

AFRICAN MARKET WATCH

INDEX	COUNTRY	CLOSE	Weekly Chg	YTD
NSE-20 Index	Kenya	4,067.40	0.2%	25.2%
NASI All Share	Kenya	85.50	0.9%	19.3%
AIG-27 Index	Kenya	501.98	1.1%	16.3%
ALSI	Uganda	916.28	2.2%	25.1%
DSEI	Tanzania	1,173.45	-0.1%	-1.6%
LUSE All Share	Zambia	2,871.64	-1.7%	2.7%
MASI	Malawi	5,030.42	0.9%	-2.4%
ZSE Industrial	Zimbabwe	130.95	-5.6%	-13.8%

Source: Respective Exchange Websites; YTD = Year to Date (i.e., 31st December 2009)

WEEKLY STATISTICS

	01-04-10	09-04-10	Change
Market Cap (Ksh bn)	986	951	-3.6%
Traded Volume (mn)	122	71	-41.7%
Weekly Turnover (Ksh mn)			
Equity	1400	1182	-15.6%
Bonds	9614	6414	-33.3%
Weekly Deals			
Equity	7662	8127	6.1%
Bonds	129	57	-55.8%

Source: NSE

MARKET MOVERS

Weekly Price Gainers		
Crown Berger	33.00	13.8%
Athi River Mining	114.00	8.6%
Unga Group	10.50	5.0%
Weekly Price Losers		
Eaagads Limited	55.50	-26.0%
National Bank of Kenya	53.00	-9.4%
Kakuzi Limited	72.50	-7.6%
Weekly Volume Movers		
Safaricom Limited	37,890,300	-53.7%
Kenya Commercial Bank	5,997,700	92.4%
Equity Bank	5,913,300	-41.9%

Source: NSE

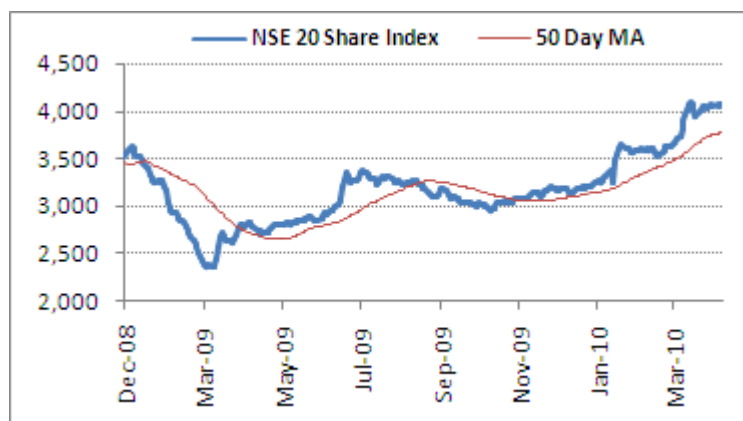
RECOMMENDED BUYS

Company	Duration	Price	PE	Div Yld
TPS Eastern Africa	Long Term	63.50	17.6x	1.97%
KPLC	Long Term	178.00	4.4x	4.49%
Kenya Reinsurance	Long Term	13.75	7.0x	3.64%
NIC Bank	Short Term	33.50	11.1x	1.36%
Mumias Sugar	Short Term	10.55	10.0x	3.79%

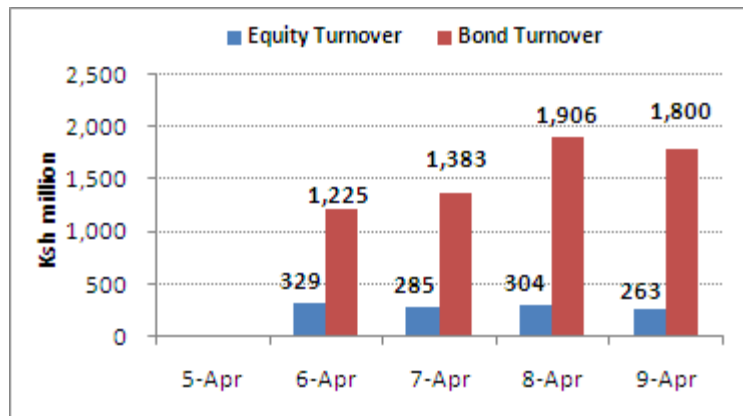
IN THE NEWS

Last week the NSE blue chips and overall market closed the week up marginally and we expect the index to trade sideways as the market awaits first quarter earnings from banks. The regional market recorded mixed results with the USE YTD growth at par with the NSE 20. Only 5 firms are yet to publish their 2009 results (only 1 from the index) and early indications are that NSE market revenues rose 2.2% while aggregate market profits dipped 12% in 2009. The NSE 20 P/E rose to 15.8x and the index closed yesterday up 0.2%.

CFC Stanbic Holdings announced a decline in EPS from 3.35 in '08 to -0.22 in '09. It was largely expected following its profit warning and was attributed to an impairment charge on the stock portfolio of several of the group's subsidiaries. The banks shares closed yesterday up 0.6% at Ksh43.50 and is trading at 0.6x PBV; but 1.5x tangible PBV. The group will soon restructure its operations separating its insurance and banking subsidiaries and list two new entities on the bourse.



Source: NSE



Source: NSE

MONEY MARKET WATCH

Monetary Policy Operations

The money market was fairly tight during the week ending 9th April, 2010. The CBK was quite active in the repo market injecting Ksh 7.8 bn and lent Ksh 986 mn to banks through the overnight window. The market experienced a net liquidity withdrawal of Ksh2.7 bn due to repo maturities, which was offset by government payments. We expect tightness in the following week ahead of the simultaneous 182 & 364 treasury bill auctions that we think might strain reserves. Last week the reverse repo rate rose marginally by 5 bp from 2.41% to 2.46%.

Exchange Rate Movements

Last week the dollar/shilling exchange rate saw less volatility. CBK attributed the shillings movements to a weakening of the US dollar in the international foreign currency market after positive economic data from the UK and regional economies.

	01-04-10	06-04-10	
Ksh to US Dollar	77.30	77.28	0.03%
Ksh to Sterling Pound	117.57	118.19	-0.52%
Ksh to Euro	104.35	103.26	1.04%
Ksh to Rand	10.55	10.62	-0.58%
Ugx to Ksh	26.84	26.80	-0.17%
Tsh to Ksh	17.60	17.70	0.54%
Ksh to Dirham	21.05	21.04	0.03%
Yen to Ksh	82.67	82.53	0.18%

Source: Central Bank of Kenya

Treasury Bill Auction Results

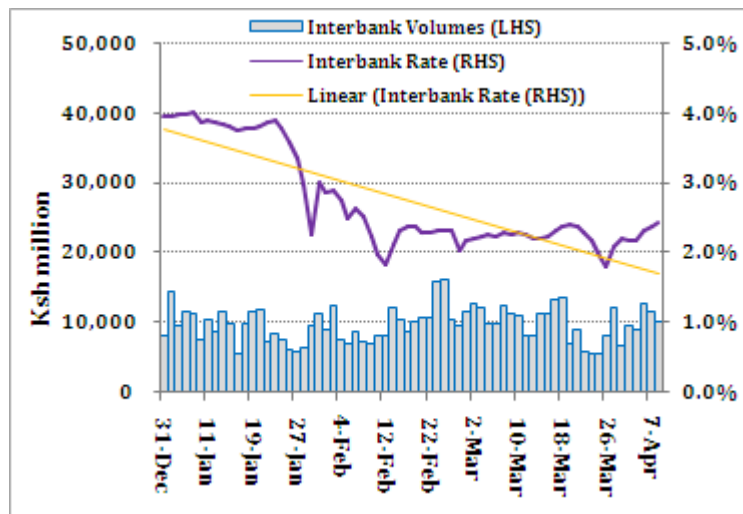
Last week's 91-D T-bill was oversubscribed recording a 159.9% subscription and the average rate dropped marginally by 21bp to 5.538% from 5.748%. The spread between the 91 & 182 days paper remains narrow at 19bp vs 80bp five months ago, but we don't expect this to dampen demand for 182 paper. Treasury has been borrowing heavily to pay for unplanned emergencies, resulting in Kenya's gross domestic debt swelling by 28.5% to Ksh 639.3 bn over a similar period in 2009. This week the Treasury is expected to realize Ksh2.7 bn in new borrowing.

Treasury Bond Market

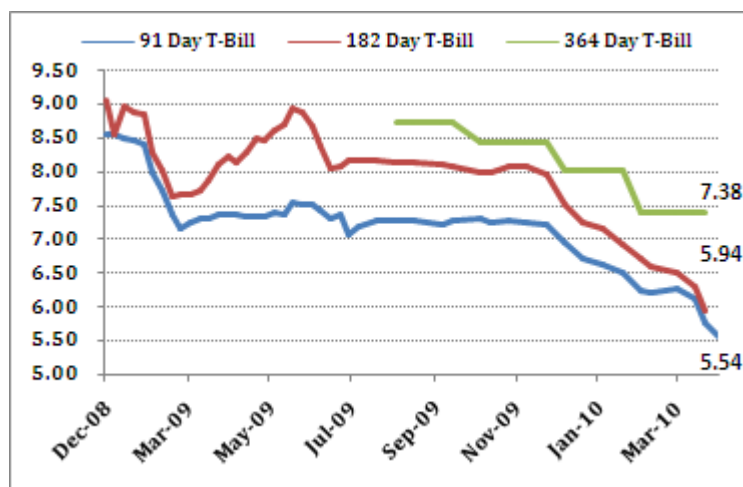
The NSE yield curve remained largely unchanged over last week, while bond turnover dipped by a third. The recently issued 15 year paper performed well during the week trading about Ksh2.0 bn (\$26 mn) from 17 deals (this long term paper whose ARY was 9.98% at auction traded at 9.64%). In response some local banks such as BBK have lowered their lending rates. In the medium term we expect NSE bond turnover to remain vibrant as short & medium term rates to fall (albeit slower fall).

Interbank Activity

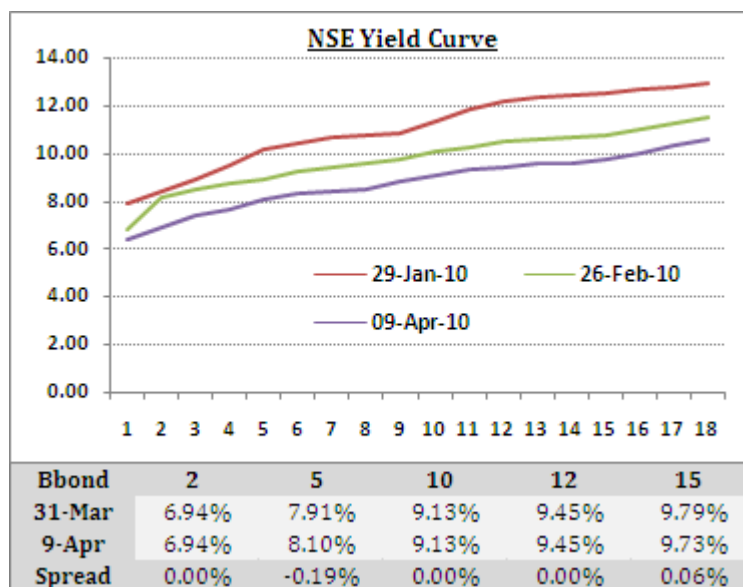
The average interbank rate rose by 26 bp from 2.06% to 2.32% in the week ended April 8, 2010. Interbank volumes rose by 19.0% from Ksh36.4 billion to Ksh43.3 billion.



Source: Central Bank of Kenya



Source: Central Bank of Kenya



Source: NSE

COMPANY PROFILE: KENYA REINSURANCE CORPORATION

Ksh million	Year Ended 31-Dec-07	Year Ended 31-Dec-08	Change	5 Year CAGR	6 months to 30-Jun-09	Change
Gross Premium	3,222	3,428	6%	13%	2,000	17%
Net Premium	2,975	3,109	5%	14%	1,870	19%
Combined Costs	2,259	2,073	-8%	11%	900	13%
Pre-Tax Profit	1,074	1,759	64%	24%	874	4%
Profit After Tax	838	1,481	77%	25%	732	4%
Earnings Per Share	1.40	2.47			1.22	
Dividend Per Share	0.35	0.50	43%		0.00	
Return on Assets	6.5%	11.1%				
Net Profit Margin	26.0%	43.2%				
Retention Ratio	92.3%	90.7%				
Solvency Margin	243.0%	257.4%				
Combined Ratio	107.3%	98.7%				

Source: Company data

Kenya Re shareholders have been on a rollercoaster ride during '08 and '09 as seen in the graphs above. The trade volumes are fairly good and the share has largely traded within Ksh2.00 ranges in '10 where new support and resistance levels appear each time.

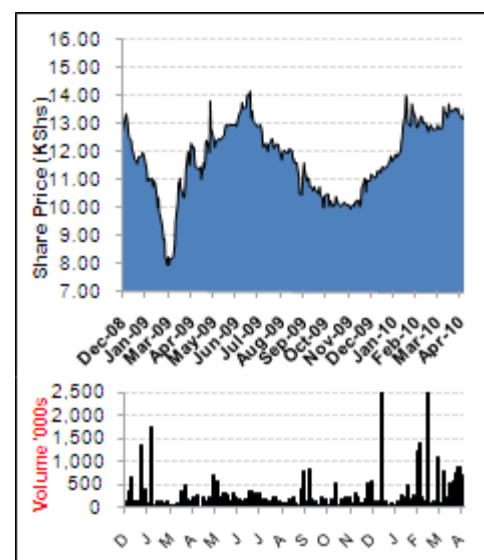
Expected Notices	
FY 2009	28-Apr-10
Ex Div	22-Jun-10
AGM	22-Jun-10
HY 2010	13-Aug-10

Performance Highlights

- We anticipated that 2009 will be a good year in terms of premium growth (expected to rise 16%) over 2008 and we believe the long tail business will be the important driver of growth sustainability in '10
- We believe that the management has remained fairly proactive implementing strategies to improve its regional footprint across Africa and incorporating more modern technology into its operations
- We believe the management will be able to suppress operating costs, cover claims comfortably and keep the combined ratio at about 100%; this doesn't augur well for underwriting profits but we see investment income raising '09 profit margins as non core assets are disposed
- We believe the company will retain its conservative dividend policy in '09 to support its solvency margin. In November 2009 we valued Kenya Re at Ksh21.00 based on a WACC of 18.2%. Since then our WACC has dipped to 15.50% since we've used a lower risk-free rate and inflation premium thereby raising our fair value (and price target) to Ksh23.34.

Year Ended 31st Dec.	2005	2006	2007	2008	2009F
Gross Premium Growth	43%	19%	3%	6%	16%
Earnings Growth	53%	-28%	55%	77%	8%
EBITDA Margin	38%	26%	32%	51%	43%
Return on Equity	15%	9%	12%	19%	18%
Dividend Payout	20%	28%	25%	20%	24%
Earnings Per Share (Ksh)	1.25	0.90	1.40	2.47	2.68
<i>Final Div Per Share (Ksh)</i>	<i>0.25</i>	<i>0.25</i>	<i>0.35</i>	<i>0.50</i>	<i>0.65</i>

TRADING HIGHLIGHTS



Source: NSE Pricelists

Top Four Shareholders

Shareholder	Holdings
Government of Kenya	60.00%
Sterling Nom AC NSSF	3.35%
Barclays Nom AC 9230	1.03%
Mahendra K. Shah	0.81%

Key Share Information

Sector	Insurance
Latest Share Price	Ksh 13.70
52 Week Low – High	10 – 14.20
Market Capitalization	Ksh 8.2 bn
Shares Issued	600 mn
Foreign Shareholding	1.17%
Book Value/Share	Ksh 14.39
Market (P/E)	15.8x
Financial (P/E)	11.6x
Company (P/E)	7.0x
Price/Book	1.0x
Free Float	40%
Earnings Yield	14.38%
Div. Yield	3.65%
Div. Yield 5 yr Avg.	2.99%
Div. Growth 5 yr Avg.	15%
Div. Payout 5 yr Avg.	20%
Consecutive Div. Rise	2 Years
Total Return-12 Mnths	-4.3%
Total Return-3 Years	34.7%
Total Return-5 Years	N/A
Avg. Return-5 Years	7.1%

COMPANY PROFILE: EXPRESS KENYA

Ksh million	Year Ended 31-Dec-07	Year Ended 31-Dec-08	Change	5 Year CAGR	6 months to 30-Jun-09	Change
Revenue	922	803	-13%	-15%	440	18%
Gross Profit	406	304	-25%	2%	213	32%
Operating Profit	121	(26)	-121%	-193%	76	101%
Pre-Tax Profit	112	(53)	-147%	-223%	36	49%
Net Profit/(Loss)	74	(44)	-160%	-257%	25	49%
Earnings Per Share	2.08	(1.24)			0.72	
Dividend Per Share	0.50	0.00			0.00	
Return on Assets	8.6%	-4.1%				
Return on Equity	17.9%	-10.0%				
Current Ratio	0.8x	0.4x				
Gearing Ratio	26.5%	60.1%				
Interest Coverage	6.0x	-2.0x				

Source: Company data

Express has come a long way from its peak in 2007 when its market value was Ksh1.0 bn vs Ksh389 mn today-trade volumes remain thin. Express provides clearing and forwarding services for both air and sea as well as warehousing and logistics services.

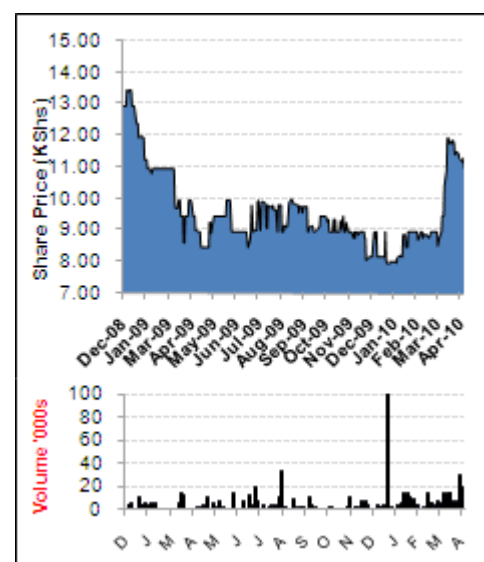
Expected Notices	
FY 2009	30-Apr-10
Ex Div	N/A
AGM	01-Aug-10
HY 2010	N/A

Performance Highlights

- Express recorded higher operating costs & disruptions to its operations in 2008; but, the recovery in 2009 highlights the performance we have come to see over the years following restructuring efforts years ago.
- Over the past few years the company has been investing in its operations expanding its warehouse capacity utilization, technology to modernize its fleet & establishing partnerships with public bus firms.
- The company's dividend policy has always been an area of concern for investors and is expected to remain fairly conservative in 2009 (despite any recovery). This is because of the company's high gearing ratio at 60% and the fact that it uses expensive bank overdrafts to bridge its short term funding deficit (current ratio dipped by 0.4x in 2008).
- We recommend Express Kenya as an extremely speculate buy whose performance would be pegged on management sentiments on the 2010 outlook, recovery of the Kenyan economy in 2010 and oil prices hikes.

Year Ended 31st Dec.	2004	2005	2006	2007	2008
Turnover Growth	-56%	-40%	-22%	12%	-13%
Earnings Growth	-107%	1070%	23%	11%	-160%
Net Profit Margin	0%	5%	8%	8%	-5%
Return on Equity	4%	24%	21%	18%	-10%
Dividend Payout	0%	0%	21%	24%	0%
Earnings Per Share (Ksh)	0.14	1.68	1.87	2.08	-1.24
Final Div Per Share (Ksh)	-	-	0.40	0.50	-

TRADING HIGHLIGHTS



Source: NSE Pricelists

Top Four Shareholders

Shareholder	Holdings
Etcoville Holdings	60.43%
Barclays Nom AC 9193	4.21%
Paul W. Ndungu	3.66%
Stanbic Nom AC48701	1.70%

Key Share Information

Sector	Logistics
Latest Share Price	Ksh 11.00
52 Week Low – High	8.00–12.00
Market Capitalization	Ksh 389 m
Shares Issued	35.4 mn
Foreign Shareholding	N/A
Book Value/Share	Ksh 12.21
Market (P/E)	15.8x
Commercial (P/E)	8.1x
Company (P/E)	-8.9x
Price/Book	0.9x
Free Float	39.57%
Earnings Yield	-11.27%
Div. Yield	N/A
Div. Yield 5 yr Avg.	N/A
Div. Growth 5 yr Avg.	N/A
Div. Payout 5 yr Avg.	N/A
Consecutive Div. Rise	0 Years
Total Return-12 Mnths	-38.1%
Total Return-3 Years	-63.1%
Total Return-5 Years	26.2%
Avg. Return-5 Years	2.1%

NSE STOCK MARKET WATCH – 9TH APRIL 2010

LARGE TO MEDIUM CAP STOCKS

Ordinary Shares	Average prices Last Fri	Average prices This Fri	Weekly Price Change	Weekly Traded Shares	Shares Issued (mn)	Market Capitalization KSh mn	Market Capitalization USD mn	Weekly Turnover Ksh mn	12m EPS Ksh	12m P / E	12m PBV	2009 3m EPS	2009 6m EPS	2009 9m EPS	DPS Ksh	12m Div Yld	Div Cover (times)
Safaricom Limited	5.50	5.55	0.9%	37,890,300	40,000	222,000.0	2,872.8	210.0	0.27	20.9	4.1	-	0.17	-	0.10	1.80%	2.7
E. A. Breweries	165.00	170.00	3.0%	296,100	791	134,431.6	1,739.6	50.4	9.09	18.7	5.9	-	4.67	-	8.05	4.74%	1.1
Barclays Bank Kenya	52.50	54.50	3.8%	614,300	1,358	74,004.7	957.7	33.3	4.49	12.1	3.1	-	-	-	2.50	4.59%	1.8
Bamburi Cement	186.00	194.00	4.3%	19,600	363	70,414.1	911.2	3.6	18.32	10.6	3.4	-	-	-	11.00	5.67%	1.7
Standard Chartered Bank Kenya	190.00	186.00	-2.1%	91,800	272	50,586.0	654.6	17.2	16.78	11.1	3.6	-	-	-	12.00	6.45%	1.4
Equity Bank	15.95	16.00	0.3%	5,913,300	3,703	59,244.4	766.7	94.4	1.14	14.0	2.5	-	-	-	0.40	2.50%	2.9
K.C.B.	22.25	23.00	3.4%	5,997,700	2,218	51,008.9	660.1	138.3	1.84	12.5	2.2	-	-	-	1.00	4.35%	1.8
Co-Operative Bank	10.00	10.05	0.5%	2,800,600	3,636	36,546.1	472.9	28.1	0.85	11.8	2.2	-	-	-	0.20	1.99%	4.3
KenGen	15.00	15.10	0.7%	1,319,700	2,198	33,195.3	429.6	19.9	0.94	16.1	0.5	-	0.39	-	0.50	3.31%	1.9
Kenya Airways	59.00	59.50	0.8%	2,411,000	462	27,466.1	355.4	144.3	(8.85)	-6.7	1.6	-	1.84	-	1.00	1.68%	-
K.P.L.C	180.00	179.00	-0.6%	28,200	79	14,163.9	183.3	5.1	40.78	4.4	0.5	-	23.67	-	8.00	4.47%	5.1
Nation Media Group	137.00	136.00	-0.7%	129,400	143	19,395.0	251.0	17.8	7.74	17.6	4.1	-	-	-	5.50	4.04%	1.4
Mumias Sugar	10.45	10.55	1.0%	3,583,100	1,530	16,141.5	208.9	37.7	1.05	10.0	1.5	-	0.68	-	0.40	3.79%	2.6
B.A.T. Kenya	200.00	187.00	-6.5%	177,900	100	18,700.0	242.0	33.3	14.78	12.7	4.0	-	-	-	14.75	7.89%	1.0
NIC Bank	33.50	33.50	0.0%	163,000	359	12,026.4	155.6	5.4	3.31	10.1	1.6	-	-	-	0.50	1.49%	6.6
CFC Stanbic Bank	41.25	43.25	4.8%	27,300	274	11,836.7	153.2	1.2	(0.22)	-196.6	0.6	-	-	-	0.00	0.00%	-
Diamond Trust Bank	79.00	77.50	-1.9%	40,300	163	12,635.4	163.5	3.1	7.67	10.1	1.6	-	-	-	1.55	2.00%	4.9
Kenol Kobil Group	78.00	75.00	-3.8%	137,100	147	11,038.2	142.8	10.5	8.77	8.6	1.0	-	-	-	3.25	4.33%	2.7
Kenya Reinsurance	13.40	13.70	2.2%	1,400,100	600	8,220.0	106.4	18.7	1.97	7.0	1.0	-	0.95	1.40	0.50	3.65%	3.9
National Bank	58.50	53.00	-9.4%	2,249,300	280	14,840.0	192.0	120.8	5.61	9.4	1.3	-	-	-	0.00	-	-
East African Portland Cement	100.00	95.00	-5.0%	1,500	90	8,550.0	110.6	0.1	20.38	4.7	1.3	-	7.00	-	1.30	1.37%	15.7
CMC Holdings	12.30	12.35	0.4%	509,500	583	7,196.5	93.1	10.6	0.93	13.3	1.4	-	-	-	0.35	2.83%	2.7
Athi River Mining	105.00	114.00	8.6%	170,500	99	11,292.3	146.1	19.4	6.52	17.5	2.7	-	-	-	1.50	1.32%	4.3
Centum Investments	15.30	14.90	-2.6%	804,300	550	8,194.3	106.0	11.9	0.57	26.1	1.2	-	0.13	-	0.00	-	-

Source: Nairobi Stock Exchange *Exchange rate as at 9th April, 2010 was US\$ 1 Dollar = Ksh 77.2767

SMALL CAP STOCKS

Ordinary Shares	Average prices Last Fri	Average prices This Fri	Weekly Price Change	Weekly Traded Shares	Shares Issued (mn)	Market Capitalization KSh mn	Market Capitalization USD mn	Weekly Turnover Ksh mn	12m EPS Ksh	12m P / E	12m PBV	2009 3m EPS	2009 6m EPS	2009 9m EPS	DPS Ksh	12m Div Yld	Div Cover (times)
Jubilee Holdings	169.00	163.00	-3.6%	57,100	45	7,335.0	94.9	9.4	18.33	8.9	1.9	-	-	-	4.50	2.76%	4.1
Scangroup Limited	26.50	26.00	-1.9%	261,900	221	5,737.9	74.3	6.7	1.79	14.5	2.7	-	0.66	-	0.62	2.38%	2.9
East African Cables	21.75	20.50	-5.7%	217,100	203	4,151.3	53.7	4.5	1.52	13.5	2.5	-	-	-	1.00	4.88%	1.5
TPS Eastern Africa	64.00	63.50	-0.8%	117,300	106	6,722.4	87.0	7.3	3.60	17.6	1.7	-	-	-	1.25	1.97%	2.9
Total Kenya	30.25	30.00	-0.8%	25,300	175	5,251.9	68.0	0.8	1.62	18.5	0.6	-	-	-	1.00	3.33%	1.6
Access Kenya	20.50	20.50	0.0%	562,100	200	4,097.7	53.0	11.4	0.76	27.0	3.6	-	-	-	0.30	1.46%	2.5
Housing Finance	16.95	16.75	-1.2%	77,500	230	3,852.5	49.9	1.3	1.02	16.4	0.9	-	-	-	0.50	2.99%	2.0
Carbacid Investments	125.00	124.00	-0.8%	44,500	34	4,213.6	54.5	0.6	7.54	16.4	3.5	-	4.58	-	5.00	4.03%	1.5
Standard Group	39.75	39.00	-1.9%	15,700	73	2,857.7	37.0	0.6	3.25	12.0	2.3	-	-	-	0.50	1.28%	6.5
BOC (Gases) Kenya	131.00	132.00	0.8%	14,300	20	2,577.4	33.4	7.3	7.88	16.8	1.6	-	-	-	6.80	5.15%	1.2
Pan African Holdings	51.00	51.00	0.0%	5,500	48	2,448.0	31.7	0.3	2.90	17.6	1.8	-	-	-	1.70	3.33%	1.7
Sasini Limited	14.45	13.85	-4.2%	748,000	228	3,158.6	40.9	10.6	2.30	6.0	0.6	-	-	-	0.40	2.89%	5.8
Sameer Africa Group	9.90	10.05	1.5%	583,500	278	2,797.3	36.2	5.9	0.57	17.6	1.2	-	-	-	0.50	4.98%	1.1
Williamson Tea	220.00	204.00	-7.3%	14,300	9	1,786.3	23.1	3.1	12.62	16.2	0.6	-	24.18	-	4.00	1.96%	3.2
Kakuzi Limited	78.50	72.50	-7.6%	50,100	20	1,421.0	18.4	3.6	17.34	4.2	0.9	-	-	-	2.50	3.45%	6.9
Rea Vipingo Plantations	21.50	21.25	-1.2%	1,026,400	60	1,275.0	16.5	22.0	2.48	8.6	1.2	-	-	-	0.50	2.35%	5.0
Car & General	35.00	35.00	0.0%	2,700	22	779.8	10.1	0.1	8.80	4.0	0.6	-	-	-	0.67	1.91%	13.1
Unga Group	10.00	10.50	5.0%	49,100	76	794.9	10.3	0.5	1.55	6.8	0.2	-	1.32	-	0.00	-	-
Eveready East Africa	4.70	4.40	-6.4%	247,200	210	924.0	12.0	1.0	0.14	32.6	2.3	-	-	-	0.00	-	-
Crown Berger	29.00	33.00	13.8%	45,500	24	783.0	10.1	1.5	1.20	27.5	0.9	-	1.75	-	1.00	3.03%	1.2
Express Kenya	11.35	11.00	-3.1%	33,200	35	389.4	5.0	0.4	(1.24)	-8.9	0.9	-	0.72	-	0.00	-	-
City Trust	110.00	110.00	0.0%	200	5	572.8	7.4	0.0	5.13	21.4	2.3	-	(0.16)	-	1.00	0.91%	5.1
Total NSE Market				71,421,200	62,594	1,002,136.8	12,968.2	1,176.7									

Source: Nairobi Stock Exchange *Exchange rate as at 9th April, 2010 was US\$ 1 Dollar = Ksh 77.2767

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