Balanced Prudential Fund

Fund Factsheet | 31st December 2020

Bifm Unit Trusts

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.

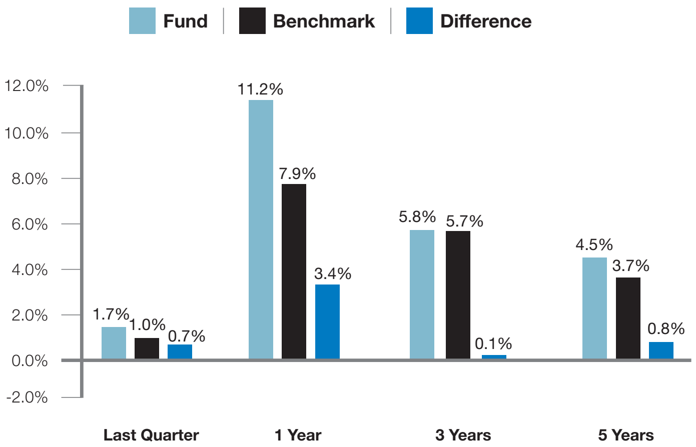
Strategy

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 1.69% over the fourth quarter of 2020, outperforming its benchmark return of 0.98% by 0.71%. Over the 12-month period to December 2020, the fund outperformed the benchmark by 3.36% returning 11.21% as offshore equities continued to rally post the market crash experienced during the first quarter of 2020. Asset allocation decisions detracted from fund relative performance whilst stock selection, particularly within local equities, continued to contribute positively to fund relative performance over the quarter.

Local Equities

The local equity allocation outperformed the benchmark, the Domestic Companies Index's (DCI) return of -1.74% by 2.66%, returning 0.92% over the quarter. The final quarter of 2020 delivered marginally better performance than the third quarter, with twelve of the twenty-four listed firms experiencing share price declines. The declines were generally below five percent. However, some securities that experienced declines of 10.1% (Afinitas) and 26.0% (Seedco). The tourism sector securities continued to shed value with Chobe declining by 0.74% while Cresta shed value 1.52% as global travel restrictions continued to weigh down on the industry's prospects of a quick recovery.

Local Bonds

The local bond allocation declined by 1.81% however, it outperformed its benchmark, the Fleming Aggregate Bond Index (FABI) return of -2.50% by 0.69% over the quarter. The fund's overweight positioning on corporate bonds was a positive contributor over the period. Government bond yields rapidly rose on the back of increased bond supply and resulting in the local fixed income market registering bond price declines. For the 12 months to December however, bonds remained positive, with the benchmark returning 1.56%.

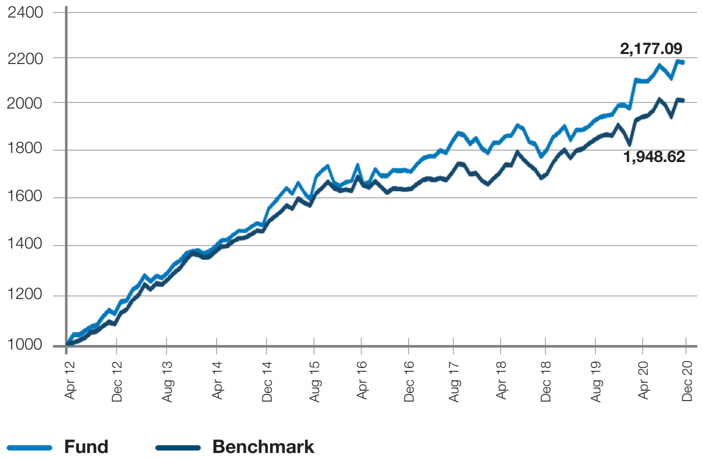
Offshore Equities

The fund's offshore equity allocation continued its strong performance for the year, returning 7.03% and outperforming the benchmark return of 5.96% by 1.06% over the quarter. The fourth quarter of 2020 presented information that ordinarily would have negatively impacted the market performance such as the US election, the anticipated Brexit, and tensions between the US and China. However, reports of successful COVID-19 vaccines overshadowed the rest of the news and became a market supporter during the quarter. Emerging markets were a contributor to fund performance as they outperformed developed markets, returning 19.70% in USD terms over the quarter.

Offshore Bond

The offshore bond allocation returned -3.57% over the quarter, however, outperforming the benchmark return of -3.97% by 0.40%. Inflation expectations improved on the back of positive data vaccine approvals and continued monetary and fiscal policy support. Developed market yield moves were mixed over the quarter. In the U.S, longer-dated yields rose meaningfully given the increased potential for additional fiscal stimulus and encouraging developments regarding COVID-19 vaccines. Rates generally fell modestly across the curve in Germany, while front-end yields in the U.K rallied and rates in Japan remained broadly range-bound.

Cumulative Returns (BWP)



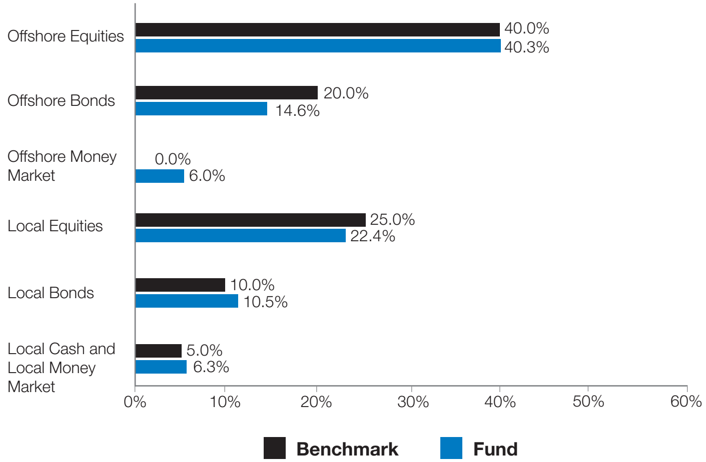
Market Outlook

Following the global economic contraction observed in 2020, we expect that global economic activity and output will rebound strongly, driven by the widespread rollout of vaccines, sustained accommodative, supportive monetary and fiscal policies. We expect central banks to maintain policy rates at low levels and continue their asset purchase schemes throughout 2021. On the back of the spur in economic activity, we anticipate inflation will rise, albeit moderately so, and will generally remain below central banks' targets in all major economies.

Locally, Botswana's GDP contracted by 6% over the third quarter of 2020, a notable improvement when compared to a contraction of 24% in Q2 2020. The improvement reflected the post-lockdown pick up in economic activity in the third quarter of 2020. During the quarter, the Monetary Policy Committee opted to implement another rate cut (early October) citing the adverse impact of the COVID-19 pandemic on the local economy. Inflation is expected to remain below the objective range of 3% – 6% until Q3 2021 and GDP was expected to decline by 8.9% in 2020, thus justifying a supportive tone from the Monetary Policy Committee. The rate cut was largely anticipated and priced in by most market participants.

Total Expenditure Ratio (T.E.R.): 3.16%

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:	**BWP114,215,724.02**

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

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Stanbic Bank Botswana
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