

# Local Equity Fund

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



## 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.

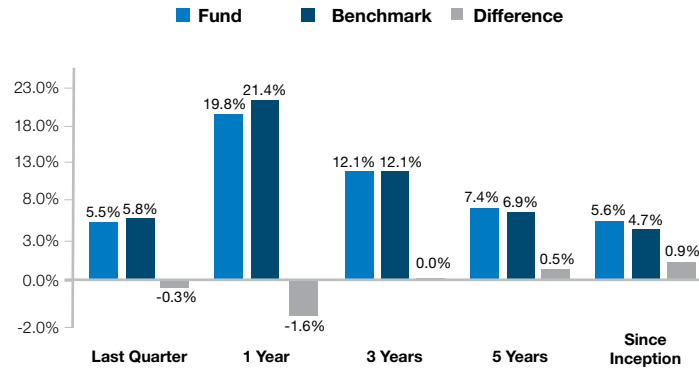
## Strategy

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 5.55% over the quarter, underperforming the benchmark return of 5.81% by 0.26%. Over the quarter, the banking sector was the biggest contributor to the Fund's performance due to the strong performance of StanChart, FNBB and ABSA. Over the 12-month period, the Fund returned 13.74% underperforming the benchmark return of 13.99% performance by 0.25%.

## Quarterly Commentary

The local equity market continued to post positive returns over the second quarter of 2023, marking the fourth consecutive quarter of positive returns for the DCI index. Fundamentals continue to improve within the local market as businesses benefit from improving macroeconomic conditions. The local equity market has continued to perform well despite the high levels of inflation experienced since 2021 as companies within the consumer discretionary and banking sectors benefitted from the high inflationary environment. However, local inflation slowed significantly over the quarter and has now come within the Bank of Botswana's objective target range of 3-6%.

Standard Chartered Bank ("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 Letlole La Rona. Chobe Holdings and Engen appreciated by 78.7% and 74.3% respectively, whilst Letshego and Letlole declined by 18.70% and 20.89% respectively. Over the twelve months, the local equity market posted strong gains, FNBB appreciated by 38.49%, StanChart appreciated by 81.14% and ABSA appreciated by 23.43%.

Global equities rallied within the second quarter of the year. The rally was supported by the strong performance of technology stocks as investor sentiment was positive about the prospects of Artificial Intelligence. Developed Market equities, reflecting the performance of IT stocks, were up 7.00% over the quarter whereas Emerging Market equities gained a modest 1.04%. EM stock's performance mainly reflected the tension between the US and China as well as concerns around weak factory output due to weaker consumer spending and lower demand for exports following interest rate increases in the US and Europe.

## Market Outlook

Local real Gross Domestic Product (GDP) increased by 5.4% over the first quarter of 2023, a slowdown in growth when compared to the growth of 5.9% experienced over the fourth quarter of 2022. The Mining Sector and the Water & Electricity sector were the main contributors to the growth in GDP over the period. The Ministry of Finance projects GDP to grow by 4.0% and 5.1% in 2023 and 2024, respectively.

According to the Business Expectations Survey conducted by the Bank of Botswana, local firms' level of optimism about business conditions in the first quarter of 2023 was the same as in the fourth quarter

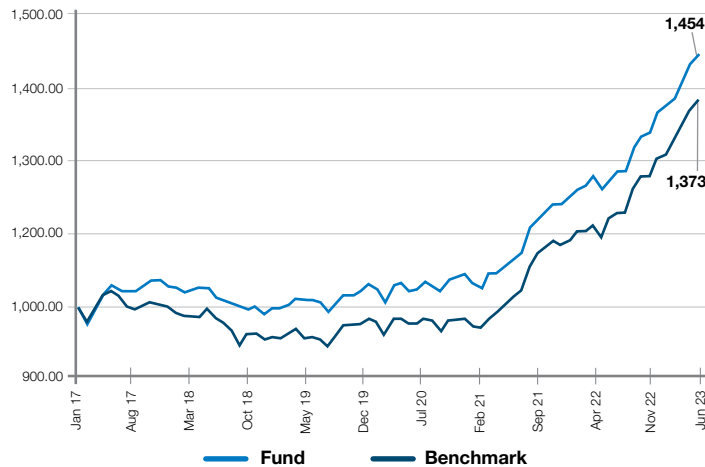
of 2022. Going forward, local businesses expect business conditions to improve further, supported by anticipated further improvement in inventories and production capacity. These improvements mainly reflect the continued domestic economic recovery and the implementation of the expansionary fiscal policy. Improving fundamentals and the improving macroeconomic landscape continue to support the performance of the local equity market. However, local listed firms that derive income from other African regions outside of Botswana continue to face macro-economic headwinds in those regions where GDP growth is anaemic, and inflation remains stubbornly high.

We remain committed to identifying and purchasing well-run, high-quality companies that can provide sustainable positive returns over the long term and are trading below our intrinsic valuations.

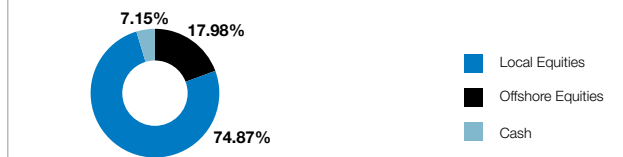
From a global macroeconomic perspective, there was optimism that US inflation will moderate without the Fed engineering a deep recession as interest rates were paused in June with a signal that further rate hikes may be needed in the future. Inflation has remained sticky, particularly in the global context, 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.): 3.02%

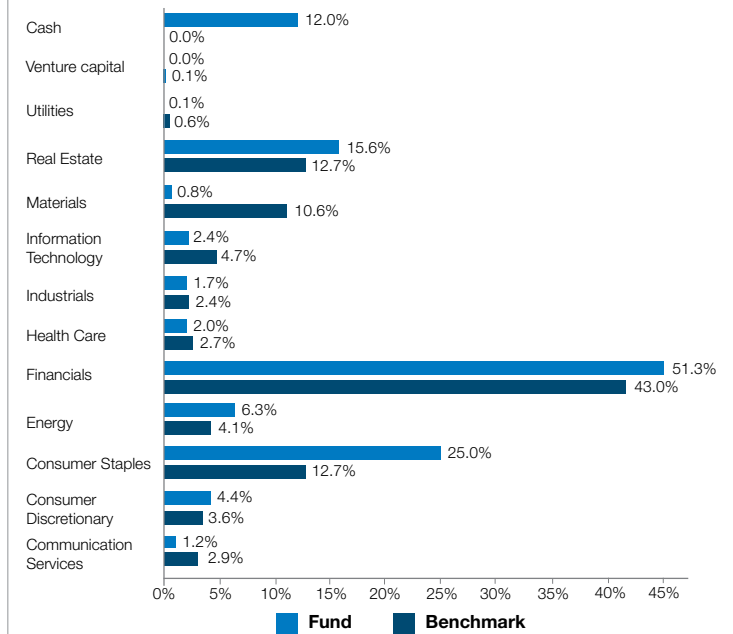
## Cumulative Returns (BWP)



## 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:** BWP20,606,581.06

### Fees

**Initial Fund Fee:** 5%  
**Annual Management Fee:** 2%  
**Fees are shown excluding VAT**

### Risk Profile



### Income Distribution

**Income Distribution Frequency:**  
**Semi-Annual Jun, Dec**

### Contact Details

**Trustees and Custodians**  
**Stanbic Bank Botswana**  
**Private Bag 00168**  
**Gaborone**

### Physical Address

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