

VUNANI

FUND MANAGERS

VUNANI BOTSWANA INCOME FUND FACT SHEET

FUND INFORMATION UPDATE AT 30 SEPTEMBER 2021

WHAT IS THE FUND'S OBJECTIVE?

The objective of the fund is to provide investors with a reasonable level of current income while maintaining stability for capital invested.

WHAT DOES THE FUND INVEST IN?

The fund invests in a wide range of fixed income securities, non-equity securities, preference shares, debentures and unsecured notes. The fund invests locally and regionally. The primary offshore investment destination is South Africa.

WHO SHOULD CONSIDER INVESTING IN THIS

The fund is designed for both retail and institutional investors who require alternative short-term diversification which will provide yield enhancement.

POSSIBLE RISKS ASSOCIATED WITH THIS FUND

The possible risks associated with this portfolio include general market and economic risks, interest rate risk, bond yield fluctuations and currency risk.

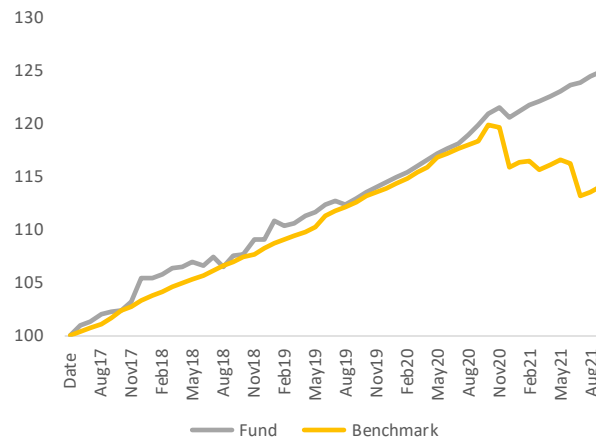
The fund has exposure to a moderate amount of risk for an increase in potential income.

PERFORMANCE

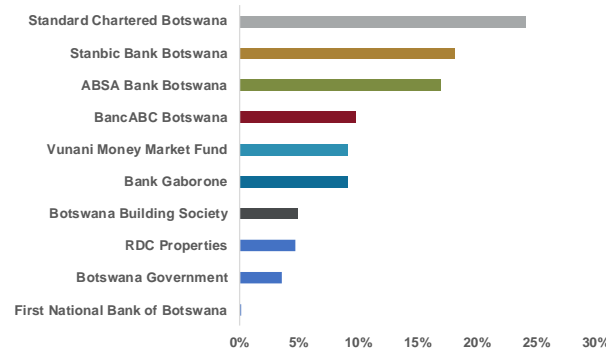
Returns (%)	3 months	1 yr	3 yrs
Class A			
Return	0.74	2.39	3.50
Benchmark	-1.81	-3.61	2.19

Returns shown are cumulative for all periods shorter than or equal to 1 year, and annualised for all periods greater than 1 year.

CUMULATIVE PERFORMANCE



TOP 10 ISSUER EXPOSURE



GENERAL FUND INFORMATION

Fund managers Tshephang Loeto & Chandapiwa Moampe
Fund size (P) 93.8 million
Fund class B1
Inception date 25 May 2017

Classification Africa Fixed Interest
Benchmark 90% x Botswana Bond Index + 10% x Botswana Average Call Rate + 2%

ISIN number ZAE000235057
Alpha code SBIFB1

Minimum investment requirements

Lump sum P100,000
Monthly N/A

RISK PROFILE

Conservative	Moderately conservative	Moderate	Moderately aggressive	Aggressive
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FEES

MAXIMUM CHARGES (INCL. VAT)

Initial fee (manager)	0.000%
Initial fee (adviser)	0.684%
Annual fee (manager)	1.140%
Annual fee (adviser)	0.285%
Performance fee	0.000%

ANNUAL COST RATIOS (INCL. VAT)

Base period	01/10/2018
TER	1.52%
TC	0.03%
TIC	1.54%
1 year TER	1.80%

Total expense ratio (TER): shows the charges, levies and fees relating to the management of the portfolio (expressed as a % of the average net asset value of the portfolio. A higher TER does not necessarily imply a poor return, nor does a low TER imply a good return. The current TER should not be regarded as an indication of future TERs.

Transaction costs (TC): shows the % of the value of the fund incurred as costs relating to buying and selling of the fund's underlying assets. TC are a necessary cost in administering the fund and impacts fund returns. It should not be considered in isolation as returns may be impacted by many other factors over time including market returns, the type of fund, investment decision of the investment manager and the TER.

Total investment charges (TIC): the sum of TER and TC, shows the % of the value of the fund incurred as costs relating to investment of the fund. It should be noted that performance figures account for all costs included in the TIC ratio, so you should not deduct the TIC from performance figures, the performance is already net of the TIC.

INCOME DISTRIBUTION

Net income is calculated and accrued daily and is declared and distributed quarterly.

Declaration: 28 February, 31 May, 31 August, 30 November

DISCLOSURE

Collective Investment Undertaking (CIUS) are generally medium to long term investments. The value of the units may go up or down, and past performance is not necessarily a guide to future performance. Unit trusts (UTs) are traded at ruling prices and can engage in borrowing and scrip lending.

The Vunani Botswana Money Market Fund is a portfolio of the Vunani Fund Managers Unit Trust Scheme (the Scheme), which is licensed in terms of the Collective Investment Undertakings Act, 1999 (as amended). The manager of the Scheme is Vunani Fund Managers (Pty) Ltd (the Manager). The Manager is licensed by the Non-bank Financial Institutions Regulatory Authority (NBFIRA), Certificate No. CIU/06, to carry out the business of a Unit Trust Management Company in the Republic of Botswana. The investments of this portfolio are managed by the Manager.

The Manager is licensed by NBFIRA, Certificate No. NBFIRA 10/3/13/II, to carry out the business of an asset manager in the Republic of Botswana. Prices are calculated and published on each working day and are available on the Manager's website (www.vunanifm.co.bw). This portfolio is valued at 15h00. Forward pricing is used. Investments and repurchases will receive the price of the same day if received prior to 12h00.

This is a portfolio that derives its income primarily from interest-bearing instruments. The yield (if shown) is a current effective yield and is calculated daily.

All performance returns quoted are shown in BWP and are based on data sourced from Morningstar/StatPro. Annualised return figures are the compound annualised growth rate (CAGR) calculated from the cumulative return for the period being measured. These annualised returns provide an indication of the annual return achieved over the period had an investment been held for the entire period. Actual annual figures are available on request from the Manager. Portfolio performance figures are calculated for the relevant class of the portfolio, for a lump sum investment, on a NAV-NAV basis, with income reinvested on the ex-dividend date. Individual investor performance may differ due to initial fees, actual investment date, income and dividend reinvestment dates, withholding tax. Portfolio performance accounts for all costs that contribute to the calculation of the cost ratios quoted, all returns quoted are after these costs have been accounted for.

Additional information including but not limited to, prospectus, brochures, application forms, quarterly reports, can be obtained (at no cost) from the Manager and/or from the Manager's website (www.vunanifm.co.bw).

FUND REVIEW

The Fund closed the third quarter on a market value of BWP 93.8 million from BWP 85.9 million at the end of Q2-2021. The fund outperformed its benchmark over the quarter, explained by a significant yield contribution and relatively better capital returns.

MARKET OVERVIEW

Year-on-year real GDP bounced back in Q2 2021 recording a growth of 36.0%, this is in comparison to the sharp contraction of 26.0% in the same quarter of 2020. This growth was recorded to be the highest recently and was also expected given the softer base period used in the calculations when economic activity was practically halted. The recovery in the local economy continues to pick up pace with most sectors showing growth. The improvement was evidenced in most sectors except for a few, across the sectors was a clear reflection of the reopening efforts as the economy continues to move gradually out of the COVID-19 restrictions and subsequent relaxation thereof. On a quarter-on-quarter comparison, the domestic economy increased by a marginal 0.2% during the second quarter. Non-mining GDP increased by 20.2% versus a contraction of 16.0% in the same quarter of 2020.

The biggest contributors to GDP were the Public Administration and Defence, Mining and Quarrying, Wholesale and Retail and construction at 18.5%, 14.2%, 11.6% and 11.3% respectively. Diamond production went up by 202.8% attributable to positive price appreciation for the precious stones and increasing rough diamond demand on the back of the global recovery.

Consumer inflation continued its upward trajectory recording another 100-month high of 8.8% in August and then dropping to 8.4% in September 2021, overall inflation averaged 8.7% in Q2 2021. The upward inflationary pressures seen over the past few months have come from an increase in the local fuel prices which had a direct effect on the largest index constituent – Transport. Domestic Bonds finished the quarter in negative territory, with a decline of 2.1% as measured by the Fleming Aggregate Bond Index (FABI).

OUTLOOK

Bond market performance has been significantly challenged over the past 12 months, with the FABI returning -1.9% in the 1 year to Q3 2021. Yields continued to rise given a change in inflation expectations market wide. The recent spike in inflation spooked bond investors resulting in negative bond returns over a 12-month period. We expect returns from the asset class to be muted in the short to medium-term with a possibility of capital losses being incurred especially in government bonds, ultimately stabilizing as inflation expectations start to moderate. We evidenced an upward movement in the pricing of money market instruments generally across the industry. This was attributable to liquidity squeezes within the banking sector, these yield accretive opportunities presented themselves and were duly taken advantage of.

Headline inflation is forecast to continue being above the upper bound in the near term and only expected to return into the objective range during the second quarter of 2022 as base effects of the recent increases start to fall off. Ultimately, we expect the Bank of Botswana to remain accommodative. We maintain that it will still take the country a period of two to three years to recover the economic output that was lost. The Minister of Finance has revised 2021 growth from 8.8% to a much stronger 9.7% owing to technical reasons after the change of the base year coupled with a stronger than anticipated performance of the mining sector. IMF also revised growth upwards to 9.2%. Despite this, the budget deficit is expected to widen from 2.8% to 3.9% as expenditure pressures continue to mount, necessitating the need for government to keep borrowing.

CONTACT DETAILS

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