THE CAPITAL MARKETS NEWSLETTER

VOLUME 1: ISSUE 10

SECURITIES AND EXCHANGE COMMISSION OF ZIMBABWE

A typical view of Harare CBD Julius Nyerere Way and Nelson Mandela Avenue during lockdown

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The Capital Markets Growth and Journey Through the Pandemic

Anne Nyakunu - Corporate Communications Manager

Welcome to the first edition of the revamped Capital Markets Quarterly Newsletter. The newsletter was first launched in 2013, but was discontinued in 2016 due to numerous challenges. We are excited to re-introduce the online newsletter edition with a new look, which aims to inform, entertain, educate, and keep the reader abreast on capital markets developments.

It has been a year of challenges for everyone with the Covid-19 pandemic raging. In this issue, themed "The Capital Markets Growth and Journey Through the Pandemic", we discuss the intricacies of organisations' survival during the Covid -19 pandemic, and its impact. Capital markets entities look back at their operations and survival since the beginning of the pandemic in 2020, and how it has impacted and affected their operations. The good news is that it is not all gloom and doom for businesses as many other alternatives and opportunities have presented themselves during the era.

As you will pick up from the Newsletter, 2021 has been a busy year for the Commission; hosting and celebrating Women in the Capital Markets, Educating Youths about the Capital Markets during Global Money Week and launching a series of webinars on Exchange Traded Funds (ETFs). In our Market Update section we focus on the Anti-Money Laundering and Counter-Terrorist Financing and Proliferation Financing Training led by the SECZ's Supervision and Surveillance Department. The training was a huge success attracting at least 77 Securities Intermediaries. We have included tips and elements that were covered during the training.

I hope you will find the revamped newsletter not only informative but also interesting. Enjoy it as much as we have enjoyed putting it together. We are thankful to the various Securities Market Intermediaries (SMIs) who have contributed immensely to this issue; do reach out to the Editor with your submissions for issues to come.

Be sure to check out the new Investor Education section, "Its starts with Investor Education" which focuses on Investor education programmes that the Commission is undertaking to promote financial literacy and inclusivity in Zimbabwe. Learn more about the Investor 101 Handbook, Ayoba Mkoba drama series, Grain of Fortune video series, the GroWealth Monthly Publication and Annual Survey, and find out how you can access the materials to read, listen and watch at your leisure.

The Commission participated in the National Financial Inclusion Strategy (NFIS1), which ended in 2020. Drafting of the new strategy is underway to build on NFIS1 and continue to implement activities which raise participation in insurance, banking and the capital markets. The national working group's role is to promote financial literacy and inclusion for the marginalised.. to improve their lives .

We look forward to a momentous last quarter of the year and would like to thank every reader for taking the time to read the contents of this newsletter. We hope that the newsletter provokes thinking and stimulates discussions around capital markets related issues.

We are eager to hear your thoughts on what you have read and for any content contributions.

Please send comments online or email the editor at seczim@seczim.co.zw.

Happy Reading.

Anne

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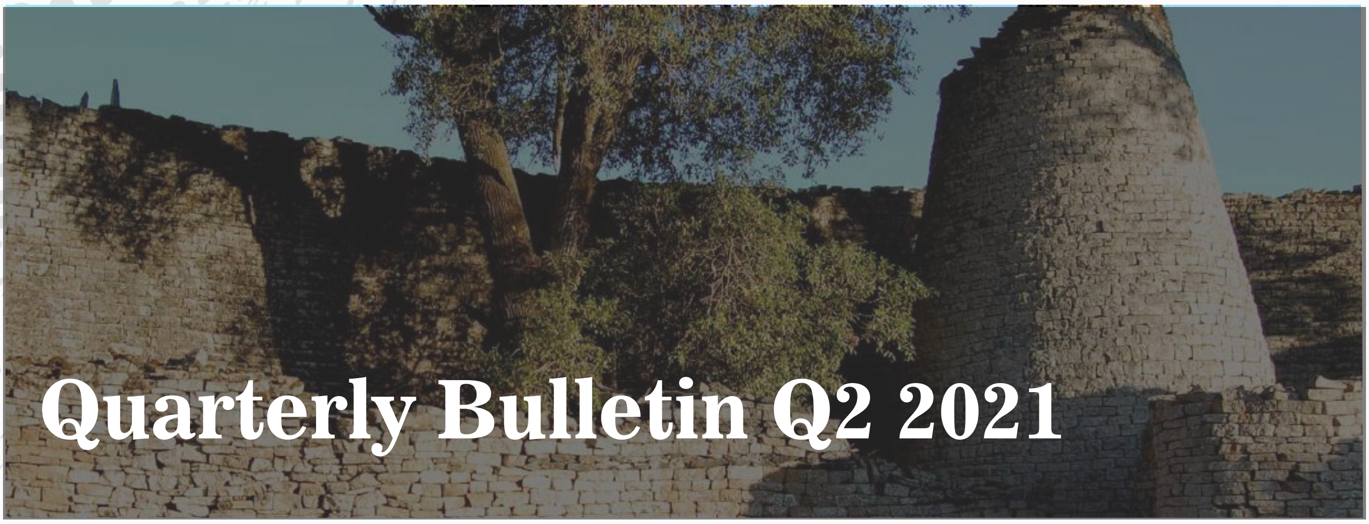


1. INTRODUCTION

SECZ is the apex regulatory body of the Zimbabwean's Capital Markets and is responsible for licensing, supervising, and regulating all the capital market infrastructures and intermediaries. The Commission's main thrust is to encourage the development of a free, fair, efficient, transparent, and orderly capital market sector. The Commission reports directly to the Ministry of Finance.

The capital market structure has the investors at the core centre who are served by the Securities Market infrastructures and securities market Intermediaries (SMIs) at different levels in the investment cycle. The capital market infrastructures include three (3) Stock Exchanges and two (2) Central Securities Depositories (CSDs). These institutions are responsible for ensuring clear trading, clearing and settlement of publicly traded securities. The Securities market intermediaries include 19 securities dealing firms, 23 Investment Management firms, 6 Custodians, 45 Securities investment advisors, 3 Transfer Secretaries and 3 Securities Trustees. These SMIs provide the link between the investors and the capital markets industry and thus act on behalf of investors in ensuring that investors have access to the sector. Figure 1 shows the high-level capital market structure.

Figure 1: High Level Capital Market Structure

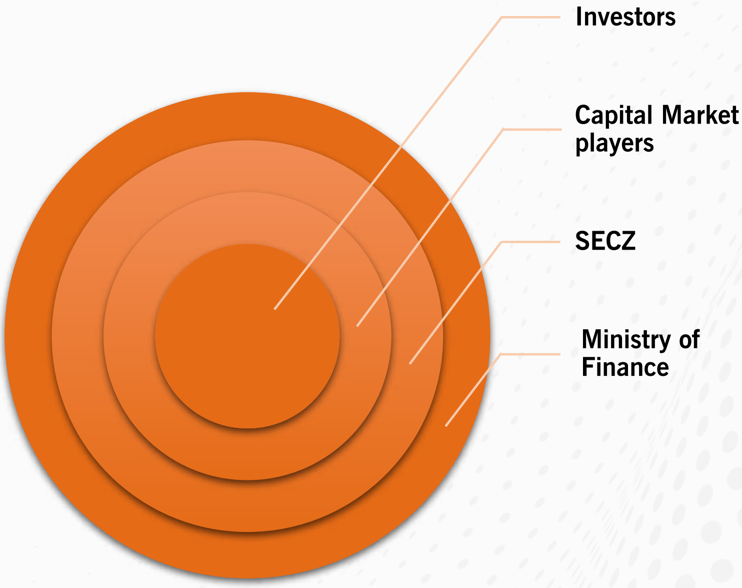
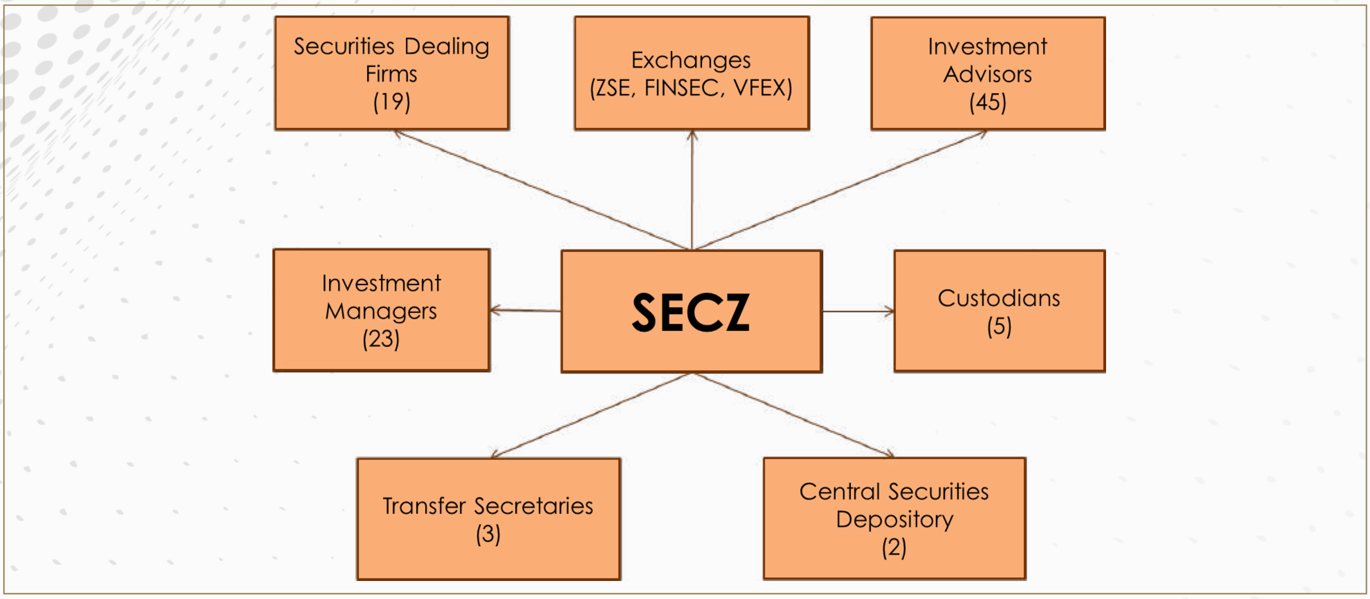


Figure 2 shows the regulated capital market institutions.

Figure : Zimbabwe Capital Market Institutions

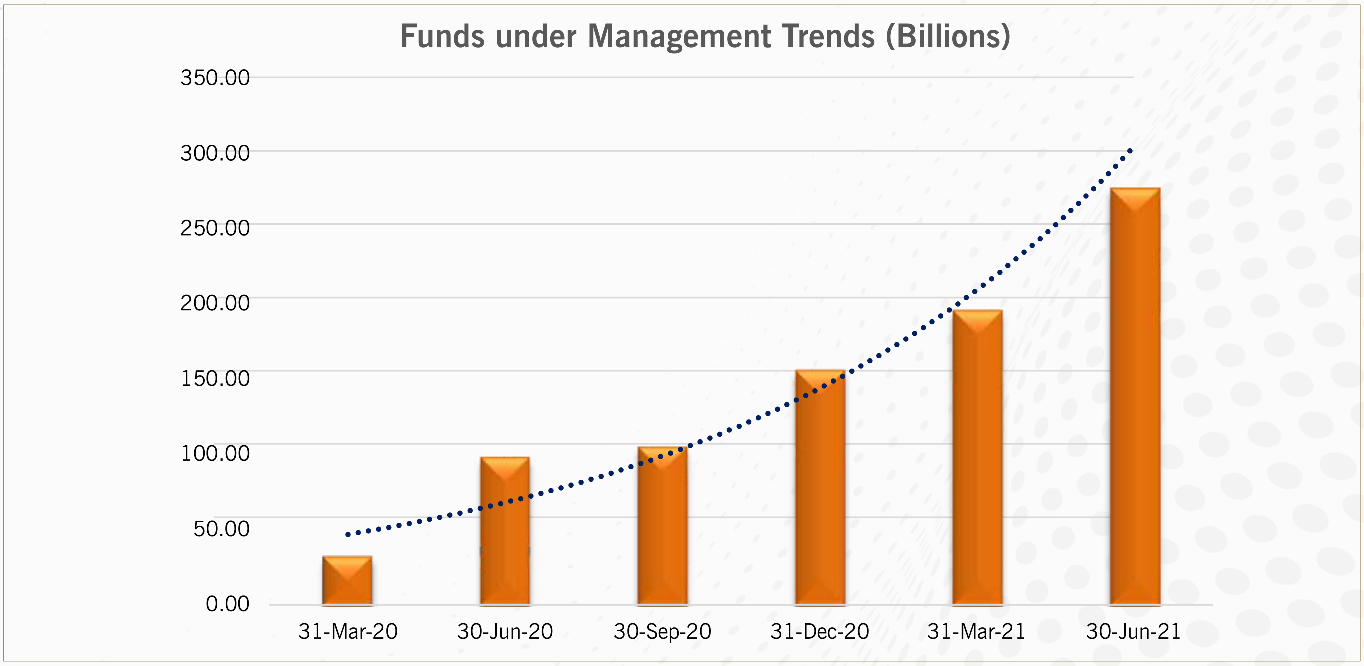


The capital market sector comprises of both local and foreign investors which include individuals, corporates, pension funds, insurance companies, and several other investors who hold accounts on the Central Securities Depository.

2. FUNDS UNDER MANAGEMENT

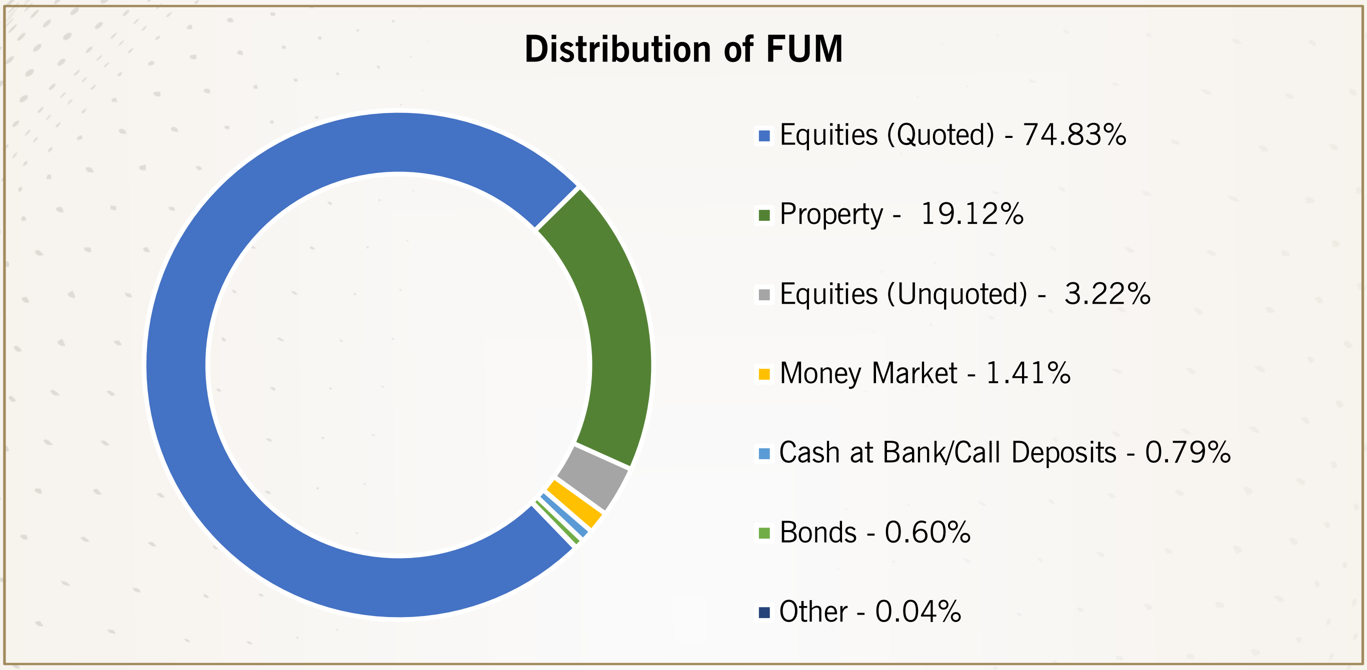
Funds Under Management (FUM) for the investment management industry as at 30 June 2021 stood at ZWL 276.95 billion representing a quarter-on-quarter increase of 41.31% from ZWL 195.99 billion reported as at 31 March 2021. The industry average for the nineteen (19) investment managers stood at ZWL13.85 billion. Figure 3 shows the trend of FUM from 31 March 2020 to 30 June 2021.

Figure 3: FUM Trend



The funds were invested in the following asset classes: Equities (Quoted and Unquoted), Property, Money Market, Bonds and Cash. The industry's exposure to the stock markets was 74.83% as at 31 March 2021 up from 70.49% as at 31 March 2021. The increase in stock market investments was mainly due to the appreciation of stock prices on the exchange experienced during the period under consideration.

Figure 4: Distribution of FUM



3. ASSETS UNDER CUSTODY

As at 31 March 2021, Total Assets under Custody (AUC) amounted to ZWL 309.26 billion signifying a 36.42% increase from ZWL 226.70 billion reported as at 31 March 2021. Local clients held 80.60% (ZWL 249.25 billion) of AUC whilst foreign clients accounted for 19.40% (ZWL 60.01 billion) of the assets.

4. TURNOVER

Turnover for the exchanges amounted to ZWL 11.50 billion and US$ 30,958 from a total of 28,697 trades that went through the market during the period 1 April 2021 to 30 June 2021. 11,514,212,900

Table 1: Turnover statistics

	ZSE	FINSEC	VFEX
Total Traded Value	ZWL 11,453,049,497.35	ZWL 45,354,901.81	US$ 30,958.50
Total Traded Volume	646,027,253	1,382,614	119,982
Number of Trades	28,464	228	5

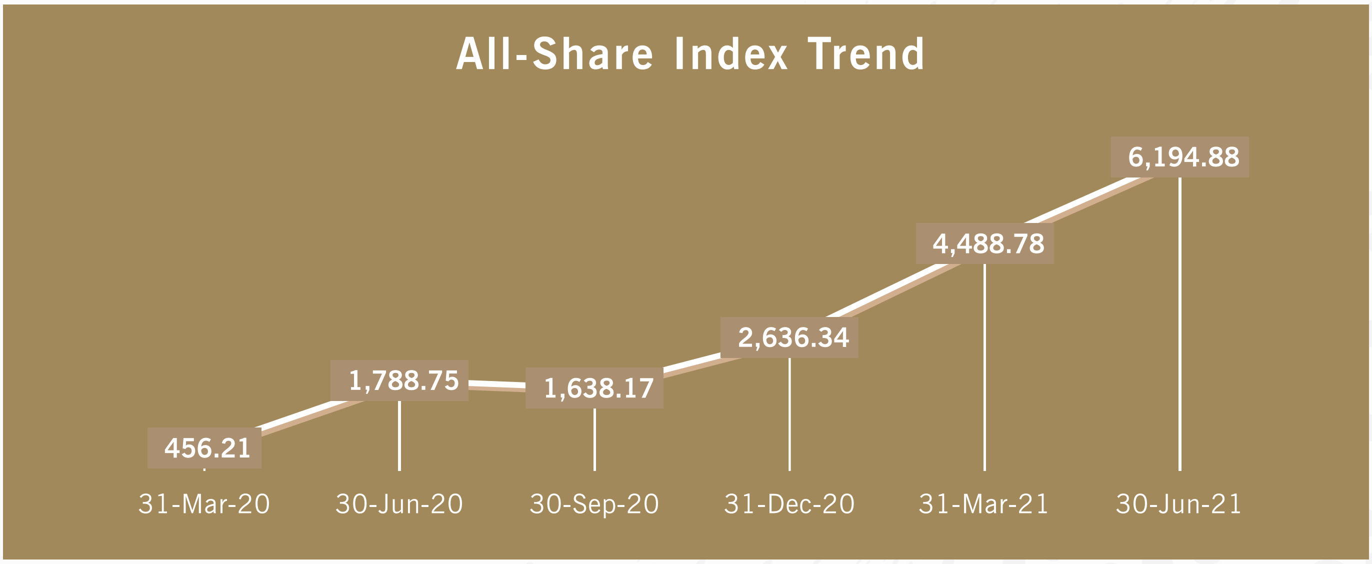
5. MARKET CAPITALISATION

The Zimbabwe Stock Exchange (ZSE) closed the quarter with a Market Capitalisation of ZWL 745.18 billion (US$ 8.72 billion) up 40.14% from ZWL 531.74 billion reported on 31 March 2021. On a Year-to-Year basis market capitalisation was up 226.01% from ZWL 228.58 billion reported on 30 June 2020.

Financial Securities Exchange (FINSEC) closed the quarter with a Market Capitalisation of ZWL 3.32 billion up 46.52%, from ZWL 2.27 billion recorded on 31 March 2021.

5.1 All Share Index

ZSE All-Share-Index closed the quarter at 6,194.88 points up 38.01% from 4,488.78 points reported as at 31 March 2021 and year-to-year increase by 246.32% from 1,788.75 points reported as at 30 June 2020. Figure 5 shows the trend of the ZSE All-Share-Index.



6. INVESTOR ACTIVITY

During the second quarter of 2021, Corporations accounted for 49.55% (ZWL 5.71 billion) of the total shares bought, followed by Pension Funds which accounted for 21.62% (ZWL 2.49 billion). Individual investors accounted for 6.92% (ZWL 797.08 million) as shown in table 2 below

Table 2. Investor Activity by Category (buying investors)

#	Type of Investor	Traded Value (ZWL)	% Of Total Value
1	Corporations	5,705,632,299	49.55%
2	Pension Funds	2,489,253,378	21.62%
3	Nominee Company Taxable	1,546,310,932	13.43%
4	Individuals	797,079,538	6.92%
5	Insurance Companies	473,037,992	4.11%
6	Other Financial Institutions	383,905,533	3.33%
7	Trust Companies	99,639,476	0.87%
9	Investment Managers	17,681,619	0.15%
10	Others	1,672,133	0.01%
	Total	**11,514,212,900**	**100.00%**

On the sell side, Corporations disposed the highest value of shares accounting for 48.28% (ZWL 5.59 billion) followed by Other Financial Institutions who sold shares worth ZWL 1.81 billion (15.72%).

Table 3. Investor Activity by Category (Selling-Investor)

#	Type of Investor	Traded Value	% Of Total Value
1	Corporations	5,559,136,363	48.28%
2	Other Financial Institutions	1,809,527,092	15.72%
3	Pension Funds	1,711,833,997	14.87%
4	Insurance Companies	1,106,047,602	9.61%
5	Individuals	1,034,596,822	8.99%
6	Nominee Company Taxable	140,091,429	1.22%
7	Trust Companies	100,240,399	0.87%
8	Investment Managers	45,280,129	0.39%
9	Others	7,459,066	0.06%
	Total	**11,514,212,900**	**100.00%**

6.1 Number of active investors (Direct)

There are two platforms giving investors direct market access to the securities market namely C-Trade and ZSE Direct. A total of 9,577 investors have active accounts on the two platforms and they managed to trade shares worth ZWL 93.62 million as shown in Table 4.

Table 4: Individual Investor Activity (Direct Access Platforms)

	C-Trade	ZSE Direct	Total
Total Traded Value	ZWL 45,401,570	ZWL 48,217,292	**ZWL 93,618,862**
Total Traded Volume	20,446,859	17,216,362	**37,663,221**
Number of Trades	13,775	7,156	**20,931**
Number of Active Users	6,529	3,048	**9,577**

6.2 Unit Trusts Performance and Number of Unit holders (Unit Trusts)

A total of 50 Unit Trust Funds worth ZW 1.91 billion were being managed by Investment Managers across the securities market for the period ended 30 June 2021. These comprised 60,934-unit holders with funds invested in several instruments including equites, properties, and money market investments.

7. PERFORMANCE OF SMIs

Securities Market Intermediaries (SMIs) performed satisfactorily during the quarter under review with a few reporting negative earnings and experiencing under-capitalisation.

7.1 Securities Market Infrastructures

All the Securities Market Infrastructures were adequately capitalised as at 30 June 2021 supported by strong earnings. Their overall rating is considered satisfactory

	ZSE	FINSEC	CDC
Assessment Metric	**Rating**	**Rating**	**Rating**
Earnings	Strong	Fair	Strong
Capital	Strong	Strong	Strong
Liquidity	Satisfactory	Strong	Strong
Solvency	Satisfactory	Fair	Satisfactory
Overall Rating	**Strong**	**Satisfactory**	**Strong**

Table 5 shows the capital positions for the three (3) Securities Market Infrastructures which were adequate as at 30 June 2021.

Table 5: Net Asset Value for Securities Market Infrastructures

	ZSE	FINSEC	CDC
Net Asset Value	ZWL 37,158,234	ZWL 6,084,395	ZWL 41,331,619

7.2 Securities Dealing Firms

The sector's earnings were rated Satisfactory for the six-months ended 30 June 2021. Eighteen (18) out of nineteen (19) operating securities dealing firms reported positive earnings. The industry average earnings were ZWL 11.27 million with the highest firm recording profit of ZWL of 47.35 million. The capital for the sector as at 30 June 2020 was rated Satisfactory as shown in table 6 below.

Table 6: Securities Dealing Firms Capital Adequacy as at 30 June 2021

Name of Institution	Available Adjusted Liquid Capital	Required Capital	Capital Adequacy Ratio
ABC Stockbrokers	3,663,833	5,164,164	0.71
Akribos Securities	20,168,310	8,313,661	2.43
Bethel Equities	2,530,712	1,152,859	2.20
EFE Securities	46,213,497	30,441,372	1.52
FBC Securities	8,983,847	29,902,559	0.30
Fincent Securities	3,455,569	512,574	6.74
IH Securities	14,699,533	18,955,418	0.78
Imara Edwards Securities	15,340,837	13,949,683	1.10
Invictus Securities	14,064,530	8,188,274	1.72
Jemina Capital	7,376,495	727,718	10.14
L/Edwards Stockbrokers	63,713,295	38,136,393	1.67
MAST Stockbrokers	3,398,571	2,663,044	1.28
MMC Capital	1,276,213	10,374,833	0.12
Morgan & Co	27,640,908	21,297,862	1.30
Old Mutual Securities	28,935,902	16,076,979	1.80
Platinum Securities	20,793,340	13,736,046	1.51
Remo Investment Brokers	10,315,093	408,514	25.25
S/Trust Securities	50,715,178	26,630,801	1.90
Wealth Access	8,421,242	6,699,864	1.26
Total	351,706,905	253,332,619	
Average	18,510,890	13,333,296	3.35

7.3 Securities Investment Managers

The sector's earnings were rated Satisfactory. The industry average operating profit for the period under review amounted to $56.61 million. As at 30 June 2021, the sector's capital was rated Strong as shown in table 7.

Table 7: Securities Investment Managers Capital Adequacy

Name of Institution	Available Adjusted Liquid Capital	Required Capital	Capital Adequacy Ratio
ABC Asset Management	467,120,095	136,510,308	3.42
Akribos Wealth Managers	154,998,811	8,953,605	17.31
Alpha	38,093,344	21,155,495	1.80
Atria	13,858,280	885,589	15.65
CBZ	159,938,226	60,942,442	2.62
Equivest	413,084,446	165,116,115	2.50
FML	28,375,914	18,571,687	1.53
FLAM	55,931,556	14,742,320	3.79
Imara	26,348,064	13,330,287	1.98
Invesci	203,589,193	85,110,989	2.39
MHMK	11,245,226	7,657,707	1.47
Nyaradzo	14,791,220	12,135,209	1.22
OMIG	376,111,217	245,164,771	1.53
Platinum	141,329,651	20,343,351	6.95
Purpose	4,505,136	4,075,593	1.11
QuantAfrica	16,075,104	5,730,894	2.80
Smartvest	34,455,434	17,113,078	2.01
TNAM	56,253,317	33,483,937	1.68
Zimnat	46,258,909	19,357,677	2.39
Total	2,262,363,145	890,381,051	
Average	119,071,744	46,862,161	3.90

7.4 Securities Transfer Secretaries

The sector's earnings were rated Strong. The sector reported average revenue of ZWL 37.34 million against average operating expenditure of ZWL 12.56 million. The resultant average profit after tax was ZWL 20.86 million with all the firms reporting positive after-tax earnings during the period under review. The sector's capital rating was Strong as shown in table 8.

Table 8: Capital Adequacy for Transfer Secretaries

	Shareholders' Funds	Total Assets	Minimum Requirement (USD)
Corpserve Transfer Secretaries	31,993,122	36,880,120	150,000
First Transfer Secretaries	75,432,217	91,217,594	150,000
ZB Transfer Secretaries	39,954,383	49,882,225	150,000
Average	**49,126,574**	**59,326,646**	**150,000**

8. AML/CFT/PF RATINGS

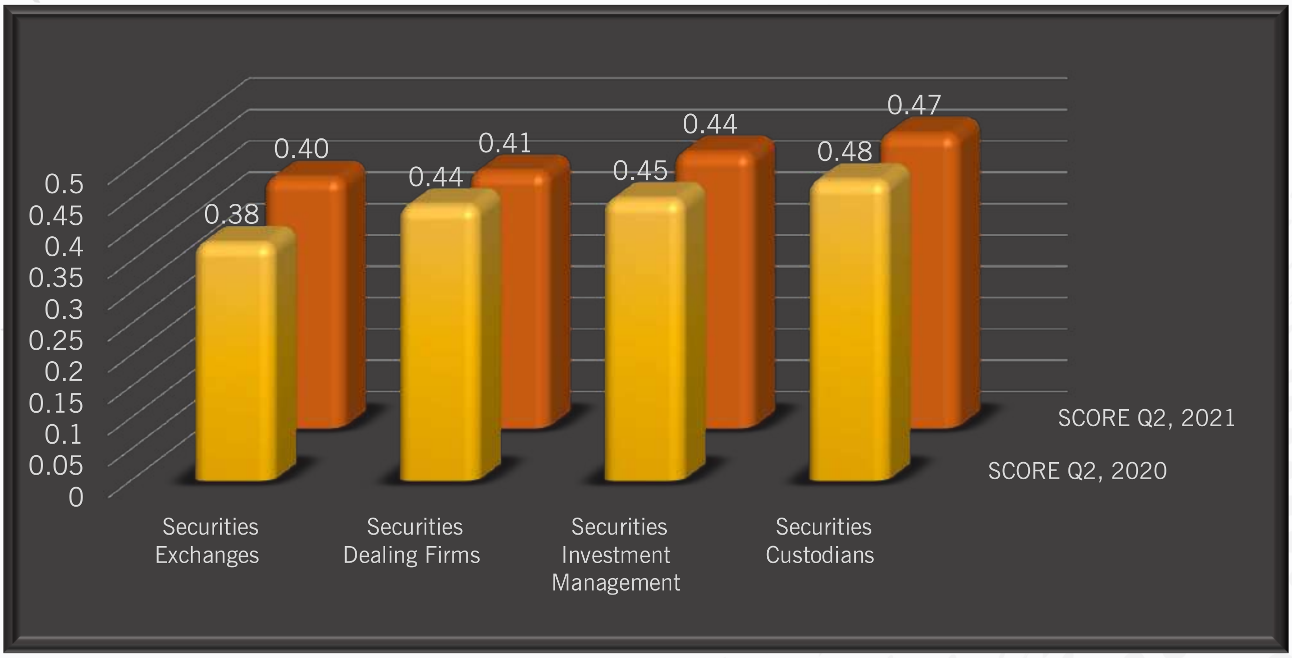
Securities Custodians, Securities Investment Management, Securities Dealing Firms and Securities Exchanges were assessed for ML/TF/PF risk for the quarter ended 30 June 2021. The assessment for these industries for the period under review is as shown in table 10.

Table 10: AML/CFT/PF Risk Assessment 1 April – 30 June 2021

CATEGORY	RATING	SCORE	WEIGHTING	OVERALL
Asset Managers	Medium	0.44	0.26	0.11
Securities Dealing Firms	Medium	0.41	0.24	0.10
Custodians	Medium	0.47	0.27	0.12
Securities Exchanges	Medium	0.40	0.23	0.09
Overall			Medium	0.43

All the four (4) subsectors ranked medium. The overall Securities sector ranked medium at a risk score of 0.43 for the quarter ended 30 June 2021, an improvement from a ranking of 0.44 for the quarter ended 30 June 2020. Figure 6 shows the comparative risk assessment between second quarter of 2020 and second quarter of 2021.

Figure 6: Comparison Risk Score for the Q1,2020 and Q1, 2021



The overall ML/TF/PF risk for the four sub-sectors remained medium. Securities dealing firms, Securities Investment Managers and Securities Custodians subsectors' risk score improved between the two quarters whilst Securities Exchanges risk scores deteriorated between the two quarters.

9. NEW LICENSEES

The below table details the new licensees.

Table 9: New Licences

Securities Advisory Firms	Opus Capital Private Limited Wealth Access Private Limited CEFE Group International Private Limited
Securities Investment Manager	Nurture Asset Management Private Limited

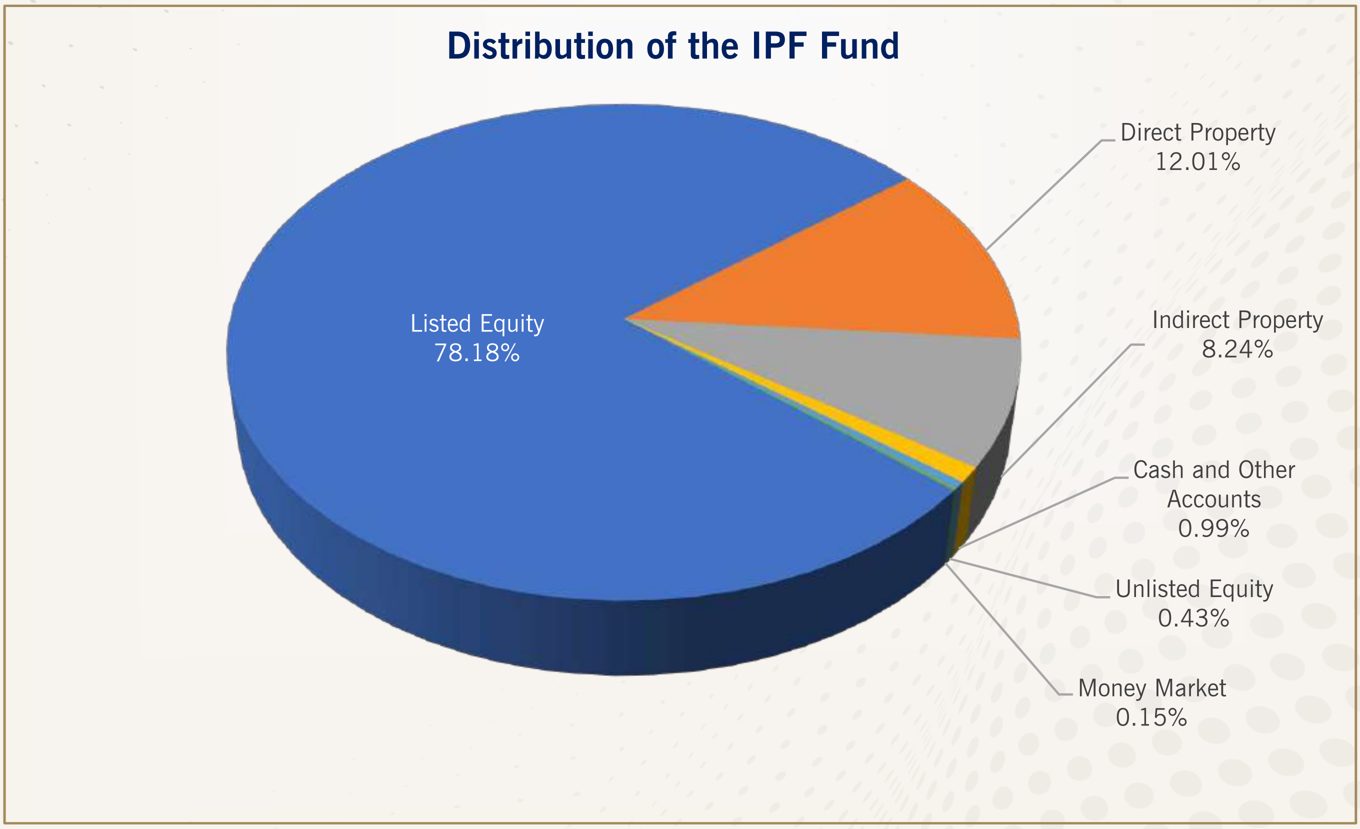
10. UNCLAIMED DIVIDENDS

A total of ZWL 109.83 million, ZAR 4.85 million and US$ 125,902.40 in unclaimed dividends were sitting with the three licensed Transfer secretaries as at 30 June 2021.

11. INVESTOR PROTECTION FUND

As at 30 June 2021, the Investor Protection Fund was valued at ZWL 520.31 million, a 19.89% growth compared with the fund's value as at 31 March 2021. The largest portion of the fund is invested in listed equities at 78.18% with property both direct and indirect constituting 20.25%. Distribution of the IPF Fund is shown in Figure 7.

Figure 7: Distribution of the IPF Fund



Compliance Training: Risk-Based Approach to Anti-money laundering and counter-terrorist financing and proliferation financing (AML/CFT/PF)

The Supervision and Surveillance department led the Anti-Money Laundering and Counter-Terrorist Financing and Proliferation Financing (AML/CFT/PF) training at the end of July this year. The training was aimed at capacitating the Securities Market Intermediaries (SMIs) on a risk-based approach to AML/CFT/PF.

At least 77 securities market intermediaries participated in the online training. The SMIs were guided on how to classify their customers individually by their risk exposure and ensuring that 'higher-risk' customers are under greater levels of AML/CFT/PF scrutiny. SMIs were trained to do the following three things in mitigating ML/TF/PF risks:

a. Recognize the existence of risk
b. Perform assessments of risk
c. Develop and deploy strategies to address risks

The training covered the following:

1. The Objective of AML/CFT/PF Risk-based Approach

The objective of the risk-based approach is to deploy resources where the risks are higher. This is key in ensuring that ML/TF/PF gateways remain closed to frustrate activities of crime doers. An effective risk-based approach will allow SMIs to exercise reasonable business and professional judgement for clients. The strategies to manage and mitigate ML/TF/PF activities are typically aimed at preventing the crime activities from occurring through a mixture of:

a. Deterrence (e.g., appropriate CDD & KYC Measures)
b. Detection (e.g., monitoring & STR)
c. Record keeping (e.g., Facilitate Investigation)

2. Benefits of AML/CFT/PF Risk-Based Approach

a. The risk-based AML/CFT/PF Approach provides value to the organization and is the cornerstone of an effective compliance programme
b. Allows management to see things as they are and make risk-appropriate decisions based on measurable data and

intelligence
c. Serves as a basis for management decisions to allocate resources for compliance and internal control to manage the institution's unique risks and minimize the incidence of regulatory infractions and penalties
d. Facilitates a comprehensive AML/CFT/PF governance and oversight capability, thereby demonstrating a corporate-wide culture to deter money laundering
e. Sets the stage for ongoing AML/CFT/PF risk management, which adapts to changes in regulations, products, and organizational structure.

3. The steps involved in a Risk-Based Approach

a. Identify the money laundering, terrorist financing, and proliferation risks that apply to a firm
b. Assess the risks presented by the firm's particular: which involves thoroughly evaluating a company's products and services, customer base, delivery channels, and geographical profiles and determining vulnerability areas
c. Once these areas have been properly defined, the business needs to create and apply policies and procedures to deal with them
d. Design and introduce controls to manage and reduce these risks. The key is having systems in place that will recognize potential threats

4.Performing AML/CFT/PF Risk Assessment

There are broadly three levels of risk assessment in implementing a risk-based approach. These three are:

- National Risk Assessment (NRA)
- Sectoral Risk Assessment (SRA)
- Individual entity Risk Assessments
- In performing risk assessment, financial institutions must consider:
  - Vulnerability
  - Infrastructure
  - Regulations
  - Business Specifics

Risk Matrix

In assessing the risk of money laundering and terrorism financing, the entity should establish whether all identified categories of risks pose a low, medium, or high risk. SMIs use a risk matrix as a method of assessing risk to identify the categories of customers in terms of risks. The development of a risk matrix can include the consideration of a wide range of risk categories, such as the products and services offered by the entity, the customers to whom the products and services are offered, the entity's size, distribution channels, and geographical location of clients.

5. Elements of a sound AML/CFT/PF Risk-Based Approach System

a. Active board and senior management AML/CFT/PF oversight
b. AML/CFT/PF organizational policies and procedures
c. Adequate AML/CFT/PF management information systems that support all business activities
d. Established internal controls supported by periodic comprehensive audits that detect any deficiencies in the internal control environment

6. AML/CFT/PF compliance programme that is both effective and adequate for implementation of RBA

a. Top Leaders must prioritise and popularize a companywide culture of AML/CFT/PF compliance
b. Qualified Professionals. Ensuring that there is a corporate governance structure that includes compliance professionals that are fluent in AML/CFT/PF and related regulatory requirements
c. Risk Assessments. The institution should assess the risks that are inherent to the organization's operation in

conjunction with the regulatory landscape on AML/CFT/PF

d. Policies and Procedures. Policies and procedures will address key issues, risk appetites, and behaviour deemed acceptable by the organisation
e. Reporting. One of the key points in a programme is having an internal escalation
process in the organisation to report any AML/CFT/PF or related issues efficiently and swiftly, without causing necessary disruptions to business efficiency
f. On-going monitoring and testing. White-collar criminals are usually educated, innovative and possess the resources and the financial know-how to circumvent regulatory loopholes to accomplish their criminal goals. Along with the ever-changing landscape of the AML/CFT/PF environment, an organisation should commit to testing its compliance programme regularly.

7. What is now expected from Securities Market Intermediaries?

a. Perform effective and accurate risk assessment for different customer types, products/services the delivery channel for products and services and country risk
b. Establish a sound and compliance culture within the institutions
c. Develop an effective risk-based approach to AML/CFT/PF in compliance with FATF recommendations
d. Effectively detect anomalies and identify potential ML/FT/PF risks
e. Test the effectiveness of current AML/CFT/PF strategies
f. Detecting potential loopholes in the internal processes
g. Lines of defence to be strengthened and incorporated into your risk-based approach for robust AML/CFT/PF defence
h. Understand the current ML/TF/PF landscape, evolving threats, and how you can align your risk-based approach to AML/CFT/PF for an all-round defence
I. Develop controls, policies and procedures that truly enable you to minimize OR eliminate ML/FT/PF risks

8. AML/CFT/PF Compliance Solutions

a. Automate onboarding and monitoring processes
b. Minimize false positives by utilizing the global AML/CFT/PF database of Sanctions and Watchlists, PEPs, and Adverse Media

NB If implemented effectively, the risk-based approach allows for a balanced integration of human judgement and smart technology in the AML/CFT/PF compliance process.

The Pandemic- from the Lense of a CIO of an Asset Management firm

By: Farai Gwaka – M.D Zimnat Asset Management

The advent of the Coronavirus pandemic (Covid-19) came with a myriad of challenges, which did not spare either global or domestic capital markets. The Covid-19- induced lockdowns somewhat coincided with the suspension of the Zimbabwe Stock Exchange (ZSE), the re-introduction of the multi-currency system, and the new Reserve Bank of Zimbabwe (RBZ) foreign currency auction system. Therefore, given the cocktail of exogenous and endogenous challenges facing the country, our domestic capital markets became relatively volatile and complex to navigate.

However, having gone through the first cycle of extreme hyperinflation which ended in 2008/9, most Fund Managers since 2016/17, including ourselves, had adjusted our asset allocations with a bias towards defensive assets i.e., through maintaining overweight positions in assets that could either preserve real value or provide positive real returns.

As Zimnat Asset Management (ZAM), our theme over the last four years has remained value preservation, precipitated by the significant economic policy shifts that we believed would increase the volatility of the market over a protracted period. Therefore, like other asset managers, we invested heavily in our alternative investments' capabilities, through bringing in new skills and by building our intellectual capital around this new and specialized area. This has worked well for us in terms of value preservation, growth, and product offerings.

Equities Market

The increased volatility on the ZSE brought about by the significant policy changes over the last three years, coupled with the onset of the Covid-19 pandemic, have made the market attractive from a valuation perspective, presenting significant value opportunities for long-term investors, like us.
However, the suspension of the Zimbabwe Stock Exchange (ZSE) in mid-2020, forced us to rethink our exposures to the listed equities, given the significant liquidity pressures it imposed on our business and clients. Post-ZSE shutdown, we have become extremely mindful of our listed equities exposures and have doubled down on implementing our alternative investments.

Another negative development for the market that took place after the ZSE shutdown was the aggressive sell-off by foreign investors on the ZSE as they exited via the newly introduced RBZ foreign currency auction. What we quickly realised after the ZSE shutdown was that most foreign Fund Managers that were undecided about their Zimbabwe exposure pre-ZSE shutdown turned pessimistic after the shutdown. This magnified the foreign sells and resultantly dampened the market for several months after the shutdown.

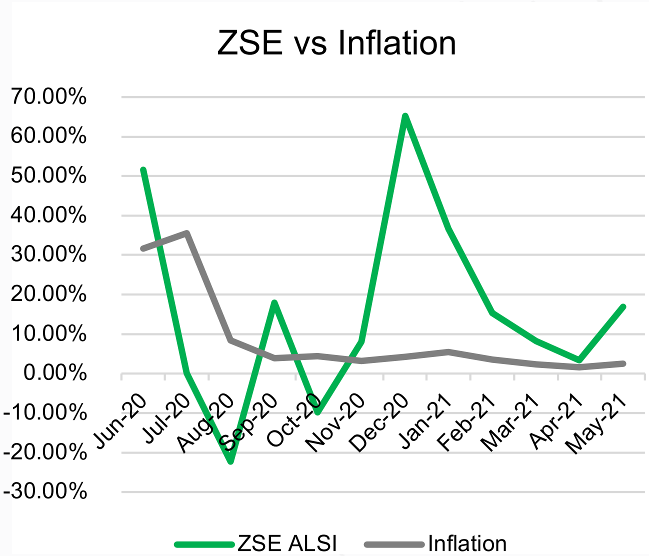
The reputational damage caused by the shutdown will take years to repair, from the perspective of foreign investors, compounded by the deadlock on the trading of Old Mutual PLC and PPC shares (foreign companies), which remains unresolved and a wet blanket on market confidence.

We are also concerned about the shrinking universe of listed equities on the ZSE, as we have witnessed a sizable number of de-listings over the decades. The ZSE reopened in 2009 with 79 listed companies, but now only 51 companies are listed (including Seed-Co International on the Victoria Falls Exchange (VFEX), a 35% decline. We therefore believe that there is a need to relook at the founding principles of the ZSE and how they can be made relevant for listed companies of today.

We fully support the introduction of the VFEX, but also feel that more stakeholder engagement was required to ensure its success upon launch. Concerns around the settlement of US dollar transactions and general market liquidity continue to plague the market. With the bulk of domestic institutional investor capital being denominated in ZWL, it is hard to see liquidity improving on the VFEX in the short to medium-term, in the absence of foreign investors. These unfortunately currently have a negative perception of investing in Zimbabwe.

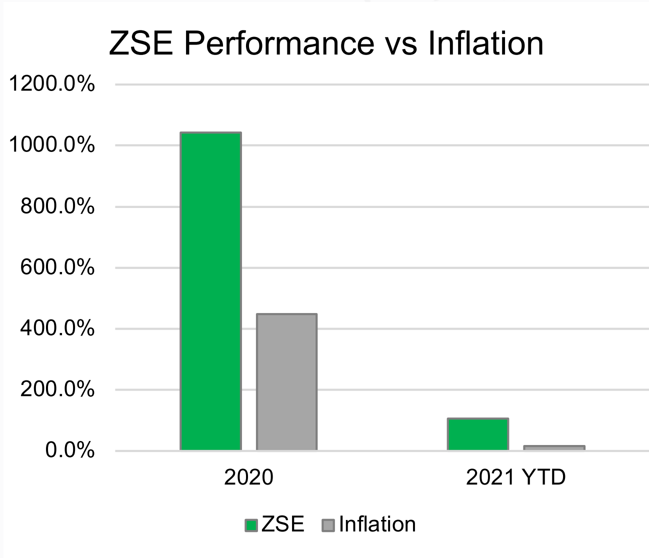
Despite these challenges, we however see exciting opportunities for non-traditional listings on the VFEX, such as Real Estate Investment Trusts (REITs) and offshore Exchange Traded Funds (ETFs), to name a few. Given the newly-introduced government incremental export incentives, the VFEX has also become attractive for local exporters, looking to retain more of their foreign currency.
Despite these challenges, over the last eight to nine months, listed equities have, under the current stable dual currency regime, contributed to a strong real recovery in our industry's assets under management.

Month on month Comparison



Source: ZSE & Zimstats

FY 2020 & 2021 YTD performance



Source: ZSE & Zimstats

Market returns peaked in December with over 60% monthly return and started tapering off, albeit realizing positive real returns. As shown above, overall, the stock market outperformed and continues to outperform inflation.

Although listed equity valuations have normalised over the last few months, we remain optimistic about the prospects of the ZSE, over the next year, driven by the improving fundamentals of most companies. We expect that if there are no major policy disruptions to the current stability, stronger financial performances are expected, going forward, as the country and global economy recover from the effects of the Covid-19 pandemic.

Achieving sustainable positive real returns in the short to medium term on the ZSE is often a challenge, as a Fund Manager, given the volatile currency and inflationary operating environment that often erodes the real value of gains achieved in each reporting period. Against this background, we have had to rely more on the property and alternative investments to grow and defend our assets under management.

Traditional Fixed Income

The local currency's traditional fixed income asset classes have been devastated by the recent spell of hyperinflation, which has translated into value loss and negative real returns. Despite this development, most Fund Managers continue to invest on the local fixed income market for liquidity management purposes and not for the actual real returns. We therefore believe that the local currency fixed income market will likely struggle over the short to medium term, if inflation remains relatively high.

The return of the multicurrency regime has had a material impact on the composition of bank deposits within the country, as greater than 50% of the country's bank deposits are now in US dollars. Whilst most of these US dollar balances are held in call accounts for transactional purposes, as the economy reopens post-pandemic, we see increased demand for US dollar credit by corporates, which may trigger the creation of US dollar fixed income assets for both institutional and retail investors with access to foreign currency.

Statutory Instrument 280 of 2020 amends the Exchange Control regulations to allow for insurance companies to accept premiums in US dollars, whilst also allowing pension and provident funds to "invest the contributions in investment instruments denominated in the same currency the contributions are made; and in respect of fund members whose contributions have been paid in foreign currency, through Nostro Accounts, pay such member's benefits in the currency in which the contribution has been paid." Against this background, we see significant growth in the US dollar fixed income market, as pension and insurance US dollar balance sheets grow.

Property Investments

Property investments have defended the balance sheets of companies and pension funds during the volatile cycles of hyperinflation and devaluation in Zimbabwe. Property, from our perspective, has therefore become a reliable defensive asset for most Fund Managers, but the liquidity of the investment and constrained yields, have hamstrung the performance of the asset class over the years.

We strongly believe that the local capital market can contribute immensely to the development of crucial infrastructure in Zimbabwe if the newly introduced REITs are embraced by the market. Statutory Instrument 240 of 2019 approved the extension of Collective Investment Schemes to new asset classes, such as commodities, private equity, ETFs, venture capital, property, and REITs. In addition, the government set out the guidelines and tax incentives for collective investment schemes that qualify as REITs in the 2021 National Budget. In this context, we remain bullish on the prospects of REITs given their tax efficiency and liquidity and expect to see numerous listings of REITs, which we believe, will contribute immensely to modernizing the country's infrastructure.

Alternative Investments

Alternative investments, from our perspective, are generally non-traditional investment assets spanning from quasi-debt instruments, venture capital, property developments, commodities, to private equity and more. Given the perennial volatility of the Zimbabwean economy, we believe alternative investments are likely to become a dominant asset class across most portfolios, over the next few years, given their ability to preserve value and provide positive real returns.

We have been investing heavily in our capabilities and intellectual capital in this space, which we believe is a foundation for greater innovation and product offerings, going forward. However, in many cases, investments under this asset class are complex and therefore require constant regulatory oversight in terms of performance and valuations, to ensure clients/investors are protected.

Unit Trust Investments – Retail Investments

Restoring the country's investing and savings culture remains a challenge given the loss of value of financial assets that has taken place, over the last two decades. During this period the structure of the Zimbabwean economy has materially changed, with the informal sector becoming a dominant force, in terms of economic activity. This has forced us to rethink how we approach and package retail investments, but we are still a long way from providing a functional solution for the informal sector.

Despite this, we remain optimistic about the future, as we continue to see the retail end of capital markets develop and grow through, for example, trading platforms such as C-trade and ZSE-Direct, most recently for unit trust investments, and through investor education initiatives such as the monthly GroWealth publications.

As Zimnat, over the last three years we have invested heavily in developing new products for our retail clients, expanding our asset class offering, improving real returns, and ultimately contributing to the government's thrust of financial inclusion and building national savings. We therefore believe that the promulgation of SI 240 of 2019, which broadens asset classes under collective investment schemes, will provide retail investors exposure to new asset classes over time, that may offer better hedging and return opportunities.

Demand for Offshore Investments

The volatile domestic economic environment coupled with the return of the multi-currency regime has increased demand for offshore investment solutions from retail clients who have access to or prefer to invest in US dollars. Pension and insurance companies are currently prohibited from investing offshore, but the new Insurance and Pensions Act currently under consideration may allow a specific threshold of pension and insurance assets to be invested offshore.

Most countries within our region allow their pension and insurance companies to invest a prescribed threshold offshore, to diversify, which we believe will be a welcome development for our local institutional investors, who have lost value because of their concentration risk in Zimbabwe assets.

In conclusion, whilst we have witnessed several challenges as our local capital markets continue to develop, we at Zimnat Asset Management, remain optimistic about the prospects of our markets, and our country, as we learn and grow from our past experiences.

The Capital Markets- Growth and the journey through the Pandemic

By Gamu Pasi - Fincent

When news of lockdowns first broke and investors fully digested the gravity of the pandemic, a global flight-to-safety ensued. Redemption swept across financial markets. Hedge fund liquidations in the first quarter of 2020 were the fourth highest in history at $33 billion. Recall that early in the pandemic, all news was bad, uncertainty was extraordinary, and the downside seemed unlimited.

As a result, multiple records were set in capital markets in 2020. Investment-grade companies in US bond markets borrowed more than $1.2 trillion, while speculative-grade borrowers tapped credit markets for almost $300 billion, reflecting year-over-year increases of 68% and 79% respectively.

Most notable, however, is the more than $435 billion raised by U.S. companies in stock sales in 2020. The ability and willingness of companies to tap equity markets are reflective of the extraordinary recovery in financial markets, driven by fiscal and policy support, liquidity assurances from the Federal Reserve, and a rapid pace of vaccinations pushing up the timeline for reopening and a return to normal for the U.S. economy.

Even with 90%-plus of its employees working from home, the capital markets industry has performed surprisingly well since the onset of the Covid-19 pandemic.

Back here in Zimbabwe, when the first lockdown started on the 30th of March 2020, we had our fair share of economic problems including perennial depreciation of the local currency. The Zimbabwe dollar (Z$) having closed at Z$23 against the USD in December 2019 stood at Z$40 when the first quarter of 2020 ended.

The country was confronted by twin crises of health and external funding shocks as the economy needed bilateral and multilateral assistance to ensure that healthcare spending was not compromised in the wake of the pandemic. Economic woes continued to mount as foreign currency shortages persisted and the local currency continued to lose value exceeding most forecasts. The policy shifts, suspensions of the stock market, and aggressive directives in the face of mounting inflationary pressure were experienced during Q2:2020.

In the wake of the lockdown as the second quarter of 2020 started, the central bank allowed the public to transact in US dollars with the exchange rate fixed at Z$25 against the US dollar. The rate on the parallel market then was Z$40, and it continued to depreciate, causing massive inflationary pressures as suppliers hiked prices in anticipation of a higher cost of replacing stock. On the parallel market, by the end of Q2, the local currency ended Q2 at Z$100. As pressure continued to mount, the Reserve Bank of Zimbabwe (RBZ) abandoned the fixed exchange rate regime adopting the foreign exchange auction on 23 June 2020 with the rate pegged at Z$57.3.

Equities were buoyant in Q2:20

as Z$ fears pushed investors to hedge. The All-Share Index surged 291% during the quarter whilst the market capitalisation increased by 289% to $228.88 billion. In real terms during that quarter, market capitalisation firmed up by 59% to US$2.4 billion. At the start of 2020, a price correction to a market cap of US$2billion seemed ambitious given the negative outlook on the economy with all businesses seeing a massive reduction in sales volumes on the back of falling customer purchasing power. By then, the market had more than doubled in real terms.

The month of June 2020 recorded the highest activity as market turnover surged to $1.9 billion. The market managed to extend gains despite profit-taking becoming more pronounced during the second week of the month with blue chips experiencing significant pressure. However, trading on the bourse was suspended on the 26th of June amidst allegations of impropriety linked to economic sabotage.

During Q3:20 the market witnessed a gradual relaxation of the restrictive measures imposed to curb the spread of the coronavirus. Business hours were extended allowing business to operate close to normal again. This gave hope to businesses that had taken a battering from low-capacity utilisation and reduced demand caused by the measure. The local currency also managed to stabilise during the quarter with the introduction of a foreign exchange auction in June 2020. The parallel market was relatively stable between 90 and 100 during the quarter, depreciating to 100 as the quarter came to an end. Trading which was suspended on 26 June resumed on 3 August 2020.

The ZSE plunged during the quarter as investor confidence continued to wane. When trading was suspended, the functionality of mobile money platforms was limited to curb the depreciation of the local currency on the parallel market. Dual-listed companies Old Mutual, SeedCo International, and PPC remained under suspension when trading resumed on the bourse.

The continued suspension dampened the market sentiment, which resulted in a steep sell-off. Most selling was because of the need to raise liquidity as well as capital flight as foreign investors deem the investment climate as deteriorating. During the quarter, the mainstream All Share Index fell by 8% and the blue-chip Top 10 Index dropped by 12%. The Medium Cap Index was 4% softer whilst speculative buying saw the Small Cap Index ending the quarter 4% firmer.

The final quarter of 2020 saw the local currency remaining relatively stable on both the parallel and the formal market. The government launched the foreign currency-denominated bourse, the Victoria Falls Stock Exchange (VFEX) in October. Since its launch, only one counter SeedCo has been listed on the exchange and the market has remained illiquid, with only 1,000 shares worth $180 being traded. The fungibility of the dual-listed stocks is suspended.

The market recovered in Q4:20 recouping the previous quarter's losses. Demand for equities firmed in December partly driven by increased liquidity coming into the market with the source being government settling some of its delayed obligations to creditors as the year came to an end. Demand for equities was also driven by limited investment options that are liquid in the economy as well as last-minute portfolio adjustments common at the end of the reporting period.

The mainstream All Share Index surged 61% and the blue-chip Top 10 Index advanced 53%. The Small Cap Index firmed 110% largely due to speculative buying whilst the Medium Cap Index strengthened 74%. Market capitalisation increased by 54% quarterly to US$2.89 billion. Despite the market capitalisation closing at its highest in the year, it was still trading significantly way below its 10-year average of US$3.9 billion.

The first quarter of 2021 started with the imposition of lockdown measures as the country faced a second and more deadly wave of infections. This led to border closures, movement restrictions within the country as well as the rate of infection reduction measures. These were gradually relaxed as the quarter progressed. The government started the vaccine rollout in the country, with priority given to essential workers as well as the vulnerable. The local currency on the parallel market depreciated from $110 to $120.

The market continued a rally which started in the last quarter of 2020. Demand on the market has been largely driven by the availability of liquidity on the market and the lack of other investment options in the economy. The imposition of lockdown measures in January rattled investors. However, the bourse remained resilient due to fears over the increase in money supply and depreciation of the local currency. Driving activity on the ZSE has been mainly a new crop of investors with loads of Zimbabwe dollar liquidity which they are probably earning from doing business with the government.

The All-Share Index surged 70% while the Top Index rose 56% in Q1:2020. The Medium Cap Index firmed 94% whilst the Small Cap Index was the best performer extending a quarterly gain of 301%. Market capitalisation in real terms increased to US$4.42 billion.

In May 2021, the market continued to rally as demand for equities remained firm during the month. Demand for equities has been spurred by an increase in liquidity in the economy as the agriculture marketing season continued to progress. The market is currently looking overvalued at the current market valuation of around US$5 billion but most of the companies are operating at less than 40% of the peak periods in the best recent years of 2009 to 2013. The market is likely to continue a rally as liquidity continues to increase in the economy because of fiscus spending. SI 127 has also bled scepticism over the stability of the exchange and is likely to result in a loss of confidence in the local currency. Inevitably, the local currency is prone to depreciate, and this will have a bullish effect on the market as investors seek to preserve value.

The pandemic is still in its emergency phase in much of the world. But countries are already recognizing that it will be imperative not just to recover, but to build back stronger.

Subsequent to writing of this article, a second counter, Padenga, has been listed on the VFEX.

Morgan & Co Research: Our journey through the Pandemic

By Batanai Matsika - Morgan & Co

In today's business world, disruption has proved to be an inescapable contest for many industries. For example, an exciting trend has been IoT (The Internet of Things) and Industry 4.0. As a result, e-commerce has been gaining momentum across the world. The sad thing, however, is that some businesses have resorted to operating in survival-mode instead of actively shaping their future.

In reality, playing it safe amid disruption could prove to be very risky. According to an analysis of 10,000 companies by Accenture, a management consulting firm, currently approximately USD40 trillion in enterprise value is already exposed to disruption. The crux of the matter is that the way we live today is driven by new innovations, and consumers are demanding more personalised and flexible services. As a result, business leaders have been left to navigate an ever-changing landscape.

What We Learnt from the Covid-19 Era

As Morgan & Co Research, we have learnt that disruptions are not always technology-driven. This means that any shocks that have a bearing on customer behaviours and norms can lead to massive disruption to business models. The impact of the outbreak of Covid-19 led to social distancing measures that affected businesses across the world. Billions of people globally were under orders to stay at home as governments grappled with the pandemic.

Mass isolation also gave business leaders plenty of issues to worry about. We witnessed worker strikes, mass layoffs and losses in market valuations. The demand for ride-hailing services, hospitality and aviation also fell off a cliff. The travel and tourism industries have essentially disappeared as bookings in some markets are down as much as 90%.

In our view, the Covid-19 pandemic has, by far, become the most significant disruption catalyst in terms of how business is being conducted and how it will evolve into the future.

The opportunity presented by Covid-19

The good news is that all is not necessarily negative for some companies; the crisis also presented a real financial opportunity. Some companies that help users get things, namely in-home delivery start-ups, were overwhelmed by demand. For them, the pandemic was a chance to seize market share. Morgan & Co saw an opportunity to re-invest our business model, to not only compete but survive in the new environment. In other words, the disruption caused by the pandemic was an opportunity to seize market share within the local stockbroking industry.

Morgan & Co is a partnership between respected Zimbabwean financiers and a group of highly experienced international investors. It is licensed by the Securities and Exchange Commission of Zimbabwe (SECZ). The group facilitates access to international capital and skills, operating with local partners who share the vision of quality, innovation and integrity- an approach summed up in the motto "Our word is our bond".

Our strategy has been hinged on embracing technology and digital platforms. The Covid-19 pandemic presented an opportunity for us to increase the penetration of the Morgan & Co Research App amongst local and international investors on Zimbabwean capital markets.

The Morgan & Co Research App

The Morgan & Co Research App was launched in October 2019 in direct response to the ongoing developments on the capital markets. For instance, the Zimbabwe Stock Exchange (ZSE) has evolved from an open outcry system to an automated trading system (ATS). As a result, there has been a convergence of technology and finance which, in turn, has opened the stock market to anyone who has an internet connection.

Another key development has been the introduction of C-Trade and ZSE-Direct. These online platforms enable anyone from anywhere to buy and sell shares on the Zimbabwe Stock Exchange (ZSE) and Financial Securities Exchange (FINSEC). Further, these platforms also give Zimbabweans in the diaspora a chance to invest in shares with enhanced simplicity. Transactions can be done via USSD, mobile apps or web-based solution. These platforms are in line with global trends, as they make use of the internet and cellphone technology.

The Morgan & Co Research App has proved to be a disruptive platform as it simplifies the investment process for both institutional and retail investors, by offering direct access to our in-depth, cutting-edge research on Zimbabwe capital markets. The Research App also includes a unique Investor Relations (IR) function that provides access to the management teams at listed companies on the Zimbabwe Stock Exchange (ZSE) and Financial Securities Exchange (FINSEC).

The Morgan & Co Research App provides investors with the following product offerings:

- Economic and market intelligence reports
- Results Review flash notes on all listed companies on the ZSE and FINSEC
- Company-specific research reports
- Industry/ sector reports
- Thematic research reports
- Macroeconomic and equity strategy reports
- Morgan& Co TV – video clips of CNBC Africa and Business Day TV interviews covering local insights and market updates

In addition to accessing research content, users can also trade via the app, using either C-Trade or ZSE-Direct. The app is available for download on the Google Play Store (Android) and the Apple App Store (IOS). It has been well received by the market, and we have witnessed exponential growth in the number of app users- which currently stands at c2,500.

The Morgan & Co Research App Launch Event in Pictures

Address by Tafadzwa Chinamo, Chief Executive Officer of SECZ

Various participants at the Morgan& Co Research App Launch Event

The Morgan& Co Research Team

Overall, Morgan & Co's journey through the pandemic has not only helped to grow the user base on our Research App, but we have also embraced new technologies to engage with our clients (investors). This has also taken the form of Investor Webinars, as well as the use of platforms such as ZOOM, Microsoft Teams, WhatsApp and Telegram.

Our message to the business world is that disruption is not completely unpredictable since it can be decoded. Understanding it better makes it more manageable, and it can position companies to take advantage of opportunities as they emerge.

Batanai Matsika is the Head of Research at Morgan & Co, and Founder of piggybankadvisor.com. He can be reached on +26378 3584745 or batanai@morganzim.com/ batanai@piggybankadvisor.com

The Year of the Pivot- Riding Through the Pandemic

By: Rapirai Matimba - Research Analyst - Wealth Access

Global Overview

The 2020 world economic collapse caused by the COVID-19 pandemic affected almost all world economies. However, global economic output is expected to expand by 5.90% in 2021 and 4.9% in 2022, according to the IMF's October 2021 forecasts. This reflects expectations for effective vaccine rollout programs and additional policy support, for example in the US. We expect this recovery to vary significantly between economies, depending on the effectiveness of policy support, access to vaccines and medical interventions. Africa is projected to recover in 2021, with a GDP growth of 3.7% driven by a resumption of tourism, a rebound in commodity prices and the rollback of pandemic-induced restrictions.

We expect emerging and developing markets to be hit hard by the pandemic, with the major effect of eroding growth prospects. According to the World Bank, global trade is estimated to have contracted by 9.5% in 2020 before growing by 5% in 2021. Of late, pressure on the US$ has been mounting. As a result, the US has assumed a dovish monetary stance and quantitative easing measures to recuperate from the economic slump.

Consequently, we expect developing countries' currencies to perform better, boosted by the sliding of the dollar, more economic stimulus and the prospect of a global recovery in 2021. The rebound in most commodity prices since January 2021 from their mid-2020 lows was necessitated by the gradual lifting of lockdown restrictions.

However, the recovery in oil prices was more modest amid concerns over the pandemic's lasting impacts on oil demand. Oil prices fell 33.7% in 2020, and are expected to rebound by 8.1% in 2021. The rise in metal demand was mainly driven by strong demand from China, and metal prices are forecasted to remain strong.

	2020	2021E	2022E
World output	-3.1	5.9	4.9
Advanced Economies	-4.5	5.2	4.5
United States	-3.4	6	5.2
Japan	-4.6	2.4	3.2
United Kingdom	-9.8	6.8	5
Emerging Markets	-2.1	6.4	5.1
China	2.3	8	5.6
Saudi Arabia	-4.1	2.8	4.8
Sub Saharan Africa	-1.7	3.7	3.8
Nigeria	-1.8	2.6	2.7
South Africa	-6.4	5	2.2

Source: World Economic Outlook October 2021 (%)

Zimbabwe Capital Markets Overview

Fiscal support in Zimbabwe to date

Zimbabwe's economy is set to rebound by 2.9% in 2021 and fiscal and monetary policy responses to the pandemic have been limited to contain volatility of prices. Locally, some fiscal support measures were implemented to ensure businesses survive through the Covid pandemic.

- Institution of a tax credit on up to 50% of expenditure to enable businesses to have funds for reinvestment into working capital in order to sustain operations
- Relaxation of import duty on selected raw materials to cushion producers, and to manage imported inflation considering trade has been affected by the pandemic
- A reduction in statutory reserve requirements on banks was also implemented so as to release ZW$2 billion of liquidity, to increase banks' capacity to lend to productive sectors
- Suspension on duty and tax on PPE goods and COVID 19 medical supplies
- Suspension of duty on bulk fertilizer imports

According to a ZimStats COVID Survey, consumer staples displayed the greatest resilience as there is minimal substitution effects and rural households are more food insecure than urban households. The government awarded civil servants a non-taxable US$75 risk allowance to hedge against the rising cost of living. Salaries were also increased through extensive labor union negotiations. We continue to believe the RBZ will look through the current spike in inflation and the widening gap between the official and parallel market exchange rates to the USD.

In our view, the informal economy- which is the base of the economy, and business activity will continue to recover as consumers are forced to focus on livelihoods given minimal social safety nets. As with Q1, Q2 business volumes improved significantly as reflected by half year and full year financial results which were published by most listed companies. We are of the view that this recovery will continue going forward supported by improved business activity after lockdown restrictions were eased. In latest trading updates and financial results from consumer-facing businesses such as Delta, Innscor, Simbisa and Axia, we saw marked improvement in trading volumes for the period ended 30 June 2021 albeit off a low base. This signals that consumer spending was more robust than expected under the relaxed COVID restrictions. Thus, we foresee a resilient earnings base in selected consumer names for 2021 financial year supported by an improvement in economic activity which is being driven by infrastructure spending, improved mining activity and better agricultural output.

Industry-wide, mining and agriculture proved to be resilient to the pandemic as they were awarded essential services status. Sectors that benefited from the pandemic included ICT and telecoms, health and food manufacturing. Internationally, consider Zoom, a brand whose name has become a verb for many of us. The company added $93 billion to its market value over the past year.

The country experienced a third and more pronounced wave of Covid-19 between June 2021 and August 2021. A hard lockdown was enforced. Given the informal base of the economy, government had to relax restrictions once infections rates began to wane. We foresee the beginning of a moderation in infection rates. The pronouncement of SI 127 by the government has, to some extent, affected businesses in different ways. Its actual downside and upside can be seen through a general increase in prices both in USD and ZWL terms, inflation rate increase and the depreciation of the ZW$ against the USD.

The Equities Market

The Zimbabwe Stock Exchange (ZSE) performance over the past year sends clear signals about where business leaders should focus their energies in the coming months. Business leaders need a vision for the post-COVID-19 future, building out various scenarios to account for the continuing uncertainty. The demand tailwinds in the economy were often directly driven by policy responses to the pandemic, such as lockdowns that changed consumer behaviour. Given these conflicting signals sent by moves in the Zimbabwe's equity market versus bonds, we are more convinced by the positive stance of equity investors. In our base case, we continue to see equity upside and recommend buying the winners including consumer discretionary and staples. We believe there is a prescient opportunity in undervalued counters on the ZSE which have been catching up, reflecting the changes in macroeconomic fundamentals.

In contrast to the radical forces buffeting valuations, for most companies listed on the ZSE, 2020 was a year of "strategy lockdown". We know from analyses of previous crises that the momentum with which a company emerges from a downturn determines its course for years. Those that come out strong keep outperforming others, while the latecomers continue to lag. That makes 2021 a year of outsize significance for strategy for both listed and unlisted companies in Zimbabwe.

The past year in the Capital Markets has underscored the growing pace of change. This suggests a short window of time for companies to prepare for disruption, potentially requiring them to pick up the pace on any planned strategic transformation. The growing divergence between individual companies highlights the reality that while every crisis produces winners and losers, economic shocks also create opportunities for those that act boldly to surge ahead.

Corporate Social Responsibility during difficult times

By Nqobile Munzara - a Legal Practitioner

Corporate social responsibility is a broad concept that usually describes a company's commitment to carry out its business in an ethical way. Activities in this area include contributing to social programmes and taking part in charity initiatives. This article reflects on how the Zimbabwean business community stood up and was counted in the fight against the Coronavirus disease (COVID-19) pandemic.

The impact of the first national lockdown on the business sector

In March 2020, the Government of Zimbabwe imposed a national lockdown in a bid to contain the spread of the COVID-19 pandemic. All businesses and government institutions were closed for a period of seven weeks, except for those providing essential services. These essential businesses were permitted to operate with minimum staff.

As time progressed, the need to have sufficient tools to work from home became noticeable, as well as the requirement to migrate business operations from physical premises to online platforms, forcing many to adjust in this regard. On one hand, this accentuated the importance of an online presence for companies, while on the other hand, it increased the consumption of Wi-Fi and data to access goods and services online.

Some have argued that the COVID-19 pandemic was a catalyst to digitization in many aspects of economies worldwide. Notably, the downside of the working online from home scenario was that many employees did not have dedicated working stations at home. This resulted in a disruption to the work-life balance, as well as unclear working hours that tended to stretch from early morning to the late hours of the evenings.

In the early stages of the lockdown, employers and employees found it difficult to implement measurable work outputs, which affected business revenue as well as the capacity of some businesses to pay salaries. This saw the usage of annual leave days, salary reductions and retrenchments.

Given the evolving nature of the response to the pandemic, the Government of Zimbabwe issued numerous statutory instruments to regulate the conduct of the population. The statutory instruments assisted businesses to put in policies, processes, and procedures in place to reduce the risk of the spread of COVID-19 among staff and customers.

The needs that became apparent

While businesses were battling to stay afloat and digitize, millions of people were rendered destitute and in immediate need of assistance. These included vulnerable population groups such as homeless people, orphaned children, the elderly, people living with disabilities and people in drought-affected areas. The government rolled out a ZWL$18 billion Economic Recovery and Stimulus Package, which included a food grant of ZWL$2.4 billion to support at least one million vulnerable individuals.

As the COVID-19 pandemic began to take its toll on the nation, it became apparent that Zimbabwe's health facilities were not sufficiently capacitated to respond to the health crisis that came with the pandemic.

Testing facilities

Firstly, there was need for extensive Covid-19 testing of people across the country. Government health facilities were not able to cope with demand, thus necessitating that private sector health service providers step in. Given that testing kits were expensive to procure, the cost of testing at private facilities ranged between US$40 and US$60. Some companies were able to send their employees for testing multiple times, while others were not able to go beyond one or two tests when it became necessary. Between April and July 2020, these testing facilities were overwhelmed, leading to numerous delays of up to five days in receiving test results. In turn, this resulted in further delays before receiving treatment for those who tested positive of COVID-19.

Quarantine and isolation centres

Quarantine centres were used by Zimbabweans entering the country by bus from neighbouring countries. Isolation centres were used by people already in the country who tested positive for COVID-19, but who did not immediately require hospitalisation. There were both government and private facilities for quarantine and isolation. Government facilities required significant support, while private facilities were expensive, as some of them charged a similar daily rate to a hotel or lodge.

Hospitals

Most hospitals around the country, including those designated as COVID-19 treatment centres, were overwhelmed by the COVID-19 pandemic. They lacked essential equipment such as ICU beds that can be elevated to make breathing easier, and ventilators.

A ventilator is a device that pumps air into the lungs of a person with severe respiratory failure, and the air in a ventilator has a higher percentage of oxygen than room air. COVID-19 can result in respiratory symptoms such as coughing, trouble breathing, and shortness of breath. Therefore, ventilators can be lifesaving for people with COVID-19-related respiratory symptoms. Local hospitals also lacked regular supply of personal protective equipment (PPE) for their staff, and the issue circulated widely on social media.

The situation was exacerbated by some staff in state hospitals resorting to industrial action, as they requested an improvement in their conditions of service given the high risk of exposure to COVID-19. The term "frontline workers" became well-known. It meant that in the fight against COVID-19, nurses and doctors were the first respondents, as they provided healthcare services to people infected with COVID-19. Nurses, doctors and administrators are also the ones who delineated hospitals to create wards dedicated solely to caring for COVID-19 patients, given the high risk associated with the disease.

Vaccination programme

The government set a budget of US$100 million to purchase vaccines. However, to achieve herd immunity of 60% of the population or at least 8.4 million people, there was need for additional funding to purchase additional vaccines. The cost of the vaccines varied, with manufacturers accepting minimum orders of one million vaccines from governments only:

- AstraZeneca US$4 per dose
- Pfizer US$20 per dose, Sinovac US$5 per dose

- Sputnik V US$10 per dose
- Moderna US$33 per dose
- Covaxin US$20 per dose
- Johnson & Johnson US$10 per dose

Corporate Social Responsibility: Business sector response to COVID-19

The Zimbabwean business community stepped up from the onset of the first national lockdown and joined hands to complement government efforts in the fight against the COVID-19 pandemic. Corporate social responsibility took on a new meaning, given that this was a time when many businesses were experiencing very depressed activity.

Nonetheless, the Zimbabwean business community, through business member organisations, as well as diaspora community, organised themselves by setting up various initiatives to tackle the COVID-19 pandemic. These included the Business Fighting COVID-19 Trust, Solidarity Trust of Zimbabwe, I am Bulawayo Fighting COVID-19, and the Business Preparedness Prevention and Response Initiative. Through these initiatives, the business sector donated financially and in kind, from April 2020, right up the roll-out of the COVID-19 vaccine programme.

A donation of ZWL$2 billion in insurance cover for frontline COVID-19 health care workers was unveiled. PPE worth millions was donated continuously to health institutions across the country, with tertiary institutions being capacitated to manufacture some of the PPE locally, as borders were closed and most countries were focused on strengthening their own internal institutions to fight the pandemic.

A free SMS and WhatsApp COVID-19 Information Hub was established to provide daily updates and general information on the pandemic to the public. Donations of mealie meal and food hampers were made to the nurses in the hospitals for several months from April 2020, to ease their plight and avert further industrial action. Businesses, non-governmental organisations, churches, the diaspora community, donor agencies and the diplomatic community came through with donations of the much-needed ventilators to several hospitals across the country.

When the vaccination programme was rolled out, the business community mobilised funding and donated it to the government basket, to enable the government to purchase the first batch of 1.2 million vaccines from China. Further, the government received generous donations from China, Russia and India, with the assistance of the diplomatic community.

A significant area of impact was the refurbishment of various hospitals, starting with Wilkins Hospital- which was designated a COVID-19 treatment centre. Next, a Red Zone Ward dedicated to Covid-19 was created in Parirenyatwa Hospital, comprising of 450 beds out of the hospital's capacity of 1,200 beds. Next, Montague Clinic was capacitated to respond to severe cases of COVID-19, while St Annes Hospital was refurbished and re-opened as a COVID-19 treatment facility. Arundel Mediclinic, previously known as Rock Foundation, was also refurbished and re-opened with part of the hospital admitting COVID-19 patients.

In Bulawayo, Mater Dei Hospital created a ward for COVID-19 patients. Ekusileni Hospital, which had a bed capacity of 200, but which had been closed since 2004, also received new equipment and re-opened its doors catering primarily for COVID-19 patients. Thorngrove Infectious Diseases Hospital was also refurbished, and Victoria Chitepo Provincial Hospital, Marondera Hospital, Gwanda Hospital and Masvingo Provincial Hospital received new equipment and ambulances.

Never tire of doing good work

The COVID-19 pandemic threw many Zimbabwean businesses into turmoil, as turnover drastically reduced revenues. Businesses across all sectors experienced various challenges, some of which continue. However, even in the middle of these challenges, the business sector still managed to contribute significantly in various ways to the fight against the COVID-19 pandemic, from the onset of the lockdown, right up to the roll-out of the vaccine programme. This is commendable in many respects, as it is a display of humanity and compassion, and the donations were channelled towards strengthening the health sector during one of its most trying times.

Individual Zimbabweans in the country, the diaspora community, churches, non-governmental organisations, donor agencies and the diplomatic community are also counted for their humanitarian acts. All of these groups donated again and again to strengthen the government's response to the COVID-19 pandemic.

It is not the first time that Zimbabweans have acted charitably during a time of distress. In March 2019, Cyclone Idai hit the south-east part of the country, killing 341 people and leaving over 270,000 people affected and many missing. In response, Zimbabweans from all walks of life donated to survivors in cash and in kind. At its very core, the essence of charitable acts is giving financially or in kind to those who can never repay. This is inextricable with the daily conduct of business. Indeed, the Zimbabwean business community demonstrated sincere compassion and kindness, by rising to the needs of the fight against Covid-19, even as business operations were strained. Together with the diaspora community, churches, non-governmental organisations, donor agencies and the diplomatic community, a positive impact was made across Zimbabwe.

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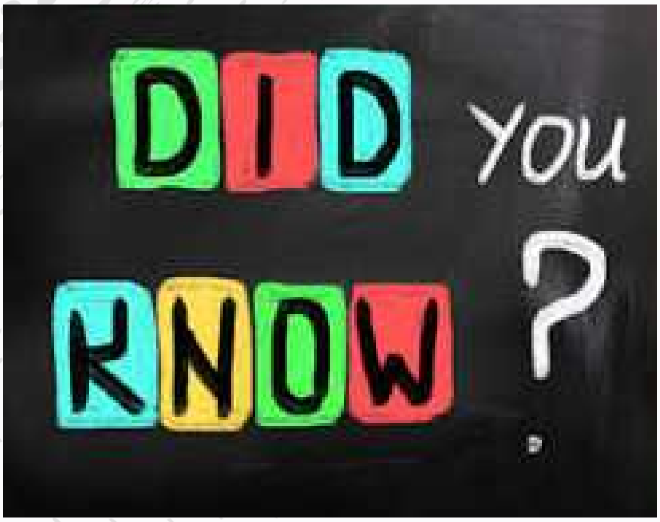
It Starts With Investor Education



Zimbabwe has one of the oldest stock exchanges in Africa, dating back to the early 19th century. The first stock exchange in Zimbabwe was opened in Bulawayo in 1896! The exchange closed in 1924 and reopened after World War Two in 1946. In November 2008, the Zimbabwe Stock Exchange temporarily stopped trading following intervention by The Reserve Bank of Zimbabwe, and reopened on 19 February 2009.

The ZSE introduced the View Only Terminal (VOT) in order to extend access of real time Exchange information to the general public. The VOT is an electronic platform that gives investors alone viewing rights to ZSE trading, as it takes place through the Automated Trading System. However, trading rights to the Automated Trading System still remain limited to stockbrokers only as the Members of the Exchange.

On 6 July 2015, the ZSE migrated to an online trading platform after launching the Automated Trading System (ATS). The ATS allows for the purchase and sale of securities. ATS electronically matches and executes “buy” and “sell” orders that stockbrokers have brought into the system, in order for both buying and selling clients to get the best bargains available on the market for their shares.

Government bonds are considered risk-free and are traded in highly liquid markets. Government bonds issued by the government of the country are tax exempt, to encourage investment in such bonds.

Insider dealing occurs when a person dealing in a particular share has information about the company which is not publicly known, and which would affect the share price if it was publicly known. Insider trading can be illegal or legal depending on when the insider makes the trade. It is illegal when the material information is still non-public.

Investor Education Campaign

The Securities and Exchange Commission of Zimbabwe (SECZ) and the Investor Protection Fund (IPF) collaborated and rolled out the investor education and awareness campaign. The campaign sought to raise the visibility of the two organisations, and improve the protection of investors in Zimbabwe from unfair, improper and fraudulent practices in relation to securities. IPF provided the funding whilst the SECZ was responsible for execution.

The campaign reached out to Zimbabweans across various age groups, keeping them engaged as they learnt more about investment principles. Regular webinars provided a platform for the public to learn from experts in the sector. These ran according to various themes, including Women in Capital Markets and unpacking Exchange Traded Funds (ETFs). The Global Money Week programme engaged young people with an exciting programme that included social media engagement, competitions and a webinar. Embracing online platforms for implementing the campaign was hugely beneficial for reaching the public in their homes.

Investment 101 Handbook

SECZ produced the Investment 101 Handbook which guides the investor in their journey into Zimbabwe's Capital Markets. The official launch of the handbook was officiated by the Minister of Finance, and attended by representatives from SECZ, IPF, and local schools and bodies.

The Investor 101 Handbook has 12 chapters covering various financial education topics including the history of the financial markets, the economy, financial markets essentials, regulation and taxation, among other topics. It primarily targets current and potential investors with an interest in financial markets, school children with an interest in learning about the markets and so on.

The Handbook is a key part of SECZ's ongoing financial education campaign to demystify the world of investment, which has traditionally been perceived to be for the elite. The regulator's mandate is to increase the number of participants in, and volume of activity on, the capital markets through regulation and investor protection and education.

Visit the SECZ website to download your own copy of the Investor 101 Handbook. Additionally, SECZ is working on ensuring the handbook is even more accessible, and is therefore producing a WhatsApp version. Production of English, Ndebele and Shona summary chapters of the book is currently underway. These audio and vernacular versions bring even more convenience to potential readers, and present the contents of the book in a format that is easy to understand.

GroWealth Monthly Publication and Annual Survey

The Commission launched the GroWealth Annual Booklet, which raises awareness of Unit Trusts in Zimbabwe. The booklet gives information on all licensed Trust Funds in the country and showcases the performances of these funds. Monthly reports are also published every month, which showcase the performance of different funds.

Unit trusts are investment schemes that pool funds from different investors and invest according to pre-defined objectives set out in the prospectus of the Fund. The pooling allows small investors to access these markets as well as benefit from expert investment skills from the respective Fund Managers.
For more information about reports and investing in unit trusts, contact Intellego on +263 242 783069 or email analyst@intellego-ic.com.

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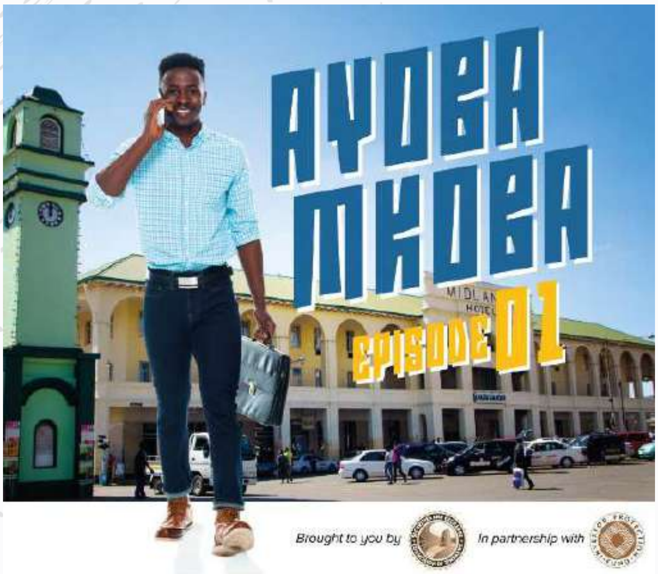
Ayoba Mkoba Radio Drama Series



SECZ officially launched a 13-episode audio drama series titled Ayoba Mkoba, which focuses on retail investing and SME listing. The audio drama series aired on Radio Zimbabwe and Skyz Metro. The drama series was created to disseminate information to Zimbabweans at home and in the diaspora, to encourage increased participation in the Capital Markets.

Ayoba Mkoba follows the story of Tendai, a struggling entrepreneur who is also a breadwinner trying to support his family, parents and sister. After multiple capital-raising ventures, he is convinced to participate in the Capital Markets until his business is listed on the stock exchange.

In order to ensure maximum inclusion, Ayoba Mkoba makes use of Zimbabwe's major languages. The drama series is currently on podcast with episodes being uploaded weekly. A WhatsApp version is also available; simply contact SECZ with your mobile number and we will send you the WhatsApp version for your listening pleasure.

Grain of Fortune Video

SECZ produced and launched a three-episode investment video, titled 'Grain of Fortune: The Gazaland Dream". The video series follows the journey of Samson Shumba, a small business owner who owns a grinding mill business. Samson transforms from being a small business entrepreneur to owning an established and thriving business by on boarding investors into his business.

The Grain of Fortune series educates businesses about how to formalize, grow by leveraging investors to raise working capital, and get listed on a Stock Exchange. Samson's journey educates the audience about how the Capital Markets work, presented in a simple format that is easy to understand.

Follow Samson's journey on the SECZ YouTube channel as he engages stockbrokers for advice, accesses funding from interested investors, and achieves listing his business on the stock exchange.

Word Search

Learning is fun. Let's play and learn! Find the following words:

Dividend	**SECZ**	**Money**
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Links to educational content

Follow the links to access investor education content:
Grain of Fortune Video
Investment 101
Ayoba Mkoba Radio Drama

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