

Business

e-brief

Vol. 3 | September 2017

YOUR QUARTERLY FUND PERFORMANCE UPDATE

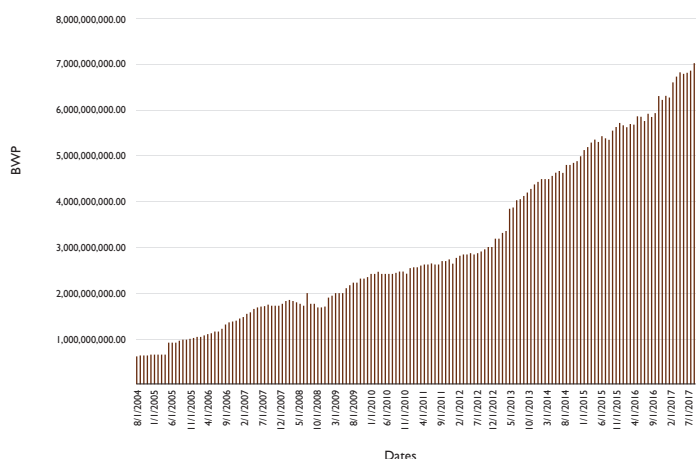


DPF
DEBSWANA · PENSION · FUND

DPF Assets Reach 7 Billion Pula Mark

The third quarter of 2017 presented an exciting development when the fund assets growth reached a new milestone. The total assets of the Fund were valued at **BWP7, 056,474,266.74** as at 30th September, 2017.

Portfolio Growth Overtime to 30 September 2017



Fund and Market Performance –12 months to September 2017

- The Net Total Assets of the Fund were up 8.28% over the past 12 months to 30th September, 2017.
- Global Emerging Markets returned 20.25% in BWP making it the top performing asset class for the period.
- The MSCI World returned 16.04% in BWP during the period, making global equities the second best performing asset class for that period.
- The Domestic Companies Index (DCI) was the worst performing sector posting a return of -8.84% (excluding dividend income) for the 12 months to 30 September, 2017.

Fund and Market Performance Commentary –Q3 2017

- The Net Total Assets were up by 3.05% for quarter ended 30th September, 2017.
- The best returns came from Global Emerging Markets which were up 8.28% for the quarter in BWP.
- The MSCI World returned 5.22% in BWP during the quarter, making global equities the second best performing asset class for that period.
- The Domestic Companies Index (DCI) was the worst performing sector posting a return of -3.40% (excluding dividend income) for the quarter to 30 September, 2017.

Portfolio	3 months to September 2017	6 months to September 2017	9 months to September 2017	12 months to September 2017	36 months to September 2017	60 months to September 2017	Since Inception (Aug 2004)
Market	3.56%	6.05%	9.29%	10.27%	9.41%	14.06%	12.96%
Conservative	2.69%	4.65%	6.29%	6.20%	7.85%	10.57%	10.67%
Pensioner	2.46%	4.23%	5.36%	5.31%	7.64%	11.50%	14.46%
Contingency	2.38%	5.14%	8.09%	8.33%	8.71%	12.75%	15.26%

Economics: Botswana – Qtr. to 30 September 2017

GDP growth back on track

- The domestic economy continued to record subdued growth in Q2 2017, registering GDP growth of 1.0% year-on-year driven by Finance & Business Services, Construction, Trade, Hotels & Restaurants and General Government which grew by 5.6%, 4.1%, 2.4% and 1.7%, respectively.
- All sectors recorded positive growth with the exception of Mining and Manufacturing which contracted by 13.8% and 0.22%, respectively.
- The Pula-US Dollar exchange rate was BWP 10.30 at the end of September 2017 from BWP 10.21 at the end of June 2017, showing a slight weakening of the Pula.
- The Pula closed at 1.3118 on 29th September, 2017 against the Rand.

Interest rates & inflation

- Inflation remains at the bottom end of the Bank of Botswana's 3% to 6% objective range, September inflation was 3.2% y/y. Inflation has declined due to a pullback in food inflation driven by falling bread & cereals prices.
- The Monetary Policy Committee (MPC) met once during the quarter, maintaining the bank rate at 5.5%. The BoB also released its Medium-Term Review of the 2017 Monetary Policy Statement. The main highlights were that in the medium term the Bank expects inflation to breach the lower bound of its 3%-6% objective range and commercial banks will be able to provide all government instruments as collateral when accessing credit facilities offered by the Bank.

Earnings season

- Earnings season commenced towards the end of the quarter, characterized by disappointing earnings results with the Domestic Companies Index (DCI) declining 2.1% for the quarter.
- On the banking front, FNBB year-end results showed earnings were flat with impairments attributable to BCL fully provided for and staff costs accelerated. Barclays reported a 7.5% decline in earnings on the back of declines in interest income and trading income. Stanchart surprised the market by reporting a loss of P57m for the interim period.
- Sefalana released disappointing FY2017 results. Although revenue increased 12%, profitability declined 19% as margins in Botswana compressed.
- CA Sales conducted a book-build and will be listing on the Main Board of the Botswana Stock Exchange in Q4 2017. A number of potential listings are expected to come to the market which is positive for liquidity and market development going forward.

World in Review – Quarter ended 30 September 2017

United States

- The Federal Reserve raised short-term interest rates by 25 basis points to a range between 1% and 1.25%, with one more increase forecast for the year. A plan was outlined for the Fed to start shrinking its US\$4.5 trillion portfolio of bonds and other assets.
- The unemployment rate has fallen to 4.3%, the lowest level since 2001. The economy added 209,000 jobs in July, higher than an expected 180,000 jobs.
- The Trump administration has proposed a tax overhaul that would cut the company rate from 35% to 20% and simplify the tax code. The S&P 500 edged to a record high as markets look forward to the Trump tax plan implementation.
- Improvements in consumer and business-equipment spending have powered a US economic rebound, signaling that the eight-year expansion is broadening to other sectors of the economy.
- The US economy is now growing at the fastest rate in two years and the Department of Commerce has revised the annual growth rate to 3.1%.
- Hurricane Maria caused an estimated \$40 billion to \$85 billion in insurance claims throughout the Caribbean, with 85 percent of those losses in Puerto Rico.

DPF Values

Customer Focused Trust & Integrity Innovation Agility Self driven & Motivated

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UK

- At its September meeting, the Bank of England's Monetary Policy voted to keep its policy rate unchanged at a historic low of 0.25%.
- Governor of the Bank of England, Mark Carney, indicated that interest rates could rise in the near term to reign in high levels of household debt.

Europe

- Angela Merkel was elected as Chancellor of Germany for the fourth time, but her party performed weaker than expected and will need to undertake coalition discussions.
- German unemployment slid to a record low of 5.6% in September in a sign that Europe's largest economy will continue to expand on the back of domestic spending, while the Eurozone unemployment rate stood at 9.1%.
- Eurozone inflation data came in below expectations at 1.5% for September.
- The ECB President, Mario Draghi, highlighted the expected winding down of QE programme sighting strong positive numbers out of Europe.

Asia

- South Korean car and tourism sectors have been hurt by economic sanctions from Beijing in retaliation for a shield deployed by the United States to protect South Korea from North Korean long range missiles.
- In August Japanese core consumer prices rose 0.7% compared with a year earlier, marking an eighth consecutive month of yearly increases.

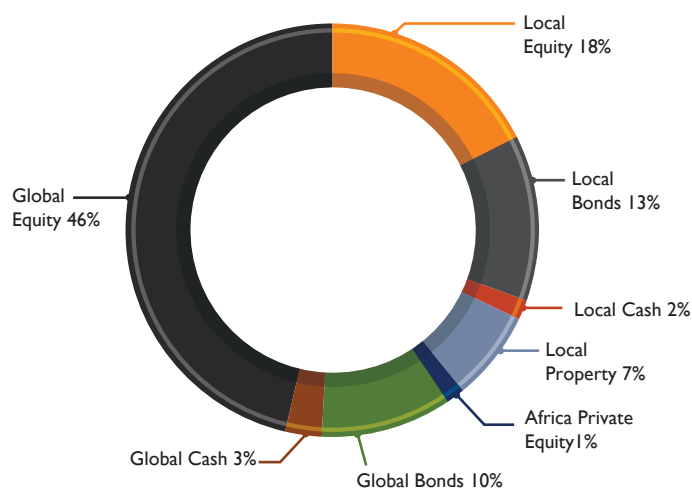
South Africa

- The South African Reserve Bank decided to keep the interest rate stable.
- Although the news that the repo rate will remain unchanged was met with some disappointment, it boosted the rand and bonds.
- The current account deficit widened in the second quarter to 2.4% of GDP, from 2.0% the previous quarter. The Reserve Bank's Quarterly Bulletin released on Thursday showed an increased trade surplus was offset by a larger shortfall on services, income and current transfer payments.
- SA's bulk export volumes fell 7.2% year on year in August to 11.7-million tonnes, after surging by 34.5% in July to 15.6-million tonnes, according to Transnet National Ports Authority. This brought the increase for the first eight months of 2017 to 6.8% year on year, showing that mining and agricultural bulk exports are boosting the South African economy.

Asset Class Returns to 30 September 2017

Asset Class	Benchmark	1 month to Sept 2017	3 months to Sept 2017	YTD to Sept 2017	12 months to Sept 2017	36 months to Sept 2017
Botswana Cash	BOB 91 day-I	0.08%	0.24%	0.59%	0.71%	0.63%
Botswana Bonds	Fleming Aggregate Bond Index (FABI)	0.58%	1.36%	3.49%	4.61%	6.72%
Botswana	Domestic Companies Index (DCI)Equities	-0.17%	-3.40%	-5.00%	-8.84%	-1.83%
Global Bonds	BarCap GABI – BWP	0.84%	2.71%	2.85%	-2.94%	5.26%
Global Equities	MSCI World – BWP	4.14%	5.22%	11.83%	16.04%	11.56%
Global Emerging Markets Equities	MSCI EM – BWP	1.45%	8.28%	23.18%	20.25%	8.67%
Global Property Developed Rental Index-BWP	FTSE EPRA/ NAREIT	1.76%	1.99%	1.74%	-1.95%	11.55%
Exchange Rate	BWP/USD	1.85%	0.36%	-3.60%	-1.80%	3.59%

Asset Class weights as at 30 September 2017 – Total Fund



Strategic Asset Allocations

Member fund credits are invested according to the life stage investment portfolio they belong to, i.e. Market Portfolio (53 & under) Conservative Portfolio (54-59 near retirees) and Pensioner Portfolio (60 & above). For each investment portfolio there is a presumed risk appetite based on how close to retirement the member is. Younger members assume a higher risk for higher yields whereas conservatives and pensioners prioritize capital protection. The strategic asset allocation for the portfolios have been determined as follows:

Strategic Asset Allocation as at June 2017

Mandate	Index	Market	Pensioner	Conservative
Global Equities	MSCI	47.00%	31.00%	25.00%
Global Bonds	BCGA	5.00%	5.00%	5.00%
Local Equities	BDCI	20.00%	14.00%	16.00%
Local Property	IPD	10.00%	16.00%	15.00%
Local Bonds	FABI	10.00%	26.00%	30.00%
Local Cash	91 Day BoBc-I	0.00%	3.00%	2.00%
EM Equity	MSCI EM	5.00%	5.00%	5.00%
Africa Equity	STEF1 + 10%	3.00%	0.00%	2.00%
Total		100%	100%	100%

The primary source of the market and Fund performances reported in this e-brief is the quarterly investment reports as provided by the Fund Investment consultants. The timing of the release of the e-brief is therefore dependent on the availability of the consultants' reports, hence the release dates of the e-brief will vary from time to time.

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OPERATIONS

Administration

Changes in membership movements Year to 30 September 2017.

Description	Active Members	Deferred Members	Pensioners	Beneficiaries	Total
Numbers at beginning of period (December 2016)	5790	2402	3569	113	11874
Beneficiary Age 21 exit	0	0	0	-33	-33
Additions	165	55	156	22	398
Transfers-in	7	0	0	0	0
Transfers-out	-5	-1	0	0	-6
Withdrawals	-19	0	0	0	-19
Retirements	-51	-105	0	0	-156
Deaths	-11	-9	-26	0	-46
Numbers at end of period (September 2017)	5869	2342	3699	102	12012



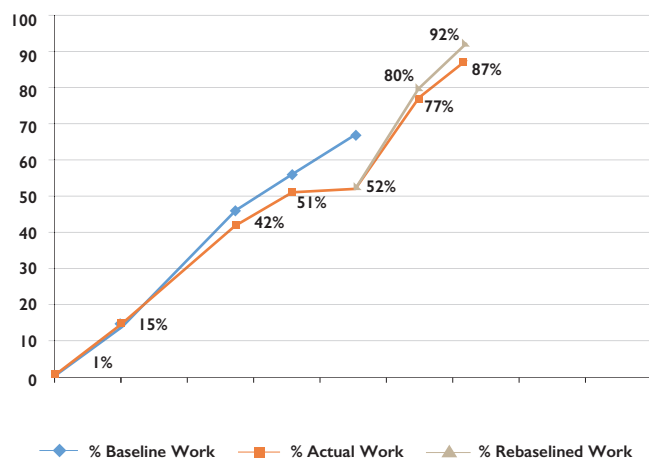
Strategic Projects update

The overall progress on the Strategic Initiatives is at **87%** as at 30/09/2017.

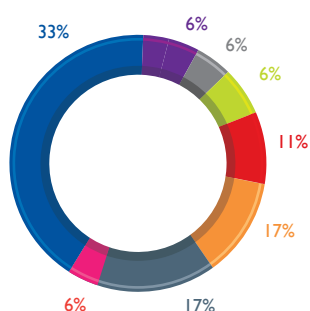
2017 DPF Strategy Portfolio

Project Name	Stage	%	1st Quarter			2nd Quarter			3rd Quarter			4th Quarter		
			JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	OCT	NOV	DEC
Develop Member Projection Statements	Closed	100%												
Review Life Stage Model	Execution	95%												
Review of Retirement Options	Execution	75%												
Growth Strategy - Develop and Approve Business Case	Planning	78%												
Desired Culture - Implement identified Interventions	Execution													
BCM Programme	Deferred													
Implement Provident Fund	Deferred													
Business Case and Approval for Minors Trust Fund	Deferred													
Approval and Implementation of the Property Strategy	Close out	99%												
Develop Administration Strategy	Deferred													
Review Investment Policy	Closed	100%												
87%														

KEY



Distribution of Projects by Corporate Scorecard Alignment



- Maximize Stakeholder Value
- Ensure Stakeholder Satisfaction
- Create High Performance Organisation
- Enhance Corporate Governance Assurance
- Ensure Efficient Member Services
- Development of the Growth Strategy
- Achieve Operational Excellence
- Implementation of Business Improvement Initiatives

Upcoming Communication Events

Q1 – 2018 (Dates to be confirmed): Member Engagement Tour – Topic: Changes in Legislation and Notice of Separation of Fund Administration.

DPF Values

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- Trust & Integrity
- Innovation
- Agility
- Self driven & Motivated