



**PORTFOLIO
MANAGER'S DIGEST
FULL YEAR 2020**

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“Predicting rain doesn't count. Building arks does.” – Warren Buffet.

The table below shows the key performers and non-performers during Q4 2020 and FY 2020.

FY 2020 Zimbabwe Stock Exchange Review

Market Summary

The Zimbabwe Stock Exchange’s (ZSE) main All Share Index (ALSI) rose by 1 045.84% for the year and closed at a peak of 2 636.34. The equity market experienced a significant rally in the later part of 2020 and gained 60.93% in the last quarter of 2020. CBZH led the pack with a return of 12 093.37%, followed by Masimba at 6 533.19%. It should be noted that trading on the ZSE was suspended for the entire month of July. The ZSE Top 10 index registered a return of 724.68% for the year, driven by gains in CBZH and FBCH.

Most of the listed companies had to contend with foreign currency shortages throughout the year coupled with significant inflationary pressures and a Covid-19 induced national lockdown. Business conditions have remained difficult owing to the Covid-19 induced lockdown, high inflation and reduced demand. Published financial results have shown sales volume shrinkage for most consumer sector 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. A key risk that has emerged for listed companies in general has been a weakening, which has put a strain on balance sheets as foreign liabilities are revalued upwards against assets denominated in local currency.

The total value of shares that traded on the ZSE in 2020 was ZW\$ 17.32b. Foreign investors were net sellers of ZW\$5.42b worth of equities on the ZSE and accounted for 22.8% of all trades.

Notable events of 2020 included:

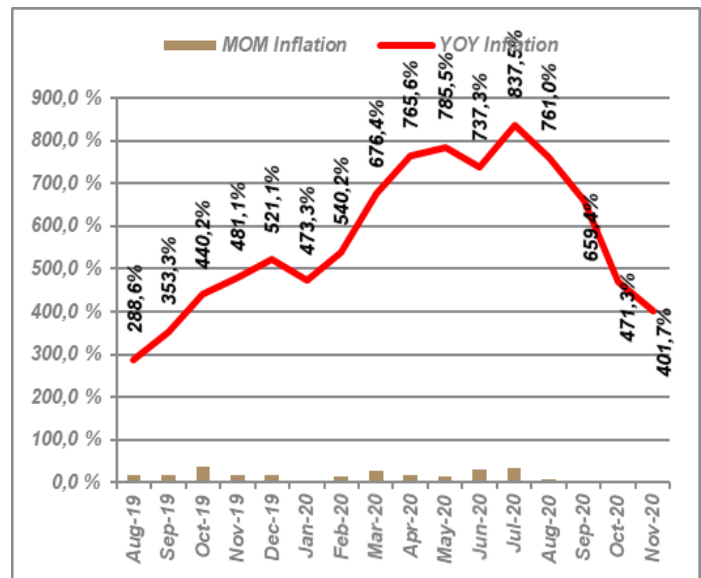
- The suspension of trading on the ZSE on the 29th of June 2020 and resumption on the 3rd of August 2020,
- The suspension of trading of dually listed shares on the ZSE indefinitely and the opening of a US dollar-based Victoria Falls Stock Exchange (VFEX),
- Powerspeed voluntary delisting from the ZSE on the 18th of December 2020,
- The disposal of Meikles Hotel was completed at the end of February 2020 and the buyers took control of the hotel in March 2020,
- Delta acquired 100% equity in United National Breweries (Pty) Limited SA, a leading brewer of traditional beer and owner of the Chibuku brand in South Africa in April 2020,
- ZHL acquired ZPI and delisted it from ZSE.

Top Movers			
Q4 2020	% Change	12 Months	% Change
ZSE ALL SHARE	60.93%	ZSE ALL SHARE	1 045.84%
ZSE TOP 10	52.91%	ZSE TOP 10	724.68%
Q420HIPPO	541.22%	CBZH	12 093.37%
MASIMBA	530.15%	MASIMBA	6 533.19%
BAT	144.55%	HIPPO	4 524.16%
AXIA	129.4%	ART	3 291.62%
NAMPAK	128.14%	ZBFH	3 233.33%

Losers		Losers	
	% Change		% Change
DAWN	(28.0%)		
RTG	(15.53%)		
AFSUN	(12.04%)		
BINDURA	(8.31%)		
FBCH	(2.73%)		

Source: ZSE & OMSEC Research Data base

The table below shows the key month on month and year on year inflation during 2020.



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 %
Jan-20	\$ 305 069 648	179 585 541	332.90	313.32	49 980 634	\$ 108 062 274	\$ 68 373 536	\$ 43 426 475 915	8.4%	17.7%
Feb-20	\$ 360 126 723	172 678 984	473.13	399.69	35 520 894	\$ 154 118 388	\$ 53 929 080	\$ 60 987 462 332	7.1%	21.4%
Mar-20	\$ 425 656 715	237 698 475	456.21	370.74	23 181 632	\$ 106 593 617	\$ 38 349 434	\$ 58 612 101 784	8.7%	12.5%
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%	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	6.6%	21.7%
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%
12 Month Total	\$ 17 321 473 923	3 735 777 755	2 636.34	1671.4693	1 694 168 106	\$ 7 903 171 671	\$ 5 422 916 641	\$ 140 061 243 039	12.4%	22.8%
Q4 2020	\$ 7 826 903 846	1 184 642 986	2 636.34	1671.4693	372 632 000	\$ 2 174 645 732	\$ 713 285 214	\$ 230 280 007 760	3.4%	13.89%

Average*
(ZSE and OMSEC Research Data base December 2020)

Economic Review

Zimbabwe needs to produce competitively priced goods and value-added products in order to spur exports and lead the economic recovery. Covid-19 pandemic, hyperinflation as well as the 2019/20 poor agricultural season constrained the country's economic prospects for 2021. The United Nations World Food Program (WFP) estimates that food-insecure Zimbabweans could reach 8.6 million (about one in two) by year end, citing climate change, hyperinflation, and COVID-19.

These challenges will hamper implementation of the economic Transitional Stabilisation Program (TSP). The program, which is designed to bring macro-economic stability through austerity and free market liberalisation, has heightened the economic shocks. Annual inflation breached the 800% mark in July 2020 and later subsiding to 401.79% in November as the economy is starved of the local currency. On the RBZ foreign currency auction, the exchange rate has stabilized around ZW\$81:US\$1. The auction system has brought about some stability in inflation in the short term. RBZ has taken measures to curtail forex trading on the parallel market, particularly restrictions placed on trading through Ecocash and liquidating 20% of foreign currency revenues in companies' nostro accounts.

The local currency's performance trend on the interbank market has been one of depreciation, trading at ZW\$16.80: US\$1 on 01 January 2020 and closing on 31 December 2020 at ZW\$81.79. This represents a currency depreciation of 388%, raising the risk associated with trying to use the ZW\$ as a store of value or medium of exchange.

The Covid-19 second wave coupled with high inflation threaten the stability and all the macro-economic gains that were achieved

towards the end of 2020. Unless this is resolved through confidence building monetary reforms, the business outlook for 2021 remains one of uncertainty and a depreciation local currency.

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

Reduced economic activity due to the Covid-19 pandemic and higher voids coupled by rental arrears has seen property yields remaining depressed. High financing costs as well as the high cost of building materials for new property developments will see property prices remaining relatively high when compared to regional peers. In the outlook we expect a nascent recovery in this sector that will be linked to the level of economic activity.

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	Q3 2020 (zwl)	Q4 2020 (zwl)	Capital Gain/(Loss) (zwl)	Dividend past 12 months (zwl)	Quarter Return	YOY Return	Total Return Including Dividend
CBZH	52.901	85	32.099	0.67	60.68%	12 093.37%	12 189.49%
DELTA	16.8755	23.5288	6.653	0.45	39.43%	591.9%	605.13%
ECONET	4.9422	9.4951	4.553	-	92.12%	545.14%	545.14%
INNSCOR	19.89	37.11	17.219	1.14	86.58%	953.65%	985.94%
CASSAVA	4.3495	6.5092	2.16	-	49.65%	363.95%	363.95%
PADENGA	13.1	23.3214	10.221	-	78.03%	851.89%	851.89%
OK	4.4862	8.9731	4.487	0.35	100.02%	1 524.38%	1 587.74%
FBCH	15.4355	15.0135	(0.422)	0.30	(2.73%)	2 200.92%	2 246.9%
SEEDCO	19.3996	25.0553	5.656	-	29.15%	1 216.97%	1 216.97%
NATFOOD	49.1	60.1	11.0	5.32	22.4%	567.04%	626.08%
OLD MUTUAL LIMITED	81.9906	81.9906	0.0	-	0.0%	124.63%	124.63%
SEEDCO INT	29.95	29.95	0.0	-	0.0%	896.67%	896.67%
AFSUN	1.8928	1.665	(0.228)	-	(12.04%)	566.0%	566.0%
SIMBISA	6.5147	13.2024	6.688	0.23	102.66%	956.19%	974.59%
MEIKLES	15	25.424	10.424	0.43	69.49%	912.91%	930.04%
AXIA	3.997	9.1693	5.172	0.24	129.4%	1 418.1%	1 457.43%
RIO ZIM	11.3902	14.9519	3.562	-	31.27%	537.34%	537.34%
TSL	5.4	14.4	9.0	-	166.67%	1 800.99%	1 800.99%
Mid Cap Listed Companies							
FCB	0.6311	0.9809	0.35	-	55.43%	885.83%	885.83%
RTG	2.27	1.9175	(0.353)	-	(15.53%)	1 222.41%	1 222.41%
BINDURA	4.1002	3.7595	(0.341)	-	(8.31%)	2 223.55%	2 223.55%
AFDIS	17	24	7.0	-	41.18%	652.35%	652.35%
FIRST MUTUAL	4.3	9.59	5.29	0.03	123.02%	2 988.57%	2 998.58%
PROPLASTICS	5.99	8.6098	2.62	-	43.74%	949.98%	949.98%
NMB	3	4	1.0	-	33.33%	875.61%	875.61%
DAWN	1	0.72	(0.28)	-	(28.0%)	886.3%	886.3%
ZIMFLOW	4.2	5	0.8	-	19.05%	726.45%	726.45%
GETBUCKS	0.125	0.125	0.0	-	0.0%	4.17%	4.17%
ARISTON	1.37	1.34	(0.03)	-	(2.19%)	607.12%	607.12%
LAFARGE	6.2429	8	1.757	-	28.15%	344.44%	344.44%
DZL	9.49	10.9706	1.481	0.02	15.6%	2 466.22%	2 470.9%
STARAFRICA	0.17	0.27	0.1	-	58.82%	660.56%	660.56%
POWERSPEED	1.9	1.925	0.025	-	1.32%	862.5%	862.5%

*Source: OMSEC Research Data Base

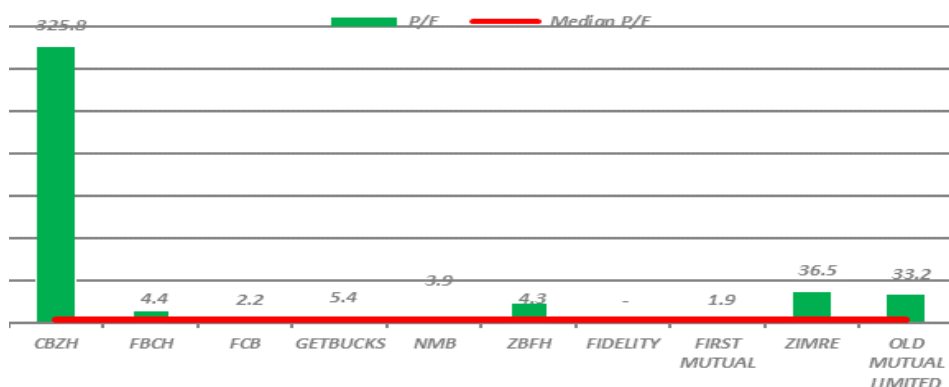
Market Sector Valuation Overview

31-Dec-20	MKT CAP	SECTOR (RTGS\$ m)	SECTOR	SECTOR	SECTOR INDEX
Sector	RTGS\$(m)	ROLLING EARNINGS	AVERAGE P/E	AVERAGE P. BOOK	QTR RETURN
Financials	93 357.4	9 531.0	41.77	2.6	48.99%
Consumer Staples	130 535.5	16 125.2	24.40	12.3	80.3%
ICT	42 024.9	632.5	25.38	1.2	66.5%
Consumer Discretionary	32 934.9	1 804.2	25.27	4.3	23.0%
Materials	12 497.4	414.3	13.41	2.9	20.0%
Real Estate	8 003.0	1 146.2	30.74	5.9	13.1%
Industrials	6 722.5	243.0	18.88	5.6	136.4%

Source: OMSEC Research Data Base

ZSE Sector Price Earnings Relative Comparisons

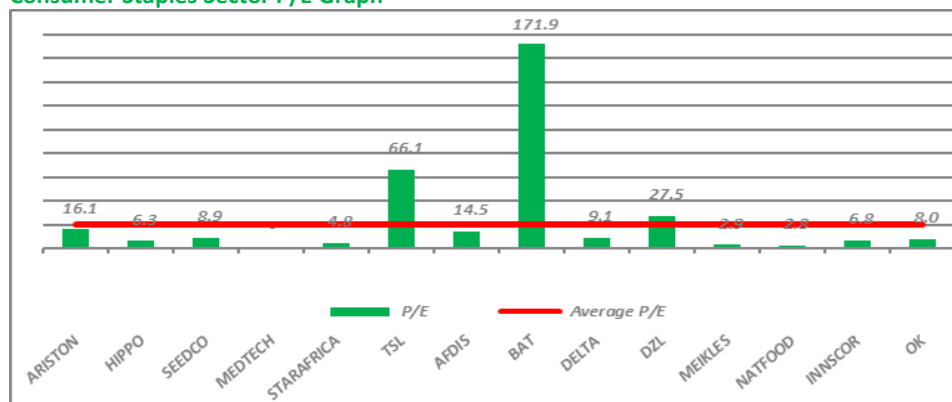
Financial Sector P/E Graph



Financial Sector	Value	Quarter Change
Sector Index	9502.2	48.99%
Best Performer		
FIRST MUTUAL	9.59	123.02%
Worst Performer		
FBCH	15.0135	(2.73%)

First Mutual Holdings, FCB and NMB are the most attractive companies on a P/E scale. The best performer in Q4 was First Mutual Holdings.

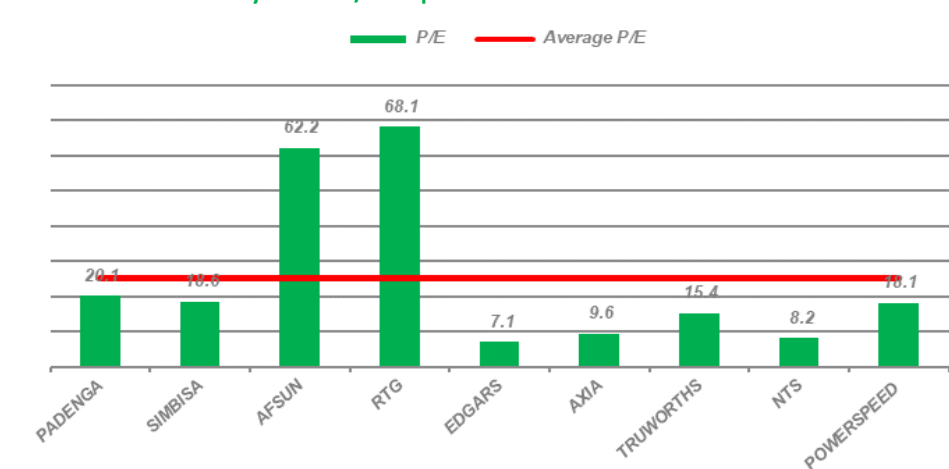
Consumer Staples Sector P/E Graph



Consumer Staples	Value	Quarter Change
Sector Index	2555.4	80.31%
Best Performer		
HIPPO	90.1712	541.22%
Worst Performer		
ARISTON	1.34	(2.19%)

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

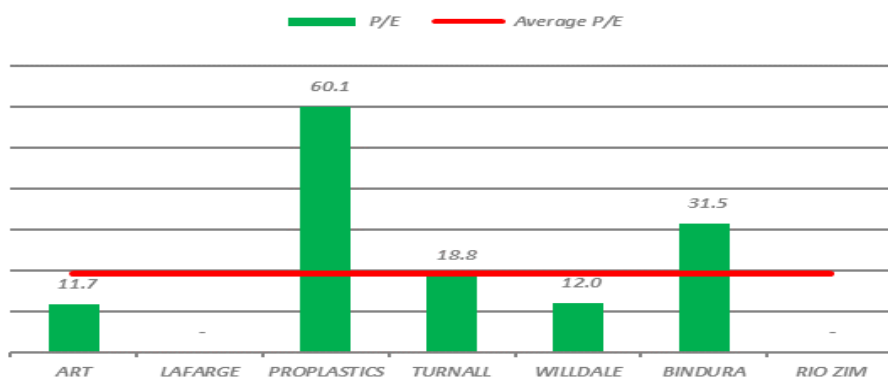
Consumer Discretionary Sector P/E Graph



Consumer discretionary	Value	Quarter Change
Sector Index	3443.1	22.96%
Best Performer		
AXIA	9.1693	129.4%
Worst Performer		
RTG	1.92	(15.53%)

The best performer in the commodities sector was AXIA with a 129.4% return. Edgars has the lowest P/E followed by NTS and AXIA. Powerspeed voluntarily delisted from the ZSE during the fourth quarter of the year.

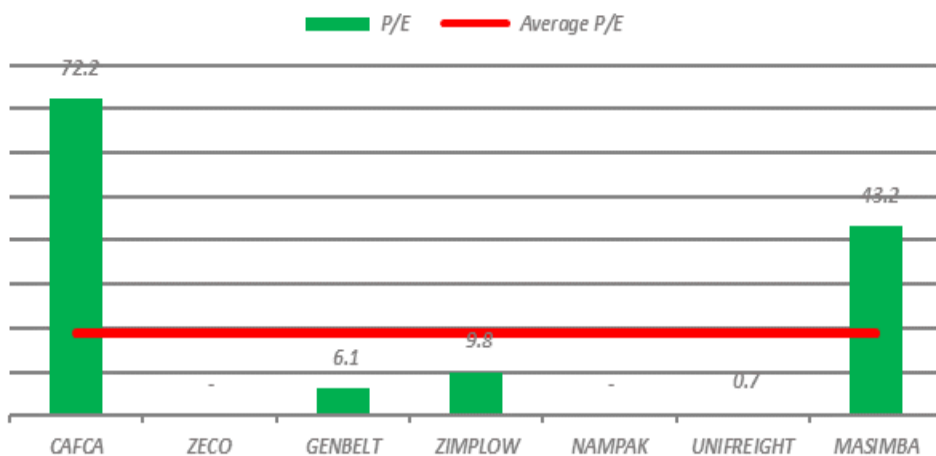
Materials Sector P/E Graph



Materials	Value	Quarter Change
Sector Index	2797.3	20.04%
Best Performer		
ART	4.4091	95.96%
Worst Performer		
BINDURA	3.7595	(8.31%)

ART added a significant return of 95.96% during the quarter and was the best performer in this sector with a P/E of 11.7. Bindura was the worst performer in this sector losing 8.31% in Q4.

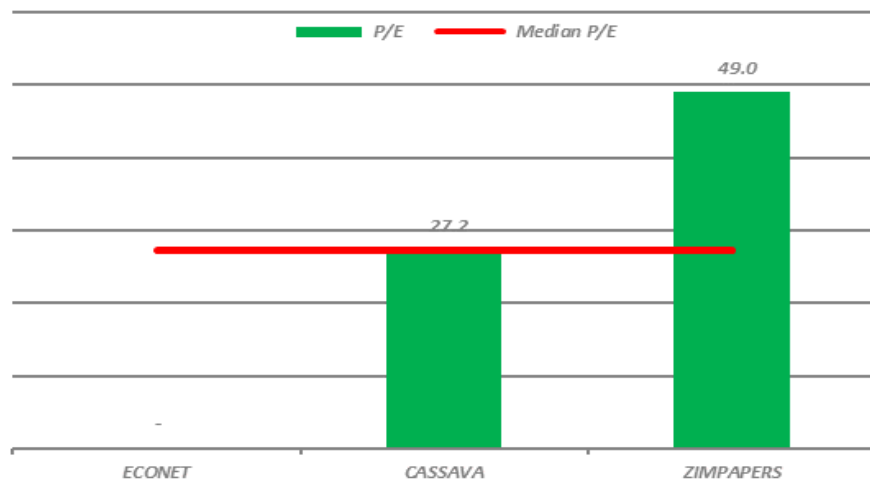
Industrial Sector P/E Graph



Industrial	Value	Quarter Change
Sector Index	3760.4	136.41%
Best Performer		
MASIMBA	11.9729	530.15%
Worst Performer		
ZECO	0.0002	0.0%

Masimba was the best performer in the sector returning 530.15% during the quarter. Unifreight has the lowest P/E because the share is tightly held, and it hardly trades on the market.

ICT Sector P/B Graph



ICT	Value	Quarter Change
Sector Index	2205.0	66.49%
Best Performer		
ECONET	9.4951	92.12%
Worst Performer		
ZIMPAPERS	0.98	36.11%

Econet was the best performer with a Q4 return of 92.12%. Cassava's P/B is the lowest in the sector and the worst performer was ZIMPAPERS.

Real Estate Sector P/E Graph



Real Estate	Value	Quarter Change
Sector Index	3576.9	13.06%
Best Performer		
MASH	0.9086	117.63%
Worst Performer		
DAWN	0.72	(28.0%)

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. MASH was the best performer with a Q4 return of 117.63% and the set to delist Dawn was the worst performer with a negative return.

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 group opened two new stores in Harare and Victoria Falls and were well received in the respective markets and are expected to contribute meaningfully to the Group's revenue. We expect the company to grow more if the economic environment turns a corner for the better.
<i>Long Term Buy</i>	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.
Current Price	
ZW\$12.39	Key Technicals RSI of 1.32 which means it has outperformed the ALSI by 32% for the 12 months under review.
INNSCOR	Latest Fundamentals The business closed the year with a strong raw material pipeline. Recovery for the Group expected when COVID 19 second wave is brought under control. It has a P/E of 5.23, and Dividend Yield (%) of 4.00%
<i>Medium Term Buy</i>	
Current Price	Key Technicals RSI of 0.79 which means it has underperformed the ALSI by 21% for the 12 months under review
ZW\$43.09	
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.
<i>Long- Term Buy</i>	
Current Price	Key Technicals RSI of 0.79 which means it has underperformed the ALSI by 21% for the 12 months under review. One should take up shares in the company as the fundamental outlook remains fairly optimistic.
ZW\$29.9995	
FCB	Latest Fundamentals FCB is in the Financial sector with operations in Banking. The bank's non-performing loans ratio is low at 0.2% and it has a P/E of 2.30. 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 0.87 which means it has underperformed the ALSI by 13% for the 12 months under review. We recommend accumulating the share in anticipation of value preservation and value creation in the future.
Current Price	
ZW\$1.26	
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 0.69 which means it has underperformed the ALSI by 31% for the past 12 months.
Current Price	
ZW\$35.42	

CORPORATE EVENTS IN 2020

COMPANY	Corporate Action
African Sun	Acquired Dawn Properties and Dawn shareholders will get 1 African Sun share for every 4 Dawn shares they have.
Zimplot	Acquired Scanlink, Tredcor Zimbabwe and Birmingham Investments in exchange for 106,199,706 Zimplot ordinary shares.
ZIMRE	Acquired ZPI and is in the process to acquire and delist FLA
SeedCo International	Delisted from the ZSE and listed on VFEX
ZPI	Acquired by ZHL and delisted from the ZSE
Old Mutual Limited	Delisted from the ZSE
PPC	Delisted from the ZSE
Powerspeed	Delisted from the ZSE

Analyst: Trevor Mhlophe
+263782183281

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