



Botswana Stock Exchange

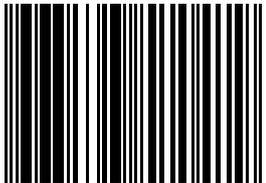
# NEWS

ISSUE NO. 3 • JULY – SEPTEMBER 2018



## INJECTING CAPITAL FOR DEVELOPMENT

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In April 2018, we demonstrated our prowess as a stock exchange when we hosted the first ever AMEDA meeting hosted in Botswana. In total, 19 countries attended this meeting in Kasane from the 10 – 13th April at the Cresta Mowana Safari Lodge.

It is a pleasure to welcome you to the third edition of the Botswana Stock Exchange (BSE) Publication, the *BSE News*. It is a pleasure to consistently share with you news pertinent to the stock market and the economy as a whole.

I must say that even with the subdued economic conditions we are excited about the strides that the BSE is making in developing the market. Although we are still on the path to demutualisation, we are not deterred by the amount of work that goes into getting ready for this transition. In 2018 alone, we have so far registered five (5) bonds and are currently assessing some applications for equity listings.

In April 2018, we demonstrated our prowess as a stock exchange when we hosted the first ever Africa & Middle East Depositories Association (AMEDA) meeting hosted in Botswana. In total, 19 countries attended this meeting in Kasane from the 10th – 13th April at the Cresta Mowana Safari Lodge. I am happy to say once again the continent recognizes our commitment to growing the capital market in Botswana and beyond, and we are honored to inform you that BSE has been selected as the 2019 host of the African Securities Exchanges Association (ASEA) Conference which will see the African capital markets converge in Botswana. We aim to be the best in what we do, we aim to position Botswana as a great destination for capital raising, and we aim to shine the spotlight on this beautiful country with abundant opportunities.

The theme of this edition is the *‘Injecting Capital for Development’*. This reflects not only our position as an exchange, but also, above all, the opportunities of the future that Botswana’s competitive and comparative advantages present. 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.

**‘Your Partner in Wealth Creation’**

**Thapelo Tsheole**  
Chief Executive Officer

# ENROL WITH BAC PRESTIGIOUS POSTGRADUATE PROGRAMMES



**Ms Lesego Rankwila**  
2017 Best Student - MSc Project Management

## (MBA) MASTER OF BUSINESS ADMINISTRATION

The MBA, offered in partnership with Sheffield Hallam University is designed to give students the skills, knowledge and experience to advance their career into organisational management, ensuring that a student graduates with the skills and confidence to become an agile and resilient leader for the future global challenges.

### BENEFITS OF THE PROGRAMME

- An opportunity to join a learning community of managers and leaders from across a range of professions and industry backgrounds.
- Enhance leadership skills and knowledge through case studies that enable you to practice and assess the impact of real-time decision making, embedding and demonstrating the skills needed during your career.

### PROGRAMME DELIVERY FORMAT

- Block based delivery with self-managed study time means there's minimal impact on your work or personal time.

### DURATION: PART TIME, 2 YEARS

**Entry requirements:** To join the MBA programme, you should have a 2.2 degree, or equivalent, and at least 2 years related experience, or significant managerial and operational experience.

**Closing date for applications is 31<sup>st</sup> July 2018.**

### HOW TO APPLY?

All applications should be submitted to: The postgraduate Office, BAC Fairgrounds, or Email: [spgs@bac.ac.bw](mailto:spgs@bac.ac.bw) or call **3953 062/ 2410 558**

## MA IN PROCUREMENT AND LOGISTICS MANAGEMENT

The MA in Procurement and Logistics Management offered in partnership with Sheffield Hallam University has been designed to provide students with an understanding and the relevant skills to procure /source on a global basis. The course is specifically targeted at people within the procurement and/or supply chain sector, or people wanting to enter the procurement profession.

### BENEFITS OF THE PROGRAMME

- Develops and equips you with a range of personal, professional, specialist skills and abilities relevant to the management of procurement activities.
- The boardroom teaching style of delivery aims to familiarize you with executive environment, and prepare you for future leadership at executive level.

### PROGRAMME DELIVERY FORMAT

- Block based delivery with self-managed study time means there's minimal impact on your work or personal time.

### DURATION: PART TIME, 2 YEARS

**Entry requirements:** To join the MA programme, you should have a 2.2 degree, or equivalent, and at least 2 years related experience, or significant managerial and operational experience.

**Closing date for applications is 31<sup>st</sup> July 2018.**

### HOW TO APPLY?

All applications should be submitted to: The postgraduate Office, BAC Fairgrounds, or Email: [spgs@bac.ac.bw](mailto:spgs@bac.ac.bw) or call **3953 062/ 2410 558**

## MSc PROJECT MANAGEMENT

### OVERVIEW OF THE PROGRAMME

MSc Project Management, offered in partnership with the University of Sunderland, is designed to enhance one's career opportunities regardless of work area. It is for people keen to move from their existing careers into Project Management and also those who wish to enrich their competencies with Project Management skills. The programme provides a theoretical and practical exposure of project management knowledge, necessary for leading and managing complex projects in today's global and highly competitive markets. The curriculum of the programme has been developed to meet the current needs of employers across diverse fields, both national and international, in line with the guidance of the relevant professional institutes. The Association of Project Management (APM) and the Project Management Institute (PMI) via their respective "Body of Knowledge" publications.

### BENEFITS OF THE PROGRAMME

- Enhanced career prospects in project management.
- Development of specific project management skills and knowledge relevant in a wide range of industry and service sectors.
- The programme prepares one for a career in planning, managing and controlling large projects in any work environment.
- An internationally recognised Master's Degree (on successful completion of the Programme).
- Reasonable fees payable in one or three installments.
- Cost includes access to library facilities and online Emerald Journals, teaching materials except core text books.

### HOW TO APPLY?

All applications should be submitted online. Visit: <https://www.sunderland.ac.uk/study/engineering/postgraduate-project-management-study-centre/> For Enquiries please contact: [spgs@bac.ac.bw](mailto:spgs@bac.ac.bw) or call **3953 062/2410 558**

### PROGRAMME DELIVERY FORMAT

- Blended Distance Learning provides flexibility in arranging study-time (no need to leave your workplace except for monthly five-day intensive tuition sessions conducted through at the Botswana Accountancy College in Gaborone).

### PROGRAMME STRUCTURE

- The programme runs for 24 months, from November 2017.
- There are 7 taught modules and a project which gives students an opportunity to solve a real world problem involving both research and a practical element.
- Assessment for taught modules will include research papers, case study analysis, system analysis/evaluation, formal paper reviews, and presentation.
- Assessments enable students to display various skills associated with Masters level learning.

### ENTRY REQUIREMENTS

- A Bachelor's degree in any discipline with a minimum classification of 2:2 (or above).
- A Higher National Diploma (HND) and substantial relevant work experience or equivalent professional qualification.

**Closing date for applications is 31<sup>st</sup> August 2018**



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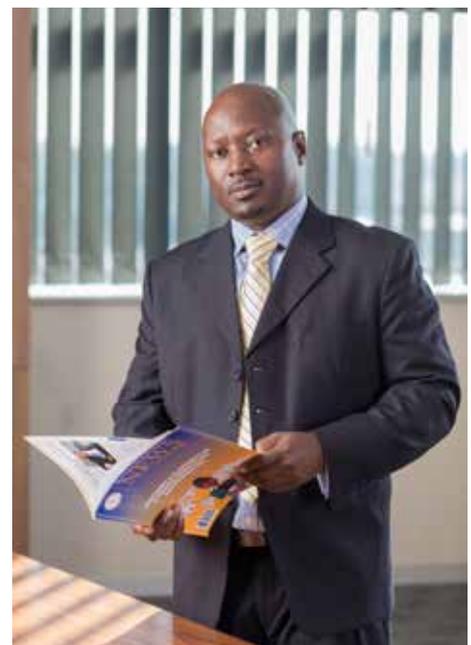
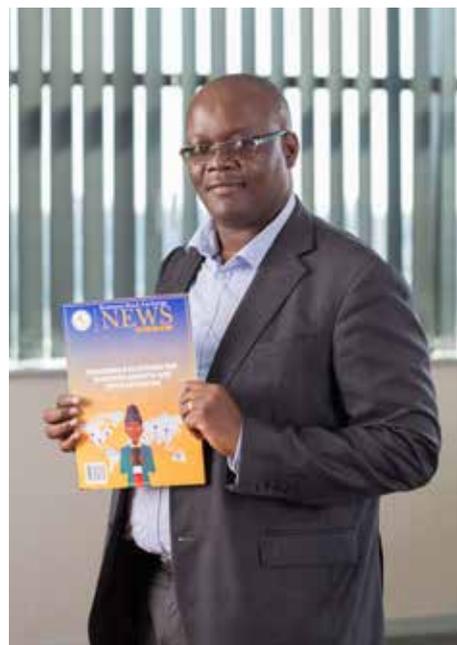
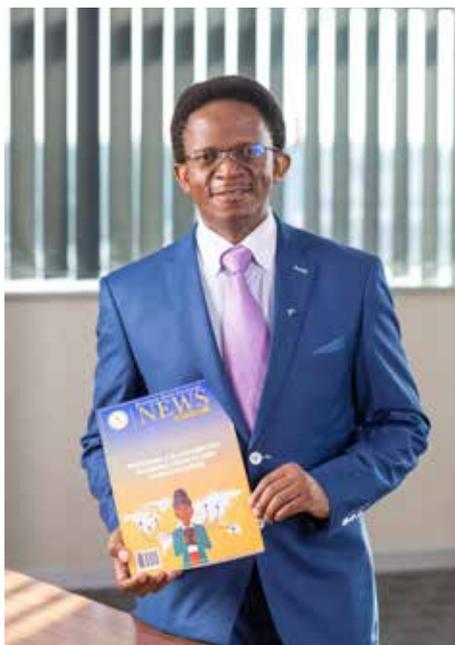
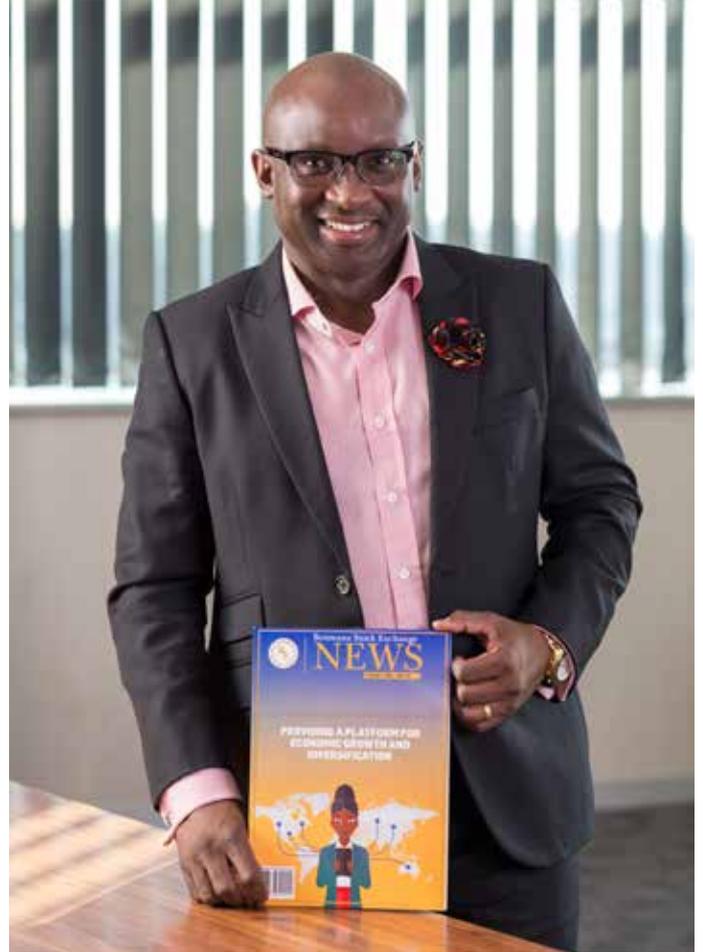
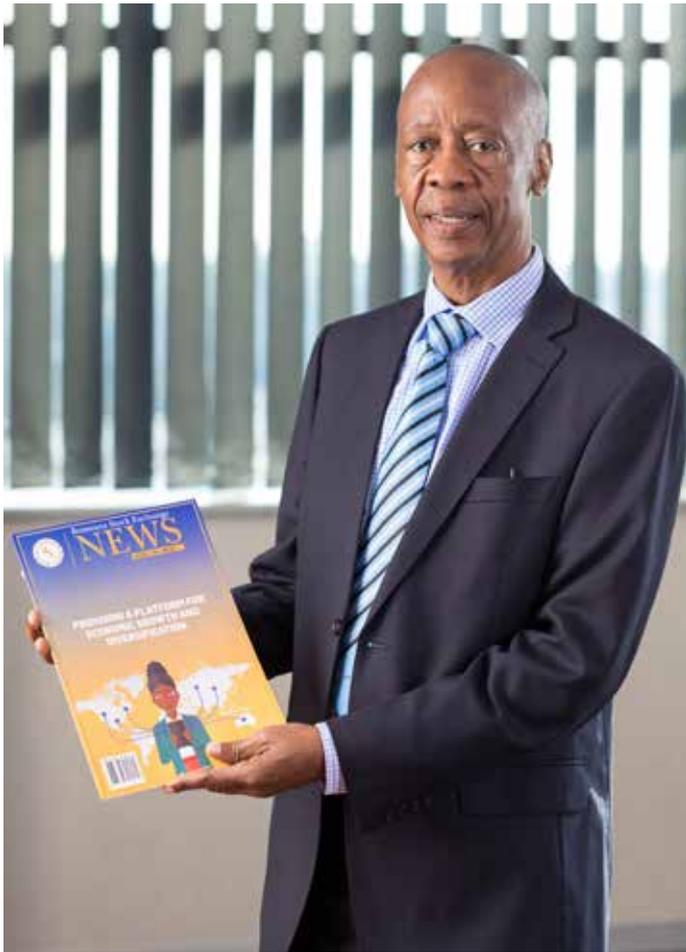


# WANT TO GIVE US FEEDBACK? HERE IS THE BOTSWANA STOCK EXCHANGE (BSE) AND CENTRAL SECURITIES DEPOSITORY BOTSWANA (CSDB) CUSTOMER FEEDBACK PROCEDURE

At the Botswana Stock Exchange, and Central Securities Depository Botswana we welcome feedback from our valued customers who believe that proper service, rules and regulations were followed, or not followed. Feedback of a regulatory nature will be escalated to the relevant authority. Feedback can be submitted as below;

- STEP 1:** Share feedback with the Officer providing assistance
- STEP 2:** Escalate to the relevant Head of Department on +267 3674000 or email [feedback@bse.co.bw](mailto:feedback@bse.co.bw)
- STEP 3:** Escalate to the Chief Executive Officer on +267 3674402
- STEP 4:** Escalate to the Chairman of the Main Committee

# HAPPY READING



# Know Your Stock Market Terms



**OTC:** Short for Over-The-Counter. This is a market that is decentralized where market participants trade with one another directly using various forms of communication. It is characterized by fewer regulations and in most cases less transparent.

**Ask:** The lowest price that an investor or dealer is prepared to sell a given security (the same as offer)

**Assets:** Resources owned by a company, fund or individual. Assets are the actual and potential future benefits that exist and have the potential to contribute directly or indirectly to future cash flows.

**Current assets:** are investments, money owed, cash, materials and inventories.

**Fixed assets:** machinery and buildings. Intellectual property, patents and goodwill are known as intangible assets.

**Book Value:** The value of an asset or security as it appears on a balance sheet.

**Capital Gain:** The amount by which an asset's sale price exceeds its purchase price.

**Debenture:** A type of debt security of a company with a fixed rate of interest and backed by the general credit of the issuer, not by a specific security. It is secured by a trust deed over the assets of the company

**Delisting:** The removal of securities or shares from listing on the stock exchange. The removal could be the result of a company failing to comply with the exchange's rules, or it is no longer meeting the listing requirements (e.g. has been taken over) or is going into liquidation.

**Diversification:** A portfolio strategy that aims to reduce risk by spreading investments among different classes of securities.

**Dividend:** A taxable payment made to shareholders from a company's profits.

**Fixed Interest:** A set interest rate which produces a fixed flow of income, utilized in such financial instruments as bonds, annuities and preference shares.

**Gross Domestic Product (GDP):** The total market value of the aggregate goods produced and services provided in a country over a given year and excluding income earned outside the country. GDP is considered an important measure of the health of an economy.

**Gross National Product (GNP):** GDP plus the income earned by domestic residents from their overseas investments, minus income earned in the domestic economy by overseas residents.

**Index:** A grouping of shares that gives a measure of price movement, used to gauge the overall health of the market.

**Listing Rules:** The set of rules and conditions imposed by a stock exchange with which companies must comply to remain eligible to be listed companies on that exchange. These conditions might include minimum market capitalization and minimum number of shares outstanding.

**Ordinary Shares:** The most commonly-traded security, which grants ownership in a company. Ordinary shareholders may receive payments in cash, called dividends, and capital appreciation if the company trades profitably. The ordinary shareholders have no preferential rights in the liquidation process if a company is wound up.

**Preference Shares:** Shares which provide a specific dividend that is paid before any dividends are paid to ordinary shareholders and which rank ahead of common shares in the event of a liquidation.

**Private Placement:** The sale of securities directly to institutional investors as opposed to a public offering.

**Scrip:** A certificate representing entitlement to a parcel of shares. Such certificates are no longer issued since the introduction of the electronic share register.

**The primary market:** provides the channel for sale of new securities. Primary market provides opportunity to issuers of securities; Government as well as corporate to raise resources to meet their requirements of investment and/or discharge some obligation.

**Secondary Market:** A market available to trade securities after their Initial Public Offering. The opposite of the Primary Market.

**Trend:** The general direction of price movements over a period of time.

**Turnover:** For investment portfolios, this is the rate at which securities within a portfolio are exchanged for other securities of the same class. For financial markets it is the level of trading that occurs.

**Underlying:** The security, commodity, or cash index to be delivered in the event an option is exercise.

# BSE 2017 – 2021 STRATEGY TARGETS

The BSE corporate strategy is from 2017 to 2021 and carries initiatives that will drive the organization into achieving its mandate. In line with the objectives of the exchange, the corporate strategy clearly outlines how the organization will embrace technology and innovation, as well as increase the current product offering, and the number of issuers and investors.

The targets as outlined in the strategy are as follows;

To grow the ratio of the BSE's market Capitalization to GDP from 34% to 40% by 2021

To increase the number of domestic companies listed from 24 to 30 by 2021

To increase the number of foreign companies listed from 10 to 15 by 2021

To increase the number of bonds listed from 39 to 50 by 2021

To increase the number of Exchange Traded Products (ETPs), such as Exchange Traded Funds (ETFs), listed on the BSE from the current 4 to 10 by 2021

To increase the number of asset classes available on the BSE from the current 3 to 6 by 2021 (by adding Botswana Depository Receipts, Derivatives and Real Estate Investment Trusts)

To increase the average daily turnover levels to P18.0 Million per day by 2021

To increase the number of investors on the BSE from 78,193 by the end of 2016 to 100,000 by 2021

HIGHLIGHT: THE BSE TO HOST THE AFRICAN SECURITIES EXCHANGES ASSOCIATION (ASEA) CONFERENCE IN 2019

# BSE HOSTS THE INAUGURAL OPENING BELL CEREMONY



Minister of Finance and Economic Development, Honourable Kenneth Matambo with the BSE CEO, Thapelo Tsheole

The Opening Bell Ceremony is a globally-recognized event involving stock exchanges around the world. It serves as a platform to signify the beginning of trading at the start of each day. Over and above the aforementioned, the opening bell avails an opportunity for the Exchange or listed entities to make news announcements or celebrate corporate milestones. For the Inaugural Opening Bell Ceremony, the Minister of Finance & Economic Development, Honourable Kenneth Matambo, officiated and delivered remarks on the day.

## HISTORY OF THE OPENING

- o Started around the 1900s when trading of securities happened in physical floors.
- o Most stock exchanges do the opening bell and closing bell, at the opening and closing of the market respectively.

## OBJECTIVES OF THE OPENING BELL FOR THE BSE

- o To generate awareness capital markets in Botswana
- o To bring vibrancy and energy to the stock market
- o To make the stock market accessible to the people
- o To give dignitaries visiting the stock market the opportunity to ring the bell
- o To raise awareness on issues that relate to the economy and the welfare of people

# BSE HOSTS THE INAUGURAL OPENING BELL CEREMONY



Minister of Finance and Economic Development, Honourable Kenneth Matambo



BSE Main Committee Member, Nelson Letshwene



BSE Head of Market Development, Thapelo Moribame



Invited guests



BSE CEO, Thapelo Tsheole, Minister of Finance and Economic Development, Honourable Kenneth Matambo and BSE Main Committee Member, Nelson Letshwene



BSE staff with some invited guests

# Q&A WITH THE WORLD FEDERATION OF EXCHANGES CEO, NANDINI SUKUMAR



**Nandini Sukumar**

World Federation of Exchanges, CEO

### **What are the key priorities for the WFE in engaging its membership?**

We exist to support our members.

The WFE is a global membership organisation representing over 200 exchanges and CCPs, across all asset classes, with members in the Americas, the Middle East and North Africa, and Asia. Member ex-changes are home to nearly 45,000 listed companies with a market capitalisation of over \$82.5 trillion<sup>1</sup>.

Our members include exchanges, such as Deutsche Boerse, Johannesburg Stock Exchange, Nigerian Stock Exchange, Nasdaq, Qatar Stock Exchange, and CCP businesses, such as EuroCCP, Options Clearing Corporation, and The Depository & Trust Clearing Corporation, and many more.

WFE members have always shared a common goal since its inception over six decades ago: ensuring the safety and soundness of the global financial system and that it serves the economy. This is underpinned by our four strategic pillars - advocacy, education, emerging markets and

post-trade - which are all focused on ways to develop fair, transparent, stable and efficient markets.

We organise committees, general assemblies, conferences and workshops, to educate stakeholders and develop policy with standard-setters, policy makers, regulators and government organisations. Working across almost every issue of capital markets - cyber security, emerging markets, sustainability, FinTech, and many others - the WFE drives policy development, produces research and statistics, and develops best practice standards as well as industry guidance.

WFE members give direction to the organisation's work plan. Earlier this year, the WFE's 18-member Board and 67-member Working Committee agreed the organisation's key priorities for 2018: regulatory coherence, CCP recovery and resolution issues, cybersecurity, FinTech, and SMEs. Moreover, our recent annual IOMA Clearing & Derivatives conference, held in April, was an opportunity for global clearing houses, exchanges, regulators, and the buy-side, to come together and discuss key market structure and post-trade issues in Chicago. Now we look to October's General Assembly & Annual Meeting in Athens, Greece, where the leaders of member exchanges will gather to debate the needs of the hour.

The WFE represents members' views on key policy issues by responding to consultations and drafting position papers. Two examples: the recent IOSCO report concerning the designing and implementation of volatility control mechanisms (VCMs), and the UK Financial Conduct Authority's applications of global 'sandboxes' to test FinTech applications. We also work with partner organisations, including McKinsey & Company and Oliver Wyman, to co-author and publish research on important market issues such as FinTech in capital markets, and market integrity.

<sup>1</sup> Figure for WFE members at the end of 2017.

Working closely with our members to drive market development, research, education and communications activities, the WFE has become the voice of the global market infrastructure industry.

### What are the key trends impacting exchanges and CCPs that we see emerging in 2018?

The WFE and its members believe a renewed focus on market integrity is one key trend impacting our sector in 2018. IOSCO, Bank of International Settlements, and other regional and global regulators, are continually assessing the resilience and recovery of market infrastructures to ensure market integrity in this post-crisis period.

The use of advanced analytics and artificial intelligence (AI), distributed ledger technology (DLT), quantum computing, the cloud, and the application of automation and robotics, will have a significant impact across the industry value chain in the short- and long-term

Market Infrastructures (MIs), like exchanges and CCPs, are key allies of regulators and policymakers in achieving their investor-protection and market integrity objectives. For example, regulators' attention is currently focused on the rise of 'passive investing' and the growth of exchange-traded funds (ETF) markets. Additionally, regulators are increasingly seeking greater transparency and reporting from exchanges and CCPs regarding data. Given their central role within financial markets, and the wealth of data available to MIs, this data enables us all to accurately

evaluate and manage risk in the future. Given the rise and popularity of cryptocurrencies, there is greater regulatory attention being paid to these trading platforms, and the use of alternative funding mechanisms such as Initial Coin Offerings (ICOs). In the long-term, regulators need to ensure that the place to raise capital resides within a regulated environment.

Technology has long been the engine driving capital market efficiency, and this is set to continue. FinTech businesses are bringing new technology to market even faster, and with ever greater impact. The use of advanced analytics and artificial intelligence (AI), distributed ledger technology (DLT), quantum computing, the cloud, and the application of automation and robotics, will have a significant impact across the industry value chain in the short- and long-term. We see member exchanges and CCPs are focused on trying to harness the transformative power of technology to develop markets. Consequently, this has led the WFE to co-author a report with McKinsey & Company, entitled 'FinTech Decoded: Capturing the Opportunity in Capital Markets', discussing this very issue.

Prioritising cyber security resilience is important to ensure the strength of markets: the financial system is only as strong as its weakest link. Over the last year, we published best-practice guidelines concerning long-term cyber security compliance, including looking at how using 'nudge theory' can change individual behaviour. Recent research has shown 90% of all cyber security incidents involve some form of human error.<sup>2</sup>

The long-term sustainability of the financial system is also an important issue for exchanges and CCPs. Our May 2018 survey has shown member exchanges are leading the sustainability drive as nine-in-ten are embracing Environmental, Social and Governance (ESG) initiatives. Exchanges are leveraging their position within the financial system to prioritise long-term sustainability: educating more market participants, improving transparency in their respective markets, and increasing the number of sustainability products on offer (e.g. green bonds).

CONTINUED ON PAGE 14

Financial literacy remains a priority for our members. Individual exchanges can engage market participants by improving financial literacy in their markets through education, especially if literacy levels are low.

CONTINUED FROM PAGE 13

### **What are the most important regional and global trends that stock exchanges have to align to in order to attract issuers?**

The key question is how you balance the need for transparency and high standards of regulation, while ensuring the requirements we place on issuers aren't so burdensome as to deter listing.

As I mentioned previously, there is a global movement towards maintaining market integrity, particularly since the global financial crisis. Fair, efficient and transparent markets help exchanges build and maintain trust to grow liquidity, improve the efficiency of trading, and better service issuers (and investors) in their markets. In the last decade, exchanges have put significantly more focus, and resource, towards risk management and supervisory practices. This has meant market integrity is becoming a competitive differentiator between exchanges, and this trend will continue in the coming years.

Liquidity is fundamental in helping to deepen and strengthen financial markets, especially in emerging and frontier markets. Issuers are encouraged to list on liquid markets. Measures that are aimed at encouraging market participants to buy and sell shares, government gilts, and other products, have a positive impact on financial markets, and the economy overall.

Financial literacy remains a priority for our members. Individual exchanges can engage market participants by improving financial literacy in their markets through education, especially if literacy levels are low. For example, our member, the Stock Exchange of Thailand (SET), developed a wide range of financial literacy campaigns aimed educating all walks of Thai life. This has included 100,000 students using its 'INVESTORY' knowledge hub, as well as helping people develop good money habits and knowledge on a wide range of issues (from basic saving skills, developing retirement plans, to understanding sophisticated investment methods).

Our recent report on family-owned small and medium sized enterprises (SMEs) shows these companies have the potential to be listed on a stock exchange. SMEs often dominate the business landscape in both developed and emerging markets, and in some regions of the world account for 50% of GDP. Exchanges, therefore, have an opportunity to increase the attractiveness of listing for family firms by implementing initiatives such as developing a dedicated family business practice, and showcasing listed family firms by emphasising their positive experiences and performance.

<sup>2</sup> IBM X-Force Threat Intelligence Index

# WHAT IS THE WORLD FEDERATION OF EXCHANGES (WFE)?

Established in 1961, the WFE is the global industry association for exchanges and clearing houses. The WFE is a private company limited by guarantee established in the UK under the Companies Act 2006 and operates as a non-profit organisation.

**H**eadquartered in London, it represents over 200 market infrastructure providers, including standalone CCPs that are not part of exchange groups. Of all the members, 41% are in the Asia-Pacific region, 40% in EMEA and 19% in the Americas. WFE exchanges are home to nearly 45,000 listed companies, and the market capitalization of these entities is over \$67.9 trillion; furthermore, around \$84.18 trillion (EOB) in trading annually the infrastructures WFE members safeguard (at end 2016).

The WFE is the definitive source for exchange-traded statistics, and publishes over 350 market data indicators. Its statistics database stretches back more than 40 years, and provides information and insight into developments on global exchanges.

The WFE works with standard-setters, policy makers, regulators and government organizations around the

world to support and promote the development of fair, transparent, stable and efficient markets. The WFE shares regulatory authorities' goals of ensuring the safety and soundness of the global financial system, which is critical to enhancing investor and consumer confidence, and promoting economic growth.

Since its foundation, the WFE has organized committees, meetings, general assemblies, conferences, and workshops for its members to transfer knowledge and share expertise. As an industry trade organisation, the WFE has discussed virtually every aspect of the capital market: the technical, the commercial, the legal and the economic. In the past five and a half decades we have published studies and reports on issues such as self-regulation, cross border trading, HFT, cyber security, sustainability and many others besides.

The BSE has been an affiliate member of WFE since 2016.

(Source, WFE Website <https://www.world-exchanges.org>)

# FROM THE WFE RESEARCH DESK

Highlights from the WFE Sustainability Survey – The World Federation of Exchanges ("The WFE"), the global industry group for exchanges and CCPs, published its fourth annual Environmental, Social and Governance (ESG) survey of members, which shows nearly 90% of member exchanges are embracing sustainability initiatives. The WFE survey captured the nature and engagement with ESG issues by member exchanges in both developed and emerging markets.

### Key highlights include:

- ➔ Overall, 88% of member exchanges now embrace some form of ESG initiative, and 42% of exchanges have increased the number of initiatives (that took part in last year's survey).
- ➔ 70% of ESG disclosures for listed companies were driven by the exchange, rather than the market regulator, in each market.
- ➔ Seven exchanges have adopted the Task Force on Climate-Related Financial Disclosures (TCFD) Recommendations, while a further 11 are planning to incorporate these recommendations soon.
- ➔ Exchanges are leading by example with 57% incorporating ESG factors into their own reporting, up from 48% in 2016.
- ➔ Investor demand for ESG disclosure has increased to 70% in 2017 from 64% last year, and 57% of exchanges believe there is demand for sustainability-related products.
- ➔ 70% of exchanges that reported no investor demand are either from emerging or smaller exchanges within the EMEA region. And;
- ➔ The number of exchanges offering green or climate bonds has increased to 14 from eight exchanges last year, while sustainability indices remain the most commonly offered product.

(Source: World Federation of Exchanges Sustainability Survey, May 2018)

# SAVE THE DATES



**Should you wish to attend the above events contact the Market Development Department on [marketdev@bse.co.bw](mailto:marketdev@bse.co.bw) or call (+267) 3674400**

# THE CENTRAL BANK'S EFFORTS TO HAUL UP BOTSWANA'S ECONOMY



**Moses Dinekere Pelaelo**  
Bank of Botswana (BoB) Governor

The local economy is highly dependent on the mining sector, and if the mining sector is not performing well even consumer incomes are negatively impacted. Non-mining GDP has remained restrained, mainly because of the slow growth in personal incomes," Madala said

The domestic economy, which has been struggling to grow to records last seen during the pre-recession periods has not been inspired by the accommodative monetary policy implemented by Bank of Botswana (BoB) for the past half a decade, available records backed by economic commentators show.

The central bank, which is governed by Moses Pelaelo, has reduced its benchmark lending rate by a record 4.5% from 9.5% in March 2013 to the current 5.0%. The bank has always insisted that, rates reductions are meant to stimulate the economy which is largely dominated by the mining sector. In reducing the key lending rate, the central bank kept in mind that, the results will be cheaper access to funding for businesses, which in turn will boost production across most sectors.

However, economic commentators told *BSE News* that for the past five years, economic growth, which has missed most government projections in the same period, has not been driven by reduced interest rates. "Lower interest rates usually lead to a boost in economic activity as businesses would invest in more projects and consumers increase their spending; however, the main driver of economic activity was not necessarily the interest rate during this time," commented Kwabena Antwi, an investment analyst at Kgori Capital.

According to available data, the economy grew by 11.3% in 2013, before reducing to 4.1% the following year. In 2015, the country's Gross Domestic Product (GDP) contracted by 1.7% before picking to 4.3% in 2016. When announcing the Monetary Policy Committee (MPC) decision in April, Pelaelo also stated that the economy grew by 2.4% in 2017. "The slower growth reflects a lower increase of 4.2% in non-mining activity, compared to 5.5% in the previous year," he told business journalists. The above figures, have given economists such as Naledi Madala of Barclays Bank Botswana that, the rates cut have not lifted the economy, despite being at record lows. "An accommodative monetary policy in Botswana seems to impact household final consumption expenditure; however, the transmission of the rate cuts to economic growth has been very minimal. This is because the local economy is highly dependent on the mining sector, and if the mining sector is not performing well even consumer incomes are negatively impacted. Non-mining GDP has remained restrained, mainly because of the slow growth in personal incomes," Madala said in a written response to *BSE News* questions.

The expectations from lower rates regime is that, credit extension from the banks will have picked up in the process availing the much needed capital injection to companies to pick up output.

The expectations from lower rates regime is that, credit extension from the banks will have picked up in the process, availing the much needed capital injection for companies to pick up output. However, this not been the case. According to the BoB annual report for 2013, annual growth in commercial banks credit fell from 23.6 to 15.1%. The following year (2014), credit from banks dropped further to 13.5%. This was before the credit extension from the country's domestic lenders fell to 7%. In 2016, despite reduced bank rates, consumers and bank's appetite for credit assistance and extension respectively continue to take a nosedive.

For the year 2017, credit extension declined to 6.2%. The above statistics clearly shows that, lending rates reduction, credit extension and economic growth are not linked in Botswana. For the period under review, BoB, which is the supervisory body of the banking sector stated that, the fall in credit extension was also due to reduced appetite from businesses.

According to Antwi, credit expansion has not increased in line with the reduced bank rate. "The growth in credit extended by banks reduced, in fact, on account of increases in defaults. Banks became more conservative with regards to lending, increasing their credit requirements. What this means is that fewer loans were approved than would have previously been the case, i.e. credit extension does not increase," said Antwi. The other observation made by Madala is that banks remain heavily dependent on household lending, with the sector accounting for a majority of total commercial bank loans. Individuals are known for accessing credit for personal consumption as opposed to production purposes. "Credit growth has not increased in line with reduced bank rate due to a more cautious approach to lending in an environment of slower personal income growth and rising household debt-to-income ratios," stressed the Barclays expert.

Meanwhile, Antwi who is also a Chartered Financial Analyst (CFA) noted that, being a mineral-led economy, Botswana was also affected by a commodity slump which also led to the closure of mines during the period under discussion. In the past five years, mines such as Lerala diamond mine, Discovery Metals' Boseto Copper Mine, government-owned BCL group and Gem Diamonds' Ghaghoo mines closed due to declining international commodity prices. "A significant portion of Botswana's economy is driven by commodities e.g. diamonds, copper, nickel. As a result, there was a decrease in business activity as mines closed or projects were mothballed. Salaried employees were placed under pressure as salaries remained relatively flat but the cost of living maintained its upward trend. This is what, for the most part, accounts for the challenging economy we observe today," added Kwabena.

Speaking to Reuters after MPC reduced rate in October 2017, Econsult's economist and former Bank of Botswana deputy governor Keith Jefferis said the rate cut would not encourage consumers to take on more credit because households were already grappling with high personal debt levels, but expected lending to businesses to improve. Announcing the budget speech in February 2018, finance minister, Kenneth Matambo remained bullish.

He told legislators that, the domestic economic outlook remains positive, with growth rates 5.3% expected in 2018. "The positive outlook for both the mining sector and non-mining sectors underpins these growth forecasts. Mining sector performance is expected to benefit from the recovery in the global economy, while that of non-mining sectors reflects the impact of Government's interventions in terms of policies and strategies to diversify the country's sources of growth," said Matambo.

For now, it remains to be seen if the economy will grow on the backdrop of reduced bank rates. Meantime, the central bank top brass has made it clear that they will continue to keep an accommodative monetary policy.

# LISTING VALUE PROPOSITION FOR ISSUERS

The BSE is aware that when engaging issuers both locally and internationally, it is important to highlight the benefits and advantages of a listing from the point of view of what a listing can do for a company.

Local Issuers	Additional Benefits
<p><b>Inherent benefits</b></p> <ul style="list-style-type: none"> <li>➔ Ability to raise capital to fund expansion or developments</li> <li>➔ Meeting of likeminded Investors and marketability of security</li> <li>➔ Enhanced valuation of the stock and price revelation</li> <li>➔ Brand equity – increased public awareness and recognition</li> <li>➔ Enhanced credibility with stakeholders (equity)</li> <li>➔ Enhanced corporate practice due to adherence to listing rules</li> <li>➔ Employee retention and attraction schemes for equity</li> <li>➔ Deeper volumes of liquidity for debt</li> <li>➔ Longer repayments for debt</li> </ul>	<p>Access to the BSE platforms;</p> <ul style="list-style-type: none"> <li>➔ Website</li> <li>➔ Social media</li> <li>➔ Radio show</li> <li>➔ BSE publication</li> <li>➔ Presentations at conferences, open days and seminars</li> </ul>
Foreign Issuers	Brand Equity
<p><b>Inherent Benefits;</b></p> <ul style="list-style-type: none"> <li>➔ Ability to raise capital to fund expansion or developments</li> <li>➔ Meeting of likeminded Investors and marketability of security</li> <li>➔ Enhanced valuation of the stock and price revelation</li> <li>➔ Brand equity – increased public awareness and recognition</li> <li>➔ Enhanced credibility with stakeholders</li> <li>➔ Enhanced Corporate practice due to adherence to listing rules</li> <li>➔ Employee retention and attraction schemes</li> </ul> <p><b>Macroeconomic Benefits;</b></p> <ul style="list-style-type: none"> <li>➔ Highest sovereign credit rating</li> <li>➔ Stable currency</li> <li>➔ Liberalized Market</li> <li>➔ No-exchange control</li> <li>➔ Enforceable property rights</li> <li>➔ Strong capital/Excess savings</li> <li>➔ Rule of Law</li> <li>➔ Its centrality/position in SADC/Geographical location</li> <li>➔ Trade agreements in place</li> </ul>	<p>Access to the BSE platforms;</p> <ul style="list-style-type: none"> <li>➔ Website</li> <li>➔ Social media</li> <li>➔ Radio show</li> <li>➔ BSE publication</li> <li>➔ Presentations at conferences, open days and seminars</li> </ul>

# COMPANIES THAT EXPANDED THEIR OPERATIONS THROUGH LISTING ON THE BSE

24 companies on the domestic board and 11 have regional and international presence.

BIHL	Malawi, Mozambique, Tanzania, Uganda, Zambia, Zimbabwe
Chobe	Namibia
Choppies	Kenya, RSA, Zambia, Zimbabwe
Cresta	Zambia, Zimbabwe
Furnmart	Namibia, RSA, Zambia
Letshego	Lesotho, Kenya, Mozambique, Namibia, Nigeria, Rwanda, Swaziland, Uganda
Primetime	Zambia
RDCP	Madagascar, RSA, USA
Sefalana	Namibia, Zambia
Turnstar	Tanzania, UAE
Wilderness	Congo, Kenya, Malawi, Namibia, RSA, Seychelles, Zambia, Zimbabwe
CA Sales (foreign)	Lesotho, Mozambique, Namibia, RSA, Swaziland, Zambia, Zimbabwe

# TOURISM GROWS FROM STRENGTH TO STRENGTH



**Dr Thapelo Matsheka**  
Chairman of Hospitality and  
Tourism Association Botswana  
(HATAB)

Tourism activities have also expanded in Botswana especially the companies' target high-net worth individuals mostly in the United States, Asia and Europe.

**T**he biggest contributor to Botswana's economy after diamond has grown exponentially over the years.

The multi-billion Pula sector is among those which have been earmarked to diversify the economy when mining revenues start to drastically fall in the late 2020s. For the past five years, except for a contraction by 3.5% in 2015, the tourism sector, has been registering growth as opposed to most sectors of the economy such as mining, agriculture and electricity and water, which in most cases have declined. This is according to data gleaned from Statistics Botswana, the country's statistical body as well as other international groups which represent the sector's interests. As a matter of fact, the growth of the sector is also noticeable in major companies which operate in the industry. Speaking to *BSE News* recently, Chairman of Hospitality and Tourism Association Botswana (HATAB), Dr. Thapelo Matsheka stated that, the sector has been growing positively despite challenges as well as some outdated policies governing the industry. "The industry is growing on its own," he said confidently at his plush offices in Gaborone's finance park. The former University of Botswana (UB) economics lecturer cited some reasons why the sector has stand tall for many years. First and foremost, most tourism services especially in the Northern and North-West regions of the country are priced in the US Dollar (\$). In recent years, the US Dollar (\$) has been appreciating against the Pula, which basically means currency fluctuations have favored tourism companies, listed and unlisted. The other reason which has ensured that the sector remained buoyant is that, 'the outlay costs' or operational expenditure remains low in the sector. However, this is not withstanding the fact that majority of companies that are holding pristine tourism sites are forced to develop their own infrastructure for water, electricity and access roads where possible, said Matsheka. Tourism activities have also expanded in Botswana especially the companies targeting high-net worth individuals mostly in the United States, Asia and Europe.

Figures for the tourism industry are there to support HATAB Chairperson's statements. According to fresh data, the country's Gross Domestic Product (GDP) expanded by 6.5% in the last fourth quarter of 2017, lifted by an 18.1% expansion in trade, hotels and restaurants which tourism is part of. For 2017, the sector expanded by 7.3% despite tough economic conditions in the year under review. According to World Travel Tourism Council (WTTC) 2017 report, the travel and tourism industry's total contribution to the economy in 2016 was P17, 7 billion and was forecasted to rise by 6.5% in the past year (2017). Currently, the sector contributes around 12% of the total economy.

The benefit of the tourism industry has also been witnessed in the number of jobs created, which is also poised to increase substantially in the coming years.

# TOURISM GROWS FROM STRENGTH TO STRENGTH

In 2016 travel and tourism directly supported 25,000 jobs (2.6% of total employment). This is expected to rise by 6.8% in 2017 and rise by 4.8% per annum to 43,000 jobs (3.8% of total employment) in 2027. This is according latest figures from WTTC.

Commentators are bullish the sector will continue to keep the country's flag high.

In a response to *BSE News* questions, an economist at Barclays Bank Botswana, Naledi Madala said the sector is also banking on the fact that the country has found a niche and will continue to grow its reputation as a luxury safari destination. "Botswana also outperforms its peers in the region with its reputation of peace and stability, which is an important factor that tourists consider before going to a place," said Madala. The country competes pound for pound for the same clients with countries such as South Africa, Namibia and Mozambique. Over the years, some of the country's exclusive tourism attraction such as Okavango Delta have received international accolades.

The robust growth has also been notable in listed tourism companies-Wilderness Safari and Chobe Holdings Limited which have been posting improving profits year on year, against peers in other sectors such as banking, retail and property. The returns made by these companies come in handy for hundreds of shareholders who have bought their respective shares through the Botswana Stock Exchange as they are entitled to dividends.

To get a better look at how healthy the sector has been, one has to look at the performance of Wilderness Safari

and Chobe Holdings which are both listed at BSE. Except for a decline in profit after tax in 2016 and 2017, the company's profits have been steadily increasing since 2014. In 2014, the Africa-focused group made a profit of P48 million which moved to P76 million the following year. As of year-ended February, the company which is headed by Keith Vincent, closed at Profit after Tax (PAT) of P87 million almost double in a space five years. Chobe Holdings Limited has never missed to improve its profits since February 2014. From P33 million in 2014, the group's profits has closed February at P71million.

Madala said the sector will continue to be buoyant in the medium to long term "because the government is showing commitment and support for the sector through infrastructure development".

She added that, there has been investment in transport infrastructure and services, to improve standards available for the tourism sector. Government has invested millions of Pula on the upgrade of Maun International Airport and opening a new terminal in Kasane.

"Government's marketing efforts in the sector are also expected to continue to pay off, like the ITB Berlin promotional campaign which exposed the country across 5 continents," noted Madala. Across town, at CBD, the private sector is also doing it big as far as investment is concerned in the hospitality sector. An international hotel, Hilton Garden Inn is nearing completion. Room52 is also servicing international tourists at the heart of Gaborone. According to Madala, this is also expected to contribute positively to urban tourism sector.

## TSABONG OPEN DAY IN PICTURES

Open Days have helped to increase the reach and accessibility of the BSE to promote stock market education, as well as promote the listing value proposition to Batswana. Continuing from the five Open Days held in 2017, the BSE has up to now hosted 4 Open Days under the theme **“Your Partner in Wealth Creation,”** in Jwaneng, Kanye, Mahalapye and Tsabong. This initiative was 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.





# SUBSCRIBE TO X-NEWS



In July 2014, the Botswana Stock Exchange (BSE) announced the introduction of the Exchange News Service called X-News. This information portal would allow for the dissemination of Listed Company information to the market in real-time, facilitating punctual, equal and wide exchange of relevant news and information. Information made available on X-News include, but not limited to, all Press Announcements,

Prospectuses, Pre-listing Statements and Circulars as per the BSE Listings Requirements.

Subscribers to the X-News E-mail Service are afforded the luxury of receiving the latest market news updates 15 minutes prior to uploading on the BSE Website and ATS Message Board. All news updates on the service is dispatched to the subscriber's designated e-mail

address. Assisting investors to make informed, financial decisions. The cost of the X-News Service is BWP3, 360.00 per annum, including VAT. Renewals for the service are conducted every year on or before December 31.

**For more information on the X-News Service, kindly contact the Listings & Trading Department on +267 3674400.**

# MARKET STATUS REPORT FOR PERIOD 1 JANUARY TO 31 MARCH 2018

## Analysis of Equity Indices

The Domestic Company Index (DCI) continued its downward trajectory in 2018. During the year-to-end-of-March, the DCI depreciated by 3.1% compared to a 1.9% decrease realized during the same period in 2017.

On the other hand, the Foreign Company Index (FCI) registered a marginal depreciation of 0.05% in Quarter 1 of 2018 relative to a decrease of 0.2% over the same period in 2017.

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

	Jan 2018	Feb 2018	March 2018	Quarter 1 2018
<b>Index Performance</b>				
DCI	8,750.03	8,691.19	8,589.64	8,589.64
% Change	(1.2)	(0.7)	(1.2)	(3.1)
FCI	1,576.56	1,573.86	1,574.19	1,574.19
% Change	0.1	(0.2)	0.02	(0.05)
<b>Liquidity</b>				
Turnover (P' Mn)	24.8	106.2	105.1	236.2
Average Daily Turnover (P' Mn)	1.2	5.3	5.0	3.8
No. of Shares Traded (Mn)	9.3	37.0	54.4	100.7
<b>Market Capitalization</b>				
Domestic Companies (P' Mn)	43,883	43,588	43,079	43,079
Foreign Companies (P' Mn)	374,125	373,345	373,526	373,526
Total (P' Mn)	418,008	416,933	416,605	416,605
<b>Market Indicators <sup>Note 1</sup></b>				
P/E Ratio (times)	14.6	14.5	14.3	14.3
Dividend Yield (%)	4.8	4.8	4.9	4.9
Price/Book Value (times)	1.7	1.7	1.6	1.6

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

Source: BSE

# MARKET PERFORMANCE

With effect from 1 January 2018, the BSE introduced the Domestic Company Index Total Returns (DCI-TR) following Main Committee and NBFIRA approvals in December 2017. As at 31st March 2018, the DCI-TR had depreciated by 1.9%, reflecting the cushioning effect of dividends on the weakening of prices over the quarter.

## Analysis of Equity Turnover

As at 31 March 2018, the BSE had recorded a turnover of P236.2 Mn from a volume 100.7 Mn shares traded. During the same period in 2017, the BSE had registered a turnover of P532.8 Mn and a total volume of 173.9 Mn shares traded (see Figure 2).

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

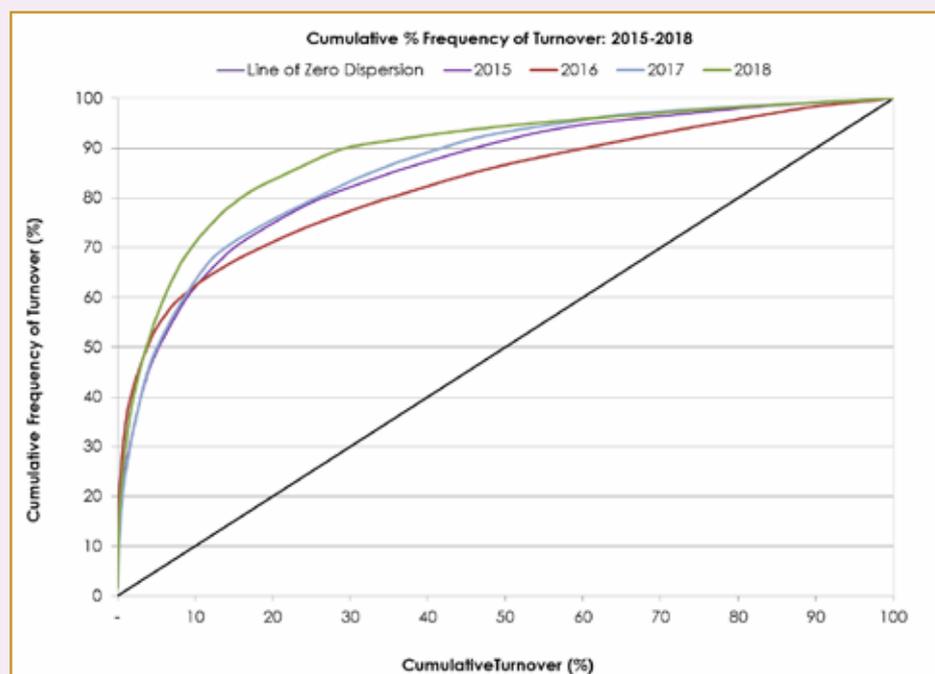
Liquidity <sup>Note 1</sup>	2014	2015	2016	2017	2018
Turnover (P'Mn)	650.6	557.8	701.9	532.8	236.2
Average Daily Turnover (P'Mn)	10.5	9.0	11.3	8.5	3.8
No. of Shares Traded (Mn)	177.0	154.7	187.0	173.9	100.7

Note 1: Year to 31 March

Source: BSE

It can be noted from the Lorenz Curve in Figure 3 that during the year-to-date period turnover in 2018 was relatively less stable compared to the same period in 2016 and 2017. This is supported by the higher coefficient of variation of turnover of 2.2 in 2018 in comparison to 1.3 and 2.1 in 2016 and 2017 respectively.

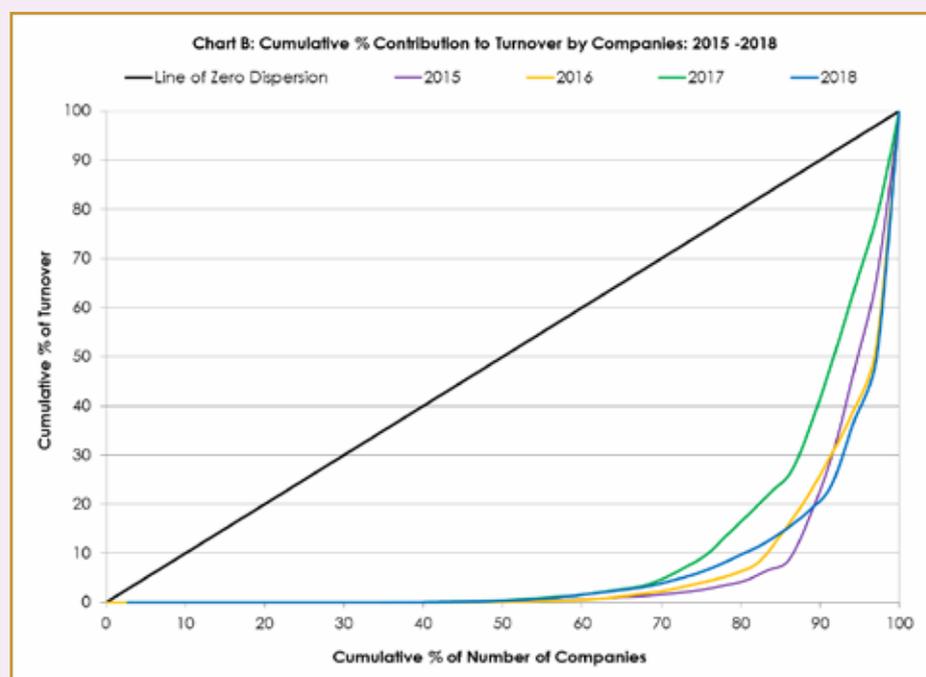
**Figure 3: Stability of Equity Turnover (A): 1 January to 31 March**



Source: BSE

It can be noted from the Lorenz Curve in Figure 3 that during the year-to-date period turnover in 2018 was relatively less stable compared to the same period in 2016 and 2017. This is supported by the higher coefficient of variation of turnover of 2.2 in 2018 in comparison to 1.3 and 2.1 in 2016 and 2017 respectively.

**Figure 4: Stability of Equity Turnover (B): 1 January to 31 March**



Source: BSE

To substantiate this deduction, the top 3 traded companies in terms of value, on a year-to-date basis, were Letshego Holdings Limited (P118.0 Mn), CA Sales Holdings Limited (P31.0 Mn) and First National Bank Botswana (P30.8 Mn) and these accounted for 76.2% of total turnover during the period to end of March 2018. During the same period in 2017, the top 3 traded companies accounted to 49.1% of turnover.

### Performance of Exchange Traded Funds (ETFs)

During Quarter 1 of 2018, the ETFs market was less active compared to Quarter 1 of 2017. The volume of ETF units traded was 451,868 in 2018 while the turnover registered was P41.4 Mn. Over the same period in 2017, the number of units traded amounted to 3.1 Mn yielding a turnover of P122.9 Mn.

**Figure 4: Stability of Equity Turnover (B): 1 January to 31 March**

ETF	Turnover (P' Mn)		Units Traded		Price Change	
	2017	2018	2017	2018	2017	2018
<b>NewGold</b>	1.7	2.5	14,039	20,649	4.4%	(0.3%)
<b>NewPlat</b>	-	0.3	-	6,214	-	(4.3%)
<b>CoreShares</b>	121.2	38.6	3,101,326	425,005	6.5%	(0.02%)
<b>NewFunds ILBI</b>	-	-	-	-	-	-

# MARKET PERFORMANCE

## INVESTOR CONTRIBUTION TO TURNOVER

The contribution by local companies amounted to 57.6% in Q1 2018 from 62.2% in Q1 2017. Local individual investors contributed 5.7% to turnover in Q1 2018 at relative to 4.8% during Q1 2017.

**Figure 6: Investor Contribution to Turnover (%): Q1 of 2017 and 2018**

Investor Category	Q1 2017	Q1 2018
<b>Foreign Companies</b>	30.5	34.8
<b>Foreign Individuals</b>	2.2	1.1
<b>Local Individuals</b>	4.8	5.7
<b>Local Companies</b>	62.2	57.6
<b>Brokers</b>	0.4	0.8
<b>TOTAL</b>	<b>100.0</b>	<b>100.0</b>

Source: BSE, CSDB

## INVESTOR CONTRIBUTION TO TURNOVER

**Figure 7: Comparative Performance with other Indices: 1 January to 31 March 2018**

Index	Index Change (%)		P/E Ratio (times)
	Domestic Currencies	US Dollar Terms	
JSE ALSI	(6.8)	(2.4)	18.4
SEMDEX	3.9	3.8	15.5
DCI	(3.1)	0.4	14.3
MSCI EM	1.1	1.1	Not Computed

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

As shown in Figure 7 above, the DCI and JSE ALSI were the only indices under review that realized negative returns in domestic currency during the Quarter 1 of 2018, contracting by 3.1% and 6.8% respectively. On the other hand, the SEMDEX and MSCI EM appreciated by 3.9% and 1.1% on a year-to-date basis respectively.

It can be noted that the BSE and JSE ALSI also benefited from the 3.6% and 4.5% appreciation of the Pula and Rand against the US Dollar. In US Dollar terms the DCI appreciated by 0.4% while the JSE ALSI's contraction improved to 2.4%. Inversely, the Mauritian Rupee depreciated by 0.1% against the US Dollar leading to a 3.8% appreciation of the SEMDEX in US Dollar terms.

CONTINUED ON PAGE 22

## BOND MARKET PERFORMANCE

As illustrated in Figure 8 below, activity in the bond market had decreased in 2018 (period to 31 March 2018) compared to the same period in 2017. The value of bonds traded over the period was P27.4 Mn in comparison to P91.2 Mn traded over the same period in 2017.

Bank of Botswana (BoB), on behalf of Government, held its first bond auction of 2018 on 2 March offering additional tranches of the BW007 (P77 Mn allotted), BW008 (P100 Mn allotted), BW011 (P100 Mn allotted), BW013 (not allotted) bonds and a Treasury Bill (P220 Mn allotted).

The BSE has registered 1 bond listing so far, being the BW013 bond which was issued at the 1 December 2017 auction and listed on the BSE on 24 January 2018. Thus, there are 44 listed bonds compared to 42 bonds as at 31 March 2017. On the back of Government bonds tap issuances and new issuance, the market capitalization of listed bonds increased to P14.8 Bn compared to P11.9 Bn as at the same period in 2017.

**Figure 7: Comparative Performance with other Indices: 1 January to 31 March 2018**

	1 Jan – 31 Mar 2017	1 Jan – 31 Mar 2018
Liquidity (P'Mn)		
Government Bonds	86.7	23.0
Corporate Bonds	4.5	4.4
<b>TOTAL</b>	<b>91.2</b>	<b>27.4</b>
Market Capitalization ( P' Bn)		
Government Bonds	7.9	9.6
Corporate Bonds	4.0	5.1
<b>TOTAL</b>	<b>11.9</b>	<b>14.8</b>
Number of Bonds Listed		
Government Bonds	5	6
Corporate Bonds	37	38
<b>TOTAL</b>	<b>42</b>	<b>44</b>

Source: BSE

The BoB's Monetary Policy Committee (MPC) met on 13 February 2018 and left the Bank rate unchanged at 5.0% in view of the positive outlook for price stability. Inflation was at 3.1% in January 2018 and rose to 3.2% in February 2018, remaining in the Bank's 3.0 – 6.0% objective range.



### **Kabelo Mohohlo**

Managing Director, African Alliance Securities Botswana

**T**he country's economic growth is expected to reach an average of 5.2% over the next 10 years as global diamond demand and prices gradually recover, diamonds currently dominate the economy, traditionally contributing a large share towards GDP. Botswana's largest diamond producer, De Beers, announced expectations to increase production in response to stronger demand from developed markets. Forecasts indicated y-o-y growth in diamond production to average 3.7% between FY17 and FY21. Botswana's growth will continue to be driven by the mining and tourism sector.

### **TGDP OUTLOOK**

Private consumption is expected to grow steadily, with a forecast of 4.8% on average for the period FY18-FY26, compared to the 7.0% in the past 10 years. Growth is possible as low inflation will result in consumers purchasing more, thus demand will rise moderately. As tourism is one of the main contributors of economic growth, its growth will support domestic consumption as most of the attractions are in rural areas. Private consumption is expected to contribute 47.7, 47.8, and 47.9% of GDP in the next three years respectively. On the other hand, Government consumption is forecasted to grow by an average of 4.0% between FY18-FY26 due to Botswana government's implementation of its eleventh National Development Plan (NDP 11). Government is expected to allocate larger portions of its expenditure to health and education sectors.

Governments' final consumption is expected to contribute 17.9, 17.8, and 17.7% of GDP in the next three years respectively.

Botswana remains an attractive destination for foreign investment due to a business friendly operating environment and political stability, evidenced in large multinational companies' commitment to working in the country, i.e. Debeers. Botswana's Investments are set to increase over the next 10 years as government raises capital expenditure and firms invest more into power and mining. Fixed capital formation is expected to grow by 4.6% y-o-y over the F18-FY26 period. This growth will be attributed to investment in infrastructure of water, power, healthcare and education sectors. Fixed capital formation, % of GDP is forecasted to be 30.9, 31.2, and 31.4 over the next three years respectively.

Lastly, Net exports will remain negative over the next few years, however it is expected to turn positive when diamond exports recover. Exported goods and services are expected to grow on average 7.5% for the period FY18-FY26. This number is expected to increase in the next few years as global demand for diamonds will result in increased prices. Another factor that will have a positive impact on net exports would be increased tourism as this would increase foreign exchange in the country. Imports are expected to increase by an average 7.4% for the period FY18-FY26 as a result of government implementation of its NDP 11 and increased imports on goods used in the construction process from the expected increased infrastructure investments. Net exports of goods and services, percentage of GDP is expected to be 8.4%, 9.7% and 10.6% in the next three years respectively.

### **INFLATION**

In the past Botswana inflation ranged outside the objective of 3%-6% due to various domestic and external price shocks, introduction of VAT in 2002, devaluation of pula in 2005 and volatility of commodity prices during the last financial crisis. However since 2013 BoB has managed to keep inflation within its objective of between 3%-6%. The country has enjoyed benign inflation environment over the last two years, and this is expected to continue in the short term. However we expect to see an increase in inflation in FY18 as a result of global commodity prices and increased food prices. Brent crude is expected to average USD65.00/bbl in FY18, resulting in pressure

### FINANCIAL SERVICES FORECASTS (BOTSWANA 2016-2021)

Indicator	2016	2017e	2018f	2019f
Finance nominal GVA, USDbn	2.11	2.44	2.69	2.94
Finance USD nominal growth,% y-o-y	-0.6	15.5	10.4	9.3
Finance nominal GVA, BWPbn	23.00	25.22	28.75	32.36
Finance BWP nominal GVA growth,% y-o-y	6.9	9.7	14.0	12.6
Finance nominal GVA,% total GVA	15.30	15.42	15.76	16.04

added on transport, housing and electricity. Additionally, Botswana's largest trading partner, South Africa's increase on food prices will further weigh on Botswana inflation. In FY17 there was a record harvest that dampened food price inflation, thus it is expected that there will be smaller crop yield. As food constitutes a large share of Botswana's imports, South Africa's increase in prices will worm its way into Botswana's food and non-alcoholic beverages section of inflation. Forecasts indicate that inflation will average 5.9% in the next year from 3.3% in FY17, rising towards the upper band of the BoB's 3%-6% inflation target. Overall Botswana will continue to follow South Africa's monetary policy in order to maintain the currency's partial peg to the rand.

#### BANKING SECTOR

In 2018 and 2019, the Botswana banking sector is expected to recover as stronger economic activity will feed through to increased household and business demand for credit. At the same time, the Bank of Botswana (BoB)'s recent monetary easing will support liquidity and gradually improve asset quality going forward. The central bank has revised liquidity levels indicating that liquidity in the system is far higher than previously estimated, eliminating fears of a liquidity squeeze. It has also approved broadening the range of securities that are eligible for use by commercial banks as collateral when accessing credit facilities offered by the central bank to include government securities, regardless of maturities. Nevertheless, the sector is likely to see some consolidation among smaller providers with the bulk of assets held by the largest four of Botswana's 10 banks in a small country with just over two million people.

Banks are set to recover from the impact of the liquidation of state-owned BCL Copper, which contributed to the increase in the volume of non-performing loans from 5.0% at the end-2015 to 7.6% as of November 2017. Cheaper credit conditions following a reduction in the

policy rate will ease the NPL ratio, thereby improving liquidity in Botswana's commercial banking sector. Loan growth is expected to recover from the lows registered in the first eleven months of 2017, increasing it by 5.5% and 6.0% in 2018 and 2019, respectively. Loans to consumers are the largest segment of Botswanan banks' portfolios, accounting for an average of 60.1% of total assets in the first eleven months of 2017. Credit growth will gradually expand over the next two years, with a recovery in consumer credit demand set to offer the most significant tailwinds.

#### EXCHANGE RATE

The Botswana Pula will likely see some appreciation in the short term despite a degree of volatility alongside the South African rand, which makes up 45% of the basket of currencies to which the Pula is pegged. Temporary weakness cannot be ruled out on the back of rising US treasury yields and recent dollar strength. Given the Pula's close association with the Rand, it's expected a similar trend to develop in Botswana over the coming months. The Bank of Botswana's decision in January to adopt a 0.30% downward rate of crawl will temper these upward pressures on the pula, entailing a more moderate pace of appreciation.

In FY19 the Pula is expected to reach an average of BWP/USD 10.15, reflecting the expectations for a broader appreciatory trend. During the coming quarters, the Bank of Botswana is likely to maintain its policy of targeting a competitive, but stable real effective exchange rate. As it is believed that inflation in Botswana will slowly increase in FY18-FY19, price growth will likely trend at higher levels than in the country's main trading partners, increasing upward pressure on the Pula's real effective exchange rate as the spot rate strengthens. The Bank of Botswana will likely keep its downward rate of crawl in FY19 to temper any loss of competitiveness. It should be noted that maintaining the peg's stability does not necessarily mean

CONTINUED ON PAGE 34

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the pula will trade sideways in nominal terms, as it will after all continue to follow the trajectory of its currency basket as outlined above.

## BALANCE OF PAYMENTS

Botswana's current account surplus will slowly decrease due to structurally lower foreign exchange receipts from diamonds and subdued Southern African Customs Union receipts. Import demand will remain high over the next decade as the government implements its eleventh National Development Plan (NDP 11). Botswana's financial account deficit narrowed from 4.9% of GDP in FY15 to 2.8% in FY16. While remaining in deficit, the expansion attributable to the increased holdings of external deposits by commercial banks. Increased investment in domestic assets by foreign pension funds during the FY15/FY16 period contributed to maintain the financial account into negative territory.

Public and publicly guaranteed debt continues to make up most of external debt and predictions are this will remain the case, at around the USD 1.6bn level, over the next 10 years as government financing needs remain low. The country's debt load will remain long-term in nature and will account for around 80% of total external debt. Prudent policy making and fiscal discipline will help reduce the rollover risk for external debt.

In terms of the Botswana's top exports, diamonds and copper nickel contribute to the majority of the country's main product exports, with Belgium and Namibia being the top export destinations. Imports of goods and services will remain elevated over the coming years, driven predominantly by continued demand for capital goods. It's also expected that infrastructure investment to rise under the Botswanan government's NDP 11 and as such, will likely see an uptick in imports of goods used in construction. Diamonds and copper constituted the majority of Botswana's import basket over FY16, while the country imported most of its products from South Africa and Namibia during the same period. Source; BMI Botswana's Domestic Company Index (DCI) declined by 3% in 1Q18, extending its 2017 losses. Stocks fell across the board, led by some of the blue chips such as FNB Botswana and BIHL, down 3.4% and 3.0% respectively.

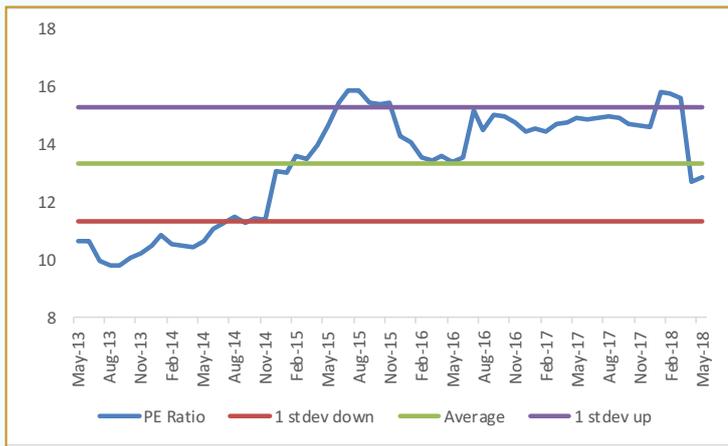
The index underperformed many African markets in 1Q18, such as Ghana and Kenya, up more than 30% and 16% respectively in the first quarter although most of these markets have given back some of their gains since then.

The decline in the DCI was driven by a slowdown in economic growth. In 2017, GDP growth was 2.4% compared with 4.3% in 2016, driven by the closure of BCL Copper and Nickel Mind in October 2016 and associated knock-on effects. Money laundering allegations by the former managing director of Kgori Capital which lead to outflows by various institutions including the Botswana Public Officers Pension Fund also negatively affected sentiment.

More recently, Botswana along with other developing markets has been affected by foreign capital flowing back to the US due to an expectation of accelerating GDP growth, rising interest rates and a stronger dollar, undermining the attractiveness of riskier emerging markets. In addition, foreign investors have been spooked by escalating hard currency sovereign debt and weakening currencies, especially in Argentina and Turkey and this sentiment has spilled over into other developing markets. From an individual stock perspective, banking stocks were not spared in 1Q18, with losses driven by declining profitability. In 2017, ROE's for the sector declined to 13.3% compared with 15.3% in 2016. The 20 year low in sector ROE's was 12.6% in 2015, hence sector profitability is close to historical lows. Furthermore, arrears have been also trended higher. For example, in 2017 arrears averaged 7.3% for the sector versus 6.6% in 2016 driven mainly by an increase in business arrears, especially from parastatals. This may suggest deeper issues at these government owned entities. In the first quarter, Standard Chartered Botswana declined 3.7%, FNB Botswana was down more than 3% and Barclays Botswana was flat.

Letshego, Africa's largest micro-lender, declined 1.1%. The latter has recently secured BWP250m to expand its African footprint. In the 12 months to December 2017, Letshego reported a 15% y/y increase in interest income, and a 16% increase in loans and advances. Unlike other banks in the sector, its ROE increased from 16% in FY16 to 18% in FY17.

**BSE DCI PE ratio, May 2013 – May 2018**



Unlike many of its emerging market peers, Botswana's debt to GDP ratio of 15.4% remains relatively low. As a comparison, this ratio is about 53% in South Africa, 57% in Kenya and 101% in Egypt. Foreign currency debt to GDP of 9.6% is also relatively low.

Some of the indexes smaller stocks also suffered large losses in 1Q18. For example, Botswana Telecoms declined 35%, Minergy Limited declined 13% and Sefalana declined 8%.

One stock that bucked the trend somewhat is Botswana's largest retailer, Choppies. It was unchanged in 1Q18 but is up about 2.5% year-to-date, off a very low base. Although Choppies is highly established, highly profitable and still very reliant on Botswana, its rapid expansion into the rest of Africa has been challenging. Most regions outside of Botswana remain loss making, including Kenya and Zambia. South Africa, where it now has 88 stores (versus 86 in Botswana), has only recently broken even and this took much longer than expected. Investors have been concerned that it will take just as long for Choppies to establish themselves in other new regions. Sentiment was also hit by a delay in 1H18 results due to its new auditors PricewaterhouseCoopers scrutinising Choppies' inventories. Results have since been released, with no changes to inventories. Results were surprisingly strong due to a turnaround from stores in the North West Province of South Africa, a region highly exposed to platinum mining. In our view, Choppies has seen the worst and its operational turnaround should continue with limited downside to the share price. Another good set of results, proving the turnaround is indeed sustainable should be an upward catalyst for the share price.

Despite market losses seen so far, we see limited downside from here for a number of reasons.

- 1) Economic growth accelerated sharply in 4Q17 to 6.5% y/y and is expected to grow between 4-5% in 2018. This is one of the fastest growth rates on the continent. Accelerating growth should be driven

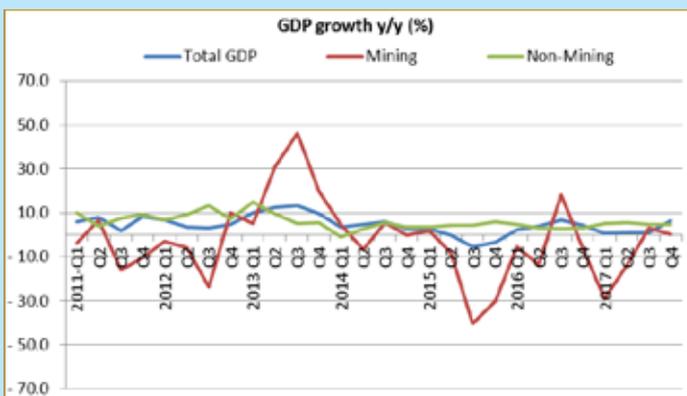
by base effects, an increase in diamond production as well as an expectation of increased government spending. Although interest rates are not expected to decline from here, they remain at multi-year lows. With inflation expected to remain within the target range of 3-6%, interest rates are unlikely to change for the remainder of 2018 and 2019, supporting economic expansion.

- 2) Business confidence has also improved, at least anecdotally, associated with the smooth transition to the Presidency by His Excellency Mokgweetsi Masisi on 1st April. The new president is widely regarded as more business-friendly than his predecessor and many in the private sector are anticipating the implementation of reforms under the new Doing Business Reforms Roadmap that will improve the business climate and encourage investment and growth.
- 3) On a PE ratio of 12.9x, the Domestic Company Index (DCI) is not particularly expensive compared to its five year average of 13.3x.
- 4) Unlike many of its emerging market peers, Botswana's debt to GDP ratio of 15.4% remains relatively low. As a comparison, this ratio is about 53% in South Africa, 57% in Kenya and 101% in Egypt. Foreign currency debt to GDP of 9.6% is also relatively low. Indeed, Botswana's strong economic fundamentals and political stability is reflected in its a minus credit rating with a stable outlook from S&P. This rating is one of the highest in the developing world. Hence Botswana should enjoy some downside protection from foreign capital outflows which have affected many developing markets. Indeed, since the end of March, more liquid African markets with weaker economic prospects have suffered far greater losses.



**Martin Makgatlhe**  
CEO, Motswedi Securities

Botswana GDP for Q4 2017 surprisingly jumped to 5.5% q/q and 6.5% y/y, latest available data from Statistics Botswana reveals. Non mining GDP private sector performed well, growing by 4.6% during Q4 2017 as compared to 2.9% during the same period in 2016. This was on the back of increases in Agriculture, Manufacturing, Trade, and Hotels & Restaurants. For the FY 2017, Botswana’s real GDP expanded by 2.4% compared to a 4.3% growth in 2016. The slower growth of the economy in 2017 was in line with our expectations and reflects the tough economic environment that the economy is going through.



Source: Statistics Botswana, Motswedi Securities

The statistics get more interesting when we dissect them on a quarterly basis as the data shows a 6.5% y/y during Q4 2017. This is a big jump from 1.1% y/y in Q3 2017 and 1.0% y/y in Q2 2017. The 6.5% growth in Q4 is quite surprising as under normal circumstances it reflects

“boom” economic conditions. However, we believe this was not the case in Q4 as the economy continued to ‘limp’. Statistics Botswana attributes the Q4 growth to increases in the real value added of Trade, Hotels & Restaurants, Finance and Business Services, agriculture, manufacturing and general government.

It’s also interesting to note that the mining sector contribution to GDP has been overtaken by Trade, Hotels & Restaurants which now contributes 21.7% towards GDP. This may have arisen as a result of the inclusion of diamond aggregation processes under the wholesale sub sector. It will be interesting to know the like to like growth with the exclusion of the diamond aggregation processes. Mining sector contribution to GDP stood at 16% from 20.1% during Q3 2017. We would have expected the mining sector to have grown much faster during Q4 2017 due to increases in coal and diamond value added which increased by 2.5% and 0.2% coupled as well as the resumption of operations at Mowana and Thakadu copper mines during Q2 2017.

Although these statistics are refreshing as they indicate some improvements in the economy, they are provisional and should be regarded as ‘tentative’ given that some of the statistics are debatable. Probabilities of further revisions in the near future cannot be ruled out at this juncture. Most of the data is based on limited information and is usually revised. Again, quarterly figures are prone to volatility and we should not place over reliance on data from a single quarter.

## 27<sup>TH</sup> MEETING OF AFRICA & MIDDLE EAST DEPOSITORIES ASSOCIATION (AMEDA) HOSTED TO THE DELIGHT OF DELEGATES

**T**he BSE hosted the 27th Meeting of Africa & Middle East Depositories Association (AMEDA) from 10th to 13th April, 2018 at Cresta Mowana Safari Lodge in Kasane. Hosting this meeting was a huge achievement for the BSE and Botswana as a whole as it was the first time that the AMEDA meeting was held in Botswana. Further, Botswana was the third country to host the meeting in the SADC region. Hosting this meeting demonstrates our prowess and our commitment to building a world class securities exchange. A total of 19 countries descended on the tourist town of Kasane for the meeting. AMEDA meetings are dedicated towards the review of the

association's financial performance, as well as conducting workshops on the relevant topics that impact the operations of CSDs in the AMEDA region. AMEDA is a non-profit organization comprised of CSDs and Clearing Houses in Africa & Middle East and was formed for the benefit of its member community, as an elective, inter-professional and regional facility geared towards fostering the spirit of cooperation, reciprocity and harmony among members. Its main purpose is to provide a forum for the exchange of information and experiences among its members in a spirit of mutual cooperation.



Ameda members during the meeting

# 27<sup>TH</sup> AMEDA MEETING IN PICTURES



# UNDERSTANDING THE DAILY MARKET REPORT DATA FIELDS AND DEFINITION

The BSE issues the daily market report at the end of every trading day.

EXPLANATORY NOTES		
<b>General</b>		
BWP	Botswana Pula	
Green colour denotes increase in the variable has resulted from the day's trading activity, whilst red denotes a reduction in the variable has resulted from the day's trading activity.		
<b>Domestic Equity Tables</b>		
Column	Heading	Description
1	Security	The BSE Code of the security listed
2	Trading Status	The trading status of the listed security
3	Bid	The best price, in Pula, that the buyers are willing to pay for the security.
4	Offer	The best price, in Pula, that the sellers are willing to accept for the security.
5	Last	The last price at which the securities were traded
6	Low	The lowest price at which a trade was executed during the trading day
7	High	The highest price at which a trade was executed during the trading day
8	Volume	This is the number of securities that were traded during the trading day.
9	Transactions	The number of trades that occurred during the trading day
10	Turnover	The value of securities that were traded during the trading day.
11	Closing Price	The closing price computed as stated in section 10.1 of the BSE Equity Trading Rules.
12	Closing Price Change	The change in closing price between the current trading day and the prior trading day.
13	Issued Securities	Total number of securities that have been issued by the firm and are available to the public for trading.
14	Market Cap (Millions)	Total value of the company (Closing price X Issued Securities).
<b>Foreign Equity Tables</b>		
Same as Local Equity Tables, except for the addition of the Local Asset Status column, which indicates whether or not a security has been granted Local Asset Investment Status by the NBFIRA.		
<b>Debt Securities Tables</b>		
Column	Heading	Description
1	Security	The BSE Code of the security listed
2	Trading Status	The trading status of the listed security
3	Nominal Value (Millions)	The price of the security at the time of its Issue
4	Maturity Date	The final payment date of a debt instrument, at which point the principal (and all remaining interest) is due to be paid.

# UNDERSTANDING THE DAILY MARKET REPORT DATA FIELDS AND DEFINITION

5	Coupon Rate	The rate at which interest is paid
6	Bid	The best price, that the buyers are willing to pay for the security.
7	Offer	The best price that the sellers are willing to accept for the security.
8	Last	The last price/yield at which the securities were traded
9	Turnover	The value of securities that were traded during the day.
10	Interest Due Date (s)	The date at which point the interest from debt instrument is due to be paid.

### Trading Status of the Securities

Abbreviation	Description
XD:	The security is trading ex dividend. The status shall remain until dividend is paid.
XB	The security is trading ex bonus. The status shall remain until securities are issued and listed
XR	The security is trading ex rights. The status shall remain until rights are issued and available for trading
Q:	Qualified Auditors Opinion.
CA:	The security is trading under cautionary.
CD:	The security is trading cum dividends.
CB	The security is trading cum bonus.
CR	The security is trading cum rights.
S:	The security has been suspended from trading.
RE:	The issuer has not published its financial information.
H	Trading of the security has been halted till further notice

### Indices

Domestic Companies Index (DCI)	Includes any company which is incorporated in Botswana, listed on the BSE
Foreign Companies Index (FCI)	Includes any company which is incorporated outside Botswana, listed on the BSE
Local Asset Sector Index (LASI)	All domestic companies + all foreign companies awarded the local asset status by the Non-Bank Financial Institutions Regulatory Authority.
Domestic Financial Sector Index (DFSI)	All domestic financial sector companies. Currently, the constituents are Afinitas, Barclays, BIHL, FNBB, Letshego and Stanchart,
Foreign Resource Sector Index (FRSI)	All foreign resource sector companies. currently, the constituents are all companies on the foreign equity Board except Blue, CA sales and Investec

The Constituent Securities for DFSI, FRSI and LASI have been defined in the Conventions and Calculation Methodology for the BSE Total Return Indices available on the BSE Website

# A REVIEW OF THE MARKET FROM 2013-2017

**Table 1: Number of Companies Listed**

	2013	2014	2015	2016	2017
Number of New Listings	1	1	1	2	3
Number of De-listings	3	1	4	0	2
Foreign Listings	12	12	10	10	11
Domestic Listings	23	23	22	24	24
<b>Total</b>	<b>35</b>	<b>35</b>	<b>32</b>	<b>34</b>	<b>35</b>

**Table 2: BSE Market Capitalisation (P'000,000)**

	2013	2014	2015	2016	2017
Domestic Market Capitalisation	43,457.57	46,209.87	50,213.85	46,571.96	44,408.06
Foreign Market Capitalisation	373,132.84	371,946.84	370,885.33	374,741.23	373,735.71
<b>Total Market Capitalisation</b>	<b>416,590.41</b>	<b>418,156.71</b>	<b>421,099.19</b>	<b>421,313.19</b>	<b>418,143.76</b>

**Table 3: Market Capitalisation by Sector (P'000,000)**

	2013	2014	2015	2016	2017
Mining & Materials	355,342.4	354,005.3	352,642.5	355,972.3	353,374.8
Financial Services & Insurance	25,958.9	27,087.9	29,222.2	28,967.5	28,772.5
Banking	19,815.1	17,815.3	17,005.4	14,195.7	12,705.1
Retailing & Wholesaling	8,884.8	11,859.5	13,322.2	10,381.0	10,002.3
Property & Property Trust	3,603.8	4,022.4	5,321.7	6,727.9	7,010.4
Tourism	1,144.8	1,264.5	1,938.1	2,148.2	2,334.5
Information Technology	0.0	0.0	0.0	1,029.0	1,932.0
Energy	1,296.9	1,517.4	1,357.6	1,565.3	1,693.1
Security Services	246.4	229.2	289.6	326.4	319.2
Funeral Services	297.4	285.3	0.0	0.0	0.0

**Table 4: Trading Statistics**

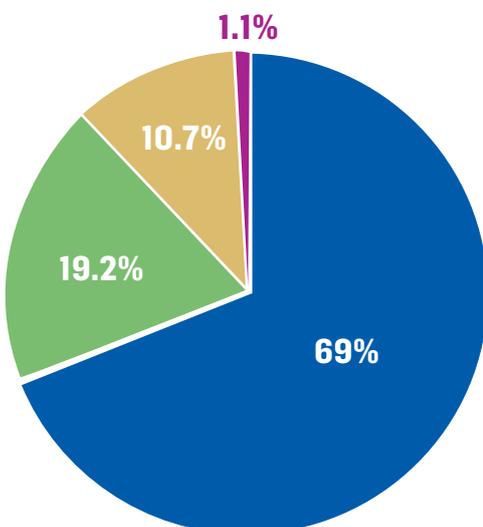
	2013	2014	2015	2016	2017
Volume Traded (Mn)	710.50	591.60	803.10	778.23	775.01
Value Traded (P'Mn)	2,315.40	2,177.40	3,032.40	2,541.16	2,476.65
No. of Deals	12,029	11,139	12,730	13,707	13,707
Liquidity Ratio	5.9	4.9	6.3	5.2	5.4

## STATISTICS ON INVESTORS

Investors	Avg. Contribution to Turnover 2013 - 2017
Foreign Companies	36.1%
Foreign Individuals	1.7%
Local Individuals	5.0%
Local Companies	57.0%
Brokers	0.3%
<b>TOTAL</b>	<b>100.0</b>

Client Domicile	2017
Local Citizens	79.7%
US Citizens	1.4%
UK Citizens	2.4%
SADC Region	6.8%
Other Regions	9.7%
<b>Total</b>	<b>100.0%</b>

### CSDB Holdings by Client Category



- Local Company
- Foreign Company
- Local Individual
- Other Clients

- ➔ Local fund managers dominated due to deep pools of liquidity
- ➔ Significant international participation
- ➔ High levels of retail participation by regional standards
- ➔ Retail investors account for 94% of the number of CSD accounts

# MINING SECTOR REBOUND, LET THE GOOD TIMES ROLL



**W**ith good prospects across all sectors of Botswana's mining industry, sectoral pundits see the Gross Domestic Product (GDP) rising, employment opportunities emerging, foreign reserves swelling and a general boom for the domestic output.

At Botswana Chamber of Mines (BCM), Chief Executive Officer (CEO) Charles Siwawa was all jovial when talking about the rising commodity prices and how impactful they will be to the domestic output, as well as trickling effects.

What was more elating to him is that diamond prices, the main stay of the landlocked economy of Botswana have been rising since the latter part of 2017 and are expected to continue the upward trajectory in 2018 and beyond. To him, it translates to increased government revenue because of high production at Debswana – a 50/50 joint venture between government and diamond mining conglomerate, De Beers.

Siwawa's excitement is justified. By end of May 2018, Bruce Cleaver, CEO of De Beers, said: "In the fourth sales cycle of the year we saw robust demand for De Beers' rough diamonds, reflecting continued strong demand for diamond jewellery, especially from American consumers as we head towards the important JCK Las Vegas trade show at the start of June." JCK Las Vegas is the jewelry industry's premiere trade show, where the jewelry industry comes together each year. Cleaver expects

more diamonds to be sold there. He revealed when Anglo American plc, an 85% shareholder in De Beers, announced the value of rough diamond sales (Global Sightholder Sales and Auction Sales) for De Beers' fourth sales cycle of 2018, which amounted to \$550 million (Around P5.4 billion).

According to Tshegofatso Tlhong, Portfolio Manager at home grown asset management firm, Kgori Capital, demand for minerals is ticking up as global economic growth kicks into gear, and structural shifts in commodity consuming countries, such as China, are expected to support the price.

"Mining output is a large contributor to GDP and exports, therefore any acceleration in this sector is positive for Botswana's GDP growth going forward," she said. Mining accounts for a quarter of Botswana's domestic output and more than 80% of foreign exchange reserves.

Siwawa and Tlhong's words however, strike chord with a report recently released in 2018 by international research firm, Business Monitor International (BMI) which said economic growth in Botswana will accelerate over the next two years on the back of an expansion in mining sector production. BMI expects economic growth in Botswana to recover over the coming quarters on the back of an increase in mining sector activity. Growth was slow in 2017, after it averaged 1.0% in the first three quarters of 2017, resulting from weak commodity prices and unfavorable global demand. In 2017, prices for rough diamonds went up 2.7%, while polished prices went down



**Andre Boje**  
CEO, Minergy

3.5%. However, rough diamond prices are expected to go up as much as four percent this year, which analysts say will have a significant impact on the diamond industry.

Further, the agency says a recovery in diamond production and prices will support more robust economic growth in Botswana over the next two years. A downturn in the trade of precious metals and stones, which accounted for 88.7% of Botswana's exports in 2016, weighed on the country's economic growth last year. However, after demand from China, India and the US started to rebound in the second half of 2017, BMI expects that prices will continue to increase in 2018 as a weak dollar will support momentum in global consumer luxury demand. Moreover, production from De Beers, the biggest mining company in the country, increased by 30% during the third quarter of 2017, and BMI expects it to continue to gradually expand in the medium term. BMI experts have forecasted a year-on-year growth in diamond production in Botswana to average 4.4% between 2017 and 2022. "Finally, we expect the mining industry to offer further tailwinds to headline growth as the government looks to strengthen its cooperation with De Beers in augmenting the diamond sorting, cutting and polishing operations inside the country," states the firm. The company, which transferred its international sales operation from London to Gaborone in 2013, is committed to boosting employment and growth through investment into value-added segments of its value chain. Progress towards beneficiation will likely create more robust economic activity and generate employment for national citizens in a multi-year time frame as the country moves up the value chain.

According to the international research firm, the increase in mining activity will benefit other sectors of the economy, stimulating further investment into energy generating focused infrastructure projects.

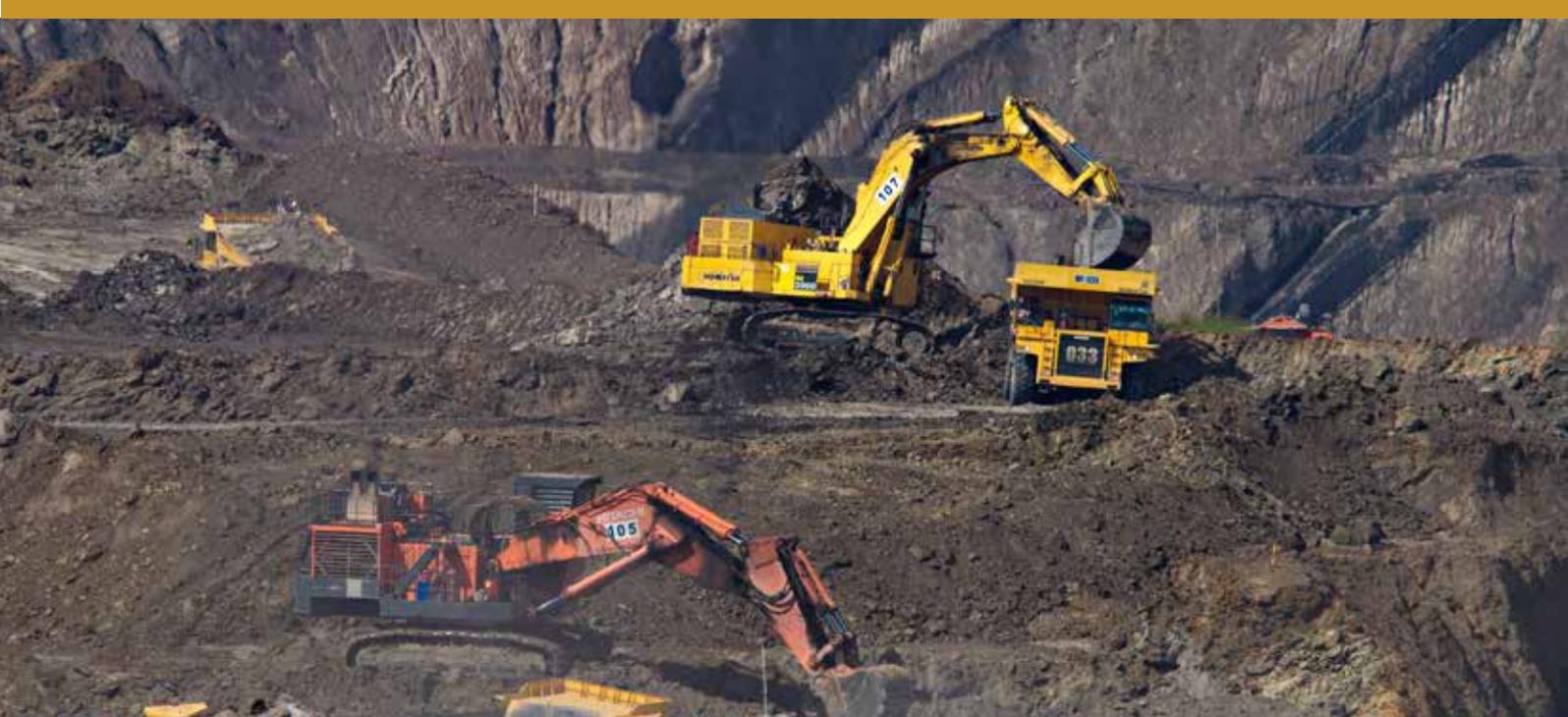
Further, Coal prices went down to US\$40 per tonne from the highs of US\$150. They have since been on a rebound, and currently sit around US\$90 per tonne. At Botswana Chamber of Mines, Siwawa believes the prices will rise further, which will spark several investments in coal, thus exploiting Botswana's 210 billion tonnes of unmined coal underground. He said Botswana is in the process of signing a Memorandum of Understanding with Transnet for the Mamabula - Lephephe railway link, which will see Botswana use Richard's bay to access Durban for export of coal.

Minergy Limited, which listed on the BSE last year, is the newest investor in Botswana's coal mining sector.

According to Minergy CEO Andre Boje there is no doubt that the benefits from Botswana's coal mining sector will also be tremendous.

**Mining output is a large contributor to GDP and exports, therefore any acceleration in this sector is positive for Botswana's GDP growth going forward," she said. Mining accounts for a quarter of Botswana's domestic output and more than 80% of foreign exchange reserves.**

He said Minergy believes that coal can and must be a significant part of the diversification strategy for Botswana. "Coal reserves are estimated to be in excess of 200 billion tons and when regional and international shortages abound, it makes sense that the timing for Botswana to step up investments into coal must be a logical conclusion," he said, adding further that the international price of seaborne thermal coal is once again at levels last seen in 2007, a further reason for the country to commit to the development of this commodity. He said Botswana coal is of a high quality and economical to mine.



According to Boje, the Richards Bay Coal Terminal (RBCT) has a capacity of 91 Metric Tons Per Annam (mtpa) and Transnet Freight Rail (TFR ) has a capacity of 82 mtpa. Only 75 mt was railed in 2017 due to coal shortages.

“In our estimation, Botswana could have or should at least be able to export 7 mt and we estimate that this could results in the creation of 1,000 jobs minimum, revenue of \$US 525 million (Over P5.1 billion), royalties of \$US 12,6 million (Over P124 million) and taxes of \$US 14 million (Around P137 million),” he said.

Minergy plans to build a 2.4Mtpa ROM opencast coal mine, focusing on delivering coal to the regional market, including Botswana and South Africa (Limpopo, North West and Northern Cape provinces), as well as supply to the global seaborne thermal coal market. A total of P300 million is required to fully commission all the planned phases of the Masama project. Boje said there are currently regional happenings that provide an opportunity for Botswana to coin from coal mining. He said Minergy, like other companies have vast and proven skills base and deep knowledge on marketing and trading coal and these will converge well with the current coal scenario in the southern African region. Presently the regional market has seen a significant reduction of coal availability, with prices rising significantly during 2017/2018. This was because of the international coal market with Richards Bay Coal Terminal shareholders maximizing export volumes. He also mentioned the end of life of coal producing mines in South Africa generally, with no significant brownfields expansion or Greenfield projects underway, reducing coal produce

regionally. The Minergy CEO said a 1.8 million tonnes per annum increase in rail capacity from the South African Waterberg coalfields to Richards Bay Coal Terminal which is diverting more coal into the seaborne thermal coal market, and away from the regional market, also provides an opportunity for Botswana to profit.

“This capacity is planned to be further increased by 4.2 million tonnes per annum. An increase in exports of more than seven million tonnes per annum from Richards Bay Coal Terminal is forecast by 2019 due to continued strength of international coal prices,” he said, adding that with 210 billion of unexploited coal reserves, opportunities for Botswana cannot be counted.

According to Siwawa at Botswana Chamber of Mines, global copper prices are also on a rebound driven by a rise in demand for copper. Most motor vehicle producers, the likes of VW and BMW according to Siwawa are looking to have fully electric cars by 2030, which will see electric cabling in such cars increasing by 200%, thus pushing demand for copper cables, and copper itself.

“In the process, copper miners here in Botswana will benefit from increased export sales,” Siwawa adds. Further 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 increase in copper prices.

# A LOOK AT LETSHEGO'S PERFORMANCE



**Chris Louw**

Group Managing Director, Letshego

**L**etshego Holdings Limited is a beehive for investors, dominating cash trading activities more often than not. The microfinance outfit's exchanged shares register high value than any other domestic company on the Botswana Stock Exchange (BSE), according to available data.

The command story of the home grown Letshego may still be an indication of a market being dependent, to some degree, of the Letshego stock, thanks to its ease of access, says capital market pundits. It dates as far back as more than a decade ago. Generally, domestic counters have accounted for the greater portion of liquidity. The trend has been observed since the inception of the domestic bourse. Under the stewardship of Chief Executive Officer (CEO) Thapelo Tsheole, the BSE observed that liquidity has been concentrated in the Financial Services sector year after year since 2010, as a result of Letshego's activities, according to a review of the activities in the BSE consecutive annual reports.

According to the BSE annual reports, 2010 was a record year with 308.7 million shares being traded as against 167.6 million in 2009. The increase of 84.2% in volume in 2010 was mainly due to the 1:10 share split of Letshego Holdings. It has been observed, by the BSE that in 2014 Letshego accounted for 45.9% of overall trading volume registered by domestic counters in comparison to 33.5%

in 2013 after declining gradually from 54.7% in 2012 and 68.7% in 2011. Trading activity in 2014 was dominated by foreign institutional investors (foreign companies), the BSE notes. Trades by foreign companies accounted for 48.0% of the total turnover and was primarily concentrated on the two most liquid stocks of 2014, being Letshego and Choppies. It was observed further that the highest turnover in 2014 was generated during the first quarter. This was largely due to the turnover generated from transactions in Letshego, which was also the most traded stock in 2014. According to the BSE, Letshego's trades amounted to P226.0 million in Quarter 1 through the transaction of 99.2 million shares. In 2014, Letshego accounted for 45.9% of overall volume of shares traded in domestic companies but this reduced to 34.4% in 2015. Letshego's dominance of the stock exchange liquidity re-emerged after its contribution to overall volume of shares traded (domestic companies) increased to 42.3% in 2016, market data showed. In the full year 2017, Letshego together with, fast growing retail based property firm, New African Properties (NAP) contributed the most to the liquidity on the BSE as the two counters each contributed 20.3% to overall volume of shares traded in 2017, although NAP leveraged on once off major trades by shareholders to some institutional investors. Then in the three months ending March 31 2018, the BSE recorded a turnover of P236.2 million from a volume 100.7 million shares traded, according to the first quarter 2018 report. Letshego, the highest counter by market capitalisation amongst indigenous companies accounted for more than 50% of the entire turnover. Under the stewardship of Group Managing Director (MD) Chris Low, Letshego was the biggest trader attracting trading turnover to the tune of P118, 2 million ahead of CA Sales Holdings Limited (P31.0 million) and First National Bank Botswana (P30.8 million).

The chapters of Letshego's dominance rest on its investor base and the reach of footprint, Garry Juma, Head

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of Research at Motswedi Securities argues. Letshego Holdings has more than 2.1 billion ordinary shares issued on the domestic bourse in 2002. The group is led by Managing Director (MD) Christopher Low. Low joined the group as MD in 2013, and was appointed to the board in the same year. He is armed with 30 years of experience in the banking sector spanning several countries, in multinational financial institutions including Standard Chartered Bank, National Bank of Kuwait and Goldman Sachs.

Letshego's key shareholders, according to Exotix Capital's research, include Botswana Life Insurance Ltd (26%) and Botswana Insurance Fund Management (4%). The report shows that together, this mixture of international institutions and public-sector investors own 27% of shares outstanding. The free float, estimates by Exotix shows it stands at just over 73% of shares outstanding. Juma argues that this allows investors to freely buy or sell shares at any given time. Further he says footprint makes it easy for Letshego to sell themselves to investors, because of their geographical spread, which also means that the risk of investment is minimized since it operates in several African economies.

Letshego provides consumer, microfinance and savings solutions to the financially under-served and has a broad geographical spread across Sub-Saharan Africa. Despite accounting for 55% of total loans, Exotix observes that Botswana and Namibia drove 75% of Profit Before Tax in 2017, due to operating inefficiencies in the newer, smaller subsidiaries and disproportionately high, one-time impairment charges in Rwanda and Tanzania, where execution issues and political changes have negatively

impacted the bottom line. Letshego has subsidiaries across 11 African countries and has traditionally pursued greenfield expansion, with a few brownfield acquisitions to supplement growth. Most recently, Letshego acquired FBN Microfinance in Nigeria in 2016 and AFB Ghana Plc in 2017. Management has stated there are no near-term plans to expand into additional markets but, medium term, will look to enter Zambia and Zimbabwe if attractive opportunities arise. Juma believes this gives international investors access to the lender.

However, the BSE notes that interest in other stocks cannot be overlooked as the impact cost of transacting in such stocks can sometimes be prohibitive owing to their relatively low liquidity in the market. Letshego trades at a cheap P1.85 a share on the BSE, although most argue that it's undervalued. Exotix analysts believe the market is pricing in a sizeable conglomerate discount.

Exotix forecast 12 average annual loan growth through to 2022, which they expect to come from: mobile loan offerings, expansion of agent networks, customer acquisitions through partnerships and industry associations (such as cotton growers) and short-term low-value high-volume credit. Average loan size declined in 2017, primarily due to inorganic customer acquisition in Ghana. Management has flagged it will pursue larger ticket loans, particularly in the formal and MSE sectors (schools, affordable housing). Exotix argues this could further drive expansion of the loan book. "Newly acquired deposit-taking licenses should facilitate 70% deposit growth through 2022, with potential upside from additional licenses."



## BSE DIPOELO PROGRAMME GUIDING PRINCIPLES

**L**ong-term View: The BSE CSI policy will be supported by initiatives done with a medium to long term view. For the duration of the partnerships, there will be a reporting mechanism in place to gauge progress, and leverage on the publicity element where required.

**Compliance:** The BSE, in the execution of CSI initiatives, shall comply with and understand all applicable, local, international, written, declared and effected laws and regulations, in accordance with CSI activities or partners.

**Accountability:** The BSE will be accountable for all the funds or in-kind resources that have been channeled to CSI projects and shall maintain all the requisite documentation.

**Transparency:** BSE shall clearly, accurately, and comprehensively declare its CSI policy, decisions and activities. Such information shall be available to affected persons or those likely to be affected by the policy.

**Respect:** BSE shall execute its CSI policy, and practice in a way that respects its CSI stakeholders.

**Brand recognition:** CSI activities will be used to depict the Exchange in a way that promotes its position within the community within which it operates, while building brand recognition and loyalty.

**Sustainability:** BSE is a member of the Sustainable Stock Exchanges Initiative and signed on the Marrakech Pledge on Sustainability, as a result, in the execution of initiatives the exchange will look at projects that have a positive impact on the social, educational, governance and environmental causes.

### 1. OUR CSI IDENTITY

CSI initiatives are intended to contribute to the real needs of communities that the BSE operates in. It is, therefore important that the sustainable contribution to the development and economic growth of the country is highlighted through the packaging of these activities. This is especially important in leveraging from an enhanced corporate image, improved employee morale, as well as a stable environment.

CSI is regarded as a strategic activity at the BSE, and not just an extension of marketing or public relations activities, as such the BSE CSI programme will have a name and a theme as indicated below;

### 2. AREA OF FOCUS

The BSE will focus on CSI initiatives that fall under any one of the five (5) categories below;

- ➔ Education;
- ➔ Entrepreneurship;
- ➔ Community development;
- ➔ Health; and
- ➔ Environmental/Sustainability.

# IMPORTANCE OF THE CENTRAL SECURITIES DEPOSITORY

1. Under the CSD system, there is total elimination of risk such as the loss, mutilation and theft of certificates associated with holding and trading of paper-based securities of investors.
2. The CSD system ensures Delivery vs. Payment (DVP) where securities and funds are settled simultaneously. The CSD system has indeed brought a significant reduction in the errors and delays associated with paper-based manual processing and as a result brought efficiency in the clearing and settlement in the securities market. This increases market liquidity (increased activity in buying and selling of securities) because of faster transfers and registration.
3. Investors can use their securities accounts in the same way as paper certificates as collateral for loans. It, however, saves investors the tedious procedure involved with pledging of paper share certificate for loans.
4. The capability of investors to easily track their investments because quarterly statements will be sent to shareholders indicating the total number of shares on the stock exchange or the total face value of debt securities they own. Holders of securities can in addition request for statements at any time for a token fee.
5. This brings afore the primary objective of the CSD, which is to reduce risk and improve efficiency.

## TRAINING

# MARKET-MAKING CAPACITY BUILDING SEMINAR



The Botswana Stock Exchange (BSE) will host a **Capacity Building Seminar on Market- Making on Equity and Fixed Income Securities on August 2, 2018**. The full day Seminar which is informed by Exchange's strategy to increase liquidity on the market, is aimed at providing potential market-makers and other capital market operators with enhanced and broaden knowledge of Market-Making with a glimpse of how it is conducted in other jurisdictions and how it will be carried out at the BSE.

Generally, Market-Markers improve liquidity on any Exchange and the BSE should not be an exception to benefit from market-making activities. The Seminar will be of benefit to potential market-makers, listed companies, investors in general and other relevant capital markets operators involved in market-making operations.

### Key Benefits of Attending:

This highly interactive full day Seminar has been specifically created to give you valuable information on market-making analytics, in one afternoon of networking with market-making experts, where you will:

1. Walk away with a clear idea of what market-making is all about
2. Gain a complete picture of how market-making on equities and fixed income securities will be carried out on the BSE
3. Hear exclusively from market-making experts from other jurisdictions on how market making activities are conducted at their respective jurisdiction
4. Network with and walk away with the most valuable contacts as we bring you experts from other jurisdiction
5. Gain access to all the crucial information relating to market making operations such as market making tools, risk management, fees, best practices, technology involved etc.

Do not miss this unique opportunity to gain the know-how and make the connections you need to make the best choice to enhance your market-making analytic capabilities.

The venue of the Seminar will be communicated in due course.

**For more information, contact the listings department at [listings@bse.co.bw](mailto:listings@bse.co.bw)**

## LISTED COMPANIES

Some of the companies listed on the BSE;



**LEA VISION:**

To be the centre of excellence for entrepreneurship and sustainable SMME development in Botswana.

**LEA MISSION:**

To promote and facilitate entrepreneurship and SMME development through targeted interventions in pursuit of economic diversification.

**LEA SERVICES**

- Business Advisory
- Technical and Business Management Training
- Mentoring
- Coaching and Monitoring
- Business Incubation
- Facilitation of access to funding
- Facilitation of access to Markets

**LEA VALUES**

- Self-Driven
- Transformational Leadership
- Partnership
- Botho

**LEA BRANCH NETWORK**

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- Mochudi
- Kanye
- Ramotswa
- Masunga
- Francistown
- Tsabong
- Selibe Phikwe
- Maun
- Kasane
- Molepolole
- Ghanzi
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**INVESTOR EDUCATION**

**Understanding Stock Markets**  
**EDUCATION IN THE AIR WAVES**



To increase outreach and investor education, the BSE has been hosting a weekly educational radio show to sensitise and educate the public about the stock market and the role it plays in the Economy. This show, which has been running since February 2016, also acts as an interactive platform as the public is availed an opportunity to call in and engage in discussion with BSE experts. From investment opportunities, issues of listing, product diversification and new technological advances, the show has been able to deliberate on a number of key issues that affect our local capital markets. Moreover, the BSE has also utilised this platform to invite listed companies to showcase their product and service offerings as well to share their experience of listing on the BSE, the challenges they faced and the benefits that ultimately derived from the listing.

**Understanding Stock Markets is aired live every Thursday on RB2 at 1830hrs.**



Thobo Khathola from Lion Tutoring is the winner of the BSE sponsored category on Best Youth Owned Business at the 2018 Botswana Youth Awards.

**CONGRATULATIONS!**

# PROMOTING AN ENABLING ENVIRONMENT FOR BUSINESS GROWTH THROUGH ADVOCACY & LOBBYING



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HATAB was formed in 1982 and the voluntary membership now includes more than 70% of all registered and operating tourism enterprises in the country. Privately established and funded, it is the governing body for all its members. In the interests of service excellence, it provides and enforces codes of conduct for its members. HATAB members benefit in many ways; through HATAB they police themselves and also have a voice that lobbies Government and other stakeholders, to create an enabling environment for hospitality and tourism enterprises to thrive and prosper. Tourism is a critical contributor to Botswana's economy, and HATAB is an important component of the industry. It is the association's vision that all visitors should go back to their homes absolutely delighted with the experience of our people, hotels, restaurants, camps, safari lodges, buses, aeroplanes and vast natural resources.



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