

# VUNANI

## FUND MANAGERS

### VUNANI BOTSWANA INCOME FUND FACT SHEET

#### FUND INFORMATION UPDATE AT 30 SEPTEMBER 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.

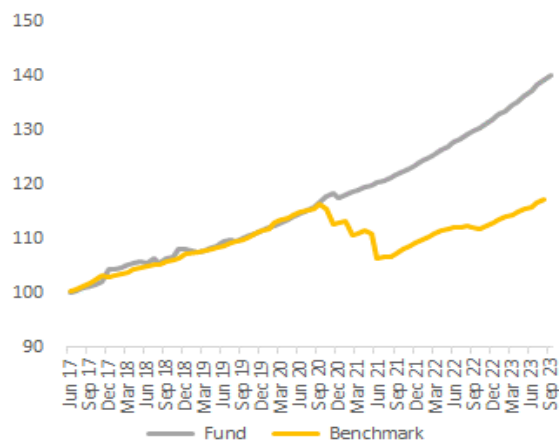
The fund has exposure to a moderate amount of risk for an increase in potential income.

#### PERFORMANCE

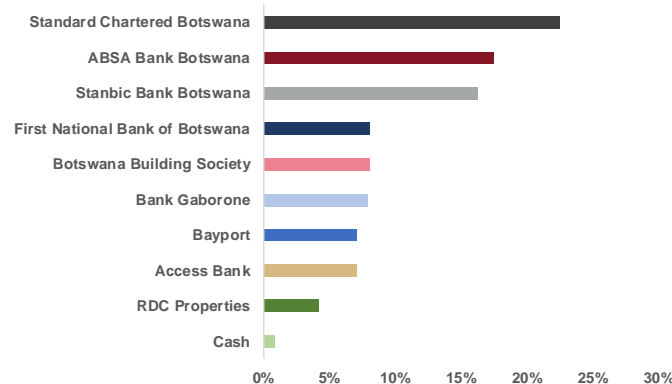
Returns (%)	3 months	1 yr	3 yrs	5 yrs
<b>Gross</b>				
Return	2.08	7.93	6.26	5.99
Benchmark	1.52	4.23	0.49	2.14

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)** 219.4 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** P500,000  
**Monthly** N/A

#### RISK PROFILE

Conservative	<b>Moderately conservative</b>	Moderate	Moderately aggressive	Aggressive
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#### FEEES

#### 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)

<b>Base period</b>	2020/10/01
<b>TER</b>	1.43%
<b>TC</b>	0.00%
<b>TIC</b>	1.43%
<b>1 year TER</b>	1.11%

**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](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)).

## FUND REVIEW

The fund realized a 30% increase from the prior quarter to end Q3 2023 with a market value of BWP 219.4 million, aided by increased inflows. Additionally, the fund outperformed the benchmark across all tenors, supported by placements made at higher rates with our various counterparties.

## MARKET OVERVIEW

Economic output grew by 3.4% y/y in Q2 2023, albeit slower than the upwardly revised 5.5% y/y growth realised in Q1 2023. On a quarter-on-quarter (q/q) basis, real GDP decreased by 3.5%, from an increase of 5.7% in the prior quarter. Compared to Q1 2023, the key drivers of economic output included the following: Finance, insurance, and pension funding (7.6% vs 2.8%); Mining & Quarrying (5.9% vs 10.8%); Accommodation & Food services (5.4% vs 5.4%) and Public Administration (5.3% vs 3.3%). Critically, the growth rate of the major mining and quarrying industry significantly declined from 10.8% in Q1 2023 to 5.9% in Q2 2023, despite the favourable base effects (the output of mining and quarrying fell by 3.5% in Q2 2022), showcasing the challenges bedevilling the mining sector.

Botswana's headline inflation increased by 2.0 percentage points to end September at 3.2%. Previously, the August inflation had undershot the medium-term objective range of 3-6% to stand at 1.2%. The September year-on-year inflation of 3.2% was driven by the following: Food and Non-Alcoholic Beverages (1.1%); Miscellaneous Goods & Services (0.7%) and Clothing & Footwear (0.3%). On a month-on-month basis, inflation increased by 1.7% driven by a 5.8% increase in the transport

index following a rise in local fuel pump prices effected on 13 September 2023. The Fleming Aggregate Bond Index (FABI) and the Botswana Bond Index (BBI) returned 2.1% and 1.6%, respectively during Q3 2023. We have continued to see a decline in government bond yields, as aggressive bidding took centre stage, with full allotment realized in the August and September auctions. The September auction compared to the June auction saw a decrease in yields as follows: BOTSGB0527 (7.95% to 7.50%); BOTSGB0635 (8.65% to 8.58%) and BOTSGB0943 (8.90% to 8.75%).

## OUTLOOK

As favourable base effects in transport costs continue to wane and local fuel pump prices come under pressure from supply-side factors, we anticipate an upside risk to inflation, although we expect it to remain within the Bank of Botswana's (BoB) objective range for the rest of the year. Food inflation is likely to remain elevated given the low agricultural yields from unfavourable climatic conditions and ongoing vegetable import ban.

We expect the central bank to maintain the monetary policy rate (MoPR) at 2.65% in 2023, which should boost credit demand and promote private consumption. With regards to the diamond industry, it faces various challenges encompassing declining demand, and escalating rivalry from the lab-grown diamond industry which might restrain diamond production during the upcoming quarters and restrain the expansion of exports, thus impacting fiscal revenues.

Market liquidity has improved and that has been reflected in the pricing as rates have continued to decline. We expect rates to continue their downward trend supported by increased government spending heading into next year's election and increased onshore domiciliation of pension fund monies with the initial compliance date slated for 31 December 2023. We expect to continue seeing a decline in government yields with corporate yields also following suit, but we expect the persistence of positive real yields given the moderate inflation levels.

## CONTACT DETAILS

### TRUSTEE

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### INVESTMENT MANAGER

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