Botswana Stock Exchange Limited

NEWS

ISSUE NO.11 • JULY – SEPTEMBER 2020

NAVIGATING THROUGH CRISIS

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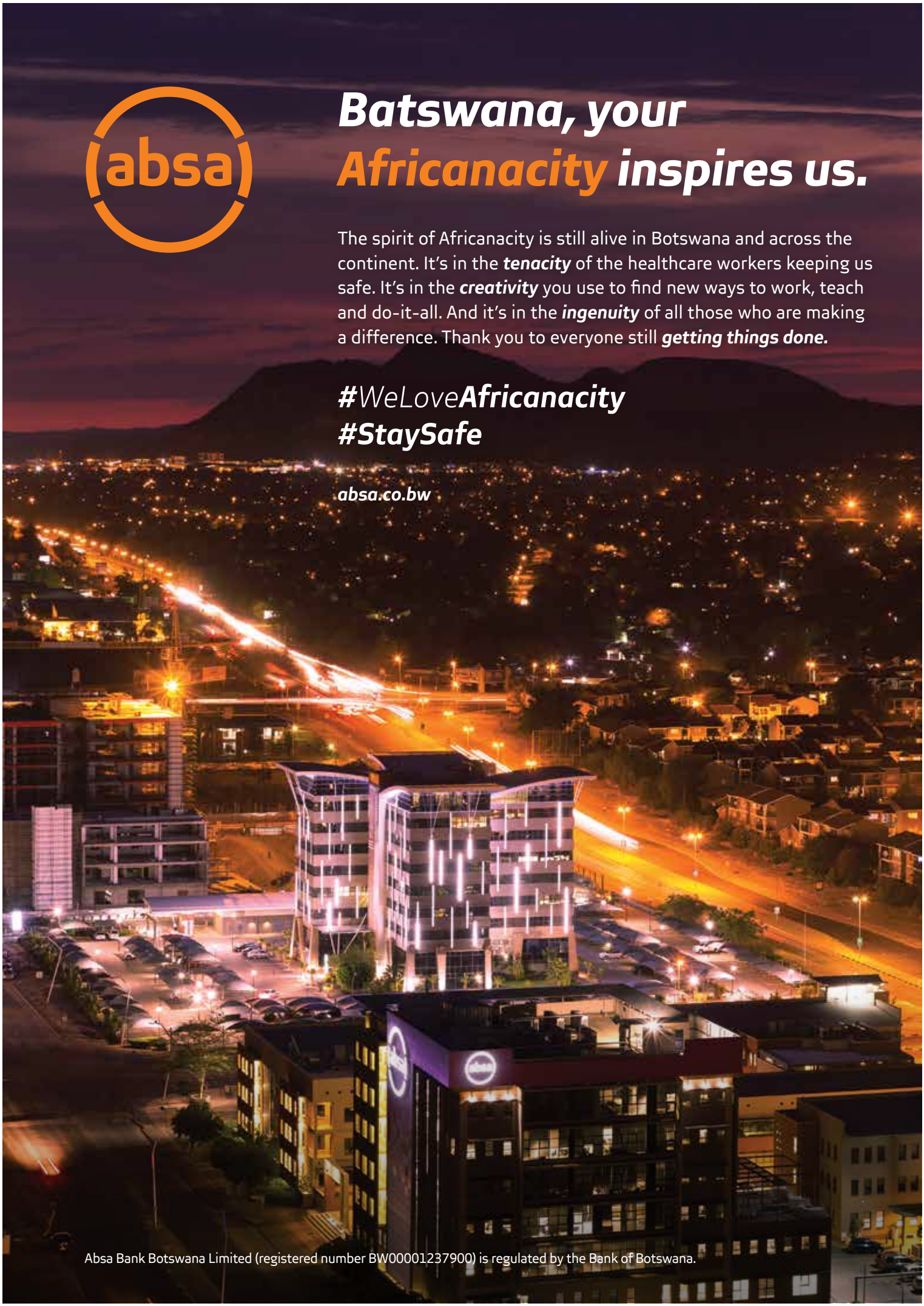
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A warm welcome to the 11th edition of the ***BSE News.***

In this day and age, adaptability is a key priority in ensuring competitiveness in an ever-changing global environment. History has taught us that disruption, which is now happening in every sector of the economy, is part and parcel of doing business. Hence, as leaders in our various sectors we have an elevated responsibility to anticipate all types of challenges emanating from any form of potential disruption and put in place measures and processes that will allow the key functions of our businesses to operate in the face of adversity.

In this particular instance, my focus is drawn to the on-going COVID-19 pandemic that has plagued the world and taken thousands of lives. In many ways, the coronavirus is not only a threat to the health and social well-being of our societies, it is also a threat to the global economy at large. Against this backdrop, we have decided to dedicate this edition of **BSE NEWS** to adapting in this disruptive pandemic and thus, we have appropriately themed this edition **'Navigating Through Crisis'**.

During the outbreak of the coronavirus, we fast-tracked our responsiveness to ensure business continuity and limited disruption to our operations. The onset of this pandemic was a sizeable test to the resilience of our market infrastructure and with the agility of response we succeeded in keeping the market open with no hindrances to trading, clearing and settlement and without compromising the safety of our staff members and clients. With our COVID-19 Response Plan 60% of staff began to work remotely from home from 2nd April 2020 in order to reduce the risk of infection and transmission, following the declaration on lockdown by His Excellency, The President of the Republic of Botswana, Dr. Mokgweetsi E. K Masisi on 31st March, 2020.

FOREWORD

To my delight, staff members adapted swiftly to these changes, adhered to the protocols and worked efficiently and collegially under the circumstances prevailing during the lockdown. Furthermore, as a part of this response plan, all BSE events and meetings were postponed to future dates and BSE offices closed for visitors until further notice. We maintained engagements and communication with stakeholders electronically by e-mail, virtual meetings and various digital communication platforms.

On a broader scale, the socio-economic impact of the COVID-19 pandemic has been immeasurable since its outbreak in late 2019. As result of lockdown and restricted movement, different industries have been affected adversely.

As a counter-measure, Government set-up a COVID-19 Relief Fund to provide support to workers, stabilize businesses, ensure availability of strategic reserves and promote opportunities for economic diversification to cushion the socio-economic impacts of the COVID-19 pandemic. Despite the drawbacks and challenges imposed by this pandemic, it has been humbling to witness the concord displayed by the public, organizations and corporates to complement our Government in promoting the safety and health of our nation while maintaining socio-economic stability. In solidarity, the BSE donated BW100,000.00 to the Fund on 17th April, 2020.

Although the crisis is still unfolding, it is generally commendable that Botswana successfully contained the spread of the virus, lifted the lockdown and reopened the economy in just under two months of lockdown.

On a separate note, let me take this opportunity to congratulate two of our staff members, Mr. Kopano Bolokwe, Head of Product Development and Mr. Tsametse Mmolai, Head of Listings and Trading, on their successful completion and graduation from the International Finance Corporation-Milken Institute Capital Markets Program, Class of 2020, in Washington DC. The two were among the eighteen scholars from twenty three countries in various parts of the world, primarily emerging and frontier markets. I am confident they will deploy their skills and utilize their network to advance the capital market developments in Botswana.

In closing, I urge you all to stay safe and adhere to the COVID-19 precautionary measures and protocols as the majority of us have resumed our "normal" lives and returned to work. To all our valued clients and stakeholders, I am grateful for your consistent cooperation and engagement with us and I am happy to reassure you that we are committed to assisting you to navigate this crisis and traverse the "new normal".

Happy reading and we look forward to interacting with you progressively.

'Your partner in wealth creation'

Thapelo Tsheole
Chief Executive Officer

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KNOW YOUR STOCK MARKET TERMS

Stock Market Crash - A rapid and often unanticipated drop in stock prices. A stock market crash can be a side effect of a major catastrophic event or economic crisis.

Trading Curb - Also called "circuit breaker" is the temporary halting of trading so that excess volatility can be reined in and order restored.

Asset Allocation – Distributing money across the various asset classes (such as stocks, bonds, and cash) to formulate a portfolio of investments is called asset allocation; the goal is to minimize risk and maximize reward.

Portfolio – A collection of all the investments an investor has made.

Mutual Funds - a way of investing across a large number of stocks by pooling your funds with those of other investors. This allows you to diversify your investment even if you have limited funds. Further, a fund manager takes care of selecting the right stocks to invest in.

Exchange-Traded Funds – These are funds consisting of underlying securities (such as stocks, bonds, and commodities) listed on the stock exchange and traded like shares. They are usually managed passively and track an index.

Cash Ratio – A ratio of a company's total cash and cash equivalents to its current liabilities indicating its ability to repay its obligations using cash or near-cash resources.

Current Ratio – A ratio of current asset to current liabilities indicating a company's short-term liquidity.

Buy, Hold or Sell Ratings – Ratings generated by analysts and brokers through research to guide investors about which stocks to buy, keep or hold, or sell.

Leveraged Buyout (LBO) – An acquisition of a company using borrowed money. The buying party does not have to put their entire capital at risk, and instead has leveraged capital from other sources.

Risk Tolerance - How willing an investor is to take on volatility and variability in their investment returns.

Treasury Bonds (T-bonds) - Debt securities issued by government that can have maturities greater than 10 years. T-bonds earn periodic interest until maturity, at which point the investor is also re-paid the principal amount.

Treasury Bills (T-bills) – Short-term money market instruments issued by the central bank on behalf of government to address temporary liquidity concerns. These do not yield any interest, but are issued at a discount to the redemption price which is paid at maturity.

Maturity - the date on which the life of a transaction or financial instrument ends, after which it must either be renewed, or it will cease to exist.

Source: Dictionary of Finance & Investment Terms

NAVIGATING THROUGH CRISIS

HOW COMPANIES CAN UTILIZE THE STOCK EXCHANGE DURING AND POST COVID-19 PANDEMIC

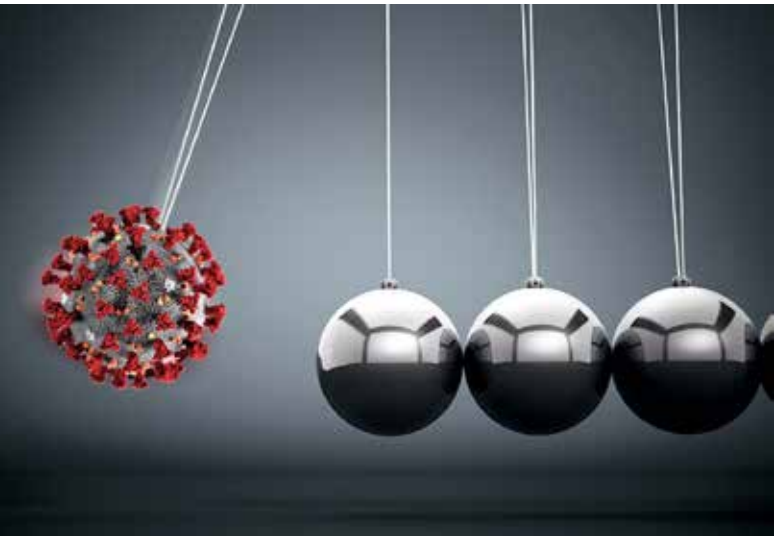
The outbreak of the coronavirus, also known as COVID-19, is inarguably becoming the most disruptive crisis the world has ever experienced since the Spanish flu of 1918 which is said to have infected a quarter of the world population at the time.

The economic and financial impact of this pandemic, which is still unravelling, is analogous with past events such as the Great Depression and the 2008 global financial crisis. Several jurisdictions have declared a state of public emergency to deploy measures to curb the spread and cushion the socio-economic impact of the pandemic. From a social standpoint, the outbreak has necessitated society to take drastic measures such as extreme social distancing and extensive lockdown periods. As a result, majority of the global workforce has had no choice but to stay home, causing massive disruption in productive activity across the world.

Volatility and panic engulfed major financial markets across the world with many experiencing significant drawdowns from their 2020 highs and effectively wiping out previous year's gains due to the sell-off caused by the economic uncertainty. In response, governments and in some cases private sector, have intervened by providing social and financial support to businesses and employees most affected by the disruption, including small-to-medium enterprises (SMEs).

In addition, most central banks have responded by taking an aggressively accommodative monetary policy stance by significantly reducing interest rates and launching quantitative easing programs. Regardless of the current state of affairs, history shows us that humanity has been able to survive even the direst times of distress instilling hope that the contagion will ultimately subside to manageable levels and life will return to normal, albeit a distinctively different normal. Although the adverse socio-economic effects of the pandemic will be felt for many months to come, businesses certainly have options that they can evaluate and adopt to maintain their survival and growth during and in the post-pandemic period.

As financial capital is the lifeblood of all businesses - big and small - the financial and capital markets are now more important than ever in navigating the COVID-19 pandemic and the resultant economic crisis impeding optimal access to liquidity. Businesses have the ability to remain solvent by strategically accessing the capital markets to raise debt and/or equity capital or by preserving capital through certain corporate actions affiliated with instruments on the stock exchange. This section explores how companies can use the BSE during and post COVID-19 pandemic to navigate the crisis, and to sustain and enhance recovery for long-term benefit of their stakeholders.



THE IMPACT OF THE COVID-19 PANDEMIC ON BUSINESSES

The International Monetary Fund (IMF) indicates that the global economy has already entered a recession that could be as bad as or worse than the slump after the 2008 financial crisis. The World Bank estimates that the coronavirus outbreak could cause significant economic slowdown in China with spillovers into other parts of the world. In addition, the World Bank has projected that Sub-Saharan Africa will see its first recession in 25 years because of the severe impact of the coronavirus pandemic. On the back of these projections, the performance and competitiveness of companies across most industries could be substantially negatively affected. Although the impact is systemic and idiosyncratic in some instances, the below three trends embody the impact that potentially cuts across various industries:

- **Reduced earnings:** Businesses have temporarily shut down as countries across the world have initiated lockdowns to curb potential spread of the virus and this implies significantly reduced revenues. In the absence of cash flow, some smaller businesses may be forced to reduce their staff or close down entirely and that could exacerbate the pressure on the economy.

- **Increased cost of operations from business disruptions:** The disruption of the production and supply value chain could result in increased costs of inputs as supply dwindles due to the logistics and mobility restrictions. Furthermore, supply chains may take longer time to return to normal following the lockdowns.

- **Changing competitive landscape:** Companies are responding strategically by embracing flexibility in their operations and central to this is the capacity to enable work from home or alter their physical or customer environments. Domestically, stores for example, have embraced online shopping and home deliveries. Businesses that have adequately invested in business continuity plans and pandemic contingency infrastructure have experienced minimal disruption to their operations.

In addition, many firms across the world have stepped up and shifted their capacity and infrastructure towards manufacturing products required in the pandemic environment, for both commercial and social reasons. Locally, start-ups and some universities are producing sanitizers and other forms of protective equipment. In what may become a future norm, conferences are taking place over virtual platforms to continue these important network events. These and many more examples demonstrate how the pandemic has forcefully shifted and morphed business models for adaption.

THE ROLE OF THE BSE IN THE ECONOMY

In the broader economy and the financial system, the BSE performs a crucial function of facilitating the formation, allocation and mobility of capital. Like many other stock exchanges, the BSE is an organized and regulated marketplace where equity and debt securities are listed and subsequently traded on a continuing basis. Unlike money markets, capital markets provide an opportunity for long-term funding at the point of issuing the securities for the first time and at any other point henceforth. Such securities can be debt (bonds, debentures, or notes), equity (shares or common stock), or a hybrid (a security with both debt-like and equity-like characteristics such as preferred shares and convertible bonds).

Among other functions, stock exchanges address the needs of issuers seeking finance at reasonable cost and of investors willing to provide the finance according to their perception of risk and return. The issuance of equity, or shares, happens in the primary market when a company sells some of its outstanding shares to the public, in return receiving the funds in this transaction. Once the company is listed on the BSE, the shares can be traded continuously between the holders and members of the public seeing value in the company. While a listing may result in a flow of funds from investors to the firm in the primary market in exchange for the shares, the trading of shares in the secondary market results in the exchange of funds and shares between investors. By facilitating the trading of issued shares in the secondary market the BSE enhances the discovery of price and facilitate entry and exit in these investments, which are critical for efficient allocation of capital by various participants in the market and the ultimate resilience of the economy.

It suffices to highlight that companies and investors alike tend to prefer a public platform such as a stock exchange due to the oversight provided, applied and enforced on listed entities and participants in the market using the regulatory tools of the exchange. As a regulatory entity, the stock exchange ensures that the capital raising and investing activities are conducted in a fair, transparent, efficient manner and in a secure manner as regards the clearing, settlement and custody of securities through the central depository system (CSD).

HOW COMPANIES CAN UTILIZE THE BSE POST COVID-19 PANDEMIC

From a business perspective, at the core of this unfolding pandemic is the concern around the solvency and liquidity of companies – the lifeblood of every economy. Most economies have introduced stimulus packages and relief measures of various forms to keep businesses and the economy afloat. At company level, access to capital is very critical in any business cycle. In this particular one, and even in glory days, it still remains critical to reiterate the importance of utilizing the stock exchange and the methods by which companies can utilize the stock exchange to stay in operation and ramp up as the impact of the pandemic dissipates. These methods primarily highlight ways in which a company can raise capital as well as preserve cash on the balance sheet.

a) Issuing and Listing Shares on the BSE

Companies can issue and list shares through an initial public offering (IPOs) or private placement to raise capital for business operations and for various other reasons. As a pandemic is systemic, it is highly likely that valuations will get depressed during the pandemic whereas the fundamentals of a business could be viewed differently by existing and potential investors.

Often, this presents opportunities to both seekers and suppliers of capital and the timing could prove beneficial in terms of optimizing the capital structure of the company by accessing public funds through the stock exchange. On the BSE, a company can list its shares on various boards depending on its ability to meet the requirements of each of the boards. These are the Main Board, Venture Capital Board, and the Tshipidi SME Board. The key key BSE listing requirements applicable to each of them are presented in Table 1:

Overview of BSE Equity Listings Requirements

Requirement	Main Board	Venture Capital Board	Tshipidi SME Board
Financial history	•Profit history for the preceding 3 financial years with profit of at least P1million before tax	•No profit history needed	•Profit history not needed
Minimum capital	•Subscribed capital of at least P5 million •No less than 1million shares in issue	•Subscribed capital of at least P2.5million	•Subscribed capital of at least P0.5milliom
Minimum share price	•Minimum initial issue price of 100thebe per share	•Minimum initial issue price of 50thebe per share	•Minimum initial issue price of 50thebe per share
Minimum number of public shareholders	•300 for ordinary shares •100 for the other classes of equity	•100 for ordinary shares •50 for preference shares	•5 for ordinary shares •5 for preference shares
Minimum free float	•30%	•10%	•5%

In addition, a company may register on the Serala OTC Board as an opportunity for its shares to be traded to facilitate the exit and entry of investors at publicly accessible share prices. In the process of remaining on the Serala OTC Board, a company also benefits from familiarizing itself with the regulatory conduct and compliance requirements of a publicly-listed company and this is useful for companies that strategically intend to eventually issue more shares to raise capital and undertake a listing on either the Main or the Venture Capital board in the short to medium term.

b) Undertaking Rights Issues, Secondary Offerings, Scrip Dividends and Bonus Shares

Listing on the BSE affords a company the ability to build a larger and heterogeneous base of retail and institutional investors, domestic and foreign. Such an investor base is crucial for supporting the company's corporate actions on an ongoing basis, some of which are aimed at raising more money while others are aimed at preserving cash already on the balance sheet. A listed company can raise money through a rights issue which is an option for existing shareholders to buy additional shares in the company at a discounted price compared to the market price. Other than the discounted price, the attractiveness of a rights issue to shareholders is

that the shares are purchased in proportion to the existing ownership thus avoiding a dilution in shareholding. For the company, it is able to raise long-term capital without increasing its debt levels.

In addition, a company can conduct a secondary offering of shares, or issuance of additional shares, which could be subscribed to by any investor as a way of raising capital by the company. In some cases, companies can structure acquisition transactions financed wholly by issuing shares or through a combination of shares and cash. The fact that the valuation is already determined in the public market is an important catalyst in these transactions.

A company can preserve cash on the balance sheet by paying a dividend using shares instead of paying cash as dividends and this is called a scrip dividend. To even please its loyal shareholders, it can pay a bonus dividend in the form of additional shares instead of cash. These corporate actions are crucial for capitalizing the company so it can resuscitate or pursue business expansion, acquisitions and other activities of potential value to shareholders using the preserved cash.

c) Optimizing the Capital Structure and Managing Risk

Debt capital is usually the dominant type of capital in a company's structure in its early years of operation and with time companies can reach a level where another form of capital is necessary to be injected for the company's continued growth. Often, this form of capital is external equity. In some instances, lenders cap their debt exposure to companies to mitigate credit risk and this can reduce the possibility of accessing debt financing at reasonable cost. Therefore, a company can strategically undertake an IPO to access equity capital, reduce its riskiness and in the process increase its attractiveness and creditworthiness to lenders so it can continue to access external debt. Interestingly, certain lenders do accept shares of a company as collateral for the loans issued as this helps to manage their credit risk exposure. Compared to a private company, such an innovative transaction as equity collateralized debt obligations can be hampered by the lack of a publicly determined value of the stock and the lack of a platform for selling the shares held by the lender if the need arises. Given the envisaged and unfolding economic impact of the COVID-19 pandemic, most lenders would increasingly become frugal and borrowers, being corporates, could be compelled to increase their levels of equity capital. One of the ways of achieving this is by floating their shares on the BSE to raise funds from the public. Practice has demonstrated that a listed company tends to be progressively credible for further lending by private institutions as, among several considerations, a diversified capital structure reduces its credit risk.

d) Issuing and Listing Bonds on the BSE

A bond is a debt instrument acknowledging an obligation of indebtedness to a lender by the issuer of the bond for a specified period of time and with a pre-determined interest rate or coupon rate. Generally, bonds are deemed less risky in comparison to shares because of the contractual obligations of the borrower to the lender as regards payment of interest and repayment of principal, among other things. From a lender's perspective and in accordance with the pecking order theory, issuing debt tends to be highly preferred if internal finance is insufficient because of the many advantages of external debt financing relative to those of external equity. External debt financing can be attained by issuing a bond on the BSE and this is applicable to both listed companies and unlisted companies. Again the value proposition is the presence of regulatory oversight but in addition what is most distinct is that a bond, especially a bond of longer maturity, is an attractive asset to pension funds and insurance companies who are managing long-term liabilities that need to be matched with long-term assets such as bonds.

Bonds can be of various types and structure, which is an important consideration in the context of COVID-19 pandemic and the expected depressed cash flow levels in the early days of economic resuscitation and recovery. For example; issuing a zero-coupon bonds takes out interest payment obligations. Issuing a bullet bond defers principal payment to the maturity date. Issuing amortizing bonds, where both the interest and principal payments are built into the coupon payment offers its own advantages of reducing the amount of debt at every payment opportunity. A company can also issue convertible bonds which, overtime and subject to the performance of the company, can be converted to shares in the company at a pre-determined conversion ratio. On the BSE, convertible bonds have historically been applied in early stage companies whose continued growth then triggered the conversion of debt to equity, saving the company the trouble of repaying the debt. These examples clearly can be very useful to companies that prefer to strengthen cash balances and utilize them for business recovery while minimizing the burden of servicing debt obligations for some time.

In addition to the aforementioned types and structures of bonds, a company can issue green and/or social bonds whose proceeds are generally directed towards environmental, social and governance (ESG) activities. The COVID-19 pandemic has uplifted the prominence of social bonds whose capital is deployed for socio-economic issues related to this pandemic. According to the African Development Bank, a record $3 billion in a three-year "Fight COVID-19" social bond was raised towards the end of March to help alleviate the economic and social impact the COVID-19 pandemic will have on livelihoods and Africa's economies. Due to the rising significance of impact and social investing these kind of bonds which normally pay lower interest have become appealing to institutional asset owners who strive to demonstrate their contribution to humanity, beyond just maximizing returns.

By extension, companies that issue green and social bonds directly address the Sustainable Development Goals (SDGs) and this has increasingly become an important selling point for ESG-oriented investment mandates. As it stands, the COVID-19 pandemic will substantially defeat and regress Goal 1 of the SDGs – End Poverty, as it is estimated that half a billion people in the world could be pushed into poverty as a result of the pandemic (Oxfam, 2020).

e) Enhancing Strategic Performance

As mentioned earlier, the outbreak of this pandemic has challenged several companies to improve their competitiveness in order to remain afloat. According to Forbes (2020), the world could be witnessing the awakening of a new world order wherein, among others, there is increased confidence in technology, technical performance and online payment sectors which are causing a change in consumer behavior, away from traditional methods. We are witnessing this wave of change locally particularly as retailers and other service providers have switched to online and technology-backed service delivery methods. This trend would likely be sustained post the dissipation of the pandemic. If so, it could greatly support the rise of financial technology companies, also known as Fintechs, and challenge the viability of the various operational models. It could catalyze mergers and acquisition (M&A) activities which could intelligibly be financed by cash, shares or a combination of both.

Again the relevance and importance of the stock market takes center stage particularly in transactions that could involve publicly listed companies as well as Fintechs that could be seeking capital for expansion. Presumably, companies could also resort to streamlining and unbundling some of its assets to be listed as stand-alone companies. As a reference point, following the 2008 financial crisis, we witnessed some level of M&A activity in the public market where a number of companies used shares to take ownership stakes in others and also merge into new entities.

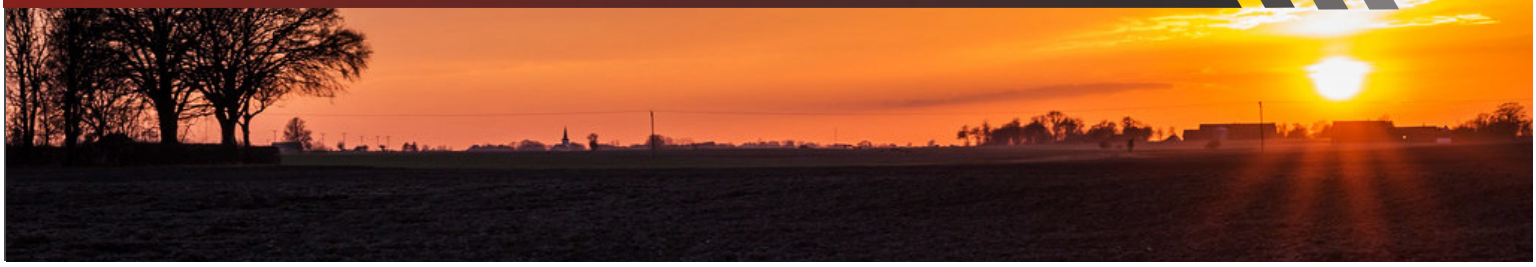
f) Marketing, Governance and Beneficiation

Companies go public for reasons beyond just raising capital initially and on a continuing basis. They frequently highlight factors related to marketing, governance and stakeholder beneficiation as some of the compelling reasons for listing. These are softer but extremely important tenets of business viability. A listing increases the visibility, improves public perception of a company and positively impacts brand loyalty. A listed company demonstrates commitment to higher standards of governance, accountability and transparency which are very crucial to creating long-term shareholder value. A listing promotes local beneficiation as the general public is afforded the opportunity to invest in companies operating in their locality and affords companies the opportunity to boost employee morale, retain and attract talent by putting in place stock-based incentive programs such as employee share option schemes (ESOP). In the tail end of this pandemic, these three tenets would still remain important contributors to the pace of recovery and the stock exchange is a credible platform to accelerate their impact on business.

In conclusion, the global COVID-19 pandemic is undoubtedly causing unprecedented disruption locally and around the world and has triggered the need to delicately balance social issues with economic issues, particularly preservation of lives and sustenance of business activity respectively. To a larger extent, the draconian measures aimed at containing the spread of the virus have disproportionately impacted business output while also stimulating renewed models of business operations and opportunities. Central to recovery in the post-pandemic era, and perhaps during the pandemic, is the need to maintain solvency and to access capital when it is needed. In addition to available fiscal interventions and relief measures offered by alternative suppliers of capital, businesses need to be made aware of the various methods they could deploy to tap into the deeper pools of contractual savings in the country through the various instruments on the BSE. These methods are diverse in nature and applicable to both listed entities and entities willing to list. They serve various strategic purposes over and above raising capital and can be very important in catalyzing the pace of recovery for individual businesses post the COVID-19 pandemic. Inarguably, shareholders and suppliers of capital are monitoring and evaluating the developments during this crisis for eventual allocation of capital. Hence, companies can progressively position themselves for recovery through these methods and instruments that are available on the BSE.

CEDA STRUCTURED & EQUITY FINANCE

CREATING LEGACIES POST COVID-19



In line with its strategy to empower citizens, CEDA structured and Equity Finance is a unique initiative that focuses on catalytic investments within the medium and large scale across all industries/sectors of the economy.

The aim is to invest in opportunities that have potential for high growth, nurture portfolio companies, up-skill staff and provide strategic direction to the management team.

Being an empowerment vehicle, CEDA requires that the business it finances has citizens forming part if not the majority ownership of the company.

Qualifying projects must address the commitment to alleviate the challenges of unemployment, technology transfer, increasing local content, value addition or beneficiation, infrastructure development, skills development and entrepreneurship development.

The product offering uses classes of capital such as Equity capital (ordinary shares) and mezzanine instruments (preference shares, debenture notes, options and warrants) and Debt (provided CEDA has an equity stake in the company).

FOR FURTHER ENQUIRIES, CONTACT:

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MARKET PERFORMANCE REPORT FOR THE PERIOD 1st JANUARY TO 31st MAY 2020

1. EQUITY MARKET

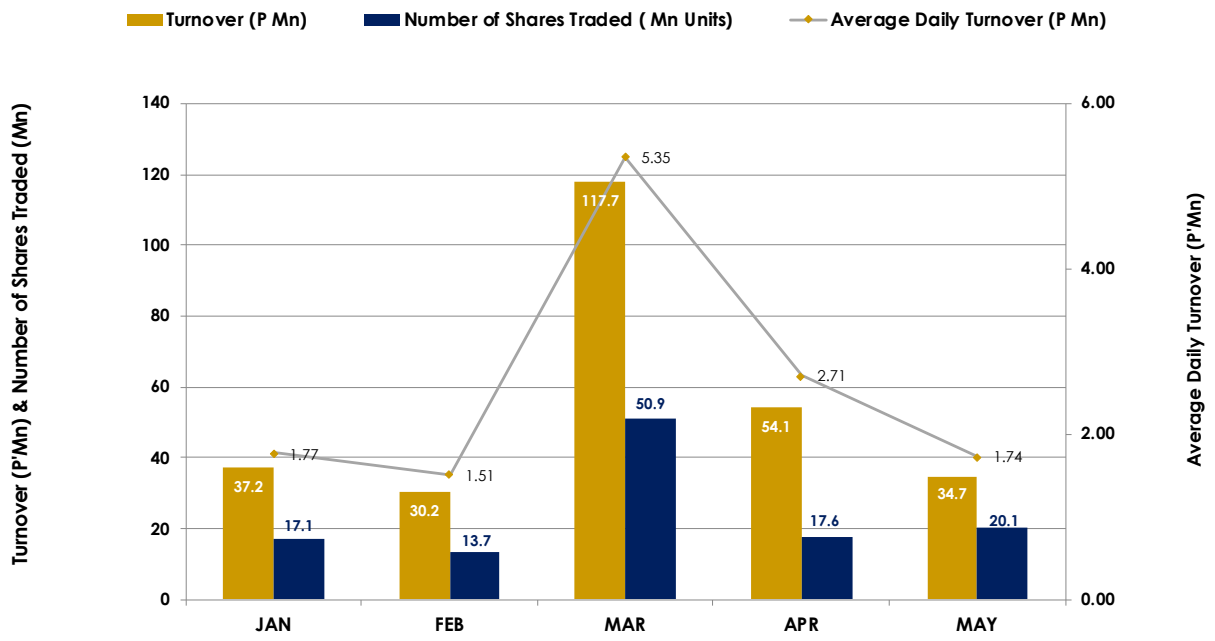
The Domestic Company Index (DCI) experienced a depreciation of 2.3% during the period 1 January to 31 May 2020 in comparison to a 1.6% decrease registered in the same period in 2019. The Domestic Company Total Return Index (DCTRI) appreciated by 0.7% during the period.

On the foreign companies' front, the Foreign Company Index (FCI) registered a depreciation of 0.7% so far in 2020 relative to an increase of 0.9% over the same period in 2019.

Figure 1: Equity Market Performance

Index	January	February	March	April	May	Jan-May
Domestic						
DCI	7,545.55	7,598.72	7,487.64	7,425.83	7,323.82	**7,323.82**
Change	0.7%	0.7%	-1.5%	-0.8%	-1.4%	**-2.3%**
Market Capitalization (P'Bn)	38.97	39.29	38.72	38.42	37.87	**37.87**
DCTRI	1,739.33	1,755.30	1,737.25	1,747.45	1,738.85	**1,738.45**
Change	0.7%	0.9%	-1.0%	0.6%	-0.5%	**0.7%**
Foreign						
FCI	1,551.35	1,551.35	1,551.35	1,551.35	1,551.16	**1,551.16**
Change	-0.7%	0.0%	0.0%	0.0%	0.0%	**-0.7%**
Market Capitalization (P'Bn)	366.54	358.90	356.92	356.47	356.42	**356.42**

Figure 2: Turnover Levels - January to May 2020



MARKET PERFORMANCE

As per Figure 2 above, turnover levels were the highest during the month of March 2020 reaching P117.7 Million in equity turnover. Over the period from January to May 2020, total equity turnover amounted to P273.9 Million resulting in an average daily turnover of P2.7 Million.

As can be noted in Figure 3 below the BSE DCI has so far declined by 12.7% in US dollar terms attributable to an 11.9% appreciation of the US Dollar vs the Pula while MSCI Emerging Markets Index, a benchmark for global emerging equity markets, experienced a 16.5% decline since the beginning of the year. The JSE All Share Index had declined by 28.6% while the SEMDEX was down 32.7% both in US dollar terms.

Figure 3: Comparison with selected markets - USD terms

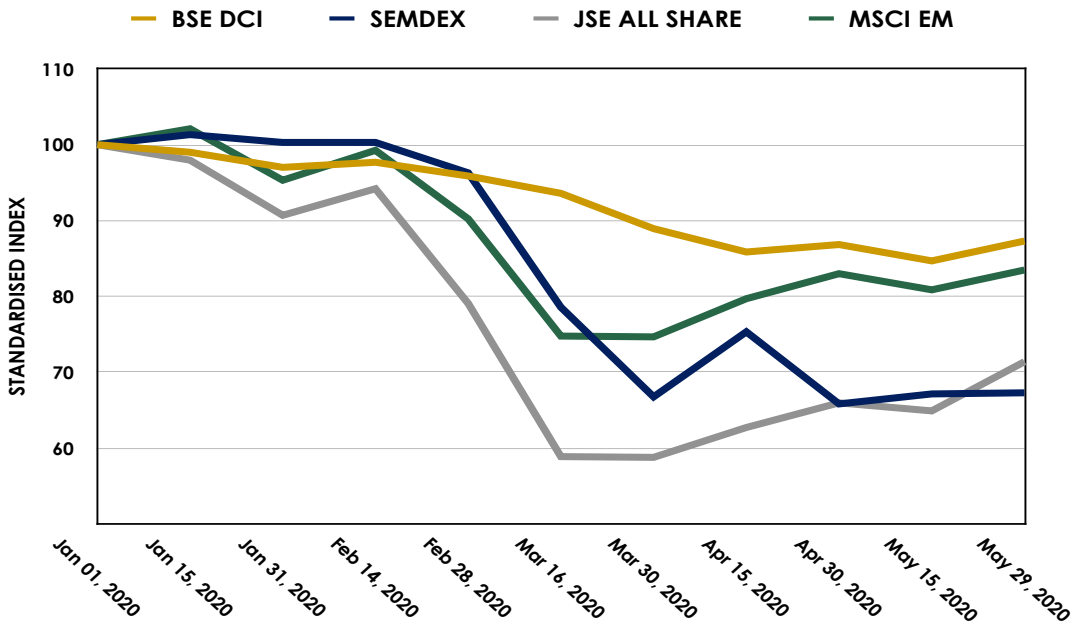


Figure 4 shows the companies that experienced share price changes during the year to 31 May 2020. Out of the 32 listed companies 19 have had price changes. The top 5 companies that experienced share price increases were Letshego: 15.4%, Botswana Diamonds: 8.3%, Letlole: 4.4%, Cresta: 0.7% and Sefalana: 0.6%.

The bottom 5 companies that experienced share price decreases are Lucara: - 49.7%, followed by Minergy: - 22.7%, Stanchart: - 17.4%, SeedCo: -13.0% and BTCL: -12.2%.

Figure 4: Share price percentage change

Jan	Jan	Feb	Mar	Apr	May	Jan – May
Letshego	21.0	4.7	-5.6	-3.5	-1.2	**15.4**
BOD	0.0	8.3	0.0	0.0	0.0	**8.3**
LLR	0.4	0.0	4.0	0.0	0.0	**4.4**
Cresta	0.0	0.0	0.7	0.0	0.0	**0.7**
Sefalana	0.6	0.0	0.0	0.0	0.0	**0.6**
NAP	0.3	0.0	0.0	0.0	0.0	**0.3**
Sechaba	0.1	0.0	0.2	0.0	0.0	**0.3**

Figure 4: Share price percentage change

Jan	Jan	Feb	Mar	Apr	May	Jan – May
Primetime	0.0	0.0	0.0	0.0	-0.3	**-0.3**
Turnstar	0.0	-0.4	0.0	0.0	0.0	**-0.4**
Chobe	1.5	0.4	1.7	-4.3	0.0	**-0.7**
ABC	0.0	0.0	0.0	-1.0	0.0	**-1.0**
FPC	-2.4	0.0	0.0	0.0	0.0	**-2.4**
G4S	0.0	0.0	-2.9	0.0	0.0	**-2.9**
FNBB	0.0	3.5	-6.7	-1.8	-3.7	**-8.7**
BTCL	-3.2	-10.4	0.0	-2.3	3.7	**-12.2**
SeedCo.	-3.3	0.0	0.0	0.0	-9.7	**-13.0**
Stanchart	0.0	0.0	0.0	-5.4	-12.0	**-17.4**
Minergy	0.0	0.0	0.0	0.0	-22.7	**-22.7**
Lucara	-49.7	0.0	0.0	0.0	0.0	**-49.7**

As can be observed in Figure 5, 26 out of 32 companies traded so far in 2020 generating equity turnover of P273.9 Million. The top 5 most traded companies were FNBB (P48.8 Million), Letshego (P47.1 Million), Sechaba (P43.5 Million), BIHL (P27.1 Million) and NAP (P14.3 Million). Turnover for the top 3 most traded companies accounted for 56% of total equity turnover.

During the period from January to May 2020, local companies continued to be the dominant market participants contributing 63% to equity turnover, followed by foreign companies at 28%, local retail investors at 7%, Foreign retail investors contributed 2% while Brokers only contributed less than 1%. This is denoted in Figure 6.

Figure 5: Company ranking by turnover in BWP terms

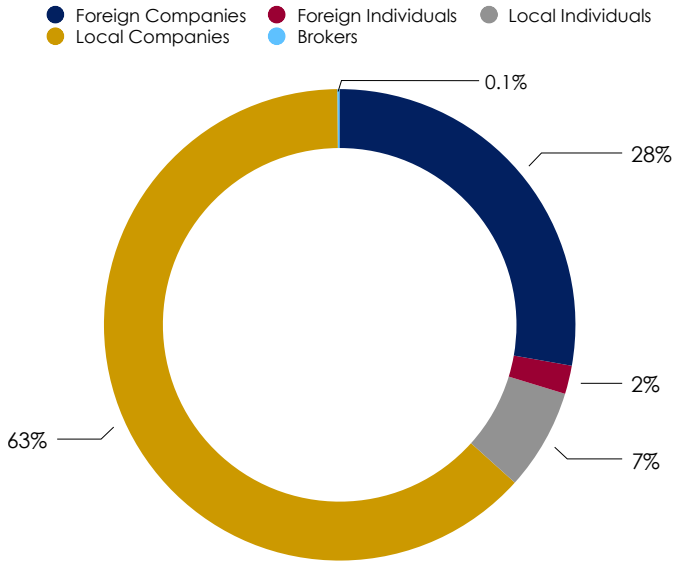
Company	January	February	March	April	May	Jan-May
FNBB	6,225,435	2,687,094	23,189,053	15,954,656	764,576	**48,820,814**
Letshego	8,007,936	4,669,782	29,147,475	2,490,768	2,813,628	**47,129,589**
Sechaba	1,867,657	3,536,555	33,924,341	3,798,725	397,181	**43,524,459**
BIHL	4,543,998	2,348,833	7,232,050	5,970,353	7,072,153	**27,167,386**
NAP	3,511,655	420,027	3,127,823	1,070,550	6,260,014	**14,390,068**
Turnstar	1,577,534	37,325	63,280	10,950,881	-	**12,629,020**
Letlole	188,868	684,728	11,265,970	2,484	278,379	**12,420,429**
Sefalana	3,597,174	2,258,058	2,586,449	2,029,067	1,151,565	**11,622,312**
Minergy	-	17,710	-	-	9,517,291	**9,535,001**
Absa	2,270,290	2,837,642	2,666,598	489,330	879,868	**9,143,728**
Chobe	704,612	671,376	2,725,379	3,841,299	172,711	**8,115,377**
BTCL	984,030	2,812,733	938,141	116,409	287,158	**5,138,471**
Engen	2,303,965	1,140,669	89,918	816,835	720,425	**5,071,812**
RDCP	-	4,367,347	19,481	375,750	42,676	**4,805,254**
Primetime	500,418	1,521,827	39,986	1,743,517	120,853	**3,926,601**
CA Sales	195,791	-	122,337	1,021,055	2,533,440	**3,872,623**
Stanchart	212,148	69,108	127,012	974,013	1,485,038	**2,867,319**
ABC	242,735	90,502	-	1,103,400	2,000	**1,438,637**
Cresta	110,681	41,860	328,075	856,277	13,500	**1,350,394**

Figure 5: Company ranking by turnover in BWP terms

Company	January	February	March	April	May	Jan-May
FPC	36,000	4,740	11,568	535,680	-	**587,988**
Seed Co	3,250	1,450	-	-	126,370	**131,070**
G4S	54,446	2,167	70,686	-	-	**127,299**
Shumba	-	-	-	-	99,001	**99,001**
Lucara	13,280	-	-	-	-	**13,280**
Tlou	-	-	218	-		**218**
BOD	-	65	-	-		**65**
TOTAL	**37,151,902**	**30,221,597**	**117,675,840**	**54,141,049**	**34,737,827**	**273,928,215**

Figure 6: Investor contribution to turnover – January to May 2020

Investor Category	Turnover (P'Mn)
Foreign Companies	76.1
Foreign Individuals	5.3
Local Individuals	19.0
Local Companies	173.0
Brokers	0.5
TOTAL	**273.9**



In monetary terms, foreign companies contributed P76.1 Million to equity turnover; foreign companies contributed P5.3 Million; local individuals contributed P19.0 Million; local companies contributed P173.0 Million and Brokers P0.5 Million.

Figure 7: Performance of Exchange Traded Funds (ETFs)

	Turnover (P'Mn)		Units Traded		January-May
Fund	2019	2020	2019	2020	2020
NewGold	35.6	56.5	277,408	329,872	34.7
NewPlat	26.3	39.7	302,331	381,366	-7.9
NewFunds ILB	0.01	0.002	194	35	-4.4
TOTAL	**61.9**	**96.2**	**579,933**	**711,273**	

2. BOND MARKET PERFORMANCE

The bond market analysis is shown in Figure 8. Bond turnover was P77.9 Million during the month of May 2020 stemming solely from Government bonds. For the year total turnover generated in the bond market was P343.3 Million. The market capitalization of the overall bond market was P18.3 Billion, attributable to increased corporate bond issuances and Government bond re-openings. As at 31 May 2020 the total number of listed bonds was 47, comprising of 7 Government bonds and 40 corporate bonds.

Figure 8: Investor contribution to turnover – January to May 2020

	January	February	March	April	May	January-May
Liquidity (P'Mn)						
Government	12.6	106.5	42.1	102.6	77.9	341.7
Corporate	0.8	-	0.5	0.3	-	1.6
TOTAL	**13.4**	**106.5**	**42.6**	**102.9**	**77.9**	**343.3**
Market Capitalization (P'Bn)						
Government	11.9	11.9	12.7	12.7	12.7	12.7
Corporate	5.4	5.4	5.6	5.6	5.6	5.6
TOTAL	**17.3**	**17.3**	**18.3**	**18.3**	**18.3**	**18.3**
Number of Bonds Listed						
Government	7	7	7	7	7	7
Corporate	39	38	40	40	40	40
TOTAL	**46**	**45**	**47**	**47**	**47**	47

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BSE HOSTS ITS FIRST EVER VIRTUAL OPENING BELL CEREMONY

The COVID-19 pandemic could have distanced customers from businesses physically to some extent, but thanks to virtual platforms the engagement continues to be stronger and friendlier. On 5th June, the Exchange held its inaugural virtual opening bell facilitated through Microsoft Teams and livestreamed on Facebook – becoming one of the few stock exchanges in Africa to do so during this pandemic.

Themed ***"Capital raising in the midst of COVID-19",*** the agenda, led and moderated by BSE CEO, Thapelo Tsheole, unpacked the BSE's COVID-19 response plan and current measures, market performance, and an overview on how companies can utilize the stock exchange post-COVID-19 pandemic. Tsheole was joined on the chat by an asset manager, broker and legal adviser, being Boikanyo Mogami - Managing Partner at Morula Capital Partners; Gregory Matsake - CEO at Imara Capital Securities, and Rizwan Desai - Managing Partner at Desai Law Group, respectively.

Does COVID-19 affect prospects for attracting investors and capital? – An Asset Manager's Perspective

Morula Capital Partners Managing Partner,
Boikanyo Mogami

According to Mogami, the DCI has outperformed global markets in dollar terms despite this being predominantly a function of liquidity challenges on the local bourse, which culminates in slow reaction of prices to fundamentals unlike in more developed and liquid global markets. Further, Mogami highlighted that with the lockdown and COVID-19 protocols, businesses have been affected to varying degrees with the majority now facing solvency challenges but these could be best addressed by accessing the deeper pools of liquidity in the domestic public markets. Botswana's pension funds invest about 40% locally, noted Mogami, despite the abundance of business and investment opportunities locally which, as a result of low pension fund participation, tend to be funded privately by commercial banks and development finance institutions. "At a total of P27 billion in respect of private funding versus the BSE domestic equities market cap of P37 billion, a lot of funding clearly happens outside of the BSE and this represents opportunities that pension funds could be participating in through the stock market.

Interestingly, there has been a consistent increase in private equity allocation by pension funds, now at 4% of total pension fund assets of P79 billion", Mogami supported. This is a good development, he said, as private equity tends to use public markets to divest from companies as evidenced with the 2 listings on the BSE (Cresta Marakanelo and Letlole La Rona) which were promoted by Botswana Development Corporation (BDC).

Mogami outlined that the pandemic has affected several countries worldwide, prompting central banks to cut interest rates significantly, with some close to zero while Botswana slashed its bank rate by 50 basis points to 4.25% in April 2020. On the back of the cumulatively accommodative monetary policy, Mogami is of the view that local pension funds are facing global bond yields close to zero in their developed bond markets allocation and the BWP's weakness against the USD presents an opportunity for fixed income to be invested heavily in Botswana which is relatively yielding higher local currency returns. Mogami went on to suggest that Botswana's banks, which are among the biggest funders of private businesses are likely to curtail lending mainly because of high uncertainty regarding cash flows of businesses. "With such reduced appetite for new loans, banks would potentially prefer loan amortization which is not appropriate for businesses that are already challenged from a solvency and liquidity standpoint. Thus, going forward this creates funding opportunities for long term investors like pension funds with patient capital to be deployed through public markets and to add to the development of the stock exchange", he contended.

Mogami concluded that COVID-19 has increased risks and equally affected return expectations but with uncertainties around the vaccine and the duration of the ensuing health and economic pandemic, businesses certainly need patient and long-term capital that is flexible and adaptable to survive the pandemic - and that can be accessed primarily through the stock exchange.

Capital Raising Dynamics to Consider – A Broker's Viewpoint

Imara Capital Securities CEO,
Gregory Matsake

In Matsake's assessment, whether there is a disaster or no disaster there are projects that need funding so capital raising will presumably persist in the midst of COVID-19. His reflection is that with crises similar to the COVID-19 pandemic, the market gets spooked and there is a natural tendency for investors to experience heightened risk aversion which inflicts difficulty in the quotas of projects in need of funding. Matsake acknowledged that indeed they, as brokers, have had a few tangible enquiries and attempts at raising capital, but besides the investors not being physically accessible through roadshows due to restrictions around COVID-19, the main challenge is the escalated risk aversion where investors consequently water down the fundamentals of the projects as they see these as far riskier than they otherwise would have been in the absence of COVID-19. "This therefore deeply discounts the valuations, poses significant dilution and ultimately demotivates the promoters, creating a mismatch between the expectations of promoters and those of the would-be-investors", he lamented.

Matsake indicated that unlisted investments pose a challenge which can, however, be addressed by pension funds having a clearly defined developmental agenda in their investment mandates in order to complement the efforts of the BSE in developing the capital market and broadening investment instruments. He added, "We need a developed market to be able to create better opportunities for pension funds and this cannot be achieved without their participation. Incremental investments in public markets by pension funds contribute to skills development in the industry, more capabilities to assess opportunities, more products and increased innovation".

What legal issues are likely to arise amid COVID-19? – A Legal Adviser's Standpoint

Desai Law Group Managing Partner,
Rizwan Desai

Desai outlined the robustness of the BSE's interventions amid the pandemic, particularly the regulatory considerations. From his standpoint, the BSE has adopted a productive approach to help clients and customers by promoting engagement and fostering a flexible regulatory environment to assist companies to fulfil their disclosure obligations. He expounded that in the UK, and in several other markets, a number of companies have fallen on hard times but some have used this opportunity to raise capital, implying that it is not always the case that if companies have the right story and the right governance structures they will be unable to use this time to go to market.

From a regulatory stance, his opinion is that the BSE rules have not become more onerous and are not likely to. He outlined that the BSE rules set the minimum standards of compliance in terms of listing on the Exchange, but bearing in mind the ongoing 6-month State of Public Emergency (SoPE) entities are also faced with broad compliance issues. "In fact, the BSE has introduced flexibility in relation to, for example, disclosure obligations in order to facilitate compliance in this challenging environment. However, taking into account that this is a "new normal", a listed company or one that intends to list will nevertheless have to comply with broad national laws including those of business restructuring and insolvencies as well labor regulations applicable during the SoPE". He underscored that companies should not feel that because the practical business environment is difficult, the BSE's regulatory environment is more difficult all of a sudden, as the two do not go hand in hand. Desai highlighted the fact that one of the stock exchanges in the region has actually relaxed restrictions on issuances of new shares for cash with regards to the requirements for shareholder approval and suggested that these are some of the things that one can engage the BSE about during this pandemic. He asserted that this era could potentially unleash innovative products and regulation that will subsequently benefit even those entities looking to come to market post COVID-19. Therefore, he doesn't expect for there to be complete inactivity in the market due to the pandemic, but that listed entities should take advantage of corporate actions during this period and adequately consult with the BSE regarding flexibility and limitations of the regulatory and business environment.

In his end note, Desai called on the companies that are aspiring to list to use this time to ensure that they have clear documentation to tell their story and understand the BSE rules to a significant degree so that they do not start from scratch in terms of the listing process as the economy gradually pulls out of the pandemic.

In closing the insightful virtual discussions, Tsheole reiterated that the present BSE listings requirements have some form of flexibility in ensuring compliance and assisting customers, which is particularly useful in the context of the current crisis. He emphasized the additional relief to the market, which has been there effective December 2019, in the form of the comparatively low revised brokerage commission which follows a sliding scale structure – a transition from the truncated structure. In response to a question from the participants about lowering listing fees, Tsheole explained that the apparent advantage with the COVID-19 pandemic is that there are quicker responses around a lot of issues that ordinarily in the past were not as quickly addressed, including the frequent engagement of the Exchange with its customers regarding the various mechanisms for raising and preserving capital in this crisis and conducting corporate actions. Tsheole summed up by highlighting that as an affiliate of the World Federation of Exchanges (WFE), the BSE is among the stock exchanges that submitted their COVID-19 response plans and measures for publication to the international community. Within the SADC region, as the Secretariat of the Committee of SADC Stock Exchanges (COSSE), the BSE is monitoring the developments among SADC stock exchanges in terms of responses to the crisis and guidance to customers. "As the pandemic evolves, the BSE will also mutate in terms of guidance and any assistance regarding listings and investors", he concluded.

With those insights the BSE CEO invited Mogami, Matsake and Desai to virtually ring the bells from their ends to officially open the market and thanked them for their input, underlining that "their names will go down in history as discussants in the first ever virtual opening bell ceremony in Botswana". With that the market was declared officially opened.

Official Bell Ringing via Facebook live.
BSE CEO, Thapelo Tsheole

SAVE THE DATES

DATE	EVENT
6th July	July Opening Bell Ceremony
3rd August	August Opening Bell Ceremony
1st September	September Opening Bell Ceremony

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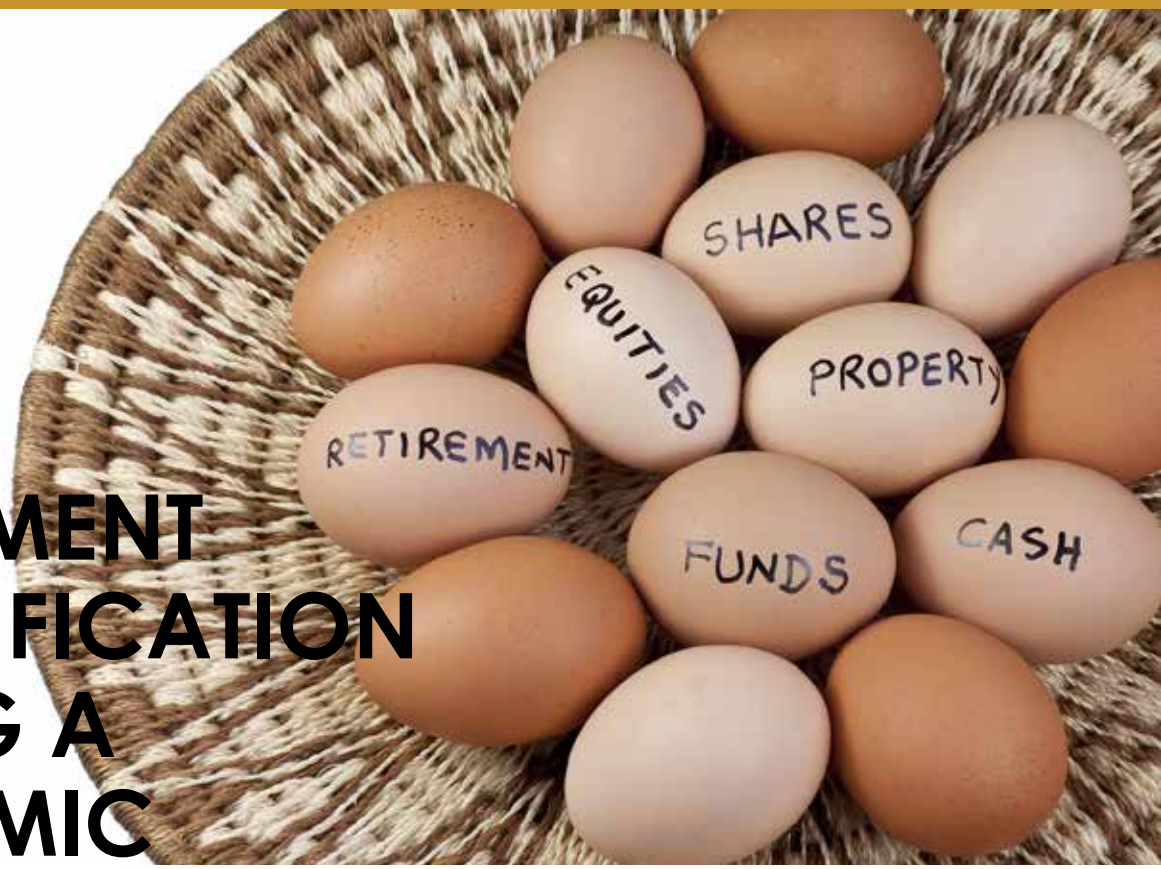

INVESTMENT DIVERSIFICATION DURING A PANDEMIC

By now there is no doubt that the coronavirus pandemic is the biggest upset of the year, roiling markets and disrupting plans across the world. Like any major event that has happened before, it will upend the way some things have been done, ushering in the "new normal" and presenting opportunities both for individuals, companies and governments.

COVID-19 came to prominence in early 2020, a disaster that has been festering as far as November 2019 according to scientists that have been tracking the origins of the pathogen. Since it was declared a pandemic by the World Health Organisation (WHO) in March, the virus has since infected over 5 million people and killed close to 400,000 by May.

The response to curb the spread of the virus has been swift, with some of the interventions causing major disruptions to daily life. Almost every country enforced lockdowns which restricted movements within and outside countries, closing down businesses, and deploying fiscal and monetary policies all geared at stabilizing economies which were being hampered by the interventions that disrupted economic activities.

Botswana government enforced a lockdown that began in early April and ended mid-May, registering 30 confirmed coronavirus cases by end of May. Though the country has been spared of the wave in infections, the government has unleashed a mixture of fiscal interventions and monetary policy response to mitigate against economic downturn.

On the monetary policy side, Bank of Botswana cut the benchmark rate from 4.75 percent to 4.25 percent, marking the lowest bank rate in the country's modern history. The slashing of the interest rate received positive reviews, seen through the lens of making loan repayments cheaper and stimulating credit growth to kick start the economy.

However, seen from a different spectrum, the lower interest rate translates into reduced savings returns for individuals and companies that have parked their funds into interest earning accounts. In the period between 2009 and February 2020, the average interest rates for savings accounts declined from 4.10 percent to 1.97 percent. For bank deposits fixed up to less than a year, the average deposit interest rate in the 11-year period

has fallen from 5.98 percent to 2.09 percent, while those fixed for over a year, which usually have higher rates, also showed a decline from 6.40 percent to 3.05 percent.

With the exception of deposits fixed for over 12 months, the bank deposit interest rates have been below the average inflation rates in the last three years. Following the bank rate cut, and with another cut anticipated later this year, depositors' returns will grow slowly and offer weak buffering against future disruptions that might require a strong financial position.

Unexpected shocks like the coronavirus pandemic bring uncertainties and fear. But they also act as a reminder to plan better for the future. In planning for the future, the emphasis is on holding liquid assets that can be disposed to cover arising obligations. Given Botswana's narrow financial market depth, majority of people are inclined to keep bank deposits as a form of savings. Now with the interest rates at an all-time low, maintaining a diversified portfolio is important.

The BSE remains an attractive option for people that want to expand their savings and investment portfolio.

Instead of parking all their cash at banks as savings, they can allocate a portion of the funds by investing in the stock market through purchase of equities in the listed companies. There is a fine distinction between savings and investments, with the latter usually seen as risky but with greater rewards reflected in higher returns in the long term.

In determining how much to save or invest, an individual has to draw up a financial plan which covers the fundamental questions: what they are saving for, over what period, and the level of risk they are prepared to take. For money that will be needed in the short term, usually defined as a period less than a year, putting most of the cash in a savings account will be a good idea even though at the current interest rates it will not earn enough returns.

However, for a longer term, the individual will do best by allocating a larger part of the funds in the stock market. For inexperienced investors, the BSE has a list of brokers who are authorized to advise and handle share trades on behalf of investors. After communicating their financial plans with the broker, the investor will be advised on which investments to make. For example, it will be suggested which company's shares to buy based on that company's fundamentals: expected future growth in earnings, profits and dividend policy.

There are many advantages of considering the stock market as part of future income flow. There is strong empirical evidence that the stock market on a long term outperforms returns you can get from bank deposits. For example, one of the top performing stocks listed on the BSE has grown by over 14 percent since beginning of the year. This is a stark contrast to the savings account that promises 5 percent returns in a period of two years.

Secondly, new investors or even existing investors are able to pick their investments at a time when most BSE listed companies' shares are trading at low prices. The usual rule of thumb across stock markets worldwide is to buy low and sell high. However, this is subject to each investor's decision and expert advice should be sought if not sure about the decision to take.

The BSE is poised to grow in the future given the current developments that the exchange has been engaged in. Besides increasing the broadness of the financial instruments to offer, the BSE has mounted serious efforts to increase citizen participation, improve liquidity and model the stock exchange as an important part of wealth creation. When the exchange grows, early movers are likely to benefit from the upside potential that lies ahead.

Thirdly, past and current events have shown stock markets to be forward. When the coronavirus became the global pandemic menace, the stock exchanges all over the world reacted, factoring in the impact of the virus on economic activities, resulting in some companies' shares taking a dip. After the risks were factored, there appears to be a strong resurgence in the stock markets.

Since the investments are usually done with a long-term view, investors are able to rebalance their portfolio. On paper the investments in companies that have lost share value might look bad, but it's not really a loss unless you sell. Shares usually rebound when circumstances change. Already, most companies will be changing their approach after the coronavirus scare - not only tightening their business continuity plans but also tapping on new opportunities presented by the latest developments.

For companies that reinvent and refine their business processes, it could translate into improved earnings, profits and higher returns for shareholders. This makes a compelling case for individuals who are looking for better returns for the money to be set aside for future obligations. A delicate balancing between savings at banks and investments held in stock market listed companies is not only an important thing to do but might be the best thing to do for uncertain times.

BSE PRODUCTS

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COMPLIANCE GUIDANCE WITH THE BSE EQUITY LISTINGS REQUIREMENTS AMID THE COVID-19 OUTBREAK

Since the outbreak of COVID-19, there has been some noticeable effects on the global and local economy. Some of the impacts include disruptions to supply chains, travel restrictions, labor mobility restrictions within economies, failure to meet production and revenue targets.

The BSE prompted Listed Companies to assess the likely effects the outbreak may have on their business operations and their disclosure obligations as guided by the BSE Equity Listings Requirements (the Requirements).

Sections 5.3 and 5.4 of the Requirements states that:

> Listed Companies should announce any information known to them concerning it or any of its subsidiaries or associate companies, including but not limited to information which:
>
> - Is necessary to avoid the establishment of a false market in the issuer's securities; or
> - Might reasonably be expected to significantly affect market activity and the price or value of its securities.

Listed Companies are therefore advised to pay particular attention to the compliance provisions regarding price sensitive information and make the necessary disclosures.

The BSE is also cognizant of the challenges Listed Companies might be currently facing amidst the COVID-19 outbreak in complying with section 5.6 (b) of the Requirements on the timely submission of the audited annual statements.

Listed Companies are encouraged to engage with the BSE and their Sponsoring Brokers regarding the above for guidance.

The BSE acknowledges the Listed Companies that have already ensured compliance with their disclosure obligations in terms of sections 5.3 & 5.4 and 5.6 of the Requirements.

To access the BSE Equity Listings Requirements, visit the BSE website at www.bse.co.bw

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Gregory Matsake | *Chief Executive Officer*

Global Economic Outlook

As reported by the IMF in its World Economic Outlook (WEO) published in April 2020, global growth projections were revised to -3.0% in 2020; a deviation exceeding 6 pp relative to the October 2019 WEO and January 2020 WEO Update projections. Growth in advanced economies has come under siege and is expected to decline by 6.1% as several economies are experiencing widespread COVID-19 outbreaks and deploying stringent containment measures. Among the major economies expected to contract are United States (–5.9%), Japan (–5.2%), the United Kingdom (–6.5%), Germany (–7.0%), France (–7.2%), Italy (–9.1%), and Spain (–8.0%).

As for the emerging markets and developing economies, growth is expected at -2.2% in exclusion of China. Including China, growth is steadied albeit in negative territory at -1.0% in 2020. No country has been exempted from one of nor all realities of a health crisis, severe external demand shock, dramatic tightening in global financial conditions, and a fall in commodity prices.

The only economy identified by IMF projected for positive growth in 2020 is Emerging Asia at 1.0% for 2020, despite a 5 pp decline on its average for the previous decade. Growth in China is expected to remain buoyant at 1.2% in 2020 on the back of a sharp rebound in the remainder of the year and fiscal support. For the first quarter of the year, an estimated 8% year on year contraction was envisaged in China based on assessments of industrial production, retail sales, and fixed asset investment.

The World Bank expects GDP per capita in the Sub-Saharan region to fall by as much as 5-7 pp in comparison to its pre pandemic forecast of 1.7% growth. As such, GDP per capita is forecast to negate by 3.1% in a baseline scenario and 5.5% in a low scenario. Moreover, projections in the baseline scenario decline by more than 10 pp in 7 countries in the region: Zimbabwe, Botswana, Sao Tome and Principe, Mauritius, and Seychelles.

Regional Market Commentary

The Sub-Saharan Africa (SSA) stock exchanges felt the brunt of the virus towards the end of Q1 as cases began to emerge and grow throughout the continent forcing countries to implement containment measures and limit trade. As various containment measures, financial support schemes and economic stimulus programs were rolled out, the market hemorrhaging began to ease.

Johannesburg Stock Exchange (JSE) was amongst the worst hit exchanges this year to date with the All-Share Index reaching its lowest point on 19 March 2020 at 37,963.01 pts, 34.21% below its opening mark for the year of 57,703.56 pts. The All-Share's slump year to date was largely attributable to a 48.21% contraction in the FTSE/JSE Financial 15 to 9,240.02 pts from 15,789.78 pts at commencement of the year. The FTSE/JSE Resources Index shed 3.08% y-t-d, while the FTSE/JSE Industrials Index gained 3.56% to 72,956.84 pts after rebounding from a year to date low point of 54,930.43 (-22.03%) on 18 March 2020.

Nigerian Stock Exchange (NSE) fared well relative to the SSA market. The NSE All Share Index contracted by 9.77% y-t-d to 24,010.19 pts vs. 26,609.34 pts it opened the year at. The All-Share index hit its year to date low on 06 April 2020, closing at 20,669.38 pts – 22.32% down on its opening point for the year. The index has since recovered by 16.16% from its low point to 24,010.19 pts.

The fall in the index was largely attributable to the Food, Beverage and Tobacco industry. The sector fell by 29.89% y-t-d to 415.23 pts, reaching its lowest point on 03 April 2020, closing at 314.16 pts – a 46.95% decline on the year's opening mark. Within the sector, International Breweries and Nigerian Breweries were the hardest hit counters, contracting by 49.47% and 33.90% y-t-d, respectively. The Insurance sector is the only sector of the NSE to record a gain to date, appreciating by a modest 0.02%. The sector was kept afloat by gains from Law Union and Rock Insurance (+112.00%), Aiico (+48.61%), Cornerst (+35.56%) and Prestige (+9.09%).

Namibian Stock Exchange (NSX) experienced the biggest fall out of the SSA exchanges to date this year. The NSX All-Share Index depreciated by 27.23% y-t-d to 962.9 pts and fell by as much as 44.13% to 739.3 pts at its lowest point on 23 March 2020. The index has since bounced back by 30.24% from its trough to 962.9 pts.

The contraction in the NSX was mainly on the back of declines from the FTSE/NSX Banks, Health Care and Chemicals indices. The respective indices depreciated by 48.11%, 24.32% and 24.15% to date this year. The FTSE/NSX Basic Materials and Mining indices were among the worst hit on the exchange, reaching lows of 43.49% and 43.54% respectively. The two indices have since surged from their lows by 75.07% and 75.22% to close at 389.00 pts and 219.9 pts, respectively.

Nairobi All-Share Index (NASI) shed 15.64% y-t-d to 140.39 pts vs. 166.41 pts at the beginning of the year. The NSE 20 declined by a larger rate than the NASI, falling by 24.09% y-t-d to 2,014.88 pts and reaching its lowest point on 25 March 2020 at 1,873.47 pts – 29.24% down from the year's opening mark.

The NASI's top performer y-t-d is Kenya Airways. The counter appreciated by 53.66% y-t-d after surging to KES 3.15 from lows of KES 0.86 following the company reaching an agreement with foreign governments for repatriation. There were four more gainers on the NASI so far this year, namely; Carbacid Invest (+14.50%), Uchumi Supermarkets (+6.90%), WPP-Scangroup (+0.87%) and BOC Kenya (+0.43%). On the other hand the biggest losers on the exchange are Nation Media (-52.64%), Bamburi Cement (-43.75%), HF Group (-37.31%), BAT Kenya (-36.00%) and Kenya Power Lighting (-33.10%).

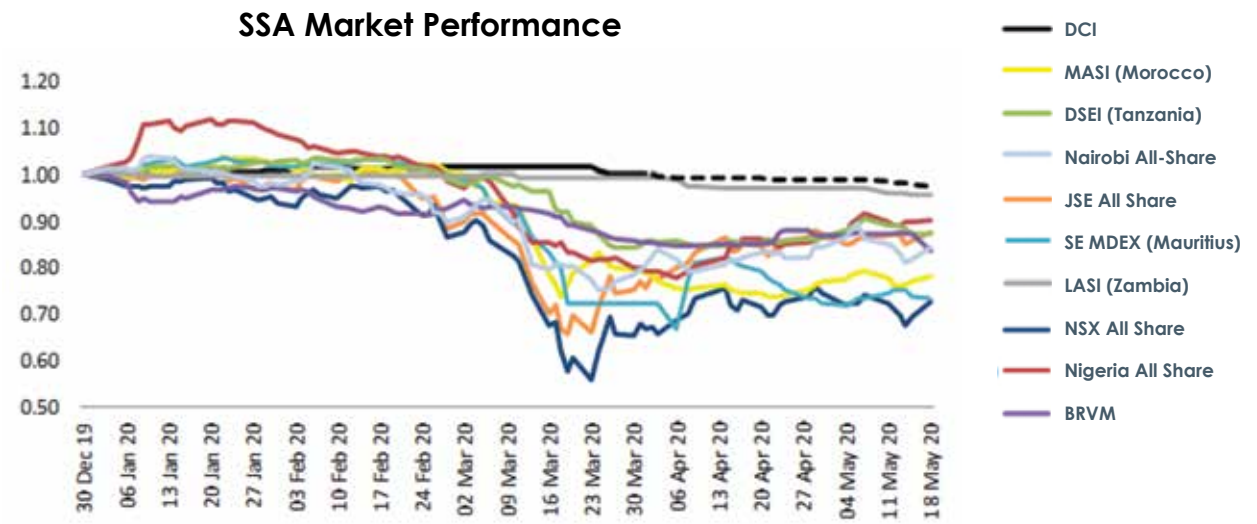

Figure 1: SSA Main Market Indices Performance (YTD) (dotted line indicates Botswana's lockdown period)

Domestic Market Commentary

The Domestic Companies Index (DCI) weakened by 2.38% to 7,316.17 pts from 7,495.55 pts at 31 December 2019. In USD terms the DCI shed 14.21% due to the depreciation of the BWP against the greenback by 12.11% y-t-d. On a year on year basis, the index declined by 4.46% to 7,316.17 pts from 7,657.66 pts. The DCI's y-t-d loss was on the back of price losses from counters such as Minergy (-22.73%), StanChart (-16.77%), BTCL (-14.74%) and FNBB (-8.77%) to name a few.

6 counters on the bourse are in the green y-t-d, 8 are flat and 10 are in the red. Letshego has recorded the largest price appreciation, growing by 14.08% y-t-d to BWP 0.81, followed by Letlole (+4.44%) and Cresta (+0.75%). The remainder of the gainers are Sefalana (+0.56%), NAP (+0.31%) and Sechaba (+0.23%). The non-bank financial institutions sector has been the standout performer year to date, appreciating by 3.21% in aggregate market capitalization to BWP 6.9bn compared to BWP 6.7bn at the beginning of the year.

Total equity market capitalization of the domestic counters decreased to BWP 37.8bn (USD 3.1bn) compared to BWP 38.7bn (USD 4.6bn) at the close of FY 19.

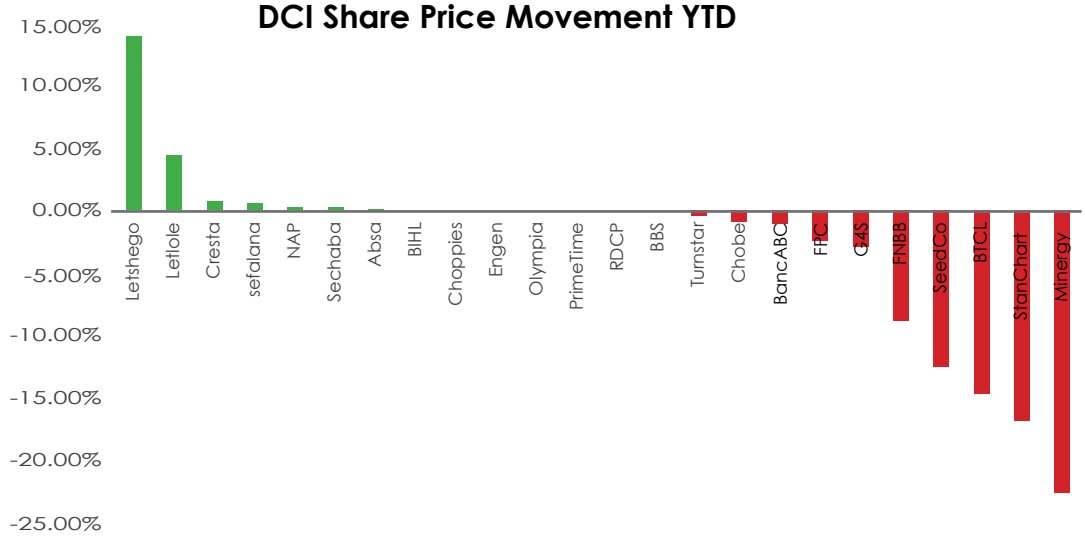

Figure 2: BSE Domestic Bourse gainers & losers (YTD)

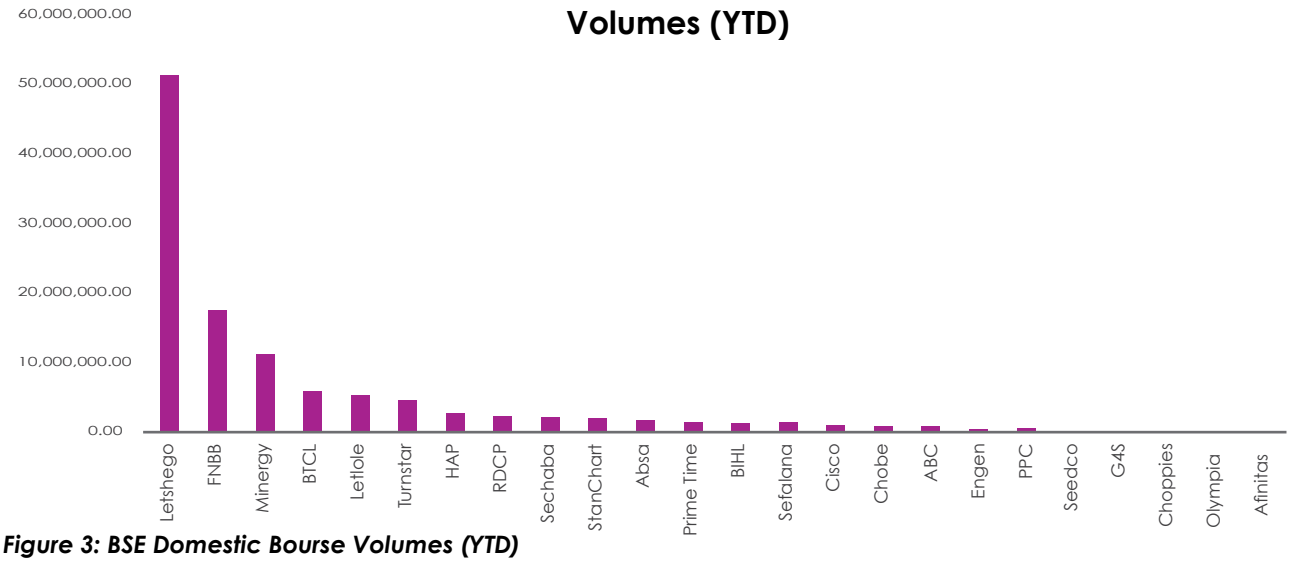

Figure 3: BSE Domestic Bourse Volumes (YTD)

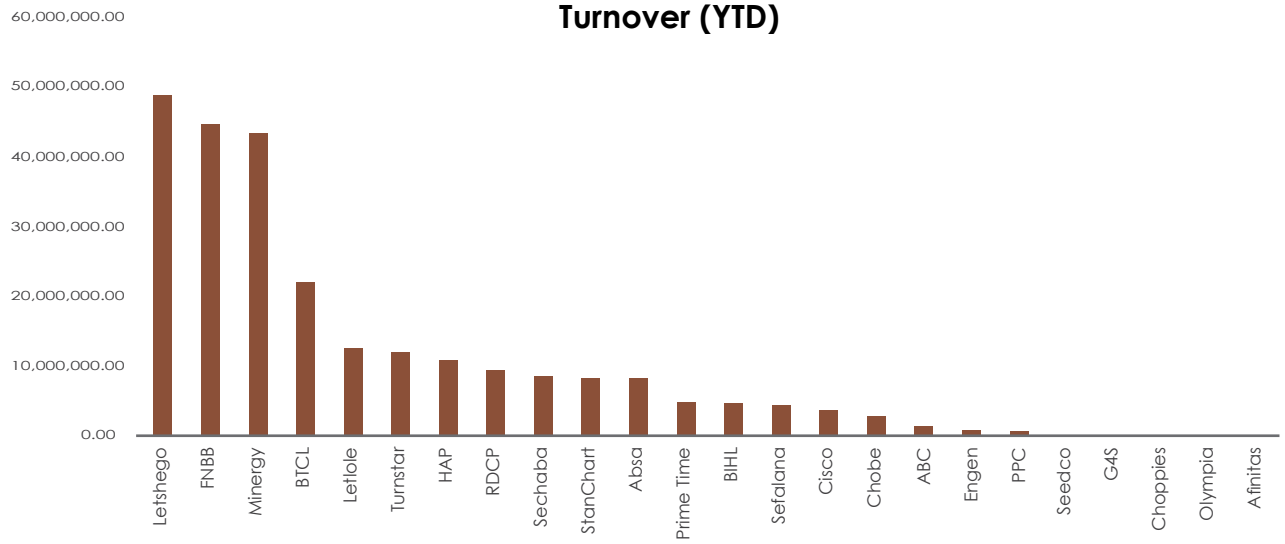

Figure 4: BSE Domestic Bourse Turnover (YTD)

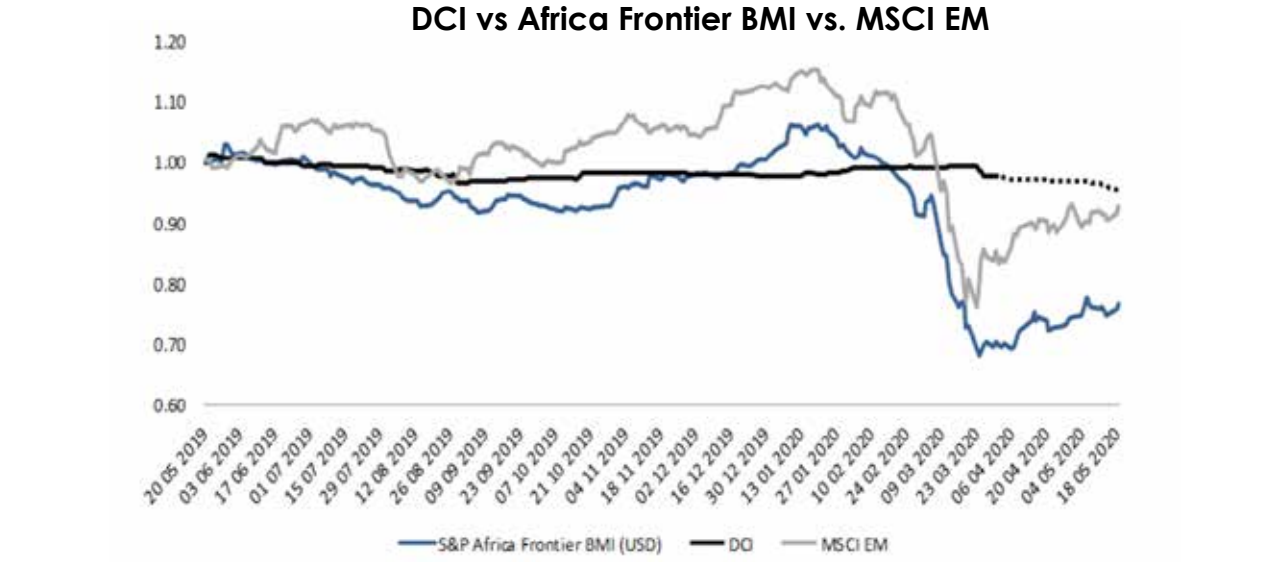

Figure 5: DCI vs S&P Africa Frontiers BMI vs MSCI EM (dotted line indicates Botswana's lockdown period)

The domestic market pricing movement year to date exhibited a similar trend to the same time period for the previous year. The DCI declined by 2.38% to 7,316.17 pts compared to 7,495.55pts at the beginning of the year, notably the index shed 2.47% in the same time frame in 2019 to 7,657.66 pts vs. 7,851.88pts at the beginning of 2019. However, the same has not been true for liquidity. Total volumes traded on the BSE y-t-d declined by 41.57% y-o-y to 112,514,496 shares compared to 192,573,686 at the same time last year. As with turnover, a 51.83% downturn to BWP 253.4m vs. BWP 526.2m at the beginning of the year was registered.

Sector Review & Outlook

Banking: The banking sector's market capitalization depreciated by 5.08% y-t-d to BWP 13.7bn from BWP 14.4bn at beginning of the year. Within the sector StanChart (-16.77%) was the biggest loser followed by FNBB (-8.77%) and BancABC (-0.99%). Absa shares remained flat since the beginning of the year. The banking sector was accountable for 19.26% and 24.28% of volumes and value traded on the domestic board year to date, with FNBB leading the pack with contributions of 15.61% and 19.28% to the respective measures.

In response to the economic strains posed by the COVID-19 pandemic, the banking sector responded with loan repayment moratoriums and discounts, in some cases fee cancelations, to services provided. On the back of these measures, we expect banks' interest and non-interest income to reduce significantly in the coming reporting season in concert with a rise in NPLs, impairments and loan loss provisions. At the Monetary Policy Committee meeting held on 30 April 2020, the Bank Rate was reduced by 50 basis points from 4.75% to 4.25%. It is expected that the very low interest rate environment will remain in place well after the COVID-19 pandemic ends, as this is necessary to help the private and public sectors carry their debt burdens for longer. Commercial banks have committed to reducing the charges for digital transactions by at least 25 percent, to encourage the use of digital payment platforms and channels. This will impact the NI revenue lines. However, with Bank of Botswana's (BoB) decision to reduce the Primary Reserve Ratio and Capital Adequacy Ratio to 2.5% and 12.5% respectively, the banks will have additional liquidity to further extend credit and weather the storm of defaults should there be one. This move by the BoB is expected to have injected liquidity of roughly BWP 1.9bn to the industry. To that end, we do expect banks' margins to decline given the loan payment moratoriums, reduction in service fees and decreased overall earnings in the sector.

Property: The property sector's market cap rose marginally by 0.12% to BWP 6.76bn vs. BWP 6.75bn at 31 December 2019. The growth in the sector was underpinned by share price appreciation from Letlole (+4.44%), RDCP (+0.70%) and NAP (+0.31%). On the other hand, FPC and Turnstar depreciated by 2.44% and 0.36%, respectively. PrimeTime was the only counter to register no price movements.

Volumes and value transacted within the sector contributed 14.17% and 16.71% to the domestic bourse, with 15.9m shares worth BWP 6.8m changing hands, respectively.

Due to government interventions which have restricted, and in some cases, prevented tenants' abilities to trade, therefore some salary cuts, some tenants have struggled to cover their rent obligations. Negotiations and discounts will be given to those adversely affected by the necessary Government interventions and measures implemented in efforts to contain the spread of the virus. As such, we expect downward pressure on rental yields to be affected by the interventions. The decline in yields and lower streams of future cash flows will resultantly have a negative effect on property valuations and therefore there is an expectation the listed property counter will report significant variances in fair value adjustments in the coming reporting period. A slight increase in portfolio vacancies is expected, as some businesses may never recover from the imposed trade restrictions placed during lockdown.

Breweries: Sechaba's market cap rose by 0.23% to BWP 2.44bn with its price growing to BWP 22.10 from BWP 20.05 at the beginning of the year. Sechaba ranked 9th and 3rd in terms of volume and value transacted, with 2.0m shares worth BWP 43.1m changing hands. This accounted for 1.74% and 17.12% of total volume and value traded on the domestic bourse to date this year.

Due to the COVID-19 pandemic, the Botswana government has imposed stringent regulatory measures with the closure of bars, clubs and liquor stores until further notice. The decision by HE Masisi under the State of Emergency (SoE) to ban the sale of alcoholic beverages in Botswana has essentially halted business for Sechaba. For the year ended December 2019, Kgalagadi Breweries Limited (KBL) and Coca Cola Botswana (CCB) contributed 74% and 26% to Sechaba's topline, respectively. With no certainty as to when the ban will be lifted, Sechaba's primary source of income will shift towards CCB. Furthermore, a downshift shift in consumer spending as per capita GDP (should we just say disposable income) decreases and migration to staple foods may decrease aggregate demand on Coke's product offering adding further pressure to its sales. As such, we expect the company to record a significantly lower profit in the coming reporting period resulting from reduced alcoholic volumes sold from the ban imposed under the SoE. However, being the only brewer for traditional beer and clear beer in the country presents some monopolistic advantages for the company, having a market share of 90%, thus presenting prospects of recovery for the counter.

Agriculture: SeedCo's shares price shed 12.67% during the course of the year to BWP 2.62 from BWP 3.00. To date, 49,833 SeedCo shares worth BWP 131,070 have changed hands. The COVID-19 pandemic may cause a disruption of the harvest season during a relatively good year when farmers were, in general, expecting a bumper harvest of various crops, maize seed, which make c.70% of SeedCo's product.

Telecommunications: BTCL's share price declined by 14.74% to BWP 0.81 from BWP 0.95 at the beginning of the year. This saw the sectors market cap decline to BWP 850.5m from BWP 997.5m, accounting for 2.25% of domestic companies' total market capitalization. BTCL was the 4th most liquid counter on the bourse with 5.7m shares worth BWP 5.0m traded.

Demand for broadband services and remote communication has increased during the SoE. In theory this should augment top line growth, however this may be offset by the migration of people from offices, thus decreased revenue from fixed voice and fixed data for BTCL. We do expect an increase in mobile revenue, as the usage of mobile phones possibly increased, with some consumers only accessing the internet via the 3G and 4G networks on their mobile phones which necessitated functions such as application of permits and e-commerce.

Other financial services: Market capitalization in this sector rose by 3.21% y-t-d to BWP 6.9bn from BWP 6.7bn at the beginning of the year. The growth in the sector was attributable to Letshego's 14.08% price recovery to BWP 0.81 vs. BWP 0.71 at 31 December 2019. Afinitas and BIHL remained flat for the respective time period. The sector was the most liquid on the domestic bourse with contributions of 46.71% and 26.34% to volumes and value transacted, respectively. Deals in Letshego dominated total volumes traded with 51.1m shares, a contribution of 45.59% to the domestic bourse, worth BWP 44.4m changing hands so far this year.

During the period of lockdown, this sector was regarded as essential services. The expected downturn in our domestic economy poses a risk to growth in new business volumes.

Fast Moving Consumer Goods (FMCG): Choppies shares remained suspended throughout the year on its primary listing on the BSE and secondary listing on the JSE following the company's failure to timeously publish its audited financial statements for the year ended 30 June 2019. The company anticipates to publish said results by 30 July 2020. The FMCG sector grew by 0.40% to a market cap of BWP 3.2bn from BWP 3.1bn as a result of Sefalana's 0.56% share price gain to date this year. The sector contributed 1.05% and 4.22% to volume and value traded on the domestic bourse, respectively, with

1.2m shares worth BWP 10.6m changing hands. Sefalana ranked 14th and 7th on the domestic bourse in terms of volume and value transacted.

Within the FMCG sector, we expect the economic reality of the impact of COVID-19 to filter down to consumers. However, the food and drink sector is projected to remain somewhat shielded from the overall downturn in spending, with consumers focusing their spending on priority purchases. Demand for e-commerce and "Direct to Consumer" model offerings cushioned the blow of consequences of movement restrictions during lockdown for FMCG companies.

Consumer Services: Consumer services sector registered a 0.41% decline in market cap to BWP 1.93bn from BWP 1.94bn at 31 December 2019. This was on the back of G4S losing 2.86% to BWP 3.40 vs. BWP 3.50 at the beginning of the year. This sector accounted for 0.41% and 1.78% of volumes and value transacted on the bourse with 458,050 shares worth BWP 1.9m changing hands. G4S was one of the least liquid counters, with only 36,965 shares worth BWP 127,296 y-t-d.

On 21 April 2020, retail prices for petrol prices decreased by 13 thebe per litre, and diesel prices decreased by 10 thebe per litre, and illuminating paraffin decreased by 20 thebe per litre. The price changes will have a negative impact on corporate earnings of counters such as Engen. Crude Oil volatility could also weigh down the counter's earnings.

Tourism & Hospitality: The tourism & hospitality sector market cap was down by 0.57% y-t-d at BWP 1.23bn vs. BWP 1.24bn at the beginning of the year. This was on the back of price losses in Chobe eclipsing Cresta's 0.75% price gain to BWP 1.35. Chobe depreciated by 0.90% to BWP 11.00 vs. BWP 11.10 at the beginning of the year.

The disruption caused by the health crisis to the tourism & hospitality sector has resulted in little to no business for this sector as containment measures remain in place the world over. Chobe's future outlook was already under pressure as the company had to deal with the uncertainty surrounding Brexit and potential ramifications of the US-China trade war. Travel restrictions imposed by the virus resulted in cancellations of bookings across the industry and as such little to no revenue generation during what should be Chobe's peak season. The tourism & hospitality sector is expected to contract by as much as 35%-50% as a whole given the sectors heavy reliance on high-value international tourists visiting the safari areas and game parks.

With that said, we expect both Chobe and Cresta to report significantly lower profits in the coming reporting season. Cresta suspended all major capital expenditure projects for the year and withheld a dividend in order to preserve its cash resources.

Mining: Minergy's market cap was down by 22.73% to BWP 399.5m from BWP 474.2m at the beginning of the year, accounting for 1.06% of DCI's market capitalization. Minergy's share price fell to BWP 0.85 vs. BWP 1.10 at 31 December 2019.

Although mining was declared an essential service, the sector is experiencing the widespread impacts of COVID-19 throughout the value chain, manifested as fewer sales, weaker pricing and production curtailments at several mines. Counters such as Minergy will experience a difficult period ascertained by a deteriorating market and a weakening Rand. Counters in this sector will possibly find it challenging to attain maximum pricing on the commodities.

Outlook

As an open economy that is integrated with regional and global economies, Botswana will be affected through several channels, among others, probable local infections; weaker global demand affecting exports (diamonds and tourism, for example); disruption to global supply chains affecting local production and project execution; and travel and social gathering restrictions affecting tourism and hospitality sectors, as well as conferencing, sports and entertainment activities.

Projections by both the Ministry of Finance and Economic Development (MFED) and the International Monetary Fund (IMF) suggest a sharp deterioration in economic growth for Botswana in 2020.

BROKER RESEARCH

In the April 2020 World Economic Outlook, the IMF forecast GDP to fall by 5.4 percent this year, before rebounding to 6.8 percent in 2021, while the MFED estimates that the economy will contract by 13.1 percent, and rebound to a 3.9 percent growth in 2021. This wide range of forecasts attest to the challenges of making forward projections where there is uncertainty about the duration of constrained economic activity, the resultant damage to productive capacity, as well as the speed of resumption of production and pace of recovery in demand.

Overall, GDP growth in 2020 is expected to be much lower than the earlier projection of 4.4 percent given that the full extent of economic and financial disruption from COVID-19 is yet to be established. Notably, Moody's Investors Service (Moody's), in the latest out-of-calendar review of the credit ratings, affirmed Botswana's rating of 'A2' for long-term bonds denominated in both domestic and foreign currency, and changed the outlook from stable to negative.

The domestic equity market remains a buyer's market. Liquidity levels are subdued as institutions hold on to their portfolios and retail demand weakens. The proposed civil worker wage increment which was scheduled for April 2020 could potentially have helped improve domestic demand but has since been deferred for at least six months. This comes as the State of Emergency imposed extreme social distancing measures and the government focused its energy and resources towards combating the virus.

In contrast to a salary increment, public and private sector salaries have been cut across various industries, employees have been laid off and in extreme instances, companies have shut down. Reduced disposable income could result in weaker demand driving down top line growth for listed companies and hence reduced earnings. The impact of such would translate to lowered investor confidence in the affected counters – the results of which will be fully realized in the coming reporting season in September.

The Tourism & Hospitality industry is expected to suffer the most from the disruption caused by the virus as Botswana's boarders remain closed to foreigners under directive of the SoE regulations. In addition to tourism & hospitality, the alcohol industry is set to suffer due to the ban on the sale of alcoholic beverages, however our longer-term outlook remains positive - there are prospects of recovery as the sale of alcohol is to resume on 03 June 2020.

On the other hand, the outlook for counters such as BTCL and Sefalana is more positive. **Sefalana**'s share price is up by 0.56% y-t-d at BWP 9.02. The counter is trading at a PER and PBV of 10.82x and 1.27x compared to the market's 10.23x and 1.49x, respectively. Despite the economic strain and extreme social distancing caused by the pandemic, Sefalana continued to trade and benefitted from the increasing popularity of delivery services to sustain trading activity. Moreover, the counter continues to expand its geography having recently acquired a 40% stake in Seasons Group, an Australian business that operates in the Fast Moving Consumer Goods sector in Brisbane. We are of the view that Sefalana will continue to register growth, albeit its conservative approach, anchored by the group's efforts to diversify revenue streams (geographically and product offering) and have assigned an **ACCUMULATE** recommendation on the counter. **BTCL** is down 10.53% year to date at a current price of BWP 0.85. At its current price, the counter is cheap relative to the market, with a PER and PBV of 5.58x and 0.42x compared to the market's respective 10.23x and 1.49x, with a 10.12% dividend yield. Owing to the counter's 100% citizen owned shareholding structure, its liquidity has been limited to a certain extent, therefore impacting the counters true price discovery. Operations wise, demand for broadband services and remote communication has increased during the SoE and as such, we expect the company's top line to grow. The company's long term earnings growth prospects and relative discount suggest a **BUY** recommendation.

Analysts: Kaone L. Kebonang
Mogorosi Badisang

WORLD FEDERATION OF EXCHANGES

CYBERSECURITY IN THE AGE OF COVID-19

How Market Infrastructure is delivering Safe and Efficient Trading Venues during a Global Pandemic

During this time of increased market volatility, cyber threats have not gone away and, without care and attention relating to exceptional working procedures, there is the concern that adversaries may identify and exploit new routes into the system to either compromise operations or information systems.

In the face of these challenging, unrelenting and unparalleled considerations in the operation of critical market infrastructure, many exchanges and CCPs have purposefully triggered continuity plans (involving, for example, remote working) to ensure their operational resilience and ability to serve their markets, when needed most, against the backdrop of social-distancing policies that governments around the world are adopting. Through the WFE, they are actively collaborating and sharing best practice on these and other measures taken to keep markets open and resilient.

The WFE has also launched a repository of COVID-19-related public communications from exchanges and CCPs on its website, as a resource for the financial community and our stakeholders.

Role of Market Infrastructure

Market infrastructures, i.e. exchanges and central counterparties (CCPs), are amongst the critical elements of the financial system which must remain open – supplying finance to the real economy and a platform for investors at a vital time. For this reason, they have well-developed business continuity plans, which have now been executed according to plan. Accordingly, market infrastructures are now operating their business as robustly as usual, with record volumes of trading. This is no easy feat in effectively enabling safe and efficient markets to function and oversee global trading – not in their established venues but often from employees' homes.

Action by the WFE and Global Market Infrastructures

Cybersecurity is an integral and integrated part of those contingency arrangements. Cybersecurity consistently remains in the top quartile of WFE regular surveys of membership priorities and focus. Across the membership, market infrastructure has consequently dedicated time and resources to the preparation of contingency planning and the associated cybersecurity requirements. These efforts are typically subject to regulatory and supervisory scrutiny, as well as in-house or external auditor stress testing. In current circumstances, this planning is proving its value in real time as never before, with market infrastructure arrangements focused on the outcome of safe and efficient markets.

Across businesses employees working remotely from home now rely on home Wi-Fi routers, commercial network providers, and a combination of corporate and personal endpoint devices that may not all have been configured to withstand a targeted cyber-attack. This environment can increase the risk of system misconfiguration and the potential unauthorised disclosure or theft of sensitive company information. Cyber adversaries are also increasing reconnaissance techniques to identify and exploit system security vulnerabilities, execute targeted COVID-19-related phishing campaigns, and attempting to compromise personal and corporate-owned mobile devices. The current conditions, as a result, shift information security focus from enterprise infrastructure located mainly within corporate-owned data centres to public/private cloud and virtualised architecture. To address these risks companies have used their secure remote connectivity options such as Virtual Private Networks (VPN) and establishing access to corporate environments through Virtual Desktop Infrastructure (VDI).

With the backing of the WFE's GLEX (global exchange cybersecurity) working group, and in co-operation with their regulators, many exchanges and CCPs have developed their resiliency plans and 'stood up' a number of further cybersecurity measures to support safeguarding their operations and the economies they serve. The scaling up of these reserve measures is successfully managing the unprecedented features of markets experiencing the consequences of the pandemic, as well as those who seek to take advantage of the disruption to infiltrate crucial systems for their own gain.

However, members are not complacent about handling the ever-evolving threats they face and are ever vigilant – continuously investing resources and technology to enhance their capabilities. These activities and actions are taken under the philosophy that it is not a question of 'if' they experience a cyber incident but when. In operating the core critical infrastructure vital to the successful functioning of economies, adherence to this principle requires market infrastructure operators to be in a constant heightened state of awareness and vigilance, so that they can respond and recover operationality, should any cyber-attack take place.

Among the measures operated by members which facilitate continued safe and efficient trading are (but not exhaustively):

Mass/Remote working

- Ensuring licences and infrastructure is expanded to enable all staff to work remotely. In a number of organisations all staff already had the ability to work remotely, using desktop replication systems or a VPN with multifactor authentication.
- Ensure remote access systems are fully patched and have secure configuration.
- Recirculated and updated guidance for employees to protect the home network, such as change the default passwords for routers, keeping equipment updated, and create distinct work and guest networks.
- 'Awareness notes'/notifications regularly circulated to staff tailored around COVID-19 based phishing attacks and fraudulent communications. These stress the requirement for diligence and how to handle (sensitive) information and access to documents from home, and the management of printed materials.

- Clear communication of technical channels and support procedures to prevent social engineering attacks.
- Special notices (which have also gone to market participants), regarding the increased threats related to COVID-19 scams.
- Security operations centre (SOC) teams continually reviewing perimeter issues and device telemetry for spikes/abnormality.
- Security tests (Red Teams) focused on new threats and use cases, identifying technical vulnerabilities and behaviour improvements.
- Regular communications from senior and risk management teams to ensure appropriate regulatory measures, protocols and safeguarding is followed by staff.
- Regular liaison with regulators/supervisors and cybersecurity working groups, to share information and, if relevant, refresh best practices and requirements.
- Expenses/allowances for staff to enable the use of equipment for home working which is of sufficient high-standard and incorporates the high-standards cyber defences required.
- Embedded cyber incident response plans and employee support teams, as well as dedicated COVID19 management teams (alongside existing crisis management teams and incident response teams).
- Highlighting processes for responding to a security incident across an unfamiliar and distributed operating environment when you a have a dispersed cybersecurity workforce or not all critical personnel are available.
- Raising contingency out-of-band communications channels when the corporate network or other traditional communications channels have been compromised by the attackers.

Third-Party risk

- Continued structured and frequent engagement with critical service providers (e.g. cloud service providers) and critical vendors, including collaboration to support remote connectivity and cyber resilience strategies.

***Nandini Sukumar, WFE CEO** said:*
"As markets and businesses have grown electronic, market infrastructures now devote a greater amount of resource and time to ensure cyber resilience than ever before. When the current world-wide pandemic situation, hopefully, lessens and countries and companies implement measured return to work procedures, WFE members recognise there will be a new normal operating environment for all in which such measures must continually be monitored, reviewed and implemented to protect against future threats."

Source: World Federation of Exchanges

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BSE TEAM GRADUATES AT IFC–MILKEN INSTITUTE CAPITAL MARKETS PROGRAM, CLASS OF 2020

In 2019, BSE Head of Product Development, Kopano Bolokwe and BSE Head of Listings and Trading Tsametse Mmolai were admitted to the International Finance Corporation-Milken Institute Capital Markets Program (IFC-MI CMP) at the George Washington University School of Business, Class of 2020.

Kopano and Tsametse were selected from a historic volume of applicants from emerging and frontier markets through a rigorous and competitive screening process conducted by the IFC and the Milken Institute. On the basis of the selection, the two were awarded scholarships covered by the IFC and the Milken Institute. The program commenced in August 2019 and the two virtually graduated in April 2020, during the lockdown in the US.

The IFC-MI CMP is a fully accredited Graduate Certificate in Capital Markets program that aims to build future leaders and role models for public service and financial market development. The program, which is for a duration of 8 months, comprised of a 4-month tailored course-work and training workshops at the George Washington University School of Business and a 4-month internship. Kopano and Tsametse interned at MarketAxess Corporation and Varde Partners respectively in Manhattan, New York.

The IFC-MI CMP is the best example of blending the academic and practical knowledge comprehensively as it merges the business, global and policy content and the partnership between the IFC and the Milken Institute brings expertise and insight that is not easy to readily access anywhere in the world. It provides unique opportunities especially for emerging economies with challenges that are different those of developed economies.

BSE's Head of Product Development, Kopano Bolokwe and Head of Listings and Trading Tsametse Mmolai with the 2019/ 2020 cohort of IFC-Milken Institute Capital Markets Program

Reflecting on his experience as the Class of 2020 alumnus, Kopano comments:

Kopano Bolokwe

"This program is remarkable given the way it is structured and it is truly world-class. The university program embedded both academics and practice, exposing us to application opportunities almost real-time. The professors and guest lecturers ranged from former economists, chief executives, governors and investment bankers, from renowned institutions bringing vast experiences from their years of practice and problem solving across many jurisdictions and economic cycles. Then there were seminars and visits to top organizations in the economy, the likes of the Federal Reserve which was a highlight for me, the World Bank, the IMF and the Securities and Exchanges Commission.

The quality of the subjects and also the method of delivery were incredible. I appreciated that some of the teachings were fairly new to me, were comprehensive and equipped me with ideas and thinking capacity that will serve me for years to come. Going in-depth with decision sciences was very powerful as data analytics really drive our day-to-day lives. Diving deep into capital markets, financial crises and global economy and being able to interrogate previous policy interventions in debt and financial crisis management in emerging markets was very phenomenal, even simulating the kind of negotiations that happen with the IMF in terms the financial stability assessment programs as well as the restructuring of the economy and its policies.

The internship at MarketAxess exposed me to both the technical and softer skills which are vital to employee performance, cohesion, morale and maintaining an optimum organizational culture. These are experiences I can immediately apply in my work environment. MarketAxess is a NASADQ listed international financial technology company that operates an electronic trading platform for global fixed income, and also provide market data and post-trade services. While there, I was tasked with a white paper to identify 6 new frontier markets for the company to move into and the project deepened my appreciation of the importance of electronic trading in bond markets, and the various innovative solutions that the company has developed to induce liquidity, efficiencies and transparency in global bond markets.

Certainly, the certificate endorses me as a capital markets specialist with in-depth knowledge, advanced leadership skills and deeper comprehension of global policy issues at economy and industry level but I believe I acquired more than just that - I have certainly expanded my perspective and sharpened my skills to deal with the present and future challenges in emerging and frontier markets.

I think this opportunity came at a fantastic time in my life when I was still energetic and enthusiastic but I wasn't just a nerd I also indulged heartily in leisure and appreciated the diverse American culture and made a lot of friends from across the African continent and other developing countries. With all my heart I am grateful to our CEO, Mr Tsheole and the BSE family for this opportunity, as well as our partners – the IFC and Milken Institute. It clear shows we are working for global leaders who believe in us and in our potential to champion the development of our markets."

Reflecting on his experience as the Class of 2020 alumnus, Tsametse comments:

Tsametse Mmolai

"I was privileged to receive this opportunity from my employer and the IFC-Milken Institute Capital Markets program. It was amazing to spend 4 months at the awesome George Washington School of Business where I completed a Graduate Certificate in Capital Markets. The program was rigorous and the learnings invaluable. I enjoyed being able to meet and discuss current issues in the Capital Markets space with preeminent Professors and speakers from the IFC, the World Bank, the United States Securities and Exchange Commission as well as speakers from global industry leaders such as JP Morgan and Standard and Poors, to mention a few.

The Program also gave me an opportunity to create beneficial professional relationships which will boost our efforts to make the BSE a global securities Exchange as I participated with the next generation of leaders across developing and emerging economies from Tajikistan, Pakistan, Georgia, Madagascar, Mauritania etc. For the second part of the program, I was sent to New York City to work as part of the Capital Markets team at Värde Partners, an alternative asset manager focusing on private credit investments and with $14billion assets under management. This is an unlisted fund management company with offices across 4 continents and 300 employees.

At Värde, I experienced an amazing emersion into the US corporate working environment in a global firm. My supervisor was based in Chicago, whilst head of department is based in London, and whilst I had only colleagues in the New York office, other members of the team were spread out in Minneapolis, Hong Kong and India. This was as interesting as it was intimidating but I joined in with vigor taking part in the constant teleconferencing and weekly Team Catch ups with the ever so collegial team members.

The highlight of my time here was being given a project to conduct a desk top business case study on Värde obtaining a Broker-Dealer license in the US. This gave me an opportunity to study the US Broker-Dealer environment and take home learnings from the most liquid market in the world! I also took part in the Salesforce records review Project, was a fly on the wall for the weekly Commercial Real Estate Mortgage Securities team which gave me amazing insight into how Mortgage Securitization operations work! Further, I observed Board calls for one of the Fund's portfolio companies in their private equity business being Credit shop, a credit card company. This gave me an insight into corporate finance matters as one of the key issues being dealt with was refinancing the business' master-trust at the time.

Whilst there, Covid19 attacked New York City in a major way, leading to unbelievable death tolls. During this time, I was working from home in my apartment and Värde's disaster preparedness was remarkable as business continued as usual.

In conclusion, I am grateful to the BSE, the IFC and the Milken institute because I learnt a tremendous amount about Business Crisis Management, the importance of functioning legal systems, Fund Construction, Fund

raising, reporting, investment and portfolio management, collegiality, Alternative Asset Management, Private Credit Strategies versus listed Debt Strategies, distressed assets and most of all, I learnt about professional linkages and relationships and the value that they drive in global business.

Thank you Mr. Tsheole for the faith and unbelievable opportunity, thank you colleagues for your role in helping us get through the program and thank you BSE for granting us this exposure which we shall immediately put to use in achieving the firm's strategic objectives."

Graduation day

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