs to be eliminated in the interests of developing our domestic capital markets.
2. Reconsider some of the existing laws such as a custodian bank being considered as a single client in the event of company or bank receivership. For example, the case of Imperial Bank and Chase Bank where the custodians were considered as a single client and yet various clients separately were investors in the two banks.
3. Privatization or listing of state-owned or state-controlled enterprises via the Nairobi Securities Exchange. Privatisation has proven to be one of the strongest levers for influencing issuer demand. Several large European markets were kick-started in the 1970s and 1980s by waves of privatization. In emerging markets, China is a recent and powerful example of this trend.
4. There is a need of rating all debt instruments and not only asset backed securities as per section 13 of the Policy Guidance Note on ABS 2017. Investors should ideally be able to minimize their exposure to default losses by holding the securities of only the most highly rated bond issuers.





## Cabinet approves the National Risk Assessment (NRA) Taskforce

FMA was identified as key stakeholder in this process and asked to nominate a liaison to this taskforce.

The Cabinet approved the National Risk Assessment (NRA) task force which is estimated to take about nine to twelve months to complete.

To conduct a credible and comprehensive NRA, it was necessary to bring on board a wide range of Stakeholders that included players of the financial sector, law enforcement, real estate, motor vehicle dealers, precious metal & jewellery dealers among others.

For this reason the National Treasury gazetted an inter agency task force on the NRA (National Gazette Vol. CXXI – No. 34 of 22nd March 2019, Gazette Notice No. 2577, pg 1087-1088).

The over fifty stakeholders will undertake to create the Money Laundering and Terrorist Financing National Risk Assessment (ML/TF/NRA) exercise.

FMA was identified as key stakeholder in this process and asked to nominate a liaison to this taskforce.

## FMA sits at ICIFA

FMA members applied for various seats at ICIFA and we were very successful as follows:

- a. Council Vice Chair – Einstein Kihanda
- b. Membership Services Committee – Susan Kagundu
- c. Education and Research Committee – Peter Anderson
- d. Professional Standards Committee (CPDs) – Steve Muriu, Einstein Kahanda & Ken Kaniu
- e. Finance, Strategy and Administration (FSA) Committee – Nkoregamba Mwebesa





We also bid farewell to Fred Mburu, who has been the committee's chair for several years.

His active participation and leadership saw us renovate Dr Livingstone Primary School in Eastlands and climb the Ngong Hills to raise money for Child Safety in public primary schools. We wish him all the best in his future endeavours.

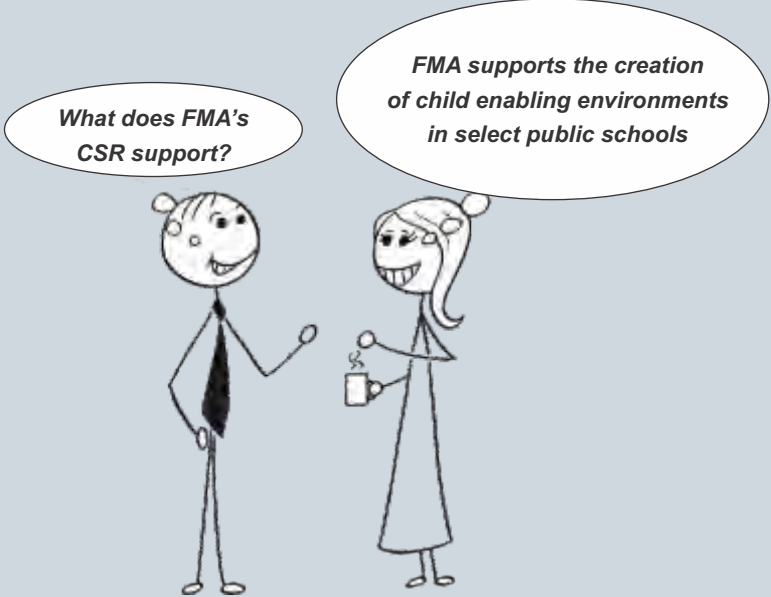
## CSR pictorial - Hiking the Ngong Hills



## FMA Members

African Alliance Asset Management  
 Amana Capital  
 Apollo Asset Management  
 Britam Asset Managers  
 CIC Asset Management  
 Co-op Trust Investment Services  
 Dry Associates Investment Bank  
 Fusion Investment Management

GenAfrica Asset Management  
 Genghis Capital  
 ICEA Lion Asset Management  
 Madison Investment Managers  
 NCBA Capital  
 Old Mutual Investment Group  
 Sanlam Investments East Africa  
 Stanlib Kenya



**FUND MANAGERS  
 Association**

FMA Secretariat  
 Email: [admin@fma.co.ke](mailto:admin@fma.co.ke)  
 Nairobi, Kenya

@FMA\_Kenya

FundManagersAssociation

[www.fma.co.ke](http://www.fma.co.ke)