



BOTSWANA STOCK EXCHANGE

**MARKET PERFORMANCE REPORT FOR PERIOD 1 JANUARY
TO 31 MARCH 2019**

1.0 MARKET PERFORMANCE

1.1 Analysis of Equity Indices

The Domestic Company Index (DCI) experienced a better start to the year with a marginal improvement of 0.43% in the period 1 January to 31 March 2019 in comparison to a 3.1% decrease registered in the same period in 2018. The Domestic Company Total Return Index (DCTRI) appreciated by 1.03%, boosted by a combination of price and dividend improvements during the quarter.

On the foreign companies' front, the Foreign Company Index (FCI) registered a depreciation of 0.26% in Quarter 1 of 2019 relative to a decrease of 0.05% over the same period in 2018.

Figure 1: Market Performance Statistics

	Jan 2019	Feb 2019	March 2019	Quarter 1 2019
Index Performance				
DCI	7,875.36	7,865.93	7,885.57	7,885.57
% Change	0.3	(0.12)	0.25	0.43
FCI	1,570.28	1,566.58	1,566.26	1,566.26
% Change	0.0	(0.24)	(0.02)	(0.26)
DCI-TR	1,717.69	1,716.65	1,730.88	1,730.88
% Change	0.3	(0.1)	0.83	1.03
Liquidity				
Turnover (P' Mn)	123.8	114.3	108.7	346.9
Average Daily Turnover (P' Mn)	5.9	5.7	5.2	5.6
No. of Shares Traded (Mn)	118.6	21.0	16.5	156.1
Market Capitalization				
Domestic Companies (P' Mn)	42,547	42,107	42,212	42,212
Foreign Companies (P' Mn)	370,743	369,868	369,792	369,792
Total (P' Mn)	413,290	411,9175	412,004	412,004
Market Indicators <small>Note 1</small>				
P/E Ratio (times)	10.9	10.8	10.8	10.8
Dividend Yield (%)	6.2	6.3	6.2	6.2
Price/Book Value (times)	1.4	1.4	1.4	1.4

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

Source: BSE

1.2 Analysis of Equity Trading Activity

As at the end of Quarter 1 of 2019, the BSE had recorded a turnover of P346.9 Mn, an improvement of 46.9% on the turnover recorded in the same period in 2018 (P236.2 Mn). The number of shares traded amounted to 156.1 Mn shares and 100.7 Mn shares in Quarter 1 of 2019 and Quarter 1 of 2018 respectively.

Figure 2: Equity Trading Activity

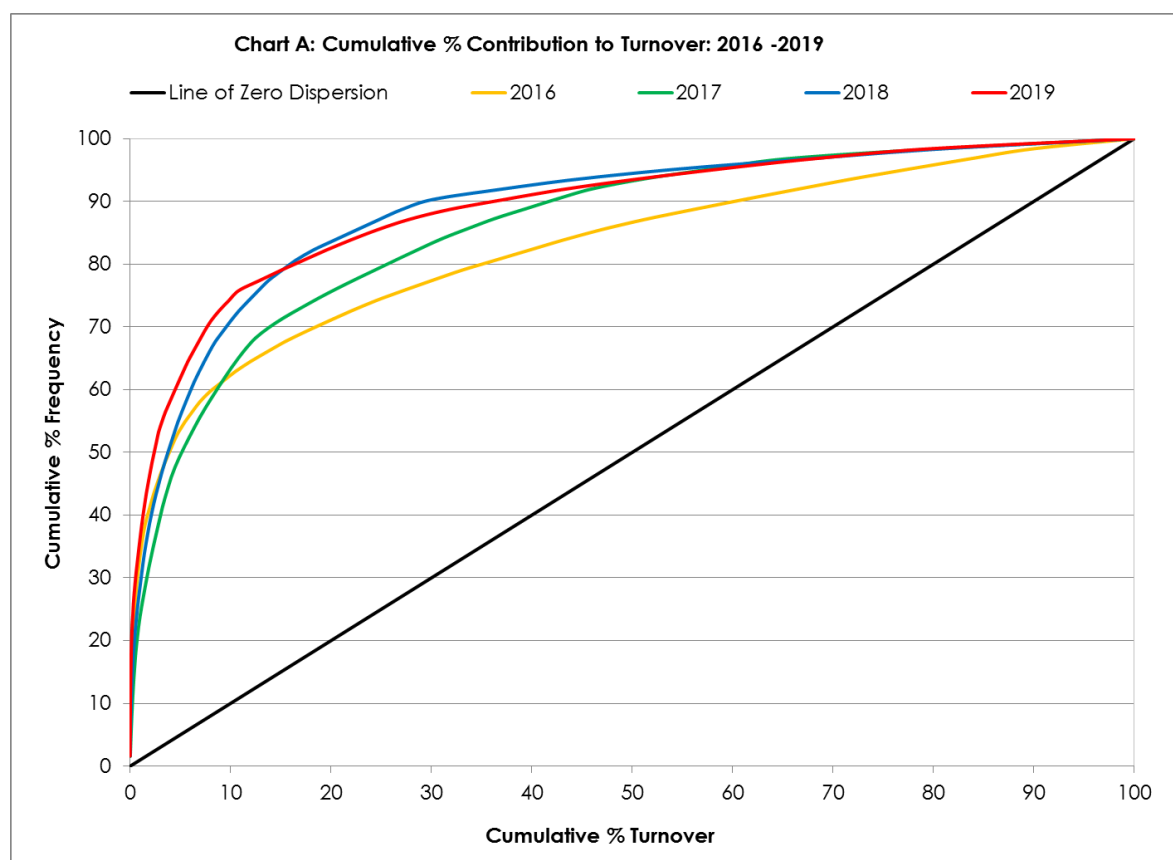
Liquidity ^{Note 1}	2015	2016	2017	2018	2019
Turnover (P'Mn)	557.8	701.9	532.8	236.2	346.89
Average Daily Turnover (P'Mn)	9.0	11.3	8.5	3.8	5.2
No. of Shares Traded (Mn)	154.7	187.0	173.9	100.7	156.1

Note 1: Year to 31st March

Source: BSE

It can be noted from the Lorenz Curve in Figure 3 that during the first quarter of 2019 the stability of turnover improved compared to the same period in 2018. This is supported by a lower coefficient of variation (CoV) of turnover of 2.1 in 2019 compared to 2.2 in 2018. However, the CoVs are still above the average of 1.9 across a four year period from 2016 to 2019.

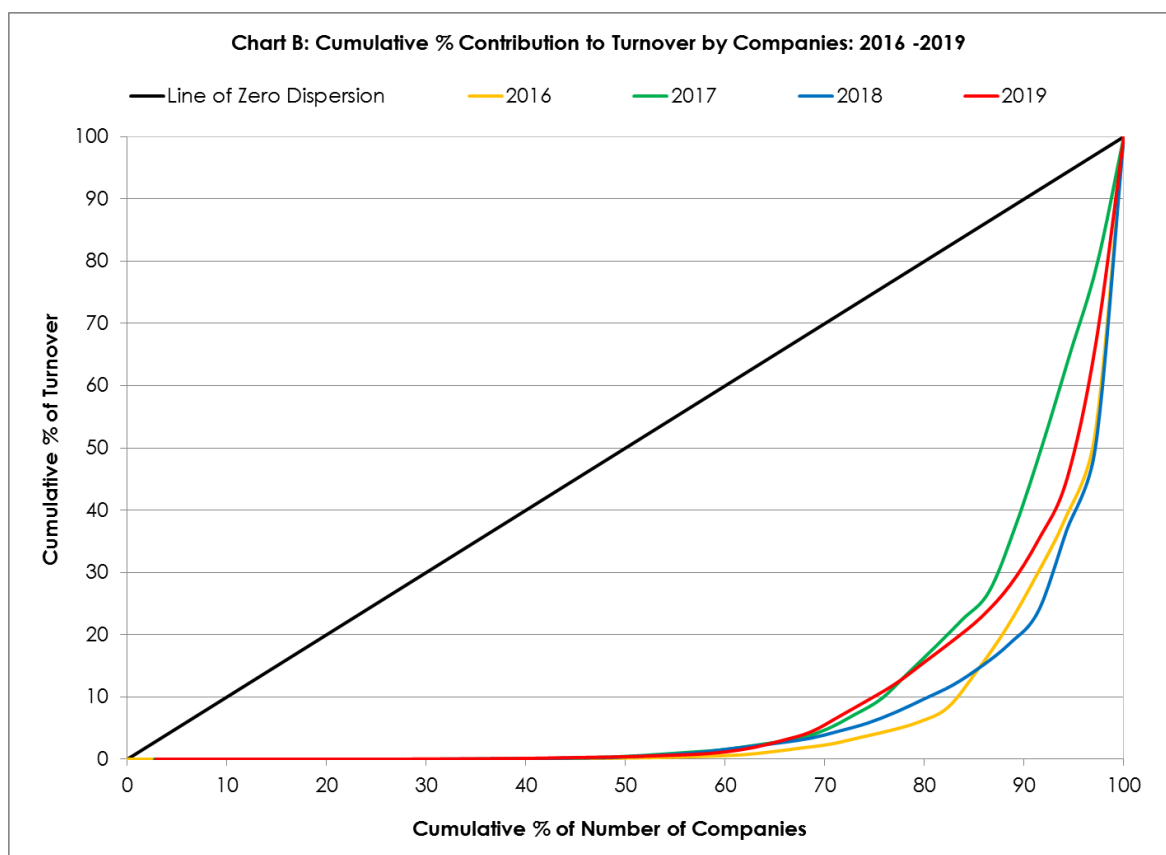
Figure 3: Stability of Equity Turnover (A): 1 January to 31 March



Source: BSE

The Lorenz Curve in Figure 4 demonstrates that more companies contributed to turnover over this period in comparison to the same period in 2018. Hence the improved stability of turnover in comparison to the corresponding period in 2018.

Figure 4: Contribution to Turnover by Companies (B): 1 January to 31 March



Source: BSE

To further support this analysis, the top 3 traded companies in terms of value in the first quarter of 2019 were Sechaba Limited (P107.69 Mn), Furnmart Limited (P68.4 Mn), and New African Properties Limited (P31.2 Mn). These accounted for 64.8% of total turnover compared to the 76.2% accounted for by the top three traded companies in the same period in 2018.

1.3 Performance of Exchange Traded Funds (ETFs)

The ETF market was less active compared to Quarter 1 of 2018. The volume of ETF units traded was 304,588 in 2019 while the turnover registered was P26.6 Mn. Over the same period in 2018, the number of units traded amounted to 451,869 yielding a turnover of P41.4 Mn.

Figure 5: Performance of ETFs: 1 January up to 31 March

ETF	Turnover (P' Mn)		Units Traded		Price Change	
	2018	2019	2018	2019	2018	2019
NewGold	2.5	0.42	20,649	3,257	(0.3%)	4.0%
NewPlat	38.6	26.2	425,005	301,331	(4.3%)	(2.2%)
CoreShares*	0.25	-	6,214	-	(0.0%)	-
NewFunds	-	0.01	-	Note 1	-	-
TOTAL	41.4	26.63	451,869	304,588	N/A	N/A

*Delisted Aug 2018

Note 1: 194 units of NewFunds ETF were traded

2.0 INVESTOR CONTRIBUTION TO TURNOVER

The contribution by local companies amounted to 22.6% in Quarter 1 2019 in comparison to 34.8% in Quarter 1 2018. Local individual investors contributed an improved 7.3% relative to 5.7% in the corresponding period in 2018. A further analysis of other investor categories is presented in Figure 6.

Figure 6: Investor Contribution to Turnover (%): Quarter 1 of 2018 and 2019

Investor Category	Quarter 1 2018	Quarter 1 2019
Foreign Companies	34.8	22.6
Foreign Individuals	1.1	0.8
Local Individuals	5.7	7.3
Local Companies	57.6	65.1
Brokers	0.8	4.2
TOTAL	100.0	100.0

Source: BSE, CSDB

3.0 COMPARATIVE PERFORMANCE OF THE DCI WITH SELECTED INDICES

Figure 7: Comparative Performance: 1 January to 31 March 2019

Index	Index Change (%)		P/E Ratio (times)
	Domestic	US Dollar Terms	
JSE ALSI	7.1	6.3	17.3
SEMDEX	(2.4)	(4.0)	19.0
DCI	0.4	(0.1)	10.8
MSCI EM	9.6	9.6	35.1

Source: Bloomberg, BSE, I-Net BFA

JSE ALSI: Johannesburg Stock Exchange All Share Index

SEMDEX: Stock Exchange of Mauritius Equity Index

MSCI EM: MSCI Emerging Markets Index

It can be noted that the comparative indices were impacted in various ways by what is primarily attributed to the volatility exhibited by the US Dollar due to uncertainty of trade negotiations between the United States and China. The DCI's US Dollar return over the quarter amounted to a negative 0.1% on the back of the Pula depreciation of 0.5% against the dollar. The JSE ALSI moved in line with the MSCI EM index whereas the SEMDEX experienced a depreciation of 4%.

4.0 BOND MARKET PERFORMANCE

As illustrated in Figure 8, trading activity in the bond market increased significantly in 2019 (period to 31 March 2019) compared to the same period in 2018. The value of bonds traded over the period was P251.9 Mn in comparison to P27.4 Mn traded over the same period in 2018.

At the 1 March 2019 Government Bonds and Treasury Bill auction, the Bank of Botswana (BoB), on behalf of the Government offered additional tranches of the BW013 (P137.00 Mn allotted, increasing its total nominal amount in issue to P1,076.00 Mn) and the BW014 (P335.00 Mn allotted, increasing its total nominal amount in issue to P931.00 Mn).

On the back of Government bonds tap issuances and new issuances, the market capitalisation of listed bonds increased to P15.4 Bn compared to P14.7 Bn as at the same period in 2018.

Figure 8: Analysis of the Bond Market Performance

	1 Jan – 31 Mar 2018	1 Jan – 31 Mar 2019
Liquidity (P'Mn)		
Government Bonds	23.0	241.3
Corporate Bonds	4.4	10.6
TOTAL	27.4	251.9
Market Capitalisation (P' Bn)		
Government Bonds	9.6	10.1
Corporate Bonds	5.1	5.3
TOTAL	14.7	15.4
Number of Bonds Listed		
Government Bonds	6	7
Corporate Bonds	38	31
TOTAL	44	38

Source: BSE

The BoB's Monetary Policy Committee (MPC) met on 25th February 2019 and left the Bank rate unchanged at 5.0% in view of the positive outlook for price stability. Inflation was at 3.5% in January 2019 and decreased to 3.3% in February 2019. Over the quarter, the BBIS registered a return of 1.0% (BBI Composite) and 0.9% (BBI Fixed).

5.0 STRATEGIC INITIATIVES

5.1 BSEL Introduces New Equity Listings Requirements and Rules for Regulating Market-Makers

At the beginning of 2019 the BSEL implemented the new **Equity Listings Requirements** aimed at providing a comprehensive process of how companies can list their equity securities on the Exchange. The new requirements include improved disclosure requirements across the different boards, provide rules for the listing of investment entities, and Special Acquisition Companies (SACs), among others.

Included in the new Equity Listings Requirements are the Requirements for listing on the **Tshipidi SME Board**, which facilitates the listing of companies with relatively smaller capital bases. These requirements are relatively more accommodative than those of the Main and Venture Capital Boards and they further cement the BSEL's commitment of developing Small-Medium Enterprises which are integral to the development of Botswana's economy.

In the same fashion **Rules for Regulating Market-Makers** were introduced at the beginning of the quarter. These Rules have been framed in order to regulate Market-Makers whose purpose on the Exchange is to provide liquidity in listed securities by submitting both bids and offers for a designated security during the designated Market-Making session. These Rules apply to all entities conducting market-making activities on the Exchange currently and in future and will further assist develop market liquidity of listed securities.

5.2 Implementation of a New CSD System

In our efforts of improving market liquidity and trading activity, it is also worth noting that the BSEL and the Central Securities Depository Botswana (CSDB) have commenced the implementation of a new CSD system that comes with new functionalities such as Securities Borrowing and Lending (SBL), management of the Settlement Guarantee Fund, IPO processing, E-Voting for listed entities, repo management and online investor access. The system is an integral element of the ongoing Single CSD project pioneered the Ministry of Finance, NBFIRA and BSEL. With its ability to connect real time to the Botswana Interbank Settlement System (BISS), it will ensure settlement in central bank money and reduce counterparty risk, in the process helping improve settlement efficiency and compliance with the IOSCO Principles for Financial Markets Infrastructures (PFMIs). This will also automatically increase the CSD system ratings by Thomas Murray, an assessment of which will be conducted once the system has been commissioned in early 2020.

5.3 BSEL Introduces a Guidance for Listed Companies on Reporting ESG Information to Investors

In January 2019, the BSEL published its inaugural **Guidance for Listed Companies on Reporting ESG Information to Investors**.

This was as a result of the BSEL's commitment to voluntarily promote long-term sustainable investment and improved environmental, social and corporate governance disclosure and performance among listed companies. The BSEL is a Partner Exchange of the United Nations Sustainable Stock Exchange (SSE) initiative. The SSE initiative is a peer-to-peer learning platform for exploring how exchanges, enhance corporate transparency and performance on ESG (environmental, social and corporate governance) issues and encourage sustainable investment.

The Guidance is an assimilation of the SSE initiative's Model Guidance on Reporting ESG Information to Investors and is not part of the BSEL Listing Requirements. It serves as a voluntary tool for listed companies to adopt as part of their own, and the many, ESG disclosure frameworks and, by extension, helps listed companies comply with the King requirements which are embedded in the BSE Equity Listings Requirements. The Guidance is available on the BSE website and on the SSE initiative website.

5.4 2019 Opening Bell Ceremonies

The BSEL continued its initiative of hosting the monthly Opening Bell ceremonies, kick-starting 2019 with the January instalment under the theme '**Collaboration**'. At the ceremony the BSEL presented to the attendees the 2018 market performance and the outlook for 2019 as well as new initiatives to be implemented during 2019. The second one which was held in February 2019 was graced by the Head of Delegation of the European Union (EU) to Botswana and SADC Mr. Jan Sadek and the Permanent Secretary to the Ministry of International Affairs and Cooperation, Mr. Gaeimelwe Goitsemang.

The March 2019 ceremony was indeed a special one, under the theme '**Balance for Better**' on International Women's Day. The Co-Chair of the Global HIV Prevention Coalition, Co-Chair of the Nursing Now Global Campaign and former Minister of Health, Professor Sheila Tlou graced the ceremony with her presence and a moving keynote address on achieving gender balance for the sustainable development of our society.

5.5 BSEL Wins 'The Best Educational Initiative Africa Award' At the Structured Retail Products (SRP) Africa Awards 2019

The BSEL won the **Best Educational Initiative Africa Award** for our Annual Senior Secondary Schools Finance & Investment Competition at the **Structured Retail Products (SRP) Africa Awards** held in Cape Town, South Africa on the 7th March, 2019. The BSEL was nominated against several African Stock Exchanges and other financial market players. The BSEL was also nominated for the Best Exchange Award against the Nairobi Securities Exchange, Johannesburg Stock Exchange and ZarX, which was won by the Johannesburg Stock Exchange.

5.6 BSEL continues to engage through Open Days

Open Days continue to help increase the reach and accessibility of the BSEL to promote stock market education as well as promote the listing value proposition. Continuing from Open Days held in 2018, the BSEL has thus far hosted 1 Open Day in the first quarter of 2019 under the theme **“Your Partner in Wealth Creation”**. This was held in Hukuntsi on the 19th of March and was attended by more than 400 members of the public in total. The BSEL is scheduled to host 3 more Open Days in Nata (11 April), Molepolole (9 May), and Bobonong (13 June). This initiative is conducted with the support of the broker community and other investment management firms. It is in line with the BSEL’s effort to develop Botswana’s financial literacy levels and investor participation in the stock market.

5.7 BSEL Quarterly Magazine

In January 2019, the BSEL published its quarterly magazine called the **‘Botswana Stock Exchange Limited News’** under the title **‘Celebrating 30 Years’**. The publication is widely distributed through a number of avenues including the Choppies outlets around the country, book shops, hotels, events, Embassies in Botswana and abroad as well as the BSEL website. The Magazine is gradually becoming an integral component of the BSEL’s revenue diversification tools through advertising, over and above being a critical avenue for disseminating information and promoting visibility.

5.8 BSEL to host the 23rd African Securities Exchanges Association (ASEA) Annual General Meeting and Conference in Kasane

At the 47th Exco Meeting of African Securities Exchanges Association (ASEA) in July 2018 in Senegal, the BSE’s bid to host the 23rd Annual ASEA General Meeting and Conference from 23 -26 November 2019 was presented by the BSE and approved by ASEA Exco. The Conference will be held in Kasane under the theme **“BUILDING RESILIENT AFRICAN CAPITAL MARKETS”**. ASEA is the premier Association of securities exchanges in Africa, which was founded with the aim of developing Member Exchanges and providing a platform for networking. The Association has a full membership of 26 vibrant securities exchanges serving 32 economies in Africa.