

Pula Money Market Fund

Fund Factsheet | 30th June 2020



Fund Objective

The Fund aims to provide return and liquidity through allocation mainly to short-term investments. The Fund is relatively low risk and caters for the low risk investor.

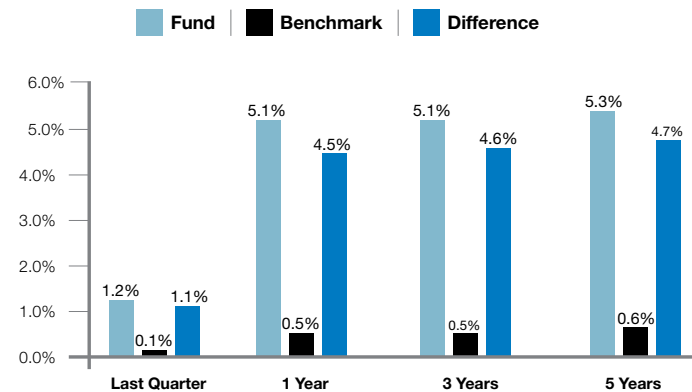
Strategy

The Bifm Pula Money Market Fund invests in Call and Fixed deposits and Treasury Bills. We actively manage the portfolio, by seeking yield assets, without compromising the risk and maturity profile of the fund.

Why Choose This Fund?

This fund is suitable for investors who want relatively high yields but need their funds to remain liquid.

Performance



Performance Review & Commentary

Over the second quarter of 2020, the Fund returned 1.22% significantly outperforming the benchmark return of 0.14%. On a 12-month basis, the Fund returned 5.05%, an outperformance of 452 basis points over the benchmark which returned 0.53% for the same period.

Reinvestment risk continued to be present over the quarter, amidst the lower rates for fixed and other depositary instruments offered by local banks. However, towards the end of the quarter, despite the fact that the banking sector was long liquidity in excess of P1 billion, a number of the local banks were in need of liquidity and thus priced their rates at much higher levels. We took advantage of this window of opportunity to lock in attractive returns with placements across the money market curve.

We do however foresee the reinvestment risk continuing to be present and even worsening into the next quarter, as the central bank is largely expected to maintain or cut the bank rate to counter the economic impact of the COVID-19 pandemic.

To counter this, we continue to focus on yield enhancement opportunities such as commercial papers and placing deposits on the longer end of the money market curve.

Market Overview & Strategy

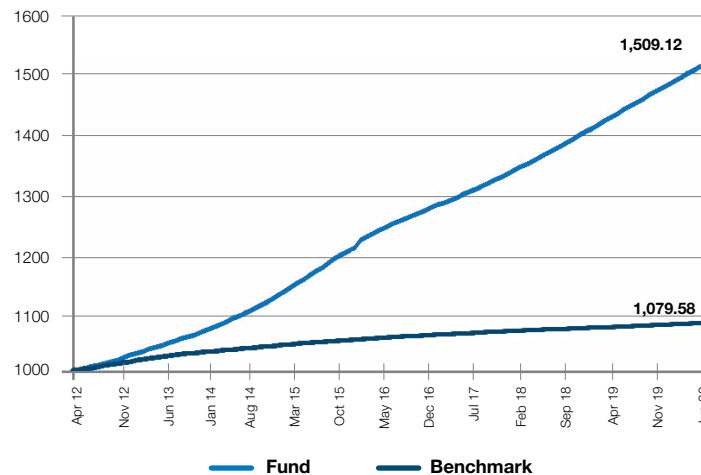
GDP growth for the first quarter of 2020 came in at 2.6% compared to 4.2% in the same quarter in 2019. This was an increase compared to the previous quarter (Q4 2019), during which GDP grew by 1.6%. The increase was attributed to the significant growth in real value added of Water & Electricity, Finance & Business Services and Trade, Hotels & Restaurants industries, which increased by 13.4%, 6.2% and 4.4% respectively.

The Business expectations survey carried out by the Bank of Botswana (BoB) in the 1st quarter of the year indicates that firms expected a deterioration in business conditions over the first two quarters of the year, with the chief concern being a disruption to business operations following the outbreak of the pandemic. Firms however expected business conditions to improve in the 12 months to March 2021.

Headline inflation, which began the quarter at 2.2%, edged to 2.5% in April, 2.4% in May before sharply dropping to 0.9% in June, a new record low in the history of the country. The main driver for the decline was the Transport group, following the relatively large fuel retail pump price reductions effected on the 13th of June 2020. Petrol and diesel prices were reduced by P1.63 and P1.40 per litre respectively. At 23.43%, the Transport group index accounts for the single largest component within the Botswana CPI basket hence the significant influence observed.

At its meeting held on the 30th of April 2020, the Central Bank's Monetary Policy Committee cut the bank rate by 50 basis points to 4.25%. This was on the backdrop of the ongoing COVID-19 pandemic, which has subdued domestic and global economic activity, presenting downside inflation risks and thus

Cumulative Returns (BWP)



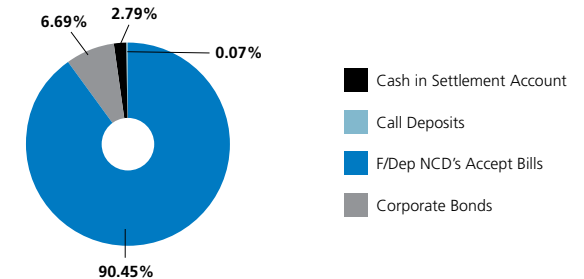
supporting an accommodative monetary policy to support economic activity. The Central Bank is largely expected to announce another rate cut during the remaining period in 2020. The threat of the COVID-19 virus remains, both to human lives and the economy. Owing to the virus, the IMF projects a contraction of the local economy by 5.4% in 2020, whilst the Ministry of Finance and Development's projection sits at a 13.1% contraction. Both estimates are informed largely by the significantly lower diamond revenues and increased government expenditure as the nation battles against the pandemic.

From a bond issuance standpoint, as expected, the Bank of Botswana ramped up on bond issuance. At the June auction, the central bank offered a record high of P1.346 billion (in nominal terms) worth of government bonds versus an average issuance of P500 million in the preceding auctions. Indications are that the central bank will look to maintain these higher levels of bonds offered in the market. The government aims to fund the projected budget deficit for the 2019/20 fiscal year as well as the expected economic recovery package.

Given the economic uncertainties and risks to local enterprises, we will continue to exercise prudence in managing credit assets. We recognize a heightened need to focus on quality credit and entities with strong balance sheet and cash positions, making them capable of weathering the crisis. We aim to opportunistically add to the portfolio duration through increasing exposure to government bonds.

Total Expenditure Ratio (T.E.R.) - 1.34%

Asset Allocation



Quick Facts

Fund Information

Portfolio Manager: Bifm Investments Team
Launch Date: Apr 2012
Minimum Investment: P 1000 lump sum
P 200 debit order
Fund Size: BWP1,680,863,488.56

Fees

Initial Fund Fee: 0%
Annual Management Fee: 1%
Fees are shown excluding VAT

Risk Profile

Low	Low-Med	Med	Med-high	High
●				

Income Distribution

Income Distribution Frequency: Monthly

Contact Details

Trustees and Custodians
Stanbic Bank Botswana
Private Bag 00168
Gaborone

Physical Address

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