ABSTRACT

Pension funds are established with the sole purpose of ensuring that contributors have access to regular or lump sum income upon retirement. However, the financial performance of pension funds in Kenya seems wanting thus raising doubts whether they can be able to achieve their primary objective. This study was carried out to evaluate the effect of financial performance on portfolio holdings held by pension funds in Kenya. The study took the form of a survey involving 1,262 pension funds in Kenya. A sample of 35 pension funds was selected for this study through judgmental sampling. The study utilized secondary data from pension fund administrators. The data collected relates to pension fund portfolio, the price schedules, the investment reports, advisory from the fund advisor and the audited financial accounts. The data was analyzed using inferential statistics to determine if there is a significant statistical difference in the asset classes using the p-value <0.05. Comparisons between composition of the various pension fund portfolio and the weighting of the various asset classes vis a vis the returns declared were also made to find out if diversification of the portfolio affects the financial performance of the pension funds. The research findings reveal that discretionary and non discretionary investment mandates to the fund managers affect the performance of the pension funds. The most pertinent concern was lack of trustees to clearly understand and put proper benchmarks to monitor the performance of the funds.