

INVESTMENT GUIDELINES



Investment Guidelines



- Policies and parameters for investment
- Lists the upper limits for investment in different asset classes.



Background



IPEC issued the following Circulars relating to investment guidelines:

- 2013 – Circular 1 of 2013 on investment guidelines to the industry
- 2016 – Circular 1 of 2016 with revised investment guidelines
- 2022 – Circular 2 of 2022 issued with enhanced guidelines relevant to the current environment also considering the emergence of new asset classes.

Objectives



- To guide industry on matters relating to investments;
- To ensure that funds do not overinvest in one asset class, resulting in concentration of risk;
- To ensure diversity in investments as a way of managing liquidity risk when investments are concentrated in illiquid assets.

Scope and effective date



- Applies to all pension and provident funds.
- Effective from 18 January 2022
- 2 years grace period to restructure their portfolios.

Prescribed Limits



	TYPE OF INVESTMENT	NEW UPPER LIMIT	PREVIOUS UPPER LIMIT
A	Prescribed Asset	40%	40%
B	Bonds/Stocks	40%	40%
C	Property	40%	50%
D	Local Listed Equities	60%	50%
E	Foreign Investments	15%	N/A
F	Unquoted Shares/Alternative Investments	15%	10%
G	Money Market & Cash	20%	45%
H	Other	5%	10%

Notes to the Prescribed Limits



- The limits are proportions of the Market Value of each investment class to the MV of the total asset portfolio.
- Prescribed Assets – financials instruments issued by the Government/ projects by parastatal or private company conferred Prescribed Asset Status by the Minister of Finance.
- Local Listed Equities – ZSE, VFX, FINSEC
- Unquoted Shares – These are shares in private companies

Notes to the Prescribed Limits



- To encourage diversification in funds :
 - Bonds + Property should not exceed 75%
 - Bonds + Property + Equities should not exceed 80%
 - Cash in any one bank should not exceed 5%
 - No more than 15% of a fund should be invested with a single bank
 - Limits to exposure to a single listed counter should be 15%

FOREIGN INVESTMENTS GUIDANCE



- Only invest in regulated markets
- Equities should be listed on exchanges which are members of WFE and the regulator for the market to be a member of IOSCO.
- Investment should be in Collective Investment Schemes and ETF's that are regulated by a member of IOSCO.
- Investment in stocks/bonds/private equity should be in institutions with international and national rating scales of BBB or BB.



FOREIGN INVESTMENTS GUIDANCE



- Investment in sovereign bonds shall be in countries with sustainable debt levels as guided by Debt Sustainability Analysis (DSA).
- Money markets and cash investments should be in banks that are part of an international group.
- Funds should not invest in countries blacklisted by FATF.

FOREIGN INVESTMENTS LIMITS



- Investments offshore should not exceed 15% of a fund's assets set out in the audited financials

INSTRUMENT	UPPER LIMIT
FOREIGN LISTED EQUITIES	60%
REGIONAL AND INTERNATIONAL FINANCIAL INSTITUTIONS	40%
SOVEREIGN BONDS	30%
MONEY MARKET INSTRUMENTS	10%

FOREIGN INVESTMENTS



- **By way of example:**
- Total Fund Assets= US\$10000
- Investment offshore = 0.15
*10000=1500
- Therefore :
- Of the 1500, you can invest upto :
- 60%*1500 = 900 (Foreign Listed Equities) or;
- 40%*1500 = 600 (Sovereign Bonds)



Notes to the Prescribed Limits



- Limits to exposure to a single listed counter to be varied according to market capitalisation.
- Entities should apply to IPEC if they want to depart from the prescribed limits.



Procedure for making foreign investments



- Currently the fund should apply for a support letter from the Commission.
- The support letter is then submitted to RBZ Exchange control and then approval is granted.
- IPEC, RBZ and SECZ are currently working on an Administrative Framework and revised Exchange Control Framework which will guide the industry on procedure to follow in order to get approval to make foreign investments.

**Thank You
Any
Questions?**

