

VUNANI

FUND MANAGERS

VUNANI BOTSWANA INCOME FUND FACT SHEET

FUND INFORMATION UPDATE AT 31 DECEMBER 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.

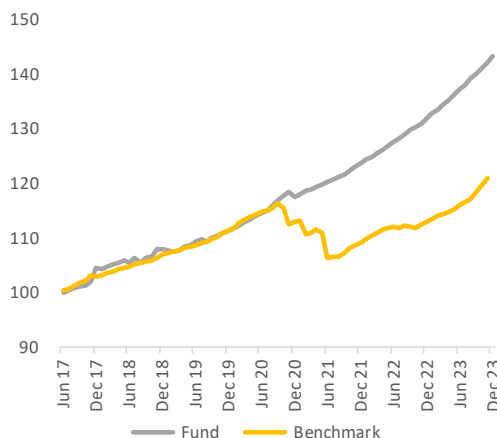
The fund has exposure to a moderate amount of risk for an increase in potential income.

PERFORMANCE

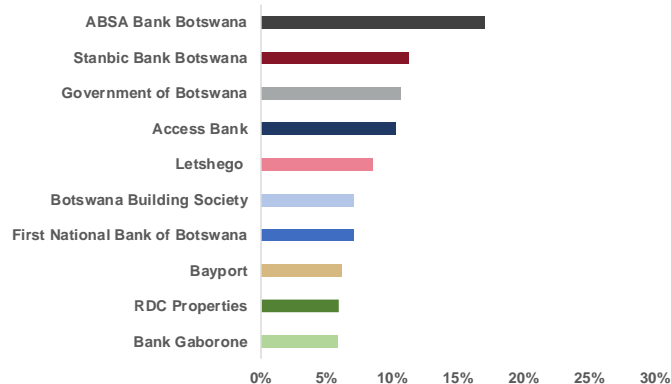
Returns (%)	3 months	1 yr	3 yrs	5 yrs
Gross				
Return	2.34	8.68	6.87	6.19
Benchmark	3.24	7.54	2.44	2.59

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) 251.3 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 P500,000
Monthly N/A

RISK PROFILE

Conservative	Moderately conservative	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)

Base period	01/01/2021
TER	1.28%
TC	0.00%
TIC	1.29%
1 year TER	1.03%

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 the quarter with a market value of BWP 251.3 million. Fund performance lagged the benchmark over the three months period but outperformed over the 1, 3 and 5-year period. During the quarter, the fund increased its bond allocation, receiving desired allotment to some of the corporate and government issuances in line with our house view.

MARKET OVERVIEW

Real GDP growth slowed significantly to 0.5% y/y in Q3 2023 from a downwardly revised 3.3% in Q2 2023. This was the weakest expansion realized since Botswana's GDP started its positive growth trajectory after recovering from the debilitating effects of the Covid-19 pandemic in Q1 2021. Mining and quarrying sector growth declined from 5.6% in Q2 2023 to -9.2% in Q3 2023, as diamond production declined commensurate with the reduction in diamond sales. Additionally, growth decreased in several key sectors (Q3 2023 vs Q2 2023), including: Construction (3.4% vs 4.5%); Transportation & Storage (2.3% vs 4.6%); Manufacturing (1.3% vs 3.6%); Finance, Insurance, and Pension Funding (3.2% vs 7.7%), and Accommodation & Food Services (4.4% vs 5.4%). Contrastingly, on a quarter-on-quarter basis, economic output increased by 0.9% after declining by 3.5% in Q2 2023.

Headline inflation declined from 3.9% y/y in November to 3.5% y/y in December. Since reverting back within the Bank of Botswana's medium term objective range of 3-6% in September, inflation has remained therein, consequently averaging 5.2% in 2023 compared to 12.2% realized in 2022. The key contributors of the December inflation reading were as follows: Food and Non-Alcoholic Beverages (0.9%);

Miscellaneous Goods and Services (0.8%) and Transport (0.4%). The transport subcategory moderated from 2.2% y/y in November to 1.5% in December, with the December reading benefitting from the latter two fuel price reductions in the fourth quarter.

The Fleming Aggregate Bond Index (FABI) and the Botswana Bond Index (BBI) returned 2.9% and 3.5%, respectively during Q4 2023. The trend of full allotment with regards to government bond auctions continued in the fourth quarter, with yields trending downwards in line with the aggressive bidding by participants.

OUTLOOK

Local transport costs have contributed favourably to the low inflation trajectory. Recent attacks on tankers passing through the Red Sea has resulted in diversion to longer routes, a situation which if prolonged will lead to increased insurance and freight costs and rising oil prices. However, as of December, we note that there was an over recovery in local fuel prices (regulated price higher than cost), thus an immediate upward pressure on prices is minimal. Food inflation has been the main contributor to prior inflation readings, we expect this to continue being the case, with the extension and expansion of fresh produce restrictions to 31 December 2025.

Bank of Botswana (BoB) has noted the absence of any demand-driven inflation with the economy operating below its optimal capacity. Therefore, we are likely to see the monetary policy rate (MoPR) maintained at 2.40%, with a potential easing bias to support economic activity. Gross Domestic Product (GDP) recovery is likely to depend on improvement in the mining sector. The industry faces headwinds, with the proposed changes by the Group of Seven (G7) on introducing a new traceability mechanism and the growth in the market share of synthetic diamonds posing a threat to the mainstay of Botswana's economy. Nevertheless, we expect election-related spending to support fixed investment growth. Considering that fiscal revenues may come under pressure; we expect government to showcase appetite for domestic borrowing to finance resultant deficits.

CONTACT DETAILS

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