



**MARKET PERFORMANCE REPORT FOR THE PERIOD 1
JANUARY TO 31 DECEMBER 2019**

1.0 ECONOMIC HIGHLIGHTS

From a macroeconomic standpoint, global growth for 2019 recorded its weakest pace since the global financial crisis a decade ago stemming from common influences across developed countries, according to the October 2019 World Economic Outlook (WEO) report. Uncertainty brought about by increased trade barriers and geopolitical risks weighed on business sentiment and activity. Some advanced economies, and indeed China, have shown cyclical slowdowns as a result of trade tensions. In the report, the International Monetary Fund (IMF) has yet again revised global growth for 2019 to 3 percent, following a downward trend from 3.8% in 2017.

Emerging markets as a whole are estimated to grow at 3.9% in 2019 compared to 4.5% in 2018. In sub-Saharan Africa, estimate growth for 2019 registered at 3.2 percent with more than half of countries experiencing per capita growth lower than their median rate during the past 25 years. In Botswana, the Bank of Botswana (BoB) reports Real Gross Domestic Product (GDP) to have grown by 3.9% in the twelve months to June 2019, compared to a faster expansion of 4.9% in the corresponding period in 2018. The lower rate of increase in output is mainly attributable to a deceleration in growth of the mining sector. Growth in non-mining GDP also slowed in the review period. Mining output grew by 1.4% in the year to June 2019, compared to an increase of 5.6% in the corresponding period in 2018.

As this report shows, the response and activity in the equity market improved in 2019 when assessed on the basis of various metrics, despite trading levels finishing the year slightly lower than in 2018. This could be an indication of recovery in investor sentiment owing to various successful interventions of the BSE in an environment that has been challenging at both macro level and at industry level for investors as well as issuers.

Evidently, the prudence and consistency with which listings requirements have been applied in instances of transgressions by corporates was an important driver of confidence and our continued affirmation to equitable treatment of shareholders and the protection of the minorities. The consistent engagement of the public on these matters, to not only clarify the matters to the public from the perspective of the BSE but to equally ensure timeous flow of relevant updates, has been well acknowledge by the investor community. Outreach programmes, such as the Monthly Opening Bell Ceremonies as well as information channels - BSE Magazine, X-News and Social Media - have proven to be instrumental in this regard. Indeed, trust and information are fundamental to investor confidence, formation of true prices of securities and efficient and vibrant capital markets.

2.0 MARKET STATISTICS

Table 1 presents a snapshot of the overall market indicating the number of listed instruments across the three asset classes, the total market value of the three asset classes and the trading activity in these asset classes in 2019 and 2018.

Table 1: Market Statistics

ASSET CLASS		LISTED INSTRUMENTS	MARKET CAP (P'Mn)	TURNOVER (P' Mn)
Equities	2019	33*	407,874.2	1,810.9
Bonds		46	17,288.3	2,175.4
ETFs		3	654.7	196.2
TOTAL		82	425,817.2	4,182.5
Equities	2018	36*	413,168.3	1,862.2
Bonds		49	15,038.1	2,222.7
ETFs		3	603.6	280.5
TOTAL		88	428,810.0	4,365.4

Source: BSE

*Takes into account BBS Limited, registered on the Serala OTC Board.

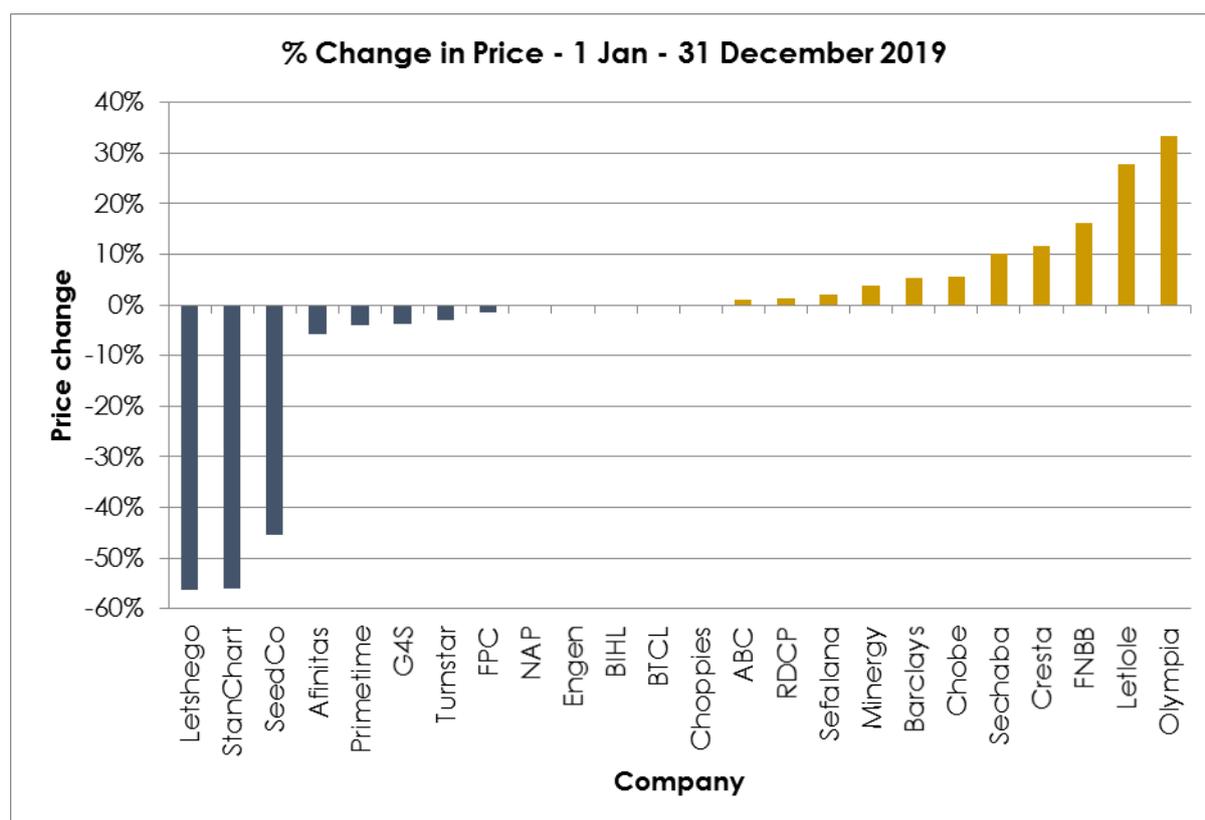
As could be noted from Table 1, a total turnover of P4.2 Bn was recorded in 2019 compared to P4.4 Bn in 2018, a relative decline of 4.2%. Efforts to attract listings and products intensified in the year, although there was no conversion in terms of actual listings. Other projects commenced and progressed successfully, such as the implementation of the new CSD system and the implementation of the new equity brokerage commission, and are expected to stimulate performance in the years ahead.

3.0 EQUITY MARKET PERFORMANCE

3.1 Equity Market Statistics

In 2019, the equity market performed relatively well in comparison to the corresponding prior period as evidenced from a pullback in market returns as noted in Table 2. The decline in the Domestic Company Index (DCI) registered at 4.6% compared to a decline of 11.4% in 2018, attributable to a rebound in the majority of the stocks as shown in Figure 1. In the period under review, 11 companies (compared to 8 in 2018) registered positive price changes, 10 (compared to 14 in 2018) registered negative price movements and 3 (compared to 4 in 2018) closed the year with -share prices back to their 2018 levels.

Figure 1: Price changes (%) by Domestic Companies 2018-2019



Source: BSE

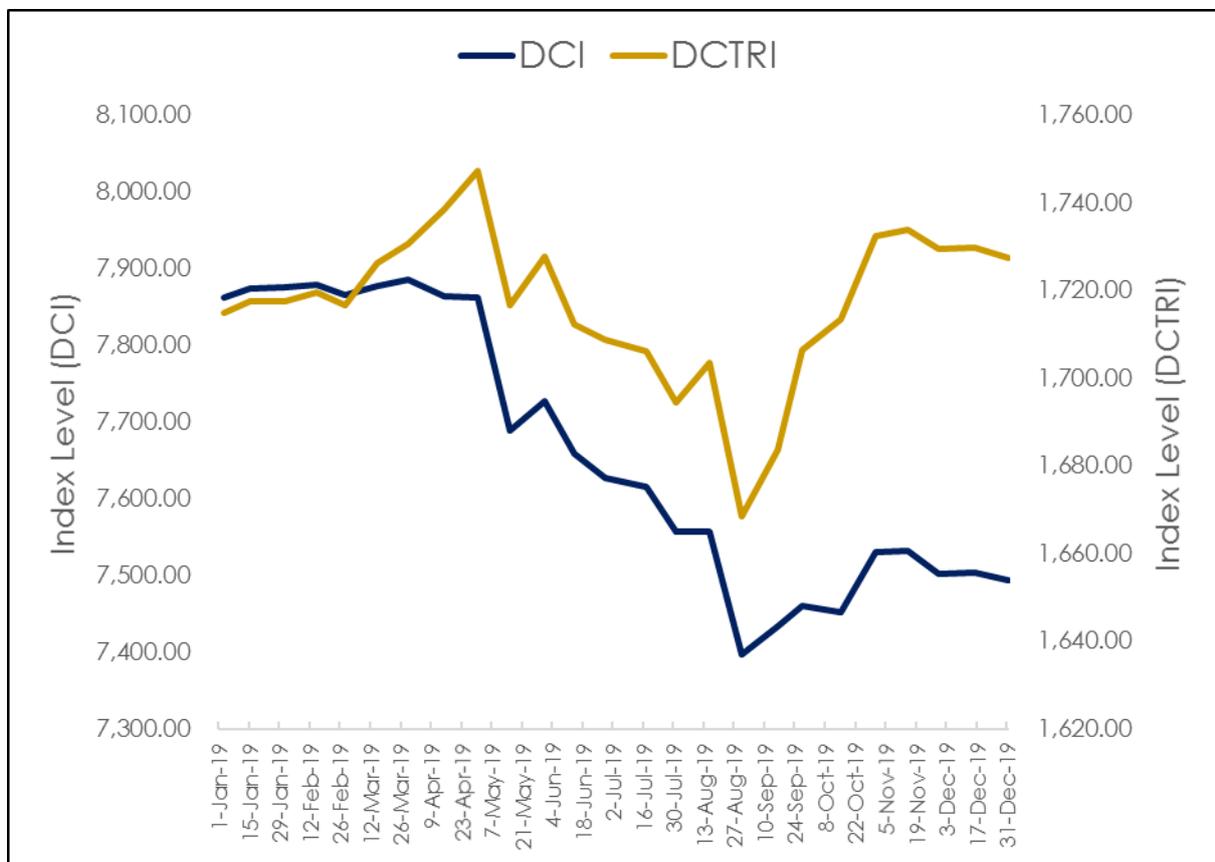
Table 2: Equity Market Statistics

	INDICES PERFORMANCE					
	2018	2019	Q1'19	Q2'19	Q3'19	Q4'19
DCI	7,851.9	7,494.6	7,885.6	7,628.1	7,460.9	7,494.6
% Change	(11.4)	(4.6)	0.4	(3.3)	(2.2)	0.5
FCI	1,570.3	1,562.4	1,566.26	1,564.55	1,564.55	1,562.4
% Change	(0.3)	(0.5)	(0.3)	(0.1)	(0.0)	(0.1)
	TRADING ACTIVITY (P'Mn)					
	2018	2019	Q1'19	Q2'19	Q3'19	Q4'19
Turnover	1,862.2	1,810.9	320.0	546.8	340.0	604.0
Volume	582.5	627.8	156.1	101.2	130.1	240.3
Avg. Daily Turnover	7.5	7.3	5.2	9.0	5.6	9.6
	MARKET CAPITALIZATION (P'Mn)					
	2018	2019	Q1'19	Q2'19	Q3'19	Q4'19
Domestic Companies	42,421.0	38,709.4	42,212.4	40,804.2	38,481.8	38,709.4
Foreign Companies	370,747.3	369,164.8	370,216.2	369,938.3	369,661.8	369,164.8
Total	413,168.3	407,874.2	412,428.6	410,742.5	408,143.6	407,874.2

Source: BSE

As per Table 2 above, turnover levels dropped by 2.8% in 2019 relative to 2018. Two important events held in 2019 which contributed to a reduced universe of tradeable securities; the continued suspension of Choppies Limited throughout 2019 and the delisting of Wilderness Holdings Limited and Furnmart Limited during the year. These entities have contributed significantly to trading activity in prior years owing to their size and contribution to diversity of sectors on the Exchange. These events have also negatively impacted domestic market capitalization which has reduced by P3.7 Bn to P38.7 Bn from P42.4 Bn in 2018. On a balance of events, to experience a continued suspension of Choppies and a delisting of two major corporates and still restore trust, confidence and investor activity has been a remarkable feat for the Exchange and the investor community.

Figure 2: Performance of the DCI and DCTRI



Source: BSE

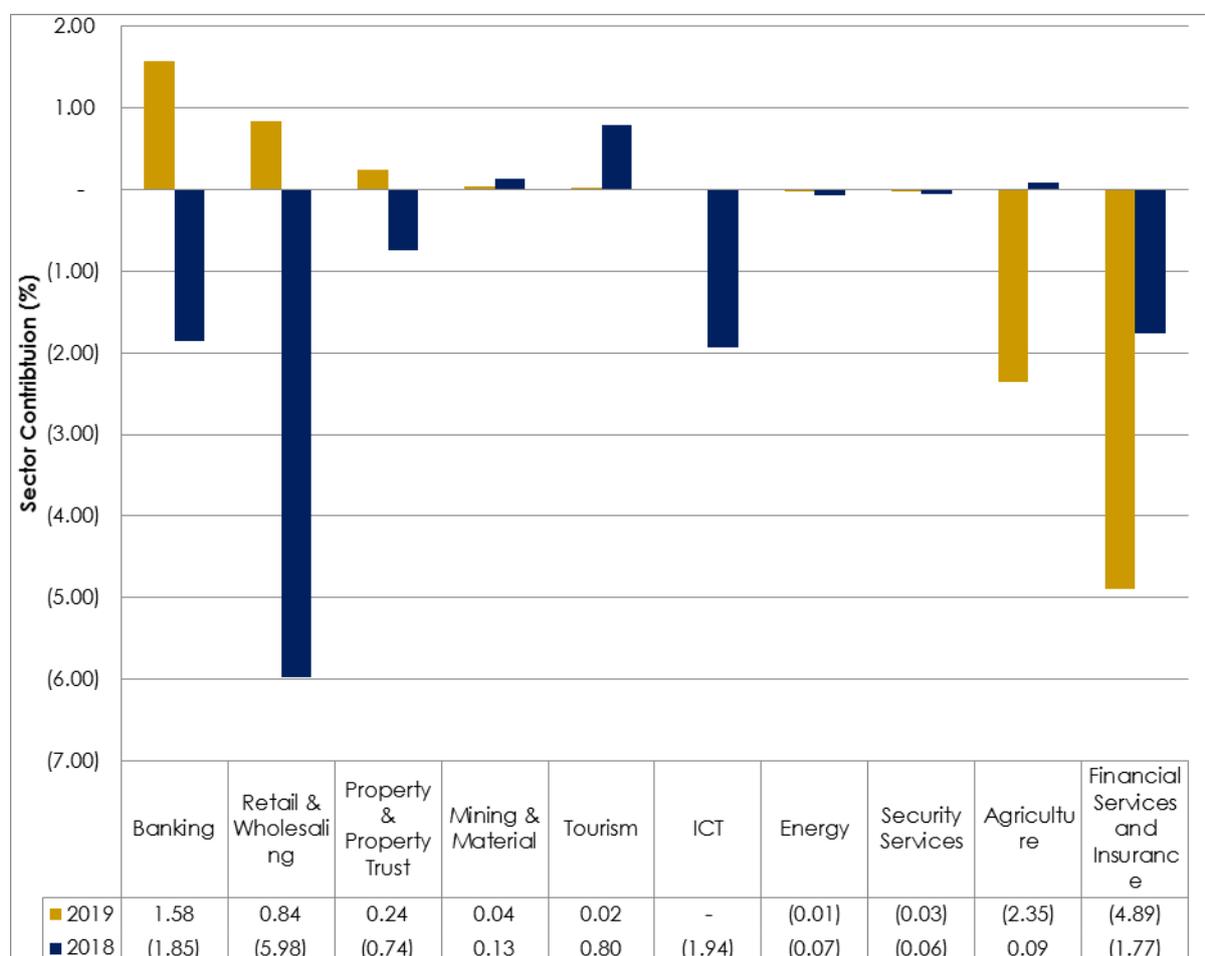
*The DCTRI appreciated by 0.9% compared to the DCI's depreciation of 4.6%.

3.2 Sector Contributions to Performance of the DCI

In general, the sectors that registered a decline contributed a negative 7.3 percentage points to the DCI's depreciation of 4.6%, against a contribution of a positive 2.7 percentage points by the sectors that registered growth (Tourism and Mining & Materials). Further analysis points out that the negative

contribution to DCI performance was mainly on account of the Agriculture, Energy, Security Services and Financial Services sectors. Overall, other sectors performed better than they did in 2018.

Figure 3: Sector Contributions to Performance of the DCI



Source: BSE

3.3 Sector Contributions to Liquidity

Domestic counters continue to be the most traded relative to foreign counters, having contributed 97.8% to the total equity turnover on the Exchange in 2019. On the domestic board, the Property sector was the most traded followed by the Retail & Wholesaling sector with contributions of 28% and 23% to domestic turnover respectively in 2019.

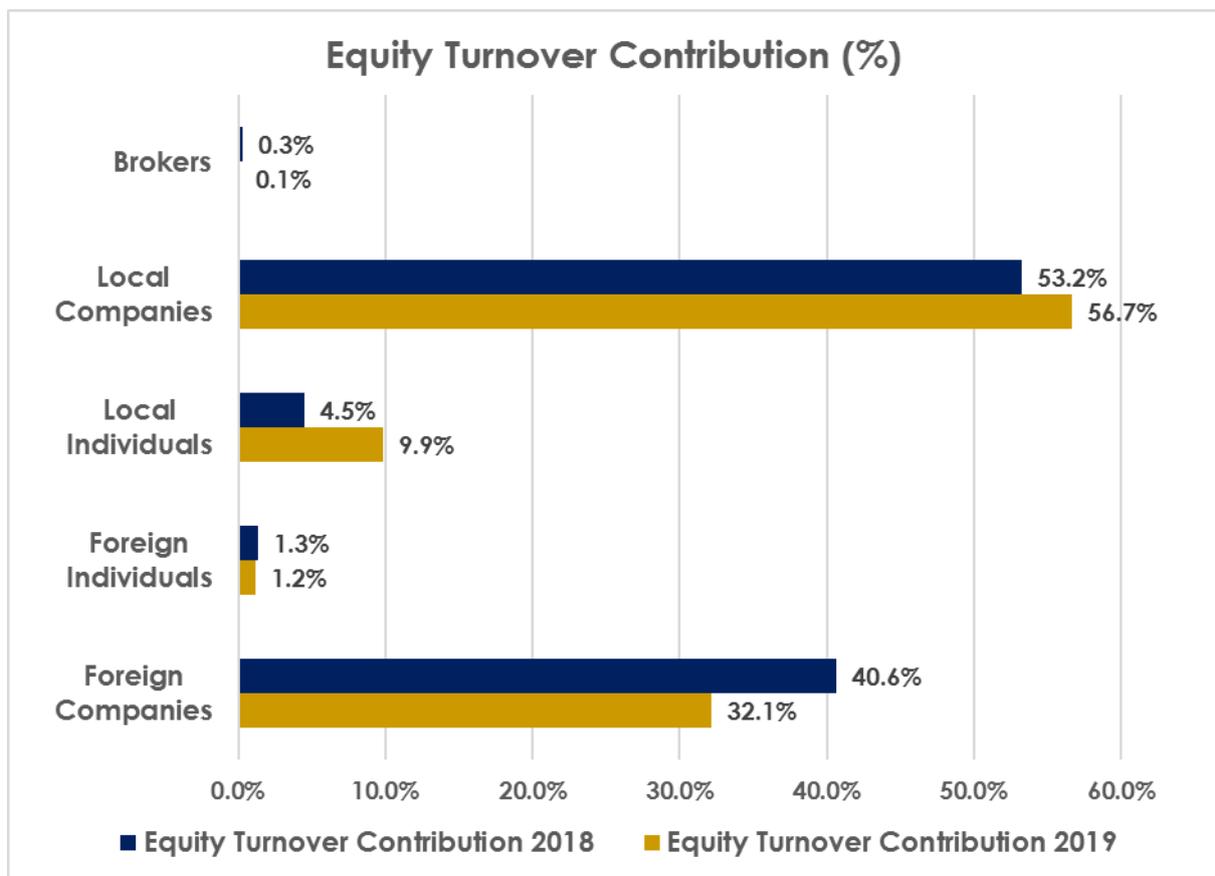
The Foreign Mining Sector remains the largest in value and most illiquid. In this sector is Anglo American Plc, which is listed on the Johannesburg Stock Exchange (JSE) and the London Stock Exchange (LSE). Anglo accounted for 93.2% of the foreign equity market capitalization and for 84.3% of the total equity market capitalization.

3.4 Investor Contribution to Equity Turnover

As presented in Figure 4, local institutional investors (denoted as local companies) dominated trading activity in 2019 and accounted for 56.7% of the total equity turnover whereas foreign companies accounted for 32.1% of the total equity turnover in 2019. In 2018 local companies and local individuals were the net sellers of equities while foreign companies were net buyers, a sign of improved outlook into the domestic equity market relative to peer frontier markets.

Local individuals registered a significant increase from 4.5% to 9.9% between 2018 and 2019. In monetary terms, local individuals' trades in 2019 amounted to P178.5 Mn compared to P83.8 Mn in 2018. On the back of continued outreach initiatives, the Exchange closed the year with 94,354 investor accounts from 91,311 investors in the prior year. This improvement demonstrates increased awareness of the stock market by Botswana which is essential for promoting citizen economic empowerment and a heterogeneous investor base.

Figure 4: Investor Contribution to Turnover: 2018 and 2019



Source: BSE

4.0 BOND MARKET PERFORMANCE

4.1 Bond Market Returns

During the year 2019, the BBI appreciated by 4.5% whereas the Govt and Corpl registered returns of 3.6% and 7.2% respectively. The BBIFixed returned 4.1% for the year while Inflation averaged 2.8% in 2019. Inflation in the year was predominantly below the objective range of 3%-6%.

Source: BSE

4.0 Bond Market

As illustrated in Table 3, activity in the bond market was modest in 2019 with turnover amounting to P2,141.1 Mn compared to P2,222.7 Mn in 2018. Government bonds continued to dominate liquidity of the market accounting for 98.4% of total turnover. Five new corporate bonds were listed in 2019. These were RDCP001, CGL001, SBBL068, SBBL069, and FNBB010. Eight bonds were redeemed or matured during the period under review and the market ended the year with 46 listed bonds in total. Market capitalization increased by 15.3% over the period owing to the substantial sizes of the newly issued corporate bonds in addition to the re-openings of Government bonds.

Table 3: Analysis of Bond Market Performance

Category	2018	2019
	LIQUIDITY (P'MN)	
Government Bonds	2,176.8	2,141.1
Corporate Bonds ^{Note 1}	45.9	34.3
TOTAL	2,222.7	2,175.4
	MARKET CAPITALIZATION (P' BN)	
Government Bonds	9.6	11.9
Corporate Bonds	5.5	5.4
TOTAL	15.0	17.3
	NUMBER OF BONDS LISTED	
Government Bonds	7	7
Corporate Bonds	42	39
TOTAL	49	46

Source: BSE

Note 1: Comprises of Quasi-Government, Parastatals, Corporate and Supranational bonds

5.0 THE EXCHANGE TRADED FUND (ETF) MARKET

As Table 4 below indicates, the commodity ETFs being NewGold and NewPlat generated the most turnover with NewGold leading with P166.2 Mn value traded. This represents 85% of total ETF value traded. NewPlat was the second highest traded with turnover of P29.9 Mn. This increased turnover, particularly on the NewGold ETF reflected global investor sentiments which turned cautious against the equity markets during the 2nd quarter of 2019. Globally,

investors increased their allocations significantly to commodities and commodity-linked instruments particularly Gold, which returned close 20% in 2019.

NewFunds ILBI ETF, which tracks the performance of South African Government inflation-linked bonds also performed well as it traded for the first time since listing in 2015. The instrument's appeal has been majorly dampened by a perpetual negative outlook on South Africa's credit quality especially prior to the current political regime. The ETF traded 416 units valued at P21,144 and also registered an appreciation of 5%.

Table 4: ETF Market Statistics: 2018 and 2019

Indicator	NEWGOLD		NEW FUNDS		NEWPLAT	
	2018	2019	2018	2019	2018	2019
Turnover (P'Mn)	33.7	166.2	0.00	0.021	246.4	29.9
Units Traded	275,340	1,116,741	0.00	416	2,751,911	338,362
Unit Price (Pula)	126.40	147.90	47.77	50.19	86.90	100.75
Market Cap (P'Mn)	372.88	413.30	4.78	5.15	225.94	236.21

Source: BSE

6.0 UPDATES ON BSE STRATEGIC INITIATIVES

6.1 BSE Introduces New Equity Listings Requirements and Rules for Regulating Market-Makers

At the beginning of 2019 the BSE implemented the new BSE Equity Listings Requirements aimed at providing a comprehensive and refined process of listing of equity securities on the BSE. 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. Also added to the new Equity Listings Requirements are the requirements for issuances on the Tshipidi SME Board. These requirements are designed to be more accommodative than those of the Main and Venture Capital Boards and they further cement the BSE's commitment of developing Small-Medium Enterprises.

In the same fashion, the Rules for Regulating Market-Makers were introduced at the beginning of the first quarter of 2019. 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 financial 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.

6.2 Implementation of New CSD System

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 among others, commenced in the first quarter of 2019.

The system is an integral element of the ongoing Single CSD project pioneered the Ministry of Finance & Economic Development, Non-Bank Financial Institutions Regulatory Authority and BSE. 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). The project progressed very well and the system is set to 'Go-live' during the second quarter of 2020.

6.3 BSE Introduces a Guidance for Listed Companies on Reporting ESG Information to Investors and hosts Responsible Investing and ESG Workshop

In January 2019, the BSE published its inaugural Guidance for Listed Companies on Reporting ESG Information to Investors. This was as a result of the BSE's commitment to promote long-term sustainable investment and improved environmental, social and corporate governance disclosure and performance among listed companies. The BSE 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 Governance) issues and encourage sustainable investment.

In June 2019 the BSE hosted a workshop on Responsible Investing and ESG which was well attended by issuers, potential issuers and investors. The workshop featured speakers from the BSE, the Ministry of Finance and Economic Development (MFED), the United Nations-supported Principles for Responsible Investment (PRI), the Sustainable Stock Exchanges (SSE) Initiative and local institutional investors.

6.4 2019 Opening Bell Ceremonies

The BSE continued its initiative of hosting the monthly Opening Bell ceremonies, and these were conducted from January until November 2019. The ceremonies were held under various targeted topics that aimed to uphold and address topical notions and disciplines important to the mandate of the BSE, its role in society and in deepening the capital market which such themes as collaboration, health, financial literacy and bond markets, among

others. The platform was also used to acknowledge and showcase the various strategic project in the BSE such as the annual finance and investment competition, the bond market conference and the ASEA Conference which was held for the first time in Botswana in 2019.

6.5 BSE hosts 7th Annual Senior Secondary Schools Finance & Investment Competition 2019

On 17th August, 2019, the BSE held the 7th Annual BSE Senior Secondary Schools Finance & Investment Competition 2019 at Travelodge in Gaborone. This competition is the BSE's annual flagship, youth-focused initiative aimed at promoting financial literacy at a grass-root level and cultivating a culture of saving and investing among the youth. In April of 2019, the BSE was awarded the Best Exchange in Finance Literacy award by SRP, a part of the Euromoney Institutional Investor PLC, at the Structured Retail Products (SRP) Conference in Cape Town, South Africa as recognition of this flagship initiative. This initiative is an important contributor to increasing youth financial literacy in the long run, improving socio-economic status in Botswana and promoting the participation of retail investors in the stock market. It not only seeks to interest student about and get them started in the stock market but it also contributes towards meeting the more important Sustainable Development Goals (SDGs) which include Reduced Inequalities, No Poverty and Quality Education. It was mainly for its noble sustainable socio-economic impact that the BSE received this coveted award.

6.6 BSE continues to reach out through Open Days

Open Days continue to help increase the reach and accessibility of the BSE to promote stock market education as well as promote the listing value proposition. In 2019, BSE hosted 4 Open Days in Hukuntsi, Nata, Molepolole and Bobonong. These Open Days were well attended by members of the public. This initiative is conducted with the support of the broker community and other investment management firms. It is in line with the BSE's effort to develop Botswana's financial literacy levels and investor participation in the stock market.

6.7 BSE Quarterly Magazine

The 'Botswana Stock Exchange Limited News' magazine is a quarterly publication that disseminates domestic and global information about the capital markets. It primarily serves to generate revenue for the BSE through advertisement and to promote the visibility of the domestic capital market to enhance information flow and investor participation. The publication is accessible across various platforms such as retail outlets, book shops, hotels, events, Embassies in Botswana, as well as the BSE website.

6.8 BSE Conducts the BSE Tshipidi Mentorship Program

In the second half of the year, BSE introduced the BSE Tshipidi Mentorship Program to compliment the Tshipidi SME Board introduced with the newly effected BSE Equity Listing requirements. The program was meant to prepare local SMEs to transition into capable corporations that can potentially access long-term equity capital through a listing on the BSE and grow beyond the borders of Botswana. The program ran for three months (June to August 2019), with two-day workshops for each month. For the year 2019, 20 companies participated and graduated from the program. Participating sectors included Banking, Manufacturing, Transportation, Retail, Energy, and Financial Services among others. BSE designed this program to blend theoretical learnings with practical applications that are deemed appropriate for SME business prosperity and to be a guide in assisting SMEs access long-term financing on the BSE. It is to be strengthened with more intimate follows-ups in 2020 and one-on-one mentorships volunteered by CEOs of listed companies, unto managers and owners of the businesses that participated in the program.

6.9 Botswana Bond Market Association Hosts the 2019 Bond Market Conference

On 20th June 2019, Botswana Bond Market Association (BBMA) hosted the 2019 Bond Market Conference under the theme "Strengthening the Bond Market to Support the Fiscus and Private Sector Development." The conference was attended by just over 200 delegates from various financial institutions, pension funds, and by representatives from other private and public corporations and featured speakers from local and international organisation within the industry, such as the Macroeconomic and Financial Management Institute of Eastern and Southern Africa (MEFMI), the International Finance Corporation (IFC), and the African Development Bank (AfDB).

6.10 BSE Hosts Fundamentals of Investments Seminars

On the 11th July, 2019 and 8th August, 2019, the BSE, in conjunction with Arthur Portland College, held two (2) Fundamentals of Investments Seminar. The objective of the seminar was to enhance knowledge of BSE listed instruments among individual investors, pension fund trustees, finance officers, and the general public. The seminars were designed to offer a blend of theory and practical approaches to investing in various asset classes including those offered on the BSE. The topics covered were; Understanding Financial & Capital Markets, Fundamentals of Equity Investments, Fundamentals of Fixed-income Securities, Basic Principles of Financial Statements, Understanding Exchange Traded Funds (ETFs) and an Overview of Alternative Investments and Cryptocurrencies. Close to fifty (50) attendees participated in the paid seminars for the year.

6.11 BSE Hosts Anti-Money Laundering/ Counter-Financing of Terrorism (AML/CFT) Workshop 2019

On 22nd & 23rd August, 2019, the BSE held a two (2) day workshop on Anti-Money Laundering/ Counter-Financing of Terrorism (AML/CFT). The workshop was designed to equip reporting entities with the knowledge and skills to understand their obligations under relevant AML/CFT laws and regulations in Botswana including implementing an effective risk-based approach to combat money laundering and terrorism financing and their AML/CFT reporting obligations. It was conducted in partnership with a consultant in the area from Australia.

6.12 BSE Introduces Data Display Screens

BSE embarked on a project to introduce data display screens. The tender was awarded successfully and two (2) display screens, one indoors and another outdoors, are mounted at the BSE offices and another outside the Zambezi Building at the Central Business District in Gaborone. The data display screens show prices of listed securities and broad market indices. Further, the outdoors screen located at the CBD has the capability of displaying live market data and advertisements for revenue generation by the Exchange.

6.13 BSE to Launch Revamped Website and Mobile Application

Both the new BSE website and mobile application will feature new capabilities that include real-time market price tickers utilizing the BSE's new Data Analytics and Reporting System (DARS). With respect to the mobile application the developer and the BSE have finalized the custom interface and capabilities as per the BSE's requirements. The application is currently undergoing testing and will be ready for launch during the first quarter of 2020. This is in line with the BSE's digitization strategy to improve efficiency and enhance engagements with all stakeholders.

6.14 BSE Signs Memorandum of Understanding (MoU) with Zimbabwe Stock Exchange (ZSE)

In a bid to foster growth of both markets, the Zimbabwe Stock Exchange (ZSE) and the Botswana Stock Exchange (BSE), on 16th September, 2019, signed a Memorandum of Understanding (MoU) that will serve as a basis of cooperation between both Exchanges. To supplement this Agreement, a joint strategy has been formulated between the two partners to provide a framework for cooperation in areas such as product and market development, promotion of cross listings, information sharing as well as a revenue sharing agreement on initial listing and continuing obligation fees paid by issuers, amongst others.

6.15 BSE hosted the 23rd African Securities Exchanges Association (ASEA) Annual General Meeting and Conference in Kasane

From the 25th to the 26th of November 2019, over three hundred capital market participants converged in Kasane to attend the 23rd Annual General Meeting and Conference of African Securities Exchanges Association (ASEA) hosted by Botswana Stock Exchange (BSE). The conference was officially opened by His Excellency, the President of the Republic of Botswana. Dr. Mokgweetsi Eric Masisi. Dr. Masisi's remarks underscored the importance of capital markets as crucial links between the real economy and the financial economy, allowing the African continent to realise positive outcomes such as improved products and services, as well as mobilization of capital for broader improvement of livelihoods.

The President of ASEA, Mr. Karim Hajji, also the CEO of the Casablanca Stock Exchange, expounded on how securities exchanges stand a better chance of being more impactful to the real economy by garnering support from government. Mr Hajji went on to outline some of the accomplishments of the Association over the course of the year, notably the commencement of the African Exchanges Linkages Project, the signing of the MoU with the Chartered Financial Analyst (CFA) Institute and the subsequent publication of a research brief focusing on African capital markets, as well as studies conducted by the various ASEA working groups on pertinent issues and strategic priorities of ASEA. Throughout the conference, thematic panel discussions and presentations were made encompassing Small-Medium Enterprise (SME) Financing through Capital Markets, the Value of Market Infrastructure, and the Rise of Alternative Assets in African Capital Markets, among others.