

THE CAPITAL MARKET QUARTERLY NEWSLETTER 2/2023



A Newsletter of the Capital Market in Zimbabwe

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Editor's Notes



Greetings readers,

Welcome to the second quarter issue of the Capital Market Newsletter. We have reached the half year mark which was marked by a busy first quarter followed by a volatile second quarter. Closely following the market is a necessity in this dynamic environment.

The Commission launched an Innovation Office on 31 March 2023 to enable innovative minds to present their ideas and experiment in a controlled environment. Innovators and representatives of the Securities Market Intermediaries attended the launch which was held at the Commission's premises.

The Capital Market sector remains resilient as of 31 March 2023, as measured by Securities Market Intermediaries' (SMIs) ability to maintain adequate capital and fair profitability. A total of ZWL50 billion worth of trades were settled during the quarter and Funds Under Management (FUM) as at 31 March 2023 were ZWL2.4 trillion, a 54% surge from the ZWL1.6 trillion reported as at 31 December 2022.

The Zimbabwe Stock Exchange recorded an increase of 14 % in turnover value, whilst volume of trades decreased during the same period. The ZSE All -Share index increased from 19,493.85 to 38,568.48 adding 98 % in Q1 of 2023.

C- trade, the Financial Securities (Finsec)'s digital platform for securities trading, recorded growth in total buy value and total sell value of 50.98% and 272,02% respectively, as from Q4 2022 to Q1 2023. This newsletter features three exchanges, the Zimbabwe Stock Exchange, Finsec and the Victoria Falls Stock Exchange (VFEX). VFEX was established in 2020 to kick start the Offshore Financial Services Centre (OFSC) earmarked for the Special Economic Zone in Victoria Falls. All VFEX trades are in foreign currency.

We also give a detailed account of Real Estate Investment Trusts (REITS) and provide definitions for some investment terms in the Investor Education pages to simplify and deconstruct technical finance terminology for the potential investors.

With the emergence of counterfeits and increase in money laundering activities in the country, the Commission, together with other regulators have been running anti -money

laundering and combating of finance terrorism programmes to discourage and eliminate such activities in Zimbabwe. This year, the SECZim set up an AML unit, which falls under the Director of Licensing, Supervision and Surveillance. The department investigates enforcement of AML/CFT/CPF regulations and guidelines in Securities Market Intermediaries.

I take this opportunity to thank all the readers for following the capital market issues through this channel. I hope that you will find the articles informative and useful.

To our contributors, we cannot thank you enough for the valuable content you shared with your peers and the investing public.

We would like to hear from you. Please comment, send your contributions, or share ideas on seczim@seczim.co.zw.

Happy reading.

Anne

THE CAPITAL MARKET QUARTERLY BULLETIN – Q1/2023

Q1 -2023 CAPITAL MARKET SYNOPSIS

1. Introduction

The Capital market sector remains resilient as at 31 March 2023, as measured by Securities Market Intermediaries' (SMIs) ability to maintain adequate capital and fair profitability. During the first quarter of 2023, seven (7) new Collective Investments Schemes (CIS) were licensed, bringing the total number of licensed CIS to seventy-nine (79) inclusive of dormant funds, up from seventy-two (72) as of 31 December 2022. In other licensing categories, there were no newly licensed SMIs between 31 December 2022 and 31 March 2023. A summary of the total number of licensed and registered Securities Market Intermediaries as at 31 March 2023 is shown in table 1.

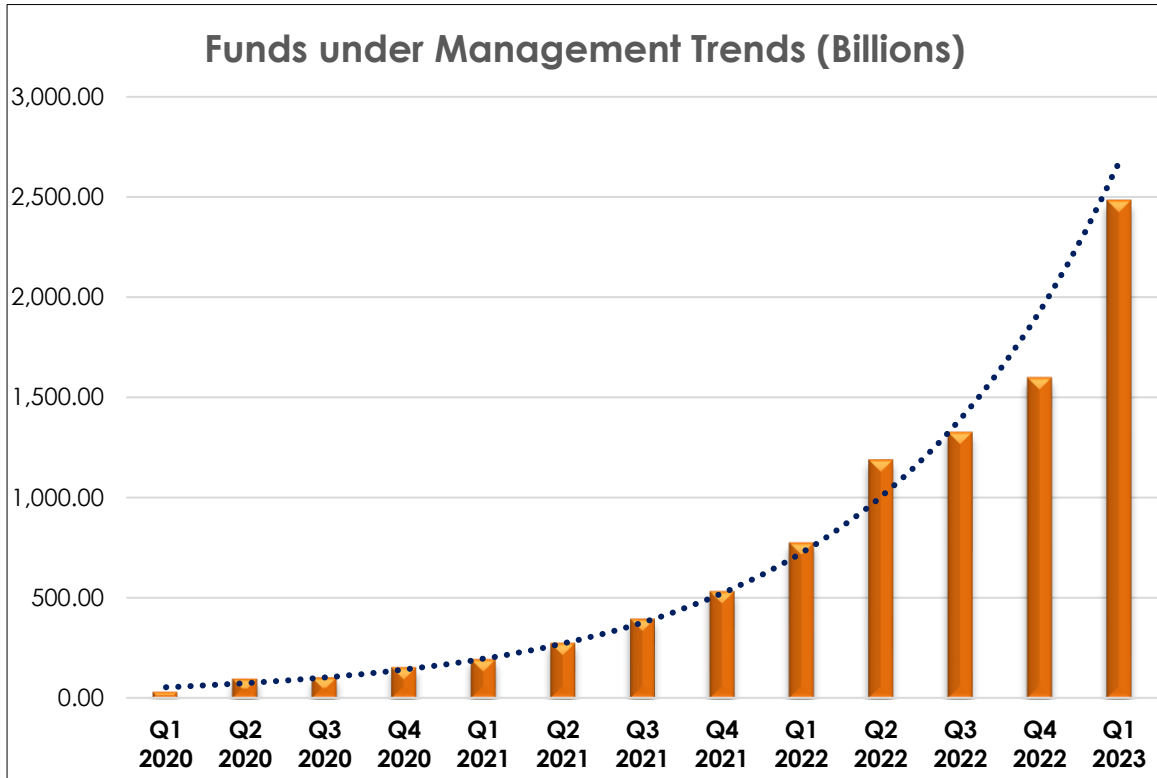
Table 1: Licensed and Registered Securities Market Intermediaries.

Licence Category	Q 1 2022	Q 2 2022	Q 3 2022	Q 4 2022	Q1 2023
Dealing firms	20	21	21	21	21
Investment advisers	55	56	58	63	63
Investment managers	25	28	30	30	30
Securities exchanges	3	3	4	4	4
CSDs	2	2	2	2	2
Trustees	4	4	4	4	4
Custodians	5	6	6	6	6
Transfer secretaries	3	3	3	3	3
Total SMIs	117	123	128	133	133
Total CIS	61	63	64	72	79
GRAND TOTAL (SMIs & CIS)	178	186	192	205	212
Unit Holders	78,099	78,965	80,276	80,938	81,115

2. INVESTMENT/ASSET MANAGERS PERFORMANCE

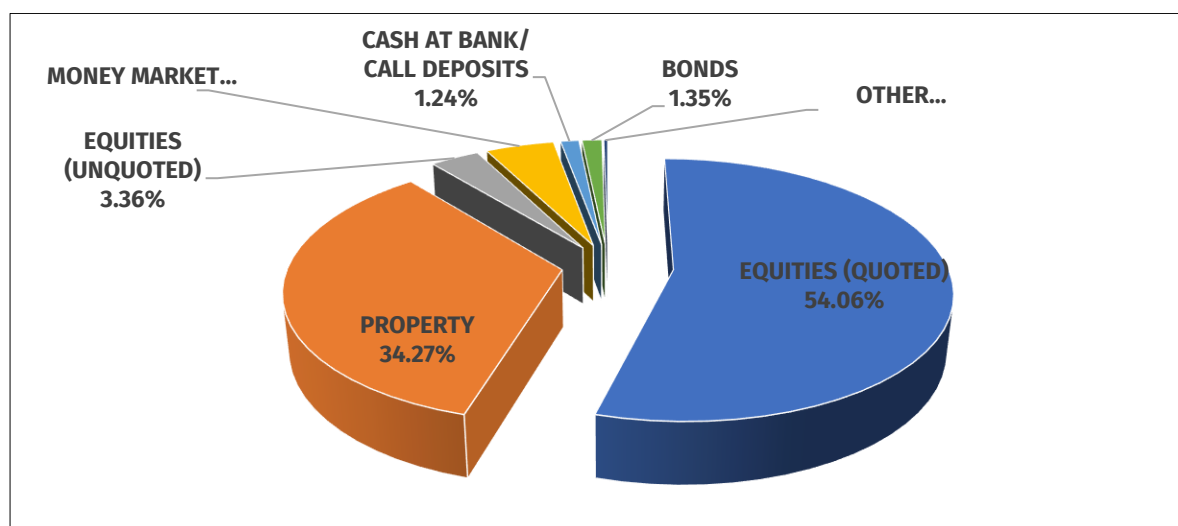
Funds Under Management (FUM) as at 31 March 2023 were ZWL2.4 trillion, a 54% surge from the ZWL1.6 trillion reported as at 31 December 2022. The industry average for the period ended 31 March 2023 stood at ZWL115 billion. The year-on-year comparison shows a 212% increase from the ZWL778 billion reported as at 31 March 2022. Total FUM denominated in USD stood at USD17,8 million as at 31 March 2023.

Figure 1: FUM Trend



The industry's exposure to the stock market rose steadily to 54% from 46.08% recorded in December 2022. This was largely attributable to the rebound of trading activity on the Zimbabwe Stock Exchange. Exposure to property investments dropped from 42.84% recorded in December 2022 to 34.27% recorded in March 2023. Private equity, money market, cash/call deposits and bonds all account for the remaining 10.96% investment exposures for the asset management industry. Figure 2 shows the FUM distribution.

Figure 2: Distribution of Funds under Management as at 31 March 2023



3. CUSTODIANS PERFORMANCE

The custodial services business, which is primarily carried out by registered banks namely, CABS, CBZ, FBC, StanChart, Stanbic, and ZB, held assets on behalf of clients worth ZWL2.33 trillion as at 31 March 2023, up from ZWL1.44 trillion as at 31 December 2022. The foreign clients owned assets composition increased to 20.1% from 19.9% as at 31 March 2023 and local market's assets went down to 79.9%.

4. Investor Activity

The CDC settled a total of ZWL42.42 billion worth of trades during the quarter ended 31 March 2023. Corporations reported 78.50% of the total shares bought, followed by Government institutions which reported 11.84%. Pension funds accounted for 6.79%.

4.1. Unit Trusts Performance and Number of Unit holders

Collective Investment Schemes (CIS) Funds Under Management increased by 22.8% from ZWL51.3 billion as at 31 December 2022 to ZWL63 billion as at 31 March 2023. The increase was attributable to the increase in prices of underlying investments, particularly equities, and the introduction of new CIS funds during the quarter. The funds had a total of 81,115 unit holders as at 31 March 2023, with funds invested in a variety of instruments such as equities, properties, and money market investments.

5. Performance of SMIs

5.1. Securities Market Infrastructures

All four (4) Securities Market Infrastructures were adequately capitalised as at 31 March 2023. Their overall rating was considered **Fair**.

Table 6: Capital Adequacy for Securities Market Infrastructures

	ZSE	FINSEC	CDC	VFEX
Assessment Metric	Rating	Rating	Rating	Rating
Earnings	Satisfactory	Fair	Fair	Fair
Capital	Fair	Fair	Fair	Fair
Overall Rating	Satisfactory	Fair	Fair	Fair

5.2. Securities Dealing Firms

Earnings for the industry were rated **Fair** for the quarter ended 31 March 2023. Overall profitability fell slightly (6%), from ZWL 544 million to ZWL 510 million for the three months ended 31 March 2023. The industry's capital adequacy was rated **Satisfactory**.

Table 7: Securities Dealing Firms Capital Adequacy as at 31 March 2023

Name of Institution	Adjusted Liquid Capital	Total Requirement	CAR (Q1-2023)	CAR Q4-2022
ABC Securities	484,433,888	258,916,222	1.87	2.23
Akribos Securities	59,172,944	42,017,637	1.41	1.04
Bethel Securities	17,450,966	13,228,264	1.32	1.67
EFE Securities	98,309,654	99,069,541	0.99	3.44
FBC Securities	160,950,903	246,534,244	0.65	1.66
Fincent Securities	7,354,863	1,711,293	4.30	4.30
IH Securities	219,979,238	129,620,781	1.70	1.05
Imara Securities	291,221,246	177,195,133	1.64	3.37
Ingenium Capital	80,533,090	76,281,307	1.06	0.96
Invictus Securities	58,395,850	57,757,525	1.01	1.68
Jemina Capital	54,948,213	45,738,234	1.20	1.69
L/Edwards Securities	102,562,637	72,563,568	1.41	1.74
MAST Stockbrokers	13,128,338	6,142,655	2.14	1.38
MMC Capital	839,404,824	154,688,650	5.43	3.10
Morgan & Co	150,153,816	135,580,168	1.11	1.35
Old Mutual Securities	145,290,570	148,003,138	0.98	1.40
Platinum Securities	83,982,296	76,737,965	1.09	1.28

Remo Securities	1,266,328	4,463,989	0.28	1.25
Sigma Capital	15,022,135	11,434,715	1.31	0.09
S/Trust Securities	60,230,332	18,039,784	3.34	3.87
Wealth Access	25,378,826	24,776,808	1.02	1.01
Total	2,969,170,959	1,800,501,619		
Average	141,389,093	85,738,172	1.68	1.88

5.3. Securities Investment Managers

Earnings in the asset management industry were rated **Satisfactory** for the period under review. The average operating profit for the industry for the quarter was ZWL251 million, a significant decrease from ZWL373.09 million recorded in the previous quarter. As at 31 March 2023, the industry's capital was rated **Satisfactory**.

Table 8: Capital Adequacy Status for Investment Management Firms as at 31 March 2023

Investment Management Firm	Adjusted Liquid Capital (ALC)	Total Requirement (TR)	Capital Adequacy Ratio (ALC/TR)
ABC Asset Management	7,840,397,854	1,922,685,026	4.08
Akribos Wealth Managers	67,158,813	50,571,872	1.33
Alpha Asset Management	779,690,503	322,420,718	2.42
Cornerstone Asset Management (formerly Atria)	11,292,339	20,604,767	0.55
Bard Santner Asset Management	16,372,058	6,853,885	2.39
Cass Saddle Asset Management	(1,026,011)	5,457,131	(0.19)
CBZ Asset Management t/a Datvest	1,961,763,063	263,684,881	7.44
Equivest Asset Management	3,876,491,719	988,202,024	3.92
First Mutual Life Wealth Management	213,450,550	316,124,850	0.68
Fidelity Life Asset Management (FLAM)	555,965,739	150,589,142	3.69
Imara Asset Management	564,458,756	195,038,797	2.89
Invesci Asset Management	1,679,308,489	728,386,635	2.31
MHMK Capital	109,388,328	22,387,382	4.89
Nyaradzo Asset Management	(76,013,981)	28,151,917	(2.70)
Nurture Asset Management	39,176,338	7,974,843	4.91

Old Mutual Investment Group (OMIG)	3,290,778,343	1,942,693,098	1.69
Platinum Wealth Management	2,179,403,973	391,914,866	5.56
Purpose Asset Management	83,492,806	56,633,300	1.47
Quant Africa Asset Management	33,125,737	20,808,240	1.59
Smartvest Investment Managers	162,887,912	196,659,148	0.83
Terrace Africa	87,855,870	4,139,512	21.22
TN Asset Management	2,534,639,972	329,280,346	7.70
Zimnat Asset Management	133,973,078	198,091,573	0.68
Total	26,144,032,249	8,169,353,951	
Average	1,136,697,054	355,189,302	3.45

6. AML/CFT/CPF Ratings

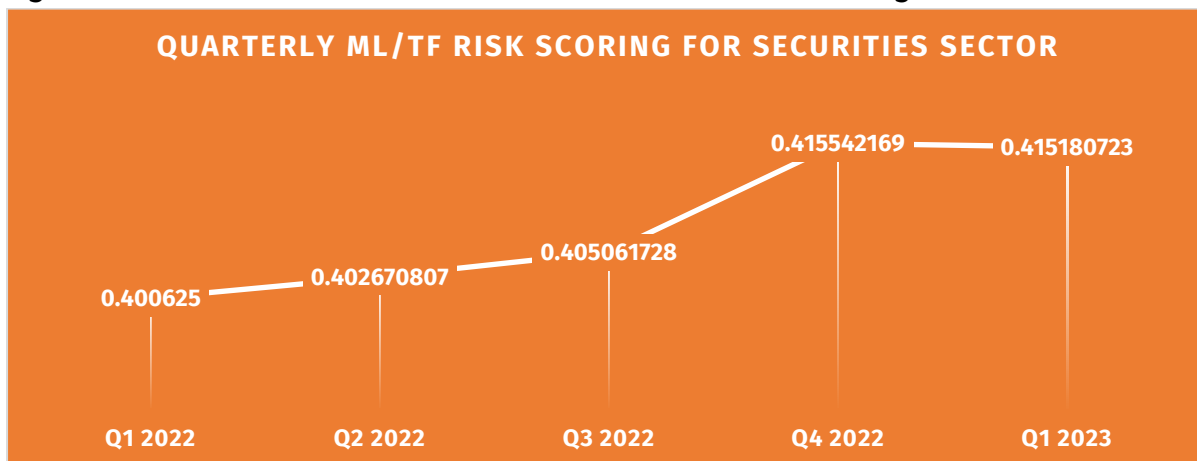
Securities Custodians, Securities Investment Management, Securities Dealing Firms and Securities Exchanges were assessed for ML and TF risk for the quarter ended 31 March 2023. The result of the assessment for the four industries for the period is as shown in Table 7.

Table 9: Overall Risk Assessment for 01 January 2023 - 31 March 2023

CATEGORY	RATING	SCORE	WEIGHTING	OVERALL
Securities Investment Managers	MEDIUM	0.42	0.253	0.11
Securities Dealing Firms	MEDIUM	0.40	0.241	0.10
Securities Custodians	MEDIUM	0.42	0.253	0.11
Securities Exchanges	MEDIUM	0.42	0.253	0.11
OVERALL			MEDIUM	0.42

The overall rating of the securities sector was **medium**, with a risk score of **0.42** for the quarter ended 31 March 2023, a 0.02-point increase from the risk score of **0.40** reported for the quarter ended 31 March 2022. The overall ML and TF risks for all securities market intermediaries were rated **medium-low** to **medium**. Figure 4 shows the trend in quarterly overall ML and TF risk scoring for the securities sector between 31 March 2022 and 31 March 2023.

Figure 4: Year-on-Year trend on Securities Sector ML/TF Risk Scoring



7. New Licensees

Table 10 lists new licensees as at 31 March 2023

Table 10: New Licensees

Collective Investment Schemes	<ul style="list-style-type: none"> • Seeff Developments Hospitality and Tourism Property Fund • EFE International Exchange Traded Fund • Eagle Real Estate Investment Trust • Communications and Allied Industries Pension Fund Retail Income Real Estate Investment Trust • African Gold Exchange Traded Fund • Stratus Commodity Fund • MOSI-OA-TUNYA Real Estate Investment Trust
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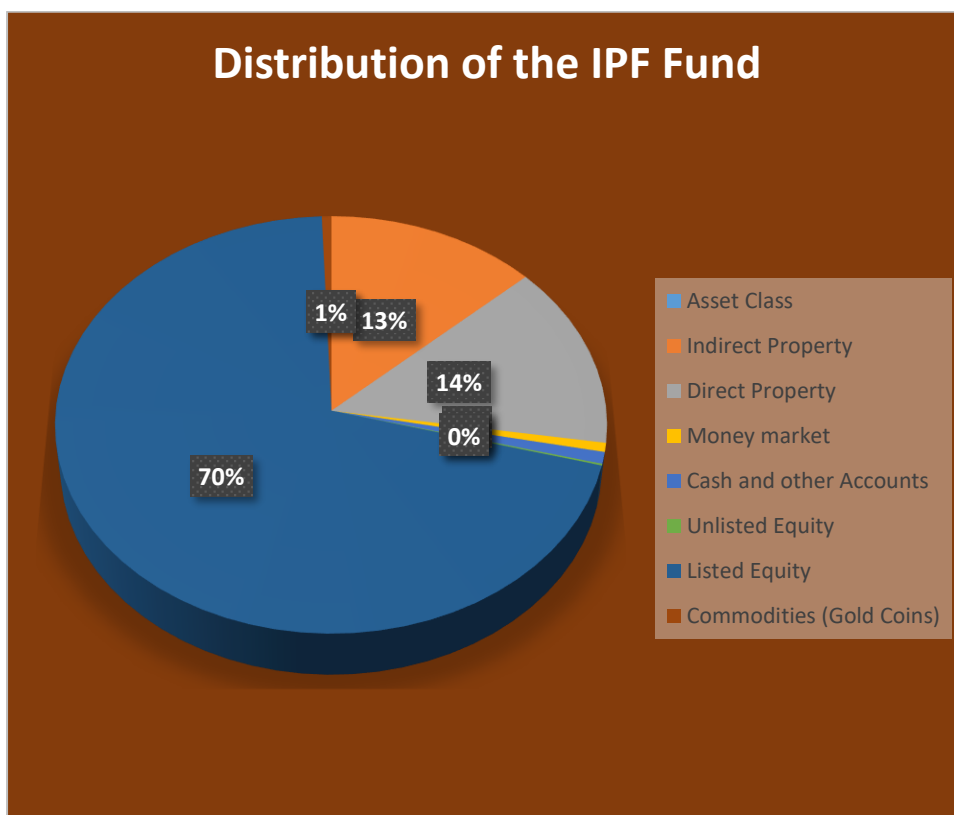
8. Unclaimed Shares

SECZim is awaiting responses from the Ministry of Finance and Economic Development on the drafted Statutory Instrument to incentivize and encourage investor claims on their shares. The project includes removal of statutory fees upon an investor coming forward to claim their shares and trade them through the market.

9. Investor Protection Fund

The Investor Protection Fund grew by 49% to ZWL\$4.11 billion from ZWL\$2.76 billion recorded in the prior quarter ending 31 December 2022. This was largely driven by investment gains from listed equities and property revaluation.

Figure 5: Distribution of the IPF Fund



The Commission launches an Innovation Office – Herald’s SECZIM’s pro-Fintech Stance

The Securities and Exchange Commission launched an Innovation Office on 31 March, 2023 at the SECZim offices. The Innovation Office initiative was introduced in tandem with ongoing technological advancements, as a quest for improved efficiency through automated regulatory processes and in search of a balanced approach towards embracing fintech while protecting investors. Innovators and representatives of the Securities Market Intermediaries attended the launch.

In his opening Remarks, the SECZim CEO said the Commission had adopted innovation as part of the Regulator’s strategic values. He highlighted the fact that global financial markets had witnessed the emergence, issuance, and investment in Fintech products and services in the absence of requisite regulatory frameworks. Meanwhile, securities market regulators were mandated to ensure high levels of investor protection. Fintech developments therefore triggered regulatory attention worldwide considering potential risks associated.

“On the one hand, fintechs, if left unregulated, may pose extensive systemic risk to traditional securities markets given that both markets are closely intertwined” he said.

He said, ignoring this market would signify failure on the Commission’s part to adapt to the changing operating environment at the expense of investors. “The latter approach would also retard our SMIs impetus in contributing towards the growth of the market” he added.

Mr. Taruvinga said while the Commission had witnessed several approaches to embracing technology across the globe, SECZim took the decision to start simple by establishing an Innovation Office.

The SECZim Innovation Office is a dedicated function or tool within the Commission primarily meant to engage, communicate as well as guide innovators through the existing capital market regulatory landscape. The tool is thus mainly premised on facilitating mutually beneficial engagement between the Commission and the market.

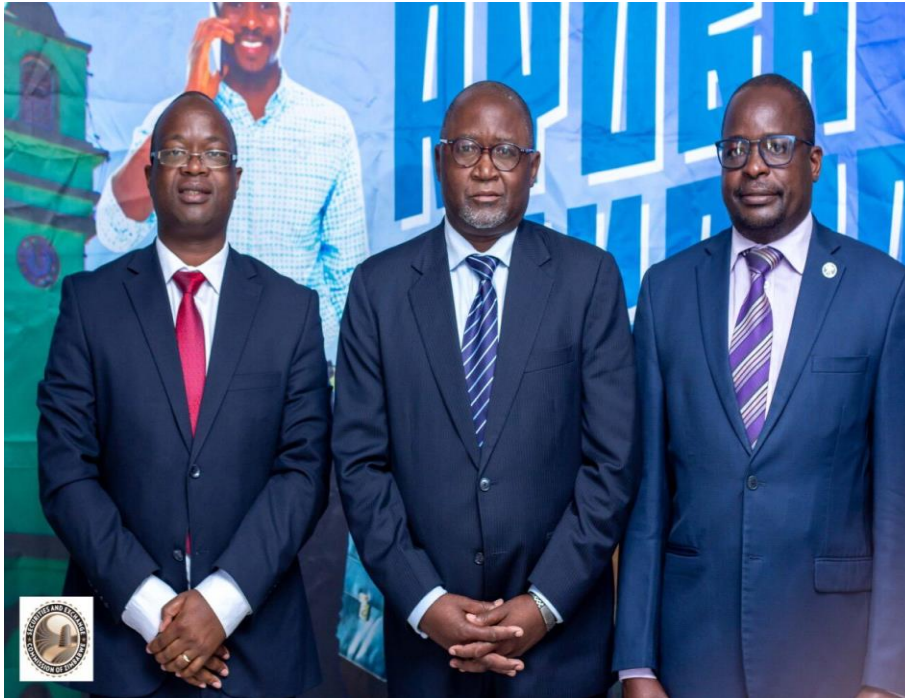
“It is our hope that this initiative demystifies regulation among innovators while informing policy. We believe this to be our first step in spearheading SECZim’s approach to embracing technology. Ladies and gentlemen, today’s event **HERALDS SECZIM’S PRO-FINTECH STANCE**”, he added.

The SECZim Innovation Office is complementing and facilitating ongoing National FinTech Steering Committee efforts through embedding Fintech into market operations and business strategies, as well as identifying and assessing eligible capital market related fintech use cases for subsequent testing. The Office is also feeding the National Fintech Steering Committee with hybrid fintechs for collaborative consideration thereby providing

a unified criterion towards embracing fintech solutions by the financial services sector at large.

In that regard, Mr. Taruvinga said work was underway to automate the Commissions regulatory processes and encouraged all SMIs to do likewise and unleash innovative ideas that would ensure the capital market met Vision 2030 aspirations.

“Together we can do this”, he said.



**Chairman Yona Banda, Commissioner Paradza Paradza and
CEO Anymore Taruvinga at the Innovation Launch Ceremony.**

Remarks by the Guest of Honour and SECZim Chairman, Commissioner Yona Banda



Commissioner Yona Banda delivering a speech at the Innovation Launch

Consistent with the collective national aspirations and determination to achieve an Empowered and Prosperous Upper Middle-Income Society, Vision 2030 has been drawn to chart a new transformative and inclusive development agenda.

Work is underway being guided by the interventions through the National Development Strategy 1: 2021-2025 (NDS1) and global aspirations of the Sustainable Development Goals (SDGs) and Africa Agenda 2063.

Commissioner Banda said one of the 4 guiding principles upon which NDS1 is premised is leveraging the country's competitive advantages our skills base with focus on innovation for industrialization.

"It is my hope that capital market innovators here present partly contribute to the NDS1 objective through promoting and sustaining inclusive and equitable growth, promoting new businesses, employment and job creation and modernizing the market through taking advantage of ongoing technological advancements." The Chairman said.

Production and productivity in key sectors (inclusive of MSMEs) is critical in achieving the overall goal of sustainable economic growth. The MSME sector serves as a base for private sector led growth in support of the country's transformative inclusive economic growth

agenda. Unfortunately, MSMEs have ordinarily remained at the margins of the economy with lack of capital for business expansion, lack of information to properly price their products and services, are often excluded in a wide range of financing options and most markets often inaccessible. Yet, capital markets are known to provide long term capital for long term growth.

Commissioner Banda challenged participants to be innovative and make the market accessible to the marginalized, provide them with the necessary information they need to make informed business decisions.

“Let us see your innovations modernize market processes in line with the vision of an upper middle-income society by 2030. Let your innovations promote transparency particularly in pricing mechanisms of our farmers in remote parts of the country and in fight against money laundering. Can your innovative ideas widen the array of investment products and services available on the market as the market has for a long time been dominated by equities only. “

He added that innovation should usher the ease of doing business and improve efficiency especially for retail investors in different parts of the country thereby broadening the investor base.

“After all this is said and done, let us ensure that our innovations are balanced with investor protection because we exist by the grace of our investors. Without investors, there is no capital market” he said.

He applauded SECZim on this initiative and called upon all SMIs and capital market stakeholders at large to work together through this initiative, in order to realise the country’s Vision 2030 goals.

“We may not know much about these upcoming technological developments; however, it is always the first step that counts. We will not be doing justice to our market by shunning these new ideas” he added.

He reaffirmed the Ministry’s commitment to support the development of Zimbabwe’s capital market. Embracing fintech is inevitable given the changing operating environment. It’s either we adapt as a market, or we face the wrath of risks often associated with unregulated markets. It is my hope that stakeholders here present will collectively work together in enlightening the Ministry with clear and focused policy advice towards the

development of an enabling regulatory framework for capital market related innovations. In turn, Government will ensure that this initiative is well supported and natured.

I hear some of our regional peers have since moved on, let us learn from our fellow markets who are leading in this space. Let us work together so we can put our ideas to action for the growth of the Zimbabwe Capital Market and economy at large. In conclusion, let me take this opportunity to wish you all the best as you venture into this fintech space.

“It is my hope that we will all render the necessary support to one another for our collective effort towards effectively embracing the fintech space to come to fruition. Let me reassure all stakeholders here present that the Commission is ready to engage and consider all new ideas to be tabled with us.”

He reiterated what the CEO highlighted that Commission doors would remain open for all new capital market related innovations in order to promote the breadth and depth of the market.

“Nothing is impossible if we put our heads together. Together we can grow our capital market and ensure meaningful contribution towards the NDS1 objectives”, he said as he officially launched the Innovation Office.

AML/CFT/CPF Guidelines for Collective Investment Schemes in Zimbabwe



The Securities and Exchange Commission of Zimbabwe (SECZim) published Anti-Money Laundering, Combating the Financing of Terrorism and Proliferation Financing (AML/CFT/CPF) Guidelines for Collective Investment Schemes (CIS) in Zimbabwe on the 17th of April 2023. The Guidelines apply to all Collective Investment Schemes or funds registered in terms of the Collective Investment Schemes Act [Chapter 24:19]. The purpose of these guidelines is to provide:

- (a) a general background about money laundering, terrorist financing, and proliferation financing (ML/TF/PF) risks to CIS key persons; and
- (b) practical standard to assist schemes in devising and implementing policies, procedures, and controls in relevant operational areas, taking into consideration their own circumstances to meet the relevant AML/CFT/CPF requirements as required by the legislation.

Supervision of Collective Investment Schemes for AML/CFT/CPF

In terms of Part II (18), First Schedule of the Money Laundering and Proceeds of Crime Act [9:24], SECZim is designated as a Competent Supervisory Authority, responsible for overall supervision of the securities sector in terms of AML/CFT/CPF and related issues. The SECZim is empowered by the Money Laundering and Proceeds of Crime Act [9:24], as Supervisory Body to assist and enforce Securities Market Intermediaries to comply with all the AML/CFT/CPF legislations, guidelines, directives, and other requirements. The Commission requires CIS to have sufficiently robust controls to detect and deter such illicit activities. This is done to safeguard Zimbabwean Securities Market by protecting investors and instil market integrity.

AML/CFT/CPF obligations of CIS

Registered CIS are required to:

- (a) take all reasonable measures to mitigate the risk of ML/TF/PF; and
- (b) ensure that, among other things, the AML/CFT/CPF requirements under the Money Laundering and Proceeds of Crime Act are complied with.

The controls that SECZim requires of CIS include the need to implement policies, procedures, and controls (hereinafter collectively referred to as AML/CFT/CPF systems) on:

- (a) ML/TF/PF risk assessment
- (b) identifying and knowing their clients (including beneficial owners)
- (c) customer due diligence (“CDD”) measures
- (d) conducting regular account reviews
- (e) ongoing monitoring of customers
- (f) suspicious transactions reporting
- (g) record keeping
- (h) staff training

AML/CFT/CPF Obligations of Trustees in CIS

Trustees shall ensure that managers fully comply with these Guidelines in executing their day-to-day activities. The full Guidelines are available on the SECZim website: www.seczim.co.zw

ESTABLISHMENT OF AN AML/CFT/CPF UNIT AT SECZIM - ENFORCEMENT OF AML/CFT/CPF REGULATIONS AND GUIDELINES ON SECURITIES MARKET INTERMEDIARIES (SMIs).



Norman Maferefa
Director Licensing, Supervision and Surveillance



Tirivafi Nhundu.
Deputy Director AML/CFT Supervision, Licensing, and Enforcement



Darlington Chiunye.
Officer: AML/CFT/CPF Supervision



Portia Ndlovu.
Officer: Licensing and Enforcement



Joey Gubwe.
Graduate Trainee:
AML/CFT/CPF Supervision, Licensing, and Enforcement

About VFEX – Growth, Movements and Outlook



The Victoria Falls Stock Exchange Limited (VFEX) is a licensed securities exchange established in 2020 to kick start the Offshore Financial Services Centre (OFSC) earmarked for the special economic zone in Victoria Falls. The trading currency of the VFEX is United States Dollars (USD). VFEX is open to both local and foreign investors.

The VFEX facilitates the listing and trading of the following security types;

- Ordinary shares
- Preference shares
- Depository receipts
- Real Estate Investment Trust
- Exchange Traded Funds and
- Debt securities.

Performance of VFEX for Q1 2023

For the period under review, the VFEX has witnessed sustainable growth after listing 2 new counters, namely Innscor Limited and Axia Corporation Limited being the 10th and 11th counters respectively. In comparison to the same period last year, VFEX had 4 counters. As at 31 May 2023, VFEX had added 5 counters compared to none in the same period last year. To date VFEX has 13 listed companies in different sectors of the economy.

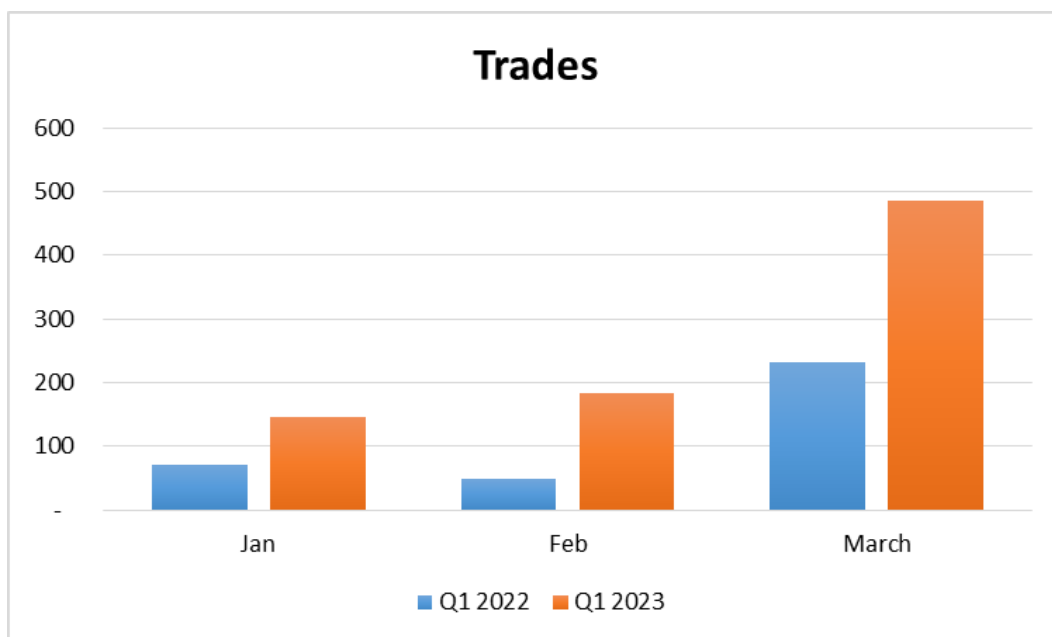
VFEX Quarter 1 2023

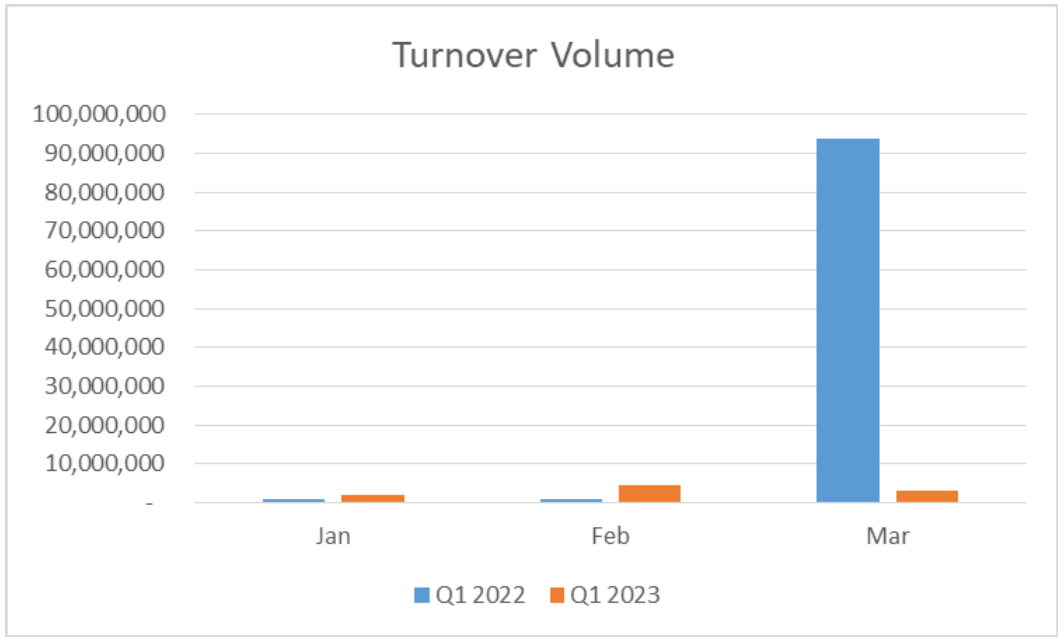
Issuer	Year low	Year High
Axia Corporation Limited	0.11	0.1475
Bindura Nickel Corp	0.0168	0.024
Caledonia Mining Corporation Plc	13	15.6
Innskor Africa Limited	0.6504	0.93
National Foods Holdings Ltd	1.7899	1.81
Nedbank Group Limited Zimbabwe Depository Receipts	10.9	11.5
Padenga Holdings Ltd	0.18	0.341
Seed Co International	0.259	0.3425
Simbisa Brands Limited	0.3805	0.7

VFEX recorded a total market turnover of US\$2,229,489 in Q1 2023, though a 31.36% decrease from Q4 2022, it still represents the 4th largest turnover per quarter since the inception of VFEX markets. The market capitalization increased by US\$623,863,994 to a significant US\$1,709,878,331 representing more than twice the market capitalization in the same comparative period last year

The VFEX All Share decreased by 1.94% from Q4 2022 to Q1 2023 to close at 310 points. As at 31 May 2023, the VFEX All Share stood at 81.9335 points. There is increasing activity on VFEX due to the growing interest in the market. The number of trades has also increased over the

quarter with March carrying 60% of the trades and February and January holding 22% and 18% respectively. The graph below further depicts a generally positive movement in terms of the number of trades VFEX has had over the years.





VFEX Q1 2023 in pictures



Axia Listing Ceremony on VFEX



Innscor Africa Limited listing ceremony on VFEX

Outlook

The VFEX is working on diversifying its securities to broaden its service offerings with prospects of listing different securities in the near future. The VFEX is also working on the establishment of a commodity exchange. The general outlook of the exchange, outside of widening the products traded is also to increase the companies listed with a primary focus on non-migrant companies from Zimbabwe Stock Exchange.

The VFEX is also holding stakeholder engagements targeting the international and diaspora investor community. VFEX was part of the Zimbabwe Capital Market Conference in the United Kingdom in April 2023 whereby key personnel in the Zimbabwean economy and capital markets were in attendance, including listed companies, prospective listing companies and United Kingdom investors. The VFEX will be hosting virtual masterclasses in Q2 and Q3 2023 targeted at the diaspora investor community.

The growth of VFEX is attributed to the participation of both institutional and retail investors, our issuers, continuous support from the Securities and Exchange Commission of Zimbabwe (SECZ) and the Ministry of Finance and Economic Development.

For more information;

Website: www.vfex.exchange

Email: info@vfex.exchange

Facebook, Twitter, LinkedIn: Victoria Falls Stock Exchange

ZSE Market Report- 2023



1. 2023 Market Highlights

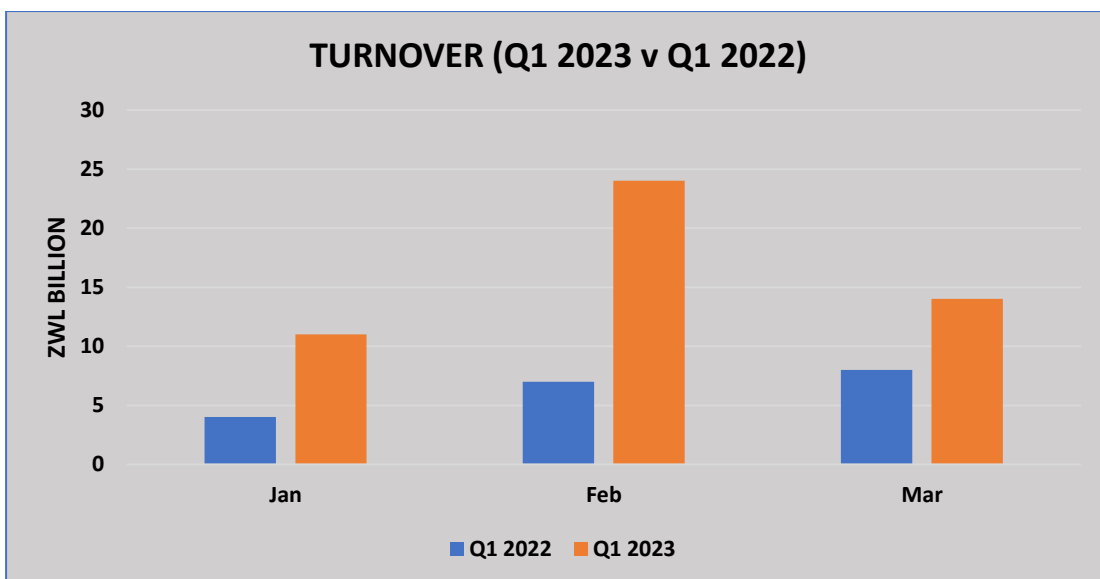
- The ZSE recorded a total market turnover of ZWL\$103 billion for the period Jan-May 2023.
- The total market capitalisation as at the end of May 2023 was ZWL\$8.42 trillion.
- ZSE All Share Index recorded a significant 455% gain for the period Jan-May 2023 closing at 108,195.29.
- Foreign investor participation accounted for 15% during this same period.

- The ZSE ICT Index recorded the highest gains in Q1 2023, registering 136% gain to close at 41,395.79 points

2. Turnover

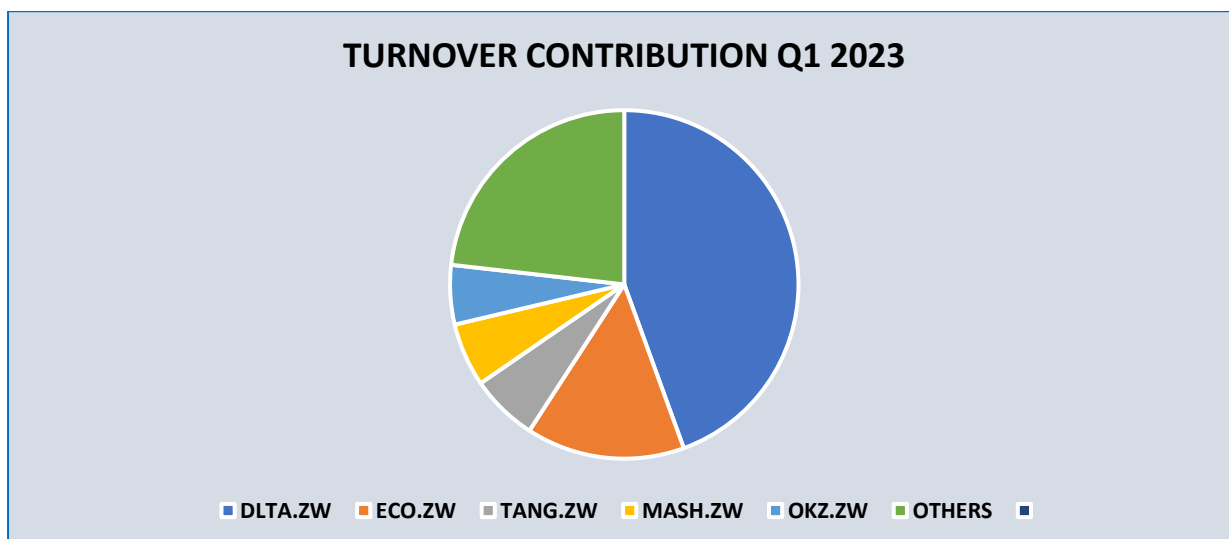
2.1 Equities

- Q1 2023 recorded a turnover figure of \$50 billion and this represents 11% increase from the previous quarter's turnover.
- In comparison to the same period last year (Q1 2022), the market turnover recorded a 150% jump from ZWL\$20 billion.
- The graph below shows the comparison of turnover between Q1 2023 and Q1 2022.



- The top five traded companies during the period under review were DLTA.zw (\$16 billion), ECO.zw (\$5 billion), TANG.zw (\$2.2 billion), MASH.zw (\$2.13 billion) and OKZ.zw (\$1.99 Billion). The total turnover for the top 5 companies contributed 75% of the total turnover for Q1 2023.

The chart below shows the turnover contributions for Q1 2023

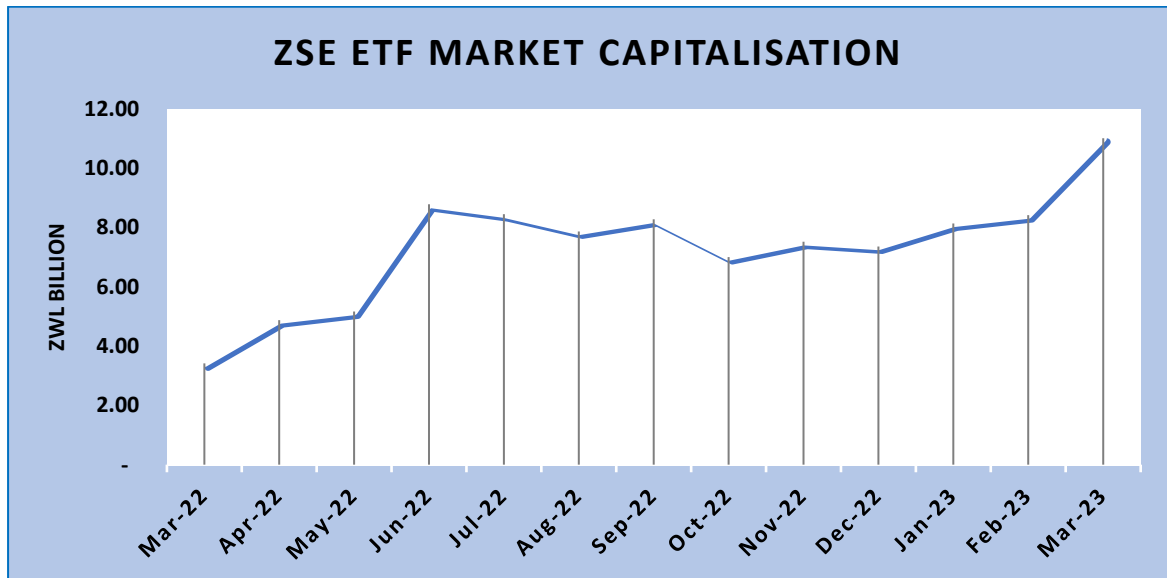


2.2 Exchange Traded Funds

- There are 5 ETFs listed on the ZSE
- The ZSE ETF Index gained 50% in Q1 2023 to close at 320.41 points.

- The total value traded on the ETF board was \$171 million and the total number of ETF units that exchanged hands in Q1 2023 was 31 million units.
- The market capitalisation for the ETFs was ZWL\$11 billion at the end of Q1 2023.

The graph below shows the overall growth of the ETF Market capitalisation



2.3 Real Estate Investment Trust (Reits)

- Currently there is one Reit listing on ZSE namely Tigere Reit
- The total value traded on the REIT board was \$406 million and the total number of Reit units that exchanged hands in Q1 2023 was 8 million units.
- The market capitalisation for the Reits market was ZWL\$36 billion at the end of Q1 2023.

3 Foreign Trades

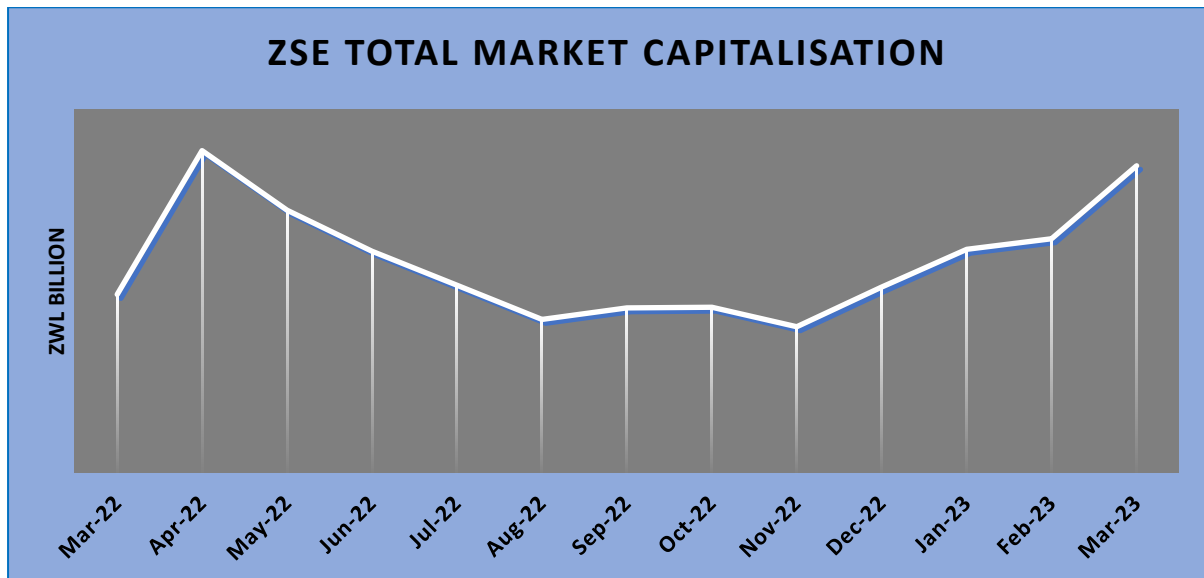
- Foreign investor participation was 16% in Q1 2023.
- Q1 2023 recorded net sells position of \$6.5 billion.
- The table below shows foreign trades movement in Q1 2023

Period	Q1 2023		
	RTGS -Millions		
	Purchases	Sells	Net
Jan	830.17	3,681.48	-2,851.31
Feb	3,780.89	5,276.12	-1,495.23
March	385.67	2,554.29	-2,168.62

4. Market Capitalisation

4.1 Market Capitalisation

- The ZSE market capitalisation for Q1 2023 closed at \$3.38 trillion, representing a 65% increase from the previous quarter.
- The top five biggest contributors to market cap were DLTA.ZW, ECO.zw, EHZL.zw, ASUN.zw and HIPO.zw which contributed 32%, 20%, 5%, 3.59% and 3.57% respectively



A Glimpse Into Real Estate Investment Trusts (REITs)



Introduction

Real estate investment trusts (REITs) have been incorporated into national economic development plans all around the world. REITs offer a mutual fund-like investment option that enables regular investors to gain from or take advantage of returns from real estate and initiatives linked to real estate by purchasing units directly or having access to them through retirement or pension funds. Companies that own, manage, or finance real estate that generates an income are known as REITs. Similar to other publicly traded companies, REITs are frequently listed on stock markets.

Since the introduction of REITs in the United States (U.S.) in 1960, 42 countries and regions, totalling approximately 5 billion people and accounting for 83% of global GDP, have permitted REITs. REITs have become an important component of commercial real estate investment all around the world. There are now 894 listed REITs operating globally. The equity market capitalisation of listed REITs has increased from around \$10 billion in 1990 to \$1.9 trillion at the end of 2022. (Nareit, 2023).

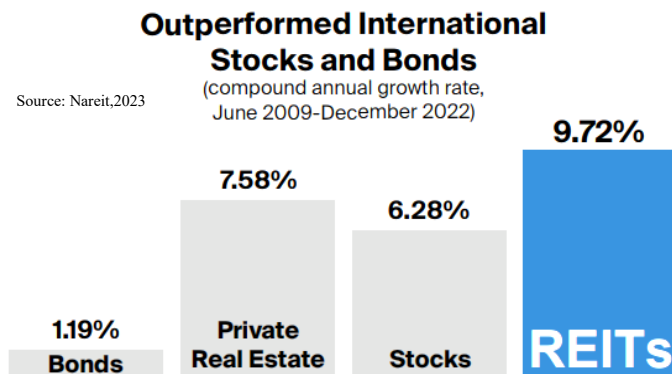
Investors in REITs receive returns that are highly correlated with other types of real estate. REITs historically have provided investors all over the world with regular income streams, portfolio diversification, and long-term capital appreciation, largely attributable to long-term investment in, or financing of professionally managed real estate. Because they are often stock market listed companies, REITs are easy to buy and sell and, unlike other forms of commercial real estate, are accessible to people across a greater range of income levels. REIT investors can easily construct real estate portfolios that are diversified across different types of properties and geography.

What is a REIT?

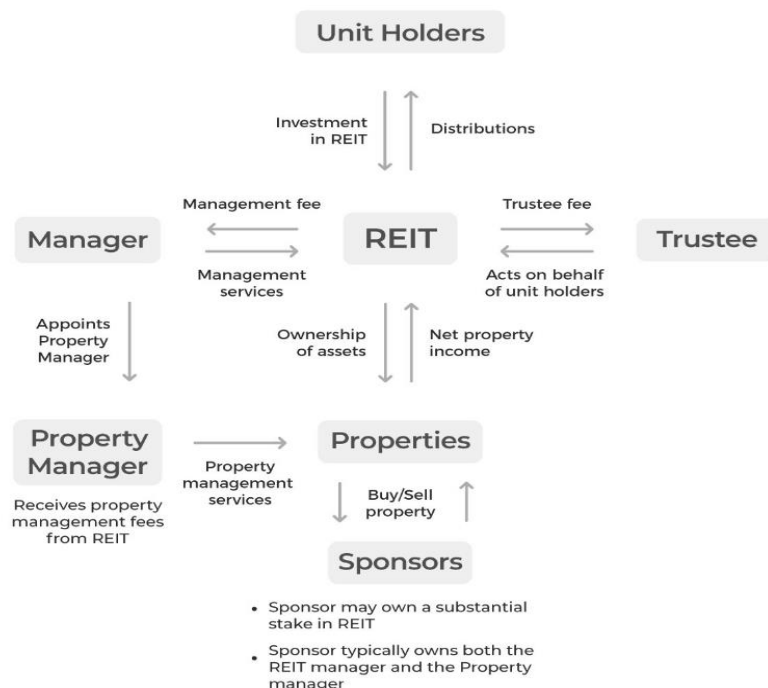
A REIT, or real estate investment trust, is a company that owns, operates, or finances income-producing real estate. REITs help house national economies by providing much of the real estate where people live, work, shop, and spend their leisure time, from the houses and apartments in which they reside to the shopping centres, to the offices where they work. REITs enable today's digital economy and communication with real estate such as data centres, and logistics facilities. REITs are generally subject to a single level of taxation

at the shareholder level, effected by either allowing the entity a deduction attributable to distributed dividends or exempting such income from taxation at the entity level.

REITs historically have delivered competitive total returns based on high, steady dividend income and long-term capital appreciation. Their comparatively low correlation with other assets also makes them an excellent portfolio diversifier that can help reduce overall portfolio risk and increase returns.



As a regulated investment vehicle that enables the issuer to pool investors' funds for the purpose of investing in real estate, in exchange, the investors receive units in the trust, and as beneficiaries of the trust, share in the profits or income from the real estate assets owned by the trust. REITs provide all types of investors (private individuals and institutions) the opportunity to invest in large scale, diversified portfolios of income producing real estate. Below is a typical REITs structure.



Types of REITs

Income/Rental REIT: Owns and manages income generating real estate for the benefit of its investors therefore providing both liquidity and a stable income stream. Distributions to investors are underpinned by commercial leases and income returns are generally predictable.

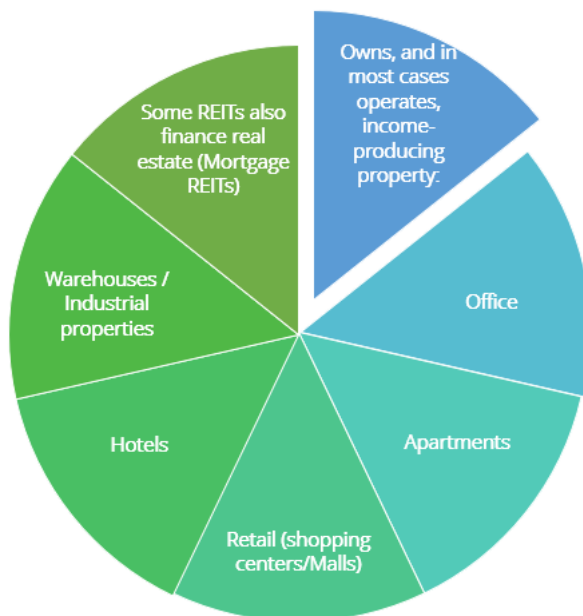
Development REIT: A development and construction real estate trust involved in the development or construction projects for housing, commercial and other real estate assets.

Mortgage REIT: Invest in mortgages, mortgage-backed securities, and related assets and generate revenue through interest income and expose investors to credit risk.

How Does a REIT Work?

In order for REITs to function, investors must purchase publicly listed shares on the open market or through private investment vehicles in order to invest in real estate assets. Investors are entitled to a proportionate share of the income and profits generated by each unit, which represents a small fraction of ownership in the portfolio of real estate assets.

REIT Assets



A wide range of commercial real estate assets, including office buildings, apartment complexes, shopping malls, industrial warehouses, hospitals, data centres, hotels, infrastructure, and self-storage, are investable by REITs. Some REITs prefer to focus on only one or two of the aforementioned property categories since each has unique operating characteristics. REIT unit ownership gives individuals the opportunity to invest in real estate

assets like Highlands Park for Tigere REIT by pooling their resources, which makes them a very popular investment option.

REIT Income

REITs produce income by leasing space to and collecting rents from tenants. This rental income is used to pay for the property's operating expenses, and anything left over is distributed to REIT shareholders in the form of regular dividends. As a result, owning units in a REIT creates opportunities for investors to generate passive income that is traditionally less volatile than investing in other assets like stocks or bonds.

REIT Dividends

As described above, REIT income is used to pay for a property's operating expenses, and anything left over is distributed to shareholders in the form of dividends – usually monthly or quarterly.

Under Finance (No.2) Act of 2020 rules, REITs must pay out a minimum of 80% of the taxable income generated to investors. As a result, they typically come with attractive dividend yields, making them a popular choice for investors looking to generate passive income from their investment portfolio.

REITs in Zimbabwe

Zimbabwe being one of the recent countries to adopt real estate investment trusts (REITs) as part of our economic development strategies and went on to list the first REIT in the country. Tigere Property Fund is the first publicly traded REIT in Zimbabwe, listed on ZSE in November 2022. However, many REITs have been registered with SECZIM and are yet to become public, for instance, the EAGLE REIT for Fidelity Life Asset Management which is set to list on the Victoria Falls Stock Exchange in 2024.

Legal Framework

General notice 469 of 2020 declared securities issued by REITs as securities for the purposes of the SEC Act. The 2021 budget carried conditions that REITs have to be listed on a SECZ licensed exchange. SI 172 of 1998 provides regulations on collective investment schemes. SI 240 of 2019 amended SI 172 of 1998 by adding REITs to the permissible schemes. Finance (No. 2), Act 2020 provides tax exemption provisions for REITs.

Corporate Structure

In terms of the Finance (No. 2) Act, 2020 the conditions with regards to establishment of REITs are as follows: In the case of investors in the REIT other than a pension fund, income must accrue from real estate investment projects commenced on or after the date of commencement of the Finance (No. 2) Act, 2020). If you are thinking of transferring old properties into a REIT, the act prohibits that unless you are a pension fund. The REIT must

receive a minimum of eighty per centum of its taxable income from real estate. The REIT must distribute a minimum of eighty per centum (80%) of its taxable income in the form of shareholder dividends in each financial year of the REIT. The REIT must have a minimum of 100 shareholders after the first year of date when it qualifies in other respects to benefit from exemptions. The REIT must not have fifty per centum (50%) of its shares held by five or fewer individuals during a taxable year, however, provided that one or more pension funds may hold up to fifty per centum (50%) of the shares of REIT in any taxable year. Lastly the REIT must be listed on stock exchange registered in terms of the securities and Exchange Act (Chapter 24:25).

Taxation

Effective 1 January 2021, REITs are exempted from corporate income tax, subject to certain conditions explained under corporate structure. REITs have a tax advantaged structure because they are not taxed at the corporate level as long as they comply with a number of Finance (No.2) Act rules. Instead, income and profits are “passed through” the REIT entity to investors, where they are taxed at the individual level. This is a tax advantage because it avoids the double taxation of a traditional corporation hence increases income distributable to units holders. REITs security holders pay 1% capital gains withholding tax on disposal of their securities and 10% withholding tax on dividends earned. Although REITs avoid corporate taxes, investors should carefully consider their own dividend taxes before investing.

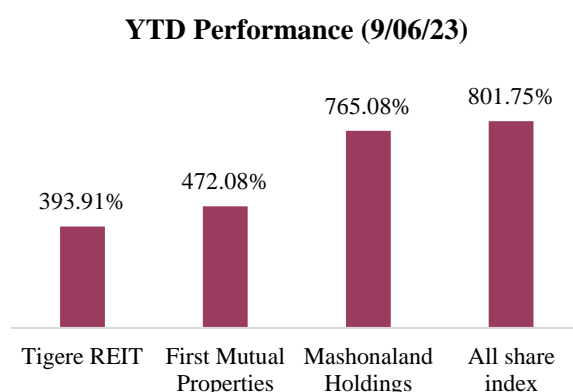
What are obligations for REITs issuers?

- ✓ Oversee the investment of the assets of the scheme.
- ✓ Maintain proper accounting records and other records of the scheme in compliance with the Trust Deed and Regulations.
- ✓ Collects rental and other income on behalf of the Trustee. Distribution of income to investors at the rate agreed upon in the Prospectus or at any other rate as may be agreed between the Trustee, the Manager and the Investors.
- ✓ Establish, manage, operate, and administer the REIT in accordance with all relevant legislation.
- ✓ Instruct the Trustee on how the rights attaching to the ownership of the property in the REIT are to be exercised, including voting rights;
- ✓ Take all reasonable steps and exercise due diligence to ensure that the property of the REIT is correctly valued in accordance with the Trust Deed and the Regulations and, in the event of any default in this respect, to reimburse Participants prejudiced thereby;
- ✓ Supply the Trustee with such information as the Trustee may require concerning the management and administration of the REIT.

Performance of REITs in Zimbabwe

The Tigere REIT is performing really compared to other listed property equities on ZSE. The REITs has managed to distribute over 80% of its income as dividends as stipulated by law since its listing in November 2022 whilst First Mutual properties and Mashonaland holdings managed to distribute only less than 3% of their income. In terms of share price performance, the listed property equities, namely First Mutual properties, and

Mashonaland holding performed better than REIT. However, the equities have shown strong correlation with depreciating exchange rates above 80% than REIT of below 70%, which justifies that the rally behind the share prices is not reflective of the companies' assets performance or true fundamental value of the stocks. Furthermore, the REIT is still new to the market as compared to the property companies listed. To shed more light on the performance of REIT, we looked at the property expense ratios, collection rates and occupancy levels as well as the USD percentage of the total rentals to have a general overview of the performance of the real estate assets. The REIT is enjoying low property expense ratio of 19% as compared to the property companies with above 45%. On the other hand, the REIT is also performing better with 100% occupancy levels and 80% of rentals are in USD whilst the market is averaging 86% occupancy levels. Below is the share price performance chart.



Not forgetting role of Securities Dealing Firms.

Securities dealing firms play a major role in capital markets. They are the sponsoring brokers at the listing stage of real estate investment trusts as we are all aware that REITs in Zimbabwe are required by law to be listed on stock exchange. Buying and selling of the REIT units on the Zimbabwe Stock Exchange as well. Securities dealing firms market the REIT as an investment option and educating the investing public on what a REIT is, its potential return as an investment and attendant risks.

Benefits

Diversification: REITs give investors indirect exposure to a wide variety of expertly managed properties. REITs invest in different income producing assets and have good tenant mix which also reduces concentration risk.

Regular Income Stream: REITs are supported by lease agreements, and interest payments which provide for regular dividends. Required by law to distribute 80% of their income to units' holders. This makes them suitable for investors who are looking for regular income producing assets.

Lower Initial Outlay: Prices for REITs securities are lower as compared to prices for the outright purchase of real estate. This gives small investors opportunity to invest in real estate.

Tax advantage: REITs are exempt from corporate taxes and income taxes. REIT unit holders only pay the 1% capital gains withholding tax on disposal of their securities and the 10% withholding tax on dividend earned.

Liquidity: REITs units are traded on stock exchanges, a more liquid market compared to that of physical properties.

Transparency: Strong governance framework and disclosure requirements from SECZIM. REITs are subject to the Income Tax Act, the CIS Act and the SEC Act.

Risks

Market risk: REITs are traded on the stock exchange and the prices are subject to demand and supply conditions. The prices generally reflect investors' confidence in the economy, the property market and its returns, the REIT management, interest rates, and many other factors. As the Zimbabwean currency continues to depreciate, REITs are also exposed to currency risk.

Income Risks: Distributions are not guaranteed and are subject to fluctuations in the REIT's income. For example, a REIT's rental income may be affected if tenancy agreements could be renewed at a lower rental rate than before, or the occupancy rate could fall. The income could also fluctuate based on property performance.

Concentration Risk: If a substantial portion of the REIT's value is from one or a few properties or a few tenants, you face a greater risk of loss should something happen to one of them.

Conclusion

The REIT approach to real estate investing supports communities, builds economies, and increases investment around the world. REIT investors can construct real estate portfolios that are diversified across different types of properties and geography.

Author

Duncan Momberume

Investment Analyst

Fidelity Life Asset Management

Certified financial modeling and valuation analyst with experience in investments analysis, equity research, financial and real estate modeling, and alternative investments. Duncan possesses a comprehensive knowledge of various investment vehicles, including stocks, bonds, mutual funds, and alternative investments having graduated from the University of Zimbabwe with a bachelor's degree in finance and banking. Additionally, he holds business intelligence and data analyst certificate from CFI and currently pursuing CFA level.

C-TRADE Growth, Movements and Outlook



QUARTER 1 2023 - STATISTICS UPDATE REPORT

Number of active users	1,085
Number of trades(ZWL)	8,691
Number of trades(USD)	174
Value of trades(ZWL)	ZWL191,291,414
Value of trades(USD)	\$5,314
Volume of trades(ZWL)	9,070,374
Volume of trades(USD)	34,832

QUARTER 2 2023 - STATISTICS UPDATE REPORT

Number of active users	1,308
Number of trades (ZWL)	8,874
Value of trades (ZWL)	ZWL446,013,389
Volume of trades (ZWL)	13,090,052
Number of trades (USD)	1106
Value of trades (USD)	\$103,341.70
Volume of trades (USD)	389,270

C-TRADE is a digital platform that provides online trading services for securities listed on the Financial Securities Exchange (FINSEC), Victoria Falls Exchange (VFEX) and the Zimbabwe Stock Exchange (ZSE). Since its launch in 2018, C-Trade has experienced significant growth, with an increasing number of investors and traders using the platform to buy and sell various investment products.

One of the key drivers of C-Trade's growth has been its accessibility. The platform allows users to buy and sell various instruments using their mobile phones, making it easier for people to invest and trade in the stock market. This has helped to democratize access to the stock market, enabling more people to participate in the economy and create wealth for themselves.

Another factor contributing to C-TRADE's success is its affordability. The platform allows very minimum amounts, making it more accessible to smaller investors. This has helped to attract a new generation of investors who may not have been able to afford traditional brokerage services.

C-Trade has several other features that have contributed to its growth and popularity among investors in Zimbabwe. It has a user-friendly interface that is easy to navigate, making it simple for even novice investors to use the platform. The platform provides real-time market data, allowing users to stay up to date on the latest market trends and make informed investment decisions. It uses cutting-edge security technology to ensure that all transactions on the platform are safe and secure. C-TRADE supports multiple payment methods, including mobile money and bank transfers, making it easier for users to fund their accounts and start trading. C-TRADE continues to push financial inclusion boundaries as it provides educational resources to help users learn more about investing and trading in the stock market. These resources include video tutorials, articles, and webinars. Finally, the dedicated customer support team that is available to assist users with any questions or issues they may have.

The outlook for C-TRADE remains optimistic, with ongoing efforts to enhance accessibility, streamline processes, and provide a user-friendly experience. The platform continues to attract investors seeking convenience and flexibility in their investment journey. As technology evolves and investor preferences shift, C-Trade adapts to meet the changing demands of the market, ensuring that users have a seamless and efficient trading experience.

In light of the evolving landscape, C-TRADE is exploring avenues to attract new registrants, providing education and awareness campaigns, and fostering a vibrant investor community as crucial steps in expanding the user base. Additionally, C-TRADE seeks to collaborate with market stakeholders to enhance liquidity and diversify the range of tradable assets to further bolster the attractiveness of the platform.

The platform is expected to continue to grow as more people in Zimbabwe become aware of the benefits of mobile and online trading. As the platform continues to evolve, we will see new features and services added to further enhance the user experience and attract more investors. With its commitment to making investing more accessible and affordable, C-TRADE is well-positioned to become a leading player in Zimbabwe's financial services industry.

SECZIM SETS UP A CAPITAL MARKET DEVELOPMENT COMMITTEE

SECZim Mandate

Section 15 of the Securities and Exchange Act [*Chapter 24:25*] provides that to better exercise its functions, SECZim may establish one or more committees, panels and working groups in which it may vest such of its functions as it thinks fit. For that reason, the Commission recently set up a Capital Market Development Committee .

The CMDC is a consultative committee established in terms of section 15 of the Securities and Exchange Act [*Chapter 24:25*] with the aim of promoting SECZim's efforts towards developing the market. It comprises of representatives identified by the Commission from time cutting across the academia, research institutes, relevant professional experts and securities market associations. who were identified by the Commission. Securities Market Associations and other relevant professional experts / persons like the Chartered Financial Analysts from the Investment Professionals Association of Zimbabwe (IPAZ) are part of the Committee.

For vast technical knowhow and skills base, representatives from relevant Government Ministries and multilateral organizations will attend meetings by invitation for policy guidance and technical assistance respectively.

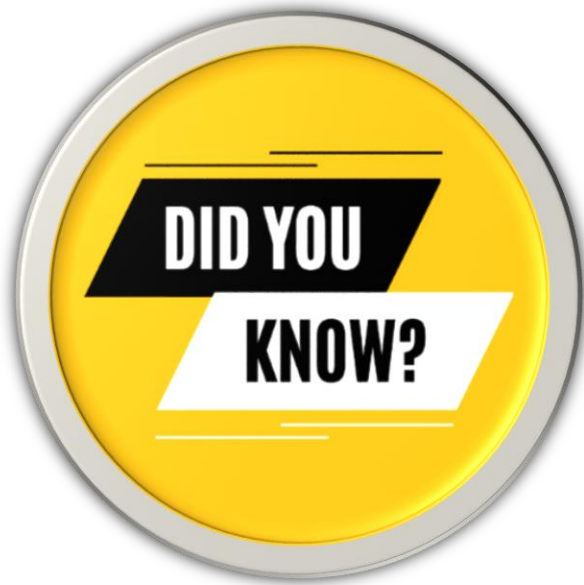
The formation of the Capital Market Development Committee was necessitated by the limited capital formation (net capital outflow, no fresh capital flows, more delistings and no new listings). SECZim's market development mandate has become a necessity in a myriad of ongoing challenges ranging from:

Limited product range – market currently dominated by only equities, emergence, issuance and investment in new products and services outside SECZim's current regulatory purview in the absence of requisite regulatory frameworks, and limited engagement in policy making decisions and lack of supportive policy incentives for the market

The overarching purpose of the CMDC is to support SECZim in progressing its market development initiatives in line with the underlying strategic plan. Members of the Committee shall represent their respective organizations for a maximum of two terms. The Committee shall be chaired by the Commission while the Stock Exchanges hold the Secretariat office on rotational basis.

The Committee held its inaugural meeting on 15 March 2023 and plans to hold a meeting in each quarter.

IT STARTS WITH INVESTOR EDUCATION



Every saving and investment product involves different risks and returns.

It is often said, “The greater the risk, the greater the return.” However, one should know their risk tolerance when investing.

The most effective way to manage investing risk is through diversification.

“Do not put all your eggs in one basket.” Risk can be reduced by investing in number of different uncorrelated securities. If one portfolio fails, another may yield the expected return.

Some individuals have a high tolerance for risk while other investors are risk-averse.

Some investors prefer a high-risk high return portfolio whereas others may choose a lower return portfolio based on the risk that is acceptable to them.

Let’s talk about INVESTMENT RISK

Investment Risk Explained – the probability or likelihood of occurrence of losses relative to the expected return on any particular investment. It is the measure of the level of uncertainty of achieving the returns as per the expectations of the investor. One should consider their ability and willingness to take risk.



Ability to take risk exists when a portfolio is able to sustain losses without jeopardising the client's goals whereas willingness to take risk is determined through analysing the client's psychological profile.

Types of Risks

There are various investment risks and these are categorised in different ways. Some of the types of risks are as follows:

1. Market risk

The risk of investments declining in value because of economic developments or other events that affect the entire market. The main types of market risk are equity risk, interest rate risk and currency risk.

- **Equity risk** is the risk of loss because of a drop in the market price of shares.
- **Interest rate risk** is the risk of losing money because of a change in the interest rate.
- **Currency risk** is the risk of losing money because of a movement in the exchange rate.

2. Liquidity risk

The risk of being unable to sell your investment at a fair price and get your money out when you want to. To sell the investment, you may need to accept a lower price.

3. Concentration risk

The risk of loss because your money is concentrated in one investment or type of investment. When you diversify your investments, you spread the risk over different types of investments, industries and geographic locations.

4. Inflation risk



The risk of a loss in your purchasing power because the value of your investments does not keep up with inflation. Inflation erodes the purchasing power of money over time – the same amount of money will buy fewer goods and services. Inflation risk is particularly relevant if you own cash or debt investments like bonds. Shares offer some protection against inflation because most companies can increase the prices they charge to their customers. Share prices should therefore rise in line with inflation. Real estate also offers some protection because landlords can increase rents over time.

What is your Risk Profile?

Every investor has the same basic goal i.e. to achieve the maximum return at a tolerable level of risk. Accomplishing that balance means knowing yourself as an investor, knowing your risk profile.



Risk profile depends on one's ability to take risks and one's willingness to do so. Generally, every individual has their own risk-taking capacity; some are "risk-takers" and some "risk-averse" type of a person. To determine their risk profile, investors should ask themselves the following pertinent questions:

Knowing your risk profile will help you determine whether you should pursue an aggressive, moderate, or conservative investment programme, in other words, an investment strategy that fits your risk profile. **Remember, there is risk associated with every form of investing.**

Our Doors Are Always Open

"Despite being ranked high in terms of academic literacy, we rank very low in terms of financial literacy." – **Mr. Anymore Taruvinga**, Chief Executive Officer, SECZim.

SECZim is passionate about improving financial literacy and therefore always welcomes every opportunity to educate the general public about the capital market. SECZim conducts education and awareness programmes through webinars, workshops and exhibitions. Educational content is also shared through digital and social media platforms.

Bindura University of Science Education reached out to the Commission for an educational tour and SECZim organised a workshop for the university on 30 May 2023. 37 Students and 5 lecturers participated in the workshop held at SECZim offices.



Bindura University students and lecturers pose for a group photo after the workshop.



Students and lecturers listening attentively as Ms. Tariro Musikavanhu – Surveillance and Risk Manager gives an overview of the capital market in Zimbabwe.