

Title: An Evaluation of Pension Fund Views of Investments in Infrastructure assets in Kenya

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ABSTRACT

With the increasing infrastructure gap and budgetary deficits, we have had an increase in the need for investment from the private sector. More so by pension funds because they are attracted to project with low correlation aspects and long term growth because of their long duration hedging and liability driven investments.

Infrastructure is divided into economic infrastructure such as transport and social infrastructure such as hospitals and schools. This paper however focuses on economic infrastructure as compared to social infrastructure because of the desirable characteristics of the former to pension fund investments.

Despite increased interest from investors in infrastructure, there is little evidence on actual investment ultimately flowing to the sector and the different treatment of infrastructure assets in the varying portfolios of these investors.

This paper is based on a recent survey on some of the largest pension funds in Kenya with a significant amount of asset under management. We look at the different views these investors have to infrastructure assets; how much these investors have allocated to infrastructure, what is considered as infrastructure, where does it fit in the total portfolio allocation, what are the approaches and forms of investment taken, what are recent trends in relation to infrastructure and asset allocation.