

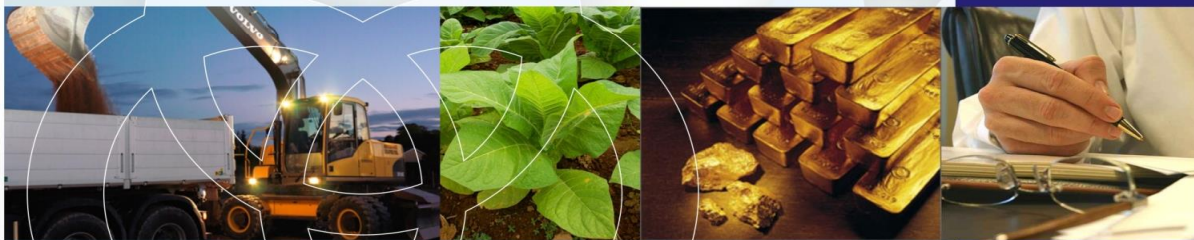
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CAPITAL

(Members Of The Zimbabwe Stock Exchange)



The Market Making Corporation

Zimbabwe Equities Market Review

Weekly Review

2 September 2013



Market Moving Insights!

Market Statistics		
	30-Aug	Weekly Change
Mkt Cap \$'m	4,682.00	-1.2%
Mkt turnover \$'m	7.55	-14.7%
Indices		
ZSE Industrial	181.67	-1.2%
ZSE Mining	48.73	1.2%
NSE 20	4,697.75	-2.6%
Nigeria All Share	36,248.53	-0.9%
JSE All Share	42,228.34	-1.8%
NIKKEI-225	13,388.86	-2.0%
FTSE	6,412.93	-1.2%
DJIA	14,794.22	-1.4%

In this week's review:

- The yellow metal is losing its radiance,
- In search of policy clarity,
- The bears are tightening their hug on global markets,
- Uncertainty haunting investors in Zim,
- The local bourse is still wallowing in the red and
- Global markets anticipating an improving world economy.

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Top 10 Market Capitalisation

Name	Market Performance					Valuations		
	Change	Sales c	Value US\$ 000	Mkt Cap US\$ mln	Weight	PE	PBk	RoE
Delta	-1.6%	109.99	3,030.7	1,356.72	29%	13.0	4.4	34%
Econet	-2.0%	49.00	1,153.5	445.57	10%	5.44	1.03	32.2%
Innscor	-4.7%	82.00	914.7	442.90	9%	14.04	3.18	33.6%
OK Zim	0.0%	21.00	181.9	239.16	5%	17.65	4.19	23.8%
BAT	0.0%	1,000	228.7	206.34	4%	14.08	15.49	109.3%
Hippo Valley	0.0%	105.00	542.8	202.67	4%	14.79	0.99	6.7%
National Foods	0.0%	220.00	2.3	150.48	3%	12.59	2.82	22.4%
Seed Co	0.0%	77.00	243.3	150.09	3%	12.64	1.97	15.4%
TSL Limited	6.7%	32.00	2.3	111.23	2%	18.82	2.09	5.8%
Lafarge	0.0%	120.00	-	96.00	2%	20.00	2.72	12.8%
ZSE Total			7,545	4,682				

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

The yellow metal is losing its radiance

... Zimbabwean gold mining sector is increasingly coming under pressure as the yellow metal's price continues to take a beating ...

In the week under review the gold mining sector releases reports that showed that the sector is increasingly coming under pressure as the yellow metal's price continues to take a beating. Two foreign investors have since divested out of their local gold assets namely South Africa's DRD Gold and Canada's New Dawn Mining. The gold miners were citing viability challenges due to the huge decline that the bullion price has experienced since the beginning of the year. Gold started the year trading at a price US\$1,687/oz and by July the yellow metal's price had erased c.29% to end the month at US\$1,205/oz. The price has since recovered from the July low to August's month end price of US\$1,380/oz.

... Zimbabwe's June gold output declined by 8.64% as the sector continues to be affected by the low metal prices ...

Zimbabwe's June gold output declined by 8.64% as the sector continues to be affected by the low metal prices. Figures released by the African Development Bank (AfDB) show that the country's month-on-month total gold deliveries for June 2013 slumped to 1 033.49kgs from 1 131.27kgs in May. On a year on year basis, total gold deliveries declined by 9.89% to 1 033.49kg in June 2013 from 1 146.94kg in June 2012. New Dawn's ZSE listed gold operation, Falcon Gold reported a loss of US\$2.6mln for the six month period ended June 2013 and chief among its challenges was the low gold prices and this coupled with operating environment headwinds has left the firm opting to close shop. DRD Gold did not leave any stone unturned in its bid to save its Zimbabwean gold operations considering various options, such as partnerships and joint ventures or even the unbundling and development of a new mining firm but is finally disposing of the local assets to unlock shareholder value

... The seams for most mines are still shallow relative to other industries across the globe and should ideally be cheaper to extract ...

We hold that there is a need to come up with ways to lower the costs of extracting gold in the local gold sector. Commodities always carry a price risk and the only way to safeguard gold production operations is to reduce the cost of doing business and this has been very high in Zimbabwe. The seams for most mines are still shallow relative to other industries across the globe and should ideally be cheaper to extract but this is not the case in Zimbabwe. Power, labour and other associated mining costs are very high and these are proving to be deterrents instead of enablers for gold miners. The absence of clear policies in the mining sector has resulted in the sector failing to attract the much needed cheaper long term funding for mining hence the demise of the local gold sector.

In search of policy clarity

... The country needs to swiftly roll out policies that encourage investment, capital, job creation, productivity and infrastructure development ...

The incumbent central bank governor was quoted last week saying that the country needs to swiftly roll out policies that encourage investment, capital, job creation, productivity and infrastructure development amid stagnating economic growth and deteriorating current account deficit. In the same vein the Bankers' Association of Zimbabwe also urged policymakers to facilitate an integrative approach to ensure a conducive policy environment that enables agricultural growth. According to research done by Canadian based Fraser Institute, the country dropped to position 91 from 74 in the Fraser Institute annual survey of mining companies, 2012-13. The Fraser Institute compiles a yearly report ranking the attractiveness of jurisdictions for mining investments.

... ZIM dropped to position 91 from 74 in the Fraser Institute annual survey of mining companies, 2012-13...

We still maintain our view that the economy is in need of policy clarity as investors are seeking to make decisions on Zimbabwean assets. The economy is in dire need of funding and funding is usually attracted by clear policies which are what is not yet available in the local economy. The challenges in the mining sector are also attributed to unclear policymaking which left some investors with no option but to exercise their option to abandon an operation. Going forward there is need for policymakers to clearly state the rules of engagement for any investors who seeks to invest in Zimbabwe. The local stock market has not been spared either as uncertainty in the local economy has resulted in the bourse shedding close to 34% of the gains that were made since the beginning of the year. The obtaining environment will do the economy more harm than good if it's not rectified soon and the onus is on the policymakers.

... The economy is in need of policy clarity as investors are seeking to make decisions on Zimbabwean assets...

Table 1: Stock indices performance.

Index	30-Aug-13	Weekly	YTD
Industrial	181.67	-1.21%	19.21%
Mining	48.73	1.23%	-25.17%

Source: ZSE, MMC Capital Research

Table 2: Zfn-Sectoral Indices

Sector indices	30-Aug-13	Weekly (%)	Ytd(%)	YoY(%)
All - Share index	121.33	-1.35	+35.72	+36.48
ZSE Top - 10	123.61	-1.54	+46.93	+44.68
Agro-industrial	73.81	-1.67	-7.31	-5.44
Banking	74.7	-2.07	+2.61	+18.24
Conglomerates	72.35	-2.89	+59.35	+59.94
Dual-listed	182.52	0.47	+32.06	+36.03
Insurance	122	-1.84	+18.04	+18.83
Manufacturing	216.35	-1.09	+78.33	+71.15
Mining	20.61	+6.57	-32.37	-41.49
Property	106.94	+0.79	+8.41	+15.68
Retail	274.9	+0.01	+73.49	+58.52
Tourism	23.94	+2.13	-4.68	+5.20

Source: Zfn, MMC Capital Research

Table 3: Gainers

Counter	30-Aug	Weekly Gain	Market Cap(\$m)	Value traded(\$)
FALGOLD	10.00	67%	11.12	489
ZIMPLW	4.00	14%	24.91	2,854
RTG	1.35	12%	25.25	5,189
ART	0.50	11%	2.16	495,510
INTERFRESH	2.00	11%	0.88	18,664

Source: ZSE, MMC Capital Research

Table 4: Losers

Counter	30-Aug	Weekly Change	Market Cap (\$m)	Value traded(\$)
ARISTON	0.60	-50%	13.78	96
PIONEER	4.00	-43%	2.20	4,096
CFI	4.00	-33%	4.22	4,056
AICO AFRICA	4.50	-18%	0.15	8,653
ZIMRE	1.10	-17%	8.44	1,512

Source: ZSE, MMC Capital Research

Stock Market Review

International capital markets lost their footing in the week on concern the U.S. will attack Syria in response to the alleged use of chemical weapons by President Bashar Al-Assad against his own people. The Dow traded 1.4 percentage points weaker to 14,794.22 points and FTSE 100 also lost 1.2% to close at 6,412.93 points. On the local front, the industrials performance gauge was down 121 bps to close at 181.61 points as demand falters in the market ahead of the parliament opening session next week. The mining index, however, traded northwards for the second week running collating 123 bps to 48.73 points. Imitating the losses in the mainstream index, the total market capitalization retreated by 3.28% in the week to US\$4.68 billion.

Mirrored by weekly turnover, trading activity took a 14.7% dip to US\$7.55 million. Two block trades in Art and Interfresh to the tune of US\$0.443 million were executed in the week. Weekly volumes traded improved to 111.5 million shares from the 37.99 million shares traded last week. Foreign investors, during the week under review, were net sellers of Delta, Econet, Innscor and Dairibord as the ratio of foreign purchases to total turnover slumped to 11% from the prior week's 35%. Foreign sales to total turnover ratio also retreated to 22% from last week's 38%. The overall foreign investor participation was 33%, a drop from last week's 73% of the total trades on the local bourse. The top ten counters on the bourse (excluding Old Mutual) maintain the 73% market cap weight in the week under review.

Sectoral performance as measured by the **12-Zfn indices** pointed to a weak market with seven of the indices trading in the red during the week under review. The mining sector was the best performing sector for the week, adding 6.57% to 20.61 points on the back of gains in Falgold (66.67%) to 10 cents (**Table 2**). The conglomerates sector was the week's worst performer, shedding 2.89% to 75.35 points, reversing last week's gains. This was on the back of losses in the prices of Innscor (4.65%) to 82 cents and Meikles (3.33%) to 29 cents. The Top-10 continues to be on a losing streak, pruning 1.54 percentage points as the top three heavy weights (Delta, Innscor and Econet) traded in the red. Manufacturing and retail stocks continue to lead the pack on a year-on-year basis and year-to-date basis respectively.

Miners, Falgold, led the gainers pack firming by 67% to close at 10 cents, though on thin volumes. Agro-focused concern, Zimplow and hotelier, RTG were also among the movers after garnering 14% and 12% respectively (**Table 3**). Agro concern, Ariston was the week's worst performer, trading 50% lower to close at 0.60 cents whilst transporters, Pioneer came in second after losing 43% to end the week at 4 cents with shares worth US\$4,096 exchanging hands. Agro processors, Aico and conglomerate, CFI also made the shakers pack after losing 9.95% and 33.3% respectively (**Table 4**).

Outlook

International capital markets are likely to trade southwards this week on US-Syria negative news and investors' fears that the US slowly improving economy would lead Fed officials to dial back on monetary stimulus at their next meeting in late September. Locally, the see-saw trading pattern is likely to continue on the back of uncertainty which is being associated with macro-economic policy. We maintain our overweight rating on agro-stocks in particular TSL, Seed Co and Hippo, whilst we are also bullish on Innscor, Delta and OK Zim in the consumer oriented and retail space. On the manufacturing space we have an overweight rating on Lafarge, PPC, Natfoods and BAT whilst Rio Zim is a possible turnaround story for the mining sector. We are bullish on FBCH and prudent Barclays in the banking space whilst on the Properties sector we favour Pearl because it has arguably the best property portfolio and also development focused ZPI.

Listed Company Statistics as at 30 August 2013

Counter	Sector	Weekly Change	Week's Price	Mkt Cap US\$m	Rolling PE	Fwd PE	Price/Book	EV/ EBITDA	Earnings Yield	ROE	ROA	
AICO	Agro processing	0%	4.50	24.04	(3.57)		0.31	2.16	(0.28)	-2.67%	-0.70%	
ARISTON	Agro processing	-50%	0.60	8.27	15.00		0.61	(26.42)	0.07	12.81%	5.77%	
BAT	Agro processing	0%	1,000.00	173.82	14.08	12.82	15.49	10.00	0.07	109.28%	37.44%	
BORDER	Agro processing	0%	20.00	8.59	2.95		0.08	2.29	0.34	2.76%	1.90%	
COLCOM	Agro processing	0%	25.00	39.76	12.56	10.73	1.56	7.54	0.08	13.08%	9.12%	
HIPPO	Agro processing	0%	105.00	202.67	14.79	11.67	0.99	6.82	0.07	6.70%	3.90%	
INTERFRESH	Agro processing	11%	2.00	0.97	(4.35)	(66.67)	0.09	(3.84)		1.31%	0.55%	
PADENGA	Agro processing	0%	6.00	32.50	7.14	7.59	1.11	4.58	0.14	17.42%	13.05%	
SEEDCO	Agro processing	0%	77.00	148.62	12.64	14.00	1.97	12.29	0.08	15.38%	7.43%	
ABCH	Banking	0%	60.00	43.04	5.17	4.87	0.28	1.39	0.19	16.59%	1.56%	
BARCLAYS	Banking	-11%	3.40	73.20	28.33	24.29	1.78	(10.45)		6.07%	0.87%	
CBZH	Banking	-4%	13.50	92.36	1.71	1.54	0.55	(0.83)	0.58	25.43%	3.32%	
FBCH	Banking	7%	9.60	44.23	3.60	2.75	0.57	(2.83)	0.28	18.54%	3.94%	
NMB	Banking	0%	8.00	22.46	25.81	2.40	0.57	(3.20)	0.04	19.47%	3.13%	
ZBFH	Banking	0%	9.00	15.77	2.25	2.21	0.33	(3.79)	0.44	16.26%	2.59%	
CFI	Conglomerate	-33%	4.00	4.22	(1.26)		0.10	(11.44)	(0.79)	-9.13%	-4.41%	
INNSCOR	Conglomerate	-5%	82.00	444.11	14.04	10.12	3.18	7.85	0.07	33.63%	15.08%	
MEIKLES	Conglomerate	-3%	29.00	71.16	23.97	18.95	0.52	13.47	0.04	3.95%	2.01%	
RADAR	Conglomerate	0%	8.00	4.09	1.82		0.04	7.27	0.55	3.11%	2.08%	
STAR AFRICA	Conglomerate	0%	1.00	5.18	(0.47)		1.12	(1.00)	(2.15)	-231.46%	-21.15%	
TA HOLDINGS	Conglomerate	2%	5.10	8.41	6.38	5.93	0.15	1.56	0.16	5.90%	2.21%	
TSL	Conglomerate	7%	32.00	111.23	18.82	17.11	2.09	16.18	0.05	5.80%	4.10%	
ECONET	ICT	-2%	49.00	445.57	5.44	5.16	1.03	1.88	0.18	32.19%	15.31%	
ZIMPAPERS	ICT	0%	1.00	5.76	100.00		0.74	5.11	0.01	0.80%	0.23%	
AFRE	Insurance	1%	12.10	26.27	2.73	2.68	2.83	2.37	0.37	144.91%	8.21%	
FIDELITY	Insurance	0%	10.00	10.89	2.86	2.57	1.40	2.36	0.35	52.75%	10.01%	
NICOZDMD	Insurance	0%	1.60	8.95	3.27	3.56	0.61	2.04	0.31	19.14%	10.53%	
ZHL	Insurance	-17%	1.10	8.52	(7.33)		0.17	(6.40)	(0.14)	4.44%	1.84%	
AFDIS	Manufacturing - Beverages	0%	30.00	28.50	33.33	23.62	5.18	16.26	0.03	14.70%	6.32%	
DELTA	Manufacturing - Beverages	-2%	109.99	1,327.47	12.96	11.16	4.39	8.28	0.08	34.45%	20.24%	
LAFARGE	Manufacturing - Construction	0%	120.00	96.00	20.00	12.15	2.72	9.59	0.05	12.78%	7.44%	
M&R	Manufacturing - Construction	0%	8.50	18.19	18.89	10.90	0.95	9.97	0.05	4.97%	2.72%	
PGI	Manufacturing - Construction	0%	0.30	1.43	(0.18)		0.28	2.63	(5.53)	-155.12%	-20.86%	
TURNALL	Manufacturing - Construction	0%	5.50	10.12	550.00	25.00	0.92	6.62	0.00	0.25%	0.11%	
WILLDALE	Manufacturing - Construction	0%	0.30	5.33	(5.00)	(5.00)	0.51	(26.47)	(0.20)	-5.82%	-3.05%	
DZHL	Manufacturing - Food	-5%	18.00	64.39	9.09	9.00	1.38	5.81	0.11	15.20%	10.23%	
NATFOODS	Manufacturing - Food	0%	220.00	150.48	12.59	11.60	2.82	8.96	0.08	22.41%	11.59%	
APEX	Manufacturing - Nonfood	0%	0.01	0.05	(0.02)	(0.03)	0.01	0.11	(46.62)	-51.23%	-15.26%	
ASTRA	Manufacturing - Nonfood	0%	5.00	6.99	5.68	5.88	0.54	3.16	0.18	9.55%	6.37%	
GBH	Manufacturing - Nonfood	0%	0.08	0.42	(0.20)		0.08	0.28	(4.97)	-39.57%	-16.59%	
HUNYANI	Manufacturing - NonFood	0%	3.00	9.59	11.54	11.54	0.45	3.33	0.09	3.91%	2.25%	
NTS	Manufacturing - Nonfood	0%	2.90	7.36	9.80	7.25	1.48	10.41	0.10	15.19%	9.56%	
PHOENIX	Manufacturing - Nonfood	0%	0.75	0.66	(0.59)		0.13	(11.11)	(1.69)	-28.83%	-13.22%	
PIONEER	Manufacturing - Nonfood	-43%	4.00	21.99	(2.42)	(2.35)	4.64	704.66	(0.41)	-11.85%	-2.98%	
POWERSPEED	Manufacturing - Nonfood	0%	1.80	6.82	12.86	12.00	0.90	5.92	0.08	7.04%	3.22%	
ZECO	Manufacturing - Nonfood	0%	0.09	0.42	(0.17)		0.01	(0.43)	(5.89)	-7.30%	-5.13%	
ZIMLOW	Manufacturing - Nonfood	14%	4.00	20.10	(20.00)	40.00	0.84	13.80	(0.05)	-4.18%	-2.88%	
MEDTECH	Manufacturing - Pharmaceutical	0%	0.07	1.96	59.02		1.29	14.18	0.02	2.18%	0.42%	
CAFCA	Manufacturing - Cables	0%	30.00	9.78	7.32	7.50	1.38	4.87	0.14	18.44%	10.93%	
BINDURA	Mining	0%	1.81	2.28	(0.91)		(0.38)	(1.25)	(1.10)	216.66%	-25.33%	
FALGOLD	Mining	0%	6.00	6.67	(545.45)		(2.01)	(9.69)	(0.00)	78.57%	-14.17%	
HWANGE	Mining	0%	11.00	20.21	6.47	6.01	0.19	2.54	0.15	2.99%	1.33%	
RIOZIM	Mining	0%	35.00	10.49	(14.83)	39.77	0.48	8.70	(0.07)	-13.41%	-2.45%	
DAWN	Property	-5%	0.90	22.11	90.00		0.26	11.27	0.01	0.30%	0.29%	
MASH	Property	4%	3.02	56.14	2.99	4.31	0.58	9.80	0.33	17.87%	16.89%	
PEARL	Property	0%	2.50	30.95	3.43	3.33	0.28	6.04	0.29	8.18%	7.36%	
ZPI	Property	1%	1.01	17.34	2.66	2.40	0.35	8.50	0.38	13.04%	12.27%	
EDGARS	Retail	0%	10.00	28.27		6.54	5.62	2.89	5.22	0.15	38.83%	9.86%
OK ZIM	Retail	0%	21.00	217.70		17.65	15.00	4.19	9.30	0.06	23.8%	11.7%
PELHAMS	Retail	0.0%	0.09	0.90		0.90	4.50	0.21	1.81	1.11	23.5%	7.1%
TRUWORTHS	Retail	0%	2.71	10.12		10.42	10.84	2.08	8.37	0.10	20.7%	5.8%
AFRICAN SUN	Tourism	-10%	1.9	15.65		6.13		0.64	4.74	0.16	10.6%	4.2%
RTG	Tourism	12%	1.35	22.21		(19.29)		1.64	20.26	(0.05)	-7.60%	-2.1%

Events Diary

COMPANY	EVENT	Time	Date	VENUE
Zimplow	Briefing	12pm	4-Sep-13	Royal Harare Golf Club

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: Tawanda Mazorodze and Kudzanai Samudzi.

Important disclosures

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Additional disclosures

1 This report is dated as at 2 September 2013

2 All market data included in this report are dated as at close of 2 September 2013, unless otherwise indicated in the report.

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