



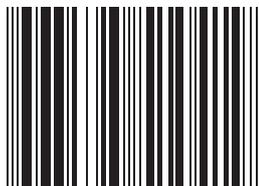
Botswana Stock Exchange Limited

# NEWS

ISSUE NO.6 • APRIL - JUNE 2019

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From inception, the BSEL has now increased its product offerings to three (3) asset classes consisting of equity, bonds and exchange traded funds (ETFs). Moreover, to stay abreast and maintain a competitive advantage, we have ensured that improvements in technology become a vital aspect of our operations.

**H**ello Readers. It is my pleasure to welcome you to the latest edition of the Botswana Stock Exchange Limited (BSEL) publication, the BSEL News.

Time really does fly by when you are having fun! This year, the national stock exchange turns 30! As you are all aware, we trace our humble beginnings to 1989 when Botswana's local capital market operated as an informal market with five (5) listed companies and one (1) brokerage firm. In subsequent years that followed, the Botswana Share Market was formalized through an act of Parliament in 1994 (The Botswana Stock Exchange Act) to become the Botswana Stock Exchange.

As we fast-track the years, in 2018, the Botswana Stock Exchange fully demutualized following its conversion from a mutual exchange to a company incorporated in terms of the Companies Act of Botswana to become the Botswana Stock Exchange Limited. Indeed, it has been quite the journey. With the support of various stakeholders, we have seen the tremendous development of Botswana's capital market as we now rank amongst the continent's best stock exchanges.

From inception, the BSEL has now increased its product offerings to three (3) asset classes consisting of equity, bonds and exchange traded funds (ETFs). Moreover, to stay abreast and maintain a competitive advantage, we have ensured that improvements in technology become a vital aspect of our operations. In 2008, we introduced the Central Securities Depository Botswana (CSD) system and established the Central Securities Depository Botswana (CSDB).

# FOREWORD

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The CSD has facilitated the dematerialization of shares, bonds and ETFs and has improved the safety of these assets. In 2012, we commissioned the Automated Trading System (ATS) to replace the manual trading of securities.

The ATS is integrated with the CSD system to ensure efficient clearing and settlement of trades. The implementation of the CSD and ATS projects along with other market development initiatives has led to increased trading activity on the BSEL.

Quarter one (Q1) of 2019 also saw the kick start of our flagship public outreach programme in Hukuntsi, the Annual BSEL Open Days. Open Days are a strategic market development initiative aimed at educating the public about the operations of the stock exchange. During this half-day event, the Chief of Hukuntsi, Kgosi Cosmas Moapare officiated and delivered the Official Remarks with over 200 residents of Hukuntsi in attendance.

Lastly, the BSEL joined hands with the rest of the world to commemorate and celebrate gender equality by acknowledging International Women's Day on 8th March, 2019 through our monthly Opening Bell Ceremony. The Co-Chair of the Global HIV Prevention Coalition and the Co-Chair of the Nursing Now Global Campaign, Professor Shelia Tlou, was the Guest of Honour as we centered the conversation on celebrating women's achievements and contributions in our country as we strive towards a more gender-balanced world through recognizing this year's theme, **'Balance for Better'**.

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

## **'Your Partner in Wealth Creation'**

**Thapelo Tsheole**  
**Chief Executive Officer**



Botswana Stock Exchange Limited

# NEWS

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# BSEL RADIO SHOWS

CATCH US ON **ANY OF OUR  
RADIO SHOWS**



➡ <b>Monday</b>	0630-0635	RB1	Sefalana sa Papadi
➡ <b>Thursday</b>	1830-1845	RB2	Understanding Stock Markets
➡ <b>Friday</b>	1610-1615	RB2	Eazy Drive
➡ <b>Friday</b>	1730-1735	RB2	Tsele le Tsele

# Know Your Stock Market Terms

**Bull Market (Bullish):** If you expect the stock prices to go up then you are said to be bullish on the stock price. Therefore, if the stock market index is going up during a particular time period, then it is referred to as the 'bull market'.

**Bear Market (Bearish):** A market in which stock prices are decreasing or expected to decrease.

**Over-The-Counter (OTC):** refers to stocks that are trade via a dealer network as opposed to on a centralized exchange. This is characterized by fewer regulations and in most cases less transparent.

**Blue-Chip Stock:** The stock of a large, well-established and financially sound company that has operated for many years.

**Market Index:** A benchmark that is used as a reference marker for traders and portfolio managers.

**Turnover:** Volume of shares traded as a percentage of total shares listed on the exchange.

**Twisting:** An unethical practice of convincing a customer to trade unnecessarily, thereby generating a commission for the broker.

**Flipping:** Buying shares in an Initial Public Offering and selling them immediately for a profit.

**Defensive Stock:** A stock that provides a constant dividends and stable earnings even in the periods of economic downturn i.e. even in the extreme critical situations of the stock market these companies continue to pay the dividends at a constant rate.

**Limit Order:** An order to buy or sell a share at a specified price. The order will be executed only at the specified limit price or even better. A limit order sets a minimum price the seller is willing to accept and maximum price the buyer is willing to pay for it.



# A FOCUS ON THE YEAR THAT WAS

## Market Status Report for the Period of 1<sup>st</sup> January to 31<sup>st</sup> December 2018

The year 2018 was remarkable in the manner in which the BSEL evolved and with respect to the strategic accomplishments. In particular, the successful completion of demutualisation in record time opened a new chapter of development and created a launch pad for innovative strategic initiatives of the Exchange in the short term and going into the future as outlined in the five-year strategic plan. The gains from this transition are broad-based but the most critical one, being robust governance, will undoubtedly elevate the stature of the market, the business and also the attractiveness of the Exchange to a wider audience especially international investors.

In several other fronts, the Exchange continued to register record-breaking achievements. However, when taking some of these achievements into account it is important to bear in mind the environment, characterised by mixed fortunes, in which the world economy, the domestic economy and the capital market were operating.

In the October 2018 World Economic Outlook (WEO) report, the International Monetary Fund (IMF) revised its global growth projections for 2018 down to 3.7%. The report highlighted mixed expansion across advanced economies having adversely affected emerging markets and frontier markets currencies, capital outflows and subdued financial markets prosperity around the world, including Sub-Saharan Africa.

Domestically, real GDP contracted by 1.5% in the first quarter of 2018 and grew 2.4% in the second quarter. In the 2018 Budget Speech, the Ministry of Finance and Economic Development (MFED) had projected growth of 5.3% in 2018, slightly above IMF's projection of 4.6%. Notwithstanding, optimism in 2018 emanated mainly from Government's spending objectives as outlined in the 2018 Budget Speech. Against this background, Government has indeed been active in the bond market in order to fund the fiscal.

On the back of historically low levels of economic output listed companies continually emphasized in their annual reports the suppressed trading conditions and low consumption spending as some of the challenges in their trading environment. It was mainly due to these reasons that most entities recorded a decline in earnings that subsequently affected the overall equity market performance from a returns standpoint. With this in mind, the year 2018 indeed ushered significant strategic achievements for the Exchange although there were challenges in our environment some of which were generally systemic. This commentary provides details of the underlying drivers and the attribution of the performance across the various facets of the market.



# MARKET PERFORMANCE

## MARKET STATISTICS

Table 1 presents a snapshot of the overall market indicating the number of listed instruments across the three asset classes, the total market value of the three asset classes and the trading activity in these asset classes in 2018 and 2017.

**Table 1: Market Statistics**

ASSET CLASS		LISTED INSTRUMENTS	MARKET CAP (P'Mn)	TURNOVER (P' Mn)
Equities	2018	36*	413,168.3	1,862.2
Bonds		49	15,038.1	2,222.7
ETFs		3	603.6	280.5
<b>TOTAL</b>		<b>87</b>	<b>428,810.0</b>	<b>4,365.4</b>
Equities	2017	35	418,143.8	2,476.7
Bonds		43	14,266.5	535.8
ETFs		4	629.2	144.7
<b>TOTAL</b>		<b>82</b>	<b>433,039.5</b>	<b>3,157.2</b>

Source: BSE

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

Seed Co International Limited (Seed Co) and Banc ABC Botswana listed on the domestic main board on 5th October 2018 and 13<sup>th</sup> December 2018 respectively. On the Serala OTC Board, BBS Limited became the first company to register on 3rd September 2018. On its day of listing, Seed Co became the 7<sup>th</sup> largest company on the domestic equity main board with a market capitalization of P2.0 Bn whereas Banc ABC was the 12<sup>th</sup> with a market capitalization of P1.5 Bn.

Seedco has a pan-African footprint and BancABC is a subsidiary of a pan-African entity who is also a member of a London Stock Exchange listed entity (Atlas Mara). Seed Co is secondary listed on the Zimbabwean Stock Exchange, whereas Banc ABC's parent company was listed on the BSE from June 2000 until January 2015, over which period it grew from a P145 Mn company to a P1.8 Bn company before it was acquired and delisted by Atlas Mara. Owing to the 3 new entrants, the delisting of African Energy and the unilateral termination of the listing of Blue Financial Services, the total number of companies stood at 36 compared to 35 at the end of 2017.

In terms of the overall tradability and liquidity of listed instruments 2018 was a record year for the Exchange as could be noted from Table 1. A total turnover of P4.4 Bn was recorded in 2018 compared to P3.2 Bn in 2017. From inception the BSE has primarily been an equity market but since 2010 significant effort has been invested in promoting the awareness, liquidity and vibrancy of the bond market as well as diversifying the product offering by listing Exchange Traded Funds (ETFs).

Table 2 provides a glimpse of the extent of capital raising on the Exchange in 2018. A total of P3.2 Bn was raised locally in the bond market compared to P2.3 Bn in 2017, an improvement of 39.1%. On the equity market, P296.8 Mn was raised as BancABC was the only company that undertook a public offer in 2018 compared to P575 Mn raised through public offers in 2017. Seed Co listed by introduction.

**Table 2: Capital Raising in 2018**

ASSET CLASS	SECURITY NAME	AMOUNT RAISED (P' MN)
Bonds	Government Bonds	2,513.0
	Corporate Bonds	687.53
		<b>3,200.53</b>
Equity	Seed Co Int. Ltd	-
	Banc ABC Botswana	296.8
		<b>296.8</b>
<b>TOTAL RAISED</b>		<b>3,497.33</b>

Source: BSE

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

## 1.0 EQUITY MARKET PERFORMANCE

### 1.1 Equity Market Statistics

Majority of the listed companies recorded reduced earnings resulting in share price declines, but to the delight of the investors they maintained attractive dividend payouts (dividend yield of 5.5% versus 5.1% in 2017). In 2018, the

Domestic Company Index (DCI) which shows the aggregate changes in market value on the basis of share prices declined by 11.4% compared to a decline of 5.8% in 2017. In 2018, 8 companies (compared to 12 in 2017) registered positive price changes, 14 (compared to 11 in 2017) registered negative price movements and 4 (compared to 1 in 2017) closed the year with share prices back to their 2017 levels.

Inarguably, the impact of Choppies Enterprise Limited, arising from its failure to submit audited financials on time, on the decline in the total domestic market capitalization and subsequently the DCI cannot be ignored. On the 28<sup>th</sup> September 2018, Choppies lost 76.3% of its value when the share price plummeted from P1.69 to P0.40 in a single day. On that day, its market capitalization slumped from P2.2 Bn to P521.5 Mn. Due to this, Choppies contributed 41.2% to the decline in the DCI. In other words Choppies contributed negative 4.7 percentage points to the negative 11.4% decline in the DCI in 2018. The movement of the DCI is illustrated in Figure 1 along with the Domestic Companies Total Return Index (DCTRI) which takes into account the dividend payouts.

**Table 3: Equity Market Statistics**

ASSET CLASS	INDICES PERFORMANCE					
	2017	2018	Q1'18	Q2'18	Q3'18	Q4'18
DCI	8,860.1	7,851.9	8,589.6	8,402.7	7,837.8	7,851.9
% Change	(5.8)	(11.4)	(3.1)	(2.2)	(6.7)	0.2
FCI	1,574.9	1,570.3	1,574.2	1,571.1	1,572.0	1,570.3
% Change	(0.7)	(0.3)	0.0	(0.2)	0.1	(0.1)
ASSET CLASS	TRADING ACTIVITY (P'Mn)					
	2017	2018	Q1'18	Q2'18	Q3'18	Q4'18
Turnover	2,476.7	1,862.2	236.2	848.5	146.6	631.0
Volume	775.0	582.5	100.7	310.9	59.1	111.8
Avg. Daily Turnover	10.0	7.5	3.8	13.9	2.4	10.2
ASSET CLASS	MARKET CAPITALIZATION (P'Mn)					
	2017	2018	Q1'18	Q2'18	Q3'18	Q4'18
Domestic Companies	44,408.1	42,421.0	43,079.0	42,097.9	39,266.3	42,421.0
Foreign Companies	373,736.7	370,747.3	373,526.0	373,087.3	371,135.4	370,747.3
Total	418,143.8	413,168.3	416,605.1	415,185.3	410,401.7	413,168.3

Source: BSE



# MARKET PERFORMANCE

As per Table 3, turnover levels dropped by 25% in 2018 relative to 2017. The Exchange attributes this experience mainly to 3 events that occurred in the year and also in the prior year. These are the introduction of the minimum brokerage commission of 60 basis points (0.60%) in April 2016, the reallocation of investment mandates in 2018 by some of the largest pension funds in the country following termination of investment management contracts at 2 of the largest local asset managers and lastly the decline in share prices.

Given the dominance of institutional investors (both local and international) in our market, the increase in transaction costs was definitely a sensitive issue particularly coinciding with a slowdown in corporate earnings as it effectively eroded their returns. Perhaps the suspension of Choppies could be an additional factor, given its liquidity in the market. Prior to its suspension from trading, Choppies was the 4th most traded company on the BSE.

### 3.4 Investor Contribution to Equity Turnover

As presented in Figure 3, local institutional investors (local companies) dominated trading activity in 2018 and accounted for 53.2% of the total equity turnover whereas foreign companies accounted for 40.6% of the total equity turnover in 2018. Further, local companies were the only net buyers of equities in 2018 whereas the rest of the investor categories were net sellers.

Local individuals registered a decrease from 5.7% to 4.5% between 2017 and 2018. In monetary terms, local individuals' trades in 2018 amounted to P83.8 Mn compared to P141.2 Mn in 2017. In a period where household bank credit continued to expand signalling increased pressure on household income and consumption, this is a commendable participation level by local households as it exceeds the 5-year average of 4.1%. On the back of heightened outreach

initiatives, the Exchange closed the year with 91,311 investor accounts from 80,551 investors in the prior year. This improvement demonstrates increased awareness of the stock market by Batswana which is essential for promoting citizen economic empowerment.

**Figure 3: Investor Contribution to Turnover: 2017 and 2018**



## 2.0 BOND MARKET PERFORMANCE

### 4.1 Bond Market Returns

The BSE Bond Index Series (BBIS) is a series of 4 bond indices; Composite Bond Index (BBI), Government Bond Index (GovI), Corporate Bond Index (CorPI) and Composite Fixed Rate Bond Index (BBIFixed). The indices aggregate the performance of the bond market in terms of the daily returns arising from price movements and interest accrued. The first 3 indices in the series were launched in 2013 whereas the the BBIFixed was introduced in April 2018. Also in April 2018, the calculation methodology of the indices was changed from equally weighted to nominal-amount-in-issue weighted. These developments were on account of the overall demand for a more representative methodology and a more diversified menu of indices following consultations with market participants early in the year.

In 2018, the BBI appreciated by 3.2% whereas the Govt and Corpl registered returns of 3.5% and 3.3% respectively. The BBIFixed returned 2.6% since its introduction in April 2018. Inflation averaged 3.2% in 2018, meaning that listed bonds provided purchasing power protection, save for the fixed rate bonds. Inflation in the year predominantly remained within the objective range of 3%-6% whereas interest rates were held constant throughout the year.

## 4.2 Bond Market Turnover

As illustrated in Table 5, activity in the bond market increased exponentially in 2018. The value of bonds traded increased over four times from P535.6 Mn in 2017 to P2, 222.7 Mn in 2018. Government bonds continued to dominate

liquidity of the market accounting for 97.9% of total turnover. The BSE registered a record number of new bond listings as 10 new bonds came on board compared to 8 in 2017. This cushioned the impact of the 4 bond delistings in the year. Even though Government bonds accounted for the majority of trading activity corporate bonds dominated in terms of the quantity of bonds listed, a phenomenon that in most African markets is the reverse. At sector level, the profile of the bond market at the end of 2018 was such that Government bonds accounted for 63.8% of market capitalization, Quasi-Government (1.3%), Parastatals (7.9%), Corporates (25.3%) and Supranational (1.7%).

**Table 5: Analysis of Bond Market Performance**

Category	2017	2018
	<b>LIQUIDITY (P'MN)</b>	
Government Bonds	484.9	2,176.8
Corporate Bonds <sup>Note 1</sup>	50.8	45.9
<b>TOTAL</b>	<b>535.6</b>	<b>2,222.7</b>
	<b>MARKET CAPITALIZATION ( P' BN)</b>	
Government Bonds	9.1	9.6
Corporate Bonds	5.2	5.5
<b>TOTAL</b>	<b>14.3</b>	<b>15.0</b>
	<b>NUMBER OF BONDS LISTED</b>	
Government Bonds	5	7
Corporate Bonds	38	42
<b>TOTAL</b>	<b>43</b>	<b>49</b>

Source: BSE

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



# MARKET PERFORMANCE

## 4. THE EXCHANGE TRADED FUND (ETF) MARKET

The 4 ETFs listed on the Exchange showed varying trends in performance in the year under review. Commodity ETFs being the NewGold and the NewPlat ETFs pulled the biggest surprises given the unfavourable performance of their physical bullions in global markets due to a stronger US dollar in 2018. Turnover in the NewGold ETF increased 3 times whereas the NewPlat ETF traded a record amount, surpassing the historic levels it has ever traded in any given year on the BSE. On 21 August 2018, Coreshares Equally Weighted

Top 40 (EWT40) ETF was delisted voluntarily from the BSE citing reduced participation by key institutional investors. In our analysis, this reduced participation ensued after the investment manager, Coreshares, delayed to fulfil a redemption in one instance in 2017 which we believe sent a negative message about their financial strength and competency as market-makers. ETFs are always liquid and the market-maker must be in a position to fulfil any redemption or purchase at any point in time. This explains the continually low levels of trades in the Coreshares ETF in 2018.

**Table 6: Trading Activity of the NewGold ETF: 2017 and 2018**<sup>Note 1</sup>

Indicator	NEWGOLD		CORESHARES		NEWPLAT	
	2017	2018	2017	2018	2017	2018
Turnover (P'Mn)	10.0	33.7	121.6	0.420	13.2	246.4
Units Traded	80,300	275,340	3,112,021	10,889	137,018	2,751,911
Unit Price (Pula)	119.50	126.40	41.00	32.99	93.10	86.90
Market Cap (P'Mn)	352.53	372.88	29.80	23.98	242.06	225.94

Source: BSE

Note 1: NewFunds ILBI ETF remained untraded in both years

## 3.0 COMPARISON WITH SELECTED MARKETS

The year 2018 was a challenging year for emerging and frontier markets. At the 2018 African Securities Exchanges Association (ASEA) annual conference, majority of African exchanges highlighted reduced turnover levels, a general decline in market returns and difficulty in attracting companies to list. The

positive economic developments in the US have also contributed to capital outflows from the continent, particularly by international investors, in search of better yields in the US and this spurred volatility in currencies. Political instability, credit downgrades, volatile commodity prices and the negative economic outlooks continued to exert pressure on Sub-Saharan economies and financial markets. Table 7 presents the performance of selected stock exchanges in Africa.

**Table 7: Comparative Performance with Other Stock Exchanges**

Indicator	NEWGOLD		CORESHARES		NEWPLAT
	2017	2018	2017	2018	2017
Botswana Stock Exchange	(5.8)	(11.4)	250.9	169.3	(8.0)
Johannesburg Stock Exchange	17.5	(11.4)	413,920.0	399,838.3	(15.5)
Stock Exchange of Mauritius	21.8	0.7	447.1	428.8	(2.1)
Nairobi Stock Exchange	28.4%	(18.0)	1,663.5	1,723.9	1.7
The Nigerian Stock Exchange	46.5	(19.6)	3,785.4	3,174.1	(1.3)
Malawi Stock Exchange	62.1%	34.2%	18.9	66.9	(5.0)

Source: BSE, BoB, WFE, Bloomberg, Respective Stock Exchanges, [www.poundsterlinglive.com](http://www.poundsterlinglive.com)

Note 1: NewFunds ILBI ETF remained untraded in both years

## JANUARY OPENING BELL CEREMONY

Under the theme Collaboration, members of the public were honoured with an opening bell.



### Captions

1. (Left to Right) BSEL Head of Product Development, Mr. Kopano Bolokwe, BSEL CEO, Mr. Thapelo Tsheole, BSEL Head of Market Development, Ms. Thapelo Moribame and BSEL Head of Clearing & Settlement, Ms. Masego Pheto.
2. Official ringing of the bell.
3. Attendees.
4. BSEL Market Development Specialist, Mr. Kgotla Segwe.

# OPENING BELL CEREMONIES

## FEBRUARY OPENING BELL CEREMONY

The Head of Delegation of the European Union (EU) to Botswana and Southern African Development Community (SADC), Ambassador Jan Sadek and Permanent Secretary to the Ministry of International Affairs and Cooperation, Mr. Gaeimelwe Goitsewang were honoured with an opening bell.



### Captions

1. Permanent Secretary to the Ministry of International Affairs and Cooperation, Mr. Gaeimelwe Goitsewang, BSEL CEO, Mr. Thapelo Tsheole and Head of Delegation of the EU to Botswana and SADC, Ambassador Jan Sadek.
2. Head of Delegation of the EU to Botswana and SADC, Ambassador Jan Sadek.
3. Attendees.
4. Official ringing of the bell.

## MARCH OPENING BELL CEREMONY

Ringling the bell for Gender Equality. Under the theme 'Balance for Better' on International Women's Day 2019, the Co-Chair of the Global HIV Prevention Coalition, Co-Chair of the Nursing Now Global Campaign and former Minister of Health of Botswana, Professor Shelia Tlou was honoured with an opening bell.



### Captions

1. Official opening bell ringing. (From Left to Right) BSELs Head of Finance & Administration, Ms. Mpho Mogasha, Head of Market Development, Ms. Thapelo Moribame, Co-Chair of the Global HIV Prevention Coalition, Co-Chair of the Nursing Now Global Campaign and former Minister of Health of Botswana, Professor Shelia Tlou and BSEL Head of Clearing & Settlement.
2. Co-Chair of the Global HIV Prevention Coalition, Co-Chair of the Nursing Now Global Campaign and former Minister of Health of Botswana, Professor Shelia Tlou.
3. Attendees
4. BSEL female staff.



**BOTSWANA STOCK EXCHANGE LIMITED**

## **WINS THE BEST EDUCATIONAL INITIATIVE AFRICA AWARD AT THE STRUCTURED RETAIL PRODUCTS (SRP) AFRICA AWARDS 2019**

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

SRP was founded in 2001 as a division of Euromoney Institutional Investor PLC in response to an increasing need from the derivatives and structured products market for the highest quality market intelligence. The SRP Africa Conference is annual flagship conference that brings together over 100 senior-level senior representatives from local and international stock exchanges, investment banks, insurance companies, retail & private banks, asset managers, hedge funds, IFAs, law firms, regulators, index providers, exchanges and the wider derivatives ecosystem from the African region to connect, network and discuss the most recent

opportunities and challenges that are defining the future of the African alternative investments industry.

This achievement signifies our resilient efforts in promoting financial literacy and inclusion in Botswana. Our strategic focus on the youth through such initiatives ensure that we instill a culture of saving & investing by imparting knowledge on how the stock market can be utilised as an investment avenue at a grass root level.



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[sc.com/bw](https://sc.com/bw)

Here for good

## THE AFTERMATHS OF THE 2019 BUDGET SPEECH PROJECTIONS

Minister of Finance and Economic Development, **Honourable Kenneth Mathambo** delivering the Botswana 2019/20 budget speech. Source: BWgovernment



**"Mineral revenue still remains the largest contributing part of the GDP, standing at 35.62%, hence there is a need to still diversify the economy revenue means" - Mathambo**

- **Domestic economy projected to grow by 4.2% in 2019**
- **GDP also set to grow by 3.8 %**
- **Market economy upbeat, as BSEL rank 2<sup>nd</sup> top bourse in Africa**

The 2019\20 budget projects a deficit of 3.5 % of the Gross Domestic Product (GDP). The budget as it was presented on the 4th of February 2019 by the Minister of Finance and Economic Development, Mr. Kenneth Mathambo however, forecasts that the domestic's economic outlook will grow by 4.2% despite the other fiscal deficit in 2018 which was an estimated 1.0% of the GDP. The deficit was due to higher spending and a decline in revenues from the volatile Southern African Customs Union (SACU) markets.

Minister Mathambo hinted that the global economy continues to be characterized by sluggish economic activities, due to uncertainty in global markets. As a result, it is projected to grow by 3.5 percent in 2019 and 3.6 percent in 2020, as per the International Monetary Fund's World

Economic Outlook, released in January, 2019. The domestic economy, on the other hand, is forecast to grow by 4.5 percent in 2018, 4.2 percent in 2019, and 4.8 percent in 2020.

The World Bank's economic assessment of Botswana's economic outlook posits that, since gaining independence from Britain, Botswana has been one of the world's fastest growing economies with 5% average growth per annum. This is due to the economy's reliance on commodities which renders it vulnerable to the international market fluctuations.

Against this background, Minister Mathambo during the budget speech gave a comparative overview of the economy as well as indicating that over the years domestic economic performance which is measured by GDP growth rate, averaged 10 % per annum between 1966 and 2008, before slowing down due to the financial crisis of 2008/2009.

"Real per capita income increased manifold from around US\$70 in 1966 to the present level of over US\$7 000. The domestic economy also transformed from predominantly agriculture to mining based; but has since diversified towards the services sector, in response to a mix of macroeconomic policies pursued by this Government", charged Mathambo.

## The Economy in Transition

Financial experts and economists observe that the implications of the projected growth in the domestic economy is that less revenues will be realized, calling for continued expenditure control in order to ensure that the country remains on a path of fiscal sustainability in the medium term. However, the experts bemoan that the growth prospects is surrounded by the circumstances such as high unemployment rate, income inequality amongst working class and the ailing droughts crippling the livestock or agriculture sector leading to a decline in beef export in this case.

One of the BSEL Listed entities First National Bank of Botswana (FNBB) held its annual budget review on the 5th February 2019, gathering experts in monetary policies as well as the financial experts to assess the budget and its outcomes on the economy of the country going forward.

Chief Financial Economist at FNBB Moatlhodi Sebabole remains optimistic that 2019 year's budget is right on point with regards to its output on the economic forecast.

He said the economy in this year will be characterized by two halves based factors considered from the economic growth of the budget implications both from 2019 and the previous financial year of 2018.

FNBB Economist projects that the domestic economy will grow in a snail's pace as a result of the slowly growing rate or speed of the global economy, unlike in 2018 which was characterized by the synchronized economic expansion.

"There is limited room in terms of the economy growth rate though it is projected to grow by 4.2% in 2019 and therefore Botswana is a volatile economy hence there should be more spending on technological development which however the budget spoke little to, this will then aid 4th industrial revolution to Botswana effectively", he added.

## The GDP Growth

Experts have observed that the growth projects of the current medium term are favorable as the GDP is set to grow to 3.8% in the current term, 2019 and a massive 4.1% in 2020.

According to the African Development Bank's (AfDB) Botswana economic outlook assessment reveals that Real GDP growth was estimated 4.2% in 2018, up from 2.4% in 2017, bolstered largely by the recovery in mining and broad-based expansion of non-mining activities. AfDB further reckons that the growth in mineral production was driven mainly by favourable global trading conditions and the commencement of operations at the Damtshaa Mine in January 2018. AfDB posits that outlook for the mining sector is positive due to an anticipated increase in demand for Botswana's rough diamonds, which accounts for three-fourths of Botswana's total exports.

The Bank further projected "The non-mining sectors are expected to pick up further, driven by structural reforms, including an amended immigration law that ensures expeditious processing of work and residence permits and a move that provides utilities at reasonable prices to encourage domestic manufactures. Construction is expected to continue benefiting from the ongoing fiscal stimulus".

Business Botswana sees the private sector as the engine of economic growth and applauded the P45 billion fund set aside for the private sector expansion and capacity building.



# ECONOMY

Minister Mathambo articulates that the private sector should be leading the pack in transforming the country's economy through robust ways with one of those being through the private business sector.

This P45 billion he said, is set aside to be disbursed into the private sector for it to grow as this will lead to massive job creation as well.

## Stock Market Upbeat

The recent milestone which the local bourse, Botswana Stock Exchange Limited (BSEL) has achieved by being ranked the 2<sup>nd</sup> best trading stock exchange in the Sub Saharan Africa is without doubt shaping the positive outlook of the market share or bond.

The BSEL CEO, Thapelo Tsheole's positive projection of the BSEL in 2019 truly came to reality as he made the call during the BSEL's first opening bell ceremony on the 2019 calendar which was held on the 11<sup>th</sup> January. He then hinted that one of the positive outlooks the BSEL looks forward to is an increase in bond market performance with recent rating of the bourse concurring with the CEO's remarks before.

The University of Botswana based Economist Professor Emmanuel Bothale indicated that the

budget does impact the economy's interest rate and the stock market. "The extent of the deficit and the means of financing it influences the money supply and the interest rate in the economy. High interest rates mean higher cost of capital for the industry, lower profits and hence

lower stock prices", he said.

## Economic Makeover, in Pursuit of KBE

Moreover, although the aspects of the economy such as the stock markets, GDP is poised for a positive turnaround in the 2019\20 financial year, there still remains a need to come up with fiscal ways to transform the country's economy which is agrarian focused.

Botswana's economy is heavily relying in the mining sector particularly diamonds which contributes the largest portion of revenue, representing 35.62%.

A Mauritius based technology specialist recently on a visit in Botswana, Arnaud Meslier, Project Manager for 21st Century Skills Lab at Microsoft Africa said Botswana as a country which seeks to shift to a knowledge-based economy (KBE)

and not depending much in minerals should take route in innovation and technological investment.

He stressed that Botswana's African counterparts in Kenya, Mauritius and Rwanda has made significant strides in harnessing innovative driven economies hence being in the mist of the 4<sup>th</sup> industrial revolution.

Meslier pointed out that "Digital transformation" should be the core foundation of doing business locally as this will enable market expansion consequently diversifying the export products and markets contributing to the economy.



FNBB Budget Review seminar panel. Source: FNBB

Tlou Energy has proven gas reserves to provide much needed energy security to Botswana and the Southern African region

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**TLOU ENERGY**

# TLOU ENERGY SET TO PIONEER BOTSWANAS CBM INDUSTRY



**Anthony Gilby | Chief Executive Officer**  
Tlou Energy Limited

**Botswana, like most of Southern African countries continue to come to grips with power challenges despite Government having invested in electricity generation projects particularly in the form of coal fired power stations over the decades.**

**M**ost of the country's electricity is generated from coal-fired stations which are Morupule B and Morupule A power stations. The latter is currently being refurbished before it can resume production. Over the years, reviewers have argued that the mining-rich Botswana needs to diversify its energy source base.

One company which is closer to narrowing the mentioned energy gap is, Tlou Energy Limited, a tri-listed company. The firm has been exploring Coal Bed Methane (CBM) in Botswana for ten years. Tlou Energy, prides itself as having 'proven gas reserves to provide much-needed energy security to Botswana and the Southern region'. In order to appreciate the company's operations, the BSEL News met with Tlou Energy's Chief Executive Officer, Anthony Gilby and Executive Director, Gabaake Gabaake at their offices in Gaborone. On this day, Gilby had arrived from Brisbane, Australia to assess progress at the company's flagship Lesedi CBM project.

Tlou Energy CEO's face brightens when he talks about Government's 100MW CBM tender. His company, alongside another Botswana based company, Sekaname (Pty) Ltd have been short-listed for the tender. They have since been required to submit the Request for Proposal (RfP) for the proposed development of up to 100 MW of CBM fueled power plants in Botswana which is expected to cost billions of Pula. Currently, Tlou Energy is waiting with bated breath having responded to the request since October, 2018. "We are confident we have the necessary capacity to deliver on the project," said Gilby,

who has worked within the CBM sector for decades. The 100MW CBM power plants tender has been under the public domain for some time without Government realising a conclusive decision on which company shall be awarded the tender. However, highly-placed sources within Government have hinted to BSEL News that it just a matter of time before the tender is awarded. During the interview with Tlou Energy, the two directors, Gilby and Gabaake made it clear that once the tender is awarded, the Government will have created a whole new CBM industry which will among others boost associated industries; employment and most importantly provide the much needed clean energy. "CBM is much cleaner than coal," said Gilby.

There are several reasons why Gilby is confident they will work closely with Government to pioneer the lucrative CBM industry which can end the country's energy woes. First and foremost, the company has under its fold a number of prospecting licenses in Botswana which are at various stages of exploration. The company which is also listed in the Australian Securities Exchange and London Stock Exchange has under its belt, the Lesedi and Mamba CBM project. In particular, Lesedi is the most advanced CBM project in Botswana and possibly Southern Africa. Government, through the minerals ministry, has already awarded a mining license to Lesedi project.

All things being equal, Tlou Energy will be able to use the gas from this Lesedi CBM project to produce electricity which can be added to the Botswana Power Corporation (BPC) grid. BPC has also stated recently, that some villages in Botswana will be affected by the Eskom capacity challenges which have led to a reduction in their power output. Tlou Energy is waiting keenly to be able to come in handy once all procedures regarding the CBM tender is finalised. But why is Tlou Energy pinning its hope on the 100MW CBM tender, while there are various opportunities outside Botswana which they can tap into?

**Gilby was quick to answer.**

**"Botswana currently does not have any CBM infrastructure which can be used to take gas outside the country. The infrastructure is expensive and can take years to construct while power challenges continue. That is why our first target is the local market," he said as a matter of fact. In a recent statement to shareholders, the group announced it has commenced drilling of initial development wells at its Lesedi CBM Project, which is located in the central region, near Serowe village.**





The CBM exploration group, which its shareholders include African Alliance, has already spent well over P500million in the country, a substantial investment which they could have used elsewhere had it not been for Botswana's stable economic and political climate which makes it easy to do business in. This is money which has been contributed by shareholders here and elsewhere. Gilby, made it clear that, if they get the nod to help Government with the proposed CBM project, they will not burden government with any financial assistance during the project's construction stage.

**“Our shareholders are ready to invest. They have told us that we must demonstrate that Government does support us and they will be ready to fund the project,” disclosed Gilby**

According to Tlou Energy, the wells are planned to form part of the Company's initial gas-to-power project which will include installation of transmission lines and grid connection. The drilling program is conducted in accordance with health and safety requirements and is consistent with the approved environmental impact statement. “In terms of gaining access to the power grid to ultimately monetize our gas via electricity, we have continued to run parallel processes of going down the path of the re-issued gas-to-power tender, while recognising its challenges, as well as going at it alone by gaining all of the necessary approvals to independently connect to the grid in any event,” said Tlou Energy CEO.

Tlou Energy has already created jobs to 50 Batswana at its various exploration sites in Botswana, more particularly at Lesedi CBM project. The total number of people employed will rise to about 300 if the listed company gets the nod to provide Government with energy. In a statement last year, Tlou Energy said while they are chasing Government, they are also in discussions with groups in Europe and China with interest of developing Compressed Natural Gas or mini LNG (Liquefied Natural Gas) facilities. “The development of a fertilizer plant using Tlou's gas is also been proposed,” said Gilby.

# THE EVOLUTION

## OF THE BOTSWANA STOCK EXCHANGE LIMITED

**1989:** Known as the Botswana Share Market (BSM), the exchange started operations in June with only a listing of 5 companies and 1 brokerage firm.

**1994:** Statutory Legislation passed by Government and BSM was now Botswana Stock Exchange (BSE).

**2008:** Central Securities Depository (CSD) was established.

**2010:** The BSE lists its first ETF in July, the NewGold ETF.

**2011:** Coreshares EWT40 (formerly BetaBeta) lists on the BSE in May. This made it the 2nd ETF to list on the BSE.

**2012:** Implementation of the Automated Trading System (ATS).

**2013:** Launch of the Bond Index

**2014:** The BSE lists its 3rd ETF in August, the NewPlat ETF.

**2015:** The NewFunds Inflation-linked Bond Index ETF list on the BSE in November to become the 4th ETF to list on the exchange.

- The BSE registers a record turnover of P3.0 billion, translating into P12.2 million worth of shares traded daily.

- Commencement of the BSE Transition Act

**2016:** The BSE registers a record turnover of P3.0 billion, translating into P12.2 million worth of shares traded daily.

**2016:** BSE hosts the Inaugural BSE Listings and Investment Conference in March

**2018:** Her Majesty's Revenue & Customs (HMRC) designates the BSEL as a Recognised Stock Exchange in October.

**2018:** Demutualization of the BSE in August. The exchange is now known as the Botswana Stock Exchange Limited (BSEL).

**2019:**

Currently there are 34 equities, 1 registration on the Serala OTC Board, 3 ETFs and 48 bonds.

- Member of the SADC Committee of Stock Exchanges (CoSSE)
- Member of the African Securities Exchange Association (ASEA)
- Affiliate member of the World Federation of Exchanges (WFE)
- Member of the UN Sustainable Stock Exchanges initiative
- Signatory to the Marrakech Pledge on fostering green capital markets in Africa
- The Central Securities Depository Botswana (CSDB) is a member of the Africa Middle East Depository Association (AMEDA)
- CSDB is a member of the World Federation of CSDs (WFC)



Thank you to our valued stakeholders.

## WORDS FROM BSEL MANAGEMENT



### - A Desired Destination....

**I**t was a rocky road, a random walk, bubbles of sea wave underneath and in the midst of all these, Botswana Stock Exchange soared high like an eagle! The company was faced with lots of challenges and overcame many obstacles to reach this far. BSEL stands out at thousands miles away from its inception year and major strides have been observed, a desired destination!

**Masego Pheto** | Head of Clearing & Settlement  
Botswana Stock Exchange Limited

BSEL is committed to the goal of grasping the hearts and souls of its customers and the market in its entirety. It took bold steps to move up the value chain and introduced state of the art infrastructure which bodes well for the Botswana market. The central securities depository system was introduced which aided in getting rid of paper certificates and introduced electronic settlement of securities transactions. The platform has since inception opened great windows for the stock exchange and instilled confidence in both local and international investors.

*"It's not the tools you have faith in – tools are just tools- they work, or they don't work. It's the people you have faith in or not". Steve Jobs, Apple.*

It took years of dedication, devotion, passion and focus to achieve the current results and navigated towards the goal.

**CSDB staff is proud to have been part of BSEL growth. Forward We March in to The Future to Become 'A World Class Stock Exchange'!**

# Celebrating 30 Years



**Kopano Bolokwe** | Head of Product Development  
Botswana Stock Exchange Limited

I have known about the BSE since 2006 in my second year at University when I first learnt about the stock market. The theorem of stock markets and investments came across as intriguing constructs, and I deliberately made a decision to position myself to work in the investment industry.

It has been 11 years in the industry and 8 years at the BSE, and I can testify that a lot has changed over these years, including over the 30 years since the inception of the BSE. I cherish each and every day that I am part of this phenomenal team of young, talented movers and shakers who are making a significant contribution to the development of our country. I am proud to have been behind some of the driving forces that have propelled the Exchange to greater heights and elevated its stature in the global securities market.

I am very optimistic about the future BSE Limited as it continues to evolve and the impact it will continue to make towards sustainable economic development. There are no limits to this journey.

**Happy 30th Anniversary BSE Limited.**



Thank you to our valued stakeholders.

## WORDS FROM BSEL MANAGEMENT



**3**0 years have passed since the first ordinary share was listed and traded on the Botswana Share Market, a grouping of broker dealers, later the Botswana Stock Exchange, a statutory mutual organization.

**Tsametshe Mmolai** | Head of Listings & Trading  
Botswana Stock Exchange Limited

Today we list and trade sophisticated securities on the Botswana Stock Exchange Limited (BSEL)'s state of the art Automated Trading System, and settle at T+3 on the Central Securities Depository of Botswana Limited's state of the art system. The changes have been as exciting as they have been dramatic, even for me who have been with the organization for more than a decade, the BSEL has seen fast changes.

The good part of the story is that all these changes have been positive and have been for the betterment of the market. Here is to more growth for the BSEL and to bravery of the management as the new World order demands that brave decisions to adopt artificial intelligence and the next big wave of ICT innovations be made without hesitation for survival and relevance.

# Celebrating 30 Years



**T**hirty years of anything is always deemed to be such a milestone. A milestone because of the learning, maturity and growth that come with this number of years. Botswana Stock Exchange Limited has gone through boundless evolution from inception to date. All the fruition has been particularly sensational in the development of capital markets in Botswana.

**Gorata Dibotelo** | Acting Head of Legal Services & Board Secretary  
Botswana Stock Exchange Limited

From a legal and regulatory stand point, there have been major strides geared towards developing the national bourse to attain our vision of being a world class securities exchange. Demutualization has been a proclamation to both the national and international market of alignment to best practice and is expected to attract more listings and investors alike. As we celebrate 30 years, it is vital to not only look at where we have come from but also not lose sight of where we are going.

This calls for continued progression from a legal and regulatory stand point to ensure prolific expansion for 30 more years and beyond. Indeed, it is a great time to be alive and be a part of the development of capital markets. Thank you to the team that continues to work hard towards attaining the best results.



Thank you to our valued stakeholders.

## WORDS FROM BSEL MANAGEMENT



**T**he Exchange is turning 30 years this year and this is not only a milestone for the BSEL, but for the country as well, after all, the stock exchange has played its role of contributing to economic development.

**Thapelo Moribame** | Head of Market Development  
Botswana Stock Exchange Limited

This is a time to celebrate the growth achieved from 1989 until now and look forward to a bright future.

As an employee of the BSEL, I am happy to be a part of the BSEL history and I look forward to advancing the mandate of the BSEL through Market Development. If we each do our best, together we can advance the fortunes of the BSEL and the country at large. **Pula!**

# Celebrating 30 Years



**T**he journey of the BSE in the last 30 years has been truly transformative, both on the BSE itself and on the economy of Botswana. In the first 20 years, the transformation was largely legislative and structural, but in the last 10 or so years, which is around the time I joined, the transformation has been operational and technological.

**Kopano Mogorosi** | Head of Information Technology  
Botswana Stock Exchange Limited

I remember on my first day on the 3rd January 2008, I went to the trading floor to observe trading. The trading administrator was entering trades on an Excel spreadsheet. Fast forward 10 years, there is a world class trading platform that is able to execute thousands of trades every second and traders are now able to submit their deals from just about anywhere in the world!

I feel very proud to have been a part of and in some cases a driver of some of the defining transformations that the BSE has gone through. It does not happen very often to get a chance to define the future of an organization but the BSE has given me not one but several opportunities in this respect and I am proud to say that I am the professional I am today because of the BSE.



Thank you to our valued stakeholders.

## WORDS FROM BSEL MANAGEMENT



**I** consider myself very fortunate to have witnessed the growth of the BSE from the time I joined to where it is now. The developments and achievements that took place in the past 30 years are those that will form part of the history of capital markets and even for the country itself.

**Mpho Mogasha** | Head of Finance & Administration  
Botswana Stock Exchange Limited

The achievements are quite obvious and documented well in literature. These achievements came with challenges which in turn provided me with an opportunity to grow.

For me, 30<sup>th</sup> anniversary is a time to be thankful for the decision I made to join the BSE and to venerate and honor the benefits that came as a result of that decision. It is also a time to appreciate that apart from my individual growth, I am a member of a team, and I rely on that team, I defer to it and sacrifice for it, because the team, not the individual is the ultimate champion.

**#FromSmallBeginningsComeGreatThings**

Thapelo Tsheole | Chief Executive Officer  
Botswana Stock Exchange Limited

# OUTLOOK FOR THE YEAR AHEAD

## FRAMEWORK

**Listings Requirements** – The New listings requirements have taken effect from the 1st January 2019 and all companies that issue securities will need to comply with these rules. As it has already been announced, listed companies will be given until the end of 2019 to comply.

**Tshipidi Board** – SMEs can now list on the Tshipidi Board as of the 1st January 2019.

**Market Making Rules** – The rules are in effect. The BSEL is currently formalizing companies that have been market making by having them sign agreements. The BSEL invites companies that are interested in becoming market makers.

**Members Rules** – The BSEL is reviewing the member's rules to complement the demutualized environment and drive the company's strategy.

**Global Depository Receipts (GDR) Rules** – The GDR rules are still with the regulator Non-Bank Financial Institutions Regulatory Authority (NBFIRA), and awaits approval. Following approval, the BSEL will be open to the issuance of GDRs.

# CEO'S OUTLOOK

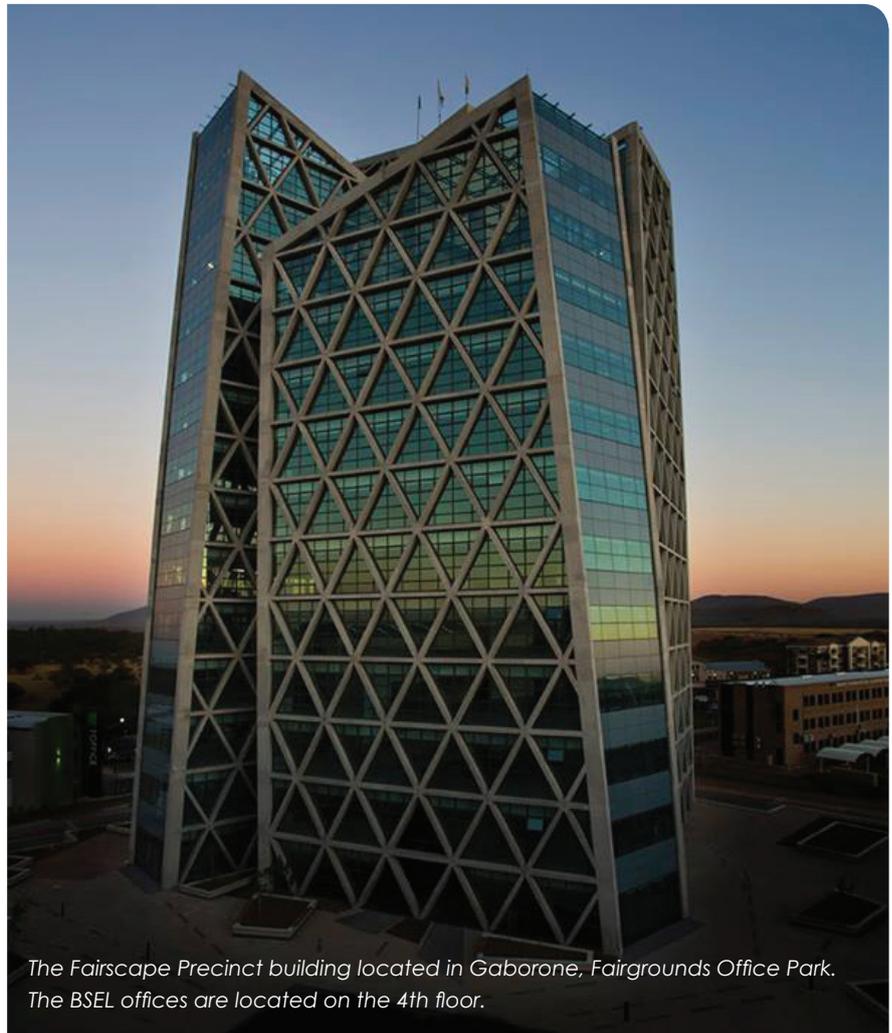
## TECHNOLOGY

**ATS** - The BSEL utilizes the Automated Trading System (ATS) for trading and the system has the competency to handle large trades such as P494.3 million 2016, P484.6 million in 2017 and P458.6 million in 2018. The system supports our strategy to grow the market and increase the average daily turnover levels to P18.0 million per day by 2021.

**CSD** – We will implement a new clearing and settlement system that will come with new functionalities such as Security Borrowing and Lending (SBL), management settlement guarantee fund, identifiers for companies and instrument, IPO processing, AGM including E-voting for listed entities, repo management and online investor access.

**Data Display Screens** – We will introduce two (2) data display screens this year at locations that have already been identified. These will assist with information sharing and keep the market updated.

**Website & Mobile App** – The website and mobile app project is underway and will be implemented this year.



The Fairscape Precinct building located in Gaborone, Fairgrounds Office Park. The BSEL offices are located on the 4th floor.

## PRODUCTS

**Asset Classes** - The BSEL currently maintains 3 products, being equities, bonds and Exchange Traded Funds (ETFs). There is a possibility to include GDRs in 2019 if the rules are approved.

**Securities Borrowing and Lending** – The BSEL will introduce SBL to stimulate liquidity. The rules

have been drafted and will go through the channels of approval.

**Mentorship Programme** – We are setting up a mentorship programme for SMEs to assist them understand the advantages of listing on the exchange.

## EVENTS & MILESTONES

**BSEL CELEBRATES 30 YEARS** – 2019 is a very important year for the BSEL as the organisation through its many phases over the years turns 30.

**Calendar of Events** – The BSEL calendar of events can be accessed on all our social media platforms.

**The 23 Annual African Securities Exchanges Association (ASEA) General Meeting and Conference** – This will be hosted in Botswana for the first time on the 24<sup>th</sup> to 26<sup>th</sup> November, 2019 at Cresta Mowana Safari Resort & Spa in Kasane under the theme 'Building Resilient African Capital Markets'. Due to the BSEL hosting

the African Stock Exchanges, we will resume our Listings and Investment Conference in 2020.

**Opening Bell Ceremonies** – Will continue to be hosted every month, look out for interesting guests as we work to energize the market. The dates have been loaded on our social media platforms.

**Open Days** – Hukuntsi (19<sup>th</sup> March), Nata (April 11<sup>th</sup>), Molepolole (May 23<sup>rd</sup>), Bobonong (June, 13<sup>th</sup>). Dates can be accessed on the BSEL Face Book Page.

**Annual Senior School Finance and Investment Competition** – This will be held again in August 2019.

## PUBLICATIONS

**BSEL News Publication** – This publication will be developed and distributed again in 2019. Writers are into contribute articles for this publication.

## CSI

**Dipoelo Programme** - Through our CSI policy called 'Dipoelo Programme' we recognise that our success will be propelled by the right partnerships from a corporate social investment and therefore we support the following areas; Education, Entrepreneurship, Community development, Health and Sustainability.



*BSEL Open Day in Tsabong*



**Ms. Olebile Makhupe**  
Director of RMB

In this interview, the BSEL News is joined by Rand Merchant Bank Botswana Director, Ms. Olebile Makhupe to discuss the leading African Corporate and Investment Banks journey since launching in Botswana.

OleBILE Makhupe is the Director of Rand Merchant Bank (RMB) Botswana, heading up the Corporate and Investment Banking division of First National Bank Botswana, and also in charge of the Bank's Merchant Services business. Her extensive banking experience includes roles in various countries across the world including New York, China, Mauritius and Tanzania. She has mostly been involved in balance sheet management and optimization, new business growth, strategy development and execution, and lately investment banking.

**BSEL News:** *When RMB decided to open shop in Botswana, what was the motivation behind that?*

**OleBILE Makhupe:** RMB had been offering investment solutions from South Africa to clients in Botswana without having local presence. As the client base grew it made sense for RMB to open in Botswana.

**BSEL News:** *At that time, what services did you think the Botswana market needed, which could be provided by RMB?*

**OleBILE Makhupe:** The existing client base was already enjoying transactional banking services and working capital facilities under FNB. There was a need to offer more bespoke, non-traditional transactional solutions to clients that were more tailored to their needs, a more refined relationship management model and structured lending and balance sheet optimization solutions.

**BSEL News:** *As a merchant bank, what services does RMB have for the Botswana market?*

**OleBILE Makhupe:** We offer a comprehensive suite of investment banking solutions, which include advice, finance, trading solutions, infrastructure and project finance, private equity, structured asset finance and fixed income, custody and investment services. We also assist clients across multiple sectors with on and off balance sheet financing solutions through debt capital markets, as well as trade and working capital solutions.

**BSEL News:** *Although RMB is a specialist Merchant bank, it found players already in the market. How did RMB settle in Botswana market?*

**OleBILE Makhupe:** We leveraged the existing group relationship with FNB to settle into the Botswana market. We are a known player in the Africa continent and customers who have worked with us in other jurisdictions would naturally prefer to work with us in Botswana.

**BSEL News:** *How did you find competition in the market?*

**OleBILE Makhupe:** Our customised approach to finding customer solutions has definitely set us apart from our competitors. Our main differentiator is our people, and through our experienced teams of specialist we never fail to deliver on quality service, which makes customers choose us again and again.

**BSEL News:** *Today, RMB is a force to reckon with. How has been the RMB journey over the years, and what has been RMB's secret to success?*

**OleBILE Makhupe:** We have been successful in landing a number of key mandates in the transactional, lending (including project finance), advisory and custody space. Our continuous investment in platforms that make customer's lives easier, as well as heavy investment in people has been our secret ingredient.

**BSEL News:** *How much does RMB contribute to Botswana economy looking at matters like employment etc.?*

**OleBILE Makhupe:** We currently directly employ 80 people, but the FirstRand group in Botswana, has close to 1500 employees. Moreover, projects that we have sponsored have also contributed positively to the economy of Botswana, in addition to creating employment.

**BSEL News:** *Looking at the first year RMB opened shop here and to date, how much would you say RMB has grown?*

**Olebile Makhupe:** We have registered balance sheet growth of over 70% in the years we have been operational. Our client's base has also grown significantly.

**BSEL News:** *I assume RMB has one branch in Botswana, do you have any plans to widen your footprint, say to other major towns perhaps?*

**Olebile Makhupe:** Through our relationship management model we are able to service all our clients across Botswana. Our transactional services, which is why you may need a branch are availed to customers through the wide FNB branch network across Botswana. However most of our clients are on self-service channels and do not usually need a branch to transact, except for retail clients who need to deposit cash, who would then use available FNB branches.

**BSEL News:** *So far, how many major clients are successful as a result of RMB?*

**Olebile Makhupe:** Quite a number. We have enabled clients to improve their cashflow cycles through collection solutions that are interfaced with their internal systems saving them long and tedious reconciliation processes. Through lending solutions we have assisted customers realise their expansion aspirations, and have unlocked balance sheet value through corporate finance and advisory solutions.

**BSEL News:** *Kindly share with us how RMB participates in the capital market.*

**Olebile Makhupe:** We assist customers with bond issuances, IPO listings, custodial services, and are a primary market participants in the government bond market.

**BSEL News:** *How many major deals so far has RMB done in Botswana, please share them with us?*

**Olebile Makhupe:** We have done some large funding deals to mining companies, real estate entities (major shopping malls) and other asset acquisitions, and have also leveraged our large advisory team with very diverse skills to do some advisory work which included several valuations or large mining assets.

A few examples include the following:

- The largest guarantee issued by RMB for the setup of a 300MW power plant by Palapye Power Generation Company
- The digitization of the Water Utilities Corporation platforms including the \*86# USSD as well as the newly introduced App
- Turnstar Game City Mall expansion project
- RailPark Mall expansion Project
- Offering BURS a platform for the enablement of e-filing and collection of tax returns

We are also proud to have been appointed by BSEL to do its valuation ahead of the demutualization exercise.

**BSEL News:** *What role does RMB play in assisting companies to list on the BSE?*

**Olebile Makhupe:** The first role is to help companies assess their readiness and suitability to list on the exchange, the next step would then be to prepare the company for listing by assisting them with all the paperwork necessary, getting all the

necessary approvals, investor engagements all the way to the actual listing. We recently advised BancABC on their successful listing on the Botswana Stock exchange.

**BSEL News:** *In your views do you think listing or participating in the capital market is important for companies and the economy? Please share with us your reasons.*

**Olebile Makhupe:** Listing gives companies access to capital that allow them to grow or expand, creating sustainability over a long period of time. Because of the increased disclosures expected from listed companies, the credibility and therefore brand equity of the company is also enhanced, therefore customers and other stakeholders will trust it better. For the economy listing helps provide an investment vehicle for those with funds to invest, which are then employed efficiently in value generating activities by the company receiving the investment. Listing also means better liquidity- shareholders can easily pass on their shareholding to other parties in a transparent and usually quick manner.

**BSEL News:** *In terms of corporate social investment, what is RMB doing for Botswana?*

**Olebile Makhupe:** Through the FNB Foundation, the bank contributes 1% of annual profits to projects with social impact, and this year we will be focusing on youth empowerment and development projects. We also encourage staff volunteerism through individual departmental projects and volunteer days where staff can take a day off work to go and work on causes that are socially meaningful to them.

# AN OVERVIEW OF THE BOTSWANA BOND INDEX SERIES

**B**etween 2010 and 2011, bond market participants including Botswana Stock Exchange Limited (BSEL), convened and developed the Botswana Bond Market Strategy Paper (BBMSP). Notably, the BBMSP prescribed the establishment of an independent bond benchmark index with clearly defined and publicly available rules and methodology. As a result, the BSEL launched the Botswana Bond Index Series (BBIS) in 2013 and the indices were computed from 2010.

The BBIS is a series that consists of four (4) indices. These are:

- **Composite Bond Index (BBI)** – *sovereign and non-sovereign bonds*
- **Composite Fixed Bond Index (BBIFixed)** – *fixed rated sovereign and non-sovereign bonds*
- **Government Bond Index (GovI)** - *sovereign bonds only*
- **Corporate Bond Index (GovI)** - *non- sovereign only*

### Calculation Methodology of the BBIS

The BBIS are total return indices calculated using fair values derived from an estimated Zero Coupon Yield Curve (ZCYC). The ZCYC itself is estimated using the mid-market Government bond yields reported by Bank of Botswana. The mid-market yields are the average of each of the five (5) Primary Dealers mid-point of their respective best bid and offer of each outstanding Government bond. That is, a midmarket point is the average of each of the primary dealers' average of the bid and offer on each outstanding Government bond.

Since its inception and until the end of the first quarter of 2018, the indices were equally weighted and had P50 million and a term-to-maturity of 15 months as the minimum eligibility criteria. As a response to the market needs, the methodology was changed in April 2018 to make the indices nominal-amount-in-issue weighted. Further, the minimum issue size threshold was lifted and the eligible term-to-maturity reduced to 12 months. It must be noted however, that the changes in methodology were not implemented retrospectively but only progressively.

Below is the summary of the BBIS eligibility criteria

- BSEL listed bonds, save for Botswana Government bonds which are all eligible for inclusion at issuance
- Local currency issuances only
- Minimum term of 12 months at issue and at rebalancing dates



*Botswana Bond Market Association Committee*

- For callable bonds, the date of call is treated as the maturity date for purposes of calculating the TTM
- No minimum size or liquidity requirements
- No credit rating requirements

### **Management of the BBIS**

The management of the BBIS is carried out by the combined efforts of three (3) different entities.

These are:

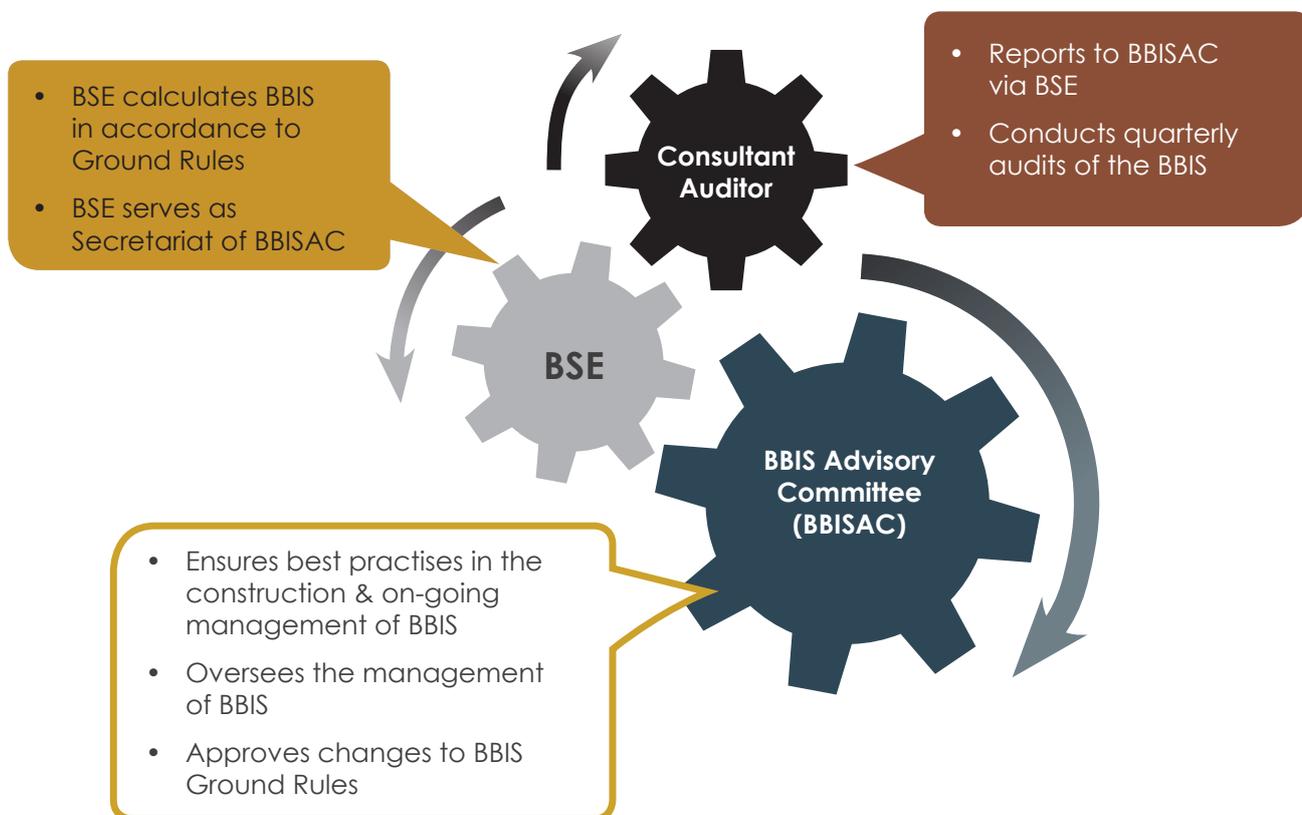
- BSEL
- BBIS Advisory Committee
- The Consultant.

BSEL calculates and publishes the BBIS daily in accordance with the BBIS Ground Rules. Furthermore, the BSEL serves as the Secretariat of the BBISAC. The BBISAC is the governing body of the BBIS.

The BBISAC ensures best practices in the construction and on-going calculation of the BBIS. It does so by overseeing the calculation and publishing of the BBIS by the BSEL. Notably, the BBISAC has the sole power to make changes to the BBIS Ground rules.

Lastly, there is a Consultant, appointed by BSEL on behalf of the BBISAC that provides technical assistance to both the BBISAC and BSEL. Most importantly, the Consultant conducts the quarterly audits of the BBIS to check whether the BSE is calculating the BBIS as per the Ground Rules.

# BOND MARKET



## BBIS Dissemination and Communication

The BBIS is calculated daily and reported with a 1-day lag and published in the BSEL Daily Market Report. This is also available on subscription. In addition, the historical levels are available on demand from BSE. Further to this, the BBISAC disseminates Circulars through the BSE's X-News platform as well as the bulletin page of the BSE website. The Circulars are used to communicate the following to the market:

- Results of the quarterly audit
- Changes in the constituents of BBS (insertions and removals)
- Restatement of indices

Benchmarks are particularly critical for aiding portfolio management and performance attribution of managed funds. As an independent index provider, the BSE will consistently engage with market participants with respect to the evolution and adoption of the BBIS. At the heart of this is provision of easy access to data and good governance hence the free distribution of the BBIS and oversight by the BBISAC.

# LOCAL ENTERPRISE AUTHORITY

"Empowering the entrepreneur to start and grow their business"



**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 BRANCH NETWORK

- Gaborone
- Pilane
- Kanye
- Ramotswa
- Masunga
- Francistown
- Tsabong
- Selibe-Phikwe
- Maun
- Kasane
- Molepolole
- Ghanzi
- Serowe

## LEA INCUBATORS

- Glen Valley Horticulture Incubator
- Francistown Industrial Business Incubator
- Pilane Multi-Purpose Incubator
- Kutla Incubation Centre in Gaborone
- Leather Industries Incubator in Gaborone



[www.lea.co.bw](http://www.lea.co.bw)



LEA - Local Enterprise Authority



Toll-free number: 0800 155 155



Botsa\_LEA



Local Enterprise AuthorityBW



[botsalea@lea.co.bw](mailto:botsalea@lea.co.bw)



Local Enterprise Authority



"Mogwebi, re go tlhoma kwa pele."  
LEA toll-free number: **0800 155 155**



LOCAL ENTERPRISE AUTHORITY

## SUBSCRIBE TO BSEL NEWS SERVICE X – NEWS

X-NEWS IS THE INFORMATION PORTAL THAT PROVIDES INFORMATION ON BSEL LISTED COMPANIES TO THE MARKET. INFORMATION MADE AVAILABLE ON X-NEWS INCLUDE, ALL PRESS ANNOUNCEMENTS, PROSPECTUSES, PRE-LISTING STATEMENTS AND CIRCULARS AS PER THE BSEL 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 BSEL 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 year, 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.



# Got Any Questions?

The BSEL is dedicated to providing the public with all the relevant information to enhance financial literacy and to educate on stock market offerings. The following are answers to some of the Frequently Asked Questions (FAQs) received at the BSEL.

### What is the primary market?

The platform that generally refers to when a company publicly sells new shares to the general public for the first time. Investors buy securities directly from the company issuing them. In many cases, this takes the form of an Initial Public Offering (IPO).

### What are the fees and costs associated with investing?

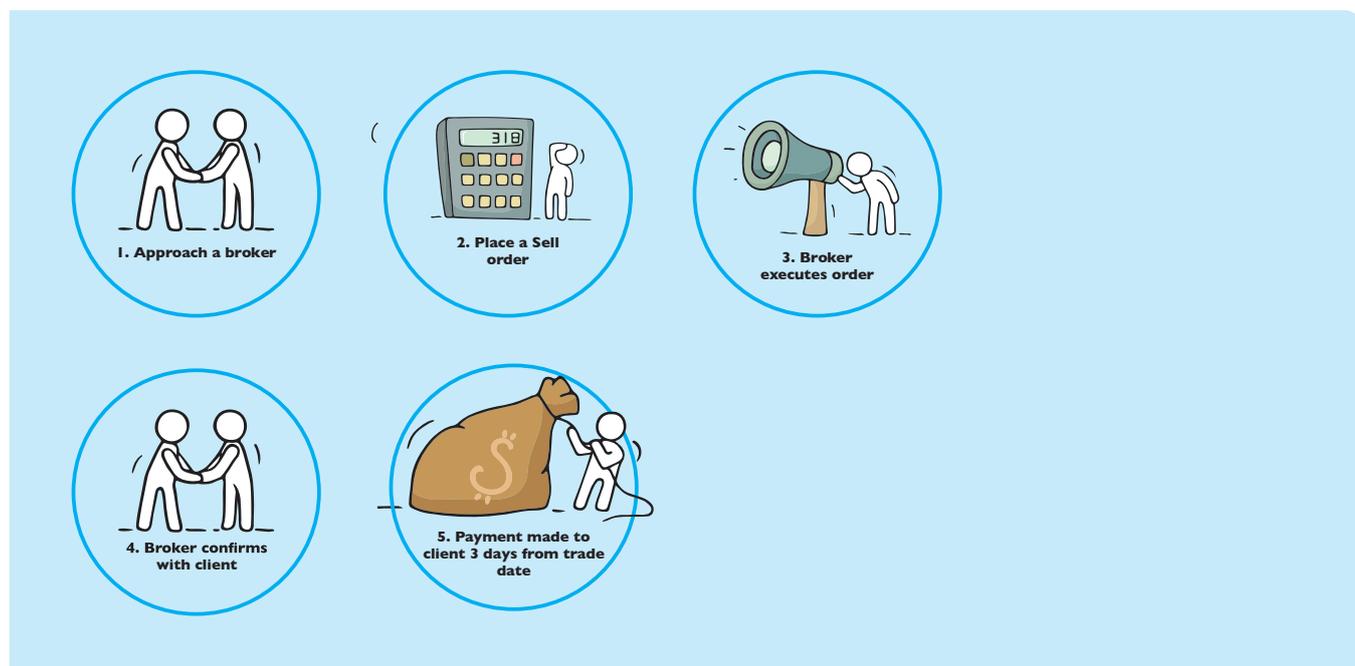
Brokerage fees are transaction fees that are levied on any purchase or sale of shares. When buying and/or selling in two different companies, it is considered two separate transactions. Please note, there is no fee charged on providing professional advice. The following are the fees and charges:

2017	
Quarter	
Shares	Min 0.60%
	Max 1.85%
EFTs	Min 0.20%
	Max 0.50%
Bonds	Min 0.10%
	Max 0.25%
Handling Fee	P15.00
Handling Fee	P10.00
CSD Fee	0.12%
BSE Fee	0.15%
VAT*	12%

\*Value Added Tax (VAT) is charged on the sum of the above charges

Brokerage fees are standard with all broking firms

## How do I sell my shares?



### The BSEL has demutualized. What does this mean?

The BSEL has now transformed from a member owned, not-for-profit entity to a for-profit, investor-owned corporation thus, changing the legal status, structure and governance of the local bourse to a public company limited by shares under the Companies Act.

### What is the minimum amount I can invest on the BSEL?

There is no set minimum amount. The amount you can spend on buying shares is determined by the share price of the particular company and the amount of shares you would like to purchase. The BSEL avails a Daily Market Report on all social platforms which displays how shares of different companies traded on particular days and the prices in which they closed in.

### I reside outside Botswana and would like to start trading on the BSEL. Can I?

Yes, you can. As with the process of buying shares locally, foreign investors are also required to approach a BSEL licensed broker to open a Trading and CSD account.

### What is the difference between stakeholders and shareholders?

Shareholders are people who own part of the company because they have bought shares in the company. Stakeholders are people who have an interest in the company, but do not own part of the company. Examples of stakeholders would be employees, suppliers, customers, and so on.

**To seek further information or educational material on the BSEL, kindly contact the Market Development Department at [marketdev@bse.co.bw](mailto:marketdev@bse.co.bw) or call (+267) 3674400.**

# 2018 REVIEW AND 2019 OUTLOOK



**The domestic economy increased by 4.8% y-o-y and decreased by 1.5% q-o-q in the first quarter of 2018, compared to an increase of 0.9% y-o-y and 0.1% q-o-q recorded in Q1 17.**

**Gregory Matsake | CEO**  
IMARA Capital Securities

The growth was attributed to real value added of Mining, Transport & Communications and Finance & Business Services which increased by 12.1%, 6.5% and 5.4% respectively. All other industries recorded positive growths of more than 2.0% with the exception of Trade, Hotels & Restaurants which decreased by 0.7%. The increase in the real mining value added of 12.1% was mainly driven by Diamond value added which increased by 11.5%. Diamond production in carats increased by 11.5% in the first quarter.

Q2 18 saw GDP register an upturn of 5.3% y-o-y and 2.4% q-o-q, with all industries having recorded positive growth with the exception of Water & Electricity which decreased by 7.4% during the quarter. Trade, Hotels & Restaurants remained the major contributor to GDP by 20.7% followed by Mining & quarrying, Finance & Business services and General Government at 16.3%, 14.2% and 13.8% respectively. The 5.3% y-o-y economic growth was underpinned by the Trade, Hotels and Restaurants' real value-added increase of 8.8% in Q2 18 (Q2 17: 2.5%) due to the positive performance of downstream diamond industries under the wholesale sub sector during the quarter.

Top 5 gainers and losers- 2018				
Company	Opening Price (BWP)	Closing Price (BWP)	% change (BWP)	% change (USD)
BSE-DCI	8,860.13	7,851.88	-11.38%	-18.47%
Wilderness	5.5	6.56	19.27%	9.74%
Chobe	9.17	10.5	14.50%	5.35%
Cresta	1.13	1.2	6.19%	-2.30%
FNBB	2.33	2.45	5.15%	-3.26%
Sechaba	19.47	20	2.72%	-5.49%
Letlole	2.15	1.76	-18.14%	-24.69%
StarChart	5.14	3.8	-26.07%	-31.98%
Olympia	0.20	0.12	-40.00%	-44.80%
BTCL	1.84	0.95	-48.37%	-52.50%
Choppies	2.42	0.69	-71.49%	-73.77%

Source: BSE

Top Ten Shares by Market Cap.			
Company	(BWP m)	(USD m)	% of Total
FNBB	6,232.07	602.64	14.67%
BIHL	4,941.49	430.15	11.63%
Barclays	4,448.28	335.87	10.47%
Letshego	3,473.35	213.93	8.18%
Sechaba	2,212.34	212.87	5.21%
Sefalana	2,201.38	201.75	5.18%
SeedCo	2,086.32	189.95	4.91%
NAP	1,964.29	160.63	4.62%
Engen	1,661.11	160.45	3.91%
Turnstar	1,659.25	150.70	3.91%

Real GDP for Q3 18 grew by 4.2% y-o-y and 0.5% q-o-q. The increase was attributed to the significant growth in real value added of Water & Electricity (+42.6%), Trade, Hotels & Restaurants (+6.9%) and Transport & Communications (+5.8%). Electricity recorded a positive value added of BWP 81.2m compared to a negative value added of BWP 10.0m registered in Q3 17. An increase in local electricity production by 17.9% and a decrease of 42.7% in electricity imports led to the improvement. Even though the utilities sector registered the highest growth, its contribution to GDP of 1.6% is still the lowest. All other industries recorded positive growths of more than 2.5% with the exception of mining which decreased by 2.7%, mainly driven by diamond value added which decreased by 4.8%. Diamond production in carats decreased by 4.8% in Q3 18 compared to an increase of 33.0% recorded in the same quarter of 2017.

As at November 2018, foreign exchange reserves decreased by 8.42% y-o-y to USD 7.1bn (November 2017: USD 7.8bn). Total deposits from the public increased by 10.46% y-o-y to BWP 69.9bn (December 2017: BWP 63.3bn); while loans and advances grew by 7.81% y-o-y BWP 58.4bn (December 2017: BWP 54.2bn), with the household sector accounting for 20.3% and 59.9% of the respective measures.

Average inflation rose to 3.2% for 2018 compared to the previous year's 3.3%, with all group indices in positive territory except for Food (-0.2%) and Communication (-9.2%). The Communication index group decline was due to a decline in the constituent section index of Telephone & Telefax Services, which was attributed to the revised prepaid voice call tariffs by mobile service providers, effected on the 1 June 2018.

**Top Ten Shares by Market Cap.**

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Turnstar	1,659.25	150.70	3.91%

The transport index group, which has the largest weighting in the CPI of 20.65%, registered the highest annual growth rate of 10.0% y-o-y, underpinned by the 11.6% y-o-y rise in the constituent section index of Operation of Personal Transport mainly due to increases in retail pump prices. During the year under review there were 3 fuel price hikes. The first was effected on 16 May 2018 - petrol and diesel prices rose by BWP 0.23 and BWP 0.45 per litre; the second was effected on 15 October 2018 - petrol and diesel increased by BWP 0.65 and BWP 0.73 per litre; and another increase of BWP 0.33, BWP 0.36 and BWP 0.31 per litre each, for petrol, diesel and paraffin of respectively effected on 15 November 2018. Increases in Minibus and Taxis Fares from BWP 3.50 to BWP 4.00 and BWP 3.90 to BWP 5.00, respectively, and long-distance bus fare (bitumen road) from BWP 0.21 to BWP 0.26 per kilometre, effected on 1 April 2018, also drove the rise in the Transport group index.

The inflation rate was above the lower limit of the Bank of Botswana's medium-term objective range of 3% - 6% for majority of 2018, only falling below the range in March and September to 2.8% and 2.9%, respectively, and peaking at 3.8% in November.

## Market Review for 2018

The DCI weakened by 11.38% in pula terms in 2018 to 7,851.88 pts from 8,860.13 pts registered the prior year. Due to the depreciation of the BWP against the greenback by 8.00% y-o-y, in USD terms the DCI contracted by 18.47% y-o-y. The DCI closed the first 3 quarters in the red - Q1 (-3.05%), Q2 (-2.18%) Q3 (-6.73%), but closed Q4 in the green by 0.19%. The DCI's annual loss was partly attributable to the weakening of some of the large cap stocks such as Barclays (-14.43%), Letshego (-13.83%), Sefalana (-9.95%) and BIHL (-5.61%). For the main part, Choppies 73.77% y-o-y depreciation accounted for 41.2% of the decline in the DCI.

8 counters on the domestic bourse closed the year in the green, 4 were flat and 15 were in the red. Companies in the Tourism and Hospitality sector were the top performers for the year. Wilderness (+19.27%) recorded the most price gains, followed by Chobe (+14.50%) and Cresta (+6.19%). Other notable gainers were FNBB (+5.15%) and Sechaba (+2.72%).

Choppies closed 2018 as the biggest loser amongst the domestic companies, contracting by 73.77% to BWP 0.69. On 28 September 2018, Choppies' share price dropped from 76.33% from BWP 1.69 to BWP 0.40, decreasing its market capitalization to BWP 521.5m from BWP 2.2bn, due to loss of investor confidence in the stock emanating from lax corporate governance practices following the company's failure to publish for the year ended 30 June 2018 timeously.

The BSE and JSE had effected a trading halt on the counters shares and lifted it the prior day. The retail giant shares remain suspended from trading on both the BSEL and JSE, effective since 01 November 2018. Other notable losers were BTCL (-52.50%), Olympia (-44.80%), StanChart (-31.98%) and Letlole (-24.69%).

Not much bullish activity was recorded on the foreign bourse, reflective of low investor confidence mainly in the mining stocks. The FCI closed the year 32.81% down y-o-y in pula terms at 1,058.18 pts and 38.18% in USD terms. A-Cap (+11.43%) and CA Sales (+7.69%) were the only counters to register price gains for the year; while BOD (-31.82%), Lucara (-15.79%) and Shumba (-0.86%). Anglo, Investec, Tlou Energy and Raven closed the year flat.

Market activity on the domestic bourse declined significantly by 28.01% y-o-y to 527.4m shares transacted vs. 732.6m shares at FY 17. Conversely, there was a significant upturn registered on the foreign board – 52.38m shares worth BWP 196.0m traded in FY 18 vs. 13.m shares worth BWP 39.7m at FY 17. This was mainly on the back of deals in CA Sales, which anchored activity on the foreign bourse with contributions of 99.26% and 99.69% to volumes and turnover, respectively. Total market turnover decreased by 25.13% y-o-y to BWP 1.9bn on 580.2m shares transacted compared to the prior year's BWP 2.5bn on 775.0m shares.

Letshego was the most liquid counter on the bourse with a contribution of 39.83% to volumes and generated the second highest turnover accounting for 22.85% of the measure. NAP followed, largely attributable to the 87.5m linked units worth BWP 280.7m (14.47% of issued linked units) that traded on 30 May 2018, having been released by Cash Bazaar

Holdings (Pty) Ltd and acquired by Debswana Pension Fund which now holds 17.75% of the total linked units in issue after the trade. Regarding value traded, Sechaba generated the most mainly on the back of the company's repurchase of 22.4m shares worth BWP 425.6m from AB InBev, representing 16.839% of Sechaba shares, on 15 November 2018.

## 10 Most active stocks by volume

	Vol	% of total
Letshego	231,132,785	39.83%
NAP	92,960,537	16.02%
CA Sales	52,429,430	9.04%
Choppies	40,386,923	6.96%
FNBB	34,706,515	5.98%
BTCL	25,561,970	4.41%
Sechaba	25,264,369	4.35%
Cresta	14,548,024	2.51%
RDCP	12,867,180	2.22%
SeedCo	8,373,309	1.44%

## 10 Most active stocks by value

	Val (BWP)	Val (USD)	% of total
Sechaba	481,571,699	44,882,482	25.99%
Letshego	423,366,497	39,457,758	22.85%
NAP	298,368,212	27,807,917	16.10%
CA Sales	195,336,304	18,205,344	10.54%
FNBB	80,654,612	7,517,010	4.35%
BIHL	73,293,884	6,830,990	3.96%
Choppies	58,767,195	5,477,103	3.17%
SeedCo	46,764,875	4,358,486	2.52%
Barclays	36,157,120	3,369,844	1.95%
BTCL	30,036,067	2,799,361	1.62%

Market activity peaked in Q2 18, a total of 310.9m shares worth BWP 848.5m changed hands during the quarter, accounting for 53.57% of total volumes traded for the year. Letshego dominated volumes traded in all quarters with consecutive contributions of 62.01%, 37.68%, 38.32% and 26.73% to the measure. There was a significant y-o-y decline in average daily market turnover to BWP 7.4m (USD 694,174) on a daily average of 2.3m shares transacted vs. a daily average of BWP 10.0m (USD 1.0m) on 3.1m shares in the previous year.

FNBB maintained its position as the largest cap stock on the domestic board, and its weighting increased to 14.67% (2017: 135.58%), followed by BIHL with weighting of 11.63% (2017: 11.82%). Following Choppies' and BTCL significant price losses, the counters fell out of the top 10 and were replaced by SeedCo and Engen.

Total equity market capitalisation of domestic counters decreased to BWP 42.4bn (USD 4.0bn) compared to the prior year's BWP 44.4bn (USD 4.5bn).

Corporate activity highlights for the year were as follows:

- African Energy delisted from the BSE foreign venture capital bourse on 16 February 2018.
- The BSEL terminated the listing of Blue Financial Services unilaterally on 9 July 2018.
- As at 2 August 2018, Botswana Stock Exchange fully demutualized following its conversion from a mutual exchange to a company.
- On the Serala OTC Board, BBS Limited became the first company to register on 3 September 2018.
- Seed Co International Limited (Seed Co) and Banc ABC Botswana listed on the domestic main board on 5 October 2018 and 13 December 2018, respectively. On its day of listing, Seed Co became the 7<sup>th</sup> largest company on the domestic equity main board with a market capitalization of BWP 2.0bn whereas Banc ABC was the 12<sup>th</sup> with a market capitalization of BWP 1.5bn.
- AB InBev Africa acquired 10.1% of the issued shares in each of KBL and Beverage Manufacturers (Botswana) (Pty) Ltd and Sechaba received as consideration by way of a share repurchase, 22 398 016 shares representing 16.839% of Sechaba shares on 15 November 2018. The shares were delisted from the BSE on 16 November 2018.
- Choppies shares were suspended from trading on both the BSE and JSE on 01 November 2018 as a result of failing to publish its results for the year ended 30 June 2018 timeously. The BSE and JSE had effected a trading halt on the counters shares and lifted it the prior day. The retail giant shares remain suspended.

# BROKER RESEARCH

- NAP sold 87.5m linked units worth BWP 280.7m (14.47% of issued linked units) to Debswana Pension Fund on 30 May 2018.
- Minergy listed 25 113 180 ordinary shares on BSE on 24 December 2018 following a specific issue for cash.
- FurnMart executed a share buy back from shareholders, for the offer consideration of BWP 0.65 per share, for the purpose of delisting its shares from quotation and trade on the BSE. The company has subsequently de-listed from the BSE on 20 February 2019.

## Market Outlook for 2019

**Domestic economic performance has been mixed over the recent past years; contracting by 1.7% in 2015, recovering to reach 4.3% in 2016, before declining to 2.4% in 2017.**

Growth prospects were previously constrained by weak demand for diamond exports and persistent power and water supply shortages. Following the estimated improved y-o-y GDP growth rate of 4.3% recorded in 2018 from the previous year's 2.4%, the medium-term domestic outlook remains positive. The Ministry of Finance and Economic Development's forecast for 2019 is for a growth rate of 4.5% for the domestic economy.

The positive outlook is mainly dependant on a continuous rebound in the global diamond market, Government's continued supportive fiscal policy, stability in the supply and reliability of power and water supplies, as well as reforms to further improve the business environment.

Proposed civil workers wage increases would increase disposable incomes which would have a positive effect on corporate earnings and improve overall investor participation.

Despite the improvement in the local economy, which should augment counters' top-line growth, we are of the view that the market will continue to register bearish activity. We see the large cap stocks, mainly comprising of counters in the banking sector and financial services, continue to face trading challenges due to the prevailing all-time low interest rate environment following the central bank's dovish monetary policy stance which saw the bank rate maintain the bank rate at 5% in October 2018.

Downside risks remain in the medium term of reduced oil prices in 2019, and we expect inflation to register subdued growth but still remaining close to the lower bounds of the 3% - 6% medium-term objective range in 2019, on account of subdued domestic demand pressure. In this regard, we believe that the central bank will maintain its prevailing monetary policy stance of softening rates in 2019 in order to stimulate economic activity through lower cost of borrowing.

The new listings of SeedCo, BancABC and BBS supported market growth in 2018 and should continue to aid trading activity on the bourse in 2019. The proposed revision off the equity brokerage commission could also catalyse market activity, as a result of lower transactional costs for clients.

## Top picks for 2019



**BTCL:** The counter's products and services span through a diversified portfolio comprising voice, data services, unified communications, broadband and hosted services among others. BTCL is the only operator in the country with the scale to offer FMC ICT solutions in Botswana and with a copper network that reaches all cities, towns and major villages in Botswana. The company has a unique market position as the only fixed and mobile network in Botswana, and has the widest mobile footprint and coverage.

The counter's share price has been on a downward trend, having registered a 5.26% y-t-d price loss, 52.50% y-o-y loss in 2018 and a 10.0% depreciation since its listing in 2016. This has mainly been on the back of retail selling pressure. Only citizens are allowed to buy and sell BTCL shares, which limits the counter's liquidity significantly. BTCL is trading at a significant discount, its current price of BWP 0.90 puts it at a P/E of 4.61x and a P/BV of 0.46 vs. sector averages of 8.10x and 1.32x, respectively.

The company has not exhausted its growth in the market, and harbours significant growth potential in the broadband space, where penetration levels are still low and the demand for data services is on the increase. The counter's investments in modernising its telecommunications infrastructure, upgrading and extending both mobile and fixed networks should add value to the business going forward. Target price of BWP 1.34 - representing upside potential of 48.89%.



**Letshego:** Having fallen by 0.53% y-t-d, and 13.83% y-o-y in 2018 and 26.60% over the past 5 years, Letshego's current share price of BWP 1.60 puts it on PER and PBV ratios of 4.79x and 0.83x, respectively, which are generally lower than its deposit taking peers in Botswana as has been the historical trend given its perceived higher risk business model.

Letshego continues to expand its income streams by pursuing geographic, having operations in 11 countries, customer and product mix diversification (although the company recently withdrew its banking license application in its mainstay, Botswana, its number of deposit taking businesses amount to six). Letshego is trading at a significant discount and generally, we are positive on the company's growth and diversification story given its pan-African strategy which gives the counter exposure to emerging markets, and product offering. Target price: BWP 2.31 - representing upside potential of 44.38%.

# COMPANIES AND YEAR OF LISTING ON THE BSEL

 <p>1989</p>	 <p>1981</p>	 <p>2018</p>	 <p>1989</p>	 <p>1988</p>
 <p>2012</p>	 <p>2012</p>	 <p>1988</p>	 <p>1990</p>	 <p>2002</p>
 <p>2018</p>	 <p>1981</p>	 <p>2011</p>	 <p>2002</p>	 <p>2013</p>
 <p>2017</p>	 <p>2011</p>	 <p>2005</p>	 <p>2007</p>	 <p>1989</p>
 <p>2010</p>	 <p>2015</p>	 <p>2017</p>	 <p>1988</p>	 <p>1989</p>
 <p>2017</p>	 <p>2018</p>	 <p>2018</p>		



# MEMORIES LAST A LIFETIME, CREATE YOURS AT CRESTA



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# BSEL REGISTERED ADVISERS

**Chapter 12 of the new Botswana Stock Exchange Limited (BSEL) Equity Listings Requirements (the Requirements) sets out the rules relating to Registered Advisers and sets out the eligibility and continuing obligations for BSEL registered advisers. Only Advisers approved by the BSEL and recorded on the 'BSEL Register for Registered Advisers' may act as advisers for an issuer for listing related matters or an applicant applying to list on the BSEL.**

A Registered Adviser must give an undertaking to the BSEL that it accepts certain responsibilities. These responsibilities, requirements and eligibility criteria are detailed in the aforementioned chapter of the Requirements.

Following are the advisory roles which are regulated by the BSEL:

**Sponsors and sponsoring brokers** - The BSEL needs to ensure that all applicants and listed companies comply with the BSEL Requirements. In order to provide the BSEL with a degree of comfort that the conditions are correctly complied with, companies are required to appoint a sponsoring broker for their initial listing applications as well as a sponsor for their continuing obligations as a listed company.

To be recorded on the BSEL Register of Advisers as a sponsor, an applicant should be a member firm of the BSEL, an Investment Bank, a key person of a Company listed on the BSE or any other institution of professional advisors. Only member Brokers can be Sponsoring Brokers. Refer to Section 12.2 of the Requirements which sets out the full eligibility and continuing obligations for Sponsors and Sponsoring Brokers.

**Legal advisers** - The legal adviser is responsible for advising and guiding an issuer on its responsibilities under the Requirements and the applicable local and international laws. Refer to Section 12.3 of the Requirements which sets out the eligibility and continuing obligations for Legal Advisers.

**Corporate Finance advisers** - The Corporate Finance Adviser is responsible for preparing and giving independent opinion on the fairness and reasonableness of valuations, forecasts and estimates which assist listed companies' Directors and investors to make informed decisions as applicable. Refer to Section 12.4 of the Requirements which sets out the eligibility and continuing obligations for Corporate Finance Advisers.

**Reporting Accountants and Auditors** - The Reporting Accountant is responsible for the preparation of the accountant's report as required by these Requirements whilst Auditors are qualified experts who are mandated to review and give review and audit opinion on Financial statements of Public Interest Entities which include listed entities. Auditors are licensed by BAOA to be PIE Auditors. Refer to Section 12.5 of the Requirements which sets out the eligibility and continuing obligations for Reporting Accountants and Auditors.

**Property Valuers** - The Property Valuer is responsible for the preparation of property valuation reports for listed companies and transactions in respect of property as required by the Requirements. They also prepare and giving independent opinion on the fairness and reasonableness of valuations of property and real estate transactions by listed entities. Refer to Section 12.6 of the Requirements which set out the eligibility and continuing obligations for Property Valuers.

**Visit [http://www.bse.co.bw/regulatory\\_framework.php](http://www.bse.co.bw/regulatory_framework.php) to download the Register of BSEL Advisers**

## CAPITAL RAISED OF SOME LISTED COMPANIES

<b>Seed Co International Limited (2018)</b> <ul style="list-style-type: none"> <li>No capital raised. Listed by Introduction.</li> <li>Reasons for listing: <ul style="list-style-type: none"> <li>Unlocking shareholder value.</li> <li>Enhance future capacity to raise capital.</li> <li>Raise the visibility of company in region.</li> <li>Improve liquidity of shares.</li> </ul> </li> </ul>	<b>African Banking Corporation of Botswana Limited (Banc ABC) (2018)</b> <ul style="list-style-type: none"> <li>P296.8 million capital raised</li> <li>Reasons for listing: <ul style="list-style-type: none"> <li>Attract important stakeholders in Botswana into the shareholding of the company.</li> <li>Enhance future capacity to raise capital.</li> <li>Opportunity for selling shareholder to monetize part of its shareholding.</li> </ul> </li> </ul>
<b>Tlou Energy Limited (2017)</b> <ul style="list-style-type: none"> <li>P33.0 million capital raised.</li> <li>Reasons for listing: <ul style="list-style-type: none"> <li>Enhance future capacity to raise capital.</li> <li>Raise regional profile of Tlou Energy.</li> <li>Improve liquidity of shares.</li> <li>Increasing investor base.</li> </ul> </li> </ul>	
<b>CA Sales Holdings Limited (2017)</b> <ul style="list-style-type: none"> <li>P469.6 million capital raised</li> <li>Reasons for listing: <ul style="list-style-type: none"> <li>Raise capital for fund organic growth of the business.</li> <li>Enhance future capacity to raise capital.</li> <li>Improve liquidity of shares.</li> <li>Raise CA Sales profile.</li> <li>Incentivize Employees and align their interests with those of shareholders through the allocation of options for listed shares.</li> </ul> </li> </ul>	<b>Minergy Limited (2017)</b> <ul style="list-style-type: none"> <li>P71.9 million capital raised</li> <li>Reason for listing <ul style="list-style-type: none"> <li>Raise development funding for the Masama Mine.</li> <li>Enhance future capacity to raise capital.</li> <li>Raise the regional profile of the company.</li> <li>Make the company a more attractive investment opportunity for market participants.</li> </ul> </li> </ul>
<b>Far Property Company (2016) – Main Board</b> <ul style="list-style-type: none"> <li>Raised over P200 Million</li> <li>Reasons for listing: <ul style="list-style-type: none"> <li>Attract potential partners and provide a liquid investment;</li> <li>Reduction of debt;</li> <li>Future developments and acquisitions.</li> </ul> </li> </ul>	<b>Botswana Telecommunications Corporation (2016) – Main Board</b> <ul style="list-style-type: none"> <li>Raised P462 Million</li> <li>Reasons for listing: <ul style="list-style-type: none"> <li>Raise the company profile and investor awareness;</li> <li>Raise equity capital for the company;</li> <li>Enable Government to privatize BTCL.</li> </ul> </li> </ul>
<b>Afinitas (2015) – Venture Capital Board</b> <ul style="list-style-type: none"> <li>Raised P93.9 Million</li> <li>Reasons for listing: <ul style="list-style-type: none"> <li>Facilitate future capital raising for investment expansion;</li> <li>Facilitate the acquisition of stakes in other companies by future issuance of stock;</li> <li>Provide market exposure and indirect advertising through the listing which may facilitate future deals across Africa.</li> </ul> </li> </ul>	<b>Shumba Energy (2013) – Venture Capital Board</b> <ul style="list-style-type: none"> <li>Raised P462 Million</li> <li>Reasons for listing: <ul style="list-style-type: none"> <li>Raise the company profile and investor awareness;</li> <li>Raise equity capital for the company;</li> <li>Enable Government to privatize BTCL.</li> </ul> </li> </ul>
<b>Choppies (2012) – Main Board</b> <ul style="list-style-type: none"> <li>Raised P350 Million</li> <li>Reasons for listing: <ul style="list-style-type: none"> <li>Raise capital to fund the Group's growth expansion into Southern Africa;</li> <li>Provide capital to allow the Group to take advantage of opportunities for acquisitions as and when these arise;</li> <li>Raise the Group profile and investor awareness of Choppies, and its brand, locally and internationally</li> </ul> </li> </ul>	<b>New African Properties (2011) – Main Board</b> <ul style="list-style-type: none"> <li>Raised P150 Million</li> <li>Reasons for listing: <ul style="list-style-type: none"> <li>To facilitate the leveraging of finance for on-going expansion;</li> <li>To provide to its partners, who have supported its projects in the past, the opportunity of a liquid investment.</li> </ul> </li> </ul>
<b>Letlole La Rona (2011)</b> <ul style="list-style-type: none"> <li>Raised P211.7 Million</li> <li>Reasons for listing: <ul style="list-style-type: none"> <li>Obtain access to various forms of capital to pursue opportunities;</li> <li>Enhance investor awareness of the Company;</li> <li>To pay for listing costs and working capital requirements of the Company.</li> </ul> </li> </ul>	<b>Cresta Marakanelo (2010)</b> <ul style="list-style-type: none"> <li>Raised P91.2 Million</li> <li>Reasons for listing: <ul style="list-style-type: none"> <li>Dilution of holdings by shareholder;</li> <li>Facilitate future growth through the use of capital sources not available to private companies e.g. listing additional units to fund mergers or acquisitions.</li> </ul> </li> </ul>

## Join us at the 23<sup>rd</sup> Annual African Securities Exchanges Association (ASEA) General Meeting and Conference 2019, themed 'Building Resilient African Capital Markets.'

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**This year's conference brings together over 500 delegates, issuers, global policy makers and capital market intermediaries from across Africa and the rest of the world to the tourist town of Kasane, in Botswana. Speakers will deliberate on diverse topics to revive strategies to energize African capital markets and position African exchanges as the gateway to development of the African continent.**

The conference will be officially opened by His Excellency the President of the Republic of Botswana Dr. Mokgweetsi Masisi and will be hosted at the magnificent Cresta Mowana Safari Resort & Spa located on the banks of the Chobe River. Delegates will experience state of the art conferencing and networking facilities along the scenic river front and unwind with leisure activities such as game drives inside the Chobe National Park famous for its large herds of elephants and spectacular concentrations of wildlife, sunset boat cruises along the majestic Chobe river, visit the nearby world-renowned Victoria Falls or spoil yourself to some relaxation and recuperation at the on-site spa.



Don't miss this annual gathering of capital market experts on the doorway to the greatest African safari. Whether you are arriving by road or by air, Kasane is ready to welcome you to stay at any of its hotels, lodges and guest houses.

For more information and registration details, please call **(+267) 367 4400**.

The 23<sup>rd</sup> Annual ASEA General Meeting and Conference 2019, hosted by Botswana Stock Exchange Limited in collaboration with African Securities Exchanges Association.

**Hosted by**





54th CoSSE Bi-Annual Meeting held on the 22nd of November 2018 at the Johannesburg Stock Exchange, South-Africa, attended by delegates from SADC Stock Exchanges.

## BOTSWANA STOCK EXCHANGE LIMITED PROVIDES LEADERSHIP FOR SADC EXCHANGES



**The Botswana Stock Exchange Limited (BSEL) marks its 1<sup>st</sup> of 5 years as the Secretariat of the Committee of SADC Stock Exchanges, commonly referred to as CoSSE.**

This organization has been in existence since 1997, and was established to promote co-operation and collaboration between stock exchanges in the member countries of the Southern African Development Community (SADC). Although it is essentially a private-sector association, CoSSE forms part of SADC structures since it has a formal status under the SADC Finance and Investment Protocol.

CoSSE is made up of 15 stock exchanges within the SADC region and they are Stock Exchange of Angola (BODIVA), Botswana Stock Exchange Limited, Stock Exchange of Mozambique (BVM), Dar es Salaam Stock Exchange (Tanzania), Johannesburg Stock Exchange Limited (South Africa), Lusaka Securities Exchange (Zambia), Malawi Stock Exchange, Maseru Securities Market (Lesotho), Namibian Stock Exchange, Stock Exchange of Mauritius, eSwatini Stock Exchange, TROP-X (Seychelles), ZAR X (South Africa), Zimbabwe Stock Exchange and the newly joined FINSEC from Zimbabwe.

Since its establishment, the CoSSE Secretariat was hosted by the Johannesburg Stock Exchange until the 22<sup>nd</sup> of March 2018, when the BSEL was requested to serve as the new Secretariat for a period of 5 years, and the CEO of the BSEL was elected as the CoSSE Chairman for a 2-year period. CoSSE has its bi-annual meetings where CoSSE members and relevant delegates meet to discuss a variety of capital markets issues including the operational, regulatory and technical underpinnings and challenges of SADC's capital markets, amongst other things. CoSSE's objectives include being the region's gateway for cross-border trading, advocating for a harmonised securities market environment within the SADC region, encouraging the transfer of securities market' intellectual capital and technical expertise among the member countries of SADC, as well as to promote the development of autonomous, efficient, fair and transparent securities markets within the SADC region.

Generally, the regional capital market is faced with numerous challenges such as low financial literacy, restrictive regulations, a lack of a savings and investment culture and a lack of liquidity within the markets. Furthermore, the importance of stock markets is relatively unacknowledged within the region, resulting in low domestic and international listings, low trades and minimal investment. CoSSE has the pivotal opportunity of propelling the development and vibrancy of the SADC capital region, and a mammoth task such as this requires collaboration and cooperation with relevant stakeholders. In other words, macro-economic management, regulation and policy makers, brokers, investment institutions and issuers all have major parts to play in the advancement of regional capital markets.

Many of the improvements that CoSSE and its members are planning will not have short-term effects or result in immediate revenue gains, but they will contribute to a bigger vision of regional integration and financial inclusion in the capital market. In such cases, initial funding for projects is crucial as CoSSE is a non-profit body. Funding and sponsorships may be obtainable from corporations, funding programmes and sponsors, especially where they complement and enhance existing programmes.

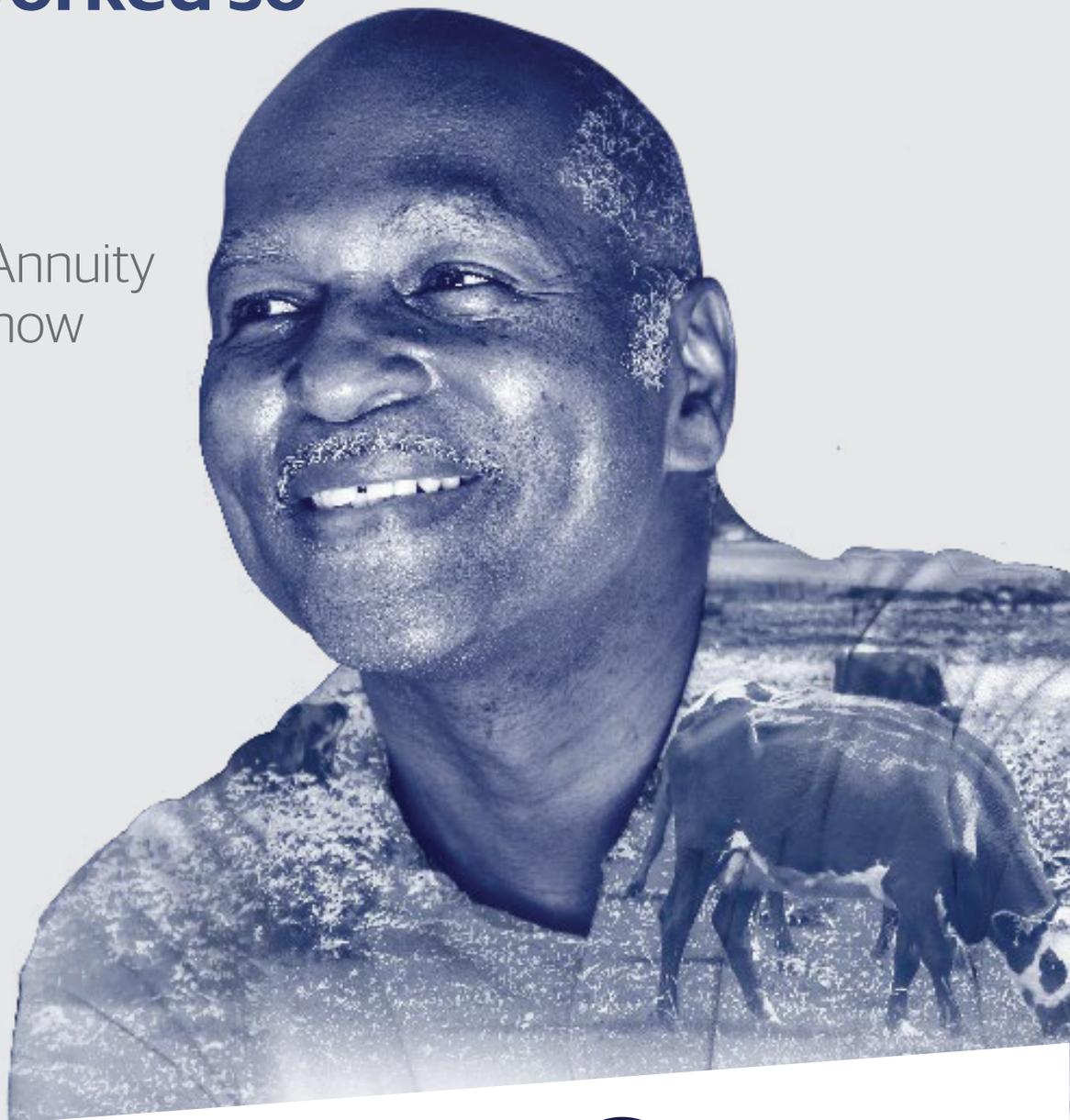
SADC Stock Exchanges delegates convened in Mbabane, eSwatini on the 14<sup>th</sup> of March 2019 for the 55<sup>th</sup> CoSSE Meeting, hosted by the eSwatini Stock Exchange. The BSEL will be hosting the 56<sup>th</sup> CoSSE Meeting in Kasane on the 23<sup>rd</sup> of November 2019, a day before hosting the Annual African Securities Exchanges Association (ASEA) General Meeting and Conference 2019, where hundreds of representatives from stock exchanges around Africa will meet to discuss wider issues affecting the prosperity of Africa's economy through the effective mobilization of capital.

For more information about CoSSE, visit the website at **[www.cosse.africa](http://www.cosse.africa)**, call the Secretariat at **+267 3674421** or email at **[cossesecretariat@bse.co.bw](mailto:cossesecretariat@bse.co.bw)**.

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# POSITIVE IMPACTS THROUGH DIPOELO PROGRAMME

**A** At the BSEL, our commitment to social development extends beyond giving. We invest in our country's future by focusing on sustainable initiatives that impact the communities we support.

Through our Corporate Social Investment (CSI) policy called 'Dipoelo Programme' our social development focus is centered on Education, Health, Community Development, Entrepreneurship and Preservation of the Environment.

We promote financial literacy through our flagship initiative, the *BSE Annual Senior Secondary Schools Finance & Investment Competition*, which is aimed at introducing high school learners and students within Botswana to the world of financial markets by teaching them the fundamentals of investing on the stock market through a simulation of quizzes and essay writing competitions.

Now in its 7<sup>th</sup> year, the BSEL Annual Senior Secondary Schools Finance & Investment Competition is one of our educational initiatives aimed at increasing understanding about financial markets, encouraging investment amongst Botswana and growing the pool of potential employees in the financial markets. We believe that this will assist in growing the number of people who might become investors or businesses that might list in the future.

SAVE THE DATES

**BSEL CALENDAR**

2<sup>nd</sup> April, 2019

4<sup>th</sup> Opening Bell Ceremony, Gaborone

11<sup>th</sup> April, 2019

Botswana Stock Exchange Open Day, Nata

1<sup>st</sup> May, 2019

5<sup>th</sup> Opening Bell Ceremony, Gaborone

9<sup>th</sup> May, 2019

Botswana Stock Exchange Open Day, Molepolole

4<sup>th</sup> June, 2019

6<sup>th</sup> Opening Bell Ceremony, Gaborone

13<sup>th</sup> June, 2019

Botswana Stock Exchange Open Day, Bobonong

2<sup>nd</sup> July, 2019

7<sup>th</sup> Opening Bell Ceremony, Gaborone

1<sup>st</sup> August, 2019

8<sup>th</sup> Opening Bell Ceremony, Gaborone

17<sup>th</sup> August, 2019

BSEL Senior Secondary Schools Finance & Investment Competition, TBA

3<sup>rd</sup> September, 2019

9<sup>th</sup> Opening Bell Ceremony, Gaborone

1<sup>st</sup> October, 2019

10<sup>th</sup> Opening Bell Ceremony, Gaborone

5<sup>th</sup> November, 2019

11<sup>th</sup> Opening Bell Ceremony, Gaborone

24<sup>th</sup> - 26<sup>th</sup>, November 2019

African Securities Exchanges Association (ASEA) Annual General Meeting and Conference, Kasane

3<sup>rd</sup> December, 2019

12<sup>th</sup> Opening Bell Ceremony, Gaborone

To attend the above events, contact the Market Development Department at [marketdev@bse.co.bw](mailto:marketdev@bse.co.bw) or call (+267) 367 4400.

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 the Market Development Department at [marketdev@bse.co.bw](mailto:marketdev@bse.co.bw)  
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## THE WORLD FEDERATION OF EXCHANGES (WFE) PUBLISHES 2018 FULL YEAR MARKET HIGHLIGHTS



According to the WFE's full-year statistics, the key trends of 2018 when compared to 2017 were as follows:

### Global market capitalisation at end 2018 was down 14.9% on 2017

- This was due to declines across all three regions: the Americas region was down 6.3%, Asia-Pacific was down 23.8%, and Europe, the Middle East and Africa (EMEA) region was down 16.5%.
- This is the first time in the five-year period since 2014 that there was a year-on-year decline in overall domestic market capitalisation.
- Unlike 2017 when domestic market capitalisation increased consistently month-on-month, in 2018 the market was more volatile. As a result, the average monthly growth rate in market capitalisation in 2018 was -1.6% as compared to +1.6% in 2017.
- While domestic market capitalisation soared to record high levels in January 2018 in markets across the globe (a 25.9% increase on January 2017), there were significant declines in market valuations in the months of February, October and December 2018. Due to the declines in Q4 2018, overall domestic market capitalisation fell from \$87.3 trillion as at end Q3 2018 to \$74.4 trillion as at end Q4 2018 (a Quarter on Quarter decline of 14.8%). Of the twelve months in 2018, all three regions recorded their lowest overall domestic market capitalisation at end December 2018.

### There was a marginal decline of 0.3% in the number of listed companies.

- A 1.1% increase in the number of listed companies in the Americas was offset by a 1.9% decline in the EMEA region.
- In the Asia-Pacific region the total number of listed companies was unchanged, although there were changes in the number of companies listed across exchanges.
- The uptick in value traded was driven by increases in the Americas region (30.4%) and the EMEA region (11.1%). In Asia-Pacific volume traded was down (3.6%).
- The increase in volume traded was driven by increases across all three regions: the Americas region was up 19.4%, the Asia-Pacific region was up 7.9%, and the EMEA region was up 10%.
- Of the four quarters in 2018, value traded was highest in Q1 2018, while volume traded was the highest in Q4 2018.

### Overall new listings and investment flows on exchanges were down on 2017.

- New listings through IPOs were down 14.5% on 2017. This was due to a decline in the number of IPOs in the Asia-Pacific (-22.7%) and EMEA (-22%) regions. Only the Americas saw an increase (37.3%) in the number of IPOs on 2017.
- Investment flows through IPOs fell by 12.1% on 2017. This was due to a decline in investment flows in Asia-Pacific (-12.6%) and EMEA (-28.4%). Only the Americas recorded an increase in investment flows of 6.3%.



- Other non-IPO listings were down 23.3% on 2017. This was entirely due to a 60.9% decline in the number of non-IPO listings in the EMEA region. In the Americas and Asia-Pacific regions, non-IPO listings were up 1% and 12.9% respectively.
- Investment flows through already listed companies declined by 27.5%. This was due to a decline in investment flows across all three regions: a 14.8% decline in the Americas region, a 26.1% decline in the Asia-Pacific region, and a 37.6% decline in the EMEA region.

#### Value and volumes of trades in ETFs were up on 2017

- Value of trades in ETFs was up 33.4% on 2017, driven by increases in all except the EMEA region (- 28.8%). Value traded was up 36.1% in the Americas and up 48% in Asia-Pacific. Number of trades in ETFs was up 45.8% due to increases in volumes across all regions: the Americas region was up 39.6%, Asia-Pacific was up 90.2%, and the EMEA region was up 20.6%.
- Across the four quarters, overall volume and value of ETFs traded was the highest in Q4 2018.

Exchange traded derivatives volumes were up 19.3% on 2017, driven by increases in volumes traded across all product types except commodity futures. In an environment of monetary policy uncertainty and high volatility in equity and currency markets, volumes of equity, currency and interest rate derivatives were higher in 2018 than in 2017.

**WFE CEO, Nandini Sukumar, commented on the report saying,**

**“ 2018 marked the year of a return to volatility, a trend observed by the WFE in our half year market highlights report in August 2018. This set the tone for the remainder of the year, with stock markets across the world reflecting the ongoing uncertainties of the global geopolitical landscape right through to the end of 2018. This can be seen most clearly in the dip in global market capitalisation, which closed out the year almost 15% down vs 2017, the first time since 2014 that this indicator has shown a decline. In the face of increased global risk, combined with an environment of monetary policy uncertainty and high volatility in both equity and currency markets, it is not surprising to see more investors using derivatives for hedging risk, resulting in strong volumes of equity, currency and interest rate derivatives, all of which were higher in 2018 than in 2017. ”**

Source: World Federation of Exchanges Website



As the epicenter of the domestic capital market, the BSEL has the responsibility to ensure that the market is fair and efficient. This is done by regulating market activity and making sure that every market participant complies with the rules of the Exchange.

That is to say, the BSEL balances the interests of the Investors, Issuers and Stock Brokers. Further, the BSEL also makes sure that market participants know and perform their rights and responsibilities to one another.

# "Securing Botswana's future"

## #YourInvestmentPartner

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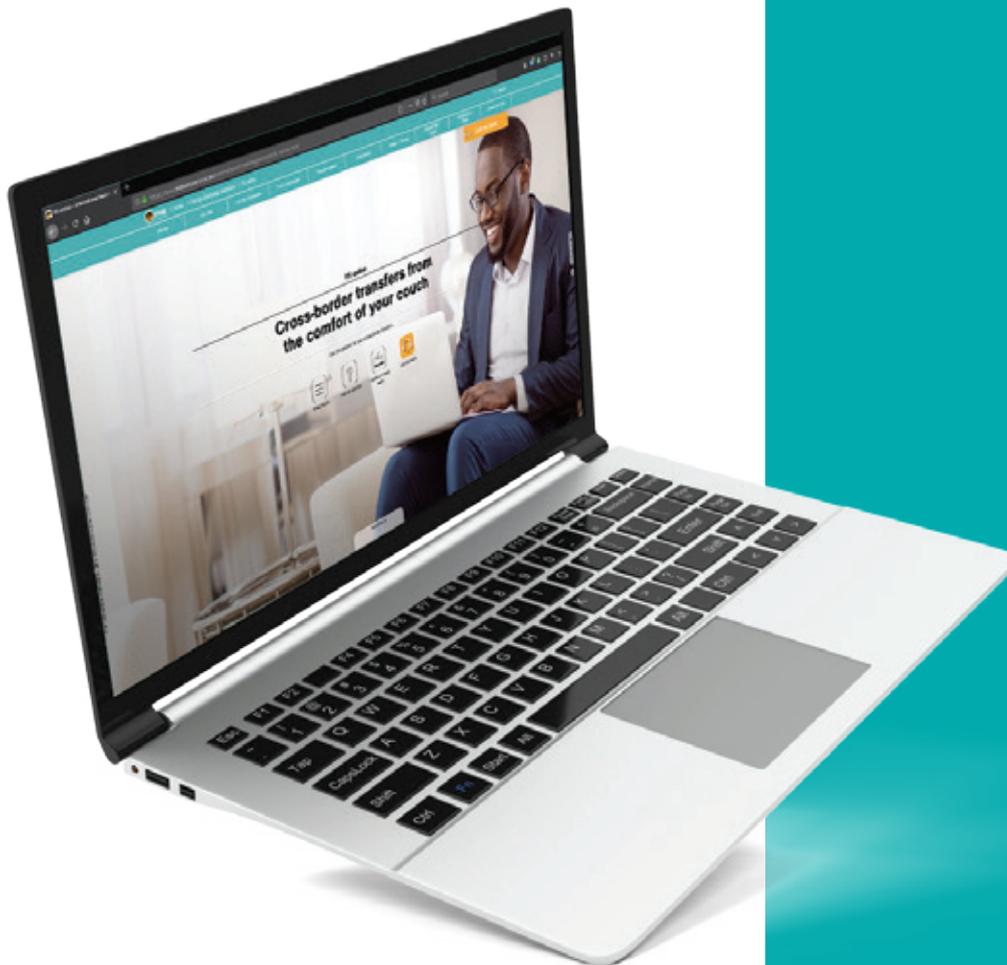
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