

VUNANI

FUND MANAGERS

VUNANI BOTSWANA INCOME FUND FACT SHEET

FUND INFORMATION UPDATE AT 31 MARCH 2023

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.

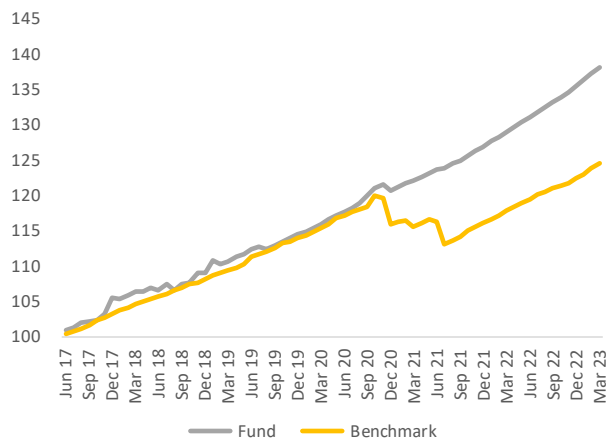
The fund has exposure to a moderate amount of risk for an increase in potential income.

PERFORMANCE

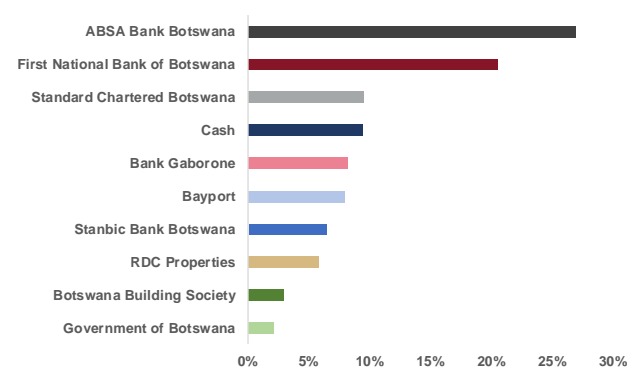
| Returns (%) | 3 months | 1 yr | 3 yrs | 5 yrs |
|--------------|----------|------|-------|-------|
| Gross | | | | |
| Return | 1.94 | 7.09 | 5.99 | 5.36 |
| Benchmark | 1.79 | 5.75 | 2.58 | 3.57 |

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) 154.9 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 |
|--------------|--------------------------------|----------|-----------------------|------------|

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 | 01/04/2020 |
| TER | 1.51% |
| TC | 0.00% |
| TIC | 1.51% |
| 1 year TER | 1.35% |

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 ended Q1 2023 with a market value of BWP 155 million from BWP 137 million at the end of Q4 2022. Sector allocation continues to be the key driver of returns, with yield enhancement from credit exposure adding value.

MARKET OVERVIEW

Economic activity was up 5.8% in real terms during 2022. Although it was lower than the 11.9% from 2021, it was above its medium-term average as the economy continued to recover from the 2020 downturn. All sectors of the economy registered positive year-on-year (y/y) inflation adjusted growth. The mining & quarrying sector had a solid year, with a 7.5% y/y expansion, supported by strong momentum in the diamond industry. The economy was also buoyed by the Water & Electricity, Diamond Traders, and Manufacturing sectors which grew 48.6%, 17.6% and 8.2% y/y respectively. Diamond cutting and polishing activity was up 36.0% y/y while exports of polished diamonds nearly doubled, growing 92.1% y/y.

Household spending also had a decent showing, accelerating from 2.3% y/y growth in 2021 to post a 4.7% y/y expansion in 2022. Growth in spending signalled a broader recovery in consumer sentiment following the end of the State of Emergency (SOE) in 2021, and wage adjustments in the public sector. Of concern, however, was the 0.6% y/y drop in Gross Fixed Capital Formation or business investment. It is down 9.5% from its 2019 level as businesses continue to be pinched by higher costs from supply chain issues, energy prices and economic uncertainty. Although investment in buildings & structures has picked up pace since 2020, in line with increased construction activity, all other lines of business investment (transport equipment, plant, machinery) have trended lower.

The annual inflation rate continued to abate, falling to 9.3% in January 2023, and further down to 9.1% in February 2023. This is after averaging 12.2% in 2022. The Transport index is contributing less to inflationary pressures compared to last year. Costs of transport explained 37.8% of the February 2023 print, in contrast to 63.7% in August 2022 when headline inflation peaked at 14.6%.

The Bank of Botswana's (BoB) Monetary Policy Committee (MPC) has kept its policy rate unchanged since October 2022, signalling its view that inflation will come down on its own. Since it paused its rate hikes, inflation has come down by more than 300 basis points (bps), mainly due to retail pump price adjustments in line with the drop in international oil prices.

The Fleming Aggregate Bond Index (FABI) and the Botswana Bond Index (BBI) returned 1.92% and 1.50% respectively during Q1 2023. The sovereign yield curve ended the quarter flatter than a year ago as shorter rates increased more than longer rates. The 3-month and 6-month T-bill rates rose 323 bps and 377 bps respectively, while the 18-year and 21-year bonds rose by just 30 bps and 45 bps respectively.

OUTLOOK

We continue to expect inflation to moderate in the short term. However, its rate of decline is likely to slow given potential upside pressures from administered price adjustments such as the reinstatement of the 14% VAT rate. Food prices are a key cost of living concern, alongside costs associated with the broader economic recovery in the tourism and leisure sectors. As such our forecast is for inflation to remain above the BoB's target range of 3% to 6% through much of 2023.

Although the Government has appetite for increased bond issuance, we expect yields on longer dated bonds to remain stable, as issuance remains more active in shorter maturities. This should result in a flatter yield curve, as short rates continue to rise. We therefore expect fixed income returns to come largely from coupon income, as duration risk moderates.

CONTACT DETAILS

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