

Business

e-brief

Vol. 2 | Apr/ Jun 2017

YOUR QUARTERLY FUND PERFORMANCE UPDATE



Economic Review – Year To Date

World in Review – Quarter ended 30 June 2017

United States

US GDP increased from 1.2% in quarter 1 to 3% in quarter 2 as the domestic sector recovery broadened. A lower than expected CPI in the first half of the year could pause Federal Reserve officials in considering further rate hikes. The May retail sales figures highlight a cautious consumer as the sales fell in May by the most since the start of 2016. Existing home sales rebounded in May, with median home prices edging higher relative to a year earlier. Brent crude oil sustained its resistance level of between \$45 to \$50 per barrel giving confidence that a recovery in oil prices might be imminent.

UK

UK growth marginally increased from 0.2% in quarter 1 to 0.3% in quarter 2 as brexit uncertainty curtailed demand. Retail sales declined for the second time in three months as rising inflation eroded consumer purchasing power. Inflation continued its upward trend for in May 2017, accelerating more than expected – the fastest in four years. UK recorded its lowest unemployment rate in 42 years after good production and manufacturing numbers showed higher employment in the sectors.

Europe

The European Central Bank (ECB) ruled out further interest-rate cuts in a sign that it's moving closer to an exit from its stimulus programme. Eurozone bonds were buoyed as annual inflation declined to 1.4% in May. Eurozone economies continued to expand with increasing signs of sustained growth. GDP increased from 0.5% in quarter 1 to 0.6% in quarter 2 with improvements in sentiment.

EM

Mexico's central bank revised up its 2017 growth forecast to between 1.5% and 2.5%, higher than its previous forecast of 1.3% to 2.3%. The bank kept its 2018 GDP forecast unchanged at 1.7% to 2.7%. It downgraded the inflation outlook, noting it expected inflation to remain above its 3% target, but said it was confident that inflation—now over 6%—would decelerate next year.

The great moderation in Chinese economic growth has stabilized recently, with first quarter GDP coming in above consensus expectations. This is partly attributable to a pick up in secondary sector activities like mining, manufacturing and construction. IMF rated China's growth expectations from 6.5% to 6.7% on the back of good growth expectations although warning that China would have to rein in their debt levels which currently sit at 235% of GDP.

South Africa

Moody's kept South Africa's rating at Baa3, one notch above sub-investment grade with a negative outlook although warning of structural issues, political uncertainty and corruption. SA inflation continued its downward trend coming in at 5.3% in June 2017 down from 5.7% a month earlier. The South Africa Reserve Bank expects inflation to remain within the target range of 3% to 6% for the remainder of the year. The yield on the benchmark government bond due in 2026 added 2 basis points to 8.52%. Unemployment hit its highest rate in over 10 years coming in at 27.7% according to Stats SA. South Africa shed 117 000 jobs in Q2 of 2017 with miners the majority of the job shedders.

The country is set to lose further jobs as more commodity and resource companies reach out to trade unions to negotiate terms of retrenchments.

BOTSWANA

Economic activity

Business confidence showed improvement in the first half of 2017. Trade Balance showed improvement to record a surplus.

Banking

The liquidity squeeze has continued in the banking sector driven by stagnant deposits and no growth in deposit base. Bank arrears have jumped sharply to 8.3% from 6.4% a year earlier. This has led to a slowdown in annual bank credit growth which is at its lowest rate in 20 years.

Inflation & Forecasts

Headline inflation remained steady at 3.5% which was the same as the first quarter. Inflation is forecast to increase in the second half of the year before falling back towards 3% in 2018.

Exchange Rates

Exchange Rates remained stable in the second quarter of 2017. The Pula/USD exchange rate remained stable to 10.21 in June 2017 up from 10.53 in March, an appreciation of 3.1%.

Interest rates

The Bank of Botswana's Monetary Policy Committee (MPC) maintained the Bank Rate at 5.5% in June 2017. The commercial bank Prime Lending Rate was also unchanged at 7%.

YEAR TO DATE INVESTMENT PERFORMANCE

Fund Performance Since Inception - BWP (As at 30 June 2017)

Fund	3 month	12 month	36 month	60 month	Since Inception (Aug 2004)
Market	2.41%	6.89%	9.24%	14.15%	13.83%
Conservative	1.91%	3.96%	8.18%	10.50%	11.39%
Pensioner	1.73%	3.03%	7.96%	11.66%	12.79%
Contingency	2.70%	6.20%	8.99%	13.32%	15.37%

Fund & Market Performance commentary as at 30th June 2017

1. Net total assets were up by 2.18% for quarter ended 30 June 2017.
2. The best fixed income returns came from Local Bonds which were up 1.21% for the quarter in BWP. While Global bonds returned a suppressed -0.44% for the quarter in BWP.
3. The Domestic Companies Index (DCI) returned 0.21% (excluding dividend income) to 30 June 2017, whilst the MSCI World returned a resilient 0.91% in BWP during the quarter.
4. Over the quarter, of the 3 local balanced managers, BIFM was the best performing manager followed by Investec and then Allan Gray posting returns of 2.23%, 1.22% and 0.11% respectively.
5. The Total Assets of the Fund were up 5.41% over the past 12 months to 30 June 2017.
6. Global Equities returned 0.94% in BWP, with an exchange rate offset of 2.96%

Asset Class Returns as at 30th June 2017

Asset Class	Benchmark	1 month to June 2017	3 months to June 2017	YTD to June 2017	12 months to June 2017	36 months to June 2017
Botswana Cash	BOB 91 day - I	0.07%	0.22%	0.35%	0.60%	0.81%
Botswana Bonds	Fleming Aggregate Bond Index (FABI)	0.45%	1.21%	2.10%	5.39%	6.86%
Botswana Equities	Domestic Companies Index(DCI)	-1.12%	0.21%	-1.66%	-8.30%	0.40%
Global Bonds	BarCap GABI - BWP	-0.90%	-0.44%	0.14%	-6.77%	5.11%
Global Equities	MSCI World - BWP	-0.44%	0.94%	6.14%	11.25%	10.60%
Global Emerging Markets Equities	MSCI EM - BWP	1.01%	6.27%	18.43%	23.75%	1.07%
Global Emerging Frontier Markets Africa ex-SA	MSCI EFM Africa ex-SA in BWP	4.90%	18.16%	16.74%	16.25%	-7.62%
Exchange Rate	BWP/USD	-0.82%	-2.96%	-4.09%	-5.87%	5.10%

DPF Values

Customer Focused Trust & Integrity Innovation Agility Self driven & Motivated

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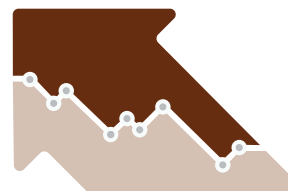
Market Values per Asset Manager as at 30th June 2017

MANAGER	30-JUNE-17 (BWP)
Aberdeen	-
American Century	426,604,282.33
Walter Scott	455,052,000.61
Marathon	461,689,826.35
Southeastern	474,239,228.40
StateStreet	155,126,353.42
Veritas	653,111,968.23
Orbis	488,374,917.88
PIMCO	681,469,120.02
Vantage	100,832,594.79
USD Cash	209,781,259.04
BIFM Balanced	631,995,567.50
Investec Balanced	885,344,597.62
Allan Gray Balanced	640,324,160.06
Botswana Property	480,557,179.06
Botswana Cash	75,259,657.09
Total Fund	6,819,762,712.42



Membership Update

	JUNE 2017	DEC 2016	DIFFERENCE
Total Membership	11953	11874	79
Active Members	5836	5790	
Deferred Members	2355	2402	
Pensioners	3672	3682	



FUND OPERATIONS

Membership statistics commentary;

1. Membership growth of 79, resulting from new recruitments made by Participating Employers.
2. Declining Deferred Membership is mainly due to early retirements and transfer outs.
3. Decline of Pensioner Membership is due to Pensioner deaths and termination of beneficiaries who reach Maximum Age.

Governance Update

Appointment and/or election of Trustees

1. Chris Mokgware appointed new Board Chairman in November 2016 taking over from Richard Vaka who had completed his term.
2. R China Abel elected to represent Orapa, Letlhakane & Damtshaa Mines (OLDM) in June 2016 with Boitumelo Senyane as his alternate.
3. Professor M. Mhango appointed as an Independent Trustee.
4. L. Letshwenyo elected to represent MCM with M. Oaitse as his alternate
5. Elections held for Gaborone constituency – Trustees undergoing vetting

Upcoming Communication Events

Annual Pensioners Conference - 25th October, Majestic Five Hotel, Palapye. For reservations call 3614264 or 3614267.



DPF Values

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