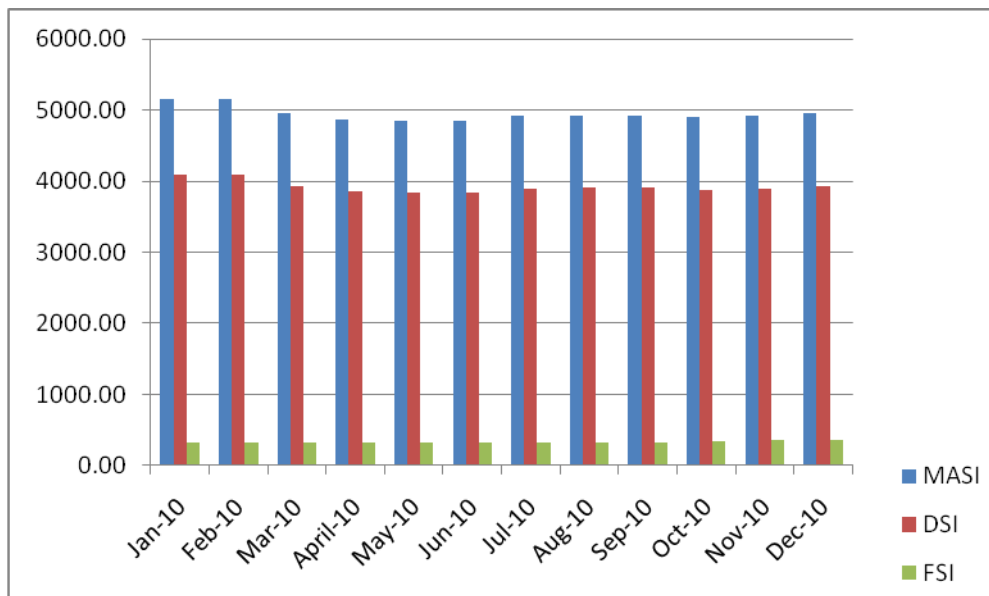




MALAWI STOCK EXCHANGE

ANNUAL MARKET PERFORMANCE REVIEW

2010



MALAWI STOCK EXCHANGE

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MALAWI STOCK EXCHANGE LIMITED

ANNUAL MARKET PERFORMANCE REVIEW FOR 1st JAN. TO 31st DEC. 2010

1.0 INTRODUCTION

- 1.1 The market was on recovery course in the second half of 2010 as it registered a positive and steady growth of return on index in quarter III and IV. The market however registered low trading volume and value in 2010 compared to the year 2009.
- 1.2 Key data of the market is as follows:

YEAR –TO-DATE INDEX LEVEL AND RETURN				
			ANNUAL INDEX RETURN	
	JAN' 2010	DEC' 2010	% Δ IN MK	% Δ US\$
MASI*	5154.95	4953.09	(3.92) %	(6.34) %
DSI**	4087.19	3922.61	(4.03) %	(6.45) %
TOP CAPITAL GAINER IN 2010				
COUNTER	MPICO	OML	STANDARD	PCL
CAPITAL GAIN %	19.23	12.00	8.70	4.29
TOP FOUR TRADED COUNTERS BY VOLUME IN 2010				
COUNTER	TNM	MPICO	NBS	NICO
% TRADED	38.49	17.58	11.77	11.41
TOP FOUR TRADED COUNTERS BY VALUE IN 2010				
COUNTER	NBS	ILLOVO	NICO	NBM
% TRADED	16.49	11.85	11.80	11.17

* Malawi All Share Index ** Domestic Share Index

2 MARKET PERFORMANCE

2.2 Trading Performance Statistics

The Malawi Stock Exchange registered a strong and steady growth in the first half of 2010 as it transacted a total of 137,449,019 shares at total turnover of MK1,119.95 million (US\$7.96 million) against 104,508,922 shares at a total consideration of MK663.16 million (US\$4.40 million) traded in the second half. In 2010, a total of 241,957,941 shares were transacted at a total turnover of MK1,863.11 million (US\$12.36 million) in 1,541 deals while as in the corresponding period of 2009, the market transacted a total of 592,420,289 shares at a total turnover of MK2,877.64 million (US\$20,310.47 million) in 1,795 deals. This reflects a decrease in volume by 59.16 % and by 35.26 % in terms of value.

The highest sales in volume terms were transacted in March with 41,879,101 shares while in value, June had the highest total consideration of MK351.64million (US\$2.33m). The least share sales were registered in May 2010 with 5,655,749 shares at a total turnover of MK87.24 million (US\$0.579 m).

TABLE 1: TRADING SUMMARY FOR 1st JAN. – 31st DECEMBER 2010

MONTH	DEALS	SHARES	VALUE MK	VALUE US\$
Jan-10	86	7,018,033	92,482,457.35	620,069.12
Feb-10	111	19,153,661	264,821,558.50	1,756,104.96
Mar-10	144	41,879,101	255,344,340.80	1,693,256.98
Apr-10	150	25,957,403	148,422,127.25	984,227.76
May-10	88	5,655,749	87,239,295.00	578,507.46
Jun-10	140	37,785,072	351,637,454.90	2,331,803.04
Jul-10	162	26,732,941	200,871,643.18	1,332,033.97
Aug-10	121	12,605,998	85,383,846.54	566,203.40
Sep-10	164	24,646,949	132,513,001.19	878,729.99
Oct-10	119	9,858,482	69,796,838.60	462,841.83
Nov-10	103	10,413,718	75,015,019.25	497,444.97
Dec-10	153	20,250,834	99,583,102.77	660,362.68
TOTAL 2010	1,541	241,957,941	1,863,110,685.33	12,361,586.16
TOTAL 2009	1,795	592,420,289	2,877,642,122.35	20,310,470.04
% CHANGE	-14.15	-59.16	-35.26	-39.14

2.2 Market Capitalisation and Index

The Malawi Stock Exchange turned around in the second half of 2010 when it posted a return on index of 1.56% and 0.53% in the third and fourth quarter, respectively. On a year to year basis, the Malawi All Share Index (MASI), declined from 5154.95 points registered at the start of January 2010 to 4953.09 points registered as at 31st December, 2010, giving a yearly return on index of - 3.92 % against a return on investment of - 15.37 % registered in 2009.

The Domestic Share Index (DSI) (that measures the average price movement of only domestic counters) yielded a return on Index of -4.03 % from 4087.19 points to 3922.61 points during the same corresponding review period of 1st January to 31st December 2010. The lowest point was registered in May when the MASI was 4840.78 points, while the DSI was at 3836.36 points.

Total market capitalization for the Malawi registered shares decreased from MK208,508.07 million (US\$1,382.67 m) to MK207,223.12 million (US\$1,374.1504 m) as at 31st December 2010 reflecting a decline by -3.90 % in Malawi Kwacha and -6.96 % in US Dollar terms. The decrease in the market capitalization was due to a decrease in the share prices of some of the traded stocks such as Real

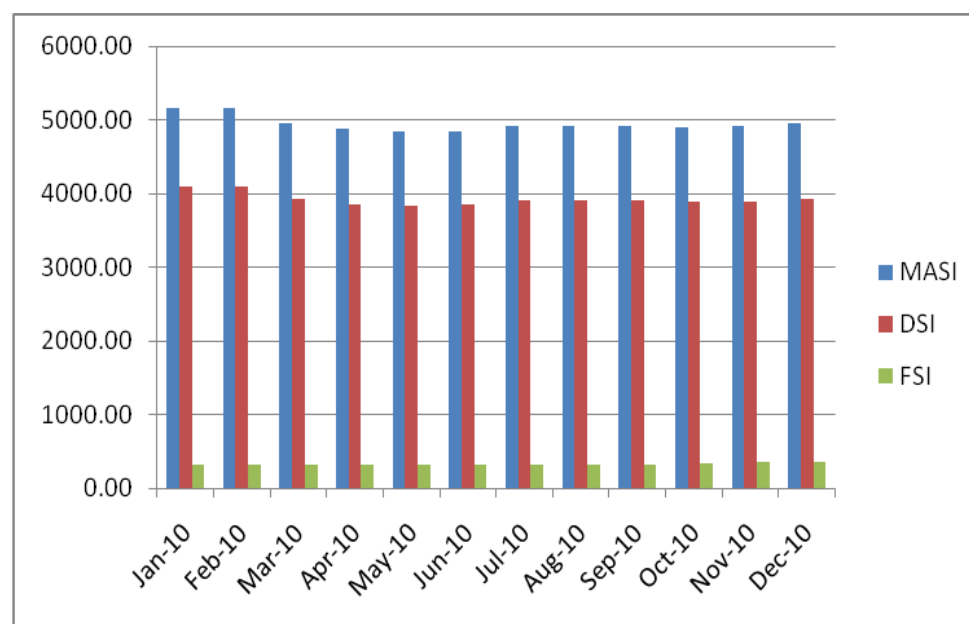
Insurance, FMB, TNM, NBS and NBM which had registered price decreases during the review period.

Table 2: Market Capitalization and Index – 2010

MARKET CAPITALISATION AND INDEX : THE YEAR 2010					
QTR	MKT. CAP	MKT. CAP	MKT. CAP	MKT. CAP	MSE
Ending	MKm	MKm*	US\$m	US\$m*	Index
1st QTR	1,165,031.3800	208,508.07	612.6485	68,050,795	5154.950
2nd QTR	1,159,454.9700	202,931.66	587.2989	69,398,224	4851.500
3rd QTR	1,185,578.5200	206,098.65	418.7685	63,984,988	4927.210
4th QTR	1,278,529.2300	207,223.12	244.3950	40,523,034	4953.090
2010	1,278,529.2300	207,223.12	1,863.1108	241,957,041	4953.090
2009	1,172,148.0700	215,624.76	2,877.6421	592,420,289	5154.950
2008	1,839,275.7600	251,447.07	13,081.65	1,788.3900	6091.150
% Δ 09-10	9.08	-3.90	5.60	-6.96	-3.92

* Excludes non-Malawi register Old Mutual plc shares

FIG 1: MALAWI ALL SHARE AND DOMESTIC SHARE INDEX – JAN - DEC. 2010



2.3 Market Liquidity

The turnover velocity as measured by the ratio of total value traded to market capitalization (**TVT/MCAP***), was 0.90% in 2010 compared to 1.33 % recorded in 2009.

The ratio of Market Capitalisation to Gross Domestic Product (**MCAP*/GDP**) recorded liquidity level of 36.95% in the review period while in 2009, the liquidity was at 38.44 %. The liquidity ratio of Shares Traded to Shares in Issue was 1.388% compared to 3.40% in 2009.

Table 3: Market Liquidity

MARKET LIQUIDITY: THE YEAR 2010					
QTR	Mkt. Cap/GDP	Mkt. Cap/GDP*	TVT/Mkt. Cap	TVT/Mkt. Cap*	Shares Traded/Shares In Issue* %
Ending	%	%	%	%	
1st QTR	179.82	32.182	0.05259	0.2938	0.390571
2nd QTR	178.96	31.321	0.05065	0.2894	0.398305
3rd QTR	182.99	31.810	0.03532	0.2032	0.367236
4th QTR	197.33	31.984	0.01912	0.1179	0.232578
2010	227.94	36.945	0.14572	0.8991	1.38869
2009	208.98	38.443	0.24550	1.3346	3.40014
2008	327.92	44.829	0.456	3.3370	3.5100

2.4 Company Trading Performance

The market recorded trading activity on all counters but PIM and SUNBIRD. TNM registered the biggest trading volume of 93,121,603 representing 38.49 % of the total volume of shares traded. In value terms, NBS bank registered the biggest turnover of MK307.148 million representing 16.49 % of total market turnover.

The top performing stock as measured by capital gains through a share price rise was MPICO by 19.23 %. The counter traded from an opening price of K2.60 per share to close the year at MK3.10 per share. Other capital gainers were OML (12%), STANDARD Bank (8.70%), PCL (4.29%), BHL (4.07%), NITL (3.23%) and NICO (2.22%). ILLOVO, PIM and SUNBIRD were steady during the review period while the following registered capital loss; REAL (-56.52%), FMB (-35.00%), NBS (-21.43%), TNM (-12.50%) and NBM (-0.59%).

Table 4: COMPANY TRADING STATISTICS

COMPANY TRADING STATISTICS :THE YEAR 2010							
Company	Opening Price	Closing Price	% Price Change	Share Vol. Trade	% of Vol. Traded	VALUE (MK)	% of Val. Traded
BHL	615	640	4.07	1,666,767	0.69	10,466,124.55	0.56
FMB	1000	650	-35.00	26,861,051	11.10	172,003,432.30	9.23
ILLOVO	11000	11000	0.00	2,061,165	0.85	220,732,828.00	11.85
MPICO	260	310	19.23	42,535,400	17.58	107,639,960.35	5.78
NBM	5900	5865	-0.59	3,617,649	1.50	208,166,803.00	11.17
NBS	1400	1100	-21.43	28,487,436	11.77	307,148,310.15	16.49
NICO	900	920	2.22	27,613,459	11.41	219,784,335.70	11.80
NITL	1550	1600	3.23	12,640,755	5.22	141,873,800.25	7.61
PCL	16300	17000	4.29	1,118,538	0.46	176,666,792.00	9.48
PIM	625	625	0.00	0	0.00	0.00	0.00
REAL	230	100	-56.52	974,007	0.40	863,246.00	0.05
STANDARD	9200	10000	8.70	1,112,341	0.46	108,238,194.00	5.81
SUNBIRD	890	890	0.00	0	0.00	0.00	0.00
TNM	200	175	-12.50	93,121,603	38.49	152,363,384.03	8.18
OML Plc	25000	28000	12.00	147,770	0.06	37,163,475.00	1.99
				241,957,941	100.00	1,863,110,685.33	100.00

3 MARKET DEVELOPMENT

- 3.1 NBS Bank issued additional 26,191,909 ordinary shares to its members as bonus shares in the ratio of 1 ordinary share for every 18 ordinary shares held as at the record date of 24th December, 2010. The additional bonus shares were listed on the Exchange on 4th January. 2011.

4 ECONOMIC POSITION

4.1 Inflation Rates

The annual average national inflation rate for the year 2010 decreased by 1.0 % to 7.4 % compared to 8.4% registered in 2009. The year on year headline inflation for the month of November, 2010 decreased to 6.4% from 6.7% registered in the month of October 2010. Compared to the corresponding year of 2009, the headline inflation was at 7.2% in the month of November, 2009. The decrease in annual inflation was largely associated with a decrease in the food index by 3.1 percent and non food inflation by 0.2 percentage points.

4.2 Exchange Rates

The Kwacha depreciated by 2.52 percent against the Dollar during the review period of January to December 2010 from its trading position of MK147.00/US\$ to MK1450.8008/US\$. Against the British Pound Sterling and Euro the Kwacha appreciated by 0.63 percent and 5.14 percent respectively. Against the South African Rand the Kwacha depreciated by 13.74 percent from the trading position of K20.5523/ZAR in the month of January to close the year at K23.8251/ZAR. Despite some steadiness in the second half of the year it however experienced pressure due to shortage of foreign exchange in the market which led to its depreciation to the present levels.

The Malawi Kwacha during the year under review from 1st January, 2010 to 31st December 2010, moved in value as follows: -

TABLE 5: EXCHANGE RATES: 1st JAN – 31st DEC 2010

CURRENCY	1 st January'10	31 st December'10	% CHANGE
MK/US Dollar	147.000	150.8008	-2.52
MK/GBP	237.0794	235.5988	0.63
MK/ZAR	20.5523	23.8251	-13.74
MK/EUR	213.2895	202.8556	5.14

4.3 Interest Rates

End of period (January to December 2010) TB Rates and commercial bank's prime rates were as follows:-

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

TREASURY BILLS	January'09	December'09	January'10	December'10
91 Days	13.37	7.15	7.49	6.20
182 Days	13.32	10.79	11.02	7.15
273 Days	13.53	10.26	10.17	7.39
RBM and COMMERCIAL BANKS LENDING RATES				
RBM Discount Rates	15.0	15.0	15.0	15.0
Prime Rates	19.58	19.58	19.58	19.58
Inflation Rate	10.1	7.6	7.8	6.4 (Nov.)