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A Member Of The Botswana Stock Exchange

Weekly Financial Markets Highlights

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1.0 BSE Equity Performance...

Barclays, Choppies and Letshego were the most liquid counters during the week under review after the market traded 6.0mn shares worth P20.3mn with Barclays trading P12.1mn worth of shares, followed by Choppies P4.8mn and Letshego P2.5mn. All the 3 stocks are currently on closed period pending the release of their financial results. According to the BSE requirements, they have up to the 30th of September 2018 to publish their financials. Choppies will be releasing its FY financials for the year ended 30 June 2018 while Barclays and Letshego will be publishing their interims. We do not expect much surprises from the companies given the challenging environment. It will interesting to see how Choppies and Letshego performed in other markets outside Botswana.

Market Summary – Week ending 27 July, 2018

No. of Shares Trading	6,022,385
Turnover (BWP)	20,323,381
Turnover (USD)*	1,979,497
No. of stocks trading#	14
No. of stocks advancing#	1
No. of stocks declining#	6
No. of stocks unchanged#	17

Source: Motswedi Securities, BSE *US\$/BWP = 0.0974
= Domestic Main Board

The Domestic Companies Index (DCI) lost further ground during the week under review, losing 0.56% to extend its ytd losses to 6%. At this rate the DCI is likely to close the year in the red once again unless valuations changes. In 2017 the DCI lost 6%. In contrast, the FCI edged 0.03% during the week lifted by a gain in Lucara, while the other

important index – the Domestic Company Index Total Returns (DCI-TR) shed 0.56%.

BSE Indices – Week ending 27 July, 2018

DCI Close	8,328.45
Weekly Change (%)	-0.56
YTD Change (%)	-6.00
FCI Close	1,570.00
Weekly Change (%)	0.03
YTD Change (%)	-0.31
DCTRI Close	1,772.74
Weekly Change (%)	-0.56
YTD Change (%)	-2.82

Source: Motswedi Securities, BSE

Chobe once again was at the summit of the gainers for the second week consecutively. The leisure and tourism operator is now trading at a 52 week high and is one of the few stocks trading in the positive territory ytd. Lucara was the other gainer up 1.9% although its still way off its 52 week high. Choppies was the biggest loser down 5.3%, followed by BTCL which lost 2.5%. BTCL is expected to lose further ground in the coming weeks due to increased selling pressure from retail investors. This to some extent reflects the negative effects of restricting the ownership of the shares.

It is our view that trading restriction on foreign institutional investors and to a lesser extent on local institutional investors is now having an adverse effect on the liquidity and price discovery of BTCL. This is now dampening the performance of the stock which is against one of the paramount objectives of creating wealth for Batswana who hold the stock either through direct ownership or through the pension funds. We believe the lifting of

this restriction at this stage would increase demand for the stock, promote price discovery while at the same time growing the portfolios of Batswana. It will also give BTCL access to a larger investor base should the company consider further equity funding in the future to expand through rights issues.

Major Movers– Week ending 27 July, 2018

COUNTER	27 July (t)	20 July (t)	Change (%)	YTD (%)
CHOBE ↑	1004	1002	+0.2	+9.5
LUCARA ↑	1580	1550	+1.9	-16.8
CHOPPIES ↓	231	244	-5.3	-4.5
BTCL ↓	119	122	-2.5	-35.3
STANCHART ↓	420	425	-1.2	-18.3
LETLOLE ↓	178	180	-1.1	-17.2
BARCLAYS ↓	552	554	-0.4	-9.5

Source: Motswedi Securities, BSE

Others losses were in Stanchart, Letlole and Barclays as shown in the table.

2.0 Looking ahead

We do not expect the tight liquidity conditions in the market to change in the short term unless valuations become more attractive. Investors are likely to remain on the sidelines awaiting the publication of financial results for companies which are on closed period. Sefalana will be publishing its financials on the 30th of July and we await to see the source of the good performance from the company. Otherwise we expect trading to remain concentrated in selected stocks such as Letshego, Choppies etc as investors rebalance their portfolios.

3.0 Company Announcements

3.1 Delisting of CoreShares

CoreShares ETF securities will be delisting on the BSE with effect from the 22nd of August 2018. The last day to trade for the units will be the 21st of August. All the units will be cancelled on the Botswana register and all capital and income distributed to holders on the 30th of August 2018. The ETF will be delisting as it has suffered withdrawals from its anchor investor on the BSE with the current market capitalization not justifying ongoing listing on the BSE. Holders of the ETF will not be prejudiced in any way as they will be paid all capital and accrued income (effectively, the Net Asset Value of each security) for the units they owned as at the 24th of August 2018 should they not trade out of their positions or move their listing to the JSE in advance. For those holders who intend to keep their holdings in the ETF are free to transfer their units to the primary listing on the JSE.

The delisting of CoreShares ETF is a sad development for the Botswana Stock Exchange which has been enjoying a steady rise in listings both on the Main Board and the ETF board. Only 3 ETF's will be remaining after the delisting of CoreShares and out of the 3 only NewGold and NewPlat ETF's are active. NewFunds has never traded since listing in November 2015.

3.2 Stanchart Botswana raising capital

Standard Chartered Bank Botswana will be seeking to raise capital through issuing P400mn Non-Cumulative Subordinated Capital Securities to Standard Chartered Bank, which hold 0.831% of the issued ordinary shares of Standard Chartered Bank Botswana and is a holding company of Standard Chartered Holdings (Africa) BV which in

turn hold 74.156% of the issued ordinary shares of Standard Chartered Bank Botswana, and therefore a related party. The funds will be used to meet Standard Chartered Bank Botswana continuous minimum capital requirements of Bank of Botswana, and to create a cushion against unexpected impairments caused by the difficult economic environment according to a statement released by the bank. The pricing shall be the distribution rate which shall be the bench mark rate plus a spread of 3.75% per annum. The transaction will not have any effect on the net asset per share as it doesn't involve any assets but is a mere capital injection.

3.3 Tlou Energy- Gvt releases re- tender

Tlou Energy has announced that the govt of Botswana has Re-Tendered the 100MW RFP. Tlou Energy is one of the two companies that has been invited to re-tender for the development of a maximum of 100MW CBM Fueled Pilot Power Plants in Botswana. The closing date of the tender is the 12th of September 2018 while a compulsory pre-tender meeting with the Botswana Government will take place on the 9 August 2018. The other company being invited to re-tender is a local Botswana company; Sekaname (PTY) Ltd. We believe Tlou Energy stands a bigger chance of getting the tender as it has the most advanced Coal Bed Methane (CBM) project in Botswana through the Lesedi Peoject, with gas reserves in place, having environmental approval for upstream development and a mining licence secured allowing the Company to commence development operations.

Meanwhile, Tlou Energy recently successfully raised AUD 8mn through a Non-Renounceable Entitlement Offer. The funds were raised from institutional investors in the UK and Australia. The funds along with existing cash will mainly be used to fund drilling of production pods, core hole drilling and working capital.

4.0 Foreign Exchange...

The rand gained against the dollar, reaching levels of around R13.20/\$ during the week driven by news that China would inject \$14.7 billion into the South African economy through investments. The Chinese also extended a loan to Eskom (South Africa's power utility) so that the power producer could construct a new power station.

Meanwhile, on the local front, the pula weakened over 1% against the rand, and traded mixed against other major currencies during the week.

Domestic Exchange rates

Currency	27 July	20 July	Change (%)	YTD (%)
US\$/BWP ↑ 	0.0974	0.0965	0.93	-3.85
ZAR/BWP ↓ 	1.2896	1.3049	-1.17	2.65
EUR/BWP ↑ 	0.0837	0.0828	1.09	-1.30
GBP/BWP ↑ 	0.0744	0.0741	0.40	-0.17
JPY/BW ↓ 	10.83	10.84	-0.09	-5.17
CNH/BWP ↑ 	0.6647	0.6556	1.39	0.64

Source: Bank of Botswana

5.0 Commodities Markets...

Trade tensions between the US and EU eased towards the end of the week edging gold lower to trade at US\$1,219/oz by mid-afternoon. The two parties declared a ceasefire after signing a joint statement that stated that they will "work together toward zero tariffs, zero non-tariff barriers, and zero

subsidies on non-auto industrial goods”. The yellow metal tends to attract some appeal from investors whenever political and global tension draw to the surface, but subsequently, loses its shine when the tension relaxes.

Oil prices

After spending the better part of the week climbing higher, oil prices edged lower trading by Friday afternoon at US\$74.45/bbl. This is after news that Saudi Arabia had temporarily paused any supply movements through the Red Sea on Thursday because of previous shipments being attacked by militias, together with US crude inventories falling to unexpected levels as well as improved trade tensions between the EU and the US. Capping the gains on the other hand were fears of oversupply. This is after larger producers such as Saudi Arabia and Russia have already upped the production levels, in preparation for the expected supply loss from Iran after the US sanctions take effect in November.

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The part that follows has nothing to do with legal indemnity or avoiding any suits. The market is seeing more red than you would expect in a slaughter house, I have seen a cat fall into a bucket of red paint and it still wouldn't compare. Its value town out there, valuations are scraping the floor harder than the knee caps of your favorite adult performer on all fours. Buy the dip, they say, and this doesn't only apply when you are prepping to watch your favorite team with the boys, but the market as well.