

CURRENT STATE OF THE ZAMBIAN MARKETS

OPPORTUNITIES AND CHALLENGES

23 FEBRUARY 2023



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OPPORTUNITIES; COLLECTIVE INVESTMENT SCHEMES

- An investment fund that allows you to pool your money together with other investors; It is divided into units of equal value, therefore the number of units you hold represents your share of the unit trust
- Provides a convenient way for **institutional** and **retail** clients to invest:
- Economies of Scale
- Diversified portfolios to reduce risk
- Professional fund management
- Tailored to specific objectives



SECURITIES AND EXCHANGE COMMISSION MARKET SUPERVISION AND DEVELOPMENT DIRECTORATE

COLLECTIVE INVESTMENT SCHEME REVIEW

31 DECEMBER-2022

Disclaimer: Please note these are unaudited and are captured as per fund manager declarations. The

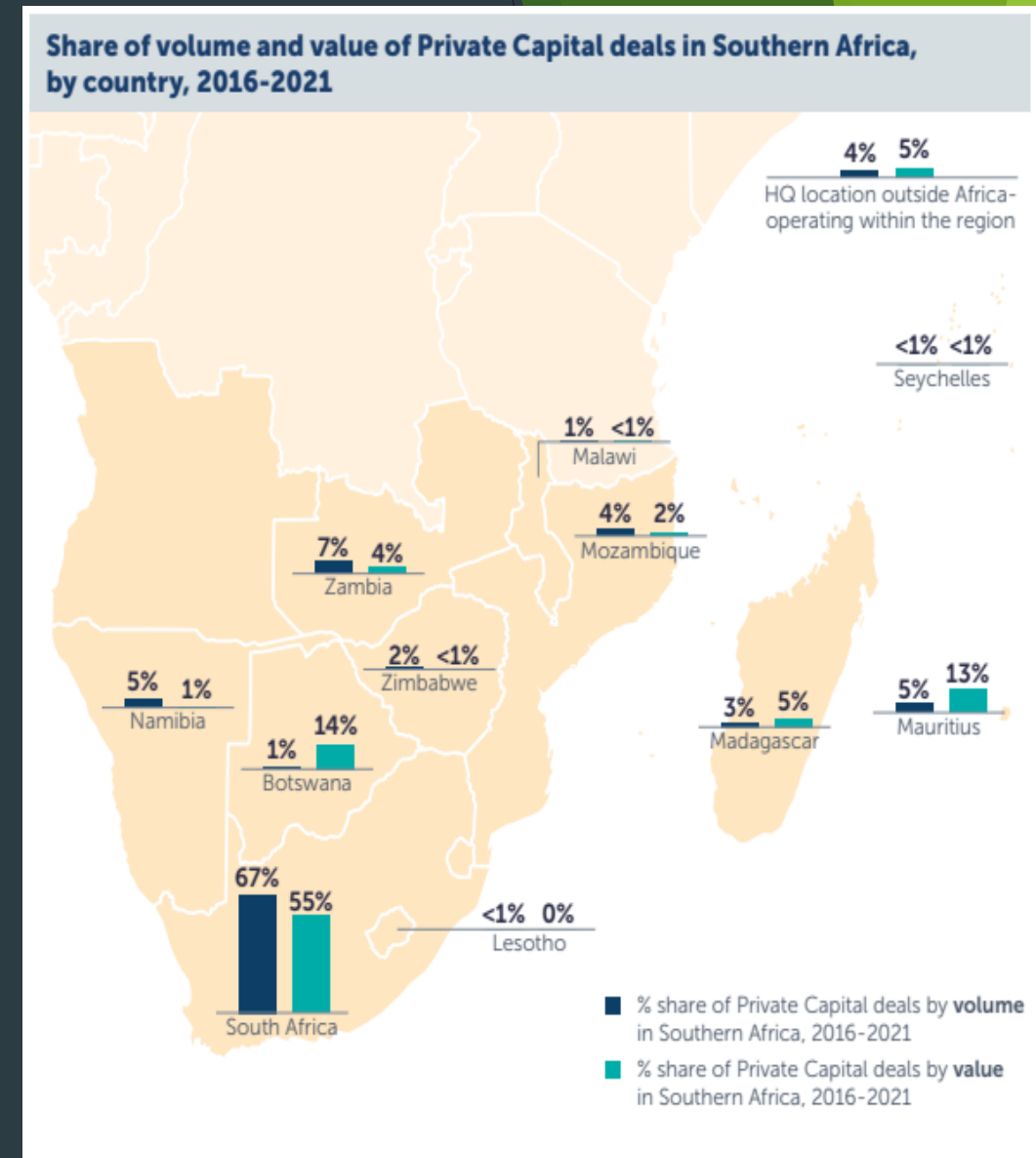
Assets Under Management (Fund Manager)				
	Dec-22	Nov-22	Move	
	K	K		
Mpile	778,487,402	753,668,266	↑	3.29%
ABC	363,635,157	362,113,968	↑	0.42%
Madison**	158,193,087	158,193,087	-	0.00%
Kukula	18,893,662	18,643,630	↑	1.34%
Intermarket	7,564,774	7,424,666	↑	1.89%
Laurence Paul**	13,465,194	13,465,194	-	0.00%
ECR	31,562,987	30,172,656	↑	4.61%
Altus	21,171,868	22,222,535	↓	-4.73%
Hobbiton	46,532,834	44,916,462	↑	3.60%
Longhorn	52,045,378	50,078,874	↑	3.93%
Prudential	2,546,628	2,531,791	↑	0.59%
	1,494,098,971	1,463,431,128	↑	2.10%

**Positions submitted before supervisory possession.

(Source: 2022 SEC CIS Industry Statistics)

OPPORTUNITIES;ALTERNATIVE INVESTMENTS-PRIVATE EQUITY

- Nascent but fast growing private equity market
- Approx. \$350 million worth of reported private equity deals in Zambia from 2016 to 2021.
- Diverse investment opportunity set;
 - Economy is well endowed with resources ie, abundant land and minerals, raw materials, large labour force.
 - Fast growing population and access to export markets,
 - Provides scope for investments in various sectors of the economy ie, manufacturing, energy, agriculture etc.
- Evolving regulatory landscape; positive developments ie
 - Creation of conducive policy and regulatory environment by government
 - Private funds guidelines
 - Companies act of 2017 and corporate insolvency act of 2017



(Source: 2021 African Private Capital Activity Report)

OPPORTUNITIES;ALTERNATIVE INVESTMENTS- PROPERTY

- **Property**
- Since its inception in 2014, the Mpile Property Fund has grown from a fund size of K60m to K347m at the close of 2022.
- The fund invests in properties across Zambia and currently has a portfolio encompassing 3 properties in retail, office and residential.
- The fund is currently fund raising to acquire more properties within emerging sectors such as industrial, student housing, healthcare to further diversify its holdings and become a larger player in the property market

Details	1 month	3 months	6 months	1 year	3 years	Since inception
Mpile Property Fund	4.97%	7.04%	8.94%	14.70%	10.82%	15.38%
Benchmark CPI %	0.85%	1.74%	2.09%	10.29%	15.24%	12.50%
Benchmark CPI + 5%	1.27%	3.02%	4.68%	15.57%	21.76%	18.11%

ZMW return profile 2014-2022



Pictorial review of invested assets- Kapiji mall, Solwezi and ILO country head office, Lusaka

CHALLENGES

- ▶ Liquidity
 - ▶ Illiquid market driven by limited number of investors
- ▶ Financial literacy/ poor savings culture
- ▶ Unstable macro-economic environment
 - ▶ Weak local currency, high inflation, low GDP
- ▶ Regulation
 - ▶ More work needed on regulation ie creation of Limited Partnerships as private equity investment vehicle
- ▶ Limited investor ready investable opportunities
 - ▶ Lack of appropriate governance structures in most SMEs ie no internal systems, none preparation of audited financial statements, non existence of Boards

Leveraging the Capital Markets Master Plan (CMMP)

- ▶ Regulatory enhancement;
 - ▶ Through the CMMP building block of enhancing the capital market regulatory environment, introduction of legislation that supports the creation of limited partnerships will improve the attractiveness of local private equity offerings to offshore investors.
- ▶ Liquidity enhancement
 - ▶ The CMMP goal of doubling the number listed companies by 2031 will contribute towards liquidity enhancement through the provision of a platform for private equity investors to exit their investments through listings.
 - ▶ Additional institutional investors both local and foreign
 - ▶ Introduction of Real Estate Investment Trusts (REITs)
- ▶ Capacity building
 - ▶ Through the CMMP building block of enhancing capacity building across the capital markets, investee education will widen the pool of investor ready investable opportunities.

About Aflife

- ❑ African Life Financial Services Zambia Limited (“Aflife”) is a leading privately owned investment and wealth management company in Zambia, serving both institutions and retail clients from every economic sector of the country.
- ❑ With a track-record spanning 30 years and recognized capabilities across all major asset classes, we are **Zambia’s largest private investment manager** with a pension fund market share of circa 60% and Assets Under Management (AUM) in excess of ZMW 7.9 billion. Our market share and AUM translates into economies of scale which benefit all underlying clients.
- ❑ Aflife has demonstrated a proven track record in achieving consistent competitive returns over the long term
- ❑ Besides having a well-qualified and experience team, Aflife has very strong financial and technical regional and international partners which ensure diffusion and cross pollination of ideas and best practices to buttress our already strong local knowledge



Thank You

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