

STOCK MARKET REPORT 2012

Overview

Globally, economic stagnation continued in 2012. These global trends affected our domestic economy, as the Reserve Bank of Fiji (RBF) revised the projected growth of the Fiji economy downward from 2.7% to 2.5%.

As in other capital markets, however, the South Pacific Stock Exchange (SPSE) trading statistics showed greater optimism for the future. The overall capitalisation of the market rose 9.71% and our total return index, STRI increased 14.07%. The year end market capitalisation stood at \$816.25 million reflecting increases in share prices of 10 out of the 18 listed securities. The STRI, which includes the value of dividends and interests that investors receive, ended the year at a value of 1893.30. Finally, our Equal Weighted Total Return Index also rose 6.76% to a year end value of 2420.21.

The increase in prices coincided with increased trading activity on the e-trading platform. In aggregate, 19.86 million shares and notes traded in 891 transactions garnering an aggregate consideration of \$119.00 million. These trading statistics include 18 special crossing transactions executed in nine different listed securities. Special crossing transactions are bilateral deals on the sale and purchase of larger quantities of shares in a security which are one-off transactions. Foremost among these special crossings was the largest trade in the history of the SPSE- the exchange of 9.33 million shares in Paradise Beverages (Fiji) Limited (previously known as Foster's Group Pacific Limited) with a consideration of \$108.64 million. This trade was a result of Coca Cola Amatil (Fiji) Limited acquiring 89.59% shareholding in FGP from Foster's Australia Limited (FAL). Excluding these one-off trades, 873 transactions were noted garnering \$3.21 million in consideration for the 4.25 million securities that traded.

New order flow into the market, particularly during the second half of 2012, remained healthy with a weekly average consideration of \$147,623. This flow and the healthy trading volume reduced the buy to sell ratio by a factor of two. The increase in the total number of trades (24% higher than 2011) indicates substantial small investor participation.

Despite these trends, trading in a minority of shares remained relatively slow. Some of these securities remained offer-only or with very wide bid-offer spreads, hindering matched trades. Other listed companies continued to be tightly held which also dampened the level of trading. Some listed securities submitted improved financial results together with expansion plans and future prospects during the year and we envisage these fundamentals to be reflected in price movements going forward.

Table 1

Summary of Security Trading	2011	2012	% Change
Market Capitalisation (\$)	743,998,593	816,249,812	+9.71
SPSE Total Return Index (STRI)	1659.82	1893.30	+14.07
Number of Trades	718	891	+24.09
Volume of Securities Traded	1,696,011	19,864,444	+1071.24
Value Traded (\$)	3,492,337	118,997,018	+3307.37

N.B -Includes special crossing values

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Market Capitalisation (\$)	743,998,593	816,249,812	+9.71
SPSE Total Return Index (STRI)	1659.82	1893.30	+14.07
Number of Trades	718	873	+21.59
Volume of Securities Traded	1,696,011	4,250,282	+150.60
Value Traded (\$)	3,492,337	3,205,247	-8.22

N.B - Excludes special crossing values

Trading Report

Due to the execution of the special crossing transaction, Paradise Beverages (Fiji) Limited (FGP) was the most active stock both in terms of quantity and value traded. Excluding all the special crossing transactions of 2012, FMF Foods Limited (FMF) was the most active stock both in terms of volume and consideration (with around \$1 million in market turnover), followed closely by Fijian Holdings Limited (FHL). Market heavyweight, Amalgamated Telecom Holdings Limited (ATH) and the supermarket chain, RB Patel Group Limited (RBG) had the third and fourth highest market turnover values respectively.

Furthermore, looking at the most active stock in terms of the number of transactions, FHL registered the greatest number of trades (582). This number of trades which is more than five times larger than the second most active security partly resulted from FHL having a market based dividend re-investment option for its shareholders.

Moreover, excluding the special crossing transactions, five securities witnessed single trades in 2012: FijiCare Insurance Limited (FIL), Pleass Global Limited (PBP), Pacific Green Industries (Fiji) Limited (PGI), The Rice Company of Fiji Limited (RCF) and Toyota Tsusho (South Sea) Limited (TTS).

The trade analysis for 2012 is portrayed below.

Table 2

Security	PRICES			TRADE ANALYSIS		
	Last Trade Price as at 31/12/11 (F\$)	Last Trade Price as at 31/12/12 (F\$)	% Change in Last Trade Prices	Number of Trades	Volume Traded	Market Turnover (F\$)
APP	0.77	0.71	-7.79	5	15,678	11,193
ATH	0.76	0.88	+15.79	109	558,616	424,997
CFM	2.10	2.21	+5.24	16	1,070,454	2,255,152
FFF	0.83	0.80	-3.61	7	23,856	19,283
FGP	10.50	13.14	+25.14	16	9,331,342	108,717,179
FIL	0.50	0.53	+6.00	8	3,655,576	1,352,612
FMF	0.50	0.40	-20.00	30	2,973,839	1,097,282
FTV	2.50	2.67	+6.80	40	1,531,330	3,694,658
KGF	0.29	0.29	0.00	6	120,333	34,497
PBP	0.90	0.85	-5.56	2	85,266	72,476
PGI	2.10	2.00	-4.76	1	3,000	6,000
RBG	2.05	2.15	+4.88	43	130,199	272,289
RCF	2.30	2.30	0.00	2	452	1,040
TTS	1.87	2.20	+17.65	1	6,089	13,396
VBH	2.98	3.00	+0.67	4	14,891	44,633
FHL	2.76	2.90	+5.07	582	323,856	912,227
BCN	6.21	6.15	-0.97	16	9,367	57,702
FFFN	1.00	1.01	+1.00	3	10,300	10,403
Total				891	19,864,444	118,997,018

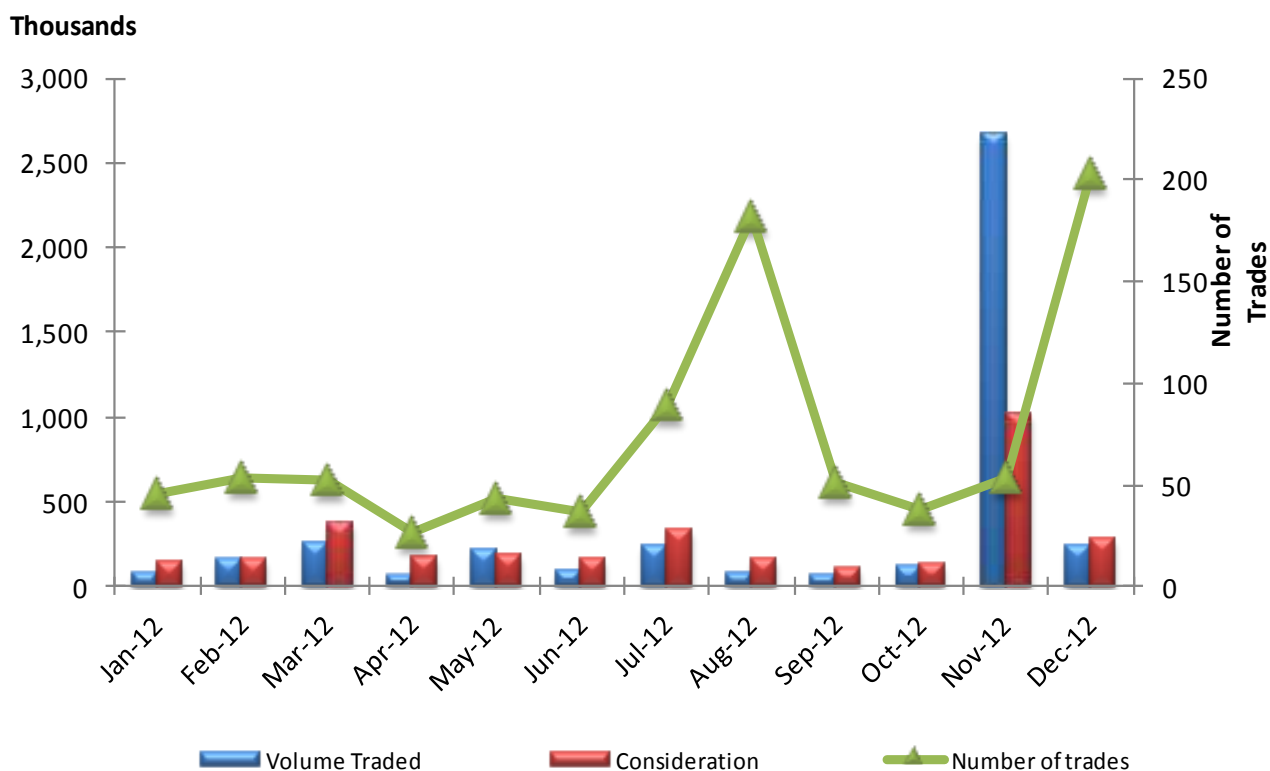
Trading Statistics over 12 months

The year 2012 began on an active note with the market witnessing two major special crossing transactions for the year in January. Firstly, in order to remain compliant with the Media Industry Development Decree 2010, Hari Punja & Sons Ltd divested its entire shareholding of 27.82% in Communications Fiji Limited (CFM) to Parkinson Holdings Ltd. Furthermore, another special crossing transaction was noted in Fiji Television Limited (FTV) whereby the Government of Fiji liquidated its 14.00% shareholding to Hari Punja & Sons Ltd. Trading slowed down in February and regained a slight momentum in March with FHL being the most active stock in terms of number of trades. Trading slowed in April as only four out of the 18 listed securities witnessed trades. Trading in May picked up again with ATH and RBG being the two active stocks both in terms of volume and value traded. The month of June saw another three special crossing transactions, all in FijiCare Insurance Limited (FIL) as Aequi- Libria Associates acquired substantial portions of the holdings of Family Assurance Limited (36.66%) and AFA Limited (7.10%). The month of July and August remained active as well with the first batch of FHL bi-annual dividend re-investment trades getting executed during this period. The month of September was the most active as FIL saw another three transactions getting executed as special crossings with Stronghold Investments Inc. acquired the remaining shareholdings of Family Assurance Limited (8.64%) and AFA Limited (1.67%). The highlight for the year was when Coca Cola Amatil (Fiji) Limited acquired 89.59% shareholding in FGP from Foster’s Australia Limited (FAL), resulting in the largest trade on SPSE since its inception. Trading remained active in October and November with ATH, FMF and FHL being the most active stocks. Despite the festive season setting in during the month of December, trading remained active partly due to the execution of the second bi-annual dividend re-investment trades for FHL and due to the nine special crossing transactions whereby as part of Kontiki Growth Fund Limited’s (KGF) ongoing strategy to improve its performance, the company acquired a proportionate holding of 22.52% of Kontiki Fund’s (KF) investment in various listed companies. Trades were also noted in TTS, PBP and RCF in December with all three securities trading after a lapse of more than a year.

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

Graph 1

Graph 1: Trading Statistics over 12 months
(Excluding Special Crossings)



Market Capitalisation

In terms of market capitalisation by security, ATH still remains the market heavyweight comprising 45.51% of the entire market as at the end of 2012. It was followed by FGP and RBG making up for 16.76% and 7.90% respectively of the overall market capitalisation. The five largest companies represented 81.30% of the market as at end of 2012.

The top seven securities in-terms of market capitalisation at the end of 2012 were as follows:

1. ATH – 45.51%
2. FGP – 16.76%
3. RBG – 7.90%
4. FMF – 7.35%
5. TTS – 3.78%
6. FHL – 3.72%
7. FTV - 3.37%

The graph below indicates the contribution of each listed security towards the overall market capitalisation.

Graph 2

Graph 2: Market Capitalisation by Security

ATH, 45.51%	FTV, 3.37%	APP, 0.70%
FGP, 16.76%	BCN, 2.31%	PBP, 0.62%
RBG, 7.90%	FFF, 2.08%	VBH, 0.65%
FMF, 7.35%	PGI, 1.87%	FIL, 0.42%
TTS, 3.78%	RCF, 1.69%	FFFN, 0.19%
FHL, 3.72%	CFM, 0.96%	KGF, 0.13%

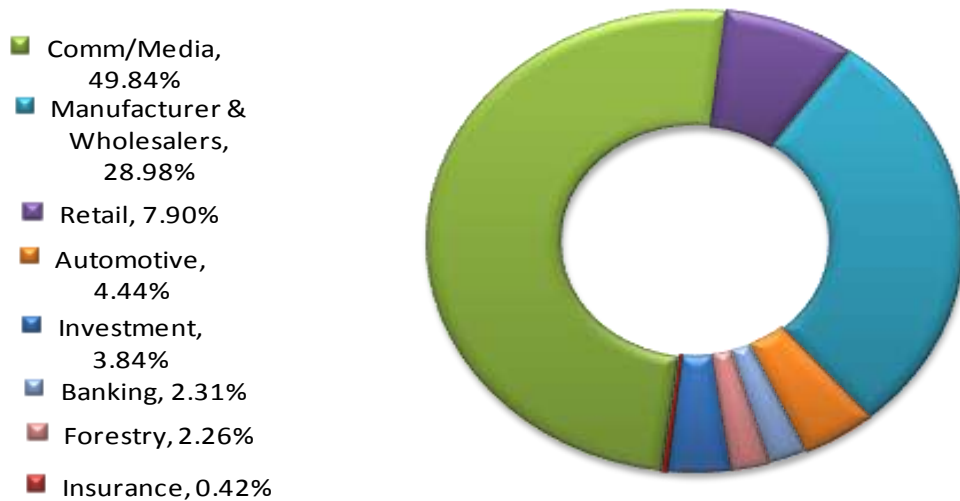


Graph 3

By industry sector, the communications and the media sector holds the largest portion of market capitalisation due to the presence of the market heavyweight, ATH, which solely contributed 45.51% towards the aggregate market value.

The graph below indicates the contribution of each sector towards the overall market capitalisation.

Graph 3: Market Capitalisation by Sector



Price Gainers/Losers

10 out of the 18 listed securities experienced price increases during 2012, yielding gains for the investors. Paradise Beverages (Fiji) Limited (FGP) led the way with a 25.14% share price increase. The second highest price gainer was Toyota Tsusho (South Sea) Limited (TTS) taking an upswing of 17.65%. Assembling behind in-terms of price gainers were ATH, FTV, FIL, CFM, FHL and RBG. At the end of 2012, RBG and CFM continued to trade at their all-time high share prices of \$2.15 and \$2.21 respectively. Other price gains were noted for Future Forests (Fiji) Limited convertible notes security (FFFN) of 1.00% and VB Holdings Limited (VBH) of 0.67%.

Six securities' prices decreased in 2012. The largest price decline was experienced by FMF Foods Limited (FMF) with the share price dipping 20.00% to close the year at \$0.40. Other price falls were experienced by Atlantic & Pacific Packaging Company Limited (APP) of 7.79%, Pleass Global Limited (PBP) of 5.56%, Pacific Green Industries (Fiji) Limited (PGI) of 4.76%, Future Forests (Fiji) Limited of 3.61% and the hybrid security, BSP Convertible Notes Limited (BCN) of 0.97%.

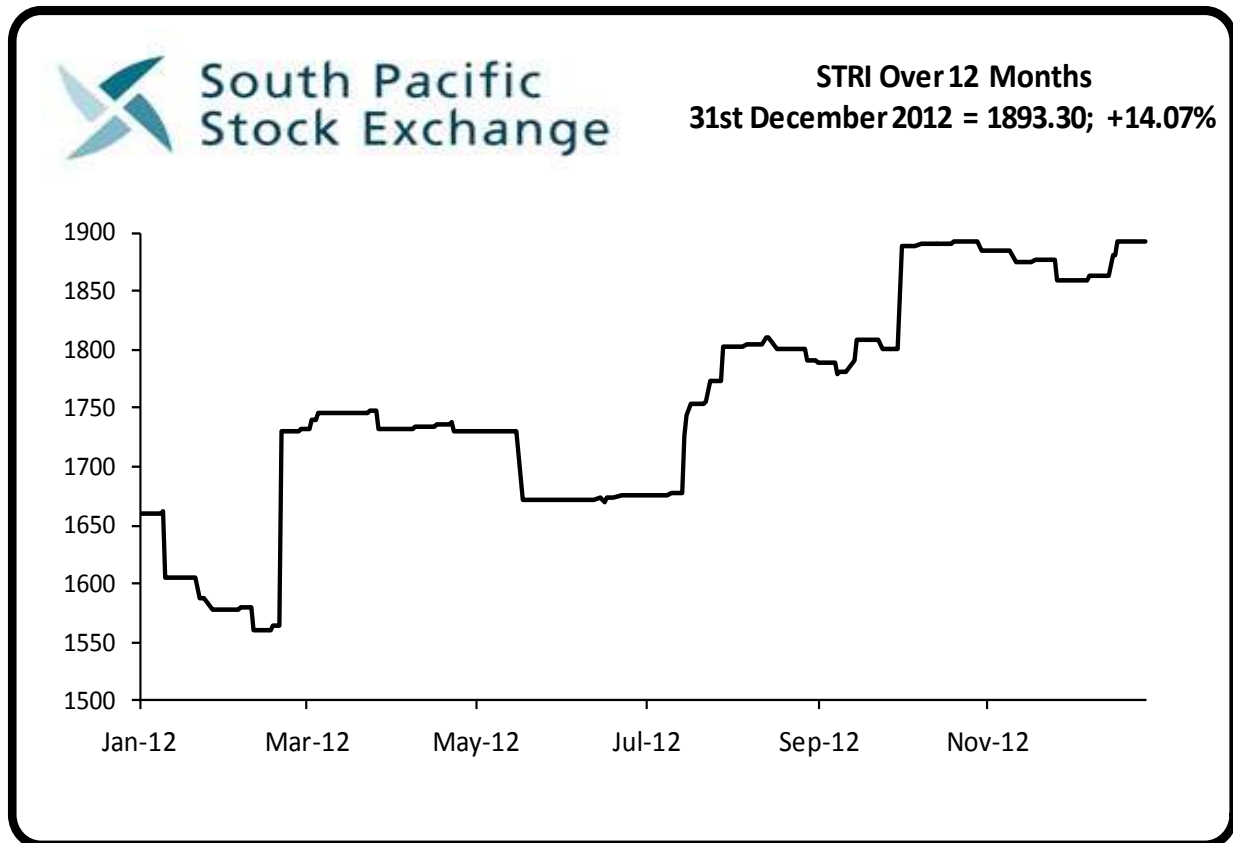
Despite witnessing trades in 2012, the share prices for Kontiki Growth Fund Limited (KGF) and The Rice Company of Fiji Limited (RCF) remained unchanged at \$0.29 and \$2.30 respectively. However, the 52 weeks low share price for KGF was \$0.25.

SPSE Total Return Index (STRI)

The SPSE barometer stood at 1893.30 at close of trading at the end of 2012. The market capitalisation weighted total return index rose 14.07% during the period under review. Unlike an equal weighted index, STRI weights the performance of larger companies more than smaller companies. Hence, movement in share prices of heavy weight securities have a greater impact on the index. In 2012, the rise in the share prices of top four of the five largest market capitalisation securities significantly contributed to the STRI's ascent.

The average yield (including dividend and interest) for 2012 stood at 4.00% with the capital growth averaging at 2.53%. Overall the market had a positive average total return of 6.53%, which was also reflected in our Equal Weighted Total Return Index that gained 6.76% 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



Capital Growth and Total Market Return

The overall total market return of the entire stock market in 2012 averaged at around 6.53% compared to an average total market return of 8.75% in 2011. The average current yield rose this year and stood at 4.00% in comparison to an average current yield of 3.78% in 2011. The average capital growth for 2012 stood at 2.53%.

The highest total market return was yielded by FGP of 28.03% followed by TTS which yielded 23.10%. ATH, CFM, FTV, FHL and RBG yielded total market returns of 19.20%, 12.93%, 12.42%, 11.97% and 11.39% respectively.

FMF Foods Limited (FMF) registered the highest negative capital return with an aggregate total market return of -18.00%.

Out of the 18 securities listed, 10 had a positive capital growth while six of the securities had negative capital returns. KGF was the only security yielding no capital gain or loss as the security's share price remained unchanged for the period under review. The total market return from the listed security encompasses the dividend yield, interest yield and the capital return (change in share price) of that security.

This is depicted in the table below.

Table 3

Security	Current Yield (Dividend/Interest)	Capital Growth	Total Market Return
APP	4.93%	-7.79%	-2.86%
ATH	3.41%	15.79%	19.20%
CFM	7.69%	5.24%	12.93%
FFF	0.00%	-3.61%	-3.61%
FGP	2.89%	25.14%	28.03%
FIL	0.00%	6.00%	6.00%
FMF	2.00%	-20.00%	-18.00%
FTV	5.62%	6.80%	12.42%
KGF	0.00%	0.00%	0.00%
PBP	2.35%	-5.56%	-3.20%
PGI	2.50%	-4.76%	-2.26%
RBG	6.51%	4.88%	11.39%
RCF	4.35%	0.00%	4.35%
TTS	5.45%	17.65%	23.10%
VBH	4.00%	0.67%	4.67%
FHL	6.90%	5.07%	11.97%
BCN	5.98%	-0.97%	5.01%
FFFN	7.43%	1.00%	8.43%
Average :	4.00%	2.53%	6.53%

Outlook for 2013

The Exchange's future prospects are intricately linked to its ability to leverage off its current strategies in terms of promoting listing, capital raising avenue and trading opportunities in 2013. Several initiatives have already been implemented in terms of regulatory and operational foundation in form of tax incentives and state of the art trading platform which can help us be the leading capital market in the Pacific Islands region and become more vibrant. A revision of the corporate tax rate for listed companies to 18.5% by the Fiji Government in the 2013 budget announcement recognizes the public benefit of companies listing on the SPSE. Although a similar incentive for a reduced corporate tax rate was experimented in 2010, that reduction was short-lived as the Government subsequently reduced the general corporate tax rate, eliminating the tax advantage for listed companies. In contrast, the current incentive does not have an expiry period. In addition, the decrease in tax rate is much clearer. The many private companies that have been considering listing would be well-advised to take steps towards listing now. Current listed companies and investors recognize that the tax change will result in improved wealth distribution through increased retail investor participation as well.

To continue to build investor knowledge and retail investor participation in listed securities on the SPSE, the Exchange regularly adjusts its investor education programs in ways that are attentive to the needs of potential as well as existing investors. In June 2012, the Exchange launched a new initiative called the Investor Education Briefing which is in line with the Exchange's mission statement to increase the attractiveness of the Exchange as an investment option. This briefing was the next step from popular SPSE Lunch-Hour Seminars whereby the Exchange partnered with listed company executives and the stockbrokers to share first hand information on how these securities are performing and give insights on future prospects. Using these initiatives, the Exchange will continue on its attempt to boost investor confidence and increase the level of trading activity in 2013.

SPSE continues to work with Fiji Revenue and Customs Authority (FRCA) to clarify some issues relating to capital market investments in order to provide clarity to investors and shareholders on potential tax implications. Moreover, the Exchange will continue 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.

Finally, so far SPSE has focussed essentially on listing of shares, convertible notes and bonds, however going forward the Exchange envisages listing of Depository Receipts for which SPSE and the relevant counterparts are in the process of carrying out feasibility studies and formulating the necessary regulatory frameworks.

Jinita Prasad
Chief Executive
04/01/2013