

A.N CLIENT

PRELIMINARY PORTFOLIO ANALYSIS

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CONCEPT ADVISORY SERVICES
P.O BOX 10090 -00100
Nairobi

Tel: 0722-495-107

Email: info@conceptadvisoryservices.co.ke
www.conceptadvisoryservices.co.ke

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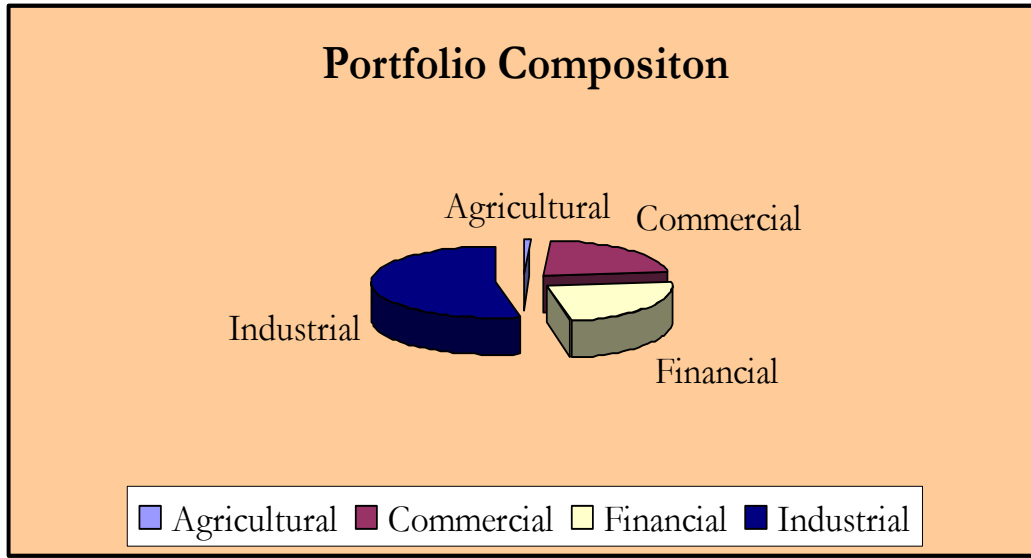
I.PORTFOLIO ANALYSIS

Current Status

Your current portfolio consists of 13 stocks across different sectors and in different proportions. It is summarized in the table below:

Portfolio Value as of May 13th 2009				
Security	Closing Price	Shares Held	% of Portfolio	Value Of Shares
Agricultural				
Kakuzi	Ksh23.50	221	0.90%	Ksh5,193.50
<i>Sub Total</i>			0.90%	Ksh5,193.50
Commercial and Services				
Kenya Airways	Ksh23.00	3,050	12.13%	Ksh70,150.00
TPS Serena	Ksh37.00	80	0.51%	Ksh2,960.00
Safaricom	Ksh2.80	19600	9.49%	Ksh54,880.00
<i>Sub Total</i>			22.13%	Ksh127,990.00
Finance and Investment				
Barclays Bank	Ksh44.50	2,000	15.39%	Ksh89,000.00
KCB	Ksh18.80	2,300	7.48%	Ksh43,240.00
Kenya Re	Ksh12.50	500	1.08%	Ksh6,250.00
<i>Sub Total</i>			23.95%	Ksh138,490.00
Industrial and Allied				
EA Cables	Ksh21.00	7,500	27.23%	Ksh157,500.00
EABL	Ksh120.00	812	16.85%	Ksh97,440.00
KPLC	Ksh120.00	9	0.19%	Ksh1,080.00
Mumias	Ksh4.35	4,287	3.22%	Ksh18,648.45
Kengen	Ksh12.45	2,531	5.45%	Ksh31,510.95
Eveready	Ksh2.55	200	0.09%	Ksh510.00
<i>Sub Total</i>			53.03%	Ksh306,689.40
Total			100.00%	Ksh578,362.90

NB: The value of shares does not include any fees or levies charged by the broker



Graphical Representation of Portfolio

II.OBSERVATIONS

The portfolio consists of well diversified stocks. Nine of the thirteen stocks in your portfolio consist of the benchmark NSE-20Share Index which is used as a barometer of market performance and thus your portfolio is likely to mirror the performance of the index.

The well diversified portfolio among the different sectors is critical in risk management of your portfolio. For example if your industrial stocks do not perform well, the performance of your portfolio may not be fully compromised if the financial and commercial services stocks do well.

However the portfolio seems skewed in favor of industrial stocks with 53.03% of your entire portfolio being held in one sector and further more 27.23% of your portfolio being held in one company (EA Cables). If put in perspective, with 27.23% of your portfolio exposed to EA Cables means your portfolio for example is highly vulnerable to global copper and aluminum prices which are primary raw materials for EA Cables. The risk of something as remote as world metal prices will have a significant effect on your portfolio. This is too much unnecessary risk being taken on.

When put in light of the current economic slow down, the industrial sector is/will be hardest hit and will subsequently (as forecasts indicate) also take slighter longer to recover as compared to other sectors such as the financial and commercial services sector. Therefore the stock allocation in the portfolio may have to be re-looked going forward so as to minimize the risk exposure of the portfolio to this sector.

Some stocks seem to be exposed to the same risks and thus does not add value holding both. The principal of diversification to reduce risk will be greatly compromised. For

example both Kenya Airways and TPS Serena are both affected when the tourism industry suffers and thus their stocks are likely to react or take the same direction.

III. INITIAL RECOMMENDATIONS

It is important to note these are general recommendations based on a broad overview of your portfolio and more time would be needed for further analysis and recommendations. One key recommendation we would make is the reduction percentage of EA Cables in your portfolio to probably 10% or less depending on future growth prospects of the company which requires further analysis.

With forecasts pointing at a faster turn around in sectors such as commercial and financial services with the current economic slow down, percentage holding of both sectors should increase to approximately 35% each at the expense of the industrial stocks.

Some of the stocks in the portfolio are too small in number to have any significant impact on the performance of the portfolio and further more, may lack strong growth prospects on going forward. For example Eveready and thus should be disposed off.

In addition, with regards to risk management through diversification, both Kenya Airways and TPS Serena stocks are both affected when the tourism industry suffers and thus we expect their share prices to react in the same way. It would thus make more sense with the principal of diversification to eliminate one of the two in order to reduce your overall risk exposure to that sector of the economy.

However due to insufficient information on your current needs and objectives as an investor, it will be difficult to make any further recommendations because your objectives greatly affect how your portfolio will be re-constructed.

If you have a short time horizon and are willing to take the risk, we can construct your portfolio with growth stocks that we forecast will be able to make significant capital gains in the next one to two years helping you grow your portfolio and at the same time taking care of inflation. Such stocks may include Access Kenya, Scan Group etc.

If you have a long time horizon and are seeking steady growth, then we can incorporate some blue chip stocks that are relatively stable and will help maintain the value of your portfolio in the long run as their prices do not fluctuate with big variations. Such stocks include East African Breweries Limited, Total Oil, British American Tobacco, Standard Chartered Bank etc.

IV. CONCLUSION

As mentioned above, with more information on your needs and objectives, we would have additional recommendations to the re-construction of your portfolio to meet those needs and objectives.

We look forward to working with you.

For Your Portfolio Analysis, Please contact us at

www.conceptadvisoryservices.co.ke

info@conceptadvisoryservices.co.ke