



**PORTFOLIO  
MANAGER'S DIGEST  
Q4 2021**

OUTLINE	Page
<i>Market Summary</i> .....	<b>3</b>
<i>Trade Statistics</i> .....	<b>4</b>
<i>Economic Review</i> .....	<b>5</b>
<i>Equity Return Analysis</i> .....	<b>6</b>
<i>Market Valuation Overview</i> .....	<b>7</b>
<i>Sector PER Graphs</i> .....	<b>8 - 10</b>
<i>Top 5 Picks</i> .....	<b>11</b>

***"Opportunities come infrequently. When it rains gold, put out the bucket, not the thimble."* – Warren Buffet.**

## Q4 2021 Zimbabwe Stock Exchange Review

### Market Summary

It has been yet another spectacular year for the local equities market. The market significantly outperformed inflation in 2021. The Zimbabwe Stock Exchange's (ZSE) main All Share Index (ALSI) rose by 310.51% for the year compared to annual inflation of 60.7% in 2021. This growth follows an impressive 1,045.84% recorded in the 2020. Performance has mainly been driven by inflation hedging activities, increased participation of retail investors following the introduction of digital trading platforms and the strong financial performance of underlying counters. The Top 10 index registered a return of 307.51% for the period under review.

The total value of shares traded on the ZSE in 2021 was ZW\$ 65.27b, a 276.85% upswing from 2020. Foreign investors were net sellers of ZW\$9.73b worth of equities on the ZSE and accounted for 11.7% of total trades. In 2020 foreign investors accounted for 22.8% of total trades and were net sellers of ZW\$5.42b worth of shares. The maiden exchange traded fund, the Old Mutual ZSE Top Ten Exchange Traded Fund (OMTT) had an impressive year gaining 340.09% in 2021, outperforming both the ZSE All Share Index and the ZSE Top ten Index.

Trading on the VFEX in the year under review improved significantly relative to 2020 with a total of 2.3m shares worth US\$593 812.40 changing hands. The improvement in trades is largely due to the listings of 3 counters during the year, namely Padenga, Caledonia ZDRs and Bindura.

Despite operating desirably for the greater part of the year, most ZSE listed companies have been confronted with a myriad of challenges chief among them were Covid-19 disruptions, cost push inflation, multiple exchange rates, power outages and foreign currency shortages especially in the second half of the year. Some of these challenges are expected to roll-over into 2022.

Notable events in 2021 included:

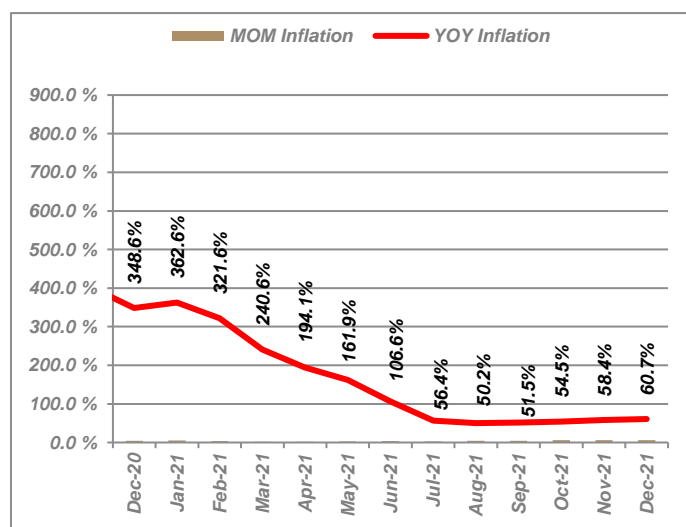
- Listing of the OMTT on the ZSE
- Delisting of Padenga and Bindura Nickel Company from the ZSE and subsequent listing on the VFEX
- Acquisition by African Sun of Dawn Properties.
- CFI resumed trading on the ZSE following the lifting of suspension by the ZSE
- Medtech undertook a share consolidation
- Acquisition of a 57.4% stake of Star Africa by Takura from ZAMCO
- Proposed demerger of Tanganda from Meikles Limited by way of a dividend in specie to Meikles shareholders.

The table below shows the key performers during Q4 2021 and in the last 12 months.

Top Movers			
Q4 2021	% Change	12 Months	% Change
ZSE ALL SHARE	26.13%	ZSE ALL SHARE	310.51%
ZSE TOP 10	40.23%	ZSE TOP 10	307.51%
CFI	13 125.6%	UNIFREIGHT	16 011.1%
ZECO	300.0%	CFI	13 125.6%
NATFOOD	101.9%	GETBUCKS	4 700.0%
FIDELITY	75.59%	ZECO	2 300.0%
ECONET	63.44%	NTS	2 195.08%
Losers			
	% Change	Losers	% Change
NMB	(46.31%)	CBZH	(11.57%)
FIRST MUTUAL PROPERTIES	(35.31%)		
AFSUN	(34.4%)		
FIRST MUTUAL HOLDINGS	33.22%		
STAR AFRICA	31.83%		

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	Industrial Index	Mining Index	vol of shares (foreign)	val. of shares (foreign) \$	Net Foreign Inflows	\$ market capitalisation	ZSE Liquidity	foreign participation %
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	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%
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	0.0%	0.0%
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%
Oct-21	\$ 5 661 929 115	107 831 300	11 329.57	7085.20	19 417 007	\$ 1 227 308 356	\$ 1 013 714 714	\$ 1 378 227 921 300	4.9%	10.8%
Nov-21	\$ 9 899 591 308	791 661 820	10 695.57	6714.23	675 549 990	\$ 4 466 582 794	\$ 3 645 446 239	\$ 1 290 069 754 680	9.2%	22.6%
Dec-21	\$ 17 577 212 861	230 974 308	10 822.36	6811.43	32 340 799	\$ 1 138 731 253	\$ 323 044 150	\$ 1 317 205 109 565	16.0%	3.2%
<b>12 Month Total</b>	<b>\$ 65 266 783 511</b>	<b>7 851 770 473</b>	<b>10 822.36</b>	<b>6811.43</b>	<b>1 095 304 394</b>	<b>\$ 15 322 271 168</b>	<b>\$ 9 734 237 930</b>	<b>\$ 833 490 292 301</b>	<b>7.8%</b>	<b>11.7%</b>
<b>Q4 2021</b>	<b>\$ 33 138 733 284</b>	<b>1 130 467 428</b>	<b>10 822.36</b>	<b>6811.43</b>	<b>727 307 796</b>	<b>\$ 6 832 622 403</b>	<b>\$ 4 336 116 802</b>	<b>\$ 1 328 500 928 515</b>	<b>2.5%</b>	<b>10.31%</b>

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

### *Economic Pointers*

The Minister of Finance is projecting the economy to register strong growth of 5.5% in 2022 buoyed by higher growth rates in the tourism, mining, agriculture, and construction sectors. The mining sector is expected to grow by 8% in 2022 on the back of increased output and new investments particularly for gold and diamonds.

Public sector expenditure is expected to continue playing a major role in driving aggregate demand in the economy in 2022 given the budgeted expenditures amounting to ZWL\$927.3bn. Expenditure is premised on revenue projections of ZW\$850.8 bn and a domestic market funded budget deficit of ZWL\$76.5bn. More resources are expected to be channelled towards developmental programmes and projects, which include infrastructure, social service delivery and social protection. Some of the listed entities are anticipated to benefit from this huge government outlay.

Annual inflation which decelerated significantly from 348.6% in 2020 to 60.7% in 2021, is projected to close 2022 between 15- 20%. Authorities indicated that they would continue with tight fiscal and monetary policies to tame inflation. This notwithstanding, the Government's year end inflation target is seemingly low, considering local currency valuation pressures, projected high government expenditure, and adverse weather conditions which are likely to negatively affect this season's agriculture output. Inflation is expected to remain a major concern for investors in the near term.

While the impact of Covid-19 is expected to be mild in 2022, the pandemic is anticipated to continue clouding the business outlook as the risk of new variants and waves remains high in the absence of herd immunity. This notwithstanding, government and private sector initiatives to contain the virus are commended.

### *Investment Markets Review and Outlook*

#### *Equities*

The growth in the ZSE Market Capitalisation has been supported by firm demand of shares on the local bourse as investors continued pursuing value preservation strategies through real assets such as equities. Inflation pressures are expected to sustain value preservation strategies in 2022. Resultantly, the equities market is projected to maintain a bullish trend in the year. In addition to inflation, increased aggregate demand mainly public sector driven and dollarisation of the economy (dominant informal sector) is anticipated to support volumes and earnings growth for select listed entities. Some of the challenges likely to undermine company valuations in the outlook are a relatively sticky auction rate and multiple exchange rates.

#### *Property Sector*

The market is likely to remain under pressure from Covid-19 restrictions and low rental yields. However, the adoption of Zimbabwe dollar-based valuation is expected to support capital price appreciation. Property sector players who can 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. Increased dollarisation of the market is expected to depress trades. Overall, property remains a good medium to long term hedge against inflation.

#### *Money Market*

Despite tight fiscal and monetary policies, inflationary pressures continue to suppress the performance and attractiveness of interest-bearing investments. Going forward we do not believe that the cost of capital for on-lending will change significantly therefore limiting the returns that can be passed onto investors. We expect money market investment returns to remain sub-inflationary.

#### *Outlook*

We anticipate an annual inflation of over 40% for 2022. Money market investments are likely to be constrained by current inflationary concerns. Liquidity and valuation challenges are expected to limit investments into property. Based on this assumption our view is that the equity sector remains attractive in the short to intermediate term from a liquidity and value preservation perspectives. We believe that Investors should focus on counters in sectors earmarked for higher growth in the 2022 proposed budget such as the tourism, mining, and the manufacturing sectors.

## Equity Return Analysis

(Companies ranked by market weight from highest to smallest)

Total Return Analysis	Q3 2021 (zwl)	Q4 2021 (zwl)	Capital Gain/(Loss) (zwl)	Dividend past 12 months (zwl)	Quarter Return	YOY Return	Total Return Including Dividend
ECONET	52.0077	85	32.9923	1.00	63.44%	795.2%	805.73%
DELTA	110.2741	162.5312	52.257	1.80	47.39%	590.78%	598.43%
CASSAVA	31.4566	40.653	9.196	-	29.24%	524.55%	524.55%
NATFOOD	680.67	1 374.59	693.922	11.00	101.95%	2 187.17%	2 205.47%
INNSCOR	135.0136	162.3964	27.383	2.90	20.28%	337.65%	345.47%
BAT	1990.3	3201	1 210.7	-	60.83%	482.0%	482.0%
HIPPO	226.9598	280	53.04	2.32	23.37%	210.52%	213.09%
SIMBISA	69.2173	90	20.783	1.32	30.03%	581.69%	591.69%
CBZH	83.0671	75.1681	(7.899)	3.83	(9.51%)	(11.57%)	(7.06%)
OK	20.4255	27.4463	7.021	0.75	34.37%	205.87%	214.23%
MEIKLES	115.967	125.1004	9.133	1.80	7.88%	392.06%	399.14%
SEEDCO	90	105.5636	15.564	-	17.29%	321.32%	321.32%
TSL	61.6818	70.1714	8.49	0.56	13.76%	387.3%	391.19%
FBCH	29.95	33.8535	3.904	0.74	13.03%	125.49%	130.44%
RTG	6	7.8	1.8	-	30.0%	306.78%	306.78%
AXIA	28.6581	30.05	1.392	0.25	4.86%	227.72%	230.4%
AFDIS	90	125	35.0	0.50	38.89%	420.83%	422.92%
FIRST MUTUAL	29.95	20	(9.95)	0.12	(33.22%)	108.55%	109.77%
<b>Mid Cap Listed Companies</b>							
MASIMBA	53.15	55	1.85	0.42	3.48%	359.37%	362.86%
DZL	38.5	35	(3.5)	0.25	(9.09%)	219.03%	221.31%
CFI	0.7075	93.5714	92.864	-	13 125.64%	13 125.64%	13 125.64%
FIRST MUTUAL PROPERT	12.0577	7.8	(4.258)	0.016	(35.31%)	188.89%	189.48%
AFSUN	9.79	6.4226	(3.367)	-	(34.4%)	285.74%	285.74%
NAMPAK	12.9625	11.1569	(1.806)	-	(13.93%)	388.8%	388.8%
ZIMLOW	19.9723	23.6	3.628	0.21	18.16%	372.0%	376.24%
BINDURA	5.1542	5.9794	0.825	-	16.01%	59.05%	59.05%
FCB	3.7542	3.454	(0.3)	0.050	(8.0%)	252.13%	257.22%
PROPLASTICS	30	28.9983	(1.002)	0.21	(3.34%)	236.81%	239.19%
GETBUCKS	8.012	6	(2.012)	-	(25.11%)	4 700.0%	4 700.0%
ZIMRE	3.8607	3.7608	(0.1)	0.02	(2.59%)	19.97%	20.49%
LAFARGE	94	80	(14.0)	-	(14.89%)	900.0%	900.0%
ARISTON	3.8003	3.7221	(0.078)	0.06	(2.06%)	177.77%	182.1%
MASH	4.4648	3.2447	(1.22)	0.03	(27.33%)	257.11%	260.02%
<b>Currency</b>							
Currency	Q3 2021	Q4 2021			Quarter Appreciation/ (Depreciation)		YTD Appreciation/ (Depreciation)
usd/zw\$	87.6653	108.67			(19.33%)		(24.74%)
usd/zar	15.0585	15.95			(5.59%)		(8.07%)
usd/gbp	0.7418	0.7376			0.57%		(0.84%)
usd/eur	0.8635	0.8814			(2.03%)		(7.13%)
usd/yen	111.3449	115.098			(3.26%)		(10.3%)

\*Source: OMSEC Research Data Base **DEC 2021**

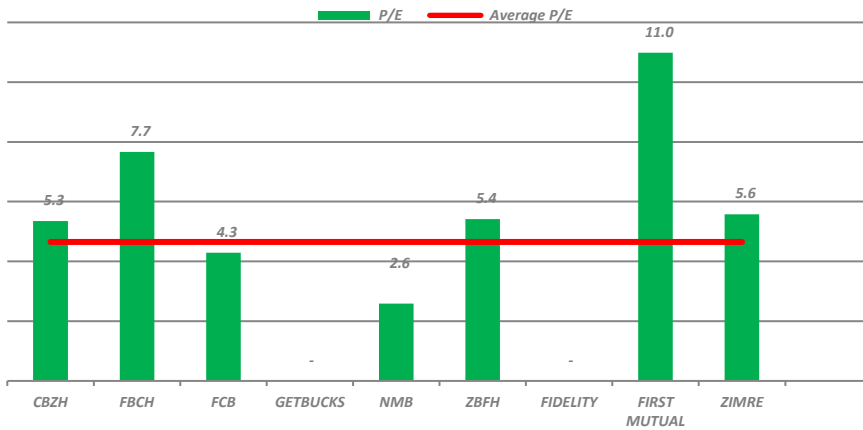
Market Sector Valuation Overview

31-Dec-21	MKT CAP	SECTOR (RTGS\$ m)	SECTOR	SECTOR	SECTOR
Sector	RTGS\$(m)	ROLLING EARNINGS	AVERAGE P/E	AVERAGE P.BOOK	QTR RETURN
Financials	115 578.8	18 312.3	4.19	7.1	(11.50%)
Consumer Staples	685 197.1	31 241.7	26.46	25.0	39.5%
ICT	327 189.9	16 220.6	25.14	13.0	45.9%
Consumer Discretionary	117 517.3	9 167.6	17.75	6.4	11.0%
Materials	38 287.9	2 055.6	8.12	2.4	(1.5%)
Real Estate	16 672.6	12 543.6	0.89	0.4	(31.1%)
Industrials	35 763.1	1 890.1	18.02	9.7	1.1%

Source: OMSEC Research Data Base

## ZSE Sector Price Earnings Relative Comparisons

### Financial Sector P/E Graph



Financial Sector	Value	Quarter Change
Sector Index	14021.07	(11.5%)
Best Performer		
FIDELITY	15.79	75.59%
Worst Performer		
NMB	8.05	(46.31%)

NMB and FCB are the most attractive companies on a P/E scale. The best performer in Q4 was Fidelity gaining 75.59%. FML's high P/E reflects the relatively small size of its bottom line compared to its trading price.

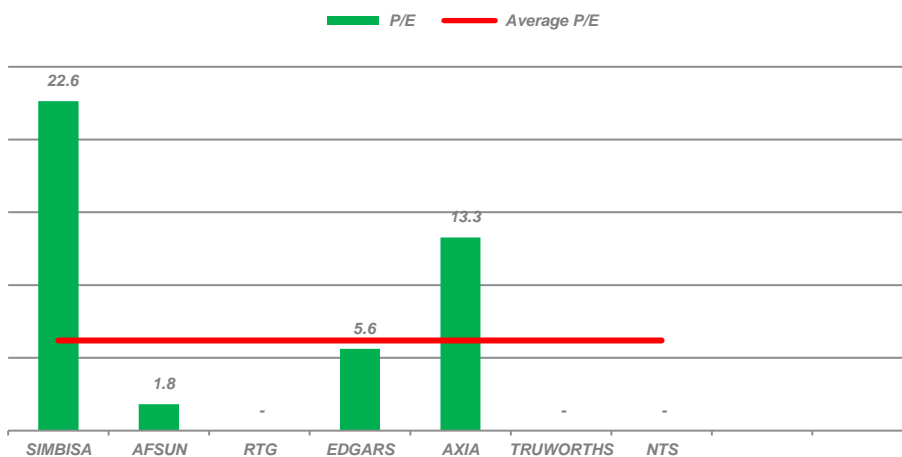
### Consumer Staples Sector P/E Graph



Consumer Staples	Value	Quarter Change
Sector Index	13673.6	39.51%
Best Performer		
MEDTECH	35	12172.09%
Worst Performer		
STARAFRICA	1.1612	(31.83%)

The average sector P/E has been pushed up by DZL which settled at a P/E of 42.1X. Star Africa, Innscor and Seedco 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.

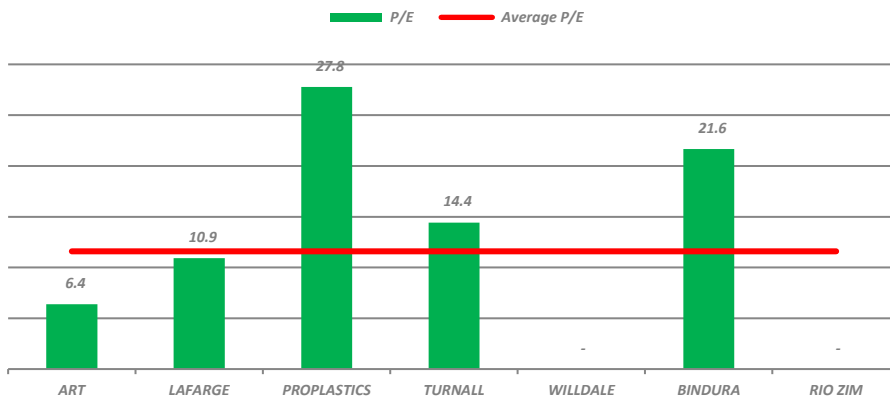
### Consumer Discretionary Sector P/E Graph



Consumer discretionary	Value	Quarter Change
Sector Index	12250.7	10.96%
Best Performer		
SIMBISA	90	30.03%
Worst Performer		
AFSUN	6.4226	(34.4%)

The best performer in the consumer Discretionary sector was Simbisa with a 30.03% return. Afsun has the lowest P/E followed by Edgars. Afsun lost 34.4% in Q4.

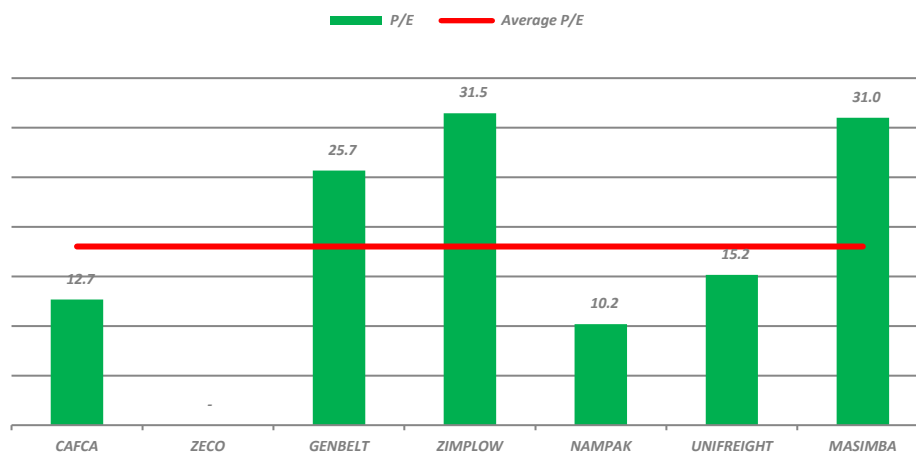
## Materials Sector P/E Graph



Materials	Value	Quarter Change
Sector Index	8736.9	(1.51%)
Best Performer		
RIO ZIM	40	60.0%
Worst Performer		
WILLDALE	3.0947	(31.24%)

Rio Zim added a significant return of 60.0% during the quarter and was the best performer in this sector. ART has the lowest P/E of 6.4. Willdale was the worst performer in this sector losing 31.24% in Q4.

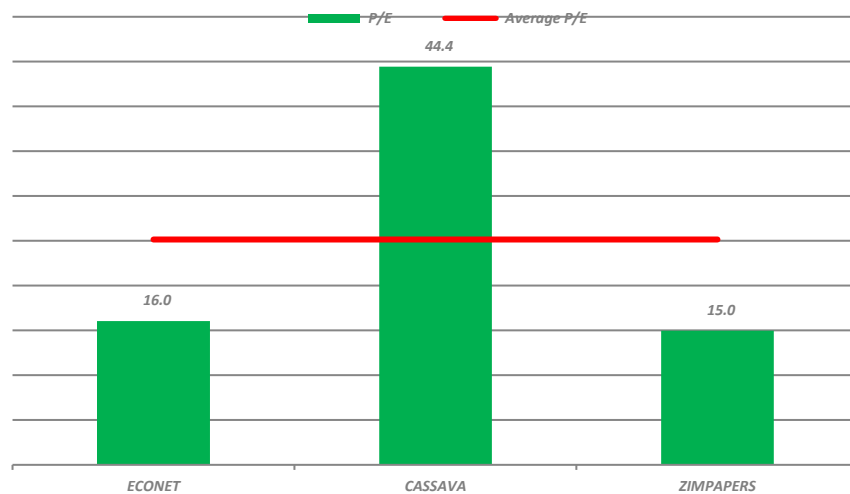
## Industrial Sector P/E Graph



Industrial	Value	Quarter Change
Sector Index	18934.0	1.08%
Best Performer		
ZECO	0.0048	300.00%
Worst Performer		
NAMPAK	11.1569	(13.93%)

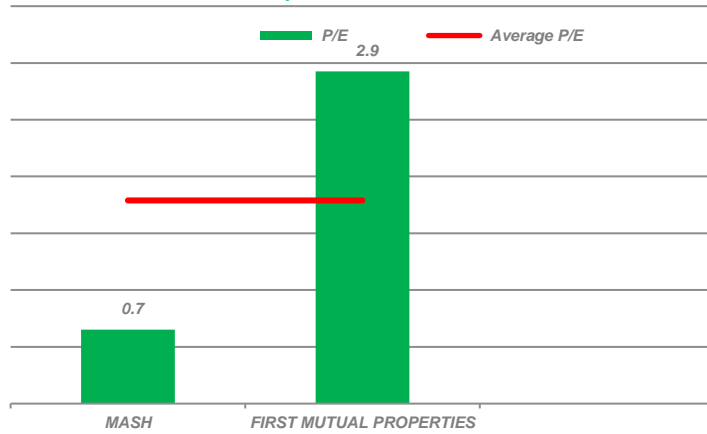
ZECO was the best performer in the sector returning 300% during the quarter albeit only having 495 400 shares traded worth ZW\$848.88. NAMPAK has the lowest P/E of 10.2.

## ICT Sector P/B Graph



ICT	Value	Quarter Change
Sector Index	16422.6	45.91%
Best Performer		
ECONET	85	63.44%
Worst Performer		
ZIMPAPERS	2.91	(7.62%)

Econet topped the gainers this quarter following an impressive set of results and a healthy dividend to boot. Despite Zimpapers having the lowest P/E, we believe that there is better potential in Econet and Cassava.

**Real Estate Sector P/E Graph**


Real Estate	Value	Quarter Change
Sector Index	8768.5	(31.14%)
Best Performer		
MASH	3.2447	(27.33%)
Worst Performer		
FIRST MUTUAL PROPERTIES	7.8	(35.31%)

The sector has come under increasing pressure due to lower property space uptake. The sector was the biggest loser in Q4 dropping by 31.14%.

## Top Five Picks

<b>ECONET</b>	<b>Latest Fundamentals</b> Econet has taken an initiative by adopting and adapting technological advancements. Their new model now focuses on becoming a fully-fledged digital services provider (DSP). Developments in the economy will see increased demand for the services that ECONET provides.
<i>Long Term Buy</i>	
<b>Current Price</b>	<b>Key Technicals</b> RSI of 2.17 which means it has outperformed the ALSI by 117% for the 12 months under review.
ZW\$86.00	
<b>INNSCOR</b>	<b>Latest Fundamentals</b> 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.
<i>Long Term Buy</i>	
<b>Current Price</b>	<b>Key Technicals</b> RSI of 1.09 which means it has outperformed the ALSI by 9% for the 12 months under review
ZW\$168.72	
<b>AXIA</b>	<b>Latest Fundamentals</b> The company has three main business interests namely in Distribution Group Africa, TV Sales and Home and Transerv, a vehicle sundries, spares and parts company. The business has been consistently growing despite several constraints being experienced in the economy. We expect the company to grow more if the economic environment turns a corner for the better. The company continues to exhibited strong earnings growth potential despite the current economic hardships.
<i>Long- Term Buy</i>	
<b>Current Price</b>	<b>Key Technicals</b> RSI of 1.04 which means it has outperformed the ALSI by 4% for the 12 months under review.
ZW\$40	
<b>EDGARS</b>	<b>Latest Fundamentals</b> Despite the tough economic environment, the company has been able to grow its sales volumes, defend revenue shrinkage and increase its efficiency thereby improving margins. A medium to long term investor can take advantage of the current and future mismatched valuations as the company grows and recovers from the Covid-19 lockdown restrictions.
<i>Long-term Buy</i>	
<b>Current Price</b>	<b>Key Technicals</b> RSI of 0.99 which means it has underperformed the ALSI by 1% for the 12 months under review. We recommend accumulating the share in anticipation of value creation in the future.
ZW\$5.20	
<b>STAR AFRICA</b>	<b>Latest Fundamentals</b> The company has previously been saddled with debt distress and the management team has been able to turn around the company's solvency position through the Secondary Scheme of Arrangement and taking advantage of the depreciation of debt brought on by the currency devaluation. They have a cost structure that now allows them to export their products. The coming on board of Takura should give Star Africa a competitive advantage in foreign markets in the medium to long term.
<i>Long Term Buy</i>	
<b>Current Price</b>	<b>Key Technicals</b> RSI of 1.11 which means it has outperformed the ALSI by 11% for the past 12 months.
ZW\$1.25	

*Analyst: Trevor Mhlophe*  
**+263782183281**

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