ABSTRACT

The Rwandan capital market is growing and its structure is changing to an extent that non-banking institutions are the principle holders. A lack of alternative instrument for investment could constrain investors from exercising diversification strategies in capital market instrument.

The social Security of Rwanda is one of the institutional investors which has a large amount of liquid fund in bank deposits and treasury bills due to the existing opportunities of diversification alternatives, particularly in capital market instruments SSFR has a stable source of long-term domestic investment. It provides possibilities for domestic firms to have access to long-term capital. The money invested by the social security fund of Rwanda is designed to generate revenue for an employee after retirement. Pension fund and life insurance companies have particular long-term structure of their liability. The social Security Fund of Rwanda has invested in Government bonds (Government securities), and in real estate in a significant manner, but equities or shares offer better returns and hedging mechanism. However diversification is more important because its leads to profitability and capital presentation