



BOTSWANA STOCK EXCHANGE

**MARKET PERFORMANCE REPORT FOR PERIOD 1
JANUARY TO 30 JUNE 2019**

1. EQUITY MARKET PERFORMANCE

1.1. Analysis of Equity Indices

In the first half of 2019, the Domestic Company Index (DCI) depreciated by 2.9% in comparison to a depreciation of 5.2% during the same period in 2018.

The Foreign Company Index (FCI) depreciated by 0.4% on a year to date basis in 2019 compared to a decline of 0.2% over the same period in 2018.

A synopsis of the performance of equity indices is included in Figure 1 below.

Figure 1: Market Performance Statistics

	Quarter 1 2019	Quarter 2 2019	1 Jan to 30 June 2019
Index Performance			
DCI	7,885.57	7,628.09	7,628.09
% Change	0.4	(3.3)	(2.9)
FCI	1,566.26	1,564.55	1,564.55
% Change	(0.3)	(0.1)	(0.4)
Liquidity			
Turnover (P' Mn)	320.0	546.9	866.9
Average Daily Turnover (P' Mn)	5.2	9.0	7.0
No. of Shares Traded (Mn)	156.1	101.2	257.3
Market Capitalization			
Domestic Companies (P' Mn)	42,212	40,804	40,804
Foreign Companies (P' Mn)	370,216	369,938	369,938
Total (P' Mn)	412,428	410,742	410,742
Market Indicators <small>Note 1</small>			
P/E Ratio (times)	11.1	10.7	10.7
Dividend Yield (%)	5.5	5.8	5.8
Price/Book Value (times)	1.4	1.4	1.4

Note 1: Earnings, Dividends and Book Value based on the last audited financial statements

Source: BSE

As at 30th June 2019, the DCI Total Return Index (DCTRI) had depreciated by 0.2%.

1.2. Analysis of Equity Turnover

Performance was comparatively low with respect to trading activity and liquidity. As at 30 June 2019, the BSE has recorded a turnover of P866.9 Mn from a volume of 257.4 Mn shares traded. During the same period in 2018, the BSE had registered a turnover of P1,084.7 Mn and a total volume of 411.6 Mn shares traded (see Figure 2).

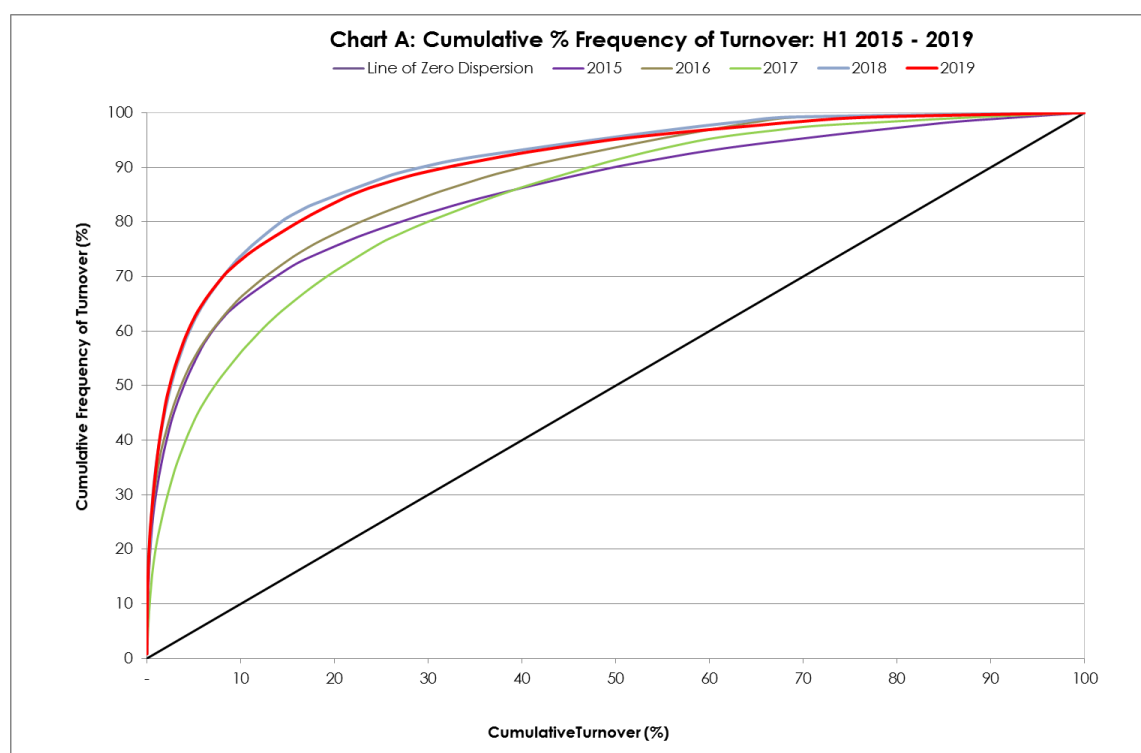
Figure 2: Equity Turnover on the BSE

Liquidity ^{Note}	2016	2017	2018	2019
Turnover (P' Mn)	1,635.0	903.8	1,084.7	866.9
Average Daily Turnover (P'Mn)	13.1	7.3	8.8	7.0
No. of Shares Traded (Mn)	483.1	291.4	411.6	257.4

Note: Year to 30 June
Source: BSE

It can be noted from the Lorenz Curve in Figure 3 below, on a year-to-date basis turnover stability slightly improved compared to the same period in 2018. This is supported by an improved coefficient of variation of turnover of 2.9 in 2019 in comparison to 3.7 in 2018. However, this is still slightly above the 5 year average of 2.7.

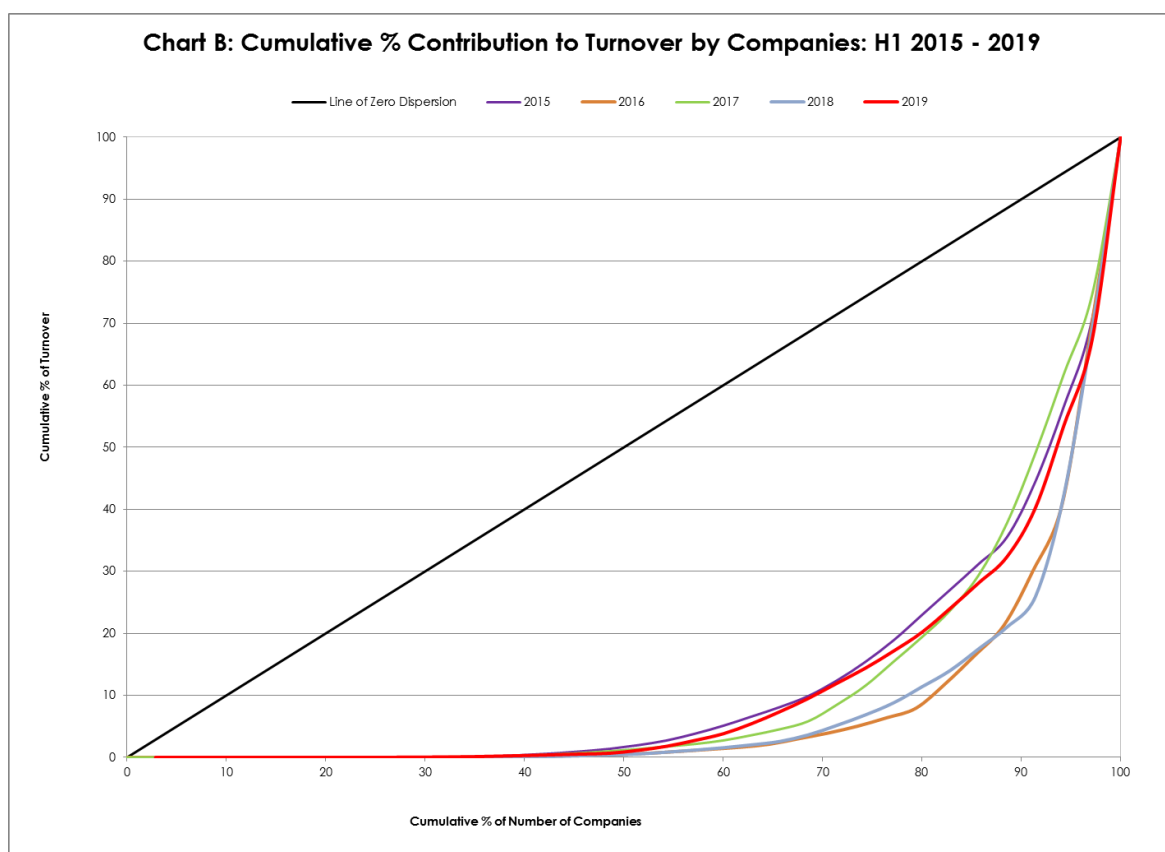
Figure 3: Stability of Equity Turnover (A): 1 January to 30 June



Source: BSE

The Lorenz Curve in Figure 4 below demonstrates that turnover was on account of more companies in this period compared to the same period in 2018. This further explains the improved stability of turnover compared to 2018.

Figure 4: Stability of Equity Turnover (B): 1 January to 30 June



Source: BSE

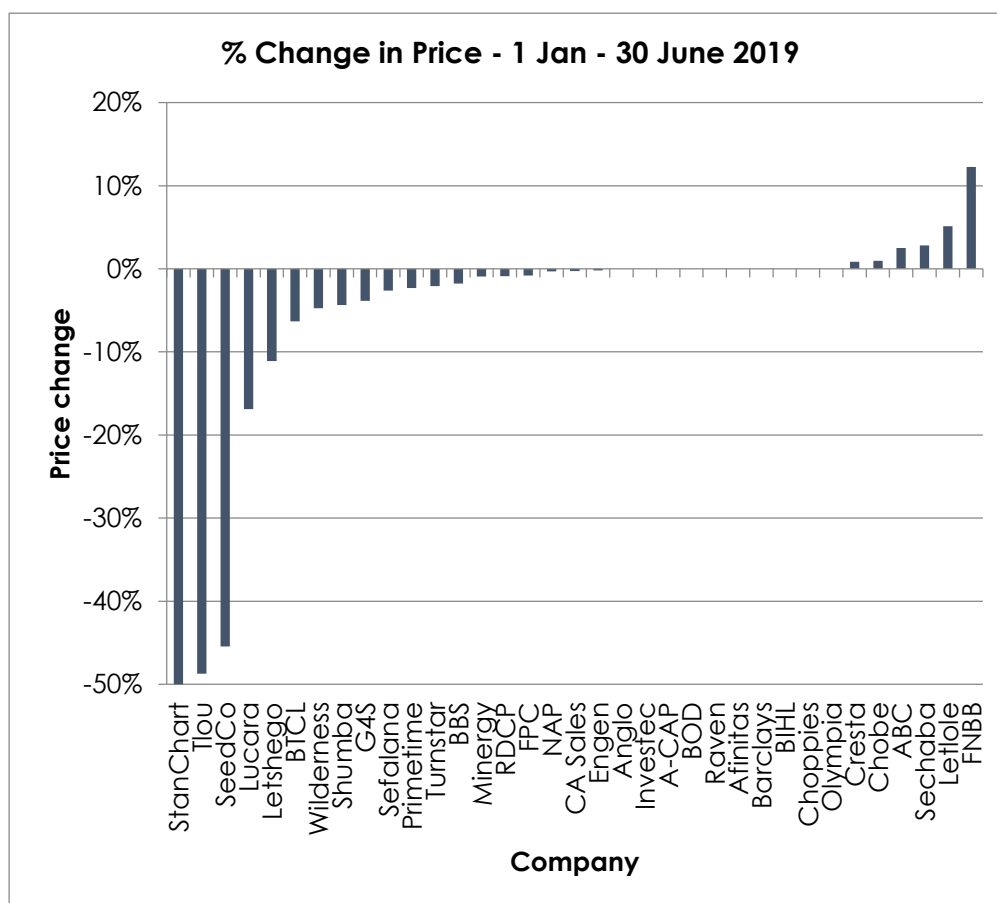
During this period, the top 3 traded companies in terms of value, on a year-to-date basis were Wilderness Holdings (P282.3 Mn), BIHL (P120.6 Mn) and Sechaba (P114.9 Mn). During the same period in 2018, three companies accounted for 74.1% of turnover relative to 59.7% in 2019, indicating improved contribution to turnover by companies in 2019 relative to 2018. Information covering the top 10 traded companies is presented in Figure 5.

Figure 6 shows the share price performance for the period under review. StanChart share price decreased by 50.0% during the first half of the year followed by Tlou Energy and SeedCo which declined by 48.7% and 45.5% respectively. FNBB share price gained the most during the period, increasing by 12.2% followed by Letlole and Sechaba share prices which increased by 5.1% and 2.8% respectively. Of the 35 companies listed (including the Serala OTC registered BBS Limited) on the Exchange, 6 experienced a share price increase, 19 registered a share price decline and share prices of 10 companies ended the period flat.

Figure 5: Top 10 Traded Companies by Value (P'Mn): 1 January – 30 June

2018		2019	
Company	Value	Company	Value
Letshego	334.8	Wilderness Holdings	282.3
NAP	291.4	BIHL	120.6
CA Sales	177.4	Sechaba	114.9
BIHL	53.2	Furnmart Holdings	68.4
FNBB	38.1	NAP	36.6
Sechaba	37.8	FNBB	35.5
RDCP	28.7	Barclays	33.4
Choppies	28.0	Engen	26.3
BTCL	21.2	Sefalana	24.0
Barclays	18.2	Primetime	21.0

Figure 6: Share Price Performance: 1 January – 30 June 2019



1.3. Investor Contribution to Equity Turnover

During the first half of 2019, local companies contributed 58.7% to total turnover compared to 60.1% in the corresponding period in 2018. Further, local individuals contributed 4.7% of total turnover recorded during the period 1 January to 30 June 2019 in comparison to 3.5% in the corresponding period in 2018.

Figure 7: Investor Contribution to Turnover (%): Q1 and Q2 of 2018 and 2019

Investor Category	2018			2019		
	Quarter 1	Quarter 2	1 Jan to 30 June	Quarter 1	Quarter 2	1 Jan to 30 June
Foreign Companies	34.8	34.8	34.8	23.7	38.7	33.2
Foreign Individuals	1.1	1.4	1.3	0.8	1.4	1.1
Local Individuals	5.7	2.9	3.5	7.6	3.3	4.9
Local Companies	57.6	60.8	60.1	67.8	56.6	60.7
Brokers	0.8	0.1	0.3	0.2	0.1	0.1
TOTAL	100.0	100.0	100.00	100.00	100.00	100.00

Source: CSDB

2. PERFORMANCE OF EXCHANGE TRADED FUNDS (ETFs)

Trading in ETFs was relatively low in the first half of 2019 compared to the same period in 2018. The value of units traded decreased in the year to date period to P62.0 Mn compared to P186.9 Mn in the corresponding period in 2018, whereas the number of units traded decreased from 2.0 Mn units in 2018 and 0.58 Mn units in 2019. From a return perspective, the ETFs performed well in comparison to the equities. The NewGold, NewPlat and NewFunds ETFs gained 10.6%, 4.5% and 7.7% respectively.

Figure 8 below summarises the comparable ETF performance for 2018 and 2019 on a year to date basis.

Figure 8: Performance of ETFs: 1 January up to 30 June

Indicator	1 Jan – 30 June 2018			1 Jan – 30 June 2019		
	NewGold	NewPlat	CoreShares ^{Note}	NewGold	NewPlat	NewFunds
Turnover (P'Mn)	13.6	175.4	0.307	35.7	26.3	0.01008
Units Traded	110,894	1,935,011	7,602	280,100	302,331	198
Price Change	(16.5%)	4.5%	(3.9%)	10.6%	4.5%	7.7%

Note: CoreShares ETF delisted August 2018

Source: BSE

3. COMPARATIVE PERFORMANCE OF THE BSE WITH SELECTED MARKETS

As can be seen in Figure 9, the JSE All Share Index and the MSCI Emerging Market Index realized positive returns during the first half of 2019, appreciating by 12.2% and 9.6% respectively. On the other hand, the SEMDEX and the DCI depreciated by 4.1% and 2.9% on a year-to-date basis respectively.

Figure 9: Comparative Performance with other Indices: 1 January to 30 June 2019

Index	Index Change (%)	P/E Ratio (times)
JSE ALSI	12.2	18.3
SEMDEX	(4.1)	15.9
DCI	(2.9)	10.7
MSCI EM	9.6	Not Computed

Source: Bloomberg, BSE

JSE ALSI: Johannesburg Stock Exchange All Share Index

SEMDEX: Stock Exchange of Mauritius Domestic Equity Index

MSCI EM: MSCI Emerging Markets Index

4. BOND MARKET PERFORMANCE

As illustrated in Figure 10, the bond market experienced a slowdown in trading activity compared to the same period in 2018. The value of bonds traded during the year-to-date period was P523.8 Mn compared to P755.7 Mn traded during the same period in 2018.

At its first bond auction of 2019 on 1 March 2019, Bank of Botswana (BoB) offered additional tranches of the following bonds; BW013 (P137 Mn allotted), and BW014 (P335.0 Mn allotted) bonds, and a Treasury Bill (P350 Mn allotted).

At its second auction of the year conducted on 31 May 2019, the following bonds were reopened; BW007 (P150 Mn allotted), BW014 (P227 Mn allotted), BW015 (P100 Mn allotted). In addition, a Treasury Bill was reopened (P300.0 Mn allotted).

The BSE has registered two (2) bond listings in the first half of 2019, being the RDCP001 (P47.35 Mn), and CGL001 (P128.51 Mn). On the back of Government bonds' re-openings and new corporate issuances, the market capitalisation of listed bonds increased to P15.8 Bn compared to P14.6 Bn as at the same period in 2018.

Figure 10: Analysis of the Bond Market Performance

	1 Jan – 30 June 2018	1 Jan – 30 June 2019
Value Traded (P'Mn)		
Government Bonds	747.3	500.9
Corporate Bonds	8.4	22.9
TOTAL	755.7	523.8
Market Capitalisation (P' Bn)		
Government Bonds	9.6	10.5
Corporate Bonds	5.0	5.3
TOTAL	14.6	15.8
Number of Bonds Listed		
Government Bonds	6	7
Corporate Bonds	40	39
TOTAL	46	46

Source: BSE

The BoB's Monetary Policy Committee (MPC) sat three times so far in the year: on 25 February 2019, 24 April 2019 and 27 June 2019. At all sittings, the MPC left the Bank rate unchanged at 5.0% in view of the positive outlook for price stability. Inflation breached the lower end of the Bank's 3.0 – 6.0% objective range in April, May and June with recordings of 2.5%, 2.6% and 2.8% respectively.

5. UPDATES ON MARKET INITIATIVES

5.1 BSE Introduces New Equity Listings Requirements and Rules for Regulating Market-Makers

At the beginning of 2019 the BSE implemented the new BSE Equity Listings Requirements aimed at providing a comprehensive and refined process of listing of equity securities on the BSE. The new requirements include improved disclosure requirements across the different boards, provide rules for the listing of investment entities and Special Acquisition Companies (SACs), among others. Also added to the new Equity Listings Requirements are the requirements for issuances on the Tshipidi SME Board. These requirements are designed to be more accommodative than those of the Main and Venture Capital Boards and they further cement the BSEL's commitment of developing Small-Medium Enterprises.

In the same fashion, the Rules for Regulating Market-Makers were introduced at the beginning of the first quarter of 2019. These Rules have been framed in order to regulate Market-Makers whose purpose on the Exchange is to provide liquidity in listed securities by submitting both bids and offers for a designated financial security during the designated Market-Making session.

These Rules apply to all entities conducting market-making activities on the Exchange currently and in future and will further assist develop market liquidity of listed securities.

5.2 Implementation of New CSD System

The BSE and the Central Securities Depository Botswana (CSDB) have commenced the implementation of a new CSD system that comes with new functionalities such as Securities Borrowing and Lending (SBL), management of the Settlement Guarantee Fund, IPO processing, E-Voting for listed entities, repo management and online investor access, among others. The project commenced in the first quarter of 2019. The system is an integral element of the ongoing Single CSD project pioneered the Ministry of Finance & Economic Development, Non-Bank Financial Institutions Regulatory Authority and BSE. With its ability to connect real time to the Botswana Interbank Settlement System (BISS), it will ensure settlement in central bank money and reduce counterparty risk, in the process helping improve settlement efficiency and compliance with the IOSCO Principles for Financial Markets Infrastructures (PFMIs). This will also help increase the CSD system ratings by Thomas Murray, an assessment of which will be conducted once the system has been commissioned in early 2020. The project is progressing very well.

5.3 BSE Introduces a Guidance for Listed Companies on Reporting ESG Information to Investors

In January 2019, the BSE published its inaugural Guidance for Listed Companies on Reporting ESG Information to Investors. This was as a result of the BSE's commitment to promote long-term sustainable investment and improved environmental, social and corporate governance disclosure and performance among listed companies. The BSE is a Partner Exchange of the United Nations Sustainable Stock Exchange (SSE) initiative. The SSE initiative is a peer-to-peer learning platform for exploring how exchanges, enhance corporate transparency and performance on ESG (Environmental, Social and Governance) issues and encourage sustainable investment.

The Guidance is an assimilation of the SSE initiative's Model Guidance on Reporting ESG Information to Investors and is not part of the BSE Listing Requirements. It serves as a voluntary tool for listed companies to adopt as part of their own, and the many, ESG disclosure frameworks and, by extension, helps listed companies comply with the King requirements which are embedded in the BSE Equity Listings Requirements. The Guidance is available on the BSE website and on the SSE initiative website.

5.4 2019 Opening Bell Ceremonies

The BSE continued its initiative of hosting the monthly Opening Bell ceremonies, kick-starting 2019 with the January instalment under the theme 'Collaboration'. At the ceremony the BSE presented to the attendees the 2018 market performance and the outlook for 2019 as well as new initiatives

to be implemented during 2019. The second ceremony, which was held during the month February 2019 was graced by the Head of Delegation of the European Union (EU) to Botswana and SADC Mr. Jan Sadek and the Permanent Secretary to the Ministry of International Affairs and Cooperation, Mr. Gaeimelwe Goitsewang.

The March 2019 ceremony was indeed a special one, under the theme 'Balance for Better' on International Women's Day. The Co-Chair of the Global HIV Prevention Coalition, Co-Chair of the Nursing Now Global Campaign and former Minister of Health, Professor Sheila Tlou graced the ceremony with her presence and a moving keynote address on achieving gender balance for the sustainable development of our society. For the April 2019 instalment of the BSE Opening Bell ceremony, The BSE had the honour of hosting the Minister of Finance and Economic Development Hon. Kenneth Matambo and the BSE Board of Directors Chairman Lieutenant General Tebogo C. Masire in celebration of the BSE's 30th Anniversary.

In May 2019, the BSE once again had the honour of hosting the Minister of Investment, Trade and Industry Hon. Bogolo Kenewendo while the June 2019 ceremony was graced by the Minister of Tertiary Education, Research, Science and Technology Hon. Thapelo Olopeng. The ceremony was also the official launch of the BSE's Annual Secondary Schools & Investment Competition which is scheduled for 17 August 2019 in Gaborone. The July 2019 Opening Bell Ceremony was dedicated to the Botswana Bond Market Association (BBMA) and was held under the theme "Importance of the Bond Market to Capital Markets". The ceremony comprised of presentations on the Status of the Botswana Bond Market and a panel discussion on the theme by the members of BBMA.

5.5 BSE Wins 'The Best Educational Initiative Africa Award' At the Structured Retail Products (SRP) Africa Awards 2019

The BSE won the Best Educational Initiative Africa Award for its Annual Senior Secondary Schools Finance & Investment Competition at the Structured Retail Products (SRP) Africa Awards held in Cape Town, South Africa on the 7th of March, 2019. The BSE was nominated against several African Stock Exchanges and other financial market players. The BSE was also nominated for the Best Exchange Award against the Nairobi Securities Exchange, Johannesburg Stock Exchange and ZarX, a category that was won by the Johannesburg Stock Exchange.

5.6 BSE continues to reach out through Open Days

Open Days continue to help increase the reach and accessibility of the BSE to promote stock market education as well as promote the listing value proposition. Continuing from Open Days held in 2018, the BSE hosted 1 Open Day in the first quarter of 2019 under the theme "Your Partner in Wealth Creation". This was held in Hukuntsi on the 19th of March and was attended by more than 400 members of the public in total.

The BSE proceeded to hold three more successful Open Days in Nata (11 April), followed by another in Molepolole (9 May), and lastly in Bobonong (13 June). These Open Days were well attended by members of the public. This initiative is conducted with the support of the broker community and other investment management firms. It is in line with the BSE's effort to develop Botswana's financial literacy levels and investor participation in the stock market.

5.7 BSE Quarterly Magazine

Following the 1st quarterly 'Botswana Stock Exchange Limited News' magazine under the theme 'Market in Transition' in January 2019, the BSE published the 2nd quarterly instalment of the magazine under the theme 'Celebrating 30 Years' in commemoration of the BSE's 30th Anniversary. The publication is widely distributed through a number of retail outlets, book shops, hotels, events, Embassies in Botswana, as well as the BSE website. The magazine has become an integral avenue for disseminating information and promoting visibility.

5.8 BSE Commences the BSE Tshipidi Mentorship Program

On 18th and 19th June 2019, the BSE held its first of three sessions of the BSE Tshipidi Mentorship Program. Twenty-one (21) companies were selected to participate in this year's version of the program, which is an initiative that is designed to educate Small-Medium Enterprises on the BSE listing process and how they can prepare their companies for listing. The program is facilitated by the BSE, with significant input from various BSE Registered Advisers and specialists from different disciplines. The program commenced on 18 June 2019 and will end on 6 August 2019, following which the delegates will graduate at the Opening Bell Ceremony on 3 September 2019.

5.9 Botswana Bond Market Association Hosts the 2019 Bond Market Conference

On 20th June 2019, Botswana Bond Market Association hosted the 2019 Bond Market Conference under the theme "Strengthening the Bond Market to Support the Fiscus and Private Sector Development." The objective of the conference was to reflect on the status of the bond market, the progress in addressing impediments and to also formulate reforms for further deepening of the bond market. The conference was attended by over 200 delegates with speakers from the Macroeconomic and Financial Management Institute of Eastern and Southern Africa (MEFMI), the International Finance Corporation (IFC), African Development Bank (AfDB), as well as local bond market participants. On the same occasion, the BBMA officially launched the 5th Anniversary BBMA Publication titled "Understanding the Botswana Bond Market". The publication details the history of the Botswana bond market, the achievements of the BBMA, peer comparisons with other bond markets, among other topics. The publication is in line with the BBMA's strategy of

promoting skills development, information dissemination, and investor participation in the bond market.

5.10 BSE Hosts Responsible Investing and ESG Workshop

On 24th June 2019 the BSE hosted a workshop on Responsible Investing and ESG which was well attended by issuers, potential issuers and investors. The workshop featured speakers from the BSE, the Ministry of Finance and Economic Development (MFED), the United Nations-supported Principles for Responsible Investment (PRI), Sustainable Stock Exchanges (SSE) Initiative and other local practitioners. The workshop was aimed at building capacity among issuers and investors regarding the importance and mainstreaming of ESG considerations in investment management processes. It also provided the opportunity to be updated of the Botswana SDGs Roadmap covering the years 2017-2023 in terms of the domestication of the SDGs, private sector involvement in the implementation of the Roadmap and the alignment of Roadmap to the National Development Plan 11.

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