INFINITY Asset Management Limited

(Registered Financial Institution)

Weekly Report

IAM RESEARCH

Week ending: 27 January 2012

MARKET SMARTS

Tradable Sovereign Paper in a dollarized economy

During pre-dollarization days, the Reserve Bank of Zimbabwe performed the role of lender of last resort in the financial system by virtue of its unlimited ability to honour Zim Dollar denominated obligations through the creation of money. The RBZ would borrow money through the issuance of Treasury Bills which were considered risk free assets. The bills were used as security in the money and interbank markets.

The introduction of the multiple currency regime stripped the RBZ of its ability to create money, hence the loss of the lender of last resort function. Recently, the RBZ has been considering the introduction of discounted and tradable paper to facilitate trading in the money market and smooth out any monetary hiccups in the banking sector. Institutions facing temporary liquidity challenges would borrow using these Treasury Bills, hence preventing panic withdrawals from the banking system and maintaining depositor confidence. The efficient allocation of money from surplus units to deficit units through the issuance of such government guaranteed paper would also help to minimise the liquidity challenges being faced in the economy. Consequently, interest rates would decline from the current relatively high levels.

However, the inability of the central bank to print money in this economy adds risk to any tradable paper that can be issued. There is a risk that the central bank may issue out treasuries with a value much higher than its reserves. The proceeds from such issues may also be used to fund long term government projects. Therefore, the bearer of the bill cannot be 100% certain that they will receive the full amount of the face value on the bill upon maturity.

Against the above background we are of the opinion that it would not be ideal for the RBZ for re-introduce Treasury Bills under the prevailing conditions. Amid the various

MARKET INDICATORS

AT A GLANCE…

Indices

Counter	27-Jan-12	20-Jan-12	Mvt	YTD
Industrial	137.22	141.36	-2.93%	-5.92%
Mining	80.82	80.82	0.00%	-19.74%

ZSE Market Capitalisation (US$ billion)

Index	27-Jan-12	20-Jan-12	Mvt	YTD
Industrial	3.390	3.492	-2.93%	-5.92%
Mining	0.069	0.069	0.00%	-19.74%
Overall	3.459	3.561	-2.87%	-6.25%

Top 10

Counter	27-Jan-12	20-Jan-12	Mvt	YTD
Interfresh	0.35	0.30	16.7%	16.7%
Zimpapers	0.80	0.70	14.3%	14.3%
M&R	9.00	8.00	12.5%	-21.7%
Star Africa	1.01	0.90	12.2%	12.2%
Old Mutual	155.90	141.00	10.6%	19.9%
Ariston	1.20	1.10	9.1%	33.3%
Mash	2.50	2.30	8.7%	-16.7%
Truworths	7.00	6.50	7.7%	-22.2%
Seedco	112.00	108.00	3.7%	1.8%
ZHL	1.15	1.11	3.6%	-4.2%

Bottom 10

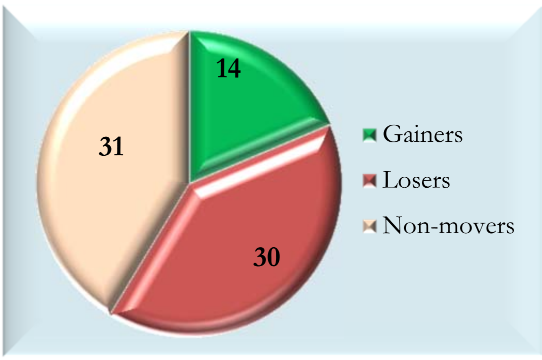
Counter	27-Jan-12	20-Jan-12	Mvt	YTD
Gulliver	0.03	0.05	-40.0%	-62.5%
Interfin	5.00	7.00	-28.6%	-44.4%
Afre	2.60	3.50	-25.7%	-13.3%
NicozDiamond	2.00	2.50	-20.0%	-33.3%
Celsys	0.04	0.05	-20.0%	0.0%
Meikles	16.10	19.98	-19.4%	-0.6%
CBZ	8.49	10.50	-19.1%	-39.4%
Cafca	55.00	65.00	-15.4%	-23.1%
DZHL	17.00	20.00	-15.0%	-10.6%
TSL	6.00	7.00	-14.3%	-33.3%

investor concerns we have noted the uptake of any such TBs will likely be very low.

STOCK MARKET

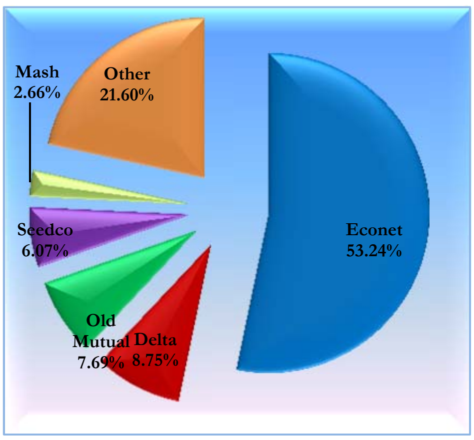
The stock market free-fall continued with the industrial index losing 2.93% to close at 137.22. The mining index remained unchanged. The absence of meaningful foreign investor activity and the generally pessimistic view of the economy continued dragging down the indices. Despite indications that Meikles would receive funding of up to $200 million, the price continued its decline to 16.1c. CBZ's price dropped to 8.49c as liquidity challenges continued the grip the banking leader by market share. The overall market capitalization lost 2.87% to $3.459 billion. Stagnant stocks and losers obtained the lion's share of the Movers and Shakers pie with a combined 62 whilst gainers were only 14.

Figure 1: Movers and Shakers



Trades on the market for the week were valued at $4.17 million during the week, the bulk of which were in the top 5 counters shown in Figure 2.

Figure 2: Weekly Turnover Split



MARKET INDICATORS …continued

Exchange Rates

Currency	27-Jan-12	20-Jan-12	Mvt	YTD
USD Index	78.94	80.39	-1.80%	-2.08%
USD/EUR	1.3220	1.2931	2.23%	2.04%
USD/GBP	1.5728	1.5576	0.98%	1.14%
JPY/USD	76.69	77.02	-0.43%	-0.26%
ZAR/USD	7.7614	7.9520	-2.40%	-3.90%
BWP/USD	7.2937	7.4131	-1.61%	-2.45%

Dual Listed Counter Arbitrage (20 Jan 2012)

Counter	Offshore ($c)	ZSE ($c)	Prem	ZAr /BWp
OM (JSE)	234.62	155.90	-33.6%	1821.00
PPC (JSE)	364.37	205.00	-43.7%	2828.00
ABC (BSE)	62.38	75.00	20.2%	455.00

Inflation

Month	Dec-11	Nov-11	Change
Y - O - Y	4.90%	4.20%	0.70%
M - O - M	0.20%	0.50%	-0.30%

Commodities

Commodity	27-Jan-12	20-Jan-12	Mvt	YTD
Gold ($/oz)	1,738.45	1,667.15	4.28%	11.12%
Silver ($/oz)	33.903	32.175	5.37%	21.95%
Alum ($/mt)	2,231.75	2,185.75	2.10%	12.97%
Platinum ($/oz)	1,624.60	1,537.90	5.64%	15.77%
Nickel ($/mt)	21,347.50	20,507.50	4.10%	18.91%
Copper ($/lb)	3.895	3.749	3.89%	13.49%
Brent oil ($/bl)	111.62	110.08	1.40%	4.21%
Maize (c/b)	642.12	613.62	4.64%	-0.79%
Soya (c/b)	1,219.00	1,186.50	2.74%	1.80%
Sugar ($/tn)	671.00	671.30	-0.04%	5.34%
Wheat (c/b)	648.00	610.50	6.14%	-0.77%

Regional Exchanges

Index	27-Jan-12	20-Jan-12	Mvt	YTD
JSE All Share	33,895.02	33,703.38	0.57%	5.97%
JSE Top 40	30,455.00	30,310.00	0.48%	6.57%

Stock Market Outlook

The generally negative perception on the direction of Zimbabwe's economical and political landscape will ensure subdued trading on the stock market. Selected impetus could however be provided by the upcoming December results.

MONEY MARKET

We expect liquidity constraints to continue bedevilling the economy with money market rates hovering around 14% for short-term investments. ***For Infinity daily money market rates call us or log on to our website: http://www.infinity.co.zw, we promise you competitive rates and quality security.***

EXCHANGE RATES

The euro closed trading at six-week high against the US dollar on Friday, lifted by hopes that Greece and its creditors were close to an agreement on a debt swap deal that would help avert a default. The US dollar index lost 1.80% to 78.94. Also fueling the dollar decline was the official data which showed that the U.S. economy grew slower than expected in the fourth quarter of 2011. The US GDP expanded by 2.8% in the three months to December, the fastest quarterly rate in one-and-a-half years, but fell short of expectations for an increase of 3%. Indications of a third round of quantitative easing by the Federal reserve also ensured a weaker dollar at the end of the week.

COMMODITIES

Gold futures rallied on Friday, ending the week close to a seven-week high as expectations that U.S. monetary policy will remain ultra-loose saw the U.S. dollar come under broad selling pressure, while markets continued to monitor developments surrounding the sovereign debt crisis in the euro zone. Crude oil futures edged lower on Friday, paring a weekly gain after weaker-than-expected U.S. economic growth data sparked concerns over a slowdown in U.S. oil demand.

REGIONAL EXCHANGES

The JSE set a record high in midday trade on Thursday, piercing through the 34,000 mark on the all-share index on firmer risk appetite. The All share index ended the week 0.57% up whilst the Top 40 increased by 0.48%.

INVESTORS' DIARY

Date	Event	Venue
1 February @ 08.30	Steelnet Creditors Meeting	High Court of Zimbabwe,
8 February @ 12.00	Celsys AGM	CABS Auditorium, CABS Northridge Park

INVESTMENT TEAM

Managing Director		Head of Investment
Ternard Kwashirai		Godwin Mututa
Cell: 0772 225 356		Cell: 0772 101 188
Direct: 2900 584		Direct: 2900 587
e-mail: tkwashirai@infinity.co.zw		e-mail: gmututa@infinity.co.zw
Investment Analyst	**Investment Analyst**	**Pension Fund Consultant**
Farai Denhere	Luxon Kalonga	Ian Redman
Cell: 0733 200 916	Cell: 0774 817 883	Cell: 0772 882 756
Direct: 2900 585	Direct: 2900 588	Direct: 2906 739
e-mail: fdenhere@infinity.co.zw	e-mail: lkalonga@infinity.co.zw	e-mail: ian@infinity.co.zw