



REPORT ON THE INVESTMENT OPPORTUNITY SESSION HELD AT THE AMREF HEADQUARTERS ON 26TH APRIL 2008.

The second in the *Kenya Association of Investment Groups Investment Series* which was held at the AMREF Headquarters got off to a good start despite the rainy weather. The event, which was sponsored by Hekima Milele, began with a presentation by Jimnah Mbaru on the *Demutualisation of the Nairobi Stock Exchange and the way forward for the capital markets*.

In his presentation, Mr. Mbaru gave a brief history of the NSE, its structure, drivers and performance thus far, comparing it with other foreign stock exchanges. He explained that performance at the Nairobi Stock Exchange had improved since 2003 and that with continued uptake of new technologies, the turnover would continue to grow. He singled out the re-organization of the pension funds sub sector with the formation of the Retirement Benefits Authority which oversees assets of up to Kshs224 billion as one of the major milestones in the NSE's history.

He admitted that in the short term, the NSE will be affected by the 2007 post elections violence pointing out that the issue of internally displaced people (IDP's) and reconstruction of destroyed properties, coupled with food shortages being experienced in the country would negatively impact on investments and ultimately economic growth this year.

He also pointed out that one of the most interesting groups bringing in money for investments is the diaspora who pumped in Kshs84 billion (approximately US \$1.3 bn) into the economy in the last financial year. Most of these resources went to the property sector. This, he said, explained the springing up of high-rise residential areas in many parts of Nairobi therefore, with political stability anticipated, remittances by Kenyans living abroad would continue to rise.

Mr. Mbaru also gave mention to foreign private equity firms as another source of investment revenue in the country saying venture capitalists had brought in up to US \$ 180,000,000 from the US and Europe noting that there was an opportunity for Kenyan entrepreneurs to attract these resources by building strong and professional companies.

He said the bond market was set to spread into the region with the planned establishment of East Africa Stock Exchange that will bring together Kenya, Uganda, Tanzania, DR Congo, Burundi and Rwanda. For the bond market to grow even further, he recommended that investment banks need to grow and become professional in their practices. He also said the number of companies listed on the stock exchange should rise to 200 from the current 50 for the NSE to compete with world leaders in the stock market. Mr Mbaru defined Demutualisation as the change of legal form by a stock exchange from a member-owned to a shareholder-owned company whose objectives are to Separate ownership from management, ease access to capital and ease mergers with other stock exchanges.

The demutualisation so that the NSE operates as a company with a wide shareholding base has numerous advantages such as new products and lower costs as well as capital increase of market amongst others and might eventually result in the NSE Listing in itself through an IPO.

Chris Chege of *Housing Finance* then spoke on behalf of *Hekima Milele*, the sponsors of the event. The Hekima Milele partnership is composed of Housing Finance, Equity Bank and British American Investments. The three organizations have pooled together their comparative advantages to give clients in groups a complete package with British American handling money markets and insurance services, Equity Bank handling the financial aspects and Housing Finance(HF) focusing on mortgages and properties.



Hekima Milele therefore offers investment groups a one stop shop for all their needs with regards to investing be it financing of a project, short term loans against shares, ordinary bank services, investment in money markets among others.

He stated that Housing Finance was encouraging people to invest in urban areas where they spend 90% of their time and lives rather than investment in rural areas for sentimental purposes. He gave the example of an individual who builds a big house in the rural area while continuing to pay rent for many years in the town or city where he works.

Housing Finance undertakes professional evaluation of properties that are on mortgage so that investment groups do not over pay for properties. A number of investment groups have already benefited from the mortgages on various properties on offer by Housing Finance and your group is encouraged to as well.

The final presentation of the day was by Thiagarajan Ramamurthy, the Chief Operations Officer of Nakumatt Holdings. TRM (as he is often referred to) gave a lively presentation on the Nakumatt Success story. He gave particular mention to their expansion plans for East Africa beginning with Rwanda, which is currently underway and should be operational before the end of this year and plans to increase the number of stores in Kenya from the current 19 to 30 by the end of 2009. In conclusion he stated that the strategic plan for the company is to be a pan African chain store and after the attainment of this, investors will be invited to hold shares with them.

KAIG's achievements in the past 9 months and plans as highlighted by the Chairman include recruitment of more than 35 members (both ordinary and corporate) and hopes to have at least six new members joining each month. KAIG has also began to roll out to its members Monthly Investment Updates with contributions from a variety of experts in different asset classes in both local and foreign markets. The Secretariat has also began work on an Investment Group manual which will cover the A to Z of forming, setting up and sustaining a successful investment group.

Overall, it was a very informative morning with useful insights from both the guest speakers as well as the attendees, We hope to see you at the next forum scheduled for June.

Tabitha Mwathi,
Chief Executive Officer

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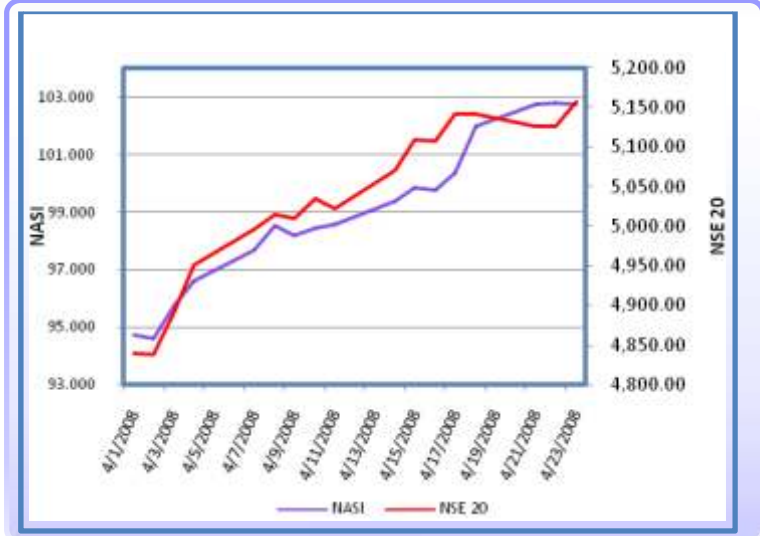


MARKET UPDATE BY SUNTRA INVESTMENT BANK

Issue 2

MARKET BACKGROUND

The month of April was a Safaricom IPO week. To put it in perspective, the value of the shares put on offer for the local pool is Kes 32.5bn while total reserve money in the country during the month of January was equal to Ksh.148 billion. In a nutshell, the IPO, relative to Kenya's economy was big and had the capacity to distort fundamentals. This was exemplified as interest rates went up during the month of April. The Nairobi Stock Exchange counters, however, managed to improve over the month of April as the chart on the right suggest from the two market indicators.



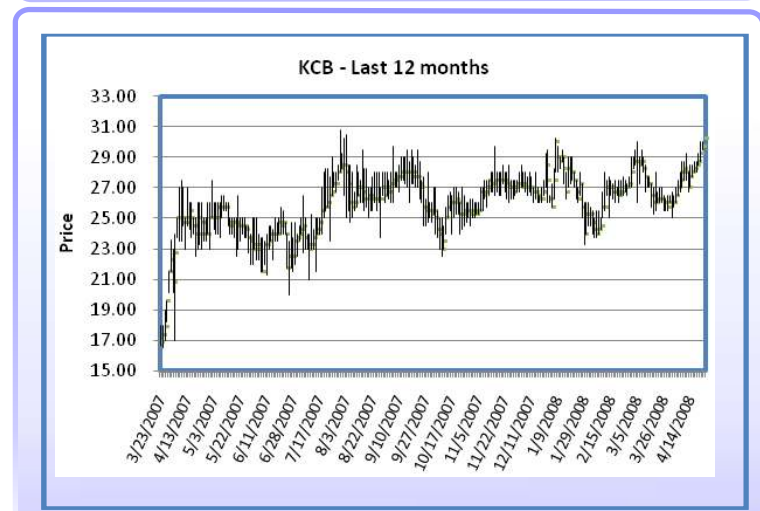
Stocks to watch in the month of May 2008 Kenya Commercial Bank

KCB released their third quarter results which are encouraging. The Banking sector seems to always perform well in Kenya and the winning streak seems to extend into 2008. When compared to 2007 Q1 performance, the highlights include:

- Increase in Operating income up 63.10%
- Increase in Profit after tax up 63.54%
- Return on Assets 2008/ (2007) 00.88 % (0.71%)
- Return on Equity 2008/ (2007) 08.07 % (5.74%)
- Liquidity Ratio 43.50%
- Minimum statutory ratio 20.00%
- Total Capital/Total Risk Weighted Capital 15.80%
- Minimum statutory ratio 12.00%

The bank intends to do a rights issue which is generating a lot of interest in the bank's share while the bank has picked its advisory team to guide the process. The AGM will be held on the 9th of May 2008 to ratify the rights issue.

The figure below shows the performance of Kenya Commercial Bank in the last 12 months including highs and lows.



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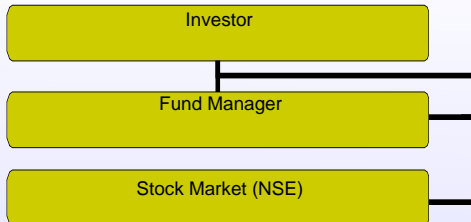


OFFSHORE INVESTMENTS

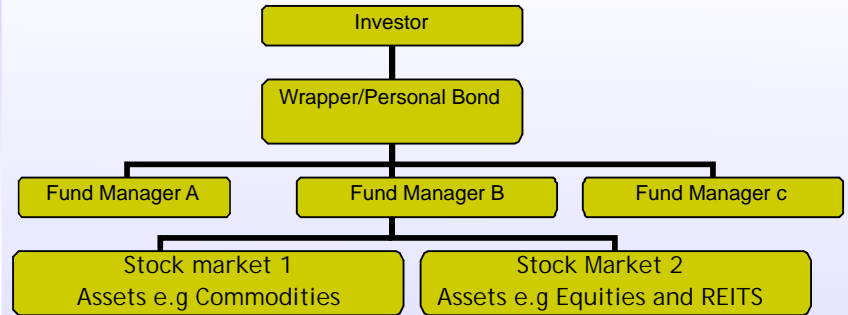
Issue 2

Structure of Offshore Investments

Onshore(Local) Investments



Offshore Structure



Provider

Providers are normally large financial institutions such as insurance companies and banking institutions. They are thus able to negotiate with the fund managers in terms of lower charges. They are also able to invest with different fund managers such that the client can be able to access different asset classes within one wrapper/ personal bond and also different asset classes.

Wrappers/Personal Bonds

The main benefit of personal bonds is that the investor can create a portfolio of investments within a single investment plan that is tailored specifically to his needs.

Due to the wide range of asset links offered within the life wrapper, it is possible to build up a portfolio that is specifically tailored to the investor's individual risk profile and investment objectives.

Funds

Funds range from conservative to more aggressive equity funds. By nature, investment funds are effective in spreading risk as the investors money is pooled into a collective vehicle and invested into various securities. Funds authorised by financial authorities follow strict diversification guidelines, which normally restrict investments in any one security. An average equity fund will own as much as 100 stocks.

Market Overview.

Global Markets.

As central banks around the world struggle to define the line between avoiding recession and controlling inflation and equity markets continue to chart uneven course, commodities carry on producing positive returns. This is not surprising as commodities have outperformed equities on an annualized basis since the late 1950s, with much lower volatility.

Equities showed signs of life this month and rebound from the previous quarter's losses despite tepid to negative new economic data. Rather they rallied for the most part on earnings reports from major financial companies as well as other market moving companies. Equity markets enjoyed strong gains as mergers and earnings kept investors focused.

In commodity markets, gold and oil are often used as hedges against inflation. Gold, agricultural products and oil in particular are enjoying rising prices, fuelled by the increase in the use of bio-fuels and by surging demand in emerging economies such as China.

The world oil prices have now hit a new record high of about 120 US dollars a barrel .US stocks unexpectedly fell and speculation that supply constraints would continue to push prices even higher contributed to the increase. Renewed dollar weakness has contributed to higher prices along with fears about supply. For example, it was said that Russian oil production had peaked and might never return to current levels. Analyst from HSBC Investments predict that over the next 12 months, slowing growth in the developed world should soften demand and pave way for oil prices to fall back to USD 70-75 a barrel.

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OFFSHORE INVESTMENTS

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Markets in Summary

US	Economic data indicates higher recessionary risk
Japan	Economic outlook likely to stay weak
Emerging Markets	Strong growth offset by richer valuations
Europe	Growth may be slowing but inflation still a concern
Asia ex-Japan	US recessionary risk is a serious concern

Commodities

Oil	Prices could stay in the USD 100 range in coming months
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Interest Rate/Fixed Income

US	Equity volatility and easing bias positive for government bonds
High Yield	Sub-prime uncertainty still a key risk
Emerging Markets	Limited upside in the near term
Eurozone	Yield curve reflects interest rate expectations

Currency

US Dollar (USD)	Valuation positive for the currency
Sterling (GBP)	Picture for growth softening
Euro (EUR)	Expensive valuation
Japanese Yen (JPY)	Currency now fair value against the USD

Investment opportunities to watch out for in the coming month.

Commodities are still the in thing in the coming months. Emerging markets equities e.g. China, India, Latin America and Eastern Europe are also very cheap at the moment for long term investors hence a good investment opportunity.

The New Hear of Africa Fund

This is a new fund which invests in the Sub-Saharan Africa and managed by New Star one of the leading fund managers in the world.

The New Star Hear of Africa Fund offers investors a rare opportunity to invest in the returns potential of sub-Saharan Africa excluding South Africa. Although some of the companies targeted by the fund will be listed on the London stock exchange, their primary business interests will be in the dynamic emerging economies of the Sub-Saharan region.

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OFFSHORE INVESTMENTS

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The New Star Heart of Africa Fund:

- Seeking to achieve long-term capital growth for investors.
- Access to a region with exciting growth potential and relatively low correlation with other global markets,
- A carefully-selected portfolio of companies with sound growth potential,
- Managed by a City wire AA-rated fund managed,
- A disciplined, objective approach to buy and sell decisions.

Portfolio Allocation.

- | | | | |
|----------------|-------|------------|------|
| • Nigeria | 26.5% | • Canada | 5% |
| • UK | 20% | • Botswana | 4.5% |
| • Kenya | 13.5% | • Egypt | 2.0% |
| • South Africa | 8.5% | • Zambia | 2.0% |
| • Ghana | 7% | • Uganda | 1.0% |
| • Mauritius | 7% | • Cash | 3.0% |

In Kenya the fund invests in Bamburi cement, Equity Bank, Kengen, Access Kenya, KenyaRe, Standard Chartered Bank, Barclays Bank, Mumias Sugar, East Africa Breweries Scan Group and Safaricom.

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Property Tax

TAX TIP

Property may be real estate i.e. land and buildings or intellectual creation. Tax on land and buildings include income tax on rent received, local authority rates, leasehold rent and stamp duty on transfer. Capital gains tax was introduced in 1975 but suspended in 1985. Value Added Tax is now payable on rent from non residential buildings where the annual turnover is Kshs 5 million or more

Intellectual property is in form copyrights, patents, trade marks, formula, process or equipment.

Royalty paid as a consideration for use of these properties is chargeable to income tax

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