

Local Equity Fund

Fund Factsheet | 30th September 2024



Fund Objective

This fund aims to provide capital growth and create wealth over the long term by investing mainly in listed local equities. The fund is high risk and targets investors with a high risk appetite and a long term investment horizon.

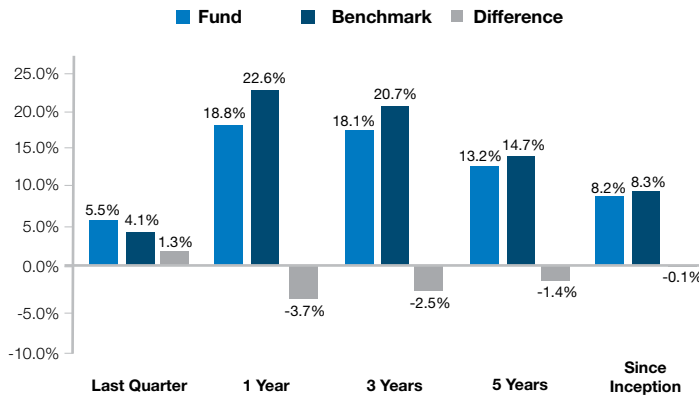
Strategy

The Bifm Local Equity Fund invests predominantly in listed local equities, with leeway to invest in offshore equities and convertible bonds up to a limit of 20% and 10% respectively.

Why Choose This Fund?

The fund is appropriate for investors with an appetite for high risk and tolerance for periods of high volatility who wish to generate capital growth over the long term period.

Performance



Performance Review

The Bifm Local Equity Unit Trust Fund returned 5.50% in the third quarter of 2024. The Fund outperformed the benchmark return of 4.94% by 0.56%. Performance over the quarter was driven by the Fund's holdings within the consumer sector. Over a 12-month period, the Fund returned 18.88%, underperforming the benchmark return of 23.58% by 4.70%.

Quarterly Commentary

The local equity market ended the third quarter of the year on a positive note with 10 of the 23 listed stocks increasing in price over the last three months. Thirteen stocks recorded a flat performance and none of the stocks declined in price over the period. Performance over the quarter was driven by the consumer sector. CA Sales was the leading performer on the Botswana Stock Exchange (BSE) over the quarter, appreciating 47.05%. Other notable movers over the quarter were Sechaba (38.25%), Sefalana (9.84%), StanChart (7.52%) and FNBB (5.98%). Over twelve months, the most significant share price movements were within the consumer sector. Sechaba and CA Sales gained 41.83% and 60.77%, respectively, whilst Seed Co gained 34.62%. Other notable share price movements over the twelve months were Investec, FNBB and StanChart. Cresta and FNBB gained 27.38% and 21.62%, respectively, whilst StanChart gained 38.81%.

Market Outlook

Following a strong first and second quarter, the third quarter of 2024 was another strong one for the local equity market. The market returned 5.35% over the third quarter, bringing its year-to-date return to 16.49%. In contrast to the second quarter, returns were more concentrated over the third quarter and led by two stocks (Sechaba and CA Sales), which recorded returns in excess of 38% over the quarter. Market returns continue to be driven by improving fundamentals. Earnings came in strong across most sectors, with the banking and consumer sectors performing well.

Bank earnings were supported by strong growth in Net Interest Income, while the consumer sector recorded improved top-line growth and margins. Earnings within the telecommunications sector also improved over the quarter, while the mining sector's earnings declined. The financial services and property sectors, which have exposure to regions outside of Botswana, continued to show signs of strain. The local inflation rate declined over the quarter, falling to 1.5%, down from the 2.8% registered at the end of the second quarter. Following a reduction in fuel prices over the quarter, the transport group was the main factor in the decline of the annual inflation rate, contributing a negative 0.8%. The Bank of Botswana expects inflation to remain low and within the objective range over the medium term. Inflation is expected to average 3.6% in 2024 and 4.5% in 2025. We expect the low, stable inflationary environment to be positive for local businesses. Furthermore, the recent cuts to the Monetary Policy are expected to further reduce the cost of funding for local companies.

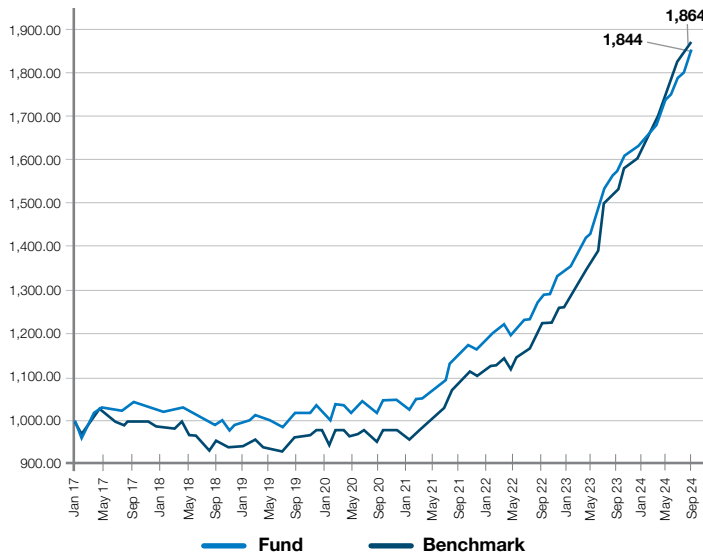
Local Real Gross Domestic Product (GDP) declined by 0.5% during the second quarter of 2024. The main contributor to the slowdown was a decline in diamond trading and mining activities, as global demand for rough diamonds decreased. Diamond trading activities declined by 11.2%, while mining and quarrying activities declined by 16.5%. However, all other local industries recorded more than 0.3% growth. A recent International Monetary Fund (IMF) report estimated that Botswana's GDP growth would slow to 1% in 2024 and rebound to 5% in 2025. We note that various government reforms and policies are in place

that are expected to support the economy's growth over the short to medium term. These include supportive monetary and fiscal policies. The Fund's strategy remains underpinned by our disciplined, fundamental valuation and bottom-up portfolio construction. We constantly monitor our opportunities, integrate new information into our valuation models, and identify threats and opportunities to enhance our portfolio. Despite the liquidity challenges, we remain committed to increasing the Fund's underweight allocation to the banking sector.

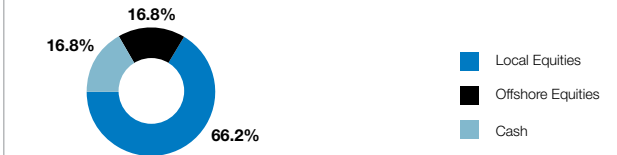
With the expectation of repatriation of funds into the local market over the coming years, we are ever mindful of potential asset price bubbles and price dislocations. However, we have found that over 2024, strong fundamentals and increased dividend payments have supported the market returns. As always, we remain committed to our disciplined, fundamental value approach and aim only to purchase stocks trading below their intrinsic value. We are keeping a keen eye on the local macroeconomic landscape, noting the challenges brought on by the slowdown in the diamond market and how they may impact local companies. Our focus remains on ensuring that we build a resilient portfolio that can withstand any potential macroeconomic headwinds.

Total Expenditure Ratio (T.E.R.): 3.01%

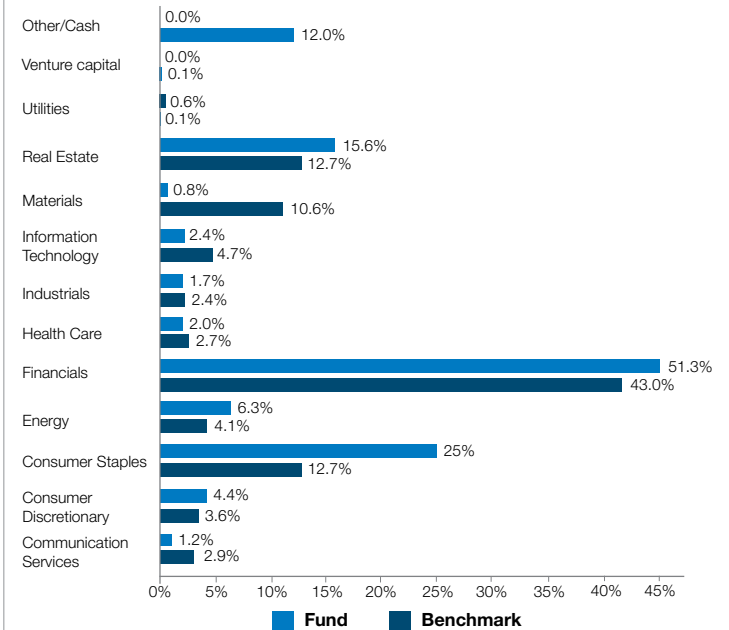
Cumulative Returns (BWP)



Asset Allocation



Sector Allocation



Quick Facts

Fund Information

Portfolio Manager: Bifm Investments Team
Launch Date: Jan 2017
Minimum Investment: P 1000 lump sum
P 200 debit order
Fund Size: BWP29,520,493.77

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
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Physical Address

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