

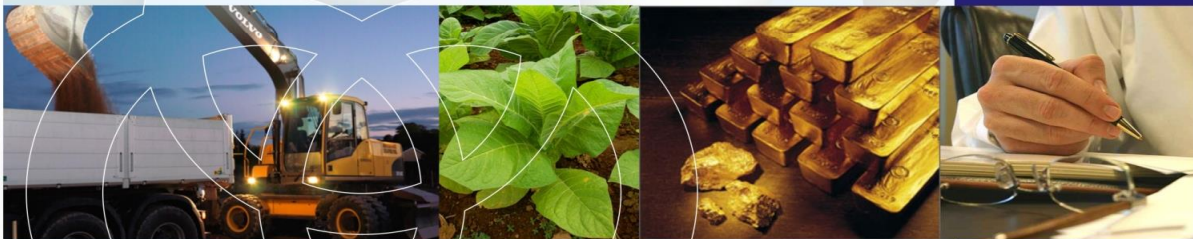
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mmc
CAPITAL

(Members Of The Zimbabwe Stock Exchange)



The Market Making Corporation

Market Statistics		
	22-Nov	Weekly Change
Mkt Cap \$'m	5,586.00	0.4%
Mkt turnover \$'m	7.97	10.1%
Indices		
ZSE Industrial	217.01	0.4%
ZSE Mining	49.20	6.9%
NSE 20	5,054.21	0.2%
Nigeria All Share	39,246.05	3.6%
JSE All Share	44,435.61	-1.6%
NIKKEI-225	15,381.72	1.4%
FTSE	6,674.30	-0.3%
DJIA	16,064.77	0.6%

In this week's review:

- Reversing de-industrialization - the CZI case;
- Rising economic headwinds, rising delistings – the ZSE story;
- U.S Markets extend gains;
- Iran nuclear agreement to propel markets;
- Renewed interest on the ZSE.

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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	2.0%	151.0	1,863.6	1,862.9	33%	17.1	5.3	31%
Econet	2.5%	62.50	788.7	568.3	10%	7.02	1.08	25.2%
Innsco	-2.3%	85.00	1,057.1	459.1	8%	11.82	3.18	33.5%
OK Zim	-4.0%	24.00	346.0	277.0	5%	20.87	4.60	20.5%
Bat	0.0%	1,250.00	207.2	257.9	5%	37.88	26.29	58.8%
Hippo	0.0%	115.00	77.2	222.0	4%	16.20	1.09	6.7%
Seedco	1.0%	91.00	36.3	177.4	3%	14.94	2.33	15.4%
Natfoods	2.3%	220.00	2.2	150.5	3%	10.79	2.72	25.2%
TSL	6.1%	35.00	35.9	121.7	2%	19.34	2.28	11.1%
CBZ	-1.3%	15.30	60.3	104.7	2%	1.94	0.62	25.4%
ZSE Total			7,974	5,586				

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

Reversing De-industrialization - the CZI case

The local manufacturing sector, and in this we are referring to all sectors of the economy that are involved in the conversion of some raw material into a value added product, remains under pressure with capacity utilization continuing to decline. In 2013, the average capacity utilization trimmed to 39.6% from 44.7% in 2012. In the week under review, the Confederations of Zimbabwe industries (CZI) cited the lack of access to long term affordable capital; low investor confidence; highly inflexible labor market; high labor costs which are not in line with productivity; low domestic demand; ageing equipment and machine breakdown; lack of a national focus on productivity and competitiveness as leading causes to the manufacturing sector's plight which has warranted the deterioration in capacity utilization. The CZI feels that the situation needs urgent attention and have submitted a proposal report to the Parliamentary Portfolio Committee on Industry and Commerce. Key imperatives to reverse de-industrialization were discussed, among which includes the need to identify parastatals for privatization - the process of transferring ownership of a business, enterprise, agency, public service or public property from the public sector (a government) to the private sector.

... capacity utilization continuing to decline. In 2013, the average capacity utilization trimmed to 39.6% from 44.7% in 2012...

... De-industrialization is a process of social and economic change caused by the removal or reduction of industrial capacity...

... CZI is proposing the identification of key parastatals, such as in transport and utilities, for privatization and government needs to set specific timelines for privatization.....

... Our view is that the manufacturing sector will underperform the economy for some time and the obtaining environment will not pose headwinds for a recovery in the short to medium term....

... Trust Holdings Limited was delisted from the local bourse, bringing the total number of delisted counters to fifteen since dollarization.....

... Only 2 listings were done since dollarization namely Padenga and TN Bank

... Our view is that the rise in the number of delistings is on the back of increasing economic headwinds

... We believe that the economy should undergo such a self-cleansing process if the long run benefits of liberalization are to be achieved and some inefficient businesses must be closed

De-industrialization is a process of social and economic change caused by the removal or reduction of industrial capacity or activity in a country or region, especially heavy industry or manufacturing industry. It is the opposite of industrialization. In a bid to resolve the infrastructure dilemma, CZI is proposing the identification of quick win projects in the power sector including independent power importers and alternative energy sources. Rail upgrade should be given priority on the back of its ability to lower the cost of transport and the creation of job opportunities. Recognizing the importance of parastatals in steaming economic growth, CZI is proposing the identification of key parastatals, such as in transport and utilities, for privatization and government needs to set specific timelines for privatization. Tariffs and other protective measures that level the playing field for local producers should be adopted by the government on a sector by sector basis.

We concur with CZI's opinion that there is an urgent need to address the challenges besieging the local manufacturing sector. The closures that continue to be witnessed in the sector in our view are evidence that it will take a complete overhaul . retooling and reskilling - of the sector if it is to find its footing again. Based on the general notion that private companies are more efficient than public companies, privatization will transform the loss making parastatals into viable units. Domestic demand is very subdued and the prospects of incomes growth are darkening. Our view is that the manufacturing sector will underperform the economy for some time and the obtaining environment will not pose headwinds for a recovery in the short to medium term.

Rising economic headwinds, rising delistings – the ZSE story

In the week under review, Trust Holdings Limited was delisted from the local bourse, bringing the total number of delisted counters to fifteen (15) since dollarization. According to the Zimbabwe Stock Exchange (ZSE), Trust Holdings failed to release quarterly shareholder updates to meet the provisions of Section 1.8b of the ZSE Listings Rules. Financial statements for the periods ended 31 December 2012 and 30 June 2013 were not published among other reasons. The year 2009 accounted for 4 delistings with the remainder (eleven) being accounted for in 2013. Only 2 listings were done since dollarization namely Padenga and TN Bank. Padenga listed on the 15th of September 2011 and TN Bank listed on the 11th of July 2012. TN Bank, however, was delisted on the 8th of February 2013, following the successful offer to minorities by Econet wireless Zimbabwe.

Our view is that the rise in the number of delistings is on the back of increasing economic headwinds. The economic shrinkage that started early in the year has not abated as economic output continues to decline. Limited liquidity which has haunted the economy has left most economic agents failing to operate at optimal levels. Most companies have scaled down operations with others even closing down as the shortage of capital continues to impact negatively on the local manufacturing space. Foreign product competition will likely remain strong in the short to medium term and therefore calls for companies to exert more effort in areas where they have comparative advantages over foreign competitors. We believe that the economy should undergo such a self-cleansing process if the long run benefits of liberalization are to be achieved and some inefficient businesses must be closed.

Table 1: Stock indices performance.

Index	22-Nov-13	Weekly	YTD
Industrial	217.01	0.36%	42.40%
Mining	49.2	6.89%	-24.45%

Source: ZSE, MMC Capital Research

Table 2: Zfn-Sectoral Indices

Sector indices	22-Nov-13	Weekly (%)	Ytd(%)	YoY(%)
All - Share index	144.37	+0.31	+61.49	+40.70
ZSE Top - 10	151.96	+0.62	+80.62	+46.61
Agro-industrial	83.46	+0.54	+4.81	-0.85
Banking	82.35	-2.54	+13.12	+24.27
Conglomerates	74.81	-1.79	+64.77	+37.70
Dual-listed	212.42	+1.37	+53.70	+55.06
Insurance	124.25	+0.10	+20.23	+55.12
Manufacturing	275.29	+1.16	+126.90	+70.80
Mining	18.96	+3.95	-37.79	-32.71
Property	120.56	-6.05	+22.22	+24.54
Retail	318.54	-3.35	+101.00	+62.31
Tourism	29.46	+6.12	+17.28	+14.85

Source: Zfn, MMC Capital Research

Table 3: Gainers

Counter	22-Nov Weekly	Market Cap(\$'m)	Value traded(\$)
GEN BELT	0.10	25%	0.54
FALGO	7.00	17%	7.78
ZIMPL	4.10	16%	25.53
RTG	1.50	15%	28.06
MEDTECH	0.08	14%	2.24

Source: ZSE, MMC Capital Research

Table 4: Losers

Counter	22-Nov	Weekly	Market Cap(\$'m)	Value traded(\$)
INFR	0.40	-73%	0.19	872
ZECO	0.01	-50%	0.05	11
HUNY	2.50	-38%	7.99	1,094
ART	0.40	-33%	1.73	292
DAWN	1.00	-31%	24.57	1,978

Source: ZSE, MMC Capital Research

Stock Market Review

Global capital markets activity was a mixed bag in the week under review. The Dow extended its winning streak to seventh week running, the longest stretch of gains in almost three years, as improved data on employment and retail sales offset concern over a cut in monetary stimulus. The Dow added 60 bps to close at 16,064.77 points. The London market ran out steam in the week with the FTSE 100 easing 30 bps to close 6,674.30 points. On the local front, the mainstream index leaped 36 bps to close at 217.01 points as a result of gains in selected heavy weights. The beverages giant, Delta traded 2.03% in the positive to close at 151.01 cents. The telecoms giant, Econet, was 2.46% stronger to close at 62.5 cents and the food manufacturer, Natfoods, added 2.33% to close at 220 cents. Partially offsetting the gains were losses in the conglomerate, Innscor which eased 2.30% to close at 85 cents and the retailing giant, OK Zimbabwe, which softened by 4% to close at 24 cents. The resources index also collated 6.89% to close at 46.03 points. Mirroring the firmness in indices, total market capitalization advanced 0.4% to end the week at US\$5.585 billion.

Trading turnover in the week under review rose by 10.1% to \$7.97m, propelled by the block trades in African Sun and FBC to the tune of \$1.7m which were executed in the week. Weekly volumes also improved to 78.25m shares from the 23.51m shares traded last week. Foreign investors were net buyers of Delta, Innscor and Ok Zim in the week as the foreign purchases to total turnover ratio dropped to 24% from the prior week's 36%. Foreign sales to total turnover ratio also declined from 20% in the prior week to 8% this week. The overall foreign investor participation in the week was 32%, relative to last week's 56%, 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 76% in the week from 75% last week.

Sectoral performance as measured by the **12-Zfn indices** reflects a firming market, with eight of the indices trading positively during the week. The tourism sector was the week's top performer, gathering 6.12% to 29.46 points. This was a result of gains in the price of RTG (15.38%) to 1.50 cents. The property sector was the worst performer for the week, shedding 6.05% driven by the losses in Dawn (31.03%) to 1 cent. The Top-10 maintained its winning streak, collecting 0.62 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**).

The conveyor belting manufacturer, General Beltings, led the movers pack, advancing 25% to close at 0.1 cents. The gold miner, Falgold, came in second after gathering 17% to close at 7 cents, though on thin volumes. Agro concern, Zimplot, and the hotelier, RTG, were among the top risers for the week gaining 16% and 15% respectively (**Table 3**). Agro concern, Interfresh and engineering concern, Zeco were the worst performers for the week, trading 73% and 50% lower to close at 0.40 cents and 0.01 cents respectively. Interfresh Limited is seeking shareholders approval to delist from the Zimbabwe Stock Exchange after it failed to raise \$6 million from existing shareholders. The investment property company, Interfresh, capped the losers pack, softening 31% to close at 1 cent (**Table 4**).

Outlook

Global capital markets will likely trade in the positive direction this week as Iran agreed to limit its nuclear program. Iran agreed to curtail nuclear activities in return for easing of some sanctions on oil, auto parts, gold and precious metals, an accord that broke a decade-long deadlock. Investors are also waiting for United States home sales with indications pointing to a rebound in October 2013. On the local front, the ZSE is likely to trade in the positive this week on renewed interest in the heavy weight counters such as Delta and Econet. 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 10.91x the local bourse is just 1% the MSCI EMI's 11x PER making it almost fully valued.

Listed Company Statistics as at 22 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	10%	5.52	29.48	(4.38)	0.38	5.81	-23%	-2.67%	-39%	-0.70%
ARISTON	Agro processing	0%	0.89	12.27	22.25	0.90	(32.40)	4%	12.81%	-32%	5.77%
BAT	Agro processing	0%	1,250.00	257.92	37.88	26.29	19.63	3%	58.75%	247%	18.18%
BORDER	Agro processing	0%	20.00	8.59	2.95	0.08	2.29	34%	2.76%	33%	1.90%
COLCOM	Agro processing	0%	27.00	42.94	31.03	1.68	8.40	3%	6.36%	8%	4.46%
HIPPO	Agro processing	0%	115.00	221.97	16.20	1.09	7.36	6%	6.70%	4%	3.90%
INTERFRESH	Agro processing	-73%	0.40	0.19	(0.87)	0.02	(3.29)		1.31%	100%	0.55%
PADENGA	Agro processing	1%	8.10	43.87	9.64	1.50	5.97	10%	17.42%	80%	13.05%
SEEDCO	Agro processing	1%	91.00	175.64	14.94	2.33	13.52	7%	15.38%	18%	7.43%
ABCH	Banking	-14%	50.00	35.86	4.31	0.29	(0.40)	23%	20.66%	-9%	1.72%
BARCLAYS	Banking	2%	4.60	99.04	38.33	2.60	(5.71)		6.56%	77%	0.92%
CBZH	Banking	-1%	15.30	104.67	1.94	0.62	(0.64)	52%	25.37%	53%	3.31%
FBCH	Banking	7%	13.50	62.20	5.06	0.80	0.30	20%	18.50%	80%	3.41%
NMB	Banking	0%	7.50	21.05	2.74	0.53	(3.32)	37%	19.47%	1054%	3.13%
ZBFH	Banking	0%	11.00	19.27	2.75	0.37	(2.89)	36%	17.83%	38%	2.78%
CFI	Conglomerate	0%	3.60	3.80	(0.98)	0.09	(20.60)	-103%	-10.98%	-27%	-5.11%
INNSCOR	Conglomerate	-2%	85.00	460.35	11.82	3.18	7.82	8%	33.53%	21%	15.30%
MEIKLES	Conglomerate	-4%	26.00	63.80	21.49	0.47	12.73	5%	3.95%	73%	2.01%
RADAR	Conglomerate	0%	8.00	4.09	(1.79)	0.11	6.00	-56%	-5.91%	-33%	-2.33%
STAR AFRICA	Conglomerate	-20%	1.20	6.22	(0.38)	(7.01)	(5.33)	-267%	1814.57%	-20%	-33.62%
TA HOLDINGS	Conglomerate	-28%	6.50	10.72	4.36	0.19	1.52	23%	8.91%	-35%	3.17%
TSL	Conglomerate	6%	35.00	121.66	19.34	2.28	15.10	5%	11.12%	204%	7.86%
ECONET	ICT	2%	62.50	568.32	7.02	1.08	2.17	14%	25.16%	39%	12.32%
ZIMPAPERS	ICT	1%	0.81	4.67	2.79	0.59	2.92	36%	21.51%	1%	5.71%
AFRE	Insurance	0%	12.00	26.05	3.57	1.49	2.26	28%	68.49%	131%	6.51%
FIDELITY	Insurance	-9%	10.00	10.89	3.36	1.14	2.83	30%	37.32%	-17%	7.13%
NICOZDMD	Insurance	0%	1.50	8.39	3.06	0.57	1.78	33%	19.14%	7%	10.53%
ZHL	Insurance	12%	1.40	10.85	5.83	0.23	(53.22)	17%	10.87%	17%	4.28%
AFDIS	Manufacturing - Beverages	0%	32.00	30.40	37.65	5.53	17.25	3%	14.70%	113%	6.32%
DELTA	Manufacturing - Beverages	2%	151.01	1,859.50	17.12	5.29	11.02	6%	31.05%	51%	19.09%
LAFARGE	Manufacturing - Construction	-1%	114.00	91.20	19.72	2.58	8.41	5%	12.78%	63%	7.44%
M&R	Manufacturing - Construction	0%	6.50	13.96	28.26	0.71	5.13	4%	2.57%	117%	1.34%
PGI	Manufacturing - Construction	0%	0.10	0.48	(0.06)	1.22	(4.74)	-1580%	-1922.45%	-80%	-21.97%
TURNALL	Manufacturing - Construction	0%	4.50	14.57	450.00	0.75	5.67	0%	0.25%	-18%	0.11%
WILLDALE	Manufacturing - Construction	-21%	0.15	2.67	(2.50)	0.37	(9.18)	-40%	-14.31%	200%	-7.08%
DZHL	Manufacturing - Food	-11%	17.00	60.86	113.33	1.31	13.64	1%	1.36%	-19%	0.87%
NATFOODS	Manufacturing - Food	2%	220.00	150.48	10.79	2.72	8.20	9%	25.15%	67%	13.76%
ART	Manufacturing - Nonfood	-33%	0.40	1.87	3.64	0.17	4.37	28%	4.43%	-25%	1.53%
ASTRA	Manufacturing - Nonfood	0%	5.00	6.99	5.68	0.54	3.16	18%	9.55%	0%	6.37%
GBH	Manufacturing - Nonfood	25%	0.10	0.53	(23.90)	0.12	0.62	-4%	-48.15%	900%	-17.32%
HUNYANI	Manufacturing - NonFood	-38%	2.50	7.99	8.06	0.38	3.92	12%	3.91%	-32%	2.25%
NTS	Manufacturing - Nonfood	-7%	2.80	7.11	8.24	1.31	5.79	12%	16.08%	-7%	10.89%
PIONEER	Manufacturing - Nonfood	0%	4.00	21.99	(2.42)	4.64	704.66	-41%	-11.85%	300%	-2.98%
POWERSPEED	Manufacturing - Nonfood	-5%	1.80	6.82	12.86	0.88	4.86	8%	6.80%	29%	2.93%
ZECO	Manufacturing - Nonfood	-50%	0.01	0.05	(0.02)	0.00	(0.02)	-6600%	-9.35%	0%	-6.49%
ZIMPLOW	Manufacturing - Nonfood	16%	4.10	20.61	12.81	0.78	9.06	8%	2.39%	-37%	1.21%
MEDTECH	Manufacturing - Pharmaceutical	14%	0.08	2.24	2.42	1.67	8.35	41%	35.21%	167%	5.76%
CAFCA	Manufacturing -Cables	-9%	32.00	10.43	7.80	1.47	5.18	13%	18.44%	-20%	10.93%
BINDURA	Mining	11%	2.00	2.52	(1.00)	(0.42)	(0.61)	-100%	216.66%	33%	-25.33%
FALGOLD	Mining	17%	7.00	7.78	(6.36)	(2.35)	(48.38)	-16%	50.45%	-42%	-9.09%
HWANGE	Mining	-10%	9.00	16.53	(15.00)	0.16	2.92	-7%	-0.50%	-47%	-0.22%
RIOZIM	Mining	5%	33.00	9.90	(13.98)	0.44	7.34	-7%	-13.20%	-37%	-2.45%
DAWN	Property	-31%	1.00	24.57	16.67	0.29	13.60	6%	1.86%	43%	1.79%
MASH	Property	3%	3.30	61.35	3.27	0.63	10.80	31%	17.87%	27%	16.89%
PEARL	Property	0%	2.85	35.29	3.76	0.32	6.14	27%	8.41%	2%	7.61%
ZPI	Property	0%	1.25	21.46	3.21	0.41	10.07	31%	12.23%	4%	11.51%
EDGARS	Retail	0%	12.10	34.21	7.61	3.13	6.04	13%	36.18%	5%	11.18%
OK ZIM	Retail	-4%	24.00	276.96	20.87	4.60	11.36	5%	20.51%	60%	10.36%
PELHAMS	Retail	0%	0.10	1.00	(0.56)	0.28	(14.36)	-180%	-49.20%	-50%	-13.45%
TRUWORTHS	Retail	4%	3.90	14.57	12.19	2.97	11.32	8%	24.08%	56%	6.7%
AFRICAN SUN	Tourism	-4%	2.70	22.25	8.71	0.98	5.20	11%	11.34%	200%	4.5%
RTG	Tourism	15%	1.50	24.68	(21.43)	1.67	20.52	-5%	-6.97%	-38%	-2.1%

Events Diary

COMPANY	EVENT	Time	Date	VENUE
Truworths	AGM	9:00 AM	28-Nov-13	Boardroom, Prospect Park, Seke Road

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: Itai Chirume and Kudzanai Samudzi.

Important disclosures

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Additional disclosures

1 This report is dated as at 27 November 2013

2 All market data included in this report are dated as at close of 27 November 2013, unless otherwise indicated in the report.

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