

NSE Chief Executive's Foreword



Welcome to the second edition of the 2020 Exchange Bulletin.

The year 2020 continues to be a challenging year for businesses and humanity globally, as the effects of COVID-19 continue to be felt across all spheres of our social and economic life.

As the pandemic drastically affects the business and investor community, we have made commitments to mitigate the financial and operational exposure to our business by ensuring seamless continuity of our operations.

During this period, domestic and international equity and debt investors are closely monitoring the impact of the virus on our economy and the potential ramification it will have on listed companies trading on our platform.

Despite our economy showing resilience, the first half of the year saw the country

receive downgrades on its sovereign credit ratings from stable to negative by Moody's and Fitch Ratings. This is as a result of rising financial risks occasioned by the country's growing debt requirements, a contracting revenue base as well as possible exchange and interest rates shocks which will occur when the country settles its medium term obligations. Negative sovereign ratings have a profound effect on the sovereign and corporate bond markets and we will closely monitor how this is likely to affect the business.

Market performance in the first half of the year was largely subdued however, equities turnover for the six months ended June 30, 2020 was up 6.51% from Kshs. 78 Billion to Kshs. 83 Billion recorded over the same period last year.

The performance of the listed gold backed Exchange Traded Fund (ETF) in the first half of the year has been remarkable, underscoring its importance in financial risk hedging and management. Equally, it is a testament that our strategy of offering investors various instruments for deployment of capital is vital for portfolio diversification. Turnover for the Absa Gold ETF was up by 8,034% for the six months ended June 30, 2020 settling at Kshs. 163 Million compared to Kshs. 2 Million recorded over the same period last year.

Bonds turnover however decreased by 18.32% in the first half of the year to settle at Kshs. 294 Billion from Kshs. 360 Billion recorded in a similar period last year.

During the period, net sells accounted for a higher proportion of total trading activity.

Consequently, price corrections on listed securities saw pressure exerted on NSE benchmark indices. The NSE 20 Share Index, declined by 26.25% to settle at 1942.12 as compared to same period last year. The NSE 25 Share Index declined by 10.31% while the All Share Index declined by 7.97% to settle at 3217.11 and 137.68 respectively.

As we progress into the second half of the year, our performance will be largely driven by economic recovery, effectiveness of the Government's stimulus program as well as efficiencies in containing the spread of the virus in Kenya, within the region and globally.

The gradual re-opening of the economy will see key sectors such as agriculture, transport, financial services recover thus positively weighing on investor's sentiments which will see investor's enhanced allocation of capital to Equities and other listed securities in our market. As we continue to adopt to the changing working environment where we are continuously focusing on balancing work and family life as well as maintaining strict new socializing guidelines, I wish to encourage you to remain focused on your assignments that are key in driving this organization forward.

I wish you all the best and reiterate the importance of maintaining strict hygiene and observing all guidelines by the Ministry of Health.

Stay safe and God Bless.

Geoffrey Odundo
Chief Executive

INSIDE

02



NSE Spearheads Digitization with the Launch of its Upgraded Mobile Application

03



AIB-AXYS Africa Commences Operations in the Kenyan Market following a successful merger

05



David Waggema

NSE Spearheads Digitization with the Launch of its Upgraded Mobile Application

The NSE enhanced its digitization agenda with the launch of its upgraded mobile application on June 9, 2020. The new NSE App is designed to provide investors with convenient, faster and real-time access to the Exchange's activities. It features market snapshots, stock prices, market analytics, financial news and offers an easy gateway to stockbroker's mobile and online trading platforms.

Further, the mobile app enables users to create personalized watch lists to keep track of chosen securities, eliminating the need to access multiple information sources. The NSE App is available on both Google Play store and IOS.

Speaking during the launch event, Ms. Maureen Mbaka, Chief Administrative Secretary, Ministry of ICT, Innovation and Youth Affairs commended the efforts by the NSE in leveraging on technology and innovation to enhance financial literacy and financial inclusion in the country.

The launch of the upgraded NSE mobile app is consistent with NSE's objective to offer uninterrupted capital markets services amid the current global challenge driven by the outbreak and

spread of the Coronavirus and Government directives put in place to mitigate effects of the pandemic.



Ms. Maureen Mbaka, Chief Administrative Secretary, Ministry of ICT, Innovation and Youth Affairs shares her remarks during the launch of the NSE App



Ms. Maureen Mbaka, Chief Administrative Secretary, Ministry of ICT, Innovation and Youth Affairs is joined by Mr. James Ndegwa, Chairman, Capital Markets Authority (Right) and Mr. Samuel Kimani, then Chairman, NSE (Left) as she rings the bell to mark the official launch of the NSE App

AIB-AXYS Africa Commences Operations in the Kenyan Market



Ms. Caroline Armstrong, AIB-AXYS Africa Chairperson (Second from right) is joined by Mr. Paul Mwai, Chief Executive AIB –AXYS Africa (Right), Mr. Geoffrey Odundo, NSE Chief Executive (far left) and Mr. Mahmood Mansoor, Director AIB-AXYS (second from left) Africa to celebrate the launch of AIB-AXYS Africa.

AIB-AXYS Africa, the merged entity of AIB Capital and Apex Africa Capital commenced operations in the Kenyan market following its launch on June 30, 2020 at the NSE.

The launch marked the successful completion of the merger between two leading, credible and developed brokerage firms which seek to leverage on synergies to enhance their impact on the Kenyan market and service delivery to clients.

The launch of AIB-AXYS Africa entrenches AXYS Financial Services Group's faith and confidence in the Kenyan Stock Market following its entry in Kenya in 2015 through the acquisition of Apex Africa Capital and further investment through the merger.

The merged entity will enjoy considerable brand equity both locally and internationally, a stronger capital position through capital consolidation and better capacity through the merger of its working teams.

Additionally, AXYS Financial Group's coverage of various markets across 5 continents will provide the firm with international exposure enabling it access additional international clients.



AIB-AXYS Africa Chairperson Ms. Caroline Armstrong shares her remarks during the launch of the firm at the NSE

Joint Capital Markets Industry Webinar on Low Uptake of Capital Market Products and Services

The NSE and the Capital Markets Authority held a joint Webinar on low uptake of capital markets products and services on June 25, 2020. The webinar brought together different players in the Capital Markets industry including the Central Depository and Settlement Corporation, The REITs Association of Kenya, East Africa Venture Capital Association, as well as the Kenya Association of Stockbrokers and Investment Banks.

The webinar highlighted on the growing need to enhance capacity among various players in the industry including fund managers, analysts as well as other retail investor to enhance participation in the market.

Additionally, the webinar highlighted key initiatives to enhance the corporate bond market. This includes the sourcing of guarantors to guarantee corporate bonds, ensuring bonds are rated by international rating agencies and enhancing risk analysis for bonds among others.

Brand 100 –Africa Best Brands



The NSE participated in Africa's Best Brands 2020 awards on May 25, 2020. Africa Best Brands is an initiative that seeks to evaluate brands based on their reception in Africa as well as recognize and award the leading brands in Africa.

Now in its 10th year, the initiative seeks to understand how private brands can drive economic growth in Africa. It examines how a blend of favourable macro-economic factors in the continent such as growing consumer class, increasing exports as well as more private sector driven investments are keen on driving the continents next economic frontier.

NSE listed companies that made it to the top 100 brands list include; Tusker, a product of East Africa Breweries Limited, Safaricom, Kenya Commercial Bank, Equity Bank as well as M-Pesa.

Investing during a pandemic



General principles of investing still apply even during these pandemic times. In this article, we shall explore important considerations for investors looking to reap the highest gain

First and foremost you have to develop or relook at your investment strategy as opposed to reacting to various opportunities. An investment strategy is a plan that has your long, medium and short term 'SMART' goals. This is very important as it acts as a road map in your investment journey.

The more specific the goal, the more likely it is to be accomplished. It should be measurable or mutually agreed upon for accountability, the goals should be achievable meaning there should be a step by step process clearly mapped out, the goals should be realistic or relevant so that they do not discourage you if they are too ambitious and finally, they should be time bound meaning you have a set duration within which to achieve it.

Once you have your goals set, it is important to carry out an evaluation of the various investment options available to you. This is especially important around these pandemic times where a lot of uncertainty has caused many of the counters to take different tangents.

In the stock market, the sector and the positioning of the company during these times is very important as different sectors have been affected differently; some

companies are thriving such as Zoom which has really done well and is recorded to outperform several American airlines put together. Locally, the transport, tourism and hospitality sectors have taken some hit as an industry, but as the economy opens up, some of the counters are likely to pick up. Nonetheless, it is important to do your due diligence on the specific counter before you buy shares, specifically interrogating the plans they have around this time as well as the market sentiments and information on their leadership. The financial & telecommunications services companies are also experiencing mixed fortunes depending on their strategies around Covid 19.

When there is uncertainty in the equities market, investors often move to hard assets such as Bonds, Derivatives, Real Estate Investment Trusts and Exchange Traded Funds which help investors hedge their risk.

There has been a lot of demand on bonds in the long term and treasury bills in the short term market. It would be worthwhile to consider the effective or actual return on any bond prior to investing e.g. the M-Akiba Bond that is currently open in the secondary Market which offers tax free 10% return. The minimum initial investment amount is Kshs. 3,000 with no Upper limit but one can top up with as little as Kshs. 10 or Kshs.100 via mobile money.

There is the Real Estate Investment Trusts (REITs) where someone can purchase REITs which are traded in the same way as shares hence improving liquidity i.e. the ability of getting in or out when you want to buy or sell unlike when dealing with physical land.

Last but not least, one can purchase Exchange Traded Funds (ETFs) which is also a very stable asset class during this time.

Finally, if you think education is expensive, try ignorance. Equip yourself with as much knowledge as you can to enable you make the right investment decisions.

IRUNGU WAGGEMA

*Head of Business Development
Nairobi Securities Exchange*

Up-close And Personal with Nairobi Securities Exchange's Shem Ouko



1. Tell us more about yourself.

An articulate and self-motivated finance professional with three years' experience in financial services sectors. I have a passion for excellence and I usually don't settle for less. I am also very outgoing and social.

I am a strong believer of high moral standards which has made me enjoy the Mexican phrase 'El que es perico, donde quiera es verde' meaning a parrot is green anywhere. This literally translates that a person's virtues usually shine all the way.

I am a handball player. I am still looking for a training club in Nairobi to help me unwind. I just learned it's not a common game like before.

2. You joined the NSE as a Graduate Trainee and now working as a Compliance Officer, enlighten us on the journey and your experience in the role and where you see yourself in five years.

- Having worked in the Operations, Business Development and Derivatives Departments of the NSE, I have gained tremendous knowledge and skills that I have continuously applied even in my current role. The Regulatory Affairs Department is like a knowledge centre for me. You get to learn the Capital Market dynamics and develop skills that help you provide handy solutions to the market players. This In my opinion is a great milestone. Five years from now I see myself in a senior position at the NSE and being part of the success story.

3. What is the most challenging and interesting part of your job?

- The most interesting part of my job is always developing new models and metrics both financial and non-financial to solve our tasks efficiently. Most of the tasks we perform are usually connected to the NSE Rules, and Capital Markets Regulations and Capital Markets Authority Guidelines. The challenging part sometimes comes when you have to strike the right regulation to the underlying task. It calls for accurate interpretation of the regulation, rules and guideline.

4. If you were given an opportunity to shift careers with anyone at the NSE, who would that person be and why?

Working in the Regulatory Affairs Department has exposed me to new skills and great experience in the Capital Market Industry. This still is a work in progress. Having a background in finance and having joined NSE as a graduate trainee, I am confident that I can work in all the core departments as well as finance. I would accept a progressive new challenge from within the cluster departments.

5. Who inspires you most and why?

My Dad, a retired telecommunication technician .The sacrifices that he made, struggles that he endured, and motivation that he had for us to succeed are factors that I reckon with. His passion for education was far beyond reproach. He has been and still is my greatest mentor. He has taught me to view life in all aspects and to always remain positive. He supports me in critical decisions now more than ever. He pushes me to surpass my limits.

6. Top three things in your bucket list?

To walk in the corridors of the Wall Street in the USA. I got inspired from the movie 'The wolf of the Wall Street, 2013'.

Owning my own home before 35 years of age. Visiting Playa, cafe Carmen the most beautiful beach town in Mexico. I love the Spanish accent.

7. What would we be surprised to know about you? I can't swim.

I confirmed this when I participated in the Cadet Military Recruitment Exercise in 2013. I was expected to dive in this deep pool of water and swim through to the other end. I remember waking up under first aid care followed by an exit command from the training camp. Swimming is something I struggle with but it is a work in progress.

The NSE Offers Premium Training Services in:

- Trading and Investments
- Trading Systems and Technology
- Corporate Governance
- Risk and Compliance
- Sacco Training

Visit www.nse.co.ke to get the Training Calendar.