

# VUNANI

## FUND MANAGERS

### VUNANI BOTSWANA INCOME FUND FACT SHEET

#### FUND INFORMATION UPDATE AT 30 JUNE 2024

#### 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.

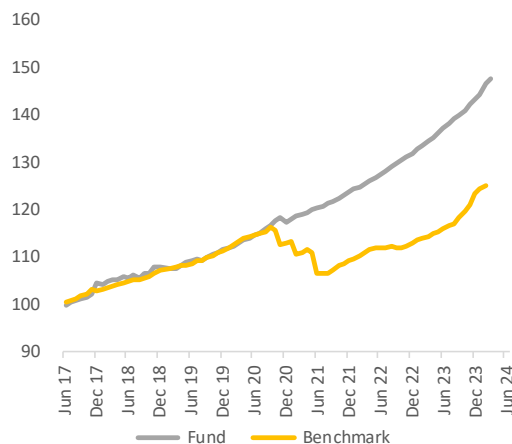
The fund has exposure to a moderate amount of risk for an increase in potential income.

#### PERFORMANCE

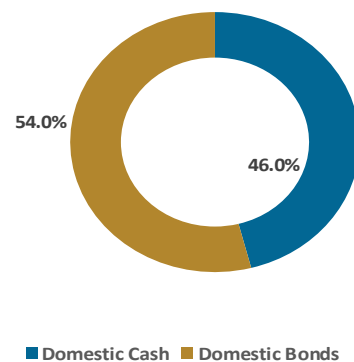
Returns (%)	3 months	1 yr	3 yrs	5 yrs
<b>Gross</b>				
Return	2.03	9.77	7.77	6.61
Benchmark	1.43	9.86	4.55	3.19

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



#### ASSET ALLOCATION



#### GENERAL FUND INFORMATION

**Fund managers** Jonathan Paledi & Kennedy Manopolwe  
**Fund size (P)** 220.8 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** P500,000  
**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	01/07/2021
TER	1.23%
TC	0.00%
TIC	1.23%
1 year TER	1.05%

**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 ended the quarter with a market value of BWP 220.8 million. The fund outperformed the benchmark over the quarter, having also done so over the medium- and- long-term period. Cash and bonds yields continued their downward trajectory during the quarter, with the fund adequately positioned to benefit from this situation.

## MARKET OVERVIEW

According to Statistics Botswana, economic output shrunk by 5.3% y/y in Q1 2024 from a 1.9% y/y growth in Q4 2023 which was the first decline since Q4 2020. The following sectors contributed significantly to the contraction in economic output in Q1 2024: Diamond Traders (-46.8%); Mining and Quarrying (-24.8%); Water and Electricity (-10.7%) and Manufacturing (-0.8%). Conversely, other industries recorded growth rates of 0.5% or higher. The 24.8% decline in Mining and Quarrying was attributable to the decrease in real value added of Gold, Diamond and Coal by 71.0%, 26.2% and 19.5%, respectively. De Beers financial results for the interim period ended 30 June 2024 indicate that rough diamond sales amounted to U\$D 2.0 billion, decreasing from U\$D 2.5 billion realized in the comparable period last year. Production guidance for 2024 has been lowered to 23-26 million carats (previously 26-29 million carats) on the expectation of a prolonged period of low demand.

Headline inflation decreased by 0.2 percentage point to 2.8% y/y in June, undershooting the lower bound of Bank of Botswana's medium term objective range of 3-6%. The main contributors to the June reading included: Miscellaneous Goods & Services (0.8%); Transport (0.6%) and Food & Non-Alcoholic Beverages (0.6%). Headline and Core inflation

averaged 3.0% and 2.9%, respectively in the second quarter of 2024 vis-à-vis an average of 3.6% and 4.0%, respectively in the prior quarter.

The Fleming Aggregate Bond Index (FABI) and the Botswana Bond Index (BBI) returned 2.5% and 1.5%, respectively during Q2 2024. The trend of full allotment at the government bond auctions remained prevalent during the quarter.

## OUTLOOK

Declining diamond prices as evidenced by the rough diamond index which stood at 52-week low at July end, illustrates tepid demand in the status quo. Botswana's near-term growth is at risk due to persistently declining diamond prices and the International Monetary Fund (IMF) forecasts that Botswana's budget deficit for FY2024/25 will widen to 6% of GDP from a prior estimate of 3.5% due to a fall in mineral revenues. The Bretton Woods institution has urged fiscal consolidation and for Botswana to curtail some of its developmental project spending with real GDP projected at 1.0% in 2024. There is a greater need for Botswana to concentrate on its diversification activities, but the depletion of fiscal resources may make it more difficult for Botswana to enact broad, long-term countercyclical fiscal policies in the future.

We expect inflation to revert within the 3-6% range in the short to medium term. Upside risks to the outlook include a further rise in international commodity prices, and sticky food inflation occasioned by the food import ban - with the Ministry of Agriculture muting an expansion of restricted items in the third quarter. Additionally, extreme drought caused by El Nino remains a threat to lower prices. The central bank is likely to maintain the Monetary Policy Rate (MoPR) at 2.15% during 2024. However, risks are tilted to further loosening of policy if the economy is to continue operating below full potential, and considering any persistent weakness in the diamond market

## CONTACT DETAILS

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