

Balanced Prudential Fund

Fund Factsheet | 30th June 2023



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 investment horizon.

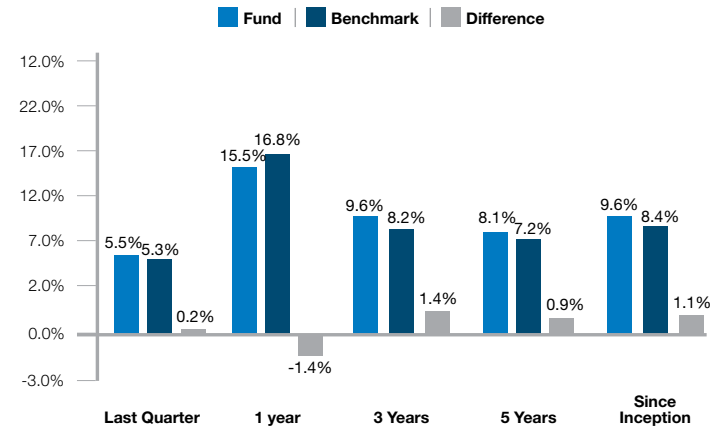
Strategy

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



Performance Commentary

The Bifm Balanced Prudential Fund returned 5.52% over the second quarter of 2023, outperforming the benchmark return of 5.27% by 0.25%. Security selection decisions contributed to the fund's relative performance over the quarter. Over the 12-month period, the Fund returned 15.48%, underperforming the benchmark by 1.36%.

Local Equities

The Local equity allocation returned 4.30% over the quarter, outperforming the benchmark return of 1.28% by 3.02%. The local equity market continued to rise over the second quarter, supported by improving fundamentals and improved investor optimism. StanChart was the leading performer on the Botswana Stock Exchange over the quarter, appreciating by 26.69%. Other notable movers over the quarter were Chobe Holdings, Engen, Letshego and Letlole La Rona. Chobe Holdings and Engen appreciated by 7.87% and 7.43% respectively, whilst Letshego and Letlole declined by 18.70% and 20.89% respectively.

Local Bonds

The Local Bond allocation returned 1.97% over the quarter, outperforming the benchmark return of 1.66% by 0.31%. Total credit extended by local banks rose by 9.64% in Q1 compared to 6.1% in Q4 2022. Credit extension to households grew by 10.09% whilst extension to firms grew by 8.75% in the same period. Though coming from a low base, credit extension to firms within the Water and Electricity sector grew the most (76.50%) on the back of increased government activity around developing utility infrastructure across the country.

Offshore Equities

The Offshore Equity allocation returned 9.66% over the quarter, underperforming the benchmark return of 10.95% by 1.29%. Developed Markets equities, reflecting the strong performance of Technology stocks, were up 7.0% over the quarter whereas Emerging Markets equities gained a modest 1.04%. The performance of technology stocks continues to drive the dispersion between the Value and Growth styles. The MSCI Growth Index appreciated by 10.50% relative to its value counterpart which only added 3.30% over the quarter.

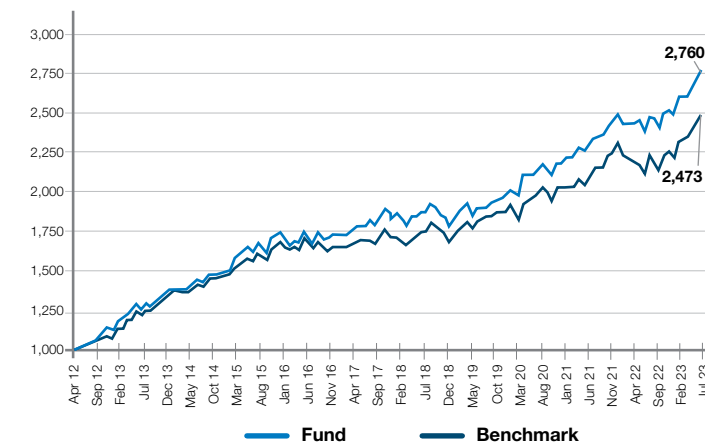
Offshore Bonds

The Offshore Bond allocation returned 2.25%, narrowly underperforming the benchmark return of 2.27% by 0.02%. Over the quarter and extending as far back as Q1 2023, the risk-on sentiment was robust despite debt concerns surrounding the U.S. debt ceiling, with the MSCI World finishing the quarter up 6.99% and credit spreads broadly tightening. The market resilience and optimism likely have their origins in the Covid stimulus effects and aftermath, including the reopening of China in late 2022. During the quarter, the Fed hiked its policy rate once (+25 bps in May) before pausing, and then signalled that at least two additional hikes will be needed to combat sticky inflation. Meanwhile, global developed central banks continued their hiking cycles and maintained hawkish forward guidance due to persistently stubborn inflation prints.

Market Outlook

The Q1 2023 Gross Domestic Product (GDP) release showed a 5.4% growth in GDP (year-on-year) vs 6.8% registered in Q1 2022. On the back of increases in real value added by Copper and Diamonds, Mining & Quarrying continued to drive local output, contributing 19.6% to GDP over the quarter. Having opened the quarter at 9.9%, headline inflation came down and closed the quarter at 4.6%, well within the 3-6% objective range set by the Bank of Botswana (BoB).

Cumulative Returns (BWP)

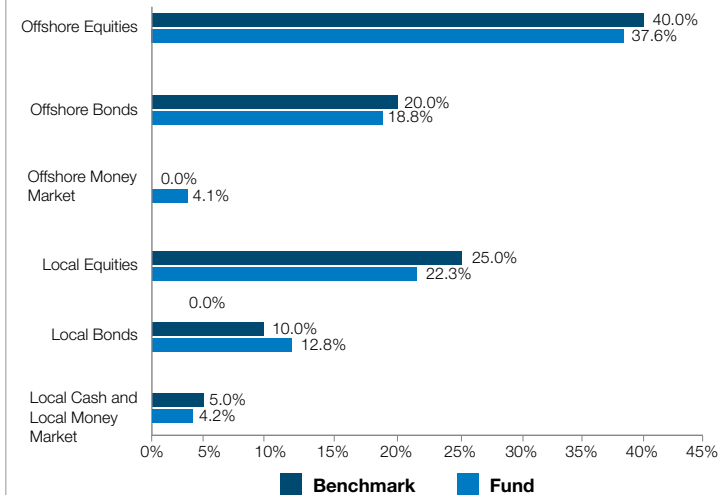


On the back of the new data, the BoB has revised its inflation expectations and now forecasts inflation to remain within the objective range. In line with expectations, the BoB's Monetary Policy Committee left the Monetary Policy Rate unchanged at 2.65% at the meeting held on the 15th of June.

Global Inflation has remained sticky, despite central banks instituting higher rates to ward off inflationary pressures. It remains unclear whether the risk of a global recession has only been postponed or warded off altogether. It may be that households have been able to weather the inflationary storm partly due to savings accumulated during the pandemic. This may be a short-term delay, particularly if the central banks continue to raise rates on the back of sticky inflation.

Total Expenditure Ratio (T.E.R.): 3.18%

Asset Allocation



Quick Facts

Fund Information

Portfolio Manager: Bifm Investments Team
Launch Date: April 2012
Minimum Investment: P1000 lump sum
P200 debit order
Fund Size: BWP144,812,773.70
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 Frequency:
Semi-Annual Jun, Dec

Contact Details

Trustees and Custodians
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