Balanced Prudential Fund

Fund Factsheet | 30th September 2022

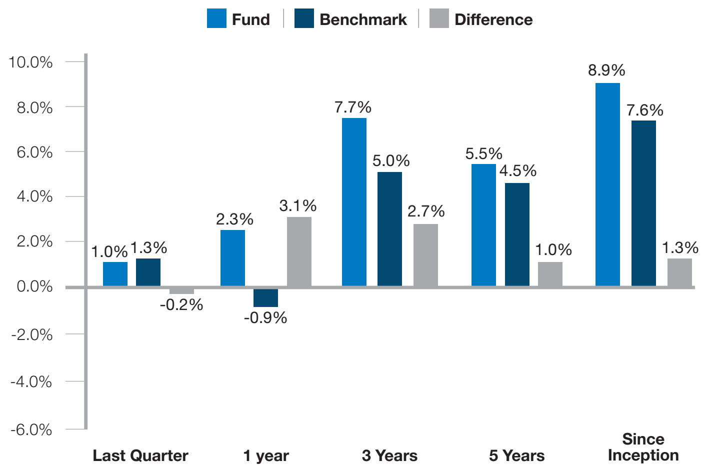
Bifm Unit Trusts

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



Perfomance Commentary
The Bifm Balanced Prudential Fund returned 1.05% over the third quarter of 2022, underperforming the benchmark return of 1.28% by 0.23%.

The fund's relative performance over the quarter was aided by both asset allocation and security selection decisions. Over the 12-month period, the Fund outperformed the benchmark by 3.20%, returning 2.25%.

Local Equities
The Local Equity allocation returned 3.56% over the quarter, outperforming the benchmark return of 3.05% by 0.51%. The third quarter of 2022 saw numerous companies reporting their financial results for the period ending June 2022. In general, the financial results showed improvements in earnings across most sectors. As a result, general market sentiment remained positive over the quarter. FNBB was the leading performer on the Botswana Stock Exchange (BSE) over the quarter, appreciating by 18.87%. Conversely, Letshego registered the largest decline on the BSE over the quarter, declining by 16.77%.

Local Bonds
The Local Bond allocation returned 1.78% over the quarter, outperforming the benchmark return of 1.42% by 0.36%. 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 declined over the quarter, returning -5.97%, however outperforming the The Offshore Equity allocation declined over the quarter, returning -1.09% and underperforming the benchmark return of 0.68 by 1.77%.

All major developed market equities declined over the quarter. Oddly, defensive areas failed to benefit, whilst some cyclical stocks proved to be more resilient, potentially indicative of the high level of investor uncertainty and low summer volumes. From an earnings perspective, while multiples have compressed sharply across the board this year, we have yet to observe any significant downgrades for 2023, which seems inconsistent with an expected slowdown in global demand.

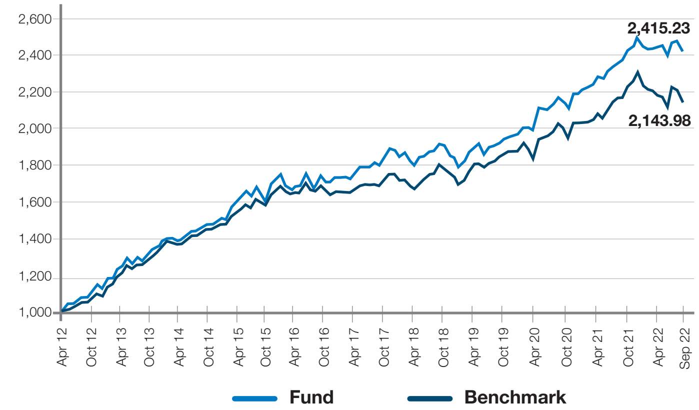
Offshore Bonds
The Offshore Bond allocation returned 1.10%, outperforming the benchmark return of -0.13% by 1.23%. Global inflation remained stubbornly elevated and central banks responded by accelerating the pace of monetary policy tightening. The US Federal Reserve hiked the Fed Fund rate by 150 basis points. The European Central Bank (ECB) raised its policy rate by 50 bps in July and 75 bps in September, ending an era of negative rates. The Bank of England (BoE) also hiked rates by an additional 50 bps to 2.25%. On the back of tighter monetary policies, developed market yields rose broadly over the quarter.

Market Outlook
There still remains an unusually high level of uncertainty about the economic outlook and what this means for global interest rates. The Federal Reserve, at least, is still far from clear whether it is close to a pivot towards less aggressive rate hikes. Investors will need some reassurance on this front as well as evidence of a capitulation in earnings forecasts before they feel comfortable re-entering the market in earnest once again. It would also be optimistic to discount geopolitical risks, which we know from experience can have far reaching implications

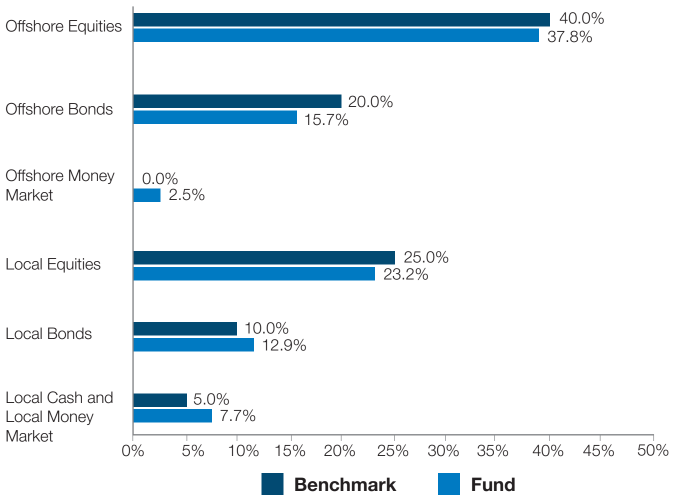
Local Q2 2022 GDP showed a year-on-year increase of 5.6%. Mining, which contributed the most to output (16.7%), continued to be the key force driving the economy in the quarter as international rough diamond demand remained strong over the period. Non- Mining GDP was also positive over the period, increasing by 5.6%. All sectors of our local economy contributed positively to GDP during the quarter.

Total Expenditure Ratio (T.E.R.): 3.21%

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: BWP128,119,259.13

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
Trustees and Custodians
Stanbic Bank Botswana
Private Bag 00168
Gaborone

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