



**MARKET PERFORMANCE REPORT FOR THE PERIOD 1
JANUARY TO 31 DECEMBER 2019**

1.0 ECONOMIC HIGHLIGHTS

From a macroeconomic standpoint, global growth for 2019 recorded its weakest pace since the global financial crisis a decade ago stemming from common influences across developed countries, according to the October 2019 World Economic Outlook (WEO) report. Uncertainty brought about by increased trade barriers and geopolitical risks weighed on business sentiment and activity. Some advanced economies, and indeed China, have shown cyclical slowdowns as a result of trade tensions. In the report, the International Monetary Fund (IMF) has yet again revised global growth for 2019 to 3 percent, following a downward trend from 3.8% in 2017.

Emerging markets as a whole are estimated to grow at 3.9% in 2019 compared to 4.5% in 2018. In sub-Saharan Africa, estimate growth for 2019 registered at 3.2 percent with more than half of countries experiencing per capita growth lower than their median rate during the past 25 years. In Botswana, the Bank of Botswana (BoB) reports Real Gross Domestic Product (GDP) to have grown by 3.9% in the twelve months to June 2019, compared to a faster expansion of 4.9% in the corresponding period in 2018. The lower rate of increase in output is mainly attributable to a deceleration in growth of the mining sector. Growth in non-mining GDP also slowed in the review period. Mining output grew by 1.4% in the year to June 2019, compared to an increase of 5.6% in the corresponding period in 2018.

As this report shows, the response and activity in the equity market improved in 2019 when assessed on the basis of various metrics, despite trading levels finishing the year slightly lower than in 2018. This could be an indication of recovery in investor sentiment owing to various successful interventions of the BSE in an environment that has been challenging at both macro level and at industry level for investors as well as issuers.

Evidently, the prudence and consistency with which listings requirements have been applied in instances of transgressions by corporates was an important driver of confidence and our continued affirmation to equitable treatment of shareholders and the protection of the minorities. The consistent engagement of the public on these matters, to not only clarify the matters to the public from the perspective of the BSE but to equally ensure timeous flow of relevant updates, has been well acknowledge by the investor community. Outreach programmes, such as the Monthly Opening Bell Ceremonies as well as information channels - BSE Magazine, X-News and Social Media - have proven to be instrumental in this regard. Indeed, trust and information are fundamental to investor confidence, formation of true prices of securities and efficient and vibrant capital markets.

2.0 MARKET STATISTICS

Table 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 2019 and 2018.

Table 1: Market Statistics

ASSET CLASS		LISTED INSTRUMENTS	MARKET CAP (P'Mn)	TURNOVER (P' Mn)
Equities	2019	33*	407,874.2	1,810.9
Bonds		46	17,288.3	2,175.4
ETFs		3	654.7	196.2
TOTAL		82	425,817.2	4,182.5
Equities	2018	36*	413,168.3	1,862.2
Bonds		49	15,038.1	2,222.7
ETFs		3	603.6	280.5
TOTAL		88	428,810.0	4,365.4

Source: BSE

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

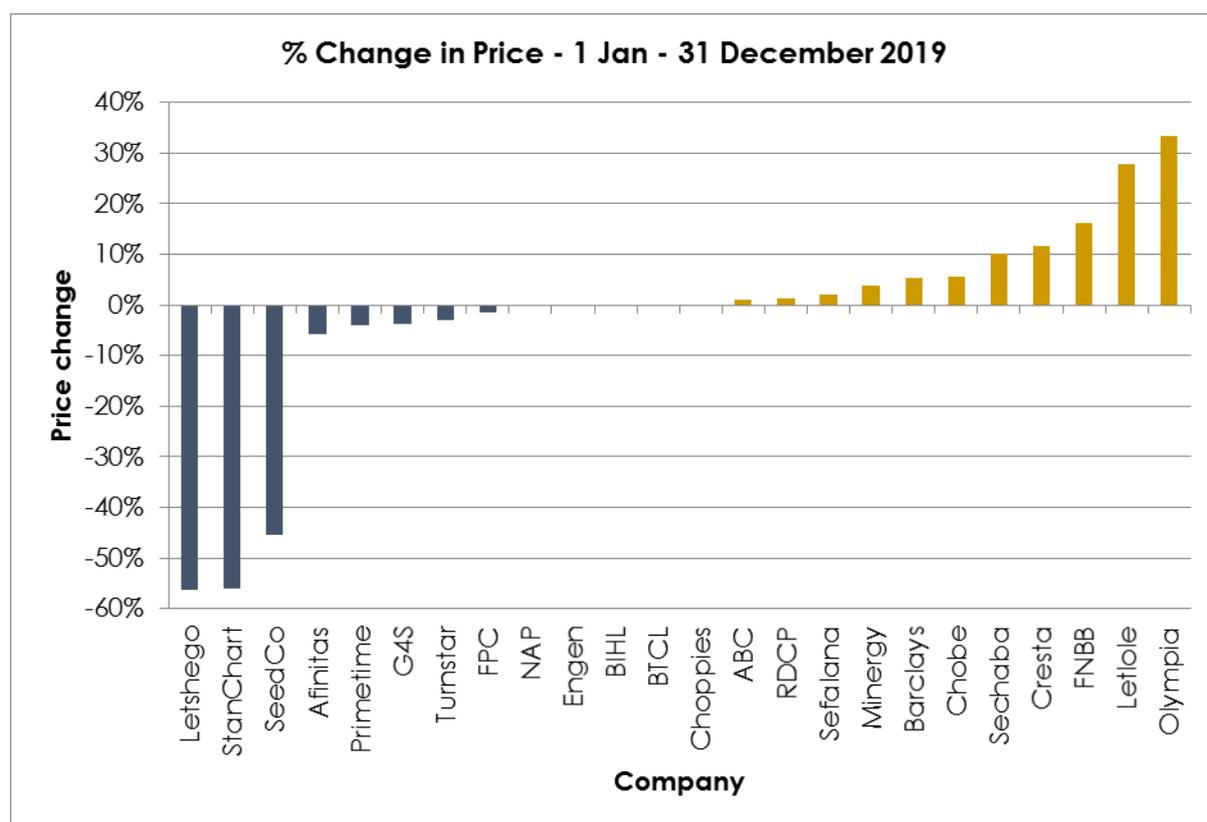
As could be noted from Table 1, a total turnover of P4.2 Bn was recorded in 2019 compared to P4.4 Bn in 2018, a relative decline of 4.2%. Efforts to attract listings and products intensified in the year, although there was no conversion in terms of actual listings. Other projects commenced and progressed successfully, such as the implementation of the new CSD system and the implementation of the new equity brokerage commission, and are expected to stimulate performance in the years ahead.

3.0 EQUITY MARKET PERFORMANCE

3.1 Equity Market Statistics

In 2019, the equity market performed relatively well in comparison to the corresponding prior period as evidenced from a pullback in market returns as noted in Table 2. The decline in the Domestic Company Index (DCI) registered at 4.6% compared to a decline of 11.4% in 2018, attributable to a rebound in the majority of the stocks as shown in Figure 1. In the period under review, 11 companies (compared to 8 in 2018) registered positive price changes, 10 (compared to 14 in 2018) registered negative price movements and 3 (compared to 4 in 2018) closed the year with -share prices back to their 2018 levels.

Figure 1: Price changes (%) by Domestic Companies 2018-2019



Source: BSE

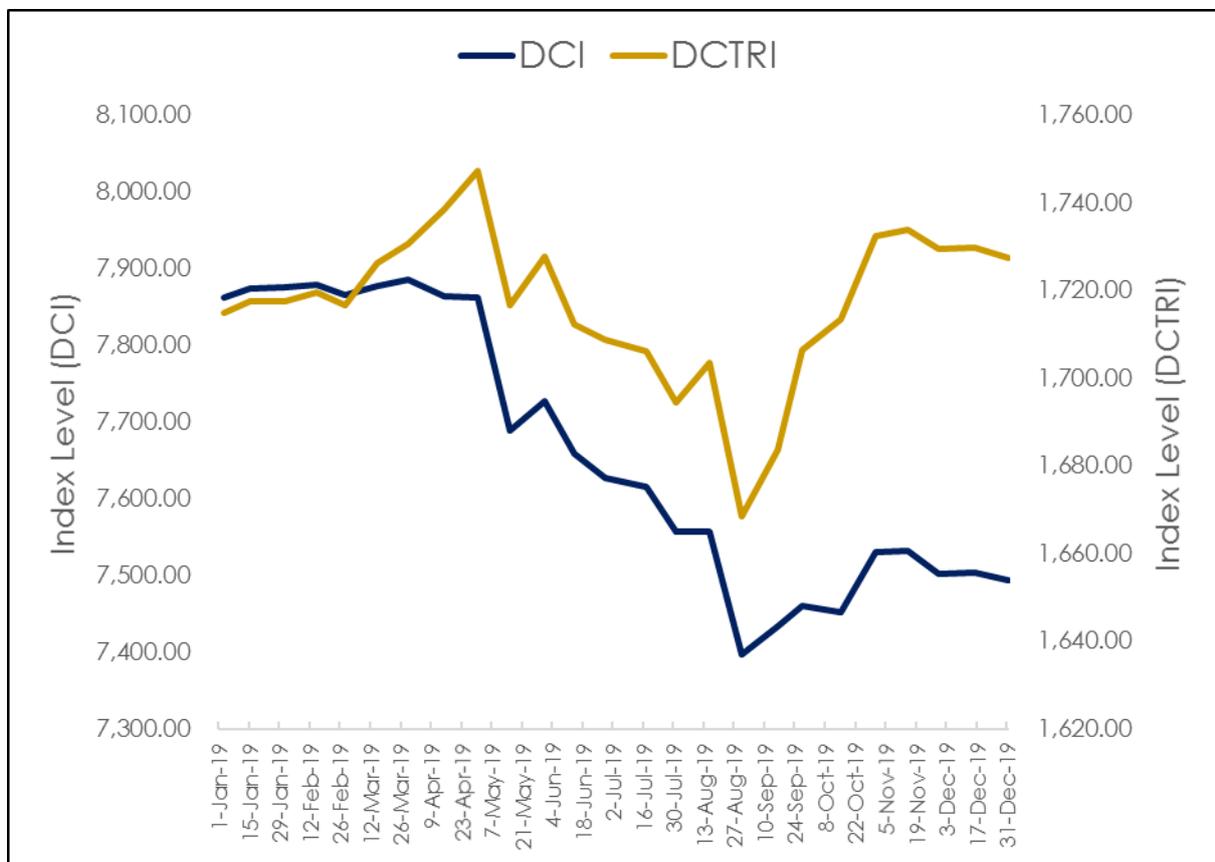
Table 2: Equity Market Statistics

	INDICES PERFORMANCE					
	2018	2019	Q1'19	Q2'19	Q3'19	Q4'19
DCI	7,851.9	7,494.6	7,885.6	7,628.1	7,460.9	7,494.6
% Change	(11.4)	(4.6)	0.4	(3.3)	(2.2)	0.5
FCI	1,570.3	1,562.4	1,566.26	1,564.55	1,564.55	1,562.4
% Change	(0.3)	(0.5)	(0.3)	(0.1)	(0.0)	(0.1)
	TRADING ACTIVITY (P'Mn)					
	2018	2019	Q1'19	Q2'19	Q3'19	Q4'19
Turnover	1,862.2	1,810.9	320.0	546.8	340.0	604.0
Volume	582.5	627.8	156.1	101.2	130.1	240.3
Avg. Daily Turnover	7.5	7.3	5.2	9.0	5.6	9.6
	MARKET CAPITALIZATION (P'Mn)					
	2018	2019	Q1'19	Q2'19	Q3'19	Q4'19
Domestic Companies	42,421.0	38,709.4	42,212.4	40,804.2	38,481.8	38,709.4
Foreign Companies	370,747.3	369,164.8	370,216.2	369,938.3	369,661.8	369,164.8
Total	413,168.3	407,874.2	412,428.6	410,742.5	408,143.6	407,874.2

Source: BSE

As per Table 2 above, turnover levels dropped by 2.8% in 2019 relative to 2018. Two important events held in 2019 which contributed to a reduced universe of tradeable securities; the continued suspension of Choppies Limited throughout 2019 and the delisting of Wilderness Holdings Limited and Furnmart Limited during the year. These entities have contributed significantly to trading activity in prior years owing to their size and contribution to diversity of sectors on the Exchange. These events have also negatively impacted domestic market capitalization which has reduced by P3.7 Bn to P38.7 Bn from P42.4 Bn in 2018. On a balance of events, to experience a continued suspension of Choppies and a delisting of two major corporates and still restore trust, confidence and investor activity has been a remarkable feat for the Exchange and the investor community.

Figure 2: Performance of the DCI and DCTRI



Source: BSE

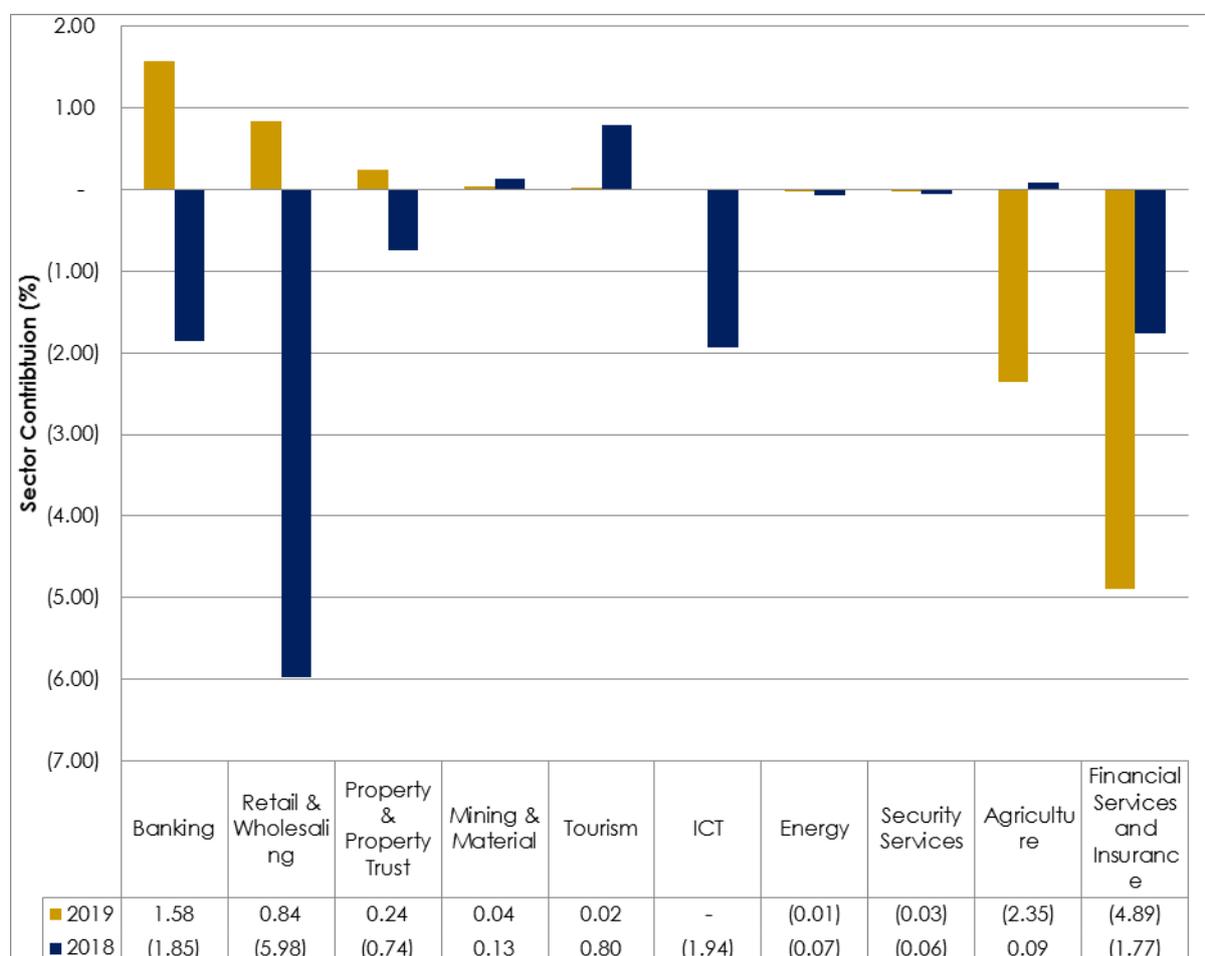
*The DCTRI appreciated by 0.9% compared to the DCI's depreciation of 4.6%.

3.2 Sector Contributions to Performance of the DCI

In general, the sectors that registered a decline contributed a negative 7.3 percentage points to the DCI's depreciation of 4.6%, against a contribution of a positive 2.7 percentage points by the sectors that registered growth (Tourism and Mining & Materials). Further analysis points out that the negative

contribution to DCI performance was mainly on account of the Agriculture, Energy, Security Services and Financial Services sectors. Overall, other sectors performed better than they did in 2018.

Figure 3: Sector Contributions to Performance of the DCI



Source: BSE

3.3 Sector Contributions to Liquidity

Domestic counters continue to be the most traded relative to foreign counters, having contributed 97.8% to the total equity turnover on the Exchange in 2019. On the domestic board, the Property sector was the most traded followed by the Retail & Wholesaling sector with contributions of 28% and 23% to domestic turnover respectively in 2019.

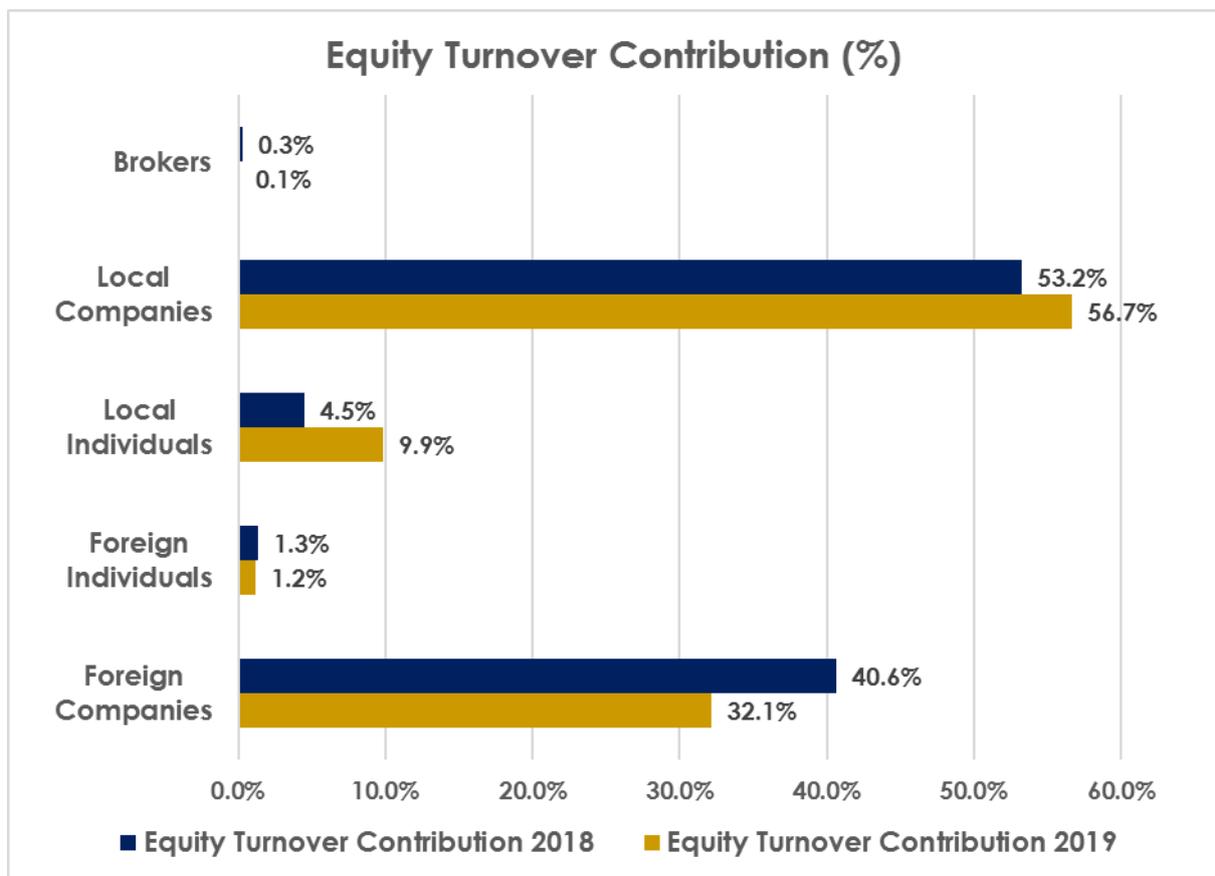
The Foreign Mining Sector remains the largest in value and most illiquid. In this sector is Anglo American Plc, which is listed on the Johannesburg Stock Exchange (JSE) and the London Stock Exchange (LSE). Anglo accounted for 93.2% of the foreign equity market capitalization and for 84.3% of the total equity market capitalization.

3.4 Investor Contribution to Equity Turnover

As presented in Figure 4, local institutional investors (denoted as local companies) dominated trading activity in 2019 and accounted for 56.7% of the total equity turnover whereas foreign companies accounted for 32.1% of the total equity turnover in 2019. In 2018 local companies and local individuals were the net sellers of equities while foreign companies were net buyers, a sign of improved outlook into the domestic equity market relative to peer frontier markets.

Local individuals registered a significant increase from 4.5% to 9.9% between 2018 and 2019. In monetary terms, local individuals' trades in 2019 amounted to P178.5 Mn compared to P83.8 Mn in 2018. On the back of continued outreach initiatives, the Exchange closed the year with 94,354 investor accounts from 91,311 investors in the prior year. This improvement demonstrates increased awareness of the stock market by Botswana which is essential for promoting citizen economic empowerment and a heterogeneous investor base.

Figure 4: Investor Contribution to Turnover: 2018 and 2019



Source: BSE

4.0 BOND MARKET PERFORMANCE

4.1 Bond Market Returns

During the year 2019, the BBI appreciated by 4.5% whereas the Govt and Corpl registered returns of 3.6% and 7.2% respectively. The BBIFixed returned 4.1% for the year while Inflation averaged 2.8% in 2019. Inflation in the year was predominantly below the objective range of 3%-6%.

Source: BSE

4.0 Bond Market

As illustrated in Table 3, activity in the bond market was modest in 2019 with turnover amounting to P2,141.1 Mn compared to P2,222.7 Mn in 2018. Government bonds continued to dominate liquidity of the market accounting for 98.4% of total turnover. Five new corporate bonds were listed in 2019. These were RDCP001, CGL001, SBBL068, SBBL069, and FNBB010. Eight bonds were redeemed or matured during the period under review and the market ended the year with 46 listed bonds in total. Market capitalization increased by 15.3% over the period owing to the substantial sizes of the newly issued corporate bonds in addition to the re-openings of Government bonds.

Table 3: Analysis of Bond Market Performance

Category	2018	2019
	LIQUIDITY (P'MN)	
Government Bonds	2,176.8	2,141.1
Corporate Bonds ^{Note 1}	45.9	34.3
TOTAL	2,222.7	2,175.4
	MARKET CAPITALIZATION (P' BN)	
Government Bonds	9.6	11.9
Corporate Bonds	5.5	5.4
TOTAL	15.0	17.3
	NUMBER OF BONDS LISTED	
Government Bonds	7	7
Corporate Bonds	42	39
TOTAL	49	46

Source: BSE

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

5.0 THE EXCHANGE TRADED FUND (ETF) MARKET

As Table 4 below indicates, the commodity ETFs being NewGold and NewPlat generated the most turnover with NewGold leading with P166.2 Mn value traded. This represents 85% of total ETF value traded. NewPlat was the second highest traded with turnover of P29.9 Mn. This increased turnover, particularly on the NewGold ETF reflected global investor sentiments which turned cautious against the equity markets during the 2nd quarter of 2019. Globally,

investors increased their allocations significantly to commodities and commodity-linked instruments particularly Gold, which returned close 20% in 2019.

NewFunds ILBI ETF, which tracks the performance of South African Government inflation-linked bonds also performed well as it traded for the first time since listing in 2015. The instrument's appeal has been majorly dampened by a perpetual negative outlook on South Africa's credit quality especially prior to the current political regime. The ETF traded 416 units valued at P21,144 and also registered an appreciation of 5%.

Table 4: ETF Market Statistics: 2018 and 2019

Indicator	NEWGOLD		NEW FUNDS		NEWPLAT	
	2018	2019	2018	2019	2018	2019
Turnover (P'Mn)	33.7	166.2	0.00	0.021	246.4	29.9
Units Traded	275,340	1,116,741	0.00	416	2,751,911	338,362
Unit Price (Pula)	126.40	147.90	47.77	50.19	86.90	100.75
Market Cap (P'Mn)	372.88	413.30	4.78	5.15	225.94	236.21

Source: BSE