Newsletter
Insurance24

Friday 02 July 2021 www.insu24.co.zw Tel: +263-242-333341/42

Are REITs the Solution to Direct Property Holding Challenges for Pension Funds?

After years of relentless advocacy by the investment management community for the enactment of required legislation, finally there is now in place the regulatory framework that governs the creation of REITs.

Modeled along fund structures, REITs (Real Estate Investment Trusts) are a special type of professionally managed legal entities that own real estate properties, mortgages or both, and they are generally traded on public exchanges, similar to traditional stocks.

These entities have to meet a number of requirements to qualify as REITs, and in turn, they offer a number of huge tax benefits to investors. REITs that own physical properties directly are classified as equity REITs. Mortgage REITs, on the other hand, issue and hold debt tied to real estate.

In most cases, REITs invest in a single property type such as office, retail, industrial, distribution centres, warehouses or even unique property types such as data centers or telecom towers.

Income and Capital Growth-Oriented Asset Type

First promulgated in the US in the 1960s to give all investors the opportunity to invest in large-scale diversified portfolios of income-producing real estate, REITs have long become an important asset class in portfolio construction for investors – retail and institutional together.

Today, there are more than 225 REITs in the US that trade on major stock exchanges. Closer to home here, South Africa has a very vibrant REITs sector that has been growing steadily since the introduction of the necessary legislation back in 2007. Kenya also has had the necessary legislation in place since 2015. There has not been such a marked uptake and growth though in that market and there is currently only one registered REIT that is listed on the Nairobi Stock Exchange (NSE).

Although they are called trusts, they can be instituted either as a company with shareholders and legislated under the Companies Act, or as a Trust with unitholders and legislated under a Collective Investment Scheme Act, or some other similar legislation.

Either way, they are created with the goal of maximising shareholder/unitholder value. It is required that a significant portion of income they generate be distributed as income to their shareholders in the case of companies, and to unitholders in the case of trusts.

Basically, REITs operate along a straightforward and easily understandable business model: by leasing space and collecting rent on its real estate, the entity generates income which is then paid out to shareholders/unitholders in the form of dividends.

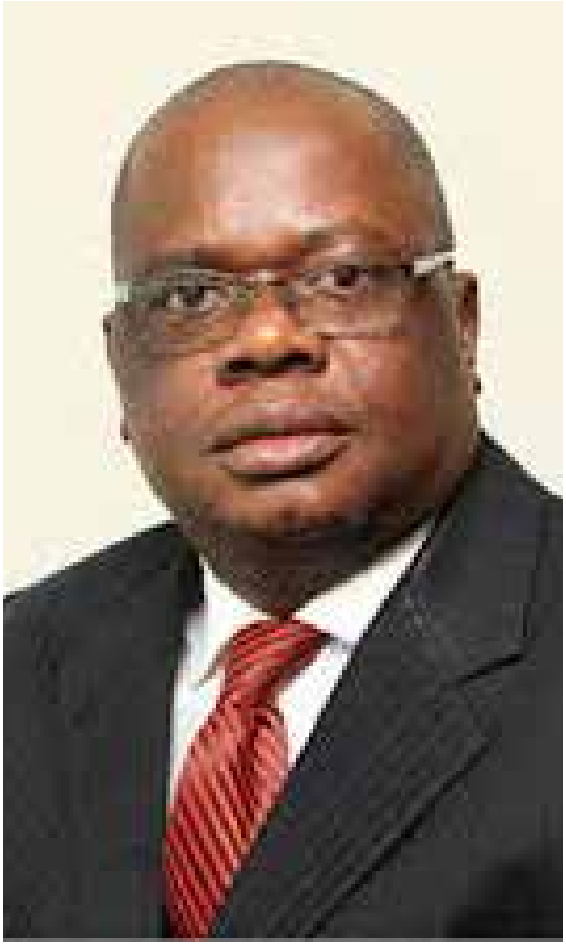
In the US, REITs must pay out at least 90% of their taxable income to shareholders/unitholders — and most pay out 100%. In South Africa and Kenya the set dividend payout ratios are 75% and 80% respectively. There is no corporate income tax that applies in most jurisdictions for REITs while shareholders/unitholders pay income taxes on the dividends they receive.

In our instance, the regulatory authorities have resolved to legislate REITs under the Collective Investment Scheme Act – thus they can only be set up as Trusts.

Investing in REITs can serve as a source of cash flow for income-oriented investors. However, succeeding with REITs means finding the best REITs for income and understanding the advantages and disadvantages of this investment vehicle. For the full article visit. *www.insurance24.co.zw*

FMHL GPW in massive growth in the period to May 31, 2021

Staff Writer



HARARE, ZSE listed insurance and property giant, First Mutual Holdings Limited (FMHL) says Gross Premium Written (GPW) for the five months to May 2021, significantly rose 494% to $3,92 billion compared to $0.66 billion in prior year.

Doug Hoto, the group's chief executive, told shareholders at the company's annual general meeting that the growth of premiums was largely driven by US$ premiums which were estimated at 40% of total revenue and translated at the interbank rate.

"In the Zimbabwe market, the foreign currency premiums were US$9,2 million compared to US$1,5 million in the prior period as an increased number of clients were preferring to cover in US$ to limit the extend of shortfalls or excesses," he said.

Hoto noted that Net Premium Written (NPW) was ZWL$3,1 billion, increasing 504% compared to prior year same period.

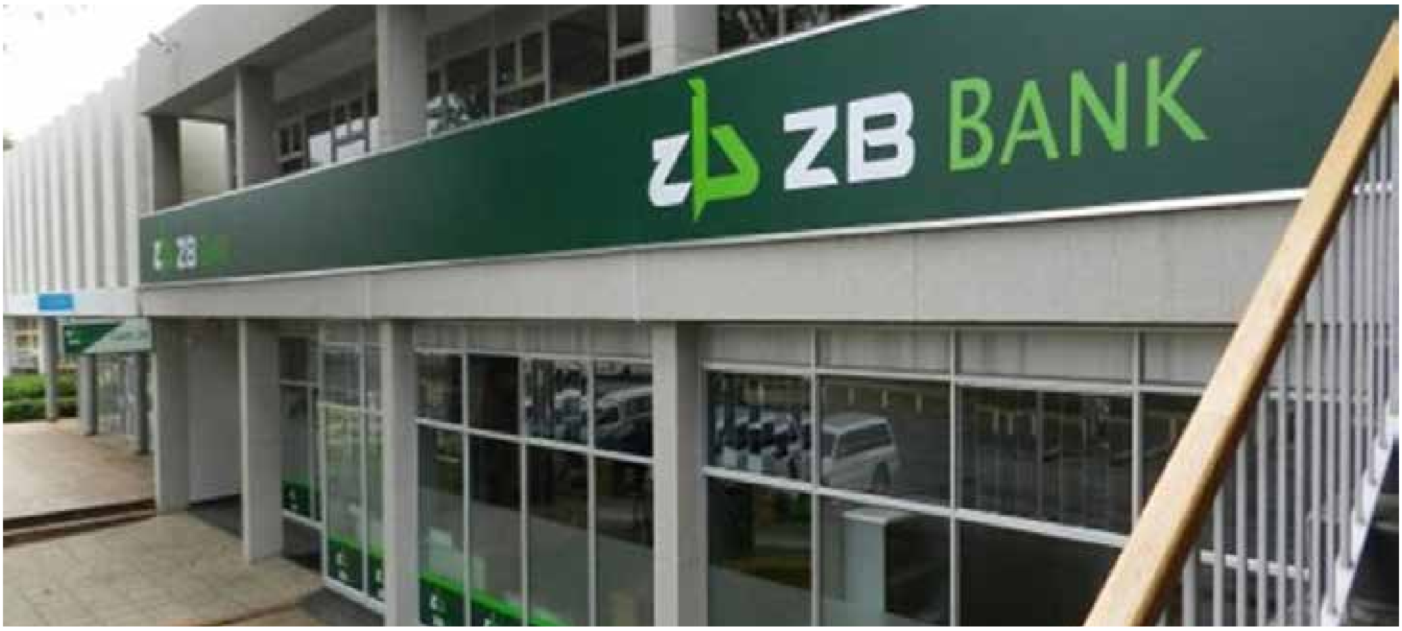
He said the Net Premium Earned after adjusted for the UPR was $2,81bn up 487% from ZWL$0.5bn in prior period.

Total direct expenses were $1.8bn an adverse variance of 567% on prior year in response to the benchmarking of costs to alternative market rates by service providers to give an underwriting result of $0.947bn compared to $0.187bn in prior period.

Rental income was $153,4m leading to total other income of $0.253bn while Admin expenses at $0.837bn were up 471% with total expenses of $0.881bn leading to an operating profit of $318.1m compared to $98.5m in the prior period, a growth of 223%.

Investment income was $2,356bn, a growth of 348%. After factoring fair value adjustments and transfers of policyholder investment income, the profit before tax for the period was $1.363bn from $523m in prior period, a growth of 160% and just in line with annual inflation for the period.

ZB insurance related expenses outpace gross premiums



Staff Writer

ZB Holdings net insurance earnings declined from $0.4bn in 2019 to a loss of ZW$0.002bn in 2020 influenced by a 58% increase in insurance related expenses which grew faster than the growth in gross premiums.

Fanuel Kapanje, the Acting Group Chief Executive, in financials for the year ended December 31, 2020, said Gross premiums increased by 2% from ZW$1.128bn in 2019 to ZW$1.148bn in 2020, whilst the related expenses increased from ZW$0.728bn in 2019 to ZW$1.149bn in 2020.

During the period under review, ZB Reinsurance posted a profit of ZW$0.086bn in 2020 compared to ZW$0.113bn in 2019.

"Its total assets increased in real terms from ZW$0.678bn as at 31 December 2019 to close the year 2020 at ZW$0.839bn," Kapanje said.

He added that the company has maintained good relations with its cedants and retrocession partners.

ZB Life Assurance posted a profit of ZW$0.135bn in 2020, compared to ZW$0.650bn in 2019 and its total assets increased in real terms from ZW$2.418bn as at 31 December 2019 to ZW$3.257bn as at 31 December 2020.

"Growth in life assurance premiums has slowed down significantly as household incomes are affected by inflation," he said.

He noted that the company has started offering funeral service facilities as an add-on to its bouquet of services in partnership with selected partners.

Meanwhile, the overall group recorded a 9% decline in total income for the year 2020 to $3,3 billion from $3.656bn in 2019 mainly underpinned by an 87% decrease in fair value adjustments, from ZW$1.032bn in 2019 to ZW$0.136bn in 2020.

Banking commissions and fees also fell in real terms by 8%, from ZW$1.242bn in 2019 to ZW$1.142bn in 2020, as inflation continued to outpace rate adjustments for commissions and fees. Net interest income increased by 0.34%, from ZW$0.657bn in 2019 to ZW$0.660bn in 2020.

"The subdued revenue performance in 2020 was mainly due to the combined effects of low-cost absorption as performance of most economic sectors receded. This was compounded by the freeze on banking fees by the authorities which was necessary to ameliorate the effects of COVID-19 on industry and the general public," Kapanje said.

Old Mutual seek to unbundle portion of Nedbank stake

According to a circular to shareholders, Old Mutual will unbundle all the Nedbank ordinary shares currently held by Old Mutual...

Staff Reporter

OLD Mutual Limited has said it will unbundle a portion of its stake in Nedbank subject to relevant approvals.

According to a circular to shareholders, Old Mutual will unbundle all the Nedbank ordinary shares currently held by Old Mutual Emerging Markets Limited being 62,131,692 Nedbank ordinary shares and comprising 12,2 percent of the issued ordinary share capital of Nedbank to Shareholders by way of a distribution in specie.

"Following conclusion of Old Mutual's managed separation process in 2018, Old Mutual retained a minority shareholding in Nedbank which represents 19,4 percent of the Nedbank ordinary shares currently in issue.

"This level of the Nedbank Stake was determined through discussions with Nedbank and the relevant regulators at the time in order to, amongst other things to ensure cohesive alignment with the ongoing arms' length commercial arrangements between Old Mutual and Nedbank," read part of the circular.

The company said following an internal review of the Nedbank Stake, the company believes that it is in the best interests of Shareholders to dispose of a majority of its Nedbank stake through the unbundling, as this would also allow Shareholders to participate more directly in the differentiated investment cases of Old Mutual and Nedbank.

It further reads that the decision was also to support the capital structure of the Old Mutual group (the "Group"), in particular within Old Mutual Life Assurance Company (South Africa) Limited ("OMLACSA"), whilst implementing changes required by the Insurance Act which took effect from July 1, 2018.

Old Mutual said it was committed to being a significant minority shareholder of Nedbank with the right to nominate a director to the boards of Nedbank and Nedbank Limited whilst retaining a right to review the Nedbank Stake as appropriate from time to time, in accordance with the protocols outlined in the relationship agreement concluded between Nedbank and Old Mutual on April 19, 2018.

Old Mutual said the remaining Nedbank Stake, held by OMLACSA, comprising 7,2 percent of the Nedbank ordinary shares currently in issue continues to support the capital structure of OMLACSA and will be optimally managed in line with the Group's Financial Management Framework.

Dear: Valued ZAPF Member,

The Zimbabwe Association of Pension Funds (ZAPF) in partnership with Insurance24 will on the 16th of July 2021 publish the 6th ZAPF Quarterly Pension Magazine.

The magazine will offer latest news on pensions, investments, law and regulation, informed comment and analysis and special features.

It will be distributed by ZAPF via its mailing list to ZAPF members and non-members and all insurance boards and investment centres; it will also be available on ZAPF, Insurance24 websites for our local, regional and international readers and readers to access the news.

We believe that the magazine provides advertisers with an opportunity to communicate with all stakeholders as well as potential ones.

The magazine page size: 297mm x 210mm. The maximum printed area available for advertising: 270mm x 184mm (27cm x 5 columns being full page) and 200mm x 184mm (20cmx5 columns being half page). The advertising charges are as stated below;

ADVERT SIZES

Discounted Charge	
27×5 A4 – full page	ZW$29,750
20×5 half page	ZW$18,550

Members and complimentary service providers of ZAPF, take this opportunity to showcase the uniqueness of your products/services as well announcing your pension notices to the insured public.

To advertise in the magazine can contact Insu24 on Mobile: 0717 115 113 or 0712 769 382 email: info@insurance24.co.zw or ZAPF Secretariat on email: zapf@zapf.co.zw.

DEADLINE

Articles contribution deadline is	09 July 2021
Our advertising booking deadline is	09 July 2021.