



*IF YOU CAN'T ARREST IT, RIDE IT:*

PRESERVING VALUE IN A  
“RUN-AWAY-INFLATION” ENVIRONMENT

PRESENTER: GANDY T. GANDIDZANWA

10 NOVEMBER 2020



# AGENDA

1. INTRODUCTION
2. INFLATION AND GDP GROWTH
3. ASSET CLASS RANGE
4. ZIM ECONOMIC INDICATORS AND INVESTMENT RETURNS
5. RISK AND RETURN TRADE-OFF
6. WHERE TO FROM HERE?
7. CONCLUDING REMARKS
8. QUESTIONS?





# INFLATION & GDP GROWTH



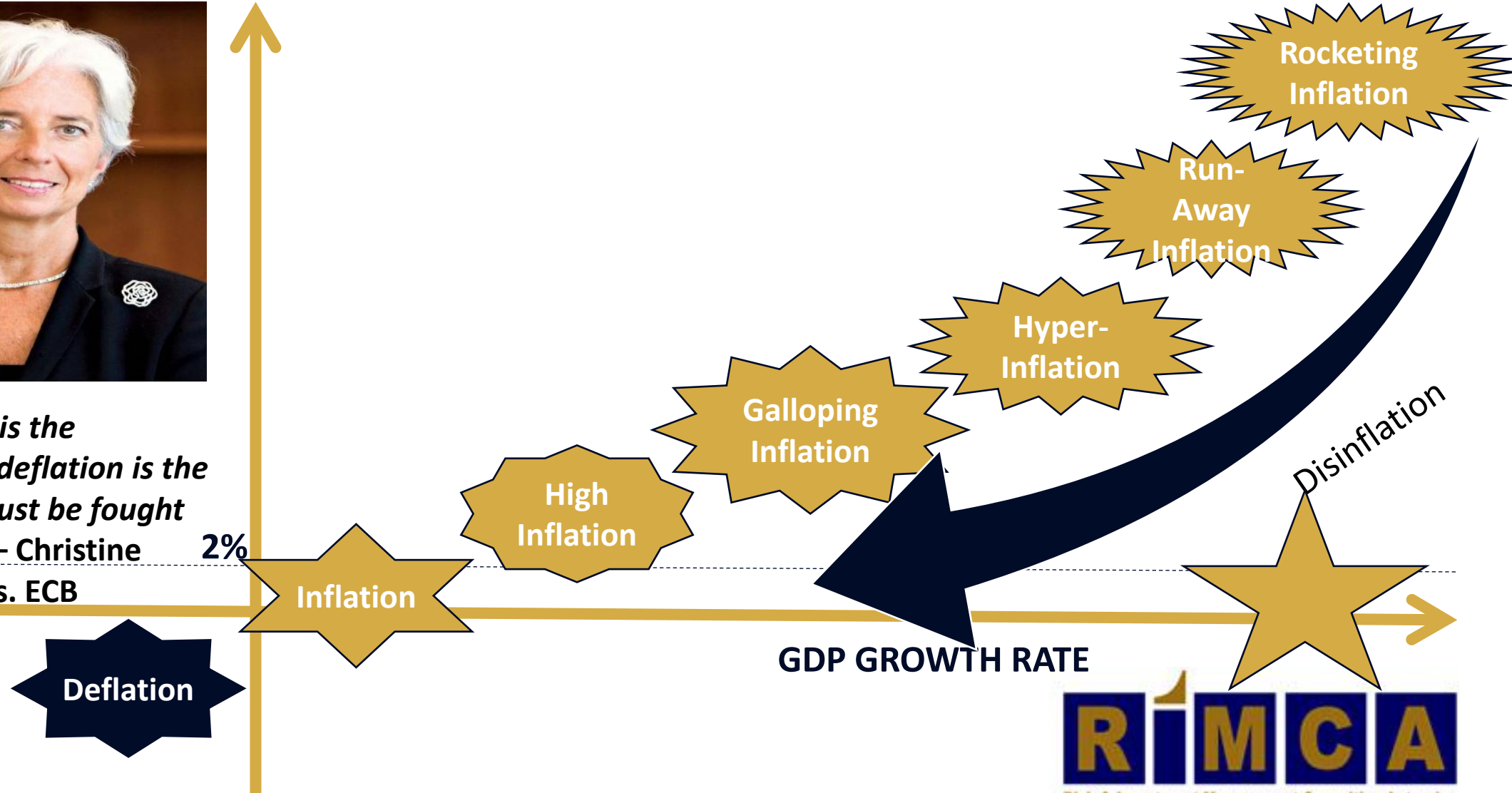
# INFLATION & GDP GROWTH RATE

INFLATION



*"If inflation is the genie, then deflation is the ogre that must be fought decisively"* – Christine Lagarde Pres. ECB

2%

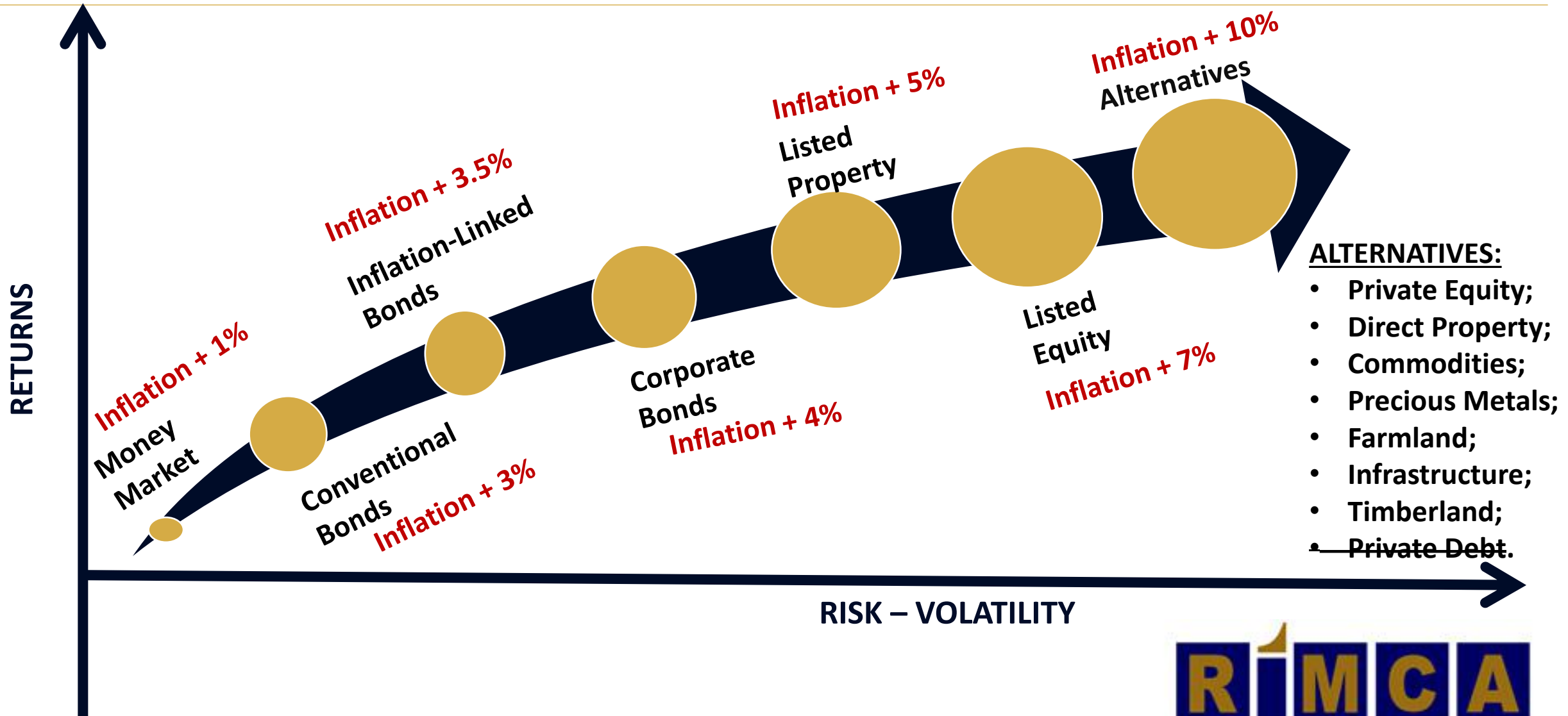


# ASSET CLASSES





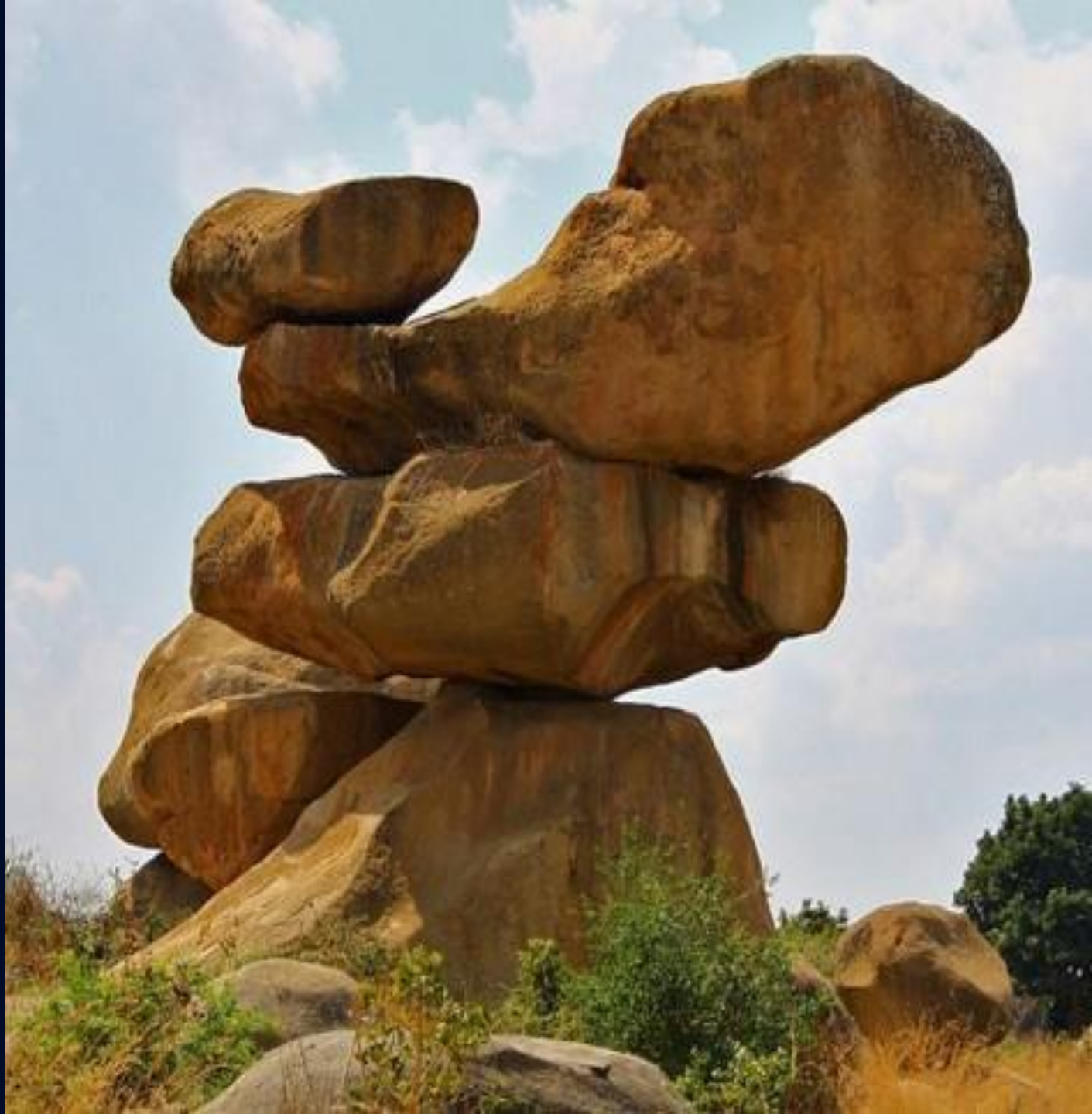
# INVESTMENT CLASSES



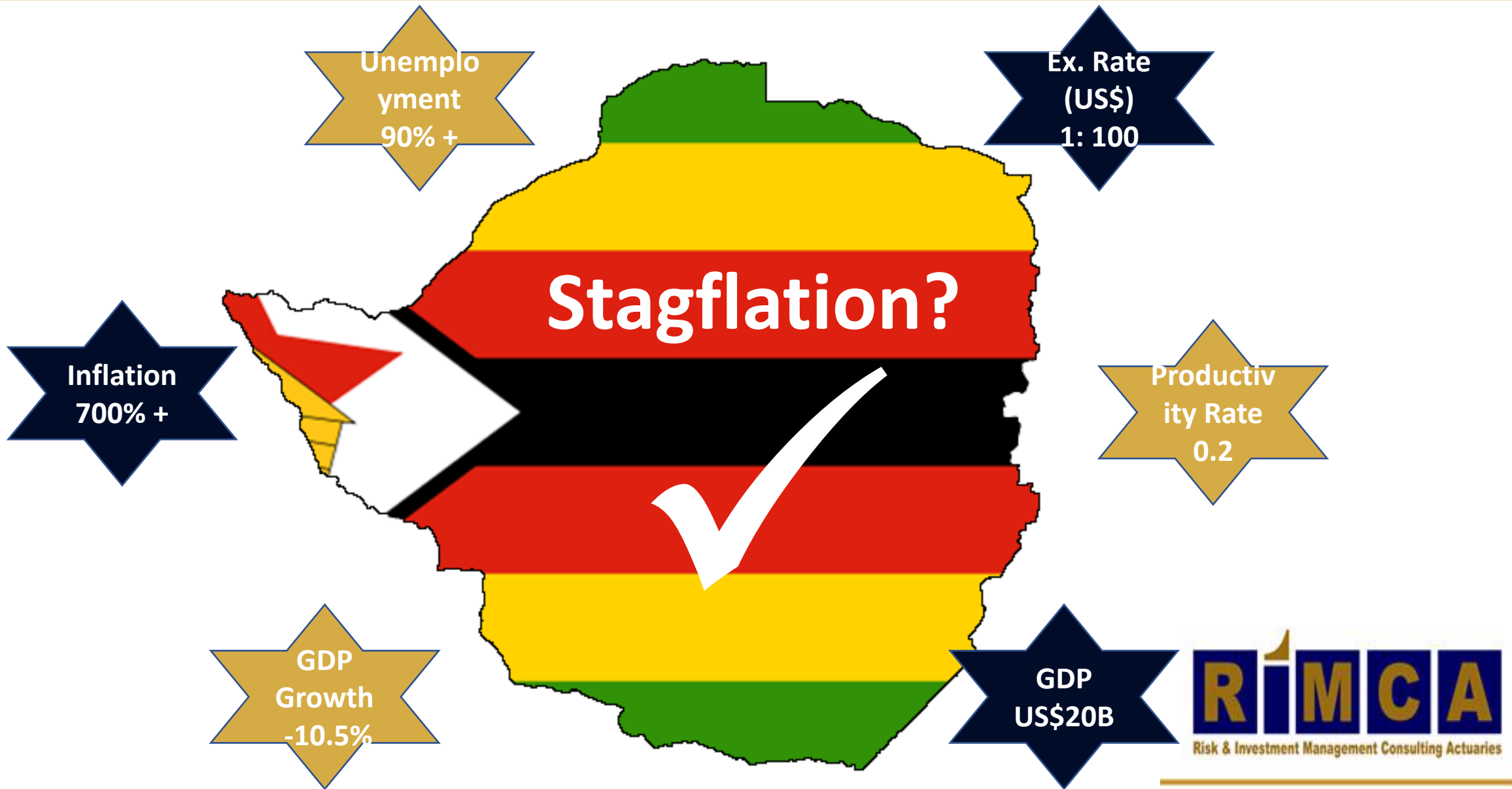
## ALTERNATIVES:

- Private Equity;
- Direct Property;
- Commodities;
- Precious Metals;
- Farmland;
- Infrastructure;
- Timberland;
- Private Debt.

# ZIM ECONOMIC INDICATORS



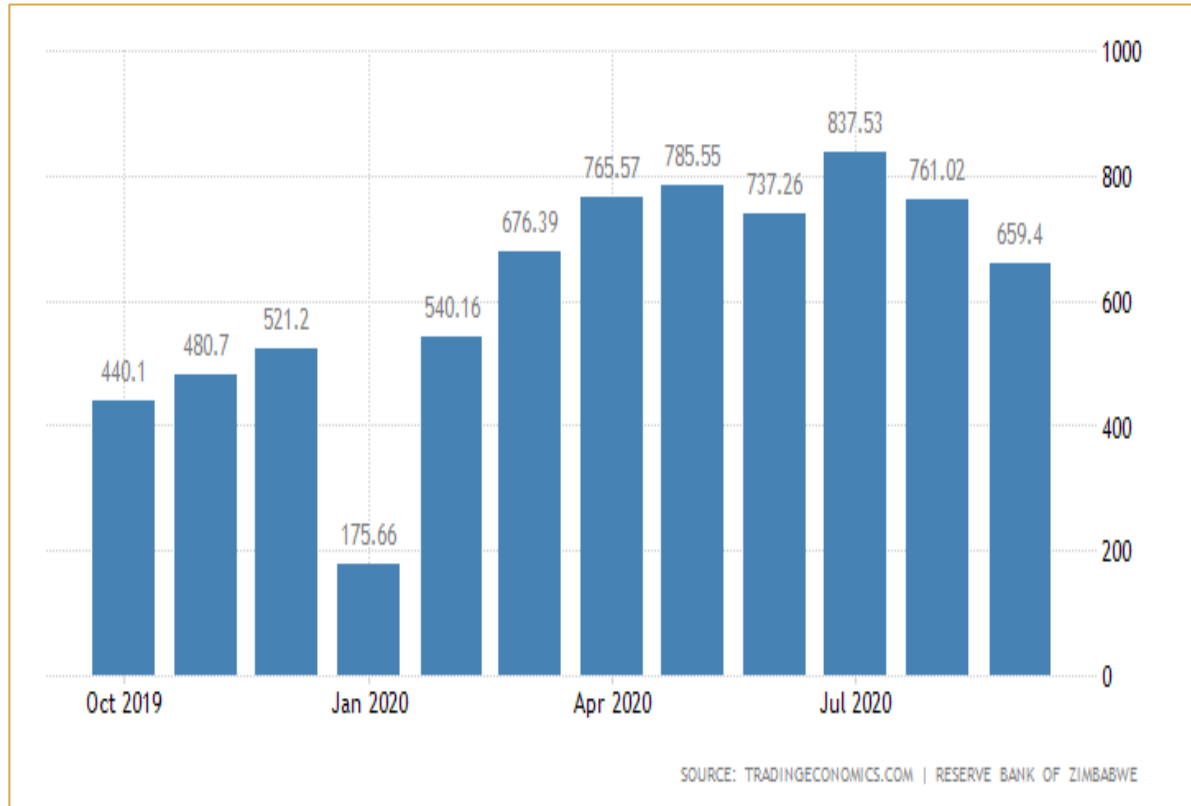
# ZIM ECONOMICS



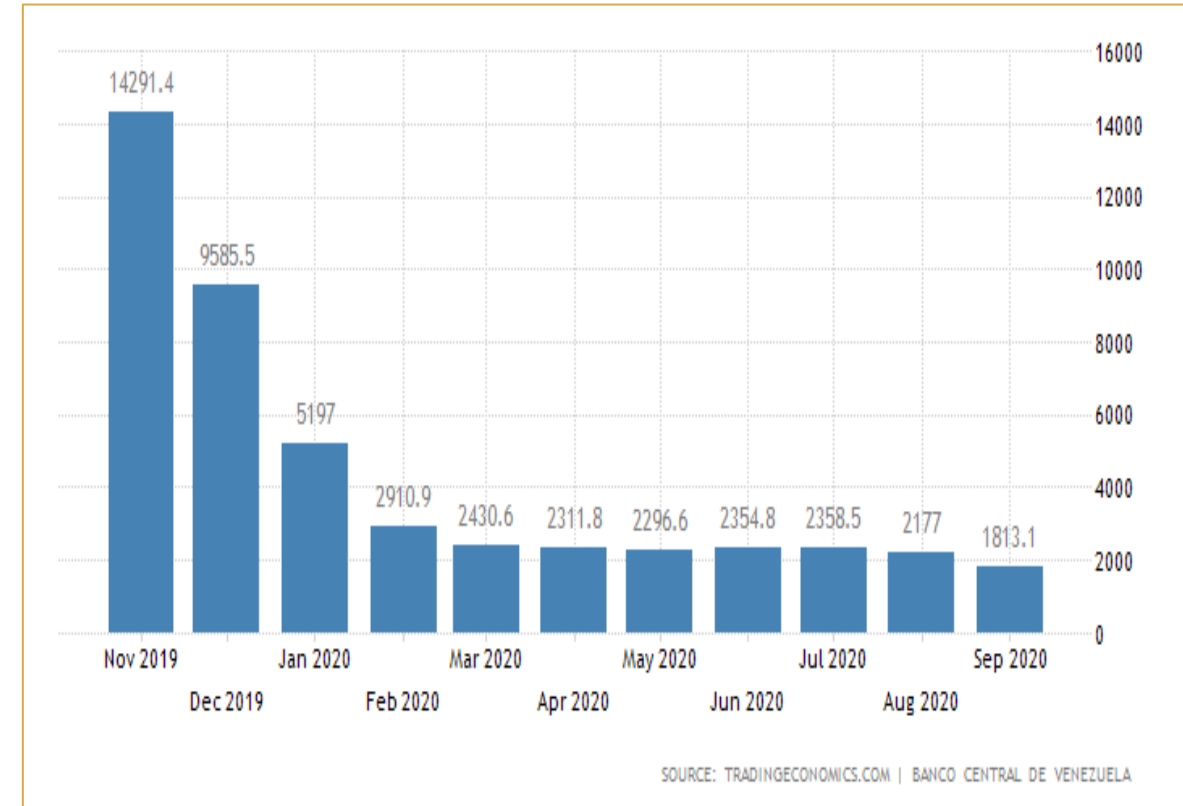


# INFLATION RATES COMPARED

## Zimbabwe

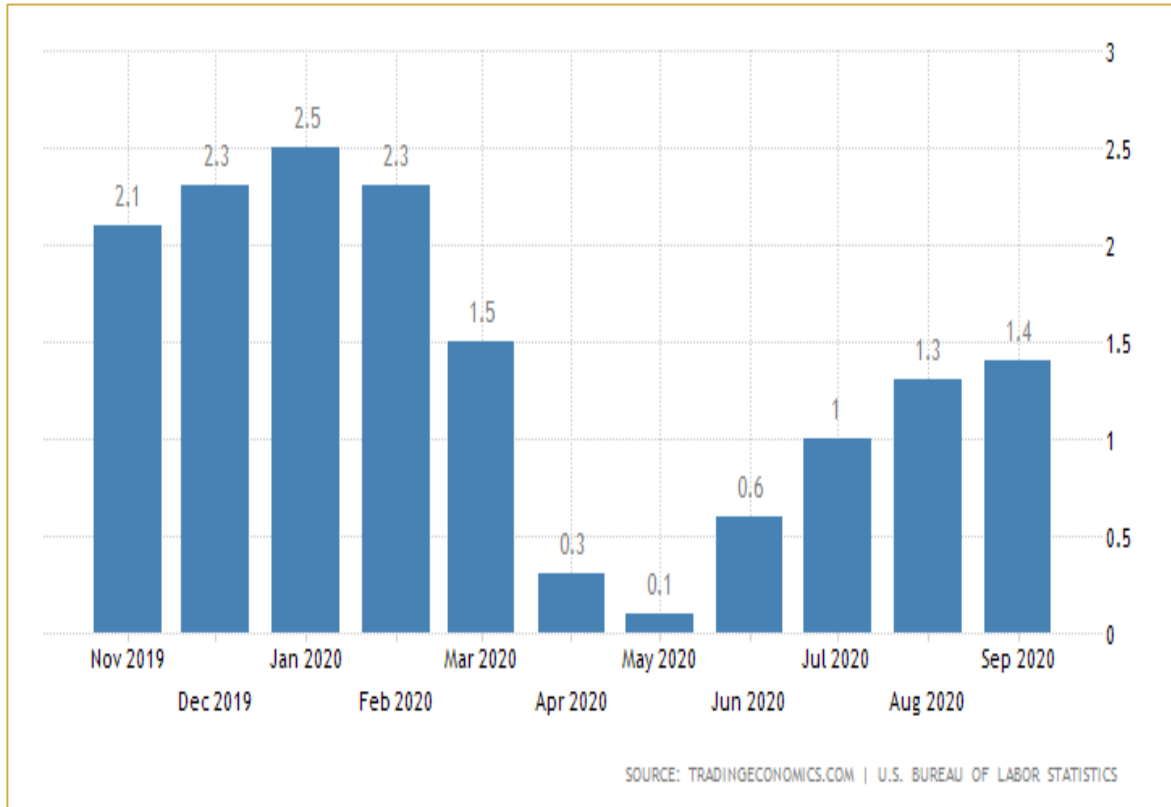


## Venezuela

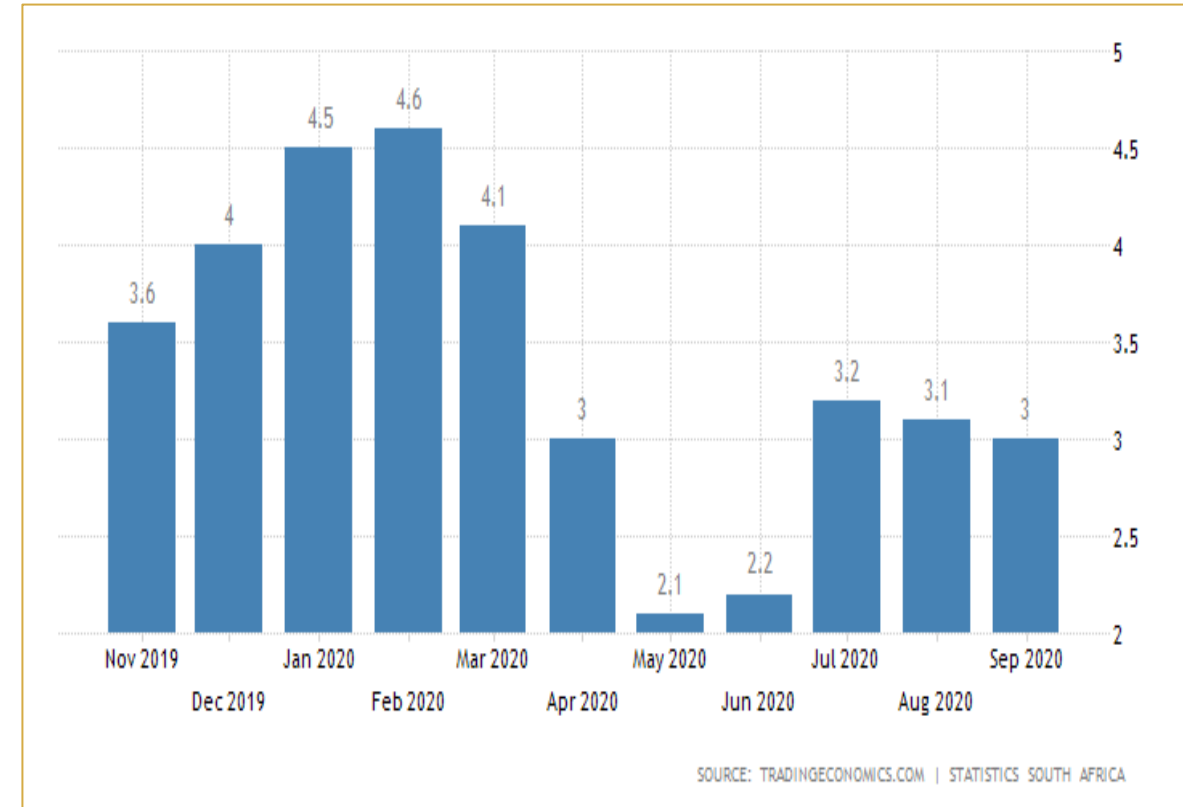


# INFLATION RATES COMPARED

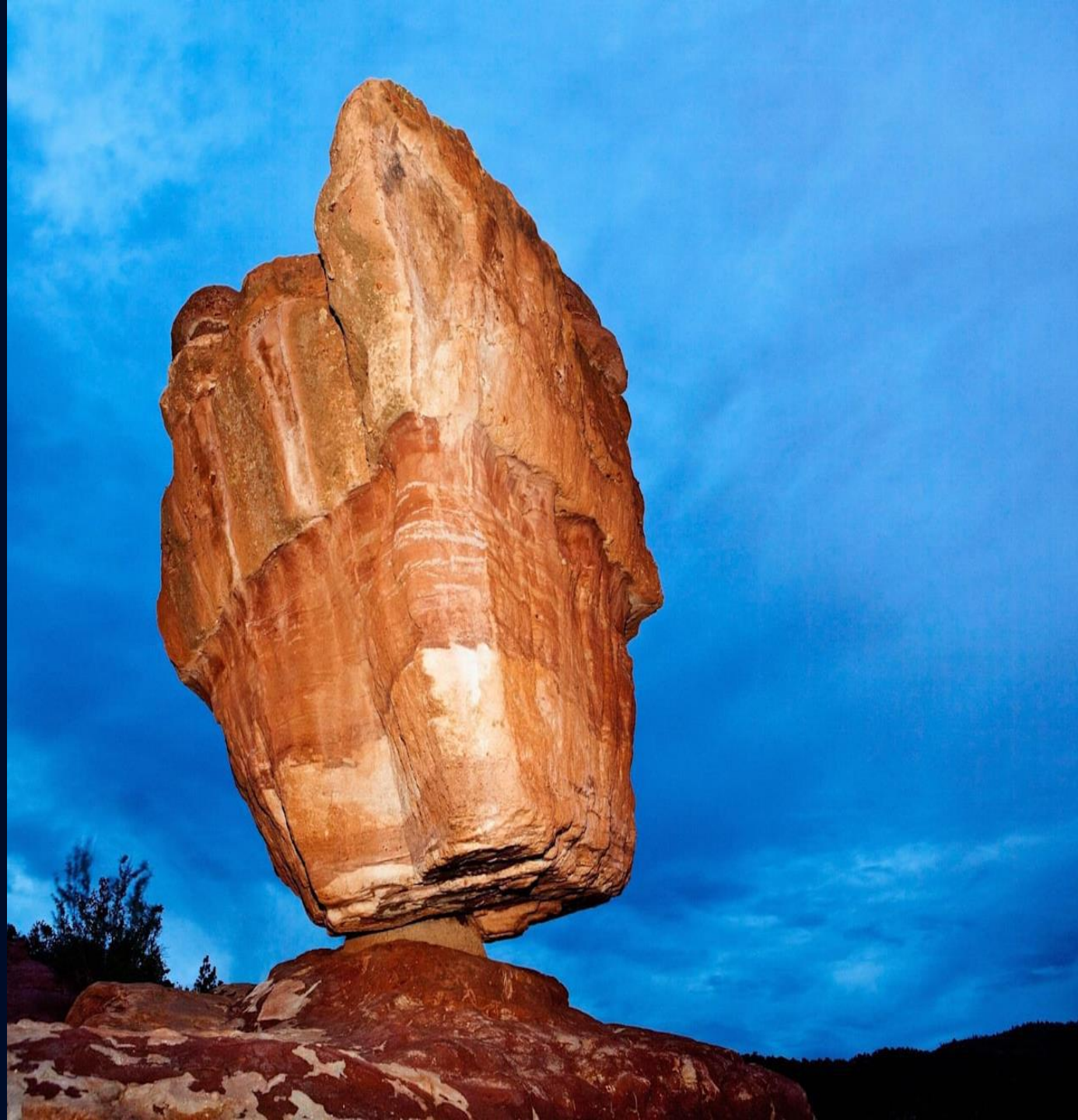
## USA



## South Africa

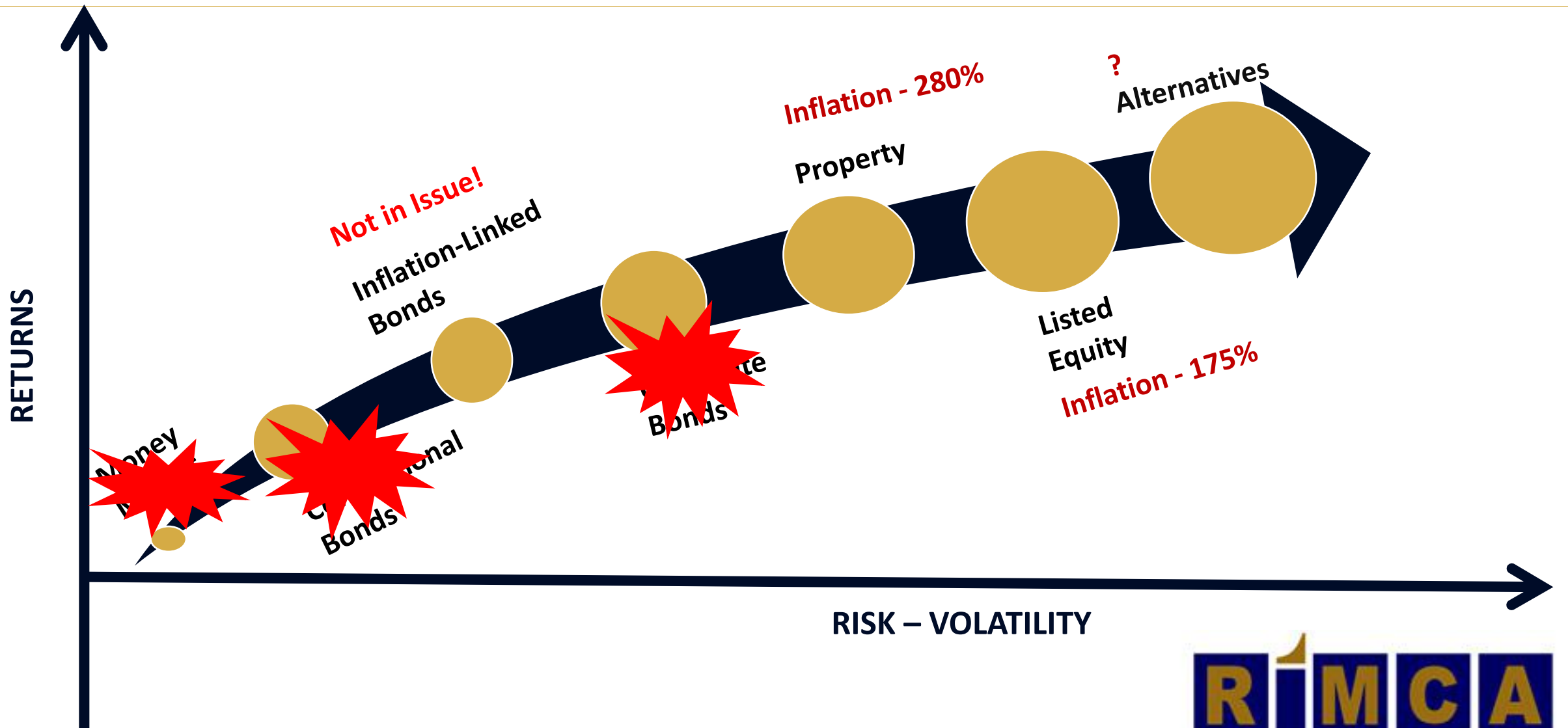


# ZIM INVESTMENT RETURNS





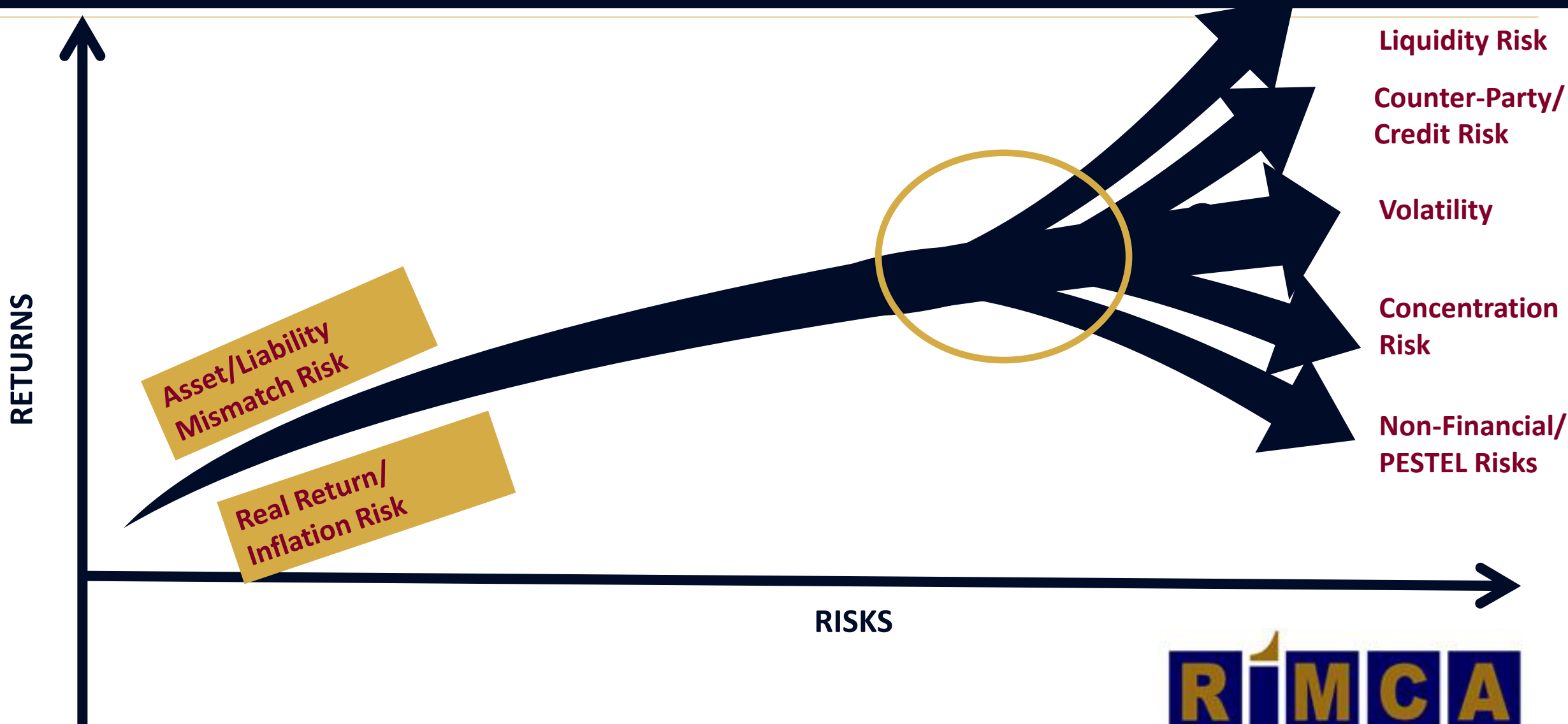
# ZIM INVESTMENT RETURNS



# RISK/REWARD TRADE-OFF



# RISK/REWARD TRADE-OFF





SPECIAL FOCUS ON  
DIRECT PROPERTY!



# PROPERTY INVESTMENT

## DIRECT PROPERTY INVESTMENT IS REAL, AND SO ARE ITS CHALLENGES!

- Largely one of the asset classes that traditionally have provided a significant hedge against inflation;
  - Recent experience has though challenged that.
- New school of thought argues inflation follows property booms and not precedes them;
- There are also much bigger issues now (**new behaviours**);
  - Study and work-from-home,
  - On-line shopping.
- Further issues with valuations, illiquidity and indivisibility;
- Property maybe no longer the big real-return generator of yesteryear!
  - Especially malls and office buildings;
  - But, maybe, distribution centres and hotels.



# WHERE TO FROM HERE?: PART I

*NOT ALL EQUITIES ARE  
EQUAL!*





# CONSIDER SECTORAL EQUITY INVESTMENT

**NOT ALL EQUITIES ARE EQUAL – SOME ARE MORE INFLATION-PROOF THAN OTHERS!**

- **Avoid Zim. Inc. type of stocks;**
  - **Stocks directly impacted by the economic fortunes of the country (e.g. Retailers and Banks);**
- **Miners are a good hedge to exchange rate-driven inflation;**
  - **Both precious and basic metals with an offshore market**
- **Any other counters with an export focus;**
- **To the extent they are allowed to retain their forex earnings;**
  - **Hospitality and tourism industry can be a good hedge.**
- **N.B - Such a portfolio might not be readily available;**
  - **Issue a segregated mandate.**

# POTENTIAL OFFSHORE INVESTMENT PROVISION

MAKE USE OF THE LIKELY OFFSHORE PROVISIONS **ONCE/IF** THEY ARE GAZETTED:

- 20% offshore provision for pension funds and other institutional investors;
- Challenges with securing the foreign currency (**preferential treatment from RBZ?**);
- Need to start considering investment destinations;
  - South Africa;
    - First world financial system in an emerging market economy,
    - Rand one of the most volatile currencies though.
  - Any other US\$-Denominated Investments;
    - Does not necessarily need to be from the US,
    - Sovereign risks need be taken into account though.

# INVEST IN THE VICTORIA FALLS STOCK EXCHANGE-LISTED SECURITIES

---

## MAKE USE OF THE NEWLY ESTABLISHED VICTORIA FALLS STOCKS EXCHANGE:

- Look out for soon to be incepted VFSE-based investment portfolios;
- Might have to wait for a while for this though;
- Still only one counter **(SeedCo International)**;
  - Two more might be listing there soon;
  - Might be a while before we see more listings;
  - Reliance will need to be put on potential non-resident listings.
- Getting the US\$ with which to invest in the portfolios will be a challenge;
  - RBZ will need to avail the forex
    - Better option for RBZ than the 20% offshore provision.



# LIST PROPERTY FUNDS ON THE VICTORIA FALLS STOCK EXCHANGE

---

## TAKE ADVANTAGE OF THE NEWLY ESTABLISHED VICTORIA FALLS STOCKS EXCHANGE:

- List your property holding as a property fund on the Victoria Falls Stock Exchange;
- Need not float all of it (say 40% max);
  - Generates immediate liquidity in the fund **(potential source for offshore investment),**
  - Addresses issues of the need for periodic valuations,
- Potential challenges with realising the values currently provided in the balance sheet;
  - Investors might not see that much value for properties with depressed rental yields;
  - Investors do not value based on replacement costs;
  - Depending on sector might lure foreign investors (tourism say).

# WHERE TO FROM HERE?: PART II

*ALTERNATIVES ARE THE  
NEW MAINSTREAM!*



# PRIVATE EQUITY

---

**RISKS ARE HIGH, BUT THE RETURNS CAN BE LUCRATIVE!**

- Risk is not a fate, but a choice;
  - Ultimately, all returns are compensation for risk taken (**perceived or real**).
- Consider ideal private equity funds;
  - Specialists funds focusing on real-economy driving sectors (**technology e.g. payment settlements, healthcare, energy (renewable), telecoms**),
  - Specialists in export-oriented firms (**commodity producers**).



# INFRASTRUCTURE

## **HUGE INVESTMENTS REQUIRED, POTENTIAL FOR PUBLIC-PRIVATE-PARTNERSHIPS (PPPs)!**

- **Zim is ripe for many of these projects:**
  - **Renewable energy (solar and wind);**
  - **Water treatment projects;**
  - **Waste management;**
  - **Highways and railroads;**
  - **Grain storage facilities.**
- **Exposure to significant political risks though;**
  - **Risk of price controls and political influence,**
- **But, probably a much better option than Prescribed Assets!**

# CONCLUDING REMARKS



# CONCLUDING REMARKS

---

- Under extreme economic environment all investment strategies crumble and fail;
- We have been thrown to the deeper – but we are a resilient people, we will once again come out of this;
  - Our people are counting on us!
- Alternatives are the new mainstream – embrace them!
- Government on its own may not have the intellectual capacity or technical knowhow;
  - It's incumbent upon us as the professionals to present bankable solutions to the gvt.
- Necessity is the mother of all inventions –
  - Let's not miss the opportunity to craft new strategies!





QUESTIONS?

THANK YOU!

[gandy@rimcasolutions.com](mailto:gandy@rimcasolutions.com)