



Investment Guideline

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Table of Contents

- 1.0 INTRODUCTION**
- 1.1 PECULIARITY OF UWEZO FINANCIAL SERVICES**
- 1.2 VISION**
- 2.3 MISSION**
- 2.0 PURPOSE OF THE INVESTMENT GUIDELINE**
- 3.0 GENERAL INVESTMENT GUIDELINES**
- 4.0 INVESTMENT PRINCIPLES**
- 5.0 INVESTMENT GUIDELINE OBJECTIVES**
- 6.0 INVESTMENTS PRODUCTS**
 - 6.1 Share capital**
 - 6.2 Endowment Fund**
 - 6.3 Private Capital Partnerships**
- 7.0 RESTRICTIONS**
- 8.0 INVESTMENT GUIDELINE IMPLEMENTATION AND OPERATIONS**
- 9.0 INVESTMENT GUIDELINE REVIEW**
- 10.0 INVESTMENT GUIDELINE APPROVAL**

1.0 Introduction.

UWEZO FS supplement banks by providing the infrastructure to allocate surplus resources to individuals and companies with deficits. Additionally, UFS also introduces competition in the provision of financial services. While banks may offer a set of financial services as a packaged deal, UFS unbundle and tailor these service to meet the **needs of specific clients**. Additionally, UFS specialize in one particular sector and develop an informational advantage. Through the process of unbundling, targeting, and specializing, UFS enhances competition within the financial services industry.

UFS aspire to offer most sorts of banking services, such as loans and credit facilities, private education funding, retirement planning, trading in money markets, underwriting stocks and shares, TFCs (Term Finance Certificate) and other obligations. The organization will also provide wealth management such as managing portfolios of stocks and shares, discounting services e.g. discounting of instruments and advice on merger and acquisition activities. We understand the number of non-banking financial companies has expanded greatly in the last several years as venture capital companies, retail and industrial companies have entered the lending business. UFS will also frequently support investments in property and prepare feasibility, market or industry studies for companies and specific focus will be on church projects. *UFS understand that we are typically not allowed to take deposits from the general public and have to find other means of funding our operations.*

1.1 Peculiarity of UWEZO Financial Services

Uwezo Financial Services Limited (UFSL) is a religious owned financial institution (FI) based in Dar-es-Salaam offering micro, small, and medium sized loans to churches, church-owned institutions and individuals, including groups of individuals. Loans offered are short-term business loans and long-term development loans.

The FI believes in empowering all Tanzanians to meet development challenges and, to this end, it provides services to the marginalized population by providing affordable loans (Uwezo Loans) structured to fit different classes of customers. It operates on low cost basis, thus enabling affordable lending rates to its customers.

While based in Dar-es-Salaam, the UFSL shall be reaching customers in other parts of the country through the right use of technology and agency relationships. To enhance better utilization of facilities offered to its customers, and to achieve high repayment rates, the UFSL puts emphasis on customer orientation and offers entrepreneurial and management training to its customers.

1.2 Vision

To be a leading national low cost financial services rendering institution reaching all categories of clients in the country especially TAG churches and its members.

1.3 Mission

Uwezo Financial Services Limited is a TAG owned financial institution contributing to the on-going economic and social development of the Tanzania by developing specialised financial products and marketing them through an efficient agency arrangement and mobile phone technologies.

2.0 PURPOSE OF THE INVESTMENT GUIDELINE

This investment guideline is set forth by the Uwezo Financial Services Board to:

1. Define and assign the responsibilities of all involved parties.
2. Establish a clear understanding of the organization investment goals and objectives.
3. Offer guidance and limitations to the Investment Manager(s) regarding sourcing of an investment from outside the organization
4. Establish the relevant investment horizon for which the available assets will be managed, invested and redeemed.

In general, the purpose of this guideline is to outline a philosophy and strategy, and criteria which will guide the investments toward the desired results. It is intended to be sufficiently specific to be meaningful, yet broad and flexible for functionality.

3.0 GENERAL INVESTMENT GUIDELINES

Investments shall be made solely in the interest of the UFS beneficiaries.

1. The assets shall be invested with the care, skill, prudence and diligence under the circumstances that a prudent person would use in the investment of assets with like character and similar goals.
2. Investment of the assets shall be diversified to minimize the risk of capital erosion, unless under the circumstances it is clearly inadvisable not to do so.
3. The Investment Committee may employ one or more investment managers of varying styles and philosophies to achieve the organizations goals and objectives.
4. Cash shall be invested in a productive manner through the use of short-term instruments that provide safety, liquidity and a reasonable yield, considering prevailing market conditions.

4.0 INVESTMENT PRINCIPLES

4.1 Preservation of Capital - Consistent with their respective investment styles and philosophies, Investment Manager(s) should make reasonable efforts to preserve capital, understanding that losses may occur. **Risk Aversion** - Understanding that risk is present in all types of securities and investment styles, the Investment Committee recognizes that some risk is necessary to produce long-term results in order to meet the organizations investment objectives. However, Investment Manager(s) are to make reasonable efforts to control risk and will be evaluated regularly to ensure that the risk assumed is commensurate with the given investment style and objectives. UFS will use the structure and the systems to control all investments and ensure safe return to the investors.

4.2 Adherence to Investment Discipline - The Investment Manager(s) are expected to follow the investment management styles for which they were hired. Manager(s) will be evaluated regularly for adherence to their specific investment discipline(s) and performance compared against pre-selected benchmarks.

5.0 INVESTMENT GUIDELINE OBJECTIVES

Uwezo Financial services (UFS) intends to follow a “total return” policy for management of its long-term endowment/investment assets. This approach defines net investment return as the total change in the overall value of funds, including both current income (i.e., interest, dividends, etc.) and unrealized capital gains and losses less fees.

It is the responsibility of the Investment Committee to consider how the social and ethical goals of the organization, as expressed by the Board, should be reflected in the portfolio. In this regard, the Investment Committee may issue periodic restrictions of specific investments or related strategies intended to safeguard the interest of UFS and the investors in the endowment Fund portfolio.

6.0 INVESTMENTS PRODUCTS

6.1 Share capital

Church organ or cluster within church organization (TAG) will be allowed to buy shares from UFS and benefits from the ownership of UFS. As owners, the investor will be able to gain from the net profit from operations of UFS annually. From the business plan, UFS strategically plan to break even within financial 5 years. Thus be able to share profit to owners from financial year 6 of operations.

6.2 Endowment Fund

UFS is creating an endowment Fund with the aiming of pooling church resources together and enhance financing and investment. Pooling of resources together for UFS customers it will enable the organization to negotiate good rates from Fixed Deposits, Treasury bill and Treasury bonds for excess funds but more important being able to serve all credit demand on time. All funds invested/contributed to endowment funds, will earn an interest rate of **10%** per annum. This fund will facilitate all core activities for UFS and at the same time build sustainability of the organization. In return all contributors will gain more by investing in UFS endowment fund than the interest rate which will be issued by a bank.

Any contributor who will need credit facility will be able to get the credit facility from UFS at a discount rate of 3%. Any church aspiring to be a customer to UFS will be motivated to contribute/save through endowment fund which has dual benefits of gaining interest and discount over credits.

6.3 Private Capital Partnerships

Investment allocations within UFS will also include venture capital, private equity and international private capital investments, held in the form of professionally managed pooled limited partnership investments. Such investments must be made through funds offered by professional within church settings with defined structure which will be a communication channel between beneficiaries and UFS. The private capital partnership will be encouraged from the Pastors through their defined structures, evangelists, men’s club, youth, women and all professionals within the church setting. The reward for this investment will be at a rate of **10%** for the portfolio negotiated between UFS and the governance of respective group. This partnership will avail dual benefits as well for those ones who will require financing from the organization to be guaranteed by the group, receive discounted rate of borrowing and as well gain interest on his contributions toward partnership.

This mode is expected to involve all members of the body of Christ through Tanzania Assemblies of God.

7.0 Restrictions

The Investment Committee may waive or modify any of the restrictions in these guidelines in appropriate circumstances. Any such waiver or modification will be made only after a thorough review of the Investment Manager(s) and the investment strategy involved. The review will be done by the Chief executive officer and there after get approvals from the approved governance structures available. An addendum supporting such investments will be maintained as a permanent record of the Investment Committee of the board. All waivers and modifications will be reported to the Board of Directors at the meeting immediately following the granting of the waiver or modification.

Investment in foreign currency will be evaluated before agreeing on the rate of return after taking into consideration the possibility of UFS making profit from the foreign investment to be received. All foreign currency deals will be closed after approval of the Board.

Any investment that is made in an endowment funds and/or commingled funds will be processed by the respective officials, recorded and reviewed and finally be approved by the Investment Committee on a case by case basis. The cumulative approval will be presented on a quarterly basis unless when there is significant investment received which the Management feels the Board will need to endorse before closing the deal. All investments returns will be as per approvals from the Board which is anticipated to change from time to time depending on the economic environment.

To the extent that a UFS allows any or all of the above stated restrictions, the Investment Committee must be aware of their possible use and be confident that the Investment Manager(s) who are working under guidance of Chief Executive officer thoroughly understands the risks being taken by receiving funds which call for a return after a certain period and have to demonstrated expertise in their usage of such funds/investments, and has guidelines in place for the use and monitoring of those funds.

The investment goals will be “PERFORMANCE AND ANTICIPATED RATE OF RETURN ABOVE THE BANKING RATE”. This will have an objective of aggregating portfolio and are not meant to be the benchmark for each Investment to be sougheed. The goal of each Investment shall be to:

1. Meet or exceed the market index or blended market index, selected and agreed upon by the Investment Committee that corresponds to the style of investment management
2. Display an overall level of risk in the portfolio that is consistent with the risk associated with the benchmarks specified above.

8.0 INVESTMENT GUIDELINE IMPLEMENTATION AND OPERATIONS

8.1 The implementation of this guideline for the day-to-day operations of collection of funds, withdrawals, interactions with investment organs and the colleges, and timely reports to the Investment Committee and the UFS Board is delegated to the Foundation's Executive Director.

8.2 UFS customers and investors of UFS is targeting local churches, sections level, district level and local and international partners.

8.3 Expected minimum amount to be collected as a condition to acquire loans from UFSL is expected to be 25% of the loan being requested in investment pool or shares. This will enhance contributions and raise the capital base.

8.4 Lock in period for contributions in investment pool will be negotiable with minimum duration of 1 year and maximum 5 years. However for the contributions towards loan, the lock in period will be the duration of loan if the loan period surpasses one year.

8.5 All contributions to the investment will attract interest as per section 6.3 above.

9.0 INVESTMENT GUIDELINE REVIEW

To assure continued relevance of the guidelines, objectives, financial status and capital markets expectations as established in this statement, the Investment Committee of the Board plans to review this investment policy on an annual basis.

10.0 INVESTMENT GUIDELINE APPROVAL

This Investment guideline and any changes to it will be recommended by the Investment Committee to the Uwezo Financial Services Board of Directors and approved by that Board.