

ISSUE NO. 6 2022

MSE



MALAWI STOCK EXCHANGE MAGAZINE

PLATFORMS

**MAIN BOARD
ALTERNATIVE CAPITAL MARKETS
DEBT SECURITIES MARKET**



“
**THE MALAWI STOCK EXCHANGE
AND VISION 2063**



MALAWI STOCK EXCHANGE

Members

Stockbrokers Malawi Ltd
Ground Floor, NBM Tours
Corner Hannover Avenue
Henderson Street
PO Box 31180
Blantyre 3, Malawi
Tel: (265) 1 822 803
(265) 1 824 327
Fax: (265) 1 824 353
Email: sml@smlmw.com
www.stockbrokersmalawi.com

Cedar Capital
4th Floor, Livingstone Towers
Glyn Jones Road
PO Box 3340, Blantyre
Malawi
Tel: (265) 1 831 995
kamphonia@cedarcapital.mw

Continental Capital Limited
Ulimi House
Blantyre
Malawi
Tel: (265) 1 821 300
(265) 1 753 840
Email: kmmadi@continental.mw
www.cd-h-malawi.com

Alliance Stockbrokers Ltd
Old Air Malawi Building
Robins Road
PO Box 510
Blantyre, Malawi
Tel: (265) 1 830 704/5
pnadzanja@aclmw.com
www.alliancestockbrokersmw.com

Non - Members

Old Mutual Investment Group
Old Mutual Building
PO Box 393
Blantyre, Malawi
+265 1 820 677
mmikwamba@oldmutual.co.mw

NBM Capital
PO Box 945
Blantyre
Malawi
+265 1 820 622
bjere@natbankmw.com

NICO Asset Managers
Chibisa House
PO Box 3173
Blantyre, Malawi
+265 1 832 085
invest@nicosassetmanagers.com

Continental Asset Management
PO Box 1444
Blantyre
Malawi
+265 1 821 300
info@continental.mw

Corporate Advisors

CDH Investment Bank
Thoko Mkavea
PO Box 1444, Blantyre
+265 1 821 300
tmkavea@cdh-malawi.com

Standard Bank of Malawi
Enock Kondowe
PO Box 1111, Blantyre
+265 1 774 688
enock.kondowe@standardbank.co.mw

Deloitte
Nkondola Uka
PO Box 187
Blantyre, Malawi
+265 1 820 277
nuka@deloitte.co.mw

NICO Asset Managers
PO Box 3173
Blantyre, Malawi
+265 1 832 085
invest@nicosassetmanagers.com

Old Mutual Investment Group
Mark Mikwamba
PO Box 393
Blantyre, Malawi
+265 1 820 677

EY
Chiwemi Chihana
Apex House, Kidney Crescent
PO Box 530
Blantyre, Malawi
+265 1 876 476 / 870 367
chiwemi.chihana@mw.ey.com

My Bucks Corporation
Mwai House
PO Box 31567
Lilongwe 3, Malawi
+265 1 772 500
info@nfb.mw
zshaba@mybucksbanking.mw

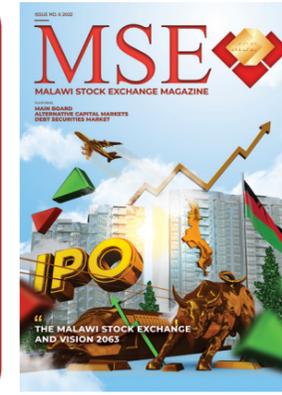
Bridgepath Capital
Emmanuel Chokani
1st Floor, Development House
Blantyre, Malawi.
+265 1 828 355
info@bridgepathcapitalmw.com

NBM Capital Markets
PO Box 945
Blantyre, Malawi
+265 1 820 622
bjere@natbankmw.com

FDH Financial Holdings
PO Box 512
Blantyre
fdh@fdh.co.mw

Issue 6, 2022

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It gives me great pleasure to present to our esteemed investors, issuers and capital market stakeholders the sixth edition of the Malawi Stock Exchange Magazine for the year ended December 2021.

The year 2021 was a challenging year in all aspects but the Exchange exhibited resilience and we made headway in implementing our business development initiatives and in fulfilling our mandate of providing and operating a fair, orderly, transparent and properly regulated capital market for the creation of value to our investors and listed companies. True to our mandate, investors could afford a smile as the market registered a remarkable performance in the year which positioned it as the third best performing Stock Exchange in Africa in 2021. This performance was despite the challenges faced by the economy which were caused by both endogenous and exogenous shocks, including the Covid-19 pandemic.

Economic Environment.

The economy showed signs of recovery which saw real GDP grow by 3.8% from a dismal growth of 0.9% that was registered in 2020. Inflation remained within single digit for most part of the year but spiked during the last quarter. Despite the mounting inflationary pressures, the annual headline inflation for 2021 remained within single digit and averaged 9.3% which was slightly higher than the projection of 9.1% and levelled with the average headline inflation registered in 2020. The policy rate remained at 12.0% throughout the year with the Monetary Authorities signaling that they would continue to pursue an expansionary monetary policy despite the inflationary pressures which have been characterized to emanate from transitory sources. Returns on the money market however increased as depicted by the return on 182 days and 364 Treasury bills from 12.4875% to 13.0% and from 13.5457% to 14.5400%, respectively. Return on the 91 days Treasury bill however fell by 25 basis points from 9.9500% to 9.6980%. The exchange rate depreciated by 11.43% to trade at K817.30 as of December 2021. This was reflected in the official import cover which dropped from 2.75 months to 1.72 months, below the 3 months recommendation.

Looking ahead, the economy is projected to grow by 4.1% anchored by an increase in economic activities in mining and quarrying, manufacturing, transportation, construction and wholesale and retail sectors. However, the major downside risk emanates from the increasing public debt profile which could push interest rates up and crowd out private sector borrowing. There are also concerns around further depreciation of the Kwacha due to scarcity of foreign exchange on the market. Inflationary pressures which have now gained

global presence also continue to pose a risk.

Market Performance

The market registered a positive return on investment of 40.05% (33.92% in US\$ terms) in 2021 compared to the return of 7.08(2.21% in US\$ terms) in the prior year. It however registered a decrease in both volume and value of shares traded. The market transacted a total of 1,301,122,424 shares at a total consideration of K37,690,252,891.52 (US\$43,751,349.63) representing a decrease of 20.91% in volume and decline of 8.21% in traded value. In the same period under review, the market registered its first trades on one of the debt securities issued by MyBucksBanking Corporation and also listed 26 Government of Malawi Treasury Notes bringing the total number of listed debt securities to 46. Market capitalization, a measure of the size of a market, increased both in Kwacha and United States Dollar terms from MK1,759,857.40 million (US\$2,280.38 million) in January 2021 to MK2,462,680.71 million (US\$3,013.18 million) as at 31st December 2021, resulting from share price gains on twelve listed companies. Market liquidity, measured by a ratio of total value of trades to market capitalization, was slightly lower at 1.53% from 2.33% registered in 2020.

Accomplishments for the year 2021

The Exchange accomplished among others the following strategic activities during the year:

- The Malawi Government through the Reserve Bank of Malawi on 6th December 2021 listed 26 Treasury Notes with a nominal value of K787.13 billion following a successful capital raising of the same in the primary market.
- 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, reviewing the listing rules, development of an incubation program and engaging various key stakeholders in order to raise awareness on the role of the Exchange in economic development.
- The Exchange embarked on a project of incorporating commercial bank dealers as participants for the trading of listed debt securities in the Automated Trading System in order to spur activity on the debt platform.
- The Exchange held a capacity building workshop for its members on bond pricing and trading in the automated environment.
- The Exchange held various financial literacy activities including participating in the inaugural diaspora webinar on financial products, hosting a live Facebook webinar on how to invest, hosting of a journalist seminar with various participating media houses, sponsoring the Faculty of Commerce symposium for the

Malawi University of Business and Applied Sciences (MUBAS), hosting Blantyre Synod University and participating in the exhibition held during the SADC Summit Head of State visit at BICC in Lilongwe, among others.

Initiatives going forward

Going forward, the Exchange intends to position itself to respond to emerging issues around sustainability by developing guidelines for Environmental, Social and Corporate Governance (ESG) reporting, including developing a framework for green finance. The Exchange also intends to continuously pursue strategies to optimize its infrastructure through development of data products that meet users' needs and introduction of a mobile trading platform, in the near future. The Exchange looks forward to the implementation of the Capital Market Development Plan which has been designed to become the blue print for capital market development activities. Development of new products remains key for the market and the Exchange is committed to creating a conducive regulatory environment to enable introduction of new products. Public awareness initiatives for the investing public will remain the main focus for the Exchange in 2022. We will also continue engaging policy makers on policy issues affecting stock market operations and development.

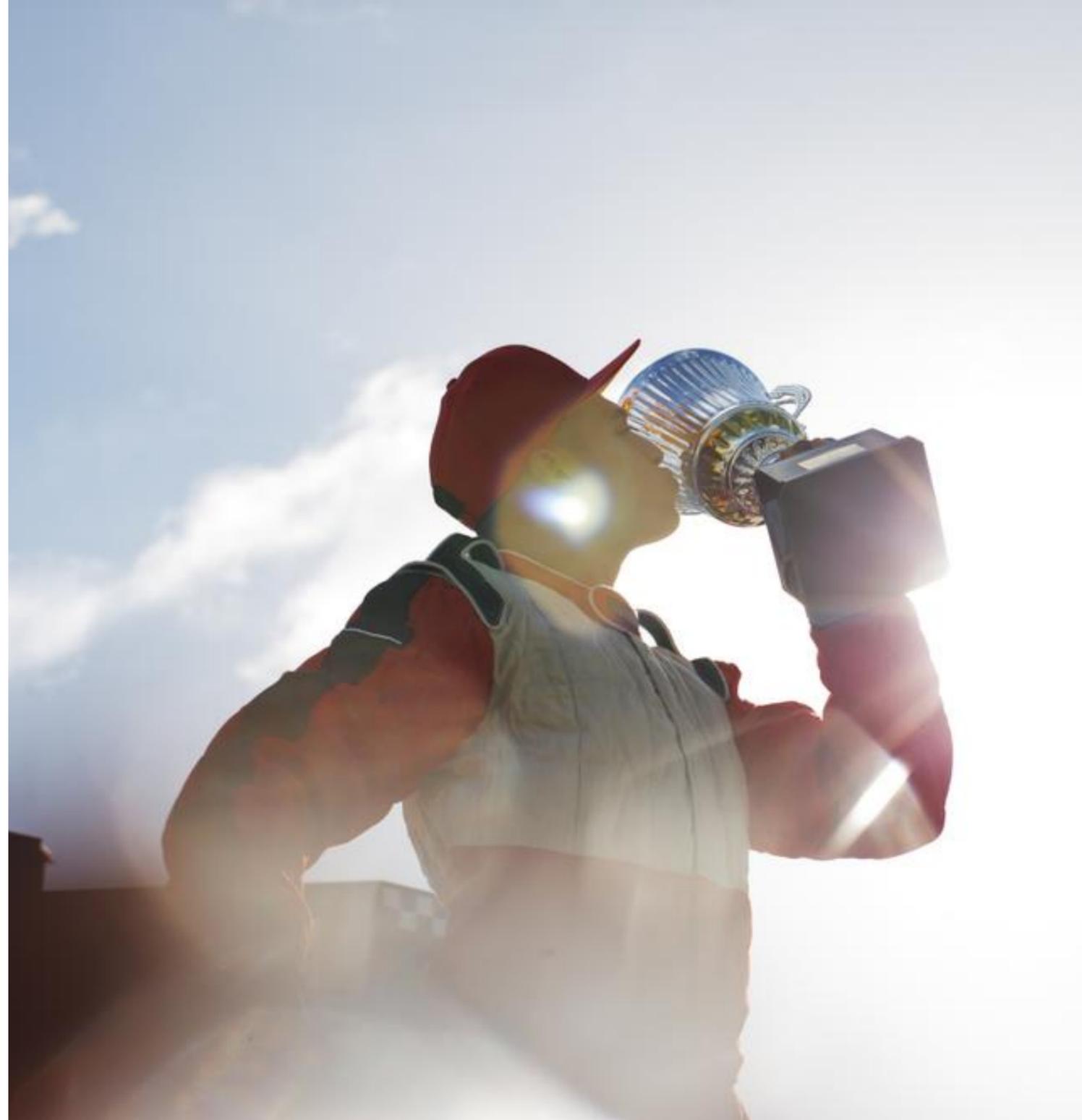
Appreciation

I would like to sincerely thank 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 vision of promoting a responsive market worthy of public trust that is characterized 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 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 our esteemed investors, 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.
Enjoy your reading

John Robson Kamanga



Invest with Africa's 3rd best performing Stock Exchange in 2021



A return of **40.05%** in 2021
16 Listed companies on the Main Board
46 Listed bonds on the Debt Board

Get to know the MSE cover:

The Malawi Stock Exchange organised a competition for designing a cover page for its Annual publication. This different picture elements shows what each element as appearing on the cover page means. These represent the cover page which is winning piece of a design by Ian Khonje for the Malawi we want to see in the year 2063.



01 The Golden Bull represents what is known as a Bull Market. A bull market is a situation in which the prices on the market tend to rise and go up. So a bullish market for ILLOVO Shares means a situation in which the price of ILLOVO Shares goes up.

02 An initial public offering (IPO) refers to the process where companies list and offer their shares on the Stock exchange allowing the public to buy shares in their company. The most recent IPOs in Malawi include the FDH Bank IPO and Airtel IPO.

03 The Zig Zag line indicator is used to help identify price trends. It shows price fluctuations and attempts to show trend changes. Zig Zag lines appears when there is a price movement between a swing high and a swing low. If the prices are rising, it swings upwards. If the prices are dropping the line trends downwards.

04 The change direction on the Stock Ticker is shown with an arrow. If the arrow is pointing up with the green arrow, the stock is trading at a higher price than at the close of the day before. If the arrow is pointing down with a red arrow, the stock is trading at a lower price than at the close of day before.

05 The Airplane and Bullet train signify the Transportation infrastructure improvement as one of the goals in the Malawi Vision 2063 and is shown to depict the role of Globalisation in trade and its contribution to the economic growth of the country.

06 The Gold Medallion signifies Malawi, the warm heart of Africa, showing that it is the centre focus of all the plans and strategies. The Stock Exchange in Malawi was named Third best performing securities market in Africa averaging a return of over 40% in the year 2021.

07 The trees signify the importance of nature which is symbolic for the strive for sustainability, renewable energy and living that is an important goal in the Malawi Vision 2063.

08 The Skyscraper Buildings signify the infrastructure development goals of Malawi and the potential of Malawi to rise up the same way sky scrapers do. It also represents the booming property market.

THE ROLE OF THE STOCK EXCHANGE IN ACHIEVING MALAWI 2063



"Malawians desire and resolve 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. Our manufacturing industry shall have strong forward and backward linkages with the sectors that will drive it. We shall achieve this Vision through collective effort and shall not allow any state or non-state actor to derail us." – Extracted from MW2063 document.

John Robson Kamanga

Malawians have set forth a clear vision of what they would like to achieve by the year 2063. The goal is simple, to transform the country into an inclusively wealthy and self-reliant nation. This however is not an easy task. Achieving MW2063 will require that we learn from the failures of the predecessor Vision

2020 and adopt new approaches to implementing solutions that are sustainable and bring results. Luckily, this is something that has been underscored in the new vision and the first 10-year implementation plan. MW2063 is anchored by three pillars namely, **Pillar 1: Agriculture productivity and commercialization**, **Pillar 2: Industrialization and Pillar 3: Urbanization**. There are also seven enablers that will ensure this vision is successfully implemented namely Mindset change, Effective governance systems and institutions, Enhanced public sector performance, Private sector dynamism, Human capital development, Economic infrastructure and Environmental sustainability. One of the key questions that needs to be answered however is, "How is MW2063 going to be financed?"

In order to provide some context, back in 1990 whilst the country embarked on the Structural Adjustment Programs within different sectors of the economy, including the financial sector, the Stock Exchange was identified as a key economic infrastructure for sustainable development of the country. This led to its establishment in 1994, following which the first company was listed in 1996. The Exchange played a vital role in the privatization agenda of the country through facilitating public ownership of previously state-owned enterprises.

The idea was that, functioning capital markets would accelerate public and private sector growth and diversify the economy and increase foreign exchange generation. However, to date this market remains relatively underutilized by both the public and private sector. The case for utilization of the stock market for mobilization of financial resources needed for development has long been made. But perhaps the recent conversation that was initiated by the National Planning Commission during its recent high-level panel discussion offers a new and unbiased perspective as to why the Stock Exchange needs to take center stage in our development agenda. During his key note speech, the Chief Economist for the Foreign Commonwealth and Development Office, Nick Lea highlighted four lessons that are known of successful development cases. The lessons are highlighted below:

- Successful development requires a long term sustained growth in foreign exchange earnings. This is mainly through broadening of the export base.
- Successful development involves a transition towards the private sector. Private sector needs to become the heavy lifter of development
- Successful growth requires high levels of investment.
- Finally, and perhaps surprising for some, real successful development cases have tended NOT to borrow on external markets. Instead of external loans to fund development, they have funded most of their development using domestic sources.

The role of the Stock Exchange cannot be separated from the four lessons highlighted above. In order to broaden the export base, both the public and private sector need access to long term affordable capital. In order for the private sector to develop, they need access

to long term affordable capital. In order to reach significant levels of investment, both public and private sector need access to long term affordable capital. Lastly, the public and private sector needs to move away from heavy reliance on external borrowing because research and empirical evidence has shown that it does not lead to any meaningful development.

It is important to highlight that there have been strides that have been registered towards utilization of the stock market by both the private and public sector. In 2020, two companies listed on the Stock Exchange after successfully raising over K40 billion. In 2021, Government listed 26 Treasury Notes, including the first development bond, with a nominal value of K787 billion after successful capital raising of the same in the primary market. Whilst these wins have been registered, there still remains a huge gap between the companies that struggle to access financing and those that utilize the Stock Exchange. As long as this gap continues to widen, any meaningful development cannot be attained.

To demonstrate how the Stock Exchange would be key to attainment of the vision, let us look at one pillar, industrialization for instance. The vision acknowledges the need for increased access to affordable finance primarily through establishment of development finance institutions and capital markets. The journey towards industrialization is admittedly a capital-intensive venture that will require a deliberate and systematic approach in how finance is made available. There is empirical evidence that backs the assertion that there cannot be meaningful sustainable development without functioning capital markets, this view supports the decision that was taken in 1994 to establish the Malawi Stock Exchange.

There are more benefits that will be gained from utilizing the Stock Exchange apart from accessing affordable and patient capital. The private and public sector also stands to benefit by tapping into a fast-growing resource envelope mainly from pension funds. Further, utilization of the stock market can be an innovative way of addressing environmental sustainability issues which are also highlighted as being key in attainment of the MW2063. This can be done by issuing and developing green finance financial instruments such as green bonds which is an area of growing interest globally. In fact, the Committee of SADC Stock Exchanges (COSSE) of which the Exchange is a member, engaged a consultant to develop guidelines for green bonds. The Exchange intends to utilize the guidelines to develop its own framework for issuing green bonds which will create a regulatory framework for both the private and public sector to utilize.

It is evident that we need to reposition and center the Stock Exchange in our development agenda. Whenever the public or private sector would like to raise long term financing, they should look no further than the domestic capital market.

We would therefore like to urge and implore all public and private sector institutions to re-consider and ask themselves how they intend to finance the MW2063. It is our conviction that we need to do things differently and integrate the Stock Exchange in all capital raising initiatives if we are to achieve the MW2063 **MSE**

LISTING OF 26 MALAWI GOVT. TREASURY NOTES.

On Monday, 6th December 2021, the Malawi Stock Exchange held a listing event at which 26 Malawi Government treasury notes with a face value of K787.13 billion were listed on the debt platform on the Malawi Stock Exchange. This follows the successful capital raising of the same in the primary market where investors subscribed to the securities through various auctions that were held by the Reserve Bank of Malawi.

The listing brings the total number of listed government debt securities to 44 from 18 securities. The listing will provide a secondary market for the debt securities which is bound to improve liquidity, facilitate price discovery and aid development of a government yield curve. The listing will also foster financial inclusion considering that the minimum amount to invest in the listed debt securities is only K1,000.00. The Guest of Honour at the event was the Reserve Bank of Malawi Governor, Dr. Wilson T. Banda.



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1. Cross-section of participants at the Listing of 26 Malawi Government Treasury notes.
2. Guest of Honour, the Governor of RBM, Dr. Wilson T. Banda, ringing the listing bell during the Listing of 26 Malawi Government Treasury Notes.
3. MSE CEO, Mr. John Robson Kamanga, giving the opening remarks during the Listing of 26 Malawi Government Treasury Notes.
4. Professor J.K. Khomba, MSE Board Chair, giving a speech during the Listing of 26 Malawi Government Treasury Notes.
5. A group photograph during the Listing of 26 Malawi Government Treasury Notes.



1



4



Issuing bonds on the Malawi Stock Exchange Debt platform makes development possible

The debt platform has no minimum capital requirement.
For more information contact : info@mse-mw.com



MALAWI STOCK EXCHANGE



MSE sponsors and participates in MUBAS Commerce symposium.

The Malawi Stock Exchange in October 2021 sponsored and participated in the Malawi University of Business and Applied Sciences (MUBAS) Commerce symposium which was held at Mount Soche Hotel in Blantyre.

The Stock Exchange Chief Operating Officer, Ms. Kanyangala gave a presentation to the final year students on the role of the capital markets in the country's development. The students were encouraged to be ambassadors for the financial sector by enhancing their understanding of the financial markets and actively working to educate others to avoid misinformation. The Exchange sponsorship was in the form of branded cloth face masks which were given to all students.

The symposium was held under the theme "the role of commerce in promoting and enhancing Malawi's vision 2063 and corporate agenda in a Dynamic environment". The guest of honor at the event was the Director of Development Planning at National Planning Commission, Dr. Grace Kumchulesi 



1. Group photograph with all participating classes of 2021.
2. Group photograph with one of the participating classes of 2021.
3. MSE Chief Operating Officer, Ms. Kelline Kanyangala, giving a presentation to the final year students



Illovo Sugar (Malawi) plc aims to serve and meet the dynamic needs and interests of its consumers, customers, and stakeholders by actively pursuing its corporate purpose of creating a thriving Malawian community through provision of affordable food and energy. The company contributes to the country's economy through financial and infrastructural investments and in the support services it provides to operation sites which also benefit surrounding communities, districts and Malawi.



AN ILLOVO SUGAR AFRICA COMPANY

MSE conducts a “raising and investing in Debt Securities” seminar for Business Journalists.



In its drive to ensure that there is timely and accurate reporting on debt securities the Malawi Stock Exchange conducted a raising & investing in debt securities seminar for business journalists on 25 June 2021. The workshop was aimed at empowering participants on how companies, municipals and Government ministries departments and agencies in need of capital for such projects as growing their capital base, construction of roads and other infrastructure projects can utilize the capital market.

The participants were also equipped with knowledge to enable them effectively report on debt securities trading, interpretation of Malawi Stock Exchange report on debt securities for the benefit of the investing public. The debt platform was introduced in 2010 and as of 30 June 2021 had 25 listed debt securities with a nominal value of K821.93 billion ^{MSE}

Financing MW2063 through capital raising on the stock market

For more information on MW2063 visit:
<https://npc.mw/2021/01/mw2063/>



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MSE HOSTS FACEBOOK LIVE SEMINAR.

Malawi Stock Exchange

In an effort to demystify some of the myths that are associated with stock market investing, the Malawi Stock Exchange hosted a live webinar on its Facebook page on 24th August 2021. The webinar was necessitated by the COVID-19 pandemic and restrictions of in person meetings with the investing public during the pandemic.

Facilitated by stock brokers, the webinar was broken down into three topics of “Demystifying Stock Market Investment”, “Overview of the process of investing in shares and bonds” and “How to select a company to invest in”. Commenting on Facebook, Andrew Thindwa bemoaned limited number of listed companies on the stock exchange which has made the market to have a huge demand than the supply.

The full webinar video can be found on Malawi Stock Exchange YouTube or Facebook pages.



Demystifying Stock Market Investing
Live Facebook Webinar
 24 August 2021 - 10:00 AM
<https://fb.com/malawistockexchange>



FACILITATORS



TAFADZWA MWAWA
 Dealer
 Continental Capital Limited

Tafadzwa Mwawa is a Dealer at Continental Capital Limited. She holds a Bachelor of Accountancy Degree. She is a Certified Broker with SAIFM (RSA). Tafadzwa is also an Executive Committee Member of the Financial Market Dealers Association in Malawi (FIMDA)



THOKOZANI SAULOSI
 Operations Manager
 Alliance Stockbrokes Limited

Thokozani Saulosi is an experienced financial economist with a demonstrated history of working in the capital markets. He is skilled in financial advisory, financial modelling, research, investment appraisals and management.

Thokozani holds a Master of Arts in Economics Degree from the University of Malawi, a double major in Financial Economics and Monetary Economics. He is a certified broker by the South African Institute of Financial Markets (SAIFM) and also holds a Bachelor Degree in Social Science from the University of Malawi.



NOEL KADZAKUMANJA
 Chief Executive Officer
 Stockbrokers Malawi Limited

Noel Kadzakumanja is the Chief Executive Officer for Stockbrokers Malawi Limited. He is a qualified member of Association of Chartered Certified Accountants (ACCA), and a holder of Bachelor of Business Administration (BBA) Degree from the now called Malawi University of Business and Applied Studies (MUBAS).

Noel is also a qualified member of the South African Institute of Financial Markets. He has over 15 years of experience in the financial services sector.



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University of Blantyre Synod visits the Stock Exchange.

On Thursday, 3 June 2021, Malawi Stock Exchange hosted Commerce faculty students from University of Blantyre Synod. The purpose of the visit was for students to understand the operations of Malawi Stock Exchange and the stock market in general. The students watched a presentation from the Chief Operating Officer, Kelline C. Kanyangala on the operations of Malawi Stock Exchange on the following areas;

- Functions of the stock exchange
- Role of the stock exchange in the economy
- Instruments traded on the stock exchange i.e. shares and debt securities.

Also included in the presentation were short quiz questions to test students' knowledge about Malawi Stock exchange as an institution and companies listed on the stock market. The students found the presentation fascinating and enriching as they were able to relate what they learnt at school and how the company actually operates.

The students were also given an opportunity to ask questions on areas they did not understand during the presentation.

The visit was initiated by Mr. Jimmy Lipunga who is working as a part time lecturer at University of Blantyre Synod. Mr. Lipunga is also a finance expert with vast experience in the Malawi capital markets **MSE**

In the Picture: MSE's Business Development Officer, Ms. Mary Chipofya handing over MSE literature items to Blantyre Synod University representative, Mr. Jimmy Lipunga.



Get to Know Companies listed on the Malawi Stock Exchange

FDH Bank
airtel
MyBucks Banking Corporation
THE SMARTPHONE NETWORK
Standard Bank Malawi
ICON PROPERTIES
FMB capital Holdings plc
tnm always with you
SUNBIRD Hotels and Resorts
OLDMUTUAL
Press Corporation Plc
National Bank of Malawi
NITL
ILLOVO SUGAR GROUP
NBS Bank
NICO Holdings
MPICO
BH

For more information contact The Malawi Stock Exchange on:
 01 824 233, Email: info@mse-mw.com Website: www.mse.com

Capital Markets Association of Malawi participates in inaugural diaspora webinar.

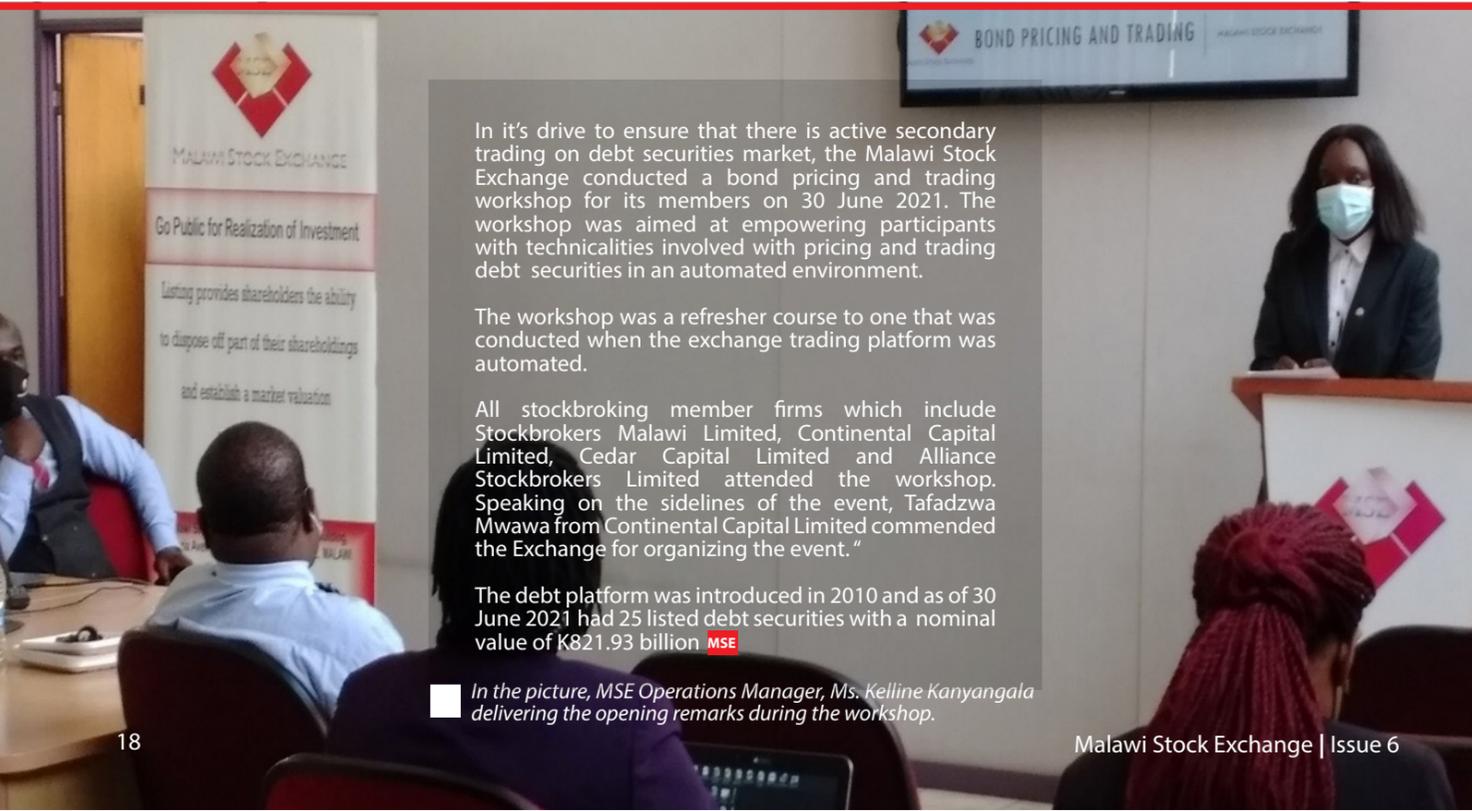
The Capital Markets Association of Malawi (CMAM) which is a not for profit and non-political association set up for and on behalf of capital market participants licensed under the Financial Services Act, 2010 to conduct capital market activities in Malawi, in December 2021 participated in the inaugural diaspora webinar on financial products for Malawians in diaspora. The webinar was organised by the Ministry of Foreign Affairs as a way of raising awareness and courting the diaspora community to utilise the opportunities in the local financial sector. During the webinar, presentations from various sectors and stakeholders in the financial sector were made including the capital markets sector, banking sector, microfinance sector and Reserve Bank of Malawi, among others.

The capital markets association was represented by Ms. Kelline Kanyangala who gave an overview of the capital markets, operations of the stock market and the key stakeholders in the sector. A total of over 300 participants joined the webinar. A representative of the Diaspora community Dr. James Kadyampakeni commended the initiative and encouraged the organisers to continue engaging the diaspora community. The guest of honor at the event was the Ministry of Foreign Affairs Principal Secretary, Lucky Sikwese (Bottom picture).

The Capital Markets Association of Malawi was formed in 2020 and its current president is the Chief Executive Officer of the Malawi Stock Exchange, Mr. John Robson Kamanga (Top picture)



MSE conducts bond pricing and trading workshop for stockbrokers.



In its drive to ensure that there is active secondary trading on debt securities market, the Malawi Stock Exchange conducted a bond pricing and trading workshop for its members on 30 June 2021. The workshop was aimed at empowering participants with technicalities involved with pricing and trading debt securities in an automated environment.

The workshop was a refresher course to one that was conducted when the exchange trading platform was automated.

All stockbroking member firms which include Stockbrokers Malawi Limited, Continental Capital Limited, Cedar Capital Limited and Alliance Stockbrokers Limited attended the workshop. Speaking on the sidelines of the event, Tafadzwa Mwawa from Continental Capital Limited commended the Exchange for organizing the event.

The debt platform was introduced in 2010 and as of 30 June 2021 had 25 listed debt securities with a nominal value of K821.93 billion MSE

In the picture, MSE Operations Manager, Ms. Kelline Kanyangala delivering the opening remarks during the workshop.

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Kelline Kanyangala

TACKLING THE ELUSIVE CHALLENGE OF ACCESS TO FINANCE FOR SME'S.

Malawi's business landscape reflects that of most developing countries; a large number of small-sized businesses, very few big businesses and a noticeable missing middle. Small businesses struggle to progress to become middle sized or big businesses and very often rarely exceed the life expectancy of the founder.

When we look at nature for inspiration, growth is impossible when challenges restricting the needed growth abound. For businesses to grow, there is need to pay attention to the challenges facing business and re-look our strategies of tackling them.

According to a 2019 Finscope survey that was undertaken in order to size and scope the Micro, Small and Medium Enterprises (MSME's) in Malawi, access to finance was highlighted as the primary challenge that hinders growth of MSME's. The survey detailed the main obstacles to financial services to include transaction costs, low financial literacy, ill-suited financial products, limited income, and the unavailability or insufficiency of loan collateral. How then can we differently tackle the issue of finance for SME's?

Majority of small businesses do not have access to external finance and rely heavily on retained earnings and shareholder equity contributions to finance daily operations and

growth activities (see figure 1 below). This expectedly put limitations on what activities the business can embark on, and how much the company can grow.

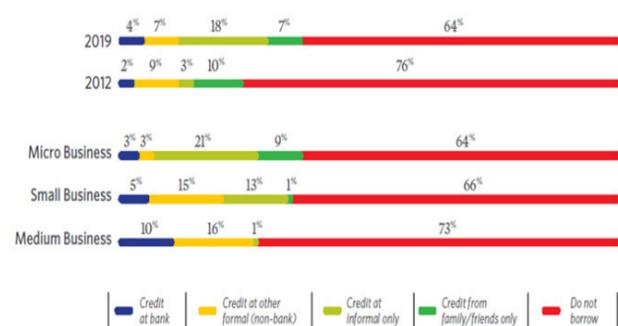
Further, it has been noted that for those companies that do have access to formal financial service providers, it is mostly for short term credit facilities which are then used to anchor both working capital needs and long-term investment needs of the business.

service providers with much focus on access to short term credit facilities. Subsequently, there has been a noticeable increase in access to banking services from 2% to 4% from 2012 to 2019; overall access to formal financial services by MSME's has however stagnated at 11% from 2012 to 2019.

On the other hand, there has been limited effort in enhancing access to long term finance as evidenced by a lack of incentives for businesses to access the capital markets.

Whilst short term credit plays a role in facilitating operations of business, it is not designed to facilitate growth and expansion of a business. If the goal as envisioned within Malawi 2063 is to grow the private sector, we need a new approach in intensifying SME's access to long term

FIGURE 28: Credit Strand 2019 versus 2012 and by MSME size (%)
Source: FinScope MSME Malawi 2019 Survey



Various interventions have been pursued to increase SME access to formal financial This is the route that needs to be taken in

tackling the issue of finance for SME's and we believe the Malawi Stock Exchange holds the key to unlocking this new terrain.

Prior to 2007, the Malawi Stock Exchange had only one platform, namely the Main board which is targeted towards big and well-established businesses. Companies can utilize this platform to raise long term finance through issuance of shares to the public for people to become part owners of the business. In 2020 alone, two companies listed on the Main Board and raised a combined total of K41.6bn from the public.

However, given that the main board is meant for well established businesses, its listings requirements are viewed as not conducive for SME's, of which the country has in abundance. As such, in 2007 the Malawi Stock Exchange introduced what is known as the Enterprise and Development Growth Exchange (EDGE), formerly known as the Alternative Capital Market board. The board was designed specifically for SME's to access long term capital through listing.

The idea was that access to long term capital would facilitate growth and expansion of small businesses which ultimately would result in growth of the private sector, which is the engine for the country's economic growth. To date however, no company has listed on EDGE.

Some of the fears that SME's have in accessing the platform are mostly perceived and not a reflection of the listing's requirements. A recent study conducted under Macroeconomic and Financial Management Institute of Eastern and Southern Africa (MEFMI) by R. Kandoole-Mvula (2019) found that most unlisted firms highlighted requirement for profit history, dilution of ownership, duration of listing process and cost of going public as the major obstacles to listing.

However, for companies that would like to list on EDGE, there is no profit history requirement to be fulfilled. Further, the minimum public float that needs to be issued to the public is only 20%, which means the founders still maintain control over the business. In terms of the duration, the listing process will normally take longer than accessing a credit facility due to the need to comply with legal and regulatory requirements especially when accessing finance from the public. It is beneficial when talking of duration to take a long-term view considering that the benefits of listing are long lasting. The Stock Exchange will normally provide feedback on documentation submitted within 48 hours.

The listing expenses are another area highlighted as an obstacle to listing. However, from past experience the cost of listing as a percentage of amounts raised has been declining and ranges from 2% to 6%; these costs are also once off. The Exchange always recommends that potential issuers engage and collect quotations from various transaction advisers in order to have the most cost-effective arrangement.

There are quite a number of benefits that companies stand to gain from listing, apart from accessing affordable long-term capital. For instance, the listing process raises the profile and reputation of a company due to the good corporate governance practices, transparency and accountability practices that a listed company continuously complies with. This attracts new customers and helps in forging strategic relationships with stakeholders both locally and internationally.

Further, listing improves the gearing and balance sheet ratios of a business. By issuing additional shares to the public the company is able to increase its share capital and thereby improve its gearing. This gives the company greater ability to take on expansion projects without the worry of debt repayments. Other benefits include access to a large pool of funds, staff motivation through employee share ownership schemes and market determination of company value.

In the end, perhaps the challenge of SME access to finance is not necessarily elusive, it simply requires a new approach towards long term finance **MSE**

For companies that are interested in learning more about EDGE and the listing process on the Exchange, please email info@mse-mw.com or call: 01 824 233

The MSE and the Metaverse.

Aubrey Kanje

We have seen the emergence of the social media, electronic commerce the likes of Shopify, woo commerce and Facebook on the internet. We can now conclude that the anticipation of these internet platforms has become part of life itself in the virtual world.

What is this virtual world?

The internet began with simple services such as email, instead of getting physical mail, individuals can now just get it from their palm of the hand. However, it was not quick enough as it uses a one-way communication that also needs manual trigger to update the mail box. Instant messaging was developed, for example, WhatsApp messenger gives you push notification at a sound of a 'bing' you get a multimedia (voice note, video or text) message.

Covid-19 was born, the usage of social media platforms has been highly utilized than ever before. Physical meeting has become a thing of the past as new technology has been developed for video conferencing and hosting all kinds of meetings at the click of a shared link. Social media platforms have assimilated businesses into the platforms, at a click of a shared link you can now view a catalogue of different products. Customer service through calling toll free numbers has also become a thing of the past when artificial intelligence has taken the leading role of developing artificial answering services all available through a clickable link.

The internet transformation has become indeed the virtual world, businesses are sitting right on top of it and so has Facebook developer company renamed to metaverse. The metaverse is hosting different businesses and marketplaces, individuals can virtually visit and choose the product they wish to buy. There is a seamless way of transacting, you have integrations of web apps such as the VISA credit and debit cards tied to a physical bank account. The metaverse is also providing business tools to its marketplace providing them with market insights and advertising insights to promote products on sponsored adverts. The physical world is transforming rapidly into the digital world that you now have digital products being sold on these marketplaces such as digital land, digital art and more.

What is the Malawi Stock Exchange doing about it?

The transformation is inevitable, the metaverse has become the number one marketplace. In this world of web 3.0 all applications are now talking to each other via the internet. For instance, there are self-driving cars, smart homes, smart cities and many more. The MSE has chosen to use the metaverse platforms as a way of interacting with its clients and also as a way of disseminating information.

The WhatsApp artificial robot also known as MSE Bot was developed to answer the most frequently asked questions on investing. The MSE Bot also has the direct connection to the MSE gateway that feeds its information on current market prices before market close 14:30 and after post market close 15:00pm. These are the initial steps in joining the metaverse however the MSE intends to make the process of getting stock quotations and other questions answered as seamless as possible to directly engage stocker brokers to these clients using the metaverse.

Web linking services are available, the metaverse and the entire virtual world of the internet can connect. Already some of the listed companies have connected to the MSE gateway pulling current price data from their web apps. With the evolution of the internet, we hope that metaverse companies in Malawi that meet the listings requirements will eventually join to raise capital for their marketplaces. The industry is booming on the metaverse for instance Facebook gaming generate billions of dollars through live video streaming as a part of an advertising strategy for game developers. The MSE intends to become part of this changing world and more apps are to be developed to drive its awareness activities on making investments and raising capital **MSE**



ACHIEVING MW2063 THROUGH CREATION OF BANKABLE PROJECTS

Esnat Suleman, FDH Bank Plc

The Role of Transaction Advisors.

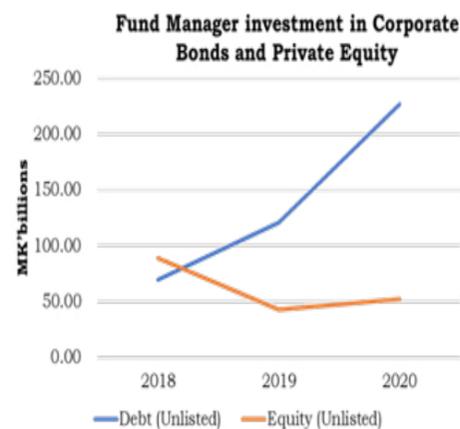
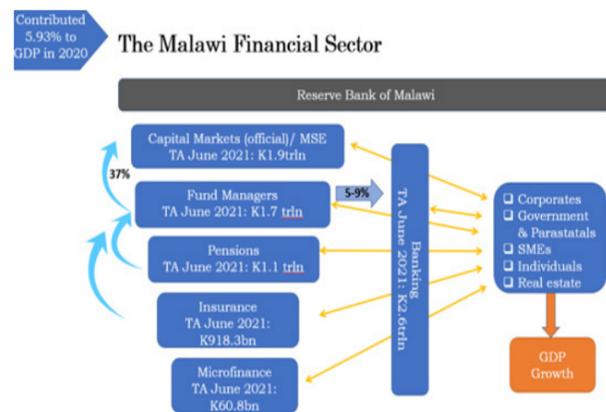
The vision for Malawi christened Malawi 2063 (MW2063) is to transform the country into an inclusively wealthy and self-reliant industrialized upper middle-class nation by the year 2063. To achieve this, there is need to develop a strong and competitive manufacturing industry that is driven by a productive and commercially vibrant agriculture sector. MW2063 promotes self-reliance in development financing through resource mobilization efforts that will enable the country to create its own wealth and only borrow for investments with high economic returns.

On 1 June 2011, the Pensions Act came into force with one of its key objectives being to foster agglomeration of national savings in support of economic growth and development of the country. Statistics have shown that there has been a significant increase in pension fund assets since the implementation of the legislation. However, 10 years down the line, we are yet to see industries develop. There is therefore need for solutions to ensure that these funds find their way to development projects that support the MW2063 vision.

This article aims to highlight the critical role that Transaction Advisors play in creating bankable projects that can attract investors and therefore contribute towards the success of MW2063.

Malawi's financial capacity to finance development activities
 Statistics from the Reserve Bank of Malawi clearly support the notion that Malawi has the capacity to finance a significant number of development projects. As at June 2021, the total funds managed by fund managers stood at MK1.7 trillion.

Based on the RBM Financial Institutions 2020 Annual report, the stock market attracted 37% of funds managed by fund managers and only 18% was invested in corporate bonds and unlisted equity. In addition, total deposits in the banking sector, as at June 2021, stood at MK1.55 trillion against loans of K809.3 billion.



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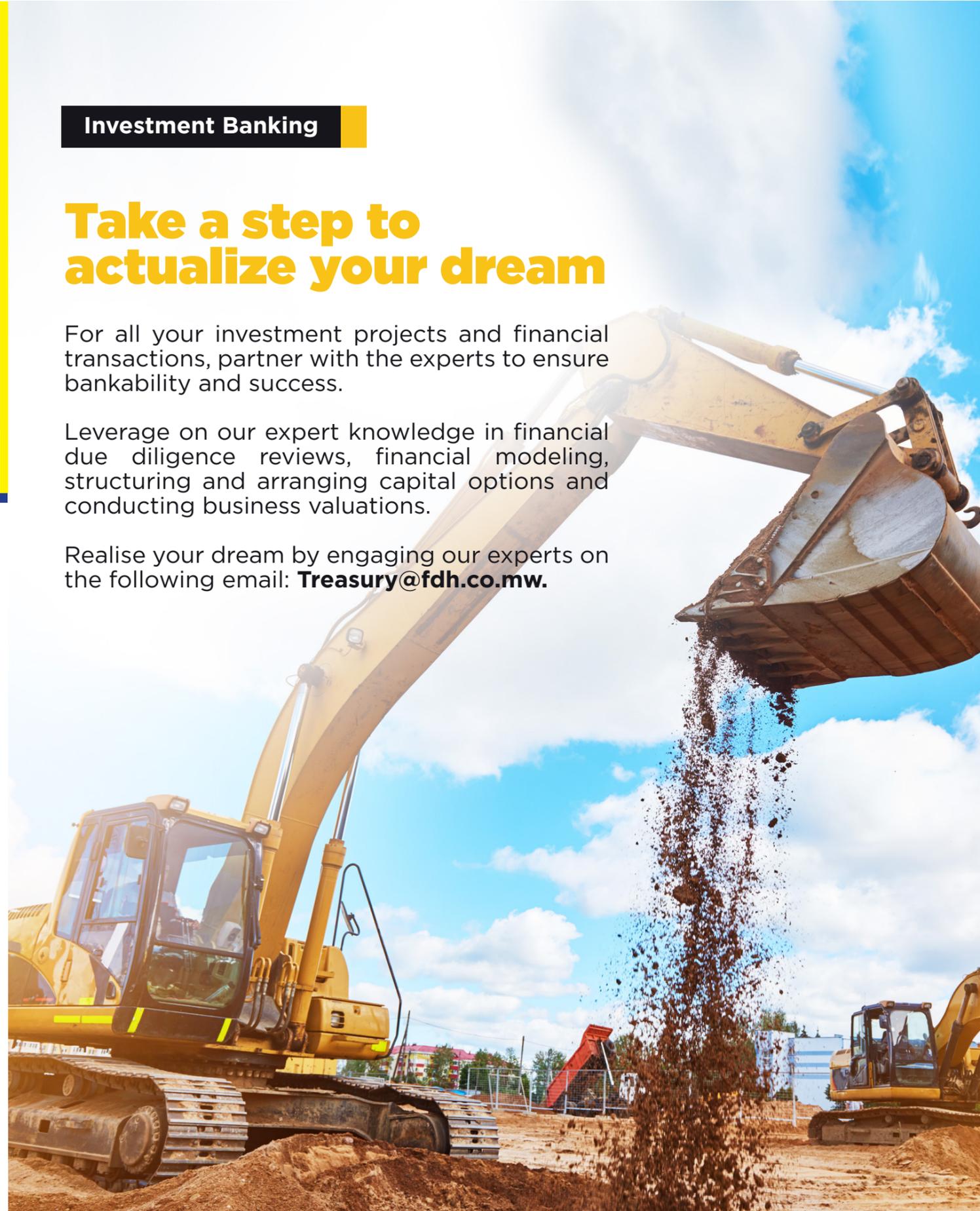
Investment Banking

Take a step to actualize your dream

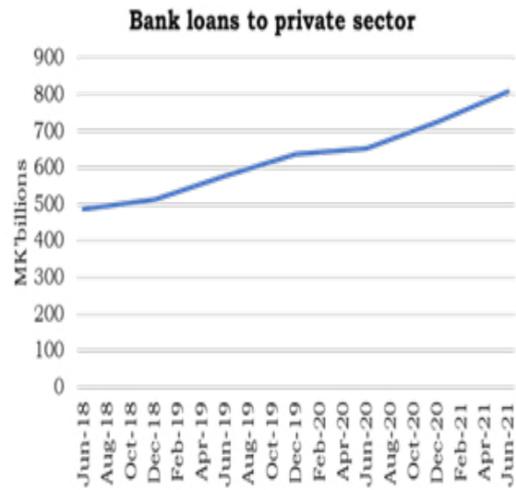
For all your investment projects and financial transactions, partner with the experts to ensure bankability and success.

Leverage on our expert knowledge in financial due diligence reviews, financial modeling, structuring and arranging capital options and conducting business valuations.

Realise your dream by engaging our experts on the following email: Treasury@fdh.co.mw.



Continued from page 22



The diagram and graphs on these pages show the percentage contribution towards the GDP by the financial sector in the year 2020 as well as Fund Manager investments in Corporate Bonds and Private Equity and loans given by banks to the private sector.

What is the challenge?

Based on the above statistics, it can be fairly deduced that the challenge is not in the availability of funding but in the ability to access the funds. It is therefore of key importance for companies to take cognizance of the requirements of investors in structuring their projects or investment transactions to improve their ability to access the financing. We highlight 3 elements that drive investor investment decisions.

The operational model and financing structure

A viable investment that is not well structured may fail to attract investors. Investors are interested in knowing how the funds raised are going to be utilized and the benefits that will arise thereafter. There should be structures in place and qualified people to be able to execute the business plan.

The intended operation should be viable and supported by sufficient research and realistic assumptions. The financing structure should also align to the nature of the operations to ensure overall financial feasibility.

The return on investment

The return on investment is a major consideration for investors. Although it is very natural for investors to want to maximise returns, consideration is given to the type, tenor and risk associated with the investment. At a minimum, investors seek to earn returns that are above inflation to avoid losing value of their investments.

The risks and mitigations

Risks cannot completely be avoided, but what is important is to be aware of all the risks and to take the necessary measures to hedge the potential negative impact on the intended operation. Investors will only consider investments that are within their risk appetite levels.

Why companies and government institutions require transaction advisors?

Transaction Advisors use their wealth of experience, expertise and independence to assist companies to structure projects/ transactions in a manner that addresses investor requirements.

Transactions should be considered and structured objectively to ensure that they are bankable. Company employees are normally conflicted and may overlook certain material aspects or exhibit bias which can jeopardize an entire transaction or project. In certain instances this may be unintentional.

Nonetheless, wrongly modeled and structured transactions or

projects will not attract investor interest and will lead to failure to execute or have costly consequences during execution.

Transaction planning and execution requires different skills and one individual may not be competent in all aspects of the transaction. Whilst employees of companies may be experts in their respective businesses, they may not have all the skills nor the time required to execute certain transactions leading to detrimental errors or compromised quality of output.

Transaction advisors normally have a team of experts with diverse skills and experience. Companies can save time and money by engaging a competent transaction advisor.

FDH Financial Holdings Transaction Advisory Services

FDH Financial Holdings (FDH) offers transaction advisory services that are tailor-made to match our client's unique circumstances and therefore enabling them to effectively evaluate and navigate all sorts of corporate transactions.

FDH is licensed as an Investment Advisor with the Reserve Bank of Malawi and is registered as a Corporate Advisor with the Malawi Stock Exchange. The company utilizes skills from experts within the group to offer professional transaction advisory services to its clients. Some of the key service offerings include the following:

Financial due diligence reviews

At FDH, we conduct financial due diligence reviews using customized financial models that we develop in-house on behalf of clients.

Capital structuring and raising

We use our broad scope of financing expertise to assist our clients to come up with suitable capital structures that can attract investors at reasonable pricing. We raise both debt and equity capital for funding projects, working capital needs or new investments. We have the expertise necessary to support debt and equity listings on the Malawi Stock Exchange.

Company valuation

We have a team of qualified experts with internationally recognized qualifications that are also registered with the Registrar of Companies to conduct company valuations. We employ internationally recognized valuation methodologies to support our clients during transactions such as initial public offerings (IPOs), liquidations, mergers and acquisitions, or in investment reporting [MSE](#).



financial
CHECKLIST

- ✓ get involved
- ✓ stick to budget
- ✓ pay off debt
- ✓ Emergency fund
- ✓ retirement plan
- ✓ start investing

Its never too late to plan for the future
contact a stockbroker and start investing today

How to Build an Optimal Investment Portfolio.



Emmanuel Chokani

An investment portfolio is a basket of financial assets that may include investments in any of the following asset classes, namely: listed equities/stocks, bonds, commodities, alternative investments (real estate/property, unlisted equities etc). An optimal portfolio allocates resources to financial assets that help an investor achieve their goals in terms of risk and return. Since investors have different goals and different risk appetites, there is no universal optimal portfolio. As such, investors need to carefully analyze how much they can invest, their goals and risk profiles before determining how to allocate their resources to financial assets. Professional investment managers, like Bridgepath Capital Limited, help to guide their clients through this process using the extensive experience and research skills that investment managers possess.

The starting point when building an investment portfolio should be to determine how much an investor may be willing to invest. This can be done by looking at a potential investor's current net worth. Net worth is the difference in the value of the assets and the liabilities of the investor. Therefore, an investor must list down the value of all their assets and liabilities. Typically, higher net worth investors may be more capable and willing to take on more risk, relative to lower net worth investors.

Following this, the investor must establish their investor profile. The investor profile outlines aspects such as the investor's goals and associated time horizons. The interaction of these variables leads to several types of portfolios which are normally classified into three: growth, income, and value portfolios. On one hand, investors with goals in the short to medium term will be willing to invest their resources for shorter time horizons. On the other hand, investors with goals in the long term will be willing to invest their resources for longer time horizons. Typically, investments with shorter time horizons have lower risk and as such are associated with lower expected returns, and vice versa for investments with longer time horizons.

Another significant aspect of an investor's risk profile is the establishment of the investor's risk appetite and risk tolerance as this affects the type of portfolio that they will have. An investor's risk appetite refers to an investor's ability to take risk while risk tolerance is a combination of this ability and willingness to take on additional risk, or to deviate further from their risk appetite. Typically, the higher the net worth or the longer the time horizon of an investment, the more risk an investor may be willing to take on. When the ability and willingness to take risk are compatible, it is relatively easier to select the appropriate level of investment risk for the portfolio. However, an investor might be willing to take on more risk than they are able to take. In this scenario, an investment manager or advisor would recommend that the investor should operate in line with their ability to take risk. If the willingness to take risk is lower than the investor's ability to take risk, an investment advisor would try to enlighten the investor on the potential benefits of taking on additional risk.

Another important aspect to consider is the minimization of portfolio risk through diversification (the selection of a mix) of various asset classes in a portfolio. This is referred to as the investor's asset allocation. Investors take on two types of risk which are known as systematic/market risk and unsystematic/diversifiable risk. Systematic risk must be accepted by investors as it affects the entire market and cannot be avoided. Systematic risk is risk that impacts the entire market or a large sector of the market, not just a single stock or industry. Examples

include natural disasters, weather events, inflation, changes in interest rates, war, even terrorism. However, unsystematic risk is specific to a company, industry, or country. There are five types of unsystematic risk: business risk, financial risk, operational risk, strategic risk, and legal or regulatory risk. As such, investors can reduce their exposure to this risk through diversification.

Although diversification minimizes the risk, it does not eliminate it. Changes in the financial markets necessitate regular portfolio monitoring by the investor to ensure that the portfolio still speaks to their goals and risk profile. For example, an investor's optimal portfolio might have a 60% allocation to equity/shares. If changes in the market result in equity only contributing 30% of the portfolio, there is a need to rebalance the portfolio by re-allocating the excess resources. In other cases, the investor might also change their goals, resulting in selling and buying assets that do not fit the new investor profile. In addition, the investor needs to consider other factors such as tax liabilities, legal and regulatory factors, as well as any other factors that may have significant implications on their asset allocation. Investors might choose certain financial assets to take advantage of their tax implications such as holding shares for a more than a year to avoid capital gains tax. Legal and regulatory factors are also important to consider as some financial assets might be restricted to the investor. Finally, it is important to take a look at the earlier mentioned types of portfolios, which are growth, income and value portfolios, and their distinctions.

Firstly, growth portfolios focus on realizing high rewards from their investment and this normally entails taking higher potential risk. This portfolio is likely to invest in younger companies that have more potential for growth compared to well-established firms. Secondly, income portfolios aim to secure regular income from the investments. An example is investing in a fund with assets predominantly in money market instruments. Finally, value portfolios focus on finding bargains in the market after analyzing and determining the assets that are priced below their fair market value. The assets may belong to any of the afore mentioned asset classes.

In conclusion, the determination of an optimal portfolio for investors will differ due to intrinsic differences in investor characteristics. These differences can be determined by analysing how much each investor can invest, establishing their investor profile, minimizing the portfolios risk, making taxation, legal and regulatory considerations. Due to the volatile nature of financial markets, a portfolio must be monitored regularly to ensure that it aligns with investors' current investor profile.

Author profile
Emmanuel Chokani is the Chief Executive Officer for Bridgepath Capital Limited. Bridgepath Capital is a licenced portfolio manager and regulated by the Registrar of Financial Institutions (Reserve Bank of Malawi). Bridgepath Capital provides investment management and financial/investment advisory services to individuals and organizations. Emmanuel is a CFA (Chartered Financial Analyst) Charterholder and Chartered Accountant. He is a member of the CFA Institute (USA), CFA Society South Africa, ICAM, ACCA, ICAEW and the Corporate Finance Faculty of ICAEW. Emmanuel completed the University of Oxford Executive Strategy program. Emmanuel has extensive experience in investment management, corporate finance, real estate development, strategic and risk management. He was previously Chief Executive Officer of NICO Asset Managers where he managed an investment portfolio of over US\$600 million. He was previously the Group Head of Risk and Compliance at NICO Holdings Plc and spent at least 5 years with Deloitte rising to the position of Audit manager. Emmanuel graduated with Distinction with a Bachelor of Accountancy from the University of Malawi, Polytechnic. Email: emmanuel.chokani@bridgepathcapitalmw.com



'For an Inclusively Wealthy and Self-reliant Nation'



Why Savings and Investment Matter for Malawi to Achieve its 2063 Development Goals.

Tamanda Kapalamula,
First Discount House.



Our prosperity as a nation depends upon the personal financial prosperity of us as individuals.” - George S. Carson, the Richest Man in Babylon.

Malawi is currently one of the Least Developed Countries (LDC). But our dream as a nation is not to remain at the bottom of the poverty line, but to prosper and become “an inclusively wealthy and self-reliant industrialized upper middle-income country by the year 2063”. This ambition can only be achieved through a collective effort of each one of us. Our government policies must be aligned towards enhancing the financial prosperity of each Malawian. Each one of us as individuals must endeavor to create wealth, keep money and grow sustainable incomes for the future.

As a country, Malawi is very rich in natural resources. We have the third largest fresh water lake in the World; we have minerals such as gold, uranium and bauxite; we have good arable land and many other natural resources too numerous to mention. These natural resources can be converted into capital for the infrastructure development of our Country. But having natural resources alone is not enough for economic growth and development. There are other two important factors that are critical to the economic growth of any country. According to the Cobb-Douglas Production Function, the aggregate output (referred to as Gross Domestic Product or GDP) in a country is driven by labour (hours worked in the economy) and capital (capital services provided by the stock of equipment and structures used to produce goods and services).

Further, the hours worked in an economy is driven by the growth rate of the labour force and the growth rate in labour productivity (Growth Accounting Equation, Solow (1957)). Malawi has a relatively young and energetic population with 45% of its population (8 million people) aged between 18 years and

64 years according to the 2018 Malawi Population and Housing Census. With an average annual population growth rate of 3.3% as of 2018, Malawi has a readily available cheap labour force that can help for the Country to achieve its 2063 Development Goals.

On the other hand, the growth rate of Capital, as measured by the growth of capital per worker, is driven by savings and investment in an economy. These savings come from individual placements, corporate placements, pension funds, life insurance placements, general insurance placements and foreign direct investment. In Malawi, one of the major impediments to economic growth and development is the lack of capital.

Malawi is an Agricultural economy with most households relying on subsistence farming for their survival. The very few people that have managed to secure employment tend to earn very low incomes. Coupled with high tax rates on employment income, employees are left with less disposable income for savings and investment. For a handful of Malawians that are able to meet their needs and have a surplus for savings and investment, some do not invest their savings profitably due to lack of knowledge.

The low savings rate in Malawi leads to low levels of investment, slowing down the economic growth rate and leading to low income and savings which in turn create a vicious cycle of poverty. As such, if individually we will not be able to generate significant savings and investment it will be very difficult for Malawi to break this vicious cycle of poverty. Since 1964, when Malawi gained its independence from the United Kingdom, we have mostly relied on donor aid to supplement our budgetary needs and foreign direct investments to supplement

financing for development projects. However, for nearly six decades it has proven to us that overreliance on foreign aid and foreign direct investments will not result in any desired economic development for our Country. To be self-reliant we must increase our savings rates to significantly reduce the level of foreign direct investment to an optimum level.

We used to have several companies in Malawi that were manufacturing cooking oil (Lever Brothers Limited), shoes (Bata Shoe Company), peanut butter (Tambala Food Products), clothing (David White Head & Sons and Crown Fashion) and many others. But where are all these Companies now?

As a Country, we have been doing everything possible to attract foreign direct investment into our Country including through tax incentives and tax holidays. But the disadvantage with foreign direct investment is that during the investment horizon and at the end of the investor's time horizon, returns and capital will need to be repatriated back to the foreign investor's home country or elsewhere as the investor wishes. While we fail to see investment opportunities in our own country, foreign investors see the “American Dream” in Malawi.

One might ask, Is foreign direct investment or attracting of the same bad? Not at all! The fact is that foreign direct investment is meant to supplement and not to replace domestic capital. We must make a serious resolve as a Country to promote local savings and investment and grow the much needed capital for financing our development projects. Emphatically, Malawi and every Malawian must come first when we think of promoting investment or investors. We must not promote foreign investors at the expense of local investors. Unlike foreign investors, when local investors have made a fortune, both their profits and their capital will be reinvested back into our economy. Also, in

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future there will be no pressure on foreign exchange reserves as local investors will not need to repatriate their investment and investment returns elsewhere. So, if we are to develop without overreliance on foreign direct investment or direct aid, then what must we do? For Malawi to develop and reach its 2063 development goals, each one of us must learn to make money (create wealth), keep money (savings and investment) and grow money (create sustainable incomes for the future).

Wealth creation

As alluded above, we cannot generate enough disposable incomes for savings and investment if we don't have sources of incomes for our households to live on. Beginning at childhood level, every Malawian must be taught how to make money and create jobs for others. As the children grow up, they must be taught both skilled work and unskilled work so that they are able to fend themselves when they grow up and when they are not able to find employment. Students and employees must be guided on their personal and professional development and how to convert their human capital into financial capital during their career. Every Malawian needs to know that it is not sustainable to depend on one source of income and must endeavor to create multiple sources of income such as dividend income, interest earnings, farming as a business and

keep money, but also to master how to invest profitably the savings to grow income and preserve the time value of money.

Creating sustainable incomes for the future

There are many Malawians that have brilliant ideas that can earn them a fortune but they do not have capital to finance their projects. Just as Rome was built over time, such Malawians need to know that a journey of 1000 miles simply starts with a single step and that sooner or later they will get there, they just have to take the little steps that will bring them near to their desired destiny.

For many of us that are coming from humble beginnings, we must have a strong faith that it is possible only if we can believe. Creation of sustainable incomes for the future requires that we be futuristic in our thinking and that we learn to forgo the pleasures of present for the benefit of the generations to come. We must invest in projects today that will outlive us and sail us through the 2063 development goals.

All in all, we cannot talk of attaining the 2063 development goals if we don't talk of savings and investment. No one will come from outside Malawi with the intention to develop Malawians, it is us Malawians who can develop ourselves and support one



many other income generating activities.

Savings and investment

When we have created enough disposable incomes, every Malawian also needs to know that one part of the income is for consumption and that the other part of income is for saving and investment. We need to understand that in life there are times and seasons and that sometimes we might have plenty and that other times there might be scarcity and that what we keep today when we have plenty will help us to survive on when we have nothing or insufficient inflows of income to live on. Each one of us must also learn not only to

another to achieve our development agenda. Therefore, Government Policies must be centric in promoting local investors. When we have individually learnt how to make money and how to grow money, we should be able to develop sustainable sources of income for the future that will outlive this current generation and build capital reserves for industrialization. This will in turn accelerate our growth into an upper middle-income country by the year 2063 and become a self-reliant Country. If we be of one mind and speak the same language there is nothing that will be impossible with us ^{MSE}



HABITS OF PEOPLE WHO INVEST IN THEIR FUTURE



Mary Chipofya

We may often think of investing as a nuisance, not our habit. However, changing our attitudes and spending preferences will make it easier to deal with investing. This article will highlight some of the behaviors found in the people who invest their money do.

They keep track of their budget

Knowing your budget helps you manage it effectively and avoid putting you in situations where you are left with nothing to set aside for the rainy day. It is necessary to draw up a complete picture of finances such as; what kind of income you receive in a month, what inalienable expenses you pay and how much money you manage to save. Include in your list of expenses rent, utilities, groceries, as ordinary gasoline, etc. It should include everything that you can consider as ordinary expenses. Be sure to indicate everything there to the smallest detail. For example, if you drink coffee 5 times a week in a café near your workplace, be sure to indicate that too. You do not necessarily need to stop this habit; the goal of the budget management is to count on it and not go into negative territory. If your income is less than the amount you are spending, you should think about reducing your monthly spending.

They invest in their future

Investing in their future is a habit of people far from overspending. They know that spending money on something that will bring benefits in the future is a way to improve and increase their finances. Therefore, they invest in financial instruments that they believe will save them in future. They can invest stocks, bonds, real estate, fixed deposits, etc. Others invest even in education which will help them later find high paying jobs.

They are moderate in spending

People who invest their money, not that they avoid spending; they make sure not to overspend. They do things in confidence, with no impulse buying when they go shopping because they know exactly how much they can spend. They do not engage in rash purchases

just to make them feel good. They can have a great time without spending a dime.

They set financial goals

Investors know how to set financial goals. However, this is not as easy as saying, "I want to stop extravagant spending". Motivation is the first thing you need to have in mind when setting a financial goal. Investors are people who actively plan to get what they want, rather than just talking about their problems. For instance, an investor who sets a goal of wanting to buy a piece of land, will work towards that goal by setting aside a little something every time money comes their way so that, when enough has been acquired, that land should be bought to fulfill the financial goal that led to investing their money. If you want to save up to pay the first installment of your mortgage, then your goal or motivation should be to get a mortgage.

They learn financial literacy

High school and university do not teach much on how to manage money in everyday life. And we often do not learn enough from our parents to manage our money or budget effectively. However, investors, understand this and learn to manage money throughout their entire lives. They are interested in financial literacy such that they read special books and articles, listen to podcasts, and follow the latest ideas on how to save and invest their money.

They surround themselves with like-minded people

Imagine that you're trying to get rid of the habit of overspending, and in your environment, "credit life" is considered the norm. Your friends buy expensive equipment and cars in installments and do not understand why you deny yourself this that seems to be a good life. Or you are criticized for refusing to have lunch in a café several times a week because you are trying to save money. It is challenging to stay motivated and not "get lost" in impulsive spending if no one supports you in your desire to start investing. However, when you surround

yourself with like-minded people who have similar goals and lifestyles, it will be much easier to fulfill your plans. This does not mean that, we stop having relationships with those of a different lifestyle other than investing. It's just worth looking for additional support if you do not have it yet.

They have savings for a rainy day

Investing money is like having an emergency plan. It is a tool which can be used if something unexpected happens. For example, you are laid off at work. Be sure to keep in mind that a credit card will not help you on that rainy day. It might just aggravate your situation as you will go into even more debts and in the end, you cannot pay off the borrowed funds. Whereas, if something was being set aside for this kind of a rainy day, you will know what buttons to press and continue living your happy and fulfilled life.

They make use of the stock market

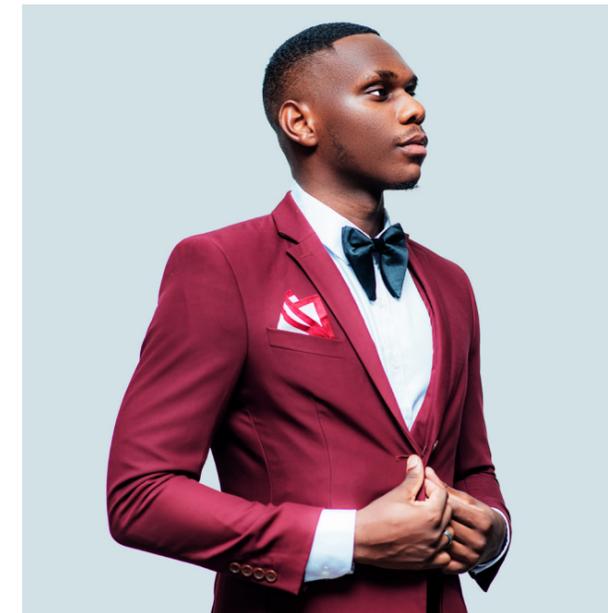
The stock market is a market where buyers and sellers meet to exchange shares of a public company. It is a market for trading of company shares/stocks. Individuals with a habit of investing, understands that, stocks can be a valuable part of their investment portfolio. They know that owning stocks in different companies can help them build their savings, protect their money from inflation and taxes and maximize income from their investment. It is also important to note that, there are risks when investing in the stock market. However, the one major benefits of investing in the stock market are that investors get the chance to earn more money. Overtime, if the stock market rises in value, the prices of a particular stock can rise and fall. However, investors who have put their money in stable companies will see profit growth.

Gold investment rule

Investing is never an exact or obvious science, but there are certain rules which may help investors achieve their goals. If you are not sure about investing, seek independent advice. There is one golden rule that you should always keep in mind: "Never invest money that you cannot afford to lose" **MSE**

SOLVING MALAWI'S STARTUP CAPITAL FALLACY

With Ian Khonje



Just over a decade ago, a man uttered the words "That idea can never work in Malawi" to young 10 year old boy who shared his crazy business idea. This young boy had nothing but a pen, paper and a big dream.

That young boy was Ian Chimango Khonje. A now 22-year-old financial economist and Serial Entrepreneur. He is the Founder of two disruptive and quickly growing start ups called IK foods, a nutritious food processing company and Oasis Brands, a creative design, software, branding and digitalization company. He is an a 2020 Anzisha Fellow, A "top 20 African Entrepreneur founder under the age of 22" Award recipient as awarded by the Mastercard foundation and the African leadership academy, He was a 2021 South African Ideas Festival (SAIF) Mentor and 2022 SAIF judge.

In 2018, during his first-year holiday at the University of Malawi, he founded Ian Khonje food processors, which was later renamed IK Foods which innovated to create and mechanize the production and processing of Malambe Jam, a fruit jam made from the exotic Baobab fruit. This product solved the problem of the seasonality and periodicity of exotic fruit products. In 2020 during the covid 19 outbreak, He founded Oasis Brands to help small business digitalize their operations and systems to help businesses survive throughout this difficult economic times.

Defining the Start-up Capital fallacy.

Money is a catalyst for a lot of things such as action and execution. Money makes things happen; without it many people feel incapable of executing on their ideas. This is well justified. Throughout his experience, Ian has discovered that a lot of individuals underestimate the amount of money they require to start their businesses and their companies. People make themselves believe that they need millions and billions of Kwachas to start, and they look at their lack of that large sum of money as being a hindrance to their entrepreneur journeys. This is a fallacy and has kept a lot of people from executing on amazing business ideas.

The Solution to the fallacy

The power to executing is in what are known as Minimum Viable Products (MVPs) which can be defined as version of your product or service that has just enough features to be usable by early customers and validate the business idea. The development of MVPs especially in early-stage startups is key as it allows for the use of little capital and can easily be boot strapped from scratched. The minimum features allow the founder to quickly let customers interact with the product or service and provide constructive feedback which allows the founders to iterate and improve constantly allowing them to cover more ground, grow exponentially and perfect their execution. The execution of the MVP allows the founders to build a reputable track record which is very important when the time to raise seed capital or series A funding arises as it shows what you were able to do with very little.

The role of Savings and Investments in the solution

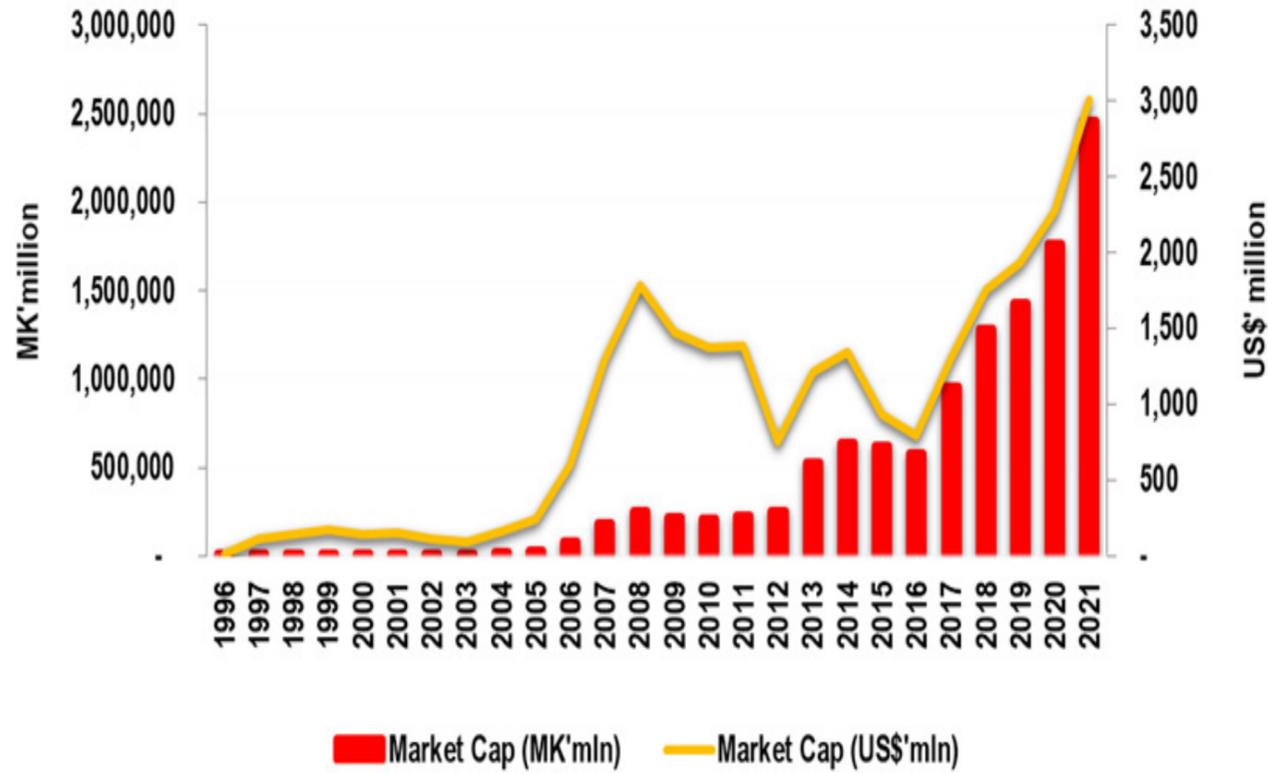
Savings are very important as savings fuel investments as identified by neo-classical economist John Maynard Keynes. In order to successfully boot strap your startup idea and finance the development of your minimum viable products, savings and investments become of utmost importance. They are a number of ways in which you can save such as formal savings accounts with Banks, Deposit taking financial institutions, utilizing village banks (Bank Nkhonde) and many other means allows you to have enough to build MVPs and take them to the market, enough to build more capital, experience and a reputable track record.

At the end of the day

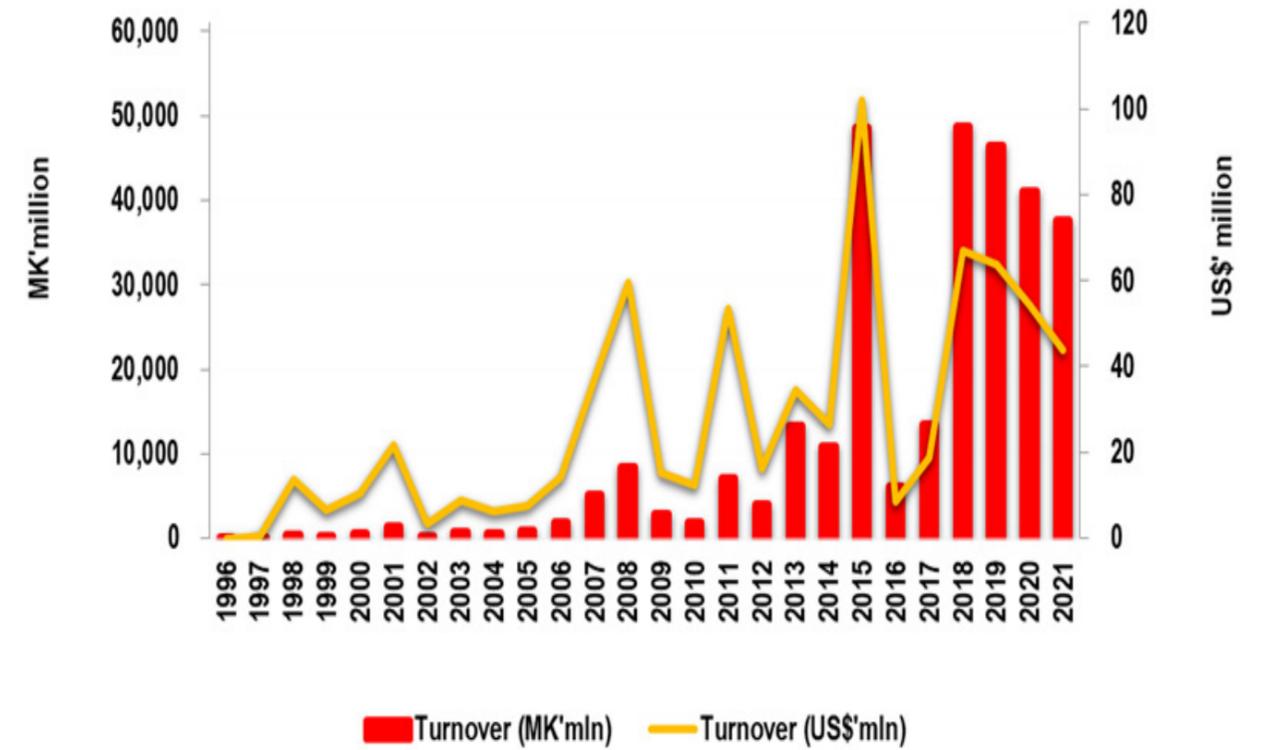
The truth is, a decade ago, that man was justified in that a lot of things can never work in Malawi, but the other truth is a lot more things can work in Malawi. People say saving is difficult in Malawi not knowing that there are even more ways in which people can save their money. People say investing in Malawi is difficult, forgetting there even more ways and more opportunities available in Malawi. **MSE**



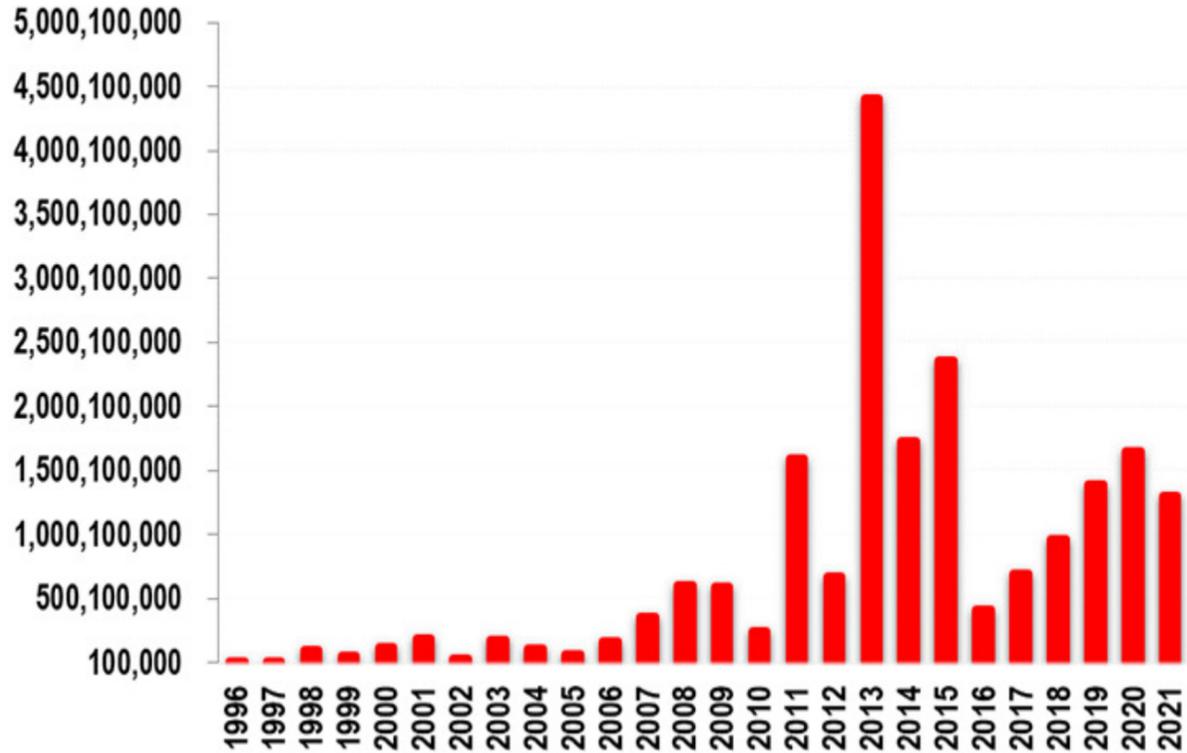
Market Capitalisation



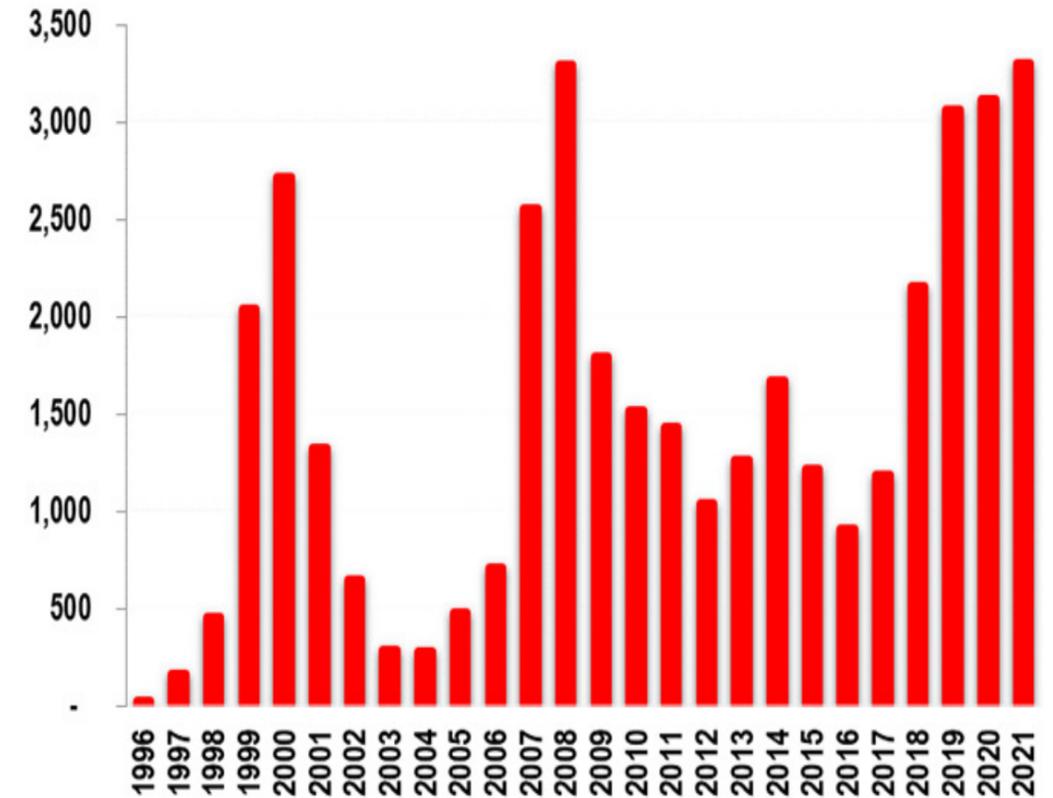
Turnover



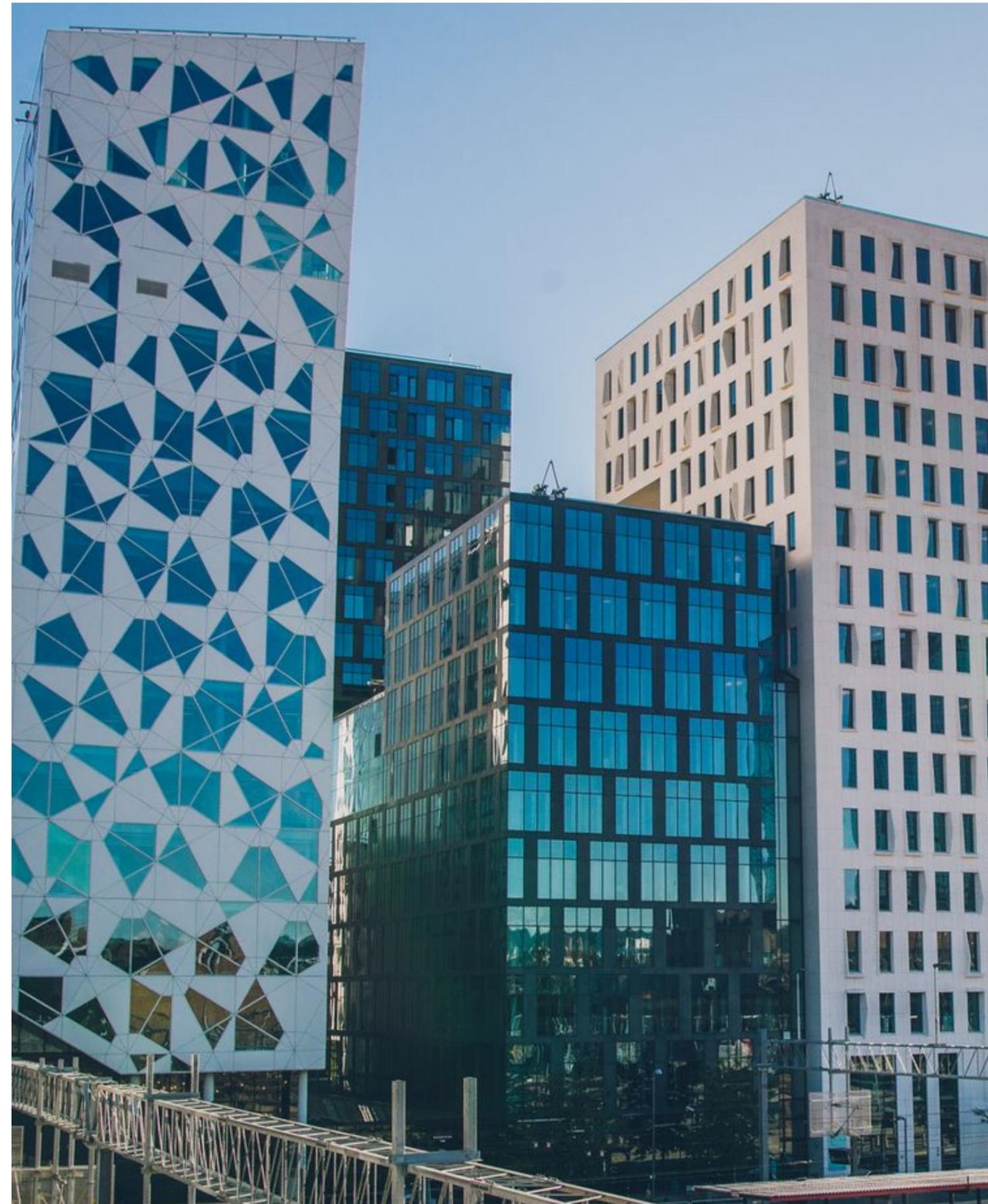
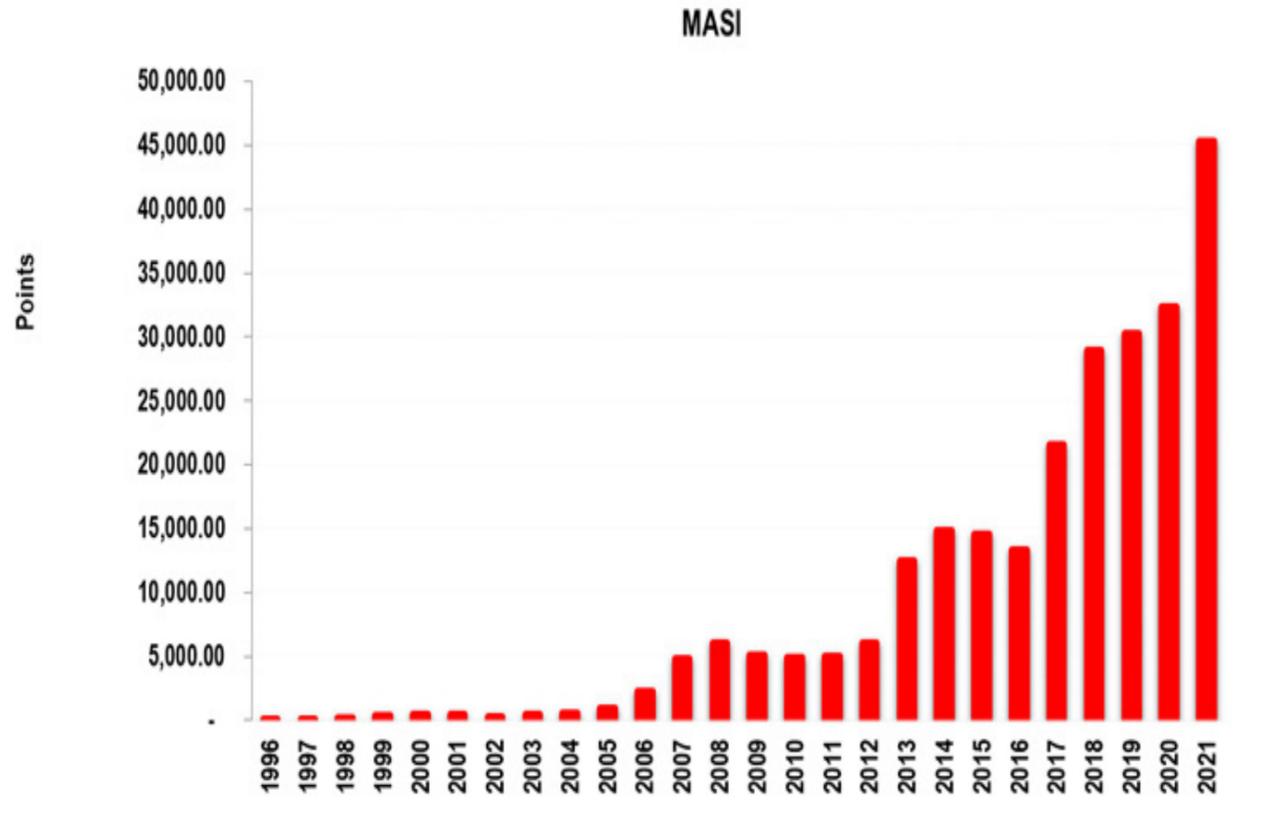
Volume of shares traded



Number of Transactions



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