



**MARKET PERFORMANCE REPORT FOR THE PERIOD 1
JANUARY TO 31 DECEMBER 2020**

EXECUTIVE SUMMARY

According to the latest updates from the International Monetary Fund, released in October 2020, the world economy is projected to shrink by 4.4% in 2020. Amid a weaker global output, falling revenues and widening fiscal deficits mainly in an effort to contain the COVID-19 pandemic, growth in Sub-Saharan Africa is set to register a contraction of 3.0%. Domestically, the real gross domestic product (GDP) in the first quarter came out at 2.7% before a very sharp contraction of 24.0% in quarter two. Third quarter GDP registered a decline of 6.0%. However, the economy is forecast to register an overall decline of 8.9% in 2020 before rebounding to 7.7% in 2021.

On the back of heightened risk aversion and increased volatility, global Initial Public Offerings (IPOs) were down 42.7% in 2020 according to the half year statistics of the World Federation of Exchanges (WFE) relative to the same period in 2019. While the pandemic initially suppressed world markets, majority of the indices have recovered from their 2020 lows. Similarly, most African markets experienced major sell-offs but pulled back from their lowest points progressively. The FTSE ASEA Pan Africa Index (ex. South Africa) ultimately closed the year with a negative return of 1.5%.

Listed companies equally experienced the challenges brought about by the pandemic particularly on the back of national lockdowns and restrictions in movement. Stock markets are usually regarded as a barometer of the economy and it is not surprising that the Domestic Company Index (DCI) declined by 8.2% in 2020, which seems to mirror the anticipated decline of 8.9% in the national economy in 2020. Against this challenging backdrop, the BSE's disposition has been to consistently explore ways of improving the resilience of the domestic capital market.

While the year ended without any new equity listings, there was tremendous activity in the equity primary market, and in the fixed income market in terms of new bond listings. Additional share issuances on the BSE raised capital amounting to P103.9 Mn and P86.5 Mn on the domestic board and the foreign board respectively. New bonds issued by corporates raised P465 Mn while Government raised a record P5.2 Bn through additional tranches of existing bonds. This remarkable level of activity reaffirms the importance of harnessing the power of capital markets to consistently raise capital. We also credit this level of activity to our efforts of sensitizing the market and issuers as to how companies can utilise the stock exchange during and post-COVID-19 pandemic, which were carried out by way of a well-publicised paper and through virtual interactions especially in the second half of the year.

The outlook for 2021 is extremely hard to quantify, but forecasts of the economic downturn point to a very challenging period for the national economy. In 2020, we aggressively promoted the listings value proposition and it has been heart-warming to note the appetite by several companies to list in the short to medium term. Interestingly, the pandemic has challenged

most unlisted companies to restructure and look for avenues of sustainable long term capital, being the stock exchange, which is very important in pandemics such as this that negatively affect solvency and access to traditional finance. Similarly, Government has also increased its Bond Issuance Programme from P15 Bn to P30 Bn, along with increased frequency of auctions. All these positive indications and developments pre-empt that the capital market will continue to be active in 2021 despite the backdrop of a tough economic environment.

We are also proud of the various innovations we implemented in 2020, such as a renewed website and a new MobileApp, and the progress we made towards introducing the new CSD system and an upgraded ATS system. These technology infrastructure developments will significantly transform the landscape going forward, and we equally expect that they will contribute materially to the bottom line.

1.0 MARKET STATISTICS

Figure 1 presents a snapshot of the overall market indicating the number of listed instruments across the three asset classes, the total market value of the three asset classes and the trading activity in these asset classes in 2020 and 2019.

Figure 1: Market Statistics

ASSET CLASS		LISTED INSTRUMENTS	MARKET CAP (P'Mn)	TURNOVER (P' Mn)
Equities	2020	33*	391,222.1	698.6
Bonds		43	20,586.7	2,756.8
ETFs		3	654.7	137.2
TOTAL		79	412,463.5	3,592.6
Equities	2019	33*	407,874.2	1,810.9
Bonds		46	17,288.3	2,175.4
ETFs		3	654.7	196.2
TOTAL		82	425,817.2	4,182.5

Source: BSE

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

A total turnover of P3.6 Bn was recorded in 2020 compared to P4.2 Bn in 2019, a decline of 14.1% as noted in Figure 1. This is mainly on account of a 61.4% reduction in equity turnover relative to 2019. Notably, bonds recorded a 26.7% increase in turnover and this is attributable to the high demand for capital especially during an economic downturn, by both corporates and Government. For Botswana, increased amounts of capital through bond issuances are expected given the declining revenue contributions from key sectors, the Government's objective of sustaining a fiscal deficit for the

coming years and also the generally low domestic debt ceiling which provides space for bond issuances.

2.0 EQUITY MARKET PERFORMANCE

2.1 Equity Market Statistics

The performance of local equities reflects, to a larger extent, the trajectory of the local economy. The operational performances of listed companies have been adversely affected by the restrictions imposed to contain the virus, among others, and this translated into lower trading activity as investors rather preferred to trade cautiously.

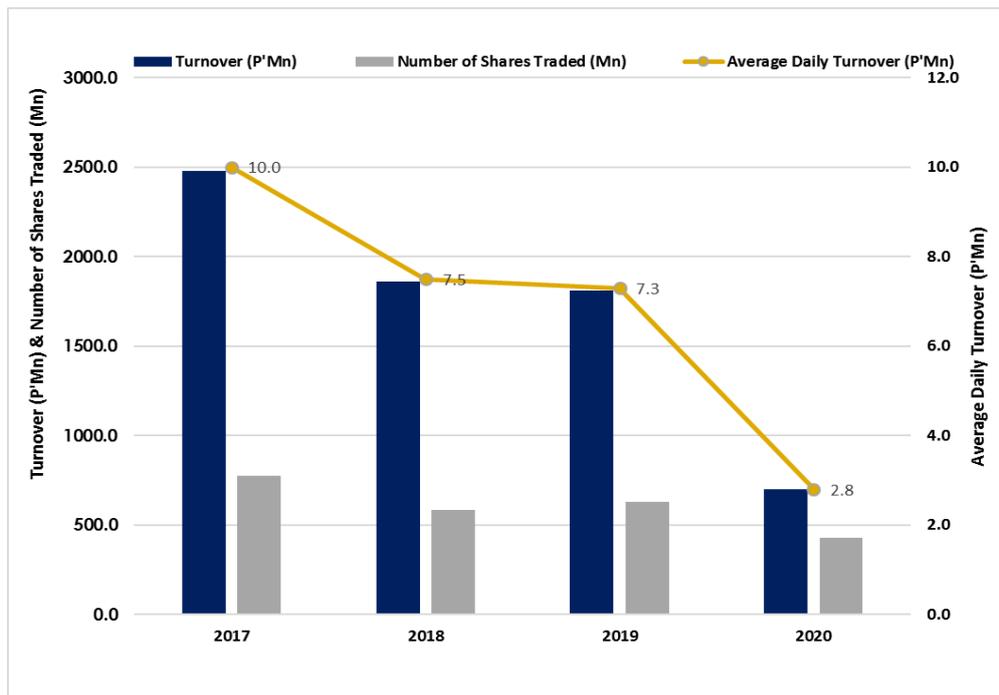
From a return perspective, The DCI registered a decline of 8.2% in comparison to a decline of 4.6% in 2019 as noted in Figure 2. Notwithstanding, majority of the companies have sustained dividend payouts even amid declining profitability and this has cushioned the adverse performance of share prices, meaning that in terms of total returns the DCI total return index (DCTRI) declined by a lower amount of 3.6%. Thus, while prices were declining on aggregate, investors were still able to benefit from the dividend payouts and this helped to reduce the overall decline in price returns.

Figure 2: Equity Market Statistics

	INDICES PERFORMANCE					
	2019	2020	Q1'20	Q2'20	Q3'20	Q4'20
DCI	7,494.6	6,879.4	7,487.6	7,159.7	7,001.2	6,879.4
% Change	(4.6)	(8.2)	(0.1)	(4.4)	(2.2)	(1.7)
DCTRI	1,727.6	1,664.7	1,737.3	1,702.2	1,682.6	1,664.7
% Change	0.9	(3.6)	0.6	(2.0)	(1.1)	(1.1)
FCI	1,562.4	1,547.3	1,551.4	1,551.4	1,547.3	1,547.3
% Change	(0.5)	(1.0)	(0.7)	-	(0.3)	-
	TRADING ACTIVITY (P'Mn)					
	2019	2020	Q1'20	Q2'20	Q3'20	Q4'20
Turnover	1,810.9	698.6	185.0	178.7	173.3	161.6
Volume	627.8	430.4	81.8	71.7	136.2	140.7
Avg. Daily Turnover	7.3	2.8	2.9	2.9	2.8	2.6
	MARKET CAPITALIZATION (P'Mn)					
	2019	2020	Q1'20	Q2'20	Q3'20	Q4'20
Domestic Companies	38,709.4	35,629.9	38,715.8	37,025.3	36,207.6	35,629.9
Foreign Companies	369,164.8	355,592.3	356,917.9	356,421.5	355,594.2	355,592.3
TOTAL	407,874.2	391,222.2	395,633.7	393,446.8	391,801.8	391,222.1
	MARKET INDICATORS					
	2019	2020	Q1'20	Q2'20	Q3'20	Q4'20
P/E Ratio (x)	12.4	10.8	11.9	10.7	10.7	10.8
Dividend Yield (%)	4.8	4.1	6.2	5.8	4.1	4.1
Price/Book Value (x)	1.5	1.6	1.4	1.4	1.5	1.6

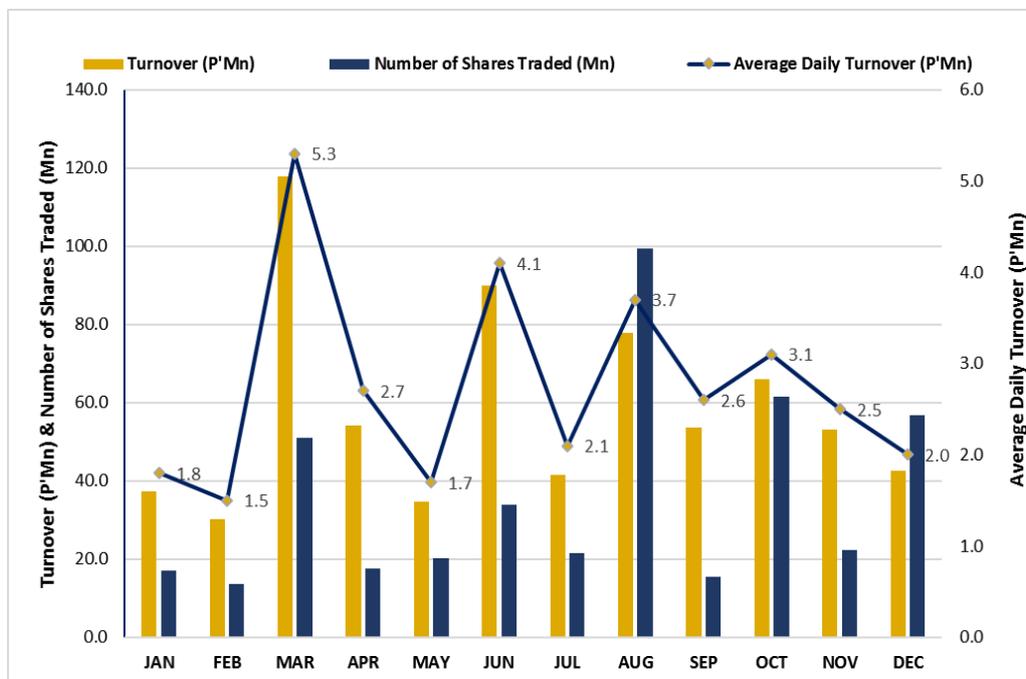
On a yearly comparison basis, trading activity has trended much lower in 2020 compared to the previous 3 years as shown in Figure 3.

Figure 3: Annual trading activity: 2017 - 2020



A further analysis of the monthly evolution of liquidity in 2020 is presented in Figure 4.

Figure 4: Monthly Equity Turnover: 2020



2.2 Companies Contribution to Turnover

Figure 5 ranks listed companies by their contribution to turnover or their trading activity in 2020. The top 3 traded companies during the period under review were Letshego (P170.7Mn), FNBB (P81.2 Mn) and Sechaba (P78.0 Mn). The total turnover from these 3 companies accounted for 47.2% of total equity turnover, with the leading counter Letshego accounting for 24.4% of total equity turnover. In comparison to the same period in 2019, the top 3 traded companies accounted for 42.8% of total equity turnover with the leading counter Wilderness accounting for 15.6% of total equity turnover.

Figure 5: Companies Ranked by Turnover on a Quarterly Basis: 2020

COMPANY	Q1	Q2	Q3	Q4	Total
LETSHEGO	41,825,194	19,011,749	62,515,220	47,385,052	170,737,215
FNBB	32,101,581	23,806,929	17,452,932	7,853,180	81,214,622
SECHABA	39,328,554	29,426,131	326,566	8,892,728	77,973,979
SEFALANA	8,441,680	3,586,503	30,650,983	18,788,760	61,467,927
ABSA	7,774,530	27,706,936	10,853,462	3,516,290	49,851,217
BIHL	14,124,880	14,689,500	8,999,513	9,780,225	47,594,118
CHOPPIES	-	-	7,410,302	28,173,838	35,584,140
CHOBE	4,101,367	5,188,025	6,192,184	2,402,108	17,883,684
NAP	7,059,504	7,561,826	1,133,258	2,029,039	17,783,628
SEED Co	4,700	126,370	12,820,858	3,679,145	16,631,072
CA SALES	318,128	3,556,599	9,685,316	2,171,598	15,731,641
FPC	52,308	535,680	82	15,052,416	15,640,486
TURNSTAR	1,678,139	10,951,161	82,874	2,763,596	15,475,770
LETLOLE	12,139,566	785,269	663,945	1,183,696	14,772,477
STANCHART	408,268	8,292,115	2,281,901	1,959,709	12,941,993
ENGEN	3,534,552	7,972,632	941,001	97,199	12,545,385
MINERGY	17,710	9,523,256	60,601	24,405	9,625,973
BTCL	4,734,905	1,502,419	777,968	2,217,689	9,232,981
RDCP	4,386,827	503,828	189,726	649,474	5,729,855
PRIMETIME	2,062,231	1,909,052	46,279	1,587,805	5,605,366
ABC	333,237	1,105,400	20,282	1,177,648	2,636,568
CRESTA	480,616	871,740	23,084	112,907	1,488,347
G4S	127,299	23,800	1,367	40,616	193,082
SHUMBA	-	99,001	5,975	-	104,976
TLOU	218	-	55,752	-	55,970
ANGLO	-	-	-	45,004	45,004
LUCARA	13,280	-	7,680	3,068	24,027
OLYMPIA	-	-	136	12,390	12,527
A-CAP	-	-	-	9,886	9,886

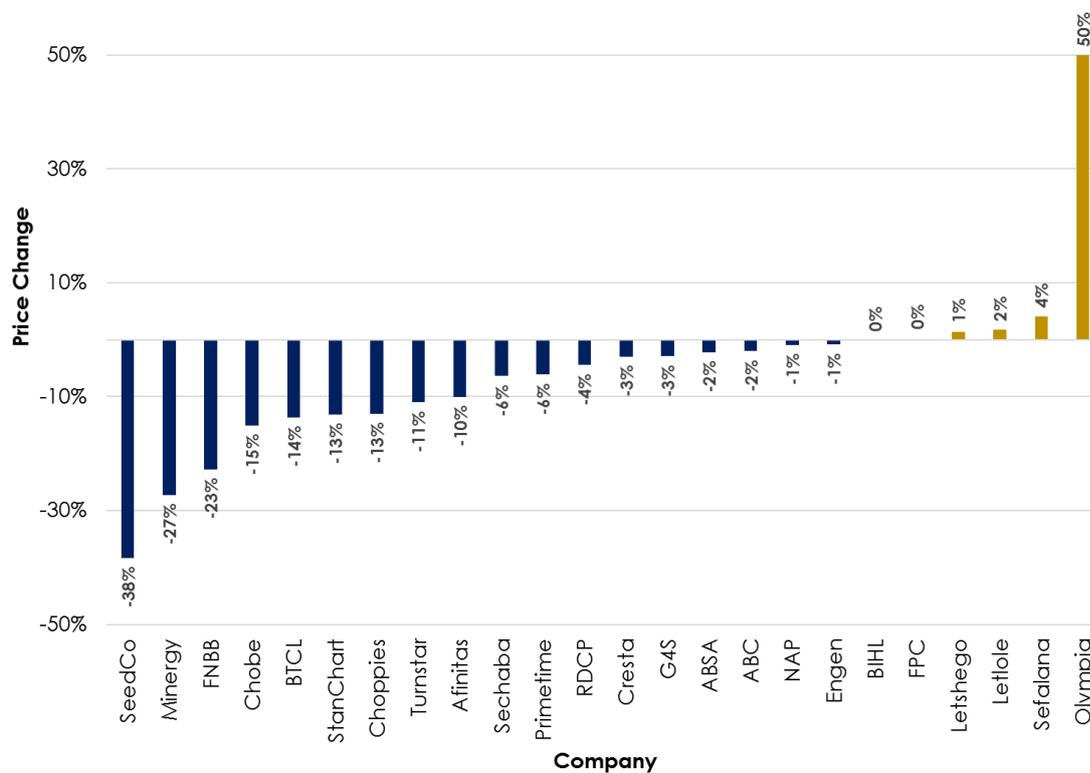
BOD	65	-	6,816	-	6,881
AFINITAS	-	-	182	-	182
INVESTEC	-	-	-	-	-
TOTAL	185,049,339	178,735,921	173,206,247	161,609,471	698,600,978

Source: BSE

Figure 6 presents the price changes in domestic counters during the period under review; 4 companies (compared to 11 in 2019) registered positive price changes, 18 (compared to 10 in 2019) registered negative price movements and 2 (compared to 3 in 2019) closed the year with share prices back to their end of 2019 levels. From this illustration, the market was generally bearish with increased sell-offs relative to buy positions and typically the impact of sell-offs is the dampening in share price.

However, on the back of the overall decline in market value, the BSE's relative valuations on a price to earnings (P/E ratio) and price to book (P/B ratio) basis are looking attractive relative to historical levels. The P/E ratio has trended below its 5-year average implying that at the current stock levels which are low, investors would be paying a relatively lesser amount for a stock compared to the earnings coming from that stock. In addition, investors would be paying a relatively lesser amount for a stock compared to what it is worth according to its financials. So these are the pockets of opportunities that investors can take advantage of when prices are coming down. The valuations generally represent attractive levels to enter the market or to increase the holdings.

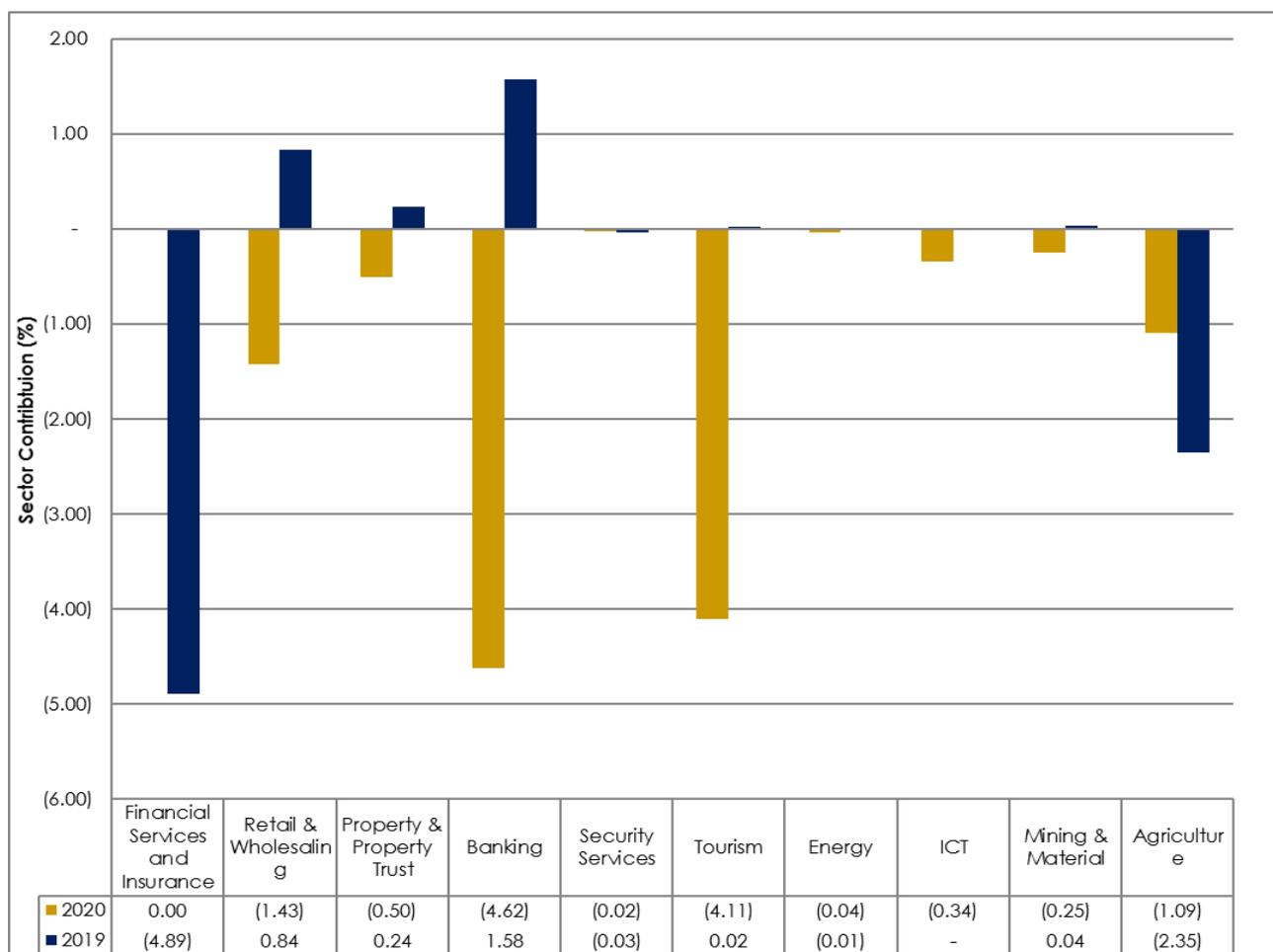
Figure 6: Price Changes (%) by Domestic Companies: 2020



2.3 Sector Contributions to Performance of the DCI

The overall decline of the DCI was attributable to the reduction in value in 75% of the counters as alluded to in the analysis in price changes. Therefore, consistent with this analysis (see Figure 6), majority of the sectors registered a decline and contributed a negative 12.4 percentage points to the DCI's depreciation of 8.2% as can be noted in Figure 7. In 2020, the sectors that depreciated the most were the Banking sector, Tourism sector, Retail & Wholesaling sector as well the Agriculture sector (albeit with improvement relative to 2019 with respect to the Agriculture sector).

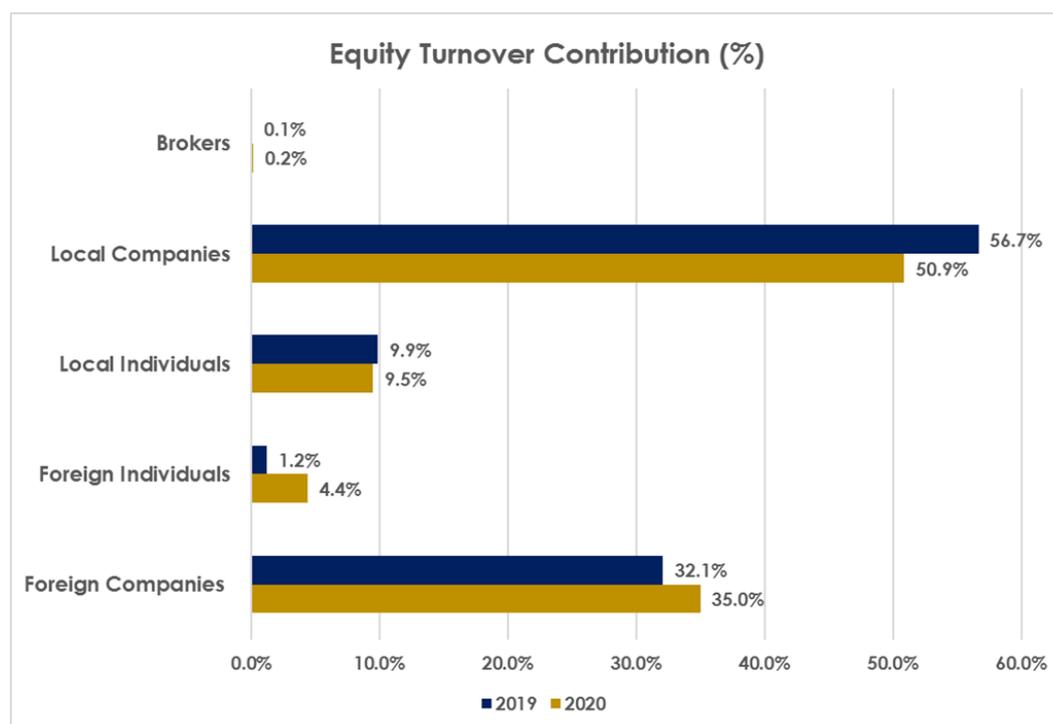
Figure 7: Sector Contributions to Performance of the DCI



2.4 Investor Contribution to Equity Turnover

As presented in Figure 8, trading activity was dominated by local investors as was the case in the previous year. Local institutional investors combined with local individual investors accounted for 60.4% of trading activity in 2020 compared to 66.6% in the previous. This indicates that the share of foreign investors in trading activity increased to 39.4% from 33.3%, in 2020 versus 2019 respectively and further analysis indicates that this was primarily on account of net sell-offs by foreigners as the risk aversion heightened due to the pandemic, an observation that was consistent across majority of African markets.

Figure 8: Investor Contribution to Turnover: 2019 and 2020



Source: CSDB

Local individuals' contribution to turnover reduced in 2020 from 9.9% to 9.5% and so was the value of their monetary net investments which amounted to P66.2 Mn compared to P178.5 in 2019. However, these percentages show a great improvement compared to the previous years, as the average for the past 5 years by local individual investors is amounts to 6.7% which is lower the 9.5% for 2020.

Figure 9: Investor Contribution to Turnover in Monetary terms: 2020

Investor Category	Turnover (Pula)	% Contribution
Foreign Companies	244,544,473.94	35.0%
Foreign Individuals	31,000,701.48	4.4%
Local Individuals	66,167,892.76	9.5%
Local Companies	355,729,963.95	50.9%
Brokers	1,157,945.64	0.2%
TOTAL	698,600,977.76	100.0%

Source: CSDB

3.0 PRIMARY MARKET

During the year under review four domestic companies and six foreign companies undertook various corporate actions, primarily additional share issuances, to raise additional capital. Overall, P190,4 Mn was raised through additional listing of shares as presented in Figure 10.

Figure 10: Equity Primary Market Activity: 2020

Domestic Company	Amount (P'Mn)	Foreign Company	Amount (P'Mn)
Minergy	42.8	Botswana Diamonds	11.7
RDCP	7.2	Lucara Diamonds	0.2
SeedCo	1.6	CA Sales	11.0
FAR Property	52.3	Anglo	14.4
		Tlou Energy	48.3
		Shumba Energy	0.9
TOTAL RAISED	103.9	TOTAL RAISED	86.5

In the bond market, Government continued to be highly active in terms of issuing additional tranches of existing bonds to raise more capital. In total Government raised P5.2 Bn. Equally, there were five new corporate bonds listed in 2020 which raised a total of P465.0 Mn.

Figure 11: Bonds Primary Market Activity: 2020

Government Bonds	Amount (P'Mn)	Corporate Bonds	Amount (P'Mn)
BW007	989.0	RDCP002	40.1
BW011	500.0	RDCO003	12.0
BW012	536.0	BDC004	162.1
BW013	1,066.0	SBBL070	132.5
BW014	1,976.0	SBBL071	118.2
BW015	178.0		
TOTAL RAISED	5,245.0	TOTAL RAISED	464.9

There were no equity delistings but seven bonds were redeemed during the year.

4.0 BOND MARKET PERFORMANCE

Activity in the bond market has been phenomenal compared to last year, and this continues to raise the profile of the bond market as a platform for raising long term capital. In a way, the pandemic has helped to increase the need for cash, as issuers found the need to improve their solvencies, fund recurring expenditure, and the need to take advantage of emerging opportunities such as acquisitions and new developments.

Trading activity amounted to approximately P2.8 Bn from approximately P2.2 Bn in 2019, an increase of 26.7%. This was mainly on account of trading activity in Government bonds which accounted for 92% of total turnover. The

bond market ended the year with 43 bonds listed with a market capitalization of P20.6 Bn, representing an increase of 19.1% over 2019.

Figure 12: Analysis of Bond Market Performance

CATEGORY	2019	2020
LIQUIDITY (P'Mn)		
Government Bonds	2,141.1	2,531.9
Corporate Bonds ^{Note 1}	34.4	224.9
TOTAL	2,175.4	2,756.8
MARKET CAPITALIZATION (P'Bn)		
Government Bonds	11.9	15.0
Corporate Bonds	5.5	5.6
TOTAL	17.3	20.6
NUMBER OF BONDS LISTED		
Government Bonds	7	6
Corporate Bonds	39	37
TOTAL	46	43

Source: BSE

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

As it stands Government bonds are traded over-the-counter (OTC) and this method of trading is usually associated with higher level of inefficiencies including lower levels of liquidity especially that the bonds are mainly accessible to institutional investors with commercial banks as participants or dealers. It is pleasing to note that the BSE and BoB have made significant progress with respect to moving the trading of bonds to the Automated Trading System (ATS) at the BSE. Once trading is conducted in the ATS, the bond market will fully open to retail investors and to brokers. Currently there are over 95,000 investor accounts at the BSE and this represents a large pool of participants compared to only the few institutions that trade OTC. With its many benefits, including investor access, transparency, price discovery, the trading of Government bonds at the BSE is an immense opportunity to increase liquidity and participation in the bond market and to further increase the turnover levels we have seen in 2020.

5.0 THE EXCHANGE TRADED FUND (ETF) MARKET

Given the uncertainty and volatility that characterised financial markets in 2020, Gold which is considered a safe haven in times of crisis was expected to perform well in global commodity markets. This explains the performance of the NewGold ETF which appreciated by 29.7% in 2020 albeit trading fewer units compared to 2019. Generally, ETFs registered a decline in trading activity amounting to 30.1% compared to 2019 but 2 of the 3 ETFs finished the year with positive returns as NewFunds also advanced by 4.3% over the year.

Figure 13: ETF Market Statistics: 2019 and 2020

Indicator	NEWGOLD		NEW FUNDS		NEWPLAT	
	2019	2020	2019	2020	2019	2020
Turnover (P'Mn)	166.2	60.3	0.021	0.018	29.9	76.8
Units Traded	1,116,741	349,574	416	371	338,362	759,483
Unit Price (Pula)	147.90	191.80	50.19	52.34	100.75	96.35
Market Cap (P'Mn)	413.30	413.30	5.15	5.15	236.21	236.21