



# Balanced Prudential Fund

Fund Factsheet | 30<sup>th</sup> September 2019



## Fund Objective

The Fund aims to provide long term capital growth by investing in a diversified range of assets. It has a moderate risk profile and caters for the needs of the investor with a medium-long term horizon.

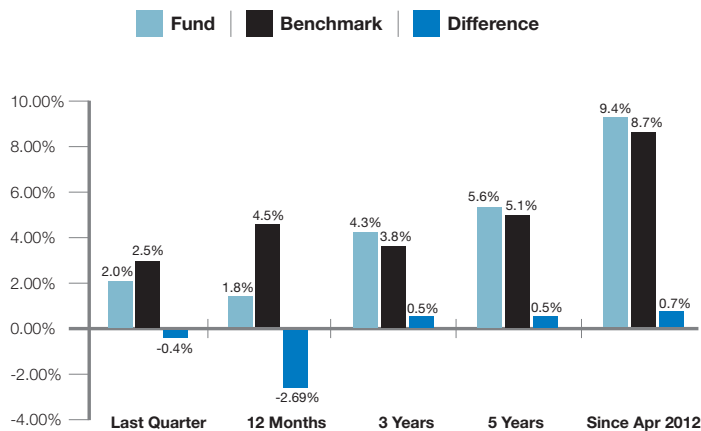
## Strategy

The Bifm Balanced Prudential Fund is a multi-asset class fund that invests in both local and offshore equities, bonds and money market instruments.

## Why Choose This Fund?

This fund is suitable for the investor who wishes to generate long-term capital growth and has a moderate risk appetite.

## Performance



The Bifm Balanced Prudential Fund returned 2.03% over the third quarter of 2019, underperforming the benchmark return of 2.47% by 44 basis points. Stock selection, particularly within the fund's exposure to offshore equities, detracted from fund relative performance while stock selection in local equities aided fund relative performance.

### Local Equities

The local equity allocation declined by 1.38% over the quarter, however outperforming its benchmark return of -2.12% by 74 basis points. The local bourse's decline during the third quarter was largely because of the decline in the share price of microfinance giant, Letshego. The company, which had a weighting of 7.57% on the index at the beginning of the third quarter, ended the quarter with a weighting of 4.7% in the index after declining by 41.0%.

### Local Bonds

The local bond allocation outperformed its benchmark return of 1.30% by 0.96%, returning 2.26% over the quarter. Our underweight exposure to Government bonds in favour of Corporate bonds contributed to the outperformance as Government bonds yielded much lower returns over the quarter in comparison to Corporate and Parastatal bonds.

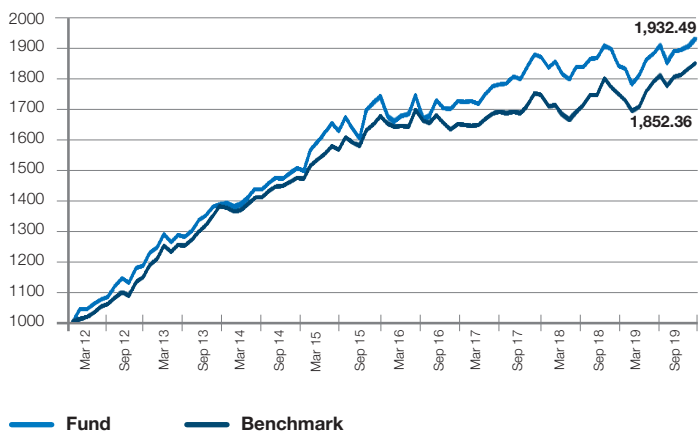
## Offshore Equities

The fund's offshore equity allocation appreciated by 3.21%, however underperforming its benchmark return of 4.70% by 149bps in BWP terms. Global equities continued to advance, albeit at modest rates during the third quarter. The economic impact of protectionism was tangible, with major economies, the United States and China, reporting weaker economic data due to the ongoing trade disputes. In addition to weakening global growth stemming from trade wars, the positivity stemming from new prospects for stimulus within the second quarter was offset by geopolitical tensions such as Brexit.

## Offshore Bond

Buoyed by a 3.9% appreciation of the USD against the Pula, the offshore bond allocation returned 4.94% over the quarter, outperforming its benchmark by 5 bps in BWP terms. The outperformance comes mainly from the fund's overweight exposure to credit which was positive for relative performance over the quarter.

## Cumulative Returns

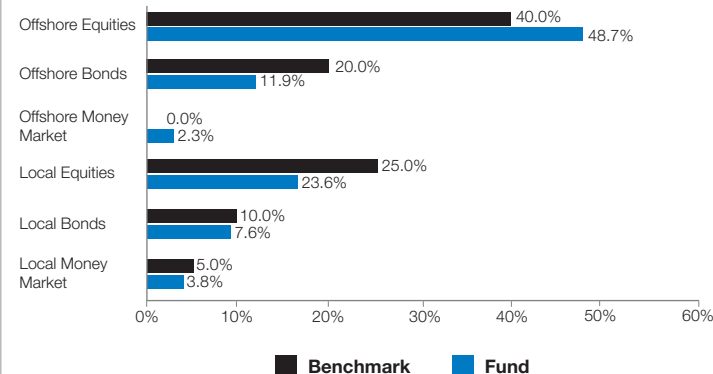


## Market Outlook

While data-dependent, the prospects for major central banks cutting rates may cause bond markets to rally further. Market expectations point to a 25bps rate cut by the Federal Reserve this year and ECB introducing further quantitative easing to counter effects of trade tension. Notwithstanding the above, a reprieve from global trade tensions may reignite rate normalisation and balance sheet adjustment policies by the central banks. Locally, despite challenges such as high unemployment and lower mining output, Botswana's GDP remains positive, registering a growth of 3.9% year on year in Q2 2019. Prompted by the persistently low levels of inflation, the Monetary Policy Committee (MPC) cut the bank rate by 25 basis points in August to 4.75%. In their statement announcing the rate cut, the MPC cited the current state of the economy and outlook, both domestically and externally, as supporting a scope for easing monetary policy to support economic activity. In our view, upside risks to inflation remain limited to changes in international oil prices and the government's willingness to adjust local administered fuel prices. On the other hand, downside risks are more pronounced and present in the form of prospects of weak global growth, the US-China trade war as well as modest domestic economic growth.

**Total Expenditure Ratio (T.E.R.) - 3.29%**

## Asset Allocation



## Quick Facts

### Fund Information

**Portfolio Manager:** Bifm Investments Team  
**Launch Date:** Jan 2017  
**Minimum Investment:** P 1000 lump sum  
P 200 debit order  
**Fund Size:** BWP112 227 418.69

### Fees

**Initial Fund Fee:** 5%  
**Annual Management Fee:** 2%  
**Fees are shown excluding VAT**

### Risk Profile

Low	Low-Med	Med	Med-high	High
		●		

### Income Distribution

**Income Distribution Dates:**  
Semi-Annual Jun, Dec

### Contact Details

**Trustees and Custodians**  
Stanbic Bank Botswana  
Private Bag 00168  
Gaborone

### Physical Address

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