

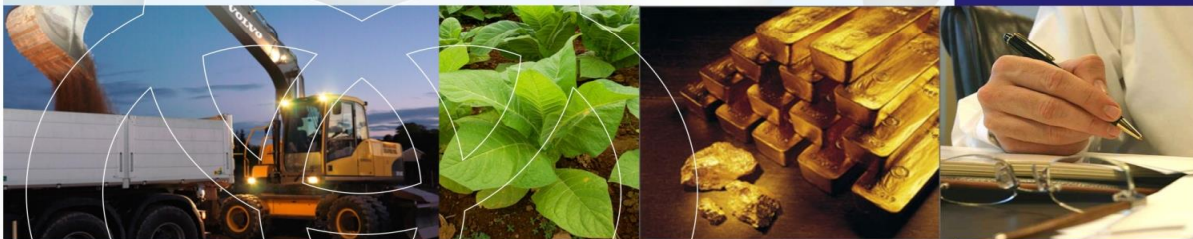
Investment Research

22 Arundel Road
Alexandra Park Harare
Tel: +263 4 783 069-71
research@mmccapital.co.zw
www.mmccapitalzim.com



mmc CAPITAL

(Members Of The Zimbabwe Stock Exchange)



The Market Making Corporation

Market Statistics		
	15-Nov	Weekly Change
Mkt Cap \$'m	5,563.00	1.6%
Mkt turnover \$'m	7.24	-24.3%
Indices		
ZSE Industrial	216.23	1.8%
ZSE Mining	46.03	-10.2%
NSE 20	5,043.53	0.5%
Nigeria All Share	37,883.53	0.03%
JSE All Share	45,174.18	-0.7%
NIKKEI-225	15,165.92	7.7%
FTSE	6,693.44	-0.2%
DJIA	15,961.70	1.3%

In this week's review:

- Inflation continues to recede as aggregate demand tumbles;
- Cheap imports haunt Zimbabwe sugar industry;
- U.S, Japan stocks advance on monetary stimulus;
- Delta, BAT steers the market northwards.

Analysts:

Tawanda Mazorodze

Tel +263 -4-783 069-71

Cell: +263-0-773 485 143

tawanda@mmccapital.co.zw

Kudzanaï Samudzi

Tel +263 -4-783 069-71

Cell: +263-0-774 716014

kudzanaï@mmccapital.co.zw

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	5.7%	148.0	2,435.1	1,825.8	33%	16.8	5.2	31%
Econet	-3.2%	61.00	2,038.1	554.7	10%	6.85	1.05	25.2%
Innsco	4.2%	87.00	1,123.4	469.9	8%	12.10	3.25	33.5%
OK Zim	0.0%	25.00	54.0	288.5	5%	21.01	4.99	23.8%
BAT	4.2%	1,250.00	129.7	257.9	5%	37.88	26.29	58.8%
Hippo	2.7%	115.00	17.8	222.0	4%	16.20	1.09	6.7%
Seedco	-9.0%	90.10	43.0	175.6	3%	14.79	2.30	15.4%
Natfoods	-10.4%	215.00	40.6	150.5	3%	10.55	2.65	25.2%
TSL	0.0%	33.00	2.4	114.7	2%	18.23	2.15	11.1%
CBZ	3.3%	15.50	892.5	106.0	2%	1.97	0.63	25.4%
ZSE Total			7,242	5,563				

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

Inflation continues to recede as aggregate demand tumbles

... Zimbabwe's year-on-year inflation rate shed 0.28 percentage points from September 2013 to settle at 0.59% in October 2013...

... Reduction in the amount of disposable incomes in the local economy is constraining retailers from increasing prices ...

... We still maintain our view that the economy is in need of inflation and the slowdown in inflation rate is a testament that the economic growth is slowing down...

In the week under review Zimstats released its latest Consumer Price Index numbers showing that Zimbabwe's year-on-year inflation rate shed 0.28 percentage points from September 2013 to settle at 0.59% in October 2013. Month-on-month inflation dropped to negative 0.01% from 0.05% in September. The consumer price index (CPI) growth has continued to slow down since March, save for August when the inflation figure quickened to 1.28% from 1.25% in July. Waning consumer demand coupled with a weakening South African Rand have been largely responsible for exerting downward pressure on price levels. Zimbabwe imports over 63% of foodstuffs from neighboring South Africa and the recent weakening of the Rand also added to the downward pressure on price levels. The reduction in disposable incomes in the local economy has been constraining retailers from increasing prices, with unemployment levels growing at a rate that is faster than the real GDP growth rate. The result has been subdued growth in aggregate demand in the economy.

There is, therefore, a need for the new government to come up with expansionary policies that stimulate aggregate demand. Consumers are in need of disposable incomes and there is a need to put money in the hands of the consumer and ramp up consumption. We still maintain our view that the economy is in need of inflation and the slowdown in inflation rate is testament that economic growth is slowing down and this is negatively impacting the consumer. Continued decline in the CPI growth rate may ultimately result in deflation - a general decline in price level of goods and services in the economy - which may have even more negative repercussions for the country's economic growth and employment creation.

Cheap imports haunt Zimbabwe sugar industry

... the sugar industry is reported to have raised profitability concerns following a surge in sugar imports into the domestic market ...

... Tongaat Hulett's operations in Zimbabwe consists of c.44,519 hectares (Triangle and Hippo Valley estates) with a potential to produce in excess of 3 million tons of sugarcane annually ...

... Our view is that the regulation though necessary should allow market forces to play out in economic activities ...

... Economic theory, under the principle of comparative advantage, shows that the gains from free trade outweigh any losses as free trade creates more jobs than it destroys because it allows countries to specialize in the production of goods and services in which they have a comparative advantage

In the week under review, the sugar industry is reported to have raised profitability concerns following a surge in sugar imports flooding the domestic market. Hippo Valley Estates Limited (50.3% owned by JSE-listed Tongaat Hulett) released its interims in the week, citing that the 43% decline in the top line to US\$52m was a result of cheap imports as well as lower international sugar prices. Management is of the view that action by the Government in putting restrictive measures on the commodity will be life saving for the sugar industry.

Tongaatt Hulett's operations in Zimbabwe consists of c.44,519 hectares (Triangle and Hippo Valley estates) with a potential to produce in excess of 3 million tons of sugarcane annually. Hippo's sugar production for the period to 30 September 2013 amounted to 178,946 tons compared to 160,910 tons last year. The surge in sugar production resulted in a 49% increase in inventories as the negative effects of the cheap imports got the better of the local sugar producers.

According to the Infant Industry argument, industries must be protected in order to allow them to grow to a point where they can fairly compete with larger mature industries established in foreign countries. The argument behind this notion is that, if not protected, infant industries will die before they reach a size and age where economies of scale, industrial infrastructure, and skills in manufacturing have progressed sufficiently to allow the industry to compete in the global market.

Our view is that regulation, though necessary, should not unnecessarily interfere in the inter-play of market forces in economic activities. The country needs to craft policies that facilitate the creation of comparative advantages by local manufacturers instead of protecting inefficient processes. The ideal thing is to refine the processes and make them competitive. Economic theory, under the principle of comparative advantage, shows that the gains from free trade outweigh any losses as free trade creates more jobs than it destroys because it allows countries to specialize in the production of goods and services in which they have a comparative advantage.

Table 1: Stock indices performance.

Index	15-Nov-13	Weekly	YTD
Industrial	216.23	1.78%	41.88%
Mining	46.03	-10.17%	-29.32%

Source: ZSE, MMC Capital Research

Table 2: Zfn-Sectoral Indices

Sector indices	15-Nov-13	Weekly (%)	Ytd(%)	YoY(%)
All - Share index	143.92	+1.21	+60.97	+38.87
ZSE Top - 10	151.03	+1.78	+79.52	+45.34
Agro-industrial	83.01	-2.52	+4.24	-4.37
Banking	84.5	+2.82	+16.07	+25.67
Conglomerates	76.17	+3.06	+67.74	+36.09
Dual-listed	209.54	+4.64	+51.61	+48.35
Insurance	124.12	-4.74	+20.09	+52.85
Manufacturing	272.14	+3.65	+124.30	+66.94
Mining	18.24	-9.79	-40.15	-43.32
Property	128.33	-1.21	+30.10	+34.22
Retail	329.58		+108.00	+77.04
Tourism	27.76	+4.09	+10.53	+26.22

Source: Zfn, MMC Capital Research

Table 3: Gainers

Counter	15-Nov	Weekly	Market Cap(\$'m)	Value traded(\$)
INTERFRESH	1.50	50%	0.73	115
FALGO	6.00	50%	6.67	233
MEDTECH	0.07	40%	1.96	342
BORD	20.00	33%	8.59	586
AICO AFRICA	5.00	19%	26.71	10,329

Source: ZSE, MMC Capital Research

Table 4: Losers

Counter	15-Nov	Weekly	Market Cap(\$'m)	Value traded(\$)
NICOZ	1.50	-40%	8.50	320
HWANGE	10.00	-29%	16.62	5,874
ARIS	0.89	-26%	12.27	1,081
TURNALL	4.50	-18%	22.19	311
ZIMPL	3.54	-12%	22.04	4,262

Source: ZSE, MMC Capital Research

Stock Market Review

Global capital markets activity was a mixed bag in the week under review. The Dow added 130 bps to close at 15,961.70 points as investors assessed data on factory output amid growing speculation that the Federal Reserve will maintain the pace of its monthly stimulus. In Japan, the Nikkei 225 index rose by 7.7 percentage points to close at 15,165.92 points, breaching the 15,000 mark for the first time since May 2013, after the yen weakened past 100 to the dollar on the outlook for U.S. stimulus. Locally, the industrial index hurdled 1.78% to close at 216.23 points, chiefly on the back of gains in Delta (5.71%) to 148 cents and BAT (4.17%) to 1,250 cents. The beverages giant posted a fair set of numbers for the half year period ended 30 September 2013 during the week under review, which saw its top line growing 5% to \$315.5m. BAT advanced amidst rumors that the group was scaling down its operations in the country, a move which will see the company outsourcing various local brands from its global network at presumably lower costs. The mining index, however, traded southwards in the week, easing 10.17% to close at 46.03 points. Reflecting the gains in the mainstream index, total market capitalization rose by 1.6% to end the week at US\$5.563 billion.

Trading turnover in the week under review slumped 24.3% to US\$7.24m. Weekly volumes also declined to 23.51m shares from the 48.48m shares traded last week. Foreign investors were net buyers of Delta, Econet, Innscor and CBZ in the week as the foreign purchases to total turnover ratio marginally rose to 36% from the prior week's 35%. Foreign sales to total turnover ratio declined from 29% in the prior week to 20% this week. The overall foreign investor participation in the week was 56%, relative to last week's 64%, 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) marginally rose to 75% in the week from 74% last week.

Sectoral performance as measured by the 12-Zfn indices reflects a firming market, with seven of the indices trading positively during the week. The dual-listed sector was the week's top performer after collating 4.64% to 209.54 points. This was a result of gains in the price of Old Mutual (5.77%) to 275 cents. The mining sector was the worst performer for the week, shedding 9.79% steered by the losses in the duo of Hwange (28.57%) to 10 cents and Bindura (7.69%) to 1.8 cents. The Top-10 maintained its winning streak, gathering 1.78 percentage points as seven 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 (Table 2).

Agro concern, Interfresh and the gold miner, Falgold led the movers pack, collecting 50% apiece to close at 1.50 cents and 6 cents respectively, though on thin volumes. Pharmaceutical concern, Medtech and Forestry and sawmilling company, Border were among the top risers for the week garnering 40% and 33% respectively (Table 3). The short term insurer, Nicoz Diamond and the coal miner, Hwange were the worst performers for the week, trading 40% and 29% lower to close at 1.50 cents and 10 cents respectively. Agro concern, Zimplot, capped the losers pack, softening 12% to close at 3.54 cents (Table 4).

Outlook

Global capital markets will likely trade in the positive direction this week on positive news from China and the United States. China's ruling party announced changes to its economic policy and vowed to allow more private investment in the state sector, loosen its one-child policy and better protect farmers' rights to land. The nomination of Janet Yellen to succeed Ben S. Bernanke as chairman of the Federal Reserve hinted that continuation of the central bank's economic stimulus measures. On the local front, the ZSE is likely to trade mixed this week as the market continues to wait for direction from the 2014 National budget. We maintain our overweight rating on agro-stocks in particular 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 and Natfoods. We are bullish on FBCH and Barclays in the banking space and we like Pearl because it has arguably the best property portfolio in the property sector. Trading at a TTM PER of 10.82x the local bourse is just 2% the MSCI EMI's 11x PER making it almost fully valued.

Listed Company Statistics as at 15 November 2013

Counter	Sector	Weekly Change	Latest Price	Mkt Cap US\$m	Rolling PE	Price/ Book	EV/ EBITDA	Earnings Yield	ROE	YTD	ROA
AICO	Agro processing	19%	5.00	26.71	(3.97)	2.00	0.34	573%	-25.20%	-3%	-44.44%
ARISTON	Agro processing	-26%	0.89	12.27	22.25	1.15	0.90	-3240%	4.49%	13%	-31.54%
BAT	Agro processing	4%	1,250.00	257.92	37.88	0.20	26.29	1963%	2.64%	59%	247.22%
BORDER	Agro processing	33%	20.00	8.59	2.95	1.51	0.08	229%	33.95%	3%	33.33%
COLCOM	Agro processing	0%	27.00	42.94	31.03	1.56	1.68	840%	3.22%	6%	8.00%
HIPPO	Agro processing	3%	115.00	221.97	16.20	1.50	1.09	736%	6.17%	7%	3.60%
INTERFRESH	Agro processing	50%	1.50	0.73	(3.26)	0.00	0.07	-367%		1%	650.00%
PADENGA	Agro processing	-11%	8.00	43.33	9.52	0.46	1.48	591%	10.50%	17%	77.78%
SEEDCO	Agro processing	-9%	90.10	173.90	14.79	1.55	2.30	1344%	6.76%	15%	17.01%
ABCH	Banking	6%	58.00	41.60	5.00	(0.13)	0.33	-24%	20.00%	21%	5.45%
BARCLAYS	Banking	0%	4.50	96.89	37.50	1.53	2.54	-610%		7%	73.08%
CBZH	Banking	3%	15.50	106.04	1.97	1.78	0.63	-62%	50.84%	25%	55.00%
FBCH	Banking	1%	12.60	58.06	4.72	0.28	0.75	11%	21.19%	19%	68.00%
NMB	Banking	7%	7.50	21.05	2.74	2.52	0.53	-332%	36.53%	19%	1053.85%
ZBFH	Banking	0%	11.00	19.27	2.75	0.41	0.37	-289%	36.36%	18%	37.50%
CFI	Conglomerate	0%	3.60	3.80	(0.98)	1.35	0.09	-2060%	-102.50%	-11%	-26.53%
INNSCOR	Conglomerate	4%	87.00	471.19	12.10	1.67	3.25	798%	8.26%	34%	24.29%
MEIKLES	Conglomerate	2%	27.00	66.25	22.31	1.58	0.49	1297%	4.48%	4%	80.00%
RADAR	Conglomerate	0%	8.00	4.09	(1.79)	0.15	0.11	600%	-56.00%	-6%	-33.33%
STAR AFRICA	Conglomerate	0%	1.50	7.78	(0.47)	0.02	(8.76)	-557%	-213.33%	1815%	0.00%
TA HOLDINGS	Conglomerate	0%	9.00	14.84	6.04	1.61	0.26	194%	16.56%	9%	-10.00%
TSL	Conglomerate	0%	33.00	114.71	18.23	1.43	2.15	1430%	5.48%	11%	186.96%
ECONET	ICT	-3%	61.00	554.68	6.85	1.08	1.05	213%	14.59%	25%	35.56%
ZIMPAPERS	ICT	0%	0.80	4.61	2.76	1.76	0.58	291%	36.25%	22%	0.00%
AFRE	Insurance	4%	12.00	26.05	3.57	1.33	1.49	226%	28.00%	68%	130.77%
FIDELITY	Insurance	0%	10.99	11.97	3.69	1.00	1.25	302%	27.12%	37%	-8.42%
NICOZDMD	Insurance	-40%	1.50	8.39	3.06	0.47	0.57	178%	32.67%	19%	7.14%
ZHL	Insurance	0%	1.25	9.69	5.21	0.53	0.20	-5322%	19.20%	11%	4.17%
AFDIS	Manufacturing - Beverages	0%	32.00	30.40	37.65	2.42	5.53	1725%	2.66%	15%	113.33%
DELTA	Manufacturing - Beverages	2%	148.00	1,822.43	16.78	1.08	5.18	1080%	5.96%	31%	48.00%
LAFARGE	Manufacturing - Construction	0%	115.00	92.00	19.90	0.32	2.60	848%	5.03%	13%	64.29%
M&R	Manufacturing - Construction	0%	6.50	13.96	28.26	0.60	0.71	513%	3.54%	3%	116.67%
PGI	Manufacturing - Construction	0%	0.10	0.48	(0.06)	0.45	1.22	-474%	-1580.00%	-1922%	-80.00%
TURNALL	Manufacturing - Construction	-18%	4.50	14.01	450.00	0.48	0.75	567%	0.22%	0%	-18.18%
WILLDALE	Manufacturing - Construction	0%	0.19	3.38	(3.17)	0.72	0.47	-1037%	-31.58%	-14%	280.00%
DZHL	Manufacturing - Food	6%	19.01	68.06	126.73	0.64	1.47	1508%	0.79%	1%	-9.48%
NATFOODS	Manufacturing - Food	-10%	215.00	147.06	10.55	1.67	2.65	803%	9.48%	25%	62.88%
ART	Manufacturing - Nonfood	0%	0.60	2.80	5.45	0.76	0.26	477%	18.33%	4%	13.21%
ASTRA	Manufacturing - Nonfood	0%	5.00	6.99	5.68	0.27	0.54	316%	17.60%	10%	0.00%
GBH	Manufacturing - Nonfood	0%	0.08	0.42	(19.12)	1.51	0.09	59%	-5.23%	-48%	700.00%
HUNYANI	Manufacturing - NonFood	0%	4.00	12.79	12.90	0.58	0.60	575%	7.75%	4%	8.11%
NTS	Manufacturing - Nonfood	0%	3.00	7.62	8.82	0.31	1.40	624%	11.33%	16%	0.00%
PIONEER	Manufacturing - Nonfood	0%	4.00	21.99	(2.42)	0.06	4.64	70466%	-41.25%	-12%	300.00%
POWERSPEED	Manufacturing - Nonfood	6%	1.90	7.20	13.57	0.08	0.93	504%	7.37%	7%	35.71%
ZECO	Manufacturing - Nonfood	0%	0.02	0.09	(0.03)	0.54	0.00	-4%	-3300.00%	-9%	100.00%
ZIMFLOW	Manufacturing - Nonfood	-12%	3.54	17.79	11.06	1.39	0.67	827%	9.04%	2%	-45.54%
MEDTECH	Manufacturing - Pharmaceutical	40%	0.07	1.96	2.12	(0.08)	1.46	774%	47.14%	35%	133.33%
CAFCA	Manufacturing - Cables	0%	35.00	11.41	8.54	0.55	1.61	565%	11.71%	18%	-12.50%
BINDURA	Mining	-8%	1.80	2.27	(0.90)	0.78	(0.38)	-59%	-111.11%	217%	20.00%
FALGOLD	Mining	50%	6.00	6.67	(5.45)	0.52	(2.01)	-4541%	-18.33%	50%	-50.00%
HWANGE	Mining	-29%	10.00	18.37	(16.67)	2.45	0.18	305%	-6.00%	0%	-41.18%
RIOZIM	Mining	0%	31.50	9.45	(13.35)	1.74	0.42	728%	-7.49%	-13%	-39.42%
DAWN	Property	0%	1.45	35.63	24.17	0.73	0.43	1953%	4.14%	2%	107.14%
MASH	Property	0%	3.20	59.49	3.17	0.03	0.61	1044%	31.56%	18%	23.55%
PEARL	Property	-5%	2.85	35.29	3.76	0.80	0.32	614%	26.60%	8%	1.79%
ZPI	Property	0%	1.25	21.46	3.21	0.15	0.41	1007%	31.20%	12%	4.17%
EDGARS	Retail	0%	12.10	34.21	7.61	0.45	3.13	604%	13.14%	36%	51.25%
OK ZIM	Retail	0%	25.00	259.17	21.01	0.71	4.99	1111%	4.76%	24%	66.67%
PELHAMS	Retail	0%	0.10	1.00	(0.56)	(0.10)	0.28	-1436%	-180.00%	-49%	-50.00%
TRUWORTHS	Retail	0%	3.75	14.01	11.72	2.69	2.85	1104%	8.53%	24%	50.00%
AFRICAN SUN	Tourism	0%	2.80	23.07	9.03	1.00	1.02	531%	11.07%	11%	211.1%
RTG	Tourism	8%	1.30	21.39	(18.57)	0.57	1.45	1896%	-5.38%	-7%	-45.8%

Events Diary

COMPANY	EVENT	Time	Date	VENUE
OK Zim	Briefing	4:00 PM	19-Nov-13	Functions Room, OK Mart
Border	AGM	9:00 AM	20-Nov-13	4th Floor, Tanganyika House
Radar	AGM	2:00 PM	20-Nov-13	6th Floor Tanganyika House
Innsco	AGM	8:15 AM	22-Nov-13	Royal Harare

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

Stock ratings and basis for financial analysis

MMC CAPITAL RESEARCH believes that investors utilise various disciplines and investment horizons when making investment decisions, which depend largely on individual circumstances such as the investor's existing holdings, risk tolerance and other considerations. Given these differences, MMC CAPITAL RESEARCH has two principal aims in its equity research: 1) to identify long-term investment opportunities based on particular themes or ideas that may affect the future earnings or cash flows of companies on a 12 month time horizon; and 2) from time to time to identify short-term investment opportunities that are derived from fundamental, technical or event-driven techniques on a 0-3 month time horizon and which may differ from our long-term investment rating.

MMC CAPITAL RESEARCH has issued this document for distribution to its clients. It may not be reproduced or further distributed in whole or in part for any purpose. This document is not and should not be construed as an offer to sell or the solicitation of an offer to purchase or subscribe for any investment. MMC Capital Research has based this document on information obtained from sources it believes to be reliable but which it has not independently verified; MMC Capital makes no guarantee, representation or warranty and accepts no responsibility or liability as to the accuracy or completeness of its content.

Additional disclosures

1 This report is dated as at 19 November 2013

2 All market data included in this report are dated as at close of 19 November 2013, unless otherwise indicated in the report.

MMC Capital

22 Arundel Road
Alexandra Park
P. O. Box BW 1797

HARARE, ZIMBABWE

Tel: +263-4-783069-71, +263-4-744467

Tellular: +263-0 -772 020 279

www.mmccapital.co.zw

Managing Director

Edward Mapokotera
edward@mmccapital.co.zw
+263 772 128 203

Executive Director

Itai Walter Chirume, CFA, CIPM
itai@mmccapital.co.zw
+263 773 336 832

Sales & Trading

Edmond Mupfapairi (Head)
edmond@mmccapital.co.zw
+263 772 282 932

Tinashe Mapara, CFA
tinashe@mmccapital.co.zw
+263 773 413 288

Research

Tawanda Mazorodze (Head)
tawanda@mmccapital.co.zw
+263 773 485 143

Kudzanai Samudzi
kudzanai@mmccapital.co.zw
+263 774 716 014