

# Letlotlo Education Fund

Fund Factsheet | 30<sup>th</sup> September 2022



## 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.

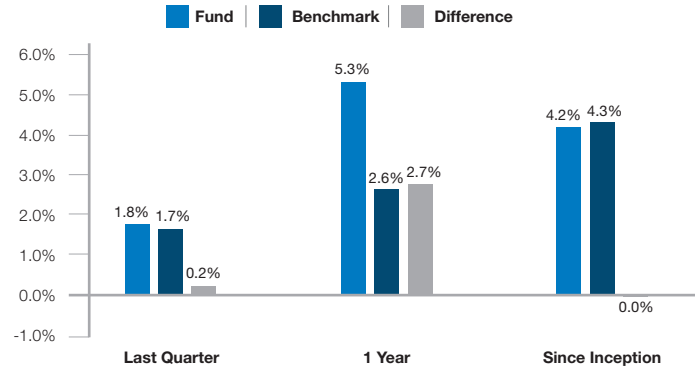
## Strategy

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 1.85% over the third quarter, outperforming the benchmark return of 1.66% by 0.19%. The Fund's exposure to local equities and local bonds aided fund relative performance as both asset classes were positive and ahead of the benchmark for the quarter. Over the 12-month period, the Fund returned 5.31%, outperforming the benchmark return of 2.57% by 2.74%.

## Local Equities

The Local Equity allocation returned 5.53% over the quarter, outperforming the benchmark return of 5.09% by 0.44%. 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 outperformed the benchmark return of 1.47% by 0.05%, returning 1.42% over the quarter. 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 underperformed the benchmark return of 0.68% by 1.60% returning -0.92%. 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. From an earnings perspective, while multiples have compressed sharply across the board this year, we have yet to observe any significant downgrades for 2023. Concerns remain over rising inflation, global supply chain problems, high energy prices, geopolitical conflict, and the changing regulatory environment in some countries.

## Offshore Bonds

The Offshore Bond allocation returned 1.51% over the quarter, outperforming the benchmark return of -0.13% by 1.64%. 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.

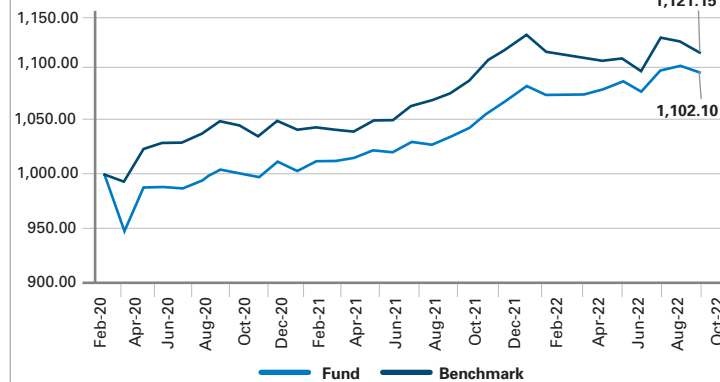
## Market Outlook

The global economic outlook remains uncertain as central banks continue to hike interest rates. Given the lag from base interest rate changes, there could be a sharp decline in inflation levels in the next few months. While this expectation differs by country and region, it is not certain for any jurisdiction, including the USA. Without clear evidence of slowing inflation, central bankers will continue tightening monetary policy, thus withdrawing liquidity from global capital markets.

Botswana's 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. Inflation peaked at 14.6% in August before retreating to 13.8% in September, following a cut in retail pump prices. Following two Monetary Policy Rate (MoPR) hikes in the second quarter, the Bank of Botswana announced another 50bps rate hike in August, taking the MoPR to 2.65%. The Monetary Policy Committee highlighted a significant risk that inflation could remain elevated, owing to a potential increase in international oil and commodity prices, the continuance of geo-political tensions, and the associated disruption to logistics and production. The BoB's forecasts indicate that inflation is likely to remain above the 3-6% objective range until the third quarter of 2024.

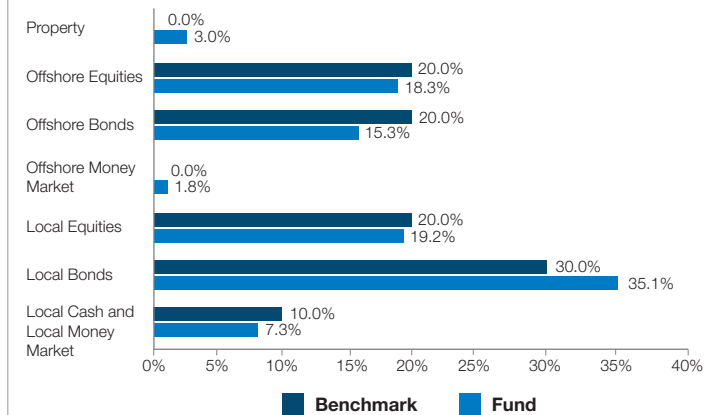
Total Expenditure Ratio (T.E.R.): 2.60%

## Cumulative Returns (BWP)



Commitment builds discipline; whatever the goal is, start now and stay committed. Something will always come up and compete for your resources.

## Asset Allocation



## Quick Facts

### Fund Information

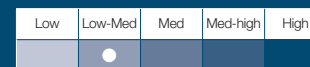
Portfolio Manager: Bifm Investments Team  
 Launch Date: Feb 2020  
 Minimum Investment: P200 debit order

Fund Size: BWP13,469,427.17

### Fees

Initial Fund Fee: 0%  
 Annual Management Fee: 1.5%  
 Fees are shown excluding VAT

### Risk Profile



### Income Distribution

Income Distribution Frequency: Semi-Annual Jun, Dec

### Contact Details

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