

MSE



7TH EDITION ISSUE 2023



THEME

VALUE PRESERVATION THROUGH THE STOCK EXCHANGE

FEATURED ARTICLES

Challenges of private sector growth

Update on implementation plan of MIP 1

LISTING EXPERIENCES

FDH Bank PLC
Airtel Malawi PLC

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Investment Avenues in the
financial sector

ISSUER SEGMENT

Sustainability in Business

Business Scaling with Long
term financing

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TIPS

FOR
RETIREMENT
PLANNING

OUR PLATFORMS

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CONTINENTAL
CAPITAL

ABOUT THE COVER



"The cover design for this year's magazine is a striking visual representation of the theme "value preservation through the Malawi stock exchange." At first glance, one may be drawn to the golden bull that stands resolutely in the center of the image, representing the enduring and timeless nature of value. However, upon further reflection, the dry grass farm field that surrounds the bull reminds us of the fragility of value in the face of external forces such as droughts and floods that have recently shaken Malawi.

In this way, the cover design speaks to the importance of preserving value, even in the midst of adversity. The Malawi stock exchange provides an avenue for individuals and businesses to invest in the long-term success of the country's economy, ultimately contributing to the preservation of value. Just as the golden bull represents the unyielding nature of value, the stock exchange serves as a foundation upon which to build and protect it."

*Ian Khonje
CEO and Founder
Oasis Brands*



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CEO FOREWORD

By John Robson Kamanga, Chief Executive Officer, Malawi Stock Exchange

It is with profound honour and pleasure to present to our esteemed and distinguished stakeholders the seventh edition of the Malawi Stock Exchange Magazine for the year ended December 2022.

The year 2022 was yet another challenging year for the domestic economy and business in general as we experienced materialisation of significant downside risks including continued disruption of the supply chain as a side effect of the COVID-19 Pandemic containment measures, surging global and domestic inflation due to the invasion of Russia in Ukraine, continued energy shortages due to devastation of Cyclone Ana and foreign exchange shortages which culminated into devaluation of the Kwacha. In spite of all these challenges, the Exchange was able to sail through and deliver on its mandate of creating value and wealth for its stakeholders through registering a strong performance of the market which offered relief to the investing public.

Economic environment

According to monetary authorities, economic growth in 2022 moderated to 1.2%, a downward revision from earlier projections of 4.1%. Growth was also below the 2021 levels when the economy grew by 4.6%. Inflation took an upward trajectory and averaged 21.0%, up from 9.3% registered in 2021. Monetary authorities took a tight monetary policy stance to arrest the runaway inflation which resulted in an increase in the policy rate which moved from 12% to 18% as of December 2022. It was encouraging to note that in the last quarter of 2022 inflation had begun to moderate. Forex shortages persisted as gross official reserves closed at 1.22 months from 1.72 months in 2021.

Meanwhile, prospects for 2023 indicate that real GDP growth is projected to pick up to 2.7 percent in 2023, conditional on a recovery in the agricultural sector and an improved policy environment.





Market performance

The market registered a positive and above annual inflation return on investment of 36.74% (8.76% in US\$ terms) in 2022 compared to the return of 40.05% (33.92% in US\$ terms) in the prior year. It also registered an increase in both volume and value of shares traded. The market transacted a total of 1,402,901,021 shares at a total consideration of K51,719,845,760.25 (US\$54,088,354.47) representing an increase of 7.82% in volume and 37.22% (23.63% in US Dollar terms) increase in traded value. In the same period under review, the market registered its first trades on one of the debt securities issued by Malawi Government and also listed 21 Government of Malawi Treasury Notes bringing the total number of listed debt securities to 62.

Market capitalization, a measure of the size of a market, increased both in Kwacha and United States Dollar terms from MK2.46 trillion (US\$3.02 billion) in January 2022 to MK3.35 trillion (US\$3.26 billion) as at 31st December 2022, resulting from share price gains on eleven listed companies. Market liquidity, measured by a ratio of total value of trades to market capitalization, was slightly higher at 1.54% from 1.53% registered in 2021.


K52Bn
Traded Value


37%
Annual Return on Index


7.8%
Increase in Volume traded



Accomplishments for the year 2022

The Exchange accomplished the following strategic activities during the year:

- The Malawi Government through the Reserve Bank of Malawi on 14th November 2022 listed 21 Treasury Notes with a nominal value of K1.19 Trillion following a successful capital raising of the same in the primary market.
- The market registered the first trade on a Malawi Government Treasury Note
- Traded volume, value and number of transactions on the market recorded an increase signifying improvement in market liquidity.
- The Exchange upgraded its website as a way of improving information access to the public. The email domain was also changed to @mse.co.mw as a way of aligning our online branding.
- The Exchange introduced a quarterly newsletter in order to enhance visibility and communication of capital market news and developments.
- The Exchange continued on its drive to bring new companies to list through implementing business development initiatives such as conducting business clinics with various companies during the year, lobbying for tax incentives for companies that want to list, conducting stakeholder engagements in order to raise awareness of the role of the Exchange in economic development.
- The Exchange held various financial literacy awareness activities including participating in the Global Money Week, financial literacy capacity building programs organized by the Reserve Bank of Malawi, hosting a Facebook Live webinar, hosting a journalist seminar, hosting various school visits to the Exchange and optimizing social media platforms.
- The Exchange participated in the annual tree planting season through donating and planting 2000 pine trees at the Mudi Catchment area as part of its Corporate Social Responsibility.

Initiatives going forward

Looking ahead, the Exchange will be turning over a new leaf as it begins implementation of its 5-year strategic plan spanning from 2023-2027. The strategy is anchored by three thematic pillars namely market growth, process efficiency and financial sustainability.

The strategy has an objective of enhancing the visibility of the Exchange so as to be easily accessible as a premier source of raising capital and solid platform for viable investment returns to the investing community, to enhance the use of our digitized management information system in order to attain efficient business processes; and subsequently to improve the financial position and financial sustainability of the Exchange.

Some of the projects envisioned under the plan include procurement and commissioning of a mobile trading platform, launch of an incubation program aiming to provide handholding support to Small and Medium Size enterprises to enhance their readiness to list, development of a sustainability framework to facilitate issuance of green and social bonds and introduction of Environmental, Social and Governance (ESG) reporting framework for listed companies.


Appreciation

I would like to sincerely extend my profound gratitude to the Registrar of Financial Institutions, who is the Governor of the Reserve Bank of Malawi, for the support rendered to the Exchange and all capital market participants and members who share the MSE's vision of promoting an efficient securities market worthy of public trust that is characterized and underpinned by transparency and integrity.

Special gratitude is also extended to the MSE Board of Directors, for the untiring effort, support and guidance in steering the Exchange to achieve its mandated objectives of providing a market for raising capital and trading of securities. I am also greatly indebted to my fellow team members of the MSE for their passionate effort and dedication that has made it possible to attain the achieved goals.

The work we have achieved has demonstrated that we indeed hold true to our values of Transparency, Teamwork, Fairness, Professionalism, and Integrity. Lastly to the investing public, I would like to assure you that the MSE remains committed in propelling the market to greater heights. We are confident that the Exchange will attain the aspirations encompassed in its goals so as to build trust and confidence in our market.

May God bless Malawi and all of us.


K1.19tn
*Nominal Value of listed
Treasury Notes*


21

*New Treasury Notes listed in
the year 2022*

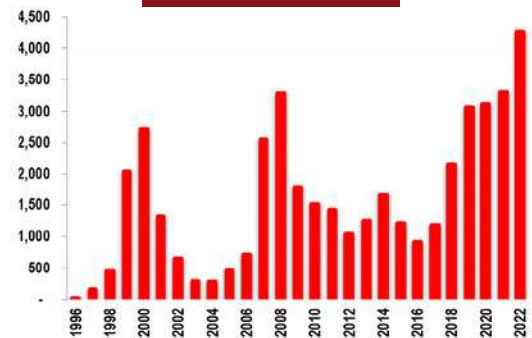


2022 MARKET PERFORMANCE SUMMARY

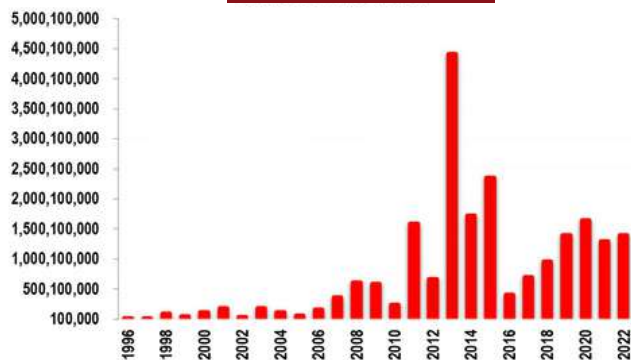
MARKET CAPITALISATION



NUMBER OF TRANSACTIONS



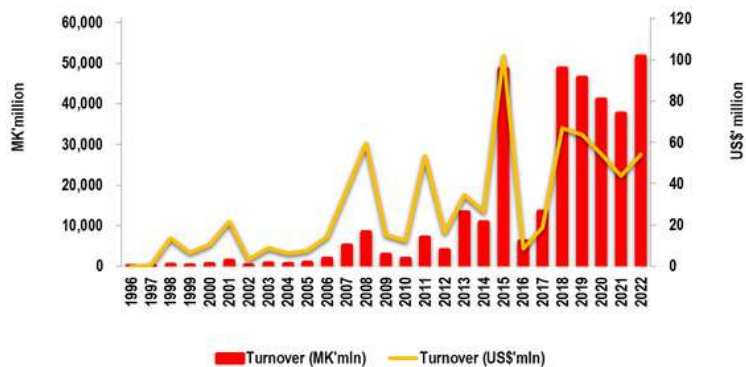
VOLUME OF SHARES TRADED



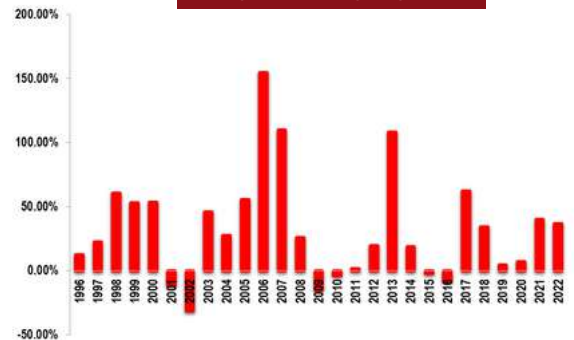
MASI



TURNOVER



YEAR ON YEAR RETURN ON INDEX



THE YEAR IN PICTURES

2022



Mrs. Temwani Simwaka, Deputy Chief Executive Officer for NBS Bank PLC ringing the bell to raise awareness for gender equality during International Women's Day commemoration



The Malawi Stock Exchange team commemorating International Women's Day with the #Breakthebias pose.



Mrs Mary Chipofya Chikaonda from MSE addressing the audience during the DMI students visit



The Guest of Honour, Dr. Wilson T. Banda ringing the bell to signal the listing of the Malawi Government Treasury notes.



A cross section of the participants as they listen to the speech by the Guest of Honor, Dr. Wilson T. Banda during the treasury notes listing.



A cross section of the audience at the Malawi Stock Exchange Bond Trading workshop



MSE team building retreat held at Sunbird waterfront Hotel in Salima, Malawi with instructor Emmanuel Mulele.



A group picture of the CEO of MSE and primary school students of St Pius Primary School during their visit during the Global Money Week 2022 and a cross section of the students being briefed in a session promoting financial literacy.



THE YEAR IN PICTURES

2022



Students from the Catholic University of Malawi visited the Malawi Stock Exchange to learn more about the operations of the Exchange.



Father Samuel Satiele, CUNIMA Lecturer, giving his words of appreciation during the visit from CUNIMA students



The Malawi Stock Exchange on 1st April 2022 held a tree planting exercise that was organized as part of the institution's corporate social responsibility program. The Stock Exchange donated 2000 pine tree seedlings that were planted at the Mudi Catchment area on a ground area close to 1.5 hectares.



MSE Business Journalist Seminar 2022. Pictured above are the journalists that participated and awarded with their certificates of participation.



Mrs. Bernadette Chiwanda Mia, a journalist from MIJ Radio, giving her vote of thanks on behalf of all the participants at the MSE Business Conference 2022



Students from the St DMI University of Malawi visited the Malawi Stock Exchange to learn more about the operations of the Exchange.



VISION

We aim to promote a responsive market worthy of public trust characterised by transparency and integrity.



MISSION

Our mission is to provide and operate a fair, orderly, transparent and properly regulated capital market for the creation of value to our investors and listed companies.



OUR CORE VALUES

Our core values are the defining principles by which we operate as individuals and as a company. They define who we are, how we work, what we believe in and what we stand for. These core values are outlined as follows;

TRANSPARENCY

We believe that transparency is an essential part of our business and that, it enables us to function at a higher level, accompanied by availability of full information required for collaboration, cooperation and collective decision making to our stakeholders.

TEAM WORK

We are a team that is built upon the foundations of innovation, success, development, problem solving, progression and client relations in order to achieve a common goal of ensuring investor and issuer's protection.

FAIRNESS

We are a business whose characteristics of fairness are a quality of being just, equitable and impartial. To us, fairness means uncompromising adherence to ethical values in our business conduct.

PROFESSIONALISM

We believe that our professionalism is not a label we give ourselves, but it is a description we hope our clients will apply to us because of our positive attitude, communication, knowledge, responsibility, skills, loyalty and customer care values we provide.

INTEGRITY

We adhere to moral principles which are ethical, honest, truthful, upright and sincere in our conduct with our various stakeholders and we take responsibility for our actions.

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SUSTAINABILITY IN BUSINESS - OVERVIEW OF THE LEGAL AND REGULATORY FRAMEWORK

By Kelline Kondowe, Chief Operating Officer, Malawi Stock Exchange.

Sustainability in business has gained traction over the last decade as it becomes clearer that doing business without considering the environment and society in which it operates can be detrimental and, in some cases, against the law. Not only do businesses rely on the environment to provide inputs and resources, business also relies on the society that is the ultimate consumer of the products and services produced by businesses. In other words, sustainability in business is part of business.

On a global level, sustainability is guided by various standards and frameworks including the Sustainable Development Goals (SDG), Global Reporting Initiatives Standards (GRI Standards), International Finance Corporation (IFC) Performance Standards and UN Principles for Responsible Investing (UNPRI). Malawi as a country subscribes to the global agenda on sustainability and has adopted frameworks such as the SDG's by incorporating them in national development plans. Within the domestic legal and regulatory framework, the Malawi Code II which is the code of best practice for corporate governance in Malawi provides guidance on the role of companies on issues of sustainability. The code requires that companies must conduct their operations in a manner that meets existing needs without compromising on the ability of the future generations to meet their needs. It requires that companies should have regard to the impact of the company's operations on the environment and economic and social life of the community in which it operates. Further, the code prescribes that companies must adopt integrated reporting where sustainability reporting is integrated with the company's financial reporting. To enhance their applicability, the code overarching provisions were adopted and issued as a regulation under the Companies Act and referred to as Companies (Corporate Governance) Regulations, 2016.

The areas on sustainability that are prominent within the capital markets arise in the issuance of sustainability bonds such as green and social bonds and Environmental, Social and Governance (ESG) reporting. Green bonds and green projects are relatively new concepts within the Malawi context, nonetheless there is growing interest in the area as evidenced by adoption and implementation of green projects and issuance of regulations within the construction sector. Currently, Malawi has green building standards guided by the use of sustainable construction materials Regulations established in 2018 and enforced by the National Construction Industry Council (NCIC).

These Regulations seek to promote the use of sustainable and environmentally friendly construction materials in the construction industry. The Regulations require that every public or commercial project be executed using approved, energy efficient, sustainable and environmentally friendly construction materials and technologies in all the phases of the project as appropriate. As such the use of traditionally fire cured bricks in the execution of such projects is prohibited. The Regulations also require the city, town and District Councils to approve only such projects that specify and utilize construction materials that are sustainable, environmentally friendly and energy efficient.

ESG STANDS FOR ENVIRONMENTAL, SOCIAL AND GOVERNANCE





DOING BUSINESS WITHOUT CONSIDERING THE ENVIRONMENT AND SOCIETY CAN BE DETRIMENTAL



Some examples of green projects that have been implemented include Mbiri and Tsogolo Halls of residence at Kamuzu University of Health Sciences at Lilongwe Campus. This student housing was constructed by Old Mutual Malawi, and serves to demonstrate the financial viability and sustainability of the green building concept. Habitat for Humanity is also constructing low-cost green houses for low-income households in Zomba and Phalombe districts. Further, both Malawi Housing Corporation and Ministry of Land, Housing, and Urban Development are constructing houses using green materials such as cement bricks. All donor projects now use cement bricks to comply with the law. It is thus evident that there is demand and a need for sustainability to become mainstream.

However, adoption of sustainability projects is not just a matter of complying with regulations or fulfilling demand for green projects. Sustainability can also play a crucial role in risk management for businesses. Some of the benefits of incorporating sustainability into risk management include mitigation of environmental and social risks whereby sustainability initiatives can help a company minimize its impact on the environment and reduce its exposure to environmental and social risks, such as climate change, resource depletion, and social unrest. Sustainability initiatives also improve the resilience of a business as they more likely to have efficient operations, a better reputation and stronger relationship with stakeholders. Businesses that prioritize sustainability often have a better reputation and brand value, which can help mitigate risks associated with reputational damage and loss of brand value.

These benefits of sustainability initiatives are particularly important for businesses operating in Africa where climate change impacts are predicted to result in extreme losses to agriculture production, livestock, water supply, and human health. These, if not addressed could lead to worsening existing, social, economic and national security issues. According to a report published by the Committee of SADC Stock Exchanges (COSSE), meeting these challenges will require the continent to take advantage of a diverse range of 'green' and 'sustainable' capital raising tools and sources of funding to raise funds for sectors such as sustainable agriculture, green resilient infrastructure for transport, water, and waste management, with the goal of promoting sustainable, inclusive and equitable economic growth, reducing inequalities, creating greater opportunities for all and promoting sustainable management of natural resources and ecosystems.

As a key player within the capital markets, the Stock Exchange is committed to creating a conducive regulatory environment that will facilitate capital raising for sustainability projects and enhance sustainability reporting for issuers of listed securities. This is in line with the global and national development blue prints, including the SDGs, Malawi 2063, Malawi Capital Market Development Plan and the Stock Exchange strategic plan. An example of an envisioned initiative is the development of a regulatory framework for issuance of sustainability bonds and incorporation of ESG reporting in listed companies continuing obligations.

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Award
2017



Graphic Designer of
the year Award
2017

BUSINESS UPSCALING WITH LONG-TERM FINANCING

By Bernard Sande, CFA | Head of Origination, Old Mutual Investment Group.

Successful businesses are what they are because they take calculated risks in their attempt to address a certain identified 'pain point' for their target customers. The decision on how business operations are funded, that is, money or capital markets, short or long-term, debt or equity, listed and/or unlisted based on the objectives of the business in question, is as important as deciding what product or service offering to provide and which markets to penetrate. Business growth, in other terms scaling of business operations, comes with capital investment and long-term financing is the go for an entity that is looking for the utmost flexibility to free up cash that can be applied to other activities, projects and expenses.

Our market currently lacks depth on capital raise forms and mostly skewed in the short term. This is however not to suggest that long-term capital raise transactions cannot be achieved from our capital markets, it only highlights the fact that market participants have not explored all options in this regard. A further market anomaly can be pointed out, in that government as the single largest issuer of interest-bearing asset securities, dominates the fixed income instruments market, this is not right. The unfortunate bit is that as Malawi, we lag in terms of infrastructure development and there is an urgent need for a concerted effort from both private and public sectors to bridge the gap. One of the seven enablers of the Malawi 2063 strategy blueprint is that Malawi must have globally competitive economic infrastructure, the market must break out of the short-term financing bias if this infrastructure gap is to be bridged. Infrastructure investments are by nature capital intensive and therefore better funded using long-term financing.

As if our market shortcomings were not enough, the market also has a default to bank provided funding, that is, corporates mostly look to the banks for funding of their capital or working capital expenditures. What this implies is that on the debt front, capital raise offerings are concentrated on the short end of the yield curve. This is so because bank liabilities (deposits) that fund the loans they provide to borrowers are short term in nature, providing limited flexibility for the long-term end financing requirements whose appetite then remains unsatisfied.

Corporates can achieve better flexibility on their cash flows by exploring and accessing long-term funding from the capital markets, either as long-term debt or better still, open for other equity investors to come on board. All these decisions should of course involve a cost benefit analysis of the pros and cons to determine what works best for the entity. Long-term debt for example would come at an extra finance cost as lenders have to bear the risk of market fluctuations and the probability of default or loss in the event of default, but it provides the borrower flexibility of repayment over a long period of time. On the other hand, the equity option would come with dilution to the existing shareholders but provides even better flexibility than debt as there is no immediate obligation to repay the financing provided. Suffice to say that the business proposition needs to be strongly compelling for equity investors to take that risk, but this is of course true for any kind of financing.

Corporate executives, those with influence in terms of driving the corporate strategy of the many companies of our beloved nation, where you are either a member of senior management, board, or some influential board committee, reflect on your role and contribution to our status quo. While the government of Malawi is dominating the fixed income instruments market, what role have you or your company played in this regard, how do you raise funding for your long-term projects? What has been your personal influence as Finance Director, Chief Investment Officer, or some other title on your business card, in the funding options of your company? Malawi is a democracy, and we all know the value of a single vote, you may think that your efforts alone will not change our situation, but cumulatively you can take this market to uncharted territories.

SUCCESSFUL BUSINESSES TAKE CALCULATED RISKS

Let us pause for a while however, maybe the key question to ask is whose responsibility is it in the first place to ensure we have market depth? I guess the simple answer is that every party has a role to play, from the corporates themselves, to the financial market Regulators and in my opinion, most importantly the agents of resource allocation, that is, financial institutions. Financial Institutions pool resources from economic units in surplus through either savings, or investments and relay these to the deficit economic units through various investment instruments, debt, or equity. Asset Managers for example, use their skill to determine how best those surplus funds can be applied to get reasonable risk adjusted returns for their clients. This evidence demonstrates that this market's short-term bias or government dominance as the single largest issuer of fixed income securities, is because financial institutions, banks, asset managers, development finance institutions, and every other player involved in asset origination, have not explored other ways of helping and appraising corporates on how else they can raise funding from the Malawi Market, particularly from the long-term capital market. Funding can flow to all industrial sectors and drive economic activity in many other ways than just 'short-term commercial banks' provided funding. Whilst it can be argued that companies themselves must also take a fair share of the blame for not exploring all available sources of funding, the Asset Originators should take the largest share of this blame, as it is clearly their job to allocate resources to their best use in pursuit of superior returns for either their clients or shareholders.

Either through private placement equity or debt, or through the exchange, that is, raising funding from the public, the benefits of long-term finance can accrue not only to borrowers for business growth but also to providers of funds (savers and investors in the economy) and financial intermediaries (banks and institutional investors). Pensions Funds for example will be more than willing to engage in long-term financial contracts because returns are higher compared to short-term contracts and the maturity of these contracts better match their long-term liabilities. If as market participants, we are to meaningfully contribute to the growth of our beautiful nation and have a mark on the achievement of the vision set out in the Malawi 2063, we need to break out of short termism and explore long-term financing, as research has proven that it has a better impact on economic growth due to its suitability for long-term infrastructure projects.

WE NEED TO BREAK OUT OF SHORT TERMISM AND EXPLORE LONG-TERM FINANCING, IT HAS A BETTER IMPACT ON ECONOMIC GROWTH



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FDH BANK PLC CONTINUED GROWTH TRAJECTORY

Questions and Answer Segment with Noel Mkulichi

MSE: FDH Bank Plc listed in 2020, what benefit has the bank witnessed since listing on the Malawi Stock Exchange?

Noel Mkulichi: Listing has helped us to create value to all shareholders of the Bank. Our Capital gain is one of the key reasons that investors acquire stakes in various companies. Prior to being a listed company, FDH Bank was held by FDH Financial Holdings (93.68%), Government of Malawi (5.04%) and MSB ESOP (1.28%). The listing of the Bank in August 2020 allowed for the coming in of public shareholders at 19.3% shareholding and therefore FDH Financial Holdings now owns 74.05%, Government of Malawi 4.75% and MSB ESOP 1.90%.

Over the years that the Bank has been listed on the Malawi Stock Exchange (MSE), we have seen a lot of trading activity on the stock. FDH Bank Plc was the top traded counter in terms of volume of shares in 2022 with 499,333,405 shares traded representing 35% of total shares traded on the MSE. The trading activity on the MSE has enabled price discovery for FDH Bank shares. At the time of listing FDH Bank shares were offered at K10 per share. As at 19 March 2023, FDH Bank was trading at MK34.90 per share. This represents a 249% value gain to shareholders of the Bank.

MSE: How was the Bank's performance in the last financial year, 2022?

Noel Mkulichi: We saw our profit in 2022 grow by 97% leading to a K22.9 Billion profit after tax. We saw an increase in digital revenue resulting from growth in digital transaction volumes as well as an increase in the transactional banking space following recovery of businesses post Covid-19 restrictions being lifted. In addition to this, our net interest income grew by 47% on the back of an increase in interest bearing assets. We are very happy with the results despite other challenges like the impact of the Russian/Ukraine war on business.

“

WE SAW OUR
PROFIT GROW IN
2022

MSE: What are the Bank's strategic areas of focus that have compounded the growth of the Bank since listing?

We remain committed to creating value for our customers, the shareholders, and other stakeholders by focusing on growing revenue and market share, reducing operating costs for sustainable performance and profitability, creating highly engaged employees and contributing significantly to the creation of an inclusive, diverse and sustainable society.

We have indeed expanded and upgraded some of our service centres. With focus on providing excellent customer experience for our customers, providing more points of access and more convenience is integral to the process.

We have indeed expanded and upgraded some of our service centres. With focus on providing excellent customer experience for our customers, providing more points of access and more convenience is integral to the process.

We recently moved City Centre Service Centre to a spacious building at Casa Di Chez where there is room for a full servicecentre for general banking services as well as dedicated SME and Agribusiness Suites. This has boosted the customer experiences for our clients in the Capital City and City Centre which is a hub of economic and developmental activity in the city.

Our Zomba Service Centre was upgraded last year as well as our Old Town Service Centre. We have also expanded our BankiPakhomo network with over 5000 agents countrywide. This is on top of our array of digital products: 525Banking, OneClick, Wallet525, Ufulu525 and FDH Whatsapp Banking.

Our dream of providing excellent service continuously comes together through these collaborative efforts.

WE HAVE SEEN A LOT OF TRADING ACTIVITY ON THE STOCK



MSE: What are the Banks's plans for 2023?

Noel Mkulichi: The vision and aspirations of FDH Bank Plc is to be the leading provider of first-class digital financial solutions in Malawi and the Southern African region. We are striving to realise this vision.

We are implementing the new cycle of strategic objectives running up to 2024 which are focussing on providing first class customer centric financial solutions while leveraging on effective and reliable digital platforms, a wide distribution network and registering strong financial performance.

As a responsible bank, we have aligned our strategy to the UN's Sustainable Development Goals, Africa's Agenda 2063 and Malawi's Agenda 2063 and position ourselves to make a significant contribution to the growth of our economy and making our country better.



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(acquisitions, mergers,
divestitures etc.)



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Underwriting

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treasury@fdh.co.mw

AIRTEL'S FAIRYTALE JOURNEY ON MSE – 3 YEARS LATER

By Kingsley Jassi, Freelance Contributor

Just over three years ago the country's telecommunication giant, Airtel Malawi, made its entry on the Malawi Stock Exchange (MSE), issuing 2.2 billion shares at K12.69 each. That broke the record as the largest Initial Purchase Order (IPO) in the history of the local bourse and until now more records continue to be broken.

The share price has risen 490 percent over the three years, leaving shareholders to thank their heavens for hitting the jackpot at the 15th counter of the stock exchange. This fulfills the promise the company's Managing Director Charles Kamoto made at the time the company was listing on 24th February, 2020: "It provides platform for stakeholders and suits right with Airtel's vision of enriching the lives of customers."

Now that K12.69 Airtel IPO share price has catapulted to K75 as of the first week of April, 2023, the MSE's newest counter leads the chase for the record K1 trillion market capitalization after passing the half mark in the lead.

Apparently, this is a fairytale journey for Airtel on the stock market as its grand entry has now culminated into domination that has impacted immensely on MSE, adding so much valuable weight on the local bourse with its K825 billion valuation on the stock market as of the beginning of April.

This is the most successful story of a new entry at the MSE that leaves both the listed company and shareholders in contentment with performance just three years into the usually unpredictable journey. It was somewhat prophesied by the MSE Chief Executive Officer, John Kamanga, who reckoned this level of impact beforehand as he was quoted as saying, about Airtel's listing; "The listing adds to our broader goal of bolstering markets through the creation of additional investment opportunities for existing and new shareholders."

"We believe that the listing will ultimately be beneficial for all Malawians through growth in our capital markets and the economy and look forward to more companies coming forward and listing on the exchange."

With the IPO share price of K12.69 that quickly gained to K17.99 on the day of listing, the clouds had lined up for a successful journey that had started with oversubscription of its IPO that managed to liquidate 20 percent of the company's stake for K27.9 billion.

Airtel Managing Director, upon successful listing on MSE, had said in a statement; "as previously outlined, we are optimistic about the outlook for the telecommunications industry and believe we are well positioned to benefit from the attractive growth prospects in the sector, which we hope will benefit our shareholders in the long term."

This listing, whilst aligned to the Communications Act of 2016, also provides an opportunity to deepen Malawi's capital markets through providing an additional avenue for investment, according to Kamoto. "With 20 percent of Airtel Malawi now in the hands of the Malawian public, Malawians have the opportunity to share in Airtel's success story."

Those that have stakes in the company do not only enjoy the rising value, but they are also benefiting from the company's high profitability that continues to grow as seen in the 2021 performance with a 46.4 percent profit growth to K32.3 billion that further left the tax collector with a K13.9 billion cheque.

It appears Airtel is making everyone smile as it reaffirms its position as the telecommunication giant on the land.

Today, Airtel boasts over 6.3 million 30 day active subscribers, taking up the position as the largest telecommunication company in many facets that include subscriber base, market valuation, profitability, network coverage and many others. Its contribution to the country's telecommunication industry, capital markets and the whole economy is visibly enormous.

WE HOPE TO BENEFIT SHAREHOLDERS LONGTERM



Investors Segment															7th Edition Issue 2023	
High	Low	Symbol	Bid	Ask	Ask F	Last Day	Open	Last Trade	VWAP	Change	%Change	Trades	Last Volume	Turnover		
17.00	17.00	AIRTEL			17.00	17.50	17.50	17.00	17.00	-0.50	-2.86	1		57	57	
12.94	12.94	BHL			12.93	12.94	12.94	0.00	0.00	0.00	0.00	0		0	0	
40.00	40.00	FMBCH			34.00	40.00	40.00	0.00	0.00	0.00	0.00	0		0	0	
10.46	10.46	ICON	9.00		10.46	10.49	10.46	10.46	10.46	-0.03	-0.29	1		5,000	5,000	
94.50	94.50	ILLOVO	80.35		94.20	94.50	94.50	0.00	0.00	0.00	0.00	0		0	0	
24.99	24.99	MPICO			24.99	24.99	24.99	0.00	0.00	0.00	0.00	0		0	0	
540.00	540.00	NBM			600.00	540.00	540.00	540.00	540.00	0.00	0.00	1		16,192	16,192	
16.00	16.00	NBS	15.00		16.00	16.00	16.00	16.00	16.00	0.00	0.00	1		3,000	3,000	
48.50	48.50	NICO	41.50		48.50	48.50	48.50	0.00	0.00	0.00	0.00	0		0	0	
95.01	95.01	NITL	95.01		105.00	95.01	95.01	0.00	0.00	0.00	0.00	0		0	0	
2,499.99	2,499.99	OMU			2,499.99	2,499.99	2,499.99	0.00	0.00	0.00	0.00	0		0	0	
1,400.00	1,400.00	PCL			1,400.00	1,400.00	1,400.00	0.00	0.00	0.00	0.00	0		0	0	
730.02	730.02	STANDARD	730.02			730.02	730.02	0.00	0.00	0.00	0.00	0		0	0	
120.01	120.01	SUNBIRD	120.01			120.01	120.01	0.00	0.00	0.00	0.00	0		0	0	
25.54	25.54	TNM			25.54	25.54	25.54	0.00	0.00	0.00	0.00	0		0	0	

AUTOMATION AND EFFICIENCY

By Aubrey Kanje, Information Technology and Network Officer, Malawi Stock Exchange.

The introduction of ICT has made capital markets more efficient and automated, enabling faster and more accurate trading, settlement, and reporting. The use of electronic trading platforms has significantly reduced manual intervention, resulting in faster trade execution and settlement. Smart algorithms and high-frequency trading systems have further improved trading efficiency and reduced transaction costs.

Real-time Data Analysis

ICT has enabled real-time data analysis of market trends and financial indicators, allowing investors to make informed decisions based on accurate and up-to-date information. Advanced data analytics tools and applications, such as artificial intelligence and machine learning, can analyze massive amounts of data in real-time, identify patterns and trends, and provide insights that help traders make more informed investment decisions.

Increased Transparency

ICT has also increased the transparency of the capital markets, making it easier for investors to access information and monitor investments. Regulatory requirements for transparent and timely reporting have been facilitated

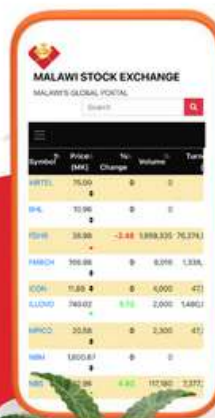
ICT HAS
MADE
MARKETS
MORE
EFFICIENT,
FAST AND
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Full API lifecycle support



MSE Magazine

EXPERIENCE OF MISALICO ON THE MALAWI STOCK EXCHANGE MARKET

By William Matewere

The legendary investor, Peter Lynch once said, “The real key to making money in stocks is not to get scared out of them.” MISALICO members agree with that statement hence their active participation on the Malawi Stock Exchange Market.

MISALICO is an abbreviation that stands for Minority Shareholders Association Of Listed Companies. This is an association of those shareholders with less than ten percent shares in any listed company.

The association was conceived in 2014 and was officially launched on 4th November, 2022 by the Minister of Finance and Economic Affairs, Hon Sosten Gwengwe at a colorful event held at Mount Soche Hotel in Blantyre. The main objective of this association is to share ideas of the stock market and influence members to be actively and constructively participate in annual general meetings of listed companies from an informed platform. Precisely, members understand that collective shareholders’ activism is the right tool that can influence corporate decisions by using ownership privileges.

As the legendary investor put it, MISALICO members have not been scared to invest in stocks on the Malawi Stock Exchange because they have experienced immense advantages of such investments as opposed to other investment vehicles like real property investments or bonds as outlined below.

1. Stocks are liquid assets that can easily be turned into cash at any given time hence MISALICO members have enjoyed the benefits of such liquidity whenever they would like to disinvest. Members have the opportunity to sell their investments whenever the share prices appreciate in value.

2. Since stock market responds to economic growth and most times the value of investment have risen especially when there is an economic expansion leading to share price rise and MISALICO members have been direct beneficiaries of such upswing movement. This has led to some MISALICO members becoming instant millionaires because of capital gains.

Members have also received handsome dividends based on the number of shares they own when the companies they invested in make profits which are distributed to shareholders. Suffice, to say that sometimes companies have given shareholders bonus shares leading to an increase in any investment portfolio.

3. Stock Market is a flexible market where an investor is allowed to invest even a small amount of money any time. MISALICO members have witnessed and enjoyed such flexibility where they are able to invest as little as MK10,000 and being able to conduct business on the Malawi Stock Exchange at any time.

4. The Stock Market is a heavily regulated market where transactions are carried out transparently and the rights of investors are protected and MISALICO members have registered positive experience on the Malawi Stock Exchange. Amazingly, the investment is secure and their rights as investors are protected as well.

5. Suffice to say, that investors are paid dividends on their investment when a company makes profits and the company decides to distribute the same. This is additional income which members have received in addition to capital gains and bonus shares. Over time, most members from MISALICO in particular and other investors have witnessed an improvement in dividends and an appreciation of share value at the point of sale.

6. Investors in shares of listed companies are part owners hence they have a voice in the affairs of the company and how it is being managed. Most MISALICO members have actively participated in Annual General Meetings and provided constructive guidance to management and boards because of the status they hold as shareholders. MISALICO members have the right to address the AGM meetings and vote in favor or against certain resolutions.

7. Interestingly the Malawi Stock Exchange has adopted new technology which has simplified how transactions are displayed. Digital billboard has been erected where investors are able to follow proceedings. This technology also offers real time transactions and the flexibility of tracking one's investment through mobile platforms and MISALICO members have benefited immensely from technology. As a member one needs just to view the website where some information concerning Malawi Stock Exchange is posted and members have been able to make investment decisions in the comfort of their homes.

8. Apart from shares, there are other products that are sold on the Malawi Stock Exchange like Government bonds or notes and the investor has a wide range of products to choose from and through awareness that MISALICO conducts among its members, most of them have taken advantage to invest in other products. Once you become a member, you are assured of becoming an educated investor through training which is offered including financial literacy in investment cycles. You learn to think in new ways as investing in stock market requires logic, analysis and thoughtful reflection.

Notwithstanding the advantages that have been cited above, there are times when members have had low moments due to the challenges which shares are subjected to. As highlighted above, the stock market relies heavily on the performance of the economy hence there are times members have witnessed some shares losing value through swings and shocks in price value. There are many factors that influence the stock market not to perform well like political instability, market dynamics and speculations. However, members have noticed that such shocks on the Malawian stock market have been insignificant and they have witnessed companies rebounding and registering significant gains after the downward trend which is normal in shareholding.

One motivational speaker once said that experience comes when a thing is done. MISALICO agrees with speaker and as practical investors, members have experience of investment on the Malawi Stock Exchange. Precisely, MISALICO is an institution to promote wealth creation through the Malawi Stock Exchange. The objectives of MISALICO speak well into Vision 2063 of prospering together and creating wealth. This advertently underscores and promotes the importance of awareness in share investment. MISALICO realizes that there are many Malawians out there who would invest on the Malawi Stock Exchange if they were given the right information.

THE REAL KEY TO MAKING MONEY IN STOCKS IS NOT TO GET SCARED OUT OF THEM

MANY MALAWIANS WOULD INVEST IF GIVEN THE RIGHT INFORMATION



HOW TO PLAN FOR YOUR

RETIREMENT

by: Ms. Khumbo Chilimira, Business Development Officer, Sycamore Consult Limited

Retirement is the time of life when one chooses to permanently leave the workforce behind. This can be voluntary early retirement or due to age. At this point one must rely on savings or passive forms of income to fund their livelihood.

Retirement has five (5) stages and these are pre-retirement, the honeymoon phase, disenchantment, reorientation and finding yourself and stability.

Pre-retirement

01 Pre-retirement is the stage before you retire, and this is usually around 5 to 10 years before you retire. Around this time many people begin to shift their focus from levelling up in their careers to focusing on the financial planning aspect for retirement.

Planning financially is an important part of retirement planning, but do not forget to also plan emotionally for retirement. This is the time to start considering what you want from retirement and what you believe will make you feel happy and fulfilled. You may want to start thinking about where you want to live, if you want to downsize and if you want to travel.

This stage is full of excitement and anticipation for the next chapter in your life, but it can also be filled with worry and doubt – so spending some time planning financially and emotionally can make the transition into retirement a lot easier.

The Honeymoon Phase

02 During this stage you may have feelings of excitement, liberation and relief from the stresses brought to you by the working world – these feelings often last for 1 to 2 years but can last for much longer depending on how you choose to spend your time.

Often your time is filled with reconnecting with friends, family, partners, indulging in hobbies and interests and going on holidays and just enjoying more freedom to do whatever you please.

Disenchantment

03 After the emotional high begins to wear off and the honeymoon phase is over, many people begin to feel disappointed and let down with their current life. Retirement is something that many of us look forward to and spend a lot of time hyping up, so once you have settled into retirement it can begin to feel like it is not as exciting as you once thought. Many people may be left feeling lonely, bored and feel like they have lost their sense of purpose.

Re-orientation and Finding Yourself

Just like any other stage of life, you eventually begin to adapt to your new circumstances and navigate your new life. This is the hardest part of retirement, as the process of re-finding your purpose and establishing who you are takes time and lots of conscious effort. Even though it can be tricky, this is one of the most rewarding and enjoyable stages.

This is the time to try new things, find new hobbies and re-find your purpose in life. Without a full-time job and no children to care for it can be hard to find a purpose. But it is crucial to find something that reignites your spark. This could be pursuing a passion, volunteering, looking after your grandchildren or just adding fun and interesting activities to your daily routine.

Stability

05 The final stage of retirement brings feelings of being content and feeling positive and happy in retirement and your new life. You may find yourself settled into your new routine and lifestyle, doing things you love and that make you feel fulfilled and be enjoying your life with your new sense of purpose and identity.

Here are some steps to consider when you want to plan for your retirement.

1. Make sure you are diversified and investing for growth

It can be tempting to shy away from stocks to reduce risk, but the growth that stocks may provide is still important at this stage of your life. Consider maintaining a sound mix of stocks, bonds, mutual funds and other assets that fit your risk tolerance, investment time horizon and liquidity needs. Examining your income sources well in advance of retirement gives you time to adjust your plans, if necessary.

A well-balanced portfolio may help you reduce the impact of downturns and potentially generate the kind of income that you will need to cover expenses in a retirement that could last you a very long time. Please note that diversification does not ensure a profit or protect against loss in declining markets. It helps in balancing your investment portfolio.

TRY TO GO TO RETIREMENT WITH MINIMAL OR NO DEBT AT ALL



2. Downsize your debt

Consider accelerating your mortgage payments (if you are still servicing one) so that the loan will be paid off before you retire. By limiting new debt and reducing existing debt, you can minimize the amount of retirement income that will be spent on interest payments. Try as much as possible to go to retirement with minimal or no debt at all.

3. Calculate your likely retirement income

Estimate your predictable income from sources such as your company human resource managers and employer-sponsored pension plans. The rest of your retirement funds likely will need to come from your wages, account-based retirement plans savings and investment accounts and any wages earned in retirement. To make your assets last throughout your lifetime, the old rule of thumb is that you can afford to spend 4% of your portfolio annually in retirement. So if you have MWK1 million in retirement assets, you can expect to afford to spend roughly MWK40,000 of that amount per year when you retire.

4. Estimate your retirement expenses

Some expenses, such as healthcare, may be higher later in life, while others, such as commuting or clothing costs, may decline. What you spend will depend on how you live during retirement. If you expect to travel widely, for example, your projected costs might even be higher than they are

now, while you are still working. Always make sure that you are living within your means and conservatively.

5. Consider future medical costs

To help protect your retirement nest egg consider buying long-term care insurance, which can help with expenses such as home health aides. If you buy coverage now, your premiums will be lower than if you wait a few years, and you will be less likely to be rejected by insurers. Medical insurance is a crucial item in the retirement package.

6. Plan on where you will live

Where you live after retirement will have a big impact on your expenses. For example, if you sell your house in an expensive location and move to a house in your home village (e.g. Karonga, Salima or Thyolo), your expenses could decline sharply, perhaps freeing income to pay for other priorities.

You may also consider staying in your town or city but moving to a smaller home that is more financially manageable can be a great idea.

It's never too late to get started!

When your planned retirement date is a decade away it can seem like a distant event. But it is important to plan carefully and set realistic goals so that time is on your side and can help you have the means to enjoy the sort of retirement you have always dreamed of.

Even if you started saving and investing for retirement late, or have yet to begin, it is important to know that you are not alone, and there are steps you can take to increase your retirement savings and investments.

Sycamore Consult Limited (info@sycamoreconsult.org), which is in third floor, Plantation House in Blantyre, is an experienced trainings and consultancy institution with professionals that dedicate their time in coming up with tailor-made trainings. Retirement planning is one of the flagship trainings for the company and a lot of reputable institutions in Malawi are enjoying the benefits of engaging Sycamore Consult as witnessed from the training outcomes and testimonies that are constantly shared by training participants from such institutions. "It's never too late to get started," Greenberg says. We will be happy to engage you on retirement planning training, whether as an individual or through your employers.

ITS NEVER TOO LATE TO GET STARTED



Retirement Living Preparation Checklist

☐

Figure out the costs of Living

☐

Decide where you want to stay

☐

Choose what housing suits you

☐

Decide between renting and Owning



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INVESTING WITH

By Mary Chipofya Chikaonda, Business Development Officer, Malawi Stock Exchange

As you put your money aside, you need to have a full-proof plan on what you will be getting into and why you are doing it. There must be a concrete reason and plan behind everything that you do. Investing is one of these things. It is important that you approach the things that matter with purpose such as investing. Investing part of your earnings is the most reliable and predictable way to amass wealth over the longer term and create more financial opportunities in the future. You can also do it for other reasons such as retirement, the education of your children or yourself, or buying a home, etc. It is best to understand that, time is the greatest ally in your investment journey. As such, there is no perfect time to start investing, but rather why you want to invest and how you go about it.

Investing is simply an act of allocating resources, usually money, with the expectation of earning an income or profit at a defined period to achieve a defined goal. On the other hand, a purpose in this context of investing is the reason behind allocating resources, i.e., money, to earn income or profit. Investing with purpose is having a clear goal as to why you are investing. You can be investing to achieve financial freedom, or even for that dreaded retirement period. For many investors, this is mainly for financial gains, and which is quite alright.

WHY SHOULD YOU INVEST WITH A PURPOSE?

Investing with purpose gives you the zeal to do more, so as to achieve your goals in good time. If you don't have a concrete reason for investing, you might not achieve much in the long run. Having a purpose, guides you to the right investment options depending on your goals. If you want to make a difference in the world through your investments, then you should choose investment options that help you achieve this. Without purpose, you will invest in any company that comes along. When investing with a purpose, you must clearly set out your goals on what you want to achieve, and why you are doing it.

There are so many investment instruments on the market such as equities (shares/stocks), bonds, fixed deposits, real estate, treasury bills, mutual funds, etc. This is where one needs to be wise enough to choosing the right instrument for their investment, and not forgetting the need to diversify because in investment we are cautioned not to put all eggs in one basket.

INVESTORS SHOULD PURCHASE STOCKS LIKE THEY PURCHASE GROCERIES; NOT LIKE THEY PURCHASE PERFUME.

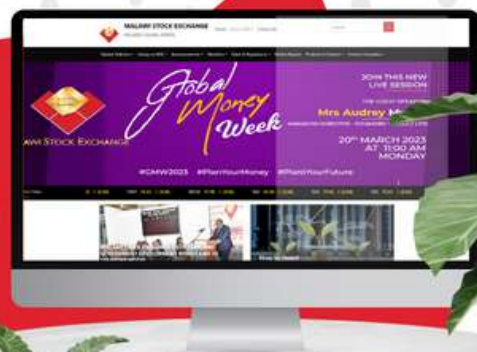


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PONZI SCHEMES AND HOW PEOPLE LOSE THEIR SHIRTS.

By Armstrong Kamphoni, CEO, Cedar Capital Limited

The desire for a better tomorrow drives many people's daily decisions and actions. Many parents' stated goal is for their children's future standard of living to be better than theirs. Even in politics, people vote for a new government, hoping the incoming administration would be better than the previous one. However, many people's most primal and overwhelming desire is to increase their wealth. This desire is so strong that it interferes with logical reasoning. That desire enabled one of the most famous fraudsters, Bernie Madoff, to run a Ponzi scheme worth US\$65 billion (multiple times the GDP of many African countries) for over 30 years before its collapse in 2008. The Madoff scheme is the largest Ponzi scheme in the history of the world and was perpetrated in the USA, which is highly regulated, and many citizens are financially sophisticated.

The scheme made famous by Bernie Madoff is named after Charles Ponzi and is surprisingly more than a century old. Charles Ponzi was an Italian immigrant who made his "fortune" in America. From 1919 to 1920, Ponzi promised investors they could obtain more than a 50% return in 45 days by purchasing 'international reply' postal coupons from other countries and then redeeming them in America. To attain a façade of legitimacy, Ponzi created the Securities Exchange Company, which was based in Boston. The steady flow of new, eager investors allowed Ponzi to keep the scheme sustainable because he could pay existing clients their dues from new investors. Earlier investors helped Ponzi attract new investors by bragging about the amazing returns they were earning with him. In August 1920, a newspaper investigated Ponzi's extraordinary returns, which resulted in many investors withdrawing their funds, and the company collapsed.

Over the years, the definition of a Ponzi scheme has evolved to describe a fraudulent scam where a promoter promises unsuspecting members of the public substantial returns on their investment. However, no real 'investment' takes place with the promoter using new inflows to pay returns or dividends to older investors.

Three characteristics stand out from the above definition. First, a Ponzi scheme is "illegal" and, therefore, fraudulent. The second aspect is that returns offered are substantially more than what would be obtained in the different formal markets. The third aspect is that, in most cases, no actual investments are undertaken.

The standard *modus operandi* is that (i) investors contribute money to a manager (the person running the scheme) who promises a high return. (ii) when those investors want their money back or redeem their investments, they are paid out with the incoming funds contributed by later investors. (ii) rather than invest the funds into the stated type of investment, the promoter merely transfers funds from one client to another and forgo any real investment activities. The fraud can continue until the schemer can't bring in enough new money to pay "returns" to all the previous investors. Several tell-tale signs or red flags that have been identified in various studies on Ponzi schemes include:

- High, consistent, and guaranteed returns – Ponzi schemes often promise guaranteed returns, higher than normal investment instruments. The returns are normally earned in the shortest period.
- Lack of registration and licenses - in Malawi, legitimate investments are regulated by either or and/or both the Reserve Bank of Malawi and the Malawi Stock Exchange. The regulators, thus, license investment managers. Investors should undertake their due diligence by requesting to see any documents, licenses from the RBM or MSE and credentials of anyone offering investment management services.
- Incomplete or lack of paperwork – customarily, most investment managers provide monthly account statements. Non-receipt of statements should be a red flag, although Bernie Madoff was able to provide monthly statements of fictitious assets.
- Complicated investment strategies – traditionally, investment strategies should be straightforward and easy to understand. Investors should understand how their money makes money.
- Pressure to reinvest - the schemers usually try and pressurise investors into reinvesting the profits, as they need these profits to pay other people's returns.
- Family and informal introductions/referrals - usually, new investors are introduced to the scheme by friends or family members who have made some money. Schemers use this marketing ploy, as people trust family and friends.

In the next instalment, we will examine the psychology behind Ponzi schemes.



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INVESTMENT AVENUES IN THE FINANCIAL SECTOR

By The Reserve Bank of Malawi

The terms value and amount are often used interchangeably (as may possibly be done in this article). However, there is a key difference between the two, at least in the world of money and investments. With money, the amount is the specified number that is printed down on the banknote, while the value of money is the purchasing power of that amount.

Over time, an amount loses its value. What you can buy with K10,000 today, is normally less than what you could buy with it five years ago. While the amount, K10,000 remains the same over time, its value is decreasing. The value of money suffers from inflation – the general increase in the cost of goods and services over time. However, investing an amount preserves its value. Investments earn a return or gain additional money by rewarding investors for delaying the consumption or use of a specific amount of money today. The return compensates for the increase in cost of goods and services so that investors are still able to buy same quantity or greater than they could at the time the investment was made. A good investment return should be able to create wealth by compensating an investor for more than inflation.

So, where does one invest? Most investments are made in the formal financial sector. Below is a run through common investment avenues.

(1) Shares/Stocks

A share is a representation of ownership in a company. When you buy a share in a company, you become a part-owner (shareholder) of that company.

Companies issue shares to the public to raise money. The money raised is used to finance investment projects. Anyone can invest in shares. The smallest number of shares one can buy to become a shareholder is one.

You can only buy shares in companies that trade on a licensed stock exchange and in the current case, the Malawi Stock Exchange.

ITS NEVER TOO LATE TO GET STARTED

MALAWIANS LIVING ABROAD CAN INVEST FROM ANYWHERE THEY ARE

How does one buy shares?

Shares can be bought through market intermediaries called stockbrokers. The decision of which companies to buy shares in is made according to one's understanding of the share/stock market, or through seeking advice from a stock broker or portfolio manager of choice.

Shares can also be bought through a portfolio manager or a Collective Investment Scheme. Portfolio managers manage investments on behalf of individuals or institutions. The minimum initial investment amount accepted by portfolio managers varies but ranges from K200,000 to K1 million. Smaller amounts paid in, regularly, thereafter are also accepted.

You can also invest in shares through a Collective Investment Scheme that invests its pooled funds in shares (see unit trust below).

How does one track their shares?

When you buy shares, a record of your shareholding is maintained in a Central Securities Depository (CSD) account at the Reserve Bank of Malawi. You can request for a statement of your shareholding from the CSD at any time through your stockbroker, portfolio manager or custodian. Previously, paper share certificates were issued as proof of ownership of shares. These were later digitized with the introduction of the CSD using a process known as dematerialization. Investors who still hold paper share certificates are encouraged to dematerialize through their stockbrokers.

(2) Notes and Bonds

Notes and bonds are debt instruments, issued by Government, Local Government, state-owned corporations or a company. The money is borrowed from the public and is used to finance investment projects.

The institution that has borrowed the money is called an issuer and is said to have issued a note or a bond. The issuer of a note or bond promises to pay interest (coupon) on the debt at a specified rate (coupon rate) and intervals (coupon dates) until the note or bond becomes due (maturity date). When the note or bond matures, the issuer pays back in full the amount borrowed. Anyone can invest in notes or bonds. The minimum amount one can invest in a note or bond varies based on the debt instrument.

(3) Unit Trust

Unit trusts are offered by Collective Investment Schemes. A Collective Investment Scheme pulls funds from a number of investors and invests the pooled funds into a number of securities depending on the category of the resulting pooled fund. The total portfolio is then broken down into smaller portions that are referred to as units. The value of each unit is found by dividing the total value of the portfolio by the number of units in that portfolio. Thus, as the value of individual assets within the portfolio go up, the value of the portfolio (and in turn each unit) also goes up, and vice versa.

(4) Treasury Bills

This involves Government borrowing money from individuals and institutions to be repaid within a period of one year. The duration of Treasury bills are 91 days, 182 days and 364 days. Treasury bills are auctioned every week on Tuesday. An auction notice is issued by the Reserve Bank of Malawi, which acts as an agent for the Government. The notice is published in the local newspapers.

Anyone can invest in Treasury Bills. The minimum amount of money that can be invested in Treasury Bills is K10,000. Those who intend to invest in Treasury Bills (also called bidders) have to submit their bids through their respective banks. When bids are successful, money is debited automatically from the bidders account on the settlement date, which takes place every week on Thursday.

(5) Commercial Paper

This involves companies borrowing for a period of less than one year. Investment in commercial paper is done through Portfolio Managers and Investment Banks arranging for the borrowing of the money on behalf of the company. Actual duration of Commercial Paper varies depending on the needs of the borrowing company.

(6) Term Deposits

Financial institutions (largely banks, microfinance institutions and financial cooperatives) receive deposits. They can enter into an agreement with a depositor who intends to save money for a fixed period at an agreed interest rate. This is done through fixed deposit or call deposit accounts.

Primary and Secondary markets

The markets in which shares, notes and bonds can be traded are grouped into two: Primary market and Secondary market.

The primary market is where a company sells shares to the public for the first time through a process called Initial Public Offer. It is also the market where Government, Local Governments, companies and state-owned enterprises issue notes and bonds to the public for the first time.

On the primary market, investors buy shares, notes and bonds directly from the issuer through banks.

The secondary market is where investors who bought shares, notes and bonds sell them to other investors in order to cash in from the investment.

On the secondary market, investors buy and sell shares, notes and bonds at a Stock Exchange through stockbrokers.

Investing from abroad

Malawians living abroad or foreign nationals can invest from any country they reside. The investment can be made through any of the following: Stockbroker, Portfolio Manager or Collective Investment Scheme.

The process is the same as that for resident Malawians. However, investment funds to be remitted from a foreign bank account to a Stockbroker, Portfolio Manager or Collective Investment Scheme bank account must be registered with the Reserve Bank of Malawi for purposes of foreign inflows and outflows monitoring.

Fees and Taxes

For investments made through intermediaries, there is a fee associated with using the intermediary's services. Stockbrokers charge a commission when one buys or sells shares. Portfolio managers charge investment management fees that vary from one portfolio manager to another. Collective investment schemes charge a service fee.

In addition, interest earned is charged withholding tax while the sale of shares may attract capital gain tax if the shares were held for a period of less than one year prior to selling.

Benefits and Risks of Investing

At this stage, the idea that investing is highly beneficial is likely understood. However, the information provided herein would not be complete, even as a summary, if no mention is made of the risks in investing.

Nevertheless, the benefits and risks of investing may not be listed here, as each investment is different. Investments have a risk-return profile or relationship. In general, the greater the return being sought, the more risk that must be undertaken, and vice versa. As such, a number of factors must be considered when one is selecting an investment avenue. These include reason for making the investment, duration of the investment, and how much risk one is willing to take on their investment. An investor should understand the benefits and risks of the choice of investment made prior to making the investment.

For more information, please contact Capital Markets and Microfinance Supervision Department of the Reserve Bank of Malawi on +265 (0) 820 299/444.

You can also access material on investment and general financial literacy at www.rbm.mw >> Regulation and Supervision >> Financial Sector Regulation >> Consumer Protection and Financial Literacy.

CHALLENGES OF PRIVATE SECTOR GROWTH

By Malawi Confederation of Chambers of Commerce and Industry (MCCCI)

As indicated in the Malawi vision 2063, Private sector is very important in spurring economic development and wealth creation, through, among other things, the provision of innovative solutions, creation of jobs and mobilization of domestic revenues. It is our vision as a country to have a dynamic and vibrant private sector that effectively delivers on the industrialized upper middle-income status within the shortest time possible. The private sector in Malawi is made of few big companies and several Small and Medium Enterprises (SMEs). However, the sector has stagnated with smaller players (SMEs) unable to graduate into bigger companies and bigger companies failing to expand and tap into foreign markets.

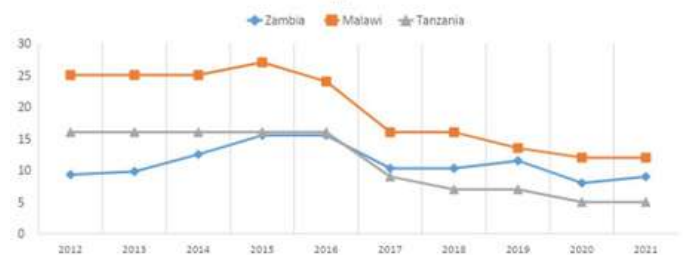
Malawi Confederation of Chambers of Commerce and Industry (MCCCI) believes that good policies and interventions should always be data driven. To that effect, MCCCI conducts, amongst other things, a survey called the Malawi Business Climate Survey (MBCS) to solicit information from the private sector on issues affecting the business climate annually since 2004. From these surveys, MCCCI has found out businesses in the country fail to grow due to lack of financing, unreliable and costly energy supply, logistical challenges, volatile macroeconomic fundamentals and predatory taxation policies.

Inadequate and High cost of Financing

Living in a globalized world means that your competitor is not only the company across the road but also thousands of other firms that you are not even aware of. Firms across the globe are working against the clock to produce not only better products but also affordable ones in response to the ever-changing nature of consumer taste. Growing a business requires investments in advanced machinery, acquiring or training skilled labour resource, new production technology, state of art infrastructure and conducting research and development. Conducting such investments is capital intensive and is usually done through bank loans, the stock exchange, angel investors and other informal or informal channels. However, accessing finance still remain a major impediment of growing a business in Malawi. It is difficult to acquire loans due to exorbitant lending rates. The policy rate, which is the rate at which the central bank charges for lending the commercial banks, is also very high. This then drives up other rates including the lending rates which are rates that commercial banks apply to borrowers. The figure below which compares the Central Bank policy rate in Malawi to those of immediate neighbors Tanzania and Zambia show that our rates are much higher.

OUR PRIVATE SECTOR
IS UNABLE TO
COMPETE WITH
FOREIGN COMPANIES

Policy Rates



Source; Reserve Bank Malawi, Bank of Zambia and the Bank of Tanzania

The private sector also competes with the government in accessing credit since it also dips its hand into domestic money market to finance its budget deficits. Unsurprisingly, our private sector is unable to compete with foreign companies that has enough and cheap financial resources at their disposal, making it impossible for us to explore foreign markets. Throughout the years the private sector has been dispirited by the rent-seeking behavior of government in buying goods and services abroad which can be locally produced.

Government should boost domestic demand by procuring from local producers to promote cash flow. In addition to that, a Special Purpose Vehicle (SPV) or an Industrial Development Fund should be established to provide patient capital specifically targeting investments in the manufacturing sector.

Unreliable and Costly Energy Supply

Another factor that has negatively impacted the performance of the private sector is the unreliability and cost energy. It is impossible for a country to develop without a reliable energy source. Our electricity supply is very unreliable as it is easily affected by weather shock be it floods or drought resulting in planned and unplanned blackouts. This raises production costs through either use of generators or costs incurred during idle time in periods of power outage. To make matters worse, manufacturers continue to pay maximum demand electricity charges despite operating way below capacity. Higher fuel prices have also negatively affected business through increased production prices. In addition to these higher prices, the country has been experiencing periods of fuel shortages from time to time due to foreign exchange scarcity.

Apart from hydro energy, the country should also invest more in other forms like solar, wind and coal energy. Additionally, private investment through government incentives and forging of public-private partnerships should be promoted.



Logistical challenges

The country faces several logistical challenges which have a direct impact on transportation costs thereby increasing the cost of final goods and services. These logistical challenges start with lack of direct access to the sea due to our geographical positioning. Being a land-linked country is very costly to engage in international trade as we depend on our neighboring countries (Tanzania and Mozambique) to move merchandise. The roads in the country are not well linked and even the existing roads are in very bad shape. Since most of agricultural activities are done in rural areas, it is very hard to move agricultural produce to manufacturers and final consumers. The rail network which could be a suitable and cheaper option to transport heavy and bulky commodities like fertiliser and petroleum products is also not well connected.

The forwarding and clearing process at the borders is also very costly, unsettling and time consuming. This is mostly attributed to the fact that there is too much human interface at the borders, making the processes long and susceptible to corruption. The lack of recognition of certification for some of our products on the international markets also poses a challenge to businesses. This in turn prompts exporters to seek certification from other countries like South Africa when exporting. Such processes are very costly and time consuming.

Unfavorable Taxation Regime

Tax is irrefutably one of the fundamental aspects for an economy as it provides funds for economic activities. However, a tax regime should not be a burden to the payers as such a regime prohibits economic activities and in turn impedes economic growth. In his book *Wealth of Nations* Adam Smith, father of modern economics proposed that a good taxation system should fulfil four canons namely: Canon of equality or equity, canon of certainty, canon of economy, and canon of convenience.

The existing taxation policy is believed to be unequal and inconvenient especially to the formal sector. Such taxation policy prohibits growth of the private sector one way or the other. Higher taxes have a direct impact on prices which then force people to smuggle commodities from the neighboring countries. As such, tax and non-tax incentives that protect infant industries especially those in the manufacturing and agro-processing sectors that use domestic raw materials should be carefully considered in order to make locally produced goods competitive on the domestic and international market.

Macroeconomic instability

The macroeconomic environment plays a huge role in the development of private sector. The macroeconomic fundamentals should be stable and predictable as they have significant impact on business confidence and expectations. When the economy is growing, investors increase investment which then increases the economic growth further forming a growth cycle. On stability, the economy should have inflation under control and the domestic currency should be stable on the exchange market. Sound economic and financial management that aim at promoting economic growth not political gains should be promoted. This would help to put inflation under control.

Inflation in Malawi has always been high thereby eroding the buying power of consumers' disposable income. This in turn reduces the domestic demand for goods and services that most companies sell. Coupled with our inability to compete internationally, it is very hard for the private sector to scale up operations.

Availability of foreign currency or lack of thereof determines the ease at which a country will import. In Malawi, there is inelastic demand for fuel, medicine, fertilizers and automobiles, machinery and spare parts. With our inability to export more, experiencing forex shortages should not come as a surprise. Unavailability of forex and weakening of the kwacha has affected importation of machinery and raw materials for most manufacturers. From the 2022 MBCS, scarcity of forex and devaluation were the biggest impediments for companies that rely on imported materials, with most companies reporting a decline in production. As a country we need to promote industries that have the potential to bring the much needed forex. There is a need to promote implementation of mega farms and agro-processing since the country has a competitive advantage in these sectors. The mining sector which has been overlooked for a long period should be rejuvenated.

Other factors affecting private sector growth include:

- Cost of telecommunication
- Public and private sector corruption
- Bad economic policies
- Security issues
- Ineffective bureaucratic procedures.

All the impediments mentioned above, can be easily fixed if government and the private sector work together. Together we can build a dynamic and vibrant private sector that would enable Malawi "to be an inclusively wealthy and self-reliant industrialized upper-middle-income country by the year 2063, so we can fund our development needs primarily by ourselves".

THE
MACROECONOMIC
ENVIRONMENT
PLAYS A HUGE
ROLE IN THE
DEVELOPMENT OF
THE PRIVATE
SECTOR

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UPDATE ON MALAWI 2063 FIRST 10-YEAR IMPLEMENTATION PLAN (MIP-1) STRONG START ON POLICIES, SLOW ON IMPLEMENTATION

By Dr Thomas Munthali, Director General National Planning Commission NPC



President Dr. Lazarus Chakwera and the First Lady Madam Monica Chakwera alongside other senior officials during the National Development Conference 2023 where the MIP-1 Annual Progress Report 2021-2022 was unveiled – Photo Credit: Dora Chidati, National Planning Commission

In the first year of the Malawi 2063 First 10-Year Implementation Plan (MIP-1), Malawi has made strides in putting in place the requisite institutional and policy frameworks for the effective and efficient implementation of the development plan.

However, implementation has been slow in meeting the first-year targets.

The Malawi 2063 (MW2063), as launched on January 19, 2021, articulates the aspiration of Malawians of becoming an inclusively wealthy and self-reliant, industrialised, upper-middle income country by 2063. It is anchored by three pillars, namely: Agricultural Productivity and Commercialisation; Industrialisation; and Urbanisation. The pillars are catalysed by seven enablers, namely: Mindset Change; Effective Governance Systems and Institutions; Enhanced Public Sector Performance; Private Sector Dynamism; Human Capital Development; Economic Infrastructure; and Environmental Sustainability.

On November 8, 2021, the nation led by the President of Malawi launched the MIP-1 as the operationalisation roadmap of the Malawi 2063, in the first decade of implementation. The MIP-1 is the first in a series of 10-year implementation plans to operationalise the MW2063 and has a set of prioritised catalytic interventions in addition to transformative strategies and interventions, including flagship projects, to help meet the set objectives. The MIP-1 aims at graduating Malawi into a middle-income economy and meeting most of the Sustainable Development Goals (SDGs) by the year 2030.

One year after the launch of MIP-1, the National Planning Commission (NPC) as per its mandate of overseeing implementation and tracking progress, produced the first ever MIP-1 Progress Report.

The report provides an assessment of the progress being made towards achieving the two main milestones of the MIP-1, highlighting various achievements and challenges in the implementation and also takes a look at the implementation of the Malawi COVID-19 Socio-Economic Recovery Plan (SERP), a supporting framework to the MIP-1 aimed at building back quicker and better from the adverse socio-economic effects of the Coronavirus disease (COVID-19) pandemic.



IMPLEMENTATION HAS BEEN SLOW

It further details the gaps and challenges faced; and recommends corrective measures to get to the right trajectory towards the timely achievement of the 2030 milestones.

The first MIP-1 progress report for the 2021-22 financial year was unveiled during the National Development Conference on February 2, 2023.

While the report shows that the country has made strides in putting in place the requisite institutional and policy frameworks for the effective and efficient achievement of the MIP-1 milestones, it also reveals that the implementation has been slow in meeting the first-year targets.

Examples of the institutional and policy frameworks introduced to support MIP-1 implementation include the putting into operation of the MIP-1 Pillar and Enable Coordination Groups (PECGs) that bring together both state and not state actors to jointly prioritize interventions and track their implementation; reviewing and developing new policies, laws and strategies such as the land, seed and fertilizer policies and laws; the Special Economic Zones bill and Industrial Policy which are at advanced stages; the Tourism Master plan as well as the Secondary Cities Plan along with their attendant policies; amongst others.

While around 80 percent of interventions that were to start between 2021 and 2022 have commenced, around 60 percent of them are either off track or registering very slow progress in all the three Pillars of Agricultural Productivity and Commercialisation; Industrialisation; and Urbanisation including the critical enabler of 'Private Sector Dynamism'. This has mainly been due to both exogenous shocks and, in general, the nation's low implementation capacities as well as lack of urgency in executing the plan in certain cases. It is also worth noting that this being the first full year of MIP-1 implementation, most prioritised interventions are yet to commence let alone start bearing fruits; and a number of the implementing agencies are still in the process of aligning their development strategies to the MIP-1.

Similarly, in terms of the Sustainable Development Goals (SDGs), the country is making significant strides within its limited fiscal space in five of the SDGs namely Zero hunger, Good health and well-being, Quality education, Clean Water and Sanitation, and Life below water; but we are making moderate or very slow progress in Goals of Gender equality, Affordable and clean energy, Decent work and economic growth, industry innovation and infrastructure, Climate Action, and Partnerships for the Goals. What is worrisome though is that the SDGs that are making moderate or very slow progress are very critical in meeting three of the SDGs that we may unlikely meet if we collectively continue to do business as usual – these are No Poverty, Reducing Inequality and Life on Land.

As President Dr. Lazarus Chakwera stated during the National Development Conference 2023, "There is no question that we need to go faster."

In 2022, the Malawi economy grew by 1.2 percent, a contraction from 4.6 registered in 2021. The recession was on the backdrop of risks facing the economy such as climate-related shocks and macroeconomic instabilities. The Russia-Ukraine conflict exacerbated the fragility of the economy which was yet to recover from effects of Covid-19. The economic growth rate in 2022 is below the targeted average of six percent per annum required to achieve middle-income status by 2030.

THERE IS NO QUESTION, WE NEED TO GO FASTER



NPC team tracking implementation progress on the Marka-Bangula railway project –Photo Credit: Kondwani Magombo, Malawi News Agency



A newly commission groundnuts processing factory at Kanengo in Lilongwe by Pyxus Agriculture in line with the industrialization pillar of the Malawi 2063 – Photo Credit: Kondwani Magombo, Malawi News Agency

However, the prospects are high as Malawi has ever achieved these high growth rates before. Notably, in all the periods in which high growth were achieved, agriculture remained the main driver. This implies that diversified implementation of the catalytic interventions in the MIP-1 around mining, tourism and enhancing agriculture productivity and commercialization through megafarms has a high likelihood of growth levels that can go beyond the projected average of 6 percent per annum.

It is encouraging, however, that financing of the MIP-1 from the national budget is being prioritised among other pressing priorities. The budget for the 2022/23 Financial Year was the first budget to operationalise the MIP-1 with alignment to the MIP-1 at the Pillar and Enabler level. More improvements are envisaged to align the upcoming national budget even further to the MIP-1 focus areas and catalytic interventions to ensure the budget effectively operationalises the MIP-1.

“Investment in large-scale mining, megafarms and tourism should be prioritised along with creation of an enabling environment that includes investments in energy, information technology, strategic transport networks, macro-economic stability and good governance,” said NPC Director General Dr. Thomas Munthali.

Stern efforts should therefore be made in building the technical and financial capacities of executing agencies like Ministries, Departments and Agencies as well as local councils, including setting time-bound targets and holding each other strictly accountable.

NOTE: For details on achievements and progress challenges by Pillar and Enabler of the MIP-1, read the MIP-1 Progress Report available on www.npc.mw

INVESTMENT IN LARGE-SCALE MINING, MEGAFARMS, AND TOURISM SHOULD BE PRIORITISED






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