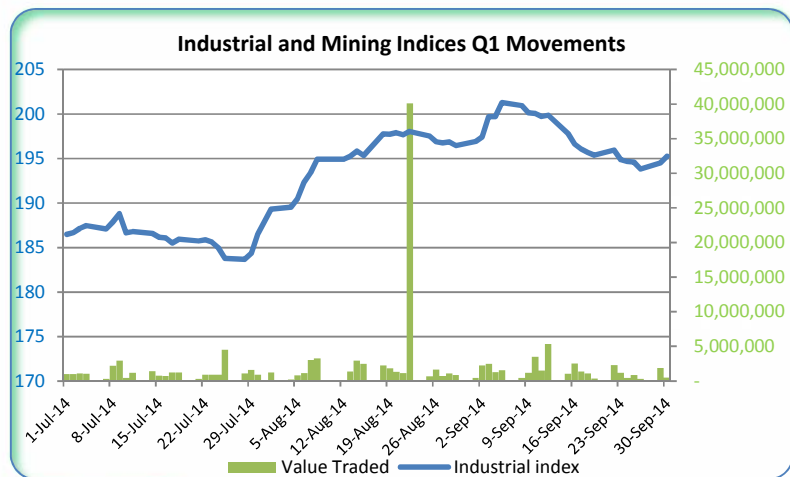
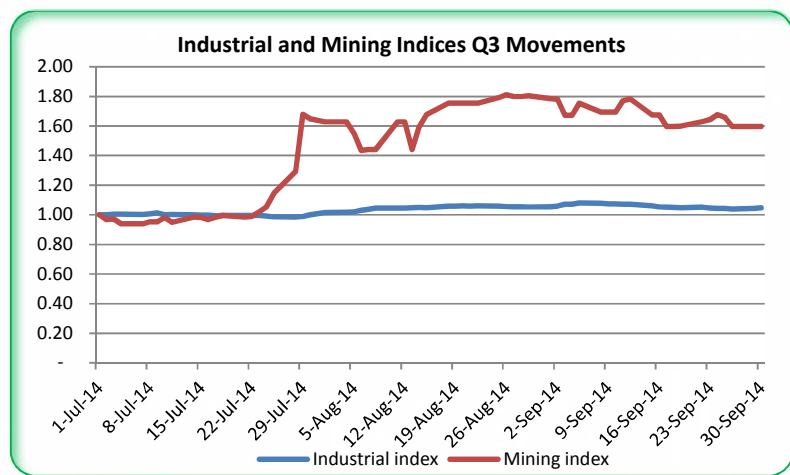


Indices	30/06/2014	31/09/2014	Change	Q3 % Change	YTD % Change
Industrial	186.56	195.25	8.69	4.66	3.40
Mining	61.32	92.76	31.44	51.27	102.58

SOURCE: EFE SECURITIES/ZSE



SOURCE: EFE SECURITIES



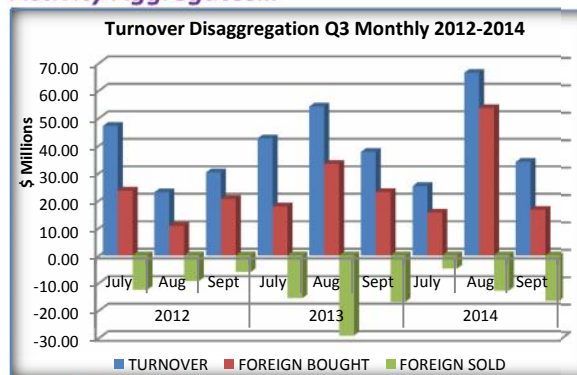
SOURCE: EFE SECURITIES

Weak economic fundamentals weighs on sentiment...

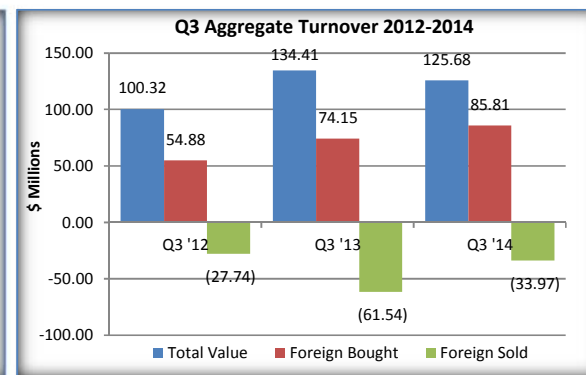
The third quarter carried on the momentum from the prior period as the ZSE sustained its rallying momentum to see the main stream Industrial Index close just shy of the psychological 200pts mark at 195.25pts. The index managed to garner a cumulative 4.66% over the three months period as momentum stocks rallied ahead of the financials release. Expectations also ran high on the market riding on the government's efforts to try and resuscitate the ailing economy which saw a state visit to China where several deals for the long term were inked while a platinum mining venture funded by the Russian group of investors was launched amidst pomp and fanfare. These however could not draw attention from the overbearing structural weakness in the economy that have been evidenced by the sustained liquidity challenges and weakening demand as well as the lack of tangible cash investments into the economy.

Our edition of the Q2 report highlighted the attractive valuations following a falling Q1 as the most likely driver for a market turnaround and indeed we saw several market heavies rebound heavily to set new highs while others managed to wipe out earlier losses on sustained demand as investors exposure in the seemingly cheap stocks. The appetite was only put out by the continued reemphasis of the dire state of the economy with industry reports of downsizing of operations in companies on continued weak demand in the economy. The impact was fully reflected in lower financial performances by the listed companies which in turn exerted pressure on the trading prices. The late onslaught could however not suffice to cancel earlier gains garnered by the market in the earlier part of the quarter.

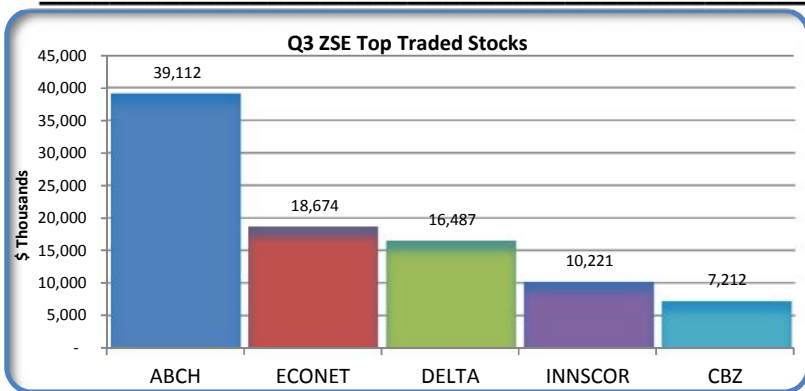
Activity Aggregates...



SOURCE: EFE SECURITIES



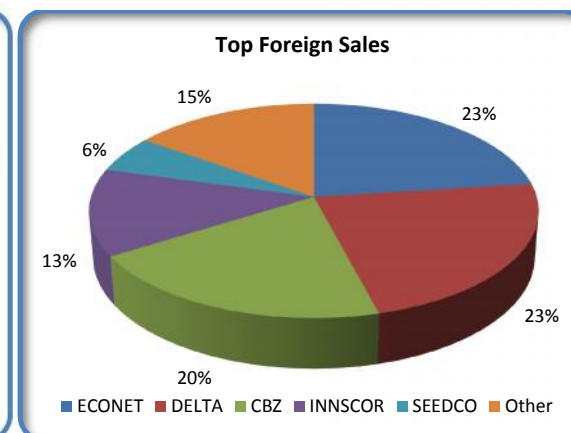
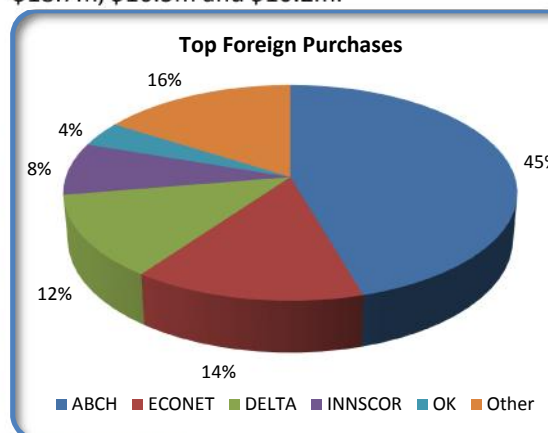
Quarterly turnover aggregates reflected a marked 8% surge to \$125.7m on the most recent quarter (Q2). However this was -6.5% shy of the total amassed in the third quarter of the prior year. Even then the turnover for the quarter was also sugar coated by the inclusion of block trades in ABCH which were executed in partial conclusion of the takeover of the group by Atlas Mara which saw the banking group top the turnover contribution charts at a value of \$39.1m. Foreign inflows similarly emerged as the main



driver of liquidity after accounting for 68% of the total value spun in the quarter though this similarly got a flattering uplift from the ABCH trades. Disinvestments from the market were valued at \$34m for the quarter to see the market sustain net funds inflow position as foreign investors continue to find the local bourse alluring.

The usual market momentum stocks anchored the remaining top value drivers of the quarter with Econet, Delta and Inncor following after respective contributions to the quarterly total turnovers of \$18.7m, \$16.5m and \$10.2m.

Q3 Risers		30/06/2014	30/09/2014	Q3 % Change	YTD % Change
1	STAR AFRICA	0.80	2.20	175.00	120.00
2	FALGOLD	1.50	4.00	166.67	20.00
3	HUNYANI	2.00	4.80	140.00	140.00
4	ZBFH	4.00	8.00	100.00	27.93
5	TA	8.00	15.51	93.88	154.26
6	ARTZDR	0.30	0.50	66.67	150.00
7	BINDURA	4.80	8.00	66.67	300.00
8	ASTRA	4.00	6.21	55.25	24.20
9	MASIMBA	1.71	2.60	52.05	60.00
10	PELHAMS	0.02	0.03	50.00	70.00



SOURCE EFE SECURITIES

Bulls on the roll as ZSE closes quarter in the black

The market was overly bullish in the third quarter led by gains in small cap and mid-tier stocks while heavy caps played an anchoring role as the market sustained momentum from the second quarter. Thirty four stocks managed to close in the black against twenty fallers while only twelve were stable at prior levels. Sugar refiners and packagers Star Africa rode on news of operations restart at the Harare refinery following a recapitalization exercise; this saw the demand surge in the group driving its price up by 175% to 2.2c. Gold Miners Falgold were to follow after adding +166.7% to 4c as the group looked set to conclude the disposal of its Dalny mine to ACR only for the deal to fall through after the end of the quarter. Packaging group Hunyani put on 140% to 4.8c after investors approved plans by NAMPAK of South Africa to consolidate their investments in Zimbabwe including their investment in Hunyani into one investment group NAMPAK Zimbabwe limited.

Investment holding company TAH was also to feature amongst the top gainers after the group went up 93.88% to 15.51% as investors sought to gain exposure into the group ahead of a proposed offer to

Q3 Fallers		30/06/2014	30/09/2014	Q2 % Change	YTD % Change
1	RADAR	8.00	3.00	62.50	62.50
2	ZIMFLOW	12.50	6.41	48.72	83.14
3	PIONEER	5.00	3.00	40.00	0.00
4	G/BELTINGS	0.05	0.03	40.00	62.50
5	TURNAL	3.00	2.10	30.00	58.00
6	African Sun	2.80	2.10	25.00	22.22
7	NTS	2.70	2.05	24.07	18.00
8	DAWN	1.00	0.80	20.00	20.00
9	MEIKLES	19.99	16.00	19.96	15.79
10	ZIMPAPERS	0.80	0.65	18.75	18.75

minorities by majority shareholders Masawara at a price of 20.06c. The offer however failed to gain the requisite approval at the extra ordinary general meeting as some of the shareholders objected to the offer price. Nickel miners Bindura continued its fairy-tale run firming +66.67% to 8c as the stock continued to be alluring on the back of the firming international prices and the rejiggering of operations following a mine restart coupled with the planned refinery restart

The market's gains were held back by losses in twenty stocks with Radar topping after shedding -62.50% to 3c on weak demand while Zimplow was to follow after shedding -48.72% to 6.41c. Transport group Pioneer followed after shedding -40% to 3c despite the reported plans for the group to change name to Unifreight following their successful acquisition of Unifreight Zimbabwe operations. Turnall succumbed to selling pressure shedding -30% to 2.1c as investors shipped out the stock of the construction allied group ahead of an anticipated surge in free float following the decision by major shareholders FBCH to divest from the group through the issuance of Turnall shares to its shareholders as a dividend in specie.

Comment

For the remaining quarter we believe the market will be stable overall as the Q3 rally steams off after weak results for the June reported date filtered the market consequently sapping the energy that saw the indices gain tremendously in the quarter. Excitement was also buoyed by several long term deals inked in the quarter but however the glory is bound to be short lived as the realities of an economy on a nose dive hold. We are likely to see softening of the market before a rebound in the dusk of the quarter. Most heavies have to rerate downwards before leading recovery towards year end. The macro perspective gives no stimuli and only technicalities such as market cycles justify the rebound towards year end. Counters to spur growth will be Innscor, Seedco, Natfoods and Delta. We foresee Delta finishing the year weaker to its year opening levels but at least 5% up on the current price. Natfoods has a clear upside owing to its recent financial performance. Seedco and Innscor have sharply dipped and could emerge stronger as the quarter winds.

We do not foresee any major capital injection into economy and we expect national revenues to tumble at a faster rate owing to company closures which dwindles the tax base. The move by government to spread the net to the informal sector will nevertheless help in dampening the rate at which income falls. This negative which is reflected fully in the industry report by CZI where capacity utilisation has fallen to 36% will drag the economy further and in turn aggregate demand will keep softening and companies have to improvise to sustain operations. We believe there is so much scope on the ZSE in the mid to long term and getting exposures in some counters with viable models at present discounted levels is a plus. In the short term the market will continue trading sideways with more pressure on the downside and caution has to be taken in portfolio selection.

Analysts	Contacts
Respect Gwenzi	respectg@efesecurities.co.zw
Phenias Mandaza	pheniasm@efesecurities.co.zw



This document has been prepared by EFE Securities (Private) Limited (EFE), for the information of its clients. Although the statements of fact in this report have been obtained from sources that the company believes to be reliable, we do not guarantee their accuracy, and any such information may be incomplete or condensed. All opinions and estimates included in this report constitute the company's judgment as of the date of this report and are subject to change without notice. The securities discussed and mentioned in this report may not be suitable for all investors. Investors must make their own investment decisions based on their specific investment objectives and financial position and using such independent advisors they believe necessary. This report is for informational purposes only and is not intended as an offer or solicitation with respect to the purchase or sale of any security. EFE and any of the individuals preparing this report may at any time have a long and/ or short position in any securities of companies in this report. In addition EFE may from time to time perform investment banking or other services for, or solicit investment banking or other business from any entity mentioned in this report. EFE may at times buy and sell shares on an agency or principal basis to its clients. Shares may rise or fall and investors may end up with a reduced amount from their initial capital invested. Additional information on EFE's recommended securities is available on request.