

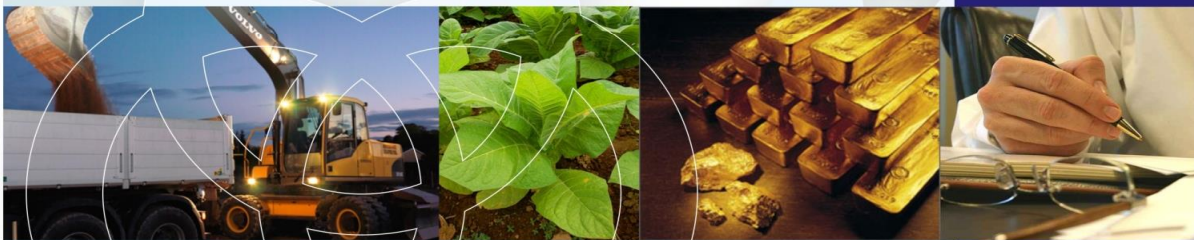
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mmc
CAPITAL

(Members Of The Zimbabwe Stock Exchange)



The Market Making Corporation

Market Statistics		
	27-Jun	Weekly Change
Mkt Cap \$'m	4,887	-0.1%
Mkt turnover \$'m	3.34	-45.6%
Indices		
ZSE Industrial	187.08	-0.2%
ZSE Mining	61.71	4.6%
NSE 20	4,834.02	0.2%
Nigeria All Share	42,187.67	2.6%
JSE All Share	50,625.37	-1.4%
NIKKEI-225	15,095.00	-1.7%
FTSE	6,757.77	-1.0%
DJIA	16,851.84	-0.6%

Source: ZSE, Bloomberg

In this week's review:

- **The Heat Is Rising – The Case for Zimbabwe Cotton Industry;**
- **Global capital markets trading southwards and;**
- **ZSE weighed down by poor economic fundamentals.**

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Top-10 Statistics and Market Performance

Top 10 Market Capitalisation								
Name	Market Performance					Valuations		
	Change	Sales C	Value US\$ 000	1kt CapUS\$ ml	Weight	PE	PBk	RoE
Delta	4.0%	129.00	705.4	1,600.5	33%	14.6	4.8	33%
Econet	-9.6%	66.90	786.1	608.3	12%	7.52	2.08	25.2%
Innsco	1.2%	81.00	295.4	432.1	9%	12.48	2.70	30.3%
BAT	5.3%	1,300.00	276.3	268.2	5%	72.22	18.20	30.4%
OK Zim	-1.6%	18.00	1.6	209.8	4%	15.13	3.63	23.8%
Natfoods	0.0%	215.00	30.0	147.1	3%	11.17	2.33	20.8%
Hippo	0.0%	75.00	-	144.8	3%	25.00	0.68	4.0%
Seedco	-1.7%	70.00	141.8	144.4	3%	15.66	1.76	11.3%
TSL	-6.7%	28.00	41.6	100.0	2%	15.73	1.68	11.7%
CBZ	0.0%	14.50	1.2	99.2	2%	2.30	0.46	20.1%
Sub Total			2,279	3,754	77%			
ZSE Total			3,344	4,887	100%			

*Econet excludes Class A shares * The top ten excludes Old Mutual

The Heat Is Rising – The Case for Zimbabwe Cotton Industry

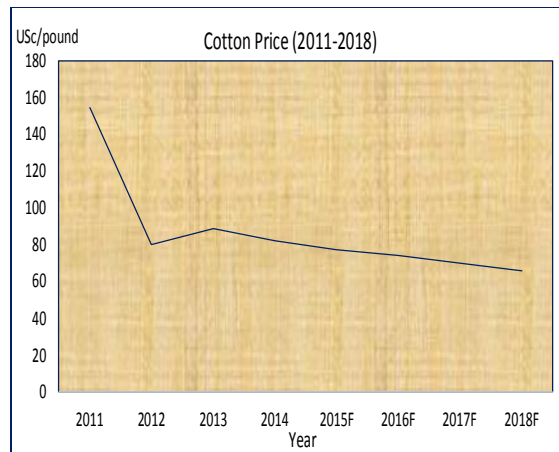
... In the week under review, Cottco Holdings published its financial results for the year ended 31 March 2014. Revenue was down to \$42m from \$129m in the prior period weighed down by impediments in the Cotton Industry ranging from the decline in national output and excessive side marketing.....

... Approximately 8% of the cotton traded in the world market is harvested in Africa. China contributes 32%, India 22%, USA 12% and Pakistan 8%....

In the week under review, Cottco Holdings published its financial results for the year ended 31 March 2014. Revenue was down to \$42m from \$129 in the prior period weighed down by impediments in the Cotton Industry ranging from the decline in national output and excessive side marketing. National cotton output declined by 42% from 250,000 tonnes in 2012/13 to 145,000 tonnes in the 2013/14 season. According to management, poor rainfall distribution across the country and a reduction in inputs support by the cotton industry on speculation of poor industry compliance and excessive side-marketing also had a negative effect on cotton production. Despite the marginal improvement in global lint prices from 80 US cents per pound in the prior period to an average of 89 US cents per pound, the outlook for cotton prices remains murky as China’s imports are expected to decline by 30% in 2014/15. Approximately 8% of the cotton traded in the world market is harvested in Africa. China contributes 32%, India 22%, USA 12% and Pakistan 8%. Production in Africa is almost exclusively grown by smallholder farmers, and there are only very few large plantations.

..... the volume of cotton traded internationally is expected to decline by 8% to 8.1 million tons in 2014/15, which would be the second season in which international cotton trade declined.

2012/2013 Cotton Supply Southern Africa		
Country	Area 000ha	Yield-kgs/Ha
South Africa	10	586
Ghana	18	364
Angola	3	302
Ethopia	98	251
Mozambique	150	250
Tanzania	420	213
Nigeria	315	197
Malawi	180	192
Kenya	39	170
Zimbabwe	397	145
Zambia	330	115



Source: 2014 National Budget; International Cotton Advisory Committee

According to the International Cotton Advisory Committee, the volume of cotton traded internationally is expected to decline by 8% to 8.1 million tons in 2014/15, which would be the second season in which international cotton trade declined. In 2013/14, the volume of cotton traded fell by 12% to 8.8 million tons. The decline is driven by the reduced shipments to China from a record of 5.3 million tons in 2011/12 to an anticipated 2.1 million tons 2014/15. In contrast, shipments to other countries are forecast to increase to nearly 6 million tons in 2014/15. Most of these shipments are going to other parts of Asia as the spinning industry has shifted away from China to other countries in the region.

..... Much of this shift in consumption and trade occurred because of the changes in China’s cotton policy

Much of this shift in consumption and trade occurred because of the changes in China’s cotton policy. In 2011/12, China implemented its policy of buying domestic and imported cotton for its national reserve and consequently became a large importer of cotton. Since 2011/12, the price of cotton in China has been significantly higher than international prices. This in turn hurt China’s spinning industry, but helped the spinning industry in other countries, such as India and Pakistan. In 2012/13, the season after China’s implementation of its new cotton policy, India’s consumption grew by 12% to 4.8 million tons and is expected to grow by 7% to 5.4 million tons in 2014/15. Similarly, Pakistan’s consumption grew by 9% to 2.4 million tons in 2012/13 and is forecast to grow by 3% to 2.6 million tons in 2014/15.

.....Our view is that as international lint price continues to wane, the local cotton industry will remain under pressure.....

Our view is that as international lint price continues to wane, the local cotton industry will remain under pressure. Cotton crop hectareage is declining in Zimbabwe as farmers shift to other crops such as Tobacco due to unviable prices that are been offered by local merchants. The local textile industry is in dire straits on the back of the shortage of working capital. Capacity utilisation in the sector is below 10 percent and cut-throat competition from cheap fabric imports will likely persists. The local fabric market is now dominated by imports particularly from China, Pakistan and India.

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Table 1: Stock indices performance.

Index	27-Jun-14	Weekly	YTD
Industrial	187.08	-0.17%	-7.44%
Mining	61.71	4.59%	34.77%

Source: ZSE, MMC Capital Research

Table 2: Zfn-Sectoral Indices

Sector indices	27-Jun-14	Weekly (%)	Ytd(%)	YoY(%)
All - Share index	130.38	-0.66	-3.77	-8.52
ZSE Top - 10	137.03	-1.11	-3.31	-6.86
Agro-industrial	59.54	-2.31	-20.37	-27.15
Banking	80.62	+1.42	-4.62	+3.23
Conglomerates	67.74	-0.65	-4.29	-13.38
Dual-listed	197.6	+0.36	+1.70	+9.09
Insurance	76.36	-2.40	-26.88	-47.84
Manufacturing	243.11	+3.70	-5.05	-7.71
Mining	24.35	+10.03	+32.87	-17.35
Property	98.31	+2.28	-16.60	-14.84
Retail	247.47	-1.23	-10.05	-18.08
Tourism	26.67	+4.26	-12.70	+9.18

Source: Zfn, MMC Capital Research

Table 3: Gainers

Counter	27-Jun	Weekly	Market	
			Cap(\$'m)	Value Traded(\$)
HWANGE	7.50	66%	12.47	86
ZBFH	4.00	33%	7.01	15
N.M.B	4.50	29%	12.63	4,897
TA HLDS	8.00	28%	10.74	75
FIDELITY	10.00	25%	10.89	7,093

Source: ZSE, MMC Capital Research

Table 4: Losers

Counter	27-Jun	Weekly	market	
			Cap(\$'m)	value traded(\$)
COTTCO	0.80	-16%	4.27	10,351
ARISTON	0.70	-13%	9.65	399
FNL	5.70	-12%	21.67	1,151
ASTRA	4.00	-11%	5.59	2,052
PADENGA	8.00	-11%	43.33	38,653

Source: ZSE, MMC Capital Research

MARKET COMMENTARY AND OUTLOOK

Stock Market Review

Global capital markets traded predominately southwards in the week under review. The Dow lost 60 basis point to close at 16,851.84 points. The FTSE 100 Index also retreated by 100 basis points in the week to 6,757.20 at the close in London. According to the U.S. Commerce Department, the U.S. economy shrank at a 2.9% annual pace in this year's first quarter, a big downward revision from a prior -1.0% estimate. The contraction marked the biggest quarterly drop since the first quarter of 2009, as well as the worst quarter since the end of World War II that was not part of a recession. Back home, the mainstream index ended the week in the negative territory weighed down by losses in selected heavyweight counters. Econet lost 9.6% to close at 66.9 cents and Seedco, which published its FY14 results in the week, took a 1.7% share price beating to 70 cents. Group revenue, at \$120m was 9% higher relative to the prior year driven by an increase in winter cereals and seed maize volumes. Seedco is still struggling with debt collection with the top trade debtors owing a total of \$53.35m. Buoyant Hwange (+66.30% to 7.5 cents) and Bindura (+4.12% to 4.80 cents) propelled the resources index northwards in the week. The total market capitalization closed the week at \$4.89 billion compared to \$4.88 billion last week.

Trading turnover on the ZSE declined to \$3.34m this week from \$6.14m last week and weekly volumes also dropped to 16.63m shares from 44.89m shares last week. Foreign investors were net buyers of Econet and Delta in the week. The foreign purchases to total turnover ratio dipped to 22% from 25% last week. The foreign sales to total turnover ratio also declined to 3% from 10% last week. The overall foreign investor participation waned to 25% this week relative to 35% last week of the total trades on the local bourse. The weight of the top ten counters (excluding Old Mutual) on the bourse (as a percentage of the total market cap) remained relatively flat at 77% this week.

Sectoral performance as measured by the **12-Zfn indices** reflect a softening market. The mining sector was the week's top performer, gathering 10.03% to 24.35 points as a result of gains in the share price of Hwange (66.30%) to 7.5 cents. The Insurance sector was the worst performer for the week running, dropping 2.40% to close at 76.36 points dragged down by losses in First Mutual (12.31%) to 5.7 cents. The ZSE Top-10 lost 1.11% in the week to close at 137.03 points with four of the largest market cap players posting losses in the week. **(Table 2).**

Hwange topped the top movers pack after adding 66% to close at 7.5 cents. ZB came in second, advancing 33% to close at 4 cents. NMB and TA gathered 29% and 28% respectively **(Table 3)**. Cottco was the worst performer for the week, losing 16% to close at 0.80 cents. Ariston and First Mutual also lost 13% and 12% respectively to close at 0.70 cents and 5.70 cents respectively. **(Table 4).**

Outlook

Recent statistics; which indicated that new home sales surged to a six-year high in May 2014 and existing home sales rose to their highest level since October 2013, will likely help push the markets higher in the U.S this week. Consumer confidence in June also rose for the second straight month and exceeded expectations. Economic indicators still suggest everything is in place for a recovery in China as recent data showed manufacturing in China and the Euro area expanded in June 2014. In Japan, investors' hope that the U.S. Federal Reserve will continue being conservative with tapering continues to be the underlying support.

Locally, we maintain our view that the weak economic fundamentals in Zimbabwe will continue to be the major risk impacting negatively on the upside potential of the local bourse. The economy is experiencing a slowdown in consumer spending; depressed mineral output; stagnation in money supply growth and tighter revenue collections among other impediments. The current environment, however, presents a good opportunity for long term equity players as the majority of stocks are currently heavily discounted and ripe for a recovery.

Listed Company Statistics as at 27 June 2014

Counter	Sector	Weekly Change	Latest Price	Mkt Cap US\$m	Rolling PE	Price/ Book	EV/ EBITDA	Earnings Yield	ROE	YTD	ROA
COTTO	Agro processing	-16%	0.80	4.27	(0.93)	0.08	5.39	-108%	-3.29%	-87%	-0.58%
ARISTON	Agro processing	-13%	0.70	9.65	17.50	0.71	(28.48)	6%	12.81%	-21%	5.77%
BAT	Agro processing	5%	1,300.00	225.96	72.22	18.20	18.51	1%	30.39%	8%	11.76%
BORDER	Agro processing	0%	20.00	8.59	2.95	0.08	(10.19)	34%	-2.83%	0%	-1.89%
COLCOM	Agro processing	5%	22.00	34.99	16.18	1.31	3.96	6%	9.89%	0%	6.80%
HIPPO	Agro processing	0%	75.00	144.77	25.00	0.68	7.08	4%	4.04%	-17%	2.19%
PADENGA	Agro processing	-11%	8.00	43.33	13.33	1.26	7.90	8%	11.78%	0%	8.33%
SEEDCO	Agro processing	-2%	70.00	135.11	15.66	1.76	13.21	6%	11.32%	-22%	5.31%
ABCH	Banking	0%	70.00	174.54	7.45	1.12	1.08	13%	13.23%	19%	1.17%
BARCLAYS	Banking	1%	3.75	80.72	26.79	1.90	(7.01)		6.96%	-15%	1.00%
CBZH	Banking	0%	14.50	83.89	2.30	0.46	(1.01)	43%	20.06%	-3%	2.64%
FBCH	Banking	0%	11.50	68.06	5.00	0.85	0.76	20%	17.51%	-15%	3.30%
NMB	Banking	29%	4.50	12.63	(4.50)	0.43	(6.15)	-22%	-11.34%	-31%	-1.37%
ZBFH	Banking	33%	4.00	7.01	20.00	0.12	(7.10)	5%	1.53%	-64%	0.26%
CFI	Conglomerate	0%	2.25	2.37	(0.61)	0.06	(19.11)	-164%	-10.98%	-38%	-5.11%
INNSCOR	Conglomerate	1%	81.00	438.69	12.48	2.70	7.24	8%	30.34%	-8%	11.48%
MEIKLES	Conglomerate	-9%	19.99	49.05	1.26	0.32	13.80	79%	27.29%	5%	14.34%
RADAR	Conglomerate	0%	8.00	4.09	(1.89)	0.10	14.69	-53%	-5.56%	0%	-2.18%
STAR AFRICA	Conglomerate	0%	0.80	4.15	(0.25)	(4.67)	(5.01)	-400%	1814.57%	-20%	-33.62%
TA HOLDINGS	Conglomerate	28%	8.00	13.19	5.37	0.23	1.77	19%	8.91%	31%	3.17%
TSL	Conglomerate	-7%	28.00	97.33	15.73	1.68	13.01	6%	11.73%	-26%	7.89%
ECONET	ICT	-10%	66.90	1,097.17	7.52	2.08	3.84	13%	25.16%	12%	12.32%
ZIMPAPERS	ICT	0%	0.80	4.61	8.89	0.41	(8.09)	11%	4.78%	0%	1.50%
FML	Insurance	-12%	5.70	21.67	13.26	1.20	5.22	8%	33.09%	-29%	3.13%
FIDELITY	Insurance	25%	10.00	10.89	3.36	1.14	2.83	30%	37.32%	-23%	7.13%
NICOZDMD	Insurance	-4%	1.25	6.99	2.55	0.48	1.14	39%	19.14%	-11%	10.53%
ZHL	Insurance	0%	0.90	6.97	3.75	0.15	(53.22)	27%	10.87%	-38%	4.28%
AFDIS	Manufacturing - Beverages	0%	32.50	30.88	28.51	4.58	13.82	4%	16.19%	8%	6.25%
DELTA	Manufacturing - Beverages	4%	129.00	1,589.93	14.63	4.84	9.43	7%	33.25%	-8%	20.06%
LAFARGE	Manufacturing - Construction	-3%	63.00	50.40	15.75	1.41	5.21	6%	9.77%	-43%	5.59%
MASIMBA	Manufacturing - Construction	0%	1.71	3.77	(57.00)	0.19	1.25	-2%	-0.30%	-74%	-0.16%
TURNALL	Manufacturing - Construction	1%	3.02	10.86	(6.04)	0.53	9.06	-17%	-9.07%	-40%	-3.74%
WILLDALE	Manufacturing - Construction	25%	0.10	1.78	(2.50)	0.17	75.24	-40%	-7.23%	0%	-3.70%
DZHL	Manufacturing - Food	12%	10.30	36.87	(20.60)	0.79	24.94	-5%	-3.74%	-31%	-2.48%
NATFOODS	Manufacturing - Food	0%	215.00	147.06	11.17	2.33	8.21	9%	20.82%	8%	10.79%
ART	Manufacturing - Nonfood	0%	0.30	1.40	2.73	0.13	4.16	37%	4.43%	50%	1.53%
ASTRA	Manufacturing - Nonfood	-11%	4.00	5.60	3.67	0.38	1.95	27%	11.35%	-20%	13.52%
GBH	Manufacturing - Nonfood	25%	0.05	0.27	(11.95)	0.06	0.53	-8%	-48.15%	-38%	-17.32%
HUNYANI	Manufacturing - NonFood	0%	2.00	6.39	3.08	0.26	1.32	33%	8.35%	0%	5.19%
NTS	Manufacturing - Nonfood	0%	2.70	6.85	7.94	1.26	5.57	13%	16.08%	8%	10.89%
PIONEER	Manufacturing - Nonfood	0%	7.00	38.48	(6.73)	7.07	(15.31)	-15%	-10.55%	133%	-2.16%
POWERSPEED	Manufacturing - Nonfood	0%	1.50	5.69	12.50	0.73	5.92	8%	5.97%	-17%	2.84%
ZECO	Manufacturing - Nonfood	0%	0.01	0.05	(0.01)	0.00	(0.25)	-10200%	-15.63%	0%	-10.18%
ZIMFLOW	Manufacturing - Nonfood	0%	10.00	62.27	38.12	2.41	61.82	3%	6.31%	186%	3.17%
MEDTECH	Manufacturing - Pharmaceutical	0%	0.04	1.12	1.21	0.83	5.93	83%	35.21%	-43%	5.76%
CAFCA	Manufacturing - Cables	20%	30.00	9.78	6.91	1.03	5.00	14%	14.85%	7%	10.35%
BINDURA	Mining	4%	4.80	6.05	(2.40)	(1.01)	(0.88)	-42%	216.66%	140%	-25.33%
FALGOLD	Mining	0%	1.50	1.67	(1.36)	(0.50)	(32.04)	-73%	50.45%	-70%	-9.09%
HWANGE	Mining	66%	7.50	13.78	(0.44)	0.15	(1.10)	-227%	-33.83%	-17%	-12.24%
RIOZIM	Mining	0%	20.00	6.00	(2.34)	0.27	13.38	-43%	-21.36%	-39%	-3.91%
DAWN	Property	5%	1.00	24.57	24.39	0.29	10.17	4%	1.62%	0%	1.56%
MASH	Property	5%	2.42	44.99	4.17	0.45	3.39	24%	9.76%	-26%	9.22%
PEARL	Property	0%	2.60	32.19	3.28	0.27	7.63	31%	8.24%	0%	7.34%
ZPI	Property	-6%	0.85	14.59	7.73	0.27	8.06	13%	3.41%	-35%	3.19%
EDGARS	Retail	1%	12.30	34.78	8.04	3.56	5.98	12%	38.83%	2%	9.86%
OK ZIM	Retail	-2%	18.00	188.37	15.13	3.63	7.97	7%	23.83%	-10%	11.69%
PELHAMS	Retail	0%	0.02	0.20	(0.11)	0.06	(12.22)	-900%	-49.20%	-80%	-13.45%
TRUWORTHS	Retail	0%	2.85	10.86	9.50	1.84	10.14	11%	18.78%	-32%	5.62%
AFRICAN SUN	Tourism	0%	2.80	23.07	(3.50)	1.18	6.36	-29%	-33.60%	4%	-11.0%
RTG	Tourism	9%	1.20	22.45	18.46	1.60	9.70	5%	8.74%	-25%	2.5%

Events Diary

COMPANY	EVENT	Time	Date	VENUE

Disclosure appendix

Analyst Certification

The following analyst(s) who is(are) primarily responsible for this report, certifies(y) that the opinion(s) on the subject security(ies) or issuer(s) and/or any other views or forecasts expressed herein accurately reflect their personal view(s) and that no part of their compensation was, is or will be directly or indirectly related to the specific recommendation(s) or views contained in this research report: Kudzanai Samudzi.

Important disclosures

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Additional disclosures

1 This report is dated as at 1 July 2014

2 All market data included in this report are dated as at close of 1 July 2014, unless otherwise indicated in the report.

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