

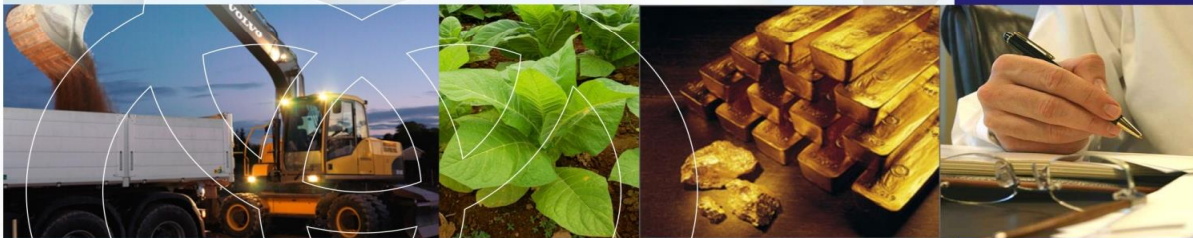
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CAPITAL

(Members Of The Zimbabwe Stock Exchange)



The Market Making Corporation

Zimbabwe Equities Market Review

Weekly Review

7 October 2013



Market Moving Insights!

Market Statistics		
	4-Oct	Weekly Change
Mkt Cap \$'m	5,369.00	5.2%
Mkt turnover \$'m	20.41	38.4%
Indices		
ZSE Industrial	208.35	5.2%
ZSE Mining	50.53	1.3%
NSE 20	4,841.33	1.5%
Nigeria All Share	36,925.82	1.3%
JSE All Share	43,925.82	-1.0%
NIKKEI-225	14,024.31	-5.0%
FTSE	6,453.88	-0.9%
DJIA	15,072.58	-1.2%

In this week's review:

- The disadvantage of the absence of a comparative advantage ,
- What's in a policy after all?
- The U.S at it again,
- Foreign appetite is strengthening,
- Volatility likely to persist in global capital markets and
- Investors at the mercy of political dithering once more.

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Top-10 Statistics and Market Performance

Name	Market Performance					Valuations		
	Change	Sales ¢	Value US\$ 000	Mkt Cap US\$ mln	Weight	PE	PBk	RoE
Delta	10.2%	135.0	13,084.3	1,665.4	31%	15.9	5.4	34%
Econet	-3.2%	60.00	3,976.0	545.6	10%	6.67	1.26	32.2%
Innsco	3.7%	85.00	1,711.6	459.1	9%	13.36	3.18	26.9%
OK Zim	3.7%	28.00	915.3	323.1	6%	23.53	5.59	23.8%
BAT	18.7%	1,365.00	235.4	281.6	5%	41.36	28.71	58.8%
Hippo	0.0%	100.00	0.4	193.0	4%	14.08	0.95	6.7%
Natfoods	0.0%	240.00	21.4	164.2	3%	12.45	2.96	25.2%
Seedco	2.4%	84.00	4.8	163.7	3%	13.79	2.15	15.4%
TSL	6.7%	32.00	43.2	111.2	2%	18.82	2.09	5.8%
CBZ	0.0%	14.50	137.5	99.3	2%	1.84	0.59	25.4%
ZSE Total			20,412	5,369				

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

The disadvantage of the absence of a comparative advantage

... Zim trade deficit with SA widened to c.US\$1 billion following an increased import demand ...

The story of the deterioration of the balance of trade position for the economy made the headlines once more in the week under review. The country was reported to have a trade deficit amounting to c.US\$1 billion with neighboring South Africa according to statistics released by the Department of Trade and Industry (DTI) in South Africa. This comes at a time when policymakers are bemoaning the demise of the manufacturing sector which experienced a dip in capacity utilisation to 39.6% down from 44% resulting in consumers resorting to importation of their various needs. In the same vein the treasury is mulling new import policies to curb the influx of cheap imports which it says will not affect the product supply chain in the country but create a level playing field that will boost productivity in local industries.

...The plunge to 39.6% in manufacturing sector capacity utilisation this year from 44% in 2012 showing that the sector is in the intensive care unit and in need of help ...

The treasury said the government's intended measures do not include banning imports and policymakers resolved to look at ways to regulate imports in the same way other countries the world over have done. The Confederation of Zimbabwe Industries (CZI) said the plunge to 39.6% in manufacturing sector capacity utilisation this year from 44% in 2012 shows that the sector is in the intensive care unit and in need of help and nothing much has changed in the sector since last year as the problems of power and lack of working capital continue to haunt the industry.

...The economy still lacks comparative advantage in a number of areas chief among which is manufacturing ...

Our view is that the economy still lacks comparative advantage in a number of areas chief among which is manufacturing. The economy has a huge capital deficit and this has left the local manufacturing sector operating on aged technology resulting in higher costs of production for locally produced goods and services. This has been promulgated by not only the absence of affordable funding but the lack of adequate infrastructure including limited power supply which has generated expensive downtime for the economy's manufacturing sector. Whilst it is true that importation of goods and services has exacerbated the liquidity challenges in the economy protectionist policies are still not the solution to the country's woes. Policy has to be righted if the local manufacturing sector is to stay afloat and survive the foreign competition threat.

What's in a policy after all?

... The government to revisit some policies to ensure that they are pro-growth and address the problems bedeviling the agriculture sector and enable recovery of the industry ...

Now that elections have come and gone, what's next? The resounding answer we got in the week under review is POLICY. There is a need to ensure that the country has the right policies that stimulate growth and promote investments. One policymaker was quoted saying there is a need for government to revisit some policies to ensure that they are pro-growth and address the problems bedeviling the agriculture sector in respect of land title and compensation to dislocated commercial farmers and enable recovery of the industry.

The call for economic policy clarity is getting louder by the day and the developments in the week speak to the urgency of the matter. Various policymakers have come out in the open calling for even a revisiting of the much debated indigenization bill. The country is wallowing in a liquidity crunch which has been linked to unfriendly policies that are deterring capital flows and are resulting in an unusually high country risk premium being levied on all borrowings to local economic agents and lines of credit being availed to the country.

... Policymakers are calling for a revisiting of the much debated indigenization bill ...

Our view is that the issue of policy clarity requires urgent attention if the new government is to arrest the economic contraction that is underway. The economy is besieged by liquidity challenges that are not receding as suppliers of liquidity are still skeptical due to uncertainty over how the economy will be run and governed. There is a protectionist drive that is threatening to takeover policymaking as the lack of competitiveness of the local industry has opened the doors to foreign product competition. Investors, both local and foreign, are taking a cautious approach in dealing with Zim and the bottom-line is an economy can't afford to ignore the need to create an investor friendly environment and expect to survive. The potential in the Zim economy requires capital to unlock it and unfortunately capital, particularly foreign capital, has a high affinity for clarity.

... Policy clarity requires urgent attention if the new government is to arrest the economic contraction that is underway...

Table 1: Stock indices performance.

Index	4-Oct-13	Weekly	YTD
Industrial	208.35	5.24%	36.71%
Mining	50.53	1.26%	-22.40%

Source: ZSE, MMC Capital Research

Table 2: Zfn-Sectoral Indices

Sector indices	4-Oct-13	Weekly (%)	Ytd(%)	YoY(%)
All - Share index	139.3	+4.56	+55.81	+38.45
ZSE Top - 10	145.67	+4.66	+73.15	+49.49
Agro-industrial	76.16	+5.16	-4.36	-15.14
Banking	81.36	+3.26	+11.76	+32.08
Conglomerates	74.34	+6.78	+63.72	+31.96
Dual-listed	191.82	+4.24	+38.79	+30.12
Insurance	140.81	+0.23	+36.24	+41.57
Manufacturing	259.57	+8.47	+113.90	+74.02
Mining	20.25	+4.54	-33.56	-45.55
Property	119	+0.85	+20.64	+23.40
Retail	360.65	+3.53	+127.60	+79.85
Tourism	26.55	+0.91	+5.70	-7.75

Source: Zfn, MMC Capital Research

Table 3: Gainers

Counter	4-Oct Weekly Gain	Market Cap(\$m)	Value traded(\$)
ZBFH	15.50	55%	24.91
MEIKLES	28.11	41%	68.97
PADENGA	8	40%	43.33
PELH	0.14	40%	1.39
ART	0.60	20%	2.59

Source: ZSE, MMC Capital Research

Table 4: Losers

Counter	4-Oct	Weekly Change	Market Cap (\$m)	Value traded(\$)
TURNALL	4.00	-27%	19.72	44
ZIMPL	4.00	-20%	24.91	311
MEDTECH	0.05	-17%	1.40	23
TA	7.00	-13%	11.54	665
NICOZ	2.20	-12%	12.47	3,300

Source: ZSE, MMC Capital Research

Stock Market Review

Volatility in the capital markets persisted in the week as a standoff between U.S. lawmakers led to the first government shutdown in 17 years for the world's biggest economy. The failure of U.S. lawmakers to avert a government shutdown fueled concern that they will not be able to agree on raising the nation's \$16.7 trillion debt limit later this month. The FTSE 100 and the Dow eased by 90 bps and 120 bps to 6,453.88 and 15,072.58 points respectively in the week. Locally, the industrial index advanced by 5.24 percentage points to close at 208.35 points, carrying the year to date gains to 36.71%. This is however still below the 53% that was achieved on the 1st of August 2013. The resources index also ended the week in the positive, pocketing 126 bps to close at 50.53 points. Mimicking the gains in the indices, the total market capitalization was up 5.2% to end the week at US\$5.37 billion.

Turnover - a reflection of trading activity - increased by 38.4% to US\$20.41 million in the week under review boosted by the block trades in Econet and Dawn to the tune of US\$7.127 million. Weekly volumes traded improved to 323.17 million shares from the 41.75 million shares traded last week. Foreign investors, during the week under review, were net buyers of Delta and Econet. The foreign purchases to total turnover ratio trimmed to 30% from the prior week's figure of 39%. Foreign sales to total turnover ratio rose to 31% from last week's 10%. The overall foreign investor participation came in at 61%, relative to last week's 49% of the total trades on the local bourse. Foreign investors are slowly becoming net buyers of Zim equities as investors shake off the political risk concerns following the elections. The top ten counters on the bourse (excluding Old Mutual) constituted 75% of the total market cap in the week under review.

Sectoral performance as measured by the 12-Zfn indices reflects a firming market as all the indices traded in the black during the week. The Manufacturing sector was the week's top performer firming by 8.47% to 259.57 points on the back of gains in Delta (10.2%) to 135 cents (Table 2). The insurance sector achieved the least gains (0.23%) to close at 140.81 points on the back of gains in the price of First mutual, (3.70%) to 14 cents. The Top-10 continues to be on a winning streak, collating 4.66 percentage points as all the counters traded in the black save for Econet which lost 3.23% to close at 60 cents. Manufacturing and retail stocks continue to lead the pack on a year-on-year basis and year-to-date basis respectively.

Bankers, ZBFH led the movers pack, gaining 55% to close at 15.5 cents with shares worth US\$3,435 exchanging hands. The conglomerate, Meikles landed the second position adding 8.11 cents to close at 28.11 cents. Crocodile skin producer and processor, Padenga, and household goods retailer, Pelhams were also among the top risers for the week collating 40% apiece (Table 3). Manufacturer and supplier of asbestos-cement roofing, water and sewerage conveyance products, Turnall, and Agro-concern, Zimplot were the worst performers for the week, trading 27% and 20% lower to close at 4 cents apiece. Investment concern, TA and short term insurer, Nicoz Diamond capped the losers pack after dropping 13% and 12% respectively (Table 4).

Outlook

The US will likely dominate investor worries again in the coming week as the possibility of a deadlock in the Congress might threaten the debt ceiling talks. Locally, the Zim market is likely to trade northwards this week as investors' appetite to sell local assets continues to wane. Buyers are likely to continue escalating their bids to attract those holding the shares to sell as demand remains relatively strong. We maintain our overweight rating on agro-stocks in particular Hippo, whilst we are also bullish on Innscor, Truworths and Delta in the consumer oriented and retail space. On the manufacturing space we have an overweight rating on Lafarge, PPC, Natfoods and BAT. 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. The ZSE is now trading at a PER of 11.68x whilst the MSCI Emerging market index is at 11.8x signaling an fair valuation of the local bourse but worth noting is the fact that the MSCI EMI is trading well below (24%) its long term average of 15.5x. Zim still looks relatively cheap and still has room to grow.

Listed Company Statistics as at 04 October 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%	3.10	16.56	(2.46)	-	0.21	1.93	(0.41)	-2.67%	-0.70%
ARISTON	Agro processing	0%	1.00	13.79	25.00	-	1.01	(34.67)	0.04	12.81%	5.77%
BAT	Agro processing	19%	1,365.00	281.65	41.36	17.50	28.71	20.64	0.02	58.75%	18.18%
BORDER	Agro processing	0%	20.00	8.59	2.95	-	0.08	2.29	0.34	2.76%	1.90%
COLCOM	Agro processing	20%	30.00	47.71	15.08	12.88	1.87	9.04	0.07	13.08%	9.12%
HIPPO	Agro processing	0%	100.00	193.02	14.08	11.11	0.95	6.54	0.07	6.70%	3.90%
INTERFRESH	Agro processing	0%	1.80	0.88	(3.91)	(60.00)	0.08	(3.77)		1.31%	0.55%
PADENGA	Agro processing	40%	8.00	43.33	9.30	10.13	1.23	(100.48)	0.11	14.49%	10.23%
SEEDCO	Agro processing	2%	84.00	162.13	13.79	15.27	2.15	12.91	0.07	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	6%	3.61	77.73	30.08	25.79	1.89	(9.62)		6.07%	0.87%
CBZH	Banking	0%	14.50	99.20	1.84	1.65	0.59	(0.72)	0.54	25.43%	3.32%
FBCH	Banking	0%	12.04	55.48	4.51	3.45	0.72	(2.31)	0.22	18.54%	3.94%
NMB	Banking	0%	7.50	21.05	24.19	2.25	0.53	(3.32)	0.04	19.47%	3.13%
ZBFH	Banking	55%	15.50	27.15	3.88	3.81	0.57	(2.51)	0.26	16.26%	2.59%
CFI	Conglomerate	0%	3.60	3.80	(1.14)	-	0.09	(11.18)	(0.88)	-9.13%	-4.41%
INNSCOR	Conglomerate	4%	85.00	460.35	13.36	10.49	3.18	8.09	0.07	26.88%	12.27%
MEIKLES	Conglomerate	41%	28.11	68.97	23.23	18.37	0.51	13.25	0.04	3.95%	2.01%
RADAR	Conglomerate	0%	8.00	4.09	(3.67)	-	0.11	7.92	(0.27)	-128.73%	-50.78%
STAR AFRICA	Conglomerate	0%	1.20	6.22	(0.56)	-	1.35	(1.17)	(1.79)	-231.46%	-21.15%
TA HOLDINGS	Conglomerate	-13%	7.00	11.54	8.75	8.14	0.21	1.93	0.11	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	-3%	60.00	545.59	6.67	6.32	1.26	2.21	0.15	32.19%	15.31%
ZIMPAPERS	ICT	0%	0.80	4.61	13.33	-	0.58	3.72	0.08	21.51%	5.71%
AFRE	Insurance	4%	14.00	30.40	3.16	3.10	3.27	2.57	0.32	144.91%	8.21%
FIDELITY	Insurance	0%	11.50	12.53	3.29	2.96	1.62	2.63	0.30	52.75%	10.01%
NICOZDMD	Insurance	-12%	2.20	12.31	4.49	4.89	0.84	3.58	0.22	19.14%	10.53%
ZHL	Insurance	0%	1.00	7.75	9.09	-	0.16	9.58	0.11	1.79%	0.70%
AFDIS	Manufacturing - Beverages	-6%	30.00	28.50	33.33	23.62	5.18	16.26	0.03	14.70%	6.32%
DELTA	Manufacturing - Beverages	10%	135.00	1,629.32	15.90	13.69	5.39	10.15	0.06	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%	4.10	8.81	16.40	8.20	0.45	4.12	0.06	2.57%	1.34%
PGI	Manufacturing - Construction	0%	0.10	0.48	(0.06)	-	0.09	2.46	(16.60)	-15.12%	-20.86%
TURNALL	Manufacturing - Construction	-27%	4.00	11.95	400.00	18.18	0.67	5.32	0.00	0.25%	0.11%
WILLDALE	Manufacturing - Construction	0%	0.25	4.45	(4.17)	(4.17)	0.42	(24.33)	(0.24)	-5.82%	-3.05%
DZHL	Manufacturing - Food	5%	20.00	71.60	133.33	10.00	1.55	15.78	0.01	1.27%	0.82%
NATFOODS	Manufacturing - Food	0%	240.00	164.16	12.45	12.65	2.96	8.87	0.08	25.15%	13.76%
APEX	Manufacturing - Nonfood	0%	0.01	0.05	(0.02)	(0.03)	0.01	0.11	(46.62)	-51.23%	-15.26%
ART	Manufacturing - Nonfood	20%	0.60	2.80	5.45	6.67	0.26	4.77	0.18	4.43%	1.53%
ASTRA	Manufacturing - Nonfood	0%	4.00	5.59	4.55	4.71	0.43	2.54	0.22	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%	3.50	11.19	13.46	13.46	0.53	3.82	0.07	3.91%	2.25%
NTS	Manufacturing - Nonfood	0%	3.00	7.62	10.14	7.50	1.53	10.79	0.10	15.19%	9.56%
PIONEER	Manufacturing - Nonfood	0%	4.00	21.99	(2.42)	(2.35)	4.64	704.66	(0.41)	-11.85%	-2.98%
POWERSPEED	Manufacturing - Nonfood	-5%	1.80	6.82	12.86	12.00	0.90	5.92	0.08	7.04%	3.22%
ZECO	Manufacturing - Nonfood	0%	0.06	0.28	(0.11)	-	0.01	(0.36)	(8.83)	-7.30%	-5.13%
ZIMPLOW	Manufacturing - Nonfood	-20%	4.00	20.10	(20.00)	40.00	0.84	13.80	(0.05)	-4.18%	-2.88%
MEDTECH	Manufacturing - Pharmaceutical	-17%	0.05	1.40	42.16	-	0.92	12.03	0.02	2.18%	0.42%
CAFCA	Manufacturing - Cables	0%	35.00	11.41	8.54	8.75	1.61	5.65	0.12	18.44%	10.93%
BINDURA	Mining	0%	2.00	2.52	(1.00)	-	(0.42)	(1.27)	(1.00)	216.66%	-25.33%
FALGOLD	Mining	0%	10.00	11.12	(909.09)	-	(3.35)	(12.20)	(0.00)	78.57%	-14.17%
HWANGE	Mining	5%	10.51	19.31	6.18	5.74	0.18	2.49	0.16	2.99%	1.33%
RIOZIM	Mining	15%	30.00	9.00	(12.71)	34.09	0.41	8.47	(0.08)	-13.41%	-2.45%
DAWN	Property	10%	1.10	27.03	110.00	-	0.32	13.91	0.01	0.30%	0.29%
MASH	Property	0%	3.00	55.77	2.97	4.29	0.57	9.73	0.34	17.87%	16.89%
PEARL	Property	2%	3.30	40.86	4.53	4.40	0.37	8.13	0.22	8.18%	7.36%
ZPI	Property	-10%	1.00	17.17	2.63	2.38	0.35	8.41	0.38	13.04%	12.27%
EDGARS	Retail	2%	11.75	33.22	7.68	6.60	3.40	5.80	0.13	38.83%	9.86%
OK ZIM	Retail	4%	28.00	290.27	23.53	20.00	5.59	12.53	4.25%	23.83%	11.69%
PELHAMS	Retail	40%	0.14	1.39	1.40	7.00	0.33	1.99	71.43%	23.5%	7.1%
TRUWORTHS	Retail	0%	3.20	11.95	10.00	12.80	2.43	10.02	10.00%	24.1%	6.7%
AFRICAN SUN	Tourism	2%	2.10	17.30	6.77	-	0.71	4.95	14.76%	10.6%	4.2%
RTG	Tourism	0%	1.5	24.68	(21.43)	-	1.82	21.44	-4.67%	-7.6%	-2.1%

Events Diary (No events)

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: Tawanda Mazorodze and Kudzanai Samudzi.

Important disclosures

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Additional disclosures

1 This report is dated as at 7 October 2013

2 All market data included in this report are dated as at close of 7 October 2013, unless otherwise indicated in the report.

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