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Zimbabwe Stock Exchange

INVICTUS SECURITIES

Quarterly Review

Quarter 2 2015

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Economic Overview & Executive Summary

Inflation

Zimbabwe continued to experience deflationary pressures with the year-on-year inflation rate for June 2015 retreating to -2.81%. This was coming from a May 2015 inflation rate of -2.7%, a month-on-month decline of 0.11 percentage points.Zimbabwe's inflation rate will continue experiencing downward pressure due to tight liquidity, which is constraining consumer demand as well as the weakening of the South African rand.We expect inflation to decline further and end the year around -5%.

Zimbabwe Dollar Demonetisation

The Reserve Bank of Zimbabwe (RBZ) commenced with demonetisation of the Zimbabwe dollar in the quarter, a move that is meant to bring finality by decommissioning the Zimbabwe dollar. The exercise will cost US$20m with the RBZ Governor saying the policy intervention was necessary to buttress government's commitment to the multiple currency system dispelling rumours of a Zimbabwe Dollar return. So far, only $4m has been taken up.

Foreign Direct Investment

THE Zimbabwe Investment Authority (ZIA) has approved a total of 67 Foreign Direct Investment (FDI) projects valued at US$971m during the first six months of the year. This is against 76 projects valued at US$555m approved the same period in 2014. This 75% surge shows increased interest in the Zimbabwean economy, a positive development in line with government's drive to attract foreign direct investment.

ZSE Market Summary

The Industrial Index retreated 6.2% during the quarter while the Mining Index recovered 0.84%. This was on the back of a 48% slump in foreign participation which led to a 3.87% decline in total market turnover. All heavyweight counters recorded declines in liquidity for the quarter as overall total value traded declined on the bourse.

Top Movers & Shakers

The top quarterly movers were CFI, Riozim, ART, Dawn and Fidelity which registered gains of 149%, 100%, 100%, 88% and 80% respectively. The top market shakers in the quarter were Masimba, GBH, Zimpapers, Meikles and Unifreight which slumped by 64%, 50%, 40%, 39% and 38% respectively.

Financial Results

During the last month of the quarter, midcaps Seedco and TSL released their results with both recording a decline in revenue. Seedco recorded an 11% decline in revenue while net profit recorded growth of 27%.TSL recorded a 4% decline in revenue as well as a 52% net profit decline.

Outlook

We do not expect the economy to recover in the near term. The recently announced mid term fiscal policy statement confirmed our fears that the economy has stalled. Official growth forecasts were revised downwards from 3.5% to 1.5% due to poor agricultural season. We believe that even this forecast is ambitious and expect growth to be negative this year (-1%). The market reflects the state of the economy with investor sentiment falling to an all time low. Foreign participation has halved from just under 60% to circa 30% while turnover has shrunk from $126m in Q32014 to $67m in Q2 2015. We expect both foreign participation and turnover to decline further till the end of the year unless something dramatic changes. There seems to be little appetite for Zimbabwe stocks at the moment. We expect the market to further decline in Q3 by c.2%, and recommend investors take defensive positions in blue chip stocks like Delta, Econet, Innscor, and Seedco. Although Seed Co recorded a decline in earnings in FY 2015, the company still offers value and significant upside potential if it leverages off its partnership with Limagrain to expand market presence and offerings. We are also enthused by small-caps Art Holdings Limited and Powerspeed which have good business plans but are currently handicapped by working capital constraints. We are also very bullish about miners RioZim and Bindura Nickel Corporation (BNC) which stand to benefit from the revival of operations at Cam & Motor Gold minefor Riozim as well as the positive nickel price outlook and the smelter coming online in Q1 2016 at BNC.

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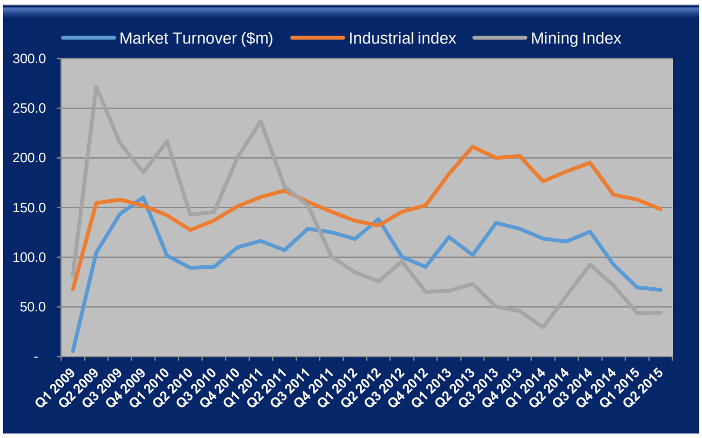
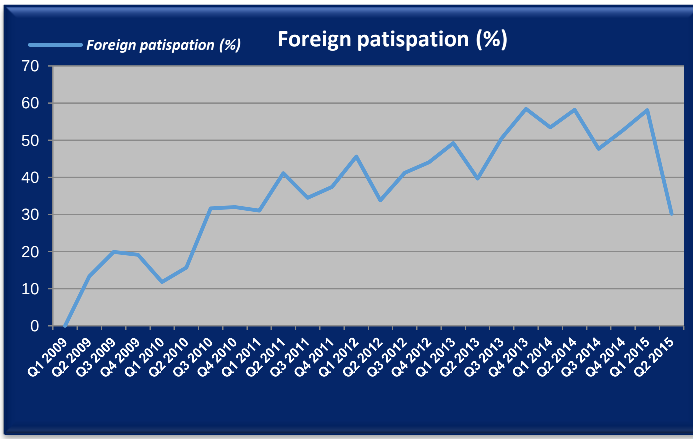
Equities Review

Turnover & Market Summary



The total market turnover continued on its downward trajectory retreating 3.87% in Q2 of 2015. This was mainly attributable to a 48% decline in foreign participation. The industrial index slumped 6.2% to reach new lows of 148.4 that were last seen in 2012.The mining index recovered 0.84% buoyed by a 50.00% gain in RioZim in anticipation of the closing of the rights issue which will result in an injection of capital to resuscitate the Cam and Motor gold mining project.

Foreign Participation



Foreign participation retreated by 48% with foreigners buying $28.7 million worth of shares down from $41.8 million over the same period last quarter. This downward movement was mainly attributable to the perceived political and economic instability emanating from the reshuffling of Cabinet as well as the worsening macroeconomic fundamentals.

Top Traded Counters

Counter	Q1 2015 Value Traded	Q2 2015 Value Traded	% Δ
Delta Corporation Limited	23,245,202	16,756,454.13	-28%
Econet Wireless Zimbabwe Limited	19,640,704	12,804,324.18	-35%
Innscor Africa Limited	5,616,855	4,663,610.40	-17%
Dawn Properties Limited	5,031,066	9,536,556.34	90%
Seed Co Limited	3,501,414	2,679,741.47	-23%
British American Tobacco Zimbabwe	1,936,341	1,437,415.53	-26%
CBZ Holdings Limited	1,747,406	1,114,495.01	-36%
Old Mutual PLC	1,515,291	1,202,995.18	-21%
Zimplow Limited	1,148,940	88,976.18	-92%
Dairibord Holdings Limited	938,527	847,799.15	-10%

Liquidity continues to be found in the top counters of the ZSE, with Dawn Properties Limited being the outlier as value traded soared 90% as a result of special bargains linked to Brainworks' consolidation of its interests in the company. All heavyweight counters recorded declines in liquidity for the quarter as total value traded declined as a result of an overall reduction in volumes traded on the bourse. Zimplow Limited was the biggest loser in Q2 2015 as liquidity in the counter was down a significant 92% on the back of a rights issue concluded on Q1, which boosted turnover in that quarter.Also among the top ten traded counters were African Sun, National Foods, TSL and Afdis which traded US$3.7m, US$2.1m, US$1.7m and US$1.6m respectively.

Market Performance

5 Top Gainers	
CFI Holdings Limited	149%
Rio Zim Limited	100%
ART Holdings Limited	100%
Dawn Properties Limited	88%
Fidelity Life Assurance Limited	80%

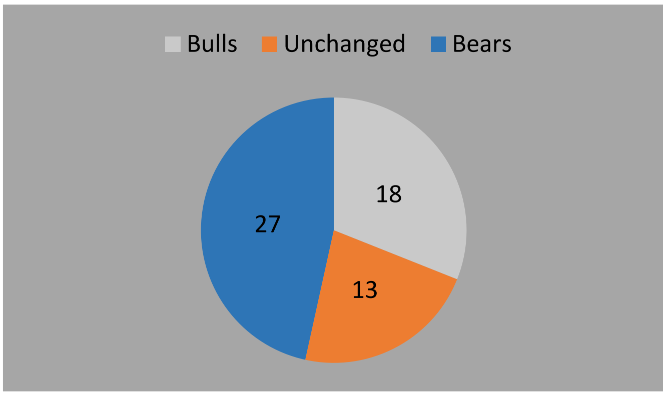
Gainers

CFI advanced 149% to US2.49 cents on the back of a planned capital raise by the company. RioZim Limited rallied 100% buoyed by the anticipated capital injection on the back of the conclusion of the rights issue for the Cam and Motor gold mining project. ART Holdings Limited surged 100% coming from the offer to minorities by the majority shareholder who promised to continue supporting business operations and the company's listing. Fidelity Life Assurance Limited rallied 80% mainly attributable to an increase in revenue and insurance premiums by 56% and 12% respectively. Dawn Properties was also among the movers gaining a healthy 88% in anticipation of the mandatory offer to minorities by Brainworks, the majority shareholder.

Top 5 Losers	
Masimba Holdings Limited	64%
General Belting Holdings Limited	50%
Zimabwe Newspaper	40%
Meikles Limited	39%
Unifreight Africa Limited	38%

Losers

Masimba came off 64% due to the conclusion of the divestment in Proplastics through a dividend in specie to shareholders. General Belting Holding Limited and Zimpapers both retreated 50% and 40% respectively. This was attributable to the continued downward spiral in the economic environment coupled with persistent liquidity challenges. Meikles was also among the shakers losing 39% valueon the back of continued corporate governance concerns. Unifreight Africa Limited declined 38% as a result of the planned management buyout of the company's subsidiary, Pioneer Transport.



Bulls & Bears

Q2 2015 was a bearish quarter with 27 counters closing softer. 18 movers and 13 unchanged counters were unable to reverse the bearish outturn in the market that carried over from Q1 2015.

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(US$m)	FY 2014	FY 2015	% Growth		FY 2014	FY 2015	% Growth
Revenue	106.53	94.66	-11.1%	PPE	47.13	58.36	24%
Gross Profit	49.73	43.59	-12.3%	Total Assets	170.31	186.98	10%
Operating Expenses	35.03	31.25	-10.89%	Assets classified as held to maturity	0.00	24.69	
Profit/(Loss) from continuing operations	12.20	14.86	21.8%	Current Assets	121.19	97.96	-19%
Profit/(Loss) for the period	11.83	15.01	26.9%	Trade Receivables	75.02	44.31	-41%
Capital Expenditure	8.97	8.54	-4.8%	Cash and Cash equivalents	(27.7)	8.5	131%
Finance Costs	7.24	3.18	-56.1%	Borrowings	35.86	13.98	-61%
Net cash from operations	15.54	17.24	10.9%	Current Liabilities	24.07	18.82	-22%
Net Cash at end of year	(27.68)	8.51	-130.7%	EPS	5.89	6.92	17%
Gross Profit margins	46.68%	46.05%	-1.4%	PBV		2.19	
Operating profit margins	17.22%	17.60%	2.2%	Ave.daily.volumes (2013)		2,240,072.38	
Net profit margins	11.10%	15.86%	42.8%				

Seedco key attraction emanates from the strategic technical equity partnership with Limagrain, geographical diversification and entrance into the vegetable market through acquisition of Prime Seeds.

- Revenue for the period shed 11.1% to US$94.66 mainly attributable to changing demand patterns which resulted in stock-outs ofshort-season varieties which surged in demand in response to several consecutive late starts to the rainy season.
- Benefit from aggressive debt collection and injection of new capital from the technical partner saw the finance cost shedding 56.1% to US$3.18m.
- Operating expenses were down by 10.89%, leading to a 26.9% increase in profit for the period to US$10.6m
- The group's current assets at US$97.96 million were 19% lower than the prior year mainly due to intensified debt collection efforts and inventory management.
- Borrowings came off 33.33% on the back of improvedcash flows and receipt of the second tranche of capital from Limagrain.
- The 24% increase in Property, Plant and Equipment (PPE) was mainly attributable to the recapitalisation of the Malawi factory, warehouse and new office complex.
- Net cash at end of year improved to US$8.51m due to more aggressive debt collection and cash sales.

(US$m)	HY 2014	HY 2015	% Growth
Revenue	25.32	24.38	-3.7%
Profit from operations	5.53	3.74	-32.4%
Tax expense	1.47	0.67	-54.4%
Profit/(Loss) for the period	3.53	1.70	-51.8%
Dividend paid	1.45	1.43	-1.4%
Finance Costs	0.89	1.14	28.1%
Net cash from operations	0.41	(0.69)	268.3%
Net Cash at end of year	2.16	(0.63)	129.2%
Earnings per share (cents)	0.01	0.01	-0.50

	HY 2014	HY 2015	% Growth
PPE	24.37	27.82	14%
Total Assets	101.18	99.12	-2%
Current Assets	30.11	29.09	-3%
Trade Receivables	10.49	10.71	2%
Inventories	7.84	8.07	3%
Current Liabilities	20.85	21.65	4%
Borrowings	14.16	13.62	-3%
Ave.daily.volumes		19,006.24	

TSL is a diversified agro-concern that runs tobacco operations, logistics operations, real estate as well as trading operations.

- The group's revenue retreated 3.7% to US$24.38m mainly attributable to the late start to the tobacco selling season and a general decline in levels of liquidity in the market.
- The erratic rainfall negatively impacted national tobacco production which is forecast to be materially lower than the 216 million Kgs achieved last year.
- Associate companies also, have been negatively impacted by a combination of weak demand and erratic rainfall in the cigarette industry.
- Profit from operations declined 32.4% from the same period last year in 2014 on the back of global oversupply of tobacco which resulted in a negative impact on prices this season.
- Current Assets were down 3% on the back of a massive 100% slump in cash holding in the business.
- Inventories were up 3% buoyed by a delay in disposal of prior year tobacco stocks.
- Current Liabilities increased by 4% in the period under review due to an increase in bank overdrafts and acceptances to US$2m.