



**PORTFOLIO
MANAGER'S DIGEST
FIRST QUARTER 2021**

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“Beware the investment activity that produces applause; the great moves are usually greeted by yawns.”– Warren Buffet.

Q1 2021 Zimbabwe Stock Exchange Review

Market Summary

The Zimbabwe Stock Exchange’s (ZSE) main All Share Index (ALSI) rose by 70.27% for the quarter. The equity market experienced a significant rally in January 2021 gaining 36.58%. Unifreight led the pack followed by NTS with a YTD of 3 542.99%. The ZSE Top 10 index registered a return of 56.18% for the quarter, driven by gains in Econet, Cassava, Delta and Innscor.

The quarter’s best performing Index was the ZSE SMALL CAP Index adding 300% to close at 47 749.22. The main drivers of the Small Cap index are Unifreight with a YTD performance of 7 964.52% followed by NTS and Turnall. Unifreight has benefited from positive market reaction to its disposal of assets for which it received Zimplot shares. The other two counters have benefited from positive trading updates which they have released.

Business conditions have remained difficult owing to the Covid-19 induced lockdown, high inflation, and reduced demand. 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 2021.

The total value of shares that traded on the ZSE in Q1 2021 was ZW\$ 9.5b. The comparative statistic for the value of trades in Q1 2020 was ZW\$1.09b. It should be noted however that foreign investors were net sellers of ZW\$1.4b worth of equities on the ZSE and accounted for 10.50% of the value traded in Q1 2021 compared to 16.90% traded in Q1 2020.

Notable events of 2021 Q1 included:

- Listing of the OLD MUTUAL ZSE TOP 10 (OMTT.zw) on the ZSE on the 4th of January 2021,
- Delta Beverages completed its acquisition of the Mutare Bottling Company from Econet Wireless,
- Afsun acquired Dawn and delisted it from ZSE.

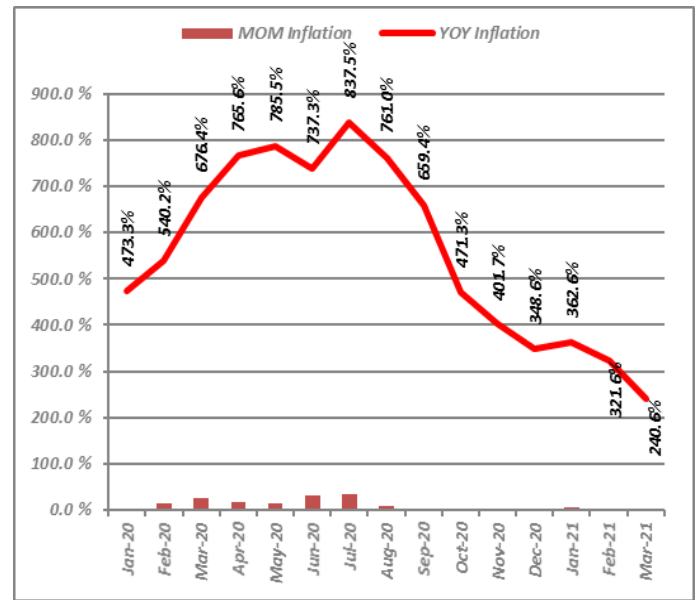
The table below shows the key performers and non-performers during Q1 2021.

Top Movers			
Q1 2021	% Change	12 Months	% Change
ZSE ALL SHARE	70.27%	ZSE ALL SHARE	883.93%
ZSE TOP 10	56.18%	ZSE TOP 10	604.12%
UNIFREIGHT	7 964.52%	NTS	32 158.06%
NTS	3 542.99%	UNIFREIGHT	13 788.89%
LAFARGE	525.00%	MASIMBA	4 344.44%
NATFOOD	425.79%	FIDELITY	3 987.59%
WILLDALE	270.81%	TURNALL	3 200.0%

Losers			
	% Change		% Change
DAWN	(44.44%)		
ZIMRE	(34.04%)		
CBZH	(17.65%)		
SEEDCO	(13.76%)		

Source: ZSE & OMSEC Research Data base

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



Zimbabwe Stock Exchange Trade Statistics

	Total Value Traded	Volume Traded	Industrial Index	Mining Index	vol of shares (foreign)	val. of shares (foreign) \$	Net Foreign Inflows	\$ market capitalisation	ZSE Liquidity	foreign participation %
Apr-20	\$ 259 321 078	104 436 037	488.60	397.18	13 033 660	\$ 59 714 385	\$ 28 192 501	\$ 63 387 895 000	4.9%	11.5%
May-20	\$ 568 962 722	218 832 930	1 180.14	964.07	33 303 955	\$ 175 275 607	\$ 95 843 933	\$ 152 719 680 132	4.5%	15.4%
Jun-20	\$ 1 907 191 548	379 970 700	1 788.75	1232.79	122 478 073	\$ 735 163 994	\$ 279 979 874	\$ 228 577 092 720	10.0%	19.3%
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	1093.1	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	0.0%	0.0%
Nov-20	\$ 4 104 250 495	470 899 659	1 595.59	1001.2233	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	1671.4693	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	2238.1982	46 891 855	\$ 664 064 418	\$ 495 890 441	\$ 434 856 233 614	9.7%	9.4%
Feb-21	\$ 1 530 062 404	149 031 800	4 154.37	2469.4218	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	2610.4615	50 939 068	\$ 697 086 873	\$ 454 993 305	\$ 531 742 636 894	10.2%	7.7%
12 Month Total	\$ 25 791 696 059	5 983 405 390	4 488.78	2610.4615	1 718 021 389	\$ 9 542 768 720	\$ 6 705 915 533	\$ 248 791 058 174	10.4%	18.5%
Q1 2021	\$ 9 561 075 223	2 837 590 635	4 488.78	2610.4615	132 536 443	\$ 2 008 371 328	\$ 1 443 650 941	\$ 489 261 273 883	2.0%	10.50%
Q1 2020	\$ 1 090 853 087	589 963 000	342.79	161.28	108 683 160	\$ 368 774 278	\$ 160 652 049	\$ 54 342 013 344	2.0%	16.90%

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

Economic Review

As the agricultural season approaches harvest time, there are increasing signs that the sector performed way above its performance for the 2019/20 season. Projections indicate a better Agricultural Sector output particularly for maize which was underpinned by a growth in the area cultivated and wetter conditions. Other commercial crops are expected to fare better due to wetter conditions. According to the International Monetary Fund website as of 09 April 2021, Zimbabwe's GDP is projected to grow by 3.1%. After contracting by 6% in 2019, GDP fell by a further 4.1% in 2020. The Ministry of Finance has forecasted GDP to recover and grow by 7.4% in 2021 and 5.5% in 2022. These numbers compare with Sub Saharan Africa whose economies contracted by 2.26% in 2020 and are expected to grow by 3.2% in 2021 and 3.9% in 2022. This means that the MOF is expecting Zimbabwe to outperform Sub Saharan Africa in 2021 and 2022.

On the Macro-economic front, inflationary pressures have begun to see year on year inflation for the country dropping to 240.60% as at March 2021. Authorities have credited this to the foreign currency trading auction system that was introduced in June 2020 by the RBZ. The premium between the official exchange rate and the parallel market exchange rate is now hovering around 40%. The RBZ governor has defended the continued use of the auction system saying at least six months import cover is needed for the country to adopt the free market foreign currency trading system.

RBZ's measures to curtail forex trading on the parallel market have been effective in the short term, particularly restrictions placed on trading through Ecocash where mobile transaction limits were set at ZW5 000 per transaction and ZW35 000 per week so to allow consumers to carry out normal transactions through mobile platforms and to divert larger transactions to normal banking channels. This has been an effective measure in curbing speculative activity on mobile platforms.

Zimbabwe is set to receive international support through IMF's Special Drawing Rights in 2021. Africa will get about US\$30b of the

total US\$650. This is expected to bring stability and appreciation to the ZW\$ in the short to medium term. The First Quarter was disrupted by a national lockdown which was put in place by the government to control Covid-19 second wave. The business outlook for 2021 remains one of uncertainty and high inflation threaten the stability and all the macro-economic gains that were achieved towards the end of 2020.

Investment Markets Review and Outlook

Equities

Volatility of the equity market is likely to persist, and investors will want to make use of the market as a currency hedge. The performance of listed companies in real terms will likely be subdued given significant inflationary pressures although share prices are expected to rise in nominal terms. Companies that have significant balance sheets and access to foreign currency are expected to fare better than the smaller companies in the outlook period.

Property Sector

The property sector has continued to experience higher voids coupled by rental arrears as economic activity becomes increasingly informal and the demand for formal property space continues to shrink. Property sector players who are able to adapt and provide properties that can service the needs of the informal sector are expected to yield better results. Given the lead time to renovate properties that service the informal sector better we do not expect a turn-around in this sector in the short term.

Money Market

Interest rates are likely to be revised upwards in order to promote savings and provided the liquidity necessary for investments.

Outlook

The property and equity sectors remain attractive in the short to intermediate term whilst money market investments are constrained by current inflationary concerns.

Equity Return Analysis

(Companies ranked by market weight from highest to smallest)

Total Return Analysis	Q4 2020 (zwl)	Q1 2021 (zwl)	Capital Gain/(Loss) (zwl)	Dividend past 12 months (zwl)	Quarter Return	YOY Return	Total Return Including Dividend
DELTA	23.5288	46.2208	22.692	0.45	96.44%	638.98%	646.17%
ECONET	9.4951	22.7991	13.304	-	140.11%	810.14%	810.14%
CBZH	85	70	(15.0)	0.89	(17.65%)	4 445.45%	4 503.2%
INNSCOR	37.11	72.11	35.008	2.10	94.34%	861.52%	889.52%
CASSAVA	6.5092	13.721	7.212	-	110.79%	442.18%	442.18%
HIPPO	90.1712	146.3469	56.176	1.57	62.3%	2 619.6%	2 648.77%
PADENGA	23.3214	29.6342	6.313	-	27.07%	430.13%	430.13%
BAT	550	800	250.0	-	45.45%	830.23%	830.23%
OK	8.9731	15.1682	6.195	0.35	69.04%	819.28%	840.5%
FBCH	15.0135	25.4	10.387	0.33	69.18%	2 016.67%	2 044.17%
SEEDCO	25.0553	21.6089	(3.446)	-	(13.76%)	457.52%	457.52%
NATFOOD	60.1	316	255.9	12.49	425.79%	1 087.97%	1 134.92%
AFSUN	1.665	2.362	0.697	-	41.86%	345.66%	345.66%
SIMBISA	13.2024	39.8153	26.613	0.71	201.58%	1 220.35%	1 243.9%
MEIKLES	25.424	45.05	19.626	0.85	77.19%	456.08%	466.57%
AXIA	9.1693	17.9018	8.733	0.24	95.24%	889.27%	902.4%
RIO ZIM	14.9519	23.8714	8.92	-	59.65%	288.79%	288.79%
TSL	14.4	43	28.6	0.00	198.61%	2 707.15%	2 707.34%
Mid Cap Listed Companies							
RTG	1.9175	1.9001	(0.017)	-	(0.91%)	400.03%	400.03%
BINDURA	3.7595	4.3824	0.623	-	16.57%	1 360.8%	1 360.8%
AFDIS	24	41.625	17.625	0.50	73.44%	605.51%	613.98%
FIRST MUTUAL	9.59	20.002	10.412	0.031	108.57%	1 900.2%	1 903.31%
PROPLASTICS	8.6098	22.65	14.04	-	163.07%	1 300.48%	1 300.48%
NMB	4	8.3077	4.308	-	107.69%	1 261.92%	1 261.92%
DAWN	0.72	0.4	(0.32)	-	(44.44%)	627.27%	627.27%
ZIMFLOW	5	7.2	2.2	0.03	44.0%	620.0%	623.14%
GETBUCKS	0.125	0.4	0.275	-	220.0%	233.33%	233.33%
ARISTON	1.34	2.0327	0.693	-	51.69%	314.84%	314.84%
LAFARGE	8	50	42.0	-	525.0%	1 566.67%	1 566.67%
DZL	10.9706	15.5	4.529	0.02	41.29%	2 770.37%	2 774.07%
STARAFRICA	0.27	0.45	0.18	-	66.67%	485.18%	485.18%
ZBFH	24	37	13.0	0.06	54.17%	2 366.67%	2 370.99%
MASH	0.9086	1.86	0.951	0.02	104.71%	968.97%	979.63%

*Source: OMSEC Research Data Base

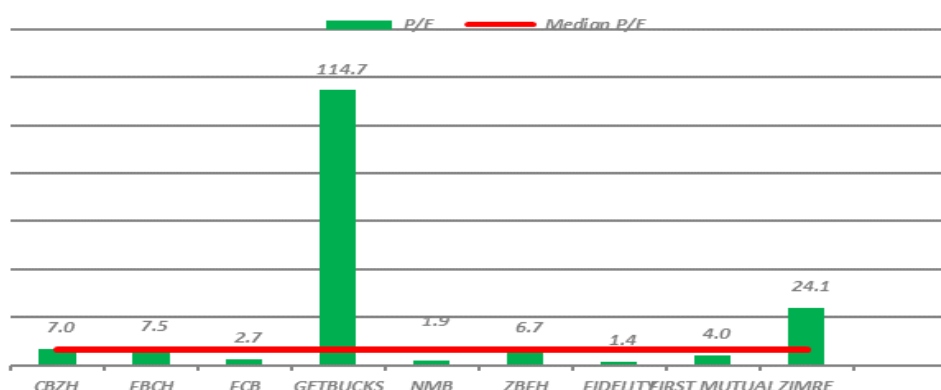
Market Sector Valuation Overview

31-Mar-21	MKT CAP	SECTOR (ZWL\$ m)		SECTOR	SECTOR	SECTOR INDEX	
Sector	ZWL\$(m)	ROLLING EARNINGS		AVERAGE P/E	AVERAGE P.BOOK	QTR RETURN	
Financials	86 858.8	8 384.3		18.88	3.1	10.89%	
Consumer Staples	234 114.9	16 464.9		18.21	10.3	89.3%	
ICT	95 587.3	529.0		22.00	2.2	123.8%	
Consumer Discretionary	61 475.7	1 832.4		47.00	14.0	86.1%	
Materials	24 329.4	414.2		46.19	10.7	99.3%	
Real Estate	10 788.4	1 146.2		35.49	3.6	55.4%	
Industrials	14 262.7	1 041.5		36.57	9.8	112.2%	

Source: OMSEC Research Data Base

ZSE Sector Price Earnings Relative Comparisons

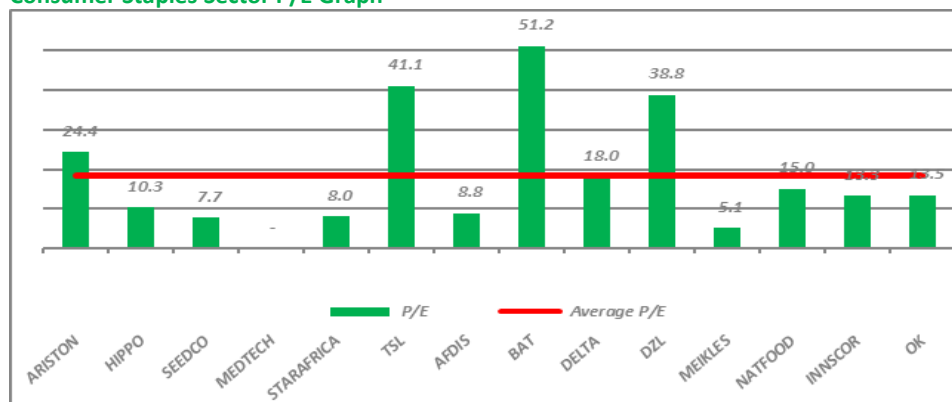
Financial Sector P/E Graph



Financial Sector	Value	Quarter Change
Sector Index	10537.40	10.89%
Best Performer		
GETBUCKS	0.40	220.0%
Worst Performer		
ZIMRE	2.07	(34.04%)

Fidelity, NMB and FCB are the most attractive companies on a P/E scale. The best performer in Q1 was GETBUCKS with a YTD of 220%. CBZH and ZHL recorded negative quarterly returns.

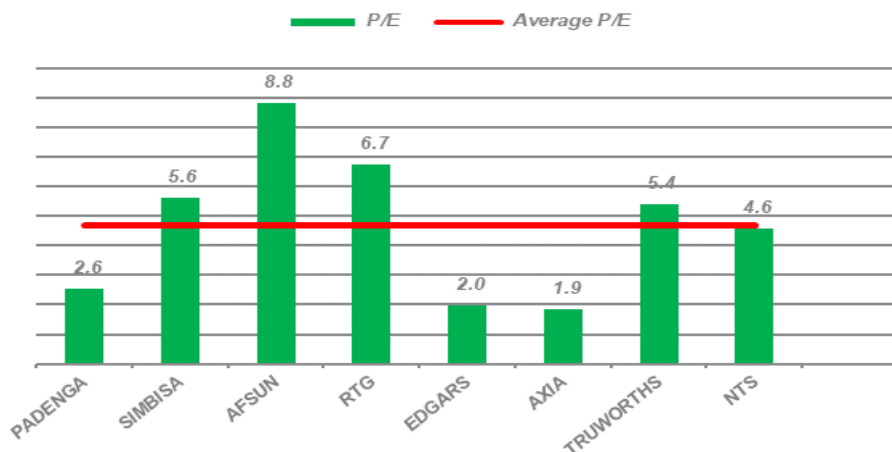
Consumer Staples Sector P/E Graph



Consumer Staples	Value	Quarter Change
Sector Index	4836.2	89.26%
Best Performer		
NATFOOD	316	425.79%
Worst Performer		
SEEDCO	21.6089	(13.76%)

Meikles, Seedco and Star Africa are the most attractive companies on a P/E scale in this sector. NATFOOD was the best performer in the sector.

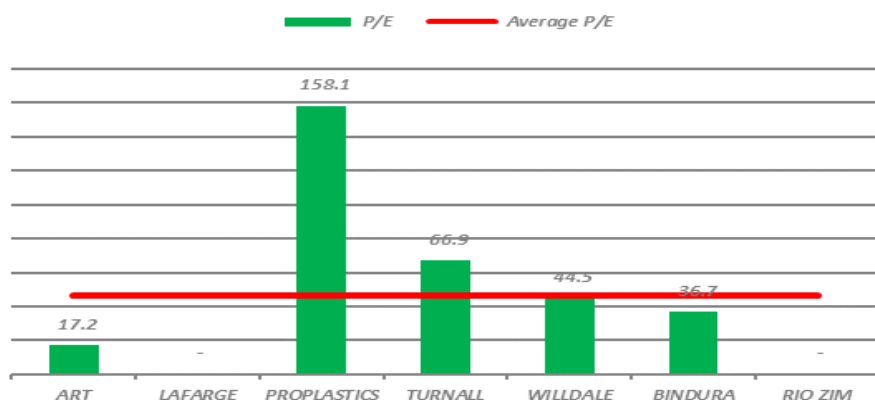
Consumer Discretionary Sector P/E Graph



Consumer discretionary	Value	Quarter Change
Sector Index	6408.6	86.13%
Best Performer		
NTS	10	3 542.99%
Worst Performer		
RTG	1.9001	(0.91%)

The best performer in the commodities sector was NTS with a 3 542.99% return. AXIA has the lowest P/E followed by EDGARS and Padenga. RTG was the worst performer with a negative return in the first quarter.

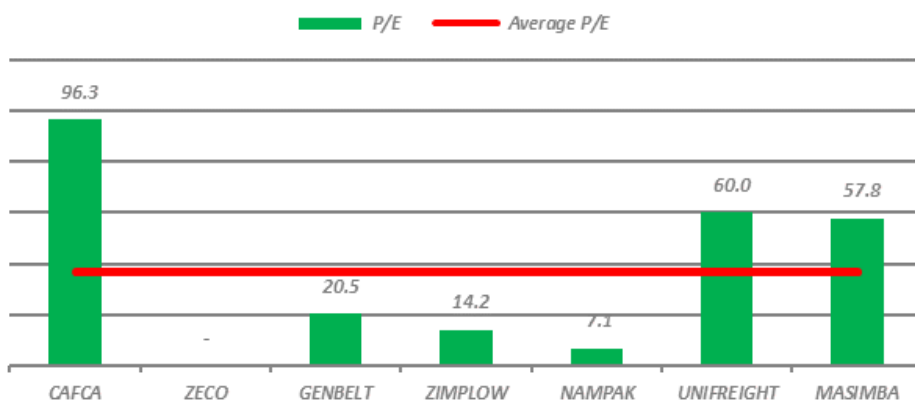
Materials Sector P/E Graph



Materials	Value	Quarter Change
Sector Index	5574.5	99.29%
Best Performer		
LAFARGE	50	525.0%
Worst Performer		
BINDURA	4.3824	16.57%

LAFARGE added a significant return of 525% during the quarter and the best performer in this sector with a P/E of 17.2 was ART. Bindura was the worst performer in this sector in Q1 2021 and Q4 2020.

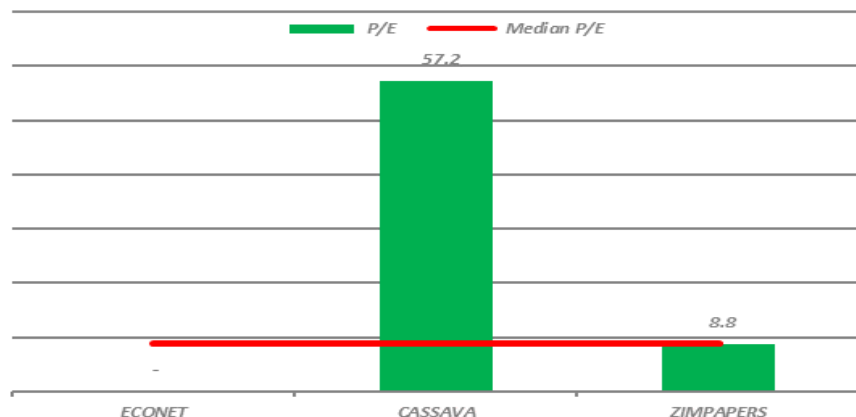
Industrial Sector P/E Graph



Industrial	Value	Quarter Change
Sector Index	7978.3	112.16%
Best Performer		
UNIFREIGHT	15	7964.52%
Worst Performer		
CAFCA	120	33.48%

Unifreight was the best performer in the sector returning 7 964.52% during the quarter. NAMPAK and Zimplow have the lowest P/E.

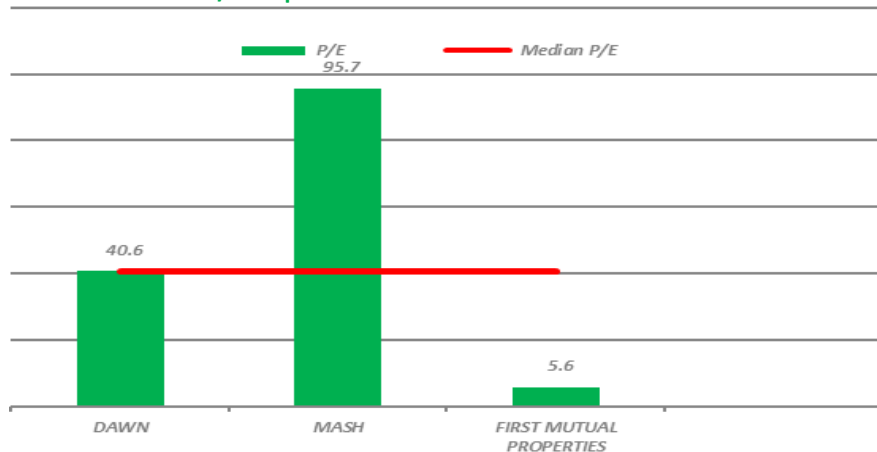
ICT Sector P/B Graph



ICT	Value	Quarter Change
Sector Index	4934.5	123.79%
Best Performer		
ECONET	22.7991	140.11%
Worst Performer		
ZIMPAPERS	1.7	73.47%

Econet was the best performer with a Q1 return of 140.11%. ZIMPAPERS has the lowest PE and was the worst performer in the sector.

Real Estate Sector P/E Graph



Real Estate	Value	Quarter Change
Sector Index	5558.8	55.41%
Best Performer		
MASH	1.86	104.71%
Worst Performer		
DAWN	0.4	(44.44%)

MASH was the best performer with a Q1 return of 104.71% and the delisted Dawn was the worst performer with a negative return of 44%. The sector's woes continue due to lower economic activity induced by the Covid-19 lockdown that has generally resulted in higher voids, downward rental negotiations and increasing rental arrears.

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 RSI of 1.39 which means it has outperformed the ALSI by 39% for the period under review.
ZW\$15.45	
INNSCOR	Latest Fundamentals The Group is expected to out perform when COVID 19 second wave is brought under control. It has a P/E of 6.79, and Dividend Yield (%) of 3%
<i>Medium Term Buy</i>	
Current Price	Key Technicals RSI of 1.00 which means that it matched the ALSI's performance for the period under review
ZW\$70.94	
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 RSI of 1.1872 which means it has outperformed the ALSI by 18.72% year on year. One should take up shares in the company as the fundamental outlook remains fairly optimistic.
ZW\$60	
FCB	Latest Fundamentals FCB is in the Financial sector with operations in Banking. It has a favourable P\E of 2.86. Investor is buying into a bank and a 50% stake in Makasa Sun Hotel in Victoria Falls.
<i>Long-term Buy</i>	Key Technicals RSI of 1.14 which means it has outperformed the ALSI by 14% . We recommend accumulating the share in anticipation of value preservation and value creation in the future.
Current Price	
ZW\$2.30	
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 is set to expand its territory to Manicaland.
<i>Medium Term Buy</i>	Key Technicals The company's technicals indicate that the company is in buy territory on both the relative strength index. RSI of 0.74 which means it has underperformed the ALSI by 26% for year on year.
Current Price	
ZW\$50.99	

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