



ABIS LIMITED

Apposite Business & Investment Services

A Review of 2014 & Start of 2015

Nairobi Securities Exchange

NSE INDEX

ABIS Limited is an Agent of Sterling Capital Limited

NSE 20 Share Index

EOY 2013 – 4926.97

EOY 2014 – 5112.65

+3.77%

2012 – 2013 - +20%

All Share Index

EOY 2013 – 136.65

EOY 2014 – 162.89

+19.20%

2012 – 2013 - +44%

NSE 20 Share Index

2nd Jan 2015 – 5117.43

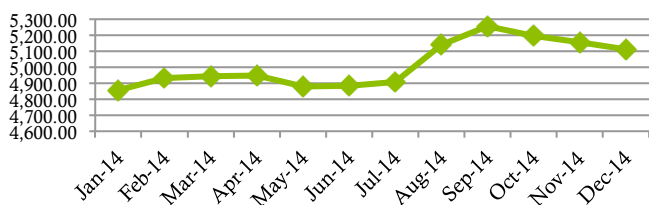
31st Jan 2015 – 5212.11

+1.85%

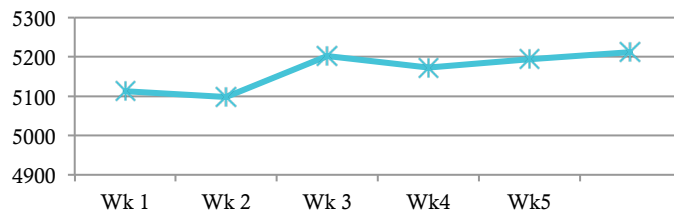
January High 5212.11

2 Jan 2014 – 31 Jan 2014 – -1.0%

NSE 20 Share Index EOM Movements 2014



NSE 20 Share Index January 2015 (weeks)



	2013	2014	%↑
No. of Deals	426,389	551,372	29%
Total volumes (MN)	7,666.2	8,329	9%
Turnover (Kshs.MN)	155,751	216,480	39%

	2013	2014	%↑
Mkt Cap. (Kshs. BN)	1,920	2,300	20%
Mkt Cap (US\$ MN)	22,334	27,710	24%

2014 Biggest Price GAINS (12mnths) 2014 Biggest Price DROPS (12mnths)

Kenya Orchards –	3567%
Unga Group	121%
Britam	96%
CIC Insurance	94%
Kakuzi Ltd	90%

Carbacid Inv.	-58%
Mumias Sugar Ltd	-40%
Uchumi Supermarkets	-39%
Bamburi Cement	-34%
Kenya Airways	-33%

2014 Most Significant contributors to Turnover

Safaricom	20%
KCB	14%
Equity Bank	13%
EABL	12%
DTB	3%

The Year saw the Nairobi Securities Exchange demutualisation & listing of its shares through an IPO

The Economy - Highlights



- 2014 started positively with just under a year of the Jubilee government. Though earners such as tourism continued to dampen economic performance, key indicators were nevertheless generally stable. And other than the Kenya shilling, showed slight improvement by the end of the year.
- Kenya re-based its economic data from 2001 – 2009, increasing combined wealth by 25%, and making the country the 9th richest in Africa. This was achieved by capturing the contributions in new sectors of the economy, including data for the information & communications sector (Kshs.122Bn). Whilst the re-basing increases the average per capita income to US\$1,246, resulting in reclassification to a middle income status economy, in reality this does not mean that Kenyans are suddenly better off.

Gross Domestic Product

	Dec-13	Dec-14	2015 OUTLOOK
GDP	5.7%	5.5%	6 – 6.5%

	Dec-13	Dec-14
CBK RATE	8.50%	8.50%
91 DAY T-BILL AVG RATE	9.53%	8.532%
GOVERNMENT DEBT BY INSTRUMENT (%)		
Treasury bills	25.9	22.6
Treasury bonds	68.5	73.3
CBK overdraft	2.9	2.3
Other domestic debt	2.8	2.3
OFFICIAL FOREIGN RESERVES US\$ MN (Usable)		
CBK usable foreign exchange reserves	6,176	7,425
CBK usable FE reserves – Months of cover	4.37	4.85

Inflation

	Dec-13	Dec-14	2015 OUTLOOK
YOY	7.21%	6.02%	5.5%

Future growth drivers –

- ✓ Continued stability of key economic indicators – CBK Rate, inflation rate, & no significant weakening of currency
- ✓ Infrastructure development - Railways, Ports, Roads
- ✓ East African Community – Market harmonisation, stronger integration & development
- ✓ Improvement in infrastructure development by counties
- ✓ Favourable weather conditions & signed trade agreement with EU providing a more predictable environment
- ✓ Further reductions & levelling out of global oil prices

Growth threats -

- Continued decline in tourism due to travel bans & insecurity
- Poor implementation of devolution with budget allocations largely spent on salaries & administration
- Insecurity - Terrorism
- Continued corruption – TI Index – Kenya 145 out of 175 economies
- Continued stagnation of youth employment

Exchange Rates

Kenya Shilling	Dec-13	Dec-14
USD	86.3	90.60
EUR	119	110.17
GBP	143	140.95
JPY	82	75.30

Kenya Shilling	Dec-13	Dec-14
UGX	29.3	30.57
TZS	18.2	19.05
RWF	7.8	7.6
SARND	8.27	7.78

Source: Central Bank Reports / Media Reports

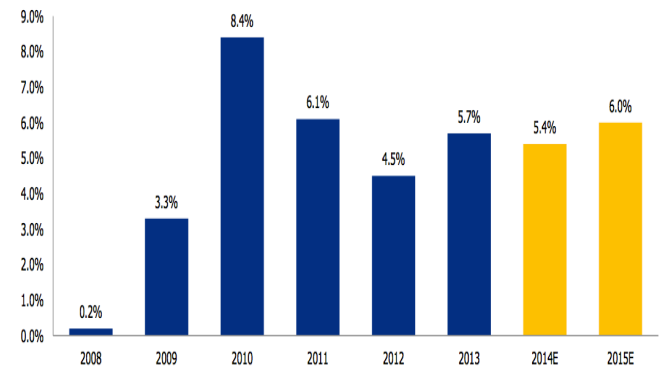
Kenya's growth prospects (GDP) 2015

Kenya expects the economy to expand between 6 - 6.9% this year up from 5.4% in 2014. The prospect is pegged on the momentum picking up in a range of sectors such as farming, real estate and financial services. The lower growth rate of 6% is forecast by World Bank. The country has struggled to attain its true growth potential of above 6% in recent years, due to a host of challenges including political uncertainties, periodic droughts and frequent attacks blamed on Al Shabaab. A string of deadly terror attacks in Mombasa, Lamu and northern Kenya saw the tourism sector contract 14.6% in the third quarter of the year. Inflation has been stable in recent months, staying inside the government's preferred band of (2.5-7.5) %.

Lower Oil Prices has seen the reduction of pump prices within the first few weeks of 2015. Manufacturers and households are enjoying the savings. Whilst it is generally agreed to be a positive thing for the economy, there are negatives also. With the country pinning a good deal of its future on oil & gas discoveries, the oil explorers have been forced to reduce its drilling & production activities due to falling crude prices. Tullow announced plans to slash its capital expenditure for 2015. Although the company states that it plans to still focus its reduced exploration resources on East Africa.

Kenyan Economic Outlook

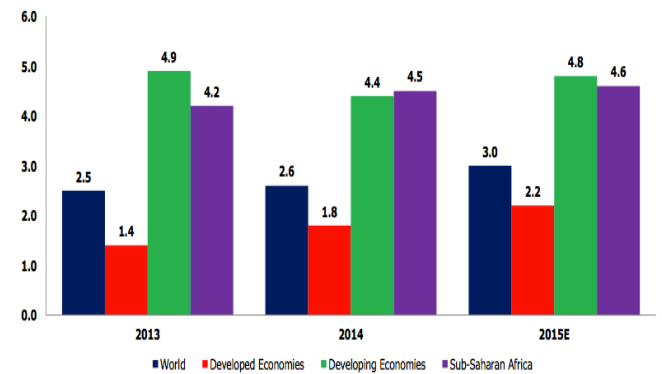
Kenyan growth expected to come in at 5.4% in 2014 compared to 5.7% in 2013



Source: KNBS, World Bank Global Economic Prospects 2015

Global Macros – GDP Growth to rise moderately in 2015

The World Bank placed 2014 economic growth at 2.6%, expects GDP growth of 3.0% in 2015



Source: World Bank Global Economic Prospects 2015.

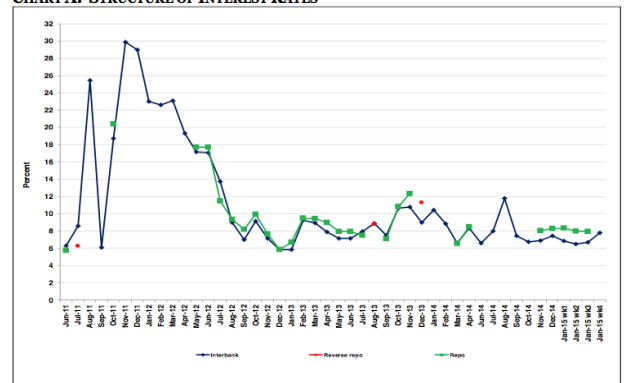
Pressure for lower interest rates 2015

The Central Bank of Kenya's Monetary Policy Committee (MPC) lowered Kenya's Bank's Reference Rate (KBRR) to 8.54%, sending a signal that the cost of loans should drop. The average commercial banks lending rate currently stands at 15.94%, having fallen by 1% since last July (16.91%). KBRR, introduced in July 2014, was first set at 9.13%. However, the regulator left the Central Bank Rate (CBR) at the same level of 8.5%, where it has been since April 2013.

CBK introduced the KBRR after public outcry over high interest rates charged by banks, and with a promise to borrowers that it would help reduce interest rates by making the cost of loans comparable across different banks. It is calculated as an average of the 91-day Treasury bill rate and the indicative CBR.

High cost of loans is seen as a hindrance to economic growth as it discourages businesses and households from borrowing, while also increasing the potential for default.

CHART A: STRUCTURE OF INTEREST RATES



Source: Central Bank of Kenya

Sources: Media articles – Daily Nation, Business Daily ; BRITAM – Market Outlook 2015 / CBK monthly reports

Market & Corporate News

Stock Market Influences 2015

- *Futures & Derivatives now licensed & to be launched March – April 2015*
- *Re-introduction of Capital gains tax (↓)*
- *CMA – 10 year plan – upgrading structure & aim to be part of the MSCI Frontier*
- *Global economy re-bound*



Capital gains tax (CGT)

The re-instatement of capital gains tax on equity sales has created uncertainty in the market. Capital foreign inflows have declined since the introduction, reflecting net outflows. Stockbrokers tasked with effecting the deduction have taken the matter to court arguing against the feasibility of implementation by brokers not being qualified, as well as placing the market at a disadvantage with competing markets. For example Mauritius, Uganda & Tanzania exempts foreigners from the tax.



According to market analysts investors who bought shares in the wave of Initial Public Offerings (IPOs) that started with the 2006 KenGen listing are set to be the hardest hit by CGT due to the huge price gains the stocks have recorded.

Many NSE investors who have bought shares over the past decade have seen the value of their stocks appreciate three-fold, making them potentially the biggest losers should they decide to sell.

Under KRA guidelines for the tax, all shares bought from January 2005 onwards will have as a reference price of their actual cost recorded as per CDSC records. For shares bought between January 1998 and December 2004, and prior to the electronic share depository, the reference price will be taken as the highest price achieved by the share in the year of purchase. Shares bought before 1998 will be referenced on the highest price the counter achieved in 1998. Where shares acquired at different dates and at different prices are sold, the adjusted cost will be computed on a First in First out (FIFO) basis. Some analysts feel that the negative impact will be short lived. But for now both foreign investors and local sellers are being cautious.

Voices of dissent are also of course within the property market, where the 5% tax on gains applies to property transfers, including land and buildings, as well as the oil & gas industry. This compares with Tanzania & Uganda who whilst exempting foreigners in the equities market, charge 20% & 30% respectively on properties (10% local investors). The tax was re-introduced by the Jubilee government in order to increase revenues to meet rising expenditures. The application of the tax remains unclear in all of the sectors.

$$\text{Capital gains tax} = (\text{Transfer value} - \text{Adjusted cost}) * 5\%$$

EQUITY BANK'S LARGEST SHAREHOLDER LOOKS SET TO SELL ITS STAKE

Equity Bank Group's largest shareholder, Helios, is awaiting approval from the CMA and CBK to sell half its stake to a Norwegian fund for an undisclosed amount. Helios EB Investors, a London-based private equity firm, said that it had entered into an agreement to sell a 12.23% stake to Norfininvest AS, which is jointly owned by Norfund and NorFinance AS. Helios EB invested in excess of Ksh.11 Billion in 2007 to become the largest shareholder in Equity Bank with 24.45% of its issued shares. Their stake is now valued at about Ksh.46 Billion at the NSE. Helios's other investments include a US\$40 million (Ksh3.6 billion) investment in Wananchi Group and a 40% stake in Vivo Energy. It has recently raised US\$1.1 billion (Ksh100 billion) one of the largest amounts ever for



Sources: Media articles – Daily Nation, Business Daily

OLD MUTUAL SECURES MAJORITY STAKE IN UAP

Old Mutual, the UK based financial services group, has acquired a majority stake in UAP Holdings after a buy out of three private equity firms that hold a combined 37.33% stake in the Kenyan firm. The sum of US\$155.5Mn (Kshs.14.2bn) was paid to Africinvest, Abraaj and Swedfund, boosting its shareholding in UAP to 60.66%. The transaction comes just on the heels of its previous buyout of other UAP shareholders, Centum Investments and director Chris Kirubi's holdings of 23.33% for US\$97.6Mn (Kshs.8.9BN). The series of transactions have effectively made UAP a subsidiary of Old Mutual. The current chairman of UAP, Joseph Wanjui is now the single largest individual shareholder with a stake of 20.46%. Old Mutual is now firmly within Kenya's local financial services sector, having made an investment last year of a 67% stake in microfinance institution Faulu Kenya for Ksh3.6Bn, expanding its local financial services beyond stock brokerage, insurance and asset management. Old Mutual is well known in Kenya having operated within the financial sector since the 1920s.

Mutual Funds Performance



ABIS Limited
an Agent of BAAM

CUMULATIVE GROSS OF FEES FUND PERFORMANCE IN PERCENTAGE AS AT 31.12.2014

Portfolio	Inception Date	Month to Date	Quarter to Date	1 Year	3 Years	Inception to Date
British American Money Market Fund	1/1/2006	0.94%	2.71%	10.64%	36.31%	117.43
British American Bond Plus Fund	4/4/2006	-0.63%	0.97%	8.31%	31.98%	134.33
British American Balanced Fund	4/4/2006	1.00%	1.40%	17.88%	95.96%	177.26
British American Equity Fund	4/28/2006	0.38%	-0.96%	23.24%	123.67%	168.08
British American Managed Retirement Fund	3/8/2007	1.57%	1.80%	18.66%	70.03%	126.52

Disclaimer: Unit Trusts are generally medium to long-term investments. The value of units may go down as well as up and past performance is not necessarily a guide to the future. In certain specified circumstances, the right to redeem the units may be suspended. Unit trust values are calculated on a net asset value basis, which is the total of all assets in the portfolio including any income accrual and less any permissible deductions from the portfolio. Unit Trusts are traded at ruling prices.



SUMMARY OF FEATURES

	BAMM	BAIF	BABF	BAEF
Minimum Investment	10,000.00	10,000.00	10,000.00	10,000.00
Minimum Top Up	1,000.00	1,000.00	1,000.00	1,000.00
Annual Fees	2%	2%	2%	2%
Initial Fees	0%	2%	2%	2%
Commission Payable	0.05%	1%	2%	2%
Trailer Payable	0.25% p.a.	0%	0%	0%

Sources: Media articles –BRITAM – Market Outlook 2015

ABIS Limited

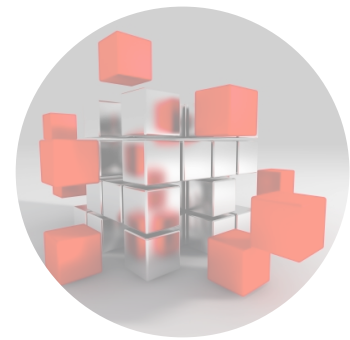
Other Services offered by ABIS Limited

- The job market for technical and professional skills is hot, and technology is radically changing the whole nature of work.
- Today we work at home, in coffee shops, on airplanes, and often at night. We interact with people all over the world easily, and we have tools and technologies at our fingertips to find information, write communicate and analyse data like never before.

Much of this transition has been positive, but much has also been difficult.. almost everything we've done traditionally in HR has to be adjusted (or re-engineered).

- **Technology has removed the barrier between work and life** – We are working all the time, emails & messages streaming in 24/7. Design thinking, simplification, and ease of use are the new mantras for corporate talent programs
- **Learning, capabilities & skills are the currency of success** - If you can attract or develop better scientists, engineers, sales people, or functional experts you will beat your competition
- **HR as a function is at a crossroads & must re-invent itself** - This is a decade long transition taking place within the HR function
- **Data is now integral to all decisions HR must make** - Organisations who are investing in analytics teams, analytics tools & analytics expertise are going to outperform their peers. Who to hire, who to promote, how much to pay, how to develop, what next job to take – all these decisions are now 'data enabled'.. HR technology is expected to become more & more like 'instrumentation of your organisation' giving you data to improve organisational performance every day.
- *Also look out for HR Cloud Systems, but this requires the 'adoption of a new mindset' HR Cloud systems can be economically sound and an effective solution to improve your workforce management, as well as increase the employee experience and gain new insights into your employee population..'*
(What will 2015 bring for HR technology? – Anita Lettink)

Organisations need to lean on the experts to keep in the game!



Opposite Business & Investment Services (ABIS) focusing on providing the missing services for businesses and individuals in East Africa

Administrative & HR Services

The business process outsourcing (BPO) industry has grown significantly over the last few decades.

ABIS Limited offers a range of services depending on your needs. We will handle your administrative requirements efficiently and effectively, and as you need them.



Will Preparation Services

A will allows you to clearly set out and communicate to your family and friends, who you may wish to look after minor children, and who you wish to oversee your affairs.



ABIS LIMITED
Opposite Business & Investment Services

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