EFFECTS OF MANAGEMENT STRUCTURE, OWNERSHIP STUCTURE AND ORGANIZATIONAL GOVERNANCE ON FINANCIAL PERFORMANCE OF UNIT TRUSTS IN KENYA

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DECLARATION AND RECOMMENDATION

Declaration

I, the undersigned, declare that this research project is my original work and has not been submitted for the award of a diploma or degree in any institution/ university.

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DEDICATION

I dedicate this work to my wife, Georgina and our daughters, Joy and Praise for their understanding, support and encouragement during my postgraduate studies.

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ABSTRACT

In the Kenyan, unit trusts have played a pivotal role in the growth and development of the economy. Unit trusts have grown in acceptance and popularity as evidenced by the growth in the number of approved unit trust funds from virtually zero in 2001 to 11 in 2008. However, performance of unit trusts has elicited a lot of questions, there has been an average growth of Sh1.9 billion annually to Sh17.6 billion in a span of nine years much slower than other financial sector investments such as pension funds that have more than doubled within a span of five years. The purpose of this study thus was to examine some of the factors affecting financial performance of unit trusts in Kenya. The specific objectives were to establish the effect of management structure on financial performance; to establish the effect of ownership structure on financial performance and to find out the effect of organizational governance on financial performance the Unit Trusts in Kenya. The study employed correlational research design involving 30 Portfolio managers and 9 Fund Managers from 11 unit trusts. The study used structured questionnaires in the collection of primary data whereas financial performance data was gathered from secondary sources. Data collected was analyzed using descriptive statistics including frequencies, percentages, mean and standard deviation. Further Pearson Product Moment Correlation (r) was used to test the hypothesis. The key study findings were as follows: the constitution of management structure compliant to the requirements of the capital markets authority played a significant role in enhancing the financial performance of unit trusts. A significant proportion of the unit trusts were non-bank owned with participatory approach as the most popular management style. Diversity of ownership in the hands of different holders did not have a significant effect on the financial performance of unit trusts. Governance was fairly practiced in unit trusts and it significantly affected the financial performance of unit trusts. This study recommends the need for capital market authority to enhance monitoring of the activities of unit trusts and regular evaluations to establish their level of compliance with the requirements.

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LIST OF ABBREVIATIONS

CCG	Centre for Corporate Governance
BAAM	British American Asset Managers
CMA	Capital Markets Authority
FDI	Foreign Direct Investment
FMCs	Fund Management Company
NSE	Nairobi Securities Exchange
ROI	Return on Investment

CHAPTER ONE

INTRODUCTION

1.1 Background of the Study

Unit Trusts belong to the class of institutional investors. A Unit Trust Fund is an investment scheme that pools money together from many investors who share the same financial objective to be managed by a group of professional managers who invest the pooled money in a portfolio of securities such as shares, bonds and money market instruments or other authorized securities to achieve the objectives of the fund (Harman, 1987). The funds are collectively invested in a portfolio of assets such as shares, bonds, money market instruments and other authorized securities, in line with the common objective and needs of the group of investors.

Unit trusts are the small investor's answer to achieving wide investment diversification without the need of prohibitive sums of money. For investors with modest means to participate in the stock market and with relatively low risk tolerance, unit trusts represent a natural investment consideration. Depending on the type of fund, Unit Trust funds earn income in the form of dividends, interest received and capital gains realized from the appreciation of the assets invested in. In exchange of the money received from the investors, the fund issues units to investors who are known as unit holders. The underlying value of the assets of a Unit trust is always directly represented by the total number of units issued multiplied by the unit price less the transaction or management fee charged and any other associated costs (Capital Markets Authority, 2010).

The Kenyan capital markets offer an array of investment products in the form of shares, bonds and unit trusts. The recognition of the increasing dominance and importance of unit trusts as an investment instrument has spurred researchers to devise appropriate techniques to track and assess portfolio performance. The earlier works by Sharpe (1966) and Jensen (1968) represent significant contributions to the evaluation of portfolio performance. Kagunga (2010) defines performance as a measure of the level of achievement in terms of target goals of the unit trusts.

Performance evaluation of unit helps to determine whether fund managers do add value to the fund pooled together by unit holders. Fund managers can either be passive or active. Passive fund managers do ensure investments are done in accordance with a pre-determined strategy that doesn't entail any forecasting. The idea is to minimize investing fees (Schoenfeld, 2004) and to avoid the adverse consequences of failing to correctly anticipate the future.

In the Kenyan, unit trusts have played a pivotal role in the growth and development of the economy with an average annual growth of 1.9 billion. Unit trusts have grown in acceptance and popularity and this is evidenced by the growth in the number of approved unit trust funds from virtually zero in 2001 to 11 in 2008 (Capital Markets Authority, 2010). The value of assets under management by unit trust firms increased by 68 per cent in the year 2010 attributed by gains in share price at the stock market and increased purchase of treasury bonds, (Maiyo, 2001). Unit trust managers' total assets increased by Sh11 billion to Sh28 billion in 2010 from Sh16.8 billion in 2009 CMA (2011). The total revenue of the fund managers, which includes unrealized gains on securities, increased more than four times to Sh3.8 billion compared to the 2009 level of Sh868 million. The industry reported profits after tax of Sh3.3 billion from Sh446 million with British American Asset Managers (BAAM) being the market leader in the industry measured by assets under management.

However, the performance of unit trusts has elicited a lot of questions performance alike. There has been an average growth of Sh1.9 billion annually to Sh17.6 billion in the past nine years, which is much slower than other financial sector investments such as pension funds that have more than doubled over the past five years from Sh176 billion in 2005 to Sh420 billion CMA (2010). Most Unit trust managers concentrate their investments in quoted equities and bank deposits, which are less risky and more liquid. According to CMA (2010) the risk aversion by Kenya's unit trusts managers has led to limited growth of this investment opportunity as most put the bulk of the funds in banks and the stock market. To ensure prudent management of financial assets, in 2001, the Capital Markets (Collective Investment Schemes) Regulations were enacted to provide a framework for the regulation of Collective Investment Schemes. Investors’ contributions are pooled to purchase financial securities.

1.2 Statement of the Problem

Unit trusts in Kenya have grown at an average of Sh1.9 billion annually to Sh17.6 billion in the past nine year from 2001to 2010 much slower than other financial sector investments such as pensions funds (CMA, 2010). Management structure, ownership structure and governance have been found to influence performance of any organization. However, the extent to which the above organizational factors have influenced financial performance among unit trusts in Kenya is not documented. Much of the literature on the performance of organizations in Kenya is centered on how institutional investors affect the performance of corporations (Illig, 2008; Alsaeed, 2006). Unit Trust firms, like any other business organizations, have the goal of ensuring that they perform to the expectations of their owners. The public equity funds, with their size, expertise, and direct financial interest in the corporations in which they invest, appear capable of influencing the performance of the investee organization. Proponents believe that if you empower unit trusts as monitors, they will bring much-needed discipline to wayward corporate managers. The focus should also be directed to the individual firm performance of unit trusts, since this is the driving force to their behavior in their quest to achieve their institutional goals. However, little attention has been paid by scholars in examining the effects of management structure, ownership structure and governance on the performance of unit trusts. In view of this gap in knowledge, the study examined the effects of organizational factors of unit trusts on their performance.

Despite tight regulatory framework, organizational governance continues to weaken in Kenya. Much needs to be done to sort out this challenge before it escalates to corporate failures and malfunctions in the region (Mang'unyi, 2011). There has been renewed interest concerning issues of organizational governance in Kenya but relevant data from empirical studies are still few and far between. Performance of firms in the recent past has witnessed relatively poor results, for example, financial results falling below desired targets. Unit trust have also been found to perform significantly lower than other investment schemes in Kenya. This study sought to investigate how management structure, ownership structure and organizational governance affected the financial performance of unit trusts in Kenya.

1.3 Objectives of the Study

1.3.1 General Objective

The overall objective of this study was to examine the effects of selected organizational factors on unit trusts' financial performance in Kenya.

1.3.2 Specific Objectives

The specific objectives guiding the study were:

i. To establish the effect of management structure on financial performance of Unit trusts in Kenya.
ii. To establish the effect of ownership structure on financial performance of Unit trusts in Kenya.
iii. To find out the effect of organizational governance on financial performance the Unit Trusts in Kenya.

1.4 Research Hypotheses

The study sought to test the following null hypotheses:

H_{01}: Management structure does not significantly affect Unit Trusts' financial performance in Kenya

H_{02}: Ownership structure does not significantly affect Unit Trusts' financial performance in Kenya

H_{03}: Organizational governance does not significantly affect Unit Trusts' financial performance in Kenya

1.5 Significance of the Study

The findings of the study may be useful to the stakeholders associated with Unit Trusts, who include government departments (Ministries of Finance, Ministry of Trade), unit trusts managers (fund managers and portfolio managers), unit holders and investing partners; in reviewing their operational policy in respect to governance and fund characteristics. The findings will also reveal how specific organizational factors affect the performance of unit trusts, thus laying a foundation for informed planning and decision making (on aspects of operational policy and investment styles and choices). The study findings may also be useful in supporting future studies as reference materials.

1.6 The Scope of the Study

This study was carried out in all the 11 registered Unit Trusts of Kenya (Capital Markets Authority, 2009). It covered the fund managers and portfolio managers (as shown in Appendix 5). The study was confined to examining the effects of management structure, ownership structure and organizational governance on financial performance of unit trusts in Kenya, the factors. Three factors selected include: the unit trust's management structure, unit fund's ownership structure and governance.

1.7 Limitations and Delimitations of the Study

The study was subjected to some limitations. There was the likelihood that the sensitivity of the information sought by the study on disclosure of such vital company information may have led to a dilution of the information provided thus compromising the validity and reliability of the information provided. In order to overcome this limitation the study ensured that the target respondents were informed of the purpose of the study and assured them of confidentiality. The data collection methods were carefully structured to avoid misconception by the target respondents.

1.8 Definition of Terms

Asset allocationis an investment strategy that attempts to balance risk versus reward by adjusting the percentage of each asset in an investment portfolio according to the investors risk tolerance, goals and investment time frame.

Balanced Fund: Mutual fund investing in a combination of bonds and stocks.

Bond Fund: Mutual fund investing mainly in government and corporate bonds.

Corporate Governance; refers to the manner in which the power of a corporation is exercised in the stewardship of the corporation's total portfolio of assets and resources with the objective of maintaining and increasing shareholder value and satisfaction of other stakeholders in the context of its corporate mission.

Equity Fund: Mutual fund investing generally in common stocks.

Financial Performance: In this study, it encompasses returns and growth in the value of the units

Fund Manager: This is an entity responsible for making decisions related to any portfolio of investments (often a mutual fund, pension fund, or insurancefund), in accordance with the stated goals of the fund.

Institutional Investors: financial intermediaries who provide liquidity to short-term money markets and make long term investments in the "secondary" as well as the "primary" capital market. They include banks, insurance companies, retirement or pension funds, hedge funds, investment advisors and mutual funds.

Mutual Fund: Investment Company purchasing a portfolio of securities chosen by a professional investment adviser to meet a specific financial goal for investors buying shares from the company.

Net Asset Value (NAV): Total market value of assets divided by number of shares outstanding

Organizational Factors: These are organizational aspects that have an influence on the way decisions and activities are coordinated for the attainment of goals. In this study they include management structure, ownership structure, and organizational governance.

Ownership Structure: the design of organization through which the corporation is administrated

Portfolio Manager: This is an officer responsible for a portfolio of assets and typically operates for the benefit of a third party. Portfolio managers tend to operate at the strategic level, focusing on the development or clarification of portfolio risk and return objectives, on the construction and strategic management of portfolios, and on the monitoring of both market conditions and portfolio performance within the context of overall portfolio objectives.

Unit Trust: This is an investment scheme that pools money together from many investors who share the same financial objective to be managed by a group of professional managers who invest the pooled money in a portfolio of securities such as shares, bonds and money market instruments or other authorized securities to achieve the objectives of the fund

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter presents a review of past research studies and publications conducted regarding the main determinants of performance of institutional investors in Kenya. Presented in the chapter, also, is the conceptual framework, which is developed on the basis of the literature review and the study objectives.

2.2 An Overview of Unit Trusts

A Unit Trust (also known as a collective investment scheme) is an investment alternative which pools money from many individuals and channels it into various investments with the aim of achieving low risk through diversification and lower average costs per member (Zimele Asset Management Company Ltd, 2009).Unit trusts are open-ended investments; therefore the underlying value of the assets is always directly represented by the total number of units issued multiplied by the unit price less the transaction or management fee charged and any other associated costs. Each fund has a specified investment objective to determine the management aims and limitations. Mutual Funds or Unit Trusts are sometimes called Collective Investment Vehicles (or CIV) or Schemes (CIS) and are financial institutions that pool funds together from various investors and manages the funds on behalf of this group of individual investors. Collective Investment Vehicles are eligible to be excluded from being taxed as an entity. The extent of unit trusts' penetration and establishment in an economy often mirrors the degree of development of its financial sector.

Unit trusts provide investors with the following investment options: Lump sum investments: A lump sum investment can be made at any time during the life of the investment, resulting in the entire investment benefiting from the growth and income potential of the chosen unit trust. Following the opening of an account, one is able to invest any additional amounts to top up his/her account. Monthly Investment Plan: A regular monthly investment can be made into an account resulting in an easier way of building capital. A monthly investment has the benefit of shilling cost averaging, where additional investments can be made during times of market weakness. A

Monthly Investment Plan would also allow one to invest in a long term savings plan to meet his / her desired financial goals. Switching: Investors are able to switch their investments between different portfolios. Cash Withdrawal Facility: The Cash Withdrawal Facility allows you to take regular withdrawals from your unit trusts. The facility is useful if you are investing for a specific event in the near future where you will require a regular flow of cash -to pay for school fees, fund your children's further education or to supplement a regular income (Leora, Sulla and Dimitri, 2003).

The very first unit trust was introduced in the United Kingdom in 1931 by M & G chaired by Ian Fairbairn (Lee and Ong, 1997). This move was inspired by the strength of United States mutual funds throughout the disaster of the 1929 Wall Street crash. By 1939 there were around 100 trusts in the UK, managing funds in the region of £80 million and today it's a popular form of collective investment in Australia, New Zealand, Ireland, Isle of Man, Jersey, Singapore and South Africa(Lee and Ong, 1997).

With few exceptions, mainly in Asia, mutual funds grew explosively in most countries around the world during the 1990s. Equity funds predominate in Anglo-American countries and bond funds in most of Continental Europe and in middle-income countries. Capital market development (reflecting investor confidence in market integrity, liquidity and efficiency) and financial system orientation are found to be the main determinants of mutual fund development. Restrictions on competing products may have acted as a catalyst for the development of money market and (short-term) bond funds (Leora, Sulla and Dimitri, 2003).

2.2.1 Unit Trusts in Kenya

Only unit trusts schemes that are approved by the Capital Markets Authority may be offered for sale to the Kenyan public. Eight out of eleven unit trusts in Kenya are currently operational and making the necessary reporting in the local dailies; others who are licensed by CMA include CFC Unit trust, Dyer and Blair unit trust and standard unit trust (see Appendix 4). Such schemes must comply with the Capital Markets Act Cap 485A and also the Capital Markets (Collective Investment Schemes) Regulations, 2001. An approved fund can easily be identified by the cover of its prospectus which contains a statement that a copy of the prospectus has been lodged and approved by the Capital Markets Authority (CMA, 2009).

A unit trust is a collective investment scheme in which investors' contributions are pooled together to purchase a portfolio of financial securities, such as equities (shares), bonds, cash, bank deposits etc. The portfolio is managed by professional fund managers. Each unit trust fund or portfolio has a specific investment objective - income, growth or a combination of the two. The investment objective of a particular unit trust will determine the proportion of the fund invested in a particular security such as company shares (Maiyo, 2001). As the name suggests, a unit trust has a trust framework, with the investments held by an independent trustee. Unit trusts are regulated by the Capital Markets Authority to ensure that they are safe and that only registered professionals are involved with the affairs of the unit trusts. Unit trusts and other collective investment schemes such as mutual funds have been around the world since the 1930s and have become very popular as the ideal alternative in providing cost effective access to stock markets and fixed income investments, and diversifying one's portfolio of investments.

2.2.2 Types of Unit Trusts Available in Kenya

Types of Unit Trusts available in Kenya include: Equity Funds - Fully invested in shares listed on NSE and selected shares in regional markets. These are diversified across all sectors of the equity market; their Key investment objective being to maximize return in the long-term. Equity funds are suitable for investors with a long-term horizon (min. 3-5 years) (CMA, 2009).

Money Market and Income Funds: These are investments in treasury bills and short-term bonds. They are diversified across securities and their investment objective is stability of capital. They are suitable for investors with a short-term horizon (6 mths-1 year). Mixed Fund (Balanced Fund): this refers to investment in a mixture of short term securities and shares. The investment objective is stability of capital and capital growth and they are suitable for investors with a medium term outlook (2-3 years) (CMA, 2009).

2.2.3 Characterization of Unit Trusts

Fund characteristics of Unit Trusts can affect their expected returns or transaction costs. Factors affecting expected returns include ass*et al*location and systematic risk, while transaction costs include explicit and implicit ones, which can be measured by expense ratios and size of funds respectively. Insignificance of transaction cost determinants in affecting actual returns can be attributable to dominance of factors affecting expected returns.

2.2.3.1 Asset allocation

Lack luster fund performance led some fund managers to represent asset classes using index funds, as index funds incurred less research and commission costs. Such practices acknowledge asset allocation as a significant performance factor (Ibbotson and Kaplan, 2000). Asset allocation is the most important factor determining fund performance. A fund’s total return can be decomposed into two components, asset allocation return and active return. While asset allocation return is attributable to the targeted market, active return is due to other factors (Ibbotson and Kaplan, 2000).

It is easy to see that a portfolio that suffers from a “return gap” (i.e., is not expected to produce enough return to fund future goals) is not well designed. For example, a portfolio consisting of 100% short-term T Bills is not suitable for funding a future objective requiring substantial growth above the risk-free rate. However, in addition to avoiding a return gap, the ass*et al*location also should avoid a “risk gap.” Just as a portfolio whose return expectations are mismatched to the required return may be considered imprudent, so also, a portfolio that takes on more (or, less) risk than necessary may also be considered imprudent. The larger the risk gap, the more likely that the portfolio will fail to attain its critical objectives.

An extensive research has also linked asset allocation policy to performance of mutual funds. Brinson *et al*. (1986) reported that from a study conducted on 91 large U.S. pension plans over the period of 1974-83, investment policy dominated investment strategy, explaining on average of 93.6 percent of variation in total plan return. In a subsequent study with a sample of 82 funds, it was shown that active investment decisions by plan sponsors and managers such as selection and timing did not manage to improve the performance for the period from December 1977 to December 1987 (Brinson *et al*., 1991). In one of the recent studies based on 10 years of monthly returns of 94 balanced funds and 5 years of quarterly returns of 58 pension funds, it was found that based on a time-series analysis, 90 percent of the funds’ ups and downs was explained by their ass*et al*location policies, and on a cross-section analysis, 40 percent of the difference between two funds’ performance was the result of their policy difference, and the ratio of the ass*et al*location policy to the fund’s actual return was almost the same(lbbotson and Kaplan, 2000).

Tierney and Winston (1991) supported the use of return-based style analysis to analyze the asset mix of a portfolio manager. Using a four equity style portfolios produced by Wilshire Asset Management as generic portfolio for style-point analysis, they concluded that creation of a custom benchmark is the best way to address the style issue. Christopherson (1995) linked the crucial relationship among past return patterns, portfolio characteristics and future returns and pointed out that the reason for studying investment style was not so much concerned with the past returns, but to anticipate future returns.

Asset allocation is the process of combining various asset classes into a portfolio so that its risk and reward characteristics are suitable for the investor’s risk tolerance and investment objectives Collins, (2010). Asset classes rather than individual securities are the building blocks of the portfolio. An asset class is a group of securities that share common legal, economic and statistical characteristics. For example, the asset class of U.S. small stocks differs from the class of U.S. large stocks in several respects, including fundamental characteristics, such as market capitalization, and statistical characteristics such as expected volatility of return. Choong (2001) posits that the asset classes that represent the investment universe are as shown in Table 2.1.

Table 2.1: Asset Classes that Represent the Investment Universe

Class Name	Description
Large Capitalization Stocks	Represented by EMAS Index," an all-share index covers investment in equities listed at KLSE main
Medium Capitalization Stocks	Represented by Second Board Index, an all-share index covers investment in equities and securities listed at KLSE's second board
Treasury Product	Represented by Treasury Bill. T-Bill of three-month rate is used. A proxy for treasury products.
Time Deposit	A proxy for short-term Ringgit deposit in financial institutions. Time deposit of three-month rate is used.
Money-at—Ca1l	Represented by Kuala Lumpur Inter-Bank Offer Rate (KLIBOR). KLIBOR 7-day deposit rate is used.
Money Market Instrument	A proxy for short-term Ringgit money market instruments. Represented by Bankers Acceptance (BA) rate of l – month
Government Bonds	Represented by MGS-bond all tenure Index, "which account for MGS with value above RM 100 million on issue for maturity greater than one year.
Corporate Bonds	Represented by RAM Listed Bond Index, which account for all bonds and loan stocks listed on KLSE a term to maturity of more than one year. A proxy for listed private debt securities.

Source: Choong (2001)

2.2.3.2 Investment Style

Besides asset allocation, funds can be classified according to investment style. For example, funds are grouped into value, blend or growth funds according to average price-to-book (P/B) and price-to-earnings (P/E) ratios of stocks invested. Fama and French (1992) justified this classification after finding P/B and P/E ratios, together with market capitalization, explained cross-sectional variation in returns better than CAPM's beta. However, style classification is subjective and mostly self-defined by information providers (Sawicki 2000).

Even though style classification is a rough representation of funds' expected risk-return trade off, Malkiel (1995) found a relation between fund performance and classification. Bogle (1998) reported risk-adjusted returns of index funds, which were low-cost and passively managed, generally outperformed other fund groups examined, confirming actively managed funds generating less returns than their market indexes. Comparing performance of growth and value funds, Chan, Chen and Lakonishok (2002) found growth funds outperforming value funds on average after controlling for style. As a fund's manager and investment style change over time, Peterson *et al*. (2002) considered a three-year timeframe and advised not using too long a time period.

2.2.3.3 Flow of Funds and Assets under Management

Fund size, measured by amount of assets under management, changes with flow of monies into and out of the fund. According to Indro *et al*. (1999), fund size reflects implicit transaction costs of active investment strategies—huge transactions on market prices, opportunity cost of not trading, cost of being scrutinized by market participants and administrative stress due to investment style deviation for large funds. Studies examining relationship between performance and flow of funds revealed investor dollars were placed in funds with superior recent performance as investors looked for quality funds based on performance record (Sawicki 2000; Sirri &Tufano 1998). While Ippolito (1992) as well as Sirri and Tufano (1998) found recent poor performance did not lead to outflows from retail funds in the USA, Sawicki (2000) reported investors moving monies out of poorly performing Australian wholesale funds. Supporting Sawicki (2000), Guercio and Tkac (2002) found fund rating changes reflecting past performance influencing flow of money into and out of funds, but suggested asymmetry for a pension fund study as clients withdrew from poorly performing funds but did not invest in best performing funds.

Net assets under management can affect performance, as funds need to attain a minimum size to achieve returns net of research expenses and other costs. However, a large fund incurring excessive costs results in diminishing or even negative marginal returns. Initially, growth in fund size provides cost advantages, as brokerage costs for larger transactions are lower while research expenses increase less than proportionately with fund size. After exceeding an optimal size, too large a fund can lead to deviation from original objectives by investing with some lower quality assets, as well as increased administrative costs for additional coordination among staff to manage sub-funds. Fund size was found to be a performance determinant in the USA (Indro *et al*. 1999).

2.3 Management Structure and Performance of Unit trusts

The management structure defines the nature of the principal-agent problems, e.g. the extent to which a manager's goals are closely aligned with those of the owners of a firm (Gugler *et al*. 2001; Claessens 2003). The agency problems can be mitigated through large or concentrated shareholding, because this gives investors the incentives and abilities to acquire information on the firm's operations and to monitor and control opportunistic behaviour of the manager at the expense of the firm's long term value creation activities (Shleifer and Vishny 1997; Claessens 2003).

It has been argued that the agency theory has been the most dominant issue in corporate governance and the principal-agent theory is generally considered the starting point of this debate. Agency theory hypothesizes that in the modern corporation, in which share ownership is widely held, managerial actions depart from those required to maximize shareholder returns (Mallin, 2007).

From a theoretical point of view, Shleifer and Vishny (1986) argue that large shareholders have an incentive to monitor managers for their own interests. They regard the existence of large shareholders as a monitoring mechanism on the behaviors of managers and argue that the presence of large stockholders is good for the value of the firm. Bathala, Moon and Rao (1994) also support the claim that institutional investors play an important role in monitoring the activities of management and in reducing agency problems. Institutional investors have an obligation to perform as expected by their owners. This will however depend on the capacity of the shareholders to influence the way resources are used and subsequently the profitability.

According to the Unit Trusts Act, Cap 521 of the Laws' of Kenya, there shall be a manager and a trustee of every unit trust. Every manager of a unit trust shall be a company, approved for the purposes of this Act by the Authority. Every trustee of a unit trust shall be -(*a*) a trust corporation within the meaning of the Trustee Act; or(*b*) a company or bank approved for that purpose by the Authority either generally or in respect of a particular unit trust. The Minister for Finance may make regulations not inconsistent with the provisions of this Act providing for the appointment, removal or retirement of trustees.

According to the Act, there shall be a Trustee to keep accounts for the Unit Trusts. Every trustee of a unit trust shall cause proper books of account to be kept, either by the trustee or the manager, in respect of the unit trust, and shall make available annually in such manner as may be prescribed by the Minister an audited statement of accounts in respect of the unit trust, together with a summary of any amendments of the trust deed that have been made since the date of the last statement.

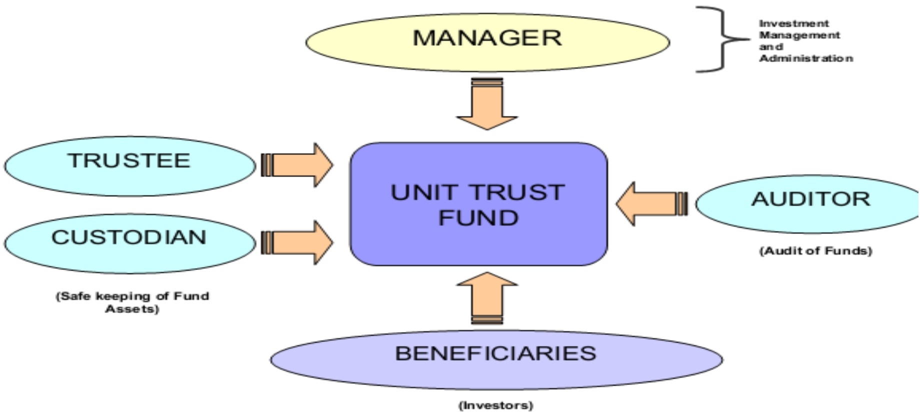

Figure 2.1: Structure of Unit Trusts (A)

Source: Zimele Asset Management Company Ltd, (2009)

The Unit Trust's manager and / or Trustees have the function (whether as principal or by an agent) of issuing or offering interests in the unit trust to the public for subscription or purchase, or of inviting the public to subscribe for or purchase such interests, or both of those functions.(www.zimele.co.ke)

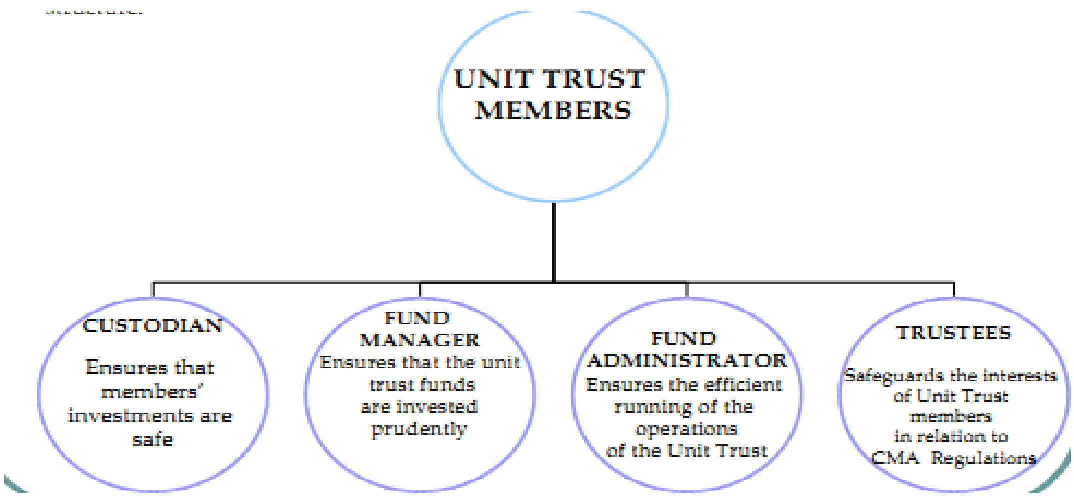

Figure 2.2: Structure of Unit Trusts (B)

Source: Zimele Asset Management Company Ltd, (2009) The Trustees of the Unit Trust play a key role of protecting the interests of the unit trust members at all times. A Fund Administrator oversees the affairs of the Unit Trust, ensuring that they are efficient and legal. The Fund's Custodian looks after the assets of the Unit Trust, namely investments and money, providing safety. The Fund Manager is an independent professional company appointed to invest the Unit Trust funds. This separation of roles ensures good corporate governance while minimizing operational risk, thereby enhancing the safety of Unit holders' funds. Moreover, each Unit Trust fund has a specific investment objective and investment guidelines developed to achieve this objective, which guides the investment activities of the Fund Manager (Zimele Asset Management Company Ltd (2009).

2.4 Ownership Structure and Performance of Unit Trusts

The ownership of a firm can be concentrated in the hands of different shareholders such as, family, individual or a group of individuals, foreign investors or institutions like banks, non-bank financial institutions, non-financial institutions, and the state (Shleifer and Vishny, 1997). The types of shareholding tend to have different governance implications, might possess different incentives, skills and abilities to monitor the activities of management and board (Prowse 1994). For example, management ownership is a popular device to reduce the agency costs since managers, as owners, are likely to act in the best interest of the firm (Tsui and Gul 2000). In this study, size and multi-organizational ownership hierarchy are included as structural measures of Institutional Investors. Structure can be defined as the design of organization through which the corporation is administrated (Chandler, 1962). Then structure follows strategy. Meanwhile, there is a perspective that structure influences strategy (Hammond, 1990). In this view, structure sets the agenda for top managers to make strategic decisions, since critical information and decision making capabilities in larger corporation are dispersed throughout the corporation rather than concentrated in top managers.

A firm's ownership structure influences its performance for several reasons. Differences in identity and concentration among owners determine their relative power, incentives and ability to monitor managers (Prasanna, 2008). Shareholders such as family groups, financial institutions, government, and individuals have their own divergent goals. It is examined whether the ownership has any influence on the investment decision of foreign institutional investors (Prasanna, 2008).

Most research on the relationship between ownership and financial performance is rooted in an agency framework. It is argued that the separation of ownership from control for a corporate firm creates an agency problem that results in conflicts between shareholders and managers (Jensen and Meckling, 1976; Shleifer and Vishny, 1997). The interests of other investors can generally be protected through contractual arrangements between the company and concerned stakeholders, leaving shareholders as the residual claimants whose interests can adequately be protected only through the institutions of corporate governance (Shleifer and Vishny, 1997).

Tandelilin *et al.* (2007) asserts that the central focus in most literature around, discussion analysis in research all over the world on matters to do with corporate governance has been the role of ownership structure as a corporate governance mechanism. Whether the kind of ownership structure matters and what are its implications for corporate governance are areas that raise some concern (Tandelilin *et al.,* 2007).

A lot of attention has focused on the relationship between ownership structure and corporation performance for instance a rich research agenda on the implications of ownership structure on corporate governance by La Porta *et al*. (2000) affirm that when the legal structure does not offer sufficient protection for outside investors and entrepreneurs, original owners are forced to maintain large positions in their companies which result in a concentrated form of ownership thus having implications on ownership structure. On the other hand, bulk of the evidence according to Shirley and Walsh (2001) indicates that privately held firms are more efficient and more profitable than publicly held ones although the evidence differs on the relative merit of the identity of each private owner.

In 1976, Jensen and Meckling provided results of their researches on ownership structure and firm performance by dividing shareholders into internal investors with management right and external shareholders who are investors without ballot right. The conclusion of their research was that value of the firm depends on the internal shareholder's share, which is called ownership structure. In Kenya, financial reforms have encouraged foreign banks to enter and expand banking operations in the country. Kamau (2009) affirm that foreign banks are more efficient than local banks. She attributes this to the fact that foreign banks concentrate mainly in major towns and target corporate customers, whereas large local banks spread their activities more widely across the country. Foreign banks therefore refrain from retail banking to specialize in corporate products, while large domestic banks are less discriminatory in their business strategy. These different operational modalities affect efficiency and profitability she notes.

As for differences between fund management companies (FMCs), various researchers compared performance of bank-managed funds with their non-bank counterparts (Frye 2001) while Berkowitz and Qiu (2003) compared performance of publicly traded FMCs with private counterparts. Berkowitz and Qiu (2003) reported public FMCs in Canada investing in riskier assets and charging higher management fees compared to private management companies, but risk-adjusted returns of funds managed by public companies did not outperform private counterparts.

While research till the 1990s indicated underperformance of bank funds compared to non-bank counterparts (Bauman & Miller 1995; Bogle & Twardowski 1980), later research did not detect underperformance (Frye 2001). Frye (2001) suggested earlier research on underperformance of bank-managed funds relative to non-bank ones ignoring their differing fiduciary standards. In contrast to banks mostly focusing on short-term investments to avoid interest rate risk and maintain liquidity, investment firms have wider variety of investment objectives (Reilly & Brown 2003), ranging from high-risk capital appreciation to low-risk money market income. Perceived underperformance of bank-managed funds relative to non-bank ones can be due to bank managers' prudent avoidance of risks.

2.5 Organizational Governance and Performance

Literature on performance comparison of different fund groups discussed differences in fund managers' characteristics, including age, education (Chevalier and Ellison 1999) and gender (Atkinson, Baird & Frye 2003). While Chevalier and Ellison (1999) found managers with higher level of education generating higher risk-adjusted returns, Atkinson, Baird and Frye (2003) found no significant difference in performance and risk characteristics among female and male fund managers, but lower asset flows for female managers' funds. Unit holders rely on the Fund Manager to manage their funds in their interests and to make appropriate investment decisions, under the watchful eye of the Trustee. Hence, the returns made by the Unit Trust depend on the manager's skills, experience and efficiency (Zimele Asset Management Company Ltd, 2009).

Empirical review shows that, the actual decision about what investments to make rest with the Portfolio Managers of each of the unit trusts and also include the Board of Directors of the Management Company. The process involved in making this decision has many safeguards built into it (Sharenet (PTY) Ltd, 2012).It is worth noting that for successful management of assets, and making of appropriate investment decisions, the fund manager needs to be qualified and experienced. For instance, appropriate asset management strategies and investment styles need to be employed. Asset management strategies that can be employed include passive strategies (full replication, partial replication and sampling approach); and active strategies (bottom up / value management, growth management). On the hand investment styles encompasses passive strategies (full replication, partial replication and sampling approach); and active strategies (bottom up / value management, growth management), fundamental analysis, technical analysis, hybrid (all inclusive).

Agency theory suggests that a board comprised of a greater proportion of outside directors, due to their presumed independence, may theoretically lead to better firm performance (Jensen and Meckling, 1976; Shleifer and Vishny, 1997). However, empirical researchers report that overall, there is little significant relationship between outside directors and firm performance (Dalton *et al.*, 1998).

Resource dependence theory views board directors as boundary spanners who extract resources from the environment (Pfeffer, 1972). It predicts that the more resource-rich outside directors are on the board to help bring in needed resources, the better the firm performance. This claim has received some empirical support (Dalton *et al.*, 1999). For example, Boyd (1990) and Hillman *et al*. (2000) find that during times of environmental uncertainty firms are likely to appoint resource-rich outsiders to the board. Carpenter and Westphal (2001) report that outside directors, with network ties to strategically related firms; contribute to the strategic decision-making process. In general, bringing in outside directors through interlocking directorates may facilitate firms' borrowing (Mizruchi and Stearns, 1996), information acquisition, and alliance formation (Gulati and Westphal, 1999). Unit Trusts have a unique management structure compared to corporations which involves Trustees and Managers. In other words the aegis / performance of Unit Trusts, depends on efficacy of outside management.

On the other hand, although Westphal (1999)reports a positive relationship between advice and counsel provided by outside directors via interlocks and financial performance, overall, direct evidence capturing the link between interlocks and performance, based mostly on U.S. studies, is 'mixed at best' (Mizruchi, 1996: 284). Consequently, Mizruchi (1996) posits that while outside directors via interlocks may have a positive impact on firm performance in other places, this need to be demonstrated empirically. In other words, resource dependence theory suggests that firms may appoint outsiders to the board in order to tap into resources these outsiders may bring

2.6 Measuring Performance of Unit Trusts

The calculation of the daily unit trust fund prices is a very technical operation and will therefore be covered very superficially in this section. In the first instance it is important to note that most of the trusts' prices are worked out on a forward pricing basis. This means that the prices quoted in the press are the prices that would apply to investors who bought or sold units on the previous day. At the end of each day the market value of the investment portfolio of each of the unit trusts is calculated. This is done by obtaining the ruling prices of all shares. Once the value of the portfolios has been determined, the total number of units that has been issued is established and the units are divided into the value of the fund to give what is called the basic price. To this is added the income accruals and in the case of the buying price, the compulsory charge factor and an initial charge are also added (Sharenet (PTY) Ltd, 2012).

Unit Trust funds are valued using the unitization method, the number of units a member receives will depend on the amount of money invested and the prevailing unit price, less any fees charged. Unit trusts are open-ended investments, which, means they constantly create and redeem units based on purchases and sales of existing and new members. The price of each unit is based on the market value of the underlying assets in which the Unit Trust funds have been invested, and is calculated at the end of each business day. The unit price is also called net asset value (NAV) (Sharpe, 1966).

$$\text{Unit price} = \frac{\text{(Market value of investments + other assets)} - \text{Liabilities}}{\text{Total number of units issued}}$$

Return: This shows the return for the fund in previous periods. While it is important to consider past returns before you invest in a UT, bear in mind that past returns do not guarantee future performance. Your returns would depend on the subsequent performance of the fund.

Sharpe Ratio: The Sharpe ratio is an indicator of risk-adjusted performance of a UT. The higher the Sharpe Ratio, the better the fund's returns relative to the amount of risk taken.

Sharpe (1966) developed the Sharpe Measure S_p as a simple way to evaluate portfolio performance. His idea was to measure the amount of excess return of the portfolio over the risk-free rate in a given period per unit of risk. Sharpe took the standard deviation of the portfolio return as the proxy for risk. Thus,

$$S_p = \frac{r_p - r_f}{s_p}, \qquad (1)$$

Wherer_p is the sample mean return of the portfolio, r_f is the risk-free rate of return for the given evaluation period, and S_p is the sample standard deviation of the portfolio return. The Sharpe Measure assumes ex ante mean-variance efficiency of the market portfolio. Miller and Gehr (1978), however, found that the Sharpe Measure is biased upwards when the sample size is small (less than 12, say) and proposed a correction for this. Subsequently, Jobson and Korkie (1981) suggested a simpler method of correcting for the bias. This is given by:

$$S_p^a = S_p\left(\frac{N}{N+0.75}\right), \qquad (2)$$

Where S_p^a is the adjusted Sharpe Measure and N is the number of return observations.

2.7 Organizational Factors and Performance of Unit Trusts

It is a general belief that good corporate governance enhances a firm performance. However, there have been some studies that have gone against this notion. For this reason it is inconclusive or inconsistent to say that corporate governance and firm performance are directly correlated. In a study by Akyereboah-Coleman (2008), the effect of corporate governance on performance of firms in Africa was carried out. He found a clear relationship between corporate governance and performance. An empirical analysis was also carried out in Kenya, between the relationship of corporate governance and bank performance (Barako & Tower, 2007). The research was to empirically examine the relationship between ownership structure and bank performance (Barako & Tower, 2007).

Wolfgang (2003) good corporate governance lead to increased valuation, higher profit, higher sales growth and lower capital expenditure. They sought to find out any correlation between performance variables and corporate governance rating that would confirm the theoretical studies mentioned above. Statistical results indicate that there is no significant correlation between our dependent variables ROE, ROA and Investment Return and Corporate Governance Rating, while there is a negative correlation between P/E ratio and Corporate Governance. Overall, our empirical results are in accordance with previous case studies (Love *et al.* 2007).

Heiss and Koke (2004) investigated the determinants of changes in corporate ownership and firm failure for German firms. This study included observations of 1510 German firms for the period 1986 – 1995 for the variables: firm performance, capital structure, ownership structure and firm size. The result was that many of the determinants of failure also affect ownership changes in this bank-based economy, including poor performance, weak corporate governance, high leverage, and small firm size. The ownership structure also plays a role for both events.

Grobi and Levratto (2008) examined, in a theoretical level, the impact of private ownership on bank performance in Bulgaria and Hungary taking into account, also, principles of corporate governance. The result was that in both transition countries private ownership plays a crucial role, especially if it is combined with principles of good corporate governance, which depend on accepted social norms derived from cultural value orientations, such as rule of law and accountability.

Kapopoulos and Lazaretou (2007) used data of 175 greek listed firms in order to investigate whether there is strong evidence that ownership structure affects firm's performance, measured by profitability. Empirical findings indicate that there is a positive relationship between profitability and ownership structure in greek firms. Specifically, the results state that the greater the degree to which shares are concentrated in outside or inside shareholders, the more efficient the firm's management and as a result the firm's performance.

Biswas and Bhuiyan (2007) examined, in a theoretical level, the impact of corporate governance on firm performance. The analysis of the OLS regression indicated confusion in identifying the direction of causality between corporate governance and firm performance. In their paper, Hassan, Wolfe and Maroney (2004) presented the agency problems of the banking sector based on a corporate governance literature review. They found that in developing countries corporate governance is rather weak due to the information asymmetries, agency problems, political corruption and absence of stable accounting practices, which negatively affect all companies' participants and especially stakeholders.

Rose (2007) used a sample of all Danish firms listed at the Copenhagen Stock Exchange for the period 1998 – 2001 excluding banks and insurance companies in order to examine whether ownership affects firm's performance, measured by Tobin's q. The cross –sectional regression analysis showed that increased ownership by institutional investors did not have an impact firm's performance. However decomposing the results, it was evident that ownership by banks had a positive significant impact on performance.

Barako and Tower (2007) investigated the association between ownership structure and bank performance in Kenya. Their empirical analysis included all financial institutions operating in Kenya and ran a multivariate regression with variables referring to ownership, bank size and ROA. The results provided a strong support that ownership structure influence bank performance. Specifically, board ownership is significantly and negatively associated with performance, institutional shareholders have no significant influence on performance and foreign ownership has a significant positive impact o bank's performance.

Hallward-Driemeier *et al*. (2006) made a research on 1,500 Chinese enterprises in five cities in order to investigate the components of the investment climate and their effects on firm performance. The survey revealed that both ownership and investment climate measures influence firm performance and more specifically productivity and growth. In particular, having in their regression firm performance as the dependent variable, they found that it is positively correlated with foreign and domestic private ownership, light regulatory burdens, limited corruption, technological infrastructure and labour market flexibility.

In order to investigate the impact of the diversity of foreign institutional and foreign corporate shareholders on the performance of emerging market firms, Douma *et al.* (2006) used financial data of 1005 firms belonging to the financial year 1999–2000 from different industries. They run a regression taking as the dependent variable corporate performance, measured by ROA and *q* ratio. The study revealed the necessity to separate foreign ownership into foreign institutional and foreign corporate shareholdings. It also showed the way that foreign institutional investors affect firm performance is ambiguous. As for the outside domestic shareholders, it was proved that domestic corporations influence firm performance in a positive way; however, the coefficients of the regression were less significant compared to foreign corporations.

Another case based on firm performance was that of Lensink and Naaborg (2007). They examined the impact of a rise in foreign ownership on banks' interest revenues and profitability using panel data of 511 banks from 73 countries worldwide. They applied for their estimations the generalized methods of moments (GMM) technique and they found that a rise in foreign ownership negatively affects bank performance, particularly the net interest margin and bank profits, providing evidence for the "home field advantage theory". In contrast, banks with a limited degree of foreign ownership provide greater profitability and ability to increase more net interest revenues.

Brinson *et al*. (1986) reported that from a study conducted on 91 large U.S. pension plans over the period of 1974-83, investment policy dominated investment strategy, explaining on average of 93.6 percent of variation in total plan return. In a subsequent study with a sample of 82 funds, it was shown that active investment decisions by plan sponsors and managers such as selection and timing did not manage to improve the performance for the period from December 1977 to December 1987 (Brinson *et al*., 1991). In one of the recent studies based on 10 years of monthly returns of 94 balanced funds and 5 years of quarterly returns of 58 pension funds, it was found that based on a time-series analysis, 90 percent of the funds' ups and downs was explained by their ass*et al*location policies, and on a cross-section analysis, 40 percent of the difference between two funds' performance was the result of their policy difference, and the ratio of the ass*et al*location policy to the fund's actual return was almost the same.(lbbotson and Kaplan, 2000).

Even though style classification is a rough representation of funds' expected risk-return trade off, Malkiel (1995) found a relation between fund performance and classification. Comparing performance of growth and value funds, Chan, Chen and Lakonishok (2002) found growth funds outperforming value funds on average after controlling for style.

Studies examining relationship between performance and flow of funds revealed investor dollars were placed in funds with superior recent performance as investors looked for quality funds based on performance record (Sawicki 2000; Sirri &Tufano 1998). While Ippolito (1992) as well as Sirri and Tufano (1998) found recent poor performance did not lead to outflows from retail funds in the USA, Sawicki (2000) reported investors moving monies out of poorly performing Australian wholesale funds. Supporting Sawicki (2000), Guercio and Tkac (2002) found fund rating changes reflecting past performance influencing flow of money into and out of funds, but suggested asymmetry for a pension fund study as clients withdrew from poorly performing funds but did not invest in best performing funds.

In summary, it is not feasible to accept one general conclusion for the relationship between firm performance and corporate governance. However, empirical results show that generally ownership structure affects significantly corporate performance. More specifically, ownership concentration does not have any impact on firm's performance, in addition to independent ownership, which has a negative impact on profitability and as a result on performance. Moreover, it is stated that weak corporate governance leads to poor corporate performance. As for the banking sector, there are mixed and ineffective results about the link between performance and corporate governance. In general, ownership structure affects bank performance. More analytically, there are cases where foreign ownership has a negative impact on bank's performance, while in other cases the addition of one foreign director affects positively the performance, but the addition of more than one foreign director does not improve it. Furthermore, it is proved that institutional directors do not affect bank's performance. As we put forward the perspectives on the impact of corporate governance on bank performance we should attempt to elaborate on the rationale related with the corporate structure in a developed market like Europe and America. It is likely that an effective corporate structure would have a more efficient operating strategy, which would lead to increased profitability and performance.

2.8 Summary of Literature Review and Knowledge Gap

Many other researchers have examined the relationship between variety of governance mechanisms and firm performance. However, the results are mixed. Some examine only the impact of one governance mechanism on performance, while others investigate the influence of several mechanisms together on performance. There is a yawning gap that exists since none of them covers effects of ownership structure, governance and organizational characteristics on financial performance of Unit Trusts in Kenya. The only study done in Kenya by the Centre for Corporate Governance focused on governance practices in the commercial banking sector in Kenya. Therefore there still exists a gap of knowledge in respect to the effects of ownership structure, governance and organizational characteristics on financial performance, of Unit Trusts in Kenya.

2.9 Conceptual Framework

This study conceptualizes that, organizational factors of Unit trusts (Independent variables), which include Ownership Structure, Organizational Governance and management structure affects Unit Trusts' Performance (Dependent variable), which is measured in terms of profitability and ROCE. Ownership structure is assessed in terms of whether bank owned or non bank owned and also in terms of structure composition. Organizational governance is studied in terms of attributes such as selection criteria of fund managers, Management structure is assessed based on compliance with the CMA regulations. The study conceptualizes that investments must be made at fair market-prices in the securities of financially sound companies with the object of achieving: increasing distributions on the units; and growth in the value of the units. Other than management structure, ownership and governance, other factors come into play that affect the performance of unit trusts. The country's economic factors influence the amount of funds available for investment as well as the choice of investment decisions. Government policies especially on regulations also affect the activities of unit trusts therefore affecting its financial performance. These two factors thus have a moderating effect on performance of unit trusts.

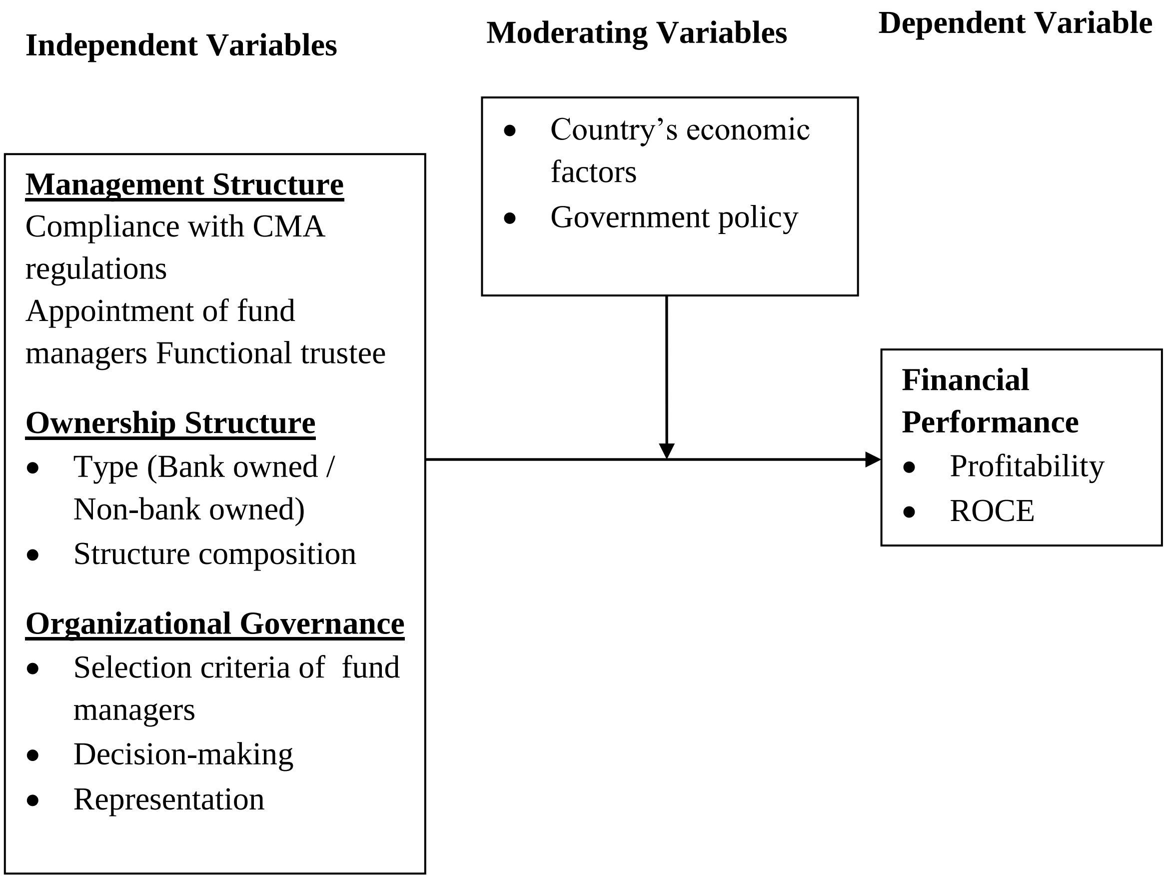

Figure 2.3: Conceptual Framework

Source: Author (2015)

CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

This chapter discusses the methodological procedure that was used in data collection and analysis. Discussed in detail are the research design; population of the study; sampling procedure and sample size; instrumentation; data collection; and data analysis.

3.2 Research Design

The study employed correlational research design. Correlational studies are used to look for relationships between variables. There are three possible results of a correlational study: a positive correlation, a negative correlation, and no correlation (Cherry, 2012). Correlational strategy measures two or more variables as they exist naturally. This design is considered appropriate since the purpose of this study is to establish if a relationship exists between the independent variable (organizational factors) and dependent variable (unit trusts' financial performance). The study has a cause – effect orientation and therefore, the discovery of association would suggest the possibility of 'cause', that is, while the fact that the independent and dependent variables are correlated does not allow us to directly infer causation but if the variables are causally related, they must be correlated. Therefore showing correlation can be a useful first step toward demonstrating causation.

3.3 Target Population

The target population comprised of all the unit trusts operating in Kenya. These also formed the unit of analysis. According to CMA (2009) there were 11 registered Unit Trusts in Kenya. The study used portfolio and fund managers to provide information because they are strategically placed to provide the required information (see Appendix 5).

3.4 Sample Size Determination

The study conducted a census therefore purposively selected subjects in the unit trusts; whereby all the portfolio managers of all the unit trusts was used in accessing the study sample. The fund managers were identified through the unit trusts.

Therefore, the study used 39 subjects; made up of 9 fund managers and 30 portfolio managers.

3.5 Data Collection Methods and Instruments

The study collected both primary and secondary data which was both quantitative and qualitative. Primary data was collected by use of questionnaires, while secondary data was collected from official organizational records deposited with the capital markets authority. Data was collected in respect to financial statements (audited and published income statements and statements of financial position).

The study used two sets of questionnaires containing both structured and unstructured questions, given that the study was collecting both qualitative and quantitative data. One set was designed to capture information from the Fund managers while the other captured information from the portfolio managers. Questionnaires are more systematic and structured; easy to administer and aim at obtaining information from respondents in a direct and open manner (Mugenda and Mugenda, 2003).

The exercise of data collection was conducted by the researcher; that is Questionnaires were dropped and picked at a later date. For the secondary data, scanned information of the published unit trusts statements were obtained and tabulated in a spread sheet. Prior permission through a request letter was obtained from the Unit trusts before commencement of data collection. Preparations antecedent to data collection entailed making bookings with the Fund Managers and Portfolio managers. This is so as to obtain reliable information and avoid misplacement of the questionnaires.

3.6 Reliability and Validity of the Research Instruments

Validity determines whether the research truly measures that which it was intended to measure or how truthful the research results are. In other words, does the research instrument allow you to hit "the bull's eye" of your research object? Researchers generally determine validity by asking a series of questions, and will often look for the answers in the research of others (Joppe, 2000).Validity is the degree to which results obtained from the analysis of the data actually represents the phenomenon under study. Kothari, (2004), pointed out validity measures the accuracy of the instruments in obtaining the anticipated data which can meet the objectives of the study from experts' judgement. The researcher therefore, consulted and sought the opinion of other experts in assessing or validating the contents of the research instruments. Reliability test was not undertaken because the study used the entire population as opposed to the sample.

3.7 Data Analysis and Presentation

Data collected was edited, coded, classified with regard to the type and source and keyed into SPSS spreadsheets. Data was analyzed using descriptive statistics (frequencies and percentages) and Pearson Product Moment Correlation (R). Descriptive statistics were computed for all the objectives. Pearson Correlations were used in determining the significance of relationships between management structure, ownership structure and organizational governance.

The correlation coefficient is a measure of correlation strength and can range from –1.00 to +1.00 (Cherry, 2012). Positive correlations appear when variables increase or decrease at the same time. A correlation coefficient of +1.00 indicates a perfect positive correlation. On the other hand, a negative correlation indicates that as the amount of one variable increases, the other decreases (and vice versa). A correlation coefficient of -1 indicates a perfect negative correlation. No correlation indicates any relationship between the two variables. A correlation coefficient of 0 indicates no correlation. The findings were presented in tabular summaries. Descriptive statistics was presented in the form of charts and graphs.

CHAPTER FOUR

DATA ANALYSIS, PRESENTATION AND DISCUSSION OF RESULTS

4.1 Introduction

This chapter presents the findings of the study. The findings are presented thematically under the subheadings namely: return rate, characteristics of the respondents; characteristics of unit trusts, financial performance of unit trusts, compliance and performance of unit trusts, ownership and performance of unit trusts, governance and performance of unit trusts.

4.2 Return Rate

The study was able to get a response from 9 questionnaires out of the 11 questionnaires distributed targeting 11 fund managers and hence that is a response rate of 81.82%. The study got response from 30 portfolio managers out of the targeted 33 portfolio managers, translating into 90.91% of the target response. The reasons cited in the cases of non-response included lack of required data from the investment trust.

Table 4.1: Return Rate

Name of Investment Trust	Number of Fund Managers	Number of Portfolio Managers
Standard Investment Bank	1	3
CBA Unit Trust	1	2
Zimele Unit Trust	1	3
Old Mutual Unit trust	1	5
British American Insurance	1	4
ICEA Unit Trust	1	4
African Alliance Fund	1	4
Dyer & Blair Unit Trust	1	2
Suntra Unit Trust	1	3
Total	**9**	**30**

4.3 Characteristics of the Respondents

This section presents the general characteristics of the respondents. It comprises the respondent's gender, age, name of unit trusts managed, experience in managing unit trusts, length of service in the current position, job description and highest academic qualification.

4.3.1 Gender of the Respondents

Gender is a range of characteristics of femininity and masculinity. Depending on the context, the term may refer to such concepts as sex (as in the general state of being male or female), social roles (as in gender roles) or gender identity. Gender in this study was perceived to be a source of disparity in organizational governance in influencing unit trusts' financial performance in Kenya. The study considered this to influence aspects such as leadership styles. The response to the gender of the respondents was as given in Table 4.2

Table 4.2: Gender of the Respondents

Gender	Fund Managers		Portfolio Managers	
	Frequency	**Percentage**	**Frequency**	**Percentage**
Male	5	55.6	24	80.0
Female	4	44.4	6	20.0
Total	**9**	**100**	**30**	**100**

The findings show that 55.6% of the fund managers and 80% of the Portfolio Managers were male while 44.4% of the fund managers and 20% of the Portfolio Managers were female. This implied that more males were involved in the management of unit trusts in Kenya.

4.3.2 Age of the Participants

Age defines various roles, expectations and obligations by different members and influence the decision making power of an individual. Age was considered to influence the behavioral aspect of the managers in respect to the phenomenon under study. The response to the age of the respondents is as given in Table 4.3.

Table 4.3: Age of the Respondents

Age	Fund Managers		Portfolio Managers	
	Frequency	**Percentage**	**Frequency**	**Percentage**
25-35 years	7	77.8	24	80.0
36-45 years	2	22.2	6	20.0
Total	**9**	**100**	**30**	**100**

The findings show that 77.8% of the fund managers and 80% of the Portfolio Managers were aged between 25 and 35 years while 22.2% of the fund managers and 20% of the Portfolio Managers were aged between the age of 36 and 45 years. This implied that the unit trusts and managers had involved youthful persons with fresh approaches to manage the funds. However, the possible shortcoming here would be lack of required experience.

4.3.3 Experience of Fund Managers in Managing Unit Trusts

Work experience is regarded as one of the most relevant job characteristics for predicting job performance, but with some conceptual disagreement. It is sometimes defined in the organizational literature as the job-relevant knowledge gained over time. Work experience, among managers, is considered in this study as an antecedent of effective management. The findings in respect to the experience of Fund Managers in Managing Unit Trusts were as provided in Figure 4.1

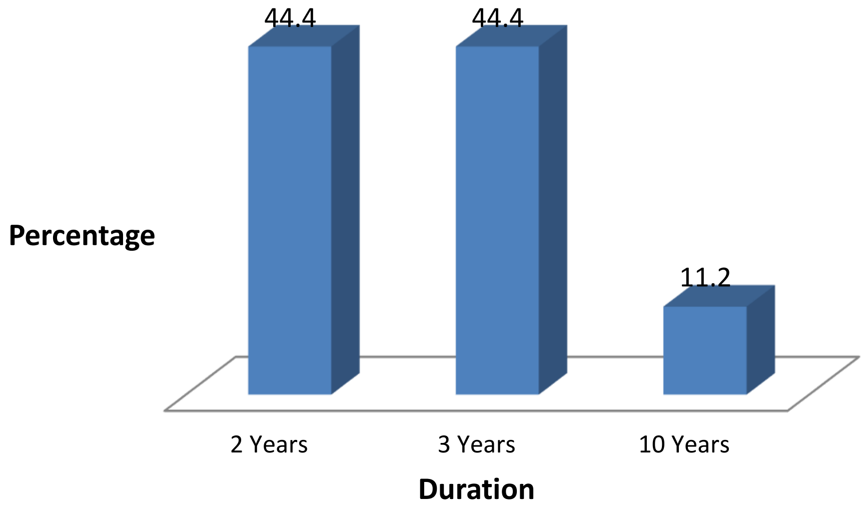

Figure 4.1: Experience of Fund Managers in Managing Unit Trusts

The findings show that 88.8% of the respondents had experience as fund managers in managing Unit Trusts for a period of 2 years if not 3 years, while 11.2% had an experience of 10 years or more. There were no fund managers below 2 years and 4 -9 years of experience. This implied that most of the managers employed by the Unit trusts' Fund Managers, though qualified academically, lacked sufficient experience and this was likely affecting their work performance and subsequently the financial performance of unit trusts. This argument is in line with Trevor (2001) and Carsten and Spector (1987) who established and argued that work experience has been found to be a strong predictor of job satisfaction and performance.

4.3.4 Length of Service of Portfolio Managers in Current Position

The response in respect to the length of service of portfolio managers in current position was as given in Figure 4.2.

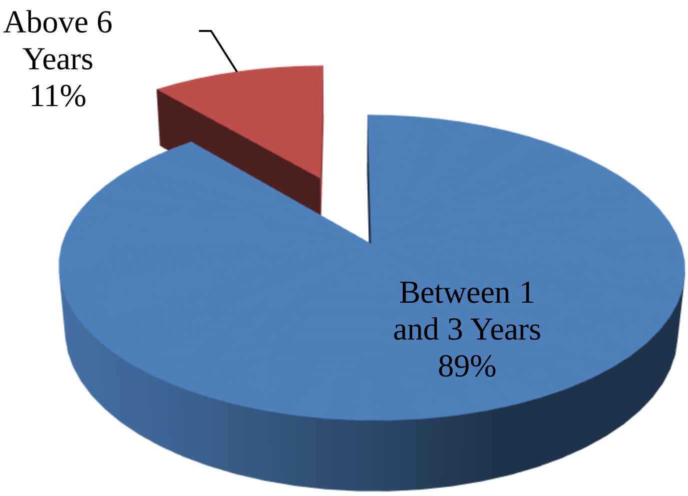

Figure 4.2: Length of Service of Portfolio Managers in Current Position

The findings show that 89% of the portfolio managers had served for a period between 1 and 3 years, while 11% indicated that they had served for a period above 6 years. However, Attwell and Jennes (1996) argue that work experience by itself will not promote work process knowledge. It needs to be mediated, perhaps by the introduction of concepts, subject knowledge, and the process of mediation may take place within the workplace and company training centres.

4.3.5 Fund Managers' Job Description

The Fund Managers were asked to indicate their specific job description and the result were summarized in Table 4.4.

Table 4.4 : Fund Managers Job Description

Response	**Frequency**	**Percentage**
Fund Management	3	33.3
Research Analyst	4	44.4
Management Officer	2	22.3
Total	**9**	**100**

The findings show that 33.3% of the respondents representing fund managers were experts in fund management, 44.4% were research analysts, while 22.2% were management officers. This implied that respondents used in this study as fund managers, were professionals and thus the information provided by them was reliable.

4.3.6 Highest Academic Qualification

Highest academic qualification attained by the respondents was considered as a factor influencing the work place performance; antecedent to financial performance of unit trusts. The response in respect to the respondents' highest level of academic qualification was as given in Table 4.5.

Table 4.5: Respondents' Highest Academic Qualification

Response	Fund Managers %	Portfolio Managers %
Graduate	77.8	44.4
Masters or above	22.2	55.6
Total	**100**	**100**

The findings show that 77.8% of the fund managers, 44.4% of the portfolio managers were University graduates, while 22.2% of the fund managers and 55.6% of the portfolio managers had attained masters' level or above. This implied that the respondents had adequate qualifications to enable them steer financial performance of unit trusts. This was in agreement with Sharenet (PTY) Ltd, (2012) who argued that for successful management of assets, and making of appropriate investment decisions, the fund manager needs to be qualified.

4.3.7 Length of Service as Fund Managers

The respondents representing fund managers were asked to indicate how long they had served their organizations in the current position as fund managers and the result was as given in Table 4.6

Table 4.6: Length of Service as Fund Managers

Response	Frequency	Percentage
Between 1 year and 3 years	8	88.9
Above 6 Years	1	11.1
Total	**9**	**100**

It emerged from the findings that 88.9% of the Fund Managers had served as the Fund Managers for a period between 1 year and 3 years, while 11.1% had served for a period above 6 years. The implication here was that most of the Fund Managers though qualified as shown above, did not have much experience, some had an experience of as low as 1 year. This was likely to be a factor responsible for poor performance reported in this study. This finding was not in line with a report by Zimele Asset Management Company Ltd (2009) who argued that returns made by a Unit Trust depend on the manager's experience. The report had argued that for successful management of assets, and making of appropriate investment decisions, the fund manager needs to be experienced.

4.4 Characteristics of Unit Trusts

The study sought information on aspects of organizational characteristics such as: Management style; Investment fund type; number of investment portfolio and asset classification style. The findings are discussed in the section below:

4.4.1 Investment Fund Type

The portfolio managers were asked to indicate the type of investment they managed and the result was as given in Table 4.7.

Table 4.7: Investment Fund Type

Portfolio	Frequency	Percentage
Equity Fund	9	100.0
Money Market Fund	7	77.7
Balanced Fund	7	77.7
Fixed income Fund	2	22.2
Bond Market Fund	4	44.4
Kenya shilling Fund	1	11.1
Kenya Management Fund	1	11.1
East African Fund	1	11.1

NB: The percentages indicate multiple responses on the Funds

The findings show that 100% of the portfolio managers managed the equity fund, 77.7% managed the money market fund and balanced fund type, 44.4% managed the bond market fund, and 22.2% managed the fixed income fund while 11.1% managed the Kenya shilling fund, Kenya management fund and the east African fund. This implied that the commonly invested unit was the equity fund.

4.4.2. Number of Investment Portfolios per Unit Trust

The study respondents were asked to indicate the number of investment portfolios in the investment trusts they managed and the result were summarized in Table 4.8

Table 4.8: Number of Investment Portfolios per Unit Trust

Name of Trust	Number of Investment Portfolios
Standard Investment Bank	3
CBA	2
Old Mutual	5
Zimelle	3
Dyer & Bliar	2
Britam	4
Suntra	3
ICEA	4
African Alliance	4
Total	**30**

The findings show that Old Mutual had the highest number of Portfolios (5), Britam (4), ICEA (4), Standard Investment Bank (3), Zimelle(3), Suntra(3), CBA (2), Dyer & Blair (2) while African Alliance had four portfolios. The number of portfolios may suggest diversification in investment by the various unit trusts.

4.4.3 Asset Classification Style of Portfolio

According to study findings (Table 4.9), the mean percentage of asset classification was as follows: Large capitalization stocks (48.25), Medium capitalization stocks (20.00), Treasury product (15.75), Time deposit (7.83), Money-at-call (10.50), Money market instrument (33.12), Government bonds (31.00) and corporate bonds (21.50). This suggests that there was a preferred investment in large capitalization stocks as opposed to the investment in other assets.

Table 4.9: Asset Classification Style of Portfolio

Asset Classification style	Mean Percentage
Large capitalization stocks	48.2500
Medium capitalization stocks	20.0000
Treasury product	15.7500
Time deposit	7.8333
Money-at-call	10.5000
Money market instrument	33.1250
Government bonds	31.0000
Corporate bonds	21.5000

4.4.4 Kind of Management Style Practiced

In this study, the kind of management style practiced by fund managers and portfolio managers were considered to have an effect on the financial performance. The response to what styles were practiced was as given in Table 4.10

Table 4.10: Kind of Management Style Practiced

Response	Frequency	Percentage
Participatory Approach	5	55.6
Autocratic Approach	2	22.2
Democratic Approach	2	22.2
Total	**9**	**100**

The findings show that, 55.6% of the fund managers indicated that their management in their organization embraced participatory approach, 22.2% indicated the use of autocratic approach, while 22.2% indicated that democratic approach was used in their organization. This implied that the mostly used approach was participatory approach, in which all the stakeholders in the organization were involved in key decision making and thus felt that they were part of the process. This made them work hard towards the realization of good financial results.

4.5 Performance of Unit Trusts

The broad objective of the study was to determine the organizational factors affecting performance of Unit Trusts. Therefore this section sought to determine the level of financial performance among the unit trusts in Kenya. Performance was explored in two levels, performance of investment portfolios for the period 2009-2011, mean portfolio performance for the three years and finally, the mean performance of the unit trusts exploring the Total assets, total liabilities, profits and Return on Capital Employed (ROCE).

4.5.1 Total Asset Value per Investment Portfolio (2009-2011)

On the basis of Figure 4.3, total asset value in the equity fund, balanced fund, fixed income and Kenya Shilling fund generally increased from the year 2009, reaching the highest value in 2010 and then decreased in the year 2011. It is also notable that total asset value for the East African fund was fairly constant during the period 2009-2011. However, total asset value of the money market fund was observed to have fallen sharply between 2009 and 2010 and then rose sharply between 2010-2011. It is evident that total asset value in most of the portfolios except money market fund generally increased between 2009-2010 and fell between 2010-2011.

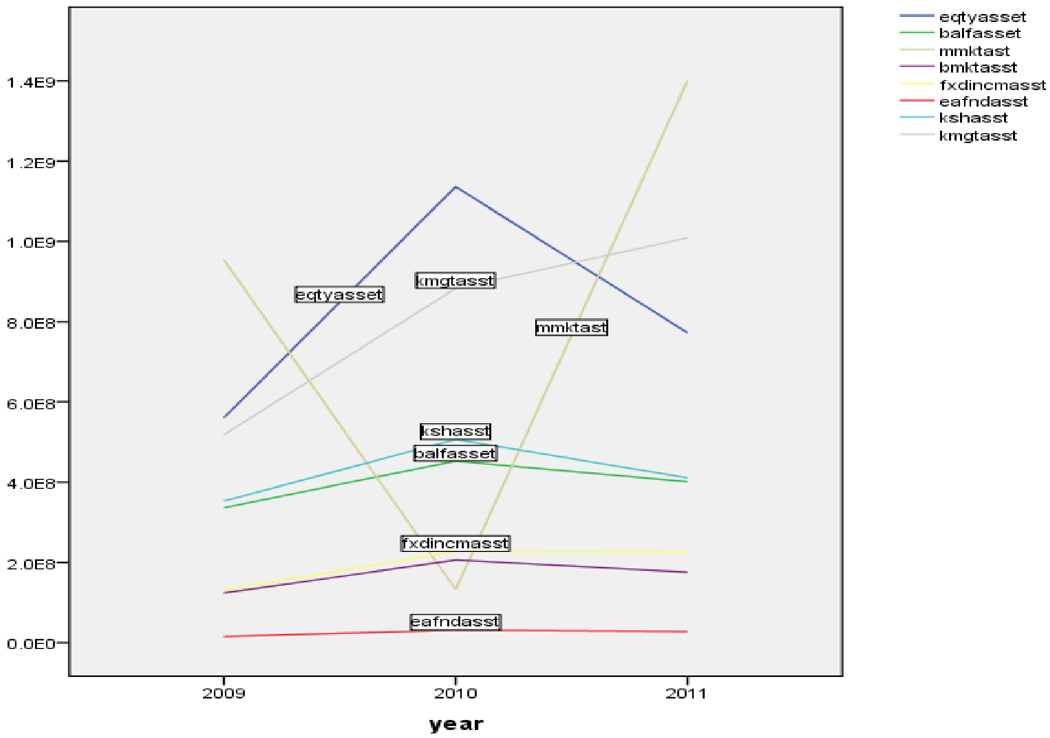

Figure 4. 3: Total Asset Value (2009-2011)

4.5.2 Total Liabilities per Investment Portfolio (2009-2011)

According to Figure 4.4, total liabilities in the equity fund and money market fund generally increased from the year 2009, reaching the highest value in 2010 and then decreased in the year 2011. In addition, total liabilities for the Kenya shilling fund, Kenya management fund and bond market fund were fairly constant during the period 2009-2011. However, total liabilities of the fixed income fund were observed to have fallen sharply between 2009 and 2010 90and then rose gradually during the period between 2010-2011.

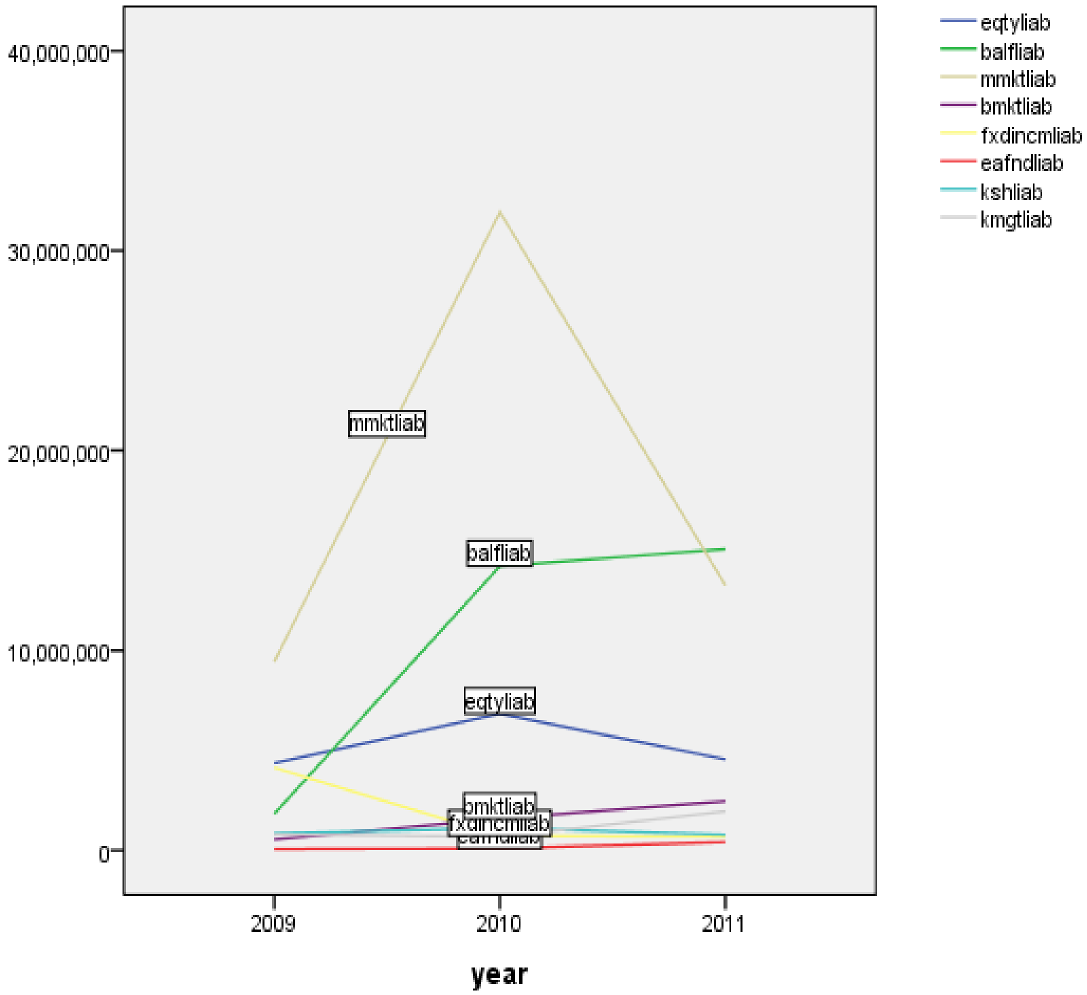

Figure 4.4: Total Liabilities (2009-2011)

4.5.3 Net Asset Value per Investment Portfolio (2009-2011)

Study findings in Figure 4.5 indicate that total net asset value in the equity fund, money market fund, Kenya management fund, Kenya shilling fund, bond market fund and balanced fund generally increased from the year 2009, reaching the highest value in 2010 and then decreased in the year 2011. In addition, total net asset value for the

East African fund was fairly constant during the period 2009-2011. Nevertheless, total net asset value of the fixed income fund was observed to have rose gradually reaching peak in 2010 and then remained fairly constant during the period between 2010-2011.

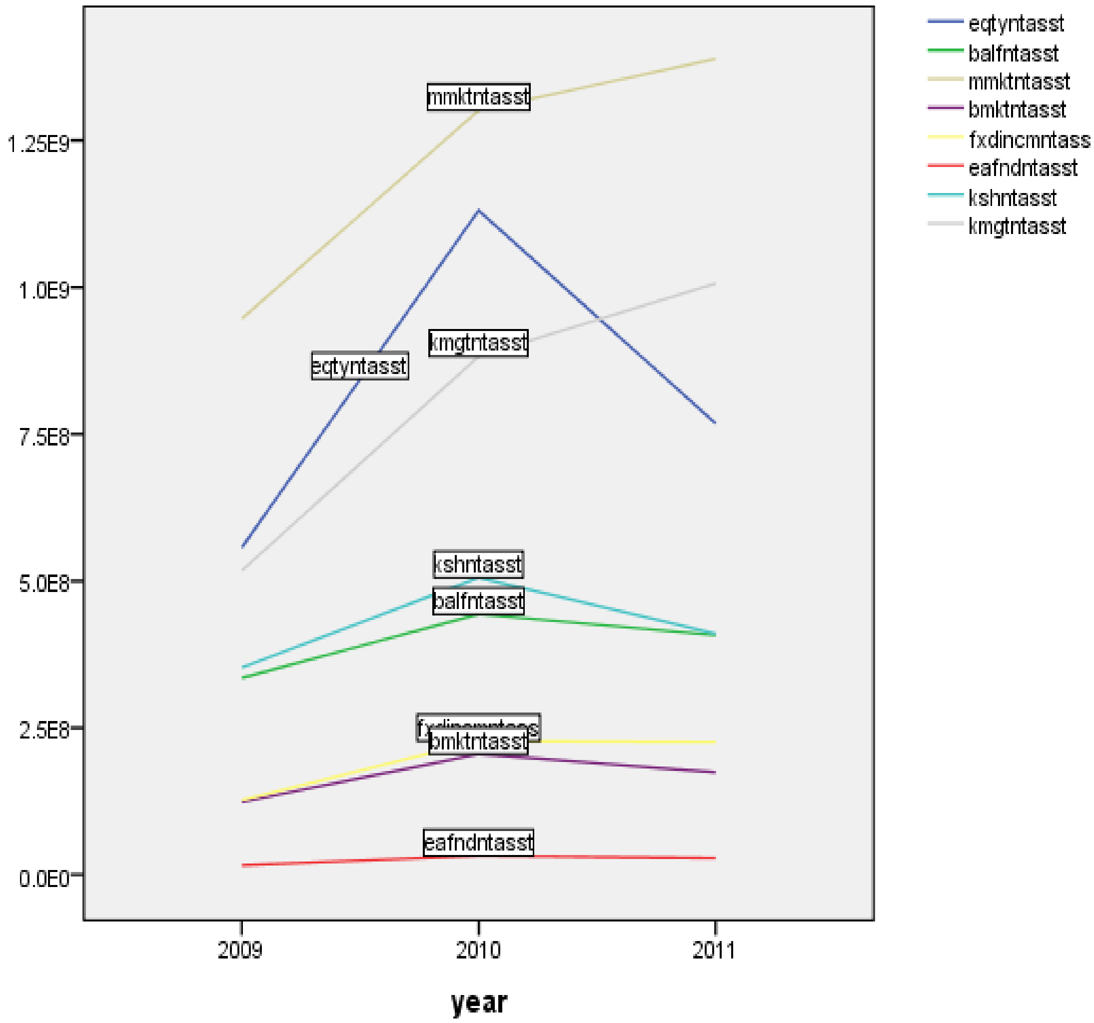

Figure 4.5: Total Net Asset Value (2009-2011)

4.5.4 Profits per Investment Portfolio (2009-2011)

Based on the study findings (Figure 4.6) total profits in the equity fund and balanced fund experienced a sharp rise during 2009-2010 period, reaching peak in 2010 and then fell gradually during 2010-2011 period. It was further evident that the total profits in, Kenya management fund, Kenya shilling fund, bond market fund, fixed income fund and East African fund remained fairly constant during 2009-2011 period. It was also notable that the total profits of the money market fund was observed to have dropped gradually reaching its lowest in 2010 and then remained fairly constant during the period between 2010-2011.The general rise in performance could probably be associated with the recovery of the of the economy from the political crisis experienced in 2007-2008.

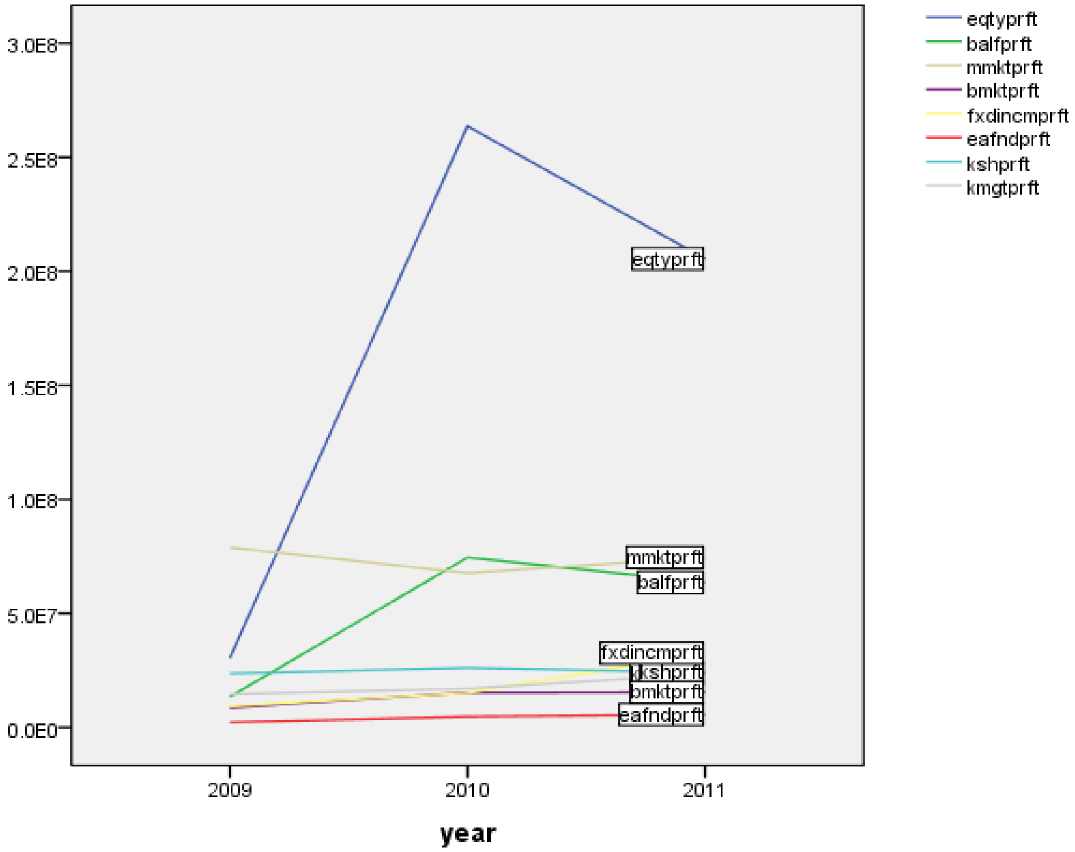

Figure 4.6: Total Profits (2009-2011)

4.5.5 Mean Return on Capital Employed (ROCE) (2009-2011) per Investment Portfolio

The study sought to determine the ROCE for the various investment portfolios in the trusts in Kenya. The findings are represented in Table 4.11

Table 4.11: ROCE of Various Investment Portfolios in the Trusts

TRUST	MEAN ROCE
Equity Fund	14.9897
Balanced Fund	10.3200
Money Market Fund	4.6606
Bond Market fund	10.1536
Fixed Income Fund	7.1557
East African Fund	16.5913
Kenya Shilling Fund	5.8156
Kenya Management Fund	2.2817

Study findings (Table 4.11) show that the mean ROCE values among the investment portfolios ranged between 2.2817 (lowest) and 16.5913 (highest). The East African fund (16.5913) and Equity Fund (14.9897) had the highest ROCE. The Balanced Fund, Bond Market fund, Fixed Income Fund, Kenya Shilling Fund had their ROCE as 10.3200, 10.1536, 7.1557 and 5.8156, respectively. It was noted that Money Market Fund and Kenya Management Fund and had the lowest ROCE (4.6606 and 2.2817, respectively).

4.5.6 Overall Performance of Unit Trusts

The study's aim was to determine the organizational factors affecting performance of unit trusts hence performance of individual trusts was as shown on Table 4.12.

Table 4.12: Overall Performance of Unit Trusts

	Average total Assets	Average Profits	Average Liabilities	MEAN ROCE
Standard Investment Bank	17675470.33	1729604.33	124859	9.85
Old Mutual Unit trust	7703276700.00	796255666	177359069.3	10.58
CBA Unit Trust	478417339.30	23917000	955158.33	5.01
Zimele Unit Trust	419221836.00	25061728.67	115621308	8.25
British American Insurance	3430846333.00	182217000	426560333.3	6.07
African Alliance Fund	1995313363.00	166210510	7052062.33	8.36
Dyer & Blair Unit Trust	194871196.00	24722878	3446420	12.92
Suntra Unit Trust	57350666.67	4614333.33	315333.33	8.09
ICEA Unit Trust	1163749854.00	82715315	0	7.11

Based on the average ROCE for the three years, Dyer & Blair Unit Trust recorded the highest performance of annual ROCE of 12.92% followed by, Old Mutual Unit trust with ROCE of 10.58%. This was closely followed by Standard Investment Bank with 9.85%, African Alliance Fund (8.36%), Zimele Unit Trust (8.25%), ICEA Unit Trust (7.11%) while British American Insurance and CBA Unit Trust had the least performance of 6.07% and 5.01% respectively.

4.6 Management Structure and Performance of Unit trusts

The first objective of the study was to determine the effect of management structure on performance of unit trusts in Kenya. The structure was assessed based on the compliance with the guidelines by the Capital Markets Authority (CMA).

4.6.1 Management Structure Compliance with CMA Regulations

The study sought to determine whether unit trust complied with CMA regulations on structure. The five point likert scale with levels strongly agree, moderately agree, undecided, moderately disagree and strongly disagree was used. The results are summarized in Table 4.13.

Table 4.13: Compliance with CMA Regulations on Unit Trusts' Structure

Statement	Percentage Response					Mean	S.D
	Strongly Disagree	Disagree	Moderate	Agree	Strongly Agree		
The fund managers are appointed by the trustees	22.2	22.2	22.2	22.2	11.1	**2.778**	**1.399**
The fund managers works independently	0.0	22.2	0.0	44.4	33.3	**3.884**	**1.167**
The trustee is very influential and closely monitors the work of the fund managers	22.2	0.0	22.2	22.2	33.3	**3.464**	**1.589**
Financial matters are handled solely by the trustee	33.3	66.7	0.0	0.0	0.0	**1.667**	**0.500**
The unit holders are briefed regularly on matters related to management the structure	0.0	0.0	11.1	88.9	0.0	**3.889**	**0.333**

The study findings revealed that 44.4% of the respondents disagreed that the fund managers were appointed by the trustees, 22.2% moderately agreed while 33.3% agreed. Furthermore, 77.8% of the respondents generally agreed that the fund managers worked independently while 22.2% generally disagreed.

In addition, 55.6% of the respondents agreed that the trustee were very influential and closely monitored the work of the fund managers, 22.2% moderately agreed while 22.2% disagreed. Also, study findings show that all respondents (100%) of the respondents disagreed that financial matters were handled solely by the trustee. Finally, study data indicate that 88.9% of the respondents agreed that the unit holders were briefed regularly on matters related to ownership structure while 11.1% moderately agreed.

The mean rating on compliance of the management structure with the CMA regulations varied where the regular briefing of the unit holders was the highest rated at Mean = 3.889, SD = 0.333 followed by the independence of the fund managers Mean = 3.884, SD = 1.167. Appointment of the fund managers by trustees and the vesting of the finance roles in the hands of trustees were the least compliant practices at mean = 2.778SD = 1.399 and Mean = 1.667, SD = 0.500 respectively.

4.6.2 Overall Rating on Compliance

With regard to the overall compliance with CMA regulations on structure, the findings were presented on Figure 4.7.

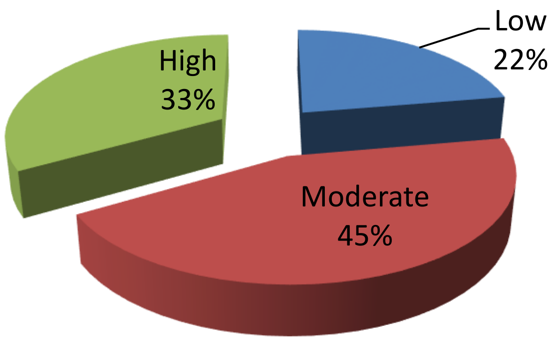

Figure 4. 7: Overall Compliance with CMA Regulations Index

According to the findings on overall rating on compliance, 45% of the respondents reported “moderate”, 33% reported “high” and 22% reported “low”. It is evident from the findings that compliance with CMA regulations on structure was moderate among the unit trusts.

4.6.3 Performance of Management Team

Respondents were then asked to rate the performance of their view on performance of the management team on independence in performance of their duties, timeliness in submitting books of accounts for auditing and their influence on performance of the unit trust.

Table 4.14: Performance of Management Team

Statements	Strongly Disagree	Disagree	Moderate	Agree	Strongly Agree	Mean	S.D
The fund manager has the independence required for performance of assigned tasks	22.2	22.2	0.0	22.2	33.4	**4.556**	**0.527**
The trustee is timely in submitting of books of accounts for auditing	0.0	0.0	0.0	44.4	56.6	**3.556**	**0.527**
The amount of profits earned are influenced by the type of the organizational structure	0.0	0.0	44.4	55.6	0.0	**1.778**	**0.441**

According to the findings, 55.6% of the respondents generally agreed that the type of management structure was a predictor of growth in investment while 44.4% disagreed. The study findings further revealed that 55.6% of the respondents agreed that the fund managers had the independence required for performance of assigned tasks whereas 44.4% disagreed. It is also evident that all study respondents (100%) generally agreed that the trustee was always timely in the submission of books of accounts for audit. Study findings also show that 55.6% of the respondents agreed that the amount of profits earned were influenced by the type of organizational structure while 44.4% moderately agreed.

4.6.4 Relationship between Management Structure and Performance of Unit Trusts

The first hypothesis of the study was:

H_{01}: Management structure does not significantly affect Unit Trusts' financial performance in Kenya ($H_{01}: p > 0.05$)

H_{11}: Management structure significantly affect Unit Trusts' financial performance in Kenya ($H_{11}: p < 0.05$)

This hypothesis was tested by determining the relationship between compliance of management structure to requirements of CMA and the ROCE of unit trusts. The correlation test statistics are shown on Table 4.15.

Table 4.15: Correlation between Management Structure and Performance of Unit Trusts

			ROCE
Spearman's rho	Organizational compliance	Correlation Coefficient	0.395*
		Sig. (2-tailed)	0.029
		N	9

*. Correlation is significant at the 0.05 level (2-tailed)

Results of Spearman's rho correlation revealed that there was a significant relationship between management structure compliance with CMA regulations and performance of unit trusts ($r = 0.395p < 0.05$). Unit trusts whose management was designed in accordance with the requirements of CMA recorded better performance in ROCE as opposed to those that were non compliant. The study therefore accepts the H_{11} and rejects H_{01} that the management structure significantly affect Unit Trusts' financial performance in Kenya.

4.7 Ownership and Performance of Unit Trusts

The second objective of the study was to establish the effect of ownership structure on financial performance of Unit trusts in Kenya. This done by determining the ownership structures of unit trusts then comparing the structure with performance of the unit trusts.

4.7.1 Type of Ownership of Unit Trusts

Type of ownership of unit trust banked or non- banked was considered to most likely contribute to the performance of the unit trust, Bank owned unit trust were considered to be more organized, assuredly they had the capacity to identify and recruit qualified personnel , who could steer the organization to better heights. The result in respect to the type of unit trust was as given in Table 4.16

Table 4. 16: Type of Ownership of Unit Trust

Response	Frequency	Percentage
Bank owned	2	22.2
Non-bank owned	7	77.8
Total	**9**	**100**

Table 4.16 reveals that 77.8% of the unit trusts were non- bank owned, while 22.2% were bank owned. This therefore puts the unit trust to a situation whereby they had diverse accounting and management approaches which definitely would impact differently on their financial performance.

4.7.2. Ownership Characteristics of Unit Trusts

The study sought to determine whether the required ownership structure had been achieved in the unit trusts. The five point likert scale with levels strongly agree, agree, moderately disagree and strongly disagree was used. The results are presented in Table 4.17.

Table 4.17: Ownership Structure among the Unit Trusts

Statement	Percentage Response					Mean	S.D
	Strongly Disagree	Disagree	Moderate	Agree	Strongly Agree		
Ownership of the unit trust is concentrated in the hands of different unit-holders.	0.0	22.2	0.0	55.6	22.2	**3.778**	**1.093**
The type of structure is a predictor of growth in investment	22.2	22.2	0.0	22.2	33.4	**3.222**	**1.716**

The study findings revealed that 77.8% of the respondents generally agreed that ownership of the unit trust was concentrated in the hands of different unit-holders whereas 22.2% disagreed. Also, 44.4% of the respondents generally agreed that the type of organizational structure was good for the business, 33.4% moderately agreed while 22.2% disagreed.

4.7.3 Relationship between Ownership and Performance of Unit Trusts

The second hypothesis of the study was:

H_{02}: Ownership structure does not significantly affect Unit Trusts' financial performance in Kenya ($H_{01:}$ $p > 0.05$)

H_{12}: Ownership structure significantly affect Unit Trusts' financial performance in Kenya ($H_{11:}$ $p < 0.05$)

In testing this hypothesis, the relationship between the distribution of ownership structure and ROCE of unit trusts was determined and the results presented on Table 4.18.

Table 4.18: Correlation between Ownership and Performance of Unit Trusts

			ROCE
Spearman's rho	Ownership of the unit trust is concentrated in the hands of different unit-holders.	Correlation Coefficient	0.323
		Sig. (2-tailed)	0.339
		N	9

The Spearman's rho correlation results on Table 4.18 revealed that there was a no significant correlation between distribution of ownership across different unit holders and performance of the unit trust ($r = 0.323$, $p > 0.05$). This implies that ownership structure did affect the profitability of unit trusts. The study therefore accepted the H_{12} and rejects H_{12}. This upholds the hypothesis that diversity in ownership does not have a significantly affect Unit Trusts' financial performance in Kenya.

Researchers exploring ownership and performance of unit trusts focused on performance differences between bank owned and non bank owned rather than diversity in ownership explored under the current study (Bauman & Miller 1995; Bogle & Twardowski 1980; Frye 2001). Berkowitz and Qiu on the other hand (2003) compared performance of publicly traded FMCs with private counterparts. Berkowitz and Qiu (2003) reported that but risk-adjusted returns of funds managed by public companies did not outperform private counterparts.

4.8 Organizational Governance and Performance of Unit trusts

The third objective of the study was to find out the effect of organizational governance on financial performance of Unit Trusts' in Kenya. The opinion of unit trusts managers and portfolio managers was sought on governance in their organizations then correlated with the ROCE of the institution.

4.8.1 Governance Characteristics

The study sought to determine the whether organizational governance had been achieved in the investment trusts. The five point likert scale with levels strongly agree, agree, moderately agree, moderately disagree and strongly disagree was used. The results are presented in Table 4.19.

Table 4.19: Organizational Governance among the Unit Trusts

Statement	Percentage Response (%)					Mean	S.D
	Strongly Disagree	Disagree	Moderate	Agree	Strongly Agree		
The Fund Manager selection criteria is favorable for the achievement of profitable good	22.2	0.0	11.1	0.0	66.7	**3.889**	**1.764**
The Board of Directors of the Management Company poses challenges to the investment decision making process	22.2	22.2	0.0	33.3	22.2	**3.111**	**1.616**
The Fund managers understand that they represent the interest of unit-holders.	22.2	11.1	0.0	0.0	66.7	**4.000**	**1.732**

According to the study findings (Table 4.19), 66.7% of the respondents agreed that the fund manager selection criteria was favorable for the achievement of profitable good, 11.1% moderately agreed while 22.2% disagreed. Furthermore, 55.6% of the respondents agreed that the Board of Directors of the management company posed challenges to the investment decision making process while 33.3% disagreed. Finally, 66.7% of the respondents agreed that the fund managers understood that they represented the interest of unit-holders while 33.3% disagreed.

With regard to whether the organizational governance was achieved in the investments trusts, the findings were as shown on survey data in Figure 4.8.

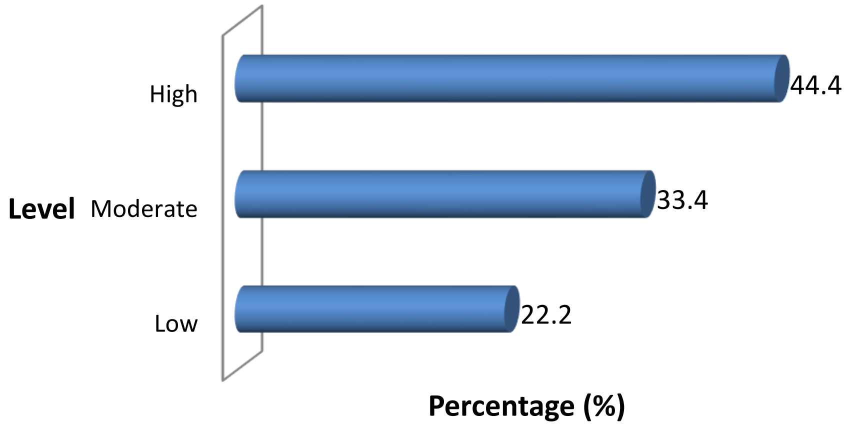

Figure 4.8: Overall Organizational Governance Index

According to the findings on Figure 4.8, 44.4% of the respondents reported "high", 33.4% reported "moderate" while 22.2% reported "low". These findings generally indicate that organizational governance has been achieved to a greater extent among the investments trusts.

4.8.2 Relationship between Governance and Performance of Unit trusts

The third hypothesis of the study was:

H_{03}: Organizational governance does not significantly affect the financial performance of Unit Trusts' in Kenya (H_{03}: $p > 0.05$)

H_{13}: Organizational governance significantly affects the financial performance of Unit Trusts' in Kenya (H_{13}: $p < 0.05$)

This hypothesis was tested by determining the relationship between governance and the ROCE of unit trusts. The Spearman's rho correlation results are shown on Table 4.20.

Table 4.20: Relationship between Governance and Performance of Unit trusts

			ROCE
Spearman's rho	Organizational governance computed	Correlation Coefficient	0.262*
		Sig. (2-tailed)	0.048
		N	9

*. Correlation is significant at the 0.05 level (2-tailed)

Results of Spearman's rho correlation revealed that there was a significant correlation between governance and performance of unit trusts ($r = 0.262$, $p < 0.05$). This implies that Unit trusts better organizational governance recorded better performance in ROCE compared to those with weak governance. The study therefore accepted H_{13} and rejected $H_{03.}$ Therefore the study upholds the hypothesis that organizational governance significantly affects the financial performance of Unit Trusts' in Kenya. These findings concurred with Bhagat & Bolton (2009) who also found a negative and significant relationship between board independence and operating performance during the pre-2002 period, but a positive and significant relationship during the post-2002 period. However, empirical researchers report that overall, there is little significant relationship between outside directors and firm performance (Dalton *et al.*, 1998). Agency theory suggests that a board comprised of a greater proportion of outside directors, due to their presumed independence, may theoretically lead to better firm performance (Shleifer and Vishny, 1997).

4.9 Measures to Address the Effects of Organizational Factors on Unit Trusts' Performance

This section presents the findings in respect to measures that can be put in place to check the effects of organizational factors on unit trusts' financial performance in Kenya. The Fund Managers were asked to indicate what they felt should be done to counter the likely negative effects of organizational factors on financial performance presented in your organization and the result was as given in Table 4.40

Table 4.7: Suggested measures

Suggested Measures	Frequency	Percentage
Frequent training of employees	16	59%
Job rotational	5	19%
Qualified staff	6	22%
Wide range of products	3	11%
Having wider spectrum of markets	6	22%
Proper communication in the organization	11	41%
Ensure equilibrium between company interests and holders	7	26%
Sustained dynamism in portfolio management and market selection	8	30%
Retention of competent managers	7	26%
Roles of every stakeholder to be distinguished	5	19%

The findings show that suggested measures in the order of reported frequencies were as follows: Frequent training of employees (59%), Proper communication in the organization (41%), Sustained dynamism in portfolio management and market selection (30%), Ensure equilibrium between company interests and holders (26%), use of Qualified staff (22%), Having wider spectrum of markets (22%), use of job rotation (19%), and distinguishing roles of every stakeholder (19%), and use of wide range of products (11%).

CHAPTER FIVE

SUMMARY OF FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter comprises the summary of the study findings, discussions of findings, conclusions of the study, recommendations and suggestions for further research.

5.2 Summary of the Findings

The purpose of this study was to examine the effects of organizational factors on unit trusts' financial performance in Kenya. The study addressed the study objectives and tested research hypothesis from data analysis (descriptive and inferential statistics). This section presents a summary of the study findings.

5.2.1 General Characteristics of Unit Trusts

The findings on general characteristics of unit trusts and investment potfiolios revealed that, old Mutual had the highest number of Portfolios with 5, followed by Britam (4), ICEA (4), Standard Investment Bank (3), Zimelle(3), Suntra(3), CBA (2), Dyer & Blair (2) while African Alliance had four portfolios. On asset classification, the study revealed that the mean percentage of asset classification was (48.25) for large capitalization stocks, Medium capitalization stocks (20.00), Treasury product (15.75), Time deposit (7.83), Money-at-call (10.50), Money market instrument (33.12), Government bonds (31.00) and corporate bonds (21.50). This suggests that there was a preferred investment in large capitalization stocks as opposed to the investment in other assets. Concerning the management styles applied by managers, 55.6% of the fund managers indicated that the management in their organizations embraced participatory approach, 22.2% indicated the use of autocratic approach, while 22.2% indicated that democratic approach was used in their organization.

5.2.2 Performance of Unit Trusts

Performance of the unit trusts and their investment portfolio varied significantly. On the basis of total asset value in the equity fund, balanced fund, fixed income and Kenya Shilling fund generally increased from the year 2009, reaching the highest value in 2010 and then decreased in the year 2011. It was also notable that total asset value for the East African fund was fairly constant during the period 2009-2011.

However, total asset value of the money market fund was observed to have fallen sharply between 2009 and 2010 and then rose sharply between 2010-2011. It was also evident that total asset value in most of the portfolios except money market fund generally increased between 2009 -2010 and fell between 2010-2011. Total liabilities in the equity fund and money market fund generally increased from the year 2009, reaching the highest value in 2010 and then decreased in the year 2011. In addition, total liabilities for the Kenya shilling fund, Kenya management fund and bond market fund were fairly constant during the period 2009-2011. However, total liabilities of the fixed income fund were observed to have fallen sharply between 2009 and 2010 and then rose gradually during the period between 2010 -2011.

The total net asset value in the equity fund, money market fund, Kenya management fund, Kenya shilling fund, bond market fund and balanced fund generally increased from the year 2009, reaching the highest value in 2010 and then decreased in the year 2011. In addition, total net asset value for the East African fund was fairly constant during the period 2009-2011. Nevertheless, total net asset value of the fixed income fund was observed to have rose gradually reaching peak in 2010 and then remained fairly constant during the period between 2010-2011.

Total profits in the equity fund and balanced fund experienced a sharp rise during 2009-2010 period, reaching peak in 2010 and then fell gradually during 2010-2011 period. It was further evident that the total profits in, Kenya management fund, Kenya shilling fund, bond market fund, fixed income fund and East African fund remained fairly constant during 2009-2011 period. It was also notable that the total profits of the money market fund was observed to have dropped gradually reaching its lowest in 2010 and then remained fairly constant during the period between 2010-2011.

Overall, ROCE values among the investment portfolios ranged between 2.2817 (lowest) and 16.5913 (highest). The East African fund (16.5913) and Equity Fund (14.9897) had the highest ROCE. The Balanced Fund, Bond Market fund, Fixed Income Fund, Kenya Shilling Fund had their ROCE as 10.3200, 10.1536, 7.1557 and 5.8156, respectively. The, Market Fund and Kenya Management Fund and had the lowest ROCE of (4.6606 and 2.2817, respectively). Based on the average ROCE for unit trusts for the three years, Dyer & Blair Unit Trust recorded the highest performance of annual ROCE of 12.92% followed by, Old Mutual Unit trust with ROCE of 10.58%. This was closely followed by Standard Investment Bank with 9.85%, African Alliance Fund (8.36%), Zimele Unit Trust (8.25%), ICEA Unit Trust (7.11%) while British American Insurance and CBA Unit Trust had the least performance of 6.07% and 5.01% respectively.

5.2.3 Management Structure and Performance of Unit Trusts

The Capital Markets Authority provides guidelines on the constitution of the management of unit trusts and in the current study, it was revealed that compliance with these guidelines was average. On whether fund managers were appointed by the trustees, 44.4% of the respondents disagreed 22.2% were neutral while 33.3% agreed. Furthermore on independence of operations of fund managers, majority 77.8% of the respondents generally agreed that the fund managers worked independently. Trustees were present and played an influential role according to 55.6% of the respondents. However in executing their mandate all respondents disagreed that financial matters were handled solely by the trustee. Management structures in place also ensured that unit holders were briefed regularly on matters related to ownership structure. The mean rating on compliance of the management structure with the CMA regulations varied where the regular briefing of the unit holders was the highest rated at Mean = 3.889, SD = 0.333 followed by the independence of the fund managers Mean = 3.884, SD = 1.167. Appointment of the fund managers by trustees and the vesting of the finance roles in the hands of trustees were the least compliant practices at mean = 2.778SD = 1.399 and Mean = 1.667, SD = 0.500 respectively.

Analysis results on the relationship between the unit trust management structure compliance with the guidelines of CMA and its ROCE using Spearman's rho correlation revealed that there was a significant relationship between management structure compliance with CMA regulations and performance of unit trusts ($r = 0.395p < 0.05$). Thus unit trusts whose management was structured in accordance with the requirements of CMA recorded better performance in ROCE as opposed to those that were non compliant.

5.2.4 Ownership Structure and Financial Performance of Unit Trusts

The second objective of the study was establish the effect of ownership structure on financial performance of unit trusts. The findings on ownership structure on unit trusts revealed that, a high proportion 77.8% of the unit trusts were non- bank owned, while 22.2% were bank owned. Which implied the diversity in accounting and management approaches. On the diversity of ownership, 77.8% of the respondents agreed that ownership of the unit trust was concentrated in the hands of different unit-holders. The type of ownership structure according to 44.4% of the respondents e was good for the business, 33.4% moderately agreed while 22.2% disagreed. The correlation between ownership structure and performance using the Spearman's rho correlation revealed that there was a no significant correlation between distribution of ownership across different unit holders and the financial performance of the unit trusts expressed in ROCE ($r = 0.323$, $p > 0.05$). This implies that ownership structure did affect the profitability of unit trusts.

5.2.5 Organizational Governance

Third objective of the study was to determine the effect of organizational governance on financial performance of Unit Trusts in Kenya. The findings on organizational governance revealed that according 66.7% of the respondents fund manager selection criteria was favorable for the achievement of profitable good. Furthermore, 55.6% agreed that the Board of Directors of the management company posed challenges to the investment decision making process while 33.3% disagreed. Finally, 66.7% of the respondents agreed that the fund managers understood that they represented the interest of unit-holders. The findings generally indicated that organizational governance had been achieved to a greater extent among the unit trusts. Correlation results using the Spearman's rho correlation revealed that there was a significant correlation between governance and performance of unit trusts ($r = 0.262$, $p < 0.05$).

5.3 Conclusions of the Study

On the basis of the study findings, the study arrived at certain conclusions:

A significant proportion of the unit trusts were non-bank owned with participatory approach as the most popular management style. In addition, the equity fund, money market fund, balanced fund and bond market fund were the most popular investment fund types among the unit trusts.

With regard to the management structure, the study concluded that unit trusts structure to a moderate extent was compliant to the requirements of CMA on its constitution. Further the constitution of management structure compliant to the requirements of the capital markets authority played a significant role in enhancing the financial performance of unit trusts in Kenya.

On the ownership, a significant proportion of the unit trusts were non-bank owned with participatory approach as the most popular management style. In addition, the equity fund, money market fund, balanced fund and bond market fund were the most popular investment fund types among the unit trusts. However, diversity in ownership in the hands of different holders did not have a significant effect on the financial performance of unit trusts

Concerning governance, the study revealed that, governance was fairly practiced in unit trusts. The fund manager selection criteria was favorable in most unit trusts. However, board of directors of the unit trust company posed challenges to the investment decision making process. It was also observed that governance significantly affected the financial performance of unit trusts.

5.4 Recommendations

Following the findings and conclusions the study recommends that:
Performance of unit trusts remains lower than other financial investments in the country. The CMA therefore should put more emphasis on monitoring the activities of unit trusts with a view to ensure optimal performance of the trusts. This would maximize investor returns thus enhancing economic growth.

Unit trusts adherence to the requirements of CMA in constitution of its management remains moderate yet this is a critical factor in enhancing success in management of the funds. The study therefore recommends an evaluation of the unit trusts to establish their level of compliance in management structuring. Further, corrective actions should be taken on non compliant trusts.

On the diversity in ownership has no significant effect on financial performance of unit trusts although it contributes towards risk diversification. This implies that unit trust holder could invest more within the same unit trusts without necessarily affecting its performance. Therefore investors can invest more without the fear of loss of investment.

Governance was fairly practiced in unit trusts despite the critical role it plays in financial performance of unit trusts. Therefore unit trust managers, and shareholders should invest heavily on good governance as a strategy of ensuring better performance of unit trusts.

5.5 Suggestions for Further Research

The study has shown that organizational factors play a significant role in determining the performance of unit trusts. Therefore, a study should be undertaken to establish other organizational factors affecting the performance of unit trusts in Kenya. A comparative study on organizational factors affecting unit trusts and other investment vehicles could also be undertaken.

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APPENDICES

Appendix 1: Letter of permission to carry out research work

To the Manager,

………………………..,

Dear Sir / Madam,

RE: PERMISSION TO CARRY OUT ACADEMIC RESEARCH

I am a Master of Business Administration Student at Egerton University conducting a research study entitled *"**Effects of management structure, ownership structure and organizational governance on financial performance of unit trusts in Kenya**"*.Your organization has been identified and selected for the study.

The purpose of this letter is to request you for permission to interview your staff using the Questionnaire copies attached. The information obtained is strictly for academic purpose and shall be treated with utmost confidentiality.

Thank you

Yours Faithfully,

Mavui Bernard Musyoka

Appendix 2: Letter of Introduction to the Respondents

No……………

Dear Sir/Madam

I am a Master of Business Administration Student at Egerton University conducting a research study entitled *"**Effects of management structure, ownership structure and organizational governance on financial performance of unit trusts in Kenya**"*. Your organization has been identified and selected for the study.

You have been selected to assist in providing the required information as your views are required for the completion of this study. I am therefore kindly requesting you to fill this questionnaire. Please note that any information given will be treated with utmost confidentiality and will only be used for the purposes of this study.

Thank you

Mavui Bernard Musyoka

Appendix 3: Research Questionnaire for Fund Managers

No…………… Date: ………………

Part A: General Information

1. Kindly indicate your gender

   Male [ ]

   Female [ ]

2. Please indicate your age from the choices below

   Below 25 years [ ]

   25-35 years [ ]

   36-45 years [ ]

   Above 45 years [ ]

3. Please indicate the name of Unit Trust you manage

   …………………………………….

4. For how long have been managing this Unit Trust …………………..year(s)

5. Please explain the procedure used by unit trusts in the appointment of fund managers.

   ………………………………………………………………………………

   ………………………………………………………………………………

6. Please specify your job description ………………………………………

7. Kindly indicate your highest academic qualification

   Primary level [ ]
   K.C.S.E [ ]
   A' Level [ ]
   Graduate [ ]
   Masters and above [ ]

8. How long have you served in the current position?

   Less than 1 year [ ]
   Between 1 year and 3 years [ ]
   Between 3 years and 6 years [ ]
   Above 6 Years [ ]

Part B: Ownership Structure

9. What type of ownership is exhibited bythe unit trust you manage?

Bank owned [ ]

Non bank owned [ ]

10. The following statements describe the unit trusts compliance with the CMA regulations in respect to the composition of the ownership structure. *Please indicate using the likert scale provided below, whether you agree with the factors or not*

Strongly Disagree 1 *Agree 4*
Disagree 2 *Strongly Agree 5*
Moderate 3

	1	2	3	4	5
The fund managers are appointed by the trustees					
The fund managers works independently					
The trustee is very influential and closely monitors the work of the fund managers					
Financial matters are handled solely by the trustee					
The unit holders are briefed regularly on matters related to ownership structure					

11. The following statements best describe the situation with the ownership structure of your unit trust. *Please indicate using the likert scale provided below, whether you agree with the factors or not*

Strongly Disagree 1 *Agree 4*
Disagree 2 *Strongly Agree 5*
Moderate 3

	1	2	3	4	5
Ownership of the unit trust is concentrated in the hands of different unit-holders.					
The type of ownership structure is good for the business					
The type of ownership is a predictor of growth in investment					
The fund manager has the independence required for performance of assigned tasks					
The trustee is always timely in the submission of books of accounts for audit					
The amount of profits earned are influenced by the type of ownership					
Unit trusts status as bank owned / non-bank owned contributes favourably to our work as managers					

Part C: Fund Managers Characteristics

10. What kind of management style is used by the fund managers in making of investment decisions?

    Participatory approach [ ]

    Autocratic approach [ ]

    Democratic approach [ ]

    Any other specify ……………………………………….

11. To what extent have the following investment techniques contributed to investment success in your organization? Using the scale below indicate the extent

    No extent *1* *Large extent* *4*
    Small extent *2* *Very Large extent* *5*
    Moderate extent *3*

	1	2	3	4	5
Asset selection criteria					
Asset Fund allocation criteria					

12. What asset selection criteria are preferred by your organization in the management of unit trust funds?

    ………………………………………………………………………………

    ………………………………………………………………………………

    ………………………………………………………………….

    Please explain why they are the most preferred.

    ………………………………………………………………………………

    ………………………………………………………………………………

    ………………………………………………………………….

16. What is the mode for asset fund allocation adopted by your organization in the management of unit trust funds?

……………………………………………………………………………………

……………………………………………………………………………………

……………………………………………………………………

Part D: Performance of Unit Trusts

13. Please provide information on performance of unit trust in the spaces provided below in Kenyan shillings

Year	**2009**	**2010**	**2011**
Total Assets value			
Total Liabilities			
Net Assets Value			
Profits			
Percentage increase in profits			

14. Please indicate the fund growth percentage in the spaces provided below

	Growth rate		
Fund Type	**2009**	**2010**	**2011**
Equity Fund	________%	________%	________%
Money Market Fund	________%	________%	________%
Balanced Fund	________%	________%	________%
Bond Fund	________%	________%	________%
	________%	________%	________%

Appendix 4: Questionnaire for the Portfolio Managers

Part A: Personal Information

1. Please indicate the name of your Unit Trust ……………………………..
2. Kindly indicate your gender

   Male [ ]

   Female [ ]
3. Please indicate your age from the choices below

   Below 25 years [ ]   36-45 years [ ]

   25-35 years [ ]   Above 45 years [ ]
4. Kindly indicate your highest academic qualification

   Primary level [ ]   Graduate [ ]

   K.C.S.E [ ]   Masters [ ]

   A' Level [ ]
5. Please specify the investment fund type you manage

   ………………………………………
6. How long have you served in the current position?

   Less than 1 year [ ]

   Between 1 year and 3 years [ ]

   Between 3 years and 6 years [ ]

   Above 6 years [ ]
7. How would you describe the performance of your investment scheme in respect to items presented in the table below for the last 3 years (2009, 2010 and 2011)?

   Increasing [3]   Decreasing [1]

   Static [2]

	3	2	1
Profitability			
Investment growth of the unit trust			

Part B: Organizational governance

8. The following factors relate to governance factor at your organization. . *Please indicate using the likert scale provided below, whether you agree with the factors or not*

Strongly agree	*5*	*Disagree*	*2*
Agree	*4*	*Strongly Agree*	*1*
Moderate	*3*		

	5	4	3	2	1
The Fund Manager selection criteria is favorable for the achievement of profitable good					
The Board of Directors of the Management Company poses challenges to the investment decision making process					
The Fund managers understand that they represent the interest of unit-holders.					

Part C: Organizational Characteristics

9. To what extent do the following organizational characteristics affect financial performance of your unit trust? Using the scale below indicate the extent

Very Large extent	*5*	*Small extent*	*2*
Large extent	*4*	*No extent*	*1*
Moderate extent	*3*		

	5	4	3	2	1
Competence of Employees of the Management Company					
Investment style used by the fund manager					
Dynamism of the Investment style used by the fund manager in investment decision making.					
Internal control system of the Fund Manager					
Flow of monies in and out of the fund					

10. As an asset classification style, please indicate the percentage of asset classification for your portfolio

Class Name	**Percentage**
Large Capitalization Stocks	%
Medium Capitalization Stocks	%
Treasury Product	%
Time Deposit	%
Money-at—Ca1l	%
Money Market Instrument	%
Government Bonds	%
Corporate Bonds	%

11. What should be done to counter the likely negative effects of organizational factors on financial performance presented in your organization?

    i. ____________________________________

    ii. ____________________________________

    iii. ____________________________________

    iv. ____________________________________

Appendix 5: Population Description

	Name of Unit Trust	No. of Portfolio managers	Fund Managers	Total accessible population
1	African Alliance Kenya Unit Trust Scheme	4	1	5
2	Old Mutual Unit Trust Scheme	3	1	4
3	British American Unit Trust Scheme	5	1	6
4	Stanbic Unit Trust Scheme	3	1	4
5	Commercial Bank of Africa Unit Trust	2	1	3
6	Zimele Unit Trust Scheme	2	1	3
7	Suntra Unit Trust Scheme	3	1	4
8	ICEA Unit Trust Scheme	3	1	4
9	CFC Unit trust	1	1	2
10	Dyer and Blair unit trust	4	1	5
11	Standard Unit Trust	3	1	4
	Total accessible population	**33**	**11**	**44**

Source: CMA records, (2010)

Appendix 6: Collective Investments Schemes Operational In Kenya

	Name	Type of Fund(s)	Minimum Investment Amount (Kshs)
1	African Alliance Kenya Unit Trust Scheme	1.Shilling Fund 2.Fixed Income 3.Managed Fund 4.Equity Fund	100,000.00 (all the funds)
2	Old Mutual Unit Trust Scheme	1.Equity Fund 2. Money Market Fund 3. Balanced Fund	200,000.00 (all the funds)
3	British American Unit Trust Scheme	Money Market Fund 2. Income Fund 3. Balanced Fund 4. Managed Retirement Fund 5. Equity Fund	250,000.00 (all the funds) Kshs.150, 000.00 and a top of Kshs 25,000 per month for 4 consecutive months.
4	Stanbic Unit Trust Scheme	1. Money Market Fund 2. Flexible Income Fund 3. 3. Managed Prudential Fund	1,000,000.00 (all the funds)
5	Commercial Bank of Africa Unit Trust	1.Money Market Fund 2. Equity	500,000.00 (all the funds
6	Zimele Unit Trust Scheme	1. Balanced Fund 2. Money Market Fund	5,000.00 (Balanced Fund) 5,000.00 (Money Market Fund)
7	Suntra Unit Trust Scheme	1.Balanced Fund 2. Money Market Fund 3.Equity Fund	100,000.00 (all the funds
8	ICEA Unit Trust	1. Money Market Fund	100,000.00 (all the

	Scheme	2. Equity Fund 3. Growth Fund	funds)
9	CFC Unit trust	CFC Unit Trust Fund	
10	Dyer and Blair unit trust	1. Dyer and Blair Diversified Fund 2. Dyer and Blair Bond Fund 3. Dyer and Blair Money Market Fund 4. Dyer and Blair Equity Fund	
11	Standard Unit Trust	1. Standard Equity Growth Fund 2. Standard Income Fund 3. Standard Balanced Fund	

Source: CMA records,(2010)

Appendix 7: Fund Managers

No.	Name	Address	Licence No.
1.	African Alliance Kenya Management Co Limited	P.O. Box 27639-00506, Nairobi	063/08
2.	AIG Global Investment Co. (E.A.) Limited	P.O. Box 67262–00200, Nairobi	046/08
3.	Amana Capital Limited	P.O. Box 9480-00100, Nairobi	051/08
4.	Aureos Kenya Managers Limited	P.O. Box 43233–00100, Nairobi	039/08
5.	British American Asset Managers Limited	P.O. Box 30375–00100, Nairobi	038/08
6.	Co-optrust Investment Services Limited	P.O. Box 48231–00100, Nairobi	040/08
7.	Genesis (K) Investment Management Ltd	P.O. Box 79217–00200, Nairobi	041/08
8.	ICEA Asset Management Limited	P.O. Box 46143–00100, Nairobi	047/08
9.	InvesteQ Capital Limited	P.O. Box 56977-00200, Nairobi	050/08
10.	Old Mutual Asset Managers (E.A.) Limited	P.O. Box 11589–00400, Nairobi	048/08
11.	Old Mutual Asset Managers (K) Limited	P.O. Box 11589–00400, Nairobi	049/08
12.	Old Mutual Investment Services (K) Ltd	P.O. Box 30059–00100, Nairobi	043/08
13.	Sanlam Investment Management (K) Ltd	P.O. Box 7848-00100, Nairobi	003/08
14.	Stanbic Investment Management Services (E.A.) Limited	P.O. Box 30550–00100,Nairobi	044/08
15.	Standard Chartered Investment Services Ltd	P.O. Box 30003–00100, Nairobi	045/08
16.	Zimele Asset Management Co. Limited	P.O. Box 76528-00508, Nairobi	042/08

Source: Capital Markets Authority, (2008)