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First Mutual Wealth Gold ETF: Debuts as VFEX's First ETF

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Zimbabwe's exchange-traded fund (ETF) landscape has undergone a gradual evolution, shaped by liquidity constraints and shifts in the underlying equity instruments. The launch of the Old Mutual Top 10 ETF in December 2020, first ETF, with listing in January 2021, marked a significant milestone for the Zimbabwe Stock Exchange (ZSE), introducing passive investment exposure. However, its eventual delisting in January 2025 highlighted fundamental limitations in the domestic ETF model. As market liquidity narrowed and key counters migrated to the Victoria Falls Stock Exchange (VFEX), replication became increasingly inefficient, while tracking error widened, amidst frequent index rebalancing. The concentration of trading activity in a few liquid counters, notably Delta and Econet, further eroded the diversification premise of the product.

This backdrop is critical in understanding the strategic pivot represented by the First Mutual Wealth (FMW) Gold ETF, which is set to list on the VFEX. Unlike its predecessors, the FMW Gold ETF moves away from domestic equity replication toward offshore-backed, USD-denominated exposure. This shift reflects a more deliberate alignment with investor demand for hard currency instruments and access to global assets, particularly in a market where local investment options remain constrained by currency risk and policy uncertainty.

The FMW Gold ETF is structurally differentiated from ZSE-listed ETFs in two key respects. Firstly, its underlying assets are entirely offshore, with exposure to Johannesburg Stock Exchange (JSE)-listed instruments. This improves asset quality while mitigating country risk inherent in domestic markets. Secondly, the ETF is USD-denominated and listed on the VFEX, making it inherently more attractive to both institutional and retail investors seeking USD exposure and external asset backing. However, this is not a pure gold ETF. The product is deliberately constructed as a hybrid instrument.

At a portfolio level, the ETF allocates 50% to a gold-backed instrument, the Invest Gold ETF, which serves as a proxy for physical gold exposure. The remaining 50% is allocated equally across four gold mining companies; AngloGold Ashanti, Gold Fields, Harmony Gold, and Pan African Resources, all listed on the JSE. This dual exposure framework introduces a layered return profile. The Invest Gold ETF component provides defensive, macro-driven performance linked to global gold prices, while the mining equities introduce leveraged upside driven by earnings growth, operational efficiency, and commodity price cycles. The trade-off is increased volatility, as mining companies are exposed to cost inflation, regulatory risks, and operational disruptions, making the ETF more than a traditional gold tracker.

The initial Net Asset Value (NAV) of US\$10 million is mechanically derived from the market value of the underlying assets at inception. This is achieved by setting up the fund with US\$10 million worth of the specified portfolio and issuing 100 million units at US\$0.10 each. The ETF follows a pass-through structure, meaning its valuation is entirely anchored on NAV. Returns are therefore driven by mark-to-market movements in the underlying assets, before incorporating fund costs, estimated at approximately 0.5% per annum.

From an accessibility standpoint, the minimum investment threshold is set at US\$100 for retail investors and US\$1,000 for institutions, with a unit price of US\$0.10, while the fund comfortably exceeds the VFEX's minimum capital requirement of US\$500,000. Subscriptions opened on April 22, 2026 and are scheduled to close on April 30, 2026, with listing targeted for May 8, 2026. As an open-ended structure, it allows for continuous creation and redemption of units, although actual market pricing will depend on secondary market liquidity conditions.

The investment case for the FMW Gold ETF rests primarily on its ability to provide offshore, USD-denominated exposure within a regulated local framework. This is a significant advantage in Zimbabwe's capital markets, where access to global assets is limited. The inclusion of gold mining equities also introduces the potential for enhanced returns during commodity upcycles, as these companies historically outperforms the underlying metal in strong markets. However, this benefit comes with a corresponding increase in volatility, as returns become more sensitive to operational and cost dynamics within the mining sector.

Risk considerations are therefore central to the investment thesis. The most immediate risk is structural misinterpretation, where investors may perceive the ETF as a pure hedge against inflation or currency depreciation, when in reality it carries meaningful equity exposure. Liquidity constraints on the VFEX remain another key consideration, as thin trading volumes could lead to deviations between market price and NAV. Tracking error risk also persists, particularly if arbitrage mechanisms are not sufficiently effective.

Overall, the FMW Gold ETF is a milestone for the VFEX as its first listed ETF. Its offshore asset backing, USD denomination, and hybrid exposure model position it as a more globally aligned investment vehicle. However, it is best understood as a diversification tool rather than a pure defensive asset. With estimated round-trip trading costs of approximately 2.13% on the VFEX, significantly lower than the roughly 4.14% associated with ZSE-listed ETFs, the product offers a relatively efficient entry point into gold-linked exposure. Its success will ultimately depend on VFEX liquidity development, investor understanding of its hybrid structure, and the trajectory of global commodity markets.