

# Balanced Prudential Fund

Fund Factsheet | 31<sup>st</sup> December 2022



## 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.

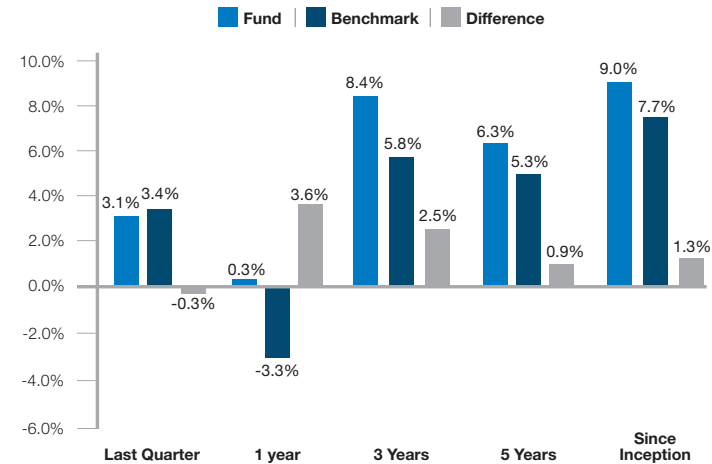
## Strategy

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 3.14% over the fourth quarter of 2022, underperforming the benchmark return of 3.39% by 0.26%. Both asset allocation decisions and security selection decisions detracted from fund relative performance over the quarter. Over the 12-month period, the Fund outperformed the benchmark by 3.58%, returning 0.29% whilst the benchmark declined by 3.29%.

## Local Equities

The Local equity allocation returned 4.90% over the quarter, outperforming the benchmark return of 4.39% by 0.51%. The local equity market continued to rise in the fourth quarter of 2022 with price increases experienced across most of the listed stocks. The market performance continues to be supported by the positive performance of the large-cap banking sector stocks which make up 38.04% of the total market. As measured by the DCI, the local equity market recorded its best annual performance since 2015, appreciating 10.23% in 2022. The market performance was supported by improving fundamentals across most of the listed stocks, particularly within the banking sector.

## Local Bonds

The Local Bond allocation returned 0.04% over the quarter, underperforming the benchmark return of 1.14% by 1.10%. The monthly government bond auctions dominated issuances during the period, with no corporate bond issuances in the market. As a result of higher stop-out yields at the auctions held in the quarter, the yield curve saw an upward shift during the quarter, particularly on the short-end and belly of the curve. Secondary market trading activity was muted over the quarter, with all activity clustered around the three government bond auctions and limited to government bonds.

## Offshore Equities

The Offshore Equity allocation returned 5.40% over the quarter, outperforming the benchmark return of 5.15% by 0.25%. Investor sentiment turned positive over the quarter with increasing signals that global inflation had peaked and that the pace of interest rate hikes would ease. Most sectors posted gains during

the quarter. Energy stocks posted especially strong gains, with the large-cap stocks Exxon and Chevron posting record profits in the quarter. Regionally, both developed and emerging markets posted gains in the fourth quarter.

## Offshore Bonds

The Offshore Bond allocation returned 0.18%, outperforming the benchmark return of 0.15% by 0.03%. Yields broadly rose over the quarter, as central banks continued to pursue tighter monetary policies in response to persistent inflationary pressures. Despite the rate hike cycle, global bonds registered a positive quarter return for the first time in 2022, with the Bloomberg Aggregate Bond Index gaining 4.55% over the period. However, on a 12 month basis, owing to a backdrop of sharply higher rates, global bond returns were at their worst levels in more than four decades. The US Aggregate Index delivered a return of -13.0%, whilst the Bloomberg Global Aggregate Bond Index returned -16.25%.

## Market Outlook

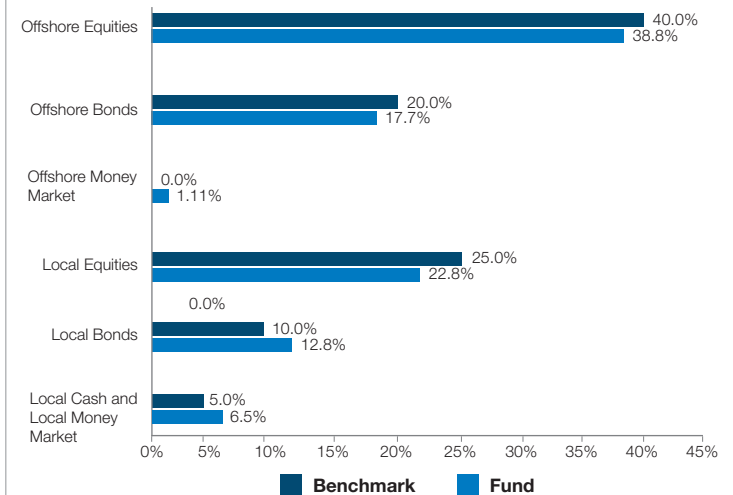
Local Real GDP grew by 6.3% in Q4 2022, compared to a growth of 8.9% registered in the same quarter the previous year. All sectors of our local economy contributed positively to GDP during the quarter. Having opened the quarter at 13.8%, headline inflation gradually edged downwards to close the quarter and the 2022 calendar year at 12.4%. In October, inflation declined to 13.1% mainly due to the base effect while

in November the decline to 12.2% was driven mainly by the drop in retail pump prices. In December, the slight uptick in inflation was on the back of a broad-based price increase of food items, as well as the rise in vehicle prices.

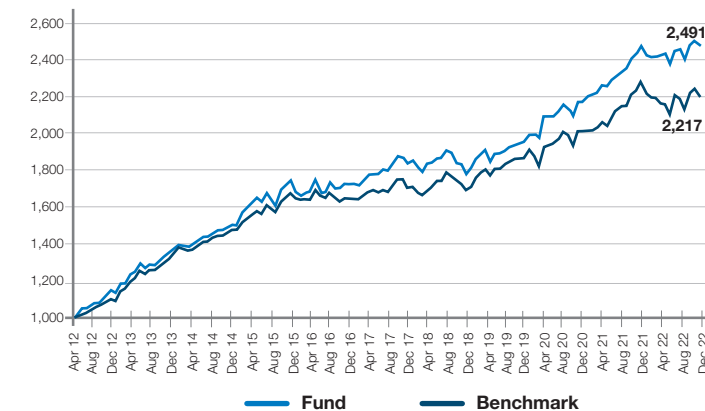
Amid all the prevailing uncertainties, there are expectations of a modest recession in 2023 across developed markets as central banks continue to battle inflation. Central banks are largely expected to remain restrictive, with higher policy rates likely resulting in tighter financial conditions. The consensus is for developed market central banks to continue to hike for the next quarter.

**Total Expenditure Ratio (T.E.R.):** 3.19%

## Asset Allocation



## Cumulative Returns (BWP)

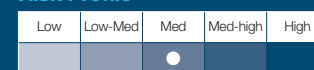


## Quick Facts

### Fund Information

**Portfolio Manager:** Bifm Investments Team  
**Launch Date:** April 2012  
**Minimum Investment:** P1000 lump sum  
P200 debit order  
**Fund Size:** BWP133,760,298.84  
**Fees**  
**Initial Fund Fee:** 5%  
**Annual Management Fee:** 2%  
**Fees are shown excluding VAT**

### Risk Profile



### Income Distribution

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

### Contact Details

**Trustees and Custodians**  
Stanbic Bank Botswana  
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