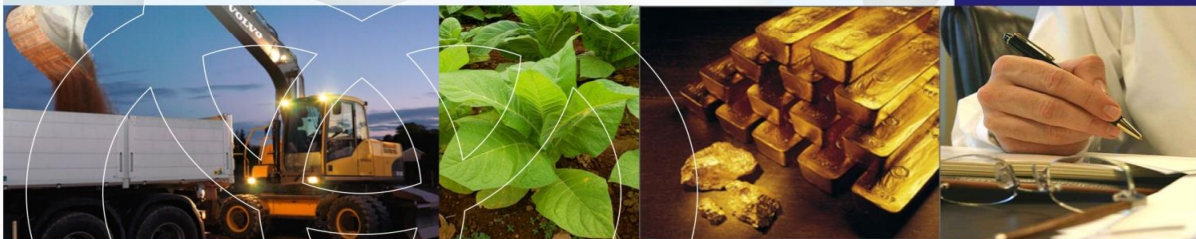


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mmc CAPITAL
(Members Of The Zimbabwe Stock Exchange)



The Market Making Corporation

Market Statistics			
	11-Oct	Weekly Change	USD Return
Mkt Cap \$'m	5,476.00	2.0%	2.0%
Mkt turnover \$'m	5.85	-71.4%	-71.4%
Indices			
ZSE Industrial	212.68	2.1%	2.1%
ZSE Mining	48.99	-3.0%	-3.0%
NSE 20	4,929.62	1.8%	2.5%
Nigeria All Share	36,991.62	0.2%	0.1%
JSE All Share	43,620.57	-0.7%	0.5%
NIKKEI-225	14,404.74	2.7%	1.5%
FTSE	6,487.28	0.5%	-0.8%
DJIA	15,237.11	1.1%	1.1%

In this week's review:

- The Zim economy - From an IMF perspective,
- Whither to Zim cotton production?
- Washington is failing to reach a consensus,
- The bulls are ruling the roost on the ZSE,
- Volatility likely to persist in global capital markets and
- The ZSE likely to remain on the uptrend.

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Top-10 Statistics and Market Performance

Name	Market Performance					Valuation Metrics		
	Change	Sales ¢	Value US\$ 000	Mkt Cap US\$ mln	Weight	PE	PBk	RoE
Delta	3.7%	140.0	528.2	1,727.1	32%	16.5	5.6	34%
Econet	6.7%	64.00	7,029.8	582.0	11%	7.11	1.34	32.2%
Innscor	4.7%	89.00	557.3	486.1	9%	13.99	3.33	26.9%
OK Zim	-3.6%	27.00	634.2	311.6	6%	22.69	5.39	23.8%
BAT	-4.8%	1,300.00	666.0	268.2	5%	39.39	27.35	58.8%
Hippo	5.0%	105.00	54.4	202.7	4%	14.79	0.99	6.7%
Seedco	7.3%	90.10	308.2	175.6	3%	14.79	2.30	15.4%
Natfoods	4.2%	250.00	29.8	171.0	3%	12.97	3.09	25.2%
TSL	3.1%	33.00	389.8	114.7	2%	19.41	2.15	5.8%
CBZ	3.4%	15.00	445.5	102.7	2%	1.90	0.61	25.4%
ZSE Total			5,846	5,476				

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

The Zim economy - From an IMF perspective

... Zimbabwe is expected to grow by 3.2% by the IMF a figure which is 20 basis points below the Treasury's revised GDP growth projection of 3.4%. ...

... An expected global economic downturn or a further deceleration of growth in China or other major emerging markets that could weaken exports through lower commodity prices or reduced inflows of aid and FDI ...

...The government's minimal capital expenditure exacerbated the situation and the result has been a serious of down GDP growth revisions and minimal FDI which has caused a vicious cycle of economic contractions ...

... The CGA has committed to contracting farmers to produce a total of 250,000kg of cotton in the coming season ...

... Price disputes coupled with the poor rain season resulted in decreased output in the just ended season and many cotton farmers are considering not growing the crop ...

... Cotton production is in for some challenging times and the only solution in sight at the moment is to improve output ...

The local economy is still in contraction mode as shown by the projections released by the International Monetary Fund (IMF) in its world economic outlook report published during the week under review. Zimbabwe is expected to grow by 3.2% by the IMF, a figure which is 20 basis points below the Treasury's revised GDP growth projection of 3.4%. Zimbabwe is classified as a low income country (LIC) and its growth projection is amongst the lowest projected by the IMF for LICs and 51% below the LIC average growth projection of 6.5% for 2013. The IMF report came in the face of a myriad of failed attempts by policymakers to arrest the economic decline that has taken hold of the country amidst an avalanche of challenges chief among which is the absence of capital. According to the IMF report the main threats to the outlook for sub-Saharan Africa (SSA) and Zimbabwe are a global economic downturn or a further deceleration of growth in China or other major emerging markets that could weaken exports through lower commodity prices or reduced inflows of aid and FDI. A sharp or protracted decline in oil and commodity prices would affect commodity exporters that do not yet have sufficient fiscal buffers and could affect planned or on-going resource development projects.

The economy is currently failing to find its footing and the main obstacle has been lack of policy clarity. The election story has been overplayed but its impact on economic performance cannot be downplayed. Many economic agents suspended capital expenditure and stood by the side-lines at a time when the economy was in need of capital expenditure and increased gross fixed capital formation rates. The government's minimal capital expenditure exacerbated the situation and the result has been a series of downward GDP growth revisions and minimal FDI which has caused a vicious cycle of economic contractions which urgently needs to be addressed. The stock market on the other hand is experiencing an unexplainable rally which we are of the view that sooner or later will come to an end after the reality of an underperforming economy will have dawned. There has been a growing disconnect between the equity market and the economy which is not sustainable and we hold that the market will have to reflect the poor economic performance at some point and that maybe the time when the rally will be snapped.

Whither to Zim cotton production

In the week under review the cotton ginners association (CGA) was reported to have committed to contracting farmers to produce a total of 250,000kg of cotton in the coming season. This development comes at a time when leading global commodity dealer, Olam International, is considering disposing of its Zim cotton business. The local cotton industry is a source of income for at least 250,000 homes in the country and the recent developments has left the local cotton industry in bad shape. Price disputes coupled with the poor rain season resulted in decreased output in the just ended season and many cotton farmers are considering not growing the crop in the coming season. In places where tobacco has proved viable cotton production has been greatly curtailed as farmers are switching to the more profitable tobacco.

The global lint prices have fallen sharply this year resulting in many cotton producers experiencing losses and the bad weather experienced in Zimbabwe has left many of the ginners in precarious positions after having funded the farmers that failed to produce enough cotton to meet their requirements. Side marketing re-emerged due to the reduced cotton output and low prices that obtained. Many ginners ended up having to compete on prices to access the crop a development that left the future of the industry jeopardized. Our view is that global lint prices will remain depressed going forward and the release of stocks by China will further exert downward pressure on prices leaving cotton production compromised. The Zim situation may be helped by the fact that cotton has traditionally been produced in places where there a limited alternative crops due to the weather conditions. Cotton production is in for some challenging times and the only solution in sight at the moment is to improve output and grow revenues through increased volumes for the obtaining prices.

Table 1: Stock indices performance.

Index	11-Oct-13	Weekly	YTD
Industrial	212.68	2.08%	39.55%
Mining	48.99	-3.05%	-24.77%

Source: ZSE, MMC Capital Research

Table 2: Zfn-Sectoral Indices

Sector indices	11-Oct-13	Weekly (%)	Ytd(%)	YoY(%)
All - Share index	142.57	+2.35	+59.47	+38.63
ZSE Top - 10	150.68	+3.44	+79.10	+50.07
Agro-industrial	77.95	+2.35	-2.12	-15.22
Banking	80.78	-0.71	+10.96	+30.28
Conglomerates	76.89	+3.43	+69.34	+29.54
Dual-listed	194.34	+1.31	+40.61	+39.92
Insurance	122.49	-13.01	+18.52	+36.37
Manufacturing	265.22	+2.18	+118.60	+75.13
Mining	19.94	-1.53	-34.58	-43.08
Property	124.17	+4.34	+25.89	+25.49
Retail	351.13	-2.64	+121.60	+71.12
Tourism	27.03	+1.81	+7.63	-5.20

Source: Zfn, MMC Capital Research

Table 3: Gainers

Counter	11-Oct	Weekly Gain	Market Cap(\$m)	Value traded(\$)
ASTRA	5.50	38%	7.69	1,165
MASIMBA	5.00	22%	10.71	2,026
ZPI	1	14%	19.57	33,062
AICO AFRICA	3.50	13%	18.69	1,370
STAR AFRICA	1.32	10%	6.84	2,424

Source: ZSE, MMC Capital Research

Table 4: Losers

Counter	11-Oct	Weekly Change	Market Cap (\$m)	Value traded(\$)
ZECO	0.02	-67%	0.09	74
ARISTON	0.70	-30%	9.65	53
ZBFH	11.00	-39%	19.27	26,752
BORDER	15.00	-25%	6.44	127
WILLDALE	0.20	-30%	3.56	1,855

Source: ZSE, MMC Capital Research

Stock Market Review

International capital markets traded predominantly northwards in the week, snapping last week's losses, as concern over a potential default by the U.S government faded and the nomination of Janet Yellen as the next Federal Reserve chairman signaled a continuation of the stimulus. The Dow gained 1.1 percentage points to 15,237.11 and FTSE 100 also posted positive gains, firming by 0.5% to close at 6,487.28 points respectively. On the local front, the mainstream index advanced by 2.08 percentage points to close at 212.68 points, carrying the year to date gains to 39.55%. The resources index, however, ended the week in the negative, easing 3.05% to close at 48.99 points. Emulating the gains in the mainstream index, the total market capitalization was up 2% to end the week at US\$5.48 billion.

As reflected by turnover, trading activity slumped by 71.4% to US\$5.85 million in the week under review. A block trade in Mash to the tune of US\$0.196 million was executed in the week. Weekly volumes also tumbled to 56.88 million shares from the 323.17 million shares traded last week. Foreign investors were net buyers of Econet and Innscor during the week under review. The foreign purchases to total turnover ratio trimmed to 22% from the prior week's figure of 30%. Foreign sales to total turnover ratio also took a 16% dip from last week's 31% to 15% this week. The overall foreign investor participation in the week was 37%, relative to last week's 61% of the total trades on the local bourse. The top ten counters on the bourse (excluding Old Mutual) constituted 76% of the total market cap in the week under review.

Sectoral performance as measured by the 12-Zfn indices reflects a firming market as eight of the indices traded in the black during the week. The property sector was the week's top performer firming by 4.34% to 124.17 points on the back of gains in ZPI (14.00%) to 1.14 cents (Table 2). The insurance sector was the week's worst performer, shedding 13.01% to close at 122.49 points on driven by losses in the price of First mutual, (17.86%) to 11.50 cents. The Top-10 continued its winning streak, gathering 3.44 percentage points as eight counters traded in the black. Manufacturing and retail stocks continue to lead the pack on a year-on-year basis and year-to-date basis respectively.

Paint and protective coatings manufacturer, Astra, led the movers pack, pocketing 38% to close at 5.5 cents. Construction and industrial group, Masimba landed in the second position adding 22% cents to close at 5.00 cents. Property management and development firm, ZPI and agro concern, Aico were among the top risers for the week collating 14% and 12.90% respectively (Table 3). Engineering concern, ZECO and agro-concern, Ariston were the worst performers for the week, trading 67% and 30% lower to close at 0.02 cents and 0.70 cents respectively. Forestry and sawmilling company, Border and brick makers, Willdale capped the losers pack after dropping 25% and 20% respectively (Table 4).

Outlook

Volatility is likely to persist in capital markets across the globe as lack of political resolve in Washington will continue to dominate the headlines. A deal maybe struck but it will not come without a price for many investors who will have to bear with increased volatility and loss of value. The global economy is faced with increased headwinds due to the challenges in the U.S and China which will see emerging market economic growth coming under pressure. Locally, the Zim market may maintain its rally in the coming week as investors' appetite to sell local assets continues to wane and there is limited supply of shares. Buyers are likely to increase their bids to convince those holding the shares to sell as demand remains relatively strong. We maintain our overweight rating on agro-stocks in particular Hippo and Seedco, 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 Barclays in the banking space and we like Pearl because it has arguably the best property portfolio and also development focused ZPI in the property sector. The ZSE is now trading at a PER of 11.94x whilst the MSCI Emerging market index is at 11.2x signaling an overvaluation of the local bourse but worth noting is the fact that the MSCI EMI is trading well below (28%) its long term average of 15.5x.

Listed Company Statistics as at 11 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	-	3.50	18.69	(2.78)	-	2.00	0.24	1.99	-36.00%	-2.67%
ARISTON	Agro processing	-30%	0.70	9.65	17.50	-	1.15	0.71	(28.48)	5.71%	12.81%
BAT	Agro processing	-5%	1,300.00	268.24	39.39	16.67	0.20	27.35	19.65	2.54%	58.75%
BORDER	Agro processing	-25%	15.00	6.44	2.21	-	1.51	0.06	2.06	45.27%	2.76%
CHEMCO	Agro processing	-	-	-	0.00	0.00	1.13	0.00	(3.10)	-	-63.81%
COLCOM	Agro processing	-7%	28.00	44.53	14.07	12.02	1.56	1.75	8.44	7.11%	13.08%
HIPPO	Agro processing	5%	105.00	202.67	14.79	11.67	1.50	0.99	6.82	6.76%	6.70%
INTERFRESH	Agro processing	0%	1.80	0.88	(3.91)	(60.00)	0.00	0.08	(3.77)	-	1.31%
PADENGA	Agro processing	-6%	7.50	40.62	8.72	9.49	0.46	1.15	(95.29)	11.47%	14.49%
SEEDCO	Agro processing	7%	90.10	173.90	14.79	16.38	1.55	2.30	13.44	6.76%	15.38%
ABCH	Banking	0%	60.00	43.04	5.17	4.87	(0.13)	0.28	1.39	19.33%	16.59%
BARCLAYS	Banking	0%	3.60	77.51	30.00	25.71	1.53	1.88	(9.66)	-	6.07%
CBZH	Banking	3%	15.00	102.62	1.90	1.71	1.78	0.61	(0.67)	52.53%	25.43%
FBCH	Banking	0%	12.05	55.52	4.51	3.46	0.28	0.72	(2.31)	22.16%	18.54%
NMB	Banking	7%	8.00	22.46	25.81	2.40	2.52	0.57	(3.20)	3.88%	19.47%
ZBFH	Banking	-29%	11.00	19.27	2.75	2.70	0.41	0.40	(3.40)	36.36%	16.26%
CFI	Conglomerate	-3%	3.50	3.69	(1.10)	-	1.35	0.08	(11.12)	-90.57%	-9.13%
INNSCOR	Conglomerate	5%	89.00	482.02	13.99	10.99	1.67	3.33	8.42	7.15%	26.88%
MEIKLES	Conglomerate	-4%	27.00	66.25	22.31	17.65	1.58	0.49	12.97	4.48%	3.95%
RADAR	Conglomerate	0%	8.00	4.09	(3.67)	-	0.15	0.11	7.92	-27.25%	-128.73%
STAR AFRICA	Conglomerate	10%	1.32	6.84	(0.61)	-	0.02	1.48	(1.27)	-162.88%	-231.46%
TA HOLDINGS	Conglomerate	0%	7.00	11.54	8.75	8.14	1.61	0.21	1.93	11.43%	5.90%
TSL	Conglomerate	3%	33.00	114.71	19.41	17.65	1.43	2.15	16.65	5.15%	5.80%
ECONET	ICT	7%	64.00	581.96	7.11	6.74	1.08	1.34	2.33	14.06%	32.19%
ZIMPAPERS	ICT	0%	0.80	4.61	13.33	-	1.76	0.58	3.72	7.50%	21.51%
AFRE	Insurance	-18%	11.50	24.97	2.60	2.54	1.33	2.69	2.31	38.52%	144.91%
FIDELITY	Insurance	-4%	11.00	11.98	3.14	2.83	1.00	1.55	2.54	31.82%	52.75%
NICOZDMD	Insurance	-9%	2.00	11.19	4.08	4.44	0.47	0.76	3.06	24.50%	19.14%
ZHL	Insurance	0%	1.00	7.75	9.09	-	0.53	0.16	9.58	11.00%	1.79%
AFDIS	Manufacturing - Beverages	7%	32.00	30.40	35.56	25.20	2.42	5.53	17.25	2.81%	14.70%
DELTA	Manufacturing - Beverages	4%	140.00	1,689.66	16.49	14.20	1.08	5.59	10.52	6.06%	34.45%
LAFARGE	Manufacturing - Construction	-4%	115.00	92.00	19.17	11.64	0.32	2.60	9.22	5.22%	12.78%
M&R	Manufacturing - Construction	22%	5.00	10.74	20.00	10.00	0.60	0.55	4.74	5.00%	2.57%
PGI	Manufacturing - Construction	0%	0.10	0.48	(0.06)	-	0.45	0.09	2.46	-1660.00%	-155.12%
TURNALL	Manufacturing - Construction	0%	4.00	13.07	400.00	18.18	0.48	0.67	5.32	0.25%	0.25%
WILLDALE	Manufacturing - Construction	-20%	0.20	3.56	(3.33)	(3.33)	0.72	0.34	(22.19)	-30.00%	-5.82%
DZHL	Manufacturing - Food	-1%	19.88	71.17	132.53	9.94	0.64	1.54	15.70	0.75%	1.27%
NATFOODS	Manufacturing - Food	4%	250.00	171.00	12.97	13.18	1.67	3.09	9.20	7.71%	25.15%
ART	Manufacturing - Nonfood	0%	0.60	2.80	5.45	6.67	0.76	0.26	4.77	18.33%	4.43%
ASTRA	Manufacturing - Nonfood	38%	5.50	7.69	6.25	6.47	0.27	0.59	3.47	16.00%	9.55%
GBH	Manufacturing - Nonfood	0%	0.08	0.42	(0.20)	-	1.51	0.08	0.28	-496.74%	-39.57%
HUNYANI	Manufacturing - NonFood	-14%	3.00	9.59	11.54	11.54	0.58	0.45	3.33	8.67%	3.91%
NTS	Manufacturing - Nonfood	7%	3.20	8.12	10.81	8.00	0.31	1.63	11.54	9.25%	15.19%
PIONEER	Manufacturing - Nonfood	0%	4.00	21.99	(2.42)	(2.35)	0.06	4.64	704.66	-41.25%	-11.85%
POWERSPEED	Manufacturing - Nonfood	0%	1.80	6.82	12.86	12.00	0.08	0.90	5.92	7.78%	7.04%
ZECO	Manufacturing - Nonfood	-67%	0.02	0.09	(0.04)	-	0.54	0.00	(0.26)	-2650.00%	-7.30%
ZIMPLOW	Manufacturing - Nonfood	0%	4.00	20.10	(20.00)	40.00	1.39	0.84	13.80	-5.00%	-4.18%
MEDTECH	Manufacturing - Pharmaceutical	0%	0.05	1.40	42.16	-	(0.08)	0.92	12.03	2.37%	2.18%
CAFCA	Manufacturing - Cables	0%	35.00	11.41	8.54	8.75	0.55	1.61	5.65	11.71%	18.44%
BINDURA	Mining	-10%	1.80	2.27	(0.90)	-	0.78	(0.38)	(1.25)	-111.11%	216.66%
FALGOLD	Mining	0%	10.00	11.12	(909.09)	-	0.52	(3.35)	(12.20)	-0.11%	78.57%
HWANGE	Mining	0%	10.51	19.31	6.18	5.74	2.45	0.18	2.49	16.18%	2.99%
RIOZIM	Mining	8%	32.50	9.75	(13.77)	36.93	1.74	0.44	8.58	-7.26%	-13.41%
DAWN	Property	0%	1.10	27.03	110.00	-	0.73	0.32	13.91	0.91%	0.30%
MASH	Property	7%	3.20	59.49	3.17	4.57	0.03	0.61	10.44	31.56%	17.87%
PEARL	Property	0%	3.30	40.86	4.53	4.40	0.80	0.37	8.13	22.09%	8.18%
ZPI	Property	14%	1.14	19.57	3.00	2.71	0.15	0.40	9.59	33.33%	13.04%
EDGARS	Retail	2%	12.00	33.93	7.84	6.74	0.45	3.47	5.88	12.75%	38.83%
OK ZIM	Retail	-4%	27.00	279.90	22.69	19.29	0.71	5.39	1206.46%	4.41%	23.83%
PELHAMS	Retail	-7%	0.13	1.29	1.30	6.50	(0.10)	0.31	195.76%	76.9%	23.5%
TRUWORTHS	Retail	9%	3.50	13.07	10.94	14.00	2.69	2.66	1057.75%	9.1%	24.1%
AFRICAN SUN	Tourism	5%	2.20	18.13	7.10	-	1.00	0.75	505.64%	14.1%	10.6%
RTG	Tourism	0%	1.5	24.68	(21.43)	-	0.57	1.82	2143.64%	-4.7%	-7.6%

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 14 October 2013

2 All market data included in this report are dated as at close of 14 October 2013, unless otherwise indicated in the report.

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