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Bank stocks top list of NSSF investments

THE SECRET: NSSF board of trustees chairman Adan Mohamed with Cabinet Secretary for Labour, Social Security and Services Kazungu Kambi during launch of the NSSF Act earlier this year.

BY CONSTANT MUNDA

THE National Social Security Fund has increased its investments on NSE-listed companies, with banks emerging as a favourite for the pension fund.

Its annual report shows it pumped Sh1.17 billion in 11 new companies at the Nairobi Securities Exchange in the year to June 2013.

This brings its equity investments to 30 of the about 60 listed firms, whose cumulative value surged to Sh51.13 billion in the period from Sh36.29 billion a year earlier.

"We continue to exert our presence at the Nairobi Securities Exchange as it develops and brings forth new products and investment opportunities," chief executive Richard Langat says in the report.

NSSF now has shareholding in 10 out of the 11 listed banks at the NSE, with the exception being I&M Holdings, which listed in June 2013.

It acquired stakes in five new banks in the financial year, including Equity (Sh332.1 million), Co-operative (Sh141.4 million), Diamond Trust (Sh137.0 million), NIC (Sh113.5 million) and CfC Stanbic (Sh111.7 million).

Hitherto, the lenders in which it held stakes were KCB, National Bank, Barclays, StanChart and Housing Finance.

Besides banks, the pension fund, whose membership is statutory, also bought shares in ScanGroup, Uganda's Umeme Ltd, Uchumi Supermarkets, TPS Serena, Centum Investments and Carbacid Investments.

Despite the increased investment, dividends paid to the NSSF during the review period slightly dipped by 3.9 per cent to Sh1.99 billion, compared to Sh2.07 billion previously. However, total earnings from investments increased by 12.97 per cent to Sh8.97 billion.

It paid its 1.7 million members a 12.5 per cent interest, an increase over the previous year's 7.5 per cent. The interest was accredited to members' accounts in July this year, it said.

The investment in listed equities accounted for 37.9 per cent of the total value of assets at Sh134.93 billion – 22.15 per cent increase over Sh110.46 billion a year earlier.

The value of assets in property and government securities represented 31 per cent and 24 per cent of the the total assets respectively.

"We have engaged leading investment investment managers in the region to invest our funds and help us achieve a well diversified and balanced portfolio that will increase the return on investments," Langat said.

Fund managers contracted included Pinebridge Investments, Genesis, ICEA-Lion, Stanbic, Old Mutual and Co-op Trust.

An industry report by the Retirement Benefits Authority on July 1 stated that the NSSF is managing a portfolio of Sh92.9 billion of the total assets, while the six fund managers were overseeing Sh43.3 billion.

The independent managers invested 55.4 per cent of the Sh43.3 billion in quoted equities, the RBA report showed, with the remaining 32.6 per cent channelled into government securities.

Cross-border trade projects gulp Sh8.9bn

BY MERCY GAKII

TRADEMARK East Africa, the non-profit organisation that has been spearheading trade integration across the bloc, has invested about $100 million (Sh8.91 billion) in the upgrade of one-stop border posts.

It said Friday that this will ease cross-border trade and improve business competitiveness by reducing the time spent to clear cargo on transit.

So far, construction at the Holili-Taveta one-stop border post at the Kenya-Tanzania border is complete, paving way for controls that will save time and money for traders ferrying goods into Northern Tanzania. It is expected to be officially opened next year.

"We are already working on the Busia and Malaba border posts to upgrade the facilities, as well as work towards improving the management of work processes and eventually easing transit times," said chief executive Frank Matsaert during the relaunch of the company's website in Nairobi.

The company prides itself as being instrumental in the recent signing of the Mombasa Port Community Charter by 25 government and private sector agencies, which was witnessed by President Uhuru Kenyatta.

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ALY KHAN'S STAR PORTFOLIO

A SMALL WINDOW FOR SHARKS AS DOLLAR RISES

ON August 25, I wrote this: "You see in the old days, these conditions would have created a flight into the dollar.... If things tip big, the dollar might soar."

This time last year, the US was printing $85 billion a month under its Quantitative Easing (QE3) programme and the party was in full swing like in the Great Gatsby novel, in which author Scott Fitzgerald writes: "In his blue gardens men and girls came and went like moths among the whisperings and the champagne and the stars."

The Punchbowl just kept on giving. Well, next month the entire QE programme gets wrapped up. The markets have been wrestling with some serious hangover effects.

The US economy snapped higher in the second quarter to expand at a revised 4.6 per cent annualised rate, posting the fastest rate of expansion since the fourth quarter of 2011.

The dollar posted an 11th straight week of gains against a basket of major currencies, extending the longest winning streak since its 1971 free-float under President Richard Nixon. The dollar index DXY hit a four-year peak of 85.65. Against the euro, it rallied 1.1 per cent last week and is at levels not seen since November 2012.

In my opinion, any nascent recovery in Europe was nipped in the bud because of Ukraine-related contagion. Germany's Ifo Institute for Economic Research said its business-climate gauge slid to 104.7 this month, the lowest since April 2013, from 106.3 in August. Inflation in the Eurozone, which has its nose barely above zero at 0.4 per cent, could go negative in the next 12 months.

The dollar has had lift-off against the yen, reaching 109.46 on September 19, the highest level since August 2008. Commodity currencies have been getting creamed. The rand has sliced through 11.00 and was last at 11.22 against the dollar. The Brazil real has retreated 7.4 per cent over the last four weeks. Gold was last trading at $1,214 and could seriously crash and burn.

On October 3, the US Labour Department will release employment statistics for September. A big print [and it is predictable in the next few months] is going to send the dollar soaring again.

The greenback is emerging out of a multi-year disequilibrium. The US is now pushing out a lot of oil imports and the system is awash in the black stuff, hence why there has been no upside pop in the price of oil, notwithstanding the drumbeat of war in the Middle East.

Stanley Druckenmiller, who with George Soros bet the bank against the Bank of England on September 16, 1992 and made off with a billion pounds in the days when a billion was serious amount of stash said this: "As a macro investor, my job for 30 years was to anticipate changes in the economic trends that were not expected by others – and therefore not yet reflected in securities prices".

"Soros has taught me that when you have tremendous conviction on a trade, you have to go for the jugular. It takes courage to be a pig .... As far as Soros is concerned, when you're right on something, you can't own enough."

The last time I felt it soar in my blood like I feel it now was May 2003 when President George Bush delivered his Mission Accomplished speech on the aircraft carrier USS Abraham Lincoln. That day, and for about 48 hours, the world believed George Bush, and more importantly, the crude oil markets did as well. The price of oil fell to $31.50 a barrel. Like a panther, I sniffed the air looking for liquidity, called my banker looking for a line that I could swing, and swing it I did. I bought a lot of call options on oil.

The point I am making is that the dollar has just started going. There will be blood in the water. There is a small window if we want to be the sharks. The last time I took a real big bet was when I was a lot younger. The Kenya shilling is at 89.00 to the dollar.

Shares go up and down and readers are advised that this column represents Mr Satchu's personal opinions.