

04 July 2019

TO: PRINCIPAL OFFICERS OF ALL REGISTERED PENSION FUNDS ORGANIZATIONS

EXPLANATORY NOTE: PF/EN/01/2019

EFFECTIVE DATE: 04 JULY 2019

SUBJECT: CLARIFICATION OF PROPERTY ASSET CLASS IN REGULATION 13(1)

1. INTRODUCTION

- 1.1. This Explanatory Note is issued by virtue of the Namibia Financial Institutions Supervisory Authority's ("the Authority") functions and powers, and those of its Chief Executive Officer in his capacity as the Registrar of Pension Funds, in terms of the Pension Funds Act, 1956 (Act No. 24 of 1956) ("the Act"), read with the Namibia Financial Institutions Supervisory Authority Act, 2001 (Act No. 3 of 2001), and is applicable to all registered pension funds organizations under the Act.
- 1.2. This Explanatory Note provides clarity on the Registrar's interpretation of "property" asset class stipulated in Regulation 13(1) of the Pension Funds Regulations made under the Act read with Annexure A of the aforesaid Regulations.

2. REGULATION 13(1) OF THE PENSION FUNDS REGULATIONS

Regulation 13(1) provides limits relating to assets in which funds may invest, the property asset class is one of the asset classes. Investments in properties (as defined in Regulation 12) are limited to 5 per cent per single property or property development project and an overall maximum of 25 per cent of the total assets of a fund for the asset class as a whole.

3. THE LAW

- 3.1. Annexure A of the Pension Funds Regulations provides investment limits of the assets in which a fund may invest in terms of Regulation 13. The “property” asset class is made up of the following assets

“Immovable property, and shares in, loans to and debentures, both convertible and non-convertible, of property companies:

- (a) Per single property*
- (b) Per property development project*

Total investments of a fund in assets referred to in this item”

- 3.2. In terms of Regulation 12

““property company” means a company -

- (a) of which 50 per cent or more of the market value of its assets consists of immovable property, irrespective of whether such property is held directly by the company as registered owner or indirectly by way of ownership of the shares in the company which is the registered owner of the property or*

of exercising control over the company which is the registered owner of the property or by way of a trust of which the company is a beneficiary; or

(b) of which 50 per cent or more of its gross income is derived from direct or indirect investments in immovable property”

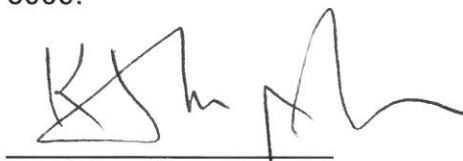
4. CONCLUSION

4.1. A fund may invest in an immovable property subject to the single issuer limit and the maximum allowable percentage of aggregate market value of the total assets of the fund.

4.2. Where a fund desires to invest in the shares, loans to and debentures, of a property company such property company's shares, loans and debentures, do not have to be listed on a stock exchange however the single issuer limit and the maximum percentage of aggregate market value of the total assets of the fund applies.

The Registrar hope this clarifies the matter.

Should you require more clarity on this Explanatory Note, kindly contact the Manager of the Pension Funds and Friendly Societies Department at telephone number 061-290 5000.



Kenneth S. Matomola
Registrar of Pension Funds