

Pula Money Market Fund

Fund Factsheet | 31st December 2023



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.

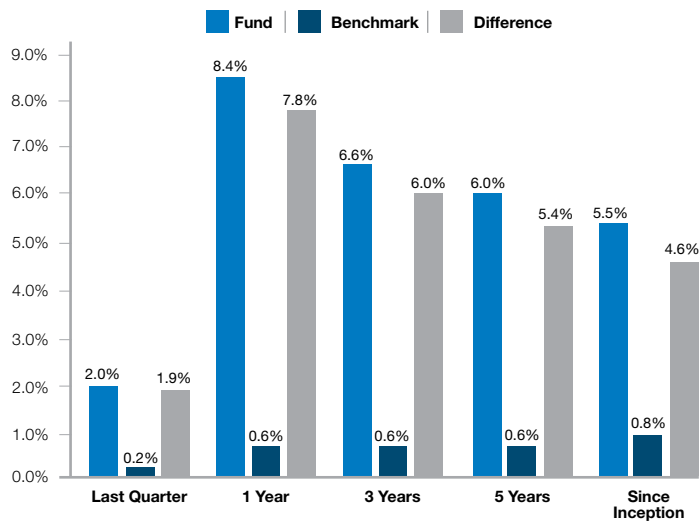
Strategy

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 last quarter of 2023, the Fund returned 2.04%, outperforming the benchmark return of 0.15%. On a 12-month basis, the Fund returned 8.39%, an outperformance of 778 basis points over the benchmark which returned 0.61% for the same period.

Performance Commentary

Banking liquidity remained strong over the quarter with December 2023 liquidity ending at P3.1 billion. This was largely driven by the increased end of year activities which resulted in commercial banks maintaining higher liquid assets in order to address the festive liquidity demands. In addition, on 7 December 2023, the central bank reduced the Monetary Policy Rate by 25 basis points currently at 2.40%. As a result, the 7-day BoBC rate decreased from 2.65% to 2.40%. Botswana Treasury Bills (T-Bills) on the other hand reported a marginal decline in yields leading to the final T-Bill auction of the year. As a result of these developments, we observed continued pressure on money market yields offered by commercial banks and non-bank institutions due to the lower interest rate environment.

Market Overview & Strategy

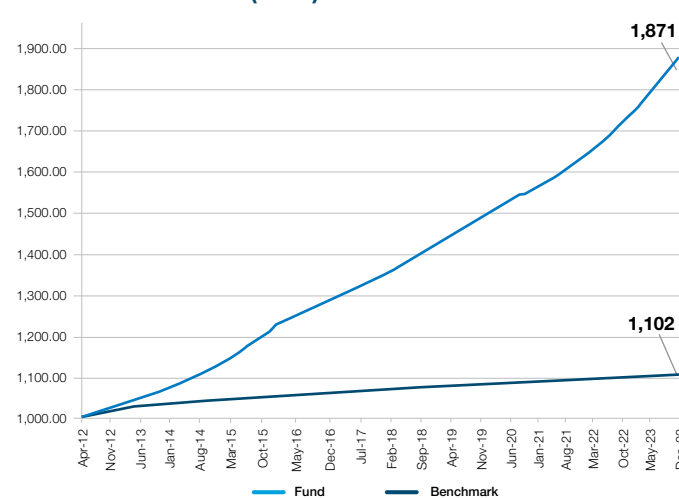
The Q3 2023 Gross Domestic Product (GDP) publication by Statistics Botswana (StatsBots) reported a continued (and frankly expected) slowdown in local output. During the 3rd quarter of 2023, real GDP rose by 0.5%, as opposed to an increase of 5.0% in the same quarter of 2022. The slowdown is largely attributable to a continued trend of weak international demand for rough diamonds which saw a contraction in output from Diamond Traders of 22.4%. This also led to DeBeers's sales from sight-holders

declining for an eighth consecutive cycle in September, hitting the lowest point recorded in the year. As a result, DeBeers decided to cancel the remaining two online rough auctions scheduled for the year in a bid to stabilize the slow market.

On the back of the woes noted in rough diamond sales, Mining and Quarrying dropped to the second largest contributor to GDP (at 14.4%) with the leading contributor being the Public Administration & Defence (at 17.3%) sector, which rose by 6.4% in real value over the period owing to a 7.7% increase in compensation of employees during the period. The IMF and the Ministry of Finance project growth to continue declining and settle at around 4% in the medium term. Though this projection continues to fare higher than global growth at approximately 3% by 2024, it remains below the required annual growth of 5.7% to propel the country into a high-income status by 2036.

Headline inflation stabilized over the quarter, printing at levels of 3.1%, 3.9%, and 3.5% in October, November, and December respectively. Despite the stability in the headline figure, there was some volatility observed particularly in the Transport index level as there was an increase in petrol and diesel

Cumulative Returns (BWP)



prices on the 25th of October which was countered by reductions on the 15th on November and the 20th of December respectively.

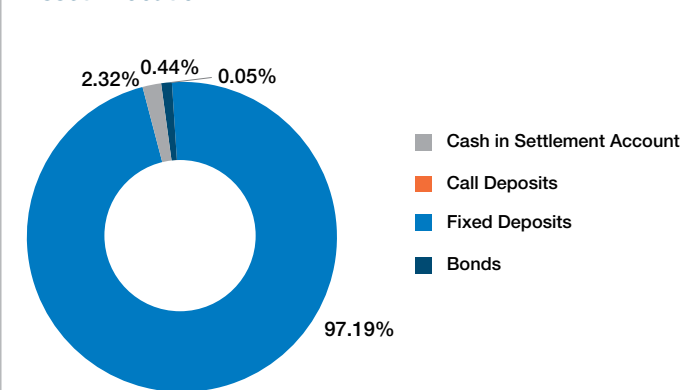
Given the recent trends wherein the Botswana Energy Regulatory Authority (BERA) has adjusted retail fuel pump prices on a monthly basis, we expect the Transport sector (which is the highest weight in the CPI basket at 23.43%), to drive higher month-on-month fluctuations in headline inflation going forward. The Bank of Botswana forecasts that inflation, which averaged 5.2% in 2023 to drop to an average of 4.9% by 2024.

At the press briefing following its meeting held on the 7th of December 2023, the BoB's Monetary Policy Committee (MPC) announced a 25 basis points rate cut in the Monetary Policy Rate (MoPR) to 2.40%. The announcement came as a surprise to market players as the consensus expectation was that the MPC would maintain a steady hand and keep the rate unchanged.

The MPC noted that inflation had declined and was expected to remain range-bound. The Committee also noted the slowdown in GDP growth on the back of lower diamond sales as well the growth-enhancing economic transforming reforms and supportive macroeconomic policies being implemented in the country, all of which informed the decision to cut the rate.

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

Asset Allocation



Quick Facts

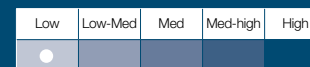
Fund Information

Portfolio Manager: Bifm Investments Team
 Launch Date: Apr 2012
 Minimum Investment: P 1000 lump sum
 P 200 debit order
 Fund Size: BWP2,356,211,681.51

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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