



Botswana Stock Exchange Limited

NEWS

ISSUE NO. 17 ▪ JANUARY - MARCH 2022

RIDING A WAVE OF ECONOMIC REBOUND



Botswana Ranked Africa's Fifth Best Investment Address

BSE Domestic Company Total Return Index up 10.9%

IMF commends Botswana's efforts as its economy is expected to recover this year

The BSE records the highest single day turnover of P1.1 Bn.

A historic year as BSE lists 3 ETFs in 2021

Botswana Lifts 2021 Economic growth forecast to 9.7%

WORLD MARKETS
Botswana Govt see GDP growth of 4.3% in 2022

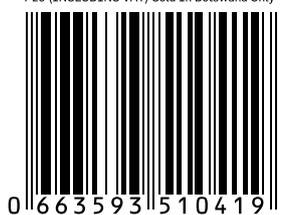
S&P upgrades Botswana outlook to stable from negative.

BSE awarded Best Economic Impact Securities Exchange Africa 2021

IMF expects Botswana's growth to top Africa

Diamonds Resurgence To Rescue The Economy

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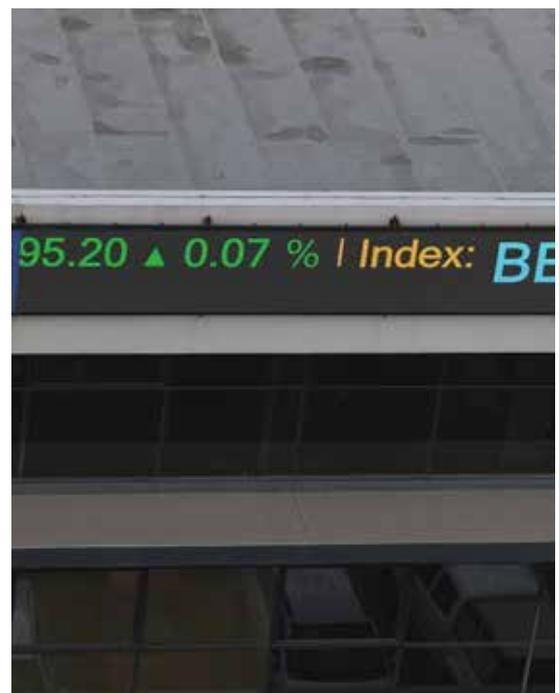
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TRIBUTE TO MOATLHODI JARGE SEBABOLE

Celebration Of Life!

On 3rd October 2021, the BSE, along with the rest of the country was saddened to hear about the tragic passing away of one of Botswana's corporate golden stars, Mr. Moatlhodi Jarge Sebabole.

At just 34yrs at the time of passing, Mr. Sebabole was a remarkable gentleman and professional who left a lasting impression in everyone he met. Having humbly started his career at the BSE as a Product Development Intern, Moatlhodi later went on to build a great career in Botswana's corporate circles as the Chief Economist for First National Bank Botswana Limited, the Chairperson of the National Transformation Strategy Team and as a Board Member for a few of Botswana's top corporates. He managed to amass a number of professional accolades that demonstrated his unique work ethic, incredible zeal and bountiful intelligence in every undertaking, especially in shaping the local financial services sector.

From the BSE Board, Management & Staff - "Your untimely death has touched us all, but we will continue to honour your life and your achievements! Rest in Eternal Peace, Moatlhodi! You will be greatly missed!"

"The value of a man should be seen in what he gives and not in what he is able to receive."
- **Albert Einstein.**

Mr. Moatlhodi Jarge Sebabole delivering a presentation at the 23rd Annual ASEA Conference held in Kasane, Botswana on 26th November, 2019.





Happy New Year dear readers, and welcome to the 17th Edition of the BSE News!

While we eagerly look forward to beginning a new season as we usher in 2022, it is the lessons from the previous year that will propel all of us to leverage the much-anticipated global and national economic recovery in a more sustainable, inclusive and resilient approach.

The IMF's World Economic Outlook projects global economic growth of 4.9% in 2022. Advanced Economies are projected to grow by 4.5% while Emerging Market and Developing Economies are expected to record a growth rate of 5.1% in 2022. GDP growth for the Sub-Saharan Africa region estimated to reach 3.8% in 2022, which represents the slowest recovery relative to other regions. The historical challenges and vulnerabilities that face Africa, compounded with the repercussions of the COVID-19 pandemic and the slow vaccination roll-out, are all major hindrances to keeping up with the global recovery momentum.

That said, Botswana is evidently on a wave of recovery. Following the economic contraction of 8.5% in 2020, the mining sector is positioned to resuscitate the economy with a 9.2% expansion, as projected by the IMF for 2021 – surpassing all other African economies, or 9.7% as projected by the Ministry of Finance and Economic Development. The positive outlook of our economy is also supported by the relatively healthy foreign-exchange reserves which have cushioned the economy against the pandemic-induced economic shocks, combined with relatively low external debt levels. Another encouraging signal of Botswana's economic prospect is cast by the latest Rand Merchant Bank 'Where to Invest in Africa' report, which ranks Botswana as the continent's fifth-best investment destination, as well as the revised economic outlook by S&P Global Ratings and Moody's.

Granted, the impending economic growth is fuelled by our diamond mining sector which is anticipated to resurge by 34% in 2021-2022 after a decline of 26% in 2020. It is supremely important for the government to aggressively pursue economic diversification to enable an all-encompassing recovery. Besides tourism, the health, informal and private sectors were among the hardest hit during the pandemic, consequently exposing their infrastructural vulnerabilities. Additionally, Botswana is confronted with the longstanding issue of high unemployment, as well as the concerning level of social inequalities which have rendered her the tenth most unequal country in the world, according to the World Bank. Beneath these vulnerabilities are emerging opportunities to unlock the country's intrinsic potential and cultivate a resilient and inclusive economy, with the aforementioned sectors significantly contributing to the GDP.

In the wake of an economic rebound, I am pleased to report that the domestic capital market is on an upward trajectory with an appreciation in the Domestic Company Total Return Index (DCTRI) of 11.1% in 2021, compared to a 3.6% decrease in 2020. Correspondingly, the Domestic Company Index (DCI) has risen by 1.9% in comparison to a decrease of 8.2% in 2020. More exciting, the financial industry was abuzz with news of the BSE recording its highest turnover in a single day at P1.07 billion, as a result of Access Bank's 78.15% acquisition of BancABC Botswana – a transaction that evidently reinvigorated the market and BSE's international visibility. Furthermore, we celebrated the two recently listed EFTs by Cloud Atlas; S&P African Sovereign Bond ETF (BASBI) and AMI Big50 excluding-South Africa ETF (BAMIB50), as this is our first time in history to list two ETFs in one day.

Insights from the ABSA Africa Financial Markets Index 2021 report show confidence in the capital market and general fitness of Botswana's economy. It is affirming to note that in being assessed on 6 indicative pillars, Botswana ranks in the top 4 countries out of 23, in the pillars measuring Market Depth, Capacity of Local Investors and Macroeconomic Opportunity. These achievements are the fruits of the concerted efforts made by nation builders and leaders in forging a buoyant economy.

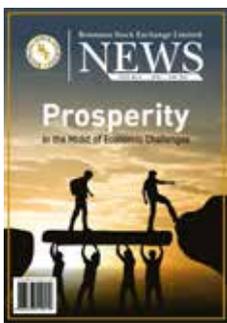
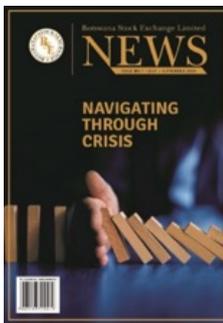
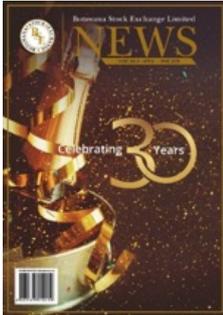
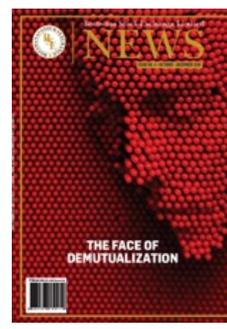
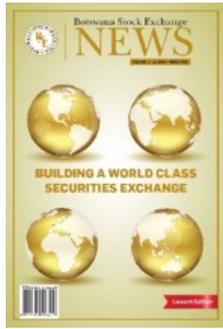
Through this edition of the BSE News, we direct the focus to the overall upward movement of the economy towards a post-pandemic recovery, hence the theme **Riding A Wave of Economic Rebound**. We seek to explore the economic factors that are influencing Botswana's lead in economic recovery against her African counterparts. This edition also profiles the African Continental Free Trade Area (AfCFTA) through a capital markets perspective, as well as the many integration efforts pursued to bridge cross-border investment gaps across the continent.

Although COVID-19 remains a global crisis, it has unearthed opportunities to reimagine the status quo going forward. After witnessing unprecedented upheaval in economic activities and everyday life, these positive economic indicators combined with new paradigm shifts are bound to pave a way for an enduring economic upswing for all to benefit from.

On that note, let me wish you all a fruitful first quarter for 2022. We hope you enjoy this edition of the BSE News. Remember to continue practicing COVID-19 preventative measures. Happy Reading.

'Your Partner in Wealth Creation'

Thapelo Tsheole
Chief Executive Officer



Established in 2017

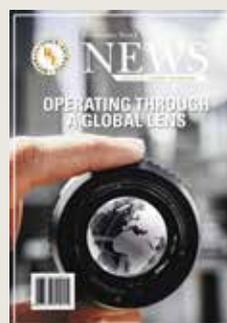
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MARKET PERFORMANCE FOR THE PERIOD 1 JANUARY TO 31 AUGUST 2021.

ONE-ON-ONE WITH THAPELO TSHEOLE.

UNDERSTANDING BOTSWANA DEPOSITORY RECEIPTS – PART 1 OF 2.

CREDIT INFORMATION BILL – A GAME CHANGER FOR THE FINANCIAL SERVICES SECTOR.



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KNOW YOUR STOCK MARKET TERMS

Acquisition - A corporate action in which a company buys most, if not all, of the target company's ownership stakes to assume control of the target firm.

Basis Point - A unit that is equal to 1/100th of 1%, and is used to denote the change in a financial instrument. The basis point is commonly used for calculating changes in interest rates, equity indexes and the yield of a fixed-income security.

Bullion Market - A forum through which precious metals such as gold, silver, platinum and palladium can be bought and sold.

Coupon Rate - the amount of interest paid per year expressed as a percentage of the face value (amount borrowed) of the bond.

Index - An index is a benchmark against which portfolio performance is measured. It is essentially a market portfolio that holds stocks that the market believes will show good returns or generate the least losses. There are investors that choose to

track the index, that is, create a portfolio identical to that of the index. These are known as passive investors.

Options - Unlike futures and forwards, an option is contract that gives the buyer the right, but not the obligation, to buy or sell an underlying asset at a specific price on or before a certain date.

Outstanding Shares - the shares in a company that are currently held by its shareholders and are available for trade.

Unit Trust - An investment product that allows investors to invest their money together and have it managed professionally by an investment manager thereby reducing the cost and risk associated with investing on the stock market directly.

Source: Unpacking Jargon, Fourth Edition



ABSA AFRICA FINANCIAL MARKETS INDEX 2021



The Absa Africa Financial Markets Index evaluates financial market development in 23 countries, and highlights economies with the most supportive environment for effective markets. The aim is to show present positions, as well as how economies can improve market frameworks to bolster investor access and sustainable growth. The index assesses countries according to six pillars: market depth; access to foreign exchange; market transparency, tax and regulatory environment; capacity of local investors; macroeconomic opportunity; and enforceability of financial contracts.

In its fifth year, the index is expanding with the introduction of new indicators. The availability of sustainable finance products, such as green bonds and equities, contributes to the score for market depth. Policies that encourage the issuance and trading of these products, as well as those that intend to mitigate against climate-related financial risks, form part of the score for regulatory environment.

OMFIF conducted extensive research using data from central banks, securities exchanges and international financial institutions. OMFIF surveyed over 50 policy-makers, regulators and executives from financial institutions operating across the 23 countries, including banks, securities exchanges, central banks, regulators, audit and accounting firms, and international financial and development.

Future-proofing Africa's financial markets

As the global economy struggles to recover from the worst health crisis in a century, African economies face the twin challenges of reinvigorating financial markets while strengthening market infrastructure through technological innovation and investment-enabling policies. The pandemic has reinforced the importance of deepening domestic markets to hedge against foreign capital outflows and help the region achieve its full potential.

Average scores declined to 46.4 from 50.8 last year, with only seven countries earning above 50. Malawi, Egypt and Uganda are among the countries that improved their ranking the most. Advancements in establishing the enforceability of global contractual frameworks lift Malawi's and Uganda's scores. Reforms in Egypt continue to boost its macroeconomic prospects, and its management of reserves has ensured its ability to meet foreign currency demand.

While challenging market conditions affected country scores, most drops are attributed to methodological changes adopted to better reflect country performance and evolving trends in financial markets. The index, now in its fifth year, benefits from continued engagement with policy-makers, regulators, market participants and industry experts providing the latest information about developments in the region.

As part of its aim to encourage progress, this year's index introduces new indicators that acknowledge the role of sustainable finance in expanding capital markets and achieving broader socio-economic goals. The introduction of sustainability-focused indicators weighs down scores, especially for countries at a much earlier stage of market development. However, as with all indicators used across the index, the new measures serve as targets for countries to work towards.

In addition to a stronger, forward-looking focus on sustainability and green finance, the index recognises the role of digital technology and innovation in future-proofing Africa's financial markets. The report highlights countries' efforts to upgrade market infrastructure and regulatory support for the development of technology-based tools. While these initiatives do not directly impact scores, they demonstrate how countries can use innovation to boost local markets and build a broader investor base. For the full report, please go to

www.cib.absa.africa.

► FINANCIAL MARKETS AROUND AFRICA

Overall pillar scores max = 100

Pillar 1: Market depth

South Africa	97
Nigeria	62
Mauritius	57
Botswana	55
Morocco	53
Ghana	50
Kenya	46
Uganda	45
Tanzania	45
Egypt	42
Angola	38
Mozambique	38
Zambia	37
Senegal	36
Ivory Coast	34
Malawi	33
Namibia	32
Rwanda	30
Seychelles	29
Cameroon	28
Eswatini	24
Lesotho	11
Ethiopia	11

Pillar 2: Access to foreign exchange

South Africa	80
Egypt	79
Rwanda	61
Uganda	61
Tanzania	59
Eswatini	59
Ghana	59
Mauritius	55
Ivory Coast	55
Zambia	50
Lesotho	48
Senegal	46
Kenya	45
Mozambique	44
Malawi	44
Namibia	44
Morocco	40
Angola	40
Seychelles	38
Cameroon	31
Botswana	29
Ethiopia	28
Nigeria	20

Pillar 3: Market transparency, tax and regulatory environment

Nigeria	86
South Africa	84
Mauritius	83
Kenya	79
Ghana	75
Morocco	73
Zambia	69
Rwanda	67
Tanzania	66
Botswana	61
Uganda	60
Egypt	60
Seychelles	57
Malawi	56
Ivory Coast	55
Angola	54
Lesotho	50
Senegal	43
Mozambique	42
Namibia	41
Eswatini	37
Cameroon	34
Ethiopia	28

Pillar 4: Capacity of Local investors

Namibia	100
South Africa	77
Mauritius	68
Botswana	60
Nigeria	44
Eswatini	41
Morocco	39
Seychelles	31
Kenya	24
Tanzania	23
Ghana	21
Mozambique	18
Malawi	18
Zambia	18
Egypt	18
Uganda	16
Cameroon	15
Rwanda	15
Lesotho	13
Angola	12
Ivory Coast	11
Senegal	11
Ethiopia	10

Pillar 5: Macroeconomic opportunity

Egypt	82
South Africa	77
Botswana	76
Uganda	70
Nigeria	69
Mauritius	67
Tanzania	65
Ghana	65
Morocco	64
Rwanda	64
Namibia	64
Eswatini	64
Kenya	62
Ivory Coast	62
Seychelles	62
Ethiopia	62
Senegal	59
Cameroon	57
Malawi	55
Mozambique	52
Lesotho	52
Zambia	47
Angola	41

Pillar 6: Enforceability of standard master agreements

Ghana	100
Nigeria	100
South Africa	100
Uganda	90
Mauritius	90
Zambia	85
Malawi	80
Kenya	28
Botswana	25
Rwanda	18
Mozambique	18
Egypt	10
Tanzania	10
Morocco	10
Namibia	10
Eswatini	10
Ivory Coast	10
Seychelles	10
Ethiopia	10
Senegal	10
Cameroon	10
Lesotho	10
Angola	10

Source: Absa Africa Financial Markets Index 2021

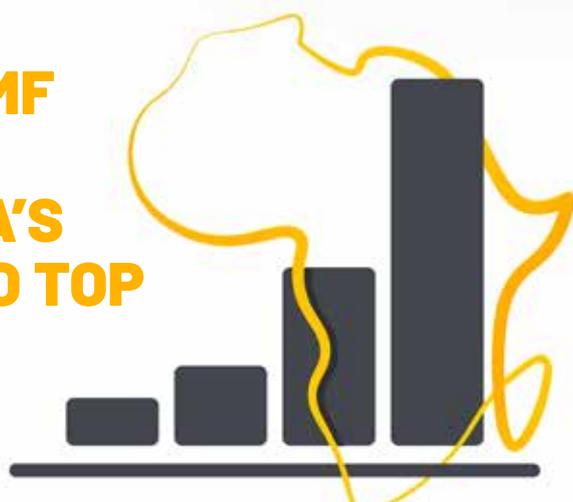
► FINANCIAL MARKETS AROUND AFRICA

RANK		COUNTRY	SCORE		COMMENTS
2021	2020		2021	2020	
1	1	 South Africa	86	89	Consistent strong performance across pillars hampered by weak economic growth.
2	2	 Mauritius	70	79	Robust legal and market environment dampened by low liquidity.
3	3	 Nigeria	63	65	Attractive regulatory and market environment.
4	6	 Ghana	62	59	Strong contractual frameworks but relatively low pension assets per capita.
5	10	 Uganda	57	52	Large pension fund assets under management, but illiquid markets.
6	4	 Botswana	51	63	Market growth offset by weaker FX reserves position.
7	9	 Zambia	51	53	Revival in investor confidence boosted government bond market.
8	5	 Namibia	48	61	Liquid market and deep pension assets.
9	14	 Egypt	48	50	High equities turnover and strong macroeconomic performance.
10	18	 Malawi	48	37	Adoption of Global Master Repurchase Agreement expected to boost cross-border repo.
11	7	 Kenya	47	58	Progress in sustainable finance supports market development.
12	8	 Morocco	47	56	Market depth improved by wide range of sustainable financial products available.
13	12	 Tanzania	45	50	Export market growth improves macroeconomic outlook.
14	13	 Rwanda	43	50	Promising growth outlook and higher level of FX reserves.
15	15	 Eswatini	39	49	Growth in FX reserves strengthens position.
16	11	 Seychelles	38	51	Improving market environment and local investor capacity despite exchange rate volatility.
17	16	 Ivory Coast	38	43	Wider range of financial products available.
18	17	 Mozambique	35	43	Improvements in adopting International Financial Reporting Standards.
19	19	 Senegal	34	37	Strong economic growth forecast but weak market environment.
20	22	 Angola	33	30	Floating exchange rate and minimal intervention aid response to shocks.
21	20	 Lesotho	30	33	High withholding tax rates weaken market environment.
22	21	 Cameroon	29	32	Merger with regional stock exchange attracts new listing.
23	23	 Ethiopia	25	27	Concrete steps to launch securities exchange.

Source: Absa Africa Financial Markets Index 2021

WHY THE IMF EXPECTS BOTSWANA'S GROWTH TO TOP AFRICA

BY MBONGENI MGUNI



The International Monetary Fund (IMF) expects the local economy to grow by 9.2 percent in 2021, the highest in Africa and, if achieved, a significant rebound from the COVID-19 induced recession in 2020.

In its October World Economic Outlook (WEO), researchers at the IMF significantly revised their April expectation that the Botswana economy would grow by 7.5 percent. The WEO is an authoritative analysis of global economies which provides key guidance for policymakers and investors, particularly as it identifies risks and opportunities at country level and links these to global trends.

The IMF's forecast of 9.2 percent for Botswana is one of the more optimistic projections for the local economy. The country's largest bank, First National Bank Botswana, expects the economy to expand by 6.7 percent in 2021, while the African Development Bank forecasts just over 5 percent growth for the country. Local businesses, as sampled in the Bank of Botswana's latest Business Expectations Survey, expect the local economy to grow by 4 percent.

For its part, government is expecting 9.7 percent growth this year, from an initial 8.8 percent forecast made in the February budget speech. Given that the local economy contracted by a record 8.5 percent in 2020, the projections for its recovery are important to note for policymakers, foreign investors, local firms, labour groups and ordinary households. Behind the projections are real-world activities and developments in various sectors that will either help or hinder the recovery from the 2020 slump.

The IMF's African Department Director, Abebe Selassie recently told a briefing on the latest WEO that growth in Botswana would return to pre-crisis levels in the medium term. He, however, said there were risks to this outlook. "This high growth (for 2021) is good, and it is something to be grateful for, but I think over the medium term we will see growth reverting to the pre-crisis path, which is of course considerably lower than the 9.2 percent that will be registered this year," he said. "In terms of risks to the outlook, in Botswana's case, a lot is going to depend on the reforms that are being pursued by the government."

Government's major reforms in the short to medium term are captured in the Economic Recovery and Transformation Programme (ERTP), the P14.5 billion blueprint designed to reprioritise spending towards transforming the economy and fast-tracking diversification.

"Pre-crisis an important policy agenda item was economic diversification away from relying on diamonds to broadening sources of economic activity that could bolster growth and revenues," Selassie said. "I think that agenda is something that will need quite a bit of attention against social "protection".

"In addition, strengthening human capital is also going to be a very important part of the policy agenda. "Subject to progress in these areas, there should be an upside to the growth path that we are seeing in our projections."

The IMF and other authorities such as the credit ratings agency, S&P, see diamonds as anchoring the country's recovery this year. Diamonds, along with the broader mining industry, slumped last year as COVID-19 forced the closure of borders and disrupted retail sales in key markets which instituted lockdowns.

"We anticipate the economic recovery will largely be driven by a strong performance of the mining sector starting 2021," S&P researchers stated recently in updating Botswana's outlook to stable from negative. "We expect Botswana's diamond export-dependent economy will rebound in 2021 because the diamond industry is rebounding from 2020's large pandemic-induced contraction."

By the end of the third quarter, Debswana's mines had produced 17.1 million carats, nearly 40 percent higher than the corresponding period in 2020. De Beers, which holds 50 percent equity in Debswana alongside the Government of Botswana, reported revenues of US\$2.9 billion for the first six months of the year, more than double the level over the corresponding period in 2020. Debswana traditionally contributes about 70 percent of De Beers' production, significantly outstripping output from the diamond giant's other mines across the world.

The pace of the diamond and mining-led recovery is also enthusing the Ministry of Finance and Economic Development. In a recently released commentary on third quarter, the Ministry's technocrats said it was possible that growth would even exceed ten percent, given the momentum of recovery built by the mining sector so far this year.

"For the whole year, assuming that the average diamond production of the past three quarters is maintained with production of 5.7 million carats in the fourth quarter, total diamond production would amount to 22.7 million carats by the end of 2021. This is equivalent to a growth of 37.6 percent from the 2020 level. Assuming all else equal, this would bring mining growth to 35.2 percent for the year, potentially pushing overall growth in the economy above 10 percent for the year."

Besides mining, the removal of COVID-19 restrictions, opening up the global economic as well as resurgent demand for Botswana's key export commodities such as tourism, beef and soda ash, are helping the rosier predictions.

Local firms, many of whom benefited from government interventions such as the wage subsidy, tax deferrals, banking sector support and the P1.3 billion Industry Support Facility, are clawing their back to recovery. Vaccination rates have also picked up in recent months, supporting the sustainability of the recovery. By November 22, 59 percent of the eligible population had received the first dose of vaccination, while 32.2 percent had received a second dose. As healthy as the outlook appears, government technocrats, the IMF and other economic actors will be keenly following the new Omicron variant of COVID-19, which emerged in the last week of November and has caused global alarm due to its high mutations. The variant's transmissibility and deadliness have not been studied yet, nor do researchers know whether existing vaccines are useful against Omicron.

The variant has already resulted in many countries closing their borders to arrivals from Southern Africa and has quickly become one of the major threats to the economic projections for 2021 and beyond in Botswana.

Latest World Economic Outlook Growth Projections

(real GDP, annual percent change)	PROJECTIONS		
	2020	2021	2022
World Output	-3.1	5.9	4.9
Advanced Economies	-4.5	5.2	4.5
United States	-3.4	6.0	5.2
Euro Area	-6.3	5.0	4.3
Germany	-4.6	3.1	4.6
France	-8.0	6.3	3.9
Italy	-8.9	5.8	4.2
Spain	-10.8	5.7	6.4
Japan	-4.6	2.4	3.2
United Kingdom	-9.8	6.8	5.0
Canada	-5.3	5.7	4.9
Other Advanced Economies	-1.9	4.6	3.7
Emerging Market and Developing Economies	-2.1	6.4	5.1
Emerging and Developing Asia	-0.8	7.2	6.3
China	2.3	8.0	5.6
India	-7.3	9.5	8.5
ASEAN-5	-3.4	2.9	5.8
Emerging and Developing Europe	-2.0	6.0	3.6
Russia	-3.0	4.7	2.9
Latin America and the Caribbean	-7.0	6.3	3.0
Brazil	-4.1	5.2	1.5
Mexico	-8.3	6.2	4.0
Middle East and Central Asia	-2.8	4.1	4.1
Saudi Arabia	-4.1	2.8	4.8
Sub-Saharan Africa	-1.7	3.7	3.8
Nigeria	-1.8	2.6	2.7
South Africa	-6.4	5.0	2.2
Memorandum			
Emerging Market and Middle-Income Economies	-2.3	6.7	5.1
Low-Income Developing Countries	0.1	3.0	5.3

Source: IMF, World Economic Outlook, October 2021

Note: For India, data and forecasts are presented on a fiscal year basis, with FY 2020/2021 starting in April 2020. For the October 2021 WEO, India's growth projections are 8.3 percent in 2021 and 9.6 percent in 2022 based on calendar year.

The Presidential Task Force has said it is keeping a close eye on the variant and local health authorities are expected to announce interventions to limit the variant's spread, should it prove to warrant action.

BSE PARTICIPATES AT THE DUBAI EXPO 2020

During the week of 11th – 15th October 2021, the Botswana Investment and Trade Centre (BITC) together with Botswana Stock Exchange (BSE) were participating at the Global Business Forum Africa (GBF) in Dubai at the United Arab Emirates in an effort to position Botswana as the best Financial Services Hub in the continent of Africa.

The GBF Africa is a high-level business forum that provides an opportunity for Botswana to engage in dialogue with the rest of global business community to foster and promote economic growth. GBF Africa involves prominent stakeholders, leading decision and policy makers as well as industry experts. During this Forum, the BSE was showcasing Botswana's Financial Services framework as well as engaged with prospective issuers and investors on the capital-raising and investment options availed at the Exchange.

As a highlight to support Botswana's efforts at this international forum was the Former President of Botswana, Mr. Festus G. Mogae who graced this spectacle at the invitation of Highness Sheikh Mohammed Bin Rashid Al Maktoum, Vice President and Prime Minister of the UAE and Ruler of Dubai. In addition, the Botswana delegation was led by the Minister of Mineral Resources, Green Technology and Energy Security, Honourable Lefoko Maxwell Moagi, BITC CEO, Mr. Keletsositse Olebile, Acting COO, Ms. Malebogo Morakaladi and the BSE CEO, Mr. Thapelo Tsheole who was the Financial Services expert during GBF Africa. Financial Services is one of the priority sectors that was being promoted during the Expo.



▲ (Left to right) BITC CEO, Mr. Keletsositse Olebile, BSE CEO, Mr. Thapelo Tsheole, Minister of Mineral Resources, Green Technology and Energy Security, Honourable Lefoko Maxwell Moagi and BSE Head of Market Development, Ms. Thapelo Moribame



▲ Former President of Botswana, Mr. Festus G. Mogae



► BSE Head of Market Development, Ms. Thapelo Moribame, meeting up with prospective clients

LEVERAGING AfCFTA FOR CAPITAL MARKETS DEVELOPMENT IN AFRICA

BY: MASEGO RETHABILE MAIKA

Touted as an economic and globalization game changer based on the positive benefits and potential to significantly transform African economies, the African Continental Free Trade Area (AfCFTA) is the panacea to the current challenges Africa faces. Projections reveal that as a result of the AfCFTA going live, a market of 1.2 billion people will be established with a combined GDP of 25 trillion and combined consumer spending of more than US\$4 trillion (Hippolyte, 2018). In addition, the agreement is set to boost competitiveness through other channels such as technology transfer; industrial development; diversification of sources of growth; expansion of regional and supply value chains. Overall, the preliminary estimates of the expected benefits of the AfCFTA in terms of trade performance and regional integration are positive.

Numbers never lie and the aforementioned figures paint a bright picture of Africa's future, that of unleashing forces for African dynamism and positions the continent as a global competitor of note. This then begs the question – “what does this mean for financial markets, particularly to capital markets development?” This article endeavours to shed light on the how capital markets will leverage on this monumental agreement.

A great starting point will be finding out what the agreement says about financial markets. When the negotiations on services began in 2018, the financial markets sector was highlighted as one of the major priority sectors and albeit not explicitly, it is through full implementation of the clauses under this protocol on services as well as the on Trade in Goods that would reshape markets and redirect investment to industrial development in Africa.

Currently the continent trades least within itself but this will change under the AfCFTA and it is estimated that by 2035 intra-trade would have more than doubled. Put simply, this means that foreign direct investments (FDI) will increase; new markets created; SMEs will grow largely and thus improve in profitability. All these

will translate into growth within capital markets and already, the stakeholders are doing their part with the African Exchanges Linkage Project (AELP) which seeks to bridge the gap between trade and financing by connecting securities exchanges whilst boosting cross-border investment flows (Africanews, 2021).

Capital Markets Landscape

Africa's capital market comes a long way, from only a market capitalization of US\$113 billion in 1992 to over US\$1,130 billion in 2018 (ODI, 2021). Available studies indicate that the top 4 securities markets in Africa in terms of nominal market cap are South Africa, Egypt, Morocco and Nigeria. The market cap of each of these markets is greater than US\$30 billion, whereas the capitalisation of most stock exchanges in Africa is less than US\$6 billion. This points to a huge potential for more growth especially for the least developed markets. Some of the key factors stifling the growth within the region includes but not limited to;

- * Lack of an enabling environment
- * Limited number of listed instruments and lack of diversity
- * Quality of institutions
- * Size of domestic economies

All 28 stock exchanges have strategies in place to mitigate the above and mobilize more long term and large-scale financing needs requisite for capital investment.

AfCFTA and Capital Markets

Now that a picture has been painted on the AfCFTA and capital markets, it is necessary to explore the relationship between the two – how the implementation of the AfCFTA will work for capital markets.

The existence of capital markets is premised on trade, thus without the latter much cannot be said about the former. Another way to look at it is that capital

markets fund trade. There is a clear bi-directional relationship between the two. Currently, Africa ranks almost at the bottom when it comes to competing in global markets - with less FDIs flowing into Africa. However, the AfCFTA through easing of trade, will shift the composition and direction of FDI flows in the continent. Also, implementation will ensure a steady supply of domestic financial resources, in addition to the international resources alluded to. To achieve this, the AfCFTA will first improve the;

- * **Informal sector:** Approximately this sector constitutes 60% of regional trade on the continent. For example, in the Southern African Development Community (SADC), it is estimated to be 30-40% of total intra-SADC trade, with an estimated value of US\$17.6 billion and with 70% of women as active participants in this sector (UNDP,2019). Imagine what formalizing and protecting this sector could mean to the state of trade in Africa?
- * **Growing protectionism and populism:** As evident during the current coronavirus pandemic, when countries adopted policies that are of benefit to its citizens and closed off non-citizens. Through the envisioned AfCFTA's single market, such will not occur and the Rules of Origin and the Most Favoured Nation (MFN) treatment will take precedence and ensure equitable distribution and benefit for all.
- * **Intra-trade is necessary to shield Africa:** It is not the solution for development, but it will bolster competition through the projected economies of scale to be created and the improvement of value chains.
- * **Uptake of fintech and digitalization:** The Fourth Industrialization Revolution (4IR), speaks extensively on the power of digitalization and how the world is moving in that direction. The agreement, through the e-commerce protocol will discuss this during the third phase of negotiations as it has become necessary to do so in the plight of covid-19, which has forced the world to move digitally and to do so at lightning speed.

All these have a positive impact on the capital markets and as such, the industry participants should position their capital markets to leverage from the AfCFTA. Here is how;

- * Commercial banks raising debt capital to fund their corporate borrowers;
- * Government raising funds through infrastructure bonds to fund general infrastructure development to improve competitiveness and lower costs of doing business;
- * Stock exchanges establishing SME boards to improve SME access to finance and to promote corporatization of the informal sector;
- * Creation of new instruments in capital markets that facilitate trade particularly working capital;

No denying that capital markets have a key role to play on the full rollout of the AfCFTA, a million-dollar ask for the African Capital Markets is "how ready are you

to leverage on this?"

Positioning the BSE for AfCFTA

Several studies have informed various initiatives that African stock exchange can pursue to promote SME access to finance. A study by ASEA (2018) found that some of the reasons SMEs struggle to gain access to capital are: a lack of formality in running their businesses, a lack of discipline in financial record keeping and inadequate or incoherent business plans which dampen trust by creditors in the business or financial data. Further, the study highlighted the opportunities for capital raising on Africa's stock exchanges by SMEs, by listing on SME boards.

In 2019, the BSE established the Tshipidi SME Board, whose listings requirements are less onerous of those of the main board and the venture capital board, so to incentivise SMEs to list on the BSE and access capital from the public. The presence of the Tshipidi Board is supported by the annual Tshipidi Mentorship Programme which capacitates SMEs about the requirements for listing, explains the roles of the various advisors in the capital markets ecosystem, practically teaches about making investment pitches to investors, among other things including actually providing opportunities for SMEs to be mentored by CEOs of already listed entities. The Programme has benefited and capacitated over 30 SMEs that have graduated, representing a potential pipeline of SMEs that can list on the BSE's Tshipidi SME Board and indeed the venture capital board.

In addition, in 2022 the requirements for listing Commercial Paper on the BSE will become effective. This is an instrument that is key to trade as it is primarily used to raise working capital and within shorter periods of time. In creating an enabling environment for Commercial Paper to thrive, the BSE has formulated a fee structure for listing Commercial Paper that is different and lower than that for bonds.

Undoubtedly capital markets will be the key drivers of the success of AfCFTA given their influence in finance and trade. The BSE continues to seek opportunities within the continent to mobilise finance for trade and has thus far entered into an MOU with Zimbabwe Stock Exchange to enable Zimbabwean companies to raise capital in Botswana – as the BSE has over the years become attractive for the region's companies to dual list. Over half of BSE listed entities operate in various parts of the continent and tend to use the BSE as a funding platform for African expansion, a model that the BSE believes every other African company can explore by dual listing on the BSE and tapping into Botswana's deeper pools of capital to fund continental expansion.

In the long term, once the AELP project and the Interconnectivity Hub project in SADC come into effect, enormous benefits will be unleashed from the fluidity of capital and securities across the continent, the ultimate utility of which is freely financing Africa's intercontinental trade.



BSE CEO, MR THAPELO TSHEOLE, RE-ELECTED VICE PRESIDENT OF ASEA

It is with great pleasure that we announce that the Botswana Stock Exchange (BSE) CEO, Mr. Thapelo Tsheole, has been re-elected as the Vice President of the African Securities Exchanges Association (ASEA). Dr. Edoh Kossi AMENOUNVE, CEO of BVRM remains the President of ASEA. Mr Tsheole's re-election took place at an Annual General Meeting (AGM) held yesterday in Casablanca, Morocco.

Commenting on his re-election Mr. Tsheole, 'thanked ASEA members for the confidence in his leadership. He expressed gratitude for the resounding support from fellow colleagues at ASEA, the BSE Board and Management, as well as stakeholders at large. The development of African securities exchanges remains high on the ASEA's agenda and he said it is the collective effort of exchange members to collaborate and work together to foster synergies that will serve to develop the region.

Established in 1993, ASEA is the premier association of 27 securities exchanges serving thirty-two (32) economies in Africa. ASEA aims to develop member exchanges and provide a platform for networking and cooperation on areas of mutual importance. The association also aims to unlock the potential of African capital markets, and enhance the development and global competitiveness of member exchanges. In November 2019, the BSE hosted the ASEA conference for the first time in Botswana.

We wish Mr. Tsheole well in his re-election as Deputy President of ASEA.



BSE COMMEMORATES ACCESS BANK'S ACQUISITION OF BANCABC



On 7th October 2021, the BSE, in conjunction with African Banking Corporation of Botswana Limited (BancABC), held a commemorative ceremony to celebrate Access Bank's acquisition of BancABC Botswana at the BSE Offices.

During this Ceremony, the BSE and Access Bank, highlighted the importance of this acquisition as this presents BancABC with an opportunity to be a part of one of the largest banking groups in Africa, hence benefitting from Access Bank's strong corporate banking franchise and digital banking capabilities, amongst a few strategic advantages. To mark this special occasion as speakers, in attendance was the Minister of Finance & Economic Development, Hon. Peggy Serame, as the Guest of Honour to deliver the Official Remarks. Further, other notable speakers on the agenda included the Governor to the Bank of Botswana, Mr. Moses Pelaelo, BSE Chairperson, Lt. Gen. Tebogo C. Masire, Access Bank Managing Director & CEO, Dr. Herbert Wigwe and BancABC Managing Director, Mr. Kgotso Bannalothle.

In her address, Hon. Serame focused on the underlying significance of this acquisition in terms attracting Foreign Direct Investment into the country – ***“From my Ministry & Government's standpoint, we are delighted to welcome Foreign Direct Investment in the form of acquisitions such as these. At a macro-level, it is imperative that collectively, we promote a conducive environment for companies to do business in Botswana with Batswana. The underlying benefits of such forms of investment are unlimited in nature as we work towards increasing productivity, creating jobs, developing infrastructure, promoting innovation, fostering skills transfer and introducing technological advancements that can contribute towards the growth of Botswana economy”.***

For his part, the Governor to the Bank of Botswana, Mr. Moses Pelaelo, discussed matters pertinent to this acquisition with respect to the banking sector and the financial services sector as a whole - ***“I have, in my engagement with the leadership of the incoming bank, highlighted the pertinent and immediate***

developmental issues for Botswana, where I observed a positive response by Access Bank, supported by a demonstrable track record in markets in which it currently operates. The overriding issue for Botswana is financial inclusion generally, where it is expected that Access Bank PLC will add to vibrancy of market competition and broader coverage in attracting customers, diversity of products and services, quality of service provision and related cost rationalisation, for the benefit of both its investors and customers”

In his remarks, the Managing Director & CEO of Access Bank, Dr. Herbert Wigwe, provided a holistic picture as to the importance of this acquisition for the Group – ***“Today's announcement demonstrates further our commitment to delivering our strategic aspirations of becoming Africa's Gateway to the World. Africa has enormous potential and great opportunity for growth. Our success on the continent is underpinned by our strict compliance to regulatory guidelines, adherence to international standards and best practices, leveraging digital technology and innovation, and maintaining a moderate risk appetite. Botswana's banking and finance sector is one of Africa's most stable markets. It adheres to international financial policies and banking supervision standards. It has made great strides over the years, with so much more potentials to be unlocked. We are poised to explore these potentials and to be a strong banking partner.”***

In closing, the Managing Director of BancABC Botswana, Mr. Kgotso Bannalothle said, ***“As BancABC, we are excited about our future as Access Bank Botswana. The rebrand will unlock the opportunity to deliver holistic banking solutions to our clients given Access Bank's robust digital capabilities, innovative product offering, and trade finance and international banking, given the group's footprint across various African markets. We sincerely look forward to collectively building a bank for the future, particularly in the Botswana market, backed by a very strong parent with growth ambitions and investment capability to propel the bank forward.”***

► **OPENING BELL CEREMONY**



▲ (Left to Right) – BSE Chairperson, Lt. Gen. Tebogo C. Masire, Minister of Finance & Economic Development, Hon. Peggy Serame and Access Bank Managing Director & CEO, Dr. Herbert Wigwe



▲ Minister of Finance & Economic Development, Hon. Peggy Serame, delivering the Official Remarks



◀ (Left to Right) Official Bell Ringing: BancABC Managing Director, Mr. Kgotso Bannalotlhe, Governor to the Bank of Botswana, Mr. Moses Pelaelo, BSE Chairperson, Lt. Gen. Tebogo C. Masire, Minister of Finance & Economic Development, Hon. Peggy Serame, Access Bank Managing Director & CEO, Dr. Herbert Wigwe, BancABC Chairlady, Ms. Lorato Moseilthanyane and BSE CEO, Mr. Thapelo Tsheole



◀ Official Group Picture



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ABSA'S NEW PALLADIUM ETF LISTING CEREMONY

On 24th November, 2021, the BSE held a virtual Opening Bell Ceremony for the issuance of the Absa NewPalladium ETF. To commemorate this issuance, the occasion was patronized by the Absa Bank Botswana Limited Finance Director, Ms. Cynthia Morapedi, alongside the BSE CEO, Mr. Thapelo Tsheole.

The NewPalladium ETF is managed by NewGold Manager (Pty) Ltd and the fund invests physical palladium, to track the spot price of palladium. The NewPalladium ETF was formed on March 24, 2014 by Absa Capital and has its primary listing on the Johannesburg Stock Exchange. The ETF is backed by physical palladium, stored and insured in secured custodian vaults.

The NewPalladium ETF brings the BSE's diverse range of ETFs to six (6) which include the NewGold ETF, NewPlat ETF, NewFunds ETF, S&P Africa Sovereign Bond Fixed Income ETF and AMI Big50 ex-South Africa ETF.

ETF listings at the BSE

Year	Milestone
2010	NewGold ETF lists in July
2011	Coreshares EWT40 ETF (formerly BettaBeta) lists in May
2014	NewPlat ETF lists in August
2015	NewFunds Inflation-Linked Bonds Index ETF lists in November
2018	Coreshares EWT40 delists in August
2021	Cloud Atlas lists 2 ETFs in September: S&P Africa Sovereign Bond Fixed Income ETF and AMI Big50 ex-South Africa ETF
	NewPalladium ETF lists in November

**INVITATION TO THE
BOTSWANA STOCK EXCHANGE (BSE)
ABSA PALLADIUM ETF LISTING CEREMONY**

— Meet Our Speakers —



Mr. Thapelo Tsheole
CEO, BSE



Ms. Keabetswe Phoko-Moshagane
Managing Director, Absa Bank Botswana Limited

 **24th NOVEMBER 2021**
Time: 09:30hrs - 10:00hrs
Platform: ZOOM

Programme Director: Mr. Kgotla Segwe,
BSE Market Development Specialist

0930 - 0940: Welcome Remarks – BSE CEO, Mr. Thapelo Tsheole
0940 - 0955: Official Remarks – Absa Bank Botswana Limited
Managing Director, Ms. Keabetswe Phoko-Moshagane
0955 - 0956: Official Bell Ringing – BSE CEO, Mr. Thapelo Tsheole joined by
Absa Bank Botswana Limited Managing Director, Ms. Keabetswe Phoko-Moshagane

Please click on the link to register:
https://us02web.zoom.us/join/register/WN_kDvMI5_75iC-0D-CDdNnFQ




SPACs UNLOCK VALUE IN BOTSWANA'S START-UPS

BY BONNIE MODIAKGOTLA

As the COVID-19 pandemic appears to be subsiding thanks to quick development and deployment of vaccines, businesses, investors and individuals are already looking at ways to grow their wealth and market shares.

For businesses in particular, they will be looking at ways to grow the balance sheet and market share. This will not be much of a hassle for companies listed on the stock exchanges as some have proved resilient and already enjoy the credibility of being listed on a stock exchange, thus giving them credibility to raise capital on the market.

However, for private companies it might be an uphill challenge, especially if the cashflows have been affected during the more than one-year pandemic. Still, some of these privately held companies and start-ups have strong fundamentals and the potential to grow beyond the current scope. But this requires some capital injection, whether through debt, mergers or Initial Public Offerings (IPO).

To start with, local banks in Botswana have tightened credit to private companies, while start-ups hardly even get anything. Given that, there will be businesses with strong prospects but insufficient access to capital.

Granted, the Botswana government has relaxed some borrowing requirements from development funding institutions such as the Citizen Entrepreneurial Development Agency (CEDA). There is also the Industry Support Programme, which is open to companies with an annual turnover of P10 million, and the only portion of credit they could get is 10% of turnover revenue.

Clearly, there are some businesses and start-ups that will require large capital injection without going the debt route, leaving some with the only option of an IPO. The Botswana Stock Exchange in 2019 introduced the Tshipidi Mentorship Programme aimed at preparing private companies on the benefits of listing on the stock market. Unfortunately, none of the companies are yet to list though they have shown great enthusiasm to do so.

Could SPACs fast track listing of identified companies through Tshipidi Mentorship?

Part of the solution in attracting listings to the BSE could be through Special Purpose Acquisition Companies (SPACs), which have been garnering popularity across the world. It is not surprising why. According to the revered Harvard Business Review Magazine (July – August 2021):

"Although SPACs, which offer an alternative to traditional IPOs, have been around in various forms for decades, during the past two years they've taken off in the United States. In 2019, 59 were created, with \$13 billion invested; in 2020, 247 were created, with \$80 billion invested; and in the first quarter alone of 2021, 295 were created, with \$96 billion invested. Then there's this remarkable fact: In 2020, SPACs accounted for more than 50% of new publicly listed U.S. companies."

How do SPACs work?

SPACs are basically a "blank check" company which raises money from investors to list on the stock market with plans to acquire privately held companies. In short, it's a shell company that has no underlying assets, but brings the money for future acquisitions. To protect investors that have invested in a SPAC, the money is held in a trust account until a suitable company to be bought is identified, and following the acquisition, the SPAC will then be responsible for the underlying assets acquired.

Since SPACs raise money through an IPO, it usually has a two-year time horizon to have made acquisitions or otherwise it is dissolved and the money returned to investors. There are three key players involved in SPACs: sponsors, investors and targets.

The Main Stakeholders

The sponsors are the people behind the SPAC, made up of seasoned businesspeople with wealth of experience to identify opportunities. They are

the first to put in their money, which is used for the administrative costs of launching an IPO. Before listing, the sponsors will have a goal of how much they want to raise on the stock market, and then issue shares to public to buy into their SPAC.

The second key player is the investor, which could range from institutional investors to retail investors. These investors buy into the SPAC without even knowing which companies will be acquired by the SPAC. Once the target company has been identified following due diligence by the sponsors, investors have an option to continue with their investment or pull out. This allows for a risk-free opportunity for the investor.

The final piece of the SPAC is the targets, or identified businesses, which show great prospects for growth. These could range from start-ups that have promising innovative products or mature companies seeking to expand. SPACS can even identify several targets that are in the same industry and then merge them into one company, and then use their expertise to build and grow the new venture.

There are several advantages that work for SPACS. For starters, the sponsors or the SPAC teams the domain knowledge of the operating field, attracting and recruiting talented individuals who have wealth of experience in running and managing businesses. Furthermore, if properly constructed, the sponsors are able to gain trust from investors.

Why go the SPAC route?

Given the arduous process of taking a private company public through an IPO, SPAC provides a cheap alternative route. IPOs can be time consuming and expensive, especially for smaller companies that are interested in listing. Since a SPAC is already a listed company, by acquiring the private company, it quickly brings it to the stock market. In addition, the targeted private company will now benefit from the expertise of the sponsors who are vested in seeing the SPAC succeed. On the other side, investors might also find SPACs attractive as it allows them to invest in an entity that might up acquiring some businesses which might have been previously held private.

Is the BSE ready to facilitate SPACs?

For the past five years, the BSE has been on aggressive drive to attract companies to list on the bourse. While the hesitance on some companies varies, in particular the costs involved, the promotion and use of SPACs on the local market can make a significant impact in increasing listings. Just to be sure, there are private equity firms in Botswana, but most of the time these private equity firms are bound by stringent rules as they mostly manage intuitional investors' funds, hence required to invest in only certain investments.

Already, the BSE's Listings Requirements allow for the listing of SPACs, though they refer to them as Specific Acquisition Company (SAC), incorporated for the purpose of facilitating the primary capital raising process to enable the acquisition of specific assets to list on the BSE.

The promotion of SPACs has an upside potential of spurring innovation as businesses and start-ups ensure they build solid business models that could be acquired by SPACS. This will deepen the local financial market and stimulate job creation and wealth for investors.

Most notable, the BSE has unleashed initiatives such as the upgrading of the technology infrastructure, introduction of new digital platforms, data as a service and leveraging media partnership for global reach are congruent efforts to modernise and internationalise the bourse. The promotion of the SPACs could be another significant missing puzzle in growing the local bourse.

But not all that glitters is gold, but you can still hit it

Of course, like any investments there are the upsides and risks. Most of data so far comes from the US, which has been at the forefront of SPACs. On the upside as already noted, SPACs enable private companies to list quickly and cheaply while backed by experienced sponsors. The volume of SPACs has grown considerably in the US, from only one in 20009 to 552 in 2021, with the popularity still on the rise.

Yet, the performance of SPACs has been mixed, like other traditional IPOs. In September 2021, The S&P U.S. SPAC Index, designed to measure the performance of a minimum of 30 common stocks for SPACs listed on U.S. exchanges, showed that the index had declined roughly 24.9% year-to-date, while the S&P 500, S&P 500 Growth and S&P 500 Value benchmarks have appreciated 22.2%, 23.6% and 30.6%.

However, by November 2021, the S&P U.S. SPAC Index had risen by 7% year-to-date, showing increased activity. There is no guarantee that a SPAC will outperform or underperform, but what should be significant for investors is to research the company as well as the sponsor taking the company public.

In a survey conducted by Wolfe Research, SPACs with experienced operators have performed materially better than those with non-experienced sponsors. After one year, SPACs with experienced operators averaged a 73% gain, while those businesses that partnered with a non-experienced sponsor generated a 14% loss, on average.

As with any investment, it's important for investors to conduct their due diligence. Regarding SPACs, this would include researching the company and sponsor, as well as understanding the legal ramifications and investment process. There are certainly companies that have gone public via SPAC and seen the stock price skyrocket, while others plummeted.

In the next edition, the BSE will dive deeper into the processes and requirements for listing Specific Acquisition Companies (SACs).

Tune into BSE RADIO SHOWS

Topics of the year 2022

January- March

- › Importance of Financial Literacy
- › Things to consider when investing
- › The Role of the Stockbroker
- › Share Ownership

July- September

- › Introduction to ETFs
- › BSE Publication & Ticker
- › Regulatory Environment
- › Monitoring Your Investment

April- June

- › Listing Boards
- › Tshipidi Mentorship Program
- › Process of Listing
- › Bonds

October - December

- › Role of Registered Advisors
- › X-News
- › BSE Affiliations

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063 -0635
RB1 > Sefalana sa Papadi

Friday:
1610-1615
RB2 > Automatic Drive

Thursday:
1430-1445
RB2 > Understanding Stock Markets

Friday:
1730-1735
RB2 > Tsele le Tsele



BSE MARKET PERFORMANCE REPORT FOR 2021

1.0 EXECUTIVE SUMMARY

The International Monetary Fund (IMF) estimates that the global economic recovery is continuing despite the surge in the pandemic, although the momentum has slowed down, according to the IMF's World Economic Outlook (WEO) published in October 2021. The global economy is projected to grow by 5.9% in 2021 with Advanced Economies growing by 5.2%. Emerging Markets and Developing Economies are expected to expand by 6.4% while output in Sub-Saharan Africa is projected to grow by 3.7% in 2021. Risks to these growth projections include the enormous disparities in vaccines access as well as the emergence of more transmissible and deadly variants of COVID-19, which have proven to inspire episodes of volatility in global financial markets.

Botswana is anticipated to be one of the leading African economies in terms of economic output in 2021. The recovery in the economy has been observed across majority of industries over the year mainly due to the efforts to reopen business and relax COVID-19 regulation, amidst the rollout of vaccination, according to Statistics Botswana. Third quarter real gross domestic product (GDP) increased by 8.4% compared to a contraction of 4.5% in the corresponding quarter of 2020. The Ministry of Finance and Economic Development (MFED) projects Botswana's economy to grow by 9.7% in 2021, from a contraction of 8.5% in 2020, driven mainly by a healthy rebound in diamonds sales.

Global equities performance has been positive, fuelled by the vaccine-powered global economic recovery over the year. Several developed markets and African markets indices closed the year with double digit growth. The effects of the global recovery are observable on the domestic equity market, judging from a stronger pace of growth in BSE indices. The Domestic Company Total Return Index (DCTRI) has appreciated by 11.1% while the Domestic Company Index (DCI) has gone up by 1.9%.

It is pleasing to note that the market performance has improved significantly across the bourse; the number of listed instruments has increased to 80 from 79 in 2020, with a 100% increase in the number of ETFs; total turnover has gone up to P4.5 Bn from P3.6 Bn in 2020; average daily turnover across all instruments has gone up by 25%, from P14.5 Mn to P18.1 Mn. The domestic equity market in particular has experienced remarkable recovery with the average daily turnover rising almost three fold from P2.8 Mn a day to P7.3 Mn a day. This was mainly attributable to the record single day turnover of P1.1Bn due to the acquisition of BancABC Botswana Limited by Access Bank Limited.

The year 2021 can be credited with a lot of positives, even amid the challenges posed by COVID-19. The BSE never had to close the market at any point in time since the pandemic began, thus did not experience any disruption in market operations and did not encounter any adverse issues of compliance on account of this pandemic. The BSE managed to set new records two of which are the highest single day turnover and the two ETFs being listed in one day as well as a total of three ETFs being listed in any given year. These are new milestones in the history of the BSE and we intend to build on these to improve the status of the market. During the year, we commenced the formulation of a new 5-year strategic plan (2022-2026) that seeks to make the BSE a world class securities exchange, particularly in the frontier markets space. The strategy seeks to explore new ways of promoting financial self-sufficiency, new strategies to improve liquidity, policy advocacy, and build a high performance organisation, among others.

The next sections of this report provide an overview of the relative performance of the market in 2021.

2.0 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 2021 and 2020.

Figure 1: General Market Statistics

ASSET CLASS		LISTED INSTRUMENTS	MARKET CAP (P'Mn)	TURNOVER (P' Mn)
Equities	2021	31	390,365.8	1,816.0
Bonds		43	23,059.1	2,550.3
ETFs		6	1,257.2	132.1
TOTAL		80	414,682.1	4,498.4
Equities	2020	33	391,222.1	698.6
Bonds		43	20,293.1	2,727.0
ETFs		3	654.7	137.2
TOTAL		79	412,169.9	3,562.8

Source: BSE

A total turnover of approximately P4.5 Bn was recorded in 2021 compared to P3.6 Bn in 2020, an increase of 26.3% as noted in Figure 1. This is on account of a 160% increase in equity turnover relative to 2020 primarily due to the acquisition of a majority stake of 78.15% in BancABC Botswana by Access Bank Plc, a Nigerian-listed Bank with international footprint. The value of the acquisition amounted to approximately P1.1 Bn. Bonds recorded a decline of 6.5% in turnover while ETFs trading was down by 3.7% in 2021.

3.0 EQUITY MARKET PERFORMANCE

3.1 Equity Market Statistics

The performance of local equities reflects, to a larger extent, the trajectory of the local economy's growth projections. The State of Emergency (SOE) ended in September 2021, following careful measures to curb the spread of the virus and to adequately roll out vaccinations. The re-opening of the economy has filtered into improved business environment which is reflected in the positive sentiments in the BoB's Business Expectations Survey (September 2021) and the improved business environment for listed entities in general. In line with this trend, investor activity has picked as share prices presented compelling entry valuations over the year.

From a return perspective, the DCTRI has appreciated by 11.1% while the DCI as gone up by 1.9%. This compares to a decline of 3.6% in the DCTRI and 8.2% in the DCI in 2020, an indication that the stock market has recovered from its lows of 2020 emanating from the impact of the pandemic. Evidently, majority of the companies have sustained dividend payouts and this has complemented the bullish sentiments in share prices that we have observed in 2021, particularly from April 2021. It is pleasing to note that this recovery is also reflected in foreign companies as the Foreign Company Index (FCI) has registered a marginal 0.2% growth in 2021 compared to a 1.0% decline in 2020. This information is summarised in Figure 2.

Figure 2: Equity Market Statistics

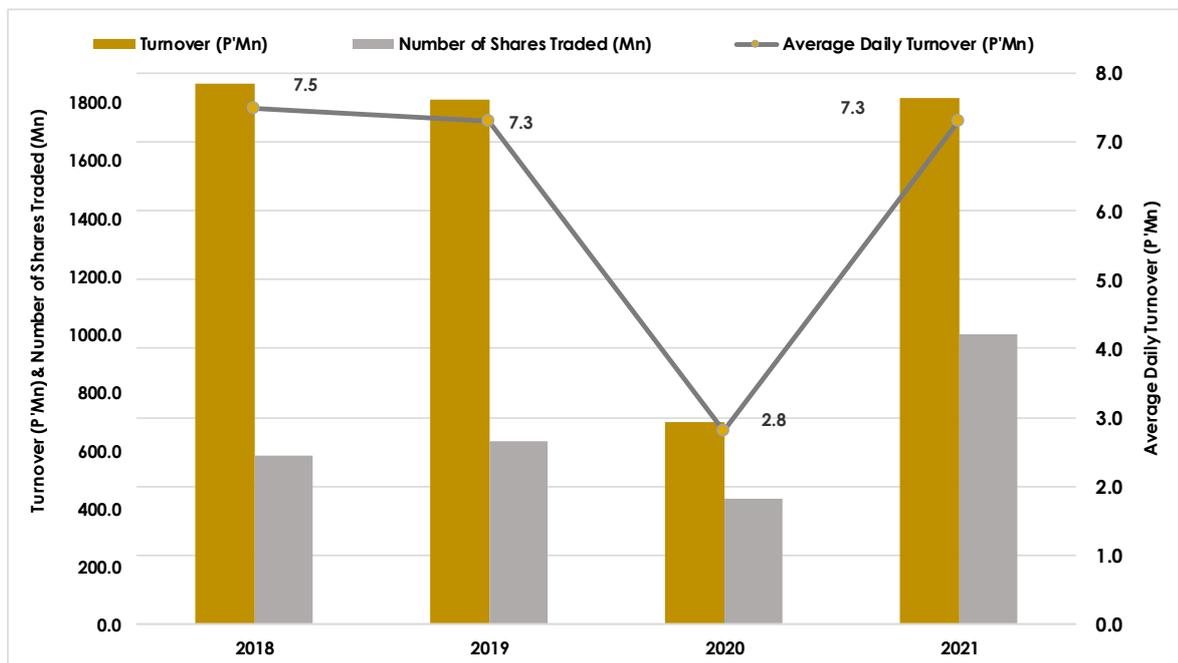
	INDICES PERFORMANCE					
	2020	2021	Q1'21	Q2'21	Q3'21	Q4'21
DCTRI	1,664.7	7,009.61	1,591.4	1,6548.8	1,796.3	1,850.01
% Change	(3.6)	1.9	(4.4)	4.0	8.6	3.0
DCI	6,879.4	1,850.01	6,528.4	6,622.4	6,900.7	7,009.61
% Change	(8.2)	11.1	(5.1)	1.4	4.2	1.6
FCI	1,547.3	1,549.65	1,550.9	1,551.3	1,548.8	1,549.65
% Change	(1.0)	0.2	0.2	0.0	(0.2)	0.1
	TRADING ACTIVITY (P'Mn)					
	2020	2021	Q1'21	Q2'21	Q3'21	Q4'21
Turnover	698.6	1,816.0	113.7	178.9	169.9	1,353.5
Volume	430.4	997.2	87.5	153.2	59.7	696.8
Avg. Daily Turnover	2.8	7.3	1.8	2.9	2.7	21.5
	MARKET CAPITALIZATION (P'Mn)					
	2020	2021	Q1'21	Q2'21	Q3'21	Q4'21
Domestic Companies	35,629.9	37,209.4	33,820.3	34,272.6	35,938.2	37,209.4
Foreign Companies	355,592.3	353,156.4	356,140.9	356,252.9	355,386.9	353,156.4
TOTAL	391,222.2	390,365.8	389,961.2	390,525.5	391,325.1	390,365.8
	MARKET INDICATORS					
	2020	2021	Q1'21	Q2'21	Q3'21	Q4'21
P/E Ratio (x)	10.8	12.7	12.3	12.7	13.3	12.7
Dividend Yield (%)	4.1	5.2	4.3	4.3	5.1	5.2
Price/Book Value (x)	1.6	1.3	1.5	1.3	1.3	1.3

Source: BSE

▶ MARKET PERFORMANCE

Figure 3 demonstrates the comparison in trading activity from 2018 to 2021. It can be noted that 2021 activity is back to 2018 levels with recognisable increase in the number of shares traded.

Figure 3: Annual Trading Activity: 2018 - 2021



Source: BSE

3.2 Companies Contribution to Equity Turnover

Figure 4 ranks listed companies by their contribution to equity turnover or their trading activity in 2021. The top 3 traded companies during the period under review were Access (P1.1 Bn), Letshego (P162.7 Mn) and FNBB (P95.1 Mn). The total turnover from these 3 companies accounted for 80.9% of total equity turnover, with the leading counter Access Bank, previously known as ABC accounting for 59.1% of total equity turnover.

Access Bank's significant contribution to total equity turnover results from a record-breaking trade worth P1.1 Bn following their 78.15% acquisition of BancABC Botswana on 11th October 2021. The trade represented a historic moment as the BSE recorded the highest turnover ever to be recorded in a day since inception (P1.072 Bn). Following the acquisition, there was a formal change of name from BancABC to Access Bank Botswana Limited and trading of the counter as "Access" commenced on the 29th November 2021.

In comparison to the same period in 2020, the top 3 traded companies accounted for 47.2% of total equity turnover with the leading counter Letshego accounting for 24.4% (P170.7 Mn) of total equity turnover. The rankings of companies by turnover in 2021 is shown in Figure 4.

Figure 4: Companies Ranked by Turnover on a Quarterly Basis: 2021

COMPANY	Q1	Q2	Q3	Q4	Total
	Turnover	Turnover	Turnover	Turnover	Turnover
ACCESS	20,825.64	360,223.38	716,742.18	1,072,107,157.68	1,073,204,948.88
LETSHEGO	40,190,885.58	11,305,171.38	30,002,380.86	81,235,760.40	162,734,198.22
FNBB	3,421,008.39	36,927,433.95	28,080,808.73	26,663,734.31	95,092,985.38
SEFALANA	7,658,579.67	18,627,842.81	32,135,506.59	30,658,956.30	89,080,885.37
ABSA	1,642,100.59	20,686,577.06	14,136,961.22	41,639,165.76	78,104,804.63
BIHL	2,992,463.55	31,064,932.50	12,909,347.50	30,656,605.00	77,623,348.55
SECHABA	3,604,632.51	14,094,794.40	30,344,000.30	4,192,573.40	52,236,000.61
TURNSTAR	7,584,426.09	3,255,745.03	4,096,323.26	12,650,482.16	27,586,976.54
STANCHART	15,476,283.50	3,496,289.55	2,510,644.39	5,466,973.75	26,950,191.19
PRIMETIME	18,026,687.92	1,123,130.75	162,599.81	4,682,053.85	23,994,472.33
NAP	2,946,049.86	7,833,621.09	2,155,627.50	8,002,307.55	20,937,606.00
CRESTA	30,309.90	-	-	20,117,727.09	20,148,036.99

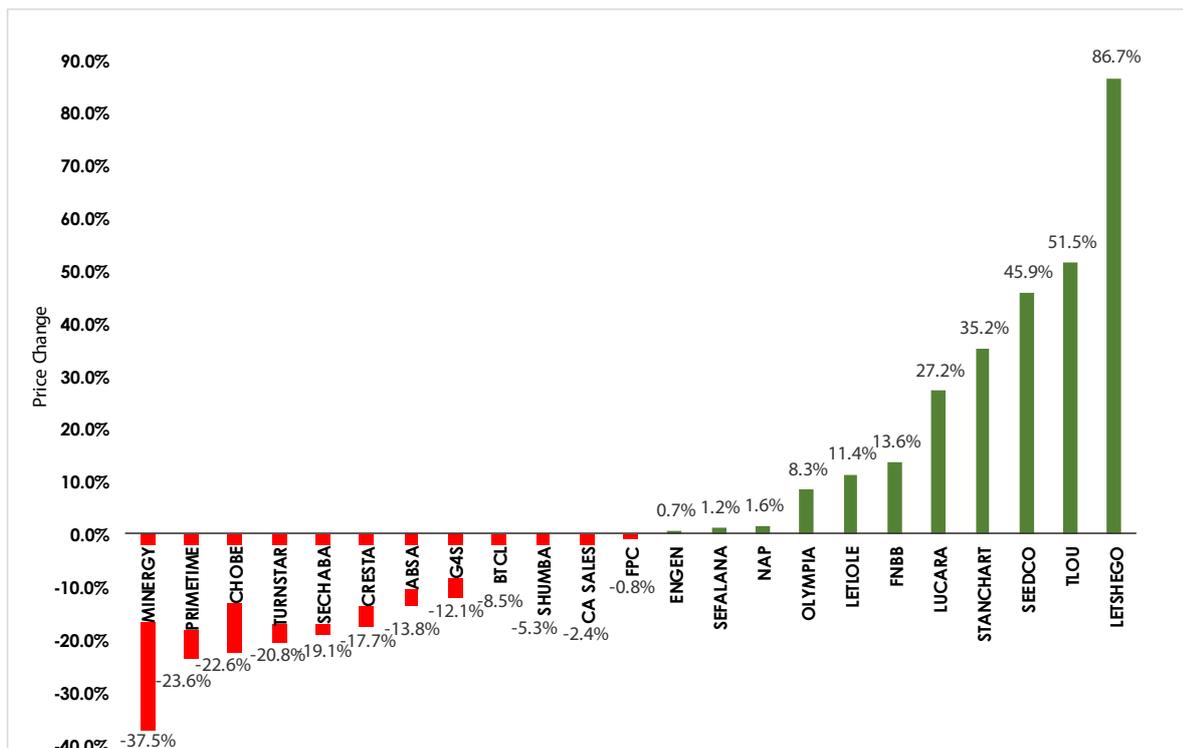
▶ MARKET PERFORMANCE

AFINITAS	-	14,637,026.08	-	-	14,637,026.08
BTCL	3,172,301.05	3,827,396.83	2,013,167.73	2,829,836.60	11,842,702.21
CHOBE	304,922.58	1,142,724.86	4,597,651.70	1,334,794.52	7,380,093.66
RDCP	45,526.25	4,800,086.52	703,758.22	1,225,519.35	6,774,890.34
ENGEN	1,089,176.71	445,537.66	1,016,866.76	3,528,160.69	6,079,741.82
CA SALES	3,123,954.68	594,342.10	868,746.00	1,302,159.40	5,889,202.18
CHOPPIES	608,990.40	3,888,219.60	322,759.20	623,607.00	5,443,576.20
LETLOLE	975,300.22	224,805.13	1,632,846.05	1,408,692.37	4,241,643.77
FPC	98,625.43	81,403.70	948.15	2,306,726.45	2,487,703.73
G4S	59,511.00	-	678,870.00	792,330.80	1,530,711.80
LUCARA	38,207.03	105,083.00	566,337.34	25,805.10	735,432.47
SEED Co	69,126.80	344,494.00	213,030.00	-	626,650.80
MINERGY	212,709.60	3,066.40	-	80,645.73	296,421.73
OLYMPIA	253,806.24	1,476.68	2,118.22	6,119.36	263,520.50
TLOU	77,447.00	-	7,500.00	-	84,947.00
SHUMBA	-	-	17,516.70	1,785.60	19,302.30
BOD	3,449.52	-	3,740.56	1,752.53	8,942.61
A-CAP	-	-	-	-	-
ANGLO	-	-	-	-	-
INVESTEC	-	-	-	-	-
TOTAL	113,727,307.71	178,871,424.46	169,896,798.97	1,353,541,432.75	1,816,036,963.89

Source: BSE

Figure 5 shows the share price performance of listed companies during the review period. The top gainer was Letshego with an appreciation of 86.7% in the share price, followed by Tlou Energy and Seed Co with gains of 51.5% and 45.9% respectively. Minergy experienced the biggest decline in share price of 37.5% followed by Primetime and Chobe with declines of 23.6% and 22.6% respectively.

Figure 5: Price Changes (%) by Domestic Companies: 2021



Source: BSE

3.3 Investor Contribution to Equity Turnover

As can be observed in Figure 6 local companies contributed 58.7% to total equity turnover or P1.1 Bn in monetary terms while local individuals contributed 2.5% or P44.5 Mn in monetary terms during the period under review. Foreign companies contributed 36.8% or P668.0 Mn to total equity turnover while foreign individuals and brokers contributed 2.0% (P37.0 Mn) and 0.0% (P0.3 Mn) to equity turnover respectively. The contribution by local companies mainly arises from the Access Bank deal where local companies were on the sell side of the trade while foreign companies were on the buy side of the trade, both to a tune of P1.1 Bn in October 2021. While local companies' contribution to turnover has continued to rise steadily from October, foreign companies' contribution has remained flat leading to a dilution in their percentage contribution.

Figure 6: Investor Contribution to Turnover

Investor Category	Turnover (Pula)	Equity Turnover Contribution	
		2021	2020
Foreign Companies	668,003,875.12	36.8%	35.0%
Foreign Individuals	37,032,793.74	2.0%	4.4%
Local Individuals	44,514,501.06	2.5%	9.5%
Local Companies	1,066,154,035.20	58.7%	50.9%
Brokers	331,758.79	0.0%	0.2%
Total	1,816,036,963.89	100.0%	100.0%

Source: CSDB

4.0 PRIMARY MARKET

Relative to 2020, primary market activity has risen phenomenally in 2021. Capital raised by domestic companies increased more than 2.5 times, while that raised by foreign companies increased more than 5.5 times as presented in Figure 7. In total, P753.0 Mn was raised through corporate actions in 2021 compared to P190.4 Mn, almost a four-fold increase.

Figure 7: Equity Primary Market Activity

Domestic Companies	Amount (P'Mn)	Foreign Companies	Amount (P'Mn)
Olympia	8.6	CA Sales	34.1
RDCP	187.4	BOD	7.5
SeedCo	32.9	Shumba	1.0
Far Property	30.9	Tlou Energy	43.5
		Lucara	407.0
TOTAL RAISED (2021)	259.8	TOTAL RAISED (2021)	493.1
TOTAL RAISED (2020)	103.9	TOTAL RAISED (2020)	86.5

Source: BSE

On the equity market, A-Cap Limited and Afinitas Limited voluntarily terminated their listings on the BSE on 12 February 2021 and 23 April 2021, respectively. A-Cap was listed on the foreign venture capital board while Afinitas was listed on the domestic venture capital board.

On the bond market, Government through the BoB issued a new bond in 2021, the BOTSGB0527 at an initial nominal value of P175 Mn. The BOTSGB0527 bond is a 6-year bond maturing in May 2027 and pays a fixed coupon rate of 5.5% which is paid semi-annually. Through the monthly auctions, BoB continued to issue additional tranches of the new and existing bonds, helping Government raise a total of P2.7 Bn in the domestic bond market. This is lower than the record amount of P5.2 Bn raised in 2020.

The BSE continues to be pivotal to both public and private sector in supporting capital formation and allocation during the pandemic and Botswana's economic recovery and transformation. Botswana's fiscal deficit which was initially projected at 2.8% of GDP is expected to widen to 3.9% in 2021. Thus, Government is still expected to remain active in the domestic bond market and tap into the P30 Bn Bond Programme to issue more bonds

▶ MARKET PERFORMANCE

on the BSE. Similarly, Government will be implementing the SOE Rationalisation Strategy that will strengthen corporate governance and practises of SOE, hopefully translating into better financial performance, readiness and attractiveness of SOEs when accessing debt markets, ultimately weaning them from Government grants and subventions. These developments bode well for private sector which depends on the zero curve for pricing their debt instruments and could similarly positively impact private sector activity in the bond market.

With regard to redemptions, four bonds were redeemed at maturity in 2021 being PTP021, IFC001, GBL001 and GBL004 which were issued by Primetime Properties, International Finance Corporation and Get bucks (which rebranded to Firstcred Limited) respectively. In addition, two bonds issued by First National Bank Botswana were redeemed early – FNBB007 and FNBB008.

A summary of bond market primary market activity is presented in Figure 8.

Figure 8: Bonds Primary Market Activity: 2021

Government Bonds	Amount (P'Mn)	Corporate Bonds	Amount (P'Mn)
BOTSGB0527	582.0	BHC028	100.0
BOTSGB0943	405.0	SCBB009	93.6
BOTSGB0623	664.0	SCBB010	229.9
BOTSGB0640	75.0	BBS012	64.5
BBOTSGB0931	921.0	RDCP004	75.0
BOTSGB0325	81.0		
TOTAL RAISED (2021)	2,728.0	TOTAL RAISED (2021)	563.0
TOTAL RAISED (2020)	5,245.0	TOTAL RAISED (2020)	464.9

Source: BSE

5.0 BOND MARKET PERFORMANCE

The bond market continued to be active during the 2021 year, raising the profile of the BSE as a platform for raising long term capital.

Trading activity during the year under review amounted to approximately P2.6 Bn in comparison to P2.7 Bn traded during the corresponding period in 2020. This was mainly on account of trading activity in Government bonds which accounted for 83% of total turnover. Corporate bond trading activity increased by 97% during the period under review to P440.5 Mn from P224.0 Mn during the corresponding period in 2020. As at end of December 2021, the market capitalisation of the 43 listed bonds stood at P23.1 Bn.

Figure 9: Analysis of Bond Market Performance

CATEGORY	2020	2021
LIQUIDITY (P'Mn)		
Government Bonds	2,503.0	2,109.8
Corporate Bonds Note 1	224.0	440.5
TOTAL	2,727.0	2,550.3
MARKET CAPITALIZATION (P'Bn)		
Government Bonds	15.0	17.7
Corporate Bonds	5.3	5.4
TOTAL	20.3	23.1
NUMBER OF BONDS LISTED		
Government Bonds	6	7
Corporate Bonds	37	36
TOTAL	43	43

Source: BSE

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

6.0 THE EXCHANGE TRADED FUND (ETF) MARKET

During the period under review three new ETF were listed, two (2) of which are Cloud Atlas ETFs listed in September and the third being an Absa ETF listed in November. This brings the total number of ETFs listed on the BSE to six. The details of the ETFs are as follows:

- * **S&P African Sovereign Bond ETF (BASBI)** - The portfolio tracks the S&P Africa Hard Currency Sovereign Bond Select Index (USD) consisting of African Sovereign Bonds denominated in Euros, Japanese Yen and US Dollars from the African countries with a credit rating above B- currently: Egypt, Ghana, Kenya, Morocco, Namibia, Nigeria, and South Africa.
- * **AMI Big50 ex. South Africa ETF (BAMIB50)** - The portfolio tracks the AMI Big50 ex-South Africa Index and offers investors exposure to the top 50 primary listed companies in various African countries except South Africa. The portfolio is designed to reflect a liquid basket of constituents for investors looking for Pan African exposure without the hassles of deciding what to buy. It provides investors the exposure to Africa's growth potential and gives investors attractive valuations in Africa's equity markets. The portfolio consists of stocks in Botswana, BRVM (Ivory Coast), Egypt, Ghana, Kenya, Mauritius, Morocco, Nigeria and Tunisia.

NewPalladium ETF (NewPall) – The ETF tracks the spot price of Palladium metal and is one of the simplest and cost-effective methods for investors to invest in actual Palladium. Just like the NewGold and NewPlat ETFs, the NewPalladium ETF is compliant with Shariah Law

The turnover recorded in 2021 amounted to P132.1 Mn in comparison to P136.7 Mn generated during the same period in 2020. In terms of volume, ETFs traded 735,036 units in 2021. The total number of ETFs has doubled during the year, from 3 to 6.

Figure 10: ETF Market Statistics: 2020 and 2021

Indicator	2020			2021			New Pall	BASBI	BAMIB50
	New Gold	New Plat	New Funds	New Gold	New Plat	New Funds			
Turnover (P' Mn)	59.9	76.8	0.013	120.3	11.6	0.042	-	0.045	0.11
Units Traded	347,496	759,483	278	618,199	97,049	726	-	565	18,497
Price Change (%)	34.9	(4.4)	(7.3)	4.3	16.0	12.7	-	6.1	5.5
Unit Price (Pula)	191.80	96.35	52.34	200.00	111.75	58.98	243.59	79.70	6.33
Market Cap (P'Mn)	413.30	236.21	5.15	590.00	340.84	5.90	24.36	239.10	56.97

Source: BSE

7.0 OUTLOOK FOR 2022

In 2022 and the years ahead we anticipate to materially reap the benefits of the investment in technology. We intend to launch the new CSD system, new ATS and a stock market simulator in 2022, and these will transform the landscape in major ways such as investor activity, introduction of new services and products, participation across various products, the reach of the market and overall education levels about the stock market. As a corporate entity we have adopted King IV to strengthen our governance, and in the near future we intend to complete the process of demutualisation by undertaking a self-listing of BSE Limited on the BSE platform. This milestone is expected to enhance foreign investor and issuer trust on the organisation, and complements our internationalisation strategy where we intend to aggressive move into the global community to attract issuers and investors. Considering this vaccine-powered economic recovery, but also remaining cognisant of the risks in the short to medium term, we projected an enabling environment that would be very supportive of our new 2022 – 2026 strategy.



BSE LISTED EXCHANGE TRADED FUNDS:

The Botswana Stock Exchange (BSE) has a wide array of Exchange Traded Funds that can suit the different needs of the investors. Exchange Traded Funds (ETFs) are instruments that track an index, price of a commodity or basket of assets and are listed on an Exchange. The instrument is backed by the underlying assets. Currently, the BSE has five (5) ETFs: NewGold ETF, NewPlat ETF, NewFunds Inflation-Linked Bond Index ETF, Cloud Atlas S&P African Sovereign Bond ETF and Cloud Atlas AMI Big50 excluding South Africa ETF.

1. NewGold ETF - It is part of the ABSA Capital Commodity ETFs range. It was listed on the BSE in July 2010, making it the first ETF in Africa outside of South Africa. The NewGold ETF offers the opportunity to invest in gold bullion, as it tracks the Rand price of gold. The debentures are fully backed by physical gold bullion with each debenture approximately equivalent to 1/100th of a fine troy ounce of gold bullion, which is held with a secure depository on behalf of investors. It is one of the simplest and cost-effective way of directly investing in actual gold.

2. NewPlat ETF - It is part of the ABSA Capital Commodity ETFs range. It was listed on the BSE in August 2014. The NewPlat ETF offers the opportunity to invest in platinum bullion, as it tracks the Rand price of platinum. The debentures are fully backed by physical platinum bullion with each debenture approximately equivalent to 1/100th of a fine troy ounce of platinum bullion, which is held with a secure depository on behalf of investors. It is one of the simplest and most cost-effective method to invest in physical platinum bullion.

3. NewFunds Inflation-Linked Bond Index ETF - It is part of the Absa Capital range of ETFs. It listed on the BSE in November 2015. It tracks total returns of Absa South African Government Inflation-Linked Bond Index, consisting of bonds issued by the South African

Government which are linked to the South African Consumer Price Index or inflation. The ETF declares coupon distributions monthly and these are reinvested in the fund.

4. Cloud Atlas S&P African Sovereign Bond ETF (BASBI) - The portfolio tracks the S&P Africa Hard Currency Sovereign Bond Select Index (USD) consisting of African Sovereign Bonds denominated in Euros, Japanese Yen and US Dollars from the African countries with a credit rating above B-, currently: Egypt, Ghana, Kenya, Morocco, Namibia, Nigeria, and South Africa.

5. Cloud Atlas AMI Big50 excluding-South Africa ETF (BAMIB50) - The portfolio tracks the AMI Big50 ex-South Africa Index and offers investors exposure to the top 50 primary listed companies in various African countries except South Africa. The portfolio is designed to reflect a liquid basket of constituents for investors looking for Pan African exposure without the hassles of deciding what to buy. It provides investors the exposure to Africa's growth potential and gives investors attractive valuations in Africa's equity markets. The portfolio consists of stocks in Botswana, BRVM (Ivory Coast), Egypt, Ghana, Kenya, Mauritius, Morocco, Nigeria and Tunisia.

Benefits of Investing in ETFs

1. Diversification - ETFs give you an efficient way to diversify your portfolio, without having to select individual stocks or bonds. They cover most major asset classes and sectors, offering you a broad selection.
2. Transparent - You know exactly what the underlying asset is
3. Cost Effective - Low management fees, no upfront fees or exit charges
4. Liquid - Availability of Market-Makers ensure that there is constant tradability of ETFs
5. Secure - ETFs are regulated & governed by the BSE Listings Requirements
6. Trading Flexibility - ETFs are very versatile, letting you easily move money between specific asset classes, like stocks, bonds, or commodities. They trade like stocks, meaning you can trade them anytime during market hours.

DISCLAIMER FOR INVESTING: All forms of investment involve an element of risk. Past performance is not a guarantee of future returns as such, information provided should not be misconstrued as financial advice.

To invest in any of the BSE listed ETFs, please contact any of the below BSE licensed brokers:

- Imara Capital Securities: (+267) 3188886/ enquiriesbots@imara.com
- Motswedi Securities: (+267) 3188627/ motswedi@motswedi.co.bw
- Stockbrokers Botswana: (+267) 3957900/ info@sbb.bw

For more information on ETFs, please contact the BSE at marketdev@bse.co.bw or +267 3674400.



BSE LISTED PRODUCTS

At present, products that can be listed and accessed by investors on the BSE include Shares, Bonds and Exchange Traded Funds (ETFs). These products have different risk profiles offering different returns to satisfy the needs of various investors.

BSE Listed Products		Benefits
1	Shares are intangible assets that represent ownership in a company.	<ul style="list-style-type: none"> ✔ An investor has a claim to the profits of the company through dividend payments ✔ Voting Rights during the company's Annual General Meetings (AGMs) ✔ Profits by benefiting from capital gains (share price appreciation) ✔ Ease of buying and selling through the assistance of BSE licensed Brokers
2	A Bond is a fixed-income instrument that represents a loan agreement made by an investor to a borrower.	<ul style="list-style-type: none"> ✔ Receives regular cash flow through interest payments ✔ Compared to shares, bonds are a safer investment option because principal amount will get paid once bond matures ✔ Bondholders have higher claim on the issuer's assets in case of bankruptcy. Therefore, they are less risky, however, they offer low returns in comparison to shares.
3	Exchange Traded Funds (ETFs) are instruments that track an index, price of a commodity or basket of assets and are listed on an Exchange. The instrument is backed by the underlying assets.	<ul style="list-style-type: none"> ✔ Diversification - ETFs give you an efficient way to diversify your portfolio, without having to select individual stocks or bonds. They cover most major asset classes and sectors, offering you a broad selection. ✔ Transparent - ETFs assume the risks of the underlying asset ✔ Cost Effective - Low management fees, no upfront fees or exit charges ✔ Liquid - Availability of Market-Makers ensure that there is constant tradability of ETFs ✔ Secure - ETFs are regulated & governed by the BSE Listings Requirements ✔ Trading Flexibility - ETFs are very versatile, letting you easily move money between specific asset classes, like stocks, bonds, or commodities. ✔ They trade like stocks, meaning you can trade them anytime during market hours.

DISCLAIMER FOR INVESTING: All forms of investment involve an element of risk. Past performance is not a guarantee of future returns as such, information provided should not be misconstrued as financial advice.

To invest in any BSE Listed Products, Please contact any of the below BSE licensed brokers:

- Imara Capital Securities: (+267) 3188886/ enquiriesbots@imara.com
- Motswedi Securities: (+267) 3188627/ motswedi@motswedi.co.bw
- Stockbrokers Botswana: (+267) 3957900/ info@sbb.bw

For more information on BSE listed products, please contact the Market Development Department here at the BSE via e-mail on marketdev@bse.co.bw

HISTORIC DAY FOR THE BSE AS IT RECORDS HIGHEST TURNOVER IN A SINGLE DAY



On 11th October 2021, the BSE officially announced that the local bourse had recorded the highest turnover in a single day of trading at **P1,072,066,804.70**. This is the highest turnover ever recorded by the BSE since inception.

Primarily, this turnover was a result of Access Bank's 78.15% acquisition of BancABC Botswana which is one (1) of Africa's leading full-service commercial banks. Listed on the Nigerian Stock Exchange since 1998, Access Bank is a diversified financial institution which combines a strong retail customer franchise and digital platform with deep corporate banking expertise and proven risk management and capital management capabilities.

Commenting on this acquisition and historic trade, the the BSE CEO, Mr. Thapelo Tsheole said, ***"We are delighted to welcome Access Bank to the local bourse. This transaction has reinvigorated the market as performance has been subdued due to the negative effects of the COVID-19 pandemic. Current & prospective investors of BancABC Botswana will be looking at this acquisition with great optimism as the Bank will look towards leveraging off Access Bank's vast network and digital banking capabilities to springboard the Bank's operations to new heights. Further, this transaction represents a great achievement for the BSE in being able to facilitate large trades in line with our current strategy to increase the average daily turnover levels to P18million per day by the end of 2021. This single trade joins other previous trade records including P494.3 million that was recorded in 2016, P484.6 million in 2017 and P458.6 million in 2018."***

LISTING ON THE BOTSWANA STOCK EXCHANGE

There are four (4) boards on the BSE being the Main Board, the Venture Capital Board, Tshipidi SME Board and the Serala Over-the-Counter (OTC) Board. These can be further sub-divided into domestic and foreign boards. The boards are described as follows:

- * **The Main Board** comprises of the Domestic Main Board which is for the companies incorporated in Botswana and the Foreign Main Board comprises of companies incorporated outside Botswana. Most companies that intend to list on the Main Board have an operational history of more than 5 years as at the point of listing.
- * **The Venture Capital (VC) Board** is dedicated to companies who are still in the early growth stage or have no operational history and may not meet the minimum criteria of the Main Board. These include start-ups and “infant” companies. The Venture Capital Board has less stringent listing requirements in comparison to the Main Board and it is also sub-divided into the Domestic VC Board and the Foreign VC Board.
- * **The Tshipidi SME Board** is a new listing board on the BSE that is dedicated for small and medium enterprises and serves as a platform for them to

raise capital. The board has a panel comprising of three (3) industry experts that make independent recommendation to the BSE on the suitability of the applicant to list on the board or lack thereof. A company that applies to list on the Tshipidi SME Board must appoint a Nominated Advisor which is fundamental to listing on the board and must be retained for the duration of the observation period. In addition, the directors of companies applying to list on the Tshipidi SME Board must attend an Induction Workshop prior to listing date of the company.

- * In addition to the above listed boards, the BSE has the **Serala Over-the-Counter (OTC) Board**. This is where companies that are not ready to list on the Main Board, the Venture Capital Board or the Tshipidi SME Board register their securities with the BSE. The Serala OTC Board was primarily designed to house companies that wish to familiarise themselves with the listing requirements of other boards while they prepare for listing. It is also a platform where registered companies can avail their products and securities for trading in the secondary market, thus unlocking value and liquidity.

Different Boards on the BSE				
	Serala OTC Board	Tshipidi SME Board	Venture Capital Board	Main Board
Number of shares	Not specified	At least 1,000,000 shares	At least 1,000,000 shares	At least 1,000,000 shares
Minimum no. shares offered to public	Not specified	At least 5% of total shares in issue	At least 10% of total shares in issue	At least 30% of total shares in issue
Prior proof of Financial Performance	Not specified	Modus operandi and business plans	Modus operandi and business plans	Sound financial performance in last 3 FYs with profit before tax in last FY being at least P1 Mn.
Subscribed capital	Not Specified	P500,000	P2.5 Mn	P5 Mn.
Continuous Obligations	*Publish Annual Financial Statements on BSE X-News within 3 months of year-end *Publish interest and dividend declaration	*Compliance with listings requirements *Obligations of disclosure (financial information)	*Compliance with listings requirements *Obligations of disclosure (financial information)	*Compliance with listings requirements *Obligations of disclosure (financial information)
Listing Fees	*Registration fee - P10,000 *CSDB fee - P10,000 *Reports fee - P6,000 (total P26,000)	*0.025% of Market Cap., min P50,000 and max P200,000	*0.025% of Market Cap., min P50,000 and max P200,000	*0.025% of Market Cap., min P50,000 and max P200,000
Annual Fees	P26,000 per annum (same as above)	*0.025% of Market Cap., min P50,000 and max P150,000	*0.025% of Market Cap., min P50,000 and max P150,000	*0.025% of Market Cap., min P50,000 and max P150,000

BSE Listings Boards: Summary of Requirements



BSE LISTED COMPANIES BY SECTOR

Financial Services and Insurance



Security Services



Retail and Wholesale



Property



Banking



Energy



Agriculture



Telecommunications



Mining



Tourism



UNDERSTANDING BOTSWANA DEPOSITORY RECEIPTS - PART 2 OF 2

BY KOPANO BOLOKWE,
BSE HEAD OF PRODUCT
DEVELOPMENT



On 6 January 2022, the Botswana Depository Receipts Listings Requirements became effective. This was an important milestone for the BSE in the sense that for the first time on the Exchange there is a clearly outlined regulatory framework for enabling Depository Receipts to be listed and traded in Botswana.

Thus, the focus of this section is to provide an overview of the Listings Requirements.

On an ongoing basis, the BSE will continue to engage with potential issuers in the international market, market participants and the public in general to sensitive about this new innovative product and its value proposition. In addition, market participants are encouraged to contact the BSE to seek more information, guidance and clarity regarding this product and the regulatory framework.

Introduction

As the Underlying Securities are Equity Securities primarily, we make reference to the BSE Equity Listings Requirements in terms of Chapters 1,2,3 and 4 which cover: Conditions for Listing, Methods of Listing and Disclosure Documents respectively, as applicable.

The Underlying Entity

Issuers are primarily listed entities but unlisted entities are also permitted [a Depository, Multilateral Agencies].

- * Shall be a duly incorporated company
- * Except for an overseas public sector Issuer, have a primary listings on an Exchange that is a member of, or an affiliate of, the World Federation of Exchange (WFE) or an Exchange

acceptable to the BSE

- * Shall ensure full compliance with all the requirements of the Exchange (s) on which it has its listing (s)

The Depository

- * Shall be an independent entity from the Underlying Entity
- * Shall hold the Underlying Securities for the benefit of the BDR holders, as well as all distribution or cash pertaining to the Underlying Securities
- * Liable to distribute to BDR holder copies of all information relating to corporate action to be undertaken by the Underlying Entity which it receives from the Underlying Entity

The Deposit Agreement

- * The Deposit Agreement extensively outlines the rights of the BDR holders, method of issuance and cancellation, duties of the Depository, Custodian, treatment of corporate actions, fees, etc
- * The Deposit Agreement is one of the key Disclosure Documents

The Underlying Securities & The BDRs

- * Shall already be listed, or will be concurrently listed on a foreign securities exchange
- * BDRs for BSE listed Underlying Securities not allowed
- * The BDRs shall be freely transferrable (free of liens and restrictions)
- * Be capable of being cancelled in exchange for the Underlying Securities
- * Be dematerialized in the CSDB

Application for Listing

- * Application is submitted by the Issuer (Depository, Underlying Entity) through the Sponsoring Broker
- * Required Documents:
 - ✓ Letter of application
 - ✓ 2 copies of Disclosure Documents
 - ✓ Undertaking to comply with the Rules
 - ✓ Copy of Deposit Agreement
 - ✓ Copied of Constitutional Documents
 - ✓ Evidence of listing of the UE in the home exchange
 - ✓ All resolutions

Contents of the Disclosure Documents

- * The Issuer and Its Advisors
- * Undertakings
- * Risk Factors
- * Underlying Securities
- * Information about the BDRs
- * Litigation and Material Claims
- * Financial Information about the UE
- * Information about the Custodian
- * Inspection of Documents
- * Supporting Documents for Un-sponsored BDRs
- * The Issuer and Its Advisors
- * Undertakings
- * Risk Factors
- * Underlying Securities
- * Information about the BDRs

- * Litigation and Material Claims
- * Financial Information about the Underlying Entity
- * Information about the Custodian
- * Inspection of Documents
- * Supporting Documents for Un-sponsored BDRs

Continuing Obligations for Sponsored BDRs

- * Avoid establishment of a false market
- * All information to be released through X-News
- * Equality of treatment and rights of BDR holders
- * Changes in Rights
- * Dividends or Other Payments
- * Circulation of Annual Reports and Interim Reports
- * Communication with BDR holders
- * Listings and other fees
- * Change of Depository
- * Suspension of Securities on Request
- * Waivers/Exceptions

Continuing Obligations for Un-sponsored BDRs

- * The obligations fall squarely on the Depository who in this case is the Issuer
- * Confer no obligations unto the Issuer (Underlying Entity)
- * Notify BSE of deposits and creation of new BDRs
- * Publication of information through X-News
- * Publication of annual financial statements and other information (obtained through public means)



BSE'S NEW WEBSITE AND MOBILE APPLICATION

DID YOU KNOW?

The Botswana Stock Exchange (BSE) has a newly designed website and mobile application. A new website was necessary to create a more user-friendly, browsing experience for current and prospective clients with respect to accessing market information.

Some of the notable new features of this site include a stock market ticker displaying real-time price & indices movements, a watchlist function to monitor selected securities, an optimized search engine for easy navigation and integrated social media buttons, amongst others.

To coincide with new website, the BSE also introduced a mobile application to suit the needs of clients-on-the-go in accessing market information and interacting with the Exchange. The mobile app carries most of the features that are part of the website and will act as an easier channel for users to buy customized data to meet their diverse requirements. The mobile app can be downloaded from the App Store & Google Play Store.



Given their modernized look and feel, as well as the interactive functionalities, the new website and the mobile app are expected to significantly increase the visibility of the BSE, including listed companies, products and services, the reach of market data and the vibrancy in the stock market.

URL: www.bse.co.bw

For more information on the BSE website and mobile application, please contact the Market Development Department via
e-mail on: marketdev@bse.co.bw

DON'T MISS THE LATEST NEWS!

SUBSCRIBE 

X-News is an information portal that provides real-time information on BSE listed companies to the market. Information made available on X-News include, all Press Announcement, Prospectuses, Pre-listing Statements and Circular as per the BSE listings Requirements

Subscribers to the X-News Service are afforded the luxury of receiving the latest market news updates. All news updates on the services are sent to subscribers, therefore assisting investors to make informed, financial decisions.

The cost of the X-News service is **BWP 4,000.00** (local fee) and **USD800** (International fee) per year. Renewals for the service are conducted every year on or before December 31st.

For more information, please contact Product Development at productdev@bse.co.bw or call (+267) 367 4418

A LEGAL GUIDE ON EMPLOYEE SHARE OWNERSHIP SCHEME TRUSTS PURSUANT TO THE TRUST PROPERTY CONTROL ACT

BY: LUDO MATEBESI
Legal Services and Board Secretary - Graduate Trainee



Introduction

In 2017 the Botswana Stock Exchange Transition Act (the Transition Act) came into effect. The statute established the Botswana Stock Exchange Limited (BSEL) as a public company limited by shares under the Companies Act and provided the basis for the evolution of the BSEL into a corporate entity, through the process of demutualisation.

Section 6 of the Transition Act provides that post demutualisation, the BSEL shall establish an Employee Share Ownership Plan (a scheme that allows employees to own and benefit from BSEL shares) on such terms as decided by the Board and approved by the Minister of Finance and Economic Development.

In 2021, the BSEL Board of Directors resolved to approve the establishment and registration of the BSEL Employee Share Ownership Participation Plan Trust, pursuant to the Trust Property Control Act, in line with industry best practice.

Following these recent developments, this guide seeks to provide an overview of a Trust as a vehicle used to establish Employee Share Ownership Schemes (ESOSs) as well as highlight the key expectations from Trustees as per the Trust Property Control Act (TPC Act), for entities interested in extending similar benefits to their employees.

What is a Trust

A Trust is a legal object created by a Founder who hands over control, management and administration of trust assets to trustees for the interests of beneficiaries. Trusts are governed by the newly enacted Trust Property Control Act of 2018.

Specific to ESOSs, a valid ESOS Trust comprises; the entity as the Founder, the shares as the Trust assets and the employees as the beneficiaries.

Essential Trust Requirements

A Founder with serious intentions to create a Trust and transfer control;
A well-executed Trust instrument;
Lawful Trust objectives;

- * Duly authorised and appointed trustees;
- * At least one clearly identifiable beneficiary;
- * Clearly identifiable Trust funds and assets.

Common Objectives of Employee Share Ownership Scheme Trusts

- * To drive internal employee performance;
- * To recruit new talent and/or retain valuable employees;
- * To enable employees to participate in the economic benefit and growth of the Founder;
- * To create opportunities and incentives for both the current and next generation of the Founder's leadership;
- * To diversify share ownership of the Founder;
- * To hold shares for the benefit of the Employees;
- * To process dividend distributions to Employees.

The Trust Instrument

A Trust instrument formalises the wishes of the Founder and may take the form of, an agreement, testamentary writing, a court order (constructive trusts) or a notarial deed of trust.

An ESOS Trust is therefore only validly established when reduced into writing through either one of the aforementioned frameworks, save for the testamentary writing.

Trustees' duties

Trustees have fiduciary duties: the duty of care, diligence and skill. These common law duties have been codified under Section 10 of the TPC Act.

The TPC Act prescribes the following minimum requirements and duties of a trustee:

- * A trustee must know the terms of the trust and act in accordance with the terms of the trust;
- * A trustee must act honestly and in good faith;
- * A trustee must hold or deal with Trust property for the benefit of the beneficiaries or to further the permitted purpose of the Trust;
- * Avoid conflict of interest between his/her interests and those of beneficiaries;

A trustee must advance the interests of all beneficiaries in accordance with the trust objectives;

- * The duty to receive and treasure Trust money;
- * Keep proper books of accounts and register Trust property in the Trust name.

Grounds for Removal of Trustees

Trusteeship may at any point be terminated for the following reasons:

Conviction of any offence of which dishonesty is an element;

- * Imprisonment for an offence without the option of a fine;
- * Failure to furnish security upon request from the Master;
- * If declared mentally ill;
- * If declared insolvent;
- * Upon death.

Change in trusteeship does not affect the business continuity of the Trust, as a Trust has perpetual succession.

The Regulator

The Master of the High Court of Botswana has been appointed a regulator and custodian of all Trusts operating in Botswana. The Master, inter alia, has the following powers:

- * To remove and disqualify a Trustee;
- * To request security from Trustees;
- * Call upon Trustees to account;
- * Order an investigation into the Trustee's administration and disposal of trust property.

Filing Fee

A filing fee of P 250.00 is required to register a Trust.

Trust Compliance Post Registration

To manage and reduce risks of being complicit in financial crimes, Trusts ought to conduct due diligence by ensuring that the following documents are accessible when processing Trust transactions:

- * Letters of Authority issued by the Master – as proof of trusteeship;
- * The Trust Instrument;
- * Trustees' proof of identity to establish legal capacity;
- * Board resolutions to process transactions;
- * Valid bank details in the trust name (account held separately from those of the Trustees' personal affairs)

References:

- Trust Property Control Act of 2018
- Trust Property Control Act (Amendment) 2019



Ludo Matebesi (LLB) (COP-FFNFM)





EXCHANGES AROUND THE WORLD RING THE BELL ALL WEEK AROUND FINANCIAL LITERACY IN 2021



London, Monday 4 October 2021 – Exchanges around the world have united to promote financial literacy, investor protection and financial inclusion, ringing the bell in multiple countries on multiple days all week during World Investor Week (“WIW”) 2021.

The World Federation of Exchanges (“WFE”), the global industry group for exchanges and CCPs, is supporting the International Organization of Securities Commissions (“IOSCO”) WIW 2021, which runs from 4 October to 10 October 2021. WIW is a week-long, global campaign to raise awareness about the importance of investor education and protection and promote financial literacy.

In 2021, a record 78 exchanges are holding virtual bell ringing ceremonies, workshops and events this week to drive awareness of the important and necessity of financial literacy and its impact on life.

In addition, the WFE’s monthly Focus magazine for October is a Special Edition which shines a light on Financial Literacy initiatives around the world. Nandini Sukumar, Chief Executive Officer, the WFE said: ***“Financial literacy is more important than ever before as retail investor participation grows. The nature and ethos of public markets enshrines investor protection at the heart. Education is part of that mandate and a significant factor in developing markets to maturity and beyond. All market infrastructures, whether large or small, whether in a developed market or a frontier market, prioritise investor education at the heart of their business and as a foundation of market integrity.”***

Source: World Federation of Exchanges website.

LIVE WEBINAR: PROMOTION OF FINANCIAL LITERACY FOR THE STUDENT COMMUNITY IN BOTSWANA

On 9th October 2021, the BSE joined the global community in acknowledging World Investor Week 2021 by hosting a live webinar appropriately themed, "Promotion of Financial Literacy for the Student Community in Botswana". This was facilitated on the Zoom platform.

The purpose of this engagement was to sensitise and educate the student community at various levels across the country about the importance of financial literacy and education. Further, the BSE utilised this webinar to provide key insights on the operations of the Exchange covering themes such as 'Role of the BSE in Capital Markets', 'Investment Opportunities at the BSE' and 'Listing at the BSE'.

To align it with the theme of the day, the BSE invited young members of staff to conduct the presentations. The presenters on the day were, CoSSE Coordinator, Ms. Rhea Masasa, BSE Product Development Graduate Trainee, Ms. Otsile Pilane, BSE Market Development Specialist, Mr. Kgotla Segwe and BSE Trading & Surveillance Specialist, Mr. Billy Kgati.

This initiative is a part of the global 'Ring the Bell for Financial Literacy: Supporting World Investor Week 2021' joint initiative by the World Federation of Exchanges & IOSCO. The webinar was attended by more than one-hundred learners across the country.





LIVE WEBINAR

PROMOTION OF FINANCIAL LITERACY FOR THE STUDENT COMMUNITY IN BOTSWANA

DATE: 09th October, 2021
TIME: 0900hrs - 1100hrs **PLATFORM:** Zoom
WEBINAR: 'Ring the bell for Financial Literacy' Initiative: Supporting World Investor Week 2021

TARGETED AUDIENCE:

1. Primary school students
2. Secondary school students
3. Tertiary school students
4. Student community at various levels

Meet Our Speakers



Ms. Otsile Pilane
Product Development Graduate Trainee, BSE



Ms. Rhea Masasa
Coordinator, CoSSE



Mr. Kgotla Segwe
Market Development Specialist, BSE



Mr. Billy Kgati
Trading & Surveillance Specialist, BSE

ZOOM LINK:
https://us02web.zoom.us/join/register?WN_u8kjp3q0Gz25AinDg4H5e

TIME	AGENDA	PRESENTER
09:00-09:10	Official Welcome Remarks	Mr. Thapelo Taheole (CEO, BSE)
09:10-09:30	Presentation: Importance of Financial Literacy in Society	Ms. Rhea Masasa (Coordinator, CoSSE)
09:30-09:50	Presentation: The Role of BSE in Capital Markets	Ms. Otsile Pilane (Product Development Graduate Trainee, BSE)
09:50-10:10	Presentation: Investment Opportunities at the BSE	Mr. Kgotla Segwe (Market Development Specialist, BSE)
10:10-10:30	Presentation: Listing at the BSE	Mr. Billy Kgati (Trading & Surveillance Specialist, BSE)
10:30-10:50	Q&A	All
10:50-11:00	Closing Remarks	Ms. Thapelo Moribame (Head of Market Development, BSE)




BSE HOSTS UNDERSTANDING ETF'S LIVE WEBINAR

Speakers

- Mr. Kopano Bolokwe**
Head of Product Development, Botswana Stock Exchange
- Mr. Michael Mgwaba**
Head of Exchange Traded Products Business, Absa Group and Chief Executive Officer, NewGold Issuer (RF) Limited
- Mr. Maurice Madiba**
Managing Director, Cloud Atlas Investing

LIVE WEBINAR
UNDERSTANDING BSE EXCHANGE TRADED FUNDS (ETFs)

12th November 2021 | 0900hrs to 1030hrs | Platform: Zoom

Overview

- Fundamentals of ETFs
- Benefits and risks of investing in ETFs
- Overview of ETFs listed on the BSE
- Enhancing portfolio performance using ETFs

Click [HERE](#) to register for FREE. For more information, contact productdev@bse.co.bw or call +267 367-4418

Botswana Stock Exchange | @TheOfficialBSE | Botswana Stock Exchange | Botswana Stock Exchange | Botswana Stock Exchange
4th Floor, Fairscape Precinct, Plot 70667 • Tel: +267 367-4400 • Fax: +267 318-0175 • www.bse.co.bw

Through its continuous efforts and commitment to improve market awareness and financial literacy on ETFs among market participants, the BSE hosted an educational webinar themed, “Understanding BSE Exchange Traded Funds (ETFs)” on 12th November 2021 in partnership with Absa and Cloud Atlas Investing.

Mr. Kopano Bolokwe kick-started the webinar giving an overview of ETFs thus providing a good base for the discussion. In addition, he explained the value brought about by ETFs over the past few years in comparison to other instruments.

Subsequently, Mr. Michael Mgwaba steered the discussion to deeper heights, demonstrating how ETFs provide solutions to the challenges encountered by investors and how they can be used to enhance portfolio performance. He shared an in-depth explanation of the three Absa ETFs listed on the BSE, NewGold, NewPlat, NewFunds, and NewPalladium ETF which listed a few days after the webinar.

Lastly, Mr. Maurice Madiba delivered a presentation which highlighted the two Cloud Atlas ETFs recently listed on the BSE (8th September 2021): S&P African Sovereign Bond ETF (BASBI) and AMI Big50 excluding-South Africa ETF (BAMIB50) which offer exposure to listed African Hard Currency Bonds and African Equities, ex South Africa respectively.



CENTRAL SECURITIES DEPOSITORY
B O T S W A N A

BOTSWANA STOCK EXCHANGE (BSE) AND CENTRAL SECURITIES DEPOSITORY OF BOTSWANA (CSDB) CUSTOMER FEEDBACK PROCEDURE

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



BBS LTD SETS SIGHTS ON BECOMING BOTSWANA'S FIRST INDIGENOUS BANK

BY MBONGENI MGUNI



More than seven years after BBS Ltd shareholders voted in favour of demutualising the building society and changing into a public company incorporated under the Companies Act, the homegrown financial institution stands on the brink of realising a long-held dream – transforming into a commercial bank.

Early in November, the Bank of Botswana granted BBS Ltd provisional approval of a commercial banking licence, specifying the conditions the company would have to address before a full banking license is granted by Bank of Botswana.

"We are confident that the matters noted by Bank of Botswana for resolution are not insurmountable," BBS Ltd managing director, Pius Molefe said in a statement. "Thus, both the board and management are working very hard to ensure that the issues are dealt with to the satisfaction of Bank of Botswana in the shortest time possible."

While the development is not yet a *fait accompli*, the granting of a provisional banking licence is the closest any local financial institution has come to setting the country's citizen-controlled or owned commercial bank. For BBS Ltd, getting to this point has been a marathon journey of disappointments and successes dating back over several decades.

Established on December 13, 1976, BBS Ltd, then known as the Botswana Building Society, rapidly expanded from assets of only P4.1 million, instantly proving popular with the expanding home-seeking urbanites eager to access the concessional rates on offer from the government-backed entity. In the years from establishment, the Society held its own as existing potential competitors, Standard Chartered and Barclays (now Absa), focused on expanding their corporate and retail businesses.

The entry and subsequent failure of banks such as the Bank of Credit and Commerce International BCCI in 1991, Zimbank Botswana in 1993 and the government-backed Botswana Cooperative Bank in 1995, underlined the banking sector's general impenetrability, further enhancing the Society's niche mortgage market. Indeed, which banks would tackle the capital intensive and BBS-dominated mortgage market when the simple retail sector was proving difficult?

The rigidity of the commercial banking sector was music to BBS Ltd's ears and it enjoyed two rosy decades after establishment, consolidating and delivering on its vision of being "the premier provider of property finance". Keeping with the cyclical nature of commerce however, the winds of change were blowing over banking and between 1991 and 1994, First National Bank and Stanbic had quickly become the first real challenge to Barclays and Stanchart's duopoly. The next decade up to 2008 would see the establishment of Baroda, Bank Gaborone and Capital Bank consecutively, ringing panic bells for the duopoly and, in the distant, for the Society.

In the two decades, the country's commercial banks have rapidly expanded into mortgage finance, with an array of tempting products – including zero deposit schemes – and have thus effectively muscled into BBS Ltd's once sacred stomping ground. Being a building society restricted BBS Ltd in terms of the products and services it could offer. In fact, BBS Ltd only expanded its products away from residential properties and into commercial lending for the first time in 1986. Since then, more diversification has occurred through the establishment of various savings products, but BBS Ltd's eye has always been on expanding into the commercial banking sector to better compete and deliver value to its shareholders.

While the think-tank at BBS Ltd had long pushed for the change to a commercial bank, the road to that outcome was not an overnight process. First, members had to approve the demutualisation to transform the building society into an entity under the Companies Act. This they did in August 2014, with an overwhelming vote in favour.

Next, the law establishing the building society would have to be changed to facilitate the demutualisation. Then Trade and Industry minister, Dorcas Makgato successfully steered the legal amendments through Parliament in the same year. Nearly four years later, in April 2018, Botswana Building Society was converted into a company limited by shares, under the name BBS Limited. A few months later, the company listed on the Botswana Stock Exchange (BSE)'s Serala platform, with Molefe saying the move would provide shareholders and other Batswana with an opportunity to buy BBS shares and help the company's progression towards becoming a commercial bank. BBS Ltd then made its first application for a commercial banking licence, but withdrew this bid in October 2019 citing problems with the banking system that it had acquired in preparation for commercial banking activities. The provisional banking licence announced earlier this month is the result of the resubmitted application.

Awaiting BBS Ltd is a fiercely competitive and tightly-integrated banking sector dominated by the Big Four. According to the Bank of Botswana's Bank Supervision Report released recently, in 2020, the four largest banks continued to dominate the banking sector and accounted, in aggregate, for 79.1 percent, 79.2 percent and 77.4 percent in total assets, total deposits and total loans and advances. This compares with 78.7 percent, 78.6 percent and 76.7 percent of the same indicators respectively in 2019.

Local commercial banks compete for deposits, loans, services and staff, but the profits are aplenty in the sector once an entity gains a foothold. Despite the impact of COVID-19, local banks reported cumulative post-tax profits of P1.6 billion in 2020, down from P1.8 billion in 2019. In the first eight months of 2021, the commercial banks' cumulative post-tax profits reached P1.2 billion.

BBS Ltd aims to target the mid-tier of the market, which it says will enable it to offer all the services and products of a commercial bank and therefore be in an ideal position to respond effectively to competition as well as to the specific needs of the country. BBS Ltd has a strategy to carve out a niche in the market.

"While the banking sector is becoming increasingly competitive, new entrants have shown that it is possible (through product and service innovation and competitive pricing) to successfully challenge incumbents," BBSL said in pre-listing documents filed to the BSE in 2018. "The history of the Botswana banking sector over the past 25 shows that this has been integral to improving the competitiveness and efficiency of the banking sector. BBS intends to continue this process as a bank, building on its particular strengths."

BBS Ltd lists its competitive strengths as:

- * An established customer base: An attractive range of pre-existing mortgage, savings and investment products that will be leveraged under the banking licence
- * Developing new products and services: BBS as a bank intends to build upon its existing product range to provide other products and services that are in demand from customers. These include personal loans, as well as payments products such as internet and mobile banking; debit and credit cards; transfers, payments, remittances etc. It will also cautiously develop low-value products for under-served and unbanked segments of society such as small, medium and microenterprises (SMMEs) and informal sector entrepreneurs.
- * Building on its Botswana base: As the only bank with majority local ownership, BBS will leverage its detailed understanding of the Botswana market and respond to the needs of customers. Local ownership will also be an important marketing tool. BBS will further promote financial literacy to promote the financial well-being and creditworthiness of its customers.

Molefe and his executives are hoping that after years of effort, the dream of becoming the country's first indigenous commercial bank will come true soon.





STRONGER TOGETHER – LINKING SADC STOCK EXCHANGES

BY: RHEA MASASA
CoSSE COORDINATOR



Advances in technology and globalisation have steered capital markets around the world towards innovation and adaptation. Furthermore, stock exchanges are modernising their strategic operations to keep pace with the competitiveness of the capital markets industry. Against this backdrop, African stock exchanges are aptly working towards a harmonised, integrated and efficient single capital market to unlock industrial capacity, and operate as a unified conduit for mobilising much needed private capital for long-term infrastructure and sustainable development in a dynamic global financial climate.

The catalytic role and capacity of stock exchanges in bolstering economic recovery and prosperity is undeniable, as has been evidenced by the economic events surrounding the Covid-19 pandemic. While the capital markets in advanced regions rebounded in early 2021 amid the growing trajectory for an economic upswing after the pandemic-induced recession, it became increasingly clear that African capital markets need to fast-track the development of their domestic exchanges, with the ultimate goal to build a formidable integrated market. Integration and intra-regional cooperation have long been identified as an ingredient for Africa's economic breakthrough, hence the formation of several cooperation agreements across the continent, such as the Southern African Development Community (SADC), the Economic Community of West African States (ECOWAS) and the newest and most ambitious trade pact, that is the African Continental Free Trade Area (AfCFTA).

The AfCFTA Agreement poses numerous socio-economic benefits to the SADC region and the continent, depending on the successful implementation of policy reforms and trade facilitation measures on the ground. The AfCFTA agreement has created the largest free trade area in the world, measured by the number of countries participating, and established a market of 1.3 billion people with a combined Gross Domestic Product

(GDP) of about \$3.4 trillion. According to the UN Economic Commission for Africa (UNECA), the AfCFTA agreement has the potential to boost intra-African trade by more than 50 percent from the low level of 13 percent. The agreement aims to facilitate the harmonising of the regional and continental markets, as well as coalescing small, fragmented markets for improved investment flows, which will boost intracontinental exports by over 80% by 2035.

Capital Markets in Africa have adopted a similar approach to achieving market integration. Regionally, the establishment of the Committee of SADC Stock Exchanges (CoSSE), the East Africa Securities Exchange Association (EASEA) and the Bourse Régionale des Valeurs Mobilières SA (BRVM) which is a regional stock exchange serving 8 West African countries, are all founded on the commitment to collaboratively facilitate cross-border listings, trading and investments and enhance financial integration. At a continental level, the African Securities Exchanges Association (ASEA) - which is represented by 25 Exchanges serving 37 African countries - is spearheading its flagship project that kickstarted in 2018, known as the African Exchanges Linkage Project (AELP). The AELP seeks to facilitate cross-border trading and settlement of securities in Africa, thereby unlocking Pan-African investment flows, promoting innovations that support diversification needs of investors, and improving depth and liquidity in Africa's financial markets. In its initial phase, the Project will link seven African capital markets that represent more than 85% of Africa's market capitalization - which will boost trading, investment and information links.

Although electronic linkages have not yet materialised within SADC stock markets, the Committee has made some progress in prioritising other aspects pertinent to seamless integration and improving efficiencies through streamlining the capital markets' regulatory frameworks, operational structures and information systems. This is demonstrated by the demutualisation

of 8 out of 14 SADC Exchanges i.e. BSE, DSE, FINSEC, JSE, MERJ, NSX, SEM, and ZSE, which promotes corporate governance and aligns with global standards. Furthermore, the harmonisation of listing requirements and processes of the regional stock exchanges has gained buy-in, with the funding of a study to assess and analyse the SADC capital markets architecture in order to define a baseline for harmonisation of capital markets in the Region. Additionally, CoSSE's efforts to establish the SADC Brokers' Network which serves as a forum has provided a platform to inspire cross-border trading and exchange information. Other initiatives aimed to encourage harmonisation and integration include lobbying efforts to adopt capital market best practices, as well as partnership agreements (MoUs) to facilitate cross-border listings and information and technology sharing.

Interconnecting regional capital markets into a single market is a complex and long-term undertaking. A case in point is the decade-long automation project comprising of Rwanda, Uganda, Tanzania, and Burundi, as the 4 East African countries to successfully merge their capital markets into a single regional market. Beyond capital markets, integration requires market participants, stakeholders, investors and policymakers to recognise the different concepts and assess the resulting opportunities, risks and requirements in the new environment of linking stock markets using technology as an enabler. Moreover, different market models, legal and regulatory issues as well as organizational, technical and procedural aspects are pivotal to the integration process.

About CoSSE

CoSSE which was formed in 1997 is a collective and cooperative body of the 14 stock exchanges in the Southern African Development Community (SADC) region. CoSSE is charged with the responsibility to accelerate the development of the SADC capital markets through cooperation and collaboration between SADC stock exchanges and other key SADC institutions and stakeholders. The CoSSE Secretariat which is currently hosted by the Botswana Stock Exchange, has close working relations with the SADC Secretariat, and SADC Structures such as the Committee of Central Bank of Governors (CCBG), Committee of Insurance, Securities and Non-Banking Financial Authorities (CISNA), the Committee of Ministers of Finance and Investment (CoMFI) and the Committee of Senior Treasury Officials (CoSTO).

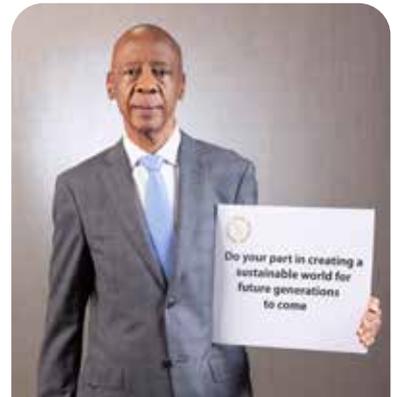
For more information about CoSSE, visit our website at www.cosse.africa, or contact the Secretariat via telephone at **+267 3674421**, or email us at cossesecretariat@bse.co.bw.



BSE ADVOCATES FOR A MORE SUSTAINABLE WORLD



At present, companies around the world are beginning to explore more sustainable ways of doing business, primarily due to the global climate emergency. Hence, considerations have been made on the long-term impact on the local environment, society, and the economy and questions have been asked as to whether businesses are making a positive contribution. As such, as the BSE, we want to create long-term value by advocating for initiatives and implementing strategies driven at producing a more sustainable world for the benefit of longevity and future generations to come.



My name is **Lt. Gen. Tebogo C. Masire** and I advocate for efforts driven at promoting sustainability.

BSE & CSDB Board Members:



My name is **Basimane Bogopa** and I advocate for efforts driven at promoting sustainability.



My name is **Davis Tele** and I advocate for efforts driven at promoting sustainability.



My name is **Professor Onkutlwile Othata** and I advocate for efforts driven at promoting sustainability.



My name is **Itumeleng Mareko** and I advocate for efforts driven at promoting sustainability.



My name is **Sethunya Makepe-Garebatho** and I advocate for efforts driven at promoting sustainability.



My name is **Vincent Baituti** and I advocate for efforts driven at promoting sustainability.

► LOBBYING EFFORTS



My name is **Lame Gare** and I advocate for efforts driven at promoting sustainability.



My name is **Pascaline Sefawe** and I advocate for efforts driven at promoting sustainability.



My name is **Ogone Mothoagae** and I advocate for efforts driven at promoting sustainability.



My name is **Kelebogile Kewagamang** and I advocate for efforts driven at promoting sustainability.



My name is **Norman Moleele** and I advocate for efforts driven at promoting sustainability.



My name is **Thapelo Tsheole** and I advocate for efforts driven at promoting sustainability.

BSE SOCIAL MEDIA ICONS:

By virtue of being a disclosure-based entity, the Botswana Stock Exchange (BSE) advocates for open channels of communication and information dissemination with all our stakeholders. As such, the BSE is active on the following social media platforms to engage with followers around the world at all times;

-  Botswana Stock Exchange
-  @TheOfficialBSE
-  Botswana Stock Exchange
-  Botswana Stock Exchange
-  Botswana Stock Exchange



season's greetings

FROM THE TEAM



◀ **Billy Kgati**

I wish you spend a great year ahead that starts with happiness and ends with that too. Cheers to a new year and another chance for us to do great things.



◀ **Dineo Maroba**

Wishing you happy holidays and new year filled with prosperity and success.

Duduetsang Babitseng ▶

As we bid the year 2021 goodbye and looking forward to what 2022 has in store, hoping for breakthrough year to you and yours. Know that the right mindset defeats all odds. May it be the best year. Happy Twenty Twenty-Two



◀ **Kgotla Segwe**

"Hard Times Often Lead to A Great Resurgence". Evidently, that has been the theme of 2021. Despite the uncertainty, this year has demonstrated that any challenge can be overcome with resilience, dedication and pure faith. With this in mind, I express my utmost gratitude to our valued stakeholders for their collective patience and trust in the BSE to weather the storm that has been the COVID-19 pandemic. As we carefully manoeuvre ourselves towards the light and as we look ahead with much zeal, I would like to wish the BSE Board, Management, staff and the rest of our valued stakeholders a wonderful and blessed New Year!



▶ **Kopano Bolokwe**

Things could have gone any direction any time this year given the ravaging pandemic. To have battled and survived COVID-19 is a major achievement for me. In addition, I am grateful that we are walking into the new year as the solid pack we were at the beginning of the last year. Let's continue to take care of ourselves in other spheres of life, while having a little fun. Merry Xmas and Happy New Year!

► **STAFF WELFARE**



◀ **Masego Sekoboane**

Forget the shortcomings of the previous year and embrace this fresh start with the utmost zeal. Happy new year, everyone.



◀ **Ambrosia Khupe**

A new year means a new chapter. I hope 2022 is an incredible part of the BSE story. Out with the old, in with the new. May the New Year bring you prosperity and good fortune.



◀ **Tsaone Jacob**
I wish the BSE Team a happy and prosperous new year. I truly appreciate being part of this remarkable team and look forward to celebrating more significant milestones at the BSE.



▲ **Tsametse Mmolai**

As we ponder on all the lives lost to the pandemic and how fleetingly valuable life is, please remember that it is worth living if lived well and responsibly. Take care of your loved ones and invest for the future generations by diversifying through the market alongside your other holdings. God's blessings in 2022!



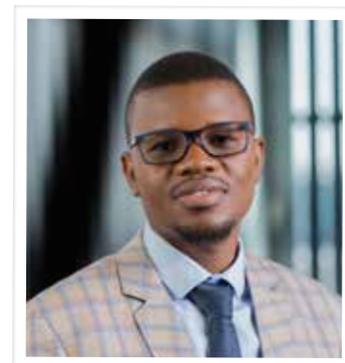
▲ **Mpho Mogasha**

2021 was by far the toughest year for the BSE team. But we got through it together as a team and emerged stronger. There is so much to be grateful for-in a year that most organizations lost employees to the COVID-19 virus, we are one of the few that did not lose a single employee to this virus. Therefore, 2022 should be a year of gratitude because when we become aware of how blessed we truly are, miracles start to happen. Have a blessed 2022.



▲ **Kate Mphothwe**

I can't believe I have this amazing time with BSE. Cheers to another year!!! God bless us all. HAPPY 2022!!!!



▲ **Mogolodi George**

A little more sparkle, a little less stress - this Christmas, I wish you the very best!

► **STAFF WELFARE**



◀ **Keoage Mongale**

As passengers of the same boat that's sailing towards a new dawn, it is time to say goodbye to the old and embrace the new. May the hopes of the new year catapult us into a fountain of success, a stream of stellar opportunities and a life as sweet as your favourite dessert. Happy Holidays and a prosperous 2022!!!



▲ **Otsile Pilane**

As we continue to navigate through times like these, be the light, love, peace and change you want to see in the world. Do more than just protect your body - care for your mind and spirit as well. Better days are ahead of us, but today is a good day to be MERRY. Peace!



▲ **Ludo Matebesi**

A wise Kardashian once said "my vibe right now is just living life." Lately I've realised the importance of creating moments I want for myself. Time doesn't wait on you while you ruminate on how well you want your life to be lived. Enjoy life, bask in its pleasures. Be kind to yourself and let your kindness fill the world. Love and light.



◀ **Refilwe Ponatshego**

Cheers to many more years BSE!!



◀ **Rosinah Tshoganetso**

The man who has made God his dwelling place will always have a safe habitation" - Aiden Wilson Tozer. Cheers to Twenty-Two.



▲ **Nonfo Phalatse**

Let the old year end and the new year begin with the warmest of aspirations. Happy New Year!



◀ **Gorata Dibotelo**

Yet another year of working our magic here at the Bourse, we wish a joyous and prosperous 2022. Make every moment count!!!!

► **STAFF WELFARE**



Tebogo Lehubitsa
Wishing you a joyous Christmas Holidays and a happy and peaceful New Year.



Rhea Masasa
Although tomorrow is not promised, the present is. Let us charge into this new season with a positive heart, an open mind, and greater willpower. Wishing you and yours a brighter and fuller 2022.



Thapelo Moribame
Happy New Year to our valued stakeholders - may the year 2022 bring you lots of prosperity in your personal and professional capacity.



Masego Pheto-Lentswe
As we reflect on another year of business, BSEL would like to take this opportunity to thank you for allowing us to serve you albeit under abnormal circumstances of Covid19 Pandemic! You have contributed in our success and we look forward to working with you in future. Wishing you a Christmas and a new year filled with L.O.V.E and warmth along with continued success.
Merry Festive Season!



Tshegofatso Mmelesi
This year is already better than the last year. Here is to a prosperous 2022. I wish all BSE stakeholders health and happiness in this New Year. Above all- Pula!!!



Sebele Tlhabiwe
Congratulations to all the BSE staff on another successful year and recording another historic trade. Looking forward to another year of making HISTory.



BSE Christmas

Party



BECOME A BSE REGISTERED ADVISER

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- › Legal Advisers
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