

# VUNANI

## FUND MANAGERS

### VUNANI BOTSWANA INCOME FUND FACT SHEET

#### FUND INFORMATION UPDATE AT 30 SEPTEMBER 2022

#### 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.

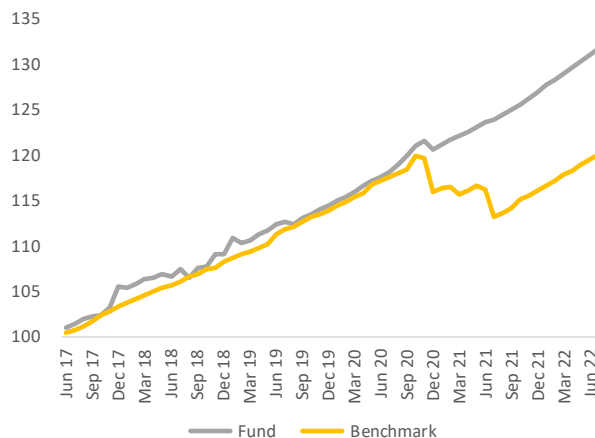
The fund has exposure to a moderate amount of risk for an increase in potential income.

#### PERFORMANCE

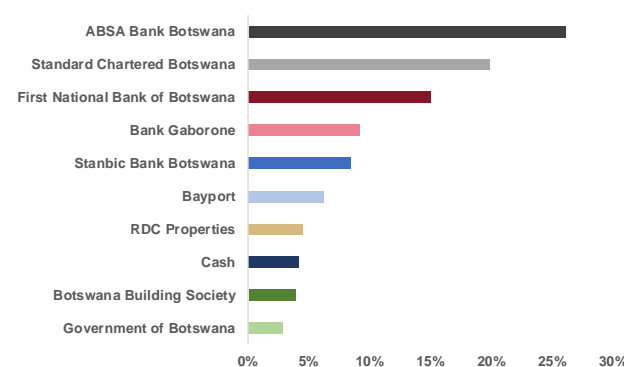
Returns (%)	3 months	1 yr	3 yrs	5 yrs
<b>Class A</b>				
Return	1.36	5.19	4.05	3.85
Benchmark	1.34	6.10	2.44	3.55

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** Teko Mmolawa & Chandapiwa Moampe  
**Fund size (P)** 130.8 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	<b>Moderately conservative</b>	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	01/10/2019
TER	1.53%
TC	0.00%
TIC	1.53%
1 year TER	1.39%

**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

## FUND REVIEW

The Fund ended Q3 2022 with a market value of BWP 130.8 million from BWP 148.2 million at the end of Q2 2022. Sector allocation and yield enhancement continue to be the key drivers of outperformance versus the benchmark.

## MARKET OVERVIEW

The annual inflation print averaged 14.2% during Q3 2022, up from 11.4% in Q2 2022, and 10.4% in Q1 2022. Key to the increase has been the Transport index, which has been driven by retail fuel pump price adjustments. Core inflation (excluding energy, food and administered prices) has remained at 8.0% for the three months to October 2022. Both headline and core measures have printed consistently above the Bank of Botswana's (BoB) 3% to 6% target since the early parts of 2021. Although the headline inflation figure has since dropped to 13.1% in October 2022, after reaching 14.6% in August 2022, the risks of entrenched inflation expectations have increased. The Q3 2022 Business Expectations Survey (BES) from the BoB points to firms' expectations of domestic inflation increasing compared to the prior survey. Local companies now expect inflation to average 12.5% in 2022 (from 8.5% in the prior survey) and 10.5% in 2023 (from 7.9% in the prior survey).

Real GDP was up 5.6% year-on-year (y/y) in Q2 2022, but down 1.5% quarter-on-quarter (q/q). The mining & quarrying sector declined 3.4% y/y and 10.1% q/q as diamond and gold production dropped 4.3% and 8.3% respectively. Notably the non-mining sector grew 5.6%, supported by 7.6% and 4.6% growth in household and government spending respectively. Of concern was the 4.6% decrease in gross fixed capital formation or business investment.

Higher input costs and supply chain issues are likely factors still impacting the ability of businesses to invest in buildings, plant, machinery and equipment. The broader economic recovery is however still under way, with economic activity now 6.4% ahead of its Q1 2020 level.

The Government yield curve was up between Q2 2022 and Q3 2022. The 3-month, 6-month and 12-month T-bill rates rose 128bps, 176 bps, and 131 bps respectively. In contrast the 9-year, 18-year and 21-year bond rates increased respectively by 8bps, 23 bps and 30 bps.

## OUTLOOK

The FABI returned 1.42% during Q3 2022. It is up 7.8% from its post-pandemic low in July 2021. Most of the recent movement in yields has been in short-dated maturities, which has provided relatively better price stability. We expect this to continue, as it appears the Government has been more price sensitive at its debt auctions.

Our expectation is for inflation to continue printing above the BoB's 3% to 6% objective range for the rest of 2022 and well into 2023. The path will largely depend on the trajectory of global oil prices, and any subsequent adjustments by the Botswana Energy Regulator (BERA). In September and October BERA reduced fuel prices, reversing some of the upward adjustments they had made since July 2021. The Bank held its policy rate at 2.65% during its October meeting after the September fuel price adjustments brought inflation down from 14.6% in August 2022 to 13.8% in September 2022. This suggests that the November 2022 print will be lower given that the October 2022 fuel price reductions were larger than the September ones.

Real GDP growth is projected at 4.2% for 2022 and 4.1% for 2023 by the Government. Key to this will be continued strength in the diamond sector, fiscal spending, and the post-SOE recovery.

## CONTACT DETAILS

### TRUSTEE

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### INVESTMENT MANAGER

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## 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](http://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](http://www.vunanifm.co.bw)).