

# Letlotlo Education Fund

Fund Factsheet | 30<sup>th</sup> June 2023



## Fund Objective

The fund aims to provide a degree of long-term capital growth by investing in a diversified range of assets. It has a moderately low-risk profile which provides a small degree of risk and volatility for some degree of growth. The seven-year lock-in period caters for investors with a long-term investment horizon.

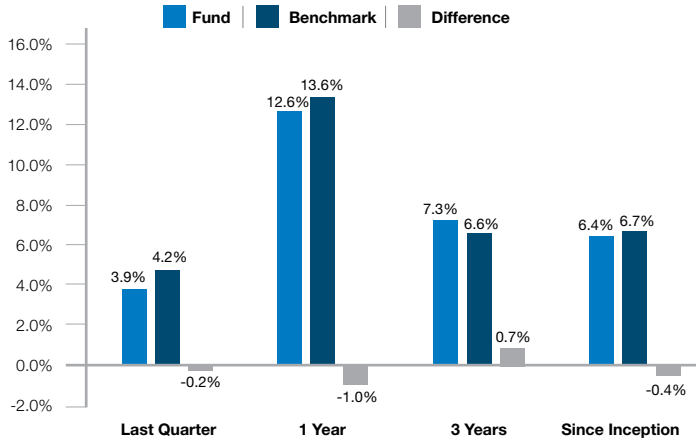
## Strategy

The Bifm Letlotlo Education Fund is a multi-asset fund that invests in local and offshore equities, bonds, property, and money market instruments.

## Why Choose This Fund?

The fund is suitable for the investor with a moderately low-risk profile who wishes to generate some degree of long-term capital growth. This fund is best suited for individuals who wish to plan and save for predetermined future expenses such as a child's future education.

## Performance



## Performance Commentary

The Bifm Letlotlo Education Fund returned 3.93% over the second quarter of 2023, underperforming the benchmark return of 4.17% by 0.24%. Asset allocation and security selection decisions detracted from the fund's relative performance over the quarter. Over the 12-month period, the Fund returned 12.57%, underperforming the benchmark by 1.00%.

## Local Equities

The Local equity allocation returned 4.84% over the quarter, underperforming the benchmark return of 5.23% by 0.39%. The local equity market continued to rise over the second quarter, supported by improving fundamentals and improved investor optimism. StanChart was the leading performer on the Botswana Stock Exchange over the quarter, appreciating by 26.69%. Other notable movers over the quarter were Chobe Holdings, Engen, Letshego and Letole La Rona. Chobe Holdings and Engen appreciated by 787% and 743% respectively, whilst Letshego and Letole declined by 18.70% and 20.89% respectively.

## Local Bonds

The Local Bond allocation returned 2.00% over the quarter, outperforming the benchmark return of 1.66% by 0.34%. Total credit extended by local banks rose by 9.64% in Q1 compared to 6.1% in Q4 2022. Credit extension to households grew by 10.09% whilst extension to firms grew by 8.75% in the same period. Though coming from a low base, credit extension to firms within the Water and Electricity sector grew the most (76.50%) on the back of increased government activity around developing utility infrastructure across the country.

## Offshore Equities

The Offshore Equity allocation returned 9.59% over the quarter, underperforming the benchmark return of 10.95% by 1.36%. Developed Markets equities, reflecting the strong performance of Technology stocks, were up 7.0% over the quarter whereas Emerging Markets equities gained a modest 1.04%. The performance of technology stocks continues to drive the dispersion between the Value and Growth styles. The MSCI Growth Index appreciated by 10.50% relative to its value counterpart which only added 3.30% over the quarter.

## Offshore Bonds

The Offshore Bond allocation returned 2.53%, outperforming the benchmark return of 2.27% by 0.26%. Over the quarter and extending as far back as Q1 2023, the risk-on sentiment was robust despite debt concerns surrounding the U.S. debt ceiling, with the MSCI World finishing the quarter up 6.99% and credit spreads broadly tightening. The market resilience and optimism likely have their origins in the Covid stimulus effects and

aftermath, including the reopening of China in late 2022. During the quarter, the Fed hiked its policy rate once (+25 bps in May) before pausing, and then signalled that at least two additional hikes will be needed to combat sticky inflation. Meanwhile, global developed central banks continued their hiking cycles and maintained hawkish forward guidance due to persistently stubborn inflation prints.

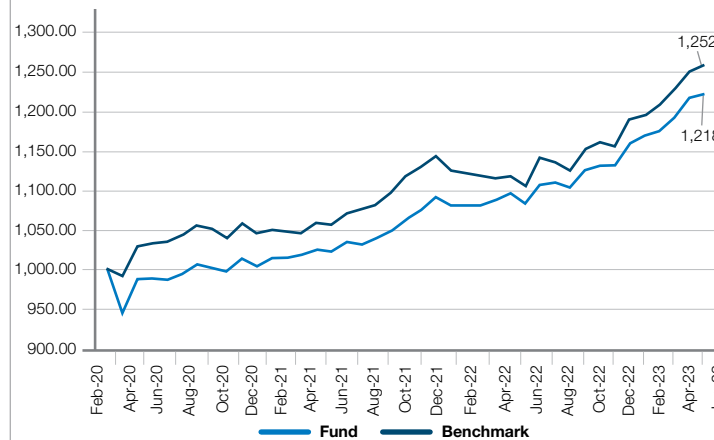
## Market Outlook

The Q1 2023 Gross Domestic Product (GDP) release showed a 5.4% growth in GDP (year-on-year) vs 6.8% registered in Q1 2022. On the back of increases in real value added by Copper and Diamonds, Mining & Quarrying continued to drive local output, contributing 19.6% to GDP over the quarter. Having opened the quarter at 9.9%, headline inflation came down and closed the quarter at 4.6%, well within the 3-6% objective range set by the Bank of Botswana (BoB). On the back of the new data, the BoB has revised its inflation expectations and now forecasts inflation to remain within the objective range. In line with expectations, the BoB's Monetary Policy Committee left the Monetary Policy Rate unchanged at 2.65% at the meeting held on the 15th of June.

Global Inflation has remained sticky, despite central banks instituting higher rates to ward off inflationary pressures. It remains unclear whether the risk of a global recession has only been postponed or warded off altogether. It may be that households have been able to weather the inflationary storm partly due to savings accumulated during the pandemic. This may be a short-term delay, particularly if the central banks continue to raise rates on the back of sticky inflation.

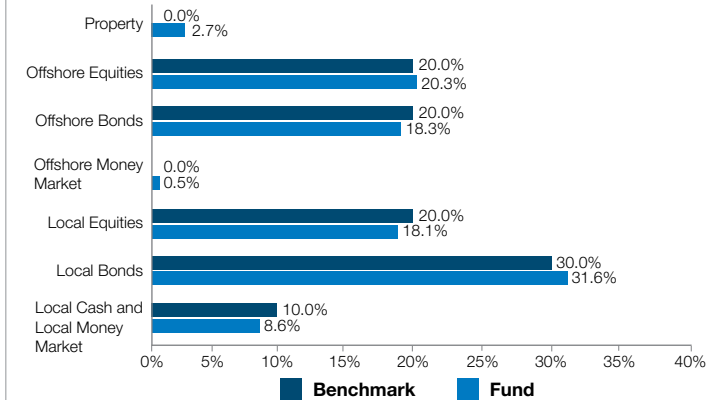
Total Expenditure Ratio (T.E.R.): 2.54%

## Cumulative Returns (BWP)



A critical part of saving for future education costs is continuously monitoring your fund to ensure it's growing well in line with target amount you want to achieve or the school fees you want to cover.

## Asset Allocation



## Quick Facts

### Fund Information

Portfolio Manager: Bifm Investments Team

Launch Date: Feb 2020

Minimum Investment: P200 debit order

Fund Size: BWP15,606,827.18

### Fees

Initial Fund Fee: 0%

Annual Management Fee: 1.5%

Fees are shown excluding VAT

### Risk Profile



### Fund feature

7 year lock-in period

### Income Distribution

Income Distribution Frequency:

Semi-Annual Jun, Dec

### Contact Details

Trustees and Custodians

Stanbic Bank Botswana

Private Bag 00168

Gaborone

### Physical Address

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

Plot 396/7 Moffat Street, Central  
Residential Area  
Francistown, Botswana

### Postal Address

Private Bag BR185, Broadhurst  
Gaborone, Botswana

T: +(267) 399 2199 / +(267) 241 3041

F: +(267) 390 0358

E: retailservices@bifm.co.bw