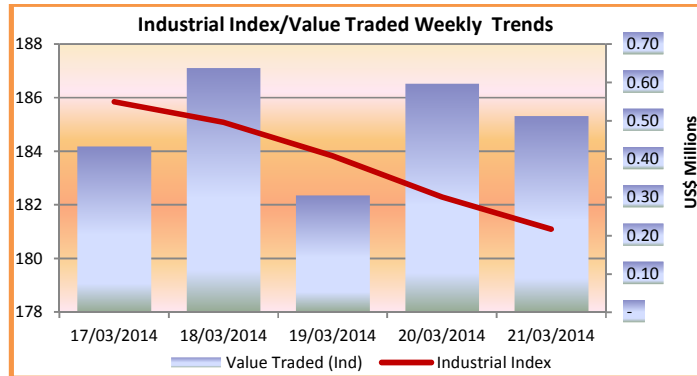
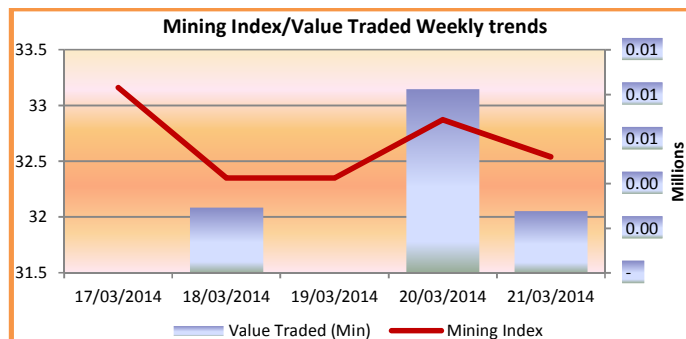


EFE Weekly Market Review 21 March 2014

Weekly Stats



Source ZSE/EFE Dbase



Source ZSE/EFE Dbase

| | Current | Previous | % Δ |
|---------------------|---------|----------|-------|
| Value Traded (\$mn) | 2.59 | 7.59 | 65.85 |
| Volume Traded (mn) | 41.26 | 42.65 | 3.25 |
| Foreign Purchases | 1.17 | 4.80 | 75.71 |
| Foreign Sales | 1.53 | 5.45 | 71.83 |

Source ZSE/EFE Dbase

Market Highlights

Bearish sentiment persists on the ZSE as reporting season fails to inspire confidence...

Bears continued to dominate on the ZSE with stocks continuing to trade softer as the ongoing reporting season failed to inspire confidence in the already battered market. Subdued financials coming in from the reporting companies have only helped cement the already dull economic outlook further dampening the mood in economic agents including those involved on the market.

...has Zim officially entered the dreaded deflationary period?

Inflation statistics released early this week showing negative year on year inflation of -0.49% in February, have seen questions arising on whether the economy is now in deflation. The negative inflation could easily be argued to be the final step into this dreaded scenario but we believe that the economy has been weighed by arbitrages particularly given the heavy import dependence with weak controls on points of entry into the country coupled with the softening Rand, our major import market. The constrained liquidity and consequent suppressed demand has thus prompted a price correction and this we are in no doubt can only go on for so long as the arbitrage opportunities exit, though these should be eliminated with more price corrections.

| Index | Level | %Δ | YTD %Δ |
|------------------|--------|------|--------|
| Industrial Index | 181.10 | 2.75 | 10.40 |
| Mining Index | 32.54 | 1.87 | 28.94 |

Industrials extended year to date losses to -10.4% after shedding -2.75% for the week to 181.10pts following sustained selling pressure across the board. The mining index was similarly down -1.87% to 32.54pts leaving the resources index down -28.94% on a year to date basis.

Demand subdued on tight liquidity...

The tight liquidity situation on the ZSE showed no signs of relenting in the week under review as the market only managed to churn \$2.59m worth of trades at an average of a paltry turnover of \$672,032 per day in the week compared to

In this Weekly

Market Highlights P1

Top Picks P4

Upcoming events P4

In the News P5

Upcoming Events P6

Disclaimer P7

Contacts:

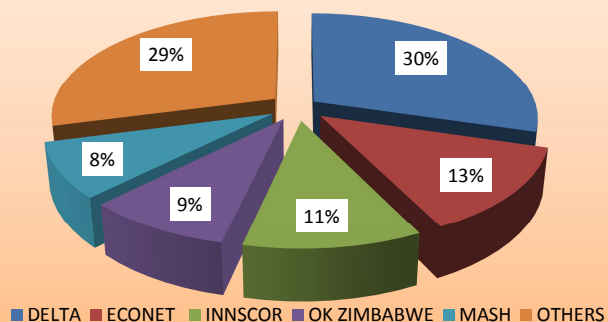
Edgeton Tsanga 0772277153

Chris Masendeke 0772135234

Phenias Mandaza 0772144334

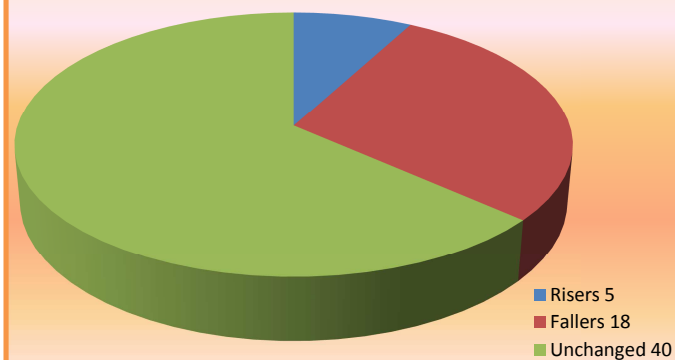
Coreen Madanha 0772144333

Top Stock Contributors to Weekly Value of Trades



the year to date daily average of \$1.32m. Week on week the value of trades was down 65.85% and this was spurred on trades in 41.26m shares giving a decline in volume of shares traded of just 3.25%. The dampener to liquidity was largely the flight from the bourse of foreign buyers whose contribution to the cause was only limited \$1.2m which is a 75.71% decline from the level of participation of same in the prior week. Foreign portfolio disposals were similarly down dropping 71.83% to \$1.53m leaving the market in a net funds outflow position of \$0.36m. The top three stocks by market capitalisation Delta, Econet and Innscor took the lead over the week as favourites amongst investors with respective contributions to turnover from them coming in at 30%, 13% and 11%. Other notable trades for the week were seen in OKZIM and Mash.

Market Strength



| Top Five Risers | | | | Worst Performers | | | |
|-----------------|--------|------|--------|------------------|-------|-------|--------|
| Counter | Price | %Δ | YTD %Δ | Counter | Price | %Δ | YTD %Δ |
| STAR AFRICA | 1.00 | 5.26 | 0.00 | DZLH | 10.00 | 23.08 | 33.33 |
| NATFOODS | 215.00 | 4.88 | 7.50 | NICOZ | 1.30 | 13.33 | 7.14 |
| DAWN | 0.75 | 4.17 | 25.00 | ASTRA | 3.50 | 12.50 | 30.00 |
| BINDURA | 1.40 | 3.70 | 30.00 | ZHL | 1.00 | 9.09 | 31.03 |
| OLD MUTUAL | 255.00 | 2.00 | 0.79 | MEIKLES | 16.00 | 5.88 | 15.79 |

Underlining the bearish sentiment was the negative breadth of the market as eighteen fallers emerged compared to only five risers. Market heavies succumbed to selling pressure amongst them Innscor -5.56% at 68c, Econet -4.6% at 62c and Delta down -3.28% at 117.99c. Top losses for the week were seen in Dairibord that fell to a 52 week low of 10c after shedding -23.1% in the wake of a poor 2013 financial performance in which a loss after tax of \$1.7m weighed down by once off restructuring costs of \$4.6m. Other top loses were seen in Nicoz down -13.3% to 1.3c, Astra that shed -12.5% to 3.5c and ZHL that fell -9.1% to 1c. Also amongst those that reported recently CBZ that fell -2.91% to 16.02cm fellow financial services group FBCH was down -3.85% at 12.5c after releasing results with lower PAT of \$14.1m weighed down by losses in its listed manufacturing subsidiary Turnall. Elsewhere market losses were mitigated by gains in National Foods and Old Mutual that rose +4.88% and +2% to 215c and 255c respectively.

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. |
| Innskor | | 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 Pearl & | : Mash; 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

Dairibord still bullish

DAIRIBORD Zimbabwe Holdings says it has an ace up the sleeve and contends its 2014 prospects look bright despite posting depressing results last year which were largely weighed down by non-recurring costs and a competitive market.

<http://www.herald.co.zw/dairibord-still-bullish/>

Starafrica, Sefalana in share deal

BOTSWANA Stock Exchange-listed Sefalana Holdings intends to buy Starafrica corporation's 33 percent stake in Tongaat Hullet in a deal that could be worth \$6 million.

<http://www.herald.co.zw/starafrica-sefalana-in-share-deal/>

Property rentals to remain subdued

Property rentals in Zimbabwe are likely to remain subdued due to high tenant default levels, Zimre Property Investments Limited (ZPI) said.

<http://www.dailynews.co.zw/articles/2014/03/20/property-rentals-to-remain-subdued>

Turnall posts 'significantly below par results'

TURNALL Holdings has reported "significantly below par results" with a \$2,6 million loss for the year ending December 31, 2013 compared to a profit of \$1,1 million the previous year but the group believes that a firm order book and growth in exports will offset last year's negative position.

<http://www.herald.co.zw/turnall-posts-significantly-below-par-results/>

Liquidity, economic activity weighs down CABS

CABS recorded a 22 percent drop in profit in the year to December 2013 mainly weighed down by the prevailing operating environment characterised by liquidity challenges and a slowdown in economic activity.

<http://www.herald.co.zw/liquidity-economic-activity-weigh-down-cabs/>

Foreigners snap up Zim banks

More Zimbabwean banks are increasingly becoming foreign-owned despite government's aggressive indigenisation programme, the Bankers Association of Zimbabwe (Baz) has said.

<http://www.dailynews.co.zw/articles/2014/03/18/foreigners-snap-up-zim-banks>

Bank charges hike justifiable: Baz

Zimbabwean financial institutions insist that the recent hike in bank charges is justifiable to meet their operating costs.

<http://www.dailynews.co.zw/articles/2014/03/16/bank-charges-hike-justifiable-baz>

ZSE forecasts difficult trading year

THE Zimbabwe Stock Exchange has forecast a difficult trading year for listed companies with some reporting below market expectation results for the period to December 13.

<http://www.herald.co.zw/zse-forecasts-difficult-trading-year/>

RBZ to guide growth in mobile banking

Mobile banking has grown phenomenally due to a 104 percent growth in mobile penetration and the registration of over 7 000 mobile agents across the country, the Reserve Bank of Zimbabwe has revealed.

<http://www.herald.co.zw/rbz-to-guide-growth-in-mobile-banking/>

RTG overturns \$5,8m loss

ZSE-listed Rainbow Tourism Group is forecasting a 10 percent growth in revenues and RevPar in the current financial year to December as the group hopes to sustain the momentum which saw them overturn a \$5,8 million loss at the end of last year

<http://www.herald.co.zw/rtg-overturns-58m-loss/>

Up Coming Events

UPCOMING EVENTS

| Company | Event | Venue | Date & Time |
|---------|------------------|--|-----------------------|
| ZBFH | Analyst Briefing | 12 th Floor, Ante Room, ZB Centre | 24 March 2014 1400Hrs |
| MASIMBA | Analyst Briefing | 44 TILBURY ROAD, WILLOWVALE, HARARE | 26 March 2014 1200Hrs |
| ABCH | Analyst Briefing | BancABC House, Mt Pleasant Business Park | 26 March 2014 15:00 |
| PADENGA | Analyst Briefing | Padenga Holdings | 27 March 2014 |

CAUTIONARIES

ISSUE DATE

| | | |
|-------------|---------------------------|--|
| NMB | 7 th Feb 2014 | Profit warning, impairment on loans to result in a net loss position |
| AFRICAN SUN | 6 th Dec 2013 | Discussions on mandatory offer to minorities by Lengrah Investments |
| TSL | 29 th Jan 2014 | Discussions with Chemco on a conversion of debt to equity on amount owed |
| PGI | 4 th Dec 2013 | Negotiations that may have material effect on the future of the company |

Notes

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 recommended securities is available on request