AFRICAN EXCHANGES

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A Newsletter Of AFRICAN EXCHANGES

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Hon. Mgimwa with other officials after inaugrating the revised EGM Training Manual at Serena Hotel on 24th September, 2013.

Mr. Oscar Onyema, CEO, Nigerian Stock Exchange and Mr. Ibrahim Lamorde, Chairman EFCC

SEMYIA Awards Ceremony on 25th September 2013 at the Octave Wiehé Auditorium

This Investor Education initiative is now a well-established annual national event, with this year's competition attracting 188 teams of five students each from 104 colleges across the country, representing 940 students.

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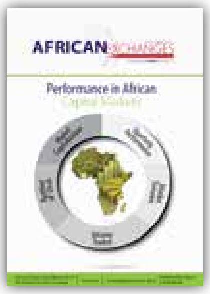

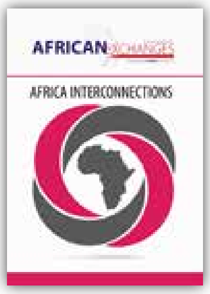

WELCOME NOTE

It has been 20 years since the African Securities Exchanges Association (ASEA) was launched in Nairobi. From a Membership of 4 exchanges in Africa, today, the Association represents 23 Member Exchanges in 28 countries in Africa with the newest member Sierra Leone Stock Exchange joining the Association in 2012.

Only two decades ago, information about African Stock Exchanges was scanty. Now, the Association does not only provide regular information about our exchanges to investors through our Factbook, the Newsletter and the ASEA Website. We are working on enhancing visibility for our Members. Electronic communication is one of the key inventions of the 21st Century and the Association is taking full advantage by ensuring information about our Exchanges is communicated to the world via our website. We wish to announce that our new website www.african-exchanges.org is now live! The new Website will provide users with an easy to navigate website with a new look and feel. Find out more about the features of the new website on Pg. 4

In this edition we speak to Ms. Nicky Newton King, the Chief Executive Officer of the Johannesburg Stock Exchange. JSE has been recognized for among many things; best regulated Exchange (WEF Global Competitiveness Index) and financial market development. She speaks to Tom Minney on first half results 2013, new products on the Exchange and on reducing settlement on the JSE. Read her interview on Pg. 7

What is the link between individual stock ownership and financial market development? Anne Guimard investigates what can be done to manage this pool of investors and how instrumental these shareholders are to the development of financial markets on Pg. 22

While Listed Companies have gone electronic in dissemination of financial reports, Rob Stangroom argues on Pg. 21 that in Kenya, the outcome can be to create shareholder apathy. He argues that the process from disseminating hard copies of the financial report and going fully electronic needs a systematic approach as was done by the Securities and Exchanges Commission.

In Africa, most of the businesses can be classified under the Small and Medium Enterprises and our Exchanges are stepping in to fill the capital gap experienced by these enterprises. Read on Pg. 10, a case study of Nairobi Securities Exchange conducted by Mr. Schizas Emmanouil, ACCA on establishing the Growth and Enterprise Market.

We have news and statistics from our markets from Pg. 26-65
Enjoy your reading!

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africaexchanges

African Securities Exchanges Association

African Securities Exchanges Association Launches New Website

"African Securities Exchange Association announces launch of their new website www.african-exchanges.org which showcases member exchange financial data and news."

NAIROBI The African Securities Exchanges Association (ASEA) has launched a new revamped website. Commenting in a statement, Mr. Sunil Benimadhu, President, ASEA says "the re-design of the ASEA Website is a commitment by the Association to enhance visibility of African exchanges. For decades, information about African Exchanges was not available to investors, we intend to change this and provide statistics of African Exchanges to the investors to enable them make decisions".

The website has been designed in collaboration with I-Net (Pty) Ltd; a financial data vendor specialized in the Southern African Markets with offices in Johannesburg and Cape Town. I-Net provides online content and solutions to investment, business, and retail communities worldwide. It offers local and global instruments to enable investors to perform complex analyses of company information.

On partnering with ASEA to develop the website, Stephen Phillips, Executive Head: Content Production at I-Net, says: "We saw this as an opportunity to expand our brand in Africa. The website was completely re-designed, allowing us to incorporate more information, charts, statistics and news into it. Stock exchange news and statistics are provided by the ASEA members themselves, whilst I-Net hosts and provides key index data including tables and charts."

The ASEA website key Features now include;

- A scrolling ticker that displays various end-of-day African indices.
- A scrolling ticker that displays the various countries' real-time currencies
- Member profiles
  - With contact details and map
  - Exchange overview
- Financial Section includes
  - Interactive chart of all the members main indices that allows for –
- Up to 3 Years' worth of data can be displayed
- Up to 3 indices to be compared against each other on a single chart
- Overlay technical studies on the instruments i.e. Bollinger band or customizable moving averages
  - Base the indices to start at the same value (100)
  - Draw a relative chart between 2 Indices
  - View line, area or column charts
  - Print or download the charts
- Financial data section includes
  - Daily closing prices of the member's major indices together with the percentage change for the day.
  - The FTSE ASEA Pan Africa Index Ex South Africa – USD
- Monthly trading statistics for each member exchange as supplied by the Exchanges

- Annual Statistics for each member exchange as supplied by the Exchanges
  - Comparison charts of the statistics provided
  - Comparative statistical tables of the different member exchanges with a top 10 comparative chart
- A news and Events section with content supplied by the member exchanges
- Access to the latest ASEA newsletter as soon as it is published
- A library with contacting information and reports supplied by the different member exchanges
- A gallery with the latest photographs pertaining to the member exchanges and ASEA conferences

ASEA expects the revamped website will lead to greater visibility for its Members in both the African region and the entire world.

ABOUT AFRICAN SECURITIES EXCHANGES ASSOCIATION

ASEA is a non-profit company limited by guarantee that was found in Kenya on the 13th of November 1993, with the aim of establishing systematic mutual cooperation and exchange of information among its members. The Association's vision is to enable African Securities Exchanges be key drivers of economic and societal transformation in Africa.

ABOUT I-Net (Pty) Ltd

I-Net is a preferred data provider in the South African financial market, delivering accurate, timely and quality financial content. With a focus on providing exceptional client service, I-Net supports a local client base that includes more than 300 financial institutions serving the professional investment industry with over 3 500 terminals.

I-Net has recently been acquired by McGregor BFA, one of South Africa's top financial data analysis solutions providers. While both companies have historically addressed different areas of the South African financial data market – with I-Net's focus predominantly on the needs of fund managers and research analysts, and McGregor BFA's on providing solutions to fundamental research, data platform and investment advisory clients - McGregor BFA and I-Net have strong complementary financial data sets, client bases and technology infrastructure that will no doubt assist in I-Net's success on the African continent.

I-Net will continue with its specialist focus on African capital market coverage, including African listed company fundamentals, but will also include African Private Company information, as well as regional political risk analysis and macro-economic reporting.

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Chief Executive Officer Appointment

Alban D. Chirume, ZSE Chief Executive Officer Alban D. Chirume Born 27 December, 1963

Alban attained a Bachelor of Science degree majoring in Physics and Mathematics from the University of Zimbabwe in 1986. In 1991, he attained a Master in Business Administration from Cardiff Business School, University of Wales. He qualified as a Chartered Secretary in 1997. Alban was trained and worked as a Telecommunications Engineer at Posts and Telecommunications Corporation for four years. He then moved to the financial services sector in 1992, where he worked for Standard Chartered Merchant Bank, Merchant Bank of Central Africa and Financial Holdings Limited. During this period he was involved in Project Finance, Investment Management, Advisory Services and Treasury at senior management levels, culminating in being appointed the Group Treasurer at Financial Holdings. Alban established his own company which had two arms, financial advisory services and securities trading. The securities trading elements of the business had two entities; one was a stockbroking firm, a member of the Zimbabwe Stock Exchange and the other a member of the Zimbabwe Agricultural Commodity Exchange (ZIMACE).

In June, 2009, Alban became the inaugural Chief Executive of the Securities Commission. He played a major role in the establishment of the Commission, the development of the regulatory framework and the amendment of the Securities Act (Chapter 24:25) as well as the development of enabling Statutory Instruments. As the Chairman of the Capital Markets Committee and EXCO member, he played a pivotal role in the Committee of Insurance and Non-Banking Financial Institutions, which is a Committee of SADC Regulators. He left the Commission in 2011 to run his business. On 1 June, 2013 he was appointed Chief Executive of the Zimbabwe Stock Exchange.

The Johannesburg Stock Exchange is a world-beating bourse. For the fourth year running the JSE was voted the world's best-regulated securities market in the World Economic Forum rankings, out of 148 countries, and the second-best place in the world for local equity financing. In the first half of 2013, trading volumes in the equity market were up 58% to the year to 20.9 million transactions (compared to 13.8 million to June 2012) with value traded up 22% to ZAR2.0 trillion (USD204 billion) and improved performance in financial derivatives, interest-rate and currency markets. Group headline earnings soared 26% to ZAR285 million ($29 million). The JSE is working with other African exchanges to improve technology and help African companies access South African and international investors. **Ms. Nicky Newton-King,** *a lawyer who joined the JSE in 1996 and became CEO in January 2012, made time to talk to Tom Minney for African Securities Exchanges Association Newsletter*

Ms. Nicky Newton - King

ASEA. Congratulations on excellent first half results with soaring volumes, especially in equities.

NNK: Thank you, Our interim results reflect the impact of strong trade volumes, especially in our equity market as well as seeing the benefits of our investments in initiatives, such as the new equity-market trading engine, to grow the business.

The JSE has nine diversified revenue streams. Although the equity market remains our biggest revenue-generator, we also saw increased trading activity from financial derivatives, the interest-rate and currency markets, as well as from our post-trade services and market-data divisions.

ASEA: Will derivatives and special vehicles such as Special Purpose Acquisition Companies (SPACs) and Real Estate Investment Trusts (REITs) be important to growth in future?

NNK: We're always looking for ways to grow our five derivatives markets (commodities, currencies, equity derivatives and interest-rate products). For example, we will be migrating our equity-derivatives market onto the same trading engine as our equity market. This move, planned for mid-2015, will both internationalise this market and increase speeds and liquidity on the market.

Attracting new listings will always be an important part of our business. This means allowing listing structures which we believe will make our boards more attractive to issuers.

The Real Estate Investment Trust (REIT) structure introduced in April is a globally recognised structure which is well understood by foreign investors.

The other structure is a Special Purpose Acquisition Company (SPAC), which is a company consisting only of cash on the condition that the company buys operating assets within two years. This new structure opens up a new channel for primary capital raising for fledging investment companies and, in the longer term, if SPAC portfolio investments are successful, they could be listed separately.

In a slow listings environment, possibly more important is the listing of equity-related products such as Exchange Traded Funds and Depository Receipts.

ASEA: Why are you reducing the settlement cycle to T+3?

NNK: Moving to the global standard of T+3 is a top priority for the exchange. At the moment the JSE takes five days to complete the settlement of securities and shortening the current equities-settlement cycle will reduce market risk while bringing the exchange in line with international best practice. The move to T+3, prompting a faster release of assets from the settlement process, has numerous benefits to the market including attracting foreign investors and boosting liquidity. The project will be conducted in three phases and completed in early 2015. We're making good progress so far and have successfully completed the first phase of the project. Timelines for phase two and three will be communicated to the market shortly.

ASEA: What role will clearing of derivatives traded Over-The-Counter (OTC) play in the business going forward?

NNK: Internationally, there's a major push towards OTC derivatives being cleared through a regulated clearing house. We think there is an opportunity for the JSE to provide clearing for OTC products and we're investigating how we can best add value here. For the JSE this has meant a complete review of our post-trade services and the decision to combine all these services into a separate division. Last December the JSE's clearing house became the first in the world to be recognised as IOSCO-compliant – creating a great foundation for an OTC offering.

ASEA: How much do general national governance perceptions affect confidence and trading volumes in the capital markets in South Africa and the rest of the continent?

NNK: Global investors have a lot of choice when it comes to selecting emerging market investments. Perceptions around governments' effectiveness, stability and factors such as corruption are key to investor confidence. Investors are not prepared to take the risk of investing when the future is uncertain. In developing markets, political risk is inextricably linked to investment decisions. In countries with a poor public governance, environment reliable public information tends to be insufficient and general trust is usually low. In these types of environment, investors fear sudden changes in policy that favour businesses which have strong links with governments and fear that rights that they may have as investors could be revoked. In addition to national governance factors, investors also weigh up the economic policy environment, including factors such as economic growth rates, general macroeconomic stability, taxes, ease of repatriating dividends and capital, and the degree of protection offered to investors.

ASEA: What has been effect of moving Africa Board companies to Main Board and Alt-X? How many African (ex-SA) companies are listed and how has that changed in the last 12 months?

NNK: We moved all our African listings into the Main Board in 2012. Unlocking investment in the rest of Africa remains a focus for the JSE, especially given the increasing global appetite for African investments. There are currently 12 African companies (ex-South Africa) listed on the exchange and the JSE would like to attract more blue-chip African companies to list. We think that a dual-issuance model would work well here, allowing African companies access to South Africa's deep capital pools while also benefiting from local market participation.

ASEA: What about interest-rate products and ETFs?

NNK: The JSE is also working to diversify the instrument range it offers investors from the rest of the continent. We already have four interest-rate instruments from the rest of the continent, as well as an African exchange-traded product. We will give increased focus to listing further debt and quasi-equity products in future. Of course raising debt is also a part of the picture; last year November the Republic of Namibia listed its first Rand-denominated R3 billion government bond on the JSE.

ASEA: Which are the growth sectors in Africa and where are listings and profitable investments likely to come from?

NNK: Although Africa's growth prospects are positive, they differ not only country by country but also sector by sector. In general, African growth and therefore also listings can be expected in agriculture, financial services, consumer goods, infrastructure, telecommunications, mining and oil and gas.

On another note, as millions of Africans move into the middle-class, the discretionary income available for investing in local markets should also improve. In order to accomplish this, considerable investor education is required.

ASEA: What is role of JSE in helping Africa raise the billions of dollars required to build infrastructure?

NNK: Much of the investment needed for infrastructure-building can be raised on the continent as opposed to expensive international debt markets. The South African Government and our state-owned enterprises raise debt through the JSE very successfully – proving that the exchange has access to significant capital, high participation of foreign investors, great systems and regulation. The JSE would like to partner with other African exchanges through a dual-issuance model on both the JSE as well as the local market. Dual issuance of this type for infrastructure funding would be suitable for both domestic and regional infrastructure projects. An added benefit of this model is that it will allow for a flow of financial skills across markets and grow Africa's debt markets.

ASEA: Congratulations, once again the JSE is top in the world in regulation of securities exchanges (WEF Global Competitiveness Index 2013-4), and 3rd best in world on financial market development. What are the lessons for other African securities exchanges?

NNK: We're very proud of this accolade but it's important for us to remember the long, difficult road that we took to get to this place. In the past few decades the JSE has been evolving to a point where we compare favourably with our international peers. We've spent a lot of time speaking to our colleagues in the World Federation of Exchanges to learn how to improve, how to innovate and how to avoid the mistakes that they've made. I guess the take-away here is that it's possible to achieve great things if you're prepared to listen to advice and resolve to change the things that need to be changed.

ASEA: Where will African exchanges be in 10 years time? Do you expect much change?

NNK: I expect to see huge positive changes from a number of fronts. These include greater adoption of world-class technology, diversification from pure equities exchanges, a rising number of commodities exchanges, and also hopefully greater collaboration between exchanges.

Connecting capital markets: The Nairobi Securities Exchange Growth Enterprise Market Segment

Schizas Emmanouil

This paper draws on interviews with NSE officials as well as coverage in the African and international financial press to tell the story of the Growth Enterprise Market Segment (GEMS), the Nairobi-based exchange designed for small and medium-sized enterprises. It is part of a series of ACCA case studies looking into the shared experiences of regulators, exchange operators, investors and listed firms in emerging capital markets.

By: Schizas Emmanouil

Introduction

Since the global economic downturn began in 2008, it has been clear that the world must look to the emerging economies of Africa, Asia and Latin America for growth. If emerging markets are to live up to their promise, businesses in these regions will need to be able to finance themselves more efficiently, and from multiple sources, as they continue to outgrow the narrow savings bases of their home countries and their still-developing banking systems.

ACCA's research shows that the accountancy profession is instrumental in capital market development, which can be stunted or unbalanced without its support. As preparers, users and auditors of financial reports, accountants have an interest in upholding confidence in the rules, and educating firms and investors where appropriate. As global as the capital markets themselves, the profession is an established network well suited to the task of conveying good practice around the world.

As the most global of the professional accountancy bodies, ACCA is most acutely aware of these responsibilities of the profession. Nearly half the ACCA members in non-OECD countries (48%) work in regional or global financial centres, some in positions of authority that actively shape market development. Through ACCA they have access to an unparalleled network of local know-how that can guide the development and integration of capital markets and promote their healthy function.

ACCA's 'Connecting Capital Markets' series focuses on significant moments in capital market development and collects the experiences of the regulators, exchange operators and investors that made them possible. Its aim is to start a range of conversations on what different markets can learn from each other, and to prompt greater collaboration.

The first paper is a case study focusing on the birth of the Growth Enterprise Market Segment (GEMS), a segment of the Nairobi Securities Exchange (NSE) designed for small and medium-sized issuers. The case study is based on secondary research as well as an interview with NSE officials, carried out in July 2013. The author is extremely grateful to the NSE for their insights and assistance. Apart from direct quotes, all views, including any errors and omissions, are the author's alone and should not be attributed to the interviewees or to ACCA.

Origins of the GEMS

When the Nairobi Securities Exchange (NSE) launched its Growth Enterprise Market Segment (GEMS) on 22 January 2013, the reception from policymakers and analysts in Kenya and beyond was enthusiastic, hailing the new market segment, intended to serve primarily small and medium sized enterprises (SMEs), as an important innovation that was well timed to capitalise on investors' historically high interest in East Africa. Its origins, however, can be traced back nearly 10 years.

Donald Ouma: Head market and product development Nairobi Securities Exchanges

The first seeds of the idea for GEMS were sown back in 2004-5. According to Donald Ouma, Head of Market and Product Development at NSE, the idea for an enterprise market segment came from NSE's discussions with potential issuers, most of whom were involved in family-owned businesses or closely held groups of companies. In their efforts to draw more large companies to the market, NSE officials quickly confirmed that the owners of many promising firms were unwilling to give up much control and found listing requirements with regards to shareholding particularly daunting.

The NSE was sympathetic to these concerns. Companies listed on Nairobi's Main Investment Market Segment (MIMS) need to have a minimum of 1,000 shareholders, and the Alternative Investment Market Segment (AIMS) requires a minimum of 100. Even owners who did not wish to control the business closely could still find it very costly to acquire so many shareholders before listing.

Other firms were automatically disqualified by the NSE's requirements for a track record of profitability. To list on the MIMS, a company has to have five years' worth of audited accounts, and to have turned a profit in at least three of those. On AIMS, issuers need three years' audited account, two of which must show either a profit or that the company is 'on course' for profit. This was a crucial obstacle to firms in rapidly growing primary industries such as mining or energy, which might have clear prospects but lacked the track record demanded by the main and alternative boards while they were still in 'exploration mode.' Companies shifting their primary activity, or born from the reorganisation of older businesses, would be similarly affected.

By 2011–12, such restrictions also seemed increasingly at odds with rising international interest in the country's hydrocarbon reserves, as well as its proposed policy of reserving 35% of shares in the extractive industries for Kenyans.

The makings of a market

Bearing this feedback in mind, the NSE revisited its existing market segments and considered whether there was a gap in its offering; a service was needed that would make it easier for smaller companies and mid-caps to access public markets. The NSE's Market and Product Development Department came up with a concept for a Growth Enterprise Market Segment and, along with the Capital Markets Authority (CMA) and the Central Depository and Settlement Corporation (CDSC), they developed proposals for the regulation of the market alongside the NSE's Compliance and Legal Departments. The relevant regulations were gazetted in June 2012, and the first listing followed 13 months later.

Legislating for the GEMS market was actually very much easier than expected. According to Mr Ouma, the level of support from the CMA in particular was 'really quite amazing'. He is not alone in thinking this; during the ceremony to commemorate the first GEMS listing, the NSE chairman, Mr Eddy Njoroge, singled out the CMA for praise and thanked it for its help in developing the regulations.

Part of the ease of developing the framework for the new exchange, however, could also be attributed to a plethora of functional models. Small-business-listing exchanges are no longer as exotic as they once were. In addition to the well-established ones such as London's AIM market or the Toronto Venture Exchange, Mr Ouma and his staff were able to draw on the experience of a number of SME boards in emerging markets that share Kenya's challenges and aspirations; they singled out Egypt's NILEX, Brazil's Nova Mercado and Tanzania's Enterprise Growth Market as examples of good practice. These markets are, in one sense, complementary to their countries' fledgling venture capital sectors, and the investor community saw Kenya's GEMS as sharing this feature.

Addressing the main criticisms of existing exchanges, GEMS requires only that listed firms have acquired 25 independent shareholders within three months of listing and have a 15% free float, with at least 100,000 shares in issue. GEMS issuers need only a single year's track record and do not have to have been profitable at any point, but they must be able to demonstrate that there is sufficient working capital to run the business for a minimum of 24 months after listing, in addition to the minimum KSh10m worth of paid-up capital. Mr. Ouma stresses, however, that GEMS has avoided compromising on the actual level of disclosure. Listed firms must report according to International Financial Reporting Standards (IFRS), and must submit audited annual accounts (although interim results can be presented in the form of management accounts). Unlike the main and alternative NSE boards, GEMS will accept soft copies of their reports, providing another small but significant saving.

Finally, one noteworthy difference between GEMS and other exchanges' SME segments is the former's international orientation. GEMS's mission dovetails with Kenya's Vision 2030, the master plan for transforming Kenya into a middle-income country. Along with other industry stakeholders, under Vision 2030 the NSE is tasked with the objective of making Nairobi a financial services hub for East Africa, and this is reflected in the rules for the new exchange. A company needs only a registration in Kenya to join GEMS – it does not need to be incorporated in Kenya as is the case for other exchanges. Hence the NSE's explicit aspiration is to attract listings from abroad – and not just from SMEs. Mr Ouma jokes that Barclays Bank, for instance, would be welcome on the exchange. 'Listing requirements are a floor – not a cap. Nobody is too big.'

A new set of controls

While the relaxed shareholding rules of the GEMS have been hailed as a very significant advantage, the NSE's intention was not to relax governance requirements but rather to replace one set of controls with a more appropriate and efficient one. In emerging capital markets, principal–principal conflicts are common, and NSE faced the risk that GEMS-listed shares would be too closely held, or that shareholders would seek to offload their securities to the unsuspecting public. Moreover, a lack of brand recognition could mean that securities might not be taken up and could have low liquidity – previous shareholding requirements, however onerous, offered significant protection against these risks. In GEMS, the NSE expects to replicate the effectiveness of traditional requirements through three new sets of controls. The first set involves avoiding abuse by directors and major shareholders: controlling shareholders at listed firms are locked in for two years, and their boards and senior management must be shown to be competent directors with no recent history of bankruptcy, fraud, criminal offences or financial misconduct.

The second set of controls involves training for directors. Within six months of listing, the NSE takes at least one-third of the would-be issuer's board through a two-day tailored Directors' Induction Programme – and the rest of the board needs to follow suit within six months of listing. The programme is an introduction to capital markets, their rules and governance requirements, as well as the principles of investor relations. Directors of an NSE-listed company are additionally invited to speak to the board about their experience, further reducing the risk and uncertainty for new issuers.

The third, and arguably the most important set of controls, involves the work of 'Nominated Advisers' (Nomads). GEMS issuers are required to appoint a Nomad by written contract well ahead of listing, not only for the purposes of the transaction itself but for the entire time the issuer remains listed. Nomads are registered with NSE, with which they maintain a close relationship; their job is to assist the issuer with corporate governance matters and disclosures and they are held personally responsible (and liable) for their client's compliance.

As Lina Ng'inja, Senior Officer (corporate finance) at the NSE explained, in addition to being guarantors of good governance and the exchange's 'first line of defence', Nomads are also in a way the GEMS' sales force. They act as agents of the NSE and educate would-be issuers on what the exchange has to offer – and in return, the exchange has an incentive to attract and develop as many Nomads as possible.

Ms. Lina Nginja

Because of this role, Nomads are expected not only to have a minimum of public markets experience and a track record of successful and recent (over three years') corporate finance transactions under their belts, but also an existing client base. This prerequisite signals their ability to provide deal flow for the GEMS market.

'The more the merrier', Ms Ng'inja explains. 'As long as we have qualified, authorised representatives going round and making these companies knowledgeable about the capital markets and investing on the GEMS market, and we keep the quality and standard of the authorised representatives at the level the exchange wants, then we don't want to put a cap on their numbers.'

Aware of their crucial importance to the GEMS board's business model, the NSE started training potential Nomads well ahead of its launch, with 32 firms attending the Nomad Training Forum on 20–21 September 2012. The exchange had lined up four Nomads by December, eight by January 2013, and 14 by June 2013, with others queuing for approval. Successful applicants can look forward to further extensive training with the exchange, including in-house training for key staff that highlights the Nomad's role in the market and their responsibilities.

Selling the GEMS

Alongside the Nomads, the NSE also maintains its own in-house business development team for GEMS, led by Ms Ng'inja's boss, Mr Terry Adembesa. The exchange makes a point of meeting potential issuers one-to-one, to sensitise them to its offering, explain what the GEMS market is about and what the value proposition is. If companies show an interest, they are invited to appoint a Nomad, and then taken through the Directors' Induction Programme.

As the GEMS matures, dealing with individual would-be issuers will be left primarily to the Nomads – the NSE business development team, on the other hand, works with industry associations, such as the Kenya Association of Manufacturers, organising major events in order to raise awareness. This link is particularly important because it makes it possible to reach companies outside Nairobi, which the NSE is under 'huge pressure' from its stakeholders to do, and make the case not only for GEMS but the capital markets in general.

Another high-profile partnership for the GEMS business development team was presented by Kenya's Top 100 Mid-sized Companies initiative, led by KPMG Kenya and Nation Media Group. The Top 100 are selected through an annual survey for revenue growth, profit growth, returns to shareholders and cash generation/liquidity. While the Top 100 are a natural audience to which to sell the GEMS, the NSE was also able to use them as a sounding board on the listing requirements for GEMS as well as its vision for the market in general; NSE found the experience enlightening. More recently, and with much of the groundwork laid out among businesses, a public awareness campaign has been launched to inform potential retail investors about GEMS; NSE has secured high visibility in Kenya's cities, using billboards and radio advertisements.

NSE is learning a lot from this business development work, which Mr Ouma calls a 'very useful experience'. The lessons learnt, he explains, can be applied to the main board and AIMS in order to increase the number of listings there. 'A lot of decision makers in private companies have no idea how capital markets work', Mr Ouma explains, 'and it's the NSE's duty to inform them and talk them through what they need to consider'.

Over time, the NSE is hoping to attract both retail and institutional investors to GEMS. Nomads suggest that there is substantial interest from the latter already, but the key to attracting both, according to Mr Ouma, is liquidity.
Unlike some other exchanges aimed at SME issuers, GEMS attracts no fiscal incentives unique to itself. It does, however, benefit from all existing incentives for Kenya's capital markets in general – as do the Main and Alternative boards. NSE does, however, have an advantage that many emerging market exchanges lack – enhanced regulatory powers. If an issuer is not actually raising any new capital – for instance if it is just introducing shares, or carrying out transactions such as share splits, bonus issues or dividend payments, the power to approve such transactions lies with the exchange as opposed to the Capital Markets Authority (CMA). Being closer to the markets, the exchange is able to carry out the approval process faster and more efficiently, and additionally has a commercial incentive to do so.

These powers are part of a raft of additional responsibilities taken up by the NSE as it worked its way through the final stages of de-mutualisation: a process by which the exchange itself would eventually become a publicly listed firm. Mutualisation will change the relationship between the CMA and the NSE, with the Authority delegating more regulatory responsibilities to the exchange.

Building expectations

The first company to list on the GEMS market (and Kenya's first listed real estate developer) was Home Afrika Ltd (HAL). Originally established as an investment club, Home Afrika had only been running for four years when it was first approached by NIC Capital in late 2012 and encouraged to list on GEMS.

The company's stated plan, under its Go Africa strategy, was to emerge as a regional champion in Africa, with plans for expansion to Tanzania, Uganda, South Sudan, Ethiopia and Rwanda, building a KSh87bn property portfolio by 2017. Drawing on the company's own communications, the financial press noted that the business expected 7 to 10 projects per year over the next five years and had projects under construction worth KSh12bn. Financing this level of growth with loans and personal funds, as the company had previously done, would be impossible.

Home Afrika's listing statement hinted at an additional motivation: the company was paying 21.5% interest on its debt – partly owing to a hike in the Central Bank rate in the last quarter of 2011 from 6.25% to 18%. Although the reference rate had fallen back to 8.5% by the time of the listing, the Bank was now actively encouraging real estate companies to seek non-bank funding in the interests of their, and the country's, financial stability.

Home Afrika was certainly doing so. The company maintained that its listing was a first step to tapping the capital markets for debt and new equity through an initial public offering (IPO). It also captured capital market analysts' attention by announcing plans to launch two real estate investment trusts (REITs): a KSh2bn-development REIT intended to fund the construction of five projects, followed by an investment REIT designed to generate regular income in five years' time. This announcement came only a month after the launch of Kenya's regulatory framework for tax-exempt REITs. In introducing this, Kenya was closely following the lead of South Africa, which had introduced its own framework in April.

The GEMS listing is Home Afrika's introduction to the capital markets. We intend to be players on the REITs, Bonds and Equities markets.' Dan Awendo, director, Home Afrika
Home Afrika had turned a sizeable profit in 2012, but had recorded an even more substantial loss in 2011, when it increased its assets substantially and paid down a great deal of debt. This alone would have disqualified it for listing on the main exchange, even though turnover had grown 15-fold over these two years, and the company had a pipeline of new projects and a consistently good record of generating cash from operations. Ownership requirements for listing on the main exchange would have been equally daunting. Before listing, the company had 128 shareholders, only 19 of whom had individual holdings of more than 1% of its shares, adding up to 45% of the company.

In February 2013 Home Afrika formally appointed NIC Capital as its Nomad, enabling official discussions with the NSE to begin. In late May 2013, Home Afrika revealed its intention to list 'by introduction' – i.e listing existing shares without issuing new ones – and declared its aspiration of carrying out an IPO 'within a year'. The introductory listing finally came on 15 July.

This nine-month interval from first contact to listing, Mr Ouma says, can be significantly shortened in future. Some issuers need less convincing than others, but once a decision has been made, the Nomad's preparation and exchange approval take three to five months at the most.

On the other hand, even relatively quick procedures can still introduce uncertainty. For instance, before approval of an issue, the exchange has to give seven days' notice to the CMA for final checks. This leads to what Mr Ouma called 'a few tense days' as both the NSE and the issuer wait for the CMA to authorise the listing.

The debut and the aftermath

On 15 July, Home Afrika listed about 405m shares on the GEMS market, a free float of roughly 20%, at a reference price of KSh12 (see Figure 3 for historical share prices). The share price soared to double that (KSh25) on the first day of trading, briefly valuing the company at Ksh10bn.

By the time the company had its next annual general meeting on 27 July, authorising its transformation into a holding company for a group of more specialised property businesses, shares remained very thinly traded. Although the share price had by now subsided to 19.95, analysts saw the company as significantly overvalued and began to comment to this effect in public, casting doubts on the company's ability to issue new shares in the planned IPO. Analysts' notes pointed in particular to how Home Afrika's price to earnings (P/E) ratio of 48.66 was much higher than the NSE average of 14.94, and even more so than the nearest comparator's ratio of 6.1.

These reactions prompted a steep decline in the company's share price, which continued until the end of September 2013 – before bottoming out at precisely half of the original reference price (KSh6). The influence of analysts' estimates was clear, as the share price stopped falling only once Home Afrika had reached a price-to-earnings ratio in line with the NSE average, bringing its valuation to Ksh2.51bn. [Figure 3 here]

Figure 3: Average weekly share prices for Home Afrika – July to October 2013

The replacement of Home Afrika's CEO in late August 2013 was another pivotal event. On the week of the announcement, the stock saw the biggest volume of trades in its brief history. Importantly, liquidity started flowing into the stock following the upheaval of early September and has since grown substantially. As of late September, Home Afrika continued to plan an IPO within 2013, and was getting ready to launch the first of its REITs, while still working with its original Nomad, NIC Capital. Meanwhile, the NSE has learned crucial lessons from this exercise.

According to Mr Ouma, the NSE emphasises that, from the moment they first consider pitching to a potential issuer, Nomads should be targeting an affordable relative cost of capital and a good valuation – a P/E ratio in line with comparators. Prospective issuers and their Nomads should not overpromise; if anything, they should offer a discount so that when the company finally lists, the price rises. The issuer should additionally provide substantial free float to ensure liquidity, for which investors will pay a premium.

These conditions help create a good story around the issue and encourage both investors and the issuer to return to the market. Both depend on reliable book-building, as this gives market participants an indication of what a good listing price should be. For its own part, the exchange signalled to Nomads and issuers from the start that it would not approve overpriced issues.

GEMS, on the other hand, the Home Afrika listing appears to have been a success. Even before this there was a great deal of excitement about the new exchange, and NSE was being approached by companies that wanted to know more. When the HAL listing was announced, the emphasis shifted to its Nomad, NIC Capital, which reported a lot of interest from prospective issuers. The big difference, however, came post-listing, as talk of the GEMS moved from word-of-mouth recommendations and one-to-one conversations involving the exchange or the Nomads to a big media push. Ms Ng'inja and her colleagues are keeping close tabs on the Nomads' business development activity and the signs are encouraging. At the time of the interview, two more Nomads had signed four new mandates – the exchange was expecting another listing in November and a very interesting 2014.

Frontier African Markets and the Liquidity Risk Premium

Mr. Jan Schalkwijk

On the eve of a potential government shutdown here in the United States, I am anxiously awaiting the reaction of capital markets. Experience tempers my temptation to be a seller of equities, as timing the market invariably leads to below average returns over the long run. **By Jan Schalkwijk**

Not only does one have to get the exit right, but one has to wade back into the markets at a time when uncertainty will still reign supreme. A more likely scenario is a reentry into equity markets once the "coast is clear" at which point the market might be well ahead of where it was upon exit. So why bother investing in listed equities in the first place? It is these risks that allow for the risk premium, which ultimately drives the investment return. So as long as there is an adequate risk premium that can be earned, risk is an investor's friend. After all, if there is no risk, there probably is no risk premium.

Those markets that have the highest risk premiums should have the highest expected return, if markets are relatively efficient. With higher growth expectations and less developed economies, stock markets in sub-Saharan Africa exhibit both greater upside and greater uncertainty. Adding additional uncertainty, by investing in less liquid African stocks, adds additional risk and ideally a higher expected return. I examined the performance of the most liquid names traded on the Nairobi Securities Exchange, Nigerian Stock Exchange, and the Zimbabwe Stock Exchange and compared that to the respective All Share indices to see if investors indeed earned a higher return for taking on liquidity risk.

Starting with the Kenyan exchange, I looked at the returns of Safaricom, East African Breweries, KCB, Equity Bank, and Nation Media as a proxy for the most liquid stocks and compared their returns to that of the Nairobi SE All Shares Index over the last 3-year time period. The below table shows the results:

Security	3 –yr average annual return	Standard deviation (3yr)
Safaricom	24.26%	29.51%
East African Breweries	17.75%	31.28%
KCB	33.26%	26.17%
Equity Bank	9.98%	26.46%
Nation Media	30.72%	30.12%
Basket of 5 (equal %, no rebal)	23.78%	N/A
Nairobi SE All Shares Index	8.23%	N/A

In Kenya, it appears that the most liquid stocks on the exchange did quite a bit better than the All Shares Index. Of course, a basket of five stocks does not comprise a diversified portfolio, which introduces a lot of noise from other variables such as sector, business cycle, and size, that would prevent a firm conclusion. On the surface, however, it seems that the most liquid stocks significantly outperformed the market, which would suggest there was no return penalty in Kenya for sticking with the most liquid names. One possible explanation would be that big international investors in their excitement over Kenya, were entering the market and bidding up the most liquid stocks, which are the only ones they can buy, due to size constraints. Although this trend could continue, it might be interesting to look at stocks that are less liquid now but

might become more liquid in the near future. This could be the catalyst for their subsequent appreciation, and the mean reversion for the basket I looked at.
In Nigeria, I selected Dangote Cement, Guaranty Trust Bank, Nigerian Breweries, Zenith Bank, and First Bank of Nigeria as my proxy for liquid stocks. The results are below:

Security	3 –yr average annual return	Standard deviation (3yr)
Dangote Cement	15.68%	33.95%
Guaranty Trust Bank	29.08%	29.84%
Nigerian Breweries	32.17%	28.54%
Zenith Bank	18.37%	31.92%
First Bank Of Nigeria	14.94%	35.63%
Basket of 5 (equal %, no rebal)	22.47%	N/A
NSE All Share Index	16.69%	N/A

The results in Nigeria were similar, but the outperformance of the most liquid names versus the NSE All Share Index was less pronounced, when compared to Kenya. Intuitively this makes sense, as Nigeria is a deeper and bigger market than Kenya, in which a return premium for liquid stocks – a market inefficiency – should decay over time. Again, this is more an observation than a conclusion, due to the limited sample size that cannot isolate the effects of other variables.
Finally, I took a look at the Zimbabwean market and found the following results:

Security	3 –yr average annual return	Standard deviation (3yr)
Delta	33.89%	26.99%
Econet	10.76%	27.09%
Innscor Africa	20.81%	32.31%
OK Zimbabwe	34.89%	44.61%
Commercial Bank of Zimbabwe	2.08%	75.16%
Basket of 5 (equal %, no rebal)	21.83%	N/A
Zimbabwe Industrial Index	13.44%	N/A

As was the case with Kenya, in Zimbabwe the Basket of Five has done meaningfully better than the All Share Index, suggesting that investors have been willing to bid up shares that are more liquid, leaving the rest of the market to trade at lower multiples. Perhaps investing in Zimbabwean shares has been less about fundamentals than about macro-economic considerations. Eventually, stocks should trade on fundamentals, which should mean-revert the lesser known names upwards and the most liquid names downwards. However, this day may be a ways off yet, as the biggest opportunity at the moment seems to be the potential for macro-economic and political progress, coupled with the risk of that not materializing as hoped.

Whereas in developed markets there are generally risk premiums to be earned for less liquid stocks, the return premium in sub-Saharan African markets has not yet materialized, at least based on a cursory observation of the markets of Kenya, Nigeria, and Zimbabwe. More research needs to be done to isolate the liquidity factor and its influence on returns. Yet, I am willing to draw some conclusions that are helpful to me as a portfolio manager of African stocks: It seems that there is a balance of macro and fundamental opportunities in African markets. To the extent that the macro story overwhelms the fundamentals of individual companies, investors might not be rewarded for taking on liquidity risk. However, once markets become broader and deeper and more focused on fundamentals, looking beyond the biggest names might earn an investor a premium for taking on liquidity risk.

Furthermore, mean reversion is a powerful force of markets. If the most liquid names look really good in the rearview mirror, they may disappoint over the next time period. If we look at the Johannesburg Stock Exchange as a proxy for what the Frontier African markets might look like in the future, we see that the FTSE/JSE Africa All Share Index has outperformed the FTSE/JSE Africa Top 40 Tradeable Index over the last 5 years, producing average annual returns of 16.18% vs. 15.96%. To be sure that is not a large premium for taking liquidity risk. However, it is quite different from the large discount that we see in Kenya and Zimbabwe, and to a lesser extent Nigeria.

To be sure, investors both large and small have done quite well in Frontier African markets in the recent past, earning a premium rather than suffering a penalty for investing in the most liquid stocks. However, I believe the more nimble managers have a unique opportunity going forward. After all, less constrained by firm size, they can make the choice between whether to invest in the big liquid names, or whether to try and earn a liquidity premium (or any other premium) that may exist outside the group of widely traded stocks. As Frontier African markets continue to mature, this flexibility to invest across the liquidity spectrum will become increasingly valuable.

Emerging from the Frontiers The Nigerian Capital Market

By: Adeolu Bajomo and N. Yvonne Emordi

Capital markets are classified under the MSCI framework as frontier, emerging or developed markets. This classification is broadly based on three primary criteria, namely:

- Market accessibility
- Economic development (of the country that the market operates in)
- Size and liquidity requirements

While developed markets tend to be engaged in a trading platform performance 'arms race' to achieve ground-breaking, ultra-low latency speeds, without compromising service reliability, frontier markets are focusing on building the necessary Exchange technology framework that will enable their markets transform from frontier to emerging market classification.

One Exchange which has advanced plans to move from the frontier to emerging classification is the Nigerian Stock Exchange. Founded in 1961, the Nigerian Stock Exchange is the second largest trading venue in sub-Sahara Africa, with, as at August 30, 2013, over 250 listed securities, a market capitalization of N17.5t (USD 112.6b), and an average daily turnover of N4.4b (USD 28.5m).

Analyses of emerging markets highlight the role of technology and best-in-class operational processes as key to moving a market from frontier to emerging classification. Enabling technology and transparent efficient processes are, therefore, essential ingredients for these markets to achieve their full potential; serving both a national need for developmental capital and wealth creation, and an international need for portfolio diversification and higher returns.

As at the mid-year mark (end of June 2013), the Nigerian Stock Exchange scored rather favorably against all-but-three of ten key MSCI measurements for emerging market classification, two of which are closely associated with developments in Exchange technology. These are:

- Efficiency of the operational framework
- Broker competition to ensure high quality services

TECHNOLOGY AND AUTOMATION FOR CAPITAL MARKETS' EMERGENCE

Since the Great Banking Crisis of 2008, and at a time when developed markets are experiencing significant declines in economic activity, many frontier markets are recording consistent levels of economic growth above 5% of GDP. The Economist magazine recently predicted that 6-out-of-the-10 fastest growing economies in the next ten years will be based in Africa.

While most African capital markets are classified as frontier markets by MSCI, it is becoming more evident that they cannot be ignored by serious, long-term investors; especially markets that are investing in more efficient technology, as well as in effective and transparent processes. A pre-requisite for the emergence of frontier markets is, therefore, an investment in enabling technologies that facilitate operational efficiency within these markets and their eco-systems. This, in turn, improves the experience of doing business in these markets, which positively affects the level of interest in investing in these markets. The baseline technologies required to achieve this emergence must, thus, be carefully selected and implemented. These baseline technologies would include the following:

Trading Platform

A high-performance, multi-product, multi-asset platform is the essential building block for the emergence of a frontier market. Such a platform must be highly scalable to cater for growing participation by the middle-class and the broader investing public. It must also seamlessly accommodate global investor participation, and offer direct market access and standard connectivity protocols to facilitate automated trading.

The architecture would require that trade processing be carried out in an in-memory database to achieve minimum response time (low latency) and maximum system availability for users. Trading terminals would also need to be connected to the matching engine (trading engine) through a resilient set of "distribution" servers. The trading engine, in addition to matching orders (from buyers and sellers), would carry out functions such as the computation of indices (indexes), while managing the process for keeping positions.

It is essential that the platform supports the Financial Information eXchange (FIX) protocol for seamless data exchange through the end-to-end trade cycle. The platform should provide a joined-up approach to all market infrastructure – from the client (retail and institutional) through trading, to clearing and settlement, as well as between market data vendors and independent software providers. It should support automated trading, eliminating manual handoffs wherever possible.

Market Database

Many trading platforms have adopted a strategy of keeping historical trading data on high performance databases, separate from the core trading engine. This ensures a lean-and-mean core trading platform, whilst allowing for analytics and business intelligence-related activities to be carried out on a separate, highly optimised database platform. A market database is essential to the provision of business intelligence services, and to the development of data products that can add value to the investment decision-making process; it also provides an alternative revenue source for exchanges.

Networks

Emerging frontier markets need to develop low latency, reliable, secure and scalable data networks that cater for the on-going evolution of trading – from human-driven trading to computer-driven trading. Through sophisticated algorithms that are designed to take advantage of specific market conditions or trends, computer programs can generate very high volumes of buy and sell orders. A well-designed and optimised data network that carries data at the highest speeds is, thus, an essential requirement.

FIX Protocol

With its widespread adoption by global capital market participants, the FIX Protocol and its higher performance variant – FAST – are essential baseline requirements for any trading platform implementation today, as major market data vendors and order management systems providers utilize this protocol to interface with the trading engine. The trading platform should also have the capacity to run the Itch and Ouch protocols in the event higher performance levels are required by the market.

Order Management System

Many frontier markets have automated trading systems, and broker/dealers operating in these markets often provide Web-based front-ends for customer (investor) order input and portfolio management. There is usually no automated interface between these order/portfolio management systems and the trading platform, and brokers are thereby required to either manually input orders into the trading system, or upload files from their order management systems to the trading engine.

An automated interface between the trading platform and any connected order management system is, therefore, a key requirement for a market to move from frontier to emerging market classification. Implementation of the minimum technology standard for the broker/dealer community is also an enabler for technology-driven efficiency in these markets; it engrains best practices in achieving improved levels of transparency, reduces order placement to execution times, and leverages the proliferation of mobile phones for retail clients to access the market.

Business Continuity

A robust business continuity plan that ensures timely and robust recovery of services, in the events of a disaster, is essential to ensuring that these investments are worthwhile and sustainable, both in the events of man-made and natural disasters. A business continuity plan should ensure an adequate level of geographical dispersion from the main site, as well as smooth recovery to back-up systems in the shortest, practical period of time. The business continuity processes should be tested by the Exchange and its wider eco-system of broker/dealers, as well as by key market participants on a regular basis.

End-to-End Process Automation

Process automation is key to ensuring investments in technology and innovations translate into a high-quality level of service for market participants. A process of continuous improvement is also required to update operating efficiency, and to add true value to the market participant experience.

Monitoring and Capacity Planning

High availability and a proactive posture to service delivery translate directly into improved market operator and wider market participant experiences in doing business with the Exchange. To achieve this, appropriate tools to monitor the trading infrastructure and trading applications are fundamental requirements. Prompt alerting also mobilizes resources quickly to resolve problems as they arise, thereby reducing overall down-time, and minimizing the risk of credibility and investor apathy.

While implementing monitoring, diagnostic and capacity management tools will provide an early-warning system in the event of impending or actual problems, integrating the alerts into one consolidated console will provide additional benefits. This includes improved efficiency and ease-of-use in the monitoring and diagnostic process; together with the ability to drill down to levels that generic tools are unable to reach; and presenting alerts from a range of applications, servers and networking systems to a single management and response interface.

CHALLENGES AND OPPORTUNITIES

Frontier markets face a number of challenges when revamping their technology-driven operations and capabilities. These must be thoroughly addressed to achieve sustainable delivery of core capital market technology services, comparable with those of developed markets, especially if they are to achieve emerging market classification. These challenges, incidentally, translate into opportunities for investors willing to tap into these jurisdictions, and they include:

Resourcing

Frontier markets require expertise in an array of disciplines, for example: project management skills; application development, database, network and server administration, and hardware management skills; operating system expertise; and of course, specific knowledge of trading platforms, data migration, testing, interface delivery and integration.

These skills are scarce in frontier markets, therefore increasing the need for talent sourcing from developed markets. To ensure the successful implementation of a trading environment and an effective transition to production (the up-and-running state of new system), knowledge transfer and skills development of local personnel (often more cost-effective) is critical. This provides a robust and effective all-around solution in the short, medium and long terms.

Reliable Telecommunications Infrastructure

The telecommunications industry in some frontier markets faces developmental challenges, specifically due to poor and insufficient infrastructure. There is optimism, however, that ongoing reforms and investments by telecommunications service providers will address these issues in the near future, and further facilitate access to the market through trading applications on smart phones.

Historically, Exchanges in frontier markets have opted to locate their trading floors in the same premises as their core trading infrastructure. This structure supports connectivity for broker/dealers who are the primary users of the core trading infrastructure. Advances in technology have, however, encouraged an increase in use of fiber connectivity in most frontier markets; unfortunately, such connectivity is often fraught with interruptions due to fiber cuts as a result of road works, construction or adverse weather conditions.

In Nigeria, specifically, there has been an increase in the number of service providers in the fiber provision space, and service levels have seen significant improvements over the last 24 months. Furthermore, the capability of mobile data telecommunications plays a unique role in mass market sales strategies, as well as in financial inclusion strategies targeted at rural communities.

In markets where physical trading floors do not exist, there is heavy reliance on the performance of the domestic telecommunications infrastructure. In order for such markets to achieve the desired level of availability, sufficient redundancy must be factored into the design of the network, and the network must be fully tested and optimized to provide the required service levels. When selecting a site for a trading engine and the broker/dealer systems which may need to interface with one another when carrying out normal and algorithmic trading activities, a key consideration should always be the requirement for low latency.

THE END GAME

Frontier markets that are more savvy in the selection, implementation and exploitation of trading technologies, and which underpin these with robust business processes, will not only achieve improved participation and liquidity in their markets, but will also create a basis for market growth. This is achievable through increased listing activities, diversified product offerings, and mass-market (retail) participation by their populations. This, in turn, creates wealth building opportunities and thus, contributes to the growth of their economies beyond the current pedestrian levels. Additional benefits that can be accrued include the enhanced experience of doing business in these markets, from both the market participant and investor perspective.

In conclusion, astute investors cannot afford to ignore this critical wave of emerging frontier markets in their proprietary and client portfolios. Nigeria, for example, is predicted to become the largest African economy by the year 2020, and it continues to grow at an enviable rate of over 6%, annually, in a world of struggling economies. Nigeria is a country with 167 million people, of which 89 million are of working age. Despite the nation's infrastructural deficits, on-going reforms and initiatives targeted at addressing these exact deficits continue, and the nation is optimistic that these reforms and initiatives, once achieved, will heighten the growth trajectory.

There has never been a better time than now, for frontier markets to emerge. Investors locally, on the continent and globally, should take note.

The corporate governance gap in Kenyan shareholder communications

For some years now Kenyan listed companies have not been required to send hardcopy shareholder voting material to their shareholders.
Says with By: **Rob Stangroom**

Because investors in public capital markets, particularly retail investors need protection from abuse this is a bad thing for corporate governance. Shareholders have a right to be informed of and attend meetings and participate in a democratic vote. This is entrenched in law.

In Kenya the onus is on a shareholder to get his voting materials and find out how to vote.

How did this situation in Kenya come about?

Companies complained about the cost of communicating with shareholders and subsequent amendments to the Kenya Communications Amendment Act allowed electronic communications to be admissible in a court of law. Company directors immediately saw this as an opportunity to reduce costs.

Listed companies dropped sending hardcopy voting material to shareholders and the procedures related to how to communicate with shareholders was left to the listed companies shareholder meetings (majority shareholders). This is where Kenyan regulators dropped the ball.

In the USA the SEC did not go the Kenyan route. The SEC said that if it did it would conflict with its core obligation: that of investor protection.

This is what the USA did:-

- Kept the hardcopy shareholder communications regime
- Enabled "opt in electronic communications" in line with best practice internationally (in 2005)
- Grew this until the electronic platform was accepted
- Adopted hardcopy communications as the "opt-in" and adopted electronic communications as the default method (in 2008)

I asked Dominic Jones , a world leader in online investor relations, about the electronic communication trends in African markets: "Scrapping requirements for companies to mail printed disclosure documents to investors is a global trend, but it has exacerbated shareholder apathy in every jurisdiction where it has been implemented. This is largely because regulators have failed to replace printed disclosures with suitable standards of online disclosures.

Apathy and an uniformed investing public is, to my mind, the single worst thing that can happen in any market. It ultimately will lead to market abuses."

South African legislation has retained the requirement for a direct link.

	USA	UK	SA	Kenya
Websites substantively encouraged as a communications tool	Yes	Yes	Yes	X
Minimum information to publish on website defined by the SE	X	Yes	X	X
Requirement for listed companies to establish a website	Yes*	Yes	X	X
Shareholder approval required for electronic shareholder comms.	Yes	Yes	Yes	Yes
Legislation specifically addresses electronic communications	Yes	Yes	Yes	X

"*"SEC No, NYSE Yes

In the modern day of mobile phones and social media perhaps it's correct to not worry about these things. How then do Kenyan regulators protect the rights of that single investor who did not receive the notice of a key corporate voting event?
That's the issue. If you're an investor it could be you.
Not sending shareholder voting material is akin to saying to a Kenyan Citizen, you have the right to vote, but Government has no obligation to tell you what on, when or where.

Promoting individual stock ownership: a win-win partnership between exchanges, legislators and issuers to foster economic growth

By Anne Guimard

President, FINEO Investor Relations Advisors & the School of Investor Relations

Research abounds on the correlation between stock market development and long-term economic growth. While sharp contrasts exist between mature economies and emerging markets at various levels, the direct link tends to be demonstrated over time.

Along the same lines, the OECD published in its "Corporate Governance, Value Creation and Growth- The Bridge between Finance and Enterprise" 2012 study that "Credible and well-functioning capital markets is a prerequisite for the development and sustainability of a vibrant private enterprise sector. And the prime policy objective is to make sure that corporations get access to the capital they need for innovation, job creation and growth. For this to happen markets need to have a robust framework of corporate governance rules and regulations that provides investors with confidence in the system and entrepreneurs with the incentives to develop their businesses."

In this respect, individual or "retail" shareholders are a full-fledged component of country's financial ecosystem and a force to reckon with, for the main reasons:

- They act as liquidity providers, alongside the State, private firms, institutional investors and banks
- They tend to be longer-term holders.

Let's have a look at some hard numbers:

- Paul A. Grout, Professor of Political Economy at the University of Bristol (UK) calculated in September 2009 that half a billion individuals (565 million, to be precise) in 66 countries owned stock indirectly through pension funds and at least 328 million were direct shareholders in 70 countries around the globe.
- In the UK, individuals owned an estimated 10.7% of ordinary shares in quoted companies in the UK by value at the end of 2012, according to the September 2013 Ownership of UK Quoted Shares Bulletin.
- In the US, retail investors own about 33% of the shares outstanding issued by US public companies, according to the analysis of the 2013 proxy season conducted by ProxyPay.

What the above statistics also demonstrate is the link between individual stock ownership and financial market development.
"In countries where privatization programs have occurred, such as the UK, France or Japan, these programs have been extremely instrumental in creative massive pools of individual shareholders in already very developed stock markets" writes Professor Grout and his team of researchers. They also relate the less immediately positive outcome of privatization programs in Hungary, Poland, Russia to the fact that "stock markets had to be created as part of the privatization process".

What is the situation on the African continent? If one refers to the same research mentioned above, about 2.6% of South African citizens owned shares either directly or through mutual funds. The same number was 0.04% in Morocco, 0.25% in Zambia, 0.37% in Kenya, 2.56% in Mauritius. As a matter of comparison, the percentage was 5.9% in China.
Worth considering is therefore the development of a culture of stock ownership through a variety of tools and approaches, usually combining education, tax incentives and communications strategies. Hereafter are a few ideas based on my personal experience of managing a large, post privatization base of individual investors. Feedback will be welcomed.

The critical role of better financial literacy

Improving financial literacy should be a top agenda item on all education programs across countries, starting early on. The goals is that, progressively, citizens learn how to make informed financial decisions, which may include buying or selling shares at some point in time in their lives, as a way to generate savings and/or ensure additional remuneration. Several African stock exchanges have already recognized that investor education is also part of their duties and launched bespoke educational programs. They are increasingly leveraging the internet to distribute pedagogical content knowledge on how to invest (and what are the potential risks and rewards attached to the process).

Issuers, too, have a role to play. Some European companies where individual shareholders can represent at least 10 to 15%, (and sometimes a lot more) of the equity have developed their own learning modules, either on their own or by partnering with schools or universities.

Taken independently, however, none of these entities can act alone; they all need the support of their governments and legislators to maximize the efficiency of their actions.
Tax incentives: a powerful lever to promote individual stock ownership Putting aside for one moment the actual availability of savings to invest on the stock market, risk aversion is probably the next most important hurdle, and

understandably so. Tax incentives can turn out to be an effective way of alleviating at least some of these concerns. Governments and legislators have a wide array of measures to choose from: these range from allowing companies to issue shares at a discount on the occasion of public offerings or through employee share ownership schemes, to offering reduced tax rates on capital gains. In most cases, the shares need to be held for a minimum of time in special purpose securities or savings accounts, which is also a way to ensure longer term ownership.

Turning shareholders into clients… and vice-versa

Certain industries, especially in the consumer markets, may find it beneficial, from a financial and possibly, more importantly, from an image point of view, to turn their shareholders into clients. This says how similar Investor Relations is to Customer Relations. It further emphasizes the importance of quality in the services that are rendered to both stakeholder groups.

In order to proactively cater to retail shareholders, companies sometimes will set up a dedicated team within Investor Relations, alongside those who interact with sell-side analysts and institutional investors, which will be in charge of developing ad hoc programs spanning a wide spectrum of services, often reaching far beyond the basic provision of financial information.

For instance, you can trade your shares through the IR department, as well as get invitation to a company-sponsored event such as an art exhibition or visit certain factories. Toll-free numbers are available, and so are training courses in all things financial, just to name a few. The similarity with customer relations also implies that retail shareholder maintenance is conducted with adequate staff and resources which, in large groups, are sometimes shared, with corporate communications teams, in a cost-effective manner.

This is particularly the case when it comes to taking advantage of modern technology to support retail shareholders: corporate websites boast sections that are customized to this specific audience. Video interviews of management on the announcement of earnings are rapidly gaining momentum, while newsletters are now distributed via email.

The many ways of building and maintaining shareholder loyalty

Individual shareholders are usually said to be longer term oriented than institutional investors. Hence the fact that some companies have recognized the benefits of designing proper remuneration policies for their long-term investors, especially the issuers with large free floats, such as certain European groups where, following privatization, individual shareholders can easily be counted in millions or at least in several hundreds of thousands.
This has given birth to innovative remuneration schemes: in this case, special legislation has been enacted to support the development of a robust private shareholder base: for instance, French companies can provide for double-voting rights in their bye-laws for shareholders who have held shares in registered form for a minimum of two years. The same requirements may apply to become the recipient of a preferential dividend.

Worth mentioning is that the companies that have implemented these resolutions also have a large institutional investor base, which is traditionally a strong advocate of the "one share one vote" principle. This proves that the interests of both shareholder categories can be well aligned on core corporate governance issues.
Of course, the issuers have the possibility to offer a combination of any or all of the above with cash dividends, rights issues, and free shares, depending on the resources available, their financial strategy, the provisions of their by-laws and the country's legal framework.

If you now look the other way around, turning existing clients into shareholders might be worth considering. Once trust has been established and loyalty tested, listed companies may want to turn this to the benefit of their long term strategy, by enlisting all the support they can get. This includes being able to tap at any point in time into a pool of potential shareholders, institutions and individuals alike. Reputation then comes into play and has far reaching implications, much beyond the dividend policy along, which may be constrained by the financial performance of a given year.

All in all, exchanges, legislators and issuers, all have a vested interest in attracting and retaining individual shareholders. And that vested interest is called economic development.

Anne Guimard

Proving the Attractiveness of Listed Markets in Africa

Listed markets in Africa have been endorsed to the global investment community through marketing of a variety of characteristic themes. The more prevalent of these have focused on the portfolio diversification benefits of these markets by virtue of their low correlation to developed markets, and their attractive valuations with seemingly endless growth potential associated with a burgeoning consumer base.

By: **Deon Smith**

It is vital that investors on the lookout for attractive yield are able to measure the accurateness of these endorsements. The quality and availability of information on African listed entities has increased significantly over the past five years. The participation of exchanges in organisational structures such as ASEA, the promotion of regional integration and the general focus and drive for increased governance and transparency are slowly increasing the efficiency of African listed markets – resulting in deepening liquidity and lower concentration. However, much is still needed to be done to mitigate logistic inefficiencies inherent in these markets such as the size and variety of transactional costs, spreads on cross currency transactions, and regulatory road blocks.

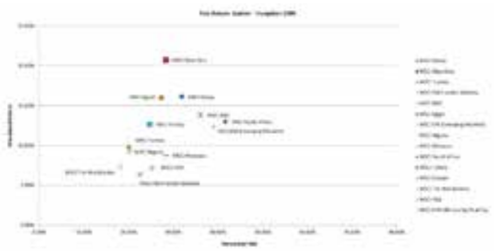
Although RisCura has done significant work on valuing African listed markets, we have used the MSCI index series throughout this analysis (both from a data consistency and independence perspective) as a proxy for market performance and valuation. While the use of the MSCI index series may not capture the markets in their entirety, from an institutional point of view, it provides a fair representation.
A summary of the result set is laid out below:

P/E and Div. Yield numbers as at 2013/09/30

The correlation matrix on the right is built off monthly USD returns of the various MSCI TRI indices over the period 2004 to present. The associated leading Price-Earnings (P/E) Ratio and Dividend Yield Ratios lie to the left. African markets are promoted by the appearance of lower correlations (greener colours) for the African Indices versus those of the developed markets, emerging markets and the BRIC nations. Nigeria, Tunisia and Morocco all show low correlations across the board, with Kenya and Egypt following suit. The BRICs and other emerging countries are understandably more correlated to the developed markets (> 0.8).

From this cursory analysis we can surmise that African markets follow a lower correlation to developed markets. However, in a "risk on" environment, regardless of what would logically be seen as an appropriate safe haven as per the above correlations, capital flight occurs back to the developed markets and shorter-term correlations tend to 1. The net result is somewhat of a lagged period of negative volatility, allowing correlations to stay low. However, investors miss out on the expected benefits associated with these low correlations. The 24-month rolling correlations to the MSCI World Index below begin to tell a story of the diversification pros of country specific allocations. Two years on from the crisis of 2008 we see correlations benefitting from the return differentials of African countries to their more developed counterparts during that period of negative volatility.

Therefore, one can conclude that diversification may be achieved by looking to African markets. However, is this the right kind of diversification, and could there be added sweetness by achieving this at the right price? Below is a risk return scatter (inception 2004) of monthly returns. This graph indicates that one does not necessarily achieve diversification at the cost of additional volatility. All the African orientated indices (with the exception of South Africa) outperformed the developed world at a risk threshold lower than that of emerging markets.



Interestingly, when looking at the P/E ratios of the African MSCI Indices they are generally on par with the emerging markets, and more expensive than that of the BRICs, although the African ratios are generally much higher than their long-term averages. Real value is found when looking at sectors within countries in Africa. Nigeria's financial services sector has a P/E of roughly 7 versus that of its consumer staples at 27 (paying a P/E of 27 for a consumer base like Nigeria may be the bargain of the lot!). This disconnect between sector valuations is a trend that can be observed across the continent.

Comparing the correlations of P/E ratios across the different markets is thought provoking in itself. Similar to the returns series, African P/E (utilising MSCI EFM Africa-Ex ZA as a proxy) produces a very low correlation of 0.09 compared to that of Emerging Markets (0.9) and BRICs (0.72) to the MSCI World.

African listed equity may serve as a complement to any general investor's portfolio. With sufficient analysis in order to determine where true value is accessible, the growth potential and diversification benefits are significant motives for capital allocation. The trend in increased information robustness and accessibility serve as further reasons to look beyond the poor liquidity and political stigma, and benefit from what has been labelled the final frontier.

African listed equity may serve as a complement to any general investor's portfolio. With sufficient analysis in order to determine where true value is accessible, the growth potential and diversification benefits are significant motives for capital allocation.

Deon joined RisCura in 2009 and is a Product Specialist responsible for the development of risk and performance attribution reporting for South African and international investments. He has extensively researched African listed equity, focussing on the construction of an Africa–Ex RSA listed equity benchmark. Deon also serves as VP Africa Research for AfricaSIF.org: a not-for-profit network that promotes investment in sustainable development across the African continent. Deon has a B.Sc. in Electro-Mechanical Engineering and is a CFA Level III Candidate.

Deon Smith

MEMBER NEWS AND STATISTICS

	July 2013	August 2013	September 2013
Total Value Traded USD	**16,123,792**	**18,086,021**	**14,667,993**
Equity Market Value Traded	14,437,443	12,990,536	13,123,568
Bond Market Value Traded	1,686,349	5,095,485	1,544,425
Others			
Total Volume Traded	**4,450,543**	**3,459,662**	**3,702,681**
Equity Market Volume Traded	4,365,828	2,838,330	3,625,974
Bond Market Volume Traded	84,715	621,332	76,707
Others			
Total Number of Transactions	**3,576**	**3,304**	**3,188**
Equity Market Number of Transactions	3,475	3,214	3,119
Bond Market Number of Transactions	101	90	69
Market Capitalization USD	**10,242,359,441**	**10,093,062,792**	**10,211,980,575**
Number of Listed Companies	73	71	71
Number of Traded Companies	57	55	53
Number of Trading Days	23	19	21
Exchange Rate/US$	**494.13**	**485.61**	**485.71**
Main Index Name	**BRVM-10**	**BRVM-10**	**BRVM-10**
Main Index (Points)	231.88	222.94	223.31
Gains in Main Index (%)	-1.96%	-3.86%	0.17%
P/E Ratio	12.20	12.42	12.85
Dividend Yield (%)	13.32%	7.06%	6.81%

BOTSWANA STOCK EXCHANGE

	July 2013	August 2013	September 2013
Total Value Traded USD	**12,000,728**	**11,285,204**	**43,416,099**
Equity Market Value Traded	10,485,472	11,261,310	43,416,099
Bond Market Value Traded	1,515,256	23,893	-
Others	4,547	845,846	1,867,065
Total Volume Traded	**53,628,349**	**26,663,608**	**9,737,512**
Equity Market Volume Traded	52,113,093.00	26,643,570.00	9,737,512.00
Bond Market Volume Traded	1,515,255.71	20,037.50	-
Others	123.46	8,008.36	16,996.33
Total Number of Transactions	**949**	**1,119**	**1,004**
Equity Market Number of Transactions	934	1,085	992
Bond Market Number of Transactions	1	2	-
ETF	14	32	12
Market Capitalization USD	**55,055,122,142.00**	**47,224,468,165.00**	**54,134,584,100.00**
Number of Listed Companies	38	38	37
Number of Traded Companies	30	32	30
Number of Trading Days	20	22	21
Exchange Rate/US$	**7.69**	**8.73**	**7.63**
Main Index Name	**DCI**		
Main Index (Points)	8,663.22	8,495.30	8,594.93
Gains in Main Index (%)	-0.10%	-1.94%	1.17%

	July 2013	August 2013	September 2013
Total Value Traded USD		**0**	**0**
Equity Market Value Traded	Nil	0	Nil
Bond Market Value Traded	$138,628.09	0	$679,045.64
Others	N/A	N/A	N/A
Total Volume Traded	**11,000**	**0**	**52,880**
Equity Market Volume Traded	0	0	Nil
Bond Market Volume Traded	11,000	0	52,880
Others	N/A	N/A	N/A
Total Number of Transactions	**1**	**0**	**2**
Equity Market Number of Transactions	0	0	0
Bond Market Number of Transactions	1	0	2
Others	N/A	N/A	N/A
Market Capitalization USD	**$720,148,744.16**	**$571,751,039.77**	**$592,078,353.49**
Number of Listed Companies	20	4	4
Number of Traded Companies	4	0	1
Number of Trading Days	1	0	2
Exchange Rate/US$	**79.349**	**79.777**	**77.874**

Key facts :

April 11th: The Casablanca Stock Exchange organized, in partnership with the Moroccan Institute of Directors, the CDVM and the International Finance Corporation, a conference to present the results of the 2012 survey on the listed companies governance.

April 18th: Visit to the Casablanca Stock Exchange of Mr Rafaël TUNG NSUE, President of the COSUMAF (Financial Market Authority of Central Africa) who was accompanied by other members. Mr Rafaël TUNG NSUE rang the bell which marks the opening of the trading session. During this visit Mr. Karim Hajji, CEO of Casablanca Stock Exchange exposed the recent evolution in the Moroccan stock market.

May 24th: Visit to the Casablanca Stock Exchange of Mr Edoh Kossi Amenounve, Chief Executive Officer of the BRVM (The best African Regional exchanges. This visit aimed to establish profitable cooperative relations between the two exchanges through joint actions for a better integration between the two markets, while taking care of their mutual development.

May 27th: The Casablanca Stock Exchange sponsored a seminar during the annual meeting of the AfDB in order to promote the role of a stock exchange in the funding of African SMEs.

June 7th: Casablanca Stock Exchange and INJAZ Al Maghrib enclose the Program "Bourse in action" for the year 2012-2013. 150 students schooled in 8 public high schools of Casablanca profited from this training program.

June 10th: Casablanca Stock Exchange organized in partnership with the consulting firm Chappuis Halder a conference on " Casablanca Stock Exchange: which growth trajectory? Challenges, models and development strategies."

June 27th: Casablanca Stock Exchange and Moroccan Association for the Professionals of Participative Finance organized a workshop on "Sukuks, New Layer of Financing for Morocco

CASABLANCA STOCK EXCHANGE

	July 2013	August 2013	September 2013
Total Value Traded USD	**223,064,411.15**	**109,062,958.92**	**124,460,141.21**
Equity Market Value Traded	121,356,619.63	85,208,548.54	124,460,141.21
Bond Market Value Traded	101,707,791.52	23,854,410.38	-
Others			
Total Volume Traded	**7,107,493**	**4,126,603**	**8,350,046**
Equity Market Volume Traded	7,098,573	4,124,603	8,350,046
Bond Market Volume Traded	8,920	2,000	-
Others			
Total Number of Transactions	**7,423**	**4,363**	**9,094**
Equity Market Number of Transactions	7,407	4,359	9,094
Bond Market Number of Transactions	16	4	-
Market Capitalization USD	**49,307,708,699.95**	**48,239,651,143.61**	**50,769,226,161.87**
Number of Listed Companies	75	75	75
Number of Traded Companies	71	70	69
Number of Trading Days	22	18	21
Exchange Rate/US$	**8.40**	**8.43**	**8.27**
Main Index Name	**MASI**	**MASI**	**MASI**
Main Index (Points)	8,577.59	8,413.72	8,673.49
Gains in Main Index (%)	-2.44	-1.91	3.09
P/E Ratio			
Dividend Yield (%)			

Market Capitalization & Indices

The Market Capitalization grew by 5.58% from TZS 14,057.92 Billion as of 30th June 2013 to TZS 14,842.37 billion as of 30th September 2013

All Share Index gained (+5.57%) from 1,582.51 points by the end of June 2013 to 1,670.73 points as of 30th September 2013.

Growth in DSE All Share Index was caused by appreciation of both domestic and cross listed share prices. The following securities appreciated by at least 23%: TCC (23.08%), and DCB (22.50%). Significant appreciation of cross listed securities is caused by the fact that during the quarter DSE started reflecting closing prices on home market where securites are actively traded.

Domestic Market Capitalization

The Domestic Market Capitalization grew by 11.46% from TZS 3,865.63 billion in Q2 to TZS 4,308.64 billion in Q3. Equally, Tanzania Share Index increased by 11.46% from 1,840.11 points as at the end of June 2013 to 2,050.99 points as at the end of September 2013. This is also linked to the appreciation domestic share prices.

Turnover & Volume Trend

During the quarter, turnover, volume of shares traded and activity levels (deals) were stronger. The equity segments' turnover, volume of shares traded and deals increased by 14.8%, 15.82% and 29.86% respectively. Equity turnover increased from TZS 35 billion to TZS 40 billion while volume of shares traded increased from 77 million shares to 89 million shares.

New Segment launches

The Dar es Salaam Stock Exchange (DSE) has established a new market segment meant for SMEs and startup businesses in Tanzania. the new market segment named Enterprise Growth Market (EGM) will cater for companies which do not meet the listing conditions of the main market segment as well as startup companies which do not have track record but have good business plan which if funded will facilitate the company to take off and create wealth for Tanzania. The new segment will be launched during October, 2013 by listing a first company on the market segment.

For years since establishment of equity segment on the DSE its growth in terms of size and depth has been relatively slow. The EGM segment will enhance the growth and development of the country stock exchange. EGM is expected to bring new dynamism and vibrancy to equity market segment, through an increase in issuances and listing of shares. Overtime, this would translate into more investor's base and wider choices on investment opportunities. This would in turn promote saving culture on part of Tanzanians, channeling the savings into productive sector and thus contribute positively to the growth of the economy and formalization of businesses.

With the liberalization of the Tanzanian economy, entrepreneurs activities has grown steadily; the number of Micro, Small and Medium Enterprises (MSMEs) has been increasing and is expected to increase further. According to MSMEs Survey in 2010, (survey made by the Financial Sector Deepening Trust- FSDT), in Tanzania there is more than three (3) million MSMEs which have employed more than five (5) million people. However, many studies have indicated that access to capital has been a hindrance to the development and growth of the entrepreneurial activities. The EGM segment initiatives therefore, will be a milestone in support of the country different initiatives aim to address challenges faced by SMEs in accessing finance for their business expansions plans or seed capital.

New listings

During the quarter the DSE Governing Council approved 3 (three) new listings on the Enterprises Growth Market (EGM) market segment. The approved listings are for: Maendeleo Bank, Mwanza Community Bank and Swala Energy (Tanzania). The companies expects to list after finalizing the Initial Public Offer (IPO) processes. Listing of the three companies will increase number of listed companies to twenty (20).

Financial literacy initiatives

During the quarter DSE launched Country Wide Public Awareness Campaigns regarding the new market segment (EGM). The campaigns were launched on 24th September, 2013 by Hon Minister of Finance, Hon. Dr. William Mgimwa, (MP). This campaign involves training of SMEs: skills on companies' governance, business planning, capital raising processes etc. The campaign also involves public awareness creation through mainstream media channels i.e. TV, Radio, print media as well as social media such outlet such as Twitter, Facebook, blogs and YouTube.

Hon. Mgimwa with other officials after inaugrating the revised EGM Training Manual at Serena Hotel on 24th September, 2013.

All news about the Exchange activities and the ongoing public awareness about the new market segment (Enterprise Growth Market) are uploaded to these social media outlets. Access to the mentioned social media can be made through the DSE's website www.dse.co.tz

Seminars and events

During the quarter DSE started Country Wide Public Awareness Campaigns regarding the new market segment (EGM). The campaigns which include seminars to Entrepreneurs held in Ilala, Kinondoni and Temeke districts of the Dar es Salaam region. A total 205 people, representing SMEs from different sectors, attended the seminars where participants among things learn about governance, business planning, capital raising processes etc.

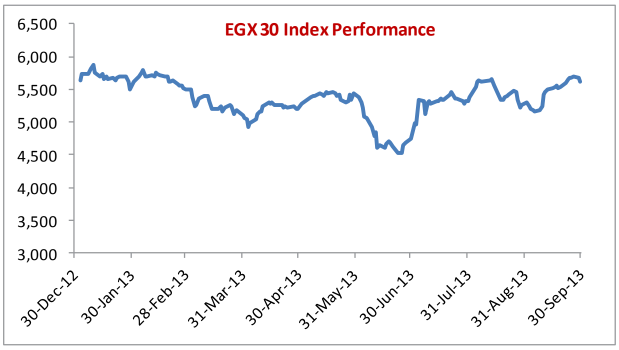
	July 2013	August 2013	September 2013
Total Value Traded USD			
Equity Market Value Traded	17,722,379,980	12,801,444,005.00	9,527,468,255.00
Bond Market Value Traded	17,227,014,480	4,993,800,000.00	23,876,424,280.00
Others	0		
Total Volume Traded	**52,341,123.00**	**26,700,570.00**	**10,049,084.00**
Equity Market Volume Traded	52,113,093	26,643,570	9,737,512
Bond Market Volume Traded	228,030	57,000	311,572
Others	0		
Total Number of Transactions	**1474**	**1233**	**1144**
Equity Market Number of Transactions	1463	1231	1133
Bond Market Number of Transactions	11	2	11
Others	0		
Market Capitalization USD	**14,323.24**	**14,343.05**	**14,842.37**
Number of Listed Companies	17	17	17
Number of Traded Companies	5	4	5
Number of Trading Days	23	20	21
Exchange Rate/US$	**1,613.15**	**1,611.39**	**1,604.75**
Main Index Name	**ASI**		
Main Index (Points)	1,611.15	1,611.49	1,670.73
Gains in Main Index (%)		0.02%	3.68%

DOUALA STOCK EXCHANGE

	July 2013	August 2013	September 2013
Total Value Traded USD	**676,892.679**	**2,318,058.295**	**393,309.871**
Equity Market Value Traded	34,546.387	52,730.312	20,250.311
Bond Market Value Traded	642,346.292	2,265,327.983	373,059.560
Total Volume Traded	**42,832**	**150,557**	**24,624**
Equity Market Volume Traded	240	402	110
Bond Market Volume Traded	42,592	150,155	24,514
Total Number of Transactions	**6**	**10**	**6**
Equity Market Number of Transactions	5	7	3
Bond Market Number of Transactions	1	3	3
Market Capitalization USD	**244,154,484.545**	**246,893,849.493**	**246,320,908.365**
Number of Listed Companies	6	6	6
Number of Traded Companies	4	3	3
Number of Trading Days	14	13	12

The Egyptian Exchange

Despite the tough economic conditions the Egyptian Economy is facing, the Egyptian market has witnessed a good performance during the third quarter of 2013, with EGX 30 index rising by 18.27%, to conclude the period at 5621 points. Likewise, EGX 70 & EGX 100 indices rose by 34.97% and 26.17%, respectively.



The total value traded recorded LE 41.4 billion during the third quarter of 2013 vs. LE 50.8 billion during the same comparable period of the previous year. Meanwhile, the total volume traded reached 7.12 billion securities executed over 1.21 million transactions during the third quarter of 2013 vs. a total volume traded of 11.82 billion securities executed over 1.81 million transactions of the same comparable quarter of the previous year.

As for the sectors performance all sectors have witnessed a remarkable performance the third quarter of 2013, with the Basic Resources sector coming on top, soaring by 47%. Second in line came the Travel and Leisure sector, rising up by 46%. Following came the Chemicals sector and the Personal and Household Products sector, rising by 30% and 28% respectively.

Later came the Real Estate sector, Industrial Goods, Services and Automobile sector and the Financial Services excluding Banks sector all recording a 26% increase during the quarter. As for the Banks Sector it occupied the eighth place followed by the Telecommunications sector, Food and Beverage sector and Construction and Materials sector recording 24%, 16%, 13% and 9% increase respectively.

Finally, the Healthcare and Pharmaceuticals sector recorded the only decline during the quarter of 1.5%.

The Egyptian market was dominated by retail investors, accounting for 54% of the value traded during the third quarter of 2013, as opposed to 56% during the third quarter of 2012. Meanwhile, Institutions, accounted for 46% of the value traded during the third quarter of 2013, as opposed to 44% during the same quarter of 2012. Worth mentioning, that the institutions were net sellers during this quarter, with a net outflow of 421.82 million, after excluding deals.

In addition, foreigners accounted for 19.78% of the total value traded in the third quarter of 2013, of which 5.3% was captured by Arab investors while the remaining 14.46% were captured by non-Arab foreign investors after excluding deals. The non-Arab foreign investors' trading activity was significantly affected by the successive events Egypt witnessed which led to a state of political unrest. As a result, they generated net outflows of LE 1.5 billion compared to net outflows of LE 0.7 billion during the same quarter of 2012 after excluding deals.

In line with its efforts to support the economy and encourage companies to grow and expand, the Egyptian Exchange is actively approaching companies to come and list on the Egyptian Exchange.

Worth mentioning, EGX launched the new version of its website on the 31st of July 2013 inline with its strategy to support communication and interaction between the Egyptian Exchange and investors using the website. Also this would allow EGX to maintain a proper position amid the fierce competition it faces from other markets.

Finally, in an attempt to support the SMEs market and increase its daily turnover the Chairman of EGX announced the approval of increasing the trading hours of Nilex to four hours, in order to increase liquidity and revive the market.

	July 2013	August 2013	September 2013
Total Value Traded USD	**1,180,089,701**	**996,736,444**	**2,144,519,711**
Equity Market Value Traded	1,022,296,999	861,130,216	1,361,391,264
Bond Market Value Traded	81,707,811	105,987,864	614,528,637
Others	76,084,891	29,618,364	168,599,809
Total Volume Traded	**2,314,168,691**	**1,732,167,041**	**4,241,091,477**
Equity Market Volume Traded	2,237,719,108	1,719,860,860	3,957,579,968
Bond Market Volume Traded	543,692	705,146	3,907,941
Others	75,905,891	11,601,035	279,603,568
Total Number of Transactions	**374,321**	**307,668**	**519,882**
Equity Market Number of Transactions	372,015	306,221	517,403
Bond Market Number of Transactions	84	75	129
Others	2,222	1,372	2,350
Market Capitalization USD	**51,197.42**	**50,996.04**	**54,309.70**
Number of Listed Companies	233	233	232
Number of Traded Companies	207	210	211
Number of Trading Days	21	18	22
Exchange Rate/US$	**6.9909**	**6.9757**	**6.8816**
Main Index Name	**EGX30 ($ terms)**		
Main Index (Points)	2,594.32	2,562.99	2,772.04
Gains in Main Index (%)	12.05%	-1.21%	8.16%

	July 2013	August 2013	September 2013
Total Value Traded USD	**12,285,664.82**	**10,840,796.09**	**24,794,870.14**
Equity Market Value Traded	12,285,664.82	10,840,796.09	24,794,870.14
Bond Market Value Traded	0	0	0
Total Volume Traded	**21219668**	**11812042**	**38785794**
Equity Market Volume Traded	21219668	11812042	38785794
Bond Market Volume Traded	0	0	0
Market Capitalization USD	**28029.42**	**28117.93**	**28215.05**
Number of Listed Companies	34	34	34
Number of Traded Companies	27	31	26
Number of Trading Days	22	21	20
Exchange Rate/US$	**1.99**	**2.00**	**2.00**
Main Index (Points)	1936.29	1989.55	2030.96
Gains in Main Index (%)	61.39	65.83	69.29
P/E Ratio (YTD)	13.6	12.85	13.3
Dividend Yield (%)	3.48	4.28	4.28

Johannesburg Stock Exchange (JSE) marks the 10th Year anniversary of AltX the Exchange's Board for fast-growing Small and Medium Enterprises

Since inception 106 companies have listed while 22 companies have subsequently migrated to the JSE's Main Board. The top three sectors by market cap are industrials, financials and basic materials which constitute 91% of the overall market cap. AltX has a market capitalization of R15.4 billion with 60 companies currently listed.

"Ten years on we believe that AltX is even more relevant today as South Africa desperately needs to grow small businesses to create employment. AltX provides smaller companies not yet able to list on the Main board with a clear growth path and access to capital. That a number of companies have grown sufficiently to qualify for migration to the Main Board is testimony to AltX clearly meeting its objectives," says Nicole Cheyne, Client Relationship Manager for AltX.

Cheyne believes that a listing on AltX offers companies numerous benefits including access to large investor pool and positioning the company for greater growth. A listing provides companies with greater opportunities for profiling and enhanced relations with stakeholders including banks, suppliers, distributers and customers. AltX companies are also better able to retain and attract talent through share options.

JSE research amongst AltX executives strongly indicate that they believe that their listing has helped them meet their objectives whether these be raising capital, improving business processes or distinguishing them from their unlisted peers. Over 92% of respondents surveys indicate that they made acquisitions post their listing indicating that AltX is a catalyst for growth.

For investors, AltX offers investment opportunities in high-growth companies with solid fundamentals. "Investors have the peace of mind that a listing on the AltX goes hand in hand with a requirement that companies comply with all the rules and regulations of the JSE and participate in the high standards of corporate governance," says Cheyne. The latest World Economic Forum (WEF) Global Competetiveness Report released in September this year ranks South Africa first out of 148 countries for regulation of securities exchanges for the fourth consecutive year.

About JSE Limited

As South Africa's only full service securities exchange, the JSE connects buyers and sellers in five different financial markets, namely equities, equity derivatives, commodity derivatives, currency derivatives and interest rate products. The JSE Ltd offers the investor a truly first world trading environment, with world class technology, surveillance and settlement in an emerging market context. It is amongst the top 20 largest equities exchanges in terms of market capitalisation in the world. In terms of derivatives, the JSE is currently ranked the 20th largest exchange by the Futures Industry Association (FIA).

For further information, please visit www.jse.co.za

	July 2013	August 2013	September 2013
Total Value Traded USD			
Equity Market Value Traded	32,669,940,364	30,172,243,222	31,807,855,835
Bond Market Value Traded	195,899,930,312	164,069,250,052	157,203,825,442
Others	48,871,735,401	66,220,988,564	73,146,682,958
Total Volume Traded			
Equity Market Volume Traded	4,878,903,702	5,312,210,000	4,979,744,861
Bond Market Volume Traded	-	-	-
Others	7,871,375	18,744,174	30,148,648
Total Number of Transactions			
Equity Market Number of Transactions	3,452,902	3,013,607	2,886,306
Bond Market Number of Transactions	38,361	35,685	34,739
Others	299,268	458,354	256,756
Market Capitalization USD	**903,505,577,083**	**884,178,532,353**	**946,746,835,600**
Number of Listed Companies	389	386	385
Number of Traded Companies	366	368	363
Number of Trading Days	23	21	20
Exchange Rate/US$	**9.8532**	**10.2676**	**10.0254**
Main Index Name	**FTSE/JSE All Share Index**		
Main Index (Points)	41,292.84	42,228.34	44,031.83
Gains in Main Index (%)	4.33%	2.27%	4.27%
P/E Ratio	19.55	19.55	20.13
Dividend Yield (%)	2.92	2.94	2.71

KHARTOUM STOCK EXCHANGE

	July 2013	August 2013	September 2013
Total Value Traded USD	**87,394,329**	**65,851,133**	**78,526,118**
Equity Market Value Traded	4,263,175	549,132	523,403
Bond Market Value Traded	82,700,690	64,517,028	763,028
Others	430,515	784,973	212,520
Total Volume Traded	**8,177,674**	**4,982,026**	**5,906,087**
Equity Market Volume Traded	7,447,473.00	4,335,082.00	5,050,372.00
Bond Market Volume Traded	694,598.00	543,216.00	843,707.00
Others	35,603.00	103,728.00	12,008.00
Total Number of Transactions	**1,558**	**1,215**	**1,745**
Equity Market Number of Transactions	83	16	83
Bond Market Number of Transactions	1,439	1,142	1,627
ETF	36	57	35
Market Capitalization USD	**2,252,028,890.02**	**2,256,512,978.91**	**1,768,223,156.23**
Number of Listed Companies	59	59	59
Number of Traded Companies	15	5	16
Number of Trading Days	23	21	22
Exchange Rate/US$	**4.41**	**4.41**	**5.68**
Main Index Name	KHARTOUM INDEX 30		
Main Index (Points)	2,605.10	2,617.69	2,640.21

	July 2013	August 2013	September 2013
Total Value Traded USD			
Equity Market Value Traded	1279161.63	1288097.341	2256089.706
Bond Market Value Traded			
Others			
Total Volume Traded			
Equity Market Volume Traded	174529	127477	304147
Bond Market Volume Traded	174529	127477	304147
Others			
Total Number of Transactions			
Equity Market Number of Transactions	194	232	291
Bond Market Number of Transactions	194	232	291
Market Capitalization USD			
Number of Listed Companies	11	11	11
Number of Traded Companies	10	10	10
Number of Trading Days	22	19	20
Exchange Rate/US$	**1.2799**	**1.2751**	**1.2629**
Main Index Name	**1277.62**	**1255.46**	**1224.03**
Main Index (Points)	-0.005534237	-0.01734475	-0.025034649

LUSAKA STOCK EXCHANGE

	July 2013	August 2013	September 2013
Total Value Traded USD			
Equity Market Value Traded	13,267,683.00	10,403,193.00	13,028,495.00
Bond Market Value Traded	55,191,349.52	133,309,723.42	474,624,055.45
Others			
Total Volume Traded	**73,683,391.00**	**154,054,594.00**	**532,525,447.00**
Equity Market Volume Traded	15,148,391.00	7,451,594.00	8,695,447.00
Bond Market Volume Traded	58,535,000.00	146,603,000.00	523,830,000.00
Others			
Total Number of Transactions	**568**	**566**	**421**
Equity Market Number of Transactions	558	553	398
Bond Market Number of Transactions	10	13	23
Market Capitalization USD	**54,690,000,000**	**55,998,000,000**	**56,109,000,000**
Number of Listed Companies	22	22	22
Number of Traded Companies	22	22	22
Number of Trading Days	23	20	21
Exchange Rate/US$	**5.40**	**5.44**	**5.54**
Main Index Name	**LASI**	**LASI**	**LASI**
Main Index (Points)	4,750.20	4,772.55	4,796.89
Gains in Main Index (%)	3.99%	0.47%	0.51%
P/E Ratio	14.21		
Dividend Yield (%)	2.66		
Comments			

	July 2013	August 2013	September 2013
Total Value Traded USD			
Equity Market Value Traded	2,807,641.48	4,353,221.51	1,017,344.83
Bond Market Value Traded	-	-	-
Others	-	-	-
Total Volume Traded			
Equity Market Volume Traded	415,482,537	412,336,193	61,993,884
Bond Market Volume Traded	-	-	-
Others	-	-	-
Total Number of Transactions			
Equity Market Number of Transactions	126	123	171
Bond Market Number of Transactions	-	-	
Others	-	-	
Market Capitalization USD	926,828,126.85	1,233,561,433.21	1,196,706,751.08
Exchange Rate	331.4435	338.2863	374.1038
Number of Listed Companies	14	14	14
Number of Traded Companies	12	13	13
Number of Trading Days	20	20	20
Main Index Name	MASI	MASI	MASI
Main Index (Points)	7277.08	9884.95	10604.97
Gains in Main Index (%)	20.97%	64.32%	76.29%
P/E Ratio	5.38	5.65	5.69
Dividend Yield (%)	4.26	4.05	4.03
Comments			

NAMIBIAN STOCK EXCHANGE

	July 2013	August 2013	September 2013
Total Value Traded USD	**41,068,056**	**44,370,130**	**47,370,666**
Equity Market Value Traded	32,118,286	41,225,216	43,892,336
Bond Market Value Traded	8,946,149	3,144,914	3,478,330
Others	3,621	-	-
Total Volume Traded	**93,957,799**	**44,509,432**	**47,292,451**
Equity Market Volume Traded	6,144,424	12,056,432	12,292,451
Bond Market Volume Traded	87,750,000	32,453,000	35,000,000
Others	63,375	-	-
Total Number of Transactions	**279**	**432**	**358**
Equity Market Number of Transactions	272	428	353
Bond Market Number of Transactions	5	4	5
Others	2	-	-
Market Capitalization USD	**129,391,411,534**	**126,251,635,327**	**136,902,571,685**
Number of Listed Companies	34	34	34
Number of Traded Companies	24	25	22
Number of Trading Days	23	21	20
Exchange Rate/US$	**9.8087**	**10.3192**	**10.0623**
Main Index Name			
Main Index (Points)	907.92	932.26	982.10
Gains in Main Index (%)	4.06%	2.68%	5.35%
P/E Ratio			
Dividend Yield (%)			

The Listing of Home Afrika Limited on The Growth Enterprise Market Segment (GEMS)

On July 15, 2013 Home Afrika, one of the leading real estate developers made history by being the first company to receive approval from the Nairobi Securities Exchange (NSE) to list by introduction on the bourse's newly created Growth Enterprise Market Segment (GEMS).

The 405,255,320 ordinary shares of Home Afrika began trading on GEMS at an introductory price of Kshs.12.00 per share. The GEMS counter is favorable to list on, with a minimum share capital of Kshs.10 million, in comparison to the Kshs.20 million requirement for the Alternative Investment Market Segment (AIMS) and the Kshs.50 million for the Main Investment Market Segment (MIMS).

The GEMS listing requirements act as a floor, with no ceiling on the size of the firm seeking to list. For GEMS, the Authority has delegated some of its responsibilities to the Exchange. The listing by introduction of Home Afrika Ltd, was approved by the NSE. Further all corporate actions on GEMS that do not require the public raising of capital will be approved by the Exchange. The development of the rules and regulations of GEMS were a collaborative effort between the Capital Markets Authority (CMA), the Central Depository and Settlement Corporation (CDSC), the Nairobi Securities Exchange (NSE), potential issuers and market intermediaries.

The Chairman of the Exchange, Mr. Eddy Njoroge noted, "The fact that we now have an issuer listed almost a year to the day that the regulations were gazetted on June 14, 2012 is testament to the value of such collaborative efforts. We want to particularly thank the Management and Board of the CMA and the CDSC for their support and for making GEMS a reality."

The GEMS Listing Requirements and Nominated Advisor Rules take industry best practice from the JSE Ltd. AltX, Egyptian Exchange Nilex, Dar-es-Salaam Stock Exchange Enterprise Market Segment and the London Stock Exchange AIM.

The Chairman of the Exchange, Mr. Eddy Njoroge noted, "The fact that we now have an issuer listed almost a year to the day that the regulations were gazetted on June 14, 2012 is testament to the value of such collaborative efforts."

On August 19, 2013, the Board of Directors of the Nairobi Securities Exchange confirmed that they had admitted CBA Capital Ltd., and Equity Investment Bank Ltd., as trading participants.

The admission of CBA Capital and Equity Investment Bank, shows the commitment of the Board to opening up membership of the Exchange in order to affirm Kenya's position as the financial services hub of East and Central Africa.

In making the announcement, Mr. Bob Karina, Vice Chairman of the Nairobi Securities Exchange noted, "The NSE, through a clear and transparent process, is keen to admit new trading participants that will expand access to the Kenyan market. This is part of our move to being a demutualised exchange with self regulatory responsibilities. Priority will be given to market participants with existing licenses from the Capital Markets Authority (K)."

CBA Capital Limited which was licensed as an investment bank by the Capital Markets Authority in 2003, is an affiliate company of the Commercial Bank of Africa Group. CBA Capital intends to leverage on the M-Shwari customer base to provide local and regional access to Kenya's capital markets. CBA is one of East Africa's largest banks and has operations in Kenya and Tanzania, with immediate plans to expand into Uganda. CBA Capital is also registered as a Nominated Advisor by the Nairobi Securities Exchange.

Equity Investment Bank Limited received an investment banking license from the Capital Markets Authority in 2008. It is an affiliate company of the Equity Bank Group. The Equity brand is associated with the empowerment of the unbanked and the poorly banked segments of the population. It has subsidiaries in Uganda, Rwanda, South Sudan and Tanzania. Equity Bank had over 8.2 million customers in Kenya alone and over 7,000 agents. In Kenya it currently has 156 branches spread out across all 47 counties.

The Exchange intends to use technology to make it safer, faster and cheaper for an investor to trade securities listed on the NSE from anywhere in the world. It is therefore only natural that the Exchange partners with CBA Capital and Equity Investment Bank who are already licensees of the CMA to use technology to extend its reach to investors in the region and in the diaspora.

In making the announcement, Mr. Bob Karina, Vice Chairman of the Nairobi Securities Exchange noted, "The NSE, through a clear and transparent process, is keen to admit new trading participants that will expand access to the Kenyan market."

Nairobi Securities Exchange (NSE) and Shanghai Stock Exchange (SSE) Sign Mou to Foster Mutual Cooperation

The signing ceremony of the Memorandum of Understanding (MoU) between the Nairobi Securities Exchange (NSE) and the Shanghai Stock Exchange (SSE) was held on Monday August 12, 2013 at the Sarova Stanley Hotel.

The two Exchanges have entered into a collaboration that will benefit the financial services industry of both Kenya and the People's Republic of China.

"We are aware of the NSE's initiatives to grow the Kenyan economy through the launch of new service offerings that will support Kenya's plans to become a middle income country by 2030. The SSE is willing to support the NSE and its partners towards the development of a vibrant capital market in Kenya that will support Vision 2030." said Mr. Gui Minjie, Chairman of Board of Governors of the SSE.

"The cooperation between NSE and SSE is an important milestone and a great step towards achieving our vision to be a leading securities exchange in Africa with a global reach." said Vice Chairman of NSE, Mr. Bob Karina.

The MoU outlines potential areas of future collaboration between the Exchanges' which includes training of staff, technology development, product development, mutual sharing of information and undertaking joint research projects. Mr. Peter Mwangi, Chief Executive of NSE added, "The MoU serves as the basis of the partnership with the SSE to position the NSE to attract more investment funds from Asia."

"The cooperation between NSE and SSE is an important milestone and a great step towards achieving our vision to be a leading securities exchange in Africa with a global reach." said Vice Chairman of NSE, Mr. Bob Karina.

NAIROBI SECURITIES EXCHANGE

	July 2013	August 2013	September 2013
Total Value Traded USD	**521,563,076**	**520,892,661**	**452,490,478**
Equity Market Value Traded	128,795,019	239,050,656	11,566,088
Bond Market Value Traded	392,768,057	281,842,004	336,829,594
Total Volume Traded	**615,904,650**	**670,380,036**	**488,787,995**
Equity Market Volume Traded	615,904,603	670,380,003	488,787,951
Bond Market Volume Traded	47	33	44
Total Number of Transactions	**34,934**	**34,224**	32,213
Equity Market Number of Transactions	34,341	33,957	31,849
Bond Market Number of Transactions	593	267	364
Number of Listed Companies	62	61	61
Number of Traded Companies	57	56	57
Number of Trading Days	23	21	21
Exchange Rate/US$	**87**	**87**	87
Main Index Name	**NSE 20 Share Index**	**NSE 20 Share Index**	NSE 20 Share Index
Main Index (Points)	4,788	4,698	4,793
Gains in Main Index (%)	4.12	(1.87)	2.03
P/E Ratio	15	15	16
Dividend Yield (%)	4.1	3	3.22

NSE Partners with Financial Crimes Agency

The Nigerian Stock Exchange (NSE) recently signed a memorandum of understanding (MoU) with the Economic and Financial Crimes Commission (EFCC) aimed at curbing infractions by operators and at protecting investors in the securities market

Mr.Oscar Onyema, CEO, Nigerian Stock Exchange and Mr. Ibrahim Lamorde, Chairman - EFCC

Under the terms of the MoU, the NSE and EFCC agreed to work together to maintain a fair and orderly market. During the signing of the MoU in Lagos, the management teams of both institutions pledged to check fraud in the Nigerian capital market.

Oscar Onyema, the CEO of the NSE stated that, "this collaboration paves the way for thorough investigations, effective preservation of documents and records, timely prosecution, and regular updates in respect of capital market related offences. We also expect enhanced synergy from this formal relationship, and look forward to producing results, both in the short- and long-terms, in areas such as the elimination of Nigeria from the FATF list, effective surveillance, timely and efficient information sharing, capacity building and training of personnel, and nationwide sensitization forums to educate stakeholders on capital market offences."

Addressing stockbrokers on the trading floor of the NSE, Chairman of the EFCC, Ibrahim Lamorde recognized the Exchange has a significant role to play in the lives of many Nigerians and the economy. "The fact that the EFCC is at the NSE today, signing an MoU, is an acknowledgement of the obvious significance of the NSE in the lives of millions of Nigerians, and the nation as a corporate entity".

The EFCC boss commended the exchange's management team for strengthening its regulatory function, and for promoting corporate governance, highlighting the fact that capital market infractions had significantly reduced.

"I can confirm that the level of individual capital market infractions are heading southwards compared to the early years of EFCC intervention. It is possible that this may be a result of better corporate governance on the part of market players, as well as stricter regulation," he said.

He applauded the signing of the MoU, indicating it would promote cooperation between both organizations, noting that the commission would duly meet its obligations under the MoU, in order to help achieve the highest levels of accountability in the Nigerian capital market.

NIGERIAN STOCK EXCHANGE

	July 2013	August 2013	September 2013
Total Value Traded USD	**482,612,251.75**	**436,898,397.94**	**348,583,358.78**
Equity Market Value Traded	482,579,284.00	436,775,554.36	348,426,178.06
Bond Market Value Traded	30,421.93	56,638.80	121,025.80
Others	2,545.83	66,204.78	36,154.93
Total Volume Traded	**10,381,157,688.00**	**6,060,455,770.00**	**5,393,692,153.00**
Equity Market Volume Traded	10,381,102,633.00	6,060,441,669.00	5,393,672,256.00
Bond Market Volume Traded	54,860.00	9,335.00	17,255.00
Others	195.00	4,766.00	2,642.00
Total Number of Transactions	**124,582.00**	**103,357.00**	**97,956.00**
Equity Market Number of Transactions	124,525.00	103,298.00	97,919.00
Bond Market Number of Transactions	50.00	37.00	24.00
ETF	7.00	22.00	13.00
Market Capitalization USD	**115,899,595,639.11**	**112,583,363,756.07**	**114,158,510,943.61**
Number of Listed Companies	189	189	189
Number of Traded Companies	161	164	164
Number of Trading Days	22	23	21
Exchange Rate/US$	**155.26**	**155.26**	**155.25**
Main Index Name	**NSE All Share Index**	**NSE All Share Index**	**NSE All Share Index**
Main Index (Points)	37,914.33	36,248.53	36,585.08
Gains in Main Index (%)	4.84	(4.39)	0.93
P/E Ratio	24.33	22.77	22.84
Dividend Yield (%)	3.78	6.74	5.32

	July 2013	August 2013	September 2013
Total Value Traded USD	2,410,650	5,685,232	10,323,856
Equity Market Value Traded	2,410,650	5,685,232	10,323,856
Bond Market Value Traded	0	0	0
Total Volume Traded	2,410,650	5,135,300	10,082,400
Equity Market Volume Traded	2,410,650	5,135,300	10,082,400
Bond Market Volume Traded	0	0	0
Total Number of Transactions	126	118	93
Equity Market Number of Transactions	126	118	93
Bond Market Number of Transactions	0	0	0
Market Capitalization USD	1,961,329,814	1,954,536,429	1,919,064,705
Number of Listed Companies	4	4	4
Number of Traded Companies	3	3	2
Number of Trading Days	22	20	20
Exchange Rate/US$	647.91	649.82	657.41
Main Index Name	Rwanda Share Index	Rwanda Share Index	Rwanda Share Index
Main Index (Points)	-3.11	-2.28	-3.33
Gains in Main Index (%)	-1.38%	-1.02	-1.50%

SIERRA LEONE STOCK EXCHANGE

	July 2013	August 2013	September 2013
Total Value Traded USD			
Equity Market Value Traded	6,193.53	8,540.10	9,812.51
Bond Market Value Traded	N/A	N/A	N/A
Total Volume Traded			
Equity Market Volume Traded	3,798,738	5,237,981	6,018,398
Bond Market Volume Traded	N/A	N/A	N/A
Total Number of Transactions			
Equity Market Number of Transactions	2	2	3
Bond Market Number of Transactions	N/A	N/A	N/A
Number of Listed Companies	1	1	1
Number of Traded Companies	1	1	1
Number of Trading Days	2 Days/Week	2 Days/Week	2 Days/Week
Exchange Rate/US$	**4,354.71**	**4,354.71**	**4,354.71**

SEM Young Investor Awards Ceremony 2013

The Stock Exchange of Mauritius (SEM) held the Awards Ceremony for the 21st edition of the SEM Young Investor Award Competition (SEMYIA) 2013 at the Octave Wiehé Auditorium, Réduit, on 25th September 2013

This Investor Education initiative is now a well-established annual national event, with this year's competition attracting 188 teams of five students each from 104 colleges across the country, representing 940 students. Hon. Xavier-Luc Duval, Vice Prime Minister, Minister of Finance and Economic Development, kindly accepted to grace this function by his presence. Loreto College Rose Hill, Team A won the first prize of Rs 100,000 and the Challenge Trophy offered by the Stock Exchange of Mauritius. The second and third prizes of Rs 50,000 and Rs 25,000 went to Dr Regis Chaperon SSS, Team A and Islamic Cultural College, Team A respectively. The Mauritius Commercial Bank, the National Mutual Fund and the Mauritian Eagle Insurance sponsored the three cash prizes respectively. Loreto College Mahebourg, Team A won the challenge trophy for the Best Report, sponsored by the CFA Society Mauritius.

Initiated in 1993, the SEM Young Investor Award Competition stood this year at its 21st edition. Throughout the years, this annual event has generated a growing interest from lower 6 students from secondary institutions across the country, both in towns and villages, and the number of participants and schools registered has considerably increased over the last 20 years. This Investor Education initiative is now a well-established annual national event.

This year, a keen interest by students was also noted since the very beginning of the competition, through their frequent interactions with the Stock Exchange, stockbrokers and asset managers to obtain information and stock market advice, as well as through the active management of their portfolios.

Broadly speaking, the aims of the competition are to inculcate an investment culture among college students by giving them a hands-on exposure to a key component of the financial services sector, namely the securities industry; to give participants an opportunity to understand the operational aspects of the Stock Exchange; and to trigger the interests of college students in the financial sector activities, with the expectations that they pursue higher studies and professional careers in this growing sector of the Mauritian economy.

SEMYIA Awards Ceremony on 25th September 2013 at the Octave Wiehé Auditorium

The competition started on 5th April 2013 and ended on 28th June 2013, spreading over a period of 3 months. This year's competition has attracted 188 teams of five students each from a record number of 104 colleges across the country, representing 940 students. A technical briefing was initially held at Octavié, on 22nd March 2013 for all participating students to explain them the steps of competition, key aspects of portfolio management and stock market technicalities they need to master, as well as investment plan and report writing. This technical briefing was followed by a briefing given by Anglo Mauritius Stockbrokers Ltd for all participating team leaders.

Each team was required to invest an investment fund of Rs 100,000 of token money in a portfolio consisting of the shares of 5 companies listed on the Official Market of the Stock Exchange of Mauritius. Each team was allowed to make up to ten investment swaps at any time during the period of the competition. Portfolios were updated on a daily basis. On the 28th of June, each portfolio was valued and the rate of return on each portfolio was calculated against the value of the initial portfolio. Besides, each team was required to present a Report (in 2 parts: an

Investment Plan and an Investment Report) at the end of the competition. The Report carried 30% of the marks, the remaining 70% having been allotted to the profits realised on the portfolio.

During the 3-month period of this year's competition, the All-Share index SEMDEX increased by 4.34 points and the Total Return Index. SEMTRI increased by 28.56 points, implying a positive price return of 0.23% and a positive total return of 0.48% respectively. In this regard, despite the high volatility prevailing during this time period, it is particularly noteworthy that a commendable number of teams were able to outperform the main stock exchange indices during that period. In fact, as many as 139 teams out of 188 outperformed the All-Share Index SEMDEX and 128 teams have outperformed the Total Return Index SEMTRI over the 3-month period. The best team portfolio-wise, realised an attractive overall portfolio performance of 13.07% over the 3-month period.

SEMYIA Awards Ceremony on 25th September 2013 at the Octave Wiehé Auditorium

In his welcome address to participating students and the broader audience, the Chief Executive of the SEM, Mr. Sunil Benimadhu said: "SEM is keen in promoting an investment culture that is wired to analytical and critical thinking. While the SEM Young Investor competition targets young investors, the SEM is also strongly committed to improving the financial literacy of the population at large.

Our revamped website contains a section dedicated to investor education and we are planning to review the layout and content of our monthly newsletter to include a section dedicated to investor education. We also regularly hold presentations and organise courses targeted to different stakeholders whenever we introduce new products or new rules underpinning the introduction of new products. We recently held several targeted educational courses in the context of the introduction of the trading of the NewGold Exchange-traded Fund on the SEM and we are already planning to organise training courses for new ETF's that the SEM plans to roll out in the coming months."

Address of Mr. Sunil Benimadhu, Chief Executive of the Stock Exchange of Mauritius

In his speech, Hon Xavier-Luc Duval, Deputy Prime Minister, Minister of Finance and Economic Development said: "During the 3 months that the students have been participating in the competition, they must have tracked very closely the impact of global events on share prices on our stock market, and been inculcated an investment culture. Over and above imparting to you the drive and eagerness to grow your portfolio and reap the benefits of wise investment decisions, the SEM Young Investor Award helps in democratising the economy. I hope that it has convinced some of you to consider investing on the Stock Exchange of Mauritius and become real investors, once you join the labour market."

Address of Hon Xavier-Luc Duval, Deputy Prime Minister, Minister of Finance and Economic Development

The winning team of the SEMYIA Edition 2013, namely Loreto College Rose Hill Team A received the Challenge Trophy offered by the Stock Exchange of Mauritius. The winning team also won the cash prize of Rs 100,000 offered by the MCB, MCB shares to the value of Rs 2500, MCB luxury bags, an individual MCB shield as well as a one-week traineeship within the MCB Group, as part of the winning prize package offered by the MCB, represented at the Awards Ceremony Mr. Gilbert Gnany, Group Chief Strategy Officer and Board Adviser of the MCB.

Mr. Gilbert Gnany, Group Chief Strategy Officer and Board Adviser of MCB, with Loreto College Rose Hill Team A: Aubdool Khan Nusrat, Elaheebux Bibi Aadila, Edoo Bibi Shadiah Zeenairah, Nawoor Shivangee, Beharry Aarifah Bibi

The runners-up of SEMYIA Edition 2013, namely Dr Regis Chaperon SSS, Team A, received a shield offered by the Stock Exchange of Mauritius. The runners-up also won the cash prize of Rs 50,000 offered by NMF, NMF General Fund units to the value of Rs 5000, a luxury watch, as well as a one-day visit within the NMF Savings and Investments Department, as part of the package offered by NMF, represented, at the Awards Ceremony by Mr. Bertrand Casteres, Director of National Mutual Fund and CEO of the Mauritius Union Group.

Mr. Bertrand Casteres, Director of National Mutual Fund and CEO Designate of the Mauritius Union Group with Dr Regis Chaperon SSS, Team A: Peerun Mohammad Irshaad Nadeem, Choolun Chiranjeevsing, Jooty Tejh, Ortoo Dooshant, Neeteesh Luchmun

Address of Hon Xavier-Luc Duval, Deputy Prime Minister, Minister of Finance and Economic Development

Mr. Gilbert Gnany, Group Chief Strategy Officer and Board Adviser of MCB, with Loreto College Rose Hill Team A: Aubdool Khan Nusrat, Elaheebux Bibi Aadila, Edoo Bibi Shadiah Zeenairah, Nawoor Shivangee, Beharry Aarifah Bibi

The third prize comprising a cash-prize of of Rs 25,000, corporate gifts as well as a traineeship has been offered by the Mauritian Eagle Insurance represented by Mr. Andre Chung Shui, Managing Director of the Mauritian Eagle Insurance and went to the Islamic Cultural College, Team A.

Mr. Andre Chung Shui, Managing Director of the Mauritian Eagle Insurance with Islamic Cultural College, Team A: Golamallee Bibi Rukhshar, Dabeedin Amirah, Fathamahomed Badriya, Isseljee Rauhsia, Mohit Shunista

Loreto College Mahebourg, Team A won a shield offered by the SEM as well as the challenge trophy for the Best Report, offered by CFA Society Mauritius, represented by its Vice Chairman, Mrs. Sharona Rambocus

Mrs. Sharona Rambocus, Vice-Chairman of CFA Society Mauritius with Loreto College Mahebourg, Team A: Nepaulsing Mélanie Vaishna, Jhumun Richa, Digpaul Hanshika, Sabapathee Sheevangee, Charles-Moka Sèverine Mee-lena

The Stock Exchange of Mauritius congratulates the winners in this year's competition and all participants, as well as extends its thanks to the sponsors of this competition namely, the MCB, the NMF, Mauritian Eagle Insurance, and CFA Society Mauritius, for having played an instrumental role in supporting this annual Investor Education initiative to develop an investment culture in Mauritius and the SEM is very grateful to them.

Hon Xavier-Luc Duval, Vice Prime Minister, Minister of Finance and Economic Development, Mr. Gaëtan Lan Hun Kuen Chairman of the Stock Exchange of Mauritius , Mr. Gilbert Gnany, Group Chief Strategy Officer and Board Adviser of the Mauritius Commercial Bank with 2013 SEMYIA winning team.

STOCK EXCHANGE OF MAURITIUS

	July 2013	August 2013	September 2013
Total Value Traded USD	**62,593,294**	**38,315,685**	**32,056,611**
Equity Market Value Traded	62,557,151	37,625,327	30,494,448
Bond Market Value Traded	6,205	671,224	1,557,445
Others	29,937	19,134	4,717
Total Volume Traded	**104,788,847**	**286,814,640**	**288,171,449**
Equity Market Volume Traded	104,768,863	286,753,035	288,118,008
Bond Market Volume Traded	17,636	60,103	53,071
Others	2,348	1502	370
Total Number of Transactions	**5,428**	**6,129**	**5,910**
Equity Market Number of Transactions	5,390	6,084	5,859
Bond Market Number of Transactions	10	17	23
Others	28	28	28
Market Capitalization USD	**7,555,727,297.60**	**7,791,505,508.49**	**8,017,910,706.60**
Number of Listed Companies	91	91	91
Number of Traded Companies	91	91	91
Number of Trading Days	23	21	20
Exchange Rate/US$	**31.33**	**31.30**	**30.96**
Main Index Name	**SEMDEX**		
Main Index (Points)	1,866.24	1,929.09	1,961.38
Gains in Main Index (%)	(2.53)	3.37	1.67
P/E Ratio	13.12	13.59	13.51
Dividend Yield (%)	2.94	2.85	2.79

Q3-2013 Activity of Tunis Stock Exchange was marked by corporate events such as dividend distributions as well as by the publication of S1-2013 financial statements and Q2-2013 activity indicators of listed companies.

The market continued to be impacted by less than expected economic indicators, amid a fragile socio-political situation.

Key Facts

- 3.17% decline of Tunindex;
- 4.6% decline of Market capitalization to TND 13,702 million;
- 46% decline of trading Value;
- Distribution of dividends by 44 out of 66 listed companies;
- Successful closing of the IPO's Best Lease;
- 2 New listing agreements;
- 5 New issues of shares for a total amount TND 18.8 Millions;
- 5 bond issues for a total amount TND 160 Millions;

Indices and trading Value

The activity of the Tunis Stock Exchange was mostly impacted during the third quarter by the fragile socio-political context.

The reference index of the Tunis Stock Exchange "Tunindex" fell during the quarter by 3.17% to close at 4 462.23 points. Since the beginning of the year, its losses reached to 2.57%.

Besides the reference index, the Tunindex20 (20 most liquid and important equities) followed the same trend stepping back by 1.61%. But over the year, its performance remains positive by 0.98%.

The transactions value fell by 46%, to TND 231 million this quarter against TND 427 million in the previous quarter. The average daily trading value fell from TND 6.8 million in the previous quarter to TND 3.7 million this quarter. Since the beginning of the year the average daily trading value was TND 5.6 million.

OTHER EVENTS

1.New listing agreements

The Board of Tunis Stock Exchange approved the listing of two new companies on the official list:

- SOTEMAIL (floor & wall coating), to be listed on the alternative market :
- MPBS (Manufacture of wood panels), to be listed on the principal market :

The official listing of these companies will be done after the approval of the regulator.

Companies	Market	Type	issued shares	% in capital
SOTEMAIL	Alternative	Capital increase	3 200 000	12.20%
MPBS	Principal	Capital increase	1 850 000	30.08%

2.New issues of securities

Equities Issues:

During this quarter, the amounts raised for capital increases have reached TND 18.8 million: TND 13 million in cash and TND 5.8 million by incorporation of retained earnings:

- SOTRAPIL: TND 0.5 million by incorporation of retained earnings;
- EL WIFACK LEASING: TND 13million in cash,
- GIF FILTER: TND 0.3 million by incorporation of retained earnings;
- SOTUVER: TND 2.5million by incorporation of retained earnings;
- AIR LIQUIDE Tunisie: TND 2.5million by incorporation of retained earnings.

Bonds issues:

- Tunisie Leasing: TND 30 million,
- UNIFACTOR: TND 20 million,
- ATL: TND 50 million,
- Attijari Leasing: TND 30 million,
- CIL: TND 30 million.

3.Celebration of listing: HANNIBAL LEASE

July 4th, 2013: Tunis Stock Exchange organized a ceremony to celebrate HANNIBAL LEASE official listing, in the presence of representatives of the Financial Market Council, Managers of the Tunis Stock Exchange, the central depository and brokerage companies. The CEO of the company rang the bell to announce the start of trading of HANNIBAL LEASE shares.

4.Successful IPO: BEST LEASE

BEST LEASE obtained on August 12, 2013, the approval of the regulator to achieve its capital increase through its introduction to the principal market of official list of the Stock Exchange.
On this occasion, the management of the company held a Press conference, to expose the performance of the Press conference.

The capital increase was realized simultaneously by a fixed price IPO and a guaranteed investment with total of 10 million shares for 2,100 dinars each.

The subscriptions that started on August 28, 2013 ended successfully on September 27, 2013.

5.Periodic meeting of Tunisian-Moroccan Technical Committee

The Joint Technical Committee, composed of the heads of Market, Development and IT departments of the Tunis Stock Exchange and the Casablanca Stock Exchange, held its regular meeting on July 8, 2013, in Casablanca.

The parties exchanged their latest achievements and projects aiming at improving the liquidity of the market, upgrading the technical infrastructure and developing market culture.

The Joint Technical Committee, composed of the Heads of Market, Development and IT Departments of the Tunis Stock Exchange and the Casablanca Stock Exchange, held its regular meeting on July 8, 2013, in Casablanca.

	July 2013	August 2013	September 2013
Total Value Traded USD	**90,764,557.59**	**35,188,879.56**	**124,530,427.58**
Equity Market Value Traded	40,837,870.83	22,901,835.47	69,618,908.92
Bond Market Value Traded	1,163,606.96	3,296,591.26	2,979,516.89
Others	48,763,079.79	8,990,452.84	51,932,001.77
Total Volume Traded	**15,118,099.00**	**8,074,072.00**	**23,315,004.00**
Equity Market Volume Traded	10,018,686.00	6,589,788.00	17,974,089.00
Bond Market Volume Traded	3,205.00	57,410.00	12,360.00
Others	5,096,208.00	1,426,874.00	5,328,555.00
Total Number of Transactions	**37,637**	**21,436**	**36,100**
Equity Market Number of Transactions	37521	21369	35957
Bond Market Number of Transactions	19	17	32
Others	97	50	111
Market Capitalization USD	**8,455,924,411.02**	**8,609,314,424.63**	**8,314,160,220.76**
EXCHANGE RATE FCFA/USD	66.00	66.00	66.00
Number of Listed Companies	66.00	64.00	66.00
Number of Traded Companies	22.00	19.00	21.00
Number of Trading Days	1.66	1.65	1.65
Main Index Name	**TunIndex**	**TunIndex**	**TunIndex**
Main Index (Points)	4,518.97	4,602.49	4,462.23
Gains in Main Index (%)	-1.94	1.85	-3.05
P/E Ratio	14.80	14.96	14.04
Dividend Yield (%)	3.60	3.60	3.80

Zimbabwe Stock Exchange ('ZSE') Trading at the Harare Agricultural Show

The Harare Agricultural Show ('HAS') is an annual exhibition event hosted in August of each year by the Zimbabwe Agricultural Society. It attracts a variety of exhibitors and is therefore a key public event in the country's capital. This year, the ZSE, for the first time, 'took the trading floor to the people'. On Tuesday 27 August 2013 and Friday 30 August 2013, trading sessions were conducted at the HAS.

Traders go about their business during a trading session at the Harare Agricultural Show

The ZSE operates an 'open outcry' system, where brokers meet and trade on a trading floor. It is believed to be one of the last Exchanges in the world to have manual rather than electronic trading and settlement. With plans to move to both electronic trading and settlement, this will mark the end of an era.

Members of the public observe trading during a session at the Harare Agricultural Show

Investor awareness Initiatives

In a drive aimed at stimulating interest, and improving the general awareness of the populace on stock market matters; the ZSE was this year a first time exhibitor at the Show. ZSE representatives were also available at the ZSE stand to interact with members of the public for the duration of the Show which ran from the 23rd to the 31st of August 2013.

ZSE official (second from right) attends to questions from members of the public

School visits to the ZSE

At least four schools visited the Exchange during the period between July and September 2013 with the majority coming from the Mashonaland East province. Elections in Zimbabwe were held on 31 July 2013 and school holidays occurred from the period just before elections up untill the beginning of September. The low number on record can thus be attributed to these occurrences in the quarter.

Mr Mubaiwa (ZSE Trading Manager), briefs students about the ZSE at the Exchange floor.

Activities on Listed Companies

Suspension of Phoenix Consolidated Industries ('Phoenix)

The ZSE suspended Phoenix from trading on the bourse with effect from 3 October 2013. A statement issued by the ZSE read:

Phoenix Consolidated Industries Limited (the "Company") was granted an order by High Court to be placed under provisional judicial management on 2 October 2013 with Mr Reggie Saruchera of Grant Thornton Camelsa being appointed the judicial manager.

Pursuant to meeting the requirements of Section 23 of the Securities Amendment Act 2013, suspension of trading in the Company's shares was effected on Thursday, 3 October 2013.

In terms of Section 1.8 of the Stock Exchange Listings Requirements, the Company should continue to discharge its obligations to the shareholders and the Zimbabwe Stock Exchange after the suspension.'

'Phoenix Consolidated Industries Limited (the "Company") was granted an order by High Court to be placed under provisional judicial management on 2 October 2013 with Mr Reggie Saruchera of Grant Thornton Camelsa being appointed the judicial manager.

ZIMBABWE STOCK EXCHANGE

	July 2013	August 2013	September 2013
Total Value Traded USD	**42,569,164.73**	**54,171,005.73**	**37,677,600.24**
Equity Market Value Traded	42,569,164.73	54,171,005.73	37,677,600.24
Bond Market Value Traded	-	-	-
Total Volume Traded	**298,099,799**	**409,010,299**	**123,897,738**
Equity Market Volume Traded	298,099,799	409,010,299	123,897,738
Bond Market Volume Traded	-	-	-
Others	-		
Total Number of Transactions	**1,888**	**1,364**	**1,322**
Equity Market Number of Transactions	1,888	1,364	1,322
Bond Market Number of Transactions	-	-	-
Number of Listed Companies	69	69	69
Number of Traded Companies	65	65	65
Number of Trading Days	22	19	21
Exchange Rate/US$	-	-	-
Main Index Name	Industrials	Industrials	Industrials
Main Index (Points)	232.87	181.67	200.05
Gains in Main Index (%)	10.27	-21.99	10.12

Building African Financial Markets Seminar

The JSE once again hosted the Building African Financial Markets Seminar in Johannesburg from the 11th to the 13th September, 2013, after the overwhelming positive response the seminar had last year.

This is the second time that the JSE hosted the Seminar and this year it was in partnership with the African Securities Exchanges Association (ASEA).

The aim of the Seminar was to promote growth in African financial markets, giving representatives from Stock Exchanges, Regulators, stock broking firms and other industry players, the opportunity to learn about topical subjects in the area of capital markets. The Seminar was designed to cater for the needs of financial markets stakeholders from across the African Continent.

This are some of the topics that were discussed:

1. Foundations for effective Clearing and Settlement
2. The impact of global financial regulation on African Markets
3. Increasing retail participation in the market – from consumer education to investment
4. Launching an Equity Derivatives Market. How and why?
5. ETF's
6. Risk Management
7. Bonds

Our attendees numbered one hundred and thirty three (133) representing twenty (20) African countries, like Ghana, Kenya, Nigeria, Uganda etc. Thirty five (35) panelists and moderators shared their experience with the audience.

The turnout was an improvement from last year. We are hoping that this Seminar will grow from strength to strength, with your support of course. We hope for future Seminars, market participants will identify topics of interest.

The Seminar would not have been successful that it was without the participation and support of our sponsors, mainly, IQ Business , Bloomberg, SWIFT, Thomson Reuters, Standard Chartered Bank, KPMG, The Banking Association of South Africa, McGregor BFA and last but not least FinMark Trust.

Should you wish to have any further information, contact Pearl Moatshe at pearlm@jse.co.za or Geoff Rothschild at geoffr@jse.co.za

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