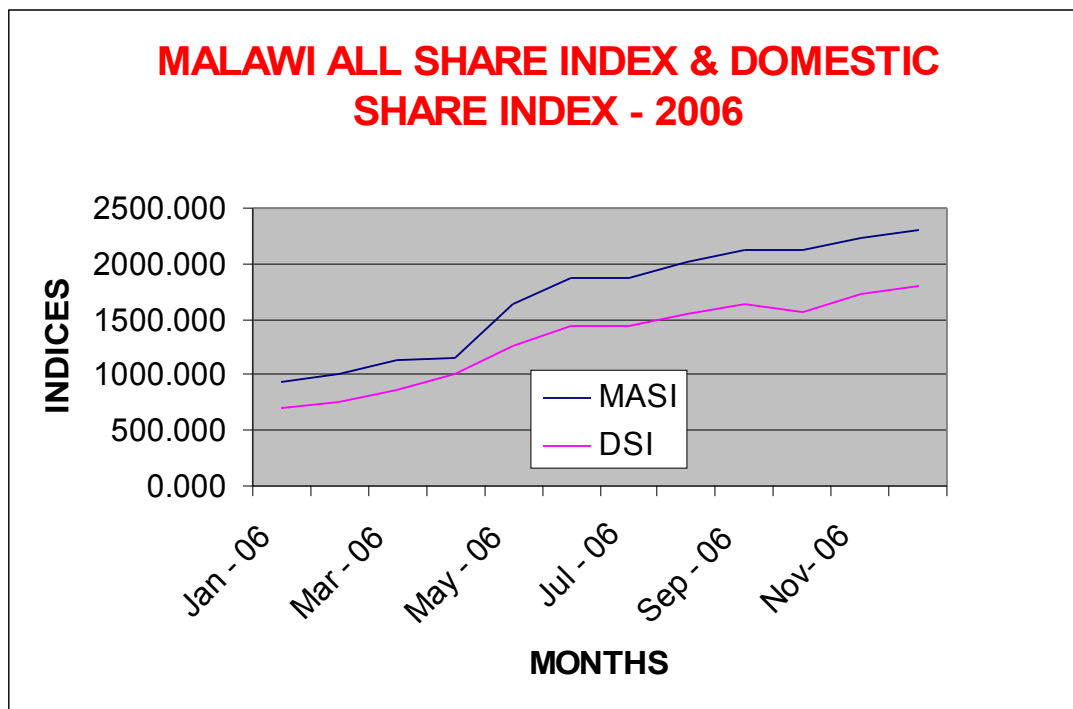


ANNUAL MARKET PERFORMANCE REVIEW

2006



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MALAWI STOCK EXCHANGE LIMITED

ANNUAL MARKET PERFORMANCE REVIEW FOR 1st JAN. TO 31st DEC. 2006

1.0 INTRODUCTION

YEAR -TO-DATE INDEX LEVEL AND RETURN				
	INDEX LEVEL	YEAR -TO-DATE INDEX RETURN		
		LOCAL CURRENCY	US DOLLAR	
MASI	2310.67	154.80 %	126.14 %	
DSI	1793.39	161.05 %	132.65 %	
TOP FOUR CAPITAL GAINERS IN 2006				
COUNTER	ILLOVO	STANBIC	NITL	SUNBIRD
CAPITAL GAIN %	392.61	186.49	141.10	94.44
TOP THREE TRADED COUNTERS BY VOLUME IN 2006				
COUNTER	SUNBIRD	FMB	NITL	
% TRADED	33.87	20.84	12.30	
TOP THREE TRADED COUNTERS BY VALUE IN 2006				
COUNTER	PCL	ILLOVO	NBM	
% TRADED	30.00	26.93	14.94	

This report reviews and analyses the performance of the stock market during the period from 1st January to 31st December 2006. The report also discusses the country's economic position during the review period and how this has impacted on the general performance of the stock market.

2.0 MARKET PERFORMANCE

2.1 Trade Performance Statistics

The trading position for the period 1st January to December, 2006 shows a total of 160,567,440 shares were transacted for a total turnover of MK1,962.33 million (US\$14.302 million) in 712 deals. In 2005, the market transacted a total of 61,564,967 shares at a total turnover of MK917.807 million (US\$7.594 million) in 480 deals. This reflects an increase by volume of 160.81 percent and by 113.8 percent in terms of share value. In comparison to 2004, the market trading position increased by 45.19 percent in terms of share volume from a total of 110,592,066 shares and by 193.3 percent in terms of share value from turnover of MK669.10 m (US\$6.15 m).

The highest sales of share trades in terms of both share volume and value were transacted in the month of November 2006 with 61,670,300 shares at a total consideration of MK354.76 million (US\$2.573 m). The least share sales were registered in the month of January 2006 with 2,416,561 shares at a total turnover of MK25.16 million (US\$0.201 m).

TABLE 1: TRADING SUMMARY FOR 1st JAN. – 31st DECEMBER 2006

MARKET STATISTICS: THE YEAR 2006				
WEEK Ended	TRADES	VOLUME of Shares	TURNOVER MKm	TURNOVER US\$m
Jan-06	39	2,416,561	25.1576	0.201
Feb-06	33	4,282,445	125.5419	0.956
Mar-06	46	7,282,330	190.6321	1.429
Apr-06	46	4,746,321	44.5524	0.326
May-06	49	13,281,687	161.4732	1.163
Jun-06	66	20,450,461	341.9850	2.458
Jul-06	53	10,727,874	96.3707	0.696
Aug-06	64	12,665,926	268.3527	1.941
Sep-06	96	12,267,327	165.1710	1.194
Oct-06	66	6,890,012	129.1245	0.936
Nov-06	86	61,670,300	354.7613	2.573
Dec-06	68	3,886,196	59.4808	0.429
2006	712	160,567,440	1,962.60	14.302
2005	480	61,564,967	917.81	7.59
2004	282	110,592,066	669.10	6.15
% Δ 05-06	48.33	160.81	113.84	88.33
% Δ 04-06	152.48	45.19	193.32	132.64

2.2 Market Capitalisation And Index

At the beginning of the year 2006, total market capitalization for the listed stocks was at MK1,120,358.45 million (US\$29,921.88 m) and increased to MK1,672,124.2 million (US\$84,295.52 m) as at 31st December 2006 reflecting an increase by 49.29 percent in Malawi Kwacha and 49.25 percent in US Dollar terms. The increase in the market capitalization was due to an increase in the share prices of most of the traded stocks coupled with the listing of First Merchant Bank during the year. The listing of FMB and the reduction in interest rates in the money market in November 2006 generated a shift of funds to the stock market as most counters exhibited competitive yields over money markets yields.

Table 2: Market Capitalization and Index

MARKET CAPITALISATION AND INDEX : THE YEAR 2006					
WEEK	MKT. CAP	MKT. CAP	MKT. CAP	MKT. CAP	MSE
Ended	MKm	MKm*	US\$m	US\$m*	Index
Jan-06	1,236,155.46	30,936.10	9,667.9255	241.9501	937.590
Feb-06	1,276,541.62	33,061.32	11,720.3587	303.5471	1002.000
Mar-06	1,264,579.63	37,011.07	9,454.0729	276.6970	1127.230
Apr-06	1,300,770.80	38,160.04	9,452.6579	277.3078	1156.530
May-06	1,622,798.62	54,100.39	11,679.2635	389.3599	1639.640
Jun-06	1,655,621.71	67,793.02	11,912.0788	487.7659	1865.040
Jul-06	1,655,621.71	67,285.88	11,969.7197	486.4597	1865.040
Aug-06	1,660,946.70	73,088.18	12,011.5962	528.5575	2011.540
Sep-06	1,665,031.88	77,203.19	12,043.4560	558.4236	2123.900
Oct-06	1,655,031.88	77,203.19	12,000.1151	559.7760	2123.900
Nov-06	1,669,238.52	81,409.83	12,077.6398	589.0342	2231.570
Dec-06	1,672,124.20	84,295.52	12,000.0933	604.9515	2310.670
2006	1,672,124.20	84,295.52	13,508.7744	681.0075	2310.670
2005	1,120,358.45	29,921.88	9,051.1635	241.7332	906.85
2004	745,271.02	18,321.29	6,485,417	168,214	583.48
% Δ 05-06	49.29	181.72	49.25	43.71	181.72
% Δ 04-06	124.36	360.10	108.29	155.20	304.85

* Excludes non-Malawi register Old Mutual plc shares

During the year under review, the market exhibited outstanding performance in terms of returns on index in Kwacha as well as in US Dollar terms. The Malawi All Share Index (MASI), the barometer that measures the average price movement of all counters at the Exchange increased from 906.85 points registered in the month of January to 2310.67 points registered as at 31st December, 2006 giving a return on Index of 154.80 percent. (126.14% in US\$ terms). The Domestic Share Index (DSI) that measures the average price movement of only domestic counters yielded a return on Index of 161.05 percent (132.65% in US\$ terms) from 687.00 points to 1793.39 points during the same corresponding review period of 1st January to 31st December 2006. This return gives a comparatively competitive edge over the prevailing interest rates in the money market, which moved downward during the review period by closing the year at an average yield of 17.0% per annum.

2.3 Market Liquidity

The turnover velocity, an indicator of the liquidity of assets traded on the market as measured by the ratio of Total Value of Trades to Market Capitalization (**TVT/MCAP***), was recorded at 2.32 percent in the year under review compared to 3.07 percent recorded in 2005.

The ratio of Market Capitalisation to Gross Domestic Product (**MCAP*/GDP**) recorded liquidity level of 35.47 percent in the review period while in the previous year 2005, the liquidity was at 14.72 percent. The increase in liquidity levels was as a result of share price increases of the traded counters in the review period compared to last year's prices. The ratio of Shares Traded to Shares in Issue, the market recorded a liquidity ratio of 3.0% compared to 2.13% recorded in 2005. This was due to large share trading volumes in the year under review compared to 2005.

Table 3: Market Liquidity

MARKET LIQUIDITY : THE YEAR 2006					
WEEK	Mkt. Cap/GDP	Mkt. Cap/GDP*	TVT/Mkt. Cap	TVT/Mkt. Cap*	Shares Traded/ Shares
Ended	%	%	%	%	In Issue* %
Jan-06	520.19	13.018	0.00204	0.0813	0.079885
Feb-06	537.19	13.913	0.00983	0.3797	0.141566
Mar-06	532.15	15.575	0.01507	0.5151	0.240734
Apr-06	547.38	16.058	0.00343	0.1168	0.156901
May-06	682.90	22.766	0.00995	0.2985	0.439057
Jun-06	696.71	28.528	0.02066	0.5045	0.389529
Jul-06	696.71	28.315	0.00582	0.1432	0.204338
Aug-06	698.95	30.757	0.01616	0.3672	0.241253
Sep-06	700.67	32.488	0.00992	0.2139	0.233660
Oct-06	696.46	32.488	0.00780	0.1673	0.128900
Nov-06	702.44	34.258	0.02125	0.4358	1.153741
Dec-06	703.65	35.473	0.00356	0.0706	0.072704
2006	703.65	35.473	0.11737	2.3282	3.0039
2005	551.01	14.716	0.0819	3.0673	2.1302
2004	347.406	9.011	0.0900	3.6520	3.8266

2.4 Company Trading Performance

The market recorded trading activity on all counters during the year 2006. SUNBIRD Tourism Limited registered the biggest trading volume of 54,381,397 shares representing 33.87 percent of the total volume of shares traded. In terms of share value, PCL registered the highest trade value of MK588,679,585.00, representing 30.0 percent.

The highest capital gainer through a share price rise of 392.61 percent during the period under review was ILLOVO Sugar Malawi Limited from an opening price of MK10.15 to close at MK50.00 per share. Second was STANBIC by 186.49 percent from an opening price of MK9.25 to a closing price of MK26.50 per share. Other price gainers were NITL (141.10 %), SUNBIRD (94.44%), PCL (93.00%), FMB (80.00 %), PIM (54.55 %), OML plc (45.61 %) and NICO (33.33 percent). Blantyre Hotels Limited registered a capital loss of 18.92 % during the review period.

The counter-by-counter capital gains analysis during the year under review shows that stock market investment gave better long-term returns compared to money market investment where rates moved down to about 17%.

Table 4: COMPANY TRADING STATISTICS

COMPANY TRADING STATISTICS :THE YEAR 2006						
Company	Opening Price	Closing Price	Change in Price	% Price Change	Share Vol. Trade	% Traded
BHL	3.70	3.00	-0.70	-18.92	500	0.00
FMB	2.50	4.50	2.00	80.00	33,463,480	20.84
ILLOVO	10.15	50.00	39.85	392.61	16,090,223	10.02
NBM	21.00	30.00	9.00	42.86	9,198,090	5.73
NICO	2.70	3.60	0.90	33.33	16,081,729	10.02
NITL	3.65	8.80	5.15	141.10	19,750,288	12.30
PCL	50.00	96.50	46.50	93.00	8,579,199	5.34
PIM	2.75	4.25	1.50	54.55	1,724,385	1.07
STANBIC	9.25	26.50	17.25	186.49	1,090,299	0.68
SUNBIRD	1.80	3.50	1.70	94.44	54,381,397	33.87
OML	285	415.00	130.00	45.61	207,850	0.13
					160,567,440	100.000

3.0 MARKET DEVELOPMENT

- 3.1 The Malawi Stock Exchange listed the eleventh counter; First Merchant Bank (FMB) on 19th June 2006. FMB is the first privately owned company to have listed and raised capital on the Exchange. It raised MK562 million (US\$4.04 million) at K2.50 per share. The offer was oversubscribed by a factor of 2.
- 3.2 The MSE licensed a third stockbroking company FDH Stockbrokers Limited to start operating from January 2007.
- 3.3 The Malawi Stock Exchange has admitted two Non Member Institutions, Alliance Investment Limited and First Merchant Bank.
- 3.4 In the first quarter of 2007, the Malawi Stock Exchange will launch the second tier market to accommodate medium and venture capital companies.

4.0 ECONOMIC POSITION

4.1 Inflation Rates

The annual rate of inflation decreased from 16.7% registered in the month of January 2006 to 10.5 %registered in November 2006. The decrease was largely associated with a decrease in the food index attributable to a good harvest during the review period. Coupled with fiscal discipline government expenditure has been contained within meaningful levels and this has contributed to containing inflation during 2006. The year-on-year annual rate of inflation is estimated to end the year at slightly below 10.0 % against 16.5% registered in 2005.

4.2 Exchange Rates

The Kwacha depreciated by 11.17 percent against the US Dollar during the review period of January to December 2006 as it shifted from its trading position of MK123.7810/US\$ to MK139.3426/US\$. Against the British Pound Sterling the Kwacha depreciated by 21.51 percent to close the year at MK278.9872/GBP from an opening position of MK218.9675. The Kwacha, however firmed marginally against the South African Rand as it slightly depreciated by 0.94 percent from the trading position of MK20.3561/ZAR to MK20.5491/ZAR. The Kwacha though experienced some slides during the year it was generally stable especially after the debt cancellation by the World Bank. This brought some level of investor confidence from both local and international investors.

The Malawi Kwacha during the year under review from 1st January, 2006 to 31st December 2006, moved in value as follows: -

TABLE 5: EXCHANGE RATES: 1st JAN – 31st DEC 2006

CURRENCY	1st January'06	31st December'06	% CHANGE
MK/US Dollar	123.781	139.3426	-11.17
MK/GBP	218.9675	278.9872	-21.51
MK/ZAR	20.3561	20.5491	-0.94
MK/EUR	150.6629	184.7084	-18.43

4.3 Interest Rates

End of period (January to December 2006) RBM Bill Rates, TB Rates and commercial bank's prime rates were as follows:-

Table 6: RBM, TB Commercial Banks' Prime Rates and Inflation Rates

RBM BILLS				
TENOR	January'05	December'05	January'06	December'06
63 Days	24.57	24.25	24.22	15.79
91 Days	24.68	24.22	24.21	15.71
TREASURY BILLS				
91 Days	24.53	24.44	24.45	17.14
182 Days	24.54	24.49	24.37	17.01
273 Days	24.51	24.30	24.26	17.35
RBM and COMMERCIAL BANKS LENDING RATES				
RBM Discount Rates	25.0	25.0	25.0	20.0
Prime Rates	27.0	27.0	27.0	22.5
Inflation Rate	14.0	16.5	16.7	10.5 (Nov.)