

VUNANI

FUND MANAGERS

VUNANI BOTSWANA INCOME FUND FACT SHEET

FUND INFORMATION UPDATE AT 31 DECEMBER 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.

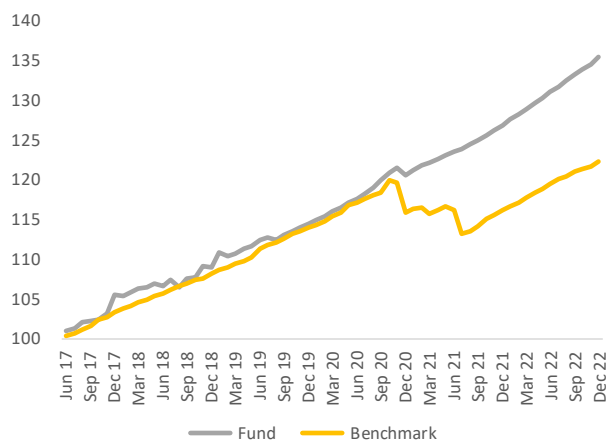
The fund has exposure to a moderate amount of risk for an increase in potential income.

PERFORMANCE

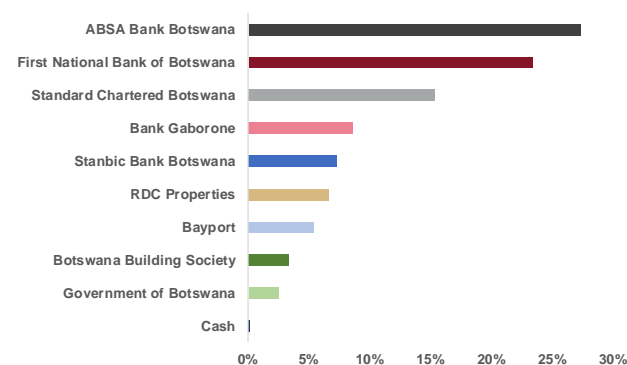
Returns (%)	3 months	1 yr	3 yrs	5 yrs
Class A				
Return	1.29	5.28	4.17	3.77
Benchmark	1.09	5.40	2.41	3.45

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) 136.8 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	01/01/2020
TER	1.52%
TC	0.00%
TIC	1.53%
1 year TER	1.38%

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 Q4 2022 with a market value of BWP 136.8 million from BWP 130.8 million in Q3 2022. The key driver of returns has been sector allocation, leading to positive relative performance.

MARKET OVERVIEW

Domestic economic activity remained solid in Q3 2022, rising 4.0% quarter-on-quarter (q/q) and 6.3% year-on-year (y/y). The non-mining sector expanded by 6.4% y/y while the mining sector grew 6.0% y/y. Overall, the economy was supported by an 18.5% q/q growth in the mining & quarrying sector, driven by a 10.5% q/q increase in the total volume of mining production. Diamond production itself jumped 20.5% q/q reaching 6.7 billion carats, with DeBeers processing more high-grade ore. The three DeBeers sights in Q3 2022 brought USD 1.78 billion in rough diamond sales, beating Q3 2021's USD 1.04 billion. The diamond market has been driven by sustained consumer appetite for diamond jewellery, especially in the US. This has led to rough diamond sales of USD 5.8 billion in 2022, 20.1% more than 2021.

Inflation appears to be losing steam, ending the year at 12.4% in December 2022 from a 2022 peak of 14.6% in August. The Botswana Energy Regulatory Authority (BERA) tracked the softening of international oil prices, adjusting retail pump prices down four times between September 2022 and January 2023. Although the cuts will provide relief, the cumulative increases since July 2021 mean that petrol prices would need to be cut by as much as has already been done, or 2.6 times in the case of diesel, to return prices to their July 2021 levels. Nonetheless the transport index should contribute less to the overall inflation print in the coming months, which will weigh down on the headline rate.

The Bank of Botswana's (BoB) response has been to let inflation fall of its own accord. It held its reference rate at both its October and December 2022 meetings. This followed three straight hikes between April 2022 and August 2022. The Bank's inflation forecasts peaked at its August 2022 meeting, seventeen days before BERA reduced pump prices, for the first time since June 2020. Brent crude oil prices were down at least 28.5% by the end of the year from their March 2022 peak.

The Fleming Aggregate Bond Index (FABI) was up 1.14% q/q in Q4 2022, ending the year up 5.73%. This contrasts with 2021 when the benchmark was down 0.07% following a 151 basis points increase in its Yield-To-Maturity (YTM) that year. The Government yield curve rose across all maturities during 2022, with the most pronounced movements on the shorter end. As such, the curve flattened, with the gap between the longest and shortest bond's yields shrinking to 350 bps, from 428 bps at the end of 2021.

OUTLOOK

We expect inflation to moderate further but remain above the 3% to 6% policy target during the year. Services inflation, will remain stickier than goods inflation, given the risk of administered price increases from service providers in the public and private sector. Our view is that the BoB could potentially hike, although not to the same extent as last year. Economic growth will be positive for the year, although lower than prior year as base effects unwind. Household spending will continue to experience pressure, and investment spending is likely to continue lagging its pre-pandemic trend.

We expect government bond yields to remain relatively stable on the longer end, and more active on the shorter end. As inflation moderates nominal bonds will look more attractive, presenting an opportunity to consider a relook at Government paper. However, we continue to see better pricing in the cash and corporate markets, as higher rates provide better reinvestment opportunities.

CONTACT DETAILS

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