

Balanced Prudential Fund

Fund Factsheet | 30th September 2024



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.

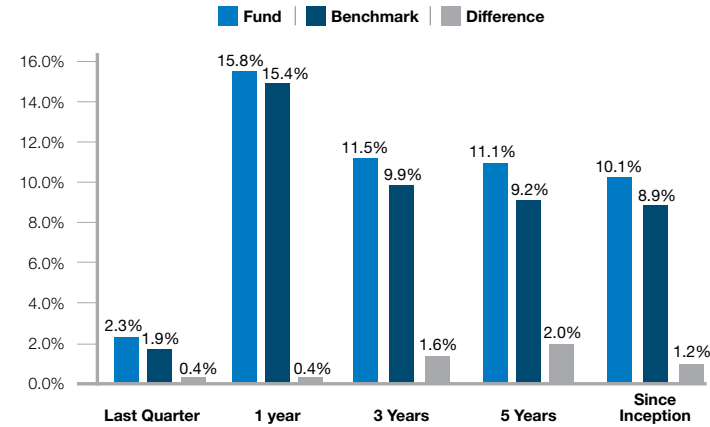
Strategy

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 2.29% in the third quarter of 2024, outperforming the benchmark return of 1.86% by 0.43%. Both asset allocation and stock selection decisions contributed positively to the fund's relative performance over the quarter. Over the 12-month period, the Fund returned 15.81%, outperforming the benchmark by 0.44%.

Local Equities

The Local equity allocation returned 10.05% over the quarter, outperforming the benchmark Domestic Companies Index (DCI) return of 2.97% by 7.07%. The local equity market ended the third quarter of the year on a positive note with 10 of the 23 listed stocks increasing in price over the last three months. Thirteen stocks recorded a flat performance and none of the stocks declined in price over the period. Performance over the quarter was driven by the consumer sector. CA Sales was the leading performer on the Botswana Stock Exchange (BSE) over the quarter, appreciating 47.05%. Other notable movers over the quarter were Sechaba (38.25%), Sefalana (9.84%), StanChart (7.52%) and FNBB (5.98%).

Local Bonds

The Local Bond allocation returned -0.06% over the quarter, outperforming the benchmark Fleming Aggregate Bond Index (FABI) return of -0.82% by 0.76%. In the wake of weak economic prospects, credit extension slowed significantly in the 3 months to July 2024, with total credit extended to households and businesses locally shrinking by 1.37% over the period. By comparison, the 12 months to April 2024 saw credit extension grow by 8.36% whilst the 12 months to July 2024 saw credit extension grow by only 2.84%.

Offshore Equities

The Offshore Equity allocation returned 0.81% over the quarter, underperforming the benchmark MSCI return of 1.79% by 0.98%. There was no dominant theme driving the performance during the third quarter. July saw a shift from the previously favoured mega-cap leaders to lower-quality value stocks, which outperformed during this period. A technical correction occurred at the beginning of August followed by a rebound on the expectation of more aggressive rate cuts. In September 2024, equity markets returned to strength as the Federal Reserve commenced its long-awaited rate cutting cycle with a 50 basis point move.

Offshore Bonds

The Offshore Bond allocation returned 1.18%, underperforming the benchmark Bloomberg Aggregate Bond Index return of 2.38% by 1.20%.

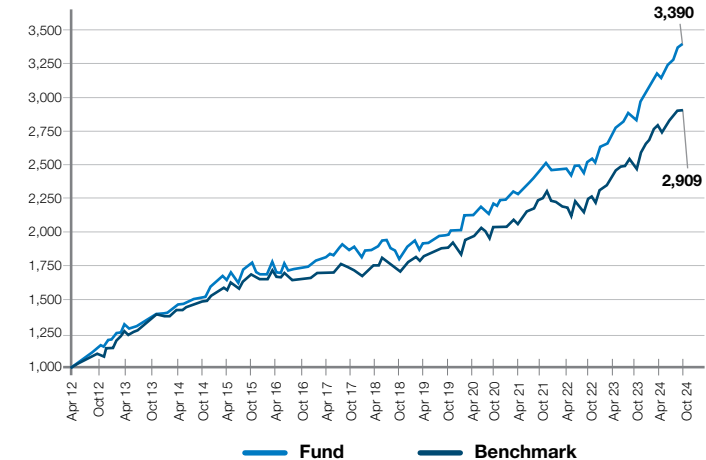
Sovereign bond yields broadly fell across developed markets as the Fed cut rates for the first time since 2020, joining other central banks, including the BoE and ECB, in easing monetary policy conditions. Weaker-than-expected U.S. labour market data, alongside slowing inflation, prompted the Fed to cut rates by 50 bps. In Japan, yields fell as a hawkish BoJ weighed on risk sentiment.

Market Outlook

The quarterly GDP release by Statistics Botswana showed a contraction of 0.5% in the real GDP over Q2 2024, compared to a growth of 3.3% in the corresponding quarter in 2023. The contraction in the domestic economy was mainly due to reductions in the real value added by the Mining & Quarrying and Diamond Traders sectors of 16.5% and 11.2% respectively. This is on the back of a weak performance by Botswana diamonds in the international diamond markets. All other sectors recorded growth over the period.

Over the quarter, the Monetary Policy Committee (MPC) met twice (in June and in August). At both meetings, the MPC opted to cut the MoPR by 25 basis points respectively, sending a strong message of a dovish stance to market participants. The MPC supported the decisions as a recognition of an expectation for the economy to continue operating below full capacity in the short term, and thus not expected to generate demand-pull inflationary pressures.

Cumulative Returns (BWP)



Quick Facts

Fund Information

Portfolio Manager: Bifm Investments Team

Launch Date: April 2012

Minimum Investment: P1000 lump sum
P200 debit order

Fund Size: BWP230,704,860.06

Fees

Initial Fund Fee: 5%

Annual Management Fee: 2%

Fees are shown excluding VAT

Risk Profile

Low	Low-Med	Med	Med-high	High
		●		

The third quarter of 2024 marked a period of rate cuts by the major central banks, resulting in a strong quarter for the global bonds market. The Bank of England cut rates by 25 basis points in early August, the European Central Bank by 25 basis points in September, and the US Federal Reserve made the most notable cut of 50 basis points in September. This signalled less of a worry about inflationary pressures as falling inflation to around 2% target levels has given central banks the confidence to start cutting rates. The direction, rather, shows concerns over economic growth, particularly in the US where unemployment levels have remained high. There remains some risk of continued elevation in inflation levels, caused by sticky services inflation in the USA and the UK. These could result in a pause in the coming months.

Total Expenditure Ratio (T.E.R.): 3.15%

Asset Allocation

