

# Balanced Prudential Fund

Fund Factsheet | 31<sup>st</sup> December 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.

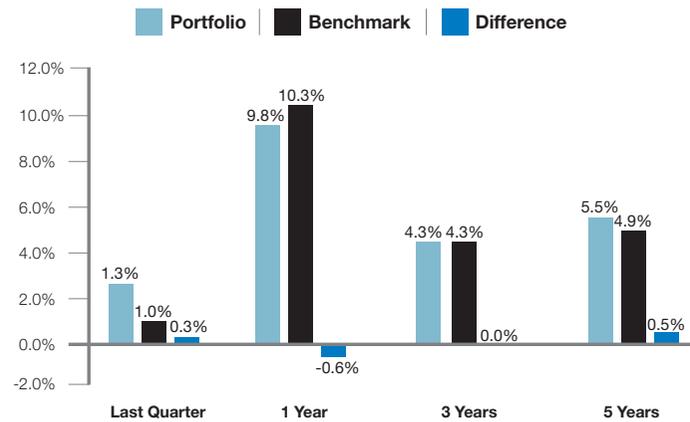
## Strategy

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 1.30% over the last quarter of 2019, outperforming the benchmark return of 0.98% by 32 basis points. Both asset allocations and stock selection decisions over the quarter aided fund relative performance. The local and offshore bond allocation were the largest contributors to fund relative performance as stock selection within local bonds and our underweight exposure to offshore bonds aided fund relative performance over the quarter.

### Local Equities

The local equity allocation appreciated by 0.42% over the quarter, however underperforming its benchmark return of 0.45% by 3 basis points. Over the quarter, top relative contributors were our underweight holdings in the telecommunications sector as well as overweight exposures to counters in the consumer sector. On an absolute return basis, the financial services sector remained the largest performance detractor over the fourth quarter whilst the banking sector was the most significant contributor.

### Local Bonds

The local bond allocation outperformed its benchmark return of 1.18% by 0.91%, returning 2.10% over the quarter. Our shorter duration stance and overweight corporate bond exposure contributed positively to relative portfolio performance as yields in the long end of the curve rose, resulting in market value declines.

### Offshore Equities

The fund's offshore equity allocation appreciated by 3.74%, however underperforming its benchmark return of 3.85% by 11 bps in BWP terms. The Fed reduced the federal funds target rate in October. This was the third rate cut in 2019. This, along with prospects of a "phase one" US-China trade deal supported equities within the period. The terms of the deal will see China buying hundreds of billions of dollars' worth of products from the US, whereas the US has agreed to reduce tariffs on USD 120 billion worth of Chinese products from 15% to 7%.

### Offshore Bond

The offshore bond allocation returned -2.95% over the quarter, however outperforming the benchmark return of -3.87% by 0.92% in BWP terms. The outperformance attributable mainly to the fund's relatively higher exposure to credit and shorter duration positioning that benefited from rising interest rates. Over the quarter, the US 10-year yield rose from 1.66% to 1.92%, while the two-year yield dropped from 1.62%

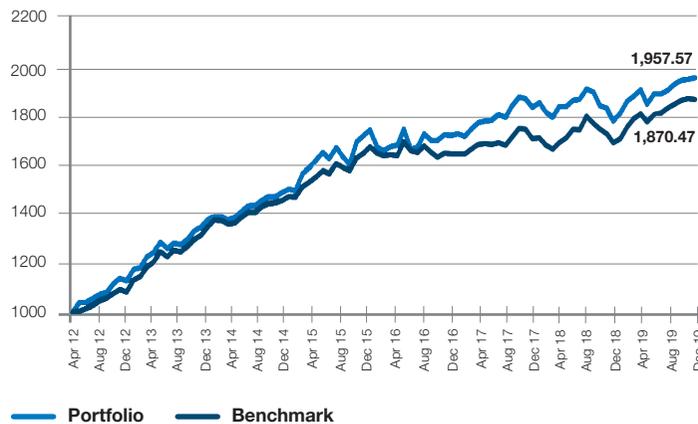
mainly to the fund's relatively higher exposure to credit and shorter duration positioning that benefited from rising interest rates. Over the quarter, the US 10-year yield rose from 1.66% to 1.92%, while the two-year yield dropped from 1.62% to 1.57%, steepening the yield curve as investors took a more optimistic view on the economy.

### Market Outlook

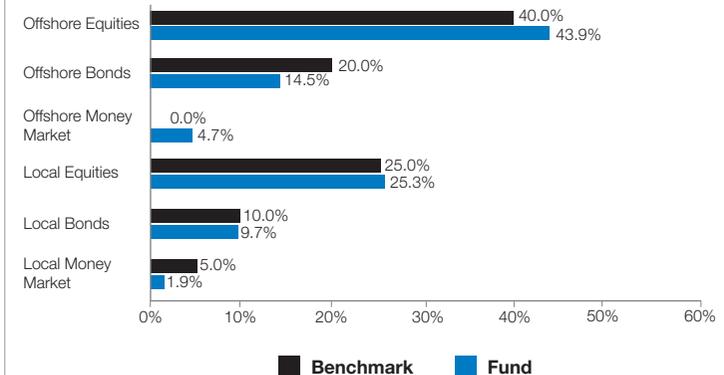
Challenges that have been engulfing global equity markets are slowly abating, with the US and China working out a trade deal and Brexit becoming clearer. Most central banks remain accommodative and further intervention remains data dependant, focus has shifted more to fiscal policies to spur economic growth. We maintain the view that further reprieve from global trade tensions will result in revised global growth expectations, pushing yields higher and will reignite rate normalisation and balance sheet adjustment policies by the central banks. Locally, GDP growth remains positive, with the real GDP registering 3.1% in Q3 2019 compared to 4.0% in the same quarter last year. The increase was attributed to the significant growth in real value added of Finance & Business Services, Trade, Hotels & Restaurants and Transport & Communications.

**Total Expenditure Ratio (T.E.R.) - 2.90%**

## Cumulative Returns



## Asset Allocation



## Quick Facts

### Fund Information

**Portfolio Manager:** Bifm Investments Team  
**Launch Date:** April 2012  
**Minimum Investment:** P 1000 lump sum  
 P 200 debit order  
**Fund Size:** BWP113 732 540.83

### Fees

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

### Risk Profile



### Income Distribution

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

### Contact Details

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