



Pula Money Market Fund

Fund Factsheet | 31st March 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.

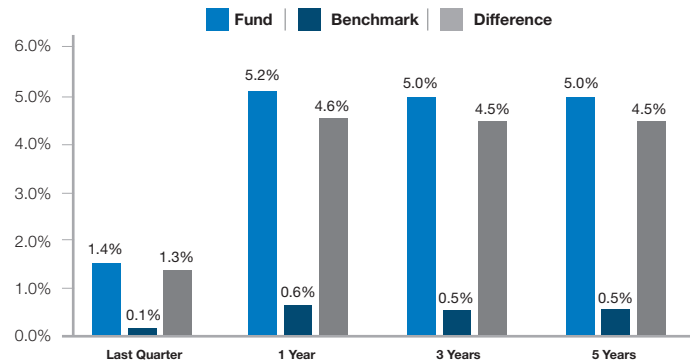
Strategy

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 first quarter of 2022, the Fund returned 1.42% significantly outperforming the benchmark return of 0.15%. On a 12-month basis, the Fund returned 5.22%, an outperformance of 464 basis points over the benchmark which returned 0.58% for the same period.

Performance Commentary

The tight banking sector liquidity environment observed in the last quarter of 2022 prevailed during the first quarter of 2022, with banks competing aggressively for deposits amid growing demand for credit as the country continues to emerge from the COVID-19 pandemic and its effects on economic activity. Over the three months to January 2022, credit extension grew by 4.56% with lending to both households and firms registering positive growth at 5.97% and 1.90% respectively. The bond issuances by the Central Bank, which mop up liquidity in the market also contributed to the tightening of liquidity. Short-term (Money market) investors, therefore, enjoyed higher yields over the quarter with average deposit rates rising considerably during the period.

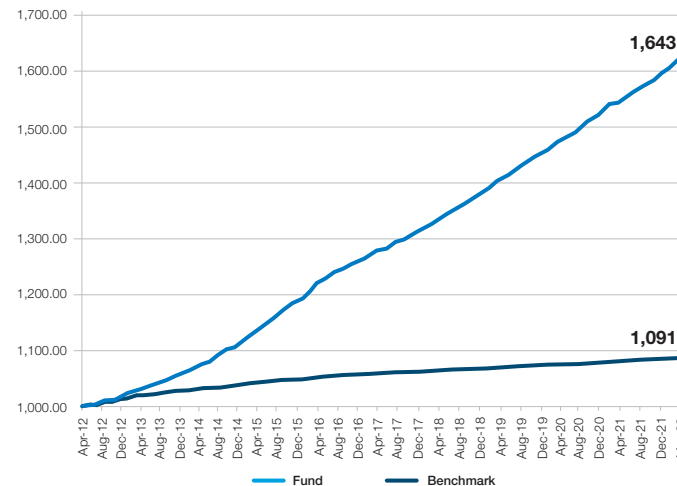
Market Overview & Strategy

Headline inflation continued to rise during the quarter under review. Having opened the quarter at 8.7%, inflation rose to 10.6% in January, largely on the back of lagged effects of the fuel pump price hikes of retail pump prices for petrol (95) by P1.65 and diesel (50ppm) by P1.75 per liter, effected on the 20th of December 2021. Additionally, January 2022 saw upward adjustments in Minibus and Taxi Fares from P5.00 to P6.00 and P6.00 to P7.00, respectively. These saw the Transport sector being the main driver of the rise in inflation in the month of January. In February, inflation remained flat at 10.6%, supported once again by the Transport sector following a 2.3% growth in the section index of Purchase of Vehicles. In the last month of the quarter, inflation slowed down to a 10.0% as all group indices were generally moving at a stable pace month-on-month. The Food & Non-Alcoholic Beverages group index rose by 0.6% during the month, flowing a general increase in constituent indices, particularly Oils & Fats (1.4 %), Vegetables (0.7 %), Bread & Cereal (0.7 %) and Meat (Fresh, Chilled & Frozen) (0.7 %). On the back of observed near-term upward risk factors, we maintain our view that inflation is likely to remain elevated for much of the year before declining steadily towards the latter part of the year.

The Bank of Botswana (BoB) Monetary Policy Committee (MPC) opted to maintain the Bank rate at 3.75%, reaffirming their position of a transitory inflation which despite overall upside risks, is moderated by a high possibility of weak domestic demand and dampened productivity on the back of supply-chain bottlenecks and capacity constraints in implementing the Economic Recovery & Transformation Plan. In the same month, the MPC announced several changes aimed at enhancing monetary policy transmission. Key points from the announcement and subsequent engagements between the Central Bank and Bifm are as follows:

- The Bank will adopt the 7-day BoBC as the anchor policy rate (in place of the Bank Rate).
- This new policy signalling rate will be called the Monetary Policy Rate (MoPR).
- The Bank emphasized that this is a change in the policy framework and should not be read as a change in the policy rate unless the MPC announces such a decision on the 28th of April 2022.
- With the change, local commercial banks will be allowed to set their own prime lending rate (PLR), however, to ensure a smooth transition and fair treatment of existing products/financial contracts referencing the PLR, for 12 months (up to 31st March 2023), the PLR should not exceed the current 5.25% unless in the instance of an adjustment in the MoPR.

Cumulative Returns (BWP)

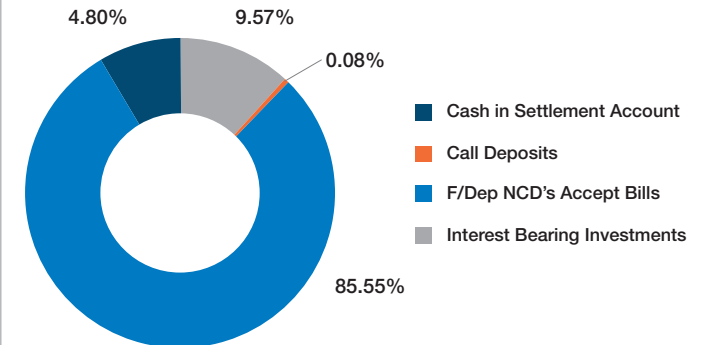


- The Bank is considering periodically publishing a market PLR made of the average of the individual commercial banks' PLRs.
- For market liquidity management, the Bank will establish an interest rate corridor, made of the Standing Deposit Facility at 100 bps below the new anchor policy rate and a Standing Credit Facility at 100 bps above the new anchor policy rate.
- The current Credit Facility (which kicks in automatically at the end of the day for any bank that fails to cover its positions at the end of the day), will be retained and in the current market environment, the margin on the facility will be set above the policy rate.
- For price discovery and liquidity development at the short end of the curve, the Bank will introduce a 1-month BoBC as there is currently no 90-day T-Bill. In the future, however, should the government introduce a 90-day T-Bill, this will be discontinued.
- The changes will take effect on the 28th of April after the MPC meeting to be held on the day.

Over the three months to January 2022, credit extension grew by 4.56%, slowing down from 5.89% in the previous three months period. Credit extension to households led the growth, registering a 5.97% increase whilst extension to firms grew by only 1.90%. Within firms, credit extension to Business Services, Finance and Real Estate firms grew by 23.90%, 14.74% and 9.59% whilst extension to Mining, Electricity & Water and Parastatals contracted by 41.37%, 33.61% and 8.24% respectively.

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: BWP1,532,406,394.06

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
Plot 66458, Fairgrounds Office Park
Gaborone, Botswana

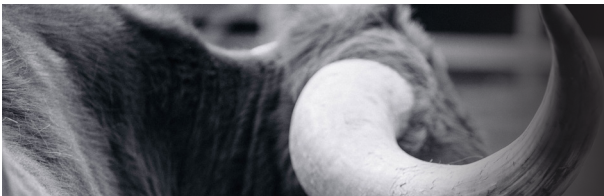
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