

Local Equity Unit Trust Fund

Fund Factsheet | 30th September 2022



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.

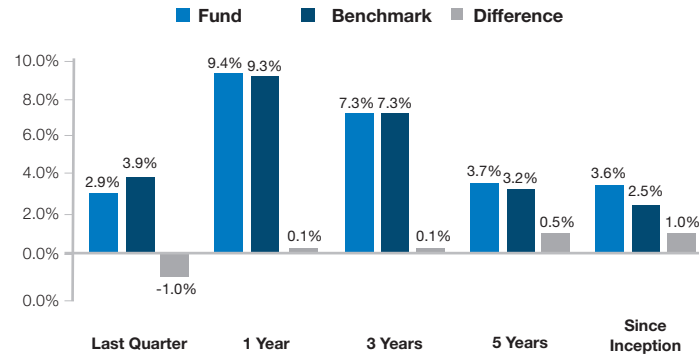
Strategy

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 2.91% over the quarter, underperforming the benchmark return of 3.88% by 0.97%. The Fund's allocation to local equities was positive over the quarter, whilst the Fund's allocation to global equities was negative. Over twelve months, the fund returned 9.40%, outperforming the benchmark return of 9.34% by 0.06%.

Quarterly Commentary

The Local Equity holdings recorded positive performance over the quarter, ahead of their benchmark, while the Offshore Equity holdings reported negative performance, also ahead of the benchmark.

The third quarter of 2022 saw numerous local 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%. Other notable movers over the quarter were CA Sales and NAP which appreciated by 15.07% and by 5.50% respectively.

Over twelve months, the largest share price movements were within the banking sector. FNBB gained 26.51% whilst Stanchart gained 44.50%. Other notable share price movements over the twelve months were Letshego and Letlole La Rona (LLR). Letshego appreciated by 9.32% over the twelve months, while LLR appreciated by 28.33%. We have seen improvements in fundamentals and an increase in earnings for most of the listed stocks buoyed by a rebound from the negative impacts of COVID-19 felt in prior periods. However, local companies face negative macroeconomic headwinds such as rising inflation, supply chain disruptions, and low disposable income, among others, which may negatively impact earnings going forward.

All major developed market equities declined over the quarter. The European energy crisis continued to dominate the headlines in Europe as Russia halted gas flows through the Nord Stream 1 pipeline. However, it was the appointment of the new UK prime minister Liz Truss, that led to unexpected volatility in UK assets. The new government swiftly announced a fiscal package in September, which was poorly received by markets and led to a decline in UK assets. From a style standpoint, the MSCI World Value and Growth indices both declined over the quarter, although Growth stocks fared slightly better due to better performance at the start of the quarter, following a poor year in general.

Market Outlook

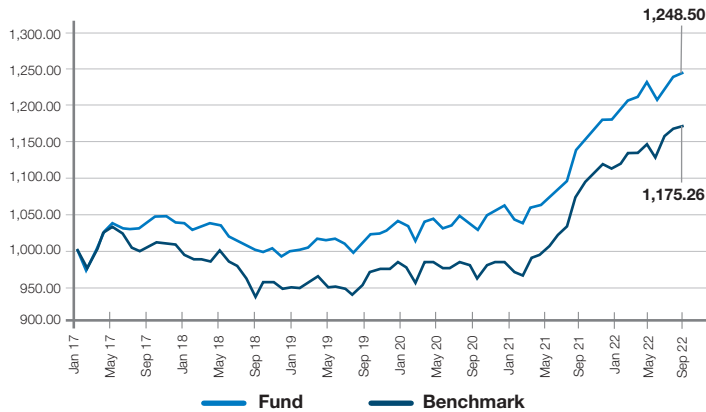
Botswana's Q2 2022 GDP showed a year-on-year increase of 5.6%. Mining, which contributed the most to output (16.7%), continued to be the key force driving the economy in the quarter as international rough diamond demand remained strong over the period. Non-Mining GDP was also positive over the period, increasing by 5.6%. All sectors of our local economy contributed positively to GDP during the quarter.

The Bank of Botswana June 2022 Business Expectations Survey (BES) results signaled a move away from previous optimism as businesses turned pessimistic. The pessimism stemmed from expectations of weaker domestic performance, a general reduction in investments in buildings and PP&E, more expensive and tighter access to credit as monetary policy is restrictive, and continuing cost pressures reflecting elevated fuel prices.

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.): 3.01%

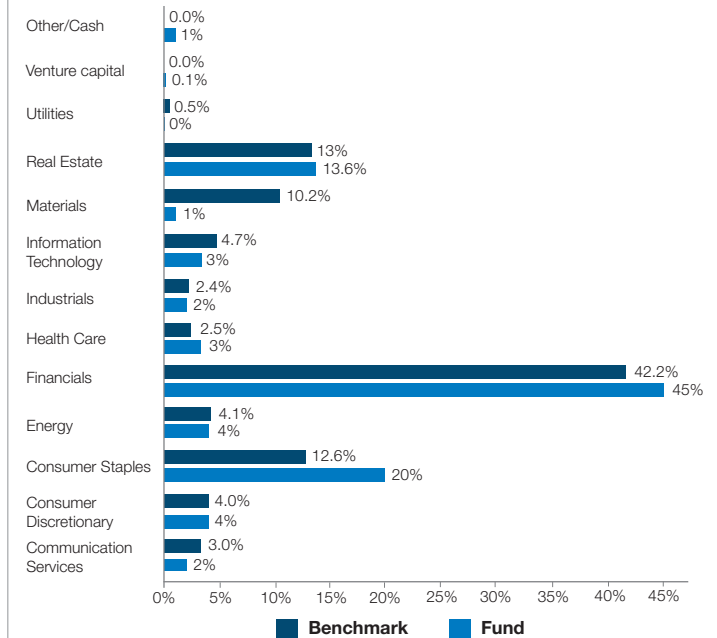
Cumulative Returns (BWP)



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: BWP17,303,754.99

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
Private Bag 00168
Gaborone

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