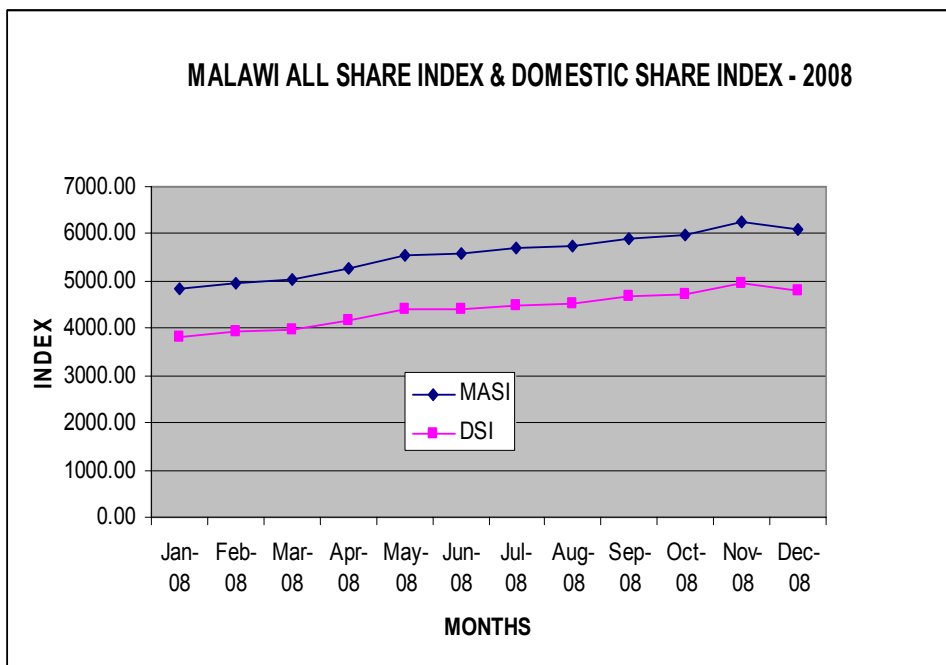




MALAWI STOCK EXCHANGE

ANNUAL MARKET PERFORMANCE REVIEW

2008



MALAWI STOCK EXCHANGE

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MALAWI STOCK EXCHANGE LIMITED

ANNUAL MARKET PERFORMANCE REVIEW FOR 1st JAN. TO 31st DEC. 2008

1.0 INTRODUCTION

1.1 This report reviews and analyses the performance of the stock market during the period from 1st January to 31st December 2008. 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.

1.2 Key data of the market is as follows:

YEAR –TO-DATE INDEX LEVEL AND RETURN				
	INDEX LEVEL	YEAR –TO-DATE INDEX RETURN		
		LOCAL CURRENCY	US DOLLAR	
MASI*	6091.15	25.60 %	25.36 %	
DSI**	4815.55	25.95 %	25.70 %	
TOP FOUR CAPITAL GAINERS IN 2008				
COUNTER	NBS	BHL	TNM	FMB
CAPITAL GAIN %	222.22	80.88	65.00	46.34
TOP FOUR TRADED COUNTERS BY VOLUME IN 2008				
COUNTER	TNM	MPICO	NICO	FMB
% TRADED	51.97	16.06	8.70	5.81
TOP FOUR TRADED COUNTERS BY VALUE IN 2008				
COUNTER	PCL	ILLOVO	TNM	NITL
% TRADED	24.64	23.43	14.01	6.88

* Malawi All Share Index

** Domestic Share Index

2 MARKET PERFORMANCE

2.2 Trade Performance Statistics

Despite the crippling financial markets crisis in the western world, the Malawi Stock Exchange registered strong and steady growth in 2008. As at the end of a total of 607,526,587 shares were transacted at the Exchange at a total turnover of MK8,390.069 million (US\$59.70 million) in 3,291 deals. In 2007, the market transacted a total of 359,521,093 shares at a total turnover of MK5,178.336 million (US\$36.996 million) in 2,610 deals. This reflects an increase by volume of 68.98 percent and by 62.02 percent in terms of share value. In comparison to 2006, the market trading position increased by 278.36 percent in terms of share volume

from a total of 160,567,440 shares, and by 327.50 percent in terms of share value from turnover of MK1,962.60m (US\$14.302 m).

The highest sales in terms of share volume and value were transacted in the month of November 2008 with 314,061,890 shares at total consideration of MK1,351.04 million (US\$9.61 m). The least share sales were registered in January 2008 with 14,730,130 shares at a total turnover of MK196.610 million (US\$1.401m).

TABLE 1: TRADING SUMMARY FOR 1st JAN. – 31st DECEMBER 2008

MARKET STATISTICS: THE YEAR 2008				
WEEK	TRADES	VOLUME of	TURNOVER	TURNOVER
Ended		Shares	MKm	US\$m
Jan-08	264	14,730,130	196.610	1.401
Feb-08	331	27,751,553	401.185	2.856
Mar-08	233	19,135,612	417.884	2.975
Apr-08	296	25,776,548	919.561	6.545
May-08	346	41,530,674	1,162.550	8.,274
Jun-08	246	33,741,368	610.896	4.347
Jul-08	245	25,562,904	862.096	6.135
Aug-08	301	19,755,890	1,119.950	7.967
Sep-08	218	18,160,075	768.488	5.466
Oct-08	206	21,259,591	254.633	1.811
Nov-08	333	314,061,890	1,351.037	9.609
Dec-08	272	46,060,352	325.180	2.313
2008	3,291	607,526,587	8,390.069	59.701
2007	2,610	359,521,093	5,178.336	36.996
2006	712	160,567,440	1,962.60	14.302
% Δ 07-08	26.09	68.98	62.02	61.37
% Δ 06-08	362.22	278.36	327.50	317.43

2.2 Market Capitalisation and Index

The Malawi Stock Exchange posted the above inflation rate return on index of 25.60 percent in Malawi Kwacha terms and 25.95 percent 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 5028.55 points registered in the first quarter of 2008 to 6091.15 points registered as at 31st December, 2008.

The Domestic Share Index (DSI) that measures the average price movement of only domestic counters yielded a return on Index of 25.95 percent (25.70% in US\$ terms) from 3823.49 points to 4815.55 points during the same corresponding review period of 1st January to 31st December 2008. This stock market return on Index gives a comparatively competitive edge over the prevailing interest rates in the money market, which slightly increased during the review period to an average yield of 12.00 percent per annum.

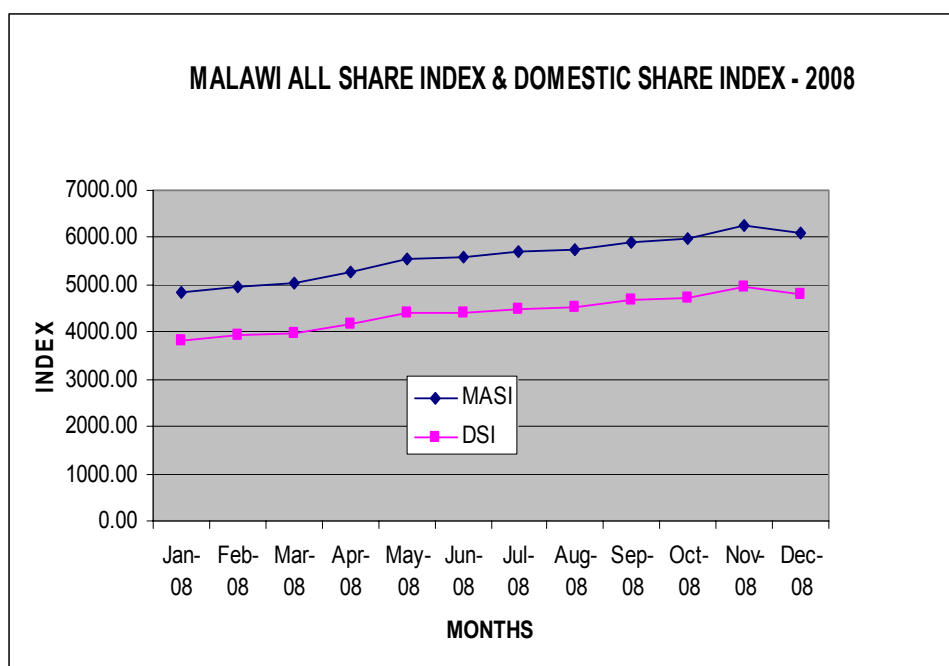
Total market capitalization increased from MK188,087.48 million (US\$1,349.46m) to MK251,447.07 million (US\$1,788.39m) as at 31st December 2008 reflecting a growth by 38.61 percent in Malawi Kwacha and 38.32 percent in US Dollar terms. The increase in the market capitalization was due to an increase in the share prices of most of the traded stocks coupled with the listing of Real Insurance Company, Telecom Networks Malawi and the rights issue of Press Corporation Limited in the last quarter of the year.

The primary listing of the two counters and the low interest rates in the money market generated interest into the equity market which led to portfolio re-allocation to the stock market as most counters exhibited competitive yields over money markets yields.

Table 2: Market Capitalization and Index - 2008

MARKET CAPITALISATION AND INDEX : THE YEAR 2008					
QTR	MKT. CAP	MKT. CAP	MKT. CAP	MKT. CAP	MSE
Ending	MKm	MKm*	US\$m	US\$m*	Index
1st QTR	1,775,916.16	188,087.48	12,641.79	1,349.46	4849.79
2nd QTR	1,796,716.69	208,888.00	12,787.08	1,499.59	5582.72
3rd QTR	1,811,502.69	223,674.00	12,884.63	1,601.43	5915.17
4th QTR	1,839,275.76	251,447.07	13,081.65	1,789.57	6091.15
2008	1,839,275.76	251,447.07	13,081.65	1,788.39	6091.15
2007	1,769,228.67	181,399.98	12,610.30	1,292.94	4849.79
2006	1,672,124.20	84,295.52	12,000.09	604.9515	2310.67
% Δ 07-078	3.96	38.61	3.74	38.32	25.60
% Δ 06-08	10.00	198.29	9.01	195.63	163.61

* Excludes non-Malawi register Old Mutual plc shares



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 3.34 percent in the year under review compared to 2.85 percent recorded in 2006.

The ratio of Market Capitalisation to Gross Domestic Product (**MCAP*/GDP**) recorded liquidity level of 44.829 percent in the review period while in the previous year 2007, the liquidity was at 48.65 percent. The ratio of Shares Traded to Shares in Issue, the market recorded a liquidity ratio of 3.51% compared to 5.15% recorded in 2007.

Table 3: Market Liquidity

MARKET LIQUIDITY : THE YEAR 2008					
QTR	Mkt. Cap/GDP	Mkt. Cap/GDP*	TVT/Mkt. Cap	TVT/Mkt. Cap*	Shares Traded/Shares In Issue* %
Ending	%	%	%	%	%
1st QTR	316.62	33.533	0.057	0.540	0.880
2nd QTR	320.33	37.242	0.150	1.289	1.450
3rd QTR	322.96	39.878	0.152	1.230	0.910
4th QTR	327.92	44.829	0.105	0.768	2.210
2008	327.92	44.829	0.456	3.337	3.510
2007	474.45	48.646	0.293	2.855	5.150
2006	703.65	35.473	0.117	2.328	3.000

2.4 Company Trading Performance

The market recorded trading activity on all counters during the year 2008. TNM registered the biggest trading volume of 315,723,337 shares representing 51.97 percent of the total volume of shares traded. In terms of share value, PCL registered the highest trade value of MK2,067,423,154.55, representing 24.64 percent.

The top performing stock during the period under review as measured by capital gains through a share price rise is NBS bank by 222.22 percent driven by positive half year results and anticipated earnings growth by 100 percent above the 2007 results. The counter traded from an opening price of K4.50 per share and closed at MK14.50 per share. Second was BHL by 80.88 percent from an opening price of MK3.40 to a closing price of MK6.15 per share. Other price gainers were TNM (65.00 %), FMB (46.34%), Standard Bank (37.10%), PIM (25.00%), Real (21.74%), ILLOVO (19.05 %), NICO (18.75%), SUNBIRD (18.67%) and NBM PCL and OML were steady during the review period while NITL and MPICO registered capital loss of 12.50% and 28.33 % respectively.

The counter-by-counter analysis during the year under review shows that the market was largely bullish throughout the year except in the month of December where the market began correcting itself and the bears temporarily ruled the market. The counters were however resilient to external shocks emanating from the global financial crisis and gave better long-term returns compared to money market investment where rates are steady at 12.0%.

Table 4: COMPANY TRADING STATISTICS

COMPANY TRADING STATISTICS :THE YEAR 2008					
Company	Opening Price	Closing Price	% Price Change	Share Vol. Trade	% Traded
BHL	340	615	80.88	150,000	0.02
FMB	820	1200	46.34	35,307,189	5.81
ILLOVO	10500	12500	19.05	15,651,641	2.58
MPICO	600	430	-28.33	97,591,935	16.06
NBM	6000	6400	6.67	7,421,358	1.22
NBS	450	1450	222.22	34,703,815	5.71
NICO	800	950	18.75	52,830,143	8.70
NITL	2400	2100	-12.50	22,837,092	3.76
PCL	20500	20500	0.00	9,475,355	1.56
PIM	500	625	25.00	4,571,282	0.75
REAL	230	280	21.74	2,782,196	0.46
STANBIC	6200	8500	37.10	4,265,201	0.70
SUNBIRD	750	890	18.67	3,683,645	0.61
TNM	200	330	65.00	315,723,337	51.97
OML Plc	41500	41500	0.00	532,398	0.09
				607,526,587	100.00

3 MARKET DEVELOPMENT

- 3.1 Press Corporation limited made a rights issue to the general of 10,021,318 at a rights issue price of K209.00 per share. The offer period was from 30th June to 25th July, 2008. The rights issue shares were listed on the Malawi Stock Exchange on 28th July 2008.
- 3.2 On 29th September 2008, the Malawi Stock Exchange listed the 14th counter; Real Insurance Limited. The company offered 77,500,00 shares to public at an offer price of K2.30 per share. The offer was oversubscribed 2.3 times with 5,408 applications. The share price increased from an opening of K2.30 to K3.50 per share at the close of the first week of trading.
- 3.3 On 3rd November, 2008, the Malawi Stock Exchange listed the 15th counter; Telecom Networks Malawi Limited. The company offered 1,290,450,000 shares to public representing 12.85 percent of shares in issue at an offer price of K2.00 per share. The offer was oversubscribed 3.05 times with 34,157 applications. The share price increased from an opening of K2.00 to K4.50 per share at the close of the first week of trading.

4 ECONOMIC POSITION

4.1 Inflation Rates

The year on year headline inflation for the year ending November 2008 increased to 9.6% from 9.4% registered in the month of October 2008. Compared to the corresponding year of 2007, the headline inflation was at 7.4% in the month of November, 2007. The increase was largely associated with an increase in the food index by 7.6 percent attributable by an increase in the price of the maize which is the main staple food. The fiscal discipline in government expenditure has been the main factor in containing inflation during 2008. The year-on-year annual rate of inflation is estimated to end the year at slightly below 10.0 %.

4.2 Exchange Rates

The Kwacha has been firm and relatively stable against the US Dollar as it marginally depreciated by 0.19 percent against the Dollar during the review period of January to December 2008 from its trading position of MK140.3301/US\$ to MK140.5997/US\$. Against the British Pound Sterling and South African Rand the Kwacha appreciated by 29.27 percent and 27.10 percent respectively. The Kwacha though experienced some downward slides during the year it was generally stable on the back of donor inflows and realization of substantial inflows from tobacco sales which have recorded increases in volumes while the price was relatively firm during the last auction season.

The Malawi Kwacha during the year under review from 1st January, 2007 to 31st December 2007, moved in value as follows: -

TABLE 5: EXCHANGE RATES: 1st JAN – 31st DEC 2008

CURRENCY	1st January'08	31st December'08	% CHANGE
MK/US Dollar	140.3301	140.5997	-0.19
MK/GBP	282.1521	218.2682	29.27
MK/ZAR	21.0994	16.6038	27.10
MK/EUR	208.2641	211.6371	-1.59

4.3 Interest Rates

End of period (January to December 2007) 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'07	December'07	January'08	December'08
63 Days	15.77	8.00	7.99	12.99
91 Days	15.71	8.48	9.11	13.40
TREASURY BILLS				
91 Days	17.08	10.16	7.70	13.42
182 Days	17.10	9.43	15.00	13.32
273 Days	17.30	9.81	19.58	13.53
RBM and COMMERCIAL BANKS LENDING RATES				
RBM Discount Rates	20.0	15.0	7.99	15.0
Prime Rates	22.5	21.0	9.11	19.58
Inflation Rate	9.6	7.5	7.7	9.6 (Nov.)