

# VUNANI

## FUND MANAGERS

### VUNANI BOTSWANA INCOME FUND FACT SHEET

#### FUND INFORMATION UPDATE AT 30 JUNE 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.

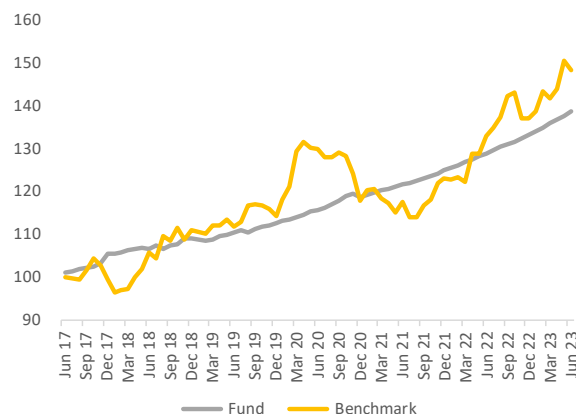
The fund has exposure to a moderate amount of risk for an increase in potential income.

#### PERFORMANCE

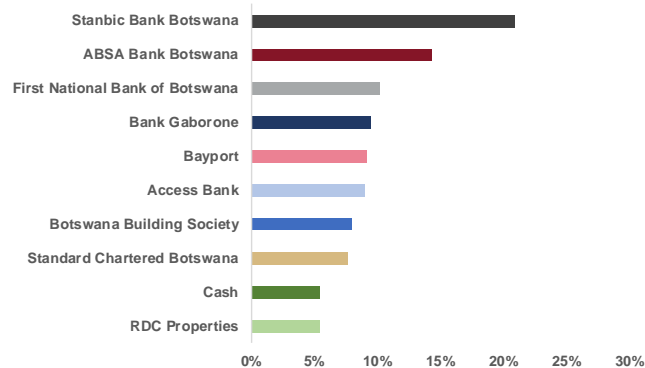
Returns (%)	3 months	1 yr	3 yrs	5 yrs
<b>Gross</b>				
Return	2.05	7.53	6.21	5.75
Benchmark	4.65	11.54	4.47	6.97

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** Jonathan Paledi & Kennedy Manopolwe  
**Fund size (P)** 168.3 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	01/07/2020
TER	1.47%
TC	0.00%
TIC	1.48%
1 year TER	1.24%

**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 Q2 2023 with a market value of BWP 168 million from BWP 155 million at the end of Q1 2023. We continued to engage in prudent allocation, and our credit counterparties continued to provide yield pick-up benefit.

## MARKET OVERVIEW

Economic output grew by 5.4% in Q1 2023 (on a year-on-year basis - y/y), albeit slower than the 5.9% (y/y) realized in Q4 2022. On a quarter-on-quarter (q/q) basis, real GDP increased by 5.6%, from a previous deceleration of 2.3% in the prior quarter. On year-on-year basis, mining and quarrying was the largest contributor to local economic performance – appreciating by 10.8% with diamond production (in carats) rising by 10.9 as well as 121% rise in copper exports. There was notable year-on-year growth in other sectors in Q1 2023 vis-à-vis Q4 2022 as follows: Water and Electricity (19.3% vs 74.1%), Education (5.6% vs 3.0%), Accommodation & Food Services (5.4% vs 3.3%) and Transport & Storage (5.0% vs 5.9%).

Botswana continues to be heavily consumer-driven as evidenced by the considerable share of household final consumption in the overall GDP (42.4% in Q1 2023), which rose by 4.6% (compared to 2.3% in 2022) despite the increase in inflation and interest rates. Government's final consumption accounted for 26.9% of GDP and gross fixed capital formation (GFCF) contributed 24.1% of total production. Furthermore, higher fiscal spending and transformative initiatives could spur additional local business activity in the future.

Domestic inflation levels continued their downward trajectory, declining to 5.7% and 4.6% in May and June, respectively. Inflation reverted within Bank of Botswana's medium term

objective range of 3-6%, having overshot the range since May 2021. The decrease in inflation has mainly been aided by the dissipating base effects of earlier increases of administered prices which has implored the Monetary Policy Committee (MPC) to maintain an unchanged stance in the Monetary Policy rate (MoPR) at 2.65% in three successive meetings in 2023.

The Fleming Aggregate Bond Index (FABI) and the Botswana Bond Index (BBI) returned 1.7% and 1.2%, respectively during Q2 2023. The sovereign yield curve ended the quarter flatter than a year ago, as shorter rates increased more than longer rates. From a year ago, the 3-month and 6-month T-bill rates rose 331 bps and 377 bps respectively, while the 17-year and 20-year bonds rose by just 31 bps and 42 bps respectively.

## OUTLOOK

We expect inflation to remain within BoB's medium term objective range of 3-6% as the increase of administered prices last year continue to fall from the inflation calculations in the current year. Notwithstanding that, there remains upside risks, including elevated food inflation that could materialize from the failure to renew the Black Sea Grain initiative. Moreover, transport costs could go higher if international commodity prices were to significantly rise from current levels.

We are becoming more constructive on local bonds with the return of positive real returns given the downward trajectory in local inflation. Given the projected financing needs for the government in this financial year, the increased appetite for funding may result in a muted decline in bond yields. Conversely, this may be negated by the underspending in the developmental budget, particularly considering the prior track record of delivering on infrastructural projects locally. Moreover, we note that the increased onshore allocation of pension fund monies may cause a decline in yields given the likelihood of increased local fixed income allocation.

## 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)).