



Pula Money Market Fund

Fund Factsheet | 30th September 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.

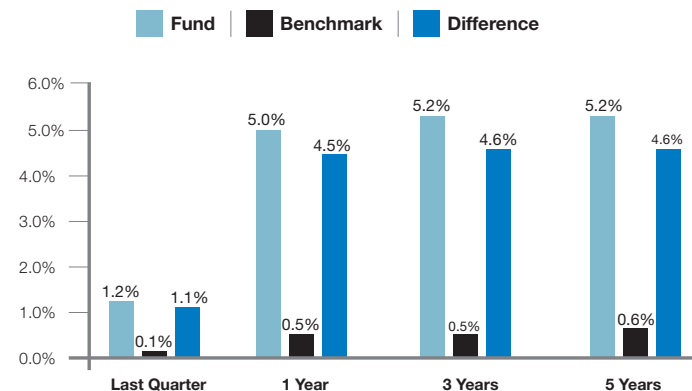
Strategy

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 third quarter of 2020, the Fund returned 1.23% significantly out-performing the benchmark return of 0.13%. On a 12-month basis, the Fund returned 5.01%, an out-performance of 449 basis points over the benchmark which returned 0.52% for the same period.

Performance Review & Commentary

Towards the end of the quarter, despite the fact that the banking sector was long in 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 expect the current lower rate environment to worsen with the central bank decision to cut the bank rate by another 50 Basis points in a bid to counter the economic impact of the COVID-19 pandemic. As a result, the reinvestment risk continues to be present due to the lower rate environment. 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.

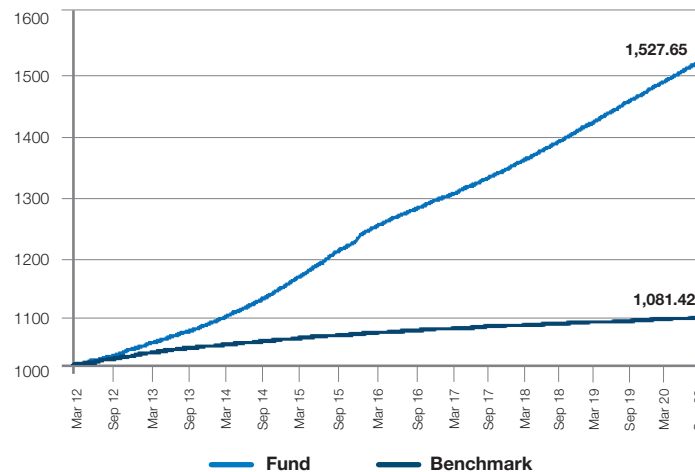
Market Overview & Strategy

Botswana's GDP declined by 24.0% during Q2 2020 compared to an increase of 3.0% in the same quarter of 2019. The steep reduction in the domestic economy was observed across all sectors except Government, Agriculture and Water & Electricity. The poor performance of the economy was mainly due to the impact of measures that were put in place to curb the spread of the COVID-19 pandemic.

The Business Expectations Survey for June 2020 results suggest that firms were less optimistic about economic activity in the second quarter of 2020 compared to the previous quarter. Overall, businesses expected a deterioration in all business condition indicators. Access to credit was anticipated to be much tighter in the domestic market compared to other markets. Meanwhile, firms expected cost pressures to fall significantly in the third quarter of 2020, mainly reflecting the anticipated reduction in costs of wages, transport, rent and materials. Firms also expected inflation to remain stable and within the Bank of Botswana's medium-term objective range of 3% – 6%, in 2020 and 2021.

Headline inflation began the quarter at 0.9% and edged up to 1.0% for both July and August, before rising noticeably to 1.8% in September owing to increase in transport fares and fuel prices during the last month of the quarter. Our expectations for low inflation remain, as we continue to see no potential significant forces for an upswing.

Cumulative Returns (BWP)



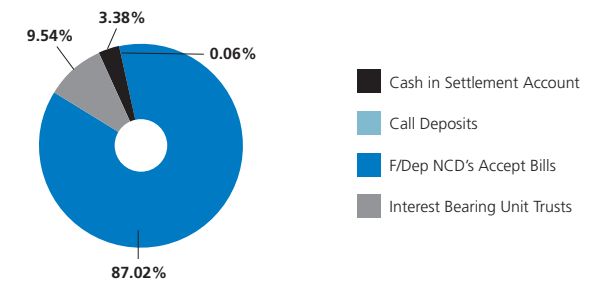
The Bank rate was maintained at 4.25% during the quarter. However, post the quarter-end, the central bank announced a further 50 basis points cut to bring the rate to 3.75%. The central bank cited the adverse impact of the COVID-19 pandemic to the local economy, thus justifying a supportive tone from the Monetary Policy Committee. The rate cut was largely anticipated and priced in by most market participants.

During the period, Parliament approved a proposal by the Ministry of Finance and Economic Development to increase the bond programme limit to P30 billion, from P15 billion. Additionally, we will see an increase in the auction frequency. Both these are welcome developments and thus we expect to see an improvement in secondary market trading activity.

Given the economic uncertainties and risks to local enterprises, we will continue to exercise prudence in managing exposures. We recognize a heightened need to focus on quality and entities with strong balance sheet and cash positions, making them capable of weathering the crisis.

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: BWP1,616,184,954.00

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

Bifm Unit Trusts (Pty) Ltd
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