A MARKET IN TRANSITION
The all-new BMW X5 is here. Its presence is clear for all to see – upright, powerful and elegant. The mighty one-piece double kidney grille hints at what will happen when it takes a deep breath. And the honed X design of the headlights leaves no doubt as to who will take the lead. Equipped with new technologies for more safety and maximum driving dynamics on every surface, the new BMW X5 knows where it’s going. And how to get there first.

Capital Motors
Old Lobatse Rd
Gaborone
Tel: 3951913
Fax: 3910369
Web: http://www.bmw-capitalmotors.co.za/
Furthermore, on the 8th October 2018, Her Majesty’s Revenue and Customs (HMRC) in the United Kingdom designated the BSEL as a Recognised Stock Exchange. This was a critical milestone for the BSEL as we have persistently pursued our internationalization strategy by upholding international best business practices.

2018 was a tremendous year for the BSEL for a number of reasons. Over and above the completion of the demutualization process, the BSEL propelled forth by reinforcing its mission to be the preferred destination for capital raising through the issuance of two (2) equity listings, Seed Co International Limited and African Banking Corporation of Botswana Limited (BancABC) on 5th October and 13th December, respectively.

In addition, the BSEL witnessed the first registration on the OTC market when BBS Limited registered on the Serala OTC Board. The new issuances have further reaffirmed our strategy in working tirelessly to attract new issuers in a bid to induce a robust capital market for all stakeholders.

Furthermore, on the 8th October 2018, Her Majesty’s Revenue and Customs (HMRC) in the United Kingdom designated the BSEL as a Recognised Stock Exchange. This was a critical milestone for the BSEL as we have persistently pursued our internationalization strategy by upholding international best business practices.

This development positioned the Exchange as the third stock exchange in Africa, and the eighteenth in the world to receive this designation. This recognition provides the BSEL with prospects of broadening liquidity pools with respect to new investors and issuers.

Lastly, as a newly formed company incorporated in terms of the Companies Act of Botswana, we venture forward with great optimism. The rebranding exercise is currently underway and within a few months, we will be introducing our new corporate identity, a tantalizing prospect for all stakeholders involved.

We hope you enjoy this edition of the BSEL News. Your feedback is important to us, therefore feel free to utilize any of our platforms to provide it.

‘Your Partner in Wealth Creation’

Thapelo Tsheole
Chief Executive Officer
Botswana Stock Exchange Limited

NEWS

Published Every Quarter

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Contributors in this edition: Keabetswe Newel, Kitso Dickson and Motswedi Securities.
CATCH US ON **ANY OF OUR RADIO SHOWS**

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Know Your **Stock Market Terms**

**Arbitrage** - When shares are purchased in one market and simultaneously sold in another market at a higher price, thus considered to be a risk-free profit for the seller.

**Averaging Down** - The process of buying additional shares in a company at lower prices than the original purchase price. This results in a decrease on the average purchase price for all the shares held by the investor.

**Bourse** - More commonly known as a Stock Exchange. The word is derived from a house belonging to Van der Beurse, a prominent European family during the 13th century who acted as regulators, financial advisors and brokers to traders who would gather there and trade with one another.

**Volatility** - The amount of uncertainty or risk related to the size of changes in a security’s value.

**Market Order** - A request to buy or sell a share at the best available price in the current market.

**Forex** - A common abbreviation for Foreign Exchange.

**Opportunity Cost** - The cost of missing out on the best choice when making an investment decision.

**Trade Halt** - A temporary suspension of trading for a particular security or securities at one exchange or across numerous exchanges. Trading halts are typically enacted in anticipation of a news announcement, to correct an order imbalance, as a result of a technical fault or due to regulatory concerns.

**Income Stock** - A stock that has a relatively high dividend yield.

**Thin Market** - A market for a security in which there are relatively few offers and bids. A thin market causes reduced liquidity and makes it more difficult to buy or sell the security without affecting its price.

**Earnings Per Share (EPS)** - A portion of a company’s profit divided by the average number of outstanding shares, or shares currently in the market. EPS serve as an indicator of a company’s profitability.

**Bid Price** - The highest price an investor is willing to pay for a share.

**Net Present Value (NPV)** - Present value of expected future cash flows minus any initial and ongoing investment costs. Often used in capital budgeting to determine whether or not to make an investment (if negative, the investment should not be made).

**Futures Contract** - A legal agreement entered to buy or sell a specified number of shares at a predetermined price at a specified time in the future.
A FOCUS ON
FINTECH

The integration of finance, ICT and the stock market

Smartphones and technological gadgets have become the primary mode of consumption. Consequently, a sizable segment of the economy has become digitalized, creating massive economic opportunities where services can be provided in a real-time, location-based and decentralized manner. In this regard, banks, stock exchanges, insurance companies and other financial services companies are harnessing information technology to provide efficient financial technology (FinTech) solutions aimed at easing transactions.
FinTech, a portmanteau of ‘financial technology,’ is used to describe new technologies that seek to improve and automate the delivery and use of financial services. At its core, FinTech helps companies, entrepreneurs and consumers to better manage their financial operations on their computers and smart mobile devices.

When FinTech emerged in the 21st Century, the term was initially applied to technology employed at the back-end systems of established financial institutions. Since then, however, there has been a shift to more consumer-oriented services. Fintech has expanded to include innovations in automation of the financial sector, including advances in financial literacy, advisory, wealth management, credit extension, insurance, payments, investment management, trading systems as well as settlement of securities.

At the Botswana Stock Exchange Limited (BSEL) 6th Opening Bell ceremony in November 2018, Bank of Botswana (BoB) Governor Moses Pelaelo, highlighted the need to be up to date with technological trends. Pelaelo said the rapid advances in technology, more so in financial services, appear inevitable and that the power of the internet; super computers, social media and “big data”; as well as the potential opportunities offered by new technologies have great potential. He acknowledged evolving stock market practices, but spoke of the need to update traditional systems of trading which have been largely overtaken by more efficient technologies, first by telephone and then electronic trading systems.

The BSEL is one amongst institutions that continue to benefit from effective financial technology systems, which bring increased efficiency. Pelaelo was specifically addressing organizations like the BSEL, to ensure that they remain efficient through the utilization of latest technologies for ease of trade and investment into the stock market. Under the stewardship of Chief Executive Officer (CEO) Thapelo Tsheole, the BSEL has evidently embraced financial technology, especially through an efficient trading system, which is the central operation of the BSEL. Aligning itself to new technological trends, the BSEL implemented an Automated Trading System (ATS) in 2012, replacing the floor trading system. The ATS is a trading platform that has the capability to interface with users at the front end and facilitate administration at the back end. The ATS, which was supplied by Millennium IT, (a wholly owned subsidiary of the London Stock Exchange Group) accommodates high speed transactions for a high number of market participants. Invariably, such a system would result in increased trading and in turn increased market efficiency.

Turnover at the BSEL grew in leaps and bounds post the implementation of the ATS, an initiative that indeed had a positive effect on liquidity. By the end of 2012, turnover was pegged at over P800 million, with the number of authorised accounts opened by clients in the CSD (excluding joint accounts) reaching 17,638 as at December 2012. Five years later, turnover ballooned to P2.4 billion, according to data availed in the BSEL annual reports. The average daily turnover for 2017 amounted to P10 million as compared to P3.6 million recorded in 2012, a year that the ATS was implemented.
Cited in the Gulf News (2018), Sunil Kaushal, CEO of Africa and Middle East at Standard Chartered Bank, FinTech usually refers to technology that changes the way the financial sector works. He singled out mobile banking for example, which has transformed the traditional bank setting by harnessing technology to tackle some of the greatest challenges being the distinct lack of access to banking services of people in large parts of a population.

He further states that, only 4 years ago, an astounding 66 percent of Sub-Saharan Africans, Batswana included, did not have a bank account. **Now, Africa has been described as a “leapfrogger” with the application of a technology driven economic model to reach the unbanked.** All commercial banks in Botswana have mobile banking platforms at service to its people and through this, transactions are be made effortlessly and in convenience.

Barclays Bank Botswana recently launched a refreshed Mobile Banking application in March 2018, which allows its users to perform transactions through the refreshed digital banking platform. According to Barclays Bank Botswana Head of Digital Channels, Malebogo Sebusang, Barclays Bank users are now able to transfer funds to different eWallets such as My Zaka, Orange money, FNB eWallet and to bank accounts. She said with the App, Barclays Bank clients are now able to transfer funds from their accounts to any E-wallets, banks, locally and internationally. With the increasing ease of transacting, Sebusang said Batswana are able to buy what they want, wherever and whenever they want to.

In most parts of eastern Asia, mobile -wallets are mostly used to transact through one's mobile phone. A staggering 358 million Chinese were using mobile phones to purchase goods and services, by the end of 2017 according to research from the China Internet Network Information Center (CINIC). Closer to home, industry experts argue that eastern giant, Kenya, remains a global undisputed leader to benchmark countries that have widely adopted mobile money and its payments successfully to drive the economy. Mobile operators saw a niche market in mobile money services through the use of what is known as mobile-wallet to store money where a huge gap already existed in servicing the unbanked, a market that has been considered much bigger than that of the banks, in excess 55 percent of adults.

This has also resulted in financial inclusion across all spectra of society where mobile payments have made even the poorest and most isolated citizens to engage in commercial activities. Orange Botswana remains the lead mobile money operator in Botswana with a larger market share of the mobile money services sector, ahead of the brands Mascom Wireless and BeMobile. Orange Money customer base has grown an average of 34 percent per annum from 2014 to exceed 600,000 in 2018, according to Seabelo Pilane, the mobile company’s Director of Orange Money. Orange Money was introduced in 2011. The rationale behind introducing a mobile money service in Botswana was linked to the company’s strategy as well as the growing global trends of offering basic financial services/transactions to Telco/mobile customers as a way of closing the gaps in financial inclusion for Batswana.
BoB Governor also said for financial services, it is progress in communications technology, including the collation, storage and transfer of information, which has often been the key. He said that today, given the current, dizzying, pace of ICT development, it is more crucial than ever that central banks and financial sector regulators are alive to these trends.

FinTech remains the most appealing industry for investors as African start-ups look to bridge the financial gap. Several of the largest deals in 2018 involved African FinTech companies such as Kenyan based company; Cellulant which raised close to $50 million from investors this year, while microfinance company, Branch, received another $20 million investment to continue funding their mission to bring digital financial services to the Sub-Saharan continent.
Dumela Botswana.  
May we introduce ourselves?

For years, you have trusted Barclays with your financial needs. Now Absa Group is taking this proud heritage and building on it.

So, who is Absa? We are one of Africa’s largest diversified financial services groups with global reach.

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FIFTH OPENING BELL CEREMONY IN OCTOBER

Locally renowned family business owners Mr. and Mrs. Monnakgotla, Mr. Charles Tibone and Mr. Ishmael Nshakazhogwe were honoured with an opening bell. The key guests also lead a panel discussion on the Challenges and Opportunities Surrounding Family-Owned Businesses.

Captions

1. Official Bell Ringing (Left to Right) BSEL CEO, Mr. Thapelo Tsheole, Mr. Ishmael Nshakazhogwe, Mr. Charles Tibone and Mr. and Mrs. Monnakgotla.
2. BSEL CEO, Mr. Thapelo Tsheole.
3. BSEL Head of Product Development, Mr. Kopano Bolokwe.
4. Attendees.
SIXTH OPENING **BELL CEREMONY IN NOVEMBER**

The Bank of Botswana Governor, Mr. Moses Pelaelo and Seed Co International Limited were honoured with an opening bell.

**Captions**

1. Bank of Botswana (BoB) Governor, Mr. Moses Pelaelo.
2. (Left to Right) BSEL CEO, Mr. Thapelo Tsheole, BoB Governor, Mr. Moses Pelaelo and Seed Co International Limited CEO, Mr. Morgan Nzwere.
3. BSEL Head of Market Development, Ms. Thapelo Moribame.
4. A celebratory toast to Seed Co International Limited official listing on the BSEL.
SEVENTH OPENING BELL CEREMONY IN DECEMBER

The African Banking Corporation of Botswana Limited (BancABC) official listing on the BSEL during the opening bell.

1. Official bell ringing. (Left to Right) Atlas Mara Group CEO, Mr. John Staley, BancABC Managing Director, Mr. Kgotso Bannalotlhe, BancABC Board Member, Mr. Jacob Motthabane and BSEL CEO, Mr. Thapelo Tsheole.

2. A celebratory toast to BancABC.

3. BancABC Managing Director, Mr. Kgotso Bannalotlhe.

4. BancABC Directors and Senior Management.
KEY EVENTS

SAVE THE DATES

BSEL CALENDAR

11th January 2019
1st Opening Bell Ceremony, Gaborone

5th February 2019
2nd Opening Bell Ceremony, Gaborone

5th March 2019
3rd Opening Bell Ceremony, Gaborone

Botswana Stock Exchange Open Day, Hukuntsi

2nd April 2019
4th Opening Bell Ceremony, Gaborone

11th April 2019
Botswana Stock Exchange Open Day, Nata

To attend the above events, contact the Market Development Department at marketdev@bse.co.bw or call (+267) 367 4400.
SEED CO INTERNATIONAL LIMITED TAKES AFRICA HEAD ON

Botswana Stock Exchange Limited's (BSEL) new agronomy entrant, Seed Co International Limited has an ambitious plan for Africa. Morgan Nzwere, the Group Chief Executive Officer (CEO) fancies representation in all of Africa within the next 5 to 10 years.

In Botswana, Seed Co has the largest seed market share. Comparatively, Nzwere says the seed market size in Botswana is however relatively smaller than Seed Co’s other markets which are bigger in terms of population and agriculture sector economic contribution.

At P2 billion worth of market capitalization, the seed producer is currently operating and selling its products in more than 15 African countries. Nzwere says the group has been making strides in becoming the “African Seed Company” by spreading its operations across the whole of Africa. Nzwere discloses that SeedCo has been developing its presence in West Africa and has already established operations in Ghana and Nigeria with a special focus on Francophone West Africa leaning on Limagrain’s experience in that region.

Seed Co is one of the leading certified seed companies authorized to market seed varieties developed by itself, government and other associated seed breeders in its markets. It was incorporated in the year 2000 in Botswana under the International Financial Services Centre.

Morgan Nzwere | Group Chief Executive Officer, Seed Co International Limited
The core business of Seed Co is the development, production and marketing of high performing certified hybrid seeds for maize, wheat, soya beans, sugar beans, cowpeas, sorghum and groundnuts.

Nzwere shares that the group has now ventured into vegetables after establishing that vegetables are the most affordable relish in Africa and are part of most dishes. With growing health consciousness globally, he understands that every meal is now incorporating vegetables. This means increased demand for vegetables world-wide with a great opportunity for Africa as a producer and exporter of vegetables.

In Africa, the vegetable seed market is still dominated by Open Pollinated Varieties (OPVs), according to Nzwere who holds that the opportunity lies in introducing and promoting the adoption of hybrid vegetable seeds which are relatively higher yielding, more drought tolerant, high uniformity and enhanced disease resistance. By venturing in vegetable seeds, he adds that Seed Co is leveraging on its trusted and well-known brand on the continent, its existing field crop customers who also cultivate vegetables in rotation with field crops and the global expertise of one of its shareholders, Vilmorin & Cie. Vilmorin is Europe’s largest vegetable seed Group and one of the largest seed-houses in the world.

Nzwere reveals further that Seed Co will also focus on field seeds and is currently exploring and testing oilseed crops: Canola which is a vegetable & oilseed and sunflower. He says Seed Co is conducting screening trials on hybrid rice, hybrid sorghum and cowpeas – collaborating with AFRITEC (rice), Chromatin (sorghum) & IITA (cowpeas).

Nzwere says that the company’s seed products are the result of long-term and continuous scientific breeding programmes, demonstrating that they are designed to add real and consistent value to every farming operation, give farmers the opportunity to have food surplus year in and year out resulting in a good standard of living.

“Seed Co’s hybrid seeds bring with them appropriate disease resistance and stable high yield performance. Seed Co’s core mandate as described, the agronomy services it offers and its quality products, will go a long way to make Botswana and the Region food secure.”

Nzwere sees immense opportunities in Agriculture, particularly on the African continent, given the availability of vast arable fertile land. He feels that the adoption of improved seeds and mechanisation is still very low on the Continent and this means low yields from the use of under-performing farm saved seeds, inefficient farming methods and agronomy practices.
He finds comfort in the fact that agriculture in Africa will continue to grow as the continent continues to adopt improved hybrid seeds, increase investment in farm mechanisation and embrace good agronomy practices. On the other hand, he says the demand for agricultural produce is expected to continue to grow in tandem with global population growth and Africa is better placed to feed the world.

Seed Co’s competitive advantage is the strong and preferred African rooted brand dating back to 1940 when the company was formed in Zimbabwe, a wide African footprint and leading market shares in most markets and strong Research & Development function and skills. Seed Co is also heavily invested in driving the Sustainable Development Goals (SDG) - a collection of 17 global goals set by the United Nations General Assembly in 2015. The SDGs are part of Resolution 70/1 of the United Nations General Assembly to “Transform our World”.

Nzwere says Seed Co has the most experienced and best scientists than any other seed house in Africa, tried and tested germplasm and intellectual property across field crop species developed over a long period and widely adapted high yielding, disease resistant and drought tolerant varieties.

“Skilled manpower and a notable number of seedsmen and seed value chain expert In-depth understanding of the African markets and farmer needs close interface with farmers through provision of free agronomy services.”

In Botswana, Seed Co has the largest seed market share. Comparatively, Nzwere says the seed market size in Botswana is however relatively smaller than Seed Co’s other markets which are bigger in terms of population and agriculture sector economic contribution. Agriculture contributes less than 2 percent to Botswana’s Gross Domestic Product (GDP). Nzwere says Seed Co believes in the potential of Botswana’s agricultural sector and the Government’s thrust to diversify the economy from minerals is yielding results. He says increased investment in irrigation will certainly take Botswana’s agriculture sector to another level. Having been a player in Botswana’s economy for close to 20 years, Seed Co has witnessed potential in the country’s Agriculture sector.

The group is listed on the Botswana Stock Exchange Limited (BSEL) and the Zimbabwe Stock Exchange (ZSE) by introduction. The principal reasons for listing Seed Co was to unlock shareholder value following the partial unbundling of the Company out of Seed Co Limited by way of a dividend-in-specie distribution, grow and expand opportunities in the seed business in Africa and beyond, strengthen and enhance the visibility of the Company’s brand and regional operations to the investing community, unlocking, growing and preserving shareholder value by creating liquidity for the trading and valuation of the Company’s shares and to enhance capacity to raise capital to finance R & D. In closing, Nzwere suggests “Seed Co needs capital for on-cob seed dryers, seed processing plants, temperature controlled seed warehouses, and acquisitions of other seed business with strategic fit to the Group, Research and Development, automation, mechanisation, and infrastructure initiatives”
IT STARTS WITH THE RIGHT SEED

HAPPY NEW YEAR BOTSWANA!

SEED CO BRINGS BEST HYBRID SEEDS TAILORED FOR THE BOTSWANA ENVIRONMENT, EACH SEED GIVING THE BEST REWARDS.

THE HOME OF BUMPER HARVESTS
Influenced by the current re-bound in copper prices, Botswana copper mines which were initially throttled by declining prices have resurrected. Market watchers posit that soon, hundreds will be employed by the mines. Furthermore, it is mentioned that Botswana will export copper and thus earn foreign currency developments which will add value to the economy.

From time immemorial, the backbone of Botswana’s Gross Domestic Product (GDP) has been mining. The sector, although led by the diamond industry, produced a diversity of minerals from gold, copper and coal. Copper was amongst Botswana’s money makers. And this was until a few years back, when copper prices crumbled, taking down with it copper mines which employed hundreds of Batswana and contributed significantly to the GDP. As result, mining companies like Discovery Metals Limited (DML) and African Copper, which were listed on Botswana Stock Exchange Limited (BSEL) fell in to financial distress due to the declining copper prices which frustrated efforts to produce revenue.
During the year of 2014, copper was amongst Botswana's top export revenue earners. The commodity was in fact the second largest export revenue earner after diamonds. Hence in 2014, Botswana made a staggering P4.7 billion from copper exports making it the second largest after diamonds, which then made over P50 billion.

During the build up to 2016, Copper prices started declining and as a result, copper mines collapsed. This was so much that the copper exports fell to just P40 million in 2017, a drastic fall from the P4.7 billion in 2014.

According to Mr. Moemedi Mosele, analyst at brokerage firm Motswedi Securities, the decline in copper exports meant the economy was robbed of billions of Pula that would have been added to economic activity. Furthermore, he added that the collapse of copper mines, reduced the diversity of commodities that earned Botswana export revenue. Remarkably, copper prices have recently risen. Most copper mines have re-opened and analysts are of the view that Botswana will resume its copper exports, which will boost the economy, diversify revenue earnings and generate employment.

In the beginning of 2017, copper prices were on the rise, averaging US$ 6,145 per tonne, a significant rise from the average of just under US$4,000 per tonne recorded in April 2016. The prices continued to rise, bringing increased profits to copper mining firms. According to a research done by American Investment Bank, Goldman Sachs, projections for the price of copper in 2018 are being revised upward to US$8,000 per tonne from US$7,050 per tonne, with a growing gap expected between supply and demand, according to the investment bank’s research report published in February 2018.

According to the bank, global demand will increase enough over the following months to counterbalance China’s continued transformation to a consumption-based economy and away from a reliance on metal-intensive infrastructure projects.

According to Goldman Sachs, “The outlook for commodities this year is simply a continuation of the trend seen in 2017, with a greater emphasis on emerging markets outside the borders of China, which will make the composition of already robust global growth more commodity-intensive.”

The buoyant outlook is motivated by the emerging market economies, which are predicted to grow at an annualized rate of 5.1 percent (%) this year. Local asset management firm Kgari Capital’s Portfolio Manager Ms. Tshegofatso Tlhong said they expect the commodity price cycle to remain buoyant, creating opportunities for miners.

“This is because demand for base metals, especially copper, is expected to remain strong, driven by large investments in technology and its critical use in various industries,” said Ms. Tlhong.

The youthful financial market expert said the ambition to electric cars is a key boost for future demand for copper which is used in the vehicles themselves, as well as the power distribution infrastructure required to support these vehicles.

Adding onto what Tlhong said, Charles Siwawa, Chief Executive Officer (CEO) of Botswana Chamber of Mines (BCM) said motor vehicle producers across popular German manufacturers such as Volkswagen and BMW are looking to have fully electric cars by the year 2030, which will see electric cables in such cars rising by 200 percent (%), thus pushing demand for copper itself.
Khoemacau controls 4,000 square km of prospecting licences with mining licences over Zone 5 and Boseto. The mine is expected to produce 3.6 MetricTonnes (Mt) annually. Boseto was initially owned by Discovery Metals Limited (DML). It was liquidated in 2015 after it was found to have been insolvent.

Following the suspension of its operations at Mowana Mine mid of October 2015, the mining contractor, Diesel Power Limited then approached the High Court to have Messina Copper (Botswana), a subsidiary of African Copper liquidated. The previous owner, Messina Copper (Botswana) then suspended operations at the mine, placing close to 400 workers on paid leave and ultimately axing them.

Fast forward to March 2017, new owners, Leboam Holdings resumed operations ramping up to an initial 12,000 tonnes a year of copper concentrate. Leboam Holdings acquired Messina Copper assets late last year at P89.7 million.

Production was halted at the mine in 2015, when copper prices fell in line with a wider commodity crash.

In August 2017, the Managing Director of Leboam Holdings, Kevin van Wouw, made the announcement that his company achieved a breakeven for the first time as its income equaled to total costs.

Because of the recovering global economy, copper cable sales for general usage are also on the rise. The same applies to nickel, which according to Siwawa is in demand since it is used to develop batteries, used in mobile phones and other battery powered devices and electronics. Siwawa is confident that companies like African Copper, which have been undergoing difficulties, will soon kick back because yields are now higher, driven by the increase in copper prices. Local copper mines which had crumbled to the pressure of declining prices have re-opened, which Mosele at Motswedi Securities indicates means employment creation and additional activity into the economy.

According to Boikobo Paya, Executive Director at Khoemacau Copper Mining, the development of Copper in the Kalahari Copper belt in the North Western part of Botswana will have a major impact on the economy of Botswana. He said major copper resources have been discovered in the area by several exploration companies in the area.

“Copper mining in the North West will expand rapidly and the mines developed will make Botswana a leading copper producer in future,” said Paya.

Khoemacau currently has 87 employees. The labour ramp up is predicted to be around 550+ by Q4 2018; peaking to a steady state of approximately 1000 by Q4 2019 onwards.
The company is said to be contemplating opening up an underground mine at Makala which is in Mosetsi village.

Australian copper explorer, MOD Resources Ltd, says it is on target to complete a critical feasibility study for its first mine at the T3 Copper Project in Botswana by the end of Q1, 2019, with actual mining slated for March 2019.

MOD holds a dominant position in the Kalahari Copper Belt with over 11,500km² of prospective copper and silver licenses at various stages of exploration.

MOD is currently active at seven key projects designed to advance three resource development projects (T3 Pit, T3 Underground and T1 Underground) and test the district scale potential of four main exploration areas (T-Rex, T3 Dome, T20 Dome and T7 Domes). MOD’s Managing Director, Julian Hanna, said that in what is set to be a busy news period for the Company, the real highlight will be the completion of the feasibility study for an approximately 12 year T3 pit project. The study is expected to be completed by March 2019.

According to Hanna the T3 is a substantial 590,000 tonnes copper resource located on top of a large conductive dome.

“The T3 Dome Complex covers approximately 700km² and contains numerous electromagnetic (EM) targets, including at least seven large conductive domes. Those seven EM conductive ‘buried domes’ are now being targeted for testing with the drill bit.”

Hanna said T3 is expected to become MOD’s first mine.

Discovered in March 2016, T3 announced a recent resource upgrade to 60Metric Tonnes (Mt), which includes an indicated resource of 36.6Mt. The impending completion of the feasibility study in early 2019 is expected to lead to a Decision to Mine in March 2019, with first production targeted for the end of 2020.

Hanna said the T3 Pit Project PFS has identified a robust development with a nine year Base Case of 2.5 Metric tonnes per annum (Mtpa) production.
Young Visionaries Empire is a 100% citizen owned private enterprise that equips kids aged 7-18 years with entrepreneurial, financial, and leadership skills. This boot camp dubbed, ‘Smart Kid Business & Money Camp’, is a financial and entrepreneurship programme which provides an opportunity for kids to learn about and provide solutions to real life business and financial problems.

The Botswana Stock Exchange Limited (BSEL) recognizes the importance of financial educational and inclusion, especially at a grass-root level, to cultivate investors who can make informed decisions about financial products and services. During this boot camp, over thirty (30) kids aged 10 - 18 years old from various schools, attended the one (1) day educational camp. The Market Development Team was able to deliver a comprehensive presentation on the operations of the BSEL and provide an insight into the importance of future financial planning.
BSEL attends the 22nd African Securities Exchanges Association (ASEA) Annual General Meeting (AGM) and Conference 2018 in Lagos, Nigeria.

The Botswana Stock Exchange Limited (BSEL) CEO, Mr. Thapelo Tsheole, was one of the key speakers at the 22nd African Securities Exchanges Association (ASEA) Conference 2018 which was held in Lagos, Nigeria from 26th – 27th November, 2018.
The two-day conference featured over 60 distinguished speakers and panelists, from around the world including senior policy makers, business leaders, investors, thought leaders, and keynote speakers such as Dr Akinwunmi Adesina, President, African Development Bank, Ms. Aruma Oteh, Vice President and Treasurer, World Bank, Ms. Kemi Adeosun, Hon. Minister of Finance, Federal Republic of Nigeria, Mr. Aigboje Aig-Imoukhuede, Chairman, Coronation Capital, Mr. Abimbola Ogunbanjo, President, The Nigerian Stock Exchange to mention a few. As such, the event is considered one of the most important financial conferences of the continent due to its attraction to eminent thought leaders, important decision makers and investors interested in the African market.

The theme of the annual event; “Champions On The Rise: Africa’s Ascension To A More Sustainable Future”, supported the need for operators of African capital markets to fully embrace sustainable business practices, as well as the opportunities and risks presented by the fourth industrial revolution.

The BSEL has been selected to host the 23rd ASEA AGM and Conference on the 24th to 26th November 2019 in the tourist town of Kasane at the Cresta Mowana Safari Lodge. The conference will be themed, “Building Resilient African Capital Markets”. Hosting the event this year will be a great achievement for the BSEL and Botswana as a first time host.

About ASEA

The African Securities Exchanges Association (“ASEA” or “the Association”) is the premier Association of exchanges in Africa. Incorporated in 1993 under the Kenyan Companies Act, 2015 as a company limited by guarantee, ASEA is domiciled at the Nairobi Securities Exchange, in Nairobi, Kenya. Full membership of the Association is open to any securities exchange in the African region, and as at 2018, the Association has a full membership of twenty-eight (28) vibrant exchanges serving thirty-two (32) economies in Africa; two (2) observer members; and three (3) associate members.

Source: ASEA website.
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Discover 12 Phenomenal Destinations

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Cresta Mowana Safari Resort & Spa
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Cresta Hotels
What a year 2018 was for the development of our equity market. Three market heavyweights made their debut on the Botswana Stock Exchange Limited (BSEL) and increased the number of listed local equity companies to twenty-six.

BBS Limited became the first company to grace the Botswana Stock Exchange’s Serala Over-The-Counter Board. Followed by SeedCo International’s complete unbundling to primary list by introduction on the BSEL while simultaneously dual listing on the Zimbabwe Stock Exchange (ZSE). (Oh! And the shares are fully fungible).

Lastly, but not at all the least, was Banc ABC Botswana, which was ranked fourth by profitability in 2018, listing 24.9% of their entire shareholding on the main domestic equity board at 200 thebe per share. As it was the last to come on board the BSEL train, the focus of this bulletin will be directed to Banc ABC’s journey, analysing the banks investment themes and its valuation.

Background and history of BancABC
BancABC was first incorporated in 1986, as UDC (Botswana) (Proprietary) Limited. The Company underwent a series of name changes until it became African Banking Corporation of Botswana (Proprietary) Limited in 2001, when it became a subsidiary of ABC Holdings Limited, which was formed as a result of the merger of three banking groups namely UDC Holdings Limited, Bard Holdings Limited and FMB holdings Limited, under the group ABC Holdings. In 2002, ABC Holdings Limited converted into a public company and listed on the Botswana Stock Exchange and Zimbabwe Stock Exchange.
In the same year, African Banking Corporation of Botswana (Proprietary) Limited changed its name to African Banking Corporation of Botswana Limited. In 2008, African Banking Corporation of Botswana Limited rebranded its operations as BancABC, after being issued a commercial banking licence. The Bank to this day carries on business under the registered business name of BancABC. The bank was the first to introduce chip and pin EMV cards in 2011. By 2014, BancABC had opened 8 branches, and achieved a partnership with public sector union schemes to scale its retail banking business.

Acquisition by Atlas Mara Ltd

In 2014, Atlas Mara, a London Stock Exchange (“LSE”) listed financial services group, acquired ABCH, BancABC’s parent, along with other ABCH subsidiaries. Following the acquisition, ABCH delisted from both the Botswana Stock Exchange and Zimbabwean Stock Exchange. In the year 2016 the bank was rebranded as “BancABC, part of Atlas Mara”. To date Atlas Mara has banking operations through its subsidiaries and affiliates across seven markets in Sub-Saharan Africa: Botswana, Mozambique, Nigeria, Rwanda, Tanzania, Zambia and Zimbabwe.

Key Investment themes:

- 4th most profitable bank in Botswana and 5th in terms of assets.
- Strong card solutions with VISA integration.
- Low non-performing loan book supported by robust credit model.
- Established credit partnerships with three of the largest public sector labour unions which boost loan book growth and credit pipeline.
- Sound performance on key financial metrics i.e. 9.1% CAGR in operating income.
- Part of a forward thinking and innovative Africa-focused banking group – leveraging off its relationships with Atlas Mara to drive technology development, access to dollar funding etc.

Rationale for listing

The following are the main reasons for listing:

- Attract important stakeholders in Botswana into the shareholding of the bank which will serve the long-term interest of the ABCH Group;
- Enable the bank to attain greater access to efficient capital markets in raising local funding to support future growth plans; and
- Serve as an opportunity for the Selling Shareholder to monetise part of its shareholding in the Company.

Investment Case

BancABC has a remarkable success story in Botswana and has a track record of innovation. It is the first bank in the market to introduce Chip and Pin Visa Cards. The bank pioneered 100% mortgage lending in the Botswana market and is the market leader in prepaid cards in the industry. In addition the bank has received several awards from various financial institution in recognition of the strong growth achieved over the past years. Below are some of the tail winds for BancABC.

a. Niche challenger bank with significant growth potential

BancABC is the 5th largest bank in Botswana by assets. The bank currently provides a range of banking services to over 60,000 customers through its growing distribution network of branches, VISA enabled ATMs access points, online and mobile banking platforms. BancABC continue to aim to grow its market share in order to become one of the leading financial services businesses in Botswana. As at July 2018, the bank had 9.7% of total assets, 10.6% of loans and 9.9% of deposits within the Botswana commercial banking sector. The banks’ Capital Adequacy Ratio (CAR) stands at 19.4% and positions the bank with a robust capital base which will support its balance sheet growth in the medium term. The loan book has been growing at a CAGR of 10% over the past 4 years and is the 5th largest book in the market.
b. Growing loan book
BancABC loan book has been growing at a CAGR of 10.5% over the past 4 years and is the 5th largest book in the market. We expect BancABC loan growth to increase further as the bank leverages its partnership model experience to attract new schemes. The continued growth of the balance sheet will have a direct impact on the bank's net interest income and profitability.

c. High quality loan book
BancABC maintains a high quality loan book. NPLs have declined from 4.2% in FY2016 to 3.6% in FY2017 with an average NPL ratio of 3.7% between 2014 and 2017. The ratio is below the industry average of 5.3% as at December 2017. The banks credit loss ratio has fallen to just 0.8% in 2017 from 1.3% in 2016 reflecting BancABC's robust credit model and risk management framework as well as the ability to deduct loan repayments directly from customer salaries through the deduction code.

Profitable bank with competitive NIM's
BancABC is the 4th largest bank in Botswana with net interest margin (NIM) of 5.9% (FY17), although it's below the 2016 margin of 6.7%. It is interesting to note that this is higher than the industry average of 5.4%. The decline in NIM's from a peak of 7.2% in 2014 is in line with the trend in the industry and reflects the cut in the bank rate by the Central Bank. It also reflects the increased cost of funding as well as reduced lending rates for union customers based on renewed contracts.

d. Key Financial Metrics – Scores well
Operating income have grown at a compounded annual growth rate of 9.1% against a stable to flat loan book growth over the past 4 years. RoE has grown at an annualized rate of 19.2% as at 30 June 2018 while RoA have grown at an annualized rate of 2.4%.

e. Partnership with key stakeholders
BancABC has created partnerships with some of the key institutions such as three of the largest public labour unions. The bank recently renewed its principal union contracts for a further 3 years with civil service unions, representing 76% of the loan book. The agreements are important as they will ensure the continued growth of the loan book and credit pipeline. These agreements have been in place for over 7 years with the deductions done at source helping to minimise impairments. Challenges will only arise if these agreements are renewed at less favourable terms or not renewed altogether. In addition, trade union clients may decide not to use the banks ancillary services, such as funeral insurance cover, and instead use a third party agents. This would lead to a decline in non-interest income to the bank.

Headwinds and challenges
a. Low contribution from non-interest income
BancABC lags the industry in terms of non-interest income. This revenue stream is key especially in the current environment where interest rates are at ultra-low levels. Some commercial banks are able to cover their non-interest expenses with non-interest income. For example FNBB non-interest income/total income stands around 45.7% while for BancABC it’s around 18.8%. The industry average is 38.5% according to Bank of Botswana 2017 Banking Supervision Annual Report.

b. Higher cost to income
BancABC cost to income ratio of 62.1% is above the industry average of 59.9% and we believe the bank has scope to reduce operating cost. Investment in IT infrastructure will bear fruits in the long term through income growth and improved efficiencies which will help bring costs down. Management are targeting a cost to income ratio of less than 55% in the medium term which we believe is attainable.
c. Loan book composition

The composition of BancABC loan book is more skewed towards consumer lending at 73%. The corporate and lending book make up 15% and 10% respectively. The large part of the loan book is unsecured personal loans. However, the bank collects over 96% of all repayments directly through deduction codes and this model has worked very well for other micro lenders such as Letshego. There is need for the bank to diversify its loan book to manage this risk. This can be done through growing the book from the corporate sector, SME’s and mortgage lending. The biggest concerns in the banking sector is the high levels of household’s indebtedness and diversifying the book from the household will go a long way in managing this risk. Vehicle and asset finance is another area that the bank needs to focus on as currently it doesn’t have a presence at car dealerships in Botswana.

iii. Average cost of funds to decrease by between 0.2% and 0.6% in 2019 and the medium term due to the normalisation of market liquidity and cheaper source of funding mostly from the retail portfolio.

iv. Credit impairments to remain below 3%.

v. The cost to income ratio to remain on the high side averaging 58% over the next two years before stabilising at 55% in the medium term driven by cost savings from IT investments.

Valuation Methodology.

We compared BancABC valuations with its major competitors such as FNBB, Barclays and Stanchart. With an implied Price to Book multiple of 1.65x this is below BancABC competitors such as FNBB (1.93x) and Barclays Bank Botswana (2.38x). In terms of the PE, BancABC has a PE of 9.55x which compares favourably with FNBB (9.2x) and Barclays bank (10.2x). The valuation and implied multiple compares favourably with its peers and is within range with the PE coming in at a discount to the big players in the industry. Using the Dividend Discount Model (DDM) and the relative market multiple valuations we assign a BUY recommendation on the offer.

d. High cost of funds

As at December 2017 BancABC cost of funding stood at 4.0% and is relatively higher than its competitors. This is because the banks deposit base is mainly comprised of institutional clients and these are mostly short term deposits that are somewhat costly as compared to retail deposits. In addition competition is very intense for this type of funding and this all reduces margins. It is therefore imperative for the bank to diversify its funding streams and attract more deposits from the retail sector which is less costly.

Valuation and Model

Key assumptions and factors affecting the valuation.

i. Deposits to grow at an average rate of 5.5% p.a.

ii. The loan book to grow at a conservative average rate of 3% on the back of loan growth initiatives which are being implemented such as signing of new group schemes, introduction of credit cards and advances to the corporate sector.
The BSEL hosted an Equity Listings Requirements Workshop on the 18th, 25th and 31st October, 2018 at the BSEL Offices.

Since the New Listings Requirements that were implemented as of 1st January 2019, the aim of the workshop was to educate market participants and potential companies that aspire to list on the BSEL about the Listings Requirements as well as to educate the market on the BSEL operations from a listed context.
The areas of discussion covered in the workshop included:

- Conditions for listing
- Bringing a security to listing
- Disclosure documents
- Continuing obligations
- Transactions
- Mineral and Property Companies
- Registered Advisers
- Sanctions
- Corporate Governance
- Voluntary Termination of Listings
- Fees
- X-News & Publications
- Duties of a Compliance Officer
- Tshipidi SME Board
- Specific Acquisition Companies

The highlight of the workshop across the different days however was, the detailed presentations from visiting experts such as: Head of ESG Engagement at Investec Asset Management, Mr. David Couldridge, who focused on Environmental, Social & Governance reporting; Technical Director at Public Sector and Accounting Services Botswana Institute of Chartered Accountants, Mr. Edmund Bayen who focused on Corporate Governance and lastly Ms. Fikile Zwane, Technical Director at SNG Grant Thorton who presented on The role of effective corporate governance structures in the evolving corporate reporting landscape.

Participants left the workshop impressed and ended it with thorough Q & A sessions with lunch catered by the BSEL which allowed for networking between attendees and visiting experts.
### Companies Listed on the BSEL by Sector

#### Financial Services & Insurance
- **BIHL Group**
- **Letshego**
- **Investec**

#### Retail and Wholesaling
- **Choppies**
- **Sefalana Group**
- **CA**

#### Property
- **FAR Property**
- **RDC**
- **New African Properties**

#### Banking
- **FNB**
- **Barclays**
- **Standard Chartered**
- **BancABC**

#### Security Services
- **G4S**

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LISTINGS & TRADING

**Tourism**

- Chobe Holdings Limited
- Wilderness Holdings

**Energy**

- Shumba Energy
- TLou Energy
- Minery
- a-cap
- Engen

**Telecommunications**

- BTC

**Mining and Material**

- Olympia Capital
- Anglo American
- Lucara Diamond
- Botswana Diamonds

**Agriculture**

- Seed Co
On the 15th November, 2018, the BSEL recorded the highest turnover in a single day of trading in 2018 at P458.6 million. This significant achievement further reaffirmed the BSEL’s capacity to handle big trades and echoed the Exchange’s strategy to increase the average daily turnover levels to P18.0 million per day by 2021.

This feat was not the first biggest trade on the local bourse. In June 2016, the BSEL recorded the highest turnover in a single day of trading in the Exchange’s history at P494.3 million. A year later in July 2017, the BSEL recorded the second highest turnover in a single day of trading at P484.6 million.

With our 5 Year Strategy well underway, these milestones indicate the strides that the bourse has taken towards competing on the global stage with our counterparts. Duly, the Exchange will continue towards deepening liquidity pools to attract issuers and investors and position the BSEL as the preferred destination for capital-raising and investment opportunities.
The BSEL is dedicated to providing the public with all the relevant information to enhance financial literacy and to educate on stock market offerings. The following are answers to some of the Frequently Asked Questions (FAQs) received at the BSEL.

**Can you buy shares at the BSEL?**

The BSEL does not sell shares directly. You have to go through a BSEL registered stock broker. A stockbroker acts as your agent in buying or selling shares. They also provide professional financial advice. Currently, there are four (4) BSEL brokers:

<table>
<thead>
<tr>
<th>Broker Name</th>
<th>Telephone</th>
<th>Email</th>
</tr>
</thead>
<tbody>
<tr>
<td>Imara Capital Securities</td>
<td>+267 3188886</td>
<td><a href="mailto:enquiriesbots@imara.com">enquiriesbots@imara.com</a></td>
</tr>
<tr>
<td>Motswedi Securities</td>
<td>+267 3188627</td>
<td><a href="mailto:motswedi@motswedi.co.bw">motswedi@motswedi.co.bw</a></td>
</tr>
<tr>
<td>Stockbrokers Botswana</td>
<td>+267 3957900</td>
<td><a href="mailto:info@sbb.bw">info@sbb.bw</a></td>
</tr>
<tr>
<td>African Alliance Securities Botswana</td>
<td>+267 3188958</td>
<td><a href="mailto:info@africanalliance.com">info@africanalliance.com</a></td>
</tr>
</tbody>
</table>
What is the process of buying shares on the BSEL?

Why do companies list on the BSEL?
Listing enables a company to raise capital, that is, the funds it needs to operate and grow. Listing generally increases a company’s public awareness of the company because this act often generates publicity by making its products known to a new group of potential customers. Subsequently, this may lead to an increase in market share for the company.

How do I find the share price of a company?
The BSEL releases daily market reports that are shared on BSEL website and social media. You can also request this from your broker.

Can one be a bondholder and shareholder at the same time?
Yes. This gives an investor the opportunity to diversify and enjoy a balance between reasonable and very high profits.

What are the qualities of a good share?
- Frequent and generous dividends.
- The company is managed productively, transparently and is accountable to shareholders.
- Shares that are easy to buy and sell instantly in the market.
- The company abides by the rules, regulations and laws.

What products are traded at the Botswana Stock Exchange Limited?
The BSEL provides one of the best opportunities to achieve your long-term financial goals by offering investors a wide array of financial instruments such as Shares, Bonds and Exchange Traded Funds (ETFs).

To seek further information or educational material on the BSEL, kindly contact the Market Development Department at marketdev@bse.co.bw or call (+267) 3674400.
1. **EQUITY MARKET PERFORMANCE**

1.1. **Analysis of Equity Indices**

Compared to the same period in 2017 (1 January to 30 September), the performance of the Domestic Company Index (DCI) has declined in 2018 on the back of a similarly challenging environment that is characterised by sluggish corporate earnings. Over this period in 2018, the DCI has depreciated by 11.5% in comparison to a depreciation of 5.0% during the same period in 2017.

The Foreign Company Index (FCI) has depreciated by 0.2% and 0.5% on a year to date basis in 2018 and 2017, respectively.

A synopsis of the performance of equity indices is included in Figure 1.

**Figure 1: Market Performance Statistics**

<table>
<thead>
<tr>
<th></th>
<th>Quarter 1 2018</th>
<th>Quarter 2 2018</th>
<th>Quarter 3 2018</th>
<th>Quarter 4 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Index Performance</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>DCI</td>
<td>8,589.64</td>
<td>8,402.66</td>
<td>7,837.34</td>
<td>7,837.34</td>
</tr>
<tr>
<td>% Change</td>
<td>(3.1)</td>
<td>(2.2)</td>
<td>(6.7)</td>
<td>(11.5)</td>
</tr>
<tr>
<td>FCI</td>
<td>1,574.19</td>
<td>1,571.12</td>
<td>1,572.02</td>
<td>1,572.02</td>
</tr>
<tr>
<td>% Change</td>
<td>(0.0)</td>
<td>(0.2)</td>
<td>0.1</td>
<td>(0.2)</td>
</tr>
<tr>
<td><strong>Liquidity</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Turnover (P’ Mn)</td>
<td>236.2</td>
<td>848.5</td>
<td>146.6</td>
<td>1,231.3</td>
</tr>
<tr>
<td>Average Daily Turnover (P’ Mn)</td>
<td>3.8</td>
<td>13.9</td>
<td>2.4</td>
<td>6.7</td>
</tr>
<tr>
<td>No. of Shares Traded (Mn)</td>
<td>100.7</td>
<td>310.9</td>
<td>59.1</td>
<td>470.7</td>
</tr>
<tr>
<td><strong>Market Capitalization</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Domestic Companies (P’ Mn)</td>
<td>43,079.0</td>
<td>42,097.9</td>
<td>39,266.3</td>
<td>39,266.3</td>
</tr>
<tr>
<td>Foreign Companies (P’ Mn)</td>
<td>373,526.0</td>
<td>373,087.3</td>
<td>371,135.4</td>
<td>371,135.4</td>
</tr>
<tr>
<td>Total (P’ Mn)</td>
<td>416,605.1</td>
<td>415,185.3</td>
<td>410,401.7</td>
<td>410,401.7</td>
</tr>
<tr>
<td><strong>Market Indicators Note 1</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>P/E Ratio (times)</td>
<td>14.3</td>
<td>12.6</td>
<td>11.3</td>
<td>11.3</td>
</tr>
<tr>
<td>Dividend Yield (%)</td>
<td>4.9</td>
<td>5.2</td>
<td>5.9</td>
<td>5.9</td>
</tr>
<tr>
<td>Price/Book Value (times)</td>
<td>1.6</td>
<td>1.6</td>
<td>1.5</td>
<td>1.5</td>
</tr>
</tbody>
</table>

Note 1: Earnings, Dividends and Book Value based on the last audited financial statements
Source: BSEL
With effect from 1 January 2018, the BSE introduced the Domestic Company Index Total Returns (DCTRI) following Main Committee and NBFIRA approvals in December 2017. As at 30 September 2018, the DCTRI had depreciated by 7.2%, reflecting the cushioning effect of dividends over the year to date period.

### 1.2. Analysis of Equity Turnover

Trading activity was noticeably reduced during the year to 30 September 2018. As at 30 September 2018, the BSE has recorded a turnover of P1, 231.3 Mn from 470.7 Mn shares traded. During the same period in 2017, the BSE had registered a turnover of P2, 144.4 Mn and a total volume of 655.6 Mn shares traded (see Figure 2).

#### Figure 2: Equity Turnover on the BSE

<table>
<thead>
<tr>
<th>Liquidity Note</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Index Performance</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Turnover (P’ Mn)</td>
<td>1,597.3</td>
<td>2,209.6</td>
<td>2,138.7</td>
<td>2,144.4</td>
<td>1,231.3</td>
</tr>
<tr>
<td>Average Daily Turnover (P’Mn)</td>
<td>8.6</td>
<td>11.9</td>
<td>11.5</td>
<td>11.5</td>
<td>6.7</td>
</tr>
<tr>
<td>No. of Shares Traded (Mn)</td>
<td>429.7</td>
<td>546.8</td>
<td>653.1</td>
<td>655.6</td>
<td>470.7</td>
</tr>
</tbody>
</table>

Note 1: Earnings, Dividends and Book Value based on the last audited financial statements

Source: BSEL

It can be noted from the Lorenz Curve in Figure 3 that during the year-to-date period turnover in 2018 was relatively unstable compared to the same periods in the previous four (4) years. This is supported by the higher coefficient of variation of turnover of 4.0 in 2018 in comparison to 3.3 and 3.4 in 2017 and 2016 respectively.

#### Figure 3: Stability of Equity Turnover (A): 1 January to 30 September

Source: BSEL
The Lorenz Curve in Figure 4 demonstrates that a relatively lower number of companies accounted for a relatively larger amount of turnover over this period compared to the same period in 2017. This further explains the lower stability of turnover compared to 2017.

**Figure 4: Stability of Equity Turnover (B): 1 January to 30 September**

To substantiate this deduction, the top 3 traded companies in terms of value, on a year to date basis, were Letshego (P376.8), NAP (P293.2 Mn) and CA Sales (P194.4 Mn) and these accounted for 70.2% of total turnover during the first three (3) quarters of 2018. During the same period in 2017, 3 companies accounted to 50.2% of turnover, an indication of turnover concentration in 2018 relative to 2017.

**1.3. Investor Contribution to Equity Turnover**

During the year to September 2018, local companies contributed 57.1% to total turnover compared to 56.9% in the corresponding period in 2017. Further, local individuals contributed 4.4% of total turnover recorded during the period 1 January to 30 September 2018 compared to 5.1% in the corresponding period in 2017.

**Figure 4: Stability of Equity Turnover (B): 1 January to 30 September**

**Liquidity Note**

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Quarter 1</td>
<td>Quarter 2</td>
</tr>
<tr>
<td>Foreign Companies</td>
<td>1,597.3</td>
<td>1,597.3</td>
</tr>
<tr>
<td>Foreign Individuals</td>
<td>1,597.3</td>
<td>1,597.3</td>
</tr>
<tr>
<td>Local Individuals</td>
<td>1,597.3</td>
<td>1,597.3</td>
</tr>
<tr>
<td>Local Companies</td>
<td>1,597.3</td>
<td>1,597.3</td>
</tr>
<tr>
<td>Brokers</td>
<td>8.6</td>
<td>8.6</td>
</tr>
<tr>
<td>TOTAL</td>
<td>429.7</td>
<td>429.7</td>
</tr>
</tbody>
</table>

Source: BSEL, CSDB
2. PERFORMANCE OF EXCHANGE TRADED FUNDS (ETFs)

The ETF Board experienced increased traded value in the first three (3) quarters of 2018 compared to the same period in 2017. The value of units traded increased in the year to date period, reaching P216.2 Mn compared to P133.2 Mn in the corresponding period in 2017 whereas the number of units traded amounted to 2.4 Mn units in 2018 compared to 3.2 Mn units in 2017.

Figure 6: Performance of ETFs: 1 January up to 30 September

<table>
<thead>
<tr>
<th>Indicator</th>
<th>1 Jan – 30 September 2017</th>
<th>1 Jan – 30 September 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>NewGold</td>
<td>NewPlat</td>
</tr>
<tr>
<td>Turnover (P' Mn)</td>
<td>7.663</td>
<td>4.010</td>
</tr>
<tr>
<td>Units Traded</td>
<td>62,109</td>
<td>42,018</td>
</tr>
<tr>
<td>Price Change</td>
<td>7.1%</td>
<td>(6.8%)</td>
</tr>
</tbody>
</table>

*CoreShares EWT40 ETF delisted from BSE on 22 August 2018. The price change is at 22 August 2018.
Source: BSEL

3. COMPARATIVE PERFORMANCE OF THE BSE WITH SELECTED MARKETS

The ETF Board experienced increased traded value in the first three (3) quarters of 2018 compared to the same period in 2017.

Figure 7: Comparative Performance with other Indices: 1 January to 30 September 2018

<table>
<thead>
<tr>
<th>Index</th>
<th>Index Change (%)</th>
<th>P/E Ratio (times)</th>
</tr>
</thead>
<tbody>
<tr>
<td>JSE ALSI</td>
<td>(6.4)</td>
<td>16.6</td>
</tr>
<tr>
<td>SEMDEX</td>
<td>2.2</td>
<td>23.3</td>
</tr>
<tr>
<td>DCI</td>
<td>(11.5)</td>
<td>11.3</td>
</tr>
<tr>
<td>MSCI EM</td>
<td>(9.5)</td>
<td>Not Computed</td>
</tr>
</tbody>
</table>

Source: Bloomberg, BSEL
JSE ALSI: Johannesburg Stock Exchange All Share Index
SEMDEX: Stock Exchange of Mauritius Equity Index
MSCI EM: MSCI Emerging Markets Index

As can be seen in Figure 7 above, emerging markets experienced increased pressure and subsequent negative performance as represented by the MSCI EM index. The same was experienced also by most frontier markets.
4. **BOND MARKET PERFORMANCE**

As illustrated in Figure 7, activity in the bond market has improved compared to the same period in 2017. The value of bonds traded during the year-to-date period was P1, 608.6 Mn in comparison to P273.0 Mn traded during the same period in 2017.

Bank of Botswana (BoB), on behalf of Government, held three (3) bond auctions so far in 2018. At its first bond auction of 2018 on 2 March, additional tranches of the following were offered; BW007 (P77 Mn allotted), BW008 (P100 Mn allotted), BW011 (P100 Mn allotted), BW013 (not allotted) bonds and a Treasury bill (P220 Mn allotted).

At its second auction of the year conducted on 1 June, these bonds were reopened; BW011 (P200 Mn allotted), BW012 (P200 Mn allotted) and BW013 (P155 allotted).

The third Government Bond Auction conducted on 31 August saw the re-opening of the BW013 (P300 Mn allotted) and the issuance of two (2) new bonds; BW014 (P129 Mn allotted) and BW015 (P301 Mn allotted). The BSE has registered five (5) corporate bond listings during the first three (3) quarters of 2018, being the BW013 (P250 Mn), GBL003 (P15 Mn), GBL004 (P25 Mn), GBL005 (P5 Mn) and BDC003 (142.53 Mn).

On the back of aforementioned issuances, the nominal amount in issue of listed bonds increased to P13.8 Bn compared to P12.9 Bn as at the same period in 2017.

**Figure 7: Comparative Performance with other Indices: 1 January to 30 September 2018**

<table>
<thead>
<tr>
<th></th>
<th>1 Jan – 30 September 2017</th>
<th>1 Jan – 30 September 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Value Traded (P'Mn)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Government Bonds</td>
<td>268.4</td>
<td>1,573.3</td>
</tr>
<tr>
<td>Corporate Bonds</td>
<td>4.5</td>
<td>35.3</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>273.0</strong></td>
<td><strong>1,608.6</strong></td>
</tr>
<tr>
<td><strong>Market Capitalisation ( P’ Bn)</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Government Bonds</td>
<td>8.8</td>
<td>8.9</td>
</tr>
<tr>
<td>Corporate Bonds</td>
<td>4.1</td>
<td>4.9</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>12.9</strong></td>
<td><strong>13.8</strong></td>
</tr>
<tr>
<td><strong>Number of Bonds Listed</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Government Bonds</td>
<td>5</td>
<td>7</td>
</tr>
<tr>
<td>Corporate Bonds</td>
<td>38</td>
<td>39</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>43</strong></td>
<td><strong>46</strong></td>
</tr>
</tbody>
</table>

Source: Bloomberg, BSEL

The BoB’s Monetary Policy Committee (MPC) sat four times so far in the year: on 13 February 2018, 30 April 2018, 19 June 2018 and 23 August 2018. At all settings, the MPC left the Bank rate unchanged at 5.0% in view of the positive outlook for price stability. Inflation decreased from 3.2% in December 2017 to 2.9% in September 2018. A low inflationary environment helps the bond coupons maintain purchasing power.
As the BSEL we recognise that the achievement of our mandate means that not only must we aim to strategically position ourselves as a world class securities exchange, but, we must also aim to have the right partnerships from a corporate social investment (CSI) position in order to enrich our standing within the communities in which we operate.

It is therefore important that the sustainable contribution to the development and economic growth of Botswana is highlighted through the packaging of these CSI activities to drive the BSEL closer to the people and reflect its commitment to the community.
A Healthy Employee Makes A Healthy Company.

As a way of continuously promoting health and wellness of staff at the BSEL, the BSEL staff participated at the 2018 Botswana Life Classic Run held in Gaborone.

The marathon was a great team building exercise. Furthermore, the event provided the opportunity for the BSEL to interact with and educate the public about the local bourse and the benefits of investing on the stock market.
According to the WFE, the five principles are:

1. **Exchanges will work to educate participants in the exchange ecosystem about the importance of sustainability issues:**
   This is capacity building designed to build an understanding and appreciation of the impact of Environmental, Social and Governance (ESG) issues on the long-term health and performance of financial markets, and the important role that markets can play in enabling a transition to a more just and sustainable world. Capacity building may be done independently or in collaboration with third parties, and may take the form of seminars, courses, case-studies, information sharing among market participants, and the publication of research.

2. **Exchanges will promote the enhanced availability of investor relevant, decision-useful ESG information.**
   To make informed investment decisions, and to ensure appropriate allocation of capital, investors need access to good quality information about how companies are managing ESG risks and potential opportunities. This may include issuing disclosure guidance to assist issuers in understanding what information to disclose and how best to present it or organising training sessions for issuers around ESG reporting.

3. **Exchanges will actively engage with stakeholders to advance the sustainable finance agenda.**
   This could range from engagement with regulators and policymakers to promote the creation of the necessary enabling environment, to contributing to the development of consensus around a sustainability taxonomy, and collaborating with other market participants to develop products that advance the sustainable finance agenda.

4. **Exchanges will provide markets and products that support the scaling-up of sustainable finance and reorientation of financial flows.**
   WFE members can contribute to the listing of sustainability-focused investment products such as: Creating frameworks for the listing of green, social and sustainability bonds; the development of sustainability indices; Supporting qualified green and/or social enterprises in obtaining financing via IPO and secondary offerings.

5. **Exchanges will establish effective internal governance, operational processes and policies to support their sustainability efforts.**
   This could include: Incorporating ESG disclosure into the exchanges’ own sustainability reporting; Educating staff about sustainability risks and opportunities; and Establishing board and senior management oversight of the exchange’s own management of ESG risks and opportunities.

WFE, CEO, Nandini Sukumar, remarked: “The WFE and its members acknowledge our role in fostering and promoting the development of a sustainable financial system, making finance flows consistent with a pathway towards low greenhouse gas emissions and climate-resilient development, and promoting the transition towards an inclusive, and sustainable economy. The launch of the five WFE Sustainability Principles marks an even clearer commitment by the WFE membership to role-model and promote actions that work towards a more sustainable financial future.”

Source: World Federation of Exchanges Website
The World Federation of Exchanges (WFE)Publishes a report that seeks to identify factors that attract international portfolio investment into emerging market equities.

The WFE's report looks at both foreign investment inflows to emerging equity markets, as well as foreign trading activity, to identify factors that are related to increases in both of these areas.

The research identified the following factors associated with increases in Foreign Investment Inflows:

- Emerging markets equity returns, with just a one-percentage point increase in domestic returns being associated with a USD 24.4 million increase in monthly inflows.
- Markets with higher corporate governance standards attract more investment. Markets where a full set of well-established corporate governance requirements are present, show additional foreign inflows as high as USD 756 million over the sample period.
- A country’s inclusion in the MSCI Index, the use of IFRS reporting, and encouraging English-language disclosure of market announcements and financial results, all of which are positively associated with foreign inflows.
Contrariwise, the report also outlines a range of factors associated with Foreign Investment Outflows, such as:

- Emerging market volatility, suggesting that foreign capital tends to withdraw from emerging markets during periods of higher domestic market turmoil, consistent with the idea of a ‘flight to safety’; and
- Explicit barriers to investment, such as the presence of restrictions on capital inflows, with markets imposing these restrictions seeing a reduction in inflows equal to USD 302 million over the sample period.

Factors linked to higher levels of foreign trading activity:

- Larger and more liquid markets. For example, a one-percentage point increase in turnover velocity is associated with a 1.3% increase in the value of foreign trading, and a 0.84% increase in the number of foreign trades.
- Reducing trading fees
- The introduction of market structure enhancements, such as the ability to short-sell and engage in securities lending and borrowing.

Siobhan Cleary, Head of Research & Public Policy at WFE commented:

“We recognise that some factors linking foreign investment and trading in emerging markets are beyond the control of exchanges and market participants, and need to be addressed as part of a collective effort. We also believe it is important for exchanges and policy-makers to ensure the creation of an enabling investor environment across different investor groups.”

Source: World Federation of Exchanges Website
HERE IS THE BOTSWANA STOCK EXCHANGE LIMITED (BSEL) AND CENTRAL SECURITIES DEPOSITORY BOTSWANA (CSDB) CUSTOMER FEEDBACK PROCEDURE

At the BSEL and CSDB we welcome feedback from our valued customers who believe that proper service, rules and regulations are always followed. Feedback of a regulatory nature will be escalated to the relevant authority.

Feedback can be submitted as below;

1. Share feedback with the Officer providing assistance
2. Escalate to the relevant Head of Department on (+267) 3674000 or email feedback@bse.co.bw
3. Escalate to the Chief Executive Officer on (+267) 3674402
4. Escalate to the Chairman of the BSEL Board
The demutualization of the Exchange brings forth enormous efficiencies that will enable the bourse to discharge its mandate and drive value for shareholders and stakeholders as we strive to become a world class securities exchange.

After all, our resilience as a stock exchange forms the fundamentals from which we can energetically tackle all challenges that lie ahead and devise more sustainable, future-oriented business models.
Tlou Energy has proven gas reserves to provide much needed energy security to Botswana and the Southern African region.

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