

ABRIDGED FINANCIAL STATEMENTS YEAR-ENDED 31 DECEMBER 2018

STATEMENT OF COMPREHENSIVE INCOME

For the Year Ending	2018 US\$	2017 US\$
Contributions	5 872 074	5 658 815
Net Investment Income	4 060 288	3 029 849
Other Income	1 331 835	1 508 456
Unrealised Gain from Equities	14 261 675	11 236 673
Total Income (a)	25 525 872	21 433 793
<i>Less: Benefits Paid</i>		
Monthly Pensions	102 119	91 844
Withdrawals	1 218 436	899 844
Retirements	582 543	448 260
Retrenchments	955 283	347 074
Death in service benefits	287 049	397 332
Ex-gratia Payments	1 035	1 076
Administration Expenses	3 220 151	1 676 410
Total Expenses (b)	6 366 616	3 861 840
Surplus for the Year (a-b)	19 159 256	17 571 953

STATEMENT OF FINANCIAL POSITION

For the Year Ending	2018 US\$	2017 US\$
ACCUMULATED FUND:		
Opening Accumulated Fund	57 043 760	39 471 807
Surplus for The Year	19 159 256	17 571 953
	76 203 016	57 043 760
EMPLOYMENT OF CAPITAL:		
Investments	72 928 118	52 849 252
Fixed Assets	268 875	236 538
Debtors Less Creditors	2 927 577	3 881 976
Cash in Hand	78 446	75 994
BALANCE OF FUND	76 203 016	57 043 760

BOARD OF TRUSTEES

Current Trustees

Mr. B Mswaka (Chairman)
 Dr P.M Matupire (Employer Trustee)
 Mr P. Chitando (Employer Trustee)
 Mr. E. Edwards (Employer Trustee)
 Mr. P. Mushore (Employer Trustee)
 Mr. C. Mugumo (Employee Trustee)
 Mr. S. Murisa (Employee Trustee)
 Mr. K. Moyo (Employee Trustee)
 Mr C. Dururu (Employee Trustee)

Executive Team

Chief Executive Officer/Principal Officer

Mr Raymond Manhika (MBA, BSc Honours Applied Mathematics)

Acting Finance and Administration Executive

Mr K. Jokonya (HND in Accounting)

Pensions Admin Executive/Compliance Officer

Mr Munyaradzi Nheta (MBA, HND in Pensions Management)

Actuaries

Ground Floor, East Wing, Block 6
 Celestial Office Park Borrowdale, Harare

Auditors

Grant Thornton Chartered Accountants (*External Auditors*)
 AMG Global Accountants (*Internal Auditors*)

Investment Managers

Old Mutual Investment Group;
 ABC Asset Management and,
 CBZ Asset Management t/a Datvest

Bankers

Barclays Bank,
 FBC Bank, Banc ABC and,
 Standard Chartered Bank

Head Office address

Motor Industry Pension Fund

Motor Industry House
 77 Central Avenue, Corner 7th Street/Central Ave
 Harare, Zimbabwe
 Box A1018, Avondale

Contact Details

Tel: (263) (24) 764264/705595

Cell: (263) 775 015 555

Fax: (263) (24) 795309

Email: rmanhika@motorpension.co.zw
mnheta@motorpension.co.zw
enquiries@motorpension.co.zw

Website: www.motorpension.co.zw

MOTOR INDUSTRY PENSION FUND

Summary Financial Statements as at 31 December 2018



Motor Industry Pension Fund Office Block under construction, 14 Argyle road Avondale, Harare. Expected completion date 31 December 2019.

Introduction

Motor Industry Pension Fund (MIPF) is registered as a self-administered Pension Fund in terms of the Pensions and Provident Fund Act (Chap. 24:09). It is a Defined Contribution Scheme financed through contributions from employees and employers and earnings from the Fund's investments. The surplus from contributions and investment income over benefits payments is invested in compliance with pensions regulations.

Pension Contributions

Pension contributions to the Fund is compulsory to all employees under the age of 65 years whose employers are registered with the National Employment Council for the Motor Industry in terms of Statutory Instrument (SI) 66 of 1995. Employers are obliged to deduct 5% from an employee's monthly basic salary and in turn contribute 5% on behalf of their employee plus 2.5% stabilisation. These contributions should be paid into the Fund's account or offices on or before the 14th of the following month in terms of (SI) 243 of 2006.

Further details of contribution rates payable to and benefits receivable from the Fund are contained in the Members' Booklet issued to all employees who are eligible to join the Fund.

Chairman's Statement

It is my pleasure to present you with the Fund's Annual Report and Financial Statements for the Financial Year ending 31 December 2018. I trust that this report will give you an informative update on the financial status of the Fund, as well as a summary of the investment strategy and performance over the last year and into the future. It has been a year of significant transformation both on the Fiscal and Monetary fronts as the Government launched its Transitional Stabilisation Programme (TSP) boasted by funding from the earlier introduced 2% Intermediated Money Transfer tax (2% IMT tax) in October 2018. Unfortunately, the introduction of this 2% IMT tax triggered a wave of price increases across the economy and a battering of the local currency against the US dollar on the alternative foreign exchange market.

Total contribution income went up by a marginal 3.77% to \$5.872 million in 2018 from \$5.658 million in 2017. This was as a result of a more aggressive marketing approach which targeted the growing Fuel sector. Also, the anticipated short working hours in the same sector were not approved to the extent at which the Fund had budgeted it. The total Asset value at year-end was up 33.58% from \$57.043 million to \$76.203 million.

Despite the significant volatility experienced in the economy, your Fund continued to benefit from timely and prudent investment strategies put in place by your Board. Once again as in 2017, the 2018 return was anchored by the Equities bull-run witnessed from October to year end in response to fiscal pronouncements which were made in the last quarter. The fully let property portfolio also earned above average rental yields as well as dividend income earned by the fund's equities portfolio. Although more than 82% of inflation for 2018, came through in the last three months of the year, your Fund still managed to respond to this adverse situation by posting 33.78% return against an inflation rate of 42.09% for the same period. On a cumulative basis since dollarization the Fund's investment returns have grown by 552.48% against an inflation rate benchmark of 45.45% for the same period.

Actuarial Valuation Results

Our actuarial valuation results continue to show a healthy financial position as evidenced by a huge surplus of \$19.159m in 2018 compared to \$17.57 million. Therefore, your Board approved a bonus of 36.18% to Active members, 25.20% to Preservation and Dormant members as well as a 28.03% pension increase to Pensioners. The Board continue to set aside a Bonus Smoothing Reserves (BSR) of a maximum of 5% of market value of total assets meant to cushion members in bad years. The BSR has the effect of reducing the likelihood of declaring negative bonuses in bad years as the reserve is used to smoothen returns. Cumulatively from the advent of dollarization in 2009 to 31 December 2018, the total bonuses declared to members amounts to 293% against an inflation of 45.43% for the same period.

After the 2018 bonus declaration, your Fund remained sufficiently funded above the minimum funding level set by Insurance and Pensions Commission (IPEC) of 75% at 104.8%. This means that your Fund has more than enough assets to meet all liabilities as at 31

December 2018. Again, against industry benchmark, we believe your Fund is way above Industry average.

Administration

Your Fund took a deliberate decision to invest in a new Pensions and Administration system called Everest provided by a South African Company. The Board and management believe this investment will enhance the administration process and creates a more efficient and technology driven organisation when it is fully implemented. This will significantly improve service delivery into the future. The system is expected to be fully implemented and modified to our needs by end of 2019.

The Fund still maintains and meets its internal target of claims payment within 5 days from date of receipt of all documentation provided the employer is up to date with all contribution remittances to the Fund. Therefore, all employers are encouraged to remit the pension contributions on time to avoid inconveniencing the exiting member.

Late contribution remittance penalty

We continue to remind Employers that the Minister of Finance gazetted amendment No.21 of the Pensions and Provident Act (**S.I. 61 of 2014**) which deals with late contribution payments will continue to be enforced. Late remittances attract interest at the level of the Fund's unsecured overdraft bank rate.

Membership Statistics as at 31 December 2018

Below is the Fund membership and exit statistics as at 31 Dec 2018:

No. of members as at 31 December 2017	46,963
New Entrants into Main Fund	260
New Entrants into Preservation Fund	116
Total	47,339
Resignations, Retirements, Retrenchments and Deaths in Service Claims	(1,249)
Total Membership	46,090
Total Pensioners (Former Members)	111
Beneficiaries-Spouses	12
Beneficiaries-Children	4

A total of 1,249 claims worth \$3.04 million were successfully processed and paid compared to 1,125 claims amounting to \$2.2 million in 2017.

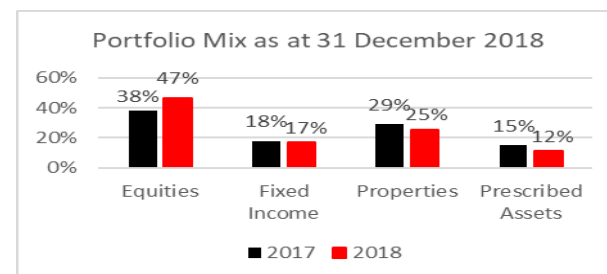
Investment Portfolio Mix

The highly inflationary last three months of 2018, triggered the Board to take a more aggressive risk management but prudent investment strategy by investing in well-diversified assets which are high yielding, inflation sensitive securities with a view to long-term value preservation. Due to the liquid nature of the Fund, the Board also took an opportunity to invest in Afreximbank depository receipts (DR) which is a foreign asset listed in Mauritius, together with other

holdings offer a hedge against currency risk. The asset purchase was facilitated by RBZ and bought at an exchange rate of 1:1. The exposure in foreign listed assets which pay foreign currency denominated dividends increased to also include Nedbank, Quilter, Old Mutual Plc, Seed Co International and PPC.

The new property in the portfolio, No. 17 Chinamano Avenue, Harare is now fully let with a stable corporate tenant who signed a 10- year lease renewable thereafter. The Fund also started construction of a new office block along Argyle road near Avondale in Harare, which is on course to be finished by year-end at almost the same budget approved in May 2018. The Board and management took a deliberate decision to pre-purchase all materials for the project in August 2018 and it paid off, when the environment started changing in October 2018.

The Fund also increased its shareholding in a private investment vehicle comprising of residential, retail and Industrial properties following a rights issue to raise funds to build cluster houses in Helensvale, Borrowdale, Harare piece of land which had been idle for years but owned by the investment vehicle. This should also enhance performance of this vehicle and preserve value. Below is the Pension Fund investment portfolio mix for the year 2018.



The Fund was 100% compliant with IPEC investment guidelines including prescribed assets.

Outlook

Your Fund is in good stead to grow significantly going forward. 2018 results have been reported using the PAAB guidelines which conservatively proposed to report using 1:1 at year-end. We believe there is a huge uplift from property portfolio likely to be seen in the 2019 results following the introduction of the interbank rate on 22 February 2019.

Finally, I would like to record my thanks and appreciation for the support given to me as your Chairman and the entire Board of Trustees by management, staff, investment managers, advisors, IPEC and all those involved with the continued operations and growth of the Fund.

Mr B. Mswaka
Chairman