Yearly Equity Market Review

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(Members Of The Zimbabwe Stock Exchange)

The Market Making Corporation

ZIMBABWEAN EQUITIES REVIEW

2013 Equities Market Review and 2014 Outlook

“Navigating the unchartered territory”

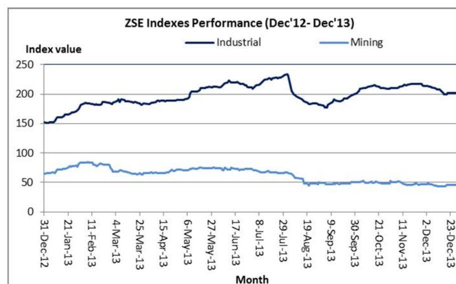
17 January 2014

Market Moving Insights!

In this review we present findings and insights with regards the economic developments that have taken place in the year 2013 as they relate to the Zimbabwean equities market performance :-

- Major economic centres of the world faced strong economic headwinds which led to a decline in global aggregate demand.
- Talks of a U.S Fed tapering took the centre stage in the year resulting in increased capital outflows in emerging and developing market economies.
- Murky outlook for Zimbabwe as the economy remains haunted by limited liquidity.
- Inflation rate continues to recede.
- Global equities markets traded predominantly northwards in 2013 as many of the major worries that dominated the investment landscape earlier in the year faded .The Dow was up 29%, Nikkei 225 (56%), S&P 500 (33%) and the FTSE garnered 17%.
- On the local front, the mainstream index was up 32.6% in the year driven by strong foreign investor participation while the resources index closed 29.7% in the red.
- Despite the negative political environment in 2013, total trades in the year were 8% higher at US$486m relative to last year’s US$448m.
- The gradual normalization of U.S. monetary policy will be a welcome development to equity investors in 2014 as it reflects increasingly convincing signs that a self-sustaining recovery is now underway.
- Defensive Investment strategy, the key in 2014 as the obtaining operating environment remains constrained for growth (tight liquidity, low capitalization in industry).

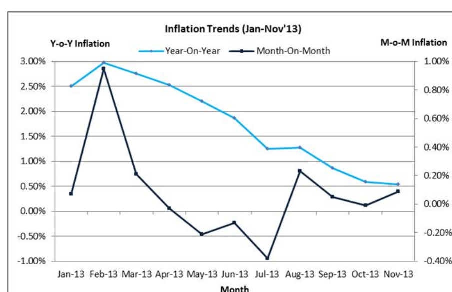
ZSE Indices: Ind. and Min. Indexes (Dec ‘12-Dec’13)



Quarterly ZSE Indices Performance

ZSE Index	2013 change	2012 change	2011 Change
Industrials	32.6%	4.5%	-3.6%
Mining	-29.7%	-35.3%	-49.8%

Inflation Trends: Jan’13 – Nov’13



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2013Top Ten Heavy weights -Financial Performance Indicators

Top 10 Market Capitalisation							
Market Performance					Valuations		
Name	Change	Sales ¢	Mkt CapUS$ m	Weight	PE	PBk	RoE
Delta	40%	140.10	1,728	33%	15.9	4.9	31%
Econet	33%	60.00	546	10%	6.74	1.04	25.2%
Innscor	14%	80.00	432	8%	11.13	2.99	33.5%
BAT	233%	1,200.00	248	5%	36.36	25.24	58.8%
OK Zim	33%	20.00	231	4%	17.39	3.83	20.5%
Seedco	17%	90.00	175	3%	12.68	0.85	6.7%
Hippo	-19%	90.02	174	3%	14.78	2.30	15.4%
Natfoods	52%	200.00	137	3%	9.81	2.47	25.2%
TSL	230%	38.00	132	3%	21.27	2.51	11.1%
CBZ	50%	15.00	103	2%	1.90	0.61	25.4%
Sub Total			3,905	75%			
ZSE Total			**5,203**	**100%**			

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Global and Developed Markets Economic Review

Strong economic headwinds, waning global aggregate demand

… The year 2013 has seen the global economy continuing to grow at a modest pace as major economic centres of the world faced strong economic headwinds …

The year 2013 has seen the global economy continuing to grow at a modest pace as major economic centres of the world faced strong economic headwinds which led to a decline in global aggregate demand. Europe remained in recession; major emerging markets faced slower growth, additional monetary tightening measures and instability in China's banking system capped China's growth; fiscal drag caused by the automatic sequester cuts in the U.S got the better of investors and although a top notch performance was expected from Japan, economic conditions in that country remained somewhat subdued. Talks of a U.S Fed tapering took the centre stage in the year resulting in increased capital outflows out from emerging and developing market economies. Emerging markets tend to be vulnerable to aggressive inflows and outflows of capital, and that vulnerability has been at play over the year. Dealing with large and unexpected shifts in capital, in response to signs that the US Federal Reserve will be tightening the monetary spigot has been an ongoing challenge for central banks and investors alike. Over the last several years, investors ploughed their cash into emerging markets, seeking higher returns than in the U.S., where the central bank has been trying to jumpstart growth with cheap cash. But now the Federal Reserve is considering an exit as the U.S. economy recovers and investors are pulling their capital out of emerging markets. Those collective portfolio adjustments threatened to capsize many less developed economies around the globe, tempting some authorities to restrict the free flow of capital across their borders.

The Eurozone recovery still slow as dire state of France and Italy economies looms large

… Gross domestic product in the 17-nation euro area rose 0.1 percent in the three months through September 2013, cooling from a 0.3 percent expansion in the second quarter…

… France has vowed for unprecedented cuts in public spending for 2014 – worth 15 billion euros ……..

The euro area's recovery came close to a halt in the third quarter of 2013 as German growth slowed, France's economy unexpectedly shrank and Italy extended its record-long recession. Gross domestic product in the 17-nation euro area rose 0.1 percent in the three months through September 2013, cooling from a 0.3 percent expansion in the second quarter, according to the European Union. Growth in Germany, the region's largest economy, eased to 0.3 percent from 0.7 percent. The slowdown comes as the currency bloc struggles with the legacy of a debt crisis now in its fifth year and just after it emerged from its longest-ever recession in the second quarter. While the slowdown extends to Germany, it is the dire state of the French and Italian economies that looms large. Across the European Union, the GDP is expected to have fallen by 0.4% in 2013 (after declining by 0.6% in 2012) according to the European Union. As was the case in 2013, growth in 2014 will be strongest in Latvia (4.1%). Cyprus's woes will continue, with a further contraction, of 3.9%. The recovery will bring little joy for the jobless. Unemployment in the euro zone is expected to stay at 12.2% in 2014. In the EU as a whole it will dip only slightly, from 11.1% 2013 to 11.0% in 2014. France has vowed for unprecedented cuts in public spending for 2014 – worth 15 billion euros. The Europe's second largest economy is trying to rein in its deficit without compromising much needed growth.

The cost of striking Syria

… Despite Syria's minor role in the global oil trade (the nation produces less than 1% of global supply), U.S. threats of intervention led to investors fearing that the strike will create a domino effect over the entire region…

Talks of a possible invasion of Syria by the U.S. caused increased geopolitical risks which saw Brent price increasing during the first two months of the second half of 2013 by about $18/bbl., reaching more than $117/bbl. Despite Syria's minor role in the global oil trade (the nation produces less than 1% of global supply), U.S. threats of intervention led to investors fearing that the strike will create a domino effect over the entire region. Traders were selling oil contracts incorporated with a geopolitical risk premium as fears of a U.S.-led invasion of Syria mounted. Shortly afterwards, when progress was made in Syria's agreement to surrender its chemical weapons, the Brent price retreated to $108/bbl in September. In addition to high-risk premiums, related to geopolitical tensions in Syria, oil prices have been also underpinned by tighter global oil supply.

'Abenomics' faltering in Japan

... Economic growth in Japan, the world's third-largest economy, slowed to 0.5% in the July-to-September period, down from 0.9% in the previous quarter ...

Abenomics refers to the economic policies advocated by Shinzō Abe, the current Prime Minister of Japan. Abe assumed office on 26 December 2012 and set policy measures which consists of monetary policy, fiscal policy, and economic growth strategies to encourage private investment. Specific policies include inflation targeting at a 2% annual rate, correction of the excessive yen appreciation, setting negative interest rates and radical quantitative easing. Economic growth in Japan, the world's third-largest economy, slowed to 0.5% in the July-to-September period, down from 0.9% in the previous quarter. The deceleration comes despite aggressive measures taken this year to spur growth after years of stagnation. Japan is expecting a boost in its future GDP growth due to Tokyo's successful bid to host the 2020 Summer Olympics. The Japanese government estimates that the Olympic Games would generate an additional 0.3 percent of GDP on a value-added. In October 2013, the government indicated that it will raise the rate of sales tax to 8% from 1 April 2014, from 5%. Policymakers have argued that the increase is needed to help reduce Japan's public debt – which is now around 230% of its gross domestic product (GDP) - and is the highest among industrialised nations.

The BRICs and sub-Saharan African Economies Review

Emerging markets: The capital flight and currency volatility threat is rising

Investors have been fleeing emerging markets as they were searching for safer havens and higher returns in the developed world ...

... the BRICS group (Brazil, the Russian Federation, India, China and South Africa) agreed to establish a contingent reserve arrangement by pooling resources in a US$100 billion fund....

Investors have been fleeing emerging markets as they were searching for safer havens and higher returns in the developed world. Stocks, bonds and currencies have been volatile since early May 2013, when investors started to get increasingly worried about when the Federal Reserve might start to pull back on its bond buying program. The flight from emerging markets accelerated after the Bank of Japan left its monetary policies unchanged, dashing hopes for additional stimulus measures. The economies of emerging markets such as Brazil, South Africa and Russia are heavily dependent on commodities, whose prices have been sliding. The G20 summit was held in the year under review and, the BRICS group (Brazil, the Russian Federation, India, China and South Africa) agreed to establish a contingent reserve arrangement by pooling resources in a US$100 billion fund. China will contribute US$41 billion, South Africa will contribute US$5 billion, and the three other members will provide US$18 billion each. This is a precautionary facility to help shield these emerging economies from stock market and exchange-rate volatility as the advanced economies signalled plans to exit their unconventional monetary stimulus.

... In May 2013 and June 2013, the MSCI Emerging Market Index tumbled 17%.....

The "taper scare" when the Federal Reserve proposed cutting back on its bond purchases, hurt emerging markets more than others. Emerging markets are regarded by many investors as risky assets, and thus are vulnerable to rising U.S. interest rates. In May 2013 and June 2013, the MSCI Emerging Market Index tumbled 17% while the Standard & Poor's 500-stock index took a 6% dip. Emerging markets went through significant financial turbulence in July and August, including reversal of capital inflows, sharp depreciation of local currencies, increases in interest rates and selling-off in equity markets.

Sub-Saharan Africa (SSA) still on a growth mode but challenges are looming

... After an increase of 4.2 percent in 2012, GDP growth in Sub-Saharan Africa is projected to have strengthened to 4.7 percent in 2013, ...

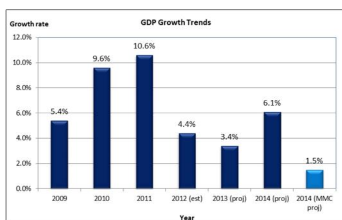
Economic activity remains strong in much of Sub-Saharan Africa, with the pace of GDP growth in the region projected to pick up in 2014. After an increase of 4.2 percent in 2012, GDP growth in Sub-Saharan Africa is projected to have strengthened to 4.7 percent in 2013, according to the World Bank supported by strong performances in Niger and Sierra Leone as new mineral production comes on stream. Countries such as Mali and Guinea-Bissau were affected by internal civil conflicts. Angola benefited from a recovery in oil production. In Nigeria, high oil prices underpinned strong growth. In Ethiopia, declining coffee prices and supply bottlenecks slowed growth slightly from a very high level. South Africa's growth slowed

partly due to tense industrial relations, anaemic private investment and weaker consumption growth. Recent global financial market volatility has affected several economies in the region, although most low income countries experienced little impact given their limited links with global financial markets.

Zimbabwean Economic Review

… National aggregate demand continued to fade and economic output trended downwards….

Figure 1: Zim's GDP growth trends



Source (MoF), MMC Research

Zimbabwe economy stuck in a rut

The Zimbabwe economy remained a talking point in 2013 as all leading indicators of economic growth continued pointing to a slowdown. National aggregate demand continued to fade and economic output trended downwards. The economy remained haunted by limited liquidity which curtailed the utilisation of excess capacity in industry. A number of companies have scaled down operations with others even closing down as the shortage of capital continues to impact negatively on the local manufacturing space. The treasury revised downwards its GDP growth forecast to 3.4% in 2013 from the previous 5% citing increased liquidity challenges and the slow gross fixed capital formation (GFCF). In 2014, the Treasury expects the local economy to record a growth rate of 6.1% anchored on strong recovery of agriculture, mining and construction sectors. The World Bank forecast a growth rate of 3.3% for 2014. Our view is that the economy will grow by 1.5% this year due to the capital induced constraints **(Fig.1)**.

…. A few months prior to the elections, we witnessed economic agents standing on the side-lines which led to a liquidity squeeze in the economy and weak aggregate demand …

The election and the economy

The elections were finally held on the 31st of July 2013. A few months prior to the elections, we witnessed economic agents standing on the side-lines which led to a liquidity squeeze in the economy and weak aggregate demand. After the elections, the economy went for 20 days without a cabinet; a situation that brought about uncertainty for business as the absence of policy direction crippled business planning initiatives. Many other challenges emanated from the election result itself but the long and short of it is that the GNU finally came to an end and that meant the end of the policymaking battles that had become the order of the day in the GNU era. With the election out of the way, what is clear from the government is its deliberate effort to engage the international community in a manner that brings back credibility to the economy. Clarity on issues surrounding the application of Indigenization and Economic Empowerment (IEE) regulations, business reforms and the role of Joint Venture partnership investments in financing projects remains a priority of the new government.

… what is clear from the government is its deliberate effort to engage the international community in a manner that brings back credibility to the economy …

The economy is running out of steam on the back of scarce sources of funds and the new minister of Finance has engaged the International Monetary Fund (IMF) and the World Bank to provide new credit lines. The World Bank and the IMF suspended aid to Zimbabwe in 1999. The international lenders are advocating for a comprehensive arrears clearance plan in order to qualify for fresh loans. The removal of sanctions on the state owned diamond firm, Zimbabwe Mineral Development Corporation's (ZMDC) Marange group of diamond companies and on other Zanu-PF members (including the finance minister) is a sign that the international community may be willing to accommodate Zimbabwe. The country is still operating a cash budget and the new minister in our view has the discipline it takes to ensure that the country sticks to its budget. Going forward, our view is that attracting large inflows of capital will remain challenging in the short to medium as there is still need for the country to 'cleanse' itself from the negative perception.

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The current account deficit continues to widen

… Zimbabwe's persistent current account deficit remains a worry on the country's liquidity as the rate of cash outflows to pay for imports exceeds that of funds generated from exports …

Zimbabwe's persistent current account deficit remains a worry on the country's liquidity as the rate of cash outflows to pay for imports exceeds that of funds generated from exports. As the trade deficit continues to widen further, the United Nations Conference on Trade and Development (UNCTAD) indicated in its Economic Development in Africa Report that Zimbabwe is one of Africa's top five importing nations. Imports totaled $6.6 billion by October 2013 and exports amounted to $2.8 billion according to the treasury. This made the economy's risk to external shocks higher as the country has become dependent on other economies for its consumptive requirements. The increased importing activity also makes a case for the increased liquidity challenges that the economy is experiencing. The bulk of the imports were consumptive in nature resulting in further externalization of local liquidity hence the continued decline in the broad money supply (M3) growth. There were talks of policymakers contemplating crafting policies that will reduce the import activity in the economy and protect the local industry as policymakers sought to combat the liquidity challenges that were crippling economic growth. Responding to industry request for protectionist measures, the government is of the view that these measures can lead to short term gains at the expense of medium to long term recovery. The effectiveness of these measures could be affected by the lack of capacity on the part of firms to respond to price changes due to structural challenges such as ageing equipment, power outages and high cost of borrowing.

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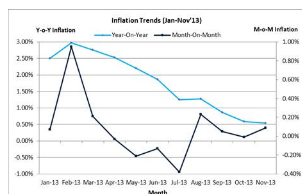
Attracting FDI still a challenge

According to the Zimbabwe Investment Authority (ZIA), in the nine months to September 2013 foreign direct investments amounting to US$453.70 million was invested into the economy with China contributing c.64% of the FDI. The manufacturing sector received the bulk of the investments worth US$143.67 million (32%) for 47 projects, followed by mining which had 48 projects approved valued at US$131.34 million (29%) whilst construction got US$127.45 million (28%) for five projects. The services sector had 18 projects approved at US$42.62 million (9%) whilst tourism had two projects valued at US$3.36 million (0.7%). Transport got US$5.25 million (1.2%) for one project whilst no project was approved for agriculture. The fact that 2013 was an election year speaks volumes about the amount of FDI that has flown into the economy. Attracting FDI still remains a challenge as investors are yet to gain confidence in the obtaining economic policy environment.

… FDI amounting to US$453.70 million was invested into the economy with China contributing c.64% of the total foreign investments …

Figure 2: Inflation trends (Jan-Nov'13)



Source: Zimstat, MMC Capital

Inflation continues to recede as aggregate demand tumbles

After opening the year 2013 on an upward trajectory, the consumer price index (CPI) growth has generally been nose diving since March 2013. The YoY inflation rate for November 2013 stood at 0.54% relative to 2.76% in March 2013. 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 neighbouring South Africa. 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. 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.

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Table 1: Zim Economic Stats

Items	2010	2011	2012	2013	2014
	Actual	Actual	Est.	Proj.	Proj.
Agriculture, hunting and fishing	7.2	1.4	7.8	-1.3	9
Mining and quarrying	37.4	24.4	8	6.5	11.4
Manufacturing	2	13.8	5.3	1.5	3.2
Electricity and water	19.5	6.4	0.3	4.2	4.5
Construction	14.1	65.1	23.5	10	11
Finance and insurance	8.3	8.3	28	2.6	6.3
Real estate	4.9	48.9	59	10	11
Distribution, hotels and	8.8	4.3	4.3	3.4	5.1
Transport and communication	4.7	0	6.7	3.4	4
GDP at market prices	**11.4**	**11.9**	**10.6**	**3.4**	**6.1**

Source: MoF

Agriculture – Tobacco, A bright spot in a darkening economy

The sector remained under pressure in 2013 but tobacco production was the only positive story worth telling. Agriculture contributes c.17% to Zimbabwe's Gross Domestic Product (GDP), with tobacco production alone accounting for nearly 10%. The golden leaf thus plays a major role in the national economy and usually accounts for more than 50% of agricultural exports and 30% of total exports. Zimbabwe is the largest producer of tobacco leaf in Africa and the world's fourth largest producer of flue-cured tobacco after China, Brazil and the United States according to the Food and Agriculture Organization of the United Nations (FAO). In 2013, tobacco production increased 15.3% to 166,600 tons from 144,500 tons in 2012. The surge in production was driven by the increase in the area planted as well as the expanding number of growers. Tobacco Industry and Marketing Board (TIMB) statistics indicated that by the close of the 2012/13 marketing season, 166.5 million kgs of tobacco were sold realizing $616.1m.Tobacco output is expected to further swell this year with the treasury projecting an increase in output to 170,000 tons. Area under crop is anticipated to increase to 90,000 ha from the 88,600 ha planted in 2013. Approximately 91,300 farmers have registered to grow the golden leaf in the 2013/14 summer cropping season, up from c.70,900 who registered in the 2012/2013 season. Cotton production declined by 59% in the year due to a lack of adequate capital, a bad spell of weather and the reduced global lint prices which saw the producer price for farmers falling to between US35c and US55c from a high of US90c. The weather was the biggest contributor to the decline in cotton production.

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Mining and Quarrying: Pressure continues to mount as capital remains scarce

The mining sector was initially projected to grow by 17.1% in 2013. The growth rate was revised downwards to 6.5% chiefly on the back of low exploration, lack of capital and weakening of commodity prices on the international markets. Though being the biggest contributor to national export revenue it is operating at levels that are well below potential. There is a lot of idle capacity in the sector which is failing to be utilised due to the depressed funding levels. In the year under review, the absence of clear policies got the better of the mining sector. This situation deterred the much needed long term capital from flowing into the sector. The sector also bemoaned the current tax regime that it feels is very penal and proposed massive fee cuts of close to 100% citing funding constraints and falling commodity prices in the current environment. Chamber of Mines Zimbabwe opined that government intervention in the form of favourable taxes and fees is of paramount importance to avert job cuts and mine closures. The application fee for the registration of precious metals (or precious stones) is currently pegged at US$100,000 relative to the sector's proposal of US$300. For diamond mining companies, the government pegged the fees at US$1 million while the sector is proposing a reduction to US$300.

… The mining sector was initially projected to grow by 17.1% in 2013. The growth rate was revised downwards to 6.5% t...

Total gold output for the first eleven months of 2013 amounted to 12,914 kgs relative to 13, 651 kgs in 2012, according to the Ministry of Finance. The under-performance was attributed to the accident at Freda Rebecca, escalating operational costs, unreliable power supply, and falling international gold prices. In 2014, however, gold production is projected to surge by 7.1% to 15 000 kgs. Diamond output was largely subdued during 2013 weighed down by the gradual transition from alluvial diamond mining to conglomerates which are expensive to extract. The 2013 output target for the mineral was revised downwards from 12.5 million carats to 11 million carats. In 2014, diamond output is projected to increase to 12 million carats, benefiting from the recent removal of the Zimbabwe Mining Diamond Corporation (ZMDC) from the sanctions list by the European Union.

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Tourism: Arrivals are trending upwards as occupancies improve

… Tourism sector's contribution to the economy is currently estimated at 10% …

The Tourism sector's contribution to the economy is currently estimated at 10%, according to the treasury. The sector remains on the recovery path and the successful co-hosting of the UNWTO General Assembly with Zambia in August 2013 has proved that tourists are regaining confidence in the country as a destination. At least 2.1 million tourist arrivals were expected by the close of 2013, a growth of 17% relative to the prior year. In 2013, Global tourist arrivals increased by 5% to 500 million against a UNWTO estimate of a 3% - 4% growth. Average hotel room and bed occupancy levels in Zimbabwe averaged 59% and 41% respectively and are expected to improve to 61% and 42% in 2014. The growth in the tourism business will be driven by the increase in marketing efforts and the growing number of business and leisure tourists. Business tourism continues to dominate arrivals. The increased connectivity due to increased flights into Zimbabwe is a plus to the sector and the resumption of flights by Air Zimbabwe will also provide a major boost.

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ICT: Competition is on the rise in telecoms

The Information Communication Technologies sector, which is one of the fastest growing sectors in Zimbabwe, remained very competitive in 2013. Mobile service providers were caught up in a pricing tiff in the second half of 2013. A number of promotional packages were launched and these led to an increase on the call time spend and revenue by c. 4.3%. The licence fees for mobile operators were reviewed to US$137.5 million for 20 years and this has raised the barriers of entry for the sector which is already oligopolistic in nature and capital intensive after the increase in the fees.

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Manufacturing Sector in Limbo

The local manufacturing sector remained in dire straits in 2013 as many players lost their competitiveness. A number of companies closed shop in the year as liquidity challenges sapped the life out of most manufacturers as they failed to fund operations at economic prices. According to the CZI, by December 2013, a significant number of domestic companies were struggling to remain afloat and were strong candidates for judicial management and liquidation. Industry capacity utilization averaged 39.6% in 2013, down from 44.2% in 2012. Lack of affordable lines of credit and ageing equipment are among the top impediments curtailing the utilization of excess capacity. We concur with CZI's opinion that Zimbabwe needs to mobilize significant amount of foreign direct Investment (FDI) to give life to the dying economy. Approximately US$10 billion is needed to revive the economy with c.$5 billion alone required to replace obsolete industrial equipment.

… The local manufacturing sector remained in dire straits in 2013 as many players lost their competitiveness …

According to the Ministry of Finance, the manufacturing sector is expected to post a moderate 3.2% growth in 2014 relative to 1.5% in 2013 driven by the foodstuffs, tobacco, drinks and beverages subsectors. The prospects of the drinks and beverages subsector hinges upon the expected surge in output arising from the refurbishments and installation of new plant by Delta Beverages and Schweppes Limited in 2013. The drinks and beverages sub sector attained an average capacity utilization of 75% in 2013. The foodstuffs category is expected to benefit from a ban of imported frozen chickens and table eggs, as well as increases in duty on other foodstuffs which can be produced locally. The recapitalization of Lobels and Bakers Inn is also anticipated to boost the subsector's capacity utilization in 2014. However, cut-throat competition arising from other categories of cheap foreign imports will continue to put pressure on this subsector. The cheap imports are reducing the competeviness of domestic products and are ultimately forcing local producers out of business. Adding to the demise of the manufacturing sector, the textile industry has been negatively affected by the low cost clothing products flooding the Zimbabwean market, particularly from China. Capacity utilization in the clothing and textile industry is c.30% and close to 27 000 jobs have been lost in the sector in the last decade.

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... the local banking sector's Non-performing loans (NPL) to total loans ratio continues to trend upwards, settling at 15.64% as at 30th of September 2013 from 14.51% as at 30th June 2013.......

Banking: Worsening NPLs, the albatross around the banking sector's neck

The sector continues to experience funding challenges and the major obstacle to growth in 2013 has been the slowdown in deposit growth. Total banking deposits, at US$3.84 billion at 30 June 2013, were 1.29% lower than prior year. Non-performing loans remain an albatross around the banking sector's neck, clipping the sectors' turnaround efforts. According to the central bank, the local banking sector's Non-performing loans (NPL) to total loans ratio continues to trend upwards, settling at 15.64% as at 30th of September 2013 from 14.51% as at 30th June 2013. With no sign of improvement on the economic landscape, the central bank is of the view that the upward trajectory will likely be maintained. Quite evidently, the deteriorating economic fundamentals continue to contribute 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. The situation will have a huge bearing on the economy as the reduced credit supply will lead to working capital challenges and in many instances businesses will fail to fund capital expenditure. The net result will be a decline of private gross fixed capital formation and private consumption which in turn will negatively impact economic growth.

... 2013 also saw the Reserve Bank of Zimbabwe (RBZ) cancelling the banking license for Trust Bank over allegations of abuse of depositors' funds ...

The year 2013 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. 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.

Cancellation of MoU to provide reprieve to banks

... In the MoU, banks undertook to reduce their charges as a result of which they took a knock on their non-funded income (NFI). ...

... The banking Industry total profit after tax for the period came in at 18% lower at $52.1m relative to the prior period ...

... Our view is that the removal of these controls will spur bank earnings in the short to medium term as banks will now be able to rightly price their assets in line with market forces, thereby improving the efficient allocation of capital.......

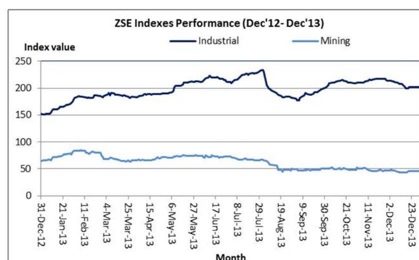
In the period under review, the Memorandum of Understanding (MoU) which was signed with the banks in January 2013 was cancelled by the Central Bank with effect from December 1, 2013. This move came after earnings concerns by the banking sector following the sector's signing of a MoU with the central bank. In the MoU, banks undertook to reduce their charges as a result of which they took a knock on their non-funded income (NFI). The RBZ quoted the challenging operating environment, among other reasons, as the major cause for the non – renewal of the MoU. For the half year period ended 30 June 2013, the majority of reported banks attributed the loss of revenue to the MoU. The banking Industry total profit after tax for the period came in at 18% lower at $52.1m relative to the prior period. The majority of banks embarked on growing their e-banking transactional activities in a bid to restore the lost revenues. E-banking channels are cheaper than the traditional channels and the growth in e-banking related transactions reduce costs. In the MoU, lending rates were capped to a maximum of 12% above the banks' cost of funding whilst accounts with deposits less than US$800 were not being charged fees upon withdrawals. This in turn exerted pressure on banks' net interest margins as interest spreads narrowed. Our view is that the removal of these controls will spur bank earnings in the short to medium term as banks will now be able to rightly price their assets in line with market forces, thereby improving the efficient allocation of capital.

Table 2: 2013 Equities Performance

Indices	31-Dec-13	31-Dec-12	YTD
Industrial Index	202.12	152.40	32.6%
Mining Index	45.79	65.12	-29.7%
S&P -500	1,848.36	1,392.24	32.8%
DJIA	16,576.66	12,805.48	29.4%
FTSE-100	6,749.00	5,762.12	17.1%
NIKKEI	16,291.31	10,449.47	55.9%
JSE	46,256.23	38,435.61	20.3%
NAIROBI	4,926.97	3,969.85	24.1%
NIGERIA	41,329.19	27,245.37	51.7%
GHANA	2,145.20	1,197.01	79.2%
BOTSWANA	9,053.36	7,295.59	24.1%

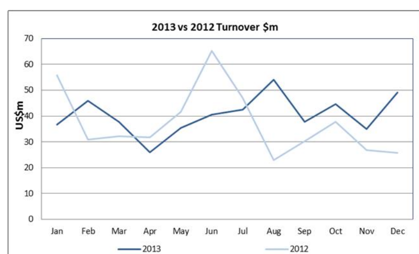
Source: MMC Capital Research

Figure 5: ZSE Indices Performance



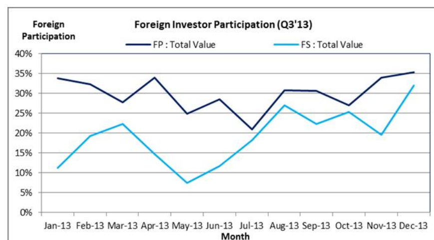
Source: MMC Capital Research

Figure 6: ZSE Trading Trends



Source: MMC Capital Research, ZSE

Figure 7: ZSE Foreign Investor activity



Source: ZSE, MMC Capital Research

Global and regional equities market performance

Global equities markets traded predominantly northwards in 2013 as many of the major worries that dominated the investment landscape earlier in the year faded. The Fed finally announced it would start to reduce the pace of its asset purchases from January 2014, from $85 billion to $75 billion per month, a move which was mostly welcomed by equity investors. Investors are of the view that reducing the pace of asset purchases is a positive signal about the strength of the US economy and a return to more normal conditions. The Dow was up 29.4% to 16,576.66 points whilst the FTSE-100 in the UK pocketed 17.1% to end the quarter at 6,749.00 points. The NIKKEI-225 returned 55.9%, their best annual performance for more than four decades, as foreign investors piled into the Japanese market on the back of the government and central bank unveiling measures aimed at stoking the economy **(Table.2)**. In US$ terms most of the SSA markets recorded positive gains in the year with all the markets we follow expect South Africa ending the year in red on a US$ adjusted basis (9.3%) according to Investing in Africa. Ghana, Nigeria, Kenya and Botswana pocketed 44.8%, 44.6%, 43.6% and 8% respectively.

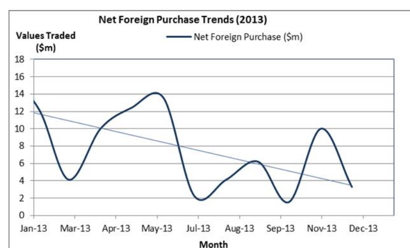
On the local front, the mainstream index was up 32.6% in the year driven by strong foreign investor participation. The mining index however closed 29.7% in the red **(Table.2).** The July election took the sting out of the rally that started in the second quarter of 2013 as investors held back buying waiting for new policymakers and policy indications. Some investors embarked on panic selling in the month of August which saw the mainstream index retreating from an all-time high of 233 points to end the quarter at 200 points. The overall market capitalisation rose by 31% to end the year at US$5.20 billion due to share price increases in heavyweights Delta (40%), Econet (33%), Innscor (14%), BAT (233%), Seedco (17%), OK Zim (33%) and Natfoods (52%).

Despite the negative political environment in 2013, total trades in the year were 8% higher at US$486m relative to last year's US$448m. Traded volumes however took a 15% dip to 2,997m. Offshore investors commanded 50% of the trades in 2013 up from the 41% achieved in 2012. The average monthly turnover improved by 8 percentage points from 2012's average of US$37.3m to US$40.5m. August was the best month in as far as monthly turnover is concerned recording US$54.17 million buoyed by foreign investor purchases and April recorded the lowest value traded of US$26.02 m (**Fig 6**). Foreign investors remained net buyers of local equities in 2013 and the ratio of foreign purchases to total turnover ratio rose to 30% from 24% in 2012. Foreign sales to turnover ratio also increased to 20% in 2013 from 17% in 2012. The trend in these ratios is shown in **Fig.7**.

Foreign portfolio flows into the country have been very volatile as reflected by the see-saw behaviour of the foreign purchases to total value trend line in **Fig. 7**. The ZSE's capacity to attract foreign portfolio flows was at its highest as December ($35m) compared to any other month in the twelve months to December 2013 and the lowest purchase was in April ($17.7m). Foreign portfolio outflow was high in December ($31.5m) and lowest in May ($5.3m).

The majority of the ten top stocks (by market capitalisation) on the local bourse traded in the black during the period under review save for Hippo which traded southwards. The sugar processor bemoaned the influx of cheap sugar imports. Indigenisation fears and the weak global sugar prices also got the better of the company's share price.

Figure 8: Net foreign purchase trends



Source: ZSE, MMC Capital Research

The cigarrate manufacturer (BAT) led the top 10 stocks pocketing 233% in the year to close at 1,200c. This was on the back of improved business fundamentals and increased foreign investor appetite for the counter. Tobacco leaf merchants, TSL also gave a splendid performance in the year (230%) on the back of increased investor interest in the business as restructuring is bearing fruits.

The movers pack for the year was chiefly dominated by mid cap and penny stocks indicating high speculative activities. Conveyor belt manufacturer, GB Beltings topped the movers pack soaring 700% to close at 0.08c due to the small size effect (**Table 5)**. The cigarette manufacture, BAT and the Tobacco leaf Merchants (TSL) garnered the second and third places respectively. Pioneer, Medtech and Willdale were some of the penny stocks that made it to the top ten up 200%, 133% and 100% respectively. Bankers FBCH defied the odds after making it into the movers pack adding 80% to close at 13.5 cents. The hotelier, African Sun advanced 200% to close at 2.7 cents after the group intensified its efforts to reduce debt through the sale of its stake in Dawn properties.

The shakers' pack (**Table 6)** was led by Interfresh which lost 75% to close at 0.5 cents. The counter was however delisted at year end following its request to be removed the ZSE register. A total of three mining counters (Falgold, Rio and Hwange) landed in the shakers, easing 58%, 37% and 47% respectively. The mining sector continues to the haunted by capital challenges and softening of commodity prices. The Retailer, Pelhams and agro concern, Zimplow lost 50% and 46% respectively. Agro concern, Aico also closed the year in the top shakers pack after sliding 33% in share price to 6 cents. The group plans to engage a new foreign investor to take up 49 percent shares in the Cotton Company of Zimbabwe (Cottco) after shareholders in December passed a resolution to recapitalise the business.

Table 4: Top 10 Stocks by Market Cap-Dec 31

Top 10 Market Capitalisation							
Market Performance					Valuations		
Name	Change	Sales ¢	kt CapUS$ m	Weight	PE	PBk	RoE
Delta	40%	140.10	1,728	33%	15.9	4.9	31%
Econet	33%	60.00	546	10%	6.74	1.04	25.2%
Innscor	14%	80.00	432	8%	11.13	2.99	33.5%
BAT	233%	1,200.00	248	5%	36.36	25.24	58.8%
OK Zim	33%	20.00	231	4%	17.39	3.83	20.5%
Seedco	17%	90.00	175	3%	12.68	0.85	6.7%
Hippo	-19%	90.02	174	3%	14.78	2.30	15.4%
Natfoods	52%	200.00	137	3%	9.81	2.47	25.2%
TSL	230%	38.00	132	3%	21.27	2.51	11.1%
CBZ	50%	15.00	103	2%	1.90	0.61	25.4%

Source: MMC Capital Research & ZSE

Table 5: Movers in 2013

Counter	31-Dec-13	Change	Mkt Cap ($m)
GB HOLDINGS	0.08	700%	0.54
B A T	1200	233%	247.60
T. S. L	38	230%	132.09
AFRICAN SUN	2.7	200%	22.45
PIONEER	3	200%	1.65
MEDTECH	0.07	133%	2.24
M & R	6.5	117%	13.93
AFDIS	30	100%	28.56
WILLDALE	0.1	100%	1.78
FBCH	13.5	80%	90.71

Source: MMC Capital Research

Table 6: Shakers in 2013

Counter	31-Dec-13	Change	Mkt Cap ($m)
INTERFRESH	0.5	-75%	0.24
FALGOLD	5	-58%	6.67
PELHAMS	0.1	-50%	1.00
HWANGE	9	-47%	14.96
ZIMPLOW	3.5	-46%	21.80
HUNYANI	2	-46%	6.39
TA HLDS	6.1	-39%	10.06
RIOZIM	33	-37%	17.61
AICO AFRICA	6	-33%	32.05
RADAR	8	-33%	4.09

Source: MMC Capital Research

Table 8: World Economic Growth by Region

Gross domestic product, constant prices(% change)				
Country Group Name	2011	2012	2013f	2014f
World	3.0	2.5	2.4	3.2
Advanced economies	1.8	1.5	1.3	2.2
Emerging and developing economies	6.1	4.8	4.8	5.3
Latin America and the Caribbean	4.1	2.6	2.5	2.9
Sub-Saharan Africa	4.6	3.5	4.7	5.3

Source: World Bank- 2014 Global Economic prospects

… The withdrawal of quantitative easing (and its effect on the long end of U.S. interest rates) is assumed to follow a relatively slow orderly trajectory as the economy improves.…

… In Japan, the economy is expected to continue responding to strong fiscal and monetary stimulus …

…….. Activity on the ZSE will likely remain supported by foreign investors with their exposure skewed towards stocks with solid operating fundamentals………

…….. There is a growing need to mobilise funding for all sectors of the economy if the country is to arrest the economic slowdown gripping the country ……..

…….. We opine that inflation will remain inside 1.0% in 2014 ……..

The world economy in 2014

The World Bank projects the overall global growth to pick up modestly from 2.4 percent in 2013 to 3.2 percent this year. Firming growth in the United States has prompted the Fed to begin reducing the support it provides to the economy in January 2014. The gradual normalization of U.S. monetary policy will be a welcome development to equity investors as it reflects increasingly convincing signs that a self-sustaining recovery is now underway. The withdrawal of quantitative easing (and its effect on the U.S. interest rates) is assumed to follow a relatively slow orderly trajectory as the economy improves. In the Euro Area banks have gone a long way towards restructuring themselves. Nevertheless the banking sector is still weak and details on a fully fledged banking union are still being worked out, and the currency bloc remains susceptible to shocks. The return to growth is not yet a signal of a return to health, although labor markets are now showing signs of stabilizing, long-term and youth unemployment remains endemic, spreading concerns about the potentially permanent employability effects of extended joblessness. In China, high levels of investment and associated lending have generated significant vulnerabilities, which represent risks to the banking sector. Recognition of such risks prompted authorities to adopt a program designed to restructure the sources of demand and growth away from investment and toward consumer demand and the service sector. In Japan, the economy is expected to continue responding to strong fiscal and monetary stimulus. Robust growth, rising inflation, and a substantial depreciation of the currency will also boost exports. Although growth more than halved in the third quarter of 2013, indications are that activity has rebounded as consumers' frontloaded spending ahead of the upcoming consumption tax increase in April 2014. Locally, we expect the ZSE to remain under pressure this year on the back of tightening economic headwinds. Untiring local liquidity constraints will likely result in limited participation by locals on the local bourse. Activity on the market will likely remain supported by foreign investors with their exposure skewed towards stocks with solid operating fundamentals.

Zimbabwe: There is growth potential but…

The Zimbabwe economy is likely to remain under pressure in 2014 as capital constraints continue to clip recovery prospects. There is a growing need to mobilise funding for all sectors of the economy if the country is to arrest the economic slowdown gripping the country. Funding, in our view remains the biggest challenge for the economy in 2014 and we hold that the government should intensify its efforts in clarifying and flexing its policies to attract FDI and revamp the economy.

We opine that inflation will remain inside 1.0% in 2014 after taking into account the fact that at least 60% of the basic commodities consumed are produced in South Africa. Lower inflation figures are premised on the lower crude oil and global food prices in the face of depressed domestic demand. We expect the low incomes growth and high unemployment rates to continue suppressing demand and weaker Rand will result in lower prices for basic commodities from the retailers.

On the banking sector, our view is that the banking sector will continue 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. 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.

... agriculture will continue to be driven by crops like tobacco following the increased investments into the sector ...

On the agricultural front we believe the new government's initiatives to avail timely funding will positively affect the sector's output and GDP contribution in 2014. We believe agriculture will continue to be driven by crops like tobacco following the increased investments into the sector and the entrance of c.21, 000 new farmers. Maize and cotton production are coming off a low base and with increased funding these are likely to add to the country's output and grow the sector's contribution to GDP.

... The decline in metals prices in 2013 reflected both moderate demand growth in China and a strong supply response to earlier price increases ...

The decline in metals prices in 2013 reflected both moderate demand growth in China and a strong supply response to earlier price increases that have attracted a fivefold increase in long term investments in new mines over the past few years. In addition to affecting global GDP in 2013, continued price declines in the second half of 2013 should weigh on growth in 2014. We thus expect the Zim mining sector to remain depressed in 2014 as global commodity prices weaken.

... The local manufacturing sector will remain besieged with structural challenges in 2014 of inadequate infrastructure, foreign competition and limited raw materials in the short to medium term....

The local manufacturing sector will likely remain besieged with structural challenges in 2014 of inadequate infrastructure, foreign competition and limited raw materials in the short to medium term. The need to import has also meant that a lot of the manufacturers' funds have to be tied up for longer in inventories, further increasing the cost of doing business for these manufacturers hence the failure to compete with foreign products. Utility supplies remain another major challenge for the sector and electricity and water continues to pose the biggest impediment for manufacturers as their supply still remains erratic. These challenges continue to erode the manufacturing sector's competitiveness hence the increased import activity witnessed in Zimbabwe.

In our 2013 Investment Outlook Report published in January 2013, we recommended 7 stocks for portfolio investment. Their 2013 annual performance was as follows:

Counter	31-Dec-13 (USc)	30-Dec-12 (USc)	Change
B A T	1200	360	233.33%
Natfoods	200	132	51.52%
Delta	140.1	100	40.10%
Econet	60	45	33.33%
Innscor	80	70	14.29%
Hippo	90.02	111	-18.90%
Dairibord	15	21	-28.57%

Our 2014 Investment Strategy

........We advocate for a defensive strategy in 2014 in the light of the obtaining operating environment which remains constrained for growth (tight liquidity, low capitalization in industry)...

We advocate for a defensive strategy in 2014 in the light of the obtaining operating environment which remains constrained for growth (tight liquidity, low capitalization in industry).

Sector and stock selection

……..Overweight rating on telecoms, consumer, retail as well as the agriculture sector)……

For the 2014 period we have tagged an overweight rating on the telecoms, consumer and retail oriented as well as the agriculture sector. We believe investors will reap positive return if they take selected positions in these sectors as they are consumer oriented and we believe consumer demand will remain relatively strong. OK Zim, Delta, Truworths and Innscor are our stock picks in the consumer and retail sector whilst we remain bullish on TSL and Seedco on the agricultural front. Econet provides a good investment case on the telecoms sector especially on a regional peer comparison.

….Underweight rating on banking sector)……

Due to the headwinds besieging the banking sector, we maintain an underweight rating on the banking sector. We however believe that investors can unlock value in Barclays whose safe banking model is likely to pay dividends should the liquidity crunch persist.

….Underweight rating on mining and manufacturing sector)……

Mining and the Manufacturing sector all have an underweight rating as most of the stocks have not yet fully recovered from the adverse effects of hyperinflation. PPC, Lafarge and Natfoods are our core stock picks in the manufacturing sector. PPC and Lafarge's fundamentals are signalling an improvement largely driven by private home developments whilst Natfoods is set to benefit from the improved operational efficiencies and strong demand for its products which are largely basic. Diversified mining group RioZim is a possible turnaround story on the mining front but the catalyst to the realisation of the story in our view is capital. We hold a neutral rating for the property and tourism sectors.

Our 2014 Stock Picks

Sector	Comments	Focus Names
Telecoms (overweight)	Mobile penetration now 97% whilst teledensity is at 100%,broadband and data services developing and still present opportunities (35% penetration rate);Low service level;Mobile Financial services yet to be exploited	Econet
Banking(underweight)	Lack of an optimally efficiently capitalised bank equipped with modern systems and first world products;deposits are very short term;significant demand for credit but lending mainly short term;economic growth not filtering into the banking sector;high level of NPLs and rising credit risk.	Barclays
Tourism (Neutral)	Improvement to the country's profile will eventually translate into higher tourist arrivals;Tourist arrivals are picking up .	AfSun
Consumer Goods - Retail (overweight)	Demand for foods ,beverages and protein sources has been high since dollarisation.Highly competitive sector with low margins;Opportunities to pick up exists as disposable incomes improve	OK Zim, Delta, Innscor, Truworths
Mining (underweight)	Low cost of production as the reserve is still closer to the ground.Opportunity for growth is immense as a bigger portion of the country is yet to be explored.Commodity prices weakening will impact negatively on the sector.Capitalisation remains the major challenge for the sector.	Rio Zim (possible growth story)
Agriculture (overweight)	The sector vital for economic recovery and government has vowed to support the sector. Recovery is dependant on availability of credit and inputs; Companies such as TSL and Seeddco present the greatest pontential.	TSL, Seedco
Manufacturing (underweight)	Working capital constraints hampering growth ,foreign product competition weighing on priofitability ;aged technology leading to high cost of production;demand for products is strong especially basic commodities.	Natfoods, Lafarge, PPC
Insuarance (underweight)	The sector has come out of the loss phase of the insurance profitability(underwriting) cycle;penetration and product uptake rate on the rise;the market is greatly under-insured and this presence headroom for growth.	Old Mutual,Nicoz Diamond, Afre
Property (neutral)	growth should come from increased gross lettable area(GLA) ;the entrance of international players into Zim will result in improved tenant quality but voids are on the rise due to liquidity challenges	Pearl, ZPI

Listed Company Statistics as at 31 December 2013

Counter	Sector	Latest Price	Mkt Cap US$m	Rolling PE	Price/ Book	EV/ EBITDA	Earnings Yield	ROE	YTD	ROA
AICO	Agro processing	6.00	32.05	(4.76)	0.41	5.89	-21%	-2.67%	-33%	-0.70%
ARISTON	Agro processing	1.00	13.79	25.00	1.01	(34.67)	4%	12.81%	-23%	5.77%
BAT	Agro processing	1,200.00	247.60	36.36	25.24	18.83	3%	58.75%	233%	18.18%
BORDER	Agro processing	20.00	8.59	2.95	0.08	2.29	34%	2.76%	33%	1.90%
COLCOM	Agro processing	22.00	34.99	25.29	1.37	6.75	4%	6.36%	-12%	4.46%
HIPPO	Agro processing	90.02	173.76	12.68	0.85	6.00	8%	6.70%	-19%	3.90%
PADENGA	Agro processing	8.00	43.33	9.52	1.48	5.91	11%	17.42%	78%	13.05%
SEEDCO	Agro processing	90.00	173.71	14.78	2.30	13.43	7%	15.38%	17%	7.43%
ABCH	Banking	59.00	42.32	5.09	0.34	(0.22)	20%	20.66%	7%	1.72%
BARCLAYS	Banking	4.40	94.73	36.67	2.49	(6.50)		6.56%	69%	0.92%
CBZH	Banking	15.00	102.62	1.90	0.61	(0.67)	53%	25.37%	50%	3.31%
FBCH	Banking	13.50	62.20	5.06	0.80	0.30	20%	18.50%	80%	3.41%
NMB	Banking	6.50	18.25	2.37	0.46	(3.55)	42%	19.47%	900%	3.13%
ZBFH	Banking	11.10	19.45	2.78	0.37	(2.88)	36%	17.83%	39%	2.78%
CFI	Conglomerate	3.60	3.80	(0.98)	0.09	(20.60)	-103%	-10.98%	-27%	-5.11%
INNSCOR	Conglomerate	80.00	433.27	11.13	2.99	7.42	9%	33.53%	14%	15.30%
MEIKLES	Conglomerate	19.00	46.62	15.70	0.34	11.00	6%	3.95%	27%	2.01%
RADAR	Conglomerate	8.00	4.09	(1.79)	0.11	6.00	-56%	-5.91%	-33%	-2.33%
STAR AFRICA	Conglomerate	1.00	5.18	(0.31)	(5.84)	(5.17)	-320%	1814.57%	-33%	-33.62%
TA HOLDINGS	Conglomerate	6.10	10.06	4.09	0.18	1.46	24%	8.91%	-39%	3.17%
TSL	Conglomerate	38.50	133.82	21.27	2.51	16.50	5%	11.12%	235%	7.86%
ECONET	ICT	60.00	545.59	6.74	1.04	2.10	15%	25.16%	33%	12.32%
ZIMPAPERS	ICT	0.80	4.61	2.76	0.58	2.91	36%	21.51%	0%	5.71%
AFRE	Insurance	8.00	17.37	2.38	0.99	1.86	42%	68.49%	54%	6.51%
FIDELITY	Insurance	13.01	14.17	4.37	1.48	3.43	23%	37.32%	8%	7.13%
NICOZDMD	Insurance	1.40	7.83	2.86	0.53	1.53	35%	19.14%	0%	10.53%
ZHL	Insurance	1.45	11.24	6.04	0.24	(53.22)	17%	10.87%	21%	4.28%
AFDIS	Manufacturing - Beverages	30.00	28.50	35.29	5.18	16.26	3%	14.70%	100%	6.32%
DELTA	Manufacturing - Beverages	140.10	1,725.16	15.88	4.91	10.23	6%	31.05%	40%	19.09%
LAFARGE	Manufacturing - Construction	110.00	88.00	19.03	2.49	8.12	5%	12.78%	57%	7.44%
M&R	Manufacturing - Construction	6.50	13.96	28.26	0.71	5.13	4%	2.57%	117%	1.34%
TURNALL	Manufacturing - Construction	5.00	15.69	500.00	0.84	6.10	0%	0.25%	-9%	0.11%
WILLDALE	Manufacturing - Construction	0.10	1.78	(1.67)	0.25	(7.70)	(0.60)	-14.31%	100%	-7.08%
DZHL	Manufacturing - Food	15.00	53.70	100.00	1.16	12.22	1%	1.36%	-29%	0.87%
NATFOODS	Manufacturing - Food	200.00	136.80	9.81	2.47	7.52	10%	25.15%	52%	13.76%
ART	Manufacturing - Nonfood	0.20	0.93	1.82	0.09	3.96	55%	4.43%	-62%	1.53%
ASTRA	Manufacturing - Nonfood	5.00	6.99	5.68	0.54	3.16	18%	9.55%	0%	6.37%
GBH	Manufacturing - Nonfood	0.08	0.42	(19.12)	0.09	0.59	-5%	-48.15%	700%	-17.32%
HUNYANI	Manufacturing - NonFood	2.00	6.39	6.45	0.30	3.31	16%	3.91%	-46%	2.25%
NTS	Manufacturing - Nonfood	2.50	6.35	7.35	1.17	5.12	14%	16.08%	-17%	10.89%
PIONEER	Manufacturing - Nonfood	3.00	16.49	(1.82)	3.48	556.08	-55%	-11.85%	200%	-2.98%
POWERSPEED	Manufacturing - Nonfood	1.80	6.82	12.86	0.88	4.86	8%	6.80%	29%	2.93%
ZECO	Manufacturing - Nonfood	0.01	0.05	(0.02)	0.00	(0.02)	-6600%	-9.35%	0%	-6.49%
ZIMPLOW	Manufacturing - Nonfood	3.50	17.59	10.94	0.66	8.21	9%	2.39%	-46%	1.21%
MEDTECH	Manufacturing - Pharmaceutical	0.07	1.96	2.12	1.46	7.74	47%	35.21%	133%	5.76%
CAFCA	Manufacturing -Cables	28.00	9.13	6.83	1.29	4.56	15%	18.44%	-30%	10.93%
BINDURA	Mining	2.00	2.52	(1.00)	(0.42)	(0.61)	-100%	216.66%	33%	-25.33%
FALGOLD	Mining	12.00	13.34	(10.91)	(4.03)	(18.80)	-9%	50.45%	0%	-9.09%
HWANGE	Mining	9.00	16.53	(15.00)	0.16	2.92	-7%	-0.50%	-47%	-0.22%
RIOZIM	Mining	33.00	9.90	(13.98)	0.44	7.34	-7%	-13.20%	-37%	-2.45%
DAWN	Property	1.00	24.57	16.67	0.29	13.60	6%	1.86%	43%	1.79%
MASH	Property	3.25	60.42	3.22	0.62	10.62	31%	17.87%	25%	16.89%
PEARL	Property	2.60	32.19	3.43	0.29	5.53	29%	8.41%	-7%	7.61%
ZPI	Property	1.30	22.32	3.33	0.42	10.46	30%	12.23%	8%	11.51%
EDGARS	Retail	12.11	34.24	7.62	3.13	6.05	13%	36.18%	51%	11.18%
OK ZIM	Retail	20.00	230.80	17.39	3.83	9.38	6%	20.51%	33%	10.36%
PELHAMS	Retail	0.10	1.00	(0.56)	0.28	(14.36)	-180%	-49.20%	-50%	-13.45%
TRUWORTHS	Retail	4.20	15.69	13.13	3.19	11.88	8%	24.08%	68%	6.7%
AFRICAN SUN	Tourism	2.70	22.25	8.71	0.98	5.20	11%	11.34%	200%	4.5%
RTG	Tourism	1.60	26.33	(22.86)	1.78	21.30	-4%	-6.97%	-33%	-2.1%

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: **Kudzanai Samudzi.**

Important disclosures

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Additional disclosures

1 This report is dated as at 17 January 2014

2 All market data included in this report are dated as at close of 31 Dec 2013, unless otherwise indicated in the report.

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