



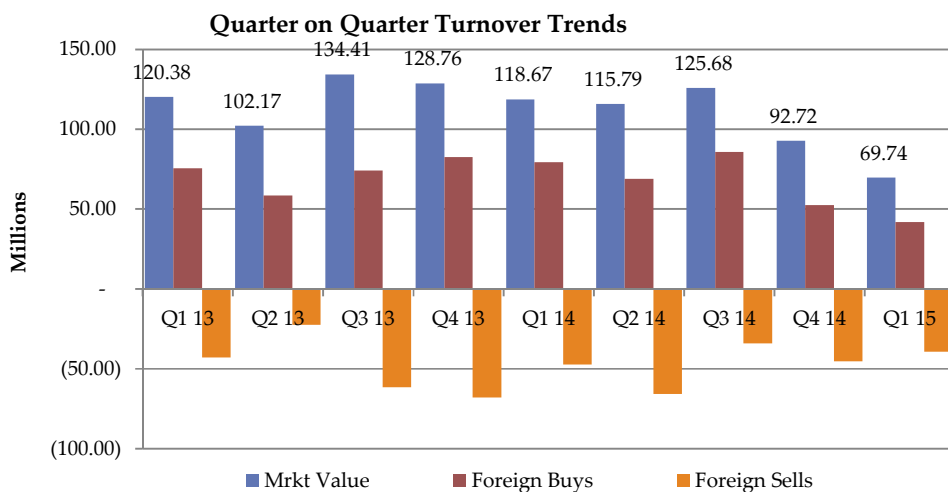
# ZSE Q1 Trading Review

## *ZSE slumps to slowest quarter since dollarization...*

The ZSE witnessed its slowest quarter of trading since dollarization as the moribund Zimbabwean economy coupled with the general slowdown of investment flows to emerging markets took their toll. Zimbabwe's case was further exacerbated by persistent liquidity challenges that put pressure on prices. Deflationary pressures have also down played the outlook for most listed companies as margins are under pressure while demand continues to wane. Year to date m-o-m annual inflation figures have firmly been in the negative, and sat at -1.4% by end of February 2015, as general price levels continue to come off. The reporting season offered little hope as the results only but reemphasized the state of the economy with only those with exposure to international markets for their products like Padenga coming out with flying performances while those that are willing to stomach credit risk also posted decent numbers though sometimes at the expense of the quality of the debtor's book.

	31/12/2014	31/03/2015	CHANGE	%CHANGE
<b>Industrial Index</b>	162.79	158.22	4.57	2.81
<b>Mining Index</b>	71.71	43.93	27.78	38.74

With the economic pressures coupled with the poor financial results from the companies the Industrial Index came off -2.81% in the first quarter to settle at 158.22pts. Capitalization issues weighed on the resources as the Mining Index ended the quarter down 38.74% at 43.93pts



Source: ZSE/EFE

### Contacts:

Edgeton Tsanga +263 772 277 153

Chris Masendeke +263 772 135 234

Phenias Mandaza +263 772 144 334

Coreen Madanha +263 772 144 333

Brenda Mwaturura +263 782 785 666

### Top Value Traded Stocks

Top Value Drivers		
1	DELTA	23,265,713
2	ECONET	19,635,084
3	INNSCOR	5,606,209
4	SEEDCO	3,462,632
5	DAWN	3,448,432
6	BAT	1,924,277
7	CBZ	1,747,406
8	OLDMUTUAL	1,585,120
9	ZIMPLOW	1,148,940
10	DAIRIBORD	936,026
		62,759,837
		6,982,401
		69,742,238

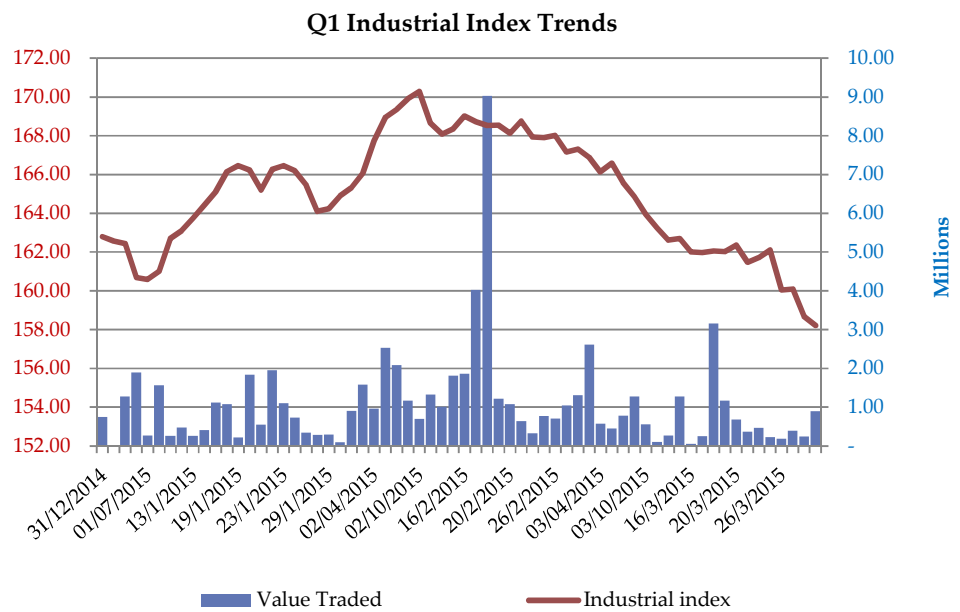
### Top Foreign Stocks Bought

Top Foreign Buys		
1	DELTA	17,314,689
2	ECONET	16,036,421
3	INNSCOR	3,803,422
4	DAIRIBORD	715,410
5	MASHHOLD	687,696
6	SEEDCO	463,072
7	BAT	336,817
8	OK	320,078
9	NATFOODS	265,166
10	PEARL	254,580
		40,197,351
		1,616,369
		41,813,721

### Top Foreign Stocks Sold

Top Foreign Sold		
1	ECONET	15,962,559
2	DELTA	15,183,643
3	INNSCOR	2,450,462
4	CBZ	1,187,331
5	BAT	1,163,788
6	DAIRIBORD	550,454
7	OK	253,780
8	MASHHOLD	233,581
9	PEARL	201,900
10	LAFARGE	78,026
		37,265,524
		1,910,961
		39,176,485

Aggregate value of trades in the first quarter totaled \$69.74m which is the lowest outturn since the market dollarized. The foreign component is the dominant activity driver for the market driving both liquidity and supply. The total spend by foreign investors in the first quarter totaled \$41.8m in the process providing 60% of the liquidity in the review period. Similarly disinvestments were dominated by foreign investors that accounted for an estimated \$39.2m in value which was 56% of the total turnover for the quarter.

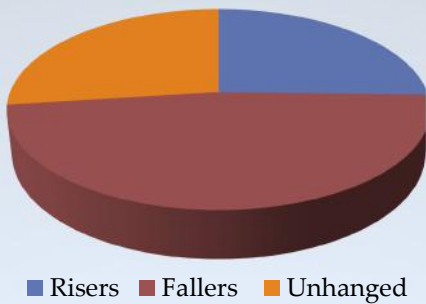


Source : ZSE/EFE

An initially checkered growth at the outset of the New Year resulted in the Industrial Index peaking at 170.28pts on the 10<sup>th</sup> of February 2015 and since then the market has succumbed to low liquidity as holders of equity positions sought out the tight liquidity. The market has gone on an average daily turnover outturn of \$1.1m in the quarter though it actually gets lower if outlier trades involving corporate transactions are excluded.

Market activity was predominantly in the heavy cap stocks which are deemed to have sustainable models in the face of weak economic fundamentals. Overall Delta, Econet and Innscor top traded in Q1 making respective contributions values of 33%, 28% and 8%. Foreign buying was also largely seen in the same three stocks with an aggregated 89% of the total inflows in Q1 being invested in the three stocks. Likewise portfolio disposals by foreign investors exhibited the same skew towards the three top capitalized stocks though the mix changed slightly with most of the sales being in Econet 41%, while Delta and Innscor accounted for 39% and 6% respectively.

### Q1 Market Strength



### Bulls and bears

Price movements in the first quarter were seen in forty six counters with an overly bearish sentiment being exhibited as thirty stocks slipped from their year opening levels against only sixteen risers as the market established a negative breadth of fourteen. Thirteen stocks maintained their quarter opening prices while two stocks delisted from the bourse namely ABCH and TAH following successful conclusion of offers to minorities leaving the market with 59 active stocks and four currently suspended to give a total of 63 counters on the list.

SHAKERS					
	STOCK	31/12/2014	31/03/2015	CHANGE	%CHANGE
1	CFI	3.00	1.00	2.00	66.67
2	RIOZIM	15.00	7.00	8.00	53.33
3	FIRST MUTUAL	5.00	3.00	2.00	40.00
4	BINDURA	6.40	4.00	2.40	37.50
5	FIDELITY	8.00	5.00	3.00	37.50
6	FALGOLD	3.50	2.50	1.00	28.57
7	LAFARGE	55.00	40.00	15.00	27.27
8	MEIKLES	15.50	11.50	4.00	25.81
9	DAWN	1.05	0.80	0.25	23.81
10	STAR AFRICA	1.80	1.40	0.40	22.22

Source : ZSE/EFE

CFI topped the declines for the quarter after shedding -66.67% and saw its stock exchange hands at 1c. Mining house RioZIM's delayed conclusion of recapitalization owing to due process on regulatory approvals for the empowerment compliance and exchange control approvals came down 53.33% for the quarter and traded at 7c. FML whose full year results swung into the red owing to a mounting claims bill at their health insurance business shaved off 40% of its value as it closed Q1 trading at 3c. Bindura was to be undone by the delayed conclusion of the capital raise to fund its smelter restart while lower global commodity prices are also expected to exert pressure on margins. These two conditions saw the nickel miner come off 37.5% and has its shares trading at 4c. Life assurers Fidelity completed the top five shakers on a 37.5% decline to 5c on weak demand.

The market's undoing however was in the heavily capitalized stocks with most of which succumbed to selling pressure as investors sought liquidity. Notable amongst these was telecoms group Econet that retreated 16.7% and was trading at 50c at the end of Q1. The telecoms group's woes were compounded by a voice tariff cut at the turn of the New Year which saw a revision of most valuations.

Innscor and its subsidiary National Foods were the other two heavies to weigh on the market after they came off 8.33% and 8.82% to trade at 55c and 310c respectively.

GAINERS					
	STOCK	31/12/2014	31/03/2015	CHANGE	%CHANGE
1	TRUWORTHS	0.50	1.50	1.00	200.00
2	BARCLAYS	2.55	4.00	1.45	56.86
3	ZIMPAPERS	0.70	1.00	0.30	42.86
4	ZHL	0.85	1.20	0.35	41.18
5	POWERSPEED	1.60	2.20	0.60	37.50
6	MEDTECH	0.03	0.04	0.01	33.33
7	ZIMFLOW	6.42	7.80	1.38	21.50
8	ASTRA	4.00	4.50	0.50	12.50
9	PADENGA	9.00	9.75	0.75	8.33
10	OLDMUTUAL	234.00	252.00	18.00	7.69

Source: EFE/ZSE

Leading the aforementioned sixteen gainers was apparel retailers Truworths that rallied 200%, the only stock with triple digit growth in Q1. Financial services group Barclays followed with a +56.86% jump to 4c on anticipation of a better payoff from the group's conservative lending model in the face of mounting non-performing loans in the banking industry. Zimpapers, ZHL and Powerspeed completed the top five risers on gains of 43%, 41% and 38% to close trading at respective prices of 1c, 1.2c and 2.2c. Padenga's 8.33% uplift to 9.75c was also noteworthy as the crocodile skin producers saw sustained demand after an impressive 2014 financial outturn where they rewarded their shareholders with a 0.3 USc dividend per share.

The highlights of the gains were seen in multi listed financial services group Old Mutual that put on 7.69% and closed the quarter at 252c in a post results rally as investors sought exposure ahead of the stock going ex-div. Additionally Old Mutual's local price also trekked northwards to narrow down the excessive discount that had emerged following the general slump in prices on the local bourse. Delta was also a notable riser with a 2.94% gain to 105c as the beverages group rebounds from the 4<sup>th</sup> quarter slump in 2014.



## Outlook and Comment

The end of the first quarter coincided with the conclusion of the reporting season with most results falling short of inspiring resurgence in the market. The economic climate remains depressed with continued deflationary pressures likely to persist - the responsibility vests with the authorities to make policy changes to turnaround the fortunes of the economy particularly through the attraction of foreign direct investment to resuscitate the slowing down business activity. Several major companies have a March ending reporting period and once again from the market's perspective we expect these to be a main influence on the direction that the market takes. We still hold the opinion that the declines seen towards the end of last year were overdone and some stocks have even take further knocks in Q1; as such we expect a semblance of recovery in some of the stocks as the prevailing low prices will make for attractive valuations when taken together with upcoming results. Overall we therefore expect anticipate a flat outturn at the end of Q2 with marginal possibility of light gains relative to the Q1 final outturn.



EFE Securities Private Limited; 26 Cork Road Belgravia; Harare  
[www.efesecurities.com](http://www.efesecurities.com); [research@efesecurities.co.zw](mailto:research@efesecurities.co.zw); [dealing@efesecurities.co.zw](mailto:dealing@efesecurities.co.zw);  
Phone +263 4 799132 – 5; Fax +263 4 799138

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