

The Exchange Bulletin



nairobi securities exchange
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ISSUE 11

JANUARY - MARCH 2019

NSE Chief Executive's Foreword



Warmest Greetings,

Welcome to our first edition of the 2019 NSE Newsletter. This edition marks the end of the first quarter of an optimistic year for the NSE.

In late March 2019, we announced our results for the year ended December 31, 2019 recording strong results in the wake of a challenging macro-economic environment locally and globally. Despite the macro-economic headwinds, our spirited performance is a testament of our commitment to effectively execute our strategy and consolidate our position as a leading securities Exchange in Africa with a global reach. The NSE performed better than its peers in dollar returns in 2018 and we foresee a better year in 2019.

Our incubation and acceleration program, *Ibuka*, continues to record impressive growth admitting three companies over a period of three months. *Ibuka* will enable companies to grow, through a well-structured program aimed at enhancing their visibility and brand recognition whilst improving corporatization and capital markets access capabilities.

Climate change continues to be a great impediment to economic and social development in Kenya, affecting our country's development primarily due to our dependence to the Agricultural sector in driving GDP growth. It is against this backdrop that the NSE came together with like-minded partners to develop a vibrant Green Bond Market in Kenya that will spearhead the financing of environmentally beneficial projects. I am delighted that we have now built the necessary infrastructure and developed and recently launched a legal framework that will guide the listing of Green Bonds in our market.

As we progress into the second quarter, we will gear our efforts in achieving our strategic priorities for the year. Product uptake among our wide variety of product lines will continue to take special focus. We will engage potential issuers as well as investors to address the supply and demand challenges in our market. Additionally, we will undertake various marketing and publicity initiatives as well as public education enterprises to enhance local retail participation in our market.

Our fundamental role in the growth of Kenya's economy through the mobilization of local resources and international capital cannot be understated. As such, I wish to encourage you to give your best as we finalize the last year of our corporate strategy.

Geoffrey O. Odundo
Chief Executive

INSIDE

02



M-Akiba 2 Reopen

05



NSE Enrolls four companies on its *Ibuka* Program

08



Launch of Green Bonds Regulatory Framework

M- Akiba 2 (Re-Open 1) Lists on NSE with a 79% Subscription Rate

The National Treasury, the Nairobi Securities Exchange (NSE) and the Central Depository and Settlement Corporation (CDSC) jointly re-opened the M-Akiba Retail Infrastructure Bond Issue No 2/2017/03 Re-open one of March 2019, on February 25, 2019.

The re-open which was on offer from February 25, 2019 to March 10, 2019 raised a total of Kshs. 197 million against a target of Kshs. 250 million reporting a 79% subscription rate. The bond attracted over 82,829 new registrations.

The M-Akiba retail bond seeks to deepen and enhance financial inclusion through leveraging on increased mobile phone penetration to democratize access to formal financial systems for savings and

investments. More Kenyans are now able to participate in Government Bonds by investing a minimum Kshs. 3,000.00 which is considerably lower in comparison to the minimum Kshs. 50,000.00 required to invest in other Treasury bills and bonds. Since inception, the bond has attracted over 300,000 new investors onto the bond platform, underscoring the bond's potential to revolutionize access to capital market products in Kenya.

The M-Akiba 2 Re-open (Re-Open 1) was listed on the NSE on March 12, 2019. The listing of the bond on the secondary market will enable Kenyans to participate in the bond and enjoy a high return of 10% interest that is tax exempt, proving to be very competitive against other investment instruments.



(From left) NSE Chief Executive Geoffrey Odundo and CDSC Chief Executive Officer Rose Mambo use their mobile phones to buy the M-Akiba 2 Bond following its re-open in February 2019.

NSE Rings the Bell for Gender Equality

In commemoration of the 2019 International Women's Day, the NSE joined over 70 stock Exchanges globally to *Ring the Bell for Gender Equality* on March 8, 2019. The event held in partnership with International Finance Corporation (IFC), UN Sustainable Stock Exchanges (SSE) Initiative, UN Global Compact and UN Women is aimed at raising awareness of the fundamental importance of gender equality to both business growth and sustainable economic development.

The ceremony culminated with a full day executive training that brought together over 80 women in senior management positions in various companies in Kenya. The training dubbed, *Future Women CEOs*

and Board Members, was aimed at growing the number of women in corporate leadership in Kenya through capacity building, to leverage their unique abilities for driving business growth and efficiency. Additionally, the training highlighted key opportunities and challenges women are likely to encounter in their journey to corporate leadership.

As a member of the SSE, the NSE is committed to undertaking strategic initiatives to realize UN Sustainable Development Goal Five (SDG 5) of achieving gender equality and empowering all women and girls.



UN Global Compact Board Member Flora Mutahi (second left) is joined by the NSE Chief Executive Geoffrey Odundo (left), NSE Board member Risper Alaro (second from right) and IFC Corporate Governance Programme Lead Stefan Handoyo to 'Ring the Bell' to commemorate the 2019 International Women's Day.

NSE Announces its 2018 Full Year Financial Results

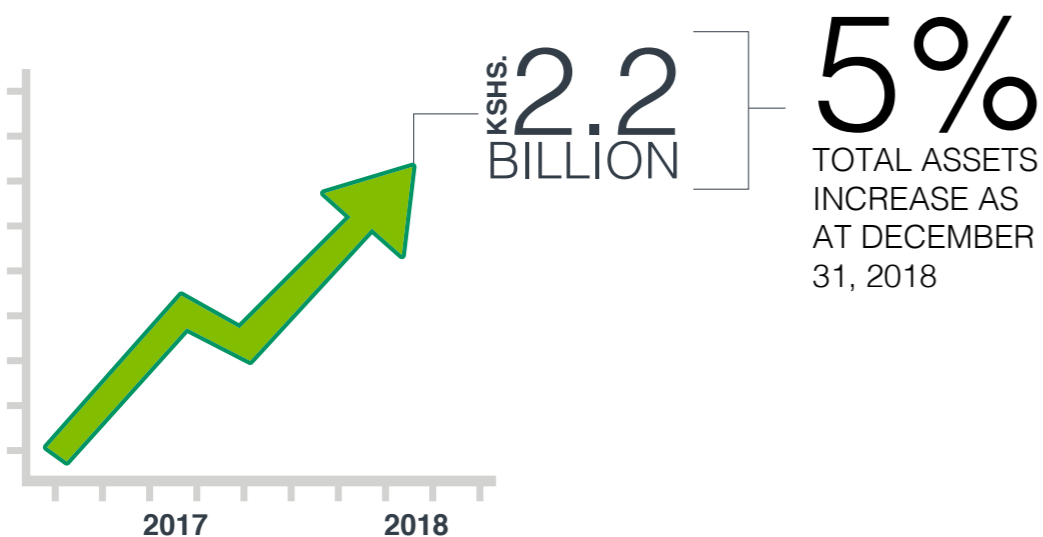
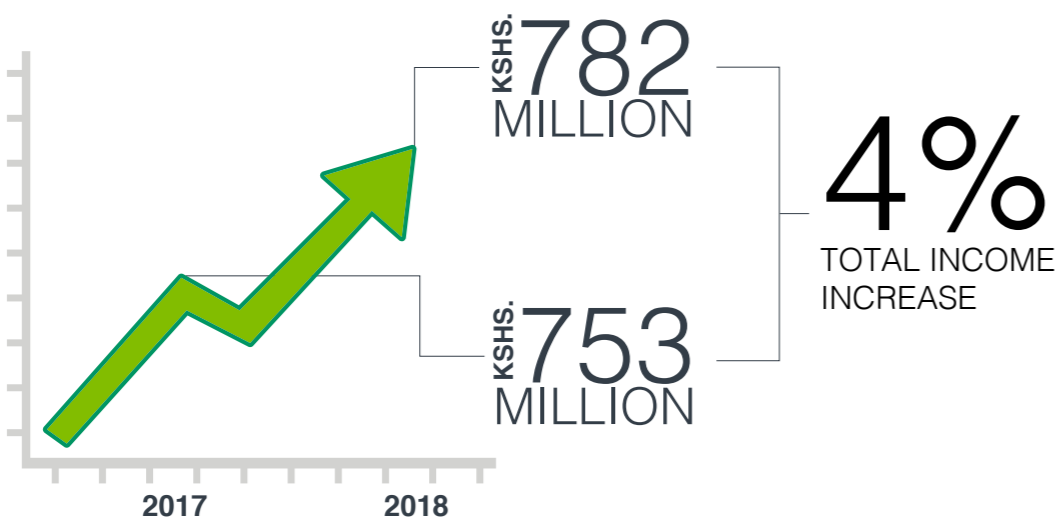
On March 22, 2019 the NSE announced its results for the full year ended December 31, 2018 recording solid results in the wake of a challenging business environment characterized by significant macro-economic and geopolitical developments.

During the year in focus, the NSE recorded topline growth with total income increasing by 4% from Kshs. 753 million in 2017 to Kshs. 782 million in 2018. This was driven mainly by a 2% and 29% increase in equity

and bonds turnovers respectively, in 2018.

A revaluation deficit on the valuation of the NSE Building and a salary review alignment in 2018 affected the Group's profitability with profit for the year reducing 12% year on year, to Kshs. 191 million.

The NSE continued to maintain a solid balance sheet with total assets increasing by 5% to Kshs. 2.2 billion as at December 31, 2018.



NSE Enrolls Four Companies on its *Ibuka* Program

Following the launch of *Ibuka*, NSE's premier incubation and acceleration program, the NSE has now admitted four companies for incubation and acceleration. The four companies to join the program are APT Commodities, Globetrotter Agency Limited, Moad Capital and Bluenile Rolling Mills.

The admission comes following a rigorous evaluation and vetting process that resulted in the companies

becoming the first lot among a group of over 30 enterprises expected to join the program.

Ibuka is aimed at growing visibility whilst enhancing brand recognition and business opportunities among hostee companies. Additionally, the program will assist in inculcating improved corporatization, developing capabilities to access capital markets as well as provide a roadmap to long term corporate sustainability.



Moad Capital Partners are joined by NSE and Kenya Association of Stockbrokers and Investment Banks (KASIB) senior management team during their Ibuka Hosting Ceremony.



(From left) APT Commodities CEO Peter Gitata, receives a certificate of admission onto the Ibuka Program from the NSE Chief Executive Geoffrey Odundo, during the firm's enrollment ceremony.



NSE Vice-Chairman Bob Karina (right) is joined by NSE Chief Executive Geoffrey Odundo (left) as he hands over an Ibuka hosting certificate to Bluenile Rolling Mills Limited Chairman Kotni Rao (second from right) and Bluenile Rolling Mills Limited Managing Director Botu Rao.

Ghanaian Delegation Visits the NSE



Part of the NSE team and the Ghanaian Delegation after their study tour at the NSE.

The NSE hosted a Ghanaian Delegation on March 19, 2019. The delegation included members from the Ghanaian Stock Exchange, African Alliance Securities Ltd, Social Security & National Insurance Trust (SSNIT), GCB Bank Ltd and Boulders Advisors Ltd. The Ghanaian delegation visited Kenya on a market study of the NSE demutualization as they prepare for their own possible demutualization. The delegation met with NSE's Senior Management team to firm up on the potential areas of co-operation between the two countries capital markets.

The Ghanaian team interacted with various market players during their visit.

NSE Hosts Shenzhen Stock Exchange (SZSE)



Part of the NSE team and the Shenzhen team during their visit to the NSE.

The NSE hosted the Shenzhen Stock Exchange on March 25, 2019. The two Exchanges met with NSE's Senior Management team to discuss various areas of collaboration as well as learn from each other's growth.

The Shenzhen Stock Exchange is a world leading Exchange ranking first globally in number of stock transactions, third in trading value and sixth in total amount of funds raised through Initial Public Offering in 2018.

The interaction is aligned with NSE's strategy of integrating our market with global financial markets and benchmarking with global standards as we aim to adopt international best practices in our operations.

Enhancement of NSE's Bond Trading System

The NSE reduced the trading and settlement period of Government Bonds following an enhancement of its bond trading system to enable immediate upload of executed positions for settlement at the Central Bank of Kenya.

The development will therefore enable multiple trading and settlement of Government bonds within the same trading session. However, the provisions of Clause

5.2(3) of the NSE Fixed Income Trading Rules which state that, "All transactions on the Fixed Income Securities Board shall be settled by T+3," will remain valid.

The reduction of the trading and settlement period will play a significant role in enhancing liquidity in the secondary bond market.

Launch of Green Bonds Regulatory Framework

On February 5, 2019 the NSE launched its revised listing rules which incorporate listing requirements for Green Bonds on the NSE. The Green Bond Regulatory Framework currently in place..

The launch of the regulatory framework is a culmination of the work undertaken by The Green Bond Programme established in 2017, whose aim was to develop a domestic green bond market. The partners in the Programme include; The National Treasury and Planning, Central Bank of Kenya (CBK), Kenya Bankers Association (KBA), Nairobi Securities Exchange (NSE), Capital Markets Authority (CMA), Climate Bonds Initiative, Financial Sector Deepening Africa and Dutch Development Bank FMO. "

Green Bonds are fixed income instruments, whose proceeds are used to finance or refinance new or existing projects, which generate climate or other environmental benefits that conform to green

guidelines and standards.

Following the launch, the NSE can now mobilize domestic resources and international capital, earmarked exclusively for environmentally beneficial investments to support the country's transition to a sustainable economy. Green Bonds will also enable our investors balance financial returns with environmental benefits whilst hedging against change in climate risk.

The launch comes against a backdrop of growth in the Green Bond Market with global issuance totaling US\$155.5 billion and an estimated US\$167 billion in 2017 and 2018 respectively. Green bond issuance has gained traction globally as a means of enhancing issuer reputation and broadening the investor base, as investors are increasingly recognizing the impact of climate change and other sustainability factors on financial returns.



(From left) NSE Chief Executive Geoffrey Odundo, Capital Markets Authority Chief Executive Paul Muthaura and Central Bank of Kenya Governor Patrick Njoroge review the revised listing rules incorporating listing requirements for Green Bonds.

Launch of AIB's DigiTrader

AIB Capital launched its auto-account opening application *DigiTrader* that enables investors open accounts and trade on the stock market remotely. Through the application, investors can now open CDS accounts remotely without having to visit a broker's office.

The application will leverage on increased number of smart phone penetration and internet connectivity to

offer investors speed, efficiency as well as convenience in opening accounts.

The NSE Chief Executive, Geoffrey Odundo, congratulated the AIB Capital team for the launch and insisted on the importance of Capital Markets stakeholders to meet investors at their points of convenience.



NSE Chief Executive Geoffrey Odundo (Centre) and AIB Capital CEO Paul Mwai are joined by officials from the Kenya Association of Stockbrokers and Investment Banks and Capital Markets Authority during the launch of the AIB DigiTrader.

Art and Finance Conference 2019

The NSE participated in the Arts and Finance Conference 2019 held on March 28 - 29, 2019. The conference brought together various players in the arts and finance sectors in Kenya including government stakeholders, private sector, regulators, art collectors, investors and bankers to discuss Art as an alternative form of investment and an asset class.

The two day conference was organized by Art and Work Kenya a company working towards building the

creative economy as an alternative career path and income earner for talented Kenyans.

The NSE CE, Geoffrey Odundo, emphasized on the importance of the sector having important structures critical to growth and essential to attracting local and international investors. Mr. Odundo also pledged the support from the NSE in enabling the sector grows to become an alternative income earner for talented youth in Kenya.

Stock Market Trite Cliché Expressions and Lingo



If you follow stock-market punditry you'll quickly notice something, a handful of analysts speak English, but the vast majority would rather speak a language unique to the investment business.

This language consists of market phrases that sound intelligent - below is a summary of some of the Stock Market slang we habitually use:

| | |
|------------------------------|--|
| All the Boats Rise | When the tide comes in, all the boats rise. When the stock market is quickly rising, there is a tendency for most stocks to increase in value due to over-optimism. The opposite is, When the tide goes out, all the boats sink, which is due to over-pessimism. |
| Babysitting | When a trader holds onto a trade, despite losses, in the hope the market will turn around so they can break even or make a profit. |
| Bottom Fishing | After a large sell-off or drop in the market, a slang term for picking oversold stocks. |
| Castles in the Sky | When stock prices are extremely overvalued, and not justifiable by future increases in earnings. |
| Catch A Falling Knife | Buying something as its price is declining rapidly. Timed perfectly, to catch a falling knife, one buys at the bottom of the price decline and then sells later at a higher price. However the price may continue to fall and the asset can become worthless. |
| Crowding Out | When the Government incurs massive budget deficits, it must borrow tremendous sums of money. This effectively "crowds out" private businesses from borrowing in the capital markets as there is less money available for loans. |

| | |
|---------------------------------|--|
| Dead Cat Bounce | After a stock (or even the entire market) has dropped substantially, there is often a moderate bounce to the up side. This bounce may be caused by value investors believing the stock had become undervalued at this beaten down price, or by short sellers covering their positions as shorting was compounding on the way down. |
| Fat-finger trade | A keyboard input error in the financial markets such as the stock market whereby an order to buy or sell is placed of far greater size than intended, for the wrong stock or contract, at the wrong price, or with any number of other input errors |
| FOMO | Fear of missing out. Investing, without any analysis, just because everyone else is and they seem to be making money |
| Forking | Splitting from the original blockchain and creating a new version of an existing cryptocurrency |
| Gentlemen Prefer Bonds | An obsolete saying used in a long-term bear market for stocks. Bonds tend to outperform stocks during recessions. |
| Hunting elephants | Most famously said by Warren Buffett, this means that you're looking for big deals. |
| Jigged out | When a market turns against a general trend, forcing the trader to close their position. |
| Merger Monday | Mergers, or companies buying other companies, often consummate a deal over a weekend, and then publicly announce it on a Monday. |
| Mine/yours or long/short | Traders will sometimes say 'mine' to indicate they want to buy (go long), and 'yours' to indicate they want to sell (go short). |
| Painting the Tape | When a group of investors illegally move a stock by trading it all at the same time. This happens every day, just watch the tape of most active light volume stocks, but don't get sucked in. Day trader newsletter emails can cause such moves. |
| Quadruple Witching Hour | The final hour of trading on a Friday when stock index futures, single stock futures, stock index options, and stock options all expire. This happens on the third Friday in March, June, September, and December. This used to be called the Triple Witching Hour. |
| Rubber Band Effect | After a large sell-off in the market, there is a tendency for the market to bounce back right away. It is caused by computerized trading programs. It's also known as a V rally due to how it appears on a chart. |
| Sheep | Someone without a clear investment strategy |
| Shill | A con-artist who gives a misleading endorsement to a market or asset in the hopes its price will rise (to their benefit). |
| Squiggly lines | The chart analysis tools and technical indicators used by some traders. |
| Tanking | When a market falls suddenly. |
| Treat me subject | This means maybe. When placing an order for a client, a trader may say "treat me subject" to indicate that the client may have the order they want after the trader makes a phone call to double check that it's all in the clear. |
| V Rally | After a large sell-off in the market, there is a tendency for the market to bounce back right away. It is caused by computerized trading programs. The term derives from how the move appears on a chart. Also known as the Rubber Band Effect. |
| Vulture | A trader that looks for struggling assets, hoping to profit from major turnarounds. See also bottom fishing. |
| Whale | A trader or institution with a large position in a market. Sometimes whales are so big they can influence market pricing. |

The contributor of this article is a former NSE employee, Mr. Sammy Mutua.

Up-close and Personal with David Wainaina Chief Operating Officer



running before 9.00am on every working day is a fair challenge for me. The Market expects no system downtimes.

3. If you were to switch jobs with anyone at the NSE who would that be?

Hahaha! Probably this issue does not arise because I guess no one would like to switch jobs with me! I'm privileged to lead a highly dynamic team in Operations and IT; if I switch then we must also switch the teams with the counter party. Does that validate my first point?

4. Where do you see the Exchange in the next few years?

I see the Exchange growing to greater heights from the current frontier market status to an emerging market status. The Exchange will also be a significant gateway for inflows seeking opportunities in the East African region.

5. What have you come to love most about working for the NSE?

Well, I would say that NSE gives its entire staff an equal opportunity to demonstrate their potential for growth. For me I must say that the journey started as a temporary staff and here we are!

6. Having joined the NSE at a tender age and now as the Chief Operating Officer, what advice do you have to the young people who just joined the NSE?

They must be passionate, patient and must stay focused. Growth will come, although at times it might not come as fast as they wish.

7. What are the top three things that you wish to achieve in your current role?

- To transition to an upgraded trading system
- I would like to see investors being able to buy and sell securities on the same day
- To take advantage of technology and increase the liquidity of the market by a significant margin.

8. What is your most preferred way of unwinding?

A cold swimming pool works.

1. Having worked in the NSE for over 10 years, what are some of the most significant developments we have experienced as a market?

- I joined the Exchange when we were trading under the open outcry environment.
- The automation journey in our market and the impact thereof has been completely phenomenal to say the least. We started by eliminating certificates with the introduction of CDSC, then the shouting by brokers was replaced by the ATS in 2006 and finally the trading in Government Bonds was rolled out in 2009. I feel privileged to have been part of the teams that delivered these milestones.
- The second significant event for me happened in 2014 with the demutualization and self listing of the NSE. Working for a public listed company meant that we had to scale up our operation efficiencies among other areas within the company.

2. Trading and Operations is quite significant in ensuring the market runs smoothly, what is the most challenging part of your job?

Ensuring that the trading infrastructure is up and