Protecting and Creating Your Wealth in 2017 and Beyond...

Dear Esteemed Customer,

Happy New Year!

We are delighted to release the first edition of The LION’s Perspective as we seek to engage more with you in 2017 and beyond. Through these bulletins, we will share with you our outlook on the market in order to help you understand your investment with us better. This is a journey we wish to take together and as such invite your feedback on what you would like to hear about going forward, along with other suggestions. We look forward to journeying with you through your life changing moments. **We’re better together.**

### ECONOMIC REVIEW

The following are some of the key highlights:

- **GDP Growth** - The economy expanded by 5.9%, 6.2% and 5.7% in the first, second and third quarter of 2016 respectively. An increase in GDP is an indication that businesses are expanding/growing. Higher economic growth is expected to be reflected in improved company earnings/dividends. However, if private sector credit growth reduces, following the rate cap, individuals will spend less on goods and services, businesses will be cash constrained and hence profitability may decline. We project a full year growth rate for 2016 at about 6%.

- **Inflation** - We expect headline inflation to remain range bound within the CBK upper limit of 7.5% due to subdued international oil prices and adequate food security.

- **Interest Rates** – Kenya has introduced an interest rate cap (CBR+4%) on bank lending rates and a floor on interest bearing deposits (70% of CBR) after the President assented to a Bill that was unanimously supported by Kenya’s legislature. The Act came into effect on 14 September 2016. At the moment the CBR is 10%; meaning that the maximum rate a bank can charge on a loan is 14% while the minimum deposit rate on savings is 7%.

### MARKET UPDATES

- **NSSF 2013 Regulations** – The implementation of the new deduction rates still remain suspended pending court verdict. The matter is still under arbitration.

- **Budget 2016/2017 Highlights** – the following changes that affect the Retirement Benefits Authority and the retirement benefits industry were made this year.

- **Immediate vesting of contributions to a member** – the employers contributions now vest on the member immediately and not after 12 months as before.

- **Post-retirement medical scheme** – a member is allowed to make additional contributions that will go directly to fund post-retirement medical covers. Also a member can make transfer of part of accumulated benefits for purposes of purchasing post-retirement medical cover.

- **Taxation of benefits** - Exemption from tax of the retirement benefits for low income workers. Income from employment paid in the form of bonuses, overtime and retirement benefits are exempt for employees whose taxable employment income before bonus and overtime allowances does not exceed the lowest tax band.
ECONOMIC REVIEW (Contd.)

The interest rates for the 91-day, 182-day and 364-day T-bills, which closed the quarter at 7.89%, 10.57% and 10.6% respectively while the yields on long term government bonds is at about 12.5%

• Stocks/Equity – The equity market generally trended downwards during the quarter. The NSE 20 and NASI closed the quarter down 10.9% and 2.7% respectively. Despite the decline in share prices in the review period, listed companies have delivered better earnings results in 2016 compared to 2015. This is attributed to improved macroeconomic conditions in 2016. We remain positive for investors with a long term horizon with key attention to stock selection.

• Exchange Rates - The shilling is expected to remain stable in the short to medium term supported by:
  1. Foreign exchange reserves equivalent to 5.2 months of import cover, and
  2. increased dollar inflows from tourism and remittances. We are however likely to see upward pressure in the short term driven by volatility from the lower real returns, post the interest rate cap. In addition, the US elections may also cause short term volatility in the exchange rate markets.

The stability of the KES against other currencies reduces the volatility of company earnings (which may have USD revenue or debt), and also reduces the potential for further interest rate hikes, both of which should be positive for the portfolio. The current average exchange rate of KSHS to the USD is 101.10.

MARKET UPDATES (Contd.)

• Investment guidelines – Retirement benefit schemes can now invest in all exchange traded derivatives contracts and all listed REITS (Real Estate Investment Trust Schemes) incorporated in Kenya as long as they are registered with Capital Markets Authority.

ICEA LION CORPORATE SOCIAL INVESTMENT LAUNCH (I SEE A LION)

At ICEA LION we like to think of ourself as the ‘King of the Financial Jungle’ and with that association, it is perhaps not unexpected that we are passionate about safeguarding the future of the Lion in Kenya; that almost forgotten noble and iconic beast that has unwittingly been relegated by the grand and beloved tusked giants, yet is a central part of this country’s heritage.

The population of lions in the wild has been noted to have decreased significantly throughout Africa and is currently at 20,000 with an estimated 2000 being from Kenya. The lion’s official conservation status is ‘threatened and vulnerable’. Africa is synonymous with lions and people all over the world travel to Kenya to witness and experience our spectacular natural and wildlife wealth. Protecting lions in the wild is an important part of securing our economic future as a nation. At ICEA LION we strongly believe that our partnering with KWS and other world renown local conservationists insures the future of our economy.

Our I SEE A LION Campaign, aptly named, is aimed at ensuring that future generations get to experience and SEE lions roam freely in the wild in future – and not in captivity. ICEA LION’s journey into lion conservation, in partnership with KWS, has resulted in the Company investing Kes 12M into conducting a Nationwide Lion Census and investing in Human-Wildlife Conflict Interventions.

• The Nationwide Lion Census: A key need for lion conservation teams and the country at large is to determine exactly how many lions we have in our 8 conservation areas. ICEA LION has partnered with KWS to the tune of Kes 12 Million to fund the census in the 4 regions where the census is yet to take place. The initial phase of our partnership with KWS will be to establish the actual population of lions in the entire country. This will form a baseline to determine the areas where the lion population is most vulnerable or at risk. We anticipate that the census will run for a period of about one and half years after which we will review the findings with KWS and related stakeholders.

• Human-Wildlife Conflict Intervention: Wealth creation strongly depends on consistency and sustainability, therefore they will be collaborating with communities within these areas working towards securing the future of the lion and in essence the future of Kenya’s heritage. They identified Ewaso Lions in Samburu as an organization that has truly embraced sustainable conservations initiatives. They will continue to engage them and like-minded organizations to reduce human-wildlife conflict.
FREQUENTLY ASKED QUESTIONS

1. Why do I need a personal retirement scheme?
This is a Scheme that has been put in place to ensure that contributors have something to lean on upon retirement or in case of retrenchment. Life never ceases regardless of these circumstances and this scheme entitles you to comfort even when monthly incomes are stopped. A personal retirement scheme can be **Contributory (Employer sponsored)** or **Non-contributory (individual sponsored)**.

2. How and when do I join?
The sooner you enroll, the more there is to gain from the scheme. Depending on the employment contract, you can join an employer sponsored scheme after confirmation. You will be required to complete our personal retirement scheme application form. We shall then issue each member with a deed of adherence.

3. What happens if I misplace my deed of adherence?
You will be issued with a new copy upon production of a police abstract. Remember that no claim will be processed without the production of the deed of adherence, so keep it safe at all times.

4. How much do I contribute?
The contribution rates will depend on the structure adopted by the employer. It is usually a percentage of the basic salary. However you are free to contribute over and above the stipulated rates i.e. **additional voluntary contributions**.

5. Are there Tax benefits?
Subject to limits set by Income Tax Authorities from time to time, contributions up to a given limit (currently standing at Kshs. 20,000/= per month including N.S.S.F.) is tax deductible and investment income is tax-free. Any payment from the Scheme by way of withdrawal benefit and retirement benefit is tax free up to a maximum of Kshs. 600,000/= (i.e. Kshs. 60,000/= for each year of service but for a maximum of 10 years). The aggregate tax-deductible contribution by both the employee and employer in any year of income is currently standing at a maximum of Kshs. 240,000/= These limits are reviewed from time to time by the Income Tax Authorities, as they deem appropriate.

5. What happens when I leave employment?
If you leave before retirement you may take one of the three options:

- elect to receive a return of all contributions plus accrued interest immediately or at a later date of your choice.
- continue making contributions to your account on your own or
- transfer your benefits to a Scheme or Fund of the new employer or to another Individual Retirement Fund of your choice.

If the scheme is contributory, you can only access up to 50% of employers contribution. The balance is accessed on attainment of age 50.

6. How do I claim the benefits?
The following documents are required to process your benefits:

- Duly signed and stamped claim form by the employer
- Original deed of adherence
- Copy of your National Identity Card or Passport
- You must also have an updated PIN (iTax)

The benefits will be paid to your account directly within 5 working days from the date of receipt of all documentation.

7. What happens if I die while in employment?
A cash lump sum of the total amount of your contributions to the Scheme plus interest thereon will be payable to your nominated beneficiary. The lump sums will be paid for the benefit of your dependents who may include a person or persons covered by a Nomination of Beneficiary form.
8. What is meant by nomination of beneficiary?
You may appoint one or more of those of your dependants or relatives to whom you would wish the Trustee to pay the benefits due in the event of your death. The nomination will ensure that payment can be made to your dependants promptly without being included in your estate. The nomination will not be binding on the Trustee. However, the Trustee will, where they hold a Nomination of Beneficiary, pay particular attention to the deceased member’s wishes. You may change your nomination at any time in writing.

9. Is the fund guaranteed?
Yes, against impairment by investment loss. Loss due to inflation is not guaranteed. ICEA LION Life Assurance Company Limited operates a pooled fund in which your contributions and those of the employer are invested. The fund works as follows:

- Investment return is in the form of a guarantee rate plus a bonus.
- The current minimum guaranteed rate is 4% per annum.
- ICEA LION Life Assurance bears all the investments risks and also makes all the investment decisions.
- The capital value of contributions is guaranteed against subsequent impairment by investment loss.
- ICEA LION Life Assurance maintains a reserve fund.
- Benefits accrue due to economies of scale.
- ICEA LION Life Assurance provides market research feedback on weekly, monthly and quarterly bulletins.

10. How is interest allocated?
Interest is earned on a daily basis. Your monthly contribution is invested in a guaranteed fund at a minimum rate of return of 4% per annum compound. This means that your funds are safe from impairment by investment losses and the lowest you can earn is the guaranteed rate. However each year a final rate is declared which from experience is always higher than the guaranteed rate. This final rate varies from year to year depending on investment performance.

11. When do I get my statements?
The official member statements are issued by 30th June each year. Provisional statements may be provided at any time in soft copy on request by the employer.

12. Can I use my benefits to secure a mortgage?
Assignment of benefits is now allowed for purposes of securing a mortgage loan issued by an institution approved by the Retirement Benefits Authority. You may assign up to 60% of your benefits to secure a mortgage.

13. Can I use my benefits to purchase an annuity?
You have the option of selecting the service provider from whom to purchase the annuity/pension. This has introduced open market option; where a member may purchase annuity from any service provider.

14. Who pays for the scheme expenses?
The ICEA LION Individual Retirement Benefits Scheme shall pay all reasonable charges and expenses incurred by the Trustee in connection with the administration and management of the fund. Such expenses shall be disclosed in the annual financial statements of the Scheme.

15. What is the difference between Personal Retirement Scheme and Group Personal Retirement Scheme?
An individual personal pension is personal retirement savings plan set up by a member to secure his/her retirement. The member may access his/her benefits at any time on withdrawal.

When such members are in one group (especially where the employer is involved), they form a group individual personal pension (GPRS). The employer is free to participate in the GPRS by making contributions on behalf of the members.

16. What other products do we offer?
(a) For corporates
- Group Life Policy
- Group Life/WIBA (combined solution)
- Funeral Cover
- Group Personal Accident
(b) For individuals
• Children Education Policies
• Endowment Assurance
• Term Assurance Policies
• QROPS - Qualifying Recognized Overseas Pension Scheme Transfers from the UK
• Unit Trusts
• Private Wealth Management
• Trust Funds – Milele Trust

For more information, and for feedback regarding our bulletin, please contact Eunah.Thinwa@icealion.com or call us 0719 071268. We look forward to hearing from you.