

# STOCK MARKET REVIEW 2015

## *SPSE Exceeds Growth Expectations for 2015 Performance Indicators*

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### 2015 Macro Overview

Globally, investment analysts predicted the year 2015 to plot a course with bullish expectations and relatively better stock performances, particularly in the United States (US), when compared to 2014. However, contrary to expectations, stock markets experienced a roller coaster year resulting in many investors losing value. For commodities, 2015 was not a favourable year either, particularly energy, natural gas and gold with total returns for natural gas and energy descending 40% and 30% respectively by November, 2015.

Similar to prevailing market conditions post-August of 2015, the global equity markets started 2016 on a sour note seeing a surge in volatility, putting investors on edge. Regulators in the Chinese stock market seemed to be intent on controlling market movements, with the application of a trading halt in the first week of the New Year. Investors fear that China, the world's second-largest economy is growing much slower than expected and could further weigh on commodity prices and global economic growth.

At the conclusion of 2015, the Reserve Bank of Fiji (RBF) reported below average growth for the global economy and particularly slower growth in China as well. Accommodative monetary policy stance by the RBF remained the order of the day with the overnight policy rate remaining at 0.5%. For the Fijian economy, the recent economic data published by RBF indicated relatively strong economic activity featuring buoyant consumption trends and confirmed that the nation is on track to achieve the 4% projected growth target for 2015.

In line with 2015 domestic economic conditions, Fiji's stock market which is largely insulated from global markets saw impressive gains in its key market indicators; overall market capitalisation, indices and aggregate market returns.

### Market Sentiments

2015 was characterised by high demand for and strong 'Hold' and/or 'Accumulate' investor preferences for listed securities, particularly high yield securities. Excess demand for listed securities underpinned capital gains as investors were willing to pay more to purchase high yield stocks relative to domestic alternatives.

Whilst investors remained relatively yield-driven, 2015 also saw an increase in retail investors acquiring securities for capital growth. With the prevailing strong 'Hold' preference, unexecuted orders were relatively large with delays noted in dividend reinvestment trades relative to timing in previous years.

For potential issuers of securities, the 2015 environment (which continues into 2016) is conducive for public floatation and dual listing, particularly for companies in other exchanges that are looking for buy-side investors.

### Overall Trading Pattern

The number of transactions via the SPSE e-trading platform for the year ended 31<sup>st</sup> December 2015 stood at 1,017 marginally lower than transactions in 2014. However, the total volume and value of trades for the year under review saw substantial increases in comparison to 2014, driven primarily by the special crossing transaction recorded in Amalgamated Telecom Holdings Limited (ATH) following Fiji Government's partial divestment of its holdings in the company. In aggregate, the total volume of trades for 2015 was 74,632,990 garnering a total consideration of \$91,425,891.

Trading in a few securities remained relatively quiet while a single security did not record any market activity in 2015. For most of these securities, trading was hindered by very wide bid-offer spreads.

Excluding the one-off transactions for 2015, the number of trades stood at 1,007 while the volume and value of shares totalled 1,666,886 and \$2,407,244. In line with the supply-glut and strong 'Hold' investor preference, statistics settled 50% lower than that of the volume and value of trades executed on trading platform in 2014.

The key market indicators in comparison to last year are illustrated in the table below.

Summary of Security Trading (Includes One-Off Transactions)	2015	2014	% Change
Number of Trades	1,017	1,206	-15.67%
Volume Traded	74,632,990	6,900,729	+981.52%
Value Traded (\$)	91,425,891	8,615,026	+961.24%
Average bid to offer ratio	1:0.8	1:1.5	n/a
Average weekly new order flow consideration (\$)	102,663	186,737	-45.02%

Summary of Security Trading (Excludes One-Off Transactions)	2015	2014	% Change
Number of Trades	1,007	1,191	-15.45%
Volume Traded	1,666,886	3,784,975	-55.96%
Value Traded (\$)	2,407,244	5,230,080	-53.97%
Average bid to offer ratio	1:0.8	1:1.5	n/a
Average weekly new order flow consideration (\$)	102,663	186,737	-45.02%

### Price Gainers/Losers

The year concluded with 15 out of the 18 listed securities recording increased share prices, 10 of which had double digit percentage growths. The price movers and shakers for 2015 were:

- Kontiki Growth Fund Limited (KGF) was the largest price gainer seeing a price increase of 50.00%;
- Queuing second was Atlantic & Pacific Packaging Company Limited (APP) gaining 35.71%;
- The market heavyweight, Amalgamated Telecom Holdings Limited (ATH) stood third in queue taking an upswing of 28.87%;
- Pleass Global Limited (PBP) gained 25.00% with The Rice Company of Fiji Limited (RCF) rising 22.41%. FMF Foods Limited (FMF) also saw a noteworthy increase of 19.05% with the restricted stock, Fijian Holdings Limited (FHL) rising 18.57%;
- FijiCare Insurance Limited (FIL) also saw a double digit growth increasing 14.29%. VB Holdings Limited (VBH) and Paradise Beverages (Fiji) Limited (PBF) were the other two listed stocks seeing double digit increases of 13.92% and 11.69% respectively;
- Additional price gains were recorded for the supermarket chain, RB Patel Group Limited (RBG): +8.83%, Fiji Television Limited (FTV): +3.91%, Toyota Tsusho (South Sea) Limited (TTS): +1.64%, the radio and entertainment conglomerate, Communications (Fiji) Limited (CFM): +1.46% and BSP Convertible Notes Limited (BCN): +1.13%;

One listed stock witnessed a negative price return while two securities did not record any price movements. These were as follows:

- Pacific Green Industries (Fiji) Limited (PGI) was the only stock to record a price loss, falling by 50% to conclude the year at a price of \$1.00;
- Whilst Future Forests (Fiji) Limited convertible notes security (FFFN) saw an increase of \$0.01 during trading in 2015, the share price dropped back to \$1.02 resulting in no capital growth at year end. However, Future Forests (Fiji) Limited equity security (FFF) did not see any price movements during 2015.

Record highs were seen in eight listed stocks which concluded 2015 at their all-time high share prices, offering their investors lucrative capital gains opportunities. These included; ATH:\$1.25, CFM:\$4.16, PBP:\$1.25, RBG:\$3.08, RCF:\$3.55, VBH:\$3.60, FHL:\$4.15, BCN:\$7.16.

The price movements and further details of trading statistics for 2015 are tabulated below for the information of potential investors and issuers.

SECURITY	PRICE MOVEMENTS					TRADE ANALYSIS		
	Close Share Price 31/12/15 (F\$)	Close Share Price 31/12/14 (F\$)	Change in Close Share Prices	12 Month Low Share Price (F\$)	12 Month High Share Price (F\$)	No. of Trades	Volume Traded	Value Traded (F\$)
APP	0.95	0.70	+35.71%	0.70	0.95	8	70,854	56,542
ATH	1.25	0.97	+28.87%	0.97	1.25	143	73,351,593	89,435,023
CFM	4.16	4.10	+1.46%	4.10	4.16	9	25,465	105,413
FFF	0.79	0.79	0.00	0.79	0.79	0	0	0
FIL	0.72	0.63	+14.29%	0.63	0.72	7	49,028	32,716
FMF	0.75	0.63	+19.05%	0.63	0.75	27	647,267	430,426
FTV	2.39	2.30	+3.91%	2.06	2.50	17	15,100	35,381
KGF	0.45	0.30	+50.00%	0.30	0.45	11	126,283	52,201
PBF	11.18	10.01	+11.69%	10.00	11.18	25	10,991	117,093
PBP	1.25	1.00	+25.00%	1.00	1.25	7	19,269	23,846
PGI	1.00	2.00	-50.00%	1.00	2.00	9	2,200	2,200
RBG	3.08	2.83	+8.83%	2.83	3.08	50	41,287	121,970
RCF	3.55	2.90	+22.41%	2.90	3.55	7	6,925	24,189
TTS	3.10	3.05	+1.64%	3.05	3.10	3	12,555	38,362
VBH	3.60	3.16	+13.92%	3.16	3.60	34	85,628	297,519
FHL	4.15	3.50	+18.57%	3.53	4.15	640	161,610	622,429
BCN	7.16	7.08	+1.13%	7.08	7.16	15	3,851	27,430
FFFN	1.02	1.02	0.00	1.02	1.03	5	3,084	3,153
<b>TOTAL</b>						<b>1,017</b>	<b>74,632,990</b>	<b>91,425,891</b>

#### Income Returns & Capital Growth – Total Market Return

In 2015, the overall **capital growth** for Fiji's stock market averaged at **11.47%** compared to an average capital growth of 10.76% in 2014. The increase in the average capital growth is due to positive (demand-driven) price returns generated by a majority of the listed stocks in 2015 including various stocks reaching their all-time high share prices. 10 listed securities had positive capital returns of greater than 10% compared to eight stocks having double digit growth percentages in 2014.

The average **income yield** (dividend plus interest) for the market stood at **4.15%** (tax free) in 2015 slightly higher than the 4.04% average income yield generated for the same period in 2014. Out of the 18 listed securities, seven stocks recorded increases in their yields due to increases in their dividend per share for the 12 months. For other securities, the current yield either remained same as the previous year or saw a decline;

Aggregating the average capital growth and the average income yield resulted in a **15.63% average total market return** for 2015. 16 out of the 18 listed stocks recorded positive total market returns at the end of the year.

Details of price and capital growth returns per security are tabulated below:

Security	Income Yield (Dividend/Interest)	Capital Growth	Total Market Return
APP	4.21%	35.71%	39.92%
ATH	5.60%	28.87%	34.47%
CFM	2.88%	1.46%	4.35%
FFF	0.00%	0.00%	0.00%
FIL	5.56%	14.29%	19.84%
FMF	1.60%	19.05%	20.65%
FTV	0.00%	3.91%	3.91%
KGF	0.00%	50.00%	50.00%
PBF	0.45%	11.69%	12.14%
PBP	4.00%	25.00%	29.00%

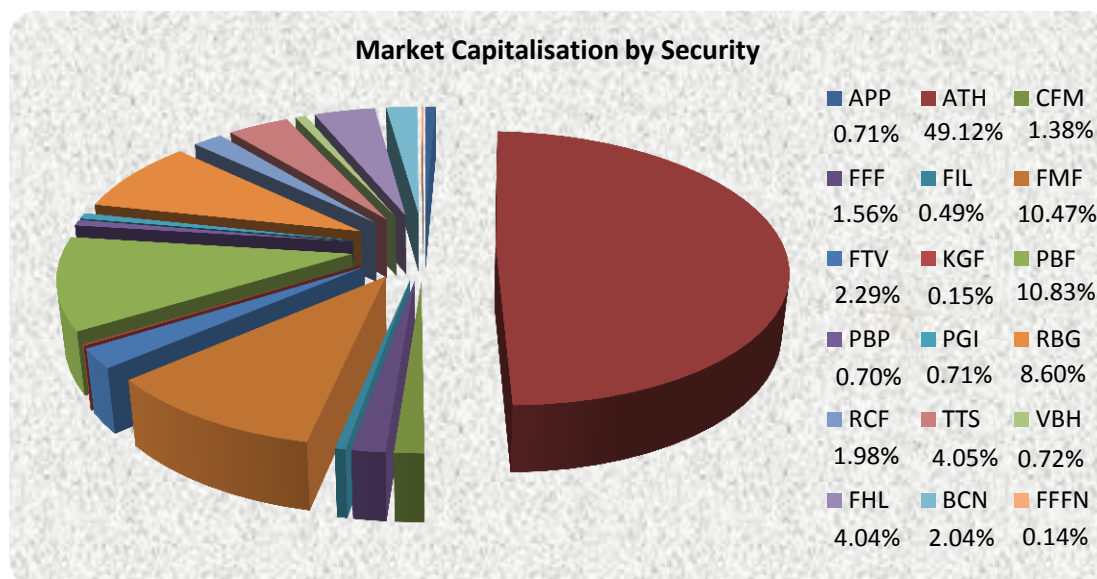
PGI	8.00%	-50.00%	-42.00%
RBG	4.55%	8.83%	13.38%
RCF	7.04%	22.41%	29.46%
TTS	3.23%	1.64%	4.87%
VBH	5.83%	13.92%	19.76%
FHL	5.30%	18.57%	23.87%
BCN	9.16%	1.13%	10.29%
FFFN	7.35%	0.00%	7.35%
<b>Average :</b>	<b>4.15%</b>	<b>11.47%</b>	<b>15.63%</b>

### Market Capitalisation – Surpasses FJD 1 .0 billion mark

The overall market capitalisation recorded a stellar performance in 2015 gaining a significant 18.40% to surpass the billion dollar mark concluding at a value of \$1,074,092,473. ATH remained the market heavyweight accounting for 49.12% of the entire market as at the end of 2015. The top five securities in terms of market capitalisation (representing 83.08% of market capitalisation) at the end of 2015 were as follows:

1. ATH – 49.12%
2. PBF – 10.83%
3. FMF – 10.47%
4. RBG – 8.60%
5. TTS – 4.05%

Details of the contribution of each listed security towards the overall market capitalisation as at the end of 2015 are illustrated below:



### Market Indices

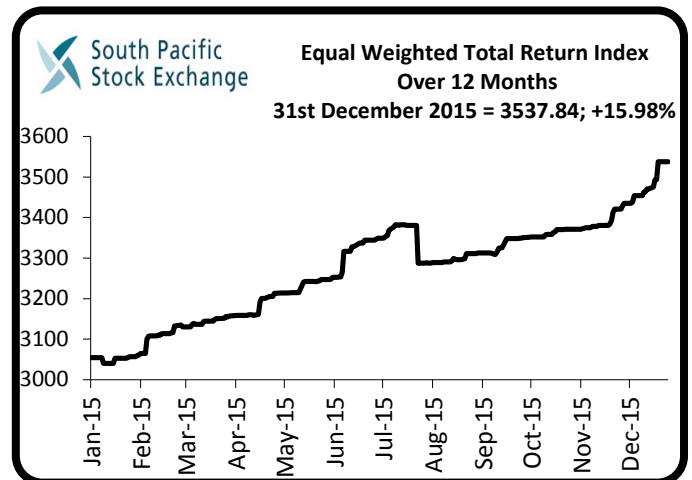
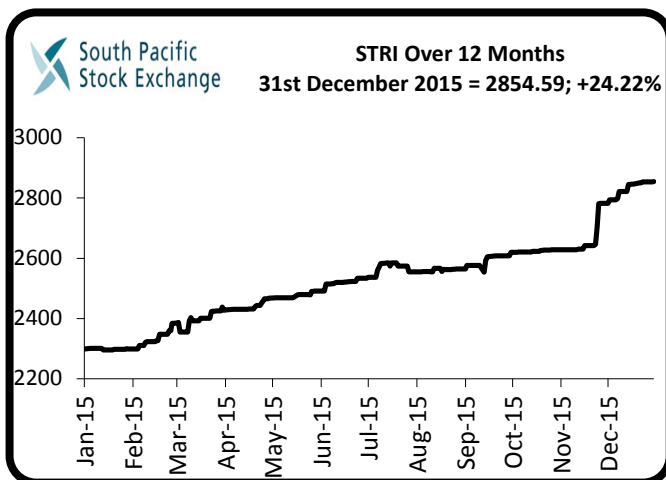
The SPSE Total Return Index (STRI) showed an impressive gain of 24.22% in 2015 concluding the year at a value of 2854.59. The average income yield of 4.15% combined with a significant average capital growth of 11.47% contributed to the impressive performance of the SPSE barometer. Given that STRI weighs the performance of larger companies more than the smaller companies, increases in share prices of various higher market capitalisation stocks attributed to the increase.

The Equal Weighted Total Return Index which weighs all the listed stocks equally without being distorted by the heavyweights concluded the year 2015 at a value of 3537.84, a gain of 15.98% for the period under review. The increase in the equal weighted index was in line with the average total market return which of 15.63% with 15 out of the 18 companies generating positive capital returns.

The 12 month performance for both SPSE Total Return Index (STRI) and Equal Weighted Total Return Index is illustrated below.

### SPSE Total Return Index (STRI) Graph

### Equal Weighted Total Return Index Graph



### Outlook for 2016

The Exchange aims to maintain its momentum with respect to marketing its core business of an access to finance and investment/trading platform both domestically and internationally. Our primary focus will therefore continue to be on creating partnerships, regionally and internationally, that are aimed at increasing the number of listed companies and the availability of a dynamic range of securities to accommodate different investor preferences.

**Listing** -The impending book-building phase of a potential listing on the SPSE is also expected to boost investor interest in early 2016 and may result in a reduction in current unexecuted bids if investors choose to transfer their orders to the potential listed company. There are two new listings expected for 2016 and the Exchange is committed to ensuring that these transpire successfully and efficiently.



SPSE Chief Executive Officer, Ms Latileta Qoro presenting at the Listing Forum in November 2015

**Returns** - The capital gain trend noted from Quarter 4, 2015 is expected to continue, placing pressure on the sustainability of 2015 dividend yields, especially if listed companies prefer to maintain their current dividend per share. The year 2016 will see the SPSE refining and utilising culturally relevant mediums to educate, create awareness and empower the domestic and regional populous as well as the diaspora to invest in Fiji's stock market.

**Ease of Doing Business** - As a means of further improving the service experience of investors and the broking community who/that access SPSE, the Exchange is expected to streamline its current Clearance & Settlement System in 2016. This process is aimed at effectively reducing the turnaround time between the execution of a trade and when the client receives the shares or funds under their name.

**Innovation** - Central Share Registry Limited (CSRL), a wholly owned subsidiary of the SPSE has undergone a rebranding exercise in terms of service delivery. This included the development of an independent and a user-friendly website and cloud-based online platform for shareholders to view and keep track of their investment portfolio. The new registry software is currently under trial and is expected to be formally launched in January 2016. The Exchange shall also be refining its Investor Education initiatives with a view to increase the use of technology in such initiatives.

Overall, the Exchange is expectant and committed to the realization of improvements in 2016 relative to the results of 2015 stock market indicators and in particular with respect to the availability of securities. The Exchange will continue to vigorously market the following incentives domestically, regionally and beyond:

- 10% corporate tax rate for SPSE listed companies;
- Exemption from income tax and capital gains tax on all consequential gains arising from any restructure carried out for the purpose of listing;
- Tax-free dividends for both resident and non-resident investors;
- Exemption from Income Tax of gains from trading of shares for residents; and
- Exemption from Capital Gains Tax of gains from trading of shares for both residents and non-residents.

*For further information about SPSE operations, listing on the Exchange, listed company performance and/or investing in SPSE listed companies, please feel free to contact us.*

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