

Overview and Outlook

Macro Commentary

African countries remain exposed to the deepening global recession through the commodities market. Q109 was characterized by exchange rate shocks and moderately stable prices in most countries. Average headline inflation declined from 14.7% in December, 2009 to 14.6% in February, 2009. This was mainly facilitated by lower crude oil prices and relatively stable food prices. Inflation, however, remains relatively high due to currency depreciation and its effect on the prices of imported goods.

The impact of the recent G20 summit in London is not likely to directly affect African countries in 2009. We expect the \$1.1tn stimulus commitment by the G20 to stabilize the international commodities market and curb job losses in advanced economies. This could improve remittance inflows and lessen macroeconomic risk across the continent. The increase in the Emergency Resource Accounts of the IMF to US\$750 billion can help improve the funds ability to support African countries in financial distress, but will remain inadequate in meeting short-term budgetary pressures that are critical to sustaining growth.

High public debt and fiscal deficit, as well as, widening current accounts deficits led to lower sovereign ratings for key African countries in Q1. Ghana and Nigeria for instance, were downgraded to B⁺ with negative outlooks by Fitch during the period. Nigeria's economy came under stress when crude oil prices retreated from a peak of US\$146 per barrel in July, 2008; while excessive fiscal expansion in 2008 for Ghana pushed fiscal deficit to GDP up to 14.9% compared to 8.1% in 2007. African countries are being hit by the downturn in commodity prices in line with the global recession. While Mauritius announced a stimulus package of US\$330 million in March to sustain employment, Botswana announced the closure of both its Damtshaa and Orapa diamond mines during the period. We expect GDP growth for Africa to contract to below 3.3% in 2009.

We anticipate that the second quarter of the year will result in further widening of the external deficit of most African countries. This will cause further currency depreciation, while inflation will remain at its present levels. Firmer consumer demand and a relatively sound banking sector are likely to sustain growth, albeit a marginal decline during the second quarter. South Africa and Nigeria are likely to suffer the worst downturn in their output levels in 2009. Output growth for these countries will contract to the extent that the global economy remains fragile and crude oil prices remain below US\$55 per barrel.

Databank's Macro Summary on Select African Economies

Country	GDP		Inflation		Exchange Rate		Sovereign Ratings			Databank View
	2008	2009F	2008	2009	2008	2009*	Fitch	S&P	Moody's	
Botswana	5.3	4.6	12.6	11.9	6.83	8.68	NA	A/Negative/A-1	Aa3	Neutral
Cote d'Ivoire	2.9	4.7	5.6	5.7	447.80	491.40	NA	NA	NA	Positive
Ghana	6.2	5.9	16.8	13.3	1.09	1.42	B+	B+/Negative/B	NA	Neutral
Kenya	3.3	6.4	25.6	16.5	69.18	80.77	B+	B/Positive/B	NA	Negative
Malawi	7.1	7.8	8.2	7.9	138.12	137.93	B-	NA	NA	Neutral
Mauritius	6.6	6.2	8.8	8.6	28.45	34.00	NA	NA	Baa1	Neutral
Morocco	6.5	5.5	3.8	2.1	7.73	8.61	BBB-	BBT/Stable/B	Baa2	Positive
Namibia	3.9	4.2	8.7	8.1	8.00	9.70	BBB-	NA	NA	Neutral
Nigeria	6.2	8.7	11.5	11.0	119.30	151.90	BB-	BB-/Negative/B	NA	Negative
Tunisia	5.5	5.0	5.1	4.5	1.23	1.44	BBB-	BBB/Stable/A3	A3	Positive
Uganda	9.8	8.1	7.3	7.8	1,694.92	2,000.00	B	B+/Stable/B	NA	Negative
Zambia	5.8	6.4	11.8	8.6	3,571.43	5,263.16	NA	NA	NA	Neutral

NA: Not Available

Sources: IMF, Oanda.com, National Statistical Services, Fitch Ratings, Standard and Poor's, Moody's, Databank Research

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Investment Strategy

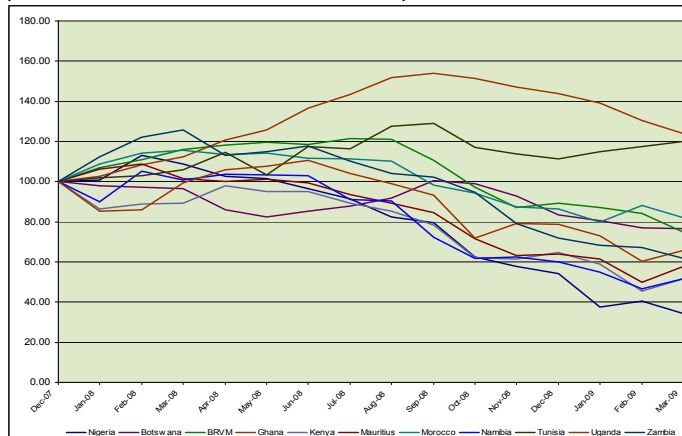
The start of Q209 coincided with most global markets exhibiting the fabled dead-cat bounce, following the G20 meeting and also with some companies announcing earnings that were generally better than expected. In Africa, countries like Nigeria experienced a brief reprieve, after falling 37% in Q109. Sound fundamentals are given the utmost prominence in our investment strategy for Q209; investors are advised to take positions in sectors that exhibit this feature, and that also possess good prospects for growth in the medium to long term. Notwithstanding this, investors looking for bargains must be wary of currency risk and market-specific risk.

We expect a lacklustre performance from the markets in Botswana, Zambia, Nigeria, Malawi and Uganda. Botswana and Nigeria recently had the outlook of their economies downgraded by Fitch Ratings on account of deteriorating macroeconomic conditions. Uganda, in spite of its oil discovery is expected to experience short-term volatility which would not drive economic growth beyond the forecasted 6.5%. Plummeting demand for diamond will significantly slow down growth in Botswana. In view of the global financial crisis, ready access to forex in some African economies such as Botswana and Nigeria has been problematic; in Nigeria's case, it impeded the exit of foreign investors from the stock market. This caused the value of the local currencies of these countries to depreciate heavily. Cote d'Ivoire, Mauritius, Morocco and Tunisia are expected to preserve foreign investor value in returns made in local currency terms due to the relative strength of their local currencies. Inability to access forex supply makes it difficult for profit takers to repatriate their gains in these markets.

Given the current macroeconomic climate, we believe that investors should focus on non-financial sectors such as telecommunications (with companies such as Maroc Telecom, Celtel Zambia, Safaricom and Sonatel); Brewery and Bottling (with companies such as Namibia Breweries, Nigerian Breweries, Guinness Nigeria and East African Breweries) and fast moving consumer goods (such as Unilever (Ghana and Nigeria), Nestle Nigeria, GlaxoSmithKline and UAC of Nigeria). African telecom firms have high cash generating power and very low credit risk (mainly because more than 95% of their client base is on a pre-paid plan) while brewery and consumer products possess immense brand appeal in an era of rising affluence of the region's growing middle class. Although we acknowledge that bargains exist in some financial stocks across the continent (such as Nigeria, Ghana and Mauritius) investor confidence in the sector is shaky following the global crisis and rumours surrounding the exposure to margin-lending of some Nigerian banks. Fears of a possible second (and perhaps a third) round effect of the financial crisis due to weak bank asset structure has deterred many investors from patronizing financial stocks.

Performance of African Financial Markets

(Rebased. Base Date: 31st December 2007)



Botswana

Economic and Political Overview and Outlook

President Ian Khama has won many pundits with his brand of conservative, society based leadership. Among the very early achievements of his presidency has been a shakeup of the public service and the media; promoting crop production through having tractors plough for citizens at the expense of the state and setting up a robust security and intelligence network. We believe that the ruling party will be re-elected into power – general elections are to take place in October – despite some high ranking party members' displeasure at the incumbent's broad sweeping policies and also because they still view him as an outsider brought in by former President Festus Mogae. Botswana will remain a hallmark of political and economic stability on the African continent.

GDP would contract by an average of 1.4% in 2009 on diamond price declines and weak export demand. Diamond revenue constitutes two-third of the countries revenue, and a significant downturn could worsen both fiscal and current account deficits. S&P downgraded the country's outlook to negative on concerns of an expected 15% decline in diamond prices in 2009 and a 35% dip in its production. Average consumer prices fell from a peak of 15.1% in August 2008 to 11.7% in February 2009; this was induced by global price declines and the relative stability of the pula. The decline in inflation facilitated a 1% downward revision of the Bank of Botswana's bank rate to 14.0%; we anticipate this will push interest rates down in Q2 and Q3 of this year. However, we expect the central bank to miss its inflation target of between 3% and 6% for the year. In our view, inflation is likely to close 2009 within the band of 8% and 12%. Increased volatility in global commodity prices as well as weak demand for Botswana's diamonds are likely to facilitate weak domestic activity. We expect domestic consumption to slow down, underpinned by job losses in the diamond sector. Macroeconomic stability is likely to improve significantly after the second quarter of 2009. The potential for growth, however, depends on the recovery of the global economy and stability of international commodity prices.

Stock Market Overview and Outlook

Botswana's Domestic Composite Index (DCI) mirrored the performance of the economy following the global financial crisis and declined in Q109, losing 8.3% compared with a 3.5% decline in Q108. Funeral Services Group maintained its market prowess, returning ~9% to investors. Aggregate turnover for Q109 was ~\$41m while market capitalization at the end of the quarter was \$3.1 billion, down 10% from Dec08. We do not expect the Botswana bourse to recover in Q209 due to profit-taking. We anticipate further price falls regardless of the sound earnings announcements we expect some listed companies to release. Furthermore, valuations multiples on the market are still high relative to the sub region [P/E: 10.7x, P/BV: 4.1x] which points to another round of price declines. Our projected market bottom is when the market P/E falls within the range of 7.5x to 8.5x, after which we expect the market to bounce back.

Key Macro Indicators: Botswana

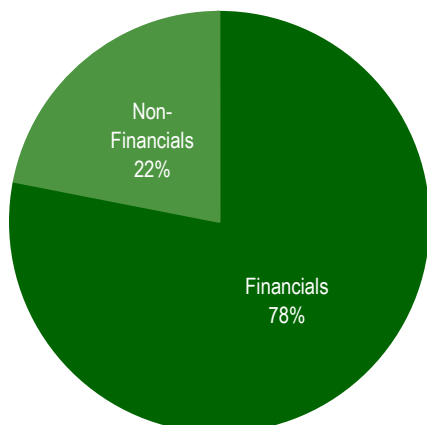
Indicators	2007	2008	2009F
Real GDP Growth	5.7	5.3	4.6
CPI (avg, %)	7.1	12.6	11.9
Current A/C Bal. (%)	15.9	9.3	7.6

Key Macro Indicators: Africa

Indicators	2007	2008	2009F
Real GDP Growth	6.3	5.9	6.0
CPI (avg, %)	6.2	10.2	8.3
Current A/C Bal. (%)	0.4	3.0	0.2

Current A/C Bal. is as a % of GDP
Source: IMF's WEO, Oct 2008

Capitalisation Structure: Botswana



Key Market Statistics: Botswana

Indicator	Value
Capitalisation (\$, bn)	3.1
P/E (x)	10.7
Year-to-Date (\$, %)	-10.4

Source: African Stock Markets, Databank Databases

Côte d'Ivoire

Economic and Political Overview and Outlook

The UN has been pushing a 5-stage election timetable for Cote d'Ivoire, which if swiftly implemented, could ensure the country's return to political stability. More than 4m people have already been identified as eligible voters by the country's Electoral Commission. It is important that the electoral process gets underway; further setbacks will jeopardize the peace process and erase the little gains made on the country's political front so far.

The BRVM economies are linked to the European Union through a unified currency regime that maintains a strong link to the euro. We expect the CFA franc to remain relatively stable in 2009 in line with stable domestic inflation and interest rate reductions in the euro zone to below 2%. This, together with the global recession is likely to induce further lower inflation for the BCEAO region for the rest of the year. It is likely that the region's exports will be especially prone to the global downturn as the currencies of non-BCEAO countries weaken. In our view, significant appreciation of the CFA could pre-empt a devaluation to keep the region's export sector competitive. But the benefits of sustained macroeconomic stability could push stock market return above the performance of other stock exchanges; especially, those within the West African region.

The region has benefited from sustained macroeconomic stability but with lower growth. With the recovery of the Ivorian economy from the political crisis, we expect average growth to improve significantly over the medium term. The Ivorian economy will benefit from a \$3bn external debt relief under the enhanced HIPC Initiative in 2009 and we expect this to increase social spending and propel growth.

Stock Market Overview and Outlook

The regional bourse witnessed continued market correction, with the benchmark composite index declining by 15% over Q109. A widely negative market breadth was recorded for the period. The distribution industry was the most resilient posting an average decline of 4% while the agricultural industry registered the worst performance averaging a decline of 31%. Market capitalization closed at \$5.6 billion, down 18% for the quarter. Improved liquidity was evident over the period with market turnover improving by 24% to \$37m.

Following the market's correction, we expect the market to gradually pick up in Q209. Equities anticipated to spearhead the recovery include Sonatel SA. Liquidity is anticipated to surge as late movers seeing signals of recovery jump into the market to take positions in attractively priced stocks.

Key Macro Indicators: Cote d'Ivoire

Indicators	2007	2008	2009F
Real GDP Growth	1.6	2.9	4.7
CPI (avg, %)	1.9	5.6	5.7
Current A/C Bal. (%)	-0.7	3.8	-0.6

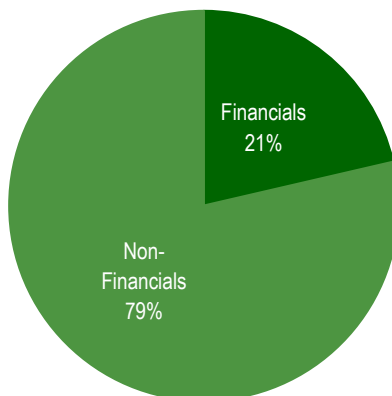
Key Macro Indicators: Africa

Indicators	2007	2008	2009F
Real GDP Growth	6.3	5.9	6.0
CPI (avg, %)	6.2	10.2	8.3
Current A/C Bal. (%)	0.4	3.0	0.2

Current A/C Bal. is as a % of GDP

Source: IMF's WEO, Oct 2008

Capitalisation Structure: BRVM



Key Market Statistics: Cote d'Ivoire

Indicator	
Capitalisation (\$, bn)	5.6
P/E (x)	12.0
Year-to-Date (\$, %)	-22.1

Source: African Stock Markets, Databank Databases

Ghana

Economic and Political Overview and Outlook

In his first 100 days in office, President John Evans Atta Mills reiterated the need for economic stability as well as an adherence to human rights and good governance. The priority areas remain a reduction in the budget deficit, exchange rate stability and inflation in the single digits. The transition from the erstwhile NPP government to the ruling NDC, though plagued with allegations has been smooth and provides useful lessons for subsequent transitions. The threat of an upheaval in the conflict situation in the North of the country still remains and a further worsening in the economic situation could see an upsurge in strikes, protests and dissents. We maintain a stable outlook on Ghana's political front for the next quarter.

Weak export earnings, high inflation and a decline in service sector growth pushed Ghana's GDP growth below the 7% target set by government to 6.2% in 2008. We expect output growth to further contract to 5.9% in 2009 on account of weaker exports and foreign direct investment. Elections in December, 2008 combined with the global food and energy price hikes led to a severe fiscal slippage in 2008. Fiscal deficit to GDP closed 2008 at 14.9% of GDP compared to 8.1% in 2007, while current account deficit stood at 18.0% of GDP. The country's sovereign rating was downgraded to B⁺ (negative outlook) on account of mounting public debt and external vulnerability. The new government has indicated its preparedness to reduce fiscal deficit to 9.4% and improve on domestic food production to curtail import growth. In our opinion, if this is achieved, it would improve the country's rating significantly over the medium term. Consumer inflation increased from the 18.1% in December, 2008 to 20.5% in Mar09, driven mainly by the depreciation of the cedi and strong domestic consumer demand. Interest rates edged up during the quarter and were consistent with excessive government borrowing. This induced an increase in the Bank of Ghana's prime rate to 18.5% in Feb09. The cedi lost ground against all its three major trading partners during the first quarter of 2009. We expect the depreciation of the cedi to remain severe during the second quarter. This would be mainly facilitated by further deterioration in the country's external accounts and high import demand.

Stock Market Overview and Outlook

The Ghanaian market experienced intensifying correction in Q1, which along with the sharp decline of the cedi/USD yielded a 24% fall in the market index for the period. Market capitalization edged downwards by 14% to US\$12.6 million. Liquidity on the bourse improved in light of the profit taking by investors. Turnover for the market during Q1 2009 (\$4.44m) was exchanged in Q1 2009. Following the full automation of trading on the GSE, we anticipate teething problems which may initially slow down activity on the bourse. This is likely to stall price movements and market volume recorded. Earnings numbers posted by listed companies also indicate significant growth for most companies especially the banks and distribution companies. These strong fundamentals are likely to slow down the rate of profit taking.

Key Macro Indicators: Ghana

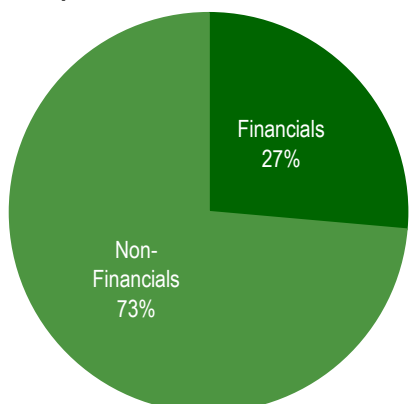
Indicators	2007	2008	2009F
Real GDP Growth	6.3	6.5	5.8
CPI (avg, %)	10.7	16.8	13.3
Current A/C Bal. (%)	-10.9	-13.1	-13.2

Key Macro Indicators: Africa

Indicators	2007	2008	2009F
Real GDP Growth	6.3	5.9	6.0
CPI (avg, %)	6.2	10.2	8.3
Current A/C Bal. (%)	0.4	3.0	0.2

Current A/C Bal. is as a % of GDP
Source: IMF's WEO, Oct 2008

Capitalisation Structure: Ghana



Key Market Statistics: Ghana

Indicator	Value
Capitalisation (\$, bn)	12.6
P/E (x)	26.0
Year-to-Date (\$, %)	-23.7

Source: African Stock Markets, Databank Databases

Kenya

Economic and Political Overview and Outlook

Corruption is rife in the public sector as the embattled unity government of President Mwai Kibaki and Prime Minister Raila Odinga still spar on who holds the most power. Cabinet Ministers on the side of Mr. Kibaki have criticized PM Odinga's outburst that he and his party are being excluded from some important decisions of the government. This comes after Mr. Odinga complained of his conditions of service and has resulted in some members of his cabinet tendering their resignations. If these indications are anything to go by then we should expect more in-fighting which could slow the progress of government's programme of business reforms and infrastructure development and also the completion of the draft on Kenya's new constitution.

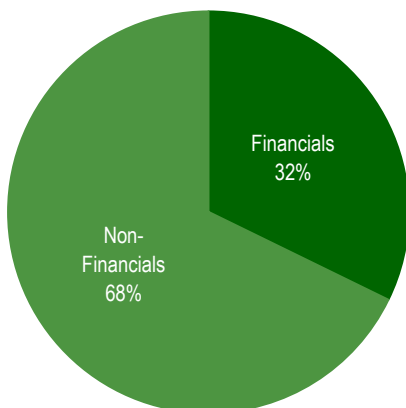
The recovery of the Kenyan economy from the post election crisis has been snail-paced at best, due to poor political reforms and structural rigidities. In our view, the recovery will continue to delay due to internal conflicts within the unity government. In the wake of significant cuts expected in export revenue and foreign direct investment the country seeks to access a US\$100 million loan from the IMF to reduce pressures on its currency and reserves. This one-off approach, however, is not likely to sustain the external stability over the medium; and vulnerabilities could still persist. Average consumer inflation for Kenya increased to 25.1% in Feb09, cutting short the decline which hitherto had commenced in Nov08.

The continuing drought and food shortages, as well as, depreciation of the local currency against the dollar and the sterling are likely to push short-term inflation further upwards in the second quarter. The domestic currency shed 1% between Jan09 - Feb09 to Ks79.5. Short-term treasury yields moved south despite the hike in inflation during the quarter. The average yield on the 91-day and 182-day bills declined from 8.5% and 8.9% to 7.6% and 7.9% respectively. The decline in short-term yields is line with improvements in fiscal space. We anticipate the economy will remain fragile in 2009 as the global recession lingers on. We expect the economy to grow by 3.5% in 2009.

Stock Market Overview and Outlook

The NSE 20 closed the quarter down 20% to 2,805.03 points; market capitalization declined from \$10.17 billion to \$8.16 billion. The momentum of market activity as measured by liquidity variables on the Nairobi bourse declined sharply, with market turnover for Q109 (\$77.7m) comparing unfavourably to that of Q108 (\$260m). The low turnover could be explained by the lower market prices due to the earlier correction. Speculation continues to drive activity on the Kenyan bourse. While we anticipate a slow recovery driven by the organic growth in company fundamentals, the relative strength of the local currency should translate into higher returns for non-resident investors.

Capitalisation Structure: Kenya



Key Market Statistics: Kenya

Indicator	
Capitalisation (\$, bn)	6.3
P/E (x)	10.4
Year-to-Date (\$, %)	-19.9

Source: African Stock Markets, Databank Databases

Key Macro Indicators: Kenya

Indicators	2007	2008	2009F
Real GDP (%)	7.0	3.3	6.4
CPI (avg, %)	9.8	25.0	6.5
Current A/C Bal. (%)	-3.1	-6.1	-4.5

Key Macro Indicators: Africa

Indicators	2007	2008	2009F
Real GDP Growth	6.3	5.9	6.0
CPI (avg, %)	6.2	10.2	8.3
Current A/C Bal. (%)	0.4	3.0	0.2

Current A/C Bal. is as a % of GDP

Source: IMF's WEO, Oct 2008

Malawi

Economic and Political Overview and Outlook

This year's elections will be a keenly contested one between the three major political parties; the ruling DPP, MCP and the Alliance for Democracy. None of the parties is expected to obtain an outright majority paving the way for alliances. The elections (which are scheduled to take place on 19th May) are expected to provide a chance for a fresh page in Malawi's political and economic front as President wa Mutharika's troubled term in office draws to a close. The drawback, of course, is that the same alliances that resulted in a political stalemate in Parliament could repeat themselves after next two months elections.

Prices remained stable despite persistent volatility in the global commodity and financial markets. Inflation increased from 9.9% (Dec08) to 10.1% in Jan09, but decelerated to 9.7% a month later. We expect the disinflation process to continue in Q209, when the domestic harvest season typically commences. Interest rates are likely to remain stable in Q209 in line with the apex bank's decision to leave its policy rate unchanged at 15%. The kwacha also is likely to remain stable over the Q2 on account of a lower (crude oil) import bill. Malawi received a boost in Nov08 when it received US\$77.1 under the IMF's exogenous shock facility. This facility has aided in improving the country's reserve position.

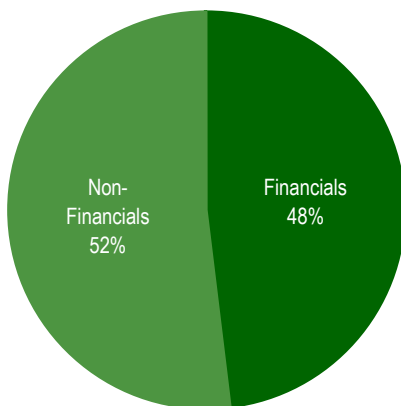
The economy posted a robust growth of 9.7% in 2008 on the back of improved tobacco production, growth in the telecommunication sub-sector, as well as, domestic food production. We expect GDP growth to remain strong in 2009 on the back of an anticipated uranium production by Paladin Energy Limited.

Stock Market Overview and Outlook

The benchmark index lost ~18% in Q109 compared to an increase of ~4% in Q108. Although the market witnessed an increased number of transactions, liquidity as measured by the turnover velocity ratio declined by ~1%. Aggregate capitalization declined by 44% compared to its level in Q1'08, with no advancers during the period under review. Press Corporation Ltd emerged the worst laggard during the period down by 41.46%. Newly listed Telekom Network Malawi was actively traded during Q1 accounting for ~90% of executed trades. This could be attributed to profit taking following a successful IPO in 2008 and a 65% price gain by Dec08.

We expect the declining trend to continue beyond Q209 given that the market is still relatively expensive. In sharp contrast, government treasury securities have charted a declining trend since Dec08. In spite of the declining yields on the money market, we expect to see a flight-to-safety as investors intensify profit-taking.

Capitalisation Structure: Malawi



Key Market Statistics: Malawi

Indicator	Value
Capitalisation (\$, bn)	1.4
P/E (x)	10.0
Year-to-Date (\$, %)	-16.8

Source: African Stock Markets, Databank Databases

Key Macro Indicators: Malawi

Indicators	2007	2008	2009F
Real GDP Growth	7.9	7.1	7.8
CPI (avg, %)	7.9	8.2	7.9
Current A/C Bal. (%)	-2.1	-8.2	-5.4

Key Macro Indicators: Africa

Indicators	2007	2008	2009F
Real GDP Growth	6.3	5.9	6.0
CPI (avg, %)	6.2	10.2	8.3
Current A/C Bal. (%)	0.4	3.0	0.2

Current A/C Bal. is as a % of GDP)

Source: IMF's WEO, Oct 2008

Mauritius

Economic and Political Overview and Outlook

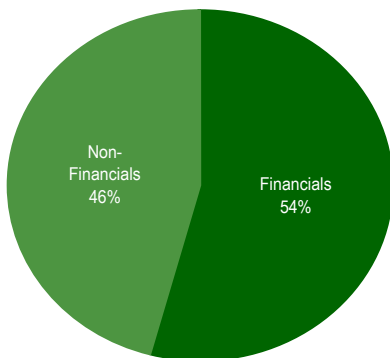
Elections did not take place last year as Prime Minister Navin Ramgoolam managed to keep his coalition partners and opposition parties at bay. More expansionary and populist policies are expected this year from the government in preparation for the island-nation's general election, scheduled to take place in mid-2010. Opposition parties remain confident of toppling Ramgoolam's government as internal differences emerge in the ruling Alliance Sociale (AS) coalition.

The global financial crisis, which has induced recessionary concerns in a number of advanced countries, has impeded the growth of Mauritius' tourism and textile sector. A \$330m stimulus package announced in Dec08 help saved jobs as export demand and tourist arrivals weakened considerably. We expect GDP to contract to below 4.5% in 2009 from 5.1% in 2008. Average consumer prices dipped from 9.7% (Dec08) to 8.8% in Feb09. Inflation for Mauritius has been declining since Sept08 in line with declines in global commodity prices. We expect inflation to further decline to below 5% by the end of the second quarter unless crude oil prices increases above \$55pb. The economy grew by an estimated 5.3% in 2008 on account of weak export demand, low tourism receipts, and lower commodity prices. The continuing contraction of the global economy is likely to further stress the country's textile and tourism sectors which are vital in sustaining current growth levels. We expect the recent monetary easing by the central bank of Mauritius to help improve domestic consumption and facilitate domestic investment which is necessary to support economic growth in 2009. Nevertheless, GDP growth for 2009 will decline to below 4.5% if the global recession lingers on throughout the year.

Stock Market Overview and Outlook

With the exception of Automatic Systems which held the Leisure and Hotels sub-sector above the red, the remaining sectors represented on the Mauritian bourse recorded negative average returns. The transportation sector, represented by Air Mauritius, was the worst performing sector, down 18%. The SEMDEX declined by ~9% in Q109 following declines in the prices of 28 listed equities on the official market. Market turnover for the period amounted to US\$34m; Mauritius Commercial Bank accounted for ~50% of aggregate value. The country has been particularly hit by the global economic crisis primarily because of its heavy dependence on tourism and textiles for revenue and employment. The weakened demand and deteriorating outlook for both industries following the global recession threatens to stall the growth of the Mauritian economy. We therefore expect to see below average financial performance of listed stocks especially in the hotel sector. This fact notwithstanding, strong fundamentals of some listed companies and increased demand for listed equities (following reductions in the repo rate), make blue chip stocks in the tourism and financial sectors more attractive. Investors are advised to position themselves in such stocks and wait for the market rally when the crisis blows over.

Capitalisation Structure: Mauritius



Key Market Statistics: Mauritius

Indicator	
Capitalisation (\$, bn)	2.9
P/E (x)	5.5
Year-to-Date (\$, %)	-11.1

Source: African Stock Markets, Databank Databases

Key Macro Indicators: Mauritius

Indicators	2007	2008	2009F
Real GDP Growth	4.2	6.6	6.2
CPI (avg, %)	9.1	8.8	8.6
Current A/C Bal. (%)	-8.0	-4.7	-6.6

Key Macro Indicators: Africa

Indicators	2007	2008	2009F
Real GDP Growth	6.3	5.9	6.0
CPI (avg, %)	6.2	10.2	8.3
Current A/C Bal. (%)	0.4	3.0	0.2

Current A/C Bal. is as a % of GDP

Source: IMF's WEO, Oct 2008

April 2009

Morocco

Economic and Political Overview and Outlook

King Mohammed VI is expected to stay in firm control of the country despite the threat of social upheavals and Islamic militancy. Criticism of the monarchy is still frowned on and most Moroccans do not care much about what the monarchy does. We expect a stable political environment in the second quarter.

The Moroccan economy is relatively stable, and we expect ongoing financial market reforms to help stimulate growth in the medium term, which will result in an average growth of 6.0% over the medium-term. Average consumer prices remain within the single digit range throughout 2008 and the first two months of 2009. Consumer inflation eased from 4.2% in Dec08 to 4.0% in Jan09 on account of food price declines, and further to 3.8% in Feb09.

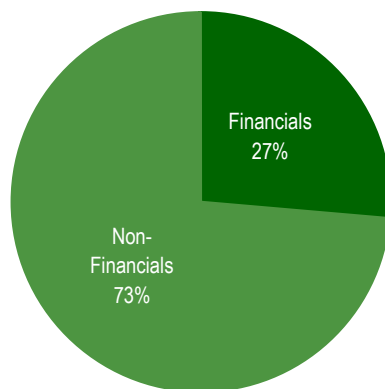
We expect inflation to fall to below 3.0% by the end of the year in line with historical trends as global food prices further decline. The interest rate hikes during the second half of the year caused consumer demand to wane slightly, and we believe that anticipated interest rate declines will revert. We expect significant improvement in domestic investment in the second half of the year.

Stock Market Overview and Outlook

The bears continued to reign on the bourse during Q109, evidenced by the wide ratio of laggards to advancers. 20 advancers were recorded with the top five averaging capital gains of 27% against 54 laggards with the worst five averaging capital losses of 40%. The declines resulted from profit taking by investors following the bull run which ended in H108. The MASI declined by 2% to 10,402.09 points, reflecting a year-to-date return of -5% in dollar terms. Liquidity for the quarter was US\$320m, while market capitalization ended the period at ~\$42bn.

We anticipate market correction to be achieved at a gradual pace in Q209. Beyond June 2009 however, we expect to see the Casablanca bourse recover on the back of strong company fundamentals. Corporate results released for 2008 indicated significant growth and has implied an even more optimistic corporate outlook for 2009. We do not rule out the possibility of primary market activity within the quarter as the government is expected to divest part of its interest in the State Telecom Company. The telecom, mining and energy and fast moving consumer goods sectors are expected to spearhead the market recovery.

**Capitalisation Structure:
Morocco**



Key Market Statistics: Morocco

Indicator	
Capitalisation (\$, bn)	40.9
P/E (x)	17.3
Year-to-Date (\$, %)	-10.5

Source: African Stock Markets, Databank Databases

Key Macro Indicators: Morocco

Indicators	2007	2008	2009F
Real GDP Growth	2.7	6.5	5.5
CPI (avg, %)	2.0	3.9	3.5
Current A/C Bal. (%)	-0.1	0.4	-0.3

Key Macro Indicators: Africa

Indicators	2007	2008	2009F
Real GDP Growth	6.3	5.9	6.0
CPI (avg, %)	6.2	10.2	8.3
Current A/C Bal. (%)	0.4	3.0	0.2

Current A/C Bal. is as a % of GDP

Source: IMF's WEO, Oct 2008

Namibia

Economic and Political Overview and Outlook

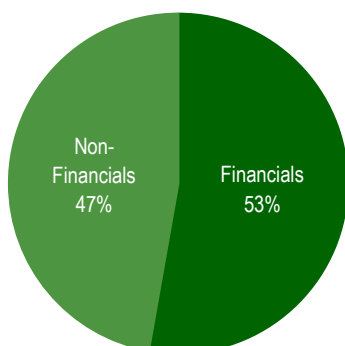
The South West Africa People's Organisation (SWAPO) is set to win this year's election, giving the party another term in office after 18 years in power (since the country's independence). President Pohamba may stand for re-election as SWAPO's candidate despite rumours to the contrary and in such an instance will retain power without much of a challenge from the opposition. Fears of politically motivated violence remain as members of SWAPO declare some territories no-go areas for the opposition. Generally, elections are however expected to be free and fair and devoid of widespread violence.

Gross domestic output growth is likely to decline to 1.1% in 2009 due to reduced mining activity resulting from weak global demand and floods that disrupted domestic crop production during Q1 of the year. GDP growth in 2008 is estimated at 2.4%. Namibia's major exports which include diamonds and copper have seen significant price declines since the global recession intensified in the H208. Inflation remained stable at an average rate of 12.0% during the first two months of 2009 in line with moderating domestic demand. This outturn indicated a marginal increase over the outturn of 11.5% for the last quarter of 2008. Despite this inflationary dynamic the central bank reduced its benchmark rate by 100 bps to 9.0% in Feb09 due to concerns over real sector contraction. The agricultural sector, including mineral exports remains weak in the wake of the global financial crisis. In our view, it is unlikely that the moderate growth in gold and uranium exports will offset significant downturn in diamond, copper, horticulture, and cattle production. The reduction in the central bank's policy rate could improve domestic consumption and credit flows, which could help sustain current growth levels. Rising inflationary pressures, however, could pose a threat to any potential reduction in banking sector transaction rates if the financial sector participants are overly cautious about their exposure to short-term inflation risk. In our view, this could render further adjustments in interest rates ineffective.

Stock Market Overview and Outlook

The Overall Index continued to decline in Q109, on account of the dismal performance of the JSE cross-listed stocks on the market. At the close of Q109, the index was down 14% compared to +1% in Q108. Consumer Good firm Oceana Group, was the lead advancer (~24%), while the Trusco Group shed ~80% of its stock value. Market capitalization at the end of the period was 52% lower from its Q108 level. The basic materials sub-sector sustained the worst performance, declining by ~21% over the relevant period. Trades executed on the Namibian bourse generated \$230m in sales. Listed equities are expected to benefit from the stimulus package included in the country's 2009/10 Budget. With the government poised to increase consumption, and of interest, employee consumption and purchases of goods and services, plus a cut in personal income tax rate, the consumer goods sector will particularly benefit in this regard. The corporate tax rate is set to drop to 34%, which is a tax cut of 1%. This is likely to have a positive impact, especially, on domestic firms. Firms within the basic materials sub sector will continue to be challenged as demand for base metals and other commodities such as platinum and diamond remain weak.

Capitalisation Structure: Namibia



Key Market Statistics: Namibia

Indicator	
Capitalisation (\$, bn)	75.6
P/E (x)	6.2
Year-to-Date (\$, %)	-15.0

Source: African Stock Markets, Databank Databases

Key Macro Indicators: Namibia

Indicators	2007	2008	2009F
Real GDP Growth	3.6	3.9	4.2
CPI (avg, %)	6.7	8.7	8.1
Current A/C Bal. (%)	18.2	14.0	12.4

Key Macro Indicators: Africa

Indicators	2007	2008	2009F
Real GDP Growth	6.3	5.9	6.0
CPI (avg, %)	6.2	10.2	8.3
Current A/C Bal. (%)	0.4	3.0	0.2

Current A/C Bal. is as a % of GDP

Source: IMF's WEO, Oct 2008

Nigeria

Economic and Political Overview and Outlook

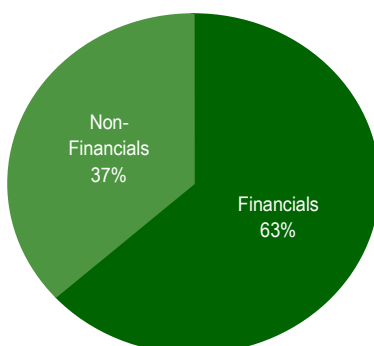
President Yar'Adua's health remains a divisive issue with critics contending that he is not fit to govern. This is on a backdrop of a severe global economic downturn and a lack of significant activity by government to deal with increasing lawlessness in the oil-rich Niger Delta. A coalition of 20 opposition parties have been formed, determined to wrest political power from Yar'Adua's Government in the 2011 elections. The fortunes of this new party, we believe, rest on President Yar'Adua's ability to fulfil his promised reforms and also guide the country through the on-going global recession. Nigeria remains a stable country and we expect this to continue into the next quarter.

Average consumer prices remain high for Nigeria on the back of a perceived fragile financial sector along with a sharp depreciation of the naira against major world trading currencies. Inflation closed Feb09 at 14.6% from 14.0% (Jan09) and is likely to further increase in subsequent quarters. We peg average inflation for Q209 within the range of 15.0% and 18.0%. Margin lending to stock market investors, as well as, significant direct exposure of the banking sector to the Nigeria equity market has necessitated a balance sheet write-down for most Nigerian banks. Though the central bank indicated that it will not allow any commercial bank to fail, we think the stress on public finance will not encourage any direct equity placement by the central bank. In our view, further losses in the Nigerian stock market beyond the second quarter could induce further consolidation of Nigerian banks. The naira depreciated heavily against major world currencies thereby impeding the exodus of foreign investors. Crude oil prices averaged under US\$50 pb over the period. The Nigerian economy will remain fragile in 2009 as the global recession continues and crude oil prices remain below the budgetary target of US\$45 per barrel. Critical to sustaining growth above the 6.5% threshold is for public spending to lean towards growth-oriented spending in the non-oil sector. The government outlined an expenditure of NGN 2.87 trillion which is marginally above the 2008 outlay in the wake of crude oil price decline. In our view, this would significantly worsen fiscal deficit above the 3% stipulated in the fiscal responsibility law.

Stock Market Overview and Outlook

The benchmark All-Share Index closed Q109 just under the 20,000-point threshold, representing a decline of ~37%; capitalisation for the entire market was down 18% for the quarter to \$5.6bn. Market liquidity recorded for the period improved from \$714m to US\$7bn, as foreign investors pulled out following the global financial crisis. Activity in the banking sector (which was the most active sector) was driven by the bargain valuations of some of its stocks (First Bank, Zenith, Diamond, UBA and GTBank), evidenced by the single digit earnings multiples. The insurance sector (mainly AIICO and Intercontinental WAPIC) also sustained significant investor interest, accounting for ~10% of market turnover. For Q209, we expect liquidity to be driven by local demand; foreign investor participation is likely to wane on account of the global financial crisis. Federal intervention on the FX market aside, we believe that there are a lot of bargains in the Nigerian non-financial sectors.

Capitalisation Structure: Nigeria



Key Market Statistics: Nigeria

Indicator	Value
Capitalisation (\$, bn)	26.9
P/E (x)	-
Year-to-Date (\$, %)	-40.3

Source: African Stock Markets, Databank Databases

Key Macro Indicators: Nigeria

Indicators	2007	2008	2009F
Real GDP Growth	5.9	6.2	8.1
CPI (avg, %)	5.5	11.0	11.1
Current A/C Bal. (%)	2.1	6.2	0.6

Key Macro Indicators: Africa

Indicators	2007	2008	2009F
Real GDP Growth	6.3	5.9	6.0
CPI (avg, %)	6.2	10.2	8.3
Current A/C Bal. (%)	0.4	3.0	0.2

Current A/C Bal. is as a % of GDP

Source: IMF's WEO, Oct 2008

Tunisia

Economic and Political Overview and Outlook

President Zine el Abidine Ben Ali is expected to retain power in the general elections, which is to be held later this year; his government has been in power since 1987, and there are no credible clear-cut alternatives. Economic challenges are expected to continue to cause some social unrest though the government is expected to maintain stability.

The external sector receipts for the first two months of 2009 remain weak on the back of low commodity prices and a fall in tourist arrivals. The country also registered mild declines on its imports relative to exports which cushioned it against external developments over the period. We expect this to ease the expected pressure on the balance of payments position of the country.

Inflation fell during the first two months of the year to 3.5% in Jan09 and 3.1% a month later. We expect the declining price trend to persist in Q209. Interest rates in Q1 fell in line with inflation rate declines during the period. As the central bank marked down its policy rate in response to lower inflationary pressures, yields on money market instruments dipped to an average level of 4.5%; we expect this trend to persist in Q209.

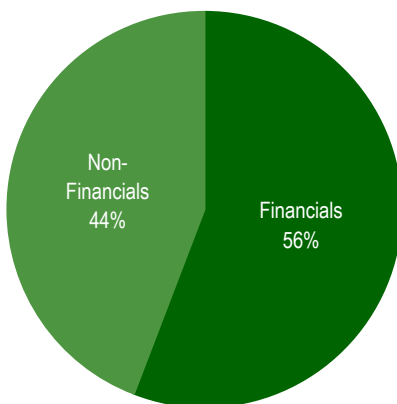
Balance of payments pressures resulted in the local currency shedding some 9% of its value to the dollar over the period. We expect this to continue in Q209, but at a much slower rate. In our view, the year-to-date depreciation of the local currency against the US dollar could marginally exceed 15.0% by the end of Q2'09.

Stock Market Overview and Outlook

Tunisia was one of the star performers in our universe of markets covered. In line with our expectations, after undergoing full correction in 2008, the market initiated recovery with a widely positive market breadth. Investors returned to bid prices up in an effort to acquire stakes in relatively low priced and well performing stocks. Palm Beach Hotels (a Hotel and Leisure outfit) remained stable in price during the period.

The net effect of the price movements on the TUNNINDEX was a 7% rise from the year open level to ~3,093 points. YTD change in dollar terms was 7% owing to the stability of the local currency. Market capitalization closed Q109 at approximately \$5 billion. An aggregate turnover of US\$170 million was recorded for Q109. For Q209, we expect Tunisia's recovery to intensify. This will be underscored by strong corporate fundamentals of listed companies as well as anticipated economic growth driven by defensive sectors such as utilities and energy.

Capitalisation Structure: Tunisia



Key Market Statistics: Tunisia

Indicator	
Capitalisation (\$, bn)	4.8
P/E (x)	19.4
Year-to-Date (\$, %)	0.8

Source: African Stock Markets, Databank Databases

Key Macro Indicators: Tunisia

Indicators	2007	2008	2009F
Real GDP Growth	6.3	5.5	5.0
CPI (avg, %)	3.1	5.1	4.5
Current A/C Bal. (%)	-2.6	-3.4	-3.5

Key Macro Indicators: Africa

Indicators	2007	2008	2009F
Real GDP Growth	6.3	5.9	6.0
CPI (avg, %)	6.2	10.2	8.3
Current A/C Bal. (%)	0.4	3.0	0.2

Current A/C Bal. is as a % of GDP)

Source: IMF's WEO, Oct 2008

April 2009

Uganda

Economic and Political Overview and Outlook

President Yoweri Museveni continues to hold off some party members who were determined to replace him in the upcoming elections. He is currently serving a 5-year term. The country is facing a number of challenges as it suffers from a drop in remittances which is a major catalyst for its economy. The Lord Resistance Army [LRA] also continues to play a role in the political situation of Uganda and has so far resisted attempts to complete a peace deal. We expect President Museveni to act to nullify the threat of the LRA while addressing domestic concerns and an increase in unemployment.

Average inflation for Q109 dipped marginally to 14.4% (Q408: 14.5%); the higher inflation levels were on the back of domestic food price hikes and exchange rate depreciation. The Bank of Uganda remained active in the forex market during the period, which raised concern over the possible overvaluation of the local currency. In our view, continuing intervention cannot be sustained over an 18-month period taking into account the severity of the global financial crisis and the extent of exposure of the Ugandan economy.

Interest rate on the secondary treasury markets declined marginally to the bid offer range of 16.4% and 15.2% compared to 16.5% and 15.2%. But the primary market was characterized by high interest rates bids that led to the unsuccessful offer of a new 2-year bond. We expect both the inflation and interest rate outlook to remain fairly stable in the second quarter.

Stock Market Overview and Outlook

The Uganda market witnessed a free-fall in all listed stocks with local currency depreciation aggravating the year-to-date change in dollar terms. The market declines were largely due to profit taking and to reduced investor confidence in the economy. The benchmark index (ALSI) closed Q109 at ~652 points, down 16.3%. Capitalization for the entire market closed the period at \$2.4bn; Aggregate turnover was US\$1.6 million.

We expect the bears to prevail in Uganda. This will be especially true considering the anticipated slowdown in GDP growth (2009E is 6.3% compared with the average rates of ~9%). The economic pressure Uganda is experiencing is highlighted by reduced demand for their exports and the sharp depreciation of its local currency relative to the dollar. As Africa's major coffee producer, commodity price shocks resulting from the collapse of crude oil prices on the global markets has negative ramifications for the Ugandan economy. This is because commodity hedging arising from volatile and escalating crude oil price has been curtailed. Coupled with frequent political skirmishes in the economy, we do not anticipate recovery on the USE during Q209.

Key Macro Indicators: Uganda

Indicators	2007	2008	2009F
Real GDP Growth	7.9	9.8	8.1
CPI (avg, %)	6.8	7.3	7.8
Current A/C Bal. (%)	-2.8	-3.4	-5.8

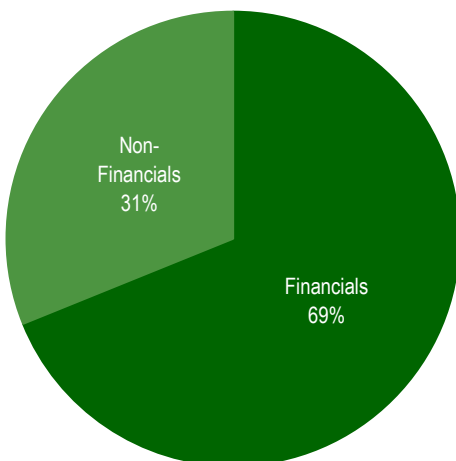
Key Macro Indicators: Africa

Indicators	2007	2008	2009F
Real GDP Growth	6.3	5.9	6.0
CPI (avg, %)	6.2	10.2	8.3
Current A/C Bal. (%)	0.4	3.0	0.2

Current A/C Bal. is as a % of GDP

Source: IMF's WEO, Oct 2008

Capitalisation Structure: Uganda



Key Market Statistics: Uganda

Indicator	
Capitalisation (\$, bn)	1.8
P/E (x)	10.6
Year-to-Date (\$, %)	-21.1

Source: African Stock Markets, Databank Databases

Zambia

Economic and Political Overview and Outlook

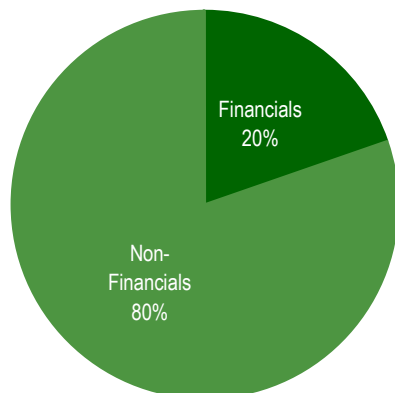
President Rupiah Banda will be dealing with unity issues in his own party as opposition parties continue to dispute his victory in last year's Presidential elections. President Banda is coming after the late President Mwanawasa who introduced a number of reforms in the private sector and despite his nickname as 'The Cabbage', practiced good governance. He showed a commitment to the betterment of the living standards of ordinary Zambians. Mr. Banda therefore has the tall order of surpassing the achievements of Mr. Mwanawasa especially if he will like to put to rest the questions of a disputed election.

Q109 inflation fell from 16.0% in Jan09 to 14.0% Feb09, and ended the period at 13.1%; this was attributed mainly to reductions in the prices of food products. We expect this dynamics to continue in Q209. We expect inflation to bottom-out at an average of 12.0% in 2009, on the back of a relatively weak domestic currency, anticipated domestic grain shortages, as well as, interruptions in domestic power supply which will necessitate more expensive alternatives sources of power. The closure of mines could free some power for domestic use, but the government indicated their intention of exporting more electricity. This would help in generating external revenue, but it could hurt domestic production as well. Monetary policy remains focused on price level stability with a short-term target of 10%. In our view, concerns over output growth could stress monetary policy throughout the year. The Zambian economy grew by 5.8% in 2008, but we expect it to grow much lower in 2009. The economy heavily depends on copper exports, and as copper prices have collapsed in lieu of the global recession, we will expect growth to fall to below 3.5% in 2009. The government intends increasing its stake in foreign-owned mining firms to 35% to avoid their closure, but this is not likely to be effective in the wake of weak global demand.

Stock Market Overview and Outlook

Q109 closed with returns of all sub sectors represented on the Lusaka Stock Exchange, except Telecoms, in the red; the worst performing being Oil Marketing. In line with our expectations, the LuSE All Share Index continued to decline, losing ~14% which compares unfavourably to the ~26% rise (Q108). Year-to-date, market capitalization has dropped by 11% to \$1.37bn. Celtel Zambia, advanced by 8% while Lafarge Cement declined by 26%. Owing to the fact that demand for base metals are expected to remain weak, copper prices will remain relatively flat which will translate to further weakness of the kwacha which depreciated by 11% in Q109. Thus, the dollar performance of the index in Q209 will be dismal. Although the market index has fallen considerably since year open, the market valuation multiples remain expensive, consequently, we believe there is room for further correction. We therefore do not expect a reversal of the current downward trend in Q209. Celtel Zambia, the most capitalized stock and the dominant telecom firm in the country is expected to remain within investors' sight of good value stocks in Q209.

Capitalisation Structure: Zambia



Key Market Statistics: Zambia

Indicator	
Capitalisation (\$, bn)	1.4
P/E (x)	12.1
Year-to-Date (\$, %)	-23.6

Source: African Stock Markets, Databank Databases

Key Macro Indicators: Zambia

Indicators	2007	2008	2009F
Real GDP Growth	6.3	5.8	6.4
CPI (avg, %)	10.7	11.8	8.6
Current A/C Bal. (%)	-7.5	-9.5	-6.6

Key Macro Indicators: Africa

Indicators	2007	2008	2009F
Real GDP Growth	6.3	5.9	6.0
CPI (avg, %)	6.2	10.2	8.3
Current A/C Bal. (%)	0.4	3.0	0.2

Current A/C Bal. is as a % of GDP

Source: IMF's WEO, Oct 2008

Databank's Equity Picks

About this Section

This section aims to provide commentaries on what we believe are the key companies/industries to keep an eye on in sub-Saharan Africa. They are not substitutes for commentary or forecasts that explicitly iterate stock recommendation. Instead, it should serve as a guide to investors looking to gain some exposure to the frontier markets across the continent. We believe the companies are well managed, have sound fundamentals, and possess good prospects for strong growth in the short to medium term. Given the current global macro backdrop, these stocks have sold off heavily (bottom-ing out), and are currently trading at very attractive multiples. Therefore investors that take positions in such companies stand to realise significant gains when the global economic and financial crisis subsides.

Summary

Our equity picks for this quarterly report centres primarily on telecom and brewery companies in the region.

Sub-Saharan Africa is arguably the last frontier for global telecom firms that seek exposure to emerging markets to introduce their services and grow their revenues substantially. Low cost handsets, lower top-up denominations, low mobile penetration rates along with declining average revenues per user (ARPU) trends point to the increasing use of cellular technology by the rural masses. The advent internet and money transfer applications is certain to boost data revenues significantly, as large proportions of African countries remain unbanked. Our telecom picks include **Safaricom**, **Celstel Zambia** and **Sonatel**.

Individuals naturally gravitate towards branded goods with improved standards of living (evidenced by the increasing disposable income of the middle class). Products of brewery and bottling companies in SSA, (which are usually owned and managed by globally recognized firms such as Diageo, SABMiller, Heineken, fall within this category. Patrons of brewery brands are fiercely loyal, thereby sustaining demand for the company's products. Relative to the market, brewery stocks are defensive and fairly liquid. Our brewery picks include **East African Breweries**, **Nigerian Breweries** and **Namibia Breweries**.

April 2009

Databank's Equity Picks

Safaricom Limited

Sector Classification: Media and Telecommunications

Location: Nairobi, Kenya

Bloomberg/Reuters Tickers: SAFCOM KN/SCOM1.NR

Exchange Traded: Nairobi Stock Exchange

Safaricom was created in 2000 as a parastatal joint venture between Vodafone (which retains a 40% equity stake) and the Government of Kenya (whose stake reduced to 35% when the company went public in June 2008). It is currently Kenya's leading mobile operator with the broadest network coverage. The company faces competition from three operators in Kenya: Celtel Kenya, Telecom Kenya and Econet Wireless. Celtel Kenya has the second largest subscriber base in the country (~2.5 million users), followed by France Telecom-managed Telecom Kenya, whose mobile phone service operates under the Orange brand name. A 49% stake in Econet was recently acquired by the Indian operator Essar Communications for \$350 million; it rolled out its service in November 2008. Safaricom has over 1400 base stations covering 23% of the land area and 78% of the population. The company has a distribution network of 100,000 outlets where top-up cards can be bought; 99% of its revenues come from pre-paying customers. To attract low income rural customers, Safaricom introduced a new low denomination card of KSh 20 (\$0.30). The company has a long term supply contract with the Chinese producer ZTE for units which retail at ~\$20. Also worth noting is the company's money transfer service - MPESA - which facilitates the transfer of money and payment of utilities and appeals to the unbanked population. As at September 30, 2008, the company's market share stood at 81% (~12 million subscribers).

Price (as at 31st March 2009)
Ks3.0

Price Range (52 Weeks)
K 3.0 - 8.0

Shares Outstanding
40bn

Capitalisation (LC)
Ks120bn

Capitalisation (US\$)
US\$1.5bn

Freefloat
25%

Daily Turnover
-US\$160,000

Exchange Rate (Effective)
Ks/US\$: 80.27

Celtel Zambia Plc

Sector Classification: Media and Telecommunications

Location: Lusaka, Zambia

Bloomberg/Reuters Tickers: CELTEL ZL/CELZ.LZ

Exchange Traded: Lusaka Stock Exchange

Celtel Zambia was incorporated in April 1997 as ZAMSI Limited; it is a subsidiary of Celtel International BV (which was subsequently acquired by Kuwaiti-listed Zain). The company's core business centres on the provision of cellular radio telecommunications in Zambia. It is the dominant telecommunications outfit in the country with a subscriber base of ~2.7 million people, which translates to a 73% share of the market (as at December 2008). There are three other competitors: MTN Zambia (formerly Telecel Zambia) which is owned by the South African telecom giant (MTN) and the state-owned firm - Cell Z. The third operator is yet to commence operations. MTN Zambia is Celtel's fiercest rival and has been gaining ground recently through aggressive pricing and by introducing cheap, dual chip handsets; Cell Z service targets the low-end, price sensitive segment of the market. Mobile telephony in the country is extremely cash generative, owing mainly to the fact that 99.5% of the customers are on pre-paid plans, so the exposure of the industry to credit risk is negligible. Celtel Zambia conducts its business transactions with distributors and dealers on a cash basis. The company has over 10,000 retailers and dealers (across the country's nine (9) provinces) distributing its products (SIM cards and airtime recharge cards, etc.) and services (voice telephony, SMS, MMS, GPRS/EDGE, Blackberry, etc). It has also introduced e-vouchers, and direct top ups to cater for lower denomination top-ups; customers can purchase air-time for as little as ~\$0.26 (K 1,000).

Price (as at 31st March 2009)
K320

Price Range (52 Weeks)
K 270 - 850

Shares Outstanding
5.2bn

Capitalisation (LC)
K1.66tn

Capitalisation (US\$)
US\$297.7m

Freefloat
20%

Daily Turnover
-US\$390,000

Exchange Rate (Effective)
K/US\$: 5,589.05

April 2009

Databank's Equity Picks (Continued)

Sonatel SA

Sector Classification: Media and Telecommunications

Location: Dakar, Senegal

Bloomberg/Reuters Tickers: SNTS BC/SNTS.CI

Exchange Traded: Botswana Stock Exchange

Sonatel was created in 1985 through the merger of the Senegalese's Post & Telecommunications Office and TéléSénégal. The company was privatised in 1997, paving way for France Telecom to acquire a 42.33% equity stake; the Senegalese government retains 28% and employees own a further 10%, leaving a free float of some 20%. It provides fixed-line and GSM-based mobile telephony (re-branded Orange in November 2006), internet services, television and corporate communications in Senegal. Sonatel is also the largest mobile phone service provider in Mali and in 2007 acquired licenses to operate in Guinea and Guinea-Bissau. Following the liberalisation of the Senegalese telecom market in 2004, the company faced competition in the mobile telephony segment - Millicom - which operates under the TiGo brand name which has since chalked ~25% share of the market. In 2008, the Senegalese government awarded another license to Sudatel. Sonatel is the only fixed line provider in Senegal. Mali's market was opened to competition in 2003; Sonatel's subsidiary in Mali - Ikatel Mali - is the dominant player, with a subscriber base of 1.6 million, which translates to a market share of 84%. The company's sole competitor in Mali - Malitel - is a subsidiary of SOTELMA, is the former state-owned firm, now controlled by Maroc Telecom. Mobile telephony contributes ~60% to the company's revenues; also worth mentioning is the fact that 70% of the company's revenues are generated in Senegal. Almost all mobile subscribers (98.6%) are prepaid subscribers. The company is also active in the Mauritanian and Sudanese markets.

Price (as at 31st March 2009)
CFA119,200

Price Range (52 Weeks)
CFA 99,500 - 190,000

Shares Outstanding
10m

Capitalisation (LC)
CFA1.19tn

Capitalisation (US\$)
US\$2.3bn

Freefloat
20%

Daily Turnover
~US\$800,000

Exchange Rate (Effective)
CFA/US\$: 507.570

Namibia Breweries Limited

Sector Classification: Breweries and Bottlers

Location: Windhoek, Namibia

Bloomberg/Reuters Tickers: NBS NW/NBS.NM

Exchange Traded: Namibian Stock Exchange

Namibia Breweries manufactures and distributes beer (brewed according to the German purity law (Reinheitsgebot) of 1516 such as Windhoek Lager), carbonated soft drinks (CSDs) (Pepsi Cola products) and Stortebeker Schnapps. Since it commenced operations in 1920, it has been the dominant brewery in Namibia with a production capacity of about 2 million hectolitres and an estimated market share of 75%. The company derives about 60% of its revenues from exports to over 20 countries including South Africa, its key export market. NBL Investment Holdings (NBLIH) has a 50.1% stake in Namibia Breweries, of which the Ohlthaver & List (O&L) Group (a Namibian mini-conglomerate) hold a 56% shareholding. The remaining 44% in NBLIH is held by Heineken and Diageo, which entitles the duo to a 28.9% equity stake in the company. In 2004, the three companies formed a JV company in South Africa - *brandhouse* - which markets, sells and distributes their products; each company owns 33% of the venture. SABMiller is the company's main competitor within Namibia. At the company's inception, it had four breweries: the Klein and Felsenkeller breweries in Windhoek, a brewery in Omaruru and the Hansa brewery in Swakopmund; since September 2005 the company has closed the latter, as part of a cost reduction programme.

Price (as at 31st March 2009)
N\$5.90

Price Range (52 Weeks)
N\$ 5.02 - 5.90

Shares Outstanding
~206.53m

Capitalisation (LC)
N\$1.22bn

Capitalisation (US\$)
US\$123.68m

Freefloat
48%

Daily Turnover
~US\$13,000

Exchange Rate (Effective)
N\$/US\$: 9.8524

April 2009

Databank's Equity Picks (Continued)

East African Breweries Limited

Sector Classification: Breweries and Bottlers

Location: Nairobi, Kenya

Bloomberg/Reuters Tickers: KNBL KN/EABL.NR

Exchange Traded: Nairobi Stock Exchange

East African Breweries has been in existence since 1922; it is owned and controlled by the Diageo Plc (~50%) and is East Africa's leading brewery business. The company manufactures and distributes a portfolio of regional and global brands in Kenya (its largest market, which has 16 key distributors), Uganda and Tanzania (through an associate investment). The company's ordinary shares trade on the bourses in those three East African countries. The company's subsidiaries include: Kenya Breweries (80%), Uganda Breweries Ltd (98%), Tanzania's Breweries (20%), International Distillers Uganda, Central Glass Industries (100%), East Africa Malting (100%) and United Distillers & Vintners Kenya (100%). The company's portfolio of brands consists of a large variety of beers and stouts (e.g. Tusker, Guinness FES) and spirits (such as Johnny Walker and Smirnoff). Malta Guinness and Alvaro are the firm's leading non-alcoholic beverages. Kenya still represents the bulk of the business, accounting for almost 75% of net sales and 80% of pre-tax profit; the implementation of tax increases on barley beers and an increase in the excise tax levied on spirits has adversely affected the growth prospects of its Kenyan operations. Key to reducing the dependence on the Kenyan market lies in increasing its export revenues; the Tanzanian market has shown some promise in that respect over the last three years.

Nigerian Breweries Plc

Sector Classification: Breweries and Bottlers

Location: Lagos, Nigeria

Bloomberg/Reuters Tickers: NB NL/NIBR.LG

Exchange Traded: Nigerian Stock Exchange

Nigerian Breweries Plc was incorporated in 1946 as a joint venture with Unilever to produce and market lagers, stouts and non-alcoholic beverages in Nigeria. Heineken BV acquired Unilever's 54% stake nine years ago, and holds a number of management positions including CEO and Finance Director. It currently has the leading market share in the lager and malt segments, offering products such as Gulder (dark beer), Star (lager), Legend (stout), and Maltina. Over the last three years, the company has directed its efforts towards product innovation with help from its parent company first by commencing production of Heineken in Nigeria, and subsequently by launching Fayrouz (a malt-based fruit drink), and Gulder Max (a variant of the existing beer). The company has five breweries around the country; the largest of these was completed in 2007 at a cost of \$250m. Later that year, the company also commissioned a canning line at its Lagos brewery, and launched Heineken, Star and Amstel Malta in can packages, which retail at a 30%-40% premium to its bottled counterparts. Nigerian Breweries plans to establish a new bottling line at its Aba brewery, as well as structural extensions of its Lagos and Kaduna plants. Sales volumes have since gone up by ~25% (y/y) and the company is currently investing massively in operations expansion, especially in terms of capacity and backward integration.

Price (as at 31st March 2009)
Ks115

Price Range (52 Weeks)
Ks 93.50 - 220

Shares Outstanding
~790.77m

Capitalisation (LC)
Ks90.94bn

Capitalisation (US\$)
US\$1.13bn

Freefloat
35%

Daily Turnover (3 Month Avg.)
~US\$300,000

Exchange Rate (Effective)
Ks/US\$: 80.27

Price (as at 31st March 2009)
N35.75

Price Range (52 Weeks)
N 27.25 - 54.50

Shares Outstanding
~7,562.56m

Capitalisation (LC)
N270.36bn

Capitalisation (US\$)
US\$1.86bn

Freefloat
54%

Daily Turnover (3 Month Avg.)
~US\$525,000

Exchange Rate (Effective)
N/US\$: 145.70

April 2009

Notes

Performance of African Stock Markets in Q109

COUNTRY	Stock Market		Change (%)		P/E (x)	Market Capitalization (US\$'bn)	Latest Inflation (%)
	Index Name	Index Level	Year-to-Q1'09 (LC)	Year-to-Q1'09 (USD)			
Tunisia	TUNINDEX	3,113.0	7.63%	0.79%	19.36	4.79	3.1
Tanzania	DSEI	1,231.0	-0.72%	-2.98%	na	3.69	13.3
South Africa	JSE All Share	20,363.9	-5.32%	-7.81%	na	na	8.6
Egypt	EGX 30	4,193.9	-8.76%	-9.86%	5.22	43.74	13.5
Botswana	DCI	6,451.3	-8.30%	-10.43%	10.68	3.13	11.7
Morocco	MASI	10,402.1	-5.30%	-10.46%	17.27	40.85	3.8
Mauritius	SEMDEX	1,072.0	-9.36%	-11.08%	5.49	2.86	7.0
Namibia	Overall	478.8	-13.92%	-15.04%	6.18	75.56	11.6
Malawi	Domestic	3,954.0	-17.88%	-16.78%	10.03	1.43	9.7
Kenya	NSE 20	2,805.0	-20.34%	-19.93%	10.44	6.25	25.1
Uganda	ALSI	652.3	-16.30%	-21.13%	10.63	1.79	14.1
Cote d'Ivoire	BRVM Comp	149.1	-16.33%	-22.05%	11.99	5.55	na
Zambia	All Share	2,182.5	-14.04%	-23.57%	12.09	1.37	13.1
Ghana	DSI	10,252.2	-13.89%	-23.73%	26.03	12.59	20.3
Nigeria	All Share	19,825.1	-36.96%	-40.33%	na	26.86	14.6

NB: Namibia's market capitalization includes JSE cross listed stocks

Source: Websites of African Stock Markets, Oanda.com, National Statistical Websites and Databank Databases

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