Weekly Market Report

Equity Market Brief – 16 April 2010

AFRICAN MARKET WATCH

INDEX	COUNTRY	CLOSE	Weekly Chg	YTD
NSE-20 Index	Kenya	4,111.49	1.1%	26.6%
NASI All Share	Kenya	87.97	2.9%	22.8%
AIG-27 Index	Kenya	513.78	2.4%	19.0%
ALSI	Uganda	925.79	1.0%	26.4%
DSEI	Tanzania	1,168.08	-0.5%	-2.0%
LUSE All Share	Zambia	2,869.82	-0.1%	2.7%
MASI	Malawi	4,918.51	-2.2%	-4.6%
ZSE Industrial	Zimbabwe	135.94	3.8%	-10.5%

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

WEEKLY STATISTICS

	09-04-10	16-04-10	Change
Market Cap (Ksh bn)	951	1,024	7.8%
Traded Volume (mn)	71	117	63.5%
Weekly Turnover (Ksh mn)			
Equity	1,182	1,997	69.0%
Bonds	6,414	5,349	-16.6%
Weekly Deals			
Equity	8,127	9,684	19.2%
Bonds	57	60	5.3%

Source: NSE

MARKET MOVERS

Weekly Price Gainers		
Standard Group	43.75	12.2%
NIC Bank	37.00	10.4%
Barclays Bank	60.00	10.1%
Weekly Price Losers		
National Bank of Kenya	44.75	-15.6%
Express Kenya	9.95	-9.5%
Eaagads Limited	52.00	-6.3%
Weekly Volume Movers		
Safaricom Limited	71,409,600	88.5%
Co-Operative Bank	8,983,100	220.8%
Kenya Commercial Bank	6,588,300	9.8%

Source: NSE

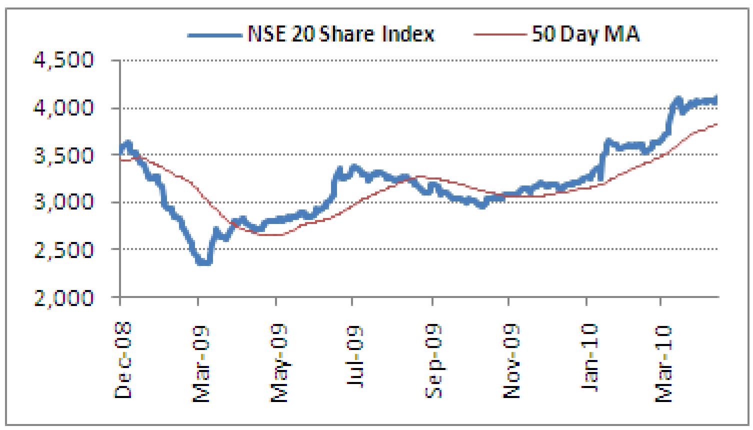
RECOMMENDED BUYS

Company	Duration	Price	PE	Div Yld
Bamburi Cement	Long Term	185.00	10.1x	5.95%
KPLC	Long Term	174.00	4.3x	4.60%
Diamond Trust Bank	Long Term	79.00	10.3x	1.96%
Kenya Reinsurance	Short Term	13.95	7.1x	3.58%
Mumias Sugar	Short Term	11.05	10.5x	3.62%

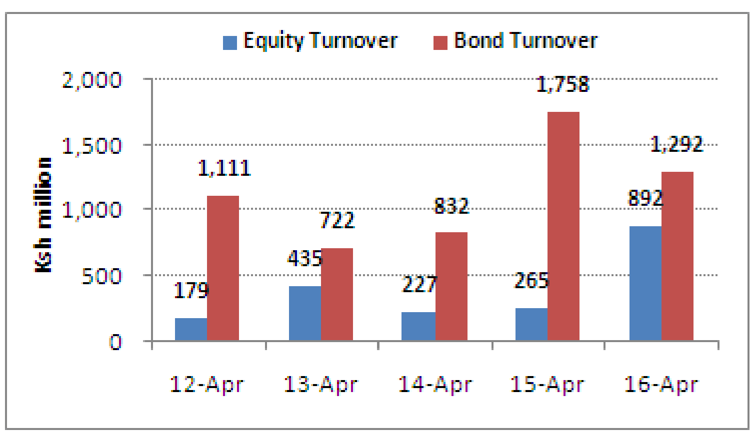
IN THE NEWS

Last week the NSE blue chips and overall market closed the week up marginally. The regional market recorded mixed results with the ZSE recording the largest gains during the week but NSE 20 and USE registering the highest growth YTD. The NSE 20 P/E rose marginally from 15.8x to 16.1x during the week. From a technical perspective the index was moving toward the 20 day SMA and exhibited low volatility signified by a narrowing of the index BB bands (2x SDEV). Momentum moved back into positive territory on the 14th of April & we may see the index chart a new trend this week.

Based on the market statistics out so far we estimate that the earnings and dividend yield on the NSE 20 Share Index is about 6.16% and 3.56% respectively. Considering the falling TB rates (at ~5.50%) institutional buyers may start seeing a good risk premium necessary to spur them back to the NSE. The estimated dividend payout ratio was 42% in '08 vs 58% in '09 following a 18% rise in dividends vs 14% dip in profit.



Source: NSE



Source: NSE

Monetary Policy Operations

The money market was fairly tight during the week ending 14th April, 2010. The CBK was quite active in the repo market injecting Ksh 12.8 billion, but was inactive on the overnight borrowing window. We expect tightness in the following week near the 18th of April due to fewer excess reserves ahead of the value dates for recently issued treasury securities. According to the CBK bulletin tightness in interbank liquidity was due to a build up of government deposits at the Central Bank. Last week the reverse repo rate remained unchanged at 2.46%.

Exchange Rate Movements

Last week the dollar/shilling exchange rate saw low volatility. The shilling gained vs the dollar & the rand/shilling movement was influenced by economic data coming out of South Africa.

	09-04-10	16-04-10	
Ksh to US Dollar	77.28	77.03	0.32%
Ksh to Sterling Pound	118.19	118.75	-0.47%
Ksh to Euro	103.26	104.24	-0.94%
Ksh to Rand	10.62	10.46	1.49%
Ugx to Ksh	26.80	26.87	0.27%
Tsh to Ksh	17.70	17.73	0.21%
Ksh to Dirham	21.04	20.97	0.32%
Yen to Ksh	82.53	83.09	-0.69%

Source: Central Bank of Kenya

Treasury Bill Auction Results

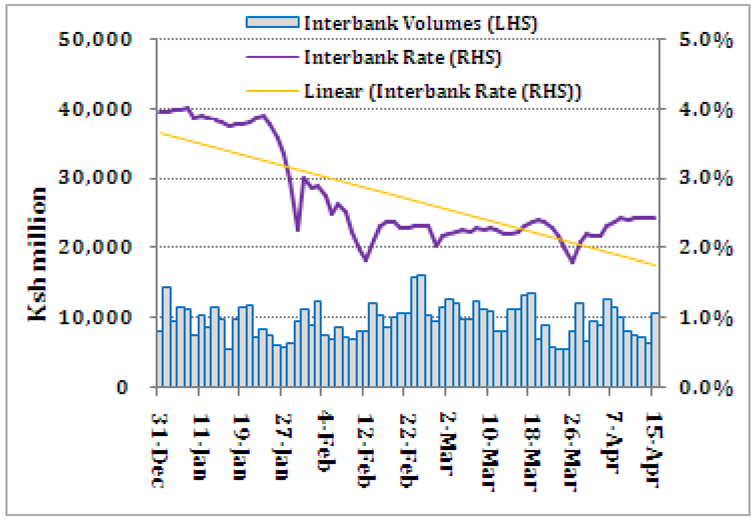
Last week's 182-D T-bill was oversubscribed recording a 258% subscription while the 364-D T-bill recorded a 276% uptake. The avg interest rates also dropped dramatically to 5.45% and 6.10% respectively; down 49bp for the 182 TB and down 129bp for the 364 TB. The 182 TB rate is now lower than last week's 91 TB (at 5.5%) attracting more bids. It is likely rates will drop further this week & the Treasury is expected to realize Ksh3.5 bn in new borrowing. Kenya's gross domestic debt is now up by only 27.5% to Ksh 634.2 bn over a similar period in 2009.

Treasury Bond Market

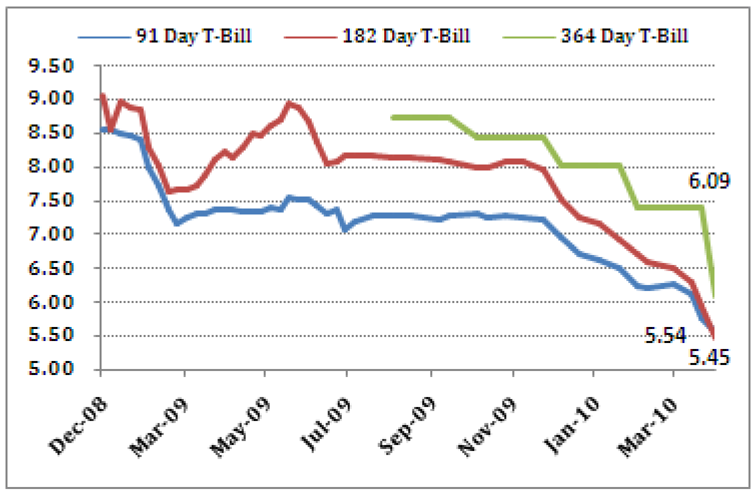
The NSE yield curve remained largely unchanged over last week and the medium term 5 year papers performed well during the week trading about Ksh2.0 bn ($26 mn) vs Ksh485 mn ($6 mn) the previous week (accounting for 38% of weekly turnover). The government will issue a Ksh12 bn ($156 mn) 10 year bond latter this week to support budget financing and we expect coupon rates to be considerably lower vs '09. The graph shows secondary trading for the last re-opened ten year bond and shows the downward shift in YTM since the start of 2010.

Interbank Activity

The average interbank rate rose by 11 bp from 2.32% to 2.43% in the week ended April 15, 2010. Interbank volumes dropped by 6.9% from Ksh43.3 billion to Ksh40.3 billion.



Source: Central Bank of Kenya



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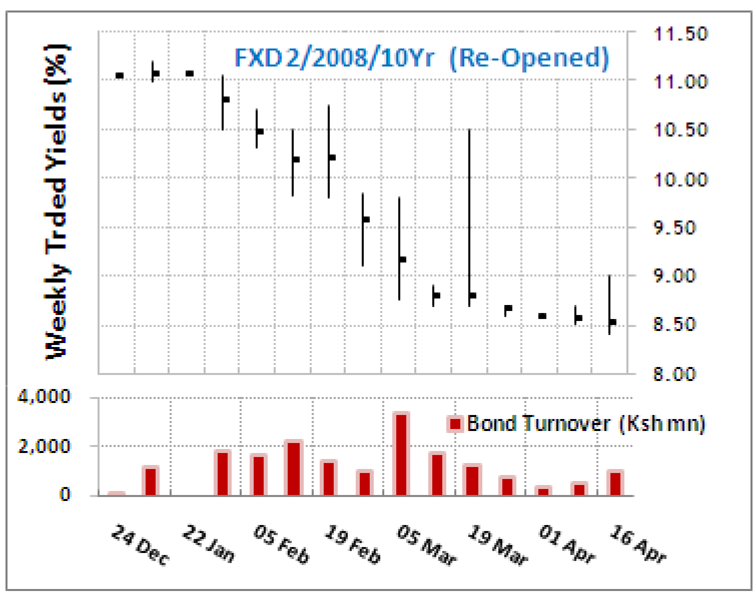


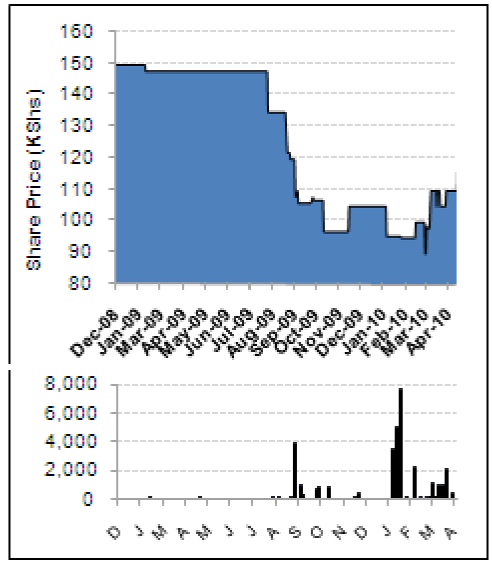
Source: NSE

COMPANY PROFILE: CITY TRUST

Ksh'000	Year Ended 31-Jul-08	Year Ended 31-Jul-09	Change	3 Year CAGR	6 months to 31-Jan-10	Change
Investment Income	36,451	35,643	-2%	1%	84	0%
Interest Income	1,135	540	-52%	-43%	290	-10%
Admin. Expenses	(2,660)	(2,867)	8%	13%	(1,295)	57%
Pre-Tax Profit	34,927	31,289	-10%	-5%	(922)	122%
Profit After Tax	32,673	29,399	-10%	-5%	(922)	122%
Earnings Per Share	6.27	5.13	-18%		(0.16)	
Dividend Per Share	0.50	1.00	100%	-32%	0.00	
Return on Assets	14.3%	11.7%				
Return on Equity	14.6%	12.0%				
Net Profit Margin	86.9%	81.3%				
Current Ratio	7.4x	1.8x				
Interest Coverage	-	16.4x				

Source: Company data

TRADING HIGHLIGHTS



Source: NSE Pricelists

City Trust Limited trades extremely low volumes averaging less than 1,000 shares per trading session and share price is driven by only a few players. The company operates as an investment firm like Centum Investments or Olympia Capital Holdings.

Expected Notices	
FY 2010	28-Oct-10
Ex Div	12-Dec-10
AGM	07-Dec-10
HY 2011	11-Mar-11

Top Four Shareholders

Shareholder	Holdings
Prime Securities IT	50.0%
Institutional Investors	15.0%
Foreign Shareholders	3.0%
Other Shareholders	32.0%

Performance Highlights

- The company earns a large portion of its income from an investment in an unquoted company I&M Bank. City Trust also earns interest income from bank term deposits & other income from its quoted investments. City's equity holdings are small and largely concentrated in KenGen.
- In the year ending 31 December 2009 I&M Bank increased its proposed dividend by 6.6% from Ksh398 million to Ksh424 million and City Trust will benefit from this given that it owns ~8.93% of issued stock
- I&M Bank had made a concerted effort in 2007-2009 to boost its capital base by raising equity capital & bringing on new investors. The higher capital base has been necessary to expand its lending capacity & enable it to grow (largely by acquisition). City's dividend policy has suffered as a result of having to keep up with I&M's demands for capital, but we believe that I&M now has sufficient capital going forward. We expect that much of City' cashflow will be available for dividends in the 2010.

Year Ended 31st July	2006	2007	2008	2009	2010F
Total Income Growth	N/A	80%	6%	-4%	1%
Earnings Growth	N/A	107%	-5%	-10%	7%
Net Profit Margin	84%	97%	87%	81%	86%
Return on Equity	17%	17%	15%	12%	12%
Dividend Payout	78%	53%	8%	19%	50%
Earnings Per Share (Ksh)	2.90	5.99	5.70	5.13	5.52
Final Div Per Share (Ksh)	*2.25*	*3.18*	*0.45*	*1.00*	*2.76*

Key Share Information

Sector	Investment
Latest Share Price	Ksh 120.00
52 Week Low – High	90 - 148
Market Capitalization	Ksh 625 m
Shares Issued	5.2 mn
Foreign Shareholding	3.0%
Book Value/Share	Ksh 48.59
Market (P/E)	16.1x
AIMS (P/E)	8.1x
Company (P/E)	23.4x
Price/Book	2.5x
Free Float	32.0%
Earnings Yield (10e)	4.60%
Div. Yield (10e)	2.30%
Div. Yield 3 yr Avg.	1.14%
Div. Growth 3 yr Avg.	-32.0%
Div. Payout 5 yr Avg.	42.0%
Consecutive Div. Rise	1 Year
Total Return TTM	-22.3%
Total Return-3 Years	119.6%
Total Return-5 Years	213.8%
Avg. Return-5 Years	20.6%

NSE STOCK MARKET WATCH – 16TH 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	USD mn	Weekly Turnover Ksh mn	12m EPS Ksh	12m P / E	12m PBV	2009 3m EPS	6m EPS	2009 9m EPS	DPS Ksh	12m Div Yld	Div Cover (times)
Safaricom Limited	5.55	5.80	4.5%	71,409,600	40,000	232,000.0	3,011.9	408.4	0.27	21.9	4.3	-	0.17	-	0.10	1.72%	2.7
E. A. Breweries	170.00	171.00	0.6%	827,600	791	135,222.4	1,755.5	142.2	9.09	18.8	5.9	-	4.67	-	8.05	4.71%	1.1
Barclays Bank Kenya	54.50	60.00	10.1%	869,400	1,358	81,473.0	1,057.7	51.0	4.49	13.4	3.4	-	-	-	2.50	4.17%	1.8
Bamburi Cement	194.00	185.00	-4.6%	3,029,700	363	67,147.5	871.7	560.5	18.32	10.1	3.2	-	-	-	11.00	5.95%	1.7
Standard Chartered Bank Kenya	186.00	188.00	1.1%	67,300	272	51,129.9	663.8	12.5	16.78	11.2	3.7	-	-	-	12.00	6.38%	1.4
Equity Bank	16.00	17.15	7.2%	6,122,200	3,703	63,502.6	824.4	101.3	1.14	15.0	2.7	-	-	-	0.40	2.33%	2.9
K.C.B.	23.00	22.50	-2.2%	6,588,300	2,218	49,900.0	647.8	153.4	1.84	12.2	2.2	-	-	-	1.00	4.44%	1.8
Co-Operative Bank	10.05	10.70	6.5%	8,983,100	3,636	38,909.8	505.1	95.5	0.85	12.6	2.4	-	-	-	0.20	1.87%	4.3
KenGen	15.10	15.50	2.6%	1,439,700	2,198	34,074.6	442.4	21.9	0.94	16.5	0.5	-	0.39	-	0.50	3.23%	1.9
Kenya Airways	59.50	59.00	-0.8%	1,591,200	462	27,235.3	353.6	94.5	(8.85)	-6.7	1.6	-	1.84	-	1.00	1.69%	-
K.P.L.C	179.00	174.00	-2.8%	110,400	79	13,768.3	178.7	19.7	40.78	4.3	0.5	-	23.67	-	8.00	4.60%	5.1
Nation Media Group	136.00	138.00	1.5%	173,800	143	19,680.3	255.5	24.0	7.74	17.8	4.2	-	-	-	5.50	3.99%	1.4
Mumias Sugar	10.55	11.05	4.7%	4,423,800	1,530	16,906.5	219.5	47.9	1.05	10.5	1.6	-	0.68	-	0.40	3.62%	2.6
B.A.T. Kenya	187.00	190.00	1.6%	67,800	100	19,000.0	246.7	12.9	14.78	12.9	4.1	-	-	-	14.75	7.76%	1.0
NIC Bank	33.50	37.00	10.4%	175,200	359	13,282.9	172.4	6.1	3.31	11.2	1.8	-	-	-	0.50	1.35%	6.6
CFC Stanbic Bank	43.25	44.00	1.7%	251,500	274	12,041.9	156.3	10.9	(0.22)	-200.0	0.6	-	-	-	0.00	0.00%	-
Diamond Trust Bank	77.50	79.00	1.9%	29,100	163	12,879.9	167.2	2.3	7.67	10.3	1.6	-	-	-	1.55	1.96%	4.9
Kenol Kobil Group	75.00	78.00	4.0%	213,400	147	11,479.7	149.0	16.5	8.77	8.9	1.0	-	-	-	3.25	4.17%	2.7
Kenya Reinsurance	13.70	13.95	1.8%	2,516,700	600	8,370.0	108.7	34.9	1.97	7.1	1.0	-	0.95	1.40	0.50	3.58%	3.9
National Bank	53.00	44.75	-15.6%	376,900	280	12,530.0	162.7	14.9	5.61	8.0	1.1	-	-	-	0.00	-	-
East African Portland Cement	95.00	100.00	5.3%	2,000	90	9,000.0	116.8	0.2	20.38	4.9	1.4	-	7.00	-	1.30	1.30%	15.7
CMC Holdings	12.35	12.90	4.5%	1,661,400	583	7,517.0	97.6	8.4	0.93	13.9	1.4	-	-	-	0.35	2.71%	2.7
Athi River Mining	114.00	114.00	0.0%	183,000	99	11,292.3	146.6	20.8	6.52	17.5	2.7	-	-	-	1.50	1.32%	4.3
Centum Investments	14.90	15.30	2.7%	655,400	550	8,414.3	109.2	9.9	0.57	26.8	1.3	-	0.13	-	0.00	-	-

Source: Nairobi Stock Exchange   *Exchange rate as at 16th April, 2010 was US$ 1 Dollar = Ksh 77.0281

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	USD mn	Weekly Turnover Ksh mn	12m EPS Ksh	12m P / E	12m PBV	2009 3m EPS	6m EPS	2009 9m EPS	DPS Ksh	12m Div Yld	Div Cover (times)
Jubilee Holdings	163.00	164.00	0.6%	22,300	45	7,380.0	95.8	3.6	18.33	8.9	1.9	-	-	-	4.50	2.74%	4.1
Scangroup Limited	26.00	27.75	6.7%	663,200	221	6,124.1	79.5	18.3	1.79	15.5	2.9	-	0.66	-	0.62	2.23%	2.9
East African Cables	20.50	21.25	3.7%	171,300	203	4,303.1	55.9	3.6	1.52	14.0	2.6	-	-	-	1.00	4.71%	1.5
TPS Eastern Africa	63.50	63.50	0.0%	73,100	106	6,722.4	87.3	4.6	3.60	17.6	1.7	-	-	-	1.25	1.97%	2.9
Total Kenya	30.00	30.00	0.0%	16,700	175	5,251.9	68.2	0.5	1.62	18.5	0.6	-	-	-	1.00	3.33%	1.6
Access Kenya	20.50	19.85	-3.2%	884,800	200	3,967.7	51.5	17.9	0.76	26.1	3.5	-	-	-	0.30	1.51%	2.5
Housing Finance	16.75	17.30	3.3%	255,000	230	3,979.0	51.7	4.4	1.02	17.0	1.0	-	-	-	0.50	2.89%	2.0
Carbacid Investments	124.00	126.00	1.6%	13,300	34	4,281.5	55.6	1.8	7.54	16.7	3.5	-	4.58	-	5.00	3.97%	1.5
Standard Group	39.00	43.75	12.2%	42,300	73	3,205.8	41.6	1.8	3.25	13.5	2.5	-	-	-	0.50	1.14%	6.5
BOC (Gases) Kenya	132.00	137.00	3.8%	4,300	20	2,675.0	34.7	4.6	7.88	17.4	1.7	-	-	-	6.80	4.96%	1.2
Pan African Holdings	51.00	56.00	9.8%	4,300	48	2,688.0	34.9	0.2	2.90	19.3	2.0	-	-	-	1.70	3.04%	1.7
Sasini Limited	13.85	14.00	1.1%	603,700	228	3,192.8	41.4	8.4	2.30	6.1	0.6	-	-	-	0.40	2.86%	5.8
Sameer Africa Group	10.05	9.50	-5.5%	1,070,800	278	2,644.3	34.3	10.3	0.57	16.7	1.2	-	-	-	0.50	5.26%	1.1
Williamson Tea	204.00	197.00	-3.4%	46,600	9	1,725.0	22.4	9.3	12.62	15.6	0.6	-	24.18	-	4.00	2.03%	3.2
Kakuzi Limited	72.50	74.00	2.1%	141,800	20	1,450.4	18.8	10.9	17.34	4.3	0.9	-	-	-	2.50	3.38%	6.9
Rea Vipingo Plantations	21.25	20.25	-4.7%	424,500	60	1,215.0	15.8	8.5	2.48	8.2	1.1	-	-	-	0.50	2.47%	5.0
Car & General	35.00	35.00	0.0%	17,100	22	779.8	10.1	0.6	8.80	4.0	0.6	-	-	-	0.67	1.91%	13.1
Unga Group	10.50	10.40	-1.0%	52,000	76	787.4	10.2	0.5	1.55	6.7	0.2	-	1.32	-	0.00	-	-
Eveready East Africa	4.40	4.35	-1.1%	372,700	210	913.5	11.9	1.6	0.14	32.2	2.3	-	-	-	0.00	-	-
Crown Berger	33.00	34.50	4.5%	63,700	24	818.6	10.6	2.2	1.20	28.8	1.0	-	1.75	-	1.00	2.90%	1.2
Express Kenya	11.00	9.95	-9.5%	16,700	35	352.3	4.6	0.2	(1.24)	-8.0	0.8	-	0.72	-	0.00	-	-
City Trust	110.00	120.00	9.1%	100	5	624.9	8.1	0.0	5.13	23.4	2.5	-	(0.16)	-	1.00	0.83%	5.1
		Total NSE Market		116,753,100	62,594	1,026,882.8	13,331.3	1,993.2									

Source: Nairobi Stock Exchange *Exchange rate as at 16th April, 2010 was US$ 1 Dollar = Ksh 77.0281