

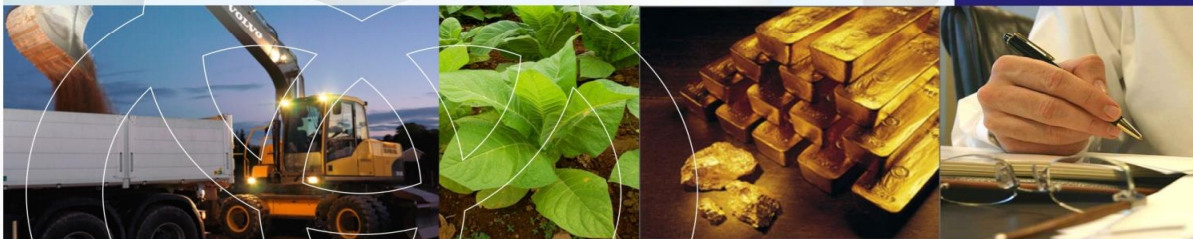
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mmc CAPITAL

(Members Of The Zimbabwe Stock Exchange)



The Market Making Corporation

Market Statistics		
	6-Dec	Weekly Change
Mkt Cap \$'m	5,434.00	-0.9%
Mkt turnover \$'m	24.46	161.2%
Indices		
ZSE Industrial	211.17	-0.9%
ZSE Mining	46.36	-1.4%
NSE 20	4,976.77	-2.4%
Nigeria All Share	38,738.15	-0.5%
JSE All Share	44,616.21	-0.8%
NIKKEI-225	15,299.86	-2.3%
FTSE	6,551.99	-1.5%
DJIA	16,020.20	-0.4%

In this week's review:

- Cut throat competition escalates in the dairy processing sector;
- Trust Bank's operating license annulled once again;
- U.S Stocks snap winning streak;
- Worries grow over Fed tapering and;
- ZSE losing momentum.

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Top-10 Statistics and Market Performance

Top 10 Market Capitalisation								
Market Performance						Valuations		
Name	Change	Sales C	Value US\$ 000kt	CapUS\$ m	Weight	PE	PBk	RoE
Delta	0.0%	150.00	10,321.3	1,836.9	34%	17.0	5.3	31%
Econet	1.3%	63.00	8,463.0	572.9	11%	7.08	1.09	25.2%
Innsco	-3.8%	77.00	415.2	415.9	8%	10.71	2.88	33.5%
BAT	0.0%	1,280.00	688.3	264.1	5%	38.79	26.93	58.8%
OK Zim	10.0%	22.00	260.4	254.0	5%	19.13	4.21	20.5%
Hippo	-4.8%	100.00	116.0	193.0	4%	14.08	0.95	6.7%
Seedco	-2.2%	88.00	598.7	171.5	3%	14.45	2.25	15.4%
Natfoods	0.0%	215.00	9.0	147.1	3%	10.55	2.65	25.2%
TSL	2.8%	37.00	64.0	128.6	2%	20.44	2.41	11.1%
CBZ	-3.2%	15.00	677.7	102.6	2%	1.90	0.61	25.4%
Sub Total			21,614	4,086.7	75%			
ZSE Total			24,459	5,434	100%			

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

Cut throat competition escalates in the dairy processing sector

...the local dairy processors became the latest victim to grumble over the influx of imported dairy products ...

... the industry is operating at 45% capacity, producing 51m litres of milk annually versus a national demand of c.120m litres....

... The heifer importation scheme in Zimbabwe is expected to provide an additional 4% of raw milk per month.....

...the fundamental characteristic of dairying is the long term nature of the business. Many of the large commercial producers in Zimbabwe have taken 25 to 30 years to reach levels of efficiency.....

... the Reserve Bank of Zimbabwe (RBZ) cancelling the banking license for Trust Bank over allegations of abuse of depositors' funds and violation of the Banking Act

... The bank was undercapitalized, with core capital of \$1.90m and has been posting losses since the reissuance of an operating license in 2010.

... Our view is that the banking sector continues to be confronted by tightening headwinds as the outlook of the economy remains fraught with uncertainties

In the week under review, local dairy processors became the latest victim to grumble over the influx of imported dairy products on the local market. The dairy processors submitted a proposal to the government on how best the industry can improve its fortunes. Zimbabwe's monthly demand for milk is c.10m litres with half of it being sourced from South Africa. The processors' view is that the government should consider a 25% levy on milk imports therefore levelling the playing field between imports and locally produced milk products. Currently the industry is operating at 45% capacity, producing 51m litres of milk annually against a national demand of c.120m litres. National milk production peak was 256m litres in 1990 and the all-time low was 36m litres in 2009. In a bid to salvage the industry from further production disruptions, the government has vowed to normalize the illegal dairy farm invasions that have besieged the sector through the issuance of offer letters to dairy farmers.

Dairibord Zimbabwe Holdings Limited (DZHL) also hinted in the week that its endeavor to grow the business is being clipped by the acute shortage of raw milk supplies in the country. The constrained milk supply has necessitated the importation of milk in the form of whole milk powder (WMP) leaving DZHL exposed to commodity price risks. Management is seeking to improve the outcome of the raw milk supply in Zimbabwe by importing more heifers. A total of 250 heifers are already in the country, distributed to 10 farmers with an additional 90 expected before the end of the year. The heifer importation scheme in Zimbabwe is expected to provide an additional 4% of raw milk per month. Worth noting is the fact that WMP constitutes c.30% of DZHL's raw milk requirements and an increase in the global WMP will have a negative bearing on DZHL as is the case in the H1'13 period. We concur with the group's view that Zimbabwe needs a comprehensive dairy industry development strategy to enhance milk output.

According to the Zimbabwe Association of Dairy farmers (ZADF), the fundamental characteristic of dairying is the long term nature of the business. Many of the large commercial producers in Zimbabwe have taken 25 to 30 years to reach levels of efficiency, management and production that make them comparable to their counterparts in other milk producing countries in the world. This highlights that it will take a considerable amount of time to revitalize the industry and only until a comprehensive strategy to enhance milk output is developed and adhered to, local dairy processors will remain under pressure from foreign competition.

Trust Bank's operating license annulled once again

The week under review also saw the Reserve Bank of Zimbabwe (RBZ) cancelling the banking license for Trust Bank over allegations of abuse of depositors' funds and violation of the Banking Act, bringing the total number of operating banking institutions to 21. Trust bank, which was founded in 1996 as Trust Merchant Bank became the largest bank in Zimbabwe by balance sheet size in 2003 and in 2004 the bank was closed down by the Central Bank. In September 2010, the RBZ reversed its decision and re-issued the commercial banking license which saw the bank resuming its banking business as a self-sufficient entity on the 13th December 2010.

According to the Central Bank, the bank was financially unsound and was not operating in line with sound administrative and accounting practices and procedures. The bank was undercapitalized, with core capital of \$1.90m and has been posting losses since the reissuance of an operating license in 2010. Critical liquidity challenges emanating from the poor loan book and inadequate working capital resulted in the bank failing to maintain a base of assets of a nature and amount sufficient to safeguard its creditors.

Our view is that the banking sector continues to be confronted by tightening headwinds as the outlook of the economy remains fraught with uncertainties. National savings rate is trending downwards and liability gathering is likely to remain challenging as low incomes growth and weak investor confidence is militating against deposit mobilization from the unbanked population. The level of non-performing loans (NPLs) continues to trend upwards and currently hovering around 13.78% according to the central bank. The deteriorating economic fundamentals have been the chief contributor to the sector's worsening NPL ratio as most borrowers are now failing to service their debts due to reduced profitability. The result has been reduced lending to the economy which has further worsened the NPLs situation. Banks will likely concentrate more on seeking international partners as they intensify their efforts to solidify their capital bases as well as sourcing credit lines which are generally cheaper and of a longer tenure relative to local funds.

Stock Market Review

Table 1: Stock indices performance.

Index	6-Dec-13	Weekly	YTD
Industrial	211.17	-0.88%	38.56%
Mining	46.36	-1.40%	-28.81%

Source: ZSE, MMC Capital Research

Table 2: Zfn-Sectoral Indices

Sector indices	6-Dec-13	Weekly (%)	Ytd(%)	YoY(%)
All - Share index	141.28	-0.61	+40.03	+42.54
ZSE Top - 10	148.05	-0.16	+45.37	+45.40
Agro-industrial	80.16	-1.66	+3.91	-0.60
Banking	81.15	-0.77	+29.92	+50.64
Conglomerates	70.37	-2.01	+29.27	+32.08
Dual-listed	206.1	-0.41	+63.44	+56.16
Insurance	116.17	-10.75	+32.98	+39.41
Manufacturing	270.95	-1.50	+62.51	+69.54
Mining	18.46	-1.86	-28.78	-30.29
Property	120.55	-1.29	+18.28	+31.01
Retail	297.94	+8.96	+47.82	+58.02
Tourism	29.46	-1.60	-1.20	+17.27

Source: Zfn, MMC Capital Research

Table 3: Gainers

Counter	Weekly		Market	
	6-Dec	Change	Cap(\$'m)	Value Traded(\$)
ZIMPAPERS	0.90	11%	5.18	990
ZIMRE	1.66	11%	12.74	8,883
OK ZIM	22.00	10%	250.55	688,346
BINDURA	2.20	10%	26.62	35,425
AICO AFRICA	7.11	9%	37.98	104,099

Source: ZSE, MMC Capital Research

Table 4: Losers

Counter	Weekly		Market	
	6-Dec	Change	Cap(\$'m)	Value Traded(\$)
FIRST MUTUAL	8.00	-33%	30.42	1,089
ZIMFLOW	3.00	-27%	18.68	985,716
PIONEER	3.00	-25%	18.68	1,232
HWANGE	7.00	-22%	11.63	869
HUNYANI	2.00	-20%	6.39	200

Source: ZSE, MMC Capital Research

Global capital markets traded predominantly southwards in the week under review with the Dow easing 40 bps to close at 16,020.20 points as investors weighed U.S. economic reports for clues on when the Federal Reserve will reduce its stimulus. Speculation is that the Federal Open Market Committee (FOMC) will probably begin cutting stimulus at its December 17-18 meeting. FTSE 100 also lost 1.5 percentage points to close 6,551.99 points. On the local front, the mainstream index traded 88 bps in the negative to close at 211.17 points as selected large cap counters lost their footing in the week. The sugar processor, Hippo traded 5% southwards to close at 100 cents and the conglomerate, Innscor lost 4% to close at 77cents. The seed producer, Seedco was 2% softer, closing at 88 cents. The resource index also shed 1.40% in the week to close at 46.36 points. Reflecting the losses in the indices, total market capitalization trimmed 0.9% to end the week at US\$5.434 billion.

Trading turnover in the week under review rose by 161.2% to \$24.46m, buoyed by the block trades in ZPI, Zimplow and Delta to the tune of \$10.24m that were executed in the week. Weekly volumes rose to 142m shares this week relative to 31.46m shares last week. Foreign investors were net buyers of Econet, CBZ, Innscor and OK Zim in the week as the foreign purchases to total turnover ratio rose to 41% from the prior week's 39%. Foreign sales to total turnover ratio also rose from 18% in the prior week to 40% this week. The overall foreign investor participation in the week was 82%, relative to last week's 57%, 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) remained relatively flat at 75% in the week.

Sectoral performance as measured by the 12-Zfn indices reflects a softening market, with eleven of the indices recording losses in the week. The retail sector was the week's top performer, gathering 8.96% to 297.94 points. This was a result of gains in the price of OK Zim (10.00%) to 22 cents. The insurance sector was the worst performer for the week, peeling 10.75% on the back of losses in First Mutual (33.33%) to 8 cents. The Top-10 closed 0.16% weaker at 148.01 points with four counters losing their ground in the week (Table 2).

News and printing concern, Zimpapers and the insurer, Zimre were the major gainers for the week, advancing 11% apiece to close at 0.9 cents and 1.66 cents respectively. The food retailer, OK Zim and the Nickel miner, Bindura were also among the top performers for the week adding 10% apiece (Table 3). Agro concern, AICO capped the top movers, firming by 9% to close at 7.11 cents. The insurer, First Mutual, was the worst performers for the week, trading 33% lower to close at 8 cents. Agro concern, Zimplow garnered the second after shedding 27% to 3 cents. The transporter, Pioneer and the coal miner, Hwange were also among the losers pack, softening 25% and 22% respectively. (Table 4).

Outlook

Global capital markets will likely post losses this week as improving economic data in the U.S boosted bets that the Federal Reserve will curb its monthly bond purchases sooner than estimated. The U.S. economy expanded in the third quarter at a faster pace than initially reported, led by the biggest increase in inventories since early 1998. Gross domestic product climbed at a 3.6 percent annualized rate, up from an initial estimate of 2.8 percent and the strongest since the first quarter of 2012. Fed policy makers will probably begin reducing \$85 billion in monthly bond buying at a Dec 17-18 meeting. Locally, the ZSE is likely to trade in the negative direction this week ahead of the end of year holiday which is historically characterized by submissive demand for the local stocks.

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. Trading at a TTM PER of 10.91x the local bourse is just 3% shy of the MSCI EMI's 11x PER.

Listed Company Statistics as at 06 December 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	9%	7.11	37.98	(5.64)	0.48	6.07	-18%	-2.67%	-21%	-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%	1,280.00	264.11	38.79	26.93	20.10	3%	58.75%	256%	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	4%	26.99	42.93	31.02	1.68	8.40	3%	6.36%	8%	4.46%
HIPPO	Agro processing	-5%	100.00	193.02	14.08	0.95	6.54	7%	6.70%	-10%	3.90%
INTERFRESH	Agro processing	0%	0.50	0.24	(1.09)	0.02	(3.32)		1.31%	150%	0.55%
PADENGA	Agro processing	0%	9.00	48.74	10.71	1.67	6.57	9%	17.42%	100%	13.05%
SEEDCO	Agro processing	-2%	88.00	169.85	14.45	2.25	13.26	7%	15.38%	14%	7.43%
ABCH	Banking	0%	50.00	35.86	4.31	0.29	(0.40)	23%	20.66%	-9%	1.72%
BARCLAYS	Banking	0%	4.70	101.19	39.17	2.66	(5.31)		6.56%	81%	0.92%
CBZH	Banking	-3%	15.00	102.62	1.90	0.61	(0.67)	53%	25.37%	50%	3.31%
FBCH	Banking	0%	12.50	57.59	4.68	0.74	0.09	21%	18.50%	67%	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	-3%	3.60	3.80	(0.98)	0.09	(20.60)	-103%	-10.98%	-27%	-5.11%
INNASCOR	Conglomerate	-4%	77.00	417.03	10.71	2.88	7.18	9%	33.53%	10%	15.30%
MEIKLES	Conglomerate	0%	25.00	61.34	20.66	0.45	12.48	5%	3.95%	67%	2.01%
RADAR	Conglomerate	0%	8.00	4.09	(1.79)	0.11	6.00	-56%	-5.91%	-33%	-2.33%
STAR AFRICA	Conglomerate	0%	1.20	6.22	(0.38)	(7.01)	(5.33)	-267%	1814.57%	-20%	-33.62%
TA HOLDINGS	Conglomerate	0%	6.00	9.89	4.03	0.17	1.44	25%	8.91%	-40%	3.17%
TSL	Conglomerate	3%	37.00	128.61	20.44	2.41	15.90	5%	11.12%	222%	7.86%
ECONET	ICT	1%	63.00	572.87	7.08	1.09	2.19	14%	25.16%	40%	12.32%
ZIMPAPERS	ICT	11%	0.90	5.18	3.10	0.65	3.04	32%	21.51%	13%	5.71%
AFRE	Insurance	-33%	8.00	17.37	2.38	0.99	1.86	42%	68.49%	54%	6.51%
FIDELITY	Insurance	0%	10.00	10.89	3.36	1.14	2.83	30%	37.32%	-17%	7.13%
NICOZDMD	Insurance	0%	2.00	11.19	4.08	0.76	3.06	25%	19.14%	43%	10.53%
ZHL	Insurance	11%	1.66	12.86	6.92	0.27	(53.22)	14%	10.87%	38%	4.28%
AFDIS	Manufacturing - Beverages	-9%	32.00	30.40	37.65	5.53	17.25	3%	14.70%	113%	6.32%
DELTA	Manufacturing - Beverages	0%	150.00	1,847.06	17.01	5.25	10.95	6%	31.05%	50%	19.00%
LAFARGE	Manufacturing - Construction	0%	114.00	91.20	19.72	2.58	8.41	5%	12.78%	63%	7.44%
M&R	Manufacturing - Construction	8%	7.00	15.04	30.43	0.77	5.47	3%	2.57%	133%	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	-9%	5.00	14.94	500.00	0.84	6.10	0%	0.25%	-9%	0.11%
WILLDALE	Manufacturing - Construction	0%	0.15	2.67	(2.50)	0.37	(9.18)	-40%	-14.31%	200%	-7.08%
DZHL	Manufacturing - Food	-18%	14.00	50.12	93.33	1.08	11.50	1%	1.36%	-33%	0.87%
NATFOODS	Manufacturing - Food	0%	215.00	147.06	10.55	2.65	8.03	9%	25.15%	63%	13.76%
ART	Manufacturing - Nonfood	0%	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	0%	0.10	0.53	(23.90)	0.12	0.62	-4%	-48.15%	900%	-17.32%
HUNYANI	Manufacturing - NonFood	-20%	2.00	6.39	6.45	0.30	3.31	16%	3.91%	-46%	2.25%
NTS	Manufacturing - Nonfood	0%	3.00	7.62	8.82	1.40	6.24	11%	16.08%	0%	10.89%
PIONEER	Manufacturing - Nonfood	-25%	3.00	16.49	(1.82)	3.48	556.08	-55%	-11.85%	200%	-2.98%
POWERSPEED	Manufacturing - Nonfood	0%	1.80	6.82	12.86	0.88	4.86	8%	6.80%	29%	2.93%
ZECO	Manufacturing - Nonfood	0%	0.01	0.05	(0.02)	0.00	(0.02)	-6600%	-9.35%	0%	-6.49%
ZIMFLOW	Manufacturing - Nonfood	-27%	3.00	15.08	9.38	0.57	7.51	11%	2.39%	-54%	1.21%
MEDTECH	Manufacturing - Pharmaceutical	0%	0.08	2.24	2.42	1.67	8.35	41%	35.21%	167%	5.76%
CAFCA	Manufacturing - Cables	0%	32.00	10.43	7.80	1.47	5.18	13%	18.44%	-20%	10.93%
BINDURA	Mining	10%	2.20	2.77	(1.10)	(0.46)	(0.63)	-91%	216.66%	47%	-25.33%
FALGOLD	Mining	0%	7.00	7.78	(6.36)	(2.35)	(14.39)	-16%	50.45%	-42%	-9.09%
HWANGE	Mining	-22%	7.00	12.86	(11.67)	0.12	2.66	-9%	-0.50%	-59%	-0.22%
RIOZIM	Mining	0%	32.00	9.60	(13.56)	0.43	7.30	-7%	-13.20%	-38%	-2.45%
DAWN	Property	0%	1.00	24.57	16.67	0.29	13.60	6%	1.86%	43%	1.79%
MASH	Property	-3%	3.20	59.49	3.17	0.61	10.44	32%	17.87%	24%	16.89%
PEARL	Property	0%	3.00	37.14	3.96	0.33	6.50	25%	8.41%	7%	7.61%
ZPI	Property	0%	1.25	21.46	3.21	0.41	10.07	31%	12.23%	4%	11.51%
EDGARS	Retail	3%	12.50	35.34	7.86	3.23	6.18	13%	36.18%	56%	11.18%
OK ZIM	Retail	10%	22.00	253.88	19.13	4.21	10.37	5%	20.51%	47%	10.36%
PELHAMS	Retail	0%	0.10	1.00	(0.56)	0.28	(14.36)	-180%	-49.20%	-50%	-13.45%
TRUWORTHS	Retail	7%	4.00	14.94	12.50	3.04	11.51	8%	24.08%	60%	6.7%
AFRICAN SUN	Tourism	-4%	2.70	22.25	8.71	0.98	5.20	11%	11.34%	200%	4.5%
RTG	Tourism	0%	1.50	24.68	(21.43)	1.67	20.52	-5%	-6.97%	-38%	-2.1%

Events Diary

COMPANY	EVENT	Time	Date	VENUE
Interfresh	EGM	10:00am	11-Dec-13	Triumph Hall, Celebration Centre, 162 Swan Drive

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: **Kudzanaï Samudzi**.

Important disclosures

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Additional disclosures

1 This report is dated as at 10 December 2013

2 All market data included in this report are dated as at close of 10 December 2013, unless otherwise indicated in the report.

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