

Pula Money Market Fund

Fund Factsheet | 31st December 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.

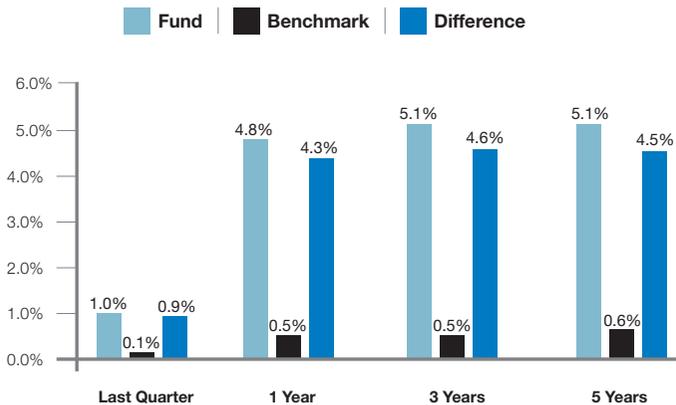
Strategy

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 last quarter of 2020, the Fund returned 1.04% significantly outperforming the benchmark return of 0.13%. On a 12-month basis, the Fund returned 4.79%, an outperformance of 427 basis points over the benchmark which returned 0.52% for the same period.

The stability in the banking sector continues to present local money market investors with few opportunities as liquid banks offer low rates for fixed deposits. This situation was worsened by a 50 basis point rate cut by the Central Bank in October 2020 as a means to support local economic recovery amidst the COVID-19 pandemic. This meant that local banks began quoting even lower on deposits.

That said however, we were able to identify isolated opportunities over the quarter where some banks were in need of liquidity and offered slightly more attractive quotes.

Market Overview & Strategy

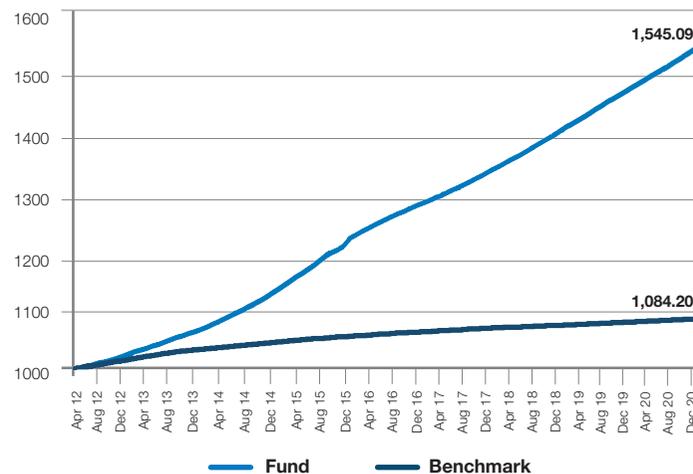
Headline inflation increased from 1.8% at the beginning of the quarter to 2.2% in October and was flat over the remainder of the quarter. Looking into the next year, there is a plethora of factors that could sway inflation to rise. Among them, administered prices, particularly housing stands to influence an uptick in inflation following Botswana Housing Corporation's (BHC) successful request to parliament to increase rentals to reflect current market levels. Electricity tariffs are also scheduled to increase and remain a potential force to drive inflation upwards. The proposed increase in Value Added Tax (VAT) (from 12% to 14%) and introduction of a Sin Tax targeting industries using sugar in production are also poised to contribute to an uptick in local inflation.

During the quarter, the Monetary Policy Committee opted to implement another rate cut (early October) citing the adverse impact of the COVID-19 pandemic to the local economy. The Central bank expects inflation to remain below the objective range of 3% – 6% until Q3 2021 and GDP expected to decline by 8.9% in 2020, thus justifying a supportive tone from the Monetary Policy Committee. The rate cut was largely anticipated and priced in by most market participants.

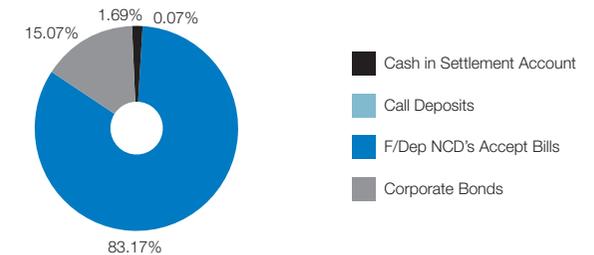
In order to maneuver this difficult environment, we will be looking to focus on the tail end of the money market curve to take advantage of higher rates. Corporate commercial paper remains a viable and attractive yield pick up alternative. As a risk management objective, we will also be strictly monitoring exposures to each counterparty as credit risks are elevated. This will be done through our credit exposure limits per counter as approved by the Credit Committee.

Total Expenditure Ratio (T.E.R.): 1.33%

Cumulative Returns (BWP)



Asset Allocation



Quick Facts

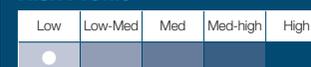
Fund Information

Portfolio Manager: Bifm Investments Team
Launch Date: Apr 2012
Minimum Investment: P 1000 lump sum
P 200 debit order
Fund Size: BWP1,643,162,088.86

Fees

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

Risk Profile



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
Plot 66458, Fairgrounds Office Park
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