

# Pula Money Market Fund

Fund Factsheet | 30<sup>th</sup> June 2022



## 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.

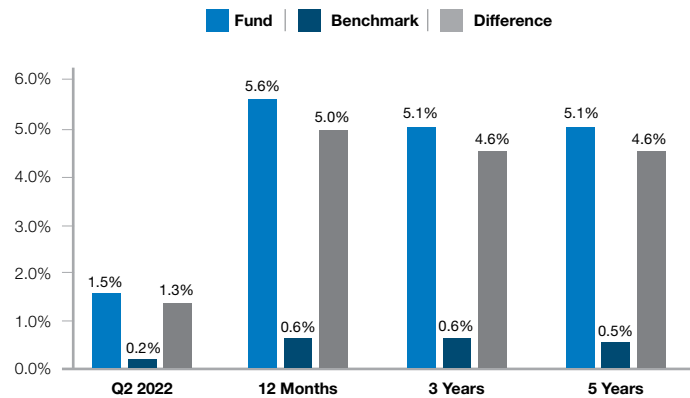
## Strategy

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

Over the second quarter of 2022, the Fund returned 1.51% significantly outperforming the benchmark return of 0.18%. On a 12-month basis, the Fund returned 5.62%, an outperformance of 500 basis points over the benchmark which returned 0.62% for the same period.

## Performance Commentary

Over the quarter, we saw a continuance in the banking sector liquidity squeeze as the Central bank continued to raise funds through the local government bond auctions. This led to increasing competition for deposits amongst the local banks, leading to a notable rise in deposit rates and money market returns. To add to this, the Monetary Policy Committee (MPC) announced two rate hikes during the quarter which saw the Monetary Policy Rate (MoPR) rise to 2.15% (from 1.14%). This led to investors demanding higher returns for their money market investments.

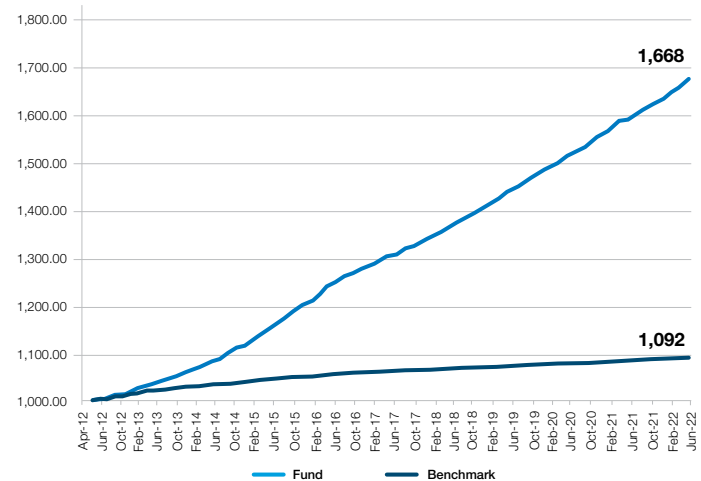
## Market Overview & Strategy

Headline inflation rose persistently over the quarter and rose to 12.7% at the end of June 2022. The common theme for the rise in inflation throughout the quarter was fuel price hikes and bus & taxi fare increases. BERA announced three successive fuel price hikes that led to a significant rise in the Transport group index throughout the quarter. The first of these hikes was at the end of March, followed by another in mid-May and the last adjustment came towards the end of May. These saw the Transport group index rising by 5.7% in April, by 7.3% in May and by a further 3.1% in June. Through rising prices of Oils & Fats, Bread & Cereals and Vegetable sub-indices, the Food & Non-alcoholic beverages group index also contributed to the rise in inflation throughout the quarter.

On the Monetary policy front, following the adoption of the 7-day BoBC rate as the new policy rate (Monetary Policy Rate/ MoPR), the Bank of Botswana hiked the rate twice during the quarter. The first hike was announced on the 28th of April, which effectively increased the MoPR by 51 bps to 1.65%. The second increase of 50bps in the MoPR was announced on the 16th of June, taking the policy rate up to 2.15%. The central bank, in both instances, communicated that the main reason for its decisions, have been to moderate prospects for second round effects and entrenched expectations for higher levels of inflation. The bank expects inflation to taper down gradually and fall within the objective 3-6% range by the 3rd quarter of 2023. This is a slight change from their previous expectations that inflation would fall within the objective range by the first quarter of 2023 and is indicative of the fact that the rise in inflation is stickier than initially expected.

Credit extension grew by a positive 1.04% over the first quarter of 2022 and by 5.96% in the 12 months to March 2022. A notable improvement was observed in the credit extension to firms which grew by 5.81%

## Cumulative Returns (BWP)



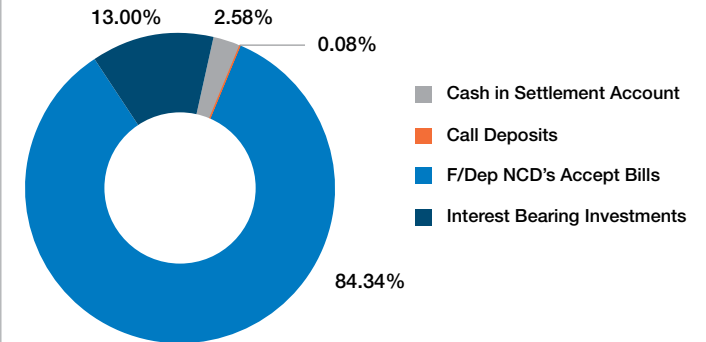
in the period, compared to a growth of only 1.90% in the 12 months to January 2022. This was as a result of an increase in lending to Mining firms, following re-openings and new openings by a number of mining outfits throughout the country. Credit extension to households grew by 6.04% in the 12 months to March 2022 led by personal loans and property loans.

The Bank of Botswana March Business Expectations Survey (BES) results showed a general level of optimism about local business conditions. However, optimism was lower owing to concerns around rising cost pressures, particularly fuel prices and imports as a result of the ongoing conflict between Russia and Ukraine.

We continue to place emphasis on quality credit exposure in midst of the pandemic. We also place focus on duration in an effort to pick up yield whilst consciously monitoring the liquidity of the fund.

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

## Asset Allocation



## Quick Facts

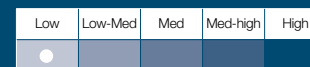
### Fund Information

**Portfolio Manager:** Bifm Investments Team  
**Launch Date:** Apr 2012  
**Minimum Investment:** P 1000 lump sum  
P 200 debit order  
**Fund Size:** BWP1,440,604,349.98

### 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  
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