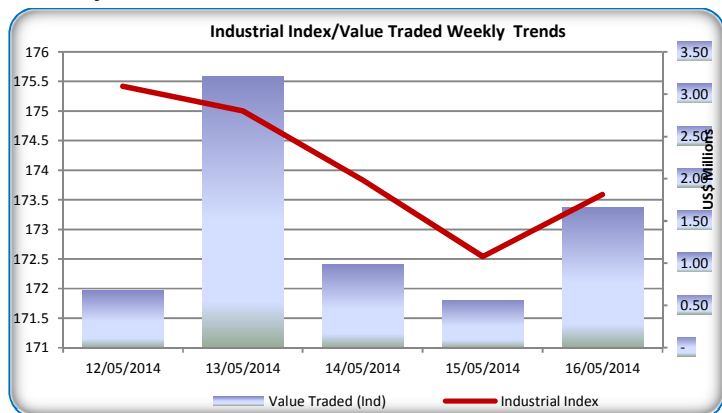
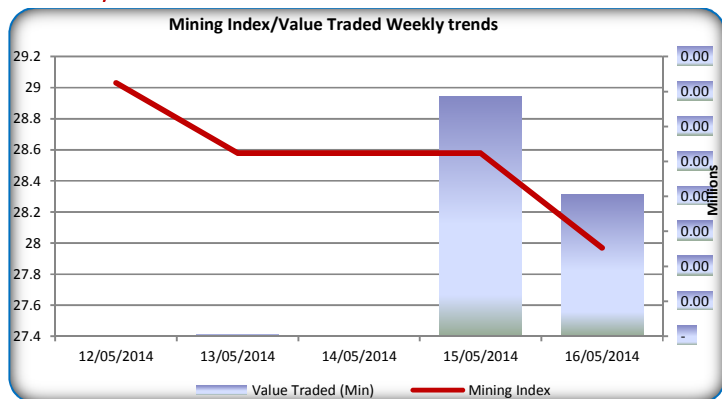


EFE Weekly Market Review 16 May 2014

Weekly Stats



Source ZSE/EFE Dbase



Source ZSE/EFE Dbase

| | Current | Previous | % Δ |
|---------------------|---------|----------|-------|
| Value Traded (\$mn) | 7.19 | 12.41 | 42.04 |
| Volume Traded (mn) | 31.61 | 27.41 | 15.29 |
| Foreign Purchases | 2.55 | 7.47 | 65.83 |
| Foreign Sales | 3.47 | 8.60 | 59.60 |

Source ZSE/EFE Dbase.

Market Highlights

ZSE losses steam as companies shy away from forecasting...

The return of corporate activity highlighted the week under review and AGM's becoming the order of the day. The pick of the cherry was without doubt the full year results released by Delta while annual general meetings for Astra, Barclays and DZLH spiced up the events. The beverages giant managed to survive a premium lager volumes decline onslaught to post a 1% drop in revenue while successfully attaining respective gains of 2% and 3% at EBITDA and attributable income levels. These however failed to inspire the market to gains for the week as management, not only of Delta but for all companies that had meetings, could not commit to any outright forecasts citing the uncertain economic conditions in the years ahead as constraint.

| Index | Level | %Δ | YTD %Δ |
|------------------|--------|------|--------|
| Industrial Index | 173.59 | 1.68 | 14.12 |
| Mining Index | 27.97 | 3.65 | 38.92 |

The softening seen late last week carried through into the week under review resulting in the Industrial Index losing 1.68% for the week and closing at 173.59pts, while extending YTD losses to -14.12%.

Likewise the resources index trekked southwards shedding -3.65% to 27.97pts as the listed mining houses remain under severe operating challenges owing to lack of capital.

The market trades thin...

It was a thinly traded week that saw most aggregates softening save for the total volume of shares that went up 15.29% to 31.61m shares which could be explained by activity improving in the lower value stocks. Despite the improvement in the volumes, values took a 42.04% knock to \$7.19m as the foreign sell off persisted. Foreign flows were similarly lower for the week with demand from foreign investors falling 65.83% to \$2.55m while foreign portfolio disposals went down

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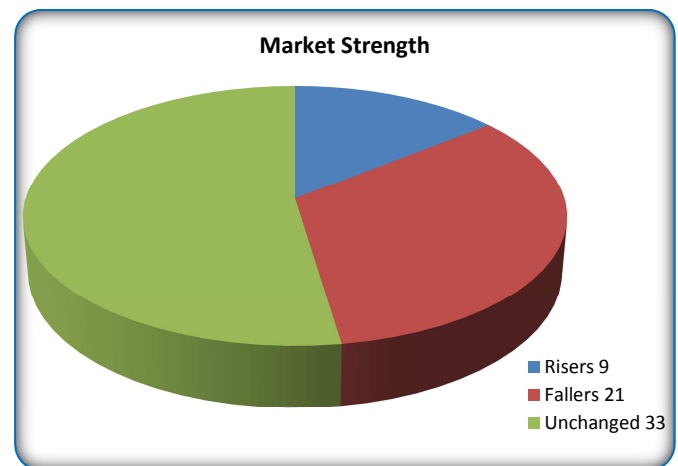
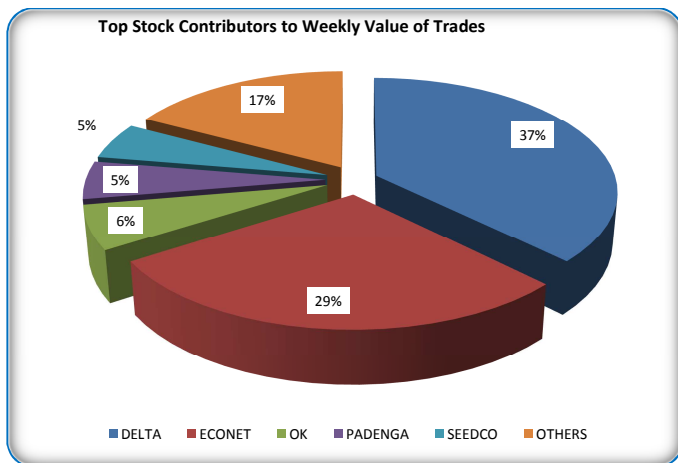
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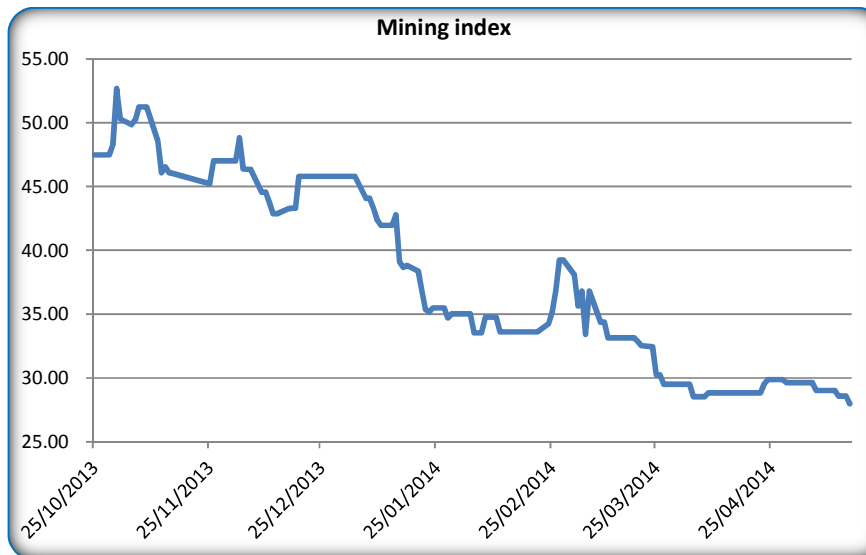
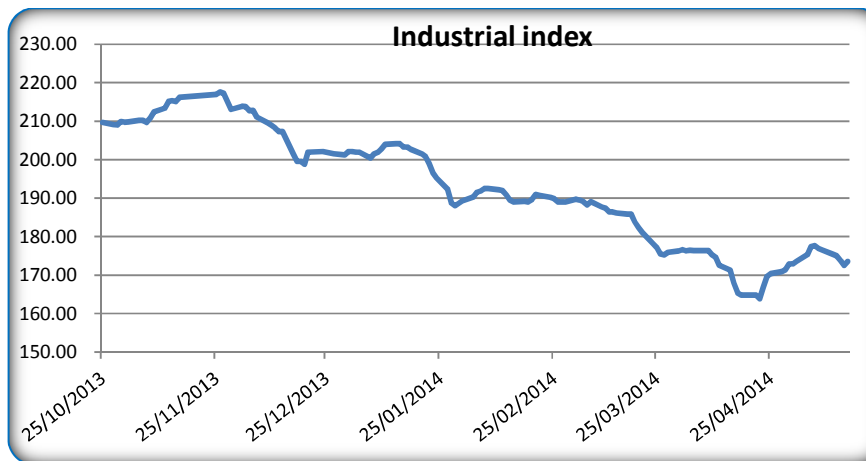
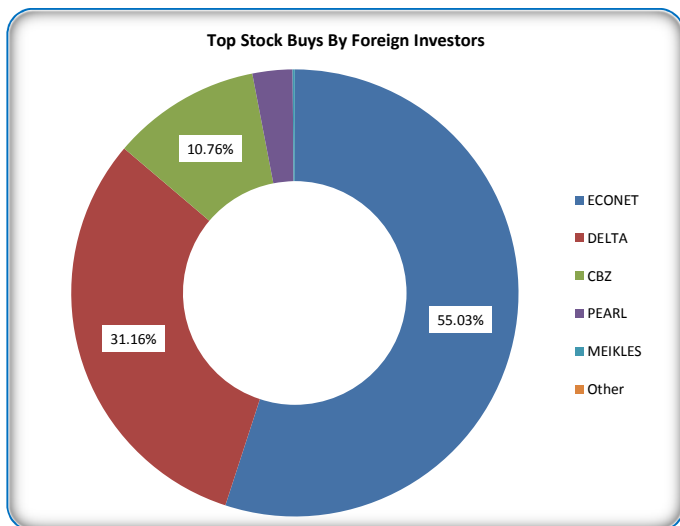
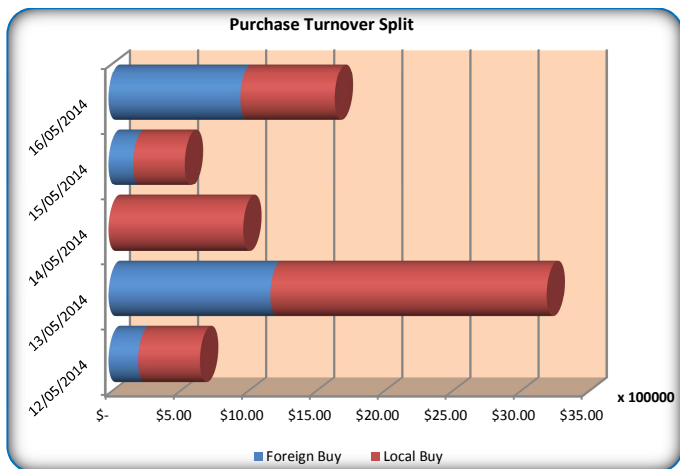
by 59.6% to \$3.47m leaving the market in a net funds outflow position of \$1.08m. Delta and Econet continued to be the most sought after stocks in the week under review with the two market giants accounting for a combined 66% of the total weekly value of trades. Foreign demand was similarly skewed towards the same stocks with an estimated contribution of 86.19% while other stocks where foreigners had demand were CBZ, Pearl and Meikles.

| Top Five Risers | | | | Worst Performers | | | |
|-----------------|-------|--------|--------|------------------|-------|-------|--------|
| Counter | Price | %Δ | YTD %Δ | Counter | Price | %Δ | YTD %Δ |
| ARTZDR | 0.30 | 200.00 | 50.00 | MASIMBA | 1.00 | 33.33 | 84.62 |
| NMBZ | 4.00 | 33.33 | 38.46 | Willdale | 0.07 | 30.00 | 30.00 |
| TRUWORTHS | 3.00 | 20.00 | 28.57 | HIPPO | 50.00 | 18.03 | 44.46 |
| PEARL | 2.95 | 18.00 | 13.46 | TA | 5.00 | 16.67 | 18.03 |
| INNSCOR | 70.00 | 4.45 | 12.50 | HWANGE | 5.00 | 9.09 | 44.44 |

With Zimbabwe reeling in the throes of a tight liquidity situation, the dearth in foreign demand has weighed heavily on the performance of majors stocks on the bourse with supply exceeding demand. Delta's post results decline weighed heavily on the market after a -3.36% retreat took its price to 115c. Dairibord fell -2.79% to 8c ahead of an AGM where management reported a flat volumes outturn for the four months to April 2014. Agro industrial concern Hippo took the heaviest knock amongst the market's top stocks shedding -18.03% to 50c weighed down by the declining global sugar prices.

Construction allied groups topped the weekly fallers with Masimba leading after shedding -33.3% to 1c while brick makers Willdale traded 30% softer at 0.07c. TA and Hwange completed the top shakers with respective losses of 16.7% and 9.1% to an identical price of 5c. Market losses were mitigated by gains in FMCG conglomerate Inncor whose recent incessant demand was rewarded with a +4.45% uplift to 70c. ART ZDR were the surprise weekly top gainer after a 2005 rally took their price to 0.3c with banking group NMBZ following after advancing +33.35 to 4c. Apparel retailers Truworths were 20% up at 3c while Pearl added +18% to 2.95c.

Market statistics



Top Picks

| | |
|---------------------------------------|--|
| BAT | Established itself as one of the consistent performers on the local bourse. It is operating at a mature stage of its business as seen in its high and attractive dividend pay-out. It is our opinion that BAT should be considered for attractive cash flows from their dividend pay-out |
| Dairibord | Driven by a portfolio of strong SBU's and an attractive brand portfolio that can hold its own against imports in the local market. With the concerted effort to re-establish the national herd the future can only be better for Dairibord. |
| Delta | The beverages Giant enjoys huge market dominance and has consistently maintained a steady growth in volumes and revenues. As the market's top stock, a solid performer, Delta is an undoubted consideration for any investor because of the limited downside |
| Econet | The dominant mobile phone operator in the country enjoys huge discounts to its regional comparatives while the fact that it is a consistent performer adds to its allure. |
| Innscor | The group enjoyed steady growth in revenues over the years and looks well placed to continue enjoying steady growth going forwards. It is one group that has positioned itself well to benefit from any improvement in economic activity and disposable incomes in particular |
| Properties Mash; Pearl & ZPI | : Property companies on the local bourse have all been relatively discounted relative to the regional comparatives with the investment case largely being vested in the lower rental rates relative to regional comparatives. These have been steadily improving and are expected to continue improving with better changes in the economy |
| National Foods | As the leading food processing and packaging group in the country has been on a capacity increase drive and should continue to enjoy and consolidate on benefits of its rationalization exercise as well as improving efficiencies. The group can also benefit from synergies that could be drawn from their strategic partnership with top shareholders and leading South African food processing and packaging group Tiger Brands. |
| OKZM | As one of the leading retail groups in Zimbabwe OK led the way in refurbishment of outlets, As more outlets are refurbished and others added to their portfolio we believe the margins will continue to improve |
| Old Mutual | The dually listed giant trades at a huge discount to its price on either the JSE or London stock Exchange. We believe there is potential upside benefits should market be liberalized scrip become tradable across markets. For the short term however Old mutual's attraction is in its consistency is paying dividends |
| TSL | Attractive valuation and successfully completed a rationalization exercise with the results of impressive financial results coming up |

In the News

Interest income boosts Delta's profitability

A 38 percent rise in interest income led Delta to an increase in profitability for the year to March 31 in spite of the marginal decline in revenue. For the period, the bottom-line was 3 percent higher at \$105,7 million mainly boosted by finance income, which finance director Mr Matts Valela said was from improved cash holdings and treasury operations... <http://www.herald.co.zw/interest-income-boosts-deltas-profitability/>

Irvine's invests \$6m into stockfeed plant

The country's largest chicken breeder, Irvine's Zimbabwe has invested \$6 million towards the construction of silos and a stockfeed processing plant which will push production capacity to 25 tonnes per hour. Currently Irvine's Zimbabwe has a 5-tonne per hour capacity... <http://www.herald.co.zw/irvines-invests-6m-into-stockfeed-plant/>

Astra in drive to grow paint exports

Astra says working capital management and cost control will remain the key focus area after aggregate volumes in the four months to April declined 5 percent over last year. Speaking at the annual general meeting on Wednesday, managing director Mr Mac Mazimbe said Astra's performance in the first four months mirrored the conditions prevailing in the economy... <http://www.herald.co.zw/astra-in-drive-to-grow-paint-exports/>

WhatsApp bundle pays off for Econet

REAL-TIME mobile messaging application, WhatsApp, now accounts for at least 23 percent of mobile telecoms service provider Econet Wireless Zimbabwe's network activity. Sandvine, a leading provider of intelligent broadband and network solutions for fixed and mobile operators, yesterday announced the overwhelming success of Econet Wireless' innovative service plans and how they are transforming network usage in the region, Econet Wireless spokesman Mr Ranga Mberi said in a statement]\
<http://www.herald.co.zw/whatsapp-bundle-pays-off-for-econet/>

Hwange rejects van Hoog's offer

HWANGE Colliery Company has terminated discussions with major shareholder Mr Nicholas van Hoogstraten for a \$50 million loan citing issues around management control and cost of the funding... <http://www.herald.co.zw/hwange-rejects-van-hoogs-offer/>

EcoCash to drive Econet's revenue'

Financial analysts have predicted that Econet Wireless Zimbabwe's mobile money transfer service EcoCash will contribute a weighty 7 percent to revenue .
<http://www.herald.co.zw/ecocash-to-drive-econets-revenue/>

ZPI to invest \$5m in property development

Listed property developer, Zimbabwe Property Investments Limited is waiting for regulatory approval from the Ministry of Local Government, Public Works and National Housing to start developing a residential property project in Ruwa... <http://www.herald.co.zw/zpi-to-invest-5m-in-property-development/>

Mwana Africa valuation upgraded

Investment intelligence company, Edison Independent Investment Research, has upgraded its valuation of Mwana Africa on the back of better production at units Freda Rebecca and Bindura Nickel Corporation in the fourth quarter... <http://www.herald.co.zw/mwana-africa-valuation-upgraded/>

Hwange in \$30m recapitalisation exercise

HWANGE Colliery Company Limited (HCCL) is close to sealing recapitalisation transactions worth over \$30 million as the Zimbabwe Stock Exchange-listed entity moves to return to profitability.

<https://www.newsday.co.zw/2014/05/15/hwange-30m-recapitalisation-exercise/>

Up Coming Events

| Company | Event | Venue | Date & Time |
|---------|-------|------------------------------------|-------------|
| BAT | AGM | BAT Head Office | 27.05.14 |
| RIO ZIM | AGM | 1 Kenilworth Road Highlands Harare | 28.05.14 |
| PEARL | AGM | FML Park 100 Borrowdale Road | 07.06.14 |
| EDGARS | AGM | Edgars Training Auditorium | 29.05.14 |

CAUTIONARIES

ISSUE DATE

| CAUTIONARIES | ISSUE DATE | |
|-----------------|---------------------------|---|
| AFRICAN SUN | 6 th Dec 2013 | Discussions on mandatory offer to minorities by Lengrah Investments |
| PGI | 4 th Dec 2013 | Negotiations that may have material effect on the future of the company |
| DAWN PROPERTIES | 23 rd Mar 2014 | Negotiations are underway over disposal of one of its hotel properties |
| WILLDALE | 6 th May 2014 | To approve rights issue |
| NICOZ & ZHL | 11 TH Apr 2014 | Negotiations over disposal and acquisitions respectively, of a business |

Notes

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