



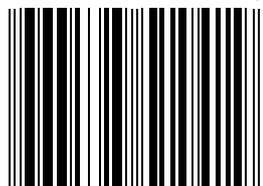
Botswana Stock Exchange Limited

NEWS

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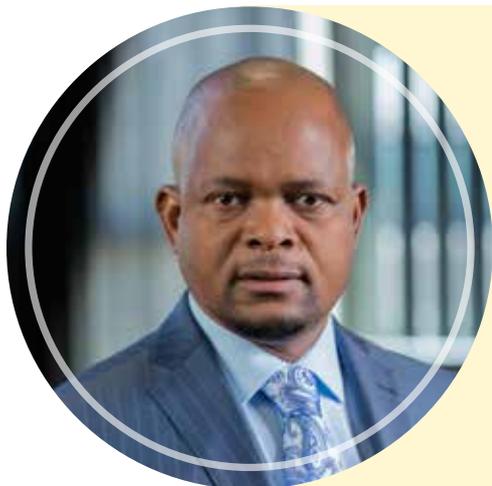
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Hello readers. It is my pleasure to welcome you to the latest edition of the Botswana Stock Exchange (BSE) publication, the **BSE News**.

At times, consistently exceeding expectations can be viewed as a blessing and a curse. We have experienced many successes and encountered various challenges during the 5-year period of our strategy that we set for ourselves.

Despite the occasional drawbacks, one of the things that I have always held in high regard, is maintaining the standard. Whilst in our 5-Year strategy, the time has now arrived to reflect and assess the work that has been done and redirect the focus onto what needs to be done to achieve our strategic goals as we endeavor to turn the BSE into a world-class securities exchange.

One of the key focus areas that we aim to aggressively address towards the final stretch of our strategic period is the number of issuances in the market. In doing so, one of the strategic initiatives that we have conceptualized has been the establishment of the Tshipidi SME Board in January 2019 to act as a platform for enterprises with little to no operational history an opportunity to raise capital and grow their business through equity financing. Without having to state the obvious, a strong economy is demonstrated by the competitiveness of its private sector. A robust

private sector is able to contribute towards productivity, alleviate pressure off Government, aid in the creation of employment, lead the way in technological advancements, contribute towards an increase in household spending and assist in infrastructure development.

However, as with most middle-income countries, the growth of such enterprises has been stifled by a lack of access to capital. While much of the focus, appropriately, is on enhancing lending to SMEs, there is growing emphasis on the need to diversify the range of financing options that are available to SMEs, and consequently the potential role of capital markets in SME financing. Avenues like the stock exchange have not been fully utilised as there remains an opportunity for access to equity market finance. Hence, this is why this edition has been appropriately themed, **'Roadmap to SME Success'** as we direct the focus on how SMEs can utilise the BSE as a pathway to success as a means of accessing equity finance.

On that same vein, it is worthwhile to note that listing on a public market like the BSE and accessing equity finance is also associated with several other benefits. From a financing standpoint, given the access to a wider potential investor base, the cost of equity capital can be lower than other forms of finance.

FOREWORD

In addition, once listed, secondary offerings are easier to make. Certain types of enterprises may not be able to access debt finance. As equity finance does not impose specific repayment requirements, it is less of a financial burden during times of economic stress. Further, listing would avail existing shareholders with a means of exiting the company, listing would also enhance the profile of the firm with potential employees, suppliers and clients, lastly, listing will assist with facilitating the use of company shares for future acquisitions through the valuation process. In the long-run, it is fair to say that synergies between ourselves and other stakeholders is paramount towards the development of our private sector. We cannot act alone; I trust that on-going engagements with our partners will foster a conducive environment for the growth of SMEs in Botswana.

On a different note, allow me to take this opportunity in congratulating Absa Bank Botswana Limited who officially completed their transition from Barclays Bank Botswana Limited on the 10th February, 2020. To commemorate this milestone on their journey, the BSE honoured ABSA in the February 2020 edition of the Opening Bell Ceremony. During the Ceremony, the conversation was centered around the bank's tremendous growth in the past few decades to become one of the leading commercial banks in Botswana and indeed on the continent. Since listing on the BSE in 1989, Barclays Bank of Botswana and the BSE have had a longstanding, purposeful and productive partnership over the years including being a prominent sponsor for the recently held 23rd Annual African Securities Exchanges Association (ASEA) Conference that was held on 24th – 25th November, 2019 in Kasane. I believe that here on, our partnership with Absa Bank Botswana will continue to grow and blossom well into the future.

Still on the Opening Bell Ceremony, on 6th March 2020 the BSE, in conjunction with CFA South Africa, celebrated International Women's Day under the global theme, *'I Am Generation Equality: Realizing Women's Rights'*. As a way to recognise this important day on the calendar, we conducted an engaging panel discussion to deliberate on the successes and challenges that are affected by women today. The invited panelists included; Mascom Botswana CEO, Ms. Dzene Makhwade-Seboni, Debswana Pension Fund CEO, Ms. Gosego January, ETF South Africa Director & CFA South Africa President, Ms. Nerina Visser and KPMG Managing Partner & BICA President, Ms. Gosego Motsamai. Furthermore, this specially-themed Ceremony was attended by over one-hundred (100) women, including key figures in society who advocate for gender equality, capital market experts, entrepreneurs, members of the media and members of the public.

In closing, let me take this opportunity to wish Batswana and rest of the world well as we are engaged in this global fight against the recently announced pandemic by the World Health Organisation (WHO), COVID-19. In light of this development, regrettably, we took the precautionary measure to postpone the BSE Open Day that was scheduled to be held in Goodhope on 19th March, 2020. As committed as we remain to the development of our capital markets, we have an avid interest in the well-being of our local communities. A new date will be announced as soon as the pandemic is curbed and it is safe to host such engagements.

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

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Thapelo Tsheole
Chief Executive Officer



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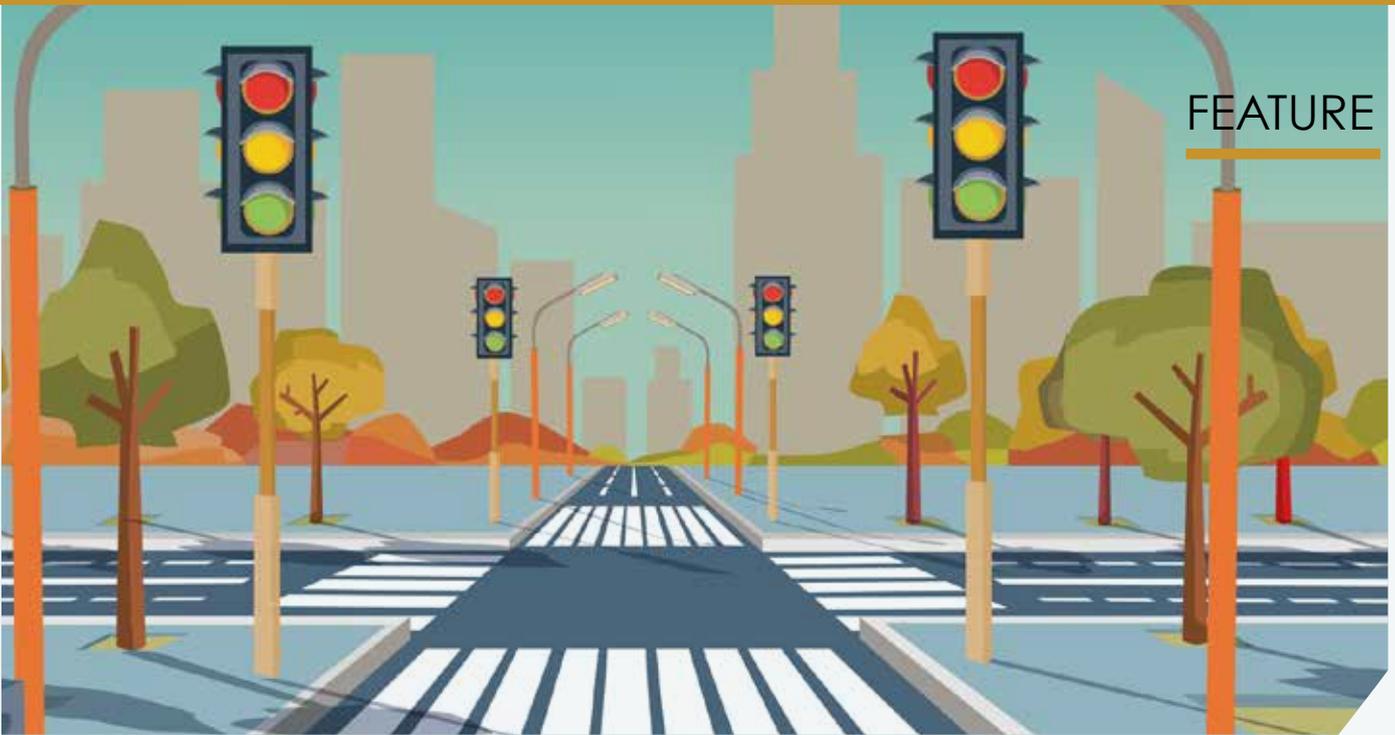
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Thursday | 1430 - 1445 | Understanding Stock Markets
Friday | 1610 - 1615 | Automatic Drive
Friday | 1730 - 1735 | Tsele le Tsele

KNOW YOUR BSE MARKET INDICES

The Botswana Stock Exchange Bond Index Series (BBIS) is designed to represent the performance of fixed and floating interest instruments issued in local currency and listed on the BSE, providing investors with a comprehensive and complementary set of indices that measure the performance of this market.

The BBIS is comprised of different categories of indices grouped into the following categories:

- **Composite Bond Index (BBI)**
The overall, composite index represents all eligible bond instruments, including sovereign & non-sovereign, fixed & floating interest and all maturity spectrums.
- **Composite Fixed Rate Bond Index (BBIFixed)**
This composite index represents all eligible fixed rate bond instruments, including sovereign & non-sovereign, and all maturity spectrums.
- **Government (Sovereign) Bond Index (GovI)**
All bond instruments issued by the Central Bank of Botswana and backed by the Government of Botswana are eligible for inclusion in the Government Bond Index (GovI). Currently there are only fixed interest sovereign bonds in issue. Should floating rate sovereign bonds or inflation-linked sovereign bonds be issued in future, separate sub-indices for these may be introduced.
- **Corporate (Non-sovereign) Bond Index (Corpl)**
All local currency bond instruments issued by non-sovereign entities in Botswana, including corporates, parastatals and non-government organisations are eligible for inclusion in the Corporate Bond Index (Corpl). Currently there are both fixed rate and floating rate non-sovereign bonds in issue. Separate sub-indices for these may be introduced in future.



DRIVING SMEs TO THE STOCK EXCHANGE

The small and medium size entrepreneurs (SME) commonly continue to grapple with access to funding despite that over the years funding institutions have been established to aid them with growth and expansions. SMEs still face traditional challenges of access to sustainable financing which many say resilient stock exchanges can so easily provide.

Observers view that, in Botswana, just like in any African country, locally listed SMEs are lower than subsidiaries of large corporations. This has been attributed to stringent listing requirements that SMEs have to adhere to. The Botswana Stock Exchange (BSE) launched a separate board for SMEs, named 'Tshipidi SME board'. It was ideally to make rules conducive and less stringent enough for SMEs to list and raise capital on the domestic bourse, whether it's through listing equity or bonds.

The domestic bourse was looking to do this by revamping the venture capital board, relaxing the rules, and possibly rebranding it to speak to SMEs. However, listing on this front has been slow in the past year or so since the BSE had this platform. SMEs are reluctant to have their companies listed on the stock exchanges for a wide range of reasons.

One key observation is that, SMEs which are often family businesses resist listing because they fear giving up control of the companies they built. In other words, they often don't want to share their businesses which hinders their ability to

access funds to pursue growth and expansions. Further SMEs are uncomfortable with the level of disclosures they have to make on the markets once listed. Capital market experts argue that this is why a lot of listed companies on African stock exchanges are subsidiaries for giant foreign firms while there is limited local players, calling for stakeholders to handhold SMEs into unlocking value, listing and growth.

Andrew Madeswi, Citizen Entrepreneurial Development Agency (CEDA) Chief Operating Officer (COO) opines that SMEs need to be taught that it is ok to share your business with other people adding that there is the benefit of raising capital, growth and expansion. Madeswi also believes that SMEs have a believe that their ideas can easily be stolen which makes it difficult to interact with potential investors because they keep information to themselves.

In fact, it is widely believed that this is why most institutional investors find SMEs too risky. An institutional investor is defined as a non-bank person or organization that trades securities in large enough share quantities. Institutional

FEATURE

investors have the resources and specialised knowledge for extensively researching on investments and it's believed once they are tagged they have the needed capacity to assist SMEs in growth strategies.

According to Leutlwetse Tumelo, the Executive Director at Afinitas Limited, institutional investors need to be more creative or find a way of tapping the SMEs. He says there needs to be a convergence point to improve the SMEs and get asset managers to understand the risks and complexities of going into the SME and find ways to adjust investments to accommodate SMEs. He also adds that SMEs need to find ways to sell their ideas to these investors so they can buy into the idea. Most of the times SMEs tend to be cagey with information with respect to their businesses. Stefan Nalletamby, Director, Financial Sector Development, African Development Bank argues that "we should be able to create financial products for people to invest in those SMEs. "When we do have those SMEs listed through bonds, you have a certain disclosure requirements linked to bonds and allows people understand better what these companies do."

SMEs are accused of limiting information disclosure making it difficult for potential investors to appreciate what the business is all about. There is also an argument that SMEs mostly lack proper governance structures. This is because it is just the promoter, they don't have the right board, auditor which ends up impacting things like the ability to list and even raise funds for expansions. In order to facilitate SMEs to raise capital in the market, Tumelo argues that for the need to hand hold them to help them understand the importance of this in the pursuit of growth.

He says "obviously at the earliest stages of company development you cannot tick all the boxes of corporate governance standards. But there has to be movement towards having the structures."

One other ways that is believed could prepare SMEs for listing is through private equity. Private equity is an alternative investment class and consists of capital that is not listed on a public

exchange. Private equity is composed of funds and investors that directly invest in private companies.

Traditionally SMEs hesitate to have equity partners. But experts point out that it is one way of helping the sector conform to corporate governance, adequate board of directors, qualified management team and routine audits. For example, Bame Pule CEO at Africa Light House says this helps companies grow and expand to new markets. In his view, a lot of African exchanges don't see a lot of listings, part of the problem being that they don't have enough private equity. If there is more private equity, Pule opines that the firms would be investing in companies while they are still developing and then exit those into the listed markets for stock exchanges. "If we want our stock exchanges to grow then we need private equity to grow," he says adding that equity partners seek to partner with companies for the long term, work closely with companies and to initiate projects that can add value and entering markets, expand executive team.

"The challenge is about exposure and education, a lot of SMEs may not know the products available and how they work. There is a need to educate SMEs about available funding methods. They do not know how to prepare themselves to be recipients of such funding. They need to be taught that preparing financial statements, auditing their books and enhancing their corporate governance readies them for private equity funding," he said.

Local Enterprise Authority (LEA) CEO Dr. Racious Moatshe feels that policies should be made to create a conducive environment for SMEs so as to be able to unlock the true potential value by SMEs. LEA has a business incubation program, where aspiring businesses are housed, groomed and mentored into functional enterprises before they are released into the market. According to Dr. Moatshe, this unlocks potential of the sector and prepares SMEs for growth.

HOW SADC STOCK EXCHANGES ARE PROMOTING SMEs

The role of small and medium-sized enterprises (SMEs) is undeniably valuable and crucial to the growth of economies in which they operate, especially in developing markets. According to an article by the World Federation of Exchanges, SMEs create approximately 80% of employment in the African region. Furthermore, SMEs diversify economies; they create a culture of entrepreneurship; support large-scale industries; and are instrumental in the development of a new middle class that is in turn stimulating the demand for new products and services.

In the SADC region, a number of governments have committed themselves to supporting entrepreneurs and the SME sector through various initiatives. One case in point is Botswana, with government aided funding schemes such as Citizen Entrepreneurial Development Agency, Youth Development Fund and Department of Gender Affairs, which were created to capacitate entrepreneurs with skills through business coaching, monitoring and grants.

Another example is the Mauritian government, which is in the process of concluding its regional and multilateral agreements with the objective to open export channels for SMEs to exploit.

Despite the efforts of SADC countries to promote SME development, the prevailing obstacle to growth and expansion that entrepreneurs face is access to long-term and inexpensive capital. The main factors obstructing access to finance for SMEs are chiefly related to impracticable business proposals, poor financial management skills, and

pursuing the wrong type of funding. Secondly, in the case of banks and institutions alike, is the risk-averse attitude towards SMEs and start-ups. This hurdle has since worsened due to the global financial crisis, thereby prompting governments, policy makers, and NGOs to identify and encourage alternative financing options for SMEs, including Stock Exchanges.

SADC STOCK EXCHANGES' ROLE IN SME GROWTH

Stock Exchanges around the SADC region and the world have recognized the importance of sharing the listing value proposition with entrepreneurs. Trading platforms dedicated to SMEs, commonly referred to as SME Boards, are created with the aim to close the existing financing-gap, as well as help firms grow and reach their potential. Of the 14 Member Exchanges within CoSSE, 10 have created dedicated SME Boards to attract SME listings and aid them with access to equity financing. These are Stock Exchanges of Botswana, Eswatini, FINSEC (Zimbabwe), Johannesburg, Malawi, Mauritius, MERJ (Seychelles), Mozambique, Zambia and Zimbabwe.

The SME board is a division of the stock exchange, dedicated for trading the shares of SMEs, who otherwise do not meet the necessary criteria to list on the main board of the exchange. The main differences between SME boards and main boards are the less onerous listing requirements, and the reduced listing fees.

SME DEVELOPMENT

Even so, SMEs across SADC are generally hesitant to list on Stock Exchanges due to the perception that listing is expensive, with on-going costs associated with listing (continuing obligations), the requirement for public information disclosure, and the obligation to formalize the company structure and operations.

To alleviate the dissonance of SMEs, Exchanges undertake several strategic initiatives to educate entrepreneurs on the value and benefit associated with listing on an Exchange. Most of the CoSSE Members organize outreach programs for entrepreneurs, designed to demystify the concept of being a listed firm. An example of this is the Tshipidi Mentorship Program that the BSE launched in 2019. This was a judiciously planned 2-day training program, with coaching and presentations by registered advisors, successful listed companies on the main board, and capital market intermediaries. Similarly, the Mozambique Bourse pursues SME listings through corporate visits, information dissemination and strategic MoUs to list SMEs. As for listing requirements, the JSE and Lusaka Stock Exchange call for Directors of SMEs to undergo a Directors' Induction Program, to fortify the management structure.

WHY SMEs SHOULD CONSIDER LISTING

Although access to long-term capital is the main motive for SMEs to list on an Exchange, there are other benefits to this proposition.

Firstly, going public improves the corporate governance of a firm through regulatory supervision. Issuers are obligated to comply with routine listing requirements. Secondly, listing enhances the visibility of entities, and thereby improves their marketability. Moreover, listing increases the credibility and status of a company. Other benefits include attracting and diversifying investors, improved competitive advantage, operational efficiency, seamless migration to the mainboard, and provides an exit routine for private shareholders seeking to disinvest.

It is important to recognize that public equity financing is not a broad solution for all SMEs. It can however be a solution for SMEs with strong growth prospects and the capability to handle the unavoidable compliance requirements. When it comes to listing, it is Exchange's job to create a knowledge ecosystem, and conducive environment for SMEs interested in the opportunity to go public. The sustainable growth of SMEs also relies on the support of intermediaries, such as Governments and other business institutions.



For more information about CoSSE, visit our website at www.cosse.africa, or contact the Secretariat via telephone at **+267 3674421**, or email us at cossesecretariat@bse.co.bw.

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JANUARY OPENING BELL CEREMONY

BSE Chairperson Lt. Gen. Tebogo C Masire and BSE Board Member and Business Botswana CEO, Mr. Norman Moleele were honoured with an opening bell.



BSE Chairperson Lt. Gen. Tebogo C. Masire delivering the Welcome Remarks and 2020 Market Outlook



(Left to Right) BSE Board Member & Business Botswana CEO, Mr. Norman Moleele, BSE Chairperson, Lt. Gen. Tebogo C. Masire, BSE CEO, Mr. Thapelo Tsheole



BSE CEO, Mr. Thapelo Tsheole, delivering the Vote of Thanks



Members of the Audience



Master of Ceremonies, BSE Market Development Specialist Mr. Kgotla Segwe



Official Bell Ringing (Left to Right) - BSE Head of Finance & Administration, Mrs. Mpho Mogasha, BSE Board Member & Business Botswana CEO, Mr. Norman Moleele, BSE Chairperson, Lt. Gen. Tebogo C. Masire, BSE CEO, Mr. Thapelo Tsheole, BSE Head of Market Development, Ms. Thapelo Moribame, BSE Head of Legal Services & Board Secretary, Ms. Gorata Tihale Dibotelo

OPENING BELL CEREMONIES

FEBRUARY OPENING BELL CEREMONY

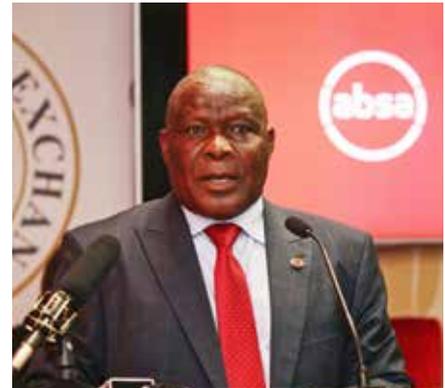
Absa Bank Botswana Limited was honoured with an opening bell in recognition of its official name change from Barclays Bank Botswana Limited.



BSE CEO, Mr. Thapelo Tsheole, delivering the Welcome Remarks



ABSA Bank Botswana Managing Director, Ms. Keabetswe Pheko-Moshagane delivering Remarks.



ABSA Bank of Botswana Limited Chairman, Mr. Oduetse Motshidisi delivering Remarks.



Members of the Audience



ABSA Bank Botswana Head of Marketing & Corporate Relations, Ms. Obonye Malope, delivering the remarks on ABSA's brand journey



Official Bell Ringing - ABSA Bank of Botswana Limited finally trades on the BSE for the first time.

MARCH OPENING BELL CEREMONY

KPMG Managing Partner and BICA President, Ms. Gosego Motsamai, President of CFA South Africa and Director of ETF South Africa, Ms. Nerina Visser, Debswana Pension Fund CEO, Ms. Gosego January, BSE Board Member Ms. Sethunya Makepe-Garebatho, Mascom Botswana CEO, Ms. Dzene Makhwade-Seboni and CSDB Board Member, Ms. Kelebogile Kewagamang were honoured with an opening bell in celebration of International Women's Day under the global theme **I Am Generation Equality: Realizing Women's Rights**



BSE Board, Ms. Sethunya Makepe-Garebatho, delivering the Welcome Remarks



BSE Head of Market Development, Ms. Thapelo Moribame, moderating a panel discussion under the global theme of International Women's Day, 'I Am Generation Equality: Realizing Women's Rights'



(Left to Right) Panelists - KPMG Managing Partner & BICA President, Ms. Gosego Motsamai, President of CFA South Africa and Director of ETF South Africa, Ms. Nerina Visser, Debswana Pension Fund CEO, Ms. Gosego January and Mascom Botswana CEO, Ms. Dzene Makhwade-Seboni



Master of Ceremonies, BSE Head of Legal Services & Board Secretary, Ms. Gorata Thale Dibotelo.



Official Bell Ringing (Left to Right) - KPMG Managing Partner & BICA President, Ms. Gosego Motsamai, President of CFA South Africa and Director of ETF South Africa, Ms. Nerina Visser, Debswana Pension Fund CEO, Ms. Gosego January, BSE Board Member Ms. Sethunya Makepe-Garebatho, Mascom Botswana CEO, Ms. Dzene Makhwade-Seboni and CSDB Board Member, Ms. Kelebogile Kewagamang.



CSDB Board Member, Ms. Kelebogile Kewagamang, delivering the Vote of Thanks.



International Women's Day 2020 pose by distinguished panelists, speakers and BSE management and staff



Members of the audience



THE BSE IS IN SUPPORT OF GENDER EQUALITY AND INCLUSION IN THE WORKPLACE

At the BSE, we do not just accept difference, we celebrate it, we support it, and we thrive on it for the benefit of our employees, our products and our community. BSE is proud to be an equal opportunity workplace and an affirmative action employer.

Studies show that empowering women is not only the right thing to do, but also the smart thing to do and at the BSE, we can attest to that.

We Do Not See Gender, We See Humanity



56% of BSE staff are women

50% of BSE executive management are women



Fact: Two of the longest serving BSE staff are women and have risen through the ranks.

Fact: BSE gives equal opportunities to both men and women for any consideration and nomination.



In this exclusive interview, BSE News is joined by Absa Bank Botswana Limited's Managing Director Keabetswe Pheko - Moshagane to discuss the roles the bank has played in developing and promoting Small and Medium Enterprises (SMEs) in Botswana. She also shares insights on the Enterprise and Supply Chain Development program and future related programs under the new brand.

Keabetswe Pheko
– Moshagane
Managing Director

Keabetswe is currently the Managing Director of Absa Bank Botswana Limited. She joined the Bank in 2010 as Head of Core Banking Applications and has over 10 years' banking experience where she gained vast experience in the banking and telecommunication industry. Keabetswe is a seasoned executive and held the position of Head of Technology, overseeing the execution of bank projects, programs and initiatives aimed at ensuring the business operates in a stable environment.

She was then promoted to Chief Operating Officer and has been instrumental in driving various transformational and cost saving initiatives, which contributed towards the overall performance of the bank. Keabetswe is indeed a seasoned executive and brings a wealth of banking and leadership experience. Prior to joining Barclays she worked for Falcorp Technologies in South Africa as consultant for various organizations including in the telco and banking industry.

She has a Bachelor of Administration in Information Technology specialising in IT Management, and Business Applications from Tshwane University of Technology and

has attended several leadership training programs including Management Development Program at Stellenbosch, and a Chief Operating Officer Excellence Program. Keabetswe is a Master's Degree holder in Business Administration (MBA) from Mancosa.

BSE news: *In 2017, Absa Bank Botswana established the Enterprise and Supply Chain Development (ESD) program. What was the motive behind this program?*

Keabetswe Pheko - Moshagane:

We were motivated by our passion to grow small and medium enterprises (SME) which represent a vital part of our economy. We noted that we can play an active role to address the concern that 90% start-up businesses fail within their first 5 years of their operation owing to many challenges

BSE news: *Briefly highlight these challenges you talk about.*

Keabetswe Pheko - Moshagane:

Amongst them is the lack of access to capital and markets for them to sell their products, lack of the sound financial management skills required to start and grow sustainable businesses, poor record keeping, lack of proper business management and poor product quality.

BSE news: *Kindly explain how the ESD program works?*

Keabetswe Pheko – Moshagane: ESD mainly focuses on capacity building, linking SMEs with the corporate value chain to create access to market. We are then able to provide finance and bespoke training on business management if need be, to increase the probability of the businesses succeeding.

BSE news: *How has the appetite for the program been since it was established?*

Keabetswe Pheko - Moshagane:

We have seen positive growth on the uptake of the program including the utilization of the Enterprise Development centre which was officially opened in Gaborone in August 2019.

BSE news: *From which sectors do SMEs showing interest come from?*

Keabetswe Pheko - Moshagane:

Our ESD program has attracted interest and assisted customers from different sectors of the economy such as Mining, Retail and Manufacturing.

BSE news: *Through this program, how much has been disbursed to SMEs and how much will be reserved for them in future?*

Keabetswe Pheko - Moshagane:

The ESD program has assisted customers in different sectors of the economy amongst others Mining, Retail and Manufacturing. In 2018, we disbursed P85 million to our customers and achieved our target to disburse P150 million in 2019.

BSE news: *What return of investments does Absa see in this program?*

Keabetswe Pheko - Moshagane:

The program offers value chain financing solutions to the SMEs who are the heartbeat of any economy. We understand when SMEs are sustained and thrive then the whole value chain gets to benefit from a sustainable economy. This then benefits the community through the employment created from such partnerships.

BSE news: *How does the bank track use these funds?*

Keabetswe Pheko - Moshagane:

We have robust mechanisms in place to continuously assess and provide the necessary support to our partners. On regular basis we do business monitoring to track the performance and offer business advisory services in conjunction with the corporates.

INTERVIEW

This ensures that there is collective responsibility on the three parties being the client, the bank and the Corporate since the main objective is to make sure that we all succeed.

BSE news: *In your observation how has this program helped the SMEs?*

Keabetswe Pheko - Moshagane:

This program has helped SMEs, as it has empowered citizen owned businesses which traditionally could not operate in certain industries due to lack of access to funding to now be awarded tenders for specific works such as drilling and crushing in mines. Under normal circumstances the SME would not have qualified for funding the assessment is quite flexible.

BSE news: *Apart from issues of finances, how does the bank help the SMEs?*

Keabetswe Pheko - Moshagane:

In addition to funding and capacity building, we have established the Enterprise Development Centre, an intimate working space which our customers can use to access free board room, workstations and WiFi for their use. This facility is located on the 1st floor of the Gaborone Industrial Branch and allows to SMEs to conduct meetings in a professional setting.

BSE news: *What role does the bank play in helping SMEs to become competitive and expanding outside?*

Keabetswe Pheko - Moshagane:

Our unique position is to serve SMEs by using our core assets, strategic positioning and influence to create access to markets for SMEs.

BSE news: *What plans does the bank have in the pipeline for the development of SMEs?*

Keabetswe Pheko – Moshagane: Our customers are at the centre of everything thus we continue to develop innovative solutions geared towards improving our customer experience as well as bring their possibilities to live. We also have the business club where SMEs contribute a fee on monthly basis and the money will be used to capacitate the promoters in areas like tax compliance, business planning, record keeping, networking sessions just to mention a few.

BSE news: *What is the importance of SME sector in your business?*

Keabetswe Pheko - Moshagane:

The sector is very important as SMEs are key stakeholders in the ecosystems of our corporate clients' businesses and Botswana's economy overall. As a bank we have

the responsibility to assist the government to address some of the challenges that we see in the economy like employment creation, poverty alleviation, import substitution and economic diversification.

BSE news: *Over the year how has the bank helped develop SMEs apart from the Enterprise and Supply Chain Development program?*

Keabetswe Pheko - Moshagane:

In partnership with Local Enterprise Authority (LEA) we have been travelling throughout the country to provide training to SMEs for free on Enterprise Awareness and our banking products. We have additional capacity building initiatives which we will be rolling out in 2020. In 2019 we held the procurement Summit where we brought together SMEs, the procuring entities and corporate under one roof and discussed the common issues on procurement. The main objective of the workshop was to discuss topical issues regarding the procurement and how the SMEs can benefit from the corporate linkages.



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SAVE THE DATES

BSE Calendar | 2020

Month	Date
4th May	May Opening Bell Ceremony
14th May	Open Day, Shakawe
1st June	June Opening Bell Ceremony
6th July	July Opening Bell Ceremony
3rd August	August Opening Bell Ceremony
15th August	8 th Annual Senior Secondary Schools Finance & Investment Competition
1st September	September Opening Bell Ceremony
5th October	October Opening Bell Ceremony
2nd November	November Opening Bell Ceremony
1st December	December Opening Bell Ceremony

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



HOW BOTSWANA'S SMARTPHONE REVOLUTION COULD BOOST THE BSE

Mobile telephony services have exploded in Botswana since their introduction 22 years ago, moving from April 25 1998 when Mascom sold its first mobile phone in the country – a Motorola Startac model 85 – to the estimated 3.3 million mobile subscriptions as at March 2019.

The devices have also evolved over that period, starting from simple text and voice to today's data-driven smartphones capable of rivalling personal computers, cameras, dictaphones and others.

Cellphones have revolutionised life in Botswana in the past two decades, with the declining costs of devices and data, as well the spread of networks entrenching the digital culture among Botswana, particularly the youth.

Botswana have since moved beyond the smartphone being a device that simply enhances communication, but are also viewing it as valuable business tool to create contacts, gain access to markets such as those on social media and participate gainfully in the digital economy.

From tent and chair rentals, hairdressing to trades built on ecommerce giants such as Ali Baba, smartphones and the data networks are spurring an entrepreneurial upsurge among Botswana powered by word-of-mouth marketing and direct customer interface/feedback.

Mascom CEO, Dzene Makhwade-Seboni has an anecdote explaining the revolution. Mascom is the country's biggest mobile network provider, with 1.7 million subscriptions as at March 2019.

"We were in Lekgware some years ago and there was a lady there that was a baker. "She told us that all her life as a businessperson, she had been waiting for the Village Development Committee to take her to Gaborone to learn how to make different types of bread.

"But when the Internet arrived in Lekgware, she found she could go online and take various tutorials and enhance her business.

"With access, the world is being opened up and Botswana are willing to get on board," Makhwade-Seboni notes.

Botswana's peers in certain parts of the African continent however, are moving into a different frontier of the smartphone's potential, using it to gain access into stock market trades and the various products available.

TECHNOLOGY

Where access to stock exchanges has traditionally been limited by regulations, cost and geographic factors, the smartphone in these countries is bridging the gap allowing users, particularly the youth, to access, trade and monitor their transactions in various products offered by stock exchanges.

Collen Tapfumaneyi, CEO of Escrow Group, a diversified Fintech group headquartered in Nairobi, has experience of how the smartphone can lift Africans into the stock exchange space.

Tapfumaneyi says already, young Africans are using their smartphones for sport betting and crypto-trading, leveraging on the technology available.

"Exchanges can tap into the amount of time young people are spending on the Internet to place their products in their proximity and attention," he told delegates at the African Securities Exchange Association conference hosted by the Botswana Stock Exchange in Kasane last in November.

"Technology can also reduce the cost of on-boarding retail investors and raise trading activity."

According to Tapfumaneyi, from the viewpoint of stock exchanges and regulators, it has been observed that the biggest reasons retail investors are largely excluded from capital markets include the genuine concerns about the cost of servicing such customers versus the returns, as well as the risk of that business.

"However, looking into the future, the capital market must ensure that it harnesses such traffic, leading through investor education and awareness," Tapfumaneyi said.

"Technology can take the capital market to retail investors."

Using smartphone technology to on-board retail clients is something the Nairobi Stock Exchange is pursuing in certain products. Tapfumaneyi said Kenya in recent years had developed a homegrown solution called M-Akiba, which was a government bond sold through mobile phones.

"Clients have been on-boarded through platforms such as M-Pesa," he said.

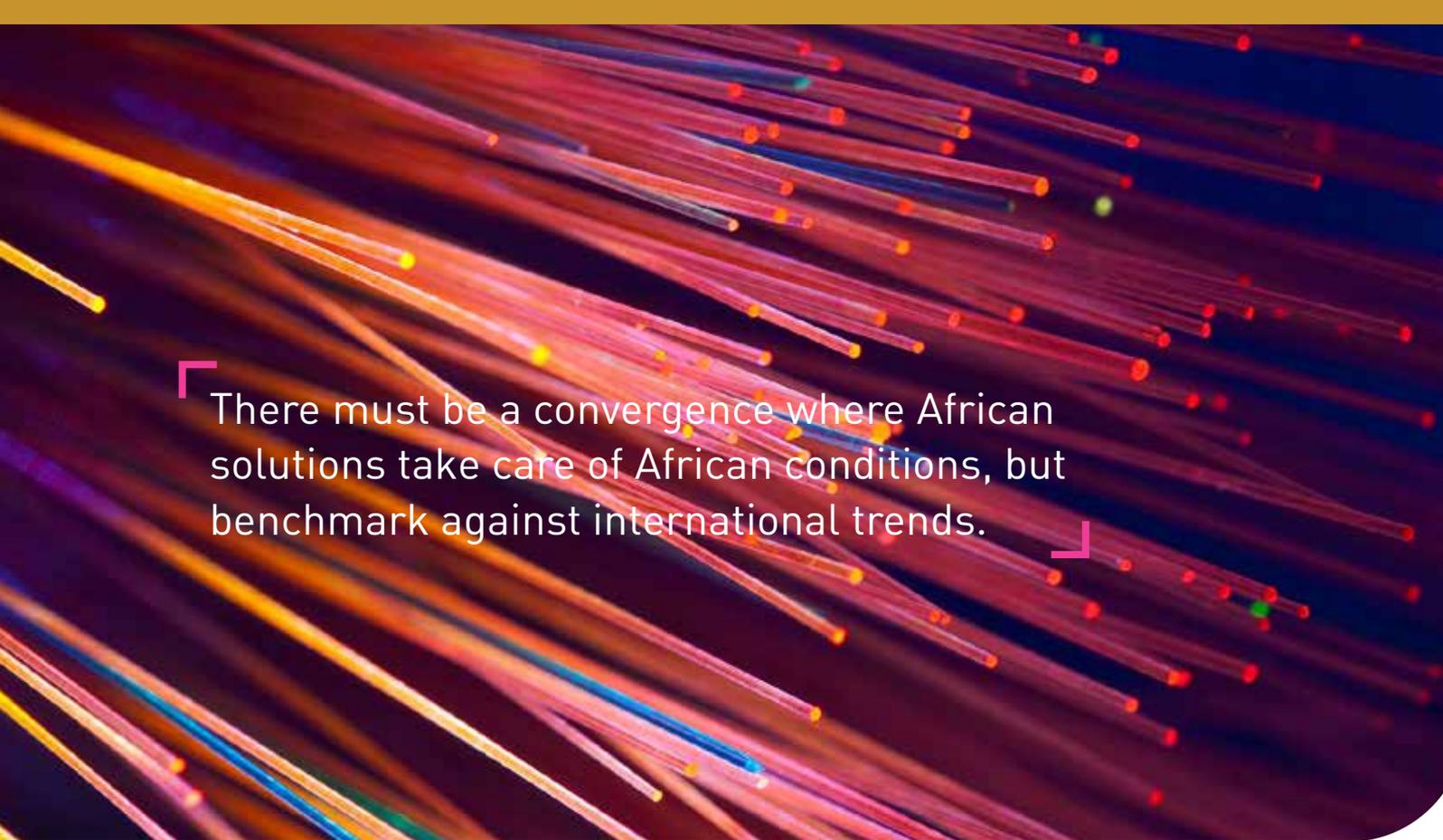
"Other countries have developed mobile trading platforms, which have also incorporated international standards."



The potential of technology such as blockchain to reduce stock exchange access costs and risks is not lost upon market participants. Mbako Mbo, Chief Financial Officer, Standard Chartered Botswana, told the Kasane conference that while the obvious use of blockchain in financial markets would be in security, it also has applications around settlement and clearing where you could have parties accessing the same data source after trade, which would trim down the costs.

"Blockchain could also be used in payments such as encrypted ledgers where it would be peer to peer," he said.

For Tapfumaneyi, the opportunity for technology, including smartphones, to enhance retail access



There must be a convergence where African solutions take care of African conditions, but benchmark against international trends.

to the stock exchange in Africa, must centre around tailor-made solutions.

“The infrastructure must also address convenience to support both investors and clients.

“It is in the area of convenience that Africa can look at options around home-grown solutions.

“The technology must be fit-for-purpose and address the diversity of the African market.

“There must be a win-win situation between locally developed platforms and the international ones because Africa remains part of the global trading markets.

“There must be a convergence where African solutions take care of African conditions, but benchmark against international trends.”

For Botswana with one of the world's highest mobile phone densities, an educated and literate population and robust per capita incomes, smartphones could unlock massive opportunities for retail investors in the capital market.

Analysts say the key will be developing appropriate risk-based entry strategies by regulators and the BSE availing access channels and products to support the opportunities.

Another key area will be widespread and enhanced education and awareness by the various actors in the market, as well as doing the hard work around the paradigm shift needed for potential retail investors to see the stock exchange as an accessible source of income.

Network operators such as Mascom, meanwhile, say they are ready to provide the backbone for the revolution.

“It is a very powerful role that we play,” Makhwade-Seboni says.

“It's almost like we are sitting at the centre because as a mobile operator, we not only provide the device but the network access for the connection.

“The SIM card has become a very important aspect of people's identity and many other sectors of the economy are keen to move into this converged sector.

“This will take partnerships, identifying the needs and seeing how to work with others. No one can do it alone.”

A CLICK INTO

The Botswana Stock Exchange (BSE) will enter through the doors of 2020 Quarter 2 with a sense of digital awareness, bringing more convenience, flexibility and mobility into the markets.

One day an investor will be a finger click away from buying shares he or she saw on a mobile device, doing less with paperwork and physical interaction. BSE Head of Information Technology Kopano Mogorosi said the local bourse is trying to respond to what comes with technology. Google says that 94 percent of American smartphone users "search for local information on their phones," even if they have access to a desktop.

BSE is currently working on a new website and an App; this combo is made to be more responsive to most mobile devices. A website and an App, are being made to be compatible with any device, according to Mogorosi



Kopano Mogorosi

BSE Head of Information Technology

New Website

Mogorosi revealed that BSE is doing away with the old website model which only fits well in computers but looks less compatible in mobile phones or tablets. BSE IT team is already in the workshop to bring a more mobile friendly website that will be responsive to multiple devices.

"It will be a responsive website. By a responsive website we mean a website that includes all the same content and data on multiple devices. The data changes according to how it is displayed or arranged on the size of the device screen," said Mogorosi in an interview.

Websites have been becoming more mobile friendly since the last five years, mobile internet usage surpassed the use of desktop hardware, according to technology experts. Everyone now uses their mobile device anytime to access any website through an App, there is less movement of mouse clicks

and pressing on keyboards and BSE is also jumping into the new bandwagon of swipes and finger clicking.

The new website will be much more efficient and quick, according to Mogorosi. The BSE IT guru said the stock exchange's main product is data as they are a huge business of selling data. He said they want their costumers, data consumers, to be able to access data on any device.

What will the new website look like?

According to Mogorosi, unlike the old website, the new website will present data in a more segmented way. This will make data presentation more mobile friendly and in an appropriate format, he said.

This new website will also present data in different times; in real time for those who want to view fresh share prices and data can be delayed, according to Mogorosi. He

THE MARKET

also revealed that data will be sold via mobile App and there will be subscription for News on share prices. This will further generate BSE revenue. The BSE new website will reflect the same mobile friendly type like those used by the local bourse's bigger brothers; the Johannesburg Stock Exchange, London Stock Exchange and NASDAQ. The US bourse NASDAQ long made a mobile friendly website in 2009.

In a social media statement 11 years ago, when announcing the launch of its mobile friendly website, NASDAQ said: "Get no-hassle instant access to real-time stock quotes, key market indicators, breaking news, expert commentary, guru analysis and more..."

Introduction of an App

The new BSE will target real time data and users will use it as a medium of subscription to the new mobile friendly website, said Mogorosi. BSE has already designed the App package, but it cannot be downloaded as the local bourse IT team is still working on it. It will reflect the BSE logo and be accessible on different devices. The App will have many features; tracking investments and trades, with real-time quotes and global market coverage.

The Central Securities Depository (CSD) to go digital too

The BSE will create a CSD system with an online interface which will carry all investor accounts. Investors

will be able to manage their accounts from the online system and have all the information they need. Investors will now be able to manage their portfolios. According to Mogorosi, investors will also be able to download their transaction statements and access any transactional data available.

One will also be able to subscribe to the IPOs according to Mogorosi. This software will also allow investors to participate in corporate events; like Annual General Meetings, dividends and bonus payments. Even corporate actions like voting online will be allowed in this coming online interface.

Securities Borrowing and Lending to be part of the digital makeover too

The BSE is already planning to bring the Securities Borrowing and Lending (SBL) facility in this quarter of the year. The SBL will have an online investor portal working within the Central Securities Depository. All the transactions of SBL and interaction with SBL agents will also be digitalized.

Introduction of STP

Mogorosi said they expect to merge digital participation, the central bank and work with and form an interface connected with brokers, custodian banks and Bank of Botswana. For efficiency, Mogorosi

said they will be an introduction of Straight Through Processing (STP) and this has long been adopted by most developed markets.

STP is an automated electronic payment process that is used by corporations and banks according to Investopedia. STP can be used by BSE to free up time-consuming transactions from human intervention. This brings more fluidity on the markets, hence liquidity. STP will enable speeding of payments processes in the local market from initiation to final settlement.

But why this digital movement? Mogorosi talked of the local bourse's ambitions of becoming an investor attracting market and being on top of the game through digitalization. "We also want to be rated top in the world as a stock exchange, like on Tomas Murray Ratings we want an A ratings. The Tomas Murray Ratings look at infrastructure and market processes when rating. The Tomas Murray A-rating would attract high quality investors hence the listing will also improve because of guaranteed confidence that comes with the idea of investing in a market that is highly rated," said Mogorosi in an interview.

BSE is currently rated B on the Tomas Murray Ratings and Mogorosi's believe is that the digitalization of the local bourse will up the ratings.

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SECURITIES BORROWING AND LENDING TO PROMOTE LIQUIDITY IN THE CAPITAL MARKET

The advent of the capital market phenomenon of Securities Borrowing and Lending (SBL) on the local market should catalyze or intensify liquidity.



In an interview, Botswana Stock Exchange (BSE) Head of Clearing and Settlement, Masego Pheto-Lentswe attested that the benefits of SBL, expounding in simpler terms is that this feature was one of the missing parts in improvement of liquidity.

SBL can also be called securities lending and can be simplified as the practice of making loans using securities as collateral according to many investment publications. According to the recently drafted Securities Borrowing and Lending Rules, SBL simply involves the temporary exchange of securities, usually for other securities or cash of an equivalent value (or occasionally a mixture of cash and securities), with an obligation to re-deliver a like quantity of the same securities at a future date.

The SBL Rules guidelines further states that, most securities lending is structured to give the borrower legal title to the securities for the life of the transaction, even though, economically, the terms are more akin to a loan.

“The borrow fee is generally agreed in advance and the lender has contractual rights similar to beneficial ownership of the securities, with rights to receive the equivalent of all interest payments or dividends and to have equivalent securities returned.

The importance of the transfer of legal title is twofold. First, it allows the borrower to deliver the securities onward, for example in another Securities loan or to settle an outright trade.

Second, it means that the lender usually receives value in exchange for the disposition of legal title (whether in cash or Securities), which ensures that the loan is collateralized,” says the SBL Rules book.

Why the need for this securities lending facility in the local market?

Pheto-Lentswe answered pointing to a local scenario that needs a solution. She said the local capital market is currently dominated by pension funds and other investment managers who tend to make long term investments then hold on to securities for prolonged period until such a time where there is realignment portfolio guided by their investment strategies.

“The securities are in most cases lying idle in custody without any enhancements. This scenario creates more often than not an extended dry spell of liquidity in the market,” explained Pheto-Lentswe who is also experienced in Financial Market Sector at Dealing, Settlement and Portfolio Analysis.

Pheto-Lentswe's explanation paints a metaphorical picture of such securities being akin to highly frozen ice cubes, intactly stored and unmoved. For the market to be efficient, there has to be movement of securities or what can be figuratively visualized as being fluid, and liquid in the language of capital markets. Therefore the ‘frozen and stored’ securities will be in a solid form and not flowing around the market moving around hands and this will affect liquidity.

And SBL has become the solution of heating up icy securities, like in the case of stagnant long term investments, hence liquidity or the flow on the market. Pheto-Lentswe said given the current structure of the market, the introduction of SBL where stagnant securities can be moved around by lending them to willing borrowers or vice versa, can help alleviate and unlock liquidity of counters lying idle in custody. According to the CSD manager Pheto-Lentswe, this will result in possible increase in turnover levels. The SBL Rules further states that the securities lending platform was created for long term holders of securities can lend.

Furthermore, a broad explanation of the economic reasons for borrowing and lending of securities was described by Pheto-Lentswe as; to facilitate and ensure that settlement of securities takes place thus contributes to greater liquidity. The other reason being to enable market making and other trading activities like short selling, which is borrowing in order to meet a delivery obligation and prevent settlement failures in outright transactions.

Pheto-Lentswe also said the main importance of SBL should be to unlock additional value of a portfolio, to enhance fund performance by generating income through fees charged for loaning securities hence greater rate of return for clients and offset management or custody fees, which is to defray charges or other expenses of the fund. SBL may also provide short-term cash to lenders where an investor lends against cash collateral, according to Pheto-Lentswe. She further stated that this may be an alternative to outright purchase of securities and thus help the lender to restructure their capital base.

How do you borrow/lend securities and how do you go about doing transactions?

According to the Securities Borrowing and Lending Rules which is currently drafted and is already in the market for comments and suggestions, any investor interest in taking part in

SBL transaction. Pheto-Lentswe said there will be market intermediaries who will assist in facilitating for SBL transaction.

According to SBL Rules, an application shall be submitted to the Central Securities Depository Board (CSDB) for prior approval to practice Securities Borrowing and Lending using the form prepared for this purpose and enclosing the documents and information that support the application. The Board may request any other clarifications, information and documents if necessary.

According to the Rules, there is a person who conducts SBL transactions for themselves or on behalf of others and that person gets approval to perform such duties from the CSDB. A Borrowing and Lending Agent shall be valid for a period of one year, ending on the month the license was given in the next year.

The Rules say the following entities may be admitted to practice as Borrowing and Lending Agents: A custodian bank licensed by NBFIRA, Broker licensed by NBFIRA, Market Makers licensed by NBFIRA, Primary Dealers licensed by Bank of Botswana Or any other person licensed by NBFIRA to carry out such activity.

The securities-based lending became the 'in-thing' of the global financial crisis of 2007-2008, when in leading economies like in the US it was discovered as an area of strong growth for investments banks and was partially offsetting declining fees, according to Investopedia. The history of SBL can be further traced to one of the most powerful economies in the world, Hong Kong. A 2004 article in EurekaHedge says SBL industry in Hong Kong has been established for almost 20 years, the country even created a Pan-Asian Securities Lending Association (PASLA) in 1995 for the cause of SBL. According to Investopedia securities-based lending accounts and balances have surged since 2011, facilitated by the steady rise in equities and record-low interest rates.



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STEP 2: Escalate to the relevant Head of Department on (+267) 3674000 or email

STEP 3: Escalate to the Chief Executive Officer on (+267) 3674402

STEP 4: Escalate to the Chairman of the BSE Board



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Martin Makgatlhe | Chief Executive Officer

2019 Botswana Stock Exchange Overview

HIGHLIGHTS

- Letlole led the market for...
- FNBB ends the year as the third best performer of the market...
- BTCL closes flat...
- Choppies remains suspended after publishing lacklustre 2018 full year financial results...
- Two delistings haunt the exchange...
- Top management drama in the Letshego Group...

There's no way to doubt that the year 2019 was not a particularly good year, for the Botswana economy, together with the capital markets in the country. The market liquidity for the year shrunk to P1.81bn in 2018 to P1.86bn, in 2019. Volumes on the other hand pick up though, primarily fueled by the various corporate actions that went on in the year. These include the various company delistings (first Furnmart, then Wilderness) and two once off large transactions in the fourth quarter. The once off large transactions were in the name of FPC, trading 92mn shares, and Letlole La Rona, trading 66.5mn shares. These will be further expounded later on in the report.

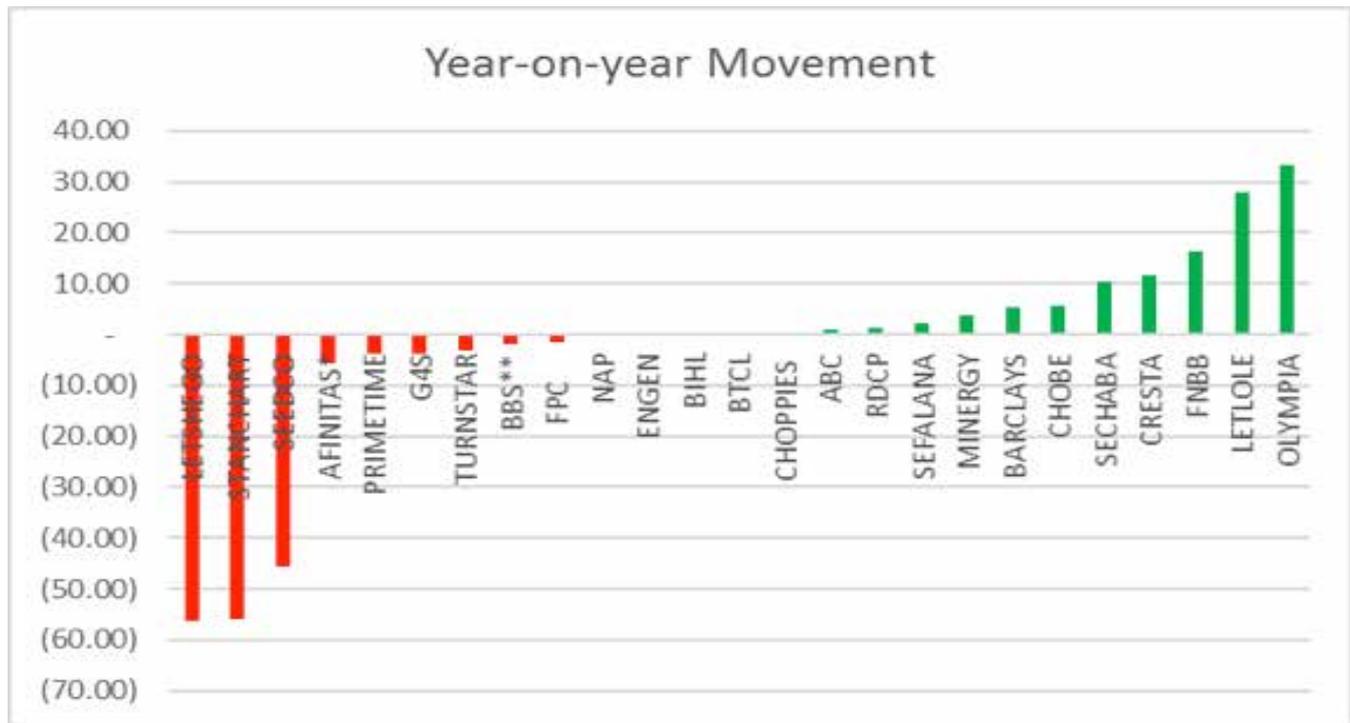
BSE Liquidity – 2019

Q1	Q1	Q2	Q3	Q4	2019
No. of shares (Mn)	156.1	101.2	130.1	240.3	627.8
Turnover (P'Mn)	1,810.9	320.0	546.8	340.0	1,810.9

Source: Motswedi Securities, BSE

The Exchange Traded Funds (ETFs) were also a contributing factor to the marked improvement in the stock exchange's liquidity, although separately accounted for when the term is used. The increased ETF activity was more in the space of NewGold – this makes quite a bit of sense, given that the ETF tracks the price of gold in the international market. Gold prices tend to reflect global sentiment and the commodity has been well supported given the uncertainty with respect to the trade war between the US and China, coupled with Brexit uncertainties. Those investors who held on to the investment product for the entire year, gained an approximate 24%. This is a great return by any measure! NewPlat also made a gain in the year, gaining 8.2% in 2019. The third and youngest of the ETF, NewFunds, traded for the first time in 2019, ended the year 5.1% up.

BROKER RESEARCH



Source: Motswedi Securities, BSE

Companies in the year...



The market at large was distressed; some caught up in webbings of their own doing while others were merely casualties of the market. The largest market casualty was by far and large, Letshego – which posted a year to date loss of -56.2%. This was a result of the stock feeling some significant selling pressure from the market following a series of top management changes. All beginning with the departure of the Group's long term CEO in the second half of 2018, the resignation of the Group CFO (at the beginning of the year), and then the abrupt resignation of the replacement Group CEO after only six months in the role in March 2019. Despite the reassurances

the Group has provided many times over, the sentiment for its stock did not change. The stock closed at a historic low price of P0.71/share – with interest in the stock gradually growing towards the end of the year. Valuation wise, Letshego is very attractive at current levels with a PE of 3.5x and P/Bv of 0.4x.



Closing Px	P/E	P/Bv	Div. Yield	YTD	Mkt. Cap.
P0.71	3.4x	0.4x	9.9%	-56.2%	P1.52bn

Source: Motswedi Securities, BSE



Choppies finally published their FY2018 financial results. The financials for 2018 showed an improvement in revenue numbers from P8.7bn to P10.8bn as compared to the previous year. Expenditures went up 27%, driven up by impairment losses which doubled from the 2017 financial results, administration costs increased by 21%, and selling and distribution expenses increased upwards by 3.5x. This ultimately saw the performance of the company decline deeper into losses, with a loss before tax of P(391.4)mn for the financial year ended June 2018. With the published results the company also published an Independent Auditor's Report, to which noted that the auditor (PwC, who have since resigned from the post) expressed no opinion on the financial statements published by the Group, reason being that they were unable to obtain sufficient, appropriate audit evidence to provide a basis for an audit opinion because of a number of matters, including the validity of sales transactions made in bulk by the Group's South African businesses during March and April 2018, as well as, the validity of agreements for and payments made with respect to business acquisitions made by the Group's South African businesses during October 2016, May 2017, July 2017 and October 2017. The company remains suspended from trading on the BSE and the JSE accordingly as the financial results for the 2019 interim financial period and the 2019 full year financial results are both still outstanding. Until such a time as they are produced, the group will remain suspended from trading on both exchanges.



The year was not kind to Standard Chartered's share price, the bank closed the year with one of the largest year-on-year value losses. The banks FY2018 financials were much improved from the prior year, although this was expected, given that the 2017 P189mn loss after tax was a single hit courtesy of a few impairments hits. The company's interim financials also showed some marked improvement, the balance sheet was up 8%, profit before tax up 20%, and retail loans advances climbing 5%. Based on those numbers, the PE was an eerie 20.9% -- generally too high when compared to its peers. The bank reached an all-time low of P1.65 before bouncing back slightly to P1.67 – supported by a small burst of demand.



Letlole's shareholding had some significant changes towards the end of the year, in what constituted to be the largest single trade with the highest turnover in a single day, from a single trade on the BSE in 2019. The stock's appeal grew throughout the year, opening the year at P1.76/share to grow 27.8% to close at P2.25/share. The stock had the second best performance on the domestic market – second to Olympia, of which had a yearly growth of 33.3%.

BROKER RESEARCH



FNBB posted yet another set of good financial results, with an increase of 13% for both profit before tax and after tax. PBT was at P945mn, EPS growing 13% as well to 28.80 thebe from 25.48thebe in the prior year. The stocks share price was the third best performer, with a growth of 16.3%, gaining 40 thebe throughout the year, to P2.85 each. Outside of the equities space, the bank successfully added another bond to their ongoing bond program, FNBB010, their 6th live bond currently on the listed on the BSE.



BTCL share price was under pressure in 2019 in line with our expectations given the tough and unpredictable economic environment that prevailed during the year. Against this background BTCL share price lost 7.8% in December 2019 alone, the largest loss in a single month in 2019. This was largely in line with our predictions as the festive season is usually characterised by more selling from investors. As a result, BTCL finished the year 2019 flat at P0.95/ share, the same opening price in January 2019. This is however a better performance than 2018 when BTCL shed - 41.8% of its value. Against this background, 2020 will be another challenging year for the market at large and BTCL. In the absence of any significant increase in profitability of the company we expect the current selling pressure to persist and put the share price under pressure.



Furnmart left the stock exchange on the 20th of February after postponing the delisting twice before, priced at 65 thebe after 20 years of listing. The resultant of the departure was the P394.19mn lost in market capitalization, of which approximated 0.9% of the total domestic market capitalisation.



Wilderness Holdings Limited officially left the exchange after 9 years on the 3rd of July 2019. The Safari Company joined the BSE in April 2010, with a listing price of P4.00/share and departed with a delisting price of P6.25/share. The delisting of Wilderness, brings the number of counters on the Domestic Equity Main Board down to 23 and the overall Equity Board to 33.

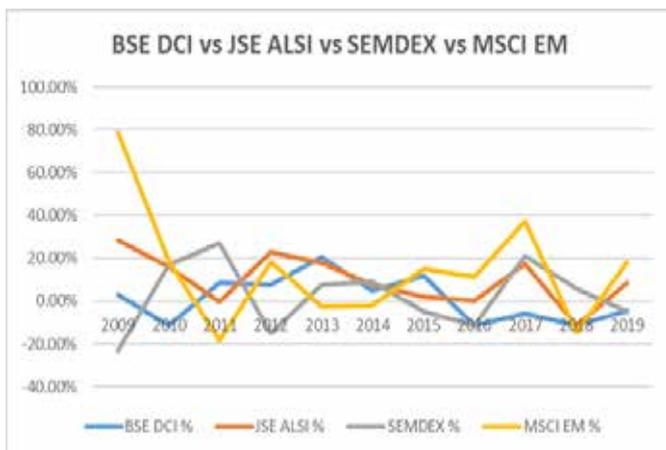


www.bbs.co.bw

BBS remains halted on the Serala Over-The-Counter Board. The company was the first to register on the Board back in September 2018, and since registering, is yet to produce financial statements – audited or otherwise. The company noted that they have changed their financial year end from March to December, and hence the delay in the publication of the financials.

Indexes

The Domestic Company Index (DCI) was down 4.55% for the year all round, largely influenced by heavy hitter Letshego throughout the year. Letshego lost quite a significant chunk of its value in the second quarter of the year. Market capitalisation, of which the DCI is measured, was declining over the first three (3) quarters of the year, with the fourth quarter as the recovery period. When compared to its comparative peers, the BSE DCI was amongst the worst performance – which is not surprising given that the local exchange is generally illiquid.



The Domestic Company Total Returns Index (DCTRI) was fortunately on the positive, gaining 0.88%. The cushioning effects of dividends and distributions bolstered the index's performance for the year. The Foreign Company Index was largely unmoved only dropping a few points – trading on this board is on the low end and as such losses incurred were on the minimal end.

	31-Dec-19	31-Dec-18	% Change
DCI	7,494.55	7,851.88	-4.55
FCI	1,562.43	1,570.30	-0.50
DCI-TR	1,727.59	1,712.57	+0.88

Source: Motswedi Securities, BSE

Outlook for 2020

The Monetary Policy Committee cut the bank rate in August to 4.75%, backed up by signs of a slowing local economy, together with anticipated effects of the slowdown in the global economic growth. The nation's inflation levels have been continually below the target range of 3% – 6% in the months closing the year, with January 2020's inflation still below target at 2.2%. Though Botswana's GDP is projected to have climb up by 4.2% and 4.8% in 2019 and 2020, respectively – we will see the confirming figures towards the end of the March 2020 – steps taken by the Central Bank, e.g. the 25 bps rate cut, have been actioned with the hopes of relieving the economy and stoking some life back into it. Globally, economic growth is seemingly on the mend and there are hopes that the effects will trickle down to the local economy and boost our exports, at the very least.

The liquidity in the equity market has been shrinking gradually year on year, and the year up ahead may prove to be difficult as well. The Botswana Stock Exchange cut trading commissions in December 2019, in a bid to drum up some activity in the market by making the transactions costs cheaper. We are yet to see, if this initiative by the Exchange will achieve the intended objectives.

Research:

- Gary Juma
- Salome Makgatthe

THE WORLD FEDERATION OF EXCHANGES ESTABLISHES BENCHMARK FOR ENTERPRISE RISK MANAGEMENT

The study undertaken by the WFE's Enterprise Risk Working Group (ERWG) as a first step to agreeing and harmonising industry Enterprise Risk Management (ERM) practices, is unique in seeking to understand and detail the way in which exchange and CCP operators structure their approach to risk management through dedicated teams; and the relationship with other parts of their organisations. It also outlines how governance arrangements feed up to the board level, and how necessary independent assurances operate.

Key findings from the study are:

- On average, the dedicated enterprise risk function currently accounts for around 2% of a company's entire workforce.
- All the responding entities employ, as a base level, the three lines of defence model (with some labelling senior management or supervisors as an additional line).
- First line of defence is the Executive (Group-level risk) Committee, whose primary responsibility is the day-to-day management of risk;
- Second line of defence is the Risk (management oversight) Committee, which incorporates the ERM function, and is governed by the Chief Risk Officer. This line provides the risk universe and risk manager framework, ensures compliance, and reports up to the senior management team;
- Third line of defence is the internal and external auditors who perform an independent assessment on the efficiency and effectiveness of the internal controls, risk management and governance.
- Internal audit (IA) forms an integral part of the third line of defence and the wider risk management structure. It is an independent function, performing regular reviews, providing oversight, and holding responsibility for risks, controls and governance assurance.
- Some firms have extended the model to include a 'fourth line of defence', reporting via bespoke committees or processes to their regulators. Further, some entities also designate the actions and roles of the senior management and board as distinct lines of defence, and integrate those additional lines within the model.



CEO of WFE, Nandini Sukumar, said: *“The WFE’s benchmarking paper will serve as a foundation of how market infrastructures are establishing and directing their enterprise risk functions, in addition to showcasing the actions of the industry, in order to share practices as a step towards agreeing and harmonising practices globally. We found that WFE members are implementing sophisticated ERM practices right across their operations, which befits their status as national critical infrastructure. As ERM is an effective way of enhancing the resilience of exchanges and CCPs, it is imperative that all market infrastructures establish and operate the most advanced functions possible to ensure their resilience.”*

The WFE’s ERWG was established in June 2018 to connect ERM and Operational Risk Management (ORM) thinking and leadership across the world’s exchanges and CCPs. The group’s mandate is to forge best practices, codes of conduct and guidelines, as well as being a place for information exchange. The benchmarking exercise was completed by risk managers from within the ERWG across 12 key jurisdictions around the world, representing a range of exchanges and CCPs. The paper today is the first of several.

Source: World Federation of Exchanges website

BSE PARTNERS & AFFILIATIONS



LISTED COMPANIES

DOMESTIC AND FOREIGN COMPANIES LISTED ON THE BSE

DOMESTIC EQUITY



FOREIGN EQUITY



LISTING ON THE TSHIPIDI SME BOARD

Tshipidi SME (TSME) Board is a new listing board that was introduced on the 1st January, 2019 as one of the BSE's initiatives to accommodate diverse businesses on the bourse regardless of their size. TSME board is dedicated for small and medium enterprises and serves as a platform for them to raise capital.

The TSME board has less stringent requirements compared to the Main Board and Venture Capital board which offers small businesses an opportunity to raise funds to grow their businesses and eventually list on the main Board.

The TSME board has a panel comprising of three industry experts that make independent recommendation to the BSE on the suitability of the applicant to list on the board or lack thereof. The following are some of the conditions that companies must meet in order to list on the TSME board;

Requirements	Tshipidi SME Board
Financial history	<ul style="list-style-type: none"> Profit history not necessary but a profit forecast of 3 years together with the assumptions made in arriving at such forecasts prepared by a reporting accountant must be provided.
Minimum capital	<ul style="list-style-type: none"> Subscribed capital of at least P500,000 No less than 1 000 000 shares in issue.
Minimum share price	<ul style="list-style-type: none"> Minimum initial issue price of 50 thebe per share
Minimum number of public shareholders	<ul style="list-style-type: none"> 5 for ordinary shares 5 for preference shares
Minimum free float	<ul style="list-style-type: none"> 5% of the shares must be held by public shareholders
Company Directors	<ul style="list-style-type: none"> Directors of companies applying to list on the TSME Board must attend an Induction Workshop prior to listing date of the company

Further, Companies applying to list on the TSME Board must appoint and retain a Nominated Adviser (NOMAD) from the BSE list of Registered Advisers, for the duration of the observation period. The Observation period means a period of one (1) year or more as shall be determined by the BSE, from the date of listing on the TSME Board. The nominated adviser is responsible to the BSE for advising and guiding a TSME company on its responsibilities under the BSE Rules both in respect of its admission and its continuing obligations on an ongoing basis.

CLIMATE CHANGE COULD HERD CATTLE TO THE STOCK EXCHANGE



Numerous studies show that Botswana will be one of the places on the planet most affected by climate change in coming years, a fact local farmers would not deny, having faced successive droughts for most of the last decade.

The country has suffered rolling and deepening droughts since the 2014/15 season, with only Cyclone Dineo in 2016/17 breaking the trend, albeit temporarily.

In what many viewed as a bad omen, Gaborone Dam ran dry in early 2016, while the capital suffered a debilitating water crisis during which temperatures in other parts of the country touched 40-year old highs.

The persistent heatwaves, destruction of pasture and decimation of livestock have put pressure on the long held view of cattle as the traditional asset class, the time-honored go-to investment and trading activity.

Stemming from the country's agrarian background, many citizens outside of urban areas cherish an innate belief in cattle and other livestock as a wealth vehicle. Cattle are familiar, they can be touched, counted, checked on in the morning and admired by relatives and neighbours.

They can be quickly converted to cash, seshabo and used for important cultural rites, such as bogadi (bride price). Which farmer does not spend quiet, peaceful mornings enjoying the soft earth of the kraal, admiring his beasts' shiny coats and taking in the pungent smell of success?

Even as society has modernised over the years, with rising financial literacy, the introduction of more asset classes for investment and greater sophistication in choices, cattle have remained the preferred investment vehicle for many.

Modern 'alternatives' such as shares and unit trusts meanwhile, have long been a mystery, an intangible investment viewed as the sole preserve of financial whizz-kids in lofty offices far removed from the fields. Shares cannot be touched, smelt, admired by neighbours, and used for seshabo or cultural rites.

"It is a mindset thing," explains Base Kegaisang, a 41-year-old auto mechanic.

"We all grew up knowing the value of cattle and with farming as the family activity.

"Botswana naturally tend to believe that you grow up at the cattle post, go to school, get a job in the town or city and at some point, retire to the village to farming."

Kegaisang says he has attended financial literacy workshops offered by various trainers but still would lean towards agriculture over shares. "If I had to get a lump sum from somewhere today, I would invest that in developing our family fields, maybe some equipment, livestock and feed.

"You tend to do what you know best. I can't imagine my parents just sitting at home with no crops in the field or livestock in the kraal saying they're surviving on dividends or trading activities on the stock exchange."

However, analysts say as the effects of climate change intensify, more Batswana may find themselves with little choice but to realign their investment holdings to favour the intangible over the tangible. In other words, more cattle may be headed for the Botswana Stock Exchange.

A major test of whether Batswana are prepared to consider shares as an investment class, alongside or as opposed to cattle, came in 2016 when the Botswana Telecommunications Corporation mounted the biggest ever retail investor campaign for an Initial Public Offering.

Powered by a countrywide, scorched-earth education and marketing campaign, the IPO reached the ears of the entire country, with careful explanations of the opportunities, risks and implications of taking up shares in BTCL.

Kabelo Binns, founder and MD of Hotwire PR and Wired Marketing, the firm behind the IPO's marketing campaign recalls how the strategy was based on showing Batswana how similar, technically, investing in shares and investing in cattle was.

"The penny dropped when we considered that Batswana's primary investments outside of property, are actually cattle.

"Then we said 'even with cattle it's like buying a share because you buy an asset that will give you capital gains in value and it will also give you shares in the form of milk and hopefully it will breed, which is dividends'. "Using that comparison, we went to the communities and said 'imagine we can give you something just like that but that doesn't get affected by the rain, drought, or ailment and can't be stolen.

"If you look after it, it will give you results. "We then said there's something called BTCL and it is selling these shares and if you look after it and support the business, it will give you rewards."



So successful was the BTCL IPO that the number of shareholders on the BSE's books went from 18,000 to 71,000 an achievement still spoken about today.

"We explained to communities that with a minimum purchase of IPO shares being P500, with one goat you could buy a 1,000 shares and it's something you could not lose that quickly," explains Binns.

"We seriously have to get Batswana involved in these diversified investment portfolios. It is the only way we can actually help them ride the waves of economic difficulties.

"Yes, you must have agriculture in your portfolio like cattle, but you must also have shares and property. "If I was in the BSE's shoes, I would continue their drive for literacy because it has been proven that there are more buyers out there and it helps with the activity on the Exchange."

Binns says the fact that the campaign was run in Setswana and used platforms such as dikgotla, also helped bring in the higher number of investors.

Nowadays, those who bought into the BTCL IPO rejoice when they get their dividend checks, with many periodically cashing out parts of their holdings for holidays, school fees and other needs.

With government planning more divestments from parastatals going forward, it is expected that more concessionary opportunities will open up for citizens to diversify their holdings away from a dependence on cattle and into the climate-change proof assets.

As painful as the effects of perennial droughts are, the BSE is providing an opportunity for the preservation and growth of value through the herding of cattle to the Exchange.

Coronavirus Disease 2019 Outbreak

COVID-19

INTERNATIONAL FEDERATION OF RED CROSS EXPLAINS HOW BUSINESSES MUST RESPOND TO CORONAVIRUS

Postponed, Cancelled, Closed - The use of these words has accompanied the COVID-19 virus outbreak, as both local and international businesses feel its impact.

In some places, usually busy restaurants, bars and other places where people gather now sit empty, while many global industry conferences and major events will no longer be held. The temporary impact of these changes could have far-reaching consequences for some organizations.

Director of Health and Care at the International Federation of Red Cross and Red Crescent Societies, shares the following advice on ways businesses can manage the coronavirus.

How should companies plan for the impact of COVID-19?

The critical recommendation for all businesses is to create and adopt a business continuity plan. It's essential to decide what should happen in the short to medium term, and consider the longer-term impact, as we don't know how long the virus will be around or how it will evolve.

A continuity plan should include measures to prevent infections in the workplace, such as encouraging all employees to wash their hands regularly. Provide staff with alcohol-based hand rub, and put up clear signs around the building stressing the importance of regular hand washing, both at work and at home.



Secondly, review where staff sit and try to minimize their proximity in the workplace. Avoid closed spaces and crowded rooms, which may mean encouraging more employees to work from home or remotely, or even dividing the workforce into shifts to distance employees.

Finally, business meetings, workshops and conferences are being affected, especially major events. Your continuity plan should assess the impact of cancelling events if they cannot be rescheduled, postponing them or holding them remotely if this can be managed. Doing things remotely or virtually is a critical path to protecting your business and its staff.

Postponing events to the third or fourth quarter of the year could cause work to back up, and events may have to be postponed a second time due to the lack of certainty about the outbreak. While in some parts of the world it could be over in a matter of months, it could also unfold in waves.

Are there any myths about the virus or bad company practices that business owners should be aware of?

One of the main myths surrounds the use of masks, which are not effective for the general population to wear. Masks should be reserved for health personnel, sick people and people at home caring for those with the virus. Wearing masks when you are not sick does little to stop the virus spreading and causes shortages of supplies for the people who really need them.

Secondly, it is critical that people with symptoms of COVID-19 – mainly fever or a dry cough – stay at home and do not attend work. Employers can do a lot to support their employees if they are sick or need to stay home to take care of a family member.

Business owners should make sure their staff can afford to stay home if they are sick. Increasing family leave or sick leave provisions could help ensure sick employees stay home, and are not forced to go into work. Providing support like this protects the long-term interests of both employees and the business.

Source: World Economic Forum

BSE SHOWS LOVE AND APPRECIATION TO STAFF FOR VALENTINE'S DAY



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