

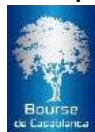
The African Exchanges Linkage Project (AELP):

African Investors' appetite for Africa

July 2020

FOR PUBLICATION

Participating exchanges:



The Egyptian Exchange
البورصة المصرية



nairobi
securities
exchange
Discover Opportunity

THE Nigerian
STOCK EXCHANGE



BRVM
BOURSE REGIONALE DES VALEURS MOBILIERES



Stock Exchange of Mauritius

Coordinated by:

ASEA
AFRICAN SECURITIES EXCHANGES ASSOCIATION



AFRICAN DEVELOPMENT BANK GROUP

Supported by:



KOAFEC
Korea-Africa
Economic Cooperation



Outline

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2 **African investors' appetite for Africa**

Project Overview



Project Overview (1/3)



The African Exchanges Linkage Project (AELP) is a flagship project of the ASEA and the AfDB to facilitate cross-border trading of securities in Africa.

Improve depth and liquidity on Africa's capital markets

AELP will foster investment flows among the participating Exchanges by enabling:

- Cross-border securities trading using an order-routing system (AELP Link technology platform) to channel orders between Stockbrokers on participating Exchanges
- A Stockbroker sponsors the trade on the host Exchange
- Custody and settlement will be on the host Exchange according to its market rules and practice. Sponsoring broker and local custodians will be involved
- Live trading information among linked Exchanges and market participants
- Promote the African Listed Securities asset class and creating new products and securities on the linked Exchanges so that asset managers, stockbrokers, institutional investors and individual investors can identify investment opportunities across African markets
- Cross-border capital raising and Initial Public Offers (IPOs)
- Develop capacity between the Exchanges and boost collaboration between capital market Regulators, Central Banks and central depositories.

Project Overview (2/3)









In its initial phase, the Project aims to create linkages between 7 African capital markets that represent >85% of Africa's market capitalization.

No.	STOCK EXCHANGE	COUNTRY
1	Bourse Régionale des Valeurs Mobilières	Benin, Burkina Faso, Côte d'Ivoire, Guinea-Bissau, Mali, Niger, Senegal and Togo (WAEMU Region)
2	Casablanca Stock Exchange	Morocco
3	Johannesburg Stock Exchange	South Africa
4	Nairobi Securities Exchange	Kenya
5	The Nigerian Stock Exchange	Nigeria
6	Stock Exchange of Mauritius	Mauritius
7	The Egyptian Exchange	Egypt

Project Overview (3/3)



Connecting African markets..	..providing diverse products..	...and access to Africa's largest companies.
<p style="text-align: center;">7</p> <p style="text-align: center;">Stock Exchanges</p>	<p style="text-align: center;">Equities</p>	
<p style="text-align: center;">14</p> <p style="text-align: center;">Countries</p>	<p style="text-align: center;">Bonds</p>	
<p style="text-align: center;">\$ 1.25 Trillion</p> <p style="text-align: center;">Market capitalization</p>	<p style="text-align: center;">ETFs</p>	
<p style="text-align: center;">\$ 1.25 Trillion</p> <p style="text-align: center;">Market capitalization</p>	<p style="text-align: center;">Derivatives</p>	
<p style="text-align: center;">\$ 1.25 Trillion</p> <p style="text-align: center;">Market capitalization</p>	<p style="text-align: center;">REITs</p>	
<p style="text-align: center;">\$ 1.25 Trillion</p> <p style="text-align: center;">Market capitalization</p>	<p style="text-align: center;">Funds and More..</p>	

Project Initiators



The AELP was initiated by ASEA with the support of the AfDB. It is supported by a Grant from the Korea-Africa Economic Cooperation (KOAPEC) Trust Fund.

- **The African Securities Exchanges Association (ASEA)** is the premier association of securities exchanges in Africa, made up of 26 African exchanges that have come together with the aim of developing member exchanges and providing a platform for networking. The Association was established in 1993, and works closely with member exchanges to unlock the potential of the African capital market and African economies. ASEA seeks to position African capital markets as key enablers of economic recovery in Africa by the year 2025.
- **The African Development Bank (AfDB or the Bank)** is a multilateral development bank and the premier financial development institution in the continent. The AfDB is made up of 54 Regional Member Countries (African countries) and 26 Non-Regional members.

African investors' appetite for Africa



Investors' Appetite Survey



Supported by the AELP commercial committee, the survey, the first of its kind, has sought to understand investors' appetite for African assets, bringing transparency to the market and giving investors and other market participants greater insight.

Target

- All major buy-side including asset managers, pension funds and insurers in all participating AELP markets

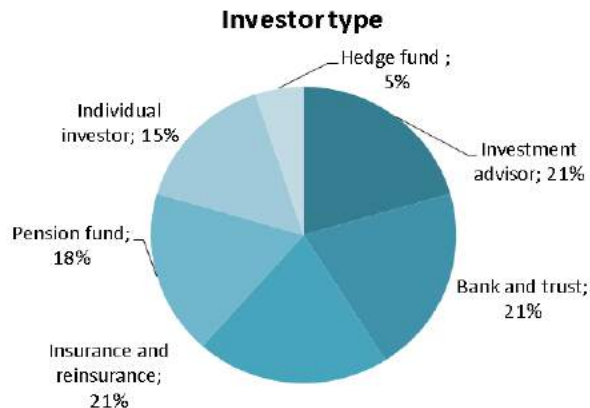
Objectives

- Identify strongly interested institutional investors who are keen to invest in African Listed Securities (securities listed on Exchanges in Africa outside their domestic exchange)
- Identify key markets and sectors of interest
- Identify and gather evidence of key bottlenecks and hindrances preventing investment institutions from accessing a wider range of African Listed Securities

Periodicity

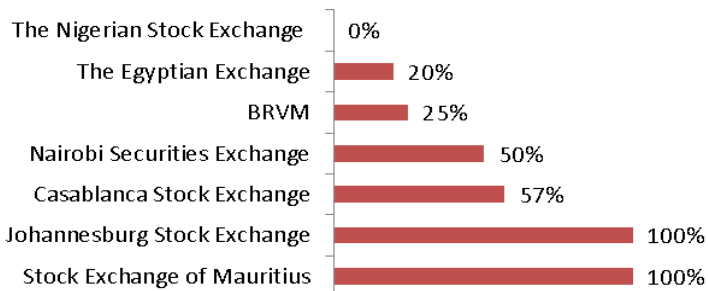
- The survey can be conducted periodically to measure changes in appetite.

Respondents' profile



50 investors, across 7 markets and 9 countries, responded to the survey

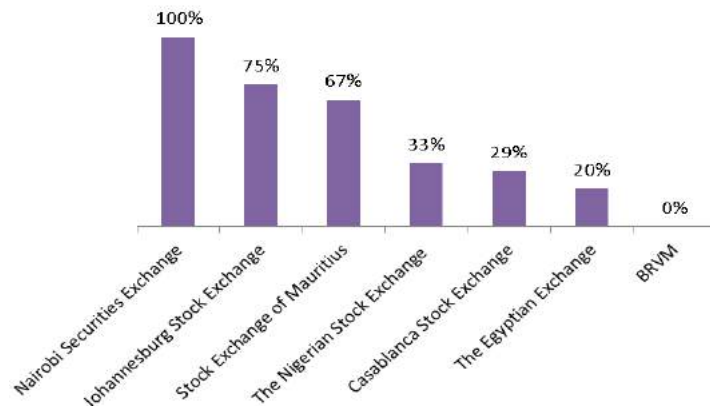
Percentage of respondents that invest abroad per market



Investment style	Percentage of respondents
Value	53%
Broker dealer	26%
Growth	11%
Income value	5%
Agressive growth	3%
Specialty	3%

In line with the profile, value investors are dominant

% of Respondents having relationships with brokers on other african markets



Respondents' profile

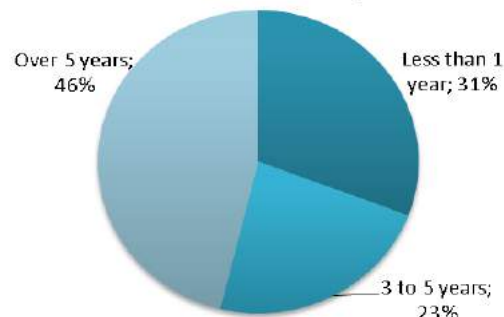
Market	Average size of asset under management (USD million)
Johannesburg Stock Exchange	23,135
Casablanca Stock Exchange	3,020
Stock Exchange of Mauritius	2,072
BRVM- (WAMU)	416
The Nigerian Stock Exchange	364
Nairobi Stock Exchange	185
The Egyptian Exchange	106

The average size of AUM managed by respondents across markets is \$4.1 billion USD

Optimism on African economy	Average per market
The Nigerian Stock Exchange	97%
BRVM- WAMU	85%
Stock Exchange of Mauritius	80%
Casablanca Stock Exchange	73%
Nairobi Stock Exchange	65%
The Egyptian Exchange	65%
Johannesburg Stock Exchange	49%

Investors from Nigeria and the WAMU are the most optimistic about the African economy

Investment horizon of respondents



The majority of respondents have a long-term investment horizon, with 70% investing for more than 3 years

Investment decisions: Factors for selecting companies and top sectors

Factors African investors take into account to select companies	Importance 0-100%
Valuation	80%
Governance	62%
Liquidity	60%
Sector growth	60%
Dividend policy	54%

Valuation and governance are the top factors in selecting companies

Surprisingly, only half the investors make a decision based on the dividend policy

Sectors	Number of investors intending to invest over the next year
Financial services	24
Energy	21
Telecom	16
Consumer Staples	13
Healthcare	12
Industrials	11
Technology	11
Real estate	11
Utilities	8
Consumer Discretionary	7
Materials	7

Survey: Investors' opinion on AELP



Investors' Impression

Excellent initiative

A response to the integration challenge

Fantastic idea

Increasing liquidity and awareness

It will ease access to participating markets

Quite an encouraging project to facilitate cross border trading

Good idea to be pursued

It is a great initiative that will even open bigger market for investors

Excellent if it's able to achieve the intended purpose

It is a commendable one

Wonderful initiative to boost African markets and open new opportunities for institutionals

It's a laudable project and I believe it is a positive initiative by Africa

Good initiative to render African markets more liquid, profound and large

It is positive for African Stock Exchanges development

Would you trade through the ALEP platform?

- “Once we are comfortable that platform is operating smoothly”
- “When it will be available, we’ll definitely look into it”

Additional information required by investors



Half the respondents know about AELP, with Nigerians and South African among the most well-informed on the project



Contact us

For more information you are welcome to get in touch. We look forward to hearing from you!

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