Local Equity Unit Trust Fund

Fund Factsheet | 30th June 2022

Bifm Unit Trusts

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.

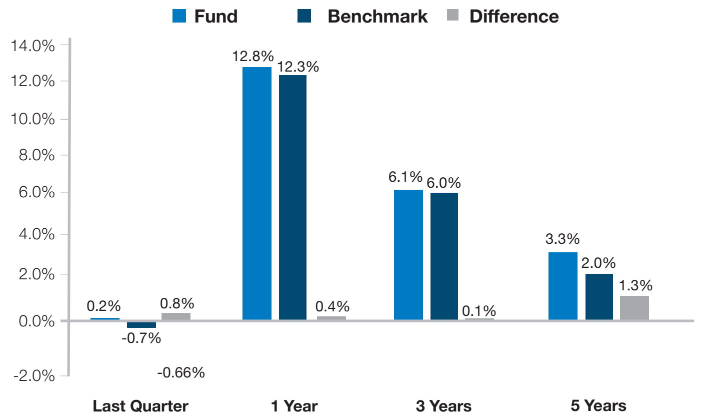
Strategy

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 Fund returned 0.18% over the quarter, outperforming the benchmark return of -0.65% by 0.83%. The Fund's allocation to local equities was positive over the quarter, whilst the Fund's allocation to global equities was negative. Over the twelve months ending June 2022, the fund returned 12.76%, outperforming the benchmark of 12.33% by 0.43%.

Quartely Commentary

The local equity holdings recorded positive performance over the quarter, ahead of their benchmark, while the offshore equity holdings reported negative performance, lagging behind their benchmark.

The second quarter was littered with negative media reports surrounding Turnstar and Letshego. The sudden departure of Letshego's CEO and continuing allegations of fraud at Turnstar led to both counters' share prices declining as a result. Letshego, which the market had previously rewarded with four consecutive quarters of positive returns, declined by 13.89% in Q2 2022. Turnstar continued shedding value for the second consecutive quarter, losing 4.15%.

In general, the quarter produced a mixed bag of performance with key performance themes attributed to each sector. The banking sector led the recoveries as Stanchart gained 13.43%, the largest in the market over the period, while the financial services and property sectors largely experienced declines. The consumer sector had some recoveries and some declines. Choppies, after six consecutive quarters of no price change, shed 18.33%, the largest price decline within the quarter.

For global equities, the second quarter of the year provided little prospects of better days ahead. The Russia-Ukraine war, along with an environment of elevated inflation, hawkish central banks, and commodity shortages, continued to weigh on equity investor sentiments. This has led to significant drawdowns in global equity markets.

Cyclically sensitive sectors took a beating within the quarter as recessionary fears continued to mount. Consumer sectors were amongst the weaker performers during the quarter as concerns around discretionary income mounted, squeezed by higher food and energy prices.

As always, within any challenging environment, there are beneficiaries. Since the invasion of Ukraine by Russia, the energy sector has continued its strong run, supported by shortages that have kept prices elevated. The energy sector was the only positive performer within the second quarter.

Traditionally defensive sectors such as health care, telecoms, staples, and utilities outperformed the market as they continued to be perceived as "safer" amidst the continued market volatility.

Regionally, the UK continued to experience outperformance due to the composition of the index, which is resource and defensive stock-heavy. Investors continued to rotate from the premium valuation multiples in growth stocks. The US, which has previously been the belle of the ball due to its tech-heavy stocks which led performance during the growth stock rally, showed weakness. China's economy remains weak on the back of lockdowns during the quarter after outbreaks of the Covid-19 virus in the country.

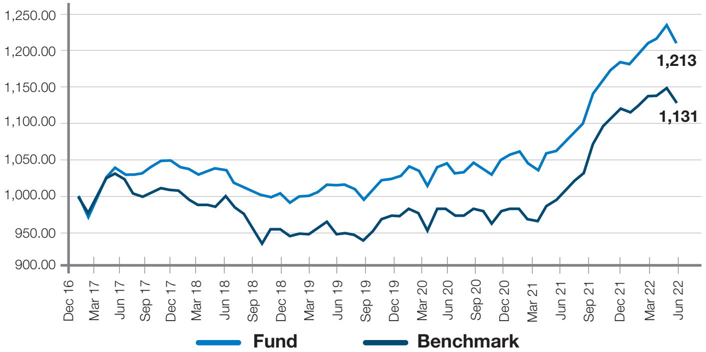
Market Outlook

Globally, geopolitical tensions, inflation, margins, and earnings are still the main headwinds that continue to challenge global equities. It remains unclear how far Putin is willing to carry on with the invasion, but what is becoming clearer is his unwillingness to de-escalate the situation despite the various pressures from the West. What is also unclear is how NATO allies will respond with sanctions and other actions.

Much of the supply chain disruption previously linked to COVID-19 related capacity shortfalls and bottlenecks within the transport and logistic industries is expected to ease in the second half of 2022. However, the ongoing Russia-Ukraine war as well as the intermittent lockdowns in China, are headwinds to supply chain normalisation. Some markets and industries may face these challenges well into 2023. However, many industries are experiencing some improvements, with costs starting to come down in a meaningful way.

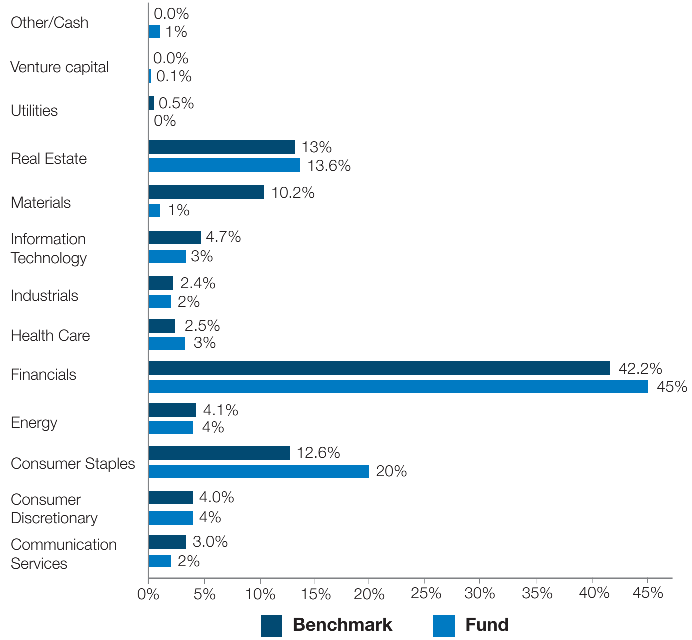
Total Expenditure Ratio (T.E.R.): 2.99%

Cumulatice 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: BWP16,890,596.52

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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Gaborone

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