

# Balanced Prudential Fund

Fund Factsheet | 30<sup>th</sup> June 2020



## 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.

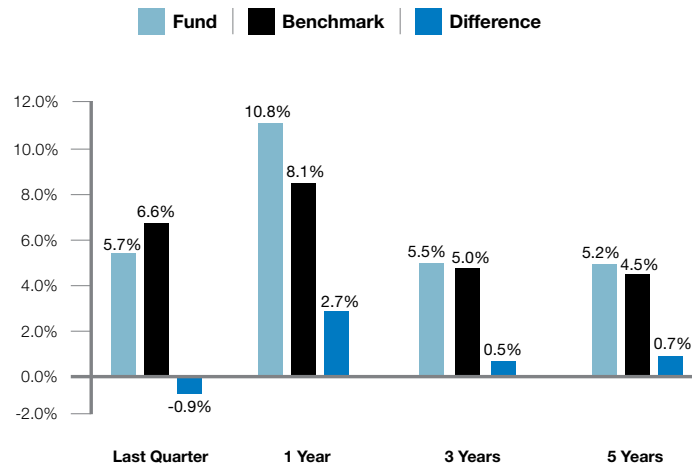
## Strategy

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



The Bifm Balanced Prudential Fund returned 5.70% over the first quarter of 2020, underperforming its benchmark return of 6.57% by 0.87%. Stock selection decisions, particularly within offshore equities, detracted from fund relative performance, whilst stock selection within local equities contributed positively to fund performance.

### Local Equities

The local equity allocation outperformed the benchmark DCI index return of -4.38 by 4.37%, returning -0.01% over the quarter. The funds' positioning in the banking sector aided fund performance as most of the companies listed on the bourse shed value over the quarter. The hardest-hit sectors were the banking and the financial services sectors. The consumer sector was the least impacted with many securities' prices in the sector remaining stagnant in the quarter.

### Local Bonds

The local bond allocation outperformed its benchmark return of 1.66% by 0.25%, returning 1.91% over the quarter. Local bonds posted positive returns in the quarter as yields fell across the bond curve, more so in the shorter end leading to further steepening of the curve. The Fund's overweight exposure to corporate bonds continued to contribute positively to fund relative performance.

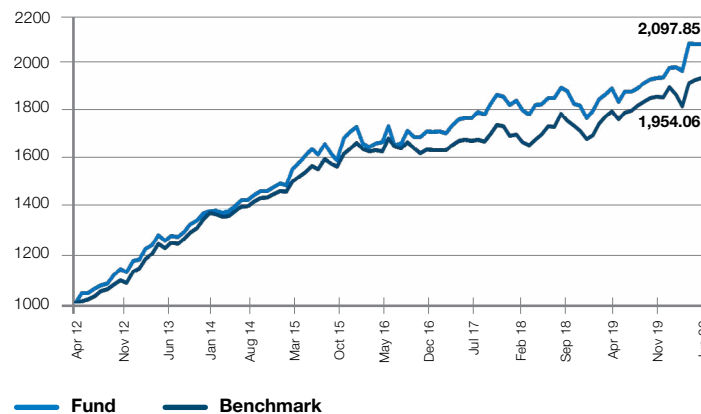
### Offshore Equities

The fund's offshore equity allocation rebounded during the quarter, returning 13.40% but underperforming the benchmark return of 18.16% by 4.47%. Following a tumultuous first quarter, global equity markets recovered during the second quarter of 2020. The MSCI World Index rallied by 19.36%, its strongest quarterly performance since 2009, and a 38% claw back from its March low. The technology sector was the leading performer with Apple, Amazon, Facebook, and Microsoft each gaining in excess of 25% over the quarter.

### Offshore Bond

The offshore bond allocation returned 2.69% over the quarter, outperforming the benchmark return of 2.28% by 0.41%. The US 10-year yield remained in a narrow range and finished one basis point lower. It sold off in early June following a stronger-than-expected US labour market data release, though the move reversed later in the month. With Brexit back in focus, the UK 10-year bond yield was 18bps lower at 0.17%. The UK two-year yield dropped below zero for the first time, finishing at -0.08%, as the central bank discussed the possibility of negative interest rates, whilst the higher-yielding portion detracted as corporate credit and Emerging Market debt were negative for the quarter.

## Cumulative Returns (BWP)



## 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:** BWP114,207,624.65

### Fees

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

### Risk Profile

Low	Low-Med	Med	Med-high	High
		●		

### Market Outlook

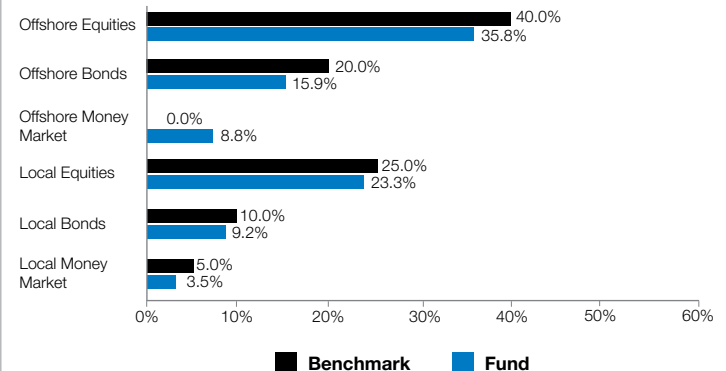
For the first quarter of 2020, local GDP growth came in at 2.6% compared to 4.2% in the same quarter in 2019. This was an increase compared to the previous quarter (Q42019), during which GDP grew by 1.6%. The threat of the COVID-19 virus remains, both to human lives and to the economy. The IMF projects a contraction of the local economy by 5.4% in 2020, whilst the Ministry of Finance and Development's projection is a 13.1% contraction. Both estimates are informed largely by the significantly lower diamond revenues and increased government expenditure as the nation battles against the pandemic.

The Business Expectations Survey by the Bank of Botswana (BoB) in the 1st quarter of the year indicates that firms expected a deterioration in business conditions over the first two quarters of the year, with the chief concern being a disruption to business operations following the outbreak of the pandemic. Firms however expected business conditions to improve in the 12 months to March 2021.

The second quarter of 2020 has been dominated by the ongoing COVID-19 pandemic. The pandemic has had wide-ranging effects on societal norms, global markets, and companies' working processes. However, the global economy has started to recover from the sharpest decline in recent times. In our view, the road to full recovery to pre-crisis level of economic activity is unlikely to be reached before 2022 (and growth beyond) and is marred with unprecedented levels of uncertainty and risks of subsequent waves of the pandemic. In light of this, we expect global central banks to remain accommodative, with inflation expected to recover as economic activity increases.

**Total Expenditure Ratio (T.E.R.)** - 2.94%

## Asset Allocation



### Physical Address

**Bifm Unit Trusts (Pty) Ltd**  
Plot 66458, Fairgrounds Office Park  
Gaborone, Botswana

### Postal Address

**Private Bag BR185, Broadhurst**  
Gaborone, Botswana

**T:** +(267) 395 1564  
**F:** +(267) 390 0358  
**E:** retailservices@bifm.co.bw

### Income Distribution

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

### Contact Details

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