



**PORTFOLIO  
MANAGER'S DIGEST  
Q3 2021**

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***“Most people get interested in stocks when everyone else is. The time to get interested is when no one else is. You can’t buy what is popular and do well.” – Warren Buffet.***

## Q3 2021 Zimbabwe Stock Exchange Review

### Market Summary

The Zimbabwe Stock Exchange’s (ZSE) main All Share Index (ALSI) rose by 38.5% during the third quarter of the year whilst the Top 10 index firmed 53.98%, driven by gains in Cassava, Simbisa and Econet. The mining index registered a notably lower return than the All Share index during the quarter. Prices for mining stocks were relatively sticky. Rio-Zim’s performance was severely curtailed by a significant drop in volumes.

The Quarter’s best performing Index was the ICT Index adding 97.29% to close at 11 255.43. The main drivers of the ICT index are Cassava and Econet with Q3 returns of 109.75% and 89.12% respectively.

The total value of shares that traded on the ZSE in Q3 2021 was ZW\$ 11.1b. The comparative statistic for the value of trades in Q3 2020 was ZW\$5.7b. It should be noted however that foreign investors were net sellers of ZW\$0.7b worth of equities on the ZSE and accounted for 6.84% of the value traded in Q3 2021 compared to 38.72% traded in Q3 2020. Trading in the quarter was marked by a significant decline in the value of foreign investor activity in blue chip companies. Activity in other blue chip companies was limited and largely on the sell side.

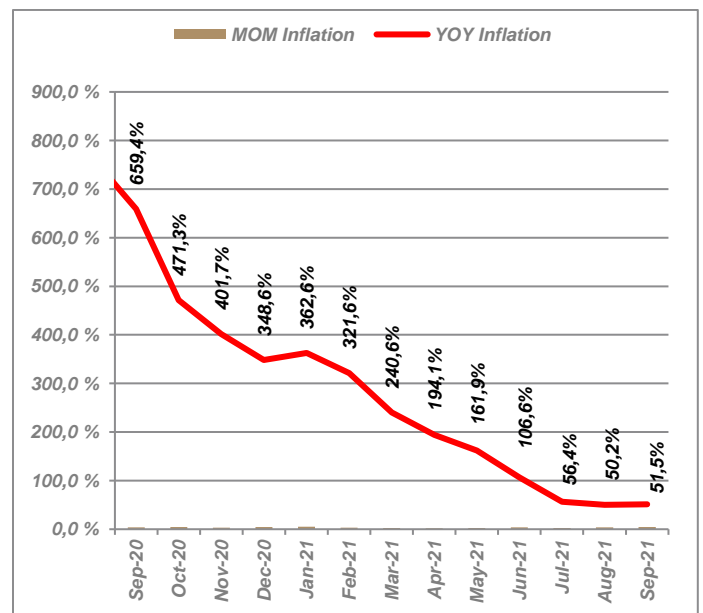
Despite the tough economic environment, listed companies enjoyed revenue growth that was underpinned by high inflation. Added to that, there was a general increase in sales volumes arising from the relaxation of Covid-19 restrictions. Cost push inflation was the theme for most ZSE listed companies whose revenues were on an upward trend in sync with inflationary trends. The local currency weakening is likely to persist in Q4 of 2021. Whilst the Foreign Exchange Auction Rate is recognised as the official exchange rate for reporting purposes, a number of significant economic players have not been able to access sufficient foreign currency from it. A truly market determined official exchange rate would clear this uncertainty and improve supply of foreign exchange to this market. Policy makers have the task to strengthen the viability of the Foreign Exchange Auction in order to limit the macroeconomic imbalances being caused by the parallel market rate.

The table below shows the key performers and non-performers during Q3 2021 and in the last 12 months.

Top Movers			
Q3 2021	% Change	12 Months	% Change
ZSE ALL SHARE	38.5%	ZSE ALL SHARE	423.76%
ZSE TOP 10	53.98%	ZSE TOP 10	344.35%
ZECO	300.0%	UNIFREIGHT	23 066.02%
BAT	121.39%	GETBUCKS	6 309.6%
CASSAVA	109.75%	NTS	4 088.48%
ZIMPLOW	107.13%	MASIMBA	2 697.37%
SIMBISA	91.97%	WILLDALE	1 926.43%
Losers			
	% Change		% Change
GETBUCKS	(49.03%)		
STARAFRICA	(44.55%)		
NTS	(35.74%)		
FMP	(21.98%)		
GENBELT	(21.11%)		

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 %
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	9.7%	9.4%
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	0.0%	0.0%
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%
Jul-21	\$ 2 921 334 846	181 010 800	6 818.29	3639.99	29 617 039	\$ 682 851 051	\$ 232 847 637	\$ 803 900 154 014	4.4%	11.7%
Aug-21	\$ 3 461 272 876	147 232 100	6 652.31	3595.05	14 841 876	\$ 425 592 498	\$ 69 235 012	\$ 792 291 484 686	5.2%	6.1%
Sep-21	\$ 4 731 317 785	2 909 442 257	8 580.16	4857.20	7 367 135	\$ 412 544 664	\$ 382 935 168	\$ 1 032 472 924 915	5.5%	4.4%
12 Month Total	\$ 39 954 954 073	7 905 946 031	8 580.16	4857.20	740 628 598	\$ 10 664 294 498	\$ 6 111 406 341	\$ 558 935 062 112	7.1%	13.3%
Q3 2021	\$ 11 113 925 507	3 237 685 157	8 580.16	4857.20	51 826 050	\$ 1 520 988 213	\$ 685 017 817	\$ 876 221 521 205	1.3%	6.84%

Average\*  
(ZSE and OMSEC Research Data base Sept 2021)

### *Economic Review*

The success of the 2020/21 agricultural season is expected to benefit the economy in two major ways. The country is almost certainly guaranteed food security and the fiscus is expected to save critical foreign currency in the form of non-importation of grain for food reserves going into 2022. The increased supply of grain, forecasted at 2.7 million tonnes versus more than double the five-year average, is expected reduce pressure on food prices. That being said, the continued foreign currency shortages will have inflationary pressures on goods that are not produced locally as costs associated with securing foreign currency are passed onto consumers. It must be said that excessive inflation is the most significant threat to any form of economic recovery, and this includes most ease of doing business initiatives.

In order for Zimbabwe to improve its economic fortunes a number of legislations governing business operations and red tape needs to be simplified. This has to be followed up with confidence building around rule of law and respect of property rights. The country has had a bad reputation regards the latter and will need to seriously overturn this deficiency if it hopes to attract the sort of investment that its neighbours have been able to attract. Foreign investors require comfort in the security of their investment and policy consistency in the environment in which they operate in. Zimbabwe would benefit by respecting property rights, improving its ease of doing business requirements and policy consistency.

Rising inflation and foreign currency shortages threaten the stability and all the macro-economic gains that were achieved in H1 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. 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 era.

### *Investment Markets Review and Outlook*

#### *Equities*

The steady growth of the ZSE Market Capitalisation has been supported by buying pressure on the local bourse as investors continue to disinvest from near cash assets and invest in the equity space as fears over currency uncertainty and inflation continue. We expect this trend to persist as long as there is a significant gap between the official exchange rate and parallel rate.

#### *Property Sector*

Being real assets, the property sector's valuation is unlikely to change in real terms however the continued trend of a growth in voids is expected to decrease the return yield on this asset class. Property sector players who are able to adapt and provide properties that can service the specialised needs of growing sectors of the economy such as agriculture, warehousing and logistics as well as sections of the retail and informal sector are expected to improve on their earnings yields.

#### *Money Market*

Significant inflationary developments continue to depress this asset class' performance. A concern over the real value of money coupled with restrictions on the spread that lenders can charge on credit advanced has made this asset class relatively less attractive to most investors. Additionally, the limited access to nostro funding, which borrowers are in demand for, means it will be additionally more difficult to place money at attractive yields.

#### *Outlook*

Economic activity is likely to remain sub-optimal in the short term with pockets of improvement in the economy likely to be threatened by high inflation. Investors are expected to favour value preservation opportunities ahead of growth.

## Equity Return Analysis

(Companies ranked by market weight from highest to smallest)

Total Return Analysis	Q2 2021 (zwl)	Q3 2021 (zwl)	Capital Gain/(Loss) (zwl)	Dividend past 12 months (zwl)	Quarter Return	YOY Return	Total Return Including Dividend
DELTA	72.3609	110.2741	37.9132	1.50	52.39%	553.46%	562.35%
ECONET	27.5	52.0077	24.508	1.00	89.12%	952.32%	972.55%
CASSAVA	14.9972	31.4566	16.459	-	109.75%	623.22%	623.22%
INNSCOR	86.23	135.01	48.786	2.90	56.58%	578.88%	593.46%
NATFOOD	520.1342	680.6667	160.533	11.00	30.86%	1 286.29%	1 308.68%
HIPPO	140.0304	226.9598	86.929	2.45	62.08%	1 513.94%	1 531.36%
CBZH	83.9935	83.0671	(0.926)	3.54	(1.1%)	57.02%	63.72%
BAT	899	1990.3	1 091.3	-	121.39%	784.97%	784.97%
SIMBISA	36.0563	69.2173	33.161	1.32	91.97%	962.48%	982.74%
MEIKLES	83	115.967	32.967	1.85	39.72%	673.11%	685.45%
OK	15.002	20.4255	5.424	0.80	36.15%	355.3%	373.13%
SEEDCO	52.5	90	37.5	-	71.43%	363.93%	363.93%
TSL	40	61.6818	21.682	0.56	54.2%	1 042.26%	1 052.63%
FIRST MUTUAL	27.4969	29.95	2.453	0.12	8.92%	596.51%	599.23%
FBCH	30	29.95	(0.05)	0.74	(0.17%)	94.03%	98.85%
AXIA	20.882	28.6581	7.776	0.25	37.24%	616.99%	623.12%
RTG	4.5074	6	1.493	-	33.11%	164.32%	164.32%
FIRST MUTUAL PROPERT	15.4545	12.0577	(3.397)	0.02	(21.98%)	424.25%	424.94%
<b>Mid Cap Listed Companies</b>							
AFSUN	5.8497	9.79	3.94	-	67.36%	417.22%	417.22%
DZL	33.3571	38.5	5.143	0.25	15.42%	305.69%	308.32%
MASIMBA	40	53.15	13.15	0.42	32.88%	2 697.37%	2 719.37%
AFDIS	65.0893	90	24.911	0.500	38.27%	429.41%	432.35%
NAMPAK	14.5	12.9625	(1.538)	-	(10.6%)	1 195.6%	1 195.6%
GETBUCKS	15.72	8.012	(7.708)	-	(49.03%)	6 309.6%	6 309.6%
MASH	3.55	4.4648	0.915	0.03	25.77%	969.41%	975.74%
FCB	3.8176	3.7542	(0.063)	0.05	(1.66%)	494.87%	502.79%
STARAFRICA	3.0717	1.7033	(1.368)	-	(44.55%)	901.94%	901.94%
WILLDALE	4.203	4.5007	0.298	0.01	7.08%	1 926.43%	1 932.51%
PROPLASTICS	27.95	30	2.05	0.21	7.33%	400.83%	404.26%
LAFARGE	60	94	34.0	-	56.67%	1 405.71%	1 405.71%
ZIMRE	3.2154	3.8607	0.645	0.02	20.07%	48.49%	49.12%
BINDURA	5.2963	5.1542	(0.142)	-	(2.68%)	25.71%	25.71%
ARISTON	3.8761	3.8003	(0.076)	-	(1.96%)	177.39%	177.39%
<b>Currency</b>							
Currency	Q2 2021	Q3 2021			Quarter Appreciation/ (Depreciation)		YTD Appreciation/ (Depreciation)
usd/zw\$	85.4234	87.6653			(2.56%)		(6.71%)
usd/zar	14.2826	15.0585			(5.15%)		(2.63%)
usd/gbp	0.7232	0.7418			(2.51%)		(1.4%)
usd/eur	0.8434	0.8635			(2.33%)		(5.2%)
usd/ven	111.1177	111.3449			(0.2%)		(7.28%)

\*Source: OMSEC Research Data Base Sept 2021

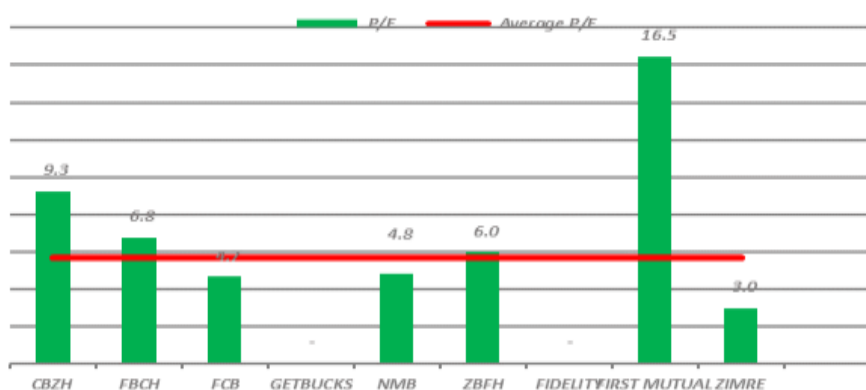
Market Sector Valuation Overview

30-Sep-20 Sector	MKT CAP RTGS\$(m)	SECTOR (RTGS\$ m) ROLLING EARNINGS	SECTOR AVERAGE P/E	SECTOR AVERAGE P.BOOK	SECTOR INDEX QTR RETURN
Financials	130 590.5	18 291.2	5.66	9.9	(3.07%)
Consumer Staples	490 960.4	29 967.1	20.61	18.8	47.4%
ICT	218 035.1	8 843.5	43.12	2.5	97.3%
Consumer Discretionary	89 187.9	9 150.0	33.06	16.2	43.9%
Materials	38 872.4	1 893.0	15.16	3.6	12.3%
Real Estate	23 229.7	12 543.6	2.71	1.3	(9.4%)
Industrials	35 381.3	1 797.0	17.42	9.9	19.9%

Source: OMSEC Research Data Base

## ZSE Sector Price Earnings Relative Comparisons

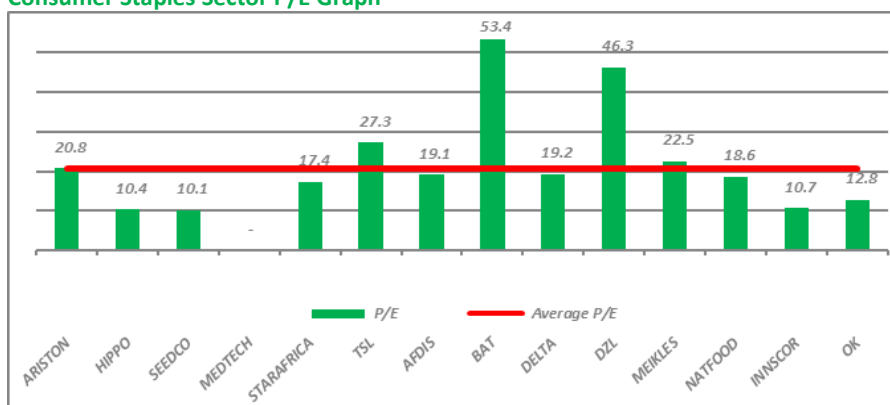
### Financial Sector P/E Graph



Financial Sector	Value	Quarter Change
Sector Index	15842.17	(3.07%)
Best Performer		
NMB	15.00	25.0%
Worst Performer		
GETBUCKS	8.01	(49.03%)

ZHL, NMB and FCB are the most attractive companies on a P/E scale. The best performer in Q3 was NMB gaining 25%. FML's high P/E is a reflection of the relatively small size of its bottom line compared to its trading price.

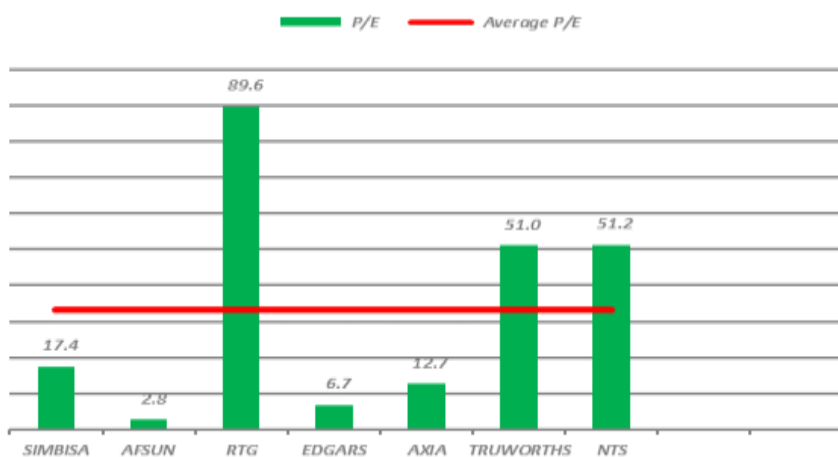
### Consumer Staples Sector P/E Graph



Consumer Staples	Value	Quarter Change
Sector Index	9801.0	47.43%
Best Performer		
BAT	1990.3	121.39%
Worst Performer		
STARAFRICA	1.7033	(44.55%)

The average sector P/E has been pushed up by BAT which settled at a P/E of 53X. Hippo, Seedco, Innscor, and Ok Zimbabwe are the most attractive companies on a P/E scale in this sector. Of note is the unbundling of Meikles' agricultural processing business, Tanganda Tea as an opportunity for investors.

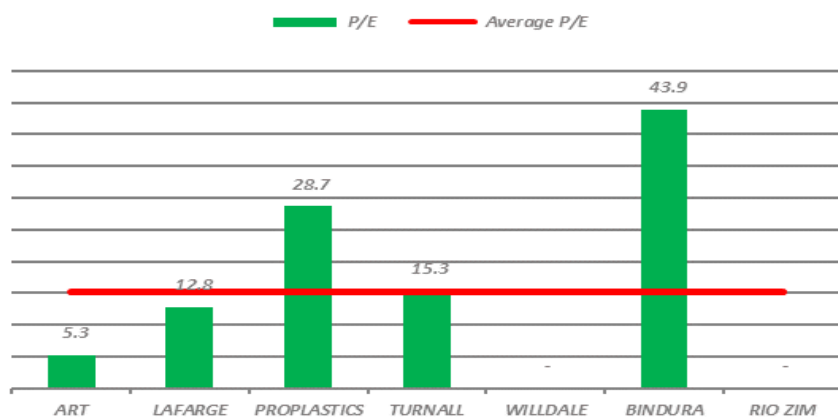
### Consumer Discretionary Sector P/E Graph



Consumer discretionary	Value	Quarter Change
Sector Index	11040.8	43.91%
Best Performer		
SIMBISA	69.2173	91.97%
Worst Performer		
NTS	8	(35.74%)

The best performer in the consumer Discretionary sector was Simbisa with a 91.97% return. Afsun has the lowest P/E followed by Edgars. NTS lost 35.74% in Q3.

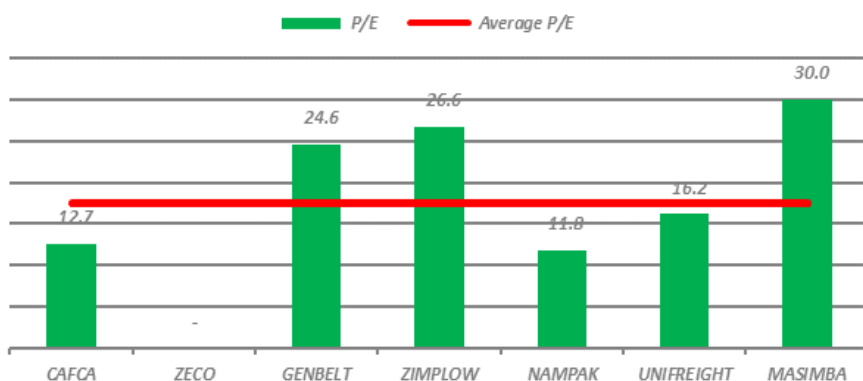
## Materials Sector P/E Graph



Materials	Value	Quarter Change
Sector Index	8871.0	12.27%
Best Performer		
LAFARGE	94	56.67%
Worst Performer		
RIO ZIM	25	(4.21%)

Lafarge added a significant return of 56.67% during the quarter and was the best performer in this sector. ART has the lowest P/E of 5.3. Rio Zim was the worst performer in this sector losing 4.21% in Q3. RIO ZIM's published results indicated that its sub-optimal out-put due to production stoppages resulted in subdued performance.

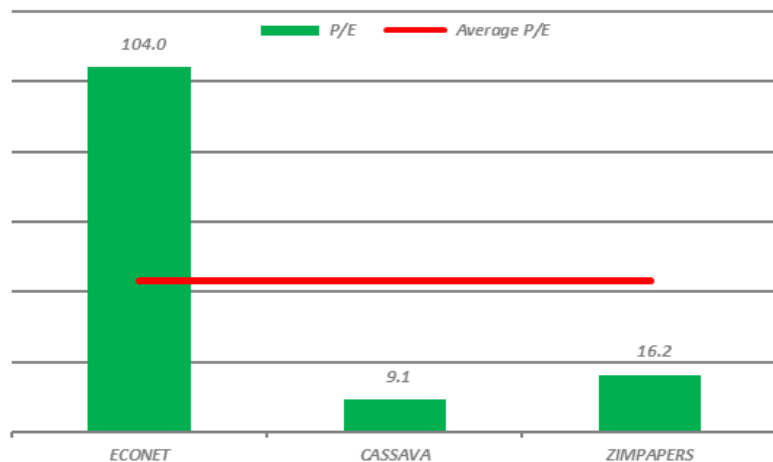
## Industrial Sector P/E Graph



Industrial	Value	Quarter Change
Sector Index	18731.9	19.88%
Best Performer		
ZECO	0.0012	300.00%
Worst Performer		
GENBELT	2.2	(21.11%)

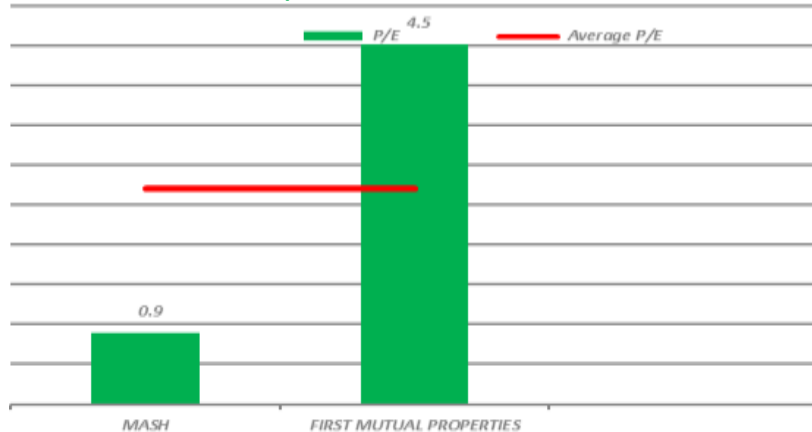
ZECO was the best performer in the sector returning 300% during the quarter albeit only having 300 shares traded worth ZW\$0.24. NAMPAK has the lowest P/E of 11. Masimba, Genbelt and Zimflow are relatively overvalued in this sector at their current price levels.

## ICT Sector P/B Graph



ICT	Value	Quarter Change
Sector Index	11255.4	97.29%
Best Performer		
CASSAVA	31.4566	109.75%
Worst Performer		
ZIMPAPERS	3.15	16.67%

Cassava was the best performer with a Q3 return of 109.75%. We are of the view that the Econet share is currently overvalued and believe that value lies in Cassava whose P/E is significantly lower.

**Real Estate Sector P/E Graph**


Real Estate	Value	Quarter Change
Sector Index	12734.0	(9.38%)
Best Performer		
MASH	4.4648	25.77%
Worst Performer		
FIRST MUTUAL PROPERTIES	12.0577	(21.98%)

MASH was the best performer with a Q3 return of 25.77%. On a relative P/E basis MASH is the most attractive in the sector. The sector has come under increasing pressure due to lower property space uptake. The sector was the biggest loser in Q3 dropping by 9.38%.

## Top Five Picks

<p><b>OK ZIMBABWE</b></p> <p><i>Medium Term Buy</i></p> <p><b>Current Price</b></p> <p>ZW\$28.35</p>	<p><b>Latest Fundamentals</b></p> <p>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.</p> <p><b>Key Technicals</b></p> <p>RSI of 0.8987 which means it has underperformed the ALSI by 10.13% for the 12 months under review.</p>
<p><b>EDGARS</b></p> <p><i>Medium Term Buy</i></p> <p><b>Current Price</b></p> <p>ZW\$4.57</p>	<p><b>Latest Fundamentals</b></p> <p>The company's current share price does not reflect the true value of the company due to the impact of the Covid-19 pandemic.</p> <p><b>Key Technicals</b></p> <p>RSI of 0.65 which means it has underperformed the ALSI by 35% for the 12 months under review</p>
<p><b>FCB</b></p> <p><i>Long- Term Buy</i></p> <p><b>Current Price</b></p> <p>ZW\$3.89</p>	<p><b>Latest Fundamentals</b></p> <p>The Bank reported a sharp growth in Foreign currency loans to USD18.7m in June 2021 from USD1m in December 2020. The Bank's Non-performing loans ratio stood at 0.14% lower than prior year 0.16% and market average of 0.3%. Investor is buying into a bank and a 50% stake in Makasa Sun Hotel in Victoria Falls.</p> <p><b>Key Technicals</b></p> <p>RSI of 0.8774 which means it has underperformed the ALSI by 12.26% for the 12 months under review.</p>
<p><b>LAFARGE</b></p> <p><i>Long-term Buy</i></p> <p><b>Current Price</b></p> <p>ZW\$112</p>	<p><b>Latest Fundamentals</b></p> <p>The company is in the Materials sector focusing in the production of cement and dry mortar mix products in Zimbabwe. It is a subsidiary of the Swiss headquartered Holcim. The company's three US\$25 million investment projects are now in the final phase of Implementation. It has attractive fundamentals with a P/E ratio of 15.3.</p> <p><b>Key Technicals</b></p> <p>RSI of 2.5589 which means it has outperformed the ALSI by 155.89% for the 12 months under review. We recommend accumulating the share in anticipation of value preservation and value creation in the future.</p>
<p><b>INNSCOR</b></p> <p><i>Medium Term Buy</i></p> <p><b>Current Price</b></p> <p>ZW\$198.99</p>	<p><b>Latest Fundamentals</b></p> <p>The company is a dominant player in consumer sector, strong at cash generation and consistent dividend payer with a dividend yield of 1.60%. The company has approved a US\$70 million investment aimed at expanding operations and building a new flour milling plant in Bulawayo that it expects to commission in 2022.</p> <p><b>Key Technicals</b></p> <p>RSI of 1.3586 which means it has outperformed the ALSI by 35.86% for the past 12 months.</p>

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