Money Market Fund

Fund Factsheet | 31st March 2020

Bifm Unit Trusts

Fund Objective

The Fund aims to provide return and liquidity through allocation mainly to short-term investments. The Fund is relatively low risk and caters for the low risk investor.

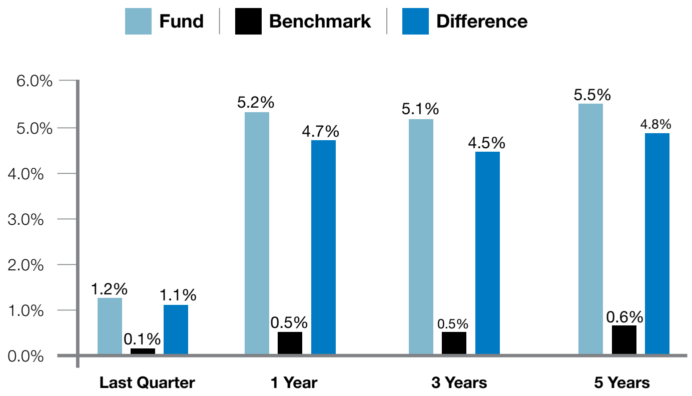
Strategy

The Bifm Pula Money Market Fund invests in Call and Fixed deposits and Treasury Bills. We actively manage the portfolio, by seeking yield assets, without compromising the risk and maturity profile of the fund.

Why Choose This Fund?

This fund is suitable for investors who want relatively high yields but need their funds to remain liquid.

Performance



Performance Review & Commentary

Over the first quarter of 2020, the Fund returned 1.23%, significantly outperforming the benchmark return of 0.13%. On a 12-month basis, the Fund returned 5.18%, an outperformance of 465 basis points over the benchmark which returned 0.53% for the same period.

Reinvestment risk continued to be present over the quarter, amidst the lower rates for fixed and other depositary instruments offered by local banks. We foresee this risk continuing to be present and even worsening into the next quarter, as the central bank is largely expected to cut the bank rate to counter the economic impact of the Covid-19 pandemic.

To counter this, we continue to focus on yield enhancement opportunities such as commercial papers and placing deposits on the longer end of the money market curve.

Market Overview & Strategy

GDP growth for the last quarter of 2019 came in at 1.6% compared to 4.2% in the same quarter last year. This was a significantly slower growth when compared to Q3 2019, in which the economy expanded by 3.1%. The growth was attributed to real value added of Water & Electricity, Finance & Business Services and Transport & Communications industries by 22.3, 5.9 and 4.8 percent respectively. The decline in the agriculture industry output, wherein the livestock subindustry registered a 0.4% decline during the period, together with a significant decline in mining output were the main causes of lower GDP growth in Q4 2019. The mining output decline over the period was on the back of lower international demand for diamonds.

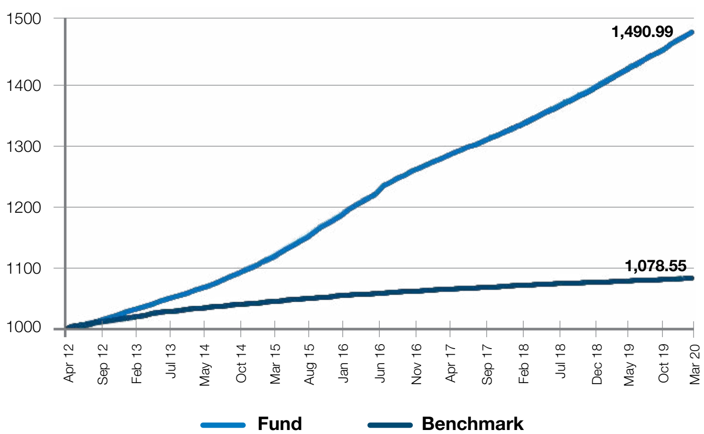
Headline inflation, which began the year at 2.2%, remained at that level throughout the quarter. Low domestic demand continues to be the main driver behind the suppressed local inflation levels. In addition, cost push factors also remained mute over the period, with no increases in administered prices. With outlook for inflation remaining positive, the Monetary Policy Committee (MPC) maintained an accommodative stance, leaving the Key rate at 4.75% throughout the quarter.

Post quarter, the COVID-19 pandemic has materially changed the economic expectations. In a bid to contain the spread of the disease, the government implemented a State Of Emergency and an extreme social distancing policy (lockdown) which will effectively interrupt business operations and affect earnings on both businesses and individuals. To counter this, the government communicated that it will roll out a number of relief programmes which include:

- Wage subsidies for companies who will be severely impacted to ensure that they retain employees;
- Loan guarantees to companies having the need to borrow additional funds as a result of the pandemic;
- Food hampers to be provided with specific focus to poverty prone families and individuals.

The measures reflected above will require increased government spending, over and above the initially budgeted expenditure. In addition, the interruption to business operations will severely impact on GDP growth. Market pundits forecast that as a result of these, the projected budgeted deficit will balloon to 10% of GDP and the local economy will contract by 4%.

Cumulative Returns (BWP)



In response to the COVID-19 pandemic, the Central Bank also announced monetary policy measures aimed at sustaining the market liquidity. These included:

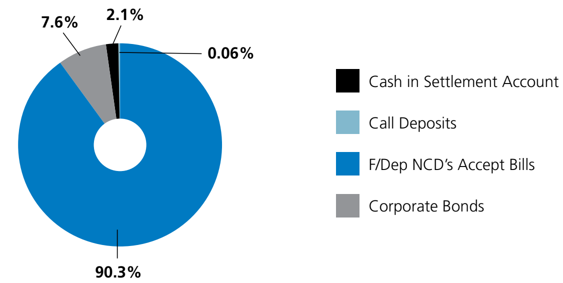
- A reduction of the Capital Adequacy Ratio requirement from 15% to 12.5%, effective 1st April 2020;
- A consideration to cut the bank rate to support business borrowing during this period;
- A consideration to reduce the primary reserve requirement whenever required;
- Removal of the 6% penalty for commercial banks to access credit from the Bank of Botswana;
- Extension of maturities for repos and reverse repos;
- Inclusion of all corporate bonds listed on the BSE in the collateral pool to allow counterparties to borrow against those financial assets.

With the expected decline in demand and consumption (especially that of fuel), we continue to see minimal potential inflationary pressures. This is further exacerbated by the recently communicated government intention to reduce local fuel pump prices- in light of the lower international oil prices and the observed over-recovery on the National Petroleum Fund.

We continue to focus on extending maturities further along the money market curve to capture higher yields. We also continue to emphasize on the importance of corporate commercial paper as a yield pick-up measure, however, given the uncertainly facing many corporations as a result of Covid-19, we will adopt a more cautious approach when extending short-term funding to corporates.

Total Expenditure Ratio (T.E.R.) - 1.34%

Asset Allocation



Quick Facts

Fund Information

Portfolio Manager: Bifm Investments Team
Launch Date: Apr 2012
Minimum Investment: P 1000 lump sum
P 200 debit order
Fund Size: BWP1,733,717,606.59

Fees

Initial Fund Fee: 0%
Annual Management Fee: 1%
Fees are shown excluding VAT

Risk Profile

Low	Low-Med	Med	Med-high	High
●				

Income Distribution

Income Distribution Frequency:
Monthly

Contact Details

Trustees and Custodians
Stanbic Bank Botswana
Private Bag 00168
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Physical Address

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