

STOCK MARKET REPORT 2011

Overview

The year 2011 saw our major index STRI finish a volatile year fairly close to where it started (1.05% down to 1659.82). It was also the year SPSE entered into its first full year of operating digitally using its state of the art trading platform after launching the use of this colossal infrastructure in July 2010.

The Exchange experienced an improvement in the overall trading compared to the previous year. In aggregate, the SPSE trading platform facilitated trades of a total volume of 1.70 million securities in 718 transactions garnering an aggregate consideration of \$3.49 million. In 2010, the total volume of shares traded was 2.27 million accumulating \$2.66 million in consideration in 711 transactions. Moreover, after experiencing muted seasons of no trades in the bond market for the past three and a half years, this year the Exchange witnessed a trade in the Fiji Development Loan (FDL) Long Term with a face value of \$7,500. The market also witnessed the listing of Future Forests (Fiji) Limited (FFF) in November 2011. The company successfully listed both its Ordinary Shares and Convertible Notes instruments on the Main Securities Board and the Interest Rate Securities Board of the Exchange respectively and became the first security ever to simultaneously list two instruments on the SPSE.

Overall market capitalisation fell 4.40% over the 12 months reflecting drop in prices of 10 out of the 18 securities listed. Delisting of Fiji Sugar Corporation resulted in around \$11.10 million reduction in the market capitalisation in February 2011. However, this was more than offset by the two new FFF securities added to the official list boosting the market capitalisation by \$19.10 million.

Buy to sell ratio was around 1:61 on average during 2011 strongly indicating a bear market. With offers largely outnumbering bids in the market for a number of years now, the downward pressure on prices has remained. While some new investors entered the market spotting opportunities, majority of them disposed their shares to either move to cash markets or to meet other cash commitments. A number of securities remained offer-only or with very wide bid-offer spreads through most of the year which was a hindrance to matched trades. Existing listed companies continued to be tightly held which also dampened the level of trading.

The summary of securities trading on the SPSE for 2011 in comparison with 2010 is depicted below.

Table 1

Summary of Security Trading	2011	2010	% Change
Market Capitalisation (\$)	743,998,593	778,237,533	-4.40
Number of Trades	718	711	+0.98
Volume of Securities Traded	1,696,011	2,269,743	-25.28
Value Traded (\$)	3,492,337	2,663,472	+31.12

Trading Report

The restricted security, Fijian Holdings Limited (FHL) was the most actively traded stock for 2011 both in terms of volume and consideration. Communications Fiji Limited (CFM), RB Patel Group Limited (RBG) and VB Holdings Limited (VBH) then queued with their market turnover values respectively. Trades in these four companies accounted for 87.44% of the total value traded during the year.

The FFF Convertible Notes (FFFN) was the most inactive stock in 2011 with no trades recorded in the security. This could relay to the fact that this hybrid security just listed in November 2011 and has a fixed interest rate of 7.5% per annum payable twice yearly on 1st January and 1st July for a maximum of 5 years.

Furthermore, looking at the most active stock in terms of the number of transactions, FHL registered the highest number of trades recording 494 trades during the period under review. This soaring number of trades could relay to the fact that FHL is the only security that executes its dividend re-investment trades on the trading platform. RBG and CFM assembled behind FHL with 54 and 28 trades respectively during the year.

The trade analysis for 2011 is portrayed below.

Table 2

Security	PRICES			TRADE ANALYSIS		
	Last Sale Price as at 31/12/10 (F\$)	Last Sale Price as at 30/12/11 (F\$)	% Change in Last Sale Prices	Number of Trades	Volume Traded	Market Turnover (F\$)
APP	0.77	0.77	0.00	3	4,100	3,157
ATH	0.91	0.76	-16.48	23	31,555	27,716
CFM	1.75	2.10	+20.00	28	195,360	368,270
FFF *	n/a	0.83	n/a	2	760	629
FGP	10.75	10.50	-2.33	27	7,979	79,875
FIL	0.65	0.50	-23.08	1	6,393	3,197
FMF	0.40	0.50	+25.00	13	211,798	85,081
FTV	3.00	2.50	-16.67	20	20,347	52,963
KGF	0.45	0.29	-35.56	11	191,044	65,015
PBP	0.95	0.90	-5.26	19	54,801	49,986
PGI	0.92	2.10	+128.26	7	4,426	8,911
RBG	1.81	2.05	+13.26	54	74,063	143,453
RCF	2.35	2.30	-2.13	1	2,000	4,600
TTS	1.90	1.87	-1.58	3	7,208	13,479
VBH	2.99	2.98	-0.33	1	40,000	119,200
FHL	3.14	2.76	-12.10	494	837,096	2,422,938
BCN	5.25	6.21	+18.29	11	7,081	43,867
FFFN *	n/a	1.00	n/a	No Trades		
Total				718	1,696,011	3,492,337

* FFF and FFFN were listed on the Main Securities Board and the Interest Rate Securities Board respectively on 21st November 2011

Registered Bond Trades

Issuer	Value Date	Coupon Rate (%)	Maturity Date	Yield To Maturity (%)	Price/100 Units	Nominal Value	Market Value
FDL (LT)	05-Jul-11	12.31	11-Apr-22	8.93	\$122.54	7,500.00	\$9,190.50

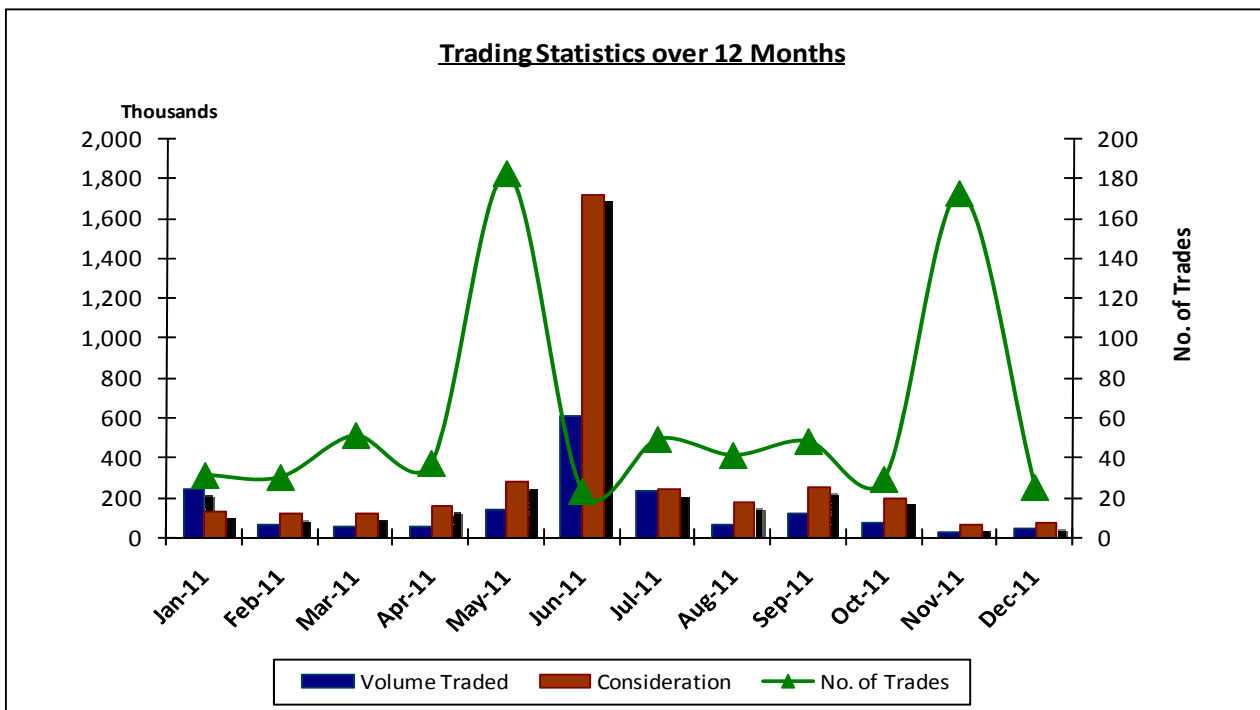
Trading Statistics over 12 months

The year 2011 started on a high note with a consideration amount of \$130,203 accumulating in January. The month of January saw an exchange of bigger parcels in FMF Foods Limited (formerly Flour Mills of Fiji Limited) (FMF) and as such the security was the most active stock in terms of number of trades, volume traded and value traded. The trading slowed down for the month of February and regained a slight momentum in March leading up to April. The

month of May saw the execution of FHL's first bi-annual dividend re-investment trades for the year 2011. In June, a big parcel was executed in FHL accounting for 68.32% of the security's annual turnover. Trading remained lively in July, slowed down a little in August and picked its pace in September. Over the period of May until September, the market did not witness any trades in Amalgamated Telecom Holdings Limited (ATH). The stock traded after a lapse of four months in September and generated a -5.95% price return. This had a flow on effect on the overall market capitalisation and the indices. The bid-offer ratio for most securities also grew during this time. Trading started slowing down with sellers piling up and this continued to put a downward pressure on prices. In November, the second bi-annual dividend re-investment trades for FHL were executed escalating the number of transactions. The month of December saw another month of slow trading pattern as the festive season set in.

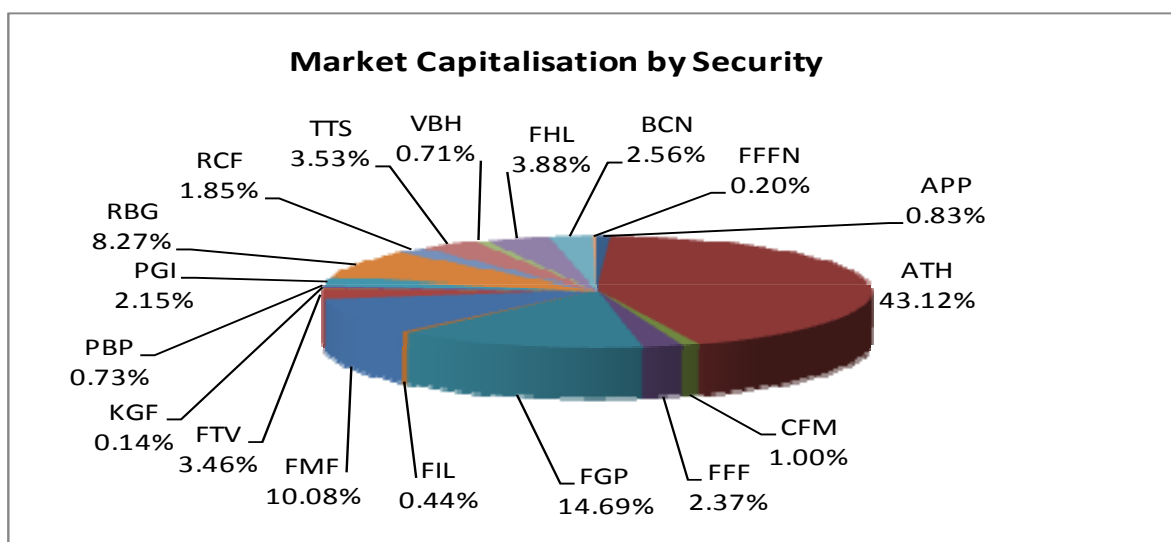
The behaviour in the trading pattern over the past 12 months is illustrated below.

Graph 1



Market Capitalisation

In terms of market capitalisation, ATH still remains the market heavyweight but fell from 49.36% in 2010 to 43.12% in 2011. It was followed by FGP and FMF making up for 14.69% and 10.08% respectively of the overall market capitalisation. The five largest companies represented 80.04% of the market as at end of 2011.



Price Gainers/Losers

In terms of price gainers, only five out of the 18 listed securities experienced positive growths yielding capital gains for the investors. The largest price gainer was Pacific Green Industries (Fiji) Limited (PGI) which took an upswing of 128.26% from \$0.92 to close the year at \$2.10. The second highest price gainer was, FMF Foods Limited (FMF) which rose by 25.00%. The radio conglomerate, Communications Fiji Limited (CFM) and the supermarket chain, RB Patel Group Limited (RBG) also gained 20.00% and 13.26% respectively. Moreover, after remaining invariable in 2010, the hybrid security, BSP Convertible Notes Limited (BCN) gained 18.29% closing the year at \$6.21. Future Forests Fiji Limited (FFF) equity security also gained 3.75% from the issue price of \$0.80 to close the year at \$0.83.

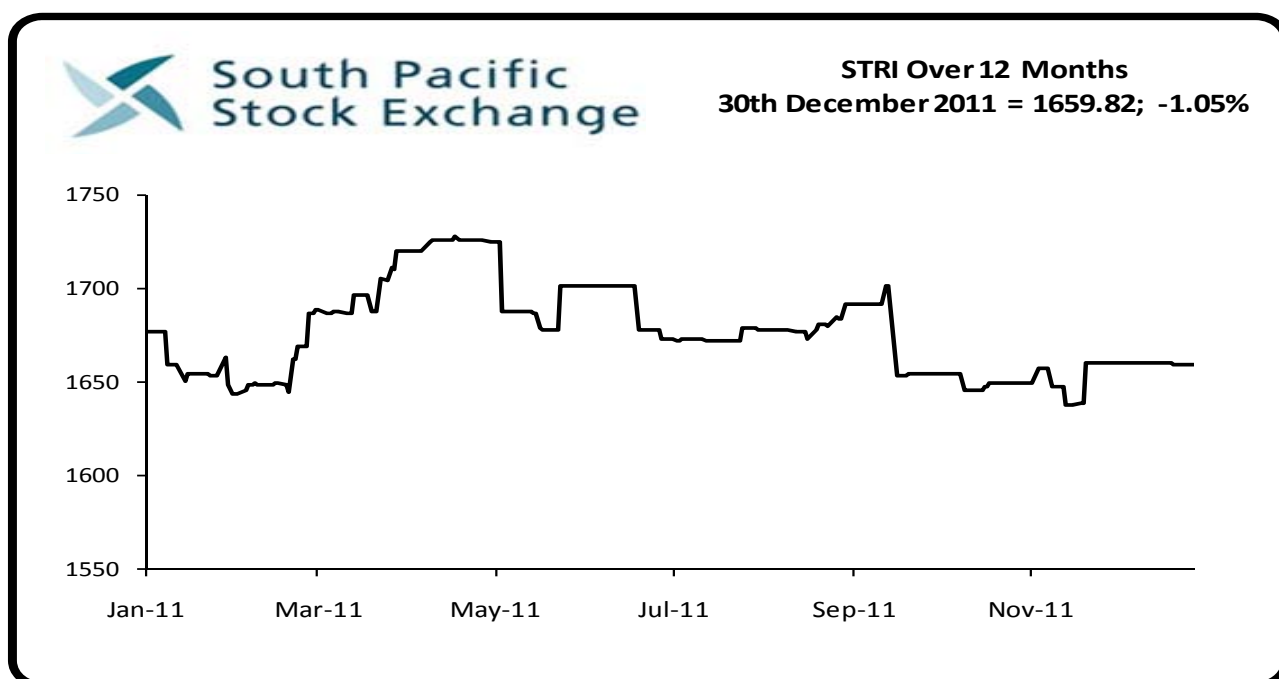
In terms of securities witnessing negative price returns, the major price fall was experienced by Kontiki Growth Fund Limited (KGF) with the share price dipping 35.56% to close the year at \$0.29. The other major price fall was experienced by FijiCare Insurance Limited (FIL) dipping 23.08% over this period. The telecommunications giant, Amalgamated Telecom Holdings Limited (ATH) also saw a drop of 16.48% in its share price and being the market heavy weight, the fall in the share price had a flow on effect on the overall market capitalization and indices.

Atlantic & Pacific Packaging Company Limited (APP) was one of the two securities whose prices remained invariable during the year. The security's price stands at \$0.77. FFFN got listed on the Interest Rate Securities Board of the Exchange on 21st November 2011 at a subscription price of \$1.00. There were no trades witnessed in this hybrid security in 2011 therefore its price remained unchanged as well.

SPSE Total Return Index (STRI)

The SPSE barometer stood at 1659.82 at close of trading at the end of 2011. The total return index fell 1.05% during the period under review. Since STRI is a market capitalization weighted total return index, the price drop in three of the five largest securities attributed to the STRI dipping over the past 12 months. However, the average yield (including dividend and interest) for 2011 stood at 3.78% with the capital growth averaging at 5.58%. Overall the market had a positive average total return of 8.75%, which was reflected in our Equal Weighted Total Return Index that gained 8.68% over the same period. All four indices maintained by SPSE are published on our website daily and this includes market capitalisation weighted and equal weighted indices that can be either price or total return indices.

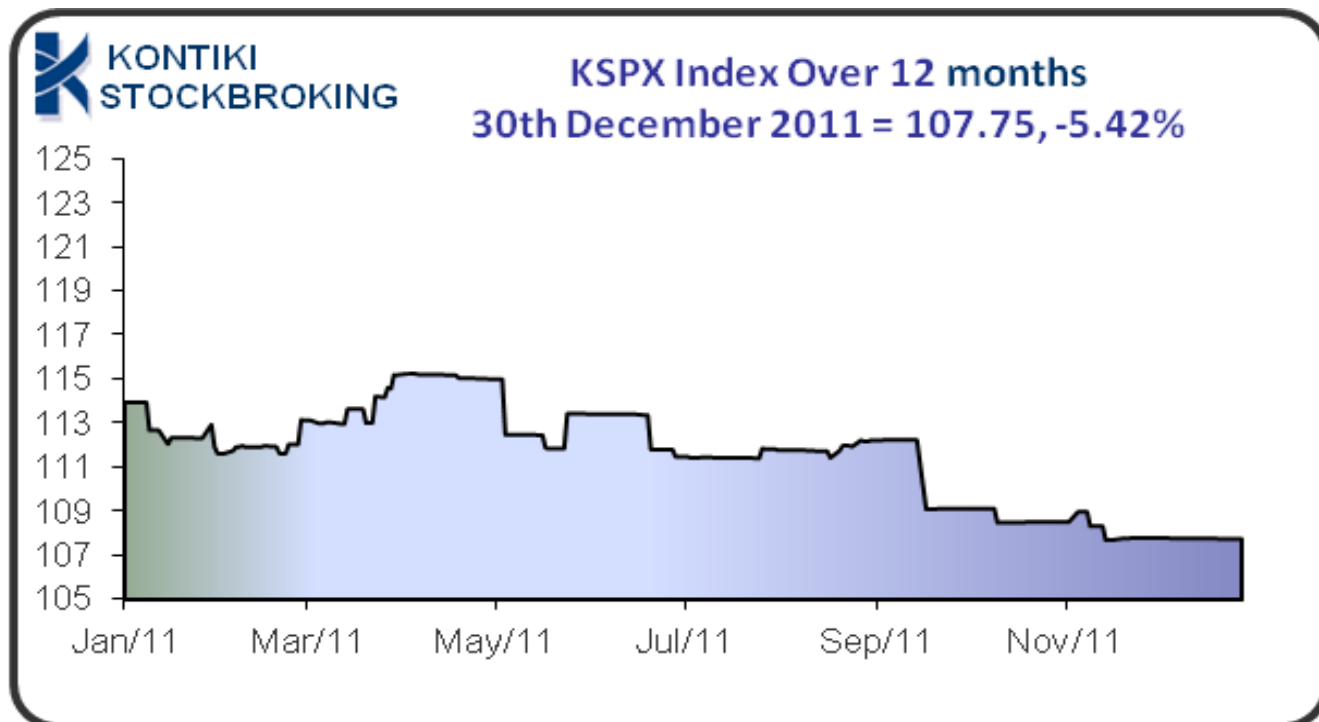
STRI Graph



Kontiki South Pacific Stock Exchange Index (KSPX)

The KSPX Index is a share price index composed of the market-weighted average of the 18 securities listed on the SPSE official list. This share price index is prepared by Kontiki Stockbroking Limited.

KSPX Graph



Source: Kontiki Stockbroking Limited

The KSPX index as at 30th December 2011 was at 107.75, down 5.42% in comparison to 2010. The decrease in the index over 12 months can be attributed to the downward movement in the share prices for majority of the listed companies during the period under review.

Capital Growth and Total Market Return

Despite witnessing a considerable negative capital return from the market heavy weight security, ATH, the overall capital growth of the entire stock market averaged at around 5.58% compared to a negative capital yield of 9.53% in 2010. Pacific Green Industries (Fiji) Limited recorded the highest capital growth of 128.26% as it recouped from its price fall in 2010, summing a total market return for the company of 130.64%. Kontiki Growth Fund Limited (KGF) registered the highest negative capital growth and market return of -35.56%.

Out of the 18 securities listed, five had positive capital growths and one of the newly listed securities saw a rise of 3.75% in its share price compared to its issue price while 10 of the securities had negative capital growths. APP and FFFN were the only two securities yielding no capital gain or loss as their prices remained unchanged. The total market return from the listed security encompasses the dividend yield, interest yield and the capital growth of that respective security. With current yield averaging at 3.78%, the stock market offered an average return of 8.75%, a much better return compared to the 2010 year.

This is depicted in the table below.

Table 3

Security	Current Yield (Dividend/Interest)	Capital Growth	Total Market Return
APP	4.55%	0.00%	4.55%
ATH	3.95%	-16.48%	-12.54%
CFM	4.29%	20.00%	24.29%
FFF	0.00%	n/a	0.00%
FGP	8.67%	-2.33%	6.34%
FIL	0.00%	-23.08%	-23.08%
FMF	1.20%	25.00%	26.20%
FTV	5.60%	-16.67%	-11.07%
KGF	0.00%	-35.56%	-35.56%
PBP	1.11%	-5.26%	-4.15%
PGI	2.38%	128.26%	130.64%
RBG	6.83%	13.26%	20.09%
RCF	3.26%	-2.13%	1.13%
TTS	1.60%	-1.58%	0.03%
VBH	4.03%	-0.33%	3.69%
FHL	7.25%	-12.10%	-4.86%
BCN	5.92%	18.29%	24.20%
FFFN	7.50%	n/a	7.50%
Average :	3.78%	5.58%	8.75%

Outlook for 2012

One of the key objectives of the Exchange in the recent years has essentially been to increase the number of listings on the SPSE and to enhance the visibility of the Exchange at the international level with a view to attract more foreign investor interests in our market together with its continued effort in scaling to new heights by developing an investment culture in Fiji. The listing of two new securities in 2011 has given some boost to our strategic goal as the Exchange managed to expand the multiplicity of the products listed on the SPSE with another interest bearing stock and also a listing of an agro-industry company.

The Exchange will continue on its attempt to boost investor confidence and increase the level of trading activity in 2012. Now with the availability of an electronic trading platform, the system is accessible by the brokers outside of their offices and they are able to execute trades for their clients from around the country. This will give the Exchange a raised profile and substantiate the Exchange's seriousness in exhausting its efforts in developing and bringing the stock market within the reach and understanding of the public domain in Fiji. The tax advantage regarding the exemption of the Capital Gains Tax for gains made from trading in listed securities should see an increase in trading as many individual and institutional investors are now realising the benefits of this incentive from the Government.

Finally, from 2012, the Exchange will begin partnering with the provincial companies with the assistance from the brokers in disseminating stock market knowledge in the rural settlements in order to help them make informed decisions on their savings by advising them on various forms of investment options available and how they can maximise returns from their savings. Certain communities have been identified to be having funds but due to lack of financial literacy and understanding, it has hindered the mobility of these funds. The Exchange will also continue to hold its eminent Lunch-Hour Seminars around the country in 2012 and will try to tap into other investor pools that have investment interests in the stock market.