

Pula Money Market Fund

Fund Factsheet | 30th September 2021



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.

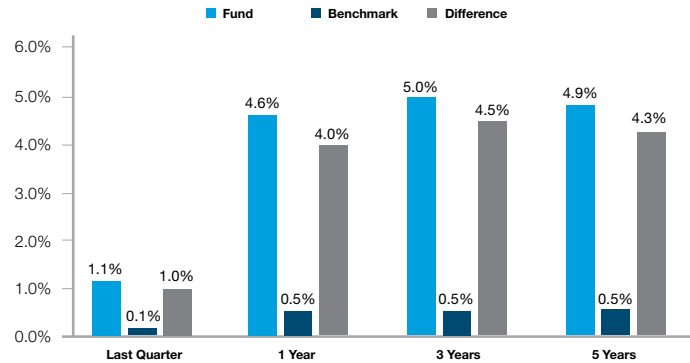
Strategy

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 2021, the Fund returned 1.13% significantly outperforming the benchmark return of 0.15%. On a 12-month basis, the Fund returned 4.55%, an outperformance of 401 basis points over the benchmark which returned 0.54% for the same period.

Performance Commentary

The decline in banking sector liquidity observed at the dawn of Q2 persisted over the third quarter of 2021. This follows a substantial amount of liquidity mopped up by the Central Bank through increased bond issuances. The lag in expenditure following the auctions meant that the funds were not reinjected back into the banking sector and as a result, the sector found itself with a decreasing liquidity position throughout the quarter. This was positive for money market investors as competition for deposits became stiffer and thus banks started quoting higher rates in a bid to attract funding.

Market Overview & Strategy

Headline inflation which began the quarter at 8.2% rose to 8.9% in July and edged slightly down to 8.8% in August before dropping further down to 8.4%, as the 'April' effect began to dissipate from the inflation numbers. Our expectations for upside inflationary pressures materialized in part as we saw another round of fuel pump price hikes domestically. The Botswana Energy Regulatory Authority (BERA) responded to the misalignment between domestic and international oil prices.

On the Monetary policy front, at the last meeting held on the 19th of August 2021, the Monetary Policy Committee (MPC) decided to maintain the bank rate at 3.75%, citing that although overall risks to inflation

outlook are tilted to the upside, they are moderated by a high possibility of weak domestic demand, a slow vaccine rollout and a possibility of a drop in international commodity prices, which could all result in lower domestic inflation. The Bank of Botswana maintains expectations for the inflation to trim down and return to the 3-6% objective range by the end of Q2 2022.

Over the three months to July however, credit extension to firms was ahead at 4.14% vs 1.70% growth in credit extension to Households. This was on the back of corporates returning to growth pursuits as sentiment improved with the government easing restrictions. Growth in lending to Parastatals, Mining and Manufacturing led the improved credit extension to firms, at 35.91%, 29.21% and 10.42% respectively.

Within the primary bond market, the monthly government bond auctions dominated issuances during the period, albeit with relatively lower amounts on offer compared to the previous quarters and no corporate bond listings in the period. The government secured various foreign funding facilities being P2.6 billion

from the World Bank in June and P3.02 billion from the IMF through Special Drawing Rights (SDR) reserves in August. These facilities then reduced the reliance on the domestic funding needs. Market participation levels at the auctions remained low, indicating an excess supply of government bonds. The central bank had a lower propensity to accept aggressive bids and thus rates only edged up slightly from the previous quarter and somewhat stabilized.

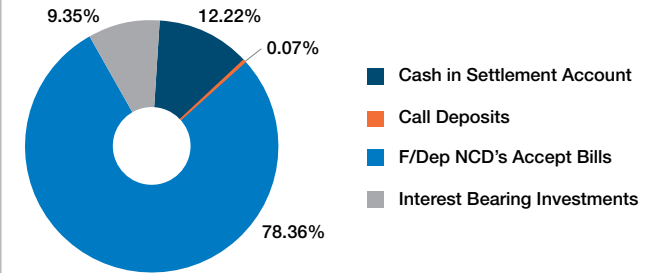
The Bank of Botswana September Business Expectations Survey (BES) results showed less pessimism amongst firms as containment measures (at least the stringent ones like a complete lockdown) appeared to be in the rear-view mirror. Despite the lower pessimism, firms continued to have expectations of input cost pressures as well as a tight credit market in the midst of continued uncertainty.

The central bank purports that the current surge in inflation is transient and is expected to revert to within the objective range in the second quarter of 2022. The central bank projects that the local economy will continue to operate below full capacity in the short to medium term and thus will likely not generate any lasting inflationary pressures and thus from their perspective, there is no compelling need for a monetary policy response.

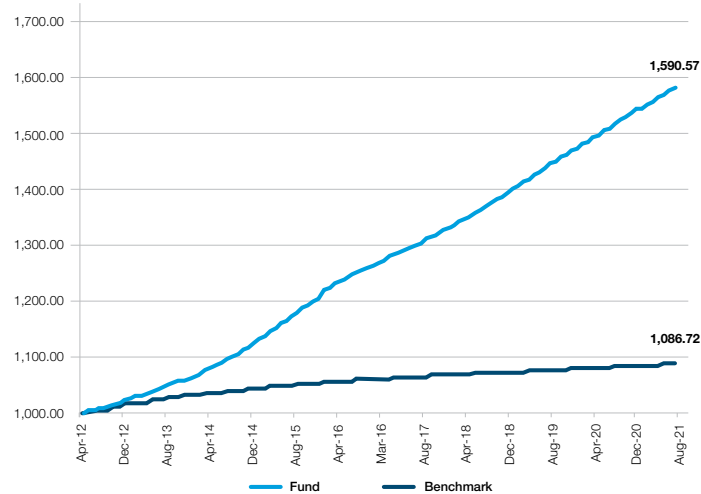
We continue to place emphasis on quality credit exposure in midst of the pandemic. We also place focus on duration in an effort to pick up yield whilst consciously monitoring the liquidity of the fund.

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

Asset Allocation



Cumulative Returns (BWP)



Quick Facts

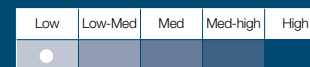
Fund Information

Portfolio Manager: Bifm Investments Team
Launch Date: Apr 2012
Minimum Investment: P 1000 lump sum
P 200 debit order
Fund Size: BWP1,746,033,148.12

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
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