

HISANET AFRICA INVESTMENT SERVICES

WEEKLY MARKET REPORT

WEEK 11(10th to 14th March 2008)

Issue No. 10



STOCK MARKET PERFORMANCE REPORT

The long awaited Safaricom IPO has been finally confirmed. Investors with as little as Kshs10,000 have an opportunity to participate in the sale anticipation of the announcement over the week in review caused most of the counters to dip as investors sold off their shares. Market activity was quite subdued, with most of the orders received being sell offs.

With huge inflows of the local currency expected over the next month, the shilling is expected to strengthen marginally against world currencies as investors watch for details to see how much foreign investors will be allowed to buy. The shilling closed the week at Kshs65.40/50 against Kshs67.95/68.05 at the close of the previous week.

The dip in prices was reflected in the key market indicators. The NSE20 Share index, which measures price movement in selected, relatively stable and best performing 20 listed companies, declined to levels below the 5000 mark to close the week at 4959.44 points from the previous week's high of 5354 points. The NSE all share index closed the week at 97.07 points, down from 102 points recorded at the close of the previous week. 45mn shares worth Kshs1.9bn changed hands. Market Capitalization stood at Kshs817bn.

40 of the 45 active counters edged lower, 2 captured appreciations and 3 remained constant. The decline in prices is expected over the coming week as investors try to build up funds for the IPO.

WEEK'S MOVERS

Top 5 Gainers	Stock Price Kshs	%Δ
E.A Portland	123	2.50%
Unilever	56	1.82%

Top 5 Losers	Stock Price Kshs	%Δ
Crown	37.75	-17.49%
Sameer	11.20	-17.65%
Eveready	7.50	-17.13%
TPS Serena	65.50	-15.48%
HFCK	38.25	-14.53%



WEEKLY HIGHLIGHTS

KCB

The Bank over the past week picked legal transaction advisors to advise on the planned Kshs5bn rights issue. The issue, which is intended to support the Bank's growth and expansion plan is

still subject to approval from the CMA, NSE and Shareholders. The counter is one of the most liquid at the bourse and over the week in review traded 9.2mn shares.

Housing Finance

The mortgage financier released its year end results, recording a decline in profits after tax from Kshs 101mn to Kshs73mn. The Bank recently engaged in a 5 year plan that has seen it reduce non-performing loans and employ more strict valuation of lending. Analysts have however warned the Bank of the need for immediate cash injection to support a number of recently launched mortgage products as the Bank's liquidity hit the minimum as per statutory requirements. Its current liquidity ratio stands at 20per cent, the statutory minimum, down from 26.3 per cent recorded in a similar period last year. The ratio quantifies a company's ability to meet its short term debt obligations.

Total interest income declined from Kshs1bn in 2006 to Kshs980mn mainly due to the shrinking margins in lending.

HFCK was recently bought out by Equity Bank, which owns 24 per cent of stake in the mortgage financier.

Equity Bank

The Bank has posted impressive results with all indicators pointing towards positive growth. Its balance sheet strengthened by over 166%, with close to Kshs53.13bn compared to Kshs20bn in the previous period. Pre-tax profits went up from Kshs1.10bn to Kshs2.38bn. With increased competition in the banking sector and most of the banks engaging in aggressive marketing strategies, Equity's loan portfolio grew by 95% to Kshs23.23bn from Kshs11.43bn.

It's network across the nation has continued increasing, with a growth in customer numbers by 81% and growth in customer deposits by Kshs15bn to Kshs31.54bn.

Both Equity Bank and HFCK are good counters to hold for speculative purposes.



OUTLOOK

This is a good time to consider purchasing counters that are discounted instead of selling off. We expect trend to persist over the coming week. Investors should keenly watch strong counters that are currently edging down and take positions.

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