Balanced Prudential Fund

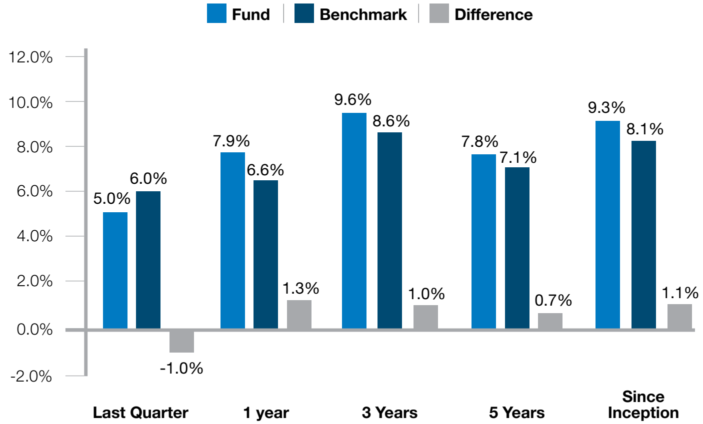
Fund Factsheet | 31st March 2023

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



Perfomance Commentary
The Bifm Balanced Prudential Fund returned 5.01% over the first quarter of 2023, underperforming the benchmark return of 5.99% by 0.98%. Asset allocation and security selection decisions detracted from the fund's relative performance over the quarter. Over the 12-month period, the Fund returned 7.88%, outperforming the benchmark by 1.28%.

Local Equities
The Local equity allocation returned 4.33% over the quarter, outperforming the benchmark return of 2.95% by 1.38%. The local equity market began the year on a positive note with 15 of the 23 listed stocks increasing in price over the quarter. Five stocks recorded a flat performance and only three stocks declined in price over the period. The strong performance was supported by robust growth in earnings across most of the sectors. CA Sales was the best-performing stock over the quarter, appreciating by 19.67%. Other notable movers over the quarter were Chobe (17.19%), BTCL (11.69%) and ABSA (8.53%).

Local Bonds
The Local Bond allocation returned 2.16% over the quarter, outperforming the benchmark return of 1.92% by 0.24%. Credit extension to firms grew by 8.9% in 2022 compared to 2.7% in 2021. This was mainly as a result of a 30.4% increase in lending to the mining sector. Credit extension to households, however, decreased from 6.4% in 2021 to 4.8% in 2022. This was largely supported by the Business Expectations Survey which showed optimism by local firms.

Offshore Equities
The Offshore Equity allocation returned 7.14% over the quarter, underperforming the benchmark return of 10.05% by 2.91%. Global equity markets began the year with gains across most regions. The Information Technology sector was the largest gainer followed by the Consumer Discretionary and Communication Services sector. The Energy sector was the biggest loser as commodity prices fell over the quarter. The Financial Services sector also declined amidst the collapse of Silicon Valley Bank and larger concerns over the health of the global banking system.

Offshore Bonds
The Offshore Bond allocation returned 4.74%, underperforming the benchmark return of 5.22% by 0.48%. The uncertainty which prevailed throughout 2022 continued well into 2023, clouding investors' outlook for economies and markets, with instability in the financial sector as the dominant theme throughout the quarter. Despite further monetary policy tightening, developed market yields fell over the quarter as the market priced in the expectations of a weaker likelihood of rate hikes going forward. On the back of this, bond returns were positive over the quarter. However, on a 12-month basis, owing to a sharp spike in rates over 2022, global bond returns continued to be negative, with the Bloomberg Global Aggregate Bond Index returning -7.24%.

Market Outlook
Local Real GDP grew by 5.9% in Q1 2023, a slight slowdown from the 6.0% growth registered in the same quarter the previous year.

Headline inflation gradually declined over the quarter. In January, inflation decreased to 9.3% from 12.4%, mainly due to a 3.6% decrease in the Transport group index. In February, inflation further dropped to 9.1% before rising to 9.9% in March as international oil prices resurged and led to increases in retail pump prices.

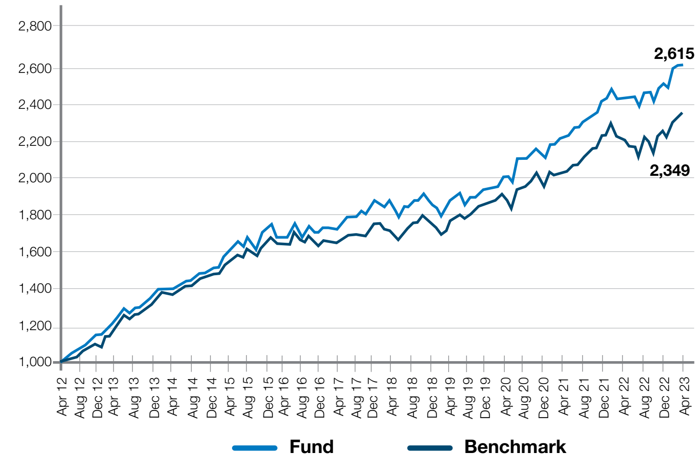
The Bank of Botswana (BoB) left the Monetary Policy Rate (MoPR) unchanged at 2.65% in February. This was mainly aimed at supporting the ongoing economic recovery, as the BoB expects that the economy will operate below full capacity in the short to medium-term therefore not generating any demand-driven inflationary pressure.

Globally, recent volatility in the banking sector has raised the prospect of a significant tightening of credit conditions, particularly in the U.S., and therefore the risk of a sooner and deeper recession. These recent events will likely act as yet another headwind that could very well pull Europe into recession as well.

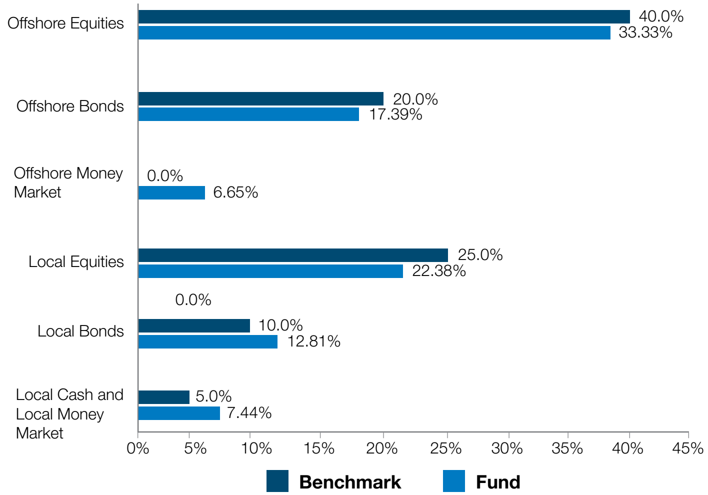
Meanwhile, annualized core inflation rates in the U.S. have fallen for 5 consecutive months, and headline inflation has declined for 8 consecutive months. The combination of a higher cost of lending and early signs of easing inflation likely puts global central banks near to or already at the end of their tightening cycles.

Total Expenditure Ratio (T.E.R.): 3.20%

Cumulative Returns (BWP)



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: BWP142,411,899.88

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

Risk Profile

Low	Low-Med	Med	Med-high	High
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Income Distribution
Income Distribution Frequency:
Semi-Annual Jun, Dec

Contact Details
Trustees and Custodians
Stanbic Bank Botswana
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Gaborone

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