

Pula Money Market Fund

Fund Factsheet | 30th September 2025



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.

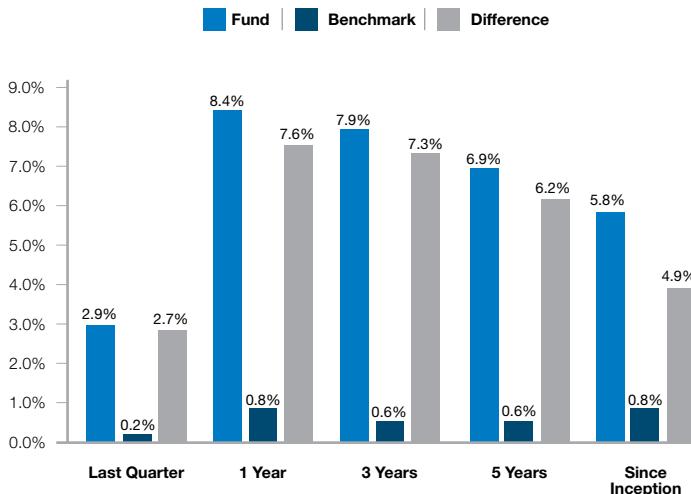
Strategy

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 third quarter of 2025, the Fund returned 2.93%, outperforming the benchmark return of 0.20%. On a 12-month basis, the Fund returned 8.40%, an outperformance of 760 basis points over the benchmark which returned 0.80% for the same period.

Performance Commentary

During the quarter, banking sector liquidity remained tight, forcing banks to continue pricing up deposit rates in a bid to attract funding. Generally, most banks offered double-digit rates for tenors between 1 month to 12 months. Beyond 12 months, banks priced lower to reduce funding costs, as well as anticipation of a decline in rates in the upcoming months. Also, as a cushion, we have seen commercial banks increase their prime lending rates, with the average rate being 7.13% in July. Liquidity constraints are also evident in the Bank of Botswana yield curve, as over the quarter, the 3-month treasury bill rate rose from 3.98% to 6.84% diverging significantly from the Monetary Policy Rate (MoPR) of 1.90% which it should ideally be closely aligned to.

Market Overview & Strategy

The quarterly GDP release by Statistics Botswana showed a contraction of 5.3% in real Gross Domestic Product over Q2 2025, compared to a decrease of 0.4% in the same quarter of 2024. The contraction was attributed to the contraction of real value added for the Diamond Traders, Mining & Quarrying, Water

& Electricity and Manufacturing industries. All other industries recorded growth of more than 1.2% except Construction, with marginal growth of 0.3%. On a quarter-to-quarter comparison, the real GDP decreased by 3.6%.

The Non-mining real GDP increased by 2.8% in Q2 2025 compared to the 4.2% increase registered in the same quarter of the previous year. This remains a key driver of the economy given the slump in the economy's key mineral diamond industry. During the quarter under review, Public Administration & Defence became the major contributor to GDP at 18.2% followed by Wholesale & Retail at 12.3%.

Much in line with consensus expectations, headline inflation, which began the quarter at 2.00%, increased over the quarter to close at 3.70%, bouncing back to within the 3-6% objective range set by the Bank of Botswana for the first time since August 2024. Food & Non-Alcoholic Beverages, as well as Miscellaneous Goods and Services, were the main contributors to inflation over the quarter. The transport sector was the main contributor to inflation during the month of September due to an increase in retail pump prices.

The Bank of Botswana revised its inflation expectations to an average of 3.5% in 2025 and 5.9% in 2026 due to an upside tilt in inflation risk. This is primarily due to market reaction following the recent widening of trading margins of the Pula, which led to an increase in prices of some goods and services, given the high import intensity of the Botswana economy.

Additionally, potential cost-push pressures from an increase in water and electricity tariffs for businesses are anticipated to further elevate the inflation projection. Inflationary pressures could also intensify if international commodity prices rise above forecast, global supply and logistics constraints persist, or if US tariffs exert upward pressure on costs.

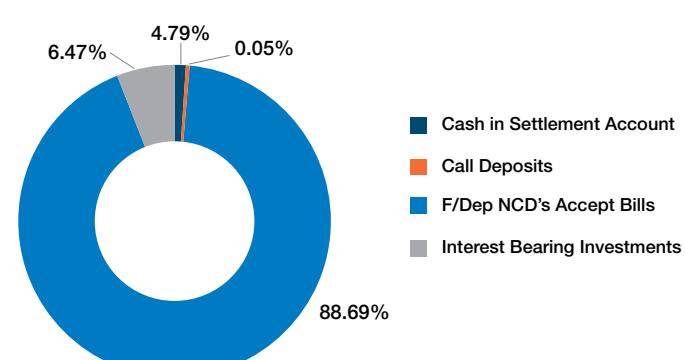
At its meeting held in the last quarter, the Bank of Botswana's Monetary Policy Committee (MPC) maintained the Monetary Policy Rate (MoPR) at 1.9%. This accommodative stance was largely in a bid to stimulate the local economy which is operating below full capacity.

The Botswana economy faces uncharted territory, and over the quarter, S&P Global Ratings lowered its long-term foreign and local currency sovereign credit ratings on Botswana to 'BBB-' from 'BBB-' with a negative outlook. The shortlisted projects from the Botswana Economic Transformation Programme will be a key event to monitor in terms of economic transformation.

Furthermore, the funding mix between government and private stakeholders for these projects will be key, as heavy reliance on the government may lead to further balance sheet erosion and increased debt borrowing.

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

Asset Allocation



Cumulative Returns (BWP)

