



PORTFOLIO MANAGER'S DIGEST Q2 2021

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“Time is the friend of the wonderful company, the enemy of the mediocre.” – Warren Buffet.

Q2 2021 Zimbabwe Stock Exchange Review

Market Summary

The Zimbabwe Stock Exchange’s (ZSE) main All Share Index (ALSI) rose by 38.01% for the quarter and closed at a peak of 6 194.88. The equity market experienced a significant rally in the month of June, gaining 14.12%. Getbucks led the pack with a return of 3 830.00%, followed by Star Africa at 582.60%. The ZSE Top 10 index registered a return of 20.84% for the quarter, driven by gains in Delta and Econet. There were marginal losers during the quarter in the form of Simbisa, TSL, Hippo and Ok Zimbabwe whose losses ranged from 1.1% to 9.44% during the quarter.

The Second Quarter’s best performing Index was the ZSE SMALL CAP Index adding 298.19% to close at 190 131.50. The main drivers of the Small Cap index are Getbucks with a Q2 return of 3 830.00% followed by General Beltings and Medtech.

Trading conditions have largely remained difficult owing to the Covid-19 induced lockdowns, reduced demand, high inflation, and policy uncertainty. Cost push inflation was the theme for most ZSE listed companies whose revenues were on an upward trend in sync with inflationary trends. Published financial results continue to show sales volume shrinkage for companies whose markets are largely local. However, significant improvements in earnings on a historical basis have been recorded due to inflation and a weakening local currency. These trends are likely to persist in second half of 2021.

The total value of shares that traded on the ZSE in Q2 2021 was ZW\$ 11.5b. The comparative statistic for the value of trades in Q2 2020 was ZW\$2.7b. It should be noted however that foreign investors were net sellers of ZW\$3.3b worth of equities on the ZSE and accounted for 21.65% of the value traded in Q2 2021 compared to 17.73% traded in Q2 2020.

Notable events of Q2 2021 included:

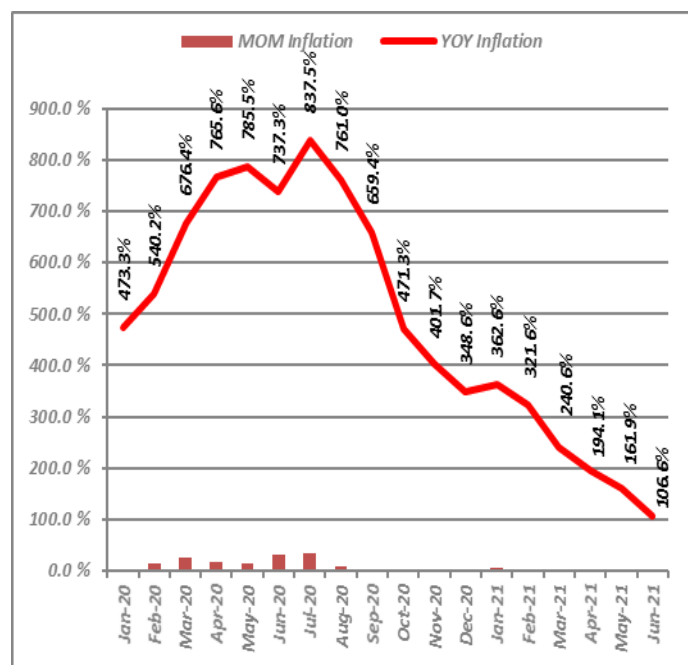
- Seedco Ltd relisted on the ZSE on the 21st of June 2021

The table below shows the key performers and non-performers during Q2 2021 and in the last 12 months.

Top Movers			
Q2 2021	% Change	12 Months	% Change
ZSE ALL SHARE	38.01%	ZSE ALL SHARE	246.32%
ZSE TOP 10	20.84%	ZSE TOP 10	155.88%
GETBUCKS	3 830.0%	NTS	33 367.74%
STARAFRICA	582.6%	UNIFREIGHT	20 980.28%
GENBELT	316.21%	GETBUCKS	13 000.0%
FIRST MUTUAL PROPERTIES	212.21%	FIDELITY	4 527.25%
MASIMBA	150.0%	MASIMBA	2 281.09%
Losers		Losers	
	% Change		% Change
SIMBISA	(9.44%)		
TSL	(6.98%)		
HIPPO	(4.32%)		
OK	(1.1%)		

Source: ZSE & OMSEC Research Data base

The table below shows the key month on month and year on year inflation during 2021.



Zimbabwe Stock Exchange Trade Statistics

	Total Value Traded	Volume Traded	All Share Index	Top 10 Index	vol of shares (foreign)	val. of shares (foreign) \$	Net Foreign Inflows	\$ market capitalisation	ZSE Liquidity	foreign participation %
Jul-20	\$ 0	0	0.00	0	0	\$ 0	\$ 0	\$ 0	0%	0%
Aug-20	\$ 1 027 344 605	164 891 281	1 389.23	913.71	63 694 568	\$ 578 848 573	\$ 391 622 258	\$ 175 681 698 480	7.0%	28.2%
Sep-20	\$ 4 640 897 039	1 093 040 821	1 638.17	1093.10	980 342 690	\$ 3 810 749 101	\$ 3 753 340 811	\$ 206 502 486 825	27.0%	41.1%
Oct-20	\$ 987 020 824	397 006 127	1 476.87	937.28	87 383 744	\$ 428 522 266	\$ 267 028 483	\$ 179 689 964 247	6.6%	21.7%
Nov-20	\$ 4 104 250 495	470 899 659	1 595.59	1001.22	196 810 415	\$ 1 070 130 142	\$ 90 169 713	\$ 193 270 751 986	25.5%	13.0%
Dec-20	\$ 2 735 632 526	316 737 200	2 636.34	1671.47	88 437 841	\$ 675 993 324	\$ 356 087 017	\$ 317 879 307 047	10.3%	12.4%
Jan-21	\$ 3 513 885 468	2 477 157 788	3 600.82	2238.20	46 891 855	\$ 664 064 418	\$ 495 890 441	\$ 434 856 233 614	0.0%	0.0%
Feb-21	\$ 1 530 062 404	149 031 800	4 154.37	2469.42	34 705 520	\$ 647 220 037	\$ 492 767 196	\$ 501 184 951 141	3.7%	21.2%
Mar-21	\$ 4 517 127 351	211 401 047	4 488.78	2610.46	50 939 068	\$ 697 086 873	\$ 454 993 305	\$ 531 742 636 894	10.2%	7.7%
Apr-21	\$ 3 075 999 294	205 740 729	4 641.11	2660.37	70 900 381	\$ 1 702 236 437	\$ 976 403 101	\$ 540 745 237 057	6.8%	27.7%
May-21	\$ 3 917 933 200	191 785 900	5 428.28	3005.08	37 637 914	\$ 1 148 895 222	\$ 483 797 578	\$ 634 011 148 066	7.4%	14.7%
Jun-21	\$ 4 459 117 004	248 500 624	6 194.88	3154.44	75 095 810	\$ 2 109 157 565	\$ 1 809 251 690	\$ 745 175 951 681	7.2%	23.6%
12 Month Total	\$ 34 509 270 210	5 926 192 976	6 194.88	3154.44	1 732 839 806	\$ 13 532 903 959	\$ 9 571 351 594	\$ 371 728 363 920	9.3%	19.6%
Q2 2021	\$ 11 453 049 497	646 027 253	6 194.88	3154.44	183 634 105	\$ 4 960 289 225	\$ 3 269 452 369	\$ 639 977 445 601	1.8%	21.65%
Q2 2020	\$ 2 735 475 347	703 239 667	4 488.78	2610.46	168 815 688	\$ 970 153 986	\$ 404 016 308	\$ 148 228 222 617	1.8%	17.73%

Average*
(ZSE and OMSEC Research Data base June 2021)

Economic Review

The initial harvest projections for Zimbabwe's 2020/21 agricultural season are expected to benefit the economy in two critical areas, one is in the attainment of food security and secondly the reduced need for imports well below the five-year average quantity of 400 000 tonnes. According to statistics from the Food and Agriculture Organisation's Global Information Early Warning System May 2021 country brief on Zimbabwe; the country is expected to harvest 2.7 million tonnes of Maize, the country's staple crop, more than double the five-year average. Total cereal production is foreseen to rebound significantly to a level of over 3.2 million tonnes in 2021, well above the short-term average whilst cotton production is estimated at 196,000 tons, a 94 percent increase from last season's level. The growth in production has been enabled by a significantly larger area under cultivation due to support facilities availed by Government. According to industry experts, the tobacco marketing season is not expected to perform with the same positive vigour as other agricultural crops in terms of output. This is because lower yields from tobacco harvests are expected due to excessive rains having a negative impact on the average yield per hectare. By and large however total sales production is expected to reach 200 million kilograms compared to 184 million kilograms last year.

On the Macro-economic front, inflationary pressures have begun to see year on year inflation for the country dropping to 106.6% as at June 2021. The premium between the official exchange rate and the parallel market exchange rate is now hovering around 40%. The local currency's performance trend on the interbank market has been one of depreciation, trading at ZW\$81.77: US\$1 on 01 January 2021 and closing on 30 June 2021 at ZW\$85.37. This represents a currency depreciation of 4.38%.

The Covid-19 third wave coupled with high inflation threaten the stability and all the macro-economic gains that were achieved in Q2 2021. In the outlook we re-iterate that performance of the overall economy will be in response to the policy environment and levels of public sector confidence as businesses adapt to the business

atmosphere. It is thus in Government's best interest to create a thriving business environment that will allow for better export competitiveness, GDP growth and resultant increased tax revenue availability to cater for social security demands in this difficult Covid-19 period.

Investment Markets Review and Outlook

Equities

Investor uncertainty still remains as the foreign currency auction is failing to adequately settle foreign investor disinvestments. As a result, foreign investors have remained largely net sellers whilst local investors have been driven to equity purchases for value preservation purposes. The outlook for the equities market is expected to perform better than money market and or near cash assets as investors are expected to continue making a flight towards equities to prevent value erosion.

Property Sector

The property sector has continued to experience increases in voids as economic activity becomes increasingly informal and the demand for formal property space continues to shrink as more companies are adopting the work from home setup. Property sector players who can adapt and provide properties that can service the needs of the informal sector are expected to yield better results.

Money Market

Significant inflationary developments continue to depress this asset class' performance. Bank lending appetite is expected to remain low as companies fail to source nostro funding for critical import needs.

Outlook

The equity sector remains attractive in the short to intermediate term whilst money market investments are constrained by current inflationary concerns. Economic activity is likely to remain depressed and resultantly investment market fundamental performance is expected to perform in sympathy to this.

Equity Return Analysis

(Companies ranked by market weight from highest to smallest)

Total Return Analysis	Q1 2020 (zwl)	Q2 2021 (zwl)	Capital Gain/(Loss) (zwl)	Dividend past 12 months (zwl)	Quarter Return	YOY Return	Total Return Including Dividend
DELTA	46.2208	72.3609	26.1401	1.50	56.55%	239.11%	246.14%
ECONET	22.7991	27.5	4.701	0.40	20.62%	231.16%	235.98%
CBZH	70	83.9935	13.994	3.54	19.99%	180.3%	192.13%
INNSCOR	72.11	86.23	14.113	2.10	19.57%	304.28%	314.13%
NATFOOD	316	520.1342	204.134	12.49	64.6%	919.87%	944.36%
CASSAVA	13.721	14.9972	1.276	-	9.3%	80.69%	80.69%
HIPPO	146.3469	140.0304	(6.316)	2.45	(4.32%)	833.54%	849.87%
SIMBISA	39.8153	36.0563	(3.759)	0.71	(9.44%)	319.26%	327.52%
FBCH	25.4	30	4.6	0.74	18.11%	103.39%	108.43%
OK	15.1682	15.002	(0.166)	0.80	(1.1%)	177.92%	192.74%
SEEDCO	21.6089	52.5	30.891	-	142.96%	185.26%	185.26%
PADENGA	29.6342	29.9518	0.318	-	1.07%	171.06%	171.06%
AFSUN	2.362	5.8497	3.488	-	147.66%	289.98%	289.98%
BAT	800	899	99.0	-	12.38%	316.2%	316.2%
MEIKLES	45.05	83	37.95	1.85	84.24%	492.86%	506.07%
AXIA	17.9018	20.882	2.98	0.44	16.65%	315.98%	324.67%
RIO ZIM	23.8714	26.1	2.229	-	9.34%	161.0%	161.0%
TSL	43	40	(3.0)	0.56	(6.98%)	1 076.47%	1 092.94%
Mid Cap Listed Companies							
RTG	1.9001	4.5074	2.607	-	137.22%	73.2%	73.2%
BINDURA	4.3824	5.2963	0.914	-	20.85%	34.2%	34.2%
AFDIS	41.625	65.0893	23.464	0.50	56.37%	256.89%	259.64%
FIRST MUTUAL	20.002	27.4969	7.495	0.096	37.47%	643.16%	645.76%
PROPLASTICS	22.65	27.95	5.3	0.21	23.4%	305.07%	308.04%
NMB	8.3077	12	3.692	-	44.44%	188.63%	188.63%
NTS	10	12.45	2.45	-	24.5%	33 367.74%	33 367.74%
ZIMLOW	7.2	9.6422	2.442	0.10	33.92%	216.14%	219.57%
GETBUCKS	0.4	15.72	15.32	-	3 830.0%	13 000.0%	13 000.0%
ARISTON	2.0327	3.8761	1.843	-	90.69%	115.34%	115.34%
LAFARGE	50	60	10.0	-	20.0%	893.38%	893.38%
DZL	15.5	33.3571	17.857	0.25	115.21%	295.63%	298.59%
STARAFRICA	0.45	3.0717	2.622	-	582.6%	1 435.85%	1 435.85%
ZBFH	37	77	40.0	0.74	108.11%	541.67%	547.84%
MASH	1.86	3.55	1.69	0.03	90.86%	491.67%	496.07%

*Source: OMSEC Research Data Base

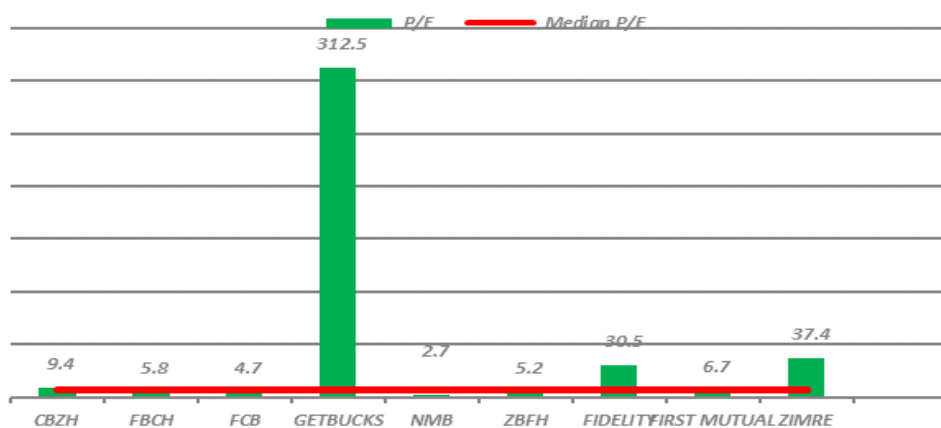
Market Sector Valuation Overview

30-Jun-21	MKT CAP	SECTOR (RTGS\$ m)	SECTOR	SECTOR	SECTOR INDEX
Sector	RTGS\$(m)	ROLLING EARNINGS	AVERAGE P/E	AVERAGE P.BOOK	QTR RETURN
Financials	148 542.4	18 911.7	46.09	43.2	55.11%
Consumer Staples	331 464.5	27 328.5	82.62	12.1	37.5%
ICT	105 168.8	7 548.2	6.09	2.9	15.6%
Consumer Discretionary	73 593.3	2 416.5	52.61	16.7	19.7%
Materials	34 502.7	1 597.6	13.90	5.9	41.7%
Real Estate	26 717.7	16 820.1	1.08	1.0	152.8%
Industrials	27 934.0	1 750.0	322.76	12.5	95.9%

Source: OMSEC Research Data Base

ZSE Sector Price Earnings Relative Comparisons

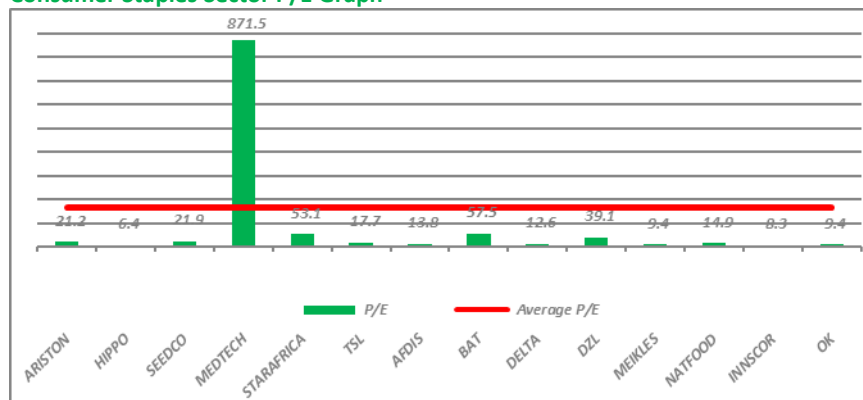
Financial Sector P/E Graph



Financial Sector	Value	Quarter Change
Sector Index	16344.50	55.11%
Best Performer		
GETBUCKS	15.72	3 830.0%
Worst Performer		
FBCH	30.00	18.11%

NMB, FCB and ZBFH are the most attractive companies on a P/E scale. The best performer in Q2 was Getbucks gaining 3 830.00%. It closed Q2 with a Market Cap of \$18.28b, only CBZH, FBCH and FML had Market Caps above \$18.28b in this sector.

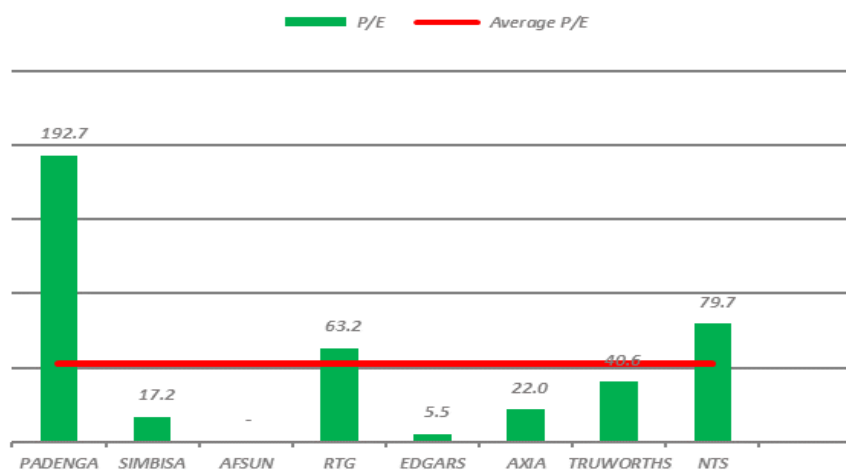
Consumer Staples Sector P/E Graph



Consumer Staples	Value	Quarter Change
Sector Index	6647.8	37.46%
Best Performer		
STARAFRICA	3.0717	582.60%
Worst Performer		
TSL	40	(6.98%)

Hippo, Meikles, OK Zimbabwe, and Delta are the most attractive companies on a P/E scale in this sector. Star Africa was the best performer in the sector with a Q2 return of 582.60% and a Market Cap of \$14.48b.

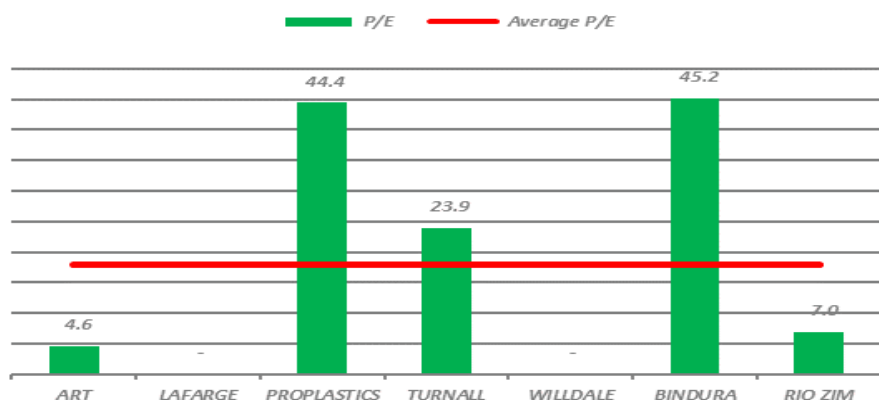
Consumer Discretionary Sector P/E Graph



Consumer discretionary	Value	Quarter Change
Sector Index	7671.8	19.71%
Best Performer		
AFSUN	5.8497	147.66%
Worst Performer		
SIMBISA	36.0563	(9.44%)

The best performer in the consumer Discretionary sector was Afsun with a 147.66% return. Edgars has the lowest P/E followed by Simbisa. Simbisa lost 9.44% in Q2.

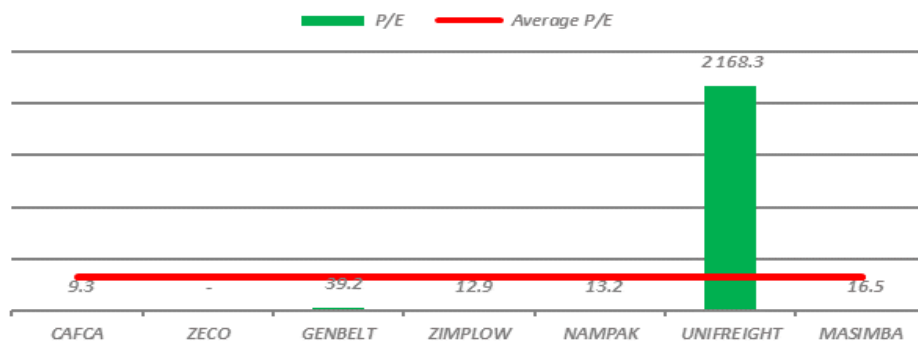
Materials Sector P/E Graph



Materials	Value	Quarter Change
Sector Index	7901.2	41.74%
Best Performer		
WILLDALE	4.203	319.8%
Worst Performer		
RIO ZIM	26.1	9.34%

Willdale added a significant return of 319.80% during the quarter and was the best performer in this sector. ART has the lowest P/E of 4.6. Rio Zim was the worst performer in this sector losing 9.34% in Q2.

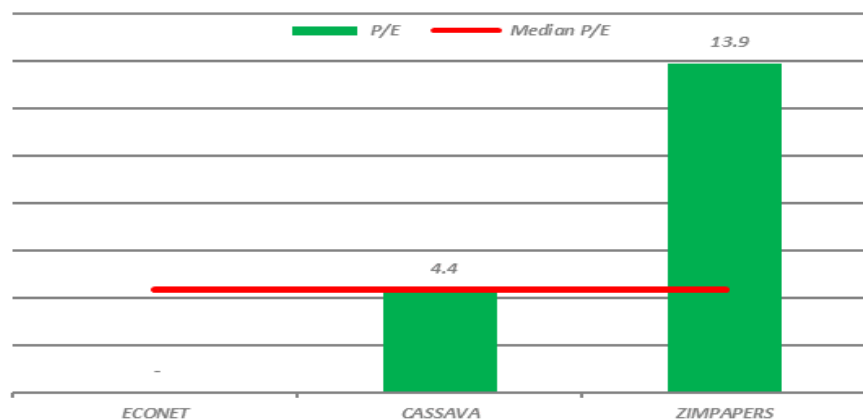
Industrial Sector P/E Graph



Industrial	Value	Quarter Change
Sector Index	15625.9	95.85%
Best Performer		
GENBELT	2.7886	316.21%
Worst Performer		
ZECO	0.0003	0.0%

GenBelt was the best performer in the sector returning 316.21% during the quarter. General Belting was acquired by FBCH executives in October 2020 and they are assisting the company to secure lines of credit for the procurement of raw materials. CAFCA has the lowest P/E of 9.3.

ICT Sector P/B Graph



ICT	Value	Quarter Change
Sector Index	5705.1	15.62%
Best Performer		
ZIMPAPERS	2.7	58.82%
Worst Performer		
CASSAVA	14.9972	9.3%

Zimpapers was the best performer with a Q2 return of 58.82%. Cassava's P/E is the lowest in the sector and it was also the worst performer.

Real Estate Sector P/E Graph



Real Estate	Value	Quarter Change
Sector Index	14051.5	152.78%
Best Performer		
FIRST MUTUAL PROPERTIES	15.4545	212.21%
Worst Performer		
MASH	3.55	90.86%

FMP was the best performer with a Q2 return of 212.21% and MASH was the worst performer with a return of 90.86%. Both companies have attractive PEs.

Top Five Picks

OK ZIMBABWE	Latest Fundamentals The company is in the Consumer Staples sector with operations in the retail of consumer goods. The business has been consistently growing despite several constraints being experienced in the economy. The company continues to exhibit strong earnings growth potential despite the current economic hardships. We do however maintain a cautiously optimistic view for the outlook.
<i>Long Term Buy</i>	
Current Price	Key Technicals
ZW\$18.55	RSI of 0.948 which means it has underperformed the ALSI by 5.2% for the 12 months under review.
INNSCOR	Latest Fundamentals The company is a dominant player in consumer sector, strong at cash generation and consistent dividend payer with a dividend yield of 2.40%. Recovery for the Group expected when COVID 19 second wave is brought under control. It has a P/E of 8.4
<i>Medium Term Buy</i>	
Current Price	Key Technicals
ZW\$88.20	RSI of 1.14 which means it has outperformed the ALSI by 14% for the 12 months under review
MEIKLES	Latest Fundamentals The company is in the Consumer Staples sector with operations in hotels, tourist resorts, agriculture (tea and coffee). The temporary closure of borders could benefit the Group as customers are forced to buy groceries at local supermarkets rather than importing. The Company is set to unbundle its agricultural processing business, Tanganda Tea Company Ltd and list it separately on the ZSE.
<i>Long- Term Buy</i>	
Current Price	Key Technicals
ZW\$89.27	RSI of 1.758 which means it has outperformed the ALSI by 75.8% for the 12 months under review.
LAFARGE	Latest Fundamentals The company is in the Materials sector focusing in the production of cement and dry mortar mix products in Zimbabwe . It has attractive fundamentals with a P/E ratio of 8.9. It is a subsidiary of the Swiss headquartered Holcim.
<i>Long-term Buy</i>	
Current Price	Key Technicals
ZW\$65	RSI of 2.967 which means it has outperformed the ALSI by 196.7% for the 12 months under review. We recommend accumulating the share in anticipation of value preservation and value creation in the future.
DELTA	Latest Fundamentals The company is in the Consumer Staples sector with operations in Larger beer, sorghum beer, wines, spirits, soft drinks and packaging. It recently acquired Mutare Bottling Company from Econet wireless and has expanded its territory to Manicaland.
<i>Medium Term Buy</i>	
Current Price	Key Technicals
ZW\$83.27	The company's technicals indicate that the company is in buy territory on both the relative strength index. RSI of 1.076 which means it has outperformed the ALSI by 7.58% for the past 12 months.

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