



# Weekly Financial Markets Highlights

**Research**  
Garry Juma  
Salome Makgatlhe

**Sales**  
Tshepo Setlhare  
Keyshia Tebogo

**motswedi**securities



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Plot 113, Unit 30,  
Kgale Mews,  
Gaborone

P/Bag 00223,  
Gaborone  
Botswana.

Tel: 267-3188627  
Cell: (+267) 72108088  
Fax: 267-3188629

Email: [motswedi@motswedi.co.bw](mailto:motswedi@motswedi.co.bw)  
Website: [www.motswedi.co.bw](http://www.motswedi.co.bw)

## 1.0 Local Equity...

The Domestic Company Index (DCI) broke a four week gaining streak, posting its first weekly loss since the 23<sup>rd</sup> April 2021. The index printed a decline of 0.13%, a drop contributed by the losers in the market (being Chobe, Turnstar, and Primetime), outweighing the gainers (namely SeedCo, StanChart and FNBB). The DCI was down negative 4.28% on a year to date basis. The Domestic Company Total Returns Index, on the other hand, pushed for its fifth straight week of gains, largely supported by Turnstar going ex-dividend mid-week. The DCTRI was up 0.02%, marginally recovering its yearly losses, ending the week at negative 1.15%.

Chobe sustained a P1.03 loss in the week, to close at P8.60/share. This was likely a reaction by investors to the cautionary announcement that Chobe published late last week advising shareholders of the expected decline in profitability for the year ended 28 February 2021. The Company operates in high end tourism and largely benefits from international travellers from the UK and US, who are at the moment contending with various travel restrictions to Botswana by their respective governing authorities.

SeedCo gained 20 thebe during the trading week, to close valued at P2.70/share. The agribusiness extended its lead of the gainers on the domestic market posting a year to date climb of 45.9%. The stock is now sitting comfortably as the second best gainer in the entire equity market -- after Tlou Energy's 51.5% year to date gain. SeedCo has seen increased backing by investors in the year, as demand for agricultural products rose amid the ongoing pandemic, more especially given that food security is a high priority for many countries. The company also received support from increased rains

in its various operating regions in the last few months. The Company is currently on closed period, with expectations that it will publish its full year 2021 financial results before the end of June 2021.

StanChart remains in demand, as the stock gained 3 thebe to end the week valued at P1.68/share. With this additional weekly gain, the stock is now trading near its December 2019 value, and seems to be holding steady. StanChart has grown 15.9% for the year so far. FNBB recouped some of its losses in the week, claiming back a single thebe from the market, to end the week valued at P2.16/share with a slightly reprieved year to date decline of negative 1.8%.

COUNTER	28 May (t)	21 May (t)	Change (%)	YTD (%)
SEEDCO ↑	270	250	+8.0	+45.9
STANCHART ↑	168	165	+1.8	+15.9
FNBB ↑	216	215	+0.5	-1.8
CHOBE ↓	815	918	-11.2	-13.6
TURNSTAR ↓	200	209	-4.3	-20.0
PRIMETIME ↓	239	244	-2.0	-13.1

Source: Motswedi Securities, BSE

### BSE Indices – Week ending 28 May, 2021

<b>DCI Close</b>	<b>6,585.04</b>
Weekly Change (%)	-0.13
YTD Change (%)	-4.28
<b>FCI Close</b>	<b>1,550.85</b>
Weekly Change (%)	0.00
YTD Change (%)	+0.23
<b>DCTRI Close</b>	<b>1,645.50</b>
Weekly Change (%)	+0.02
YTD Change (%)	-1.15

Source: Motswedi Securities, BSE

### Market Summary – Week ending 28 May, 2021

No. of Shares Trading	<b>4,290,170</b>
Turnover (BWP)	<b>10,567,547</b>
Turnover (USD)*	<b>992,293</b>
No. of stocks trading#	<b>14</b>
No. of stocks advancing#	<b>3</b>
No. of stocks declining#	<b>3</b>
No. of stocks unchanged#	<b>17</b>

Source: Motswedi Securities, BSE \*US\$/BWP = 0.0923  
# = Domestic Main Board

## 2.0 Company Announcements

**Anglo American** announced that earlier today, the High Court of Justice in England and Wales sanctioned the scheme of arrangement and confirmed the reduction of share premium required to effect the Demerger pursuant to the UK Companies Act 2006. As a result, the Demerger is on track to become effective on 4 June 2021 in accordance with the timetable set out in Part III (Indicative Timetable of Principal Events) of the Circular. In accordance with the disclosure requirements of the Johannesburg Stock Exchange (“JSE”), this announcement constitutes the finalisation announcement for JSE purposes. South African securities transfer tax and capital gains tax may be applicable in connection with the Demerger and shareholders should refer to Part IX (Taxation) of the Circular for further details.

**Chobe** published their audited financial results in the week. The Covid-19 pandemic’s impact on the Company’s performance was steep, as occupancy levels dropped 89% year on year, resulting in a 93% decline in revenue. Towards the end of the year when movement restrictions, the Company took charge of the opportunity to capture some revenue from the locals and started offering discounted rates,

which to an extent, we believe gave them a small buffer against the Covid-19 impact in terms of revenue. Operating costs were overall contained, dropping 66%, with operating profits down 169% year on year to a loss of P81.1mn. Consequently, profit before tax was down 170% year on year, at a loss of P67.9mn. On the upside, the upheld a defer vis-à-vis a cancellation policy, which in essence now has them holding advance travel receipts, to the tune of P34mn (by the year’s end), which suggests that demand for these services has been only deterred by travel restrictions. Given the performance for the year, it comes as no surprise that a dividend was not declared, as the Company’s efforts are skewed more to preserving cash.

**Primetime** announced that Mr Paul Masie has been appointed to the Board as an Independent Director with effect from 17 May 2021.

**RDCP** announced a potential transaction which may result in the acquisition of all, or the majority, of the shares not already owned by RDC in Tower Property Fund Limited (“Tower”), and the potential subsequent delisting of Tower from the Johannesburg Stock Exchange (“JSE”) (the “Potential Transaction”). The Potential Transaction is a major transaction, as defined in the Companies Act No 32 of 2004 of Botswana, for RDC and will require approval of unitholders by special resolution in general meeting. The Potential Transaction contemplates a cash offer by RDC to acquire all of the ordinary shares in Tower it does not already own, for a purchase consideration of R4.00 per Tower share, on a cum distribution basis (“Cash Consideration”), by way of a scheme of arrangement in accordance with section 114 of the Companies Act, No. 71 of 2008 of South Africa (“Companies Act”) (the “Scheme”); and a standby general offer to

Tower shareholders to acquire their Tower shares for a price equal to the Cash Consideration (“General Offer”), which would be conditional on, inter alia, (i) the Scheme failing to become operative and (ii) a sufficient number of acceptances of the General Offer being received to result in RDC obtaining control of Tower (such control deemed to be no less than 50% + 1 Tower share in respect of voting rights); and the potential delisting of all Tower shares from the JSE pursuant to the implementation of the Scheme or pursuant to the General Offer being implemented and the delisting being approved by Tower shareholders. The Potential Transaction represents an attractive qualitative and quantitative opportunity for RDC to transition into the next phase of its growth strategy. The acquisition of the Tower rental enterprise for the Cash Consideration will be yield and net asset value accretive to RDC unitholders. It will furthermore substantially increase the RDC market capitalisation, due to the equity funding component set out below, which is expected to enhance market liquidity. The strengthening of sector and geographic diversification is in line with current strategy and the operational synergies will enhance management efficiency and supplement its skillset. RDC intends funding the Potential Transaction consideration of c. BWP980 million using its own capital resources, funded by way of a combination of debt and equity, through additional long-term debt funding and a rights offer to RDC unit holders to raise up to BWP730 millions of new equity (“Potential Rights Offer”). RDC has received written confirmation from a select number of existing unitholders that they will follow their rights and subscribe for additional RDC linked units in respect of 100% of the Potential Rights Offer. RDC has engaged with key Tower shareholders and obtained a combination of irrevocable letters and in-principal support to vote in favour of all resolutions required to

implement the Potential Transaction from c. 69% of Tower shareholders. The Directors therefore advise Unitholders to exercise caution when dealing in the Company’s securities until such time as the results of the negotiations are known.

**Tlou Energy** is developing a hydrogen strategy to complement the Company’s gas-to-power project. The hydrogen economy is rapidly developing and could open multiple additional business opportunities such as solid carbon products, oxygen, and ammonia for energy storage, fuel cell electric vehicles (FCEV), agricultural and medical applications. Tlou is well-positioned to produce hydrogen from different methods. The Company has large and proven resources to develop these products. Methane for carbon and hydrogen, readily available water for hydrogen and oxygen, and virtually unlimited CBM / solar power to drive the process. A hydrogen strategy would benefit from Tlou’s extensive approvals secured to date, including environmental, gas and solar generation licences, access to land and established in-country operational expertise.

**RDCP** further cautioned that negotiations are still in progress for a cross-border acquisition in Zambia which, if successfully concluded, may have an impact on the value of the Company’s Linked Units. The afore-mentioned acquisition is intended to enhance the existing portfolio and is a continuation of the Company’s strategy of portfolio and geographic diversification. The Directors therefore advise Unitholders to exercise caution when dealing in the Company’s securities until such time as the results of the negotiations are known.

### 3.0 Foreign Exchange...

The dollar was reclaiming losses made earlier in the week, during mid-afternoon trading on Friday, ahead of US inflation data expected later in the day. This was a rebound after the dollar touched a four and a half year low against a number of peers in a basket of currencies on Tuesday – pressured by comments from the US Federal Reserve that interest rates will remain on the low end for the moment allaying concerns that the expectation of increased inflation levels may force rates to go up. The continued recovery of the US economy lent some support to the riskier, emerging market currencies.

#### Domestic Exchange rates

Currency	28 May	21 May	Change (%)	YTD (%)
US\$/BWP ↑ 	0.0939	0.0935	0.43	-0.21
ZAR/BWP ↓ 	1.2977	1.3075	-0.75	-2.39
EUR/BWP ↑ 	0.0771	0.0764	0.92	-8.21
GBP/BWP ↑ 	0.0662	0.0659	0.46	-7.80
JPY/BW ↑ 	10.31	10.1700	1.38	0.78
CNH/BWP ↓ 	0.5979	0.6015	-0.60	-8.95

Source: Bank of Botswana

Given the nature of the Pula's peg to the SDR basket, the local unit was up for the week, against a number of its trading partners. With the exception of the rand, which benefitted from the weakened dollar, and the yuan which, on Friday, hit a three year high (against the dollar).

### 4.0 Commodities...

Oil prices were headed for a weekly climb of almost 5% by Friday afternoon. Supporting the commodity was news that the ongoing discussion to revive the Iran Nuclear Deal, any agreement that may come to fruition will not result in the immediate removal of the US sanctions on Iranian oil. This improved sentiment as Iran's oil output will not immediately flood into the

market, adding on to the existing glut. Further support for oil prices came from an expected increase in demand levels for oil (and oil products) in the United States and Europe as the respective nations begin their summer driving season. Weekly gains were capped by declining demand levels in India amid the nation's battle with a fresh wave of the coronavirus. India is the world's third largest oil consumer.

Gold prices slipped on Friday but were headed for a weekly gain of about 0.6%, after reaching a four and a half month high in the week, propelled by a decline in US Treasury yields in the day and a weakened dollar. As a point of note, a drop in the US dollar makes gold cheaper for other currency holders. While a decline in the US Treasury yields reduces the opportunity cost of holding non-interest bearing assets, such as gold.

Silver and platinum were up as well in the week, both nudging their gains for the year marginally higher.

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